Bromsgrove District Council & Redditch Borough Council Local Plan Viability Study

Note: This report is an annex to the Worcestershire CIL Viability Study and should be read in conjunction with that report.

March 2014

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##th March 2014

RS Drummond-Hay MRICS ACIH
HDH Planning and Development Ltd
Bellgate, Casterton
Kirkby Lonsdale
Cumbria. LA6 2LF
simon@drummond-hay.co.uk
015242 76205 / 07989 975 977

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1. Introduction

Scope

1.1 Bromsgrove District Council & Redditch Borough Council are working together, towards producing their Local Plans. Each Council is producing their own Plan but, to a large extent, they have co-operated producing much of the supporting evidence together and working together to identify suitable sites for development. Each Council will be submitting their Local Plans for independent examination simultaneously. This process has been several years in the making and is nearing completion.

1.2 HDH Planning and Development Ltd (HDH) has been appointed to make an assessment of the cumulative impact on development viability, of the policies in the Plans, to ensure that the level of affordable housing and other policy requirements are appropriate, and that the policies in the Plans imposed on developers do not generally render development unviable, as required by paragraphs 173 and 174 of the National Planning Policy Framework (NPPF).

1.3 This document sets out the methodology used, the key assumptions, and contains an assessment of the cumulative impact of the policies in the **Bromsgrove District Plan Proposed Submission Version 2011 to 2030** and the **Borough of Redditch Local Plan Number 4 Proposed Submission (2011 to 2030)**.

1.4 In the spring of 2012, HDH was appointed by Worcestershire County Council to advise the three South Worcestershire Councils (Worcester City, Malvern Hills and Wychavon), and Bromsgrove, Redditch and Wyre Forest Councils in connection with the introduction of Community Infrastructure Levy (CIL) – particularly in the context of viability testing as required by CIL Regulation 14. HDH Planning and Development Ltd has now been asked to build on the Worcestershire CIL Viability Study and this report should be read as an Annex to the Worcestershire CIL Viability Study. It is based on further analysis of the data collected and presented in that document. The assumptions and methodology is carried forward from the Worcestershire CIL Viability Study and will not be repeated here.

1.5 In an ideal world, planning policies would be developed from the latest evidence that is all of a similar age. That is not always possible as things change and evidence is rarely all up to date. There may be changes in the property market, changes in central government priorities or changes in best practice and guidance. Bromsgrove and Redditch Councils have had to address all three when obtaining and updating evidence. The Councils have gathered a wide range of evidence that includes Strategic Housing Market Assessments, Affordable Housing Viability Assessments, Sustainability Appraisals, and have developed policies from these that meet the local priorities. Now that the Councils are close to finalising their Plans for submission, and are taking the prudent step to check that, in terms of viability, the Bromsgrove District Plan Proposed Submission Version 2011 to 2030 and the Borough of Redditch Local Plan Number 4 Proposed Submission (2011 to 2030) are deliverable.

1.6 It is important to note that the Local Plans have been developed having regard to earlier viability work which has informed the various policies. This piece of work is a consolidation and update of that work. Table 10.11 of the Worcestershire CIL Viability Study set out the then (2012) assessment:

Table 1.1 Worcestershire CIL Viability Appraisals Cumulative Impact of Planning Policies

Existing Use Value and Viability Threshold compared with Residual Value (£/ha)

Bromsgrove					Residual Value					
		Alternative Land Value	Viability Threshold	No Requirements	CfSH 4	Affordable Target	Affordable Target and CfSH 4		Affordable Target and CfSH 4 - LESS 5%	Affordable Target and CfSH 4 - PLUS 5%
Site 1	SUE 1	25,000	280,000	707,650	626,430	321,943	240,723		139,851	341,596
Site 2	SUE 2	25,000	280,000	571,848	500,767	242,677	171,576		85,475	257,676
Site 3	Greenfield 1	25,000	280,000	964,044	876,676	528,498	441,130		327,224	555,037
Site 4	Greenfield 2	25,000	280,000	1,126,237	1,033,194	651,507	558,464		434,310	682,619
Site 5	Greenfield 3	25,000	280,000	1,099,632	998,760	598,340	497,468		366,367	628,569
Site 6	Brownfield redev. L	450,000	540,000	1,277,172	1,079,060	644,423	444,434		209,978	680,880
Site 7	Urban Flats	0	0	0	0	0	0		0	0
Site 8	Brownfield redev. M	450,000	540,000	1,799,798	1,589,467	1,020,436	808,092		526,080	1,100,173
Site 9	Medium Brownfield	450,000	540,000	1,875,138	1,698,310	1,126,587	948,067		667,019	1,229,115
Site 10	Medium greenfield	25,000	25,000	2,297,577	2,148,710	1,377,130	1,226,851		980,434	1,473,268
Site 11	Urban edge	50,000	310,000	1,763,556	1,641,104	937,668	813,917		589,212	1,018,745
Site 12	Town centre flats	450,000	540,000	567,161	364,448	-57,810	-260,522		-492,108	-31,366
Site 13	Ex garage site	450,000	540,000	717,317	564,966	717,317	564,966		330,690	799,242
Site 14	Town Village Infill	750,000	900,000	2,251,730	2,111,831	2,251,730	2,111,831		1,831,633	2,392,028
Site 15	Small Village Scheme	50,000	310,000	1,912,316	1,777,469	1,912,316	1,777,469		1,520,504	2,034,435
Site 16	Village House	50,000	310,000	1,007,730	952,492	1,007,730	952,492		831,000	1,073,984
Redditch					Residual Value					
		Alternative Land Value	Viability Threshold	No Requirements	CfSH 4	Affordable Target	Affordable Target and CfSH 4		Affordable Target and CfSH 4 - LESS 5%	Affordable Target and CfSH 4 - PLUS 5%
Site 1	SUE 1	0	0	0	0	0	0		0	0
Site 2	SUE 2	25,000	280,000	471,812	400,731	197,776	126,674		58,936	194,965
Site 3	Greenfield 1	25,000	280,000	714,510	627,142	363,416	276,048		189,803	362,293
Site 4	Greenfield 2	25,000	280,000	929,049	836,006	509,828	416,785		320,163	513,407
Site 5	Greenfield 3	25,000	280,000	1,028,648	927,776	554,613	453,742		346,910	560,573
Site 6	Brownfield redev. L	0	0	0	0	0	0		0	0
Site 7	Urban Flats	0	0	0	0	0	0		0	0
Site 8	Brownfield redev. M	0	0	0	0	0	0		0	0
Site 9	Medium Brownfield	450,000	540,000	1,312,746	1,146,788	471,602	292,452		82,743	497,262
Site 10	Medium greenfield	25,000	280,000	1,780,649	1,647,249	1,004,610	862,506		673,509	1,041,537
Site 11	Urban edge	50,000	310,000	1,303,081	1,163,753	625,518	483,471		316,223	653,804
Site 12	Town centre flats	450,000	540,000	422,492	219,779	-196,403	-399,115		-581,357	-221,896
Site 13	Ex garage site	450,000	540,000	717,317	564,966	717,317	564,966		330,690	799,242
Site 14	Town Village Infill	750,000	900,000	1,774,798	1,634,899	1,774,798	1,634,899		1,378,548	1,891,250
Site 15	Small Village Scheme	50,000	310,000	1,912,316	1,777,469	1,912,316	1,777,469		1,520,504	2,034,435
Site 16	Village House	50,000	310,000	1,007,730	952,492	1,007,730	952,492		831,000	1,073,984

Source: Table 10.11 Worcestershire CIL Viability Study, January 2013, HDH

1.7 In the Worcestershire CIL Viability Study, a number of 'typical' development types were modelled and from that an assessment of development to pay CIL was made. In this study we have carried that work forward and included the Councils' Strategic Sites as listed below. These Strategic Sites are those sites that are key to delivering the Plans, either in terms of housing numbers or to achieve the wider strategic objectives of the Authorities:

Table 1.2 Bromsgrove Strategic Sites –			
		Area (ha)	Units
Norton Farm	Bromsgrove NE	12.00	316
Perryfields Rd	Bromsgrove NW	75.00	1300
Whitford Rd	Bromsgrove SW	24.00	490
St Goldwalds Rd	Bromsgrove SE	7.80	181
128 Birmingham Rd	Alvechurch N	0.60	27
Birmingham Rd / Rectory Ln	Alvechurch N	1.06	25
Kendal End Rd	Barnt Green NW	5.00	88
Church Rd	Catshill	6.04	80
Egghill Ln	Rubery	6.60	66
Kidderminster Rd	Hagley SE	9.80	175
Brook Crescent	Hagley SE	1.71	38
Western Rd	Hagley 2	4.25	70
Algoa House	Hagley S	1.44	18
Bleak House Fm	Wythall W	6.30	178
Selsdon Cls	Wythall N	3.10	76

Source: Bromsgrove District Council

Table 1.3 Redditch Strategic Sites			
		Area (ha)	Units
Brockhill East	Redditch NW	23.40	1,025
Matchborough DC	Matchborough	0.92	17
Rear Alexandra Hospital	Redditch S	7.74	145
Webheath	Redditch W	47.71	600
Woodrow	Redditch SC	3.95	180
Foxlydiate	Redditch NW	148.24	2,800
Brockhill	Redditch NW	35.61	600

Source: Redditch Borough Council

1.8 The study is updated to current prices and includes sensitivity tests to price change. This approach is appropriate as it is consistent with a focus on deliverability in the first five years of the Plans.

Metric or imperial

1.9 This study is carried out using metric measurements. The property industry uses both metric and imperial – often working out costings in metric (£/m^2) and values in imperial (£/acres and £/sqft). This is confusing, hence the use of metric measurements throughout this report. The following conversion rates may assist readers.

1m	=	3.28 ft (3' and 3.37")
1ft	=	0.30 m
1m^2	=	10.76 sqft (10 sqft and 110.0 sqin)

1sqft = 0.0929 m²

Report Structure

1.10 This report examines the viability of development across Bromsgrove and Redditch and is structured as follows:

Chapter 2 We have set out the reasons for, and approach to, viability testing, including a short review of the requirements of the NPPF.

Chapter 3 We have set out the methodology used.

Chapter 4 An assessment of the housing market, including market and affordable housing with the purpose of establishing the worth of different types of housing (size and tenure) in different areas.

Chapter 5 An assessment of the non-residential markets with the purpose of establishing the worth of different types of non-residential development.

Chapter 6 An assessment of the costs of land to be used when assessing viability.

Chapter 7 We have set out the cost and general development assumptions to be used in the development appraisals.

Chapter 8 We have summarised the various policy requirements and constraints that influence the type of development that come forward.

Chapter 9 We have set out the range of modelled sites used for the financial development appraisals.

Chapter 10 The results of the development appraisals for residential development sites.

Chapter 11 The results of the development appraisals for non-residential development sites.

Chapter 12 We consider the cumulative impact of policies and the deliverability of the Plans.

2. Viability Testing

2.1 The background to viability testing is set out in detail in the Worcestershire CIL Viability Study, since then there have been a number of alterations to national policy and guidance, so it is useful to re-visit those here. Viability testing is an important part of the Development Plan making process. The requirement to assess viability forms part of the National Planning Policy Framework[1] (NPPF) and is part of the Strategic Housing Land Availability Assessment (SHLAA)[2] process. Viability testing is also a requirement of the CIL Regulations[3]. In each case the requirement is slightly different but all have much in common.

2.2 Late in August 2013, the Government published new National Planning Practice Guidance (NPPG). This is in the form of a website[4] and at the time of this report is in draft 'Beta' format for testing and public comment. Existing guidance will not be cancelled until the NPPG is published in its final form. The NPPF sets out the Government's planning policies for England and how these are expected to be applied. The NPPF's content has not been changed as part of the review of planning practice guidance.

NPPF Viability Testing

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

173. Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. <u>Plans should be deliverable</u>. Therefore, the <u>sites and the scale of</u>

[1] The NPPF was published on 27th March 2012 and the policies within it apply with immediate effect.

[2] SHLAA Practice Guidance DCLG 2007

[3] **SI 2010 No. 948**. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010*
SI 2011 No. 987. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2011*
SI 2011 No. 2918. CONTRACTING OUT, ENGLAND AND WALES, The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011*
SI 2012 No. 2975. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012*
SI 2013 No. 982. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013*
SI 2014 No. ###. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2014. On the 12th December 2013 further amendments were published, and came into force towards the end of February 2014.

[4] http://planningguidance.planningportal.gov.uk/

development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

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

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

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

2.6 This study will specifically examine the development viability of the main types of site that are most likely to come forward over the plan-period.

2.7 We have discussed the draft NPPG later in this chapter.

Community Infrastructure Levy (CIL) Economic Viability Assessment

2.8 It is not the purpose of this study to consider CIL, however it is not practical to consider the deliverability of the Plans without also considering the ability of sites to contribute towards the funding of infrastructure. We have therefore made passing reference to the CIL Regulations at various places through this report. The CIL Regulations came into effect in April 2010 and have been subject to five subsequent amendments. On the 12th December 2013 the most recent amendments were published, these came into force towards the end of February 2014.

2.9 CIL, once introduced, is mandatory on all developments (with a very few exceptions) that fall within the categories and areas where the levy applies, as set out in the Charging Schedule. In this respect CIL is unlike other policy requirements, such as to provide affordable housing or to build to a particular environmental standard, over which there can be negotiations. This means that CIL must not prejudice the viability of most sites or put at risk the delivery of proposals set out within the Plans.

2.10 In March 2010 CLG published *Community Infrastructure Levy Guidance, Charge setting and charging schedule procedures* to support the CIL Regulations. These have now been replaced by Community Infrastructure Levy, Guidance (April 2013). It is expected that new CIL Guidance will be published shortly.

2.11 Regulation 14 (as amended) of the CIL Regulations says:

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

2.12 Viability testing in the context of CIL will assess the '*effects*' on development viability of the imposition of CIL – it should be noted that whilst the financial impact of introducing CIL is an important factor, the provision of infrastructure (or lack of it) will also have an impact on the ability of the Councils to meet their objectives through development and deliver their Development Plans. The Plans may not be deliverable in the absence of CIL.

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

25. The legislation (section 211 (7A)) requires a charging authority to use 'appropriate available evidence' to inform their draft charging schedule. It is recognised that the available data is unlikely to be fully comprehensive or exhaustive. Charging authorities need to demonstrate that their proposed CIL rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.

2.14 This applies in reverse as well and this study has drawn on the existing available evidence, including that prepared to assess the effect of CIL.

2.15 The test that will be applied to the proposed rates of CIL are set out in paragraphs 9 and 10 of the CIL Guidance.

The Community Infrastructure Levy examination

9. The independent examiner should establish that: ……..

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

10. The examiner should be ready to recommend modification or rejection of the draft charging schedule if it threatens delivery of the relevant Plan as a whole.

2.16 The test is whether CIL threatens delivery of the relevant Plan as a whole. CIL may well make some sites unviable, just as some schemes are unviable anyway due to factors such as site clearance and decontamination.

Draft National Planning Practice Guidance (NPPG)

2.17 Viability is a recurring theme through the draft NPPG, and it includes specific sections on viability in both the plan-making and the development management processes. Although the Guidance should be given limited weight at this stage, when implemented it will carry equal weight as the NPPF. We have reviewed the draft NPPG to ensure the work in this study is consistent with it. The NPPF says that plans should be deliverable and that the scale of development identified in the Plans should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The draft NPPG says:

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

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

2.18 These requirements are not new and are simply stating best practice and are wholly consistent with the approach taken through the preparation of the Plans (a good example is the inclusion of viability testing in relation to the affordable housing policy).

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

2.20 We confirm that the approach and methodology is consistent with the draft NPPG and where appropriate we have highlighted how the methodology used in this study is in accordance with the principals set out in that guidance.

Viability Guidance

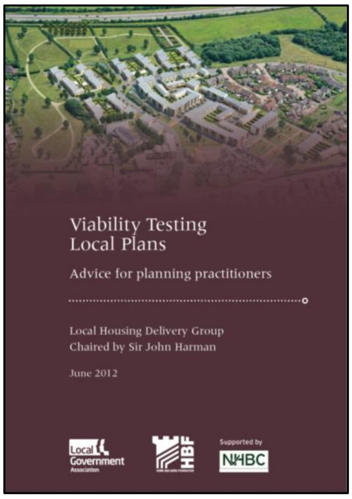
2.21 There are several sources of guidance and appeal decisions[5] that support the methodology we have developed. In this study we have followed the guidance in; *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012[6] (known as the **Harman Guidance**). This contains the following definition:

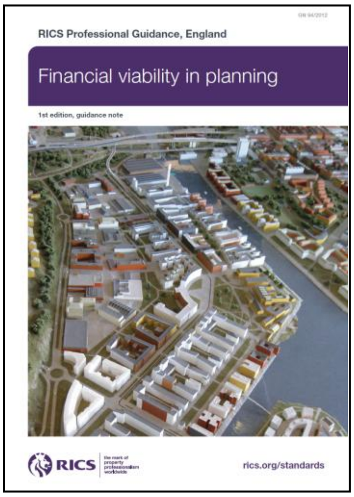
An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.

[5] *Barnet: APP/Q5300/A/07/2043798/NWF, Bristol: APP/P0119/A/08/2069226, Beckenham: APP/G5180/A/08/2084559, Woodstock: APP/D3125/A/09/2104658,* Shinfield *APP/X0360/A/12/2179141, Oxenholme Road APP/M0933/ A/13/ 2193338*

[6] Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the CLG funded, Planning Advisory Service (PAS).

2.22 The Harman Guidance and *Financial viability in planning*, RICS guidance note, 1st edition (GN 94/2012) August 2012 (known as the **RICS Guidance**) set out the principles of viability testing. Additionally, the Planning Advisory Service (PAS)[7] also provide viability guidance and manuals for local authorities. The planning appeal decisions, and the Homes and Communities Agency's (HCA) good practice publication suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value, plus a premium. The premium over and above the Existing Use Value being set at a level to provide the landowner with a *competitive return*.





2.23 There is considerable common ground between the RICS and the Harman Guidance but they are not wholly consistent. The RICS Guidance recommends against the 'current/alternative use value plus a margin' – which is the methodology recommended in the Harman Guidance. The Harman Guidance advocates an approach based on Threshold Land Value:

*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 ….

(Viability Testing in Local Plans – Advice for planning practitioners. (LGA/HBF – Sir John Harman) June 2012)

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

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

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

2.25 On face value these statements are contradictory; however this is largely due to the language used. In order to avoid later disputes and delays, the approach taken in this study brings these two sources of guidance together. The methodology adopted is to compare the Residual Value generated by the viability appraisals for the modelled sites, with the Existing Use Value (EUV) or an Alternative Use Value (AUV) plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the Existing Use Value is central to the assessment of viability. It must be set at a level to recognise '*competitive returns*'[8] for the reasonable landowner. To inform the judgement as to whether the uplift is set at the appropriate level, we make reference to the market value of the land both with and without the benefit of planning. This methodology was agreed as being appropriate through the consultation process in connection with the Worcestershire CIL Viability Study.

2.26 This approach is in line with that recommended in the Harman Guidance (as endorsed by LGA, HBF and PAS) and also broadly in line with the main thrust of the RICS Guidance of having reference to market value. It is relevant to note that the Harman methodology was endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule in January 2012[9]. In his report, the London Inspector dismissed the theory that using historical market value (i.e. as proposed by the RICS) to assess the value of land was a more appropriate methodology than using EUV plus a margin.

2.27 The approach used is consistent with the draft NPPG.

Limitations of viability testing in the context of the NPPF

2.28 The high level and broad brush viability testing that is appropriate to be used in the context of the NPPF does have limitations. The purpose of the viability testing is to assess the 'effects' of CIL. Viability testing is a largely quantitative process based on financial appraisals however, there are types of development where viability is not at the forefront of the developer's mind and they will proceed even if a 'loss' is shown in a conventional appraisal. By way of example, an individual may want to fulfil a dream of building a house and may spend more that the finished home is actually worth, a community may extend a village hall even through the value of the facility in financial terms is not significantly enhanced or the end user of an industrial or logistics building may build a new factory or

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[8] As required by 173 of the NPPF

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

depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.

2.29 This sets a Council a challenge when it needs to determine whether or not the introduction of policy will have an impact on development coming forward – will introducing a requirement on a development type that may appear only to be marginally development have any material impact on the rates of development or will the developments proceed anyway?

Viability Testing

2.30 The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation, which has been standard for as long as land has been traded for development, is:

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

LESS

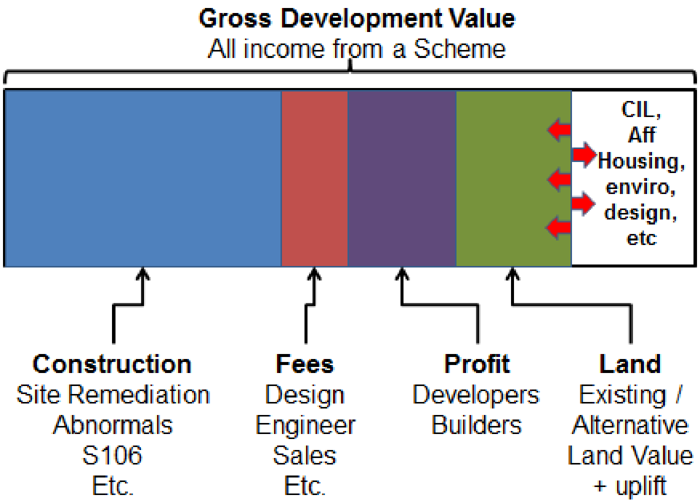
Cost of creating the asset, including a developer's return
(Construction + fees + finance charges)

=

RESIDUAL VALUE

2.31 The result of the calculation indicates a land value, the Residual Value, which is the top limit of what a bidder could offer for a site and still make a satisfactory return (the *competitive return* for the *willing developer* as set out in paragraph 173 of the NPPF). In the following graphic the bar illustrates all the income (or value) from a scheme. This value is set by the market (rather than by the developer or local authority) so is, to a large extent, fixed. The developer has relatively little control over the costs of development (construction and fees) and whilst there is scope to build to different standards and with different levels of efficiency the costs are largely out of the developers direct control – they are what they are, depending on the development.

2.32 It is well recognised in viability testing that the developer should be rewarded for taking the risks of development. The NPPF terms this the *competitive return*. The essential balance in viability testing is around the land value and when land will and will not come forward for development. The more policy requirements and developer contributions the planning authority seeks, the less the developer can afford to pay for the land. The purpose of this study is to quantify the costs of the Councils' various policies (including CIL) on development and then make a judgement as to whether or not land prices are 'squeezed' to such an extent that, in context of the NPPF, their Development Plans are put at 'serious risk'.



2.33 It is important to note that in this study we are not trying to mirror any particular developer's business model – rather we are making a broad assessment of viability in the context of plan-making and the requirements of the NPPF.

2.34 As evidenced through the consultation process that took place in connection with the Worcestershire CIL Viability Study, the 'likely land value' is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption has to be made about the 'uplift': the margin above the 'existing use value' which would make the landowner sell. Both the RICS Guidance and the draft NPPG make it clear that, when considering land value, that this must be done in the context of current and emerging policies rather than by simply looking back at historical values:

> ***Site Value definition*** *Site Value either as an input into a scheme specific appraisal or as a benchmark is defined in the guidance note as follows: 'Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.'*
> *(Box 7, Page 12, RICS Guidance)*

> *In all cases, estimated land or site value should: …reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;…*
> *(NPPG ID 10-014-130729 Last updated 15/08/2013)*

2.35 There is no technical guidance on how to test viability in the CIL Regulations or Guidance. Paragraph 173 of the NPPF says: '…… *To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable……'* This seems quite straightforward – although '*competitive returns'* is not defined.

The meaning of 'competitive return'

2.36 The meaning of '*competitive return*' was disused at some length in the Worcestershire CIL Viability Study as the meaning of '*competitive return*' is at the core of a viability assessment. The RICS Guidance includes the following definition:

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

2.37 Whilst this is useful it does not provide guidance as to the size of that return. To date there has been much discussion within the industry as to what may and may not be a competitive return, as yet the term has not been given a firm and binding definition through the appeal, planning examination or legal processes. Competitive return was considered at the January 2013, Shinfield appeal (APP/X0360/A/12/2179141) and the October 2013, Oxenholme Road appeal (APP/M0933/ A/13/ 2193338). We have discussed this further in Chapter 6.

2.38 It should be noted that this study is about the economics of development. Viability brings in a wider range than just financial factors. The following graphic is taken from the Harman Guidance and illustrates some of the non-financial as well as financial factors that contribute the assessment process. Viability is an important factor in the plan-making process, but it is one of many factors.

2.39 The above methodology was presented and discussed through the consultation process carried out with the Worcestershire CIL Viability Study. There was a consensus that it was appropriate to follow the Harman Guidance.

Existing Available Evidence

2.40 The NPPF and draft NPPG are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. We have reviewed the evidence that is available from the Councils:

2.41 The first is that which has been prepared by each Council to inform its Local Development Framework (LDF) and in particular the Core Strategy. This study has principally drawn on the existing available evidence:

a. Worcestershire CIL Viability Study (HDH Planning and Development Ltd, January 2013)

b. Redditch Affordable Housing Viability Assessment (Dr Andrew Golland, January 2013)

c. Bromsgrove Affordable Housing Viability Study (Levvel, June 2012)

d. SHLAA documents.

2.42 Our approach has been to draw on this existing evidence and to consolidate it so that it can then be used to inform the assumptions in this study.

2.43 The Councils also hold evidence of what is being collected from developers under the s106 regime. We have considered the Councils' policies for developer contributions (including affordable housing) and the amounts that have actually been collected from developers. The Councils have collated the details of their s106 track record.

3. Methodology

3.1 The detailed viability methodology is set out in detail in the Worcestershire CIL Viability Study. In summary, it involves preparing financial development appraisals for a representative range of sites, and using these to assess whether sites are viable with and without the various policy requirements included in the Bromsgrove District Plan Proposed Submission Version 2011 to 2030 and the Borough of Redditch Local Plan Number 4 Proposed Submission (2011 to 2030).

Outline Methodology

3.2 The assessment of viability as required under the NPPF (and the CIL Regulations) is not done through a calculation or a formula. The NPPF requires that '*the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened*[10]' and whether '*the cumulative impact of these standards and policies should not put implementation of the plan at serious risk*[11]'.

3.3 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of sites, and using these to assess whether development, generally, is viable. The sites were modelled based on discussions with Council officers, the existing available evidence supplied to us by the Councils, and on our own experience of development. Details of the site modelling are set out in Chapter 9. This process ensures that the appraisals are representative of typical development across the two Council areas.

3.4 The appraisals are based on the latest iterations of the Bromsgrove District Plan Proposed Submission Version 2011 to 2030 and the Borough of Redditch Local Plan Number 4 Proposed Submission (2011 to 2030) policy requirements and include appropriate sensitivity testing. Both Councils are committed to implementing CIL, however as this process is still at an early stage, we have tested a range of rates of potential CIL rates. In due course the Councils will need to consider the specific nature of the infrastructure required and whether it is best delivered through s106 or through CIL.

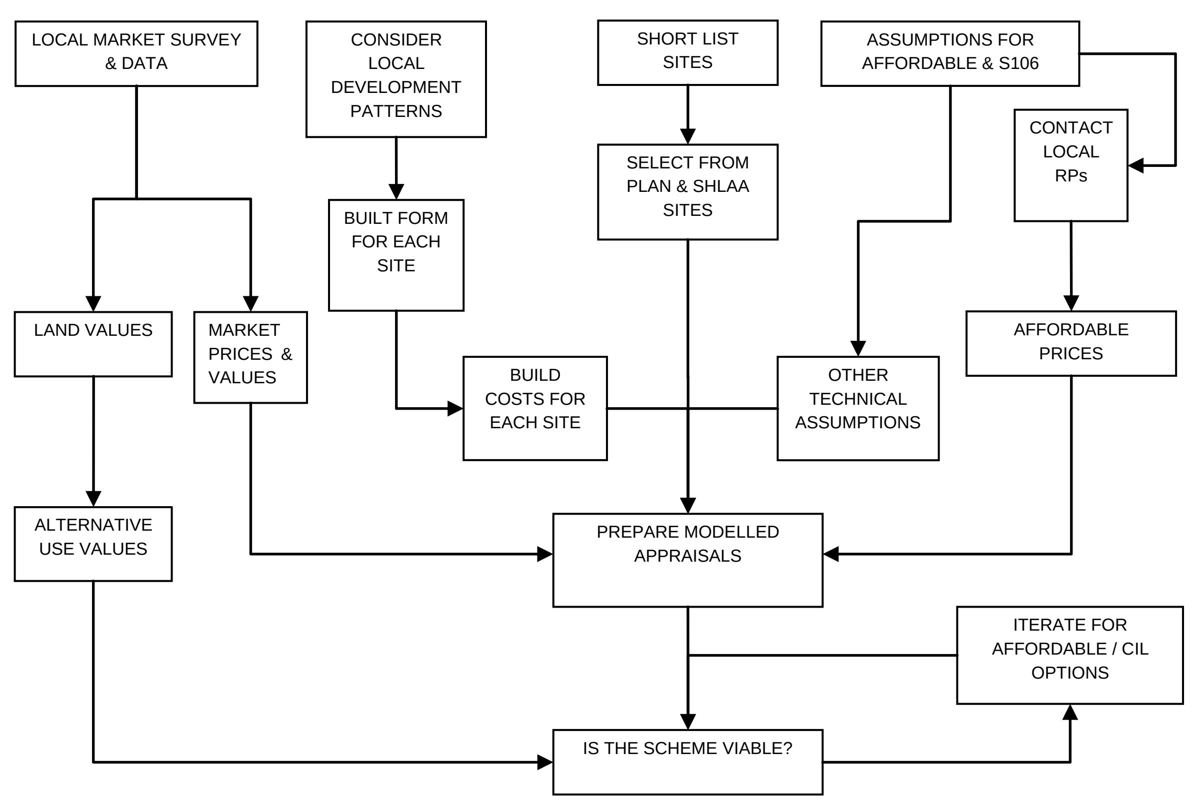
3.5 We surveyed the local housing and commercial markets, in order to obtain a picture of sales values. We also assessed land values to calibrate the appraisals and to assess Existing / Alternative Use Values. Alongside this we considered local development patterns, in order to arrive at appropriate built form assumptions for those sites where information from a

[10] NPPF Paragraph 173

[11] NPPF Paragraph 174

current planning permission or application was not available. These in turn informed the appropriate build cost figures. A number of other technical assumptions were required before appraisals could be produced. The appraisal results were in the form of £/ha 'residual' land values, showing the maximum value a developer could pay for the site and still return a target profit level.

Figure 3.1 Viability methodology



Source: HDH 2014

3.6 The Residual Value was compared to the Existing / Alternative Use Value for each site. Only if the Residual Value exceeded the Existing / Alternative Use Value figure by a satisfactory margin, could the scheme be judged to be viable.

3.7 We have used a bespoke viability testing model designed and developed by us specifically for area wide viability testing as required by the NPPF (and CIL Regulation 14)[12]. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations and people involved in property development. The purpose is to capture the generality and to provide high level advice to assist the Councils in assessing the deliverability of their Plans.

[12] This Viability Model is used as the basis for the Planning Advisory Service (PAS) Viability Workshops.

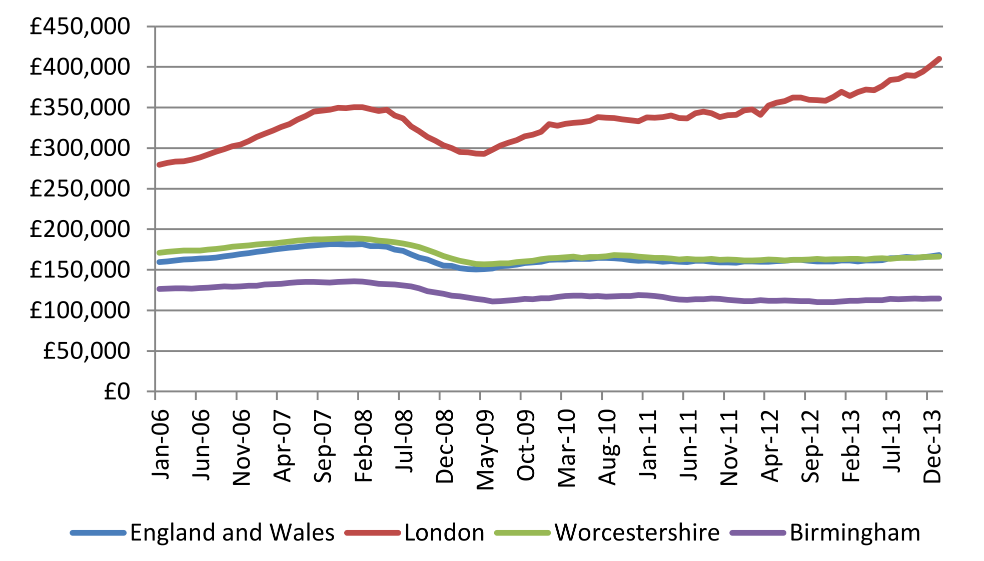
4. Residential Property Market

4.1 In this chapter we have reviewed the housing market. The Worcestershire CIL Viability Study was completed in January 2013, however much of the data was gathered during 2012. Since then there has been an increase in confidence, we have revisited the price assumptions used.

The Residential Market

4.2 The Worcestershire CIL Viability study includes an assessment of the housing market that will not be repeated here. As set out in that work the current and future direction and state of the housing market is uncertain but has seen signs of recovery. The housing market peaked late in 2007 (see the following graph) and then fell considerably in the 2007/2008 recession during what became known as the 'Credit Crunch'.

Figure 4.1 Average House Prices (£)



Source: Land Registry February 2014

4.3 Up to the peak of the market, the long term rise in house prices had, as least in part, been enabled by the ready availability of credit to home buyers. Prior to the increase in prices, mortgages were largely funded by the banks and building societies through deposits taken from savers. During a process that became common in the 1990s, but took off in the early part of the 21st Century, many financial institutions changed their business model whereby, rather than lending money to mortgagees that they had collected through deposits, they entered into complex financial instruments and engineering through which, amongst other things, they borrowed money in the international markets, to then lend on at a margin or profit. They also 'sold' portfolios of mortgages that they had granted. These portfolios also became the basis of complex financial instruments (mortgage backed securities and derivatives etc).

4.4 During 2007 and 2008, it became clear that some financial institutions were unsustainable, as the flow of money for them to borrow was not certain. As a result, several failed and had to be rescued. This was an international problem that affected countries across the world – but most particularly in North America and Europe. In the UK the high profile institutions that were rescued included Royal Bank of Scotland, HBoS, Northern Rock and Bradford and Bingley. The ramifications of the recession were an immediate and significant fall in house prices, and a complete reassessment of mortgage lending with financial organisations becoming averse to taking risks, lending only to borrowers who had the least risk of default and those with large deposits.

4.5 It is important to note that the housing market is actively supported by the current Government with about one third of mortgages being provided through a state backed entity or scheme (a publically controlled financial institution or assisted purchase scheme such as shared ownership). It is not known for how long this will continue.

4.6 There are various commentators talking about a recovery in house prices and the following quotations from the trade press captures the improved sentiment:

The housing market is "on the road to recovery", said the Royal Institution of Chartered Surveyors today (August 13), with the highest number of potential buyers seen for four years and house prices growing at their fastest rate since 2006. RICS' housing market survey for July showed that a net balance of 53% more chartered surveyors reported a rise rather than a fall in demand for housing compared to 38% in June. The signs of recovery were evident across the UK, RICS said, with the West Midlands and the North East seeing the largest increases in buyer activity last month. Accordingly, house prices rose across the country for the fourth consecutive month and at their fastest rate since the peak of the market in November 2006. Peter Bolton King, RICS global residential director, said: "These results are great news for the property market as it looks like at long last a recovery could be around the corner. Growth in buyer numbers and prices have been happening in some parts of the country since the beginning of the year but this is the first time that everywhere has experienced some improvement."

(www.housebuilder.com 13.8.13)

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

Businesses across the country are slowly looking to expand by taking on more premises in which to house their operations, according to the latest RICS Commercial Market Survey.

Interest from would-be tenants of shops, offices and factories saw a rise during the run up to summer with a net balance of 15% more surveyors reporting increases in demand. While the lion's share of this growth was seen in London, all areas of the country saw something of an uplift. Although activity is still subdued at a headline level, the results of the latest RICS report are consistent with the signs of recovery that has been visible in much other recent economic news flow.

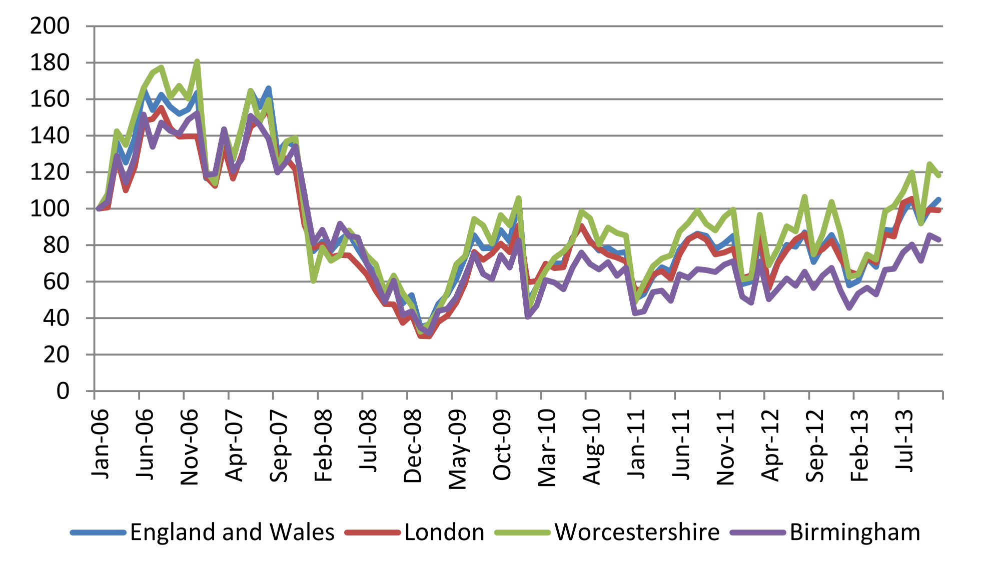
In tandem with rising demand, the amount of available property dipped slightly which, in turn, led to expectations for future rents stabilising. Since 2008, predictions for the amount of rent business premises will generate has been very much in the doldrums so this could be a further sign that a corner is slowly being turned.

(RICS 2.8.13)

4.8 There is anecdotal evidence of an improved sentiment and increase in prices. The following figure shows that generally prices in Worcestershire have seen a recovery since the bottom of the market in mid-2009 and the time of the Worcestershire CIL Viability Study, although they remain somewhat below the 2007 peak.

4.9 This is supported by the recent increase in market activity where Worcestershire has seen a recovery at a rate that is above both England and London and markedly above nearby Birmingham:

Figure 4.2 Sales per month – Indexed to January 2006



Source: Land Registry January 2014

4.10 This picture has been confirmed through informal discussions with local agents who have reported a significant increase in activity. Agents generally reported a modest increase in prices – but not perhaps as much as their vendors were expecting. There was little sign of rapid price increases in the Bromsgrove or Redditch but there was increased optimism and some improvement.

4.11 Both Bromsgrove and Redditch have residential markets which are strongly influenced by Birmingham. The median house price for Redditch is £140,100[13] and for Bromsgrove is £202,000. To set this in context, the council at the middle of the national rank (South Staffordshire) has a median price of just over £209,000.

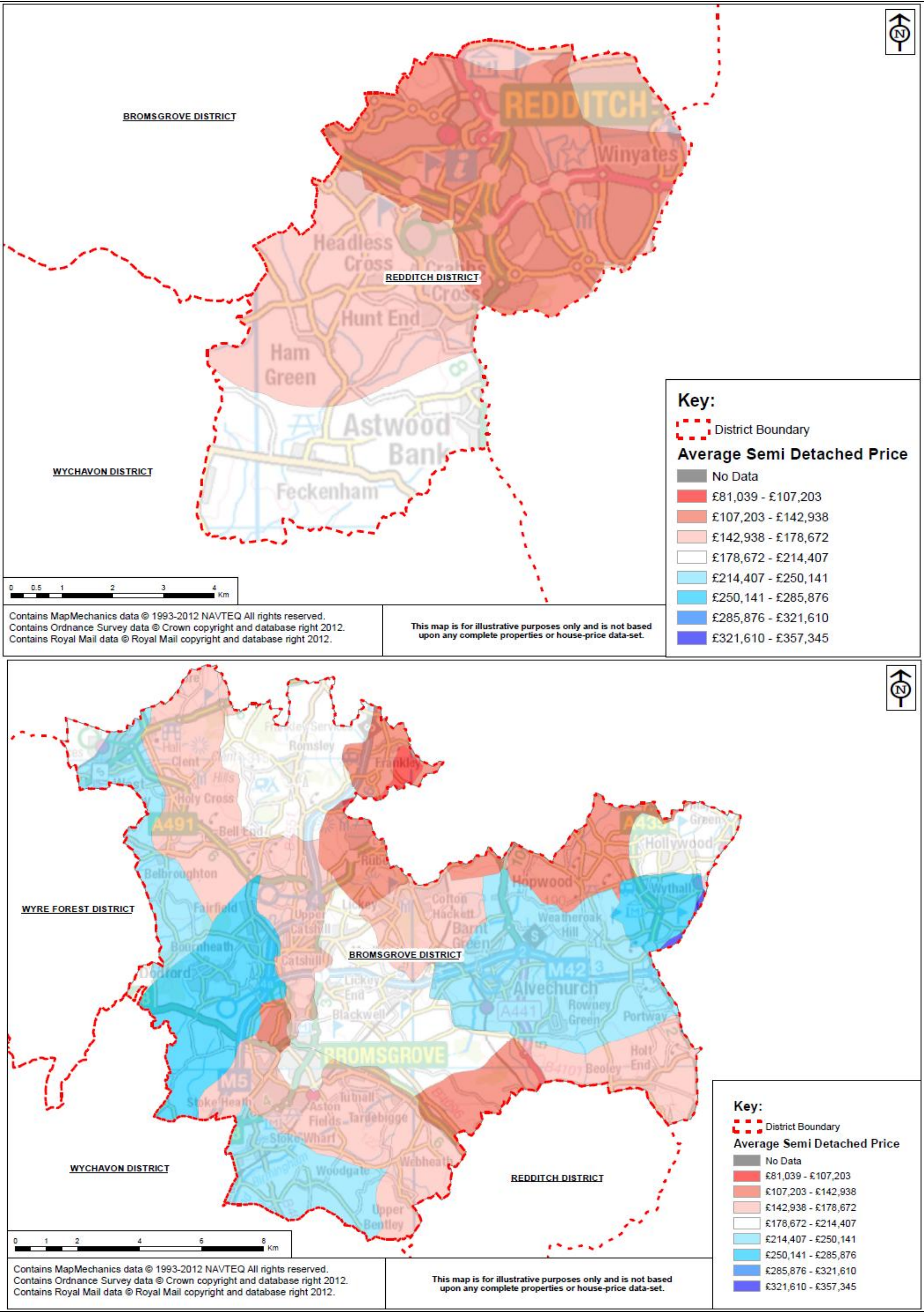
[13] CLG Live Table 586

Table 4.1 Property values (new and existing)				
Property value data/graphs for Bromsgrove				
Property type	Avg. current value	£/m2 (/sq ft)	Avg. # beds	Avg. £ paid (last 12months)
Detached	£309,356	£2,207 (£205)	3.9	£288,636
Semi-detached	£183,887	£2,120 (£197)	3	£174,957
Terraced	£153,589	£1,991 (£185)	2.7	£149,102
Flats	£122,157	£2,174 (£202)	1.7	£99,078
Property value data/graphs for Redditch				
Detached	£277,165	£2,228 (£207)	3.8	£246,073
Semi-detached	£164,932	£2,088 (£194)	3	£155,756
Terraced	£129,427	£1,690 (£157)	2.9	£128,375
Flats	£109,987	£2,153 (£200)	1.6	£91,031

Source: Zoopla.com (February 2014)

4.12 The Land Registry data is available at ward level as shown in the following maps. Whilst these are rather historic having been taken from the Worcestershire CIL Viability study the pattern remains unchanged:

Figure 4.3 Average Detached House Prices (May 2012)



Source: Land Registry 2012 (Via the Worcestershire CIL Viability Study)

4.13 In the Affordable Housing Viability Assessment for Bromsgrove (June 2012, Levvel), Appendix 7 sets out the price data used in that study. It is important to note that this data was gathered in 2009 – close to the bottom of the market:

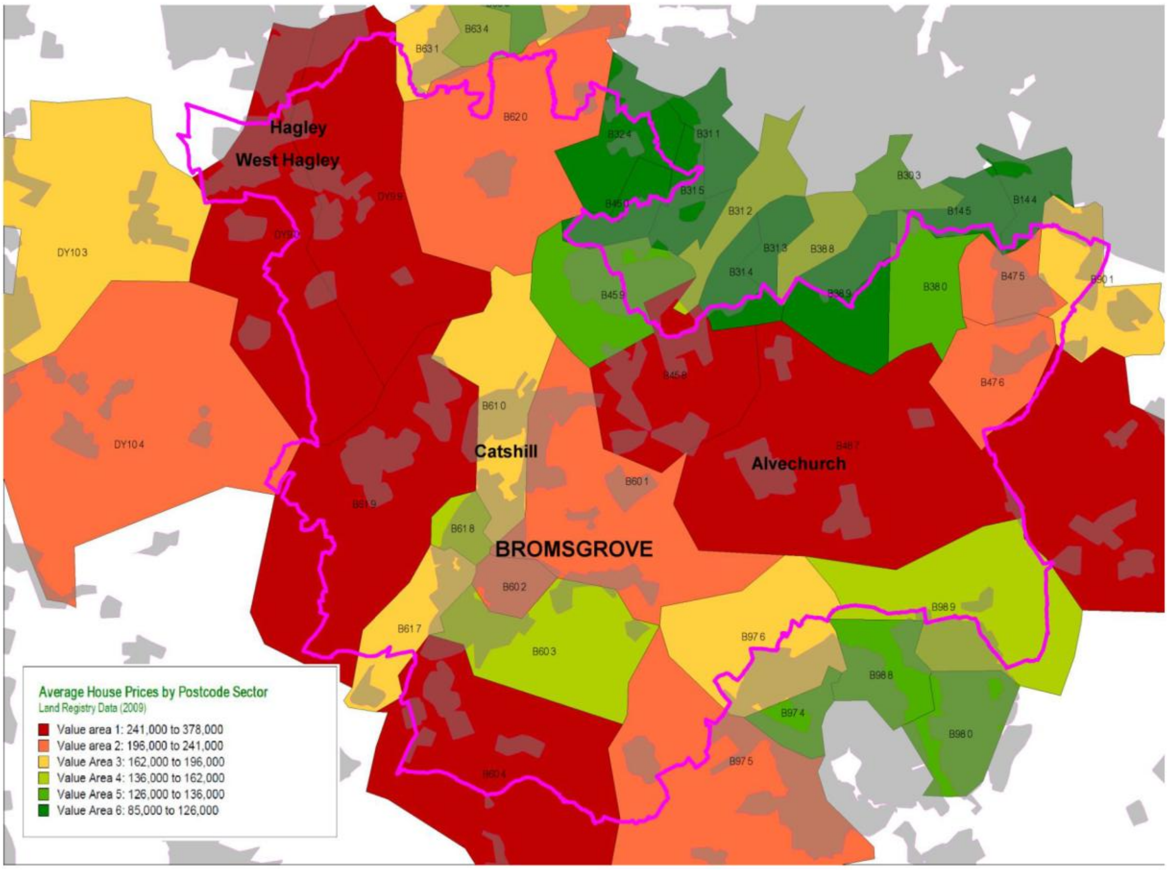
Table 4.2 Bromsgrove AHVA, Values per square metre by area and property type

Property Type	Value Area 1	Value Area 2	Value Area 3	Value Area 4	Value Area 5	Value Area 6
Flat	2772	2637	2509	1784	2015	1657
Terrace	2601	2343	2174	1886	1783	1621
Semi	2407	2038	1906	1811	1674	1458
Detached	4044	2828	2876	2469	2159	1682

Source: Appendix 7, Bromsgrove Affordable Housing Viability Assessment, June 2012 Levvel

4.14 The price areas used are as follows:

Figure 4.4 Bromsgrove, Value area



Source: Page 18, Bromsgrove Affordable Housing Viability Assessment, June 2012 Levvel

4.15 In the Affordable Housing Viability Assessment for Redditch by (December 2011, Dr Andrew Golland) Appendix 2 sets out the price data used in that study – again it is important to note that this data was gathered in 2009 – close to the bottom of the market:

Table 4.3 Redditch AHVA, Values per square metre by area and property type

Sub Market	Detached			Semis	Terraces		Flats	
	5 Bed	4 Bed	3 Bed	3 Bed	3 Bed	2 Bed	2 Bed	1 Bed
Size (m^2)	130	120	100	90	80	65	60	45
Redditch South Rural	£3,038	£2,833	£2,750	£2,833	£3,063	£3,308	£2,917	£2,667
Redditch West	£2,038	£1,917	£1,850	£1,889	£2,063	£2,231	£1,917	£1,778
Redditch Town Centre	£2,000	£1,875	£1,800	£1,833	£2,000	£2,154	£1,833	£1,667
Redditch East	£1,808	£1,708	£1,650	£1,722	£1,875	£2,000	£1,667	£1,556

Source: Redditch Affordable Housing Viability Assessment, December 2011, Dr Andrew Golland

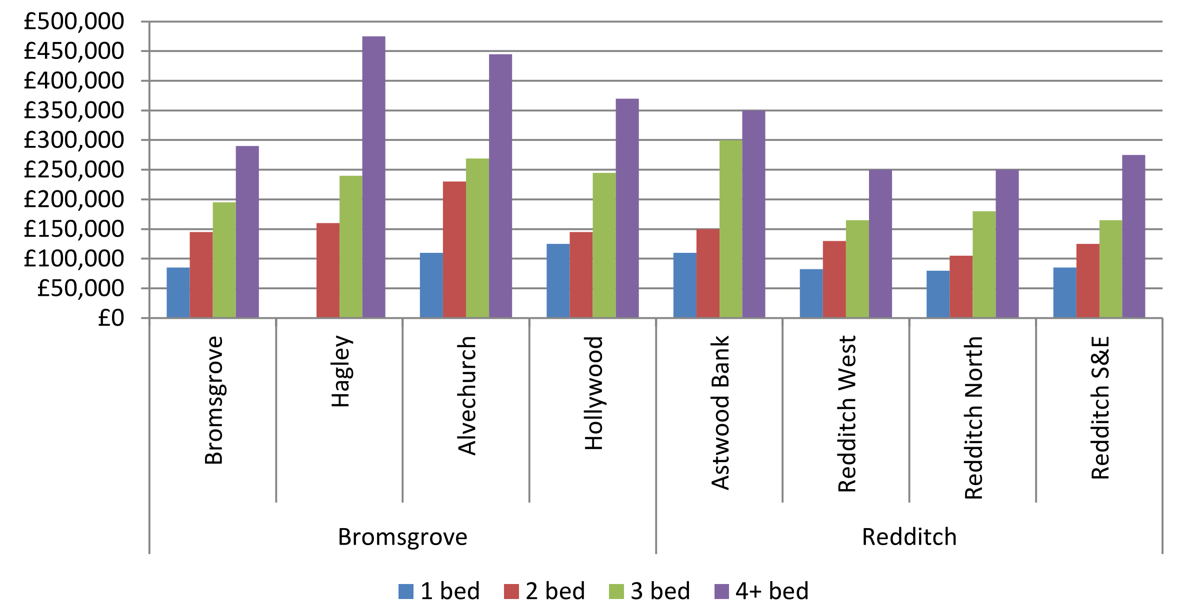
4.16 In Worcestershire CIL Viability Study the following (2012) prices were used. These were derived through primary research and revised following a period of consultation. In preparing these assumptions we referred back to the survey of newbuild sale prices. In addition, we telephoned a selection of the agents and development sales offices to check the asking prices and the incentives currently being offered. We found that the asking prices had not changed significantly, however the firmer line on discounts was noticeable. It is difficult to accurately quantify this type of feedback, but it can certainly be taken as evidence of increased optimism in the housing market (in 2012), and in the prospects of the house building industry.

Table 4.4 CIL Viability Study - Appraisal Variables by Charging Authority								
	Site 1	**Site 2**	**Site 3**	**Site 4**	**Site 5**	**Site 6**	**Site 7**	**Site 8**
Ha	8.5	8	3.75	2.5	1.8	1.4	0.6	0.42
Units	314	250	133	88	81	70	60	30
	SUE 1	SUE 2	Greenfield 1	Greenfield 2	Greenfield 3	Brownfield redev. L	Urban Flats	Brownfield redev. M
Bromsgrove	2,100	2,050	2,175	2,250	2,200	2,050		1,900
Redditch		1,950	1,975	2,100	2,150			
	Site 9	**Site 10**	**Site 11**	**Site 12**	**Site 13**	**Site 14**	**Site 15**	**Site 16**
Ha	0.4	0.57	0.3	0.2	0.12	0.1	0.1	0.1
Units	24	24	12	10	5	4	3	1
	Medium Brownfield	Medium greenfield	Urban edge	Town centre flats	Ex garage site	Town Village Infill	Small Village Scheme	Village House
Bromsgrove	2,250	2,250	2,200	1,800	1,850	2,350	2,600	3,000
Redditch	2,050	2,050	2,000	1,750	1,850	2,150	2,600	3,000

Source: Table 4.4 Worcestershire CIL Viability Study (HDH 2012)

4.17 We refreshed the survey of asking prices by house size by settlement. Through using online tools such as rightmove.com, zoopla.co.uk and other resources we estimated the median asking prices for the main settlements.

Figure 4.5 Median Asking Prices by Main Settlement (£)



Source: Market Survey February 2014

Newbuild Sales Prices

4.18 This price information is interesting but this part of this study is concerned with the viability of newbuild residential property so the key input for the appraisals are the prices of units on new developments. We conducted a survey of new homes for sale during February 2014. We identified about 55 new homes for sale in about 22 different sites. The information collected was not comprehensive as different developers and agents make different levels of information available (some declining to provide precise floor areas or prices per unit area).

4.19 We have investigated the range of 'discounts' or incentives offered by developers. These vary and have changed somewhat since the work that was carried out to support the Worcestershire CIL Viability Study. Those buyers who are purchasing new homes under the Government's Help-to-Buy scheme are unable to secure significant discounts, whereas those self-funded buyers (those with privately arranged mortgages) are able to negotiate and secure discounts from the asking price in the rage of 3% to 5%.

4.20 Analysis of these and other schemes in the study area shows that asking prices for new-build homes vary considerably, across the area. The prices ranged from between about £1,800/m^2 to over £3,180/m^2 and are summarised in the table below – note this table only shows values where £/m^2 were available. It is noticeable that, generally, newbuild house prices are higher in Bromsgrove than in Redditch.

4.21 We have set out the detail in **Appendix ##**.

Table 4.5 February 2014 New Build Market Survey – Asking Prices

Agent / Developer			**Flat £/m2**			**House £/m2**		
Redditch			Min	Max	Average	Min	Max	Average
Shipways	Forge Valley	Redditch						
Shipways	Chariot Springs, Church Hill	Redditch						
Hunters	Ipsley Manor, Berrington Close	Ipsley						
Taylor Wimpey	Lucet Meadow, Woodrow North	Redditch				£1,779	£2,147	£2,060
Dixons	Harris Close	Ipsley				£2,000	£2,366	£2,129
Oulsnam	Brooklands Lane, Churchill North	Redditch				£2,192		
Hadley	Oak Court, Tan House Lane	Redditch				£2,293		
Hadley/Castlegate Homes	Evesham Road	Redditch						
Hadley/Castlegate Homes	Evesham Road	Redditch						
Kendrick Homes/John Shepherd	Astwood Green	Astwood Green						
	Popes Lane,	Astwood Green				£2,120		
Jeremy McGinn	Walkwood Road	Redditch				£2,557		
Bromsgrove								
Bellway	Leyhill Farm Rd	Leyhill	£1,835	£1,935	£1,897	£1,911	£2,091	£2,001
Barratt	Kings Rise, Walkers Heath Rd	Kings Norton				£2,222	£2,503	
Bovis	Church Meadows, Catshill	Bromsgrove				£2,583	£3,182	£2,856
ElmsvyneHomes/Hansons	Broad St	Bromsgrove						
Arden	The Retreat, Birmingham Rd	Lickey End				£2,602		
Redrow	The Oaks, Rutherford Rd	Bromsgrove				£2,519	£2,640	£2,579
Redrow	Saxon Fields, Rutherford Rd	Bromsgrove				£2,592	£2,652	£2,621
Wise Move	Jubilee Court, Groveley Lane	Rednal				£2,107		
Gregson Page	Clent Court, Summerfield Rd	Clent	£2,888					
Oulsnam	Bilberry Grange, Parsonage Drive	Cofton Hackett				£2,778		
Fine and Country	Hollywood Drive	Wythall				£2,143	£2,500	£2,315

Source: Market Survey February 2014

Affordable Housing

4.22 Both Councils have policies for the provision of affordable housing (the requirements are summarised in Chapter 8). In this study we have assumed that such housing is constructed by the site developer and then sold to a Registered Provider (RP). This is a simplification of reality as there are many ways in which affordable housing is delivered. There are three main types of affordable housing: Social Rent, Affordable Rent and Intermediate Housing Products for Sale.

4.23 In the Bromsgrove Affordable Housing Viability Assessment (June 2012, Levvel) it was assumed that affordable housing had the following value (although it is important to note that that study was based on 2009 prices):

a. **Social Rent**. Net rent (after management costs of £250/year, maintenance of £450/year, void allowance of 2.25% and major repair allowance of 0.8%) initially capitalised at 6% although it was suggested this should be 5.5% through the consultation process.

b. **Affordable Rent**. Net rent (after management costs of £300/year, maintenance of £400/year, void allowance of 4% and major repair allowance of 0.8%) initially capitalised at 6% although it was suggested this should be 5.5% through the consultation process.

c. **Shared Ownership**. 50% of open market value plus rent at 2.75% on the unpurchased proportion adjusted for £150/year management.

4.24 The above prices were tested through a comprehensive consultation process and equate to the following values:

Table 4.6 Bromsgrove AHVA Affordable Prices (£/m^2)		
Bedrooms	Social Rent	Affordable Rent
1	£1,130	£1,286
2	£829	£1,041
3	£973	£1,046
4	£832	£1,184
5	£732	£1,116

Source: Bromsgrove Affordable Housing Viability Assessment, June 2012 Levvel

4.25 In the Redditch Affordable Housing Viability Assessment (December 2011, Dr Andrew Golland) pages 57 and 58 set out the valuation assumptions:

a. **Social Rent**. Net rent (after management, repairs and maintenance of £1,400/year and voids and bad debts of 3%) capitalised at 6%.

b. **Affordable Rent**. Net rent (after management costs of 6%, maintenance of £500/year, voids of 5% and major repair allowance of 1%) initially capitalised at 6% although it was suggested this should be 5.5% through the consultation process.

c. **Shared Ownership**. 50% of open market value plus rent at 2.75% (capitalised at 6%).

4.26 The above prices were also tested through a comprehensive consultation process.

4.27 In the Worcestershire CIL Viability Study, Social Rent was assumed to have a value of 55% of Open Market Value across the whole County. In Bromsgrove, Affordable Rent was assumed to have a worth of £1,081/m^2 compared with £1,037/m^2 in Redditch. Intermediate housing (i.e. shared ownership) was assumed to have a value of 70% of open market value. These prices were also tested through a comprehensive consultation process.

4.28 Due to the passage of time we reconsidered the values of each below:

Social Rent

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

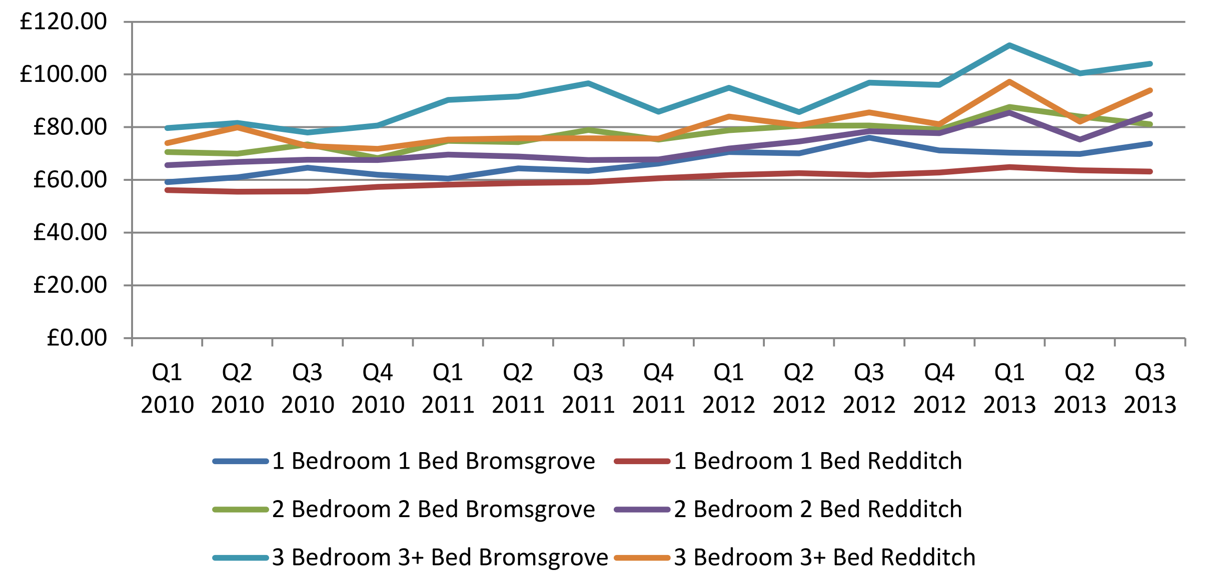
Table 4.7 Social Rent (Q3 2013)

		1 Bedroom	2 Bedroom	3+ Bedroom
Bromsgrove	£ per week	73.77	£81.08	104.01
	£ per month	319.67	351.3467	450.71
Redditch	£ per week	63.17	£84.92	£93.96
	£ per month	273.74	367.99	407.16

Source: The COntinuous REcording of Letting and Sales in Social Housing in England (CORE) February 2014

4.30 These have increased since the Worcestershire CIL Viability Study was completed:

Figure 4.6 Change in Social Rents



Source: The COntinuous REcording of Letting and Sales in Social Housing in England (CORE) February 2014

4.31 In calculating the value of affordable rents we have allowed (in line with the HCA's general assumptions) for 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income at 5.5%. On this basis, Social Rented property has the worth shown in the table below.

Table 4.8 Calculation of worth of Social Rent

	1 Bedroom	2 Bedroom	3 Bedroom
Bromsgrove			
Gross Rent	£3,836	£4,216	£5,409
Net Rent	£3,069	£3,373	£4,327
Value	£55,797	£61,326	£78,669
m^2	45	70	80
£/m2	**£1,240**	**£876**	**£983**
Redditch			
Gross Rent	£3,285	£4,416	£4,886
Net Rent	£2,628	£3,533	£3,909
Value	£47,779	£64,230	£71,068
m^2	45	70	80
£/m2	**£1,062**	**£918**	**£888**

Source: HDH 2014

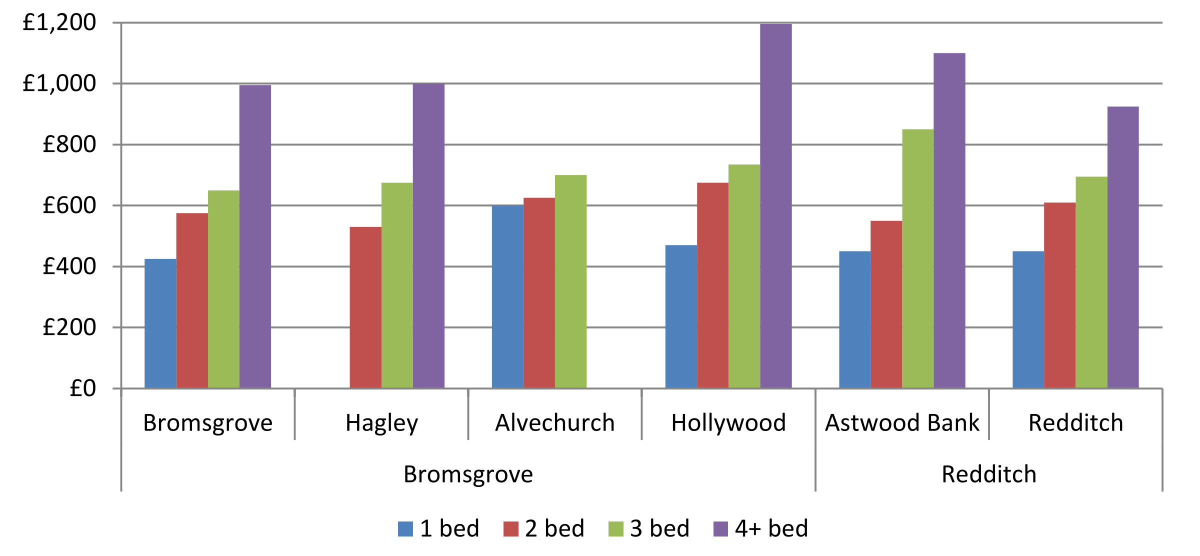
4.32 We have considered these calculations with the assumptions used in the earlier studies and assumed Social Rent to have a value of £1,050/m across the whole study area. We believe that this is a cautious assumption and that this is at the lower end of the range.

Affordable Rent

4.33 The Coalition Government has introduced Affordable Rent as a new type of affordable housing. Under Affordable Rent a rent of no more than 80% of the open market rent for that unit can be charged. In the development of affordable housing for rent, the value of the units is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor or another RP would pay for the completed unit. This will depend on the amount of the rent, the cost of managing the property (letting, voids, rent collection, repairs etc.).

4.34 We have assumed that the Affordable Rent is to be set at 80% of the open market rent of the properties in question. In estimating the likely level of affordable rent, we have undertaken a survey of market rents across the Bromsgrove and Redditch. This involved an analysis of properties currently to let.

Figure 4.7 Median Rents by Main Settlement – £/Month



Source: Market Survey February 2014

4.35 The rents vary considerably – particularly for larger units.

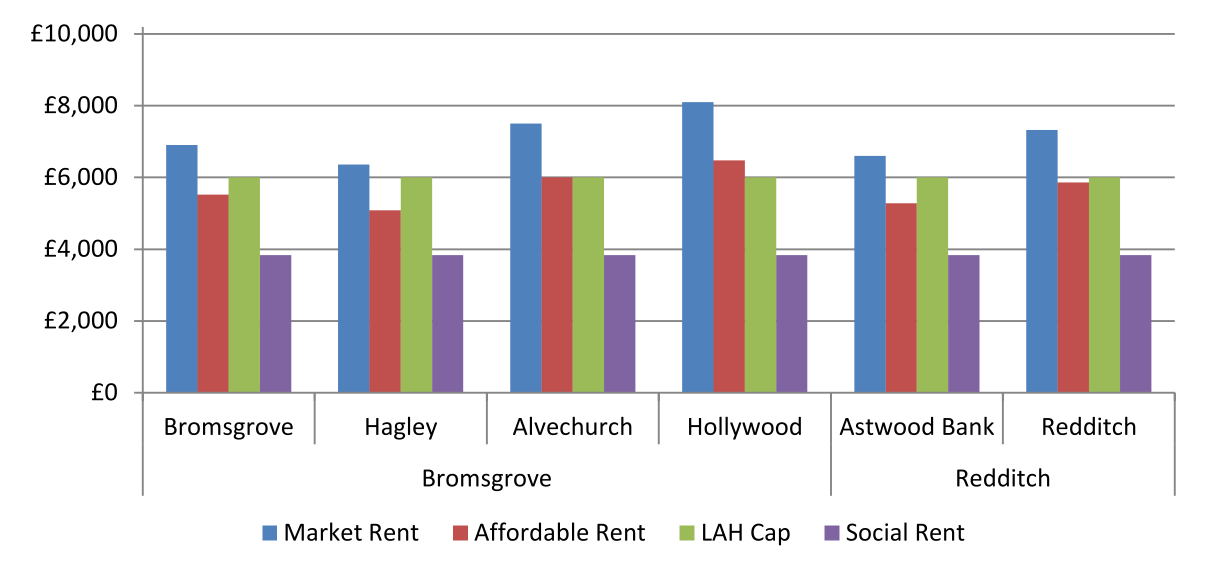
4.36 As part of the reforms to the social security system, housing benefit /local housing allowance is capped at the 3rd decile of open market rents for that property type, so in practice affordable rents are unlikely to be set above these levels. The cap is set by the Valuation Office Agency (VOA) by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

Table 4.9 BHMA Caps (£/week)			
Bromsgrove		**Redditch**	
Birmingham BRMA		Worcester North BRMA	
Shared	£56.21	Shared	£58.50
1 bedroom	£96.92	1 bedroom	£91.15
2 bedroom	£117.92	2 bedroom	£115.38
3 bedroom	£126.92	3 bedroom	£126.92
4 bedroom	£165.09	4 bedroom	£173.08
Black Country BRMA		Worcester South BRMA	
Shared	£60.00	Shared	£66.94
1 bedroom	£86.54	1 bedroom	£98.08
2 bedroom	£106.13	2 bedroom	£126.92
3 bedroom	£117.92	3 bedroom	£150.00
4 bedroom	£150.00	4 bedroom	£184.62
Solihull BRMA			
Shared	£69.05		
1 bedroom	£114.81		
2 bedroom	£147.40		
3 bedroom	£170.99		
4 bedroom	£235.85		
Worcester North BRMA			
Shared	£58.50		
1 bedroom	£91.15		
2 bedroom	£115.38		
3 bedroom	£126.92		
4 bedroom	£173.08		

Source: VOA, February 2014

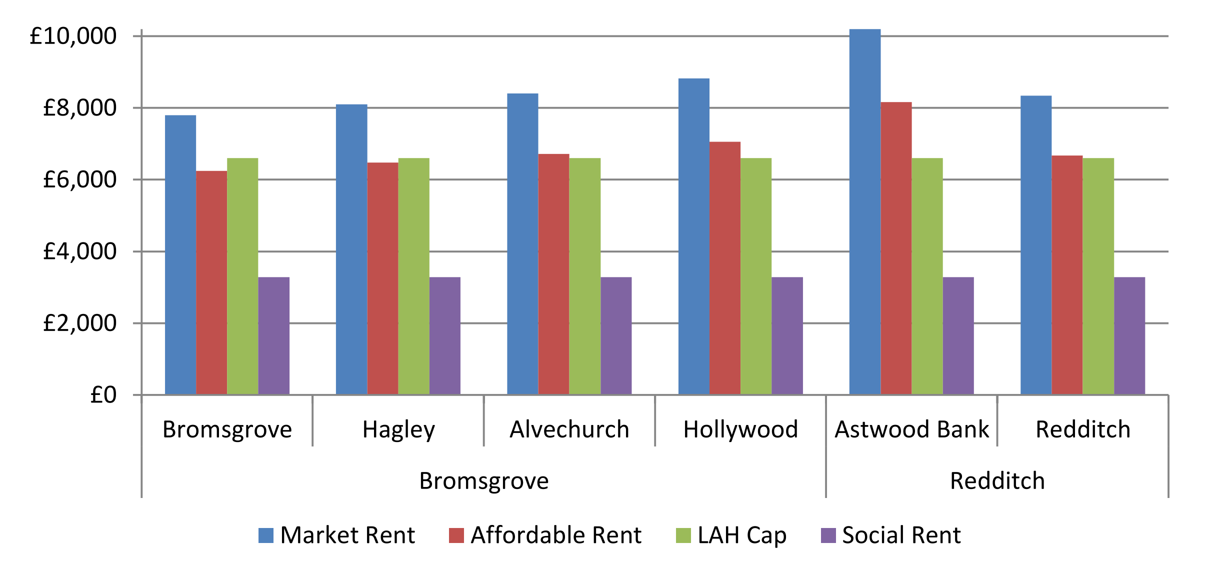
4.37 The rents for the different tenures in the main settlements (i.e. where the development will take place) can be summarised as follows and form the basis of the appraisals:

Figure 4.8 Rents by Tenure and Settlement, 2 Bed – £/year



Source: Bromsgrove and Redditch LPVS (HDH 2014)

Figure 4.9 Rents by Tenure and Settlement 3 Bed– £/year



Source: Bromsgrove and Redditch LPVS (HDH 2014)

4.38 The LHA Cap is likely to apply in both parts of the study area.

4.39 In calculating the value of affordable rents we have allowed for 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income (capped at the BHMA cap) at 5.5%.

Table 4.10 Capitalisation of Affordable Rents					
		Affordable Rent / LHA Cap	Net Rent	Capitalised Rent	£/m2
2 bed					
Bromsgrove	Bromsgrove	£5,520	£4,416	£88,320	£1,262
	Hagley	£5,088	£4,070	£81,408	£1,163
	Alvechurch	£6,000	£4,800	£96,000	£1,371
	Hollywood	£6,000	£4,800	£96,000	£1,371
Redditch	Astwood Bank	£5,280	£4,224	£84,480	£1,207
	Redditch	£5,856	£4,685	£93,696	£1,339
3 bed					
Bromsgrove	Bromsgrove	£6,600	£5,280	£105,600	£1,320
	Hagley	£6,600	£5,280	£105,600	£1,320
	Alvechurch	£6,600	£5,280	£105,600	£1,320
	Hollywood	£6,600	£5,280	£105,600	£1,320
Redditch	Astwood Bank	£6,600	£5,280	£105,600	£1,320
	Redditch	£6,600	£5,280	£105,600	£1,320

Source: HDH 2014

4.40 Having reviewed the above we have assumed Affordable Rent has a value of £1,320/m^2 across the whole area. Again this is a cautious assumption at the lower end of the range.

Intermediate Products for Sale

4.41 Intermediate products for sale include shared ownership and shared equity products. The market for these is 'thin' at present and we have found little evidence of the availability of such products in the study area. This is, in part, due to the current success of the Government's 'Help to Buy' scheme.

4.42 We have assumed a value of 70% of open market value for these units.

Grant Funding

4.43 We have assumed that no external funding will be available in the analysis in this report.

Residential Price Assumptions

4.44 It is necessary to form a view about the appropriate prices for the schemes to be appraised in the study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. To a great degree the value of the units for sale are driven by the specific situation of the scheme (does it have attractive views, the setting and quality) rather than the general location (ie the post code or neighbourhood).

4.45 Based on the current asking prices from active developments, and informed by the general pattern of all house prices across the study area, we have set the prices in the appraisals based on this data. It is important to note at this stage that this is a broad brush, high level study to test the Council's policy as required by the NPPF. The values between new developments, and within new developments, will vary considerably.

Table 4.11 Residential Market Values – Modelled Sites £/m^2

			Market	Int to Buy	Aff Rent	Social Rent
1	Settlement Edge	Bromsgrove	2,500	1,750	1,320	1,050
2	Settlement Edge	Bromsgrove	2,550	1,785	1,320	1,050
3	Village Edge	Bromsgrove	3,000	2,100	1,320	1,050
4	Village Edge	Bromsgrove	3,000	2,100	1,320	1,050
5	Village Edge	Bromsgrove	3,000	2,100	1,320	1,050
6	Settlement Brown	Bromsgrove	2,100	1,470	1,320	1,050
7	Urban Infill	Bromsgrove	2,150	1,505	1,320	1,050
8	Urban Infill	Bromsgrove	2,200	1,540	1,320	1,050
9	Settlement Edge	Redditch	2,250	1,575	1,320	1,050
10	Settlement Edge	Redditch	2,500	1,750	1,320	1,050
11	Village Edge	Redditch	2,800	1,960	1,320	1,050
12	Village Edge	Redditch	3,000	2,100	1,320	1,050
13	Settlement Mixed	Redditch	2,050	1,435	1,320	1,050
14	Settlement Brown	Redditch	2,000	1,400	1,320	1,050
15	Urban Infill	Redditch	2,000	1,400	1,320	1,050
16	Urban Infill	Redditch	2,000	1,400	1,320	1,050

Source: HDH 2014

Table 4.12 Residential Market Values – Bromsgrove £/m²						
			Market	Int to Buy	Aff Rent	Social Rent
1	Norton Farm	Bromsgrove NE	2,300	1,610	1,320	1,050
2	Perryfields Rd	Bromsgrove NW	2,300	1,610	1,320	1,050
3	Whitford Rd	Bromsgrove SW	2,300	1,610	1,320	1,050
4	St Goldwalds Rd	Bromsgrove SE	2,300	1,610	1,320	1,050
5	128 Birmingham Rd	Alvechurch N	2,750	1,925	1,320	1,050
6	Birmingham Rd / Rectory Ln	Alvechurch N	2,750	1,925	1,320	1,050
7	Kendal End Rd	Barnt Green NW	2,600	1,820	1,320	1,050
8	Church Rd	Catshill	2,150	1,505	1,320	1,050
9	Egghill Ln	Rubery	3,000	2,100	1,320	1,050
10	Kidderminster Rd	Hagley SE	2,750	1,925	1,320	1,050
11	Brook Crescent	Hagley SE	2,750	1,925	1,320	1,050
12	Western Rd	Hagley 2	2,750	1,925	1,320	1,050
13	Algoa House	Hagley S	2,750	1,925	1,320	1,050
14	Bleakhouse Fm	Wythall W	2,750	1,925	1,320	1,050
15	Selsdon Cls	Wythall N	2,800	1,960	1,320	1,050

Source: HDH 2014

Table 4.12 Residential Market Values – Redditch £/m²						
			Market	Int to Buy	Aff Rent	Social Rent
1	Brockhill East	Redditch NW	2,350	1,645	1,320	1,050
2	Matchborough DC	Matchborough	1,950	1,365	1,320	1,050
3	Rear Alexandra Hospital	Redditch S	2,200	1,540	1,320	1,050
4	Webheath	Redditch W	2,350	1,645	1,320	1,050
5	Woodrow	Redditch SC	2,050	1,435	1,320	1,050
6	Foxlydiate	Redditch NW	2,400	1,680	1,320	1,050
7	Brockhill	Redditch NW	2,400	1,680	1,320	1,050

4.46 Source: HDH 2014

Older People's Housing

4.47 The sector brings forward two main types of product, retirement/sheltered and extracare housing. This is generally a growing sector due to the demographic changes and aging population.

4.48 Sheltered or Retirement housing is housing which is self-contained housing, normally developed as flats and other relatively small units. Where these schemes are brought forward by the private sector there are normally warden services and occasionally non-care support services (laundry, cleaning etc.) but not care services.

4.49 Extracare housing is sometimes referred to as very sheltered housing or housing with care. It is self-contained housing that has been specifically designed to suit people with long-term conditions or disabilities that make living in their own home difficult, but who don't want to move into a residential care home. Schemes can be brought forward in the open market or in the social sector. Most residents are older people, but this type of housing is becoming popular with people with disabilities regardless of their age. Usually, it is seen as a long-term housing solution. Extracare housing residents still have access to means-tested local authority services.

4.50 We have received representations from the Retirement Housing Group (RHG) being a trade group representing private sector developers and operators of retirement, care and extracare homes. They have set out a case that sheltered housing and extracare housing should be tested separately.

4.51 In line with the RHG representations, we have assumed the price of a 1 bed sheltered property is about 75% of price of existing 3 bed semi-detached house and a 2 bed sheltered property is about equal to the price of existing 3 bed semi-detached house. In addition we have assumed extracare housing is 25% more expensive than sheltered.

4.52 On this basis we have assumed retirement housing has the following worth:

Table 4.13 Worth of Older People's Housing

	Area	£	£
	m2	Bromsgrove	Redditch
3 bed semi-detached		180,000	165,000
I bed Sheltered	50	135,000	123,750
2 bed Sheltered	75	180,000	165,000
1 bed Extracare	65	168,750	154,688
2 bed Extracare	80	225,000	206,250
		£/m^2	£/m^2
I bed Sheltered	50	2,700	2,475
2 bed Sheltered	75	2,400	2,200
1 bed Extracare	65	2,596	2,380
2 bed Extracare	80	2,813	2,578

Source: HDH 2014

4.53 The above prices are applied to the net saleable areas.

5. Non-Residential Property Market

6.1 This study is concerned with the delivery of the two Local Plans. These Plans include non-residential development as well as residential development. It is just as important that these development types are not subject to such a scale of policy burden as to render them unviable as it is for residential development.

6.2 We have reviewed the assumptions used in the Worcestershire CIL Viability Study. In this study we have carried forward those assumptions. We have not carried out any fresh work in this regard.

Appraisal Assumptions

6.3 We have summarised the values used below:

Table 5.2 Non Residential Values for Appraisals £/m^2

Large industrial	850
Small industrial	800
Large office	1,750
Small office	1,750
Supermarkets	2,500
Retail Warehouse	1,800
Shops	2,000
Hotels	2,150

Source: Worcestershire CIL Viability Study (HDH) 2012

6. Land Prices

6.1 In Chapter 2 we set out the methodology used in this study to assess viability and set out the approach put forward in the Harman Guidance. An important element of the assessment is the value of land. Under the method recommended in the Harman Guidance, the starting point for the assessment is the worth of the land before consideration of any increase in value arising from a different use that may be permitted though a planning consent, this being the Existing Use Value (EUV). Also considered is the worth given a different use which would be likely to be permitted, or the Alternative Use Value (AUV).

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

Current and Alternative Use Values

6.3 In order to assess development viability, it is necessary to analyse current and alternative use values. Current use values refer to the value of the land in its current use <u>before planning consent is granted</u>, for example, as agricultural land. Alternative use values refer to any other potential use for the site. For example, a brownfield site may have an alternative use as industrial land.

6.4 The draft NPPG includes a definition of land value as follows:

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

In all cases, estimated land or site value should:

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

6.5 The RICS Guidance makes it clear that when considering land value that this must be done in the context of current and emerging policies:

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

(<u>Box 7, Page 12, RICS Guidance)</u>

6.6 It is vital to fully appreciate that land value should reflect emerging policy requirements and planning obligations.

6.7 To assess viability, the Residual Value of the land derived from the particular scheme is to be compared with the EUV, to determine if there is another use which would derive more revenue for the landowner. If the Residual Value does not exceed the EUV, then the development is not viable. For the purpose of the present study, it is necessary to take a comparatively simplistic approach to determining the EUV. In practice, a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis the outcome might still be contentious.

6.8 Our 'model' approach is outlined below:

i. For sites previously in agricultural use (where there is no alternative use value), then agricultural land represents the existing use value.

ii. For smaller parcels of land on the edge of a settlement we have assumed a paddock value to reflect its likely alternative use as amenity land.

iii. Where the development is on previously developed land, then the existing and alternative use value is considered to be industrial.

Residential Land

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

6.10 The VOA publishes figures for residential land in the Property Market Report. These cover areas which generate sufficient activity to discern a market pattern. That means locally we have a figure for Birmingham of £1,235,000. This value can only provide broad guidance, they can therefore only be indicative, and it is likely that values for 'oven ready' land (i.e. land with planning consent and ready for immediate building) with no affordable provision or other contribution, or servicing requirement, are in fact higher.

6.11 The values in the Property Market Report are based on the assumption that land is situated in a typically greenfield edge of centre/suburban location for the area and it has been assumed that services are available to the edge of the site and that it is 'ripe' for development with planning permission being available. The values provided assume two storey construction with density, s106 provision and affordable housing ratios to be based on market expectations (<u>although not necessarily the policy requirements</u>) for the locality. The report cautions that the values should be regarded as illustrative rather than definitive and represent typical levels of value for sites with no abnormal site constraints and a residential planning permission of a type generally found in the area. It is important to note that these values are net – that is to say they relate to the net developable area and do not take into account open space that may form part of the scheme.

6.12 Due to the date of the report, these values are before the introduction of CIL, so do not reflect this new charge on development which will inevitably depress land values somewhat.

6.13 We also sought information about values from residential land currently on sale in the area. Very little land is being marketed at the moment. We have therefore consulted agents operating in the area who suggested prices from about £500,000ha (£200,000/acre) to about £1,500,000/ha (£600,000/acre).

6.14 It is necessary to make an assumption about the value of residential land. We have assumed a value of £750,000/ha (£300,000/acre) for residential land. This amount is on a net basis so does not include the areas of open space.

Industrial Land

6.15 In the Worcestershire CIL Viability Study, it was subsumed that industrial land in Bromsgrove and Redditch had a value of £450,000/ha. We have carried that assumption forward into this study.

Retail Land

6.16 The majority of net new retail development is expected to be on greenfield sites. We have assumed the value of £4,000,000/ha for town centre sites. This is a simplification of the market which varies from street to street however, bearing in mind the purpose of this study, we believe that this a safe and prudent assumption to make.

Agricultural and Paddocks

6.17 Agricultural values rose for a time several years ago after a long historic period of stability. Values are around £15,000-£25,000/ha depending upon the specific use. A benchmark of £25,000/ha is assumed to apply here.

6.18 Sites on the edge of a town or village may be used for an agricultural or grazing use but have an value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. We have assumed a higher value of £50,000/ha for village and town edge paddocks.

Use of alternative use benchmarks

6.19 The results from appraisals are compared with the EUV set out above in order to form a view about each of the sites' viability. This is the controversial part of the viability process and the area of conflicting guidance (the Harman Guidance versus the RICS Guidance). In the context of this report it is important to note that it does not automatically follow that, if the Residual Value produces a surplus over the alternative use value benchmark, the site is viable. The land market is more complex than this and as recognised by paragraph 173 of the NPPF, the landowner should receive a '*competitive return*'. The phrase *competitive return* is not defined in the NPPF, nor in the Guidance. Competitive return has not been fully defined through planning appeals and the court system[14]. The RICS Guidance includes the following definition:

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

6.20 The draft NPPG includes the following section:

Competitive return to developers and land owners

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

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

6.21 Whilst this is useful it does not provide any guidance as to the size of that return. To date there has been much discussion within the industry and amongst planners as to what may and may not be a competitive return. The Shinfield[15] appeal (January 2013) does shed some light in this. We have copied a number of key paragraphs below as, whilst these do not provide a strict definition of competitive return, the inspector (Clive Hughes BA (Hons) MA DMS MRTPI) does set out his analysis clearly.

38. Paragraph 173 of the Framework advises that to ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable. The Framework provides no advice as to what constitutes a competitive return; the interpretation of that term lies at the heart of a fundamental difference between the parties in this case. The glossary of terms appended to the very recent RICS guidance note Financial viability in planning (RICS GN) says that a competitive return in the context of land and/ or premises equates to the Site Value (SV), that is to say the Market Value subject to the assumption that the value has regard to development plan policies and all other material considerations and disregards that which is contrary to the development plan. It is also the case that

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

[15] APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

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

Competitive return

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

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

Viable amount of Affordable Housing

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

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

6.22 More recently, further clarification has been added in the Oxenholme Road appeal (October 2013)[16]. This appeal related to a site to the south east of Kendal. The inspector confirmed that the principle set out in Shinfield is very site specific and should only be given limited weight. At Oxenholme Road the inspector said:

47. The parties refer to an appeal decision for land at Shinfield, Berkshire , which is quoted in the LADPD Viability Study. However, little weight can be given to that decision in the present case, as the nature of the site was quite different, being partly previously developed, and the positions taken by the parties on the proportion of uplift in site value that should be directed to the provision of affordable housing were at odds with those now proposed. There is no reason in the present case to assume that either 100% or 50% of the uplift in site value is the correct proportion to fund community benefits.

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

6.23 It is clear that for land to be released for development, the uplift over the existing use value needs to be sufficiently large to provide an incentive to the landowner to release the site and cover any other appropriate costs required to bring the site forward for development. It is therefore appropriate to consider the value of land as it stands – bearing in mind the current and emerging policy environment.

6.24 The RICS Guidance recognises that the value of land will be influenced by the requirements imposed by planning authorities. It recognises that the cost to the developer of providing affordable housing, building to increased environmental standards, and paying CIL, all have a cumulative effect on viability and are reflected in the ultimate price of the land. A central question for this study is - at what point will the requirements imposed by the planning authorities make the price payable for land so unattractive that it does not provide competitive returns to the land owner, and so does not induce the owner to make the land available for development?

6.25 The reality of the market is that each and every land owner has different requirements and different needs and will judge whether or not to sell by their own criteria. We therefore have to consider how large such an 'uplift' or 'cushion' should be for each type of site to broadly provide a competitive return. The assumptions must be a generalisation as in practice the size of the uplift will vary from case to case depending on how many landowners are involved, each landowner's attitude and their degree of involvement in the current property market, the location of the site and so on. An 'uplift' of, say, 5% might be sufficient in some cases, whilst in a particular case it might need to be ten times that figure, or even more.

6.26 There are a number of approaches that can be taken. In the Bromsgrove Affordable Housing Viability Study the following approach was taken:

4.3 'Delivering Affordable Housing' supports the use of a viability tool such as that advocated by the Greater London Authority (GLA), or that used by the Homes and Communities Agency for the

[16] APP/M0933/ A/13/ 2193338 (Land to the west of Oxenholme Road, Kendal, Cumbria)

assessment of whether schemes should be supported by public funding such as Social Housing Grant. This tool is a residual land value assessment model as described above, which suggests that a site will only come forward with an affordable housing contribution where the resulting overall residual site value exceeds the existing or alternative use of that site.

4.4 *Levvel has developed a dynamic model to determine the residual land value that has been used in negotiation with over 200 local authorities and used at appeal on numerous occasions. From this, a toolkit to assess viability on a district wide level has been developed, this is known as the Levvel Development Viability Model (DVM).*

4.5 *Robust assumptions are then required to be inputted into this model. Costs to development such as build costs, planning gain requirements, profit and development finance are arrived at through our experience and through consultation with the development industry and Council Officers. Sensitivity testing of variables such as affordable housing percentage, tenure requirements, increased/decreased levels of planning obligations and the availability of public subsidy will ensure the validity of the study outputs and demonstrate the impact upon viability across the range of study scenarios.*

4.6 *For a policy to be robust and reliable throughout the plan period, we believe it is necessary to assess with a methodology that is "future proofed" as far as possible. As viability is reliant on the interaction between changing costs and revenues of housing over time, it follows that this relationship must be accounted for by future proof testing. It is simply not good enough to assess current costs against a range of property values as this provides only a "snapshot" view. The relationship between values and costs over time is not taken into account.*

4.7 *Levvel has therefore addressed this issue by applying inflation rates for cost inputs throughout the study period. For values, it is difficult to predict where the housing market may be in even 1 year's time, so long range predictions based on popular commentary are of little use. However, we have assessed value changes based on the historic performance of the housing market as described previously. This gives us a view of where values may be in the future if the past housing market cycle was typical. However, this does not give us the necessary comfort or margin for error should the cycle vary. We have therefore reasoned that by choosing scenarios, based on an upside, middle and downside view of the housing market, we will have covered the range of positions to which the housing market may go. A detailed analysis of these scenarios is included at Appendix 3, to this document.*

4.8 *By then reporting on the viability of schemes where they are delivered at different points within this range, we have come to a view of how this will affect the deliverability and effectiveness of proposed policy. For instance, should the housing market perform below past trends for the next five years before picking up again, we can assess whether the proposed policy might adversely affect the viability of schemes and therefore their delivery. Similar principles apply to a more optimistic view of where values may end up.*

4.9 *Levvel's methodology enables the effect of a range of delivery timescales to be examined, thus all development scenarios selected are tested assuming development start dates of the date of modelling, date of modelling plus 1 year, plus 2 years, plus 3 years, and so on until 2027.*

4.10 *The use of the Levvel methodology allows for variations in land value over time to be accounted for, again ensuring 'future proofing' of the viability study. Any affordable housing policy seeks to capture an element of the land value for the community benefit. We know that there is a minimum land value which schemes need to achieve in order to be brought forward, otherwise it becomes more economic for the site to continue in its existing (or alternative) use.*

4.11 *Given the range of existing land uses of housing sites within the Authority it is not sufficient, in our opinion, to assess the existing or alternative use value of a site against one indicator but rather to test a range of likely existing or alternative use values. To inform the land values that will be used as our first assessment of viability Levvel has:*

- *had regard to Valuation Office Agency Data regarding land values;*
- *sought feedback from stakeholders through the stakeholder engagement process (see Appendix 4);*
- *engaged Thornes Chartered Surveyors and Estate Agents to provide information and professional judgement on land values and recent land transactions undertaken in the District (see Appendix 5).*

4.12 The Valuation Office Agency (VOA) provides data on agricultural land and property values. It is unrealistic however to assume that Greenfield development land would be traded for residential use at these rates. For example the average value of unequipped arable land with vacant possession in the West Midlands as at January 2010 was £15,438 per ha. Stakeholder engagement (see Appendix 4) has confirmed this view.

4.13 Thornes Chartered Surveyors have provided a range of land values which based on examination of transactions and their own professional judgement, are relevant to Bromsgrove. The results of their investigation have informed, along with stakeholder consultations, the range of values used as EUV 1, EUV 2, EUV 3 and EUV 4. These are as follows:

- *EUV 1 - £250,000 per hectare;*
- *EUV 2 - £400,000 per hectare;*
- *EUV 3 - £800,000 per hectare;*
- *EUV 4 - £1,750,000 per hectare.*

4.14 Therefore we have taken a wide range of land values as we recognise the wide range of alternative and existing uses within the Authority.

6.27 In the Redditch Affordable Housing Viability Study a more qualitative approach was taken:

2.6 A site is *extremely unlikely to proceed where the costs of a proposed scheme exceed the revenue. But simply having a positive residual value will not guarantee that development happens. The Existing Use Value (EUV) of the site, or indeed a realistic alternative use value for a site (e.g. commercial) will also play a role in the mind of the land owner in bringing the site forward and thus is a factor in deciding whether a site is likely to be brought forward for housing.*

2.12 Under all circumstances, the Council will need to consider whether a realistic and justifiable AUV (Alternative Use Value) applies. Where the AUV is higher than the EUV, and can be justified, then the AUV becomes the appropriate threshold value against which RV is judged.

6.28 The study does not include a specific assessment of land values or set out a specific viability test.

6.29 In the Worcestershire CIL Viability study the following approach was taken.

6.30 Following the consultation event we reconsidered this – particularly in the light of the RICS Guidance. The argument put forward by the landowners' agents was persuasively put, but it was not the only argument put forward – as mentioned above, there was some agreement that, if the assumptions related to gross values, they were realistic and appropriate and allowed a reasonable uplift for the landowners that was sufficient to allow the land to come forward. In the revised appraisals in this report, we have used the following assumptions to set the viability thresholds and calculate the land price in the additional profit appraisals:

a. We have used alternative land prices of:

i.	*Agricultural Land*	*£25,000/ha*
ii.	*Paddock Land*	*£50,000/ha*
iii.	*Industrial Land*	
	North East Worcestershire (Bromsgrove and Redditch)	*£450,000/ha*
	Wider Worcestershire	*£350,000/ha*
iv.	*Residential Land*	*£750,000/ha*

b. We have increased the percentage uplift from 15% to 20% on all sites.

c. We have assumed a further uplift of £250,000/ha on greenfield sites (being those in agricultural and paddock uses).

6.30 The purpose of this study is to check the overall situation in terms of viability before submission of the Plans. Bearing in mind the publication of the Harman and RICS Guidance and the draft NPPG we have considered this further. In the Worcestershire CIL Viability

Study we initially took the view that a 20% uplift over and above the existing use value would be sufficient, and then, based on our knowledge of rural development and from working with farmers, landowners and their agents, we made a further adjustment for those sites coming forward on greenfield sites. We added a further £250,000/ha (£100,000/acre) to reflect this premium on greenfield sites. We added this amount to sites that were modelled on sites that were previously paddocks as well – the result being that owners of greenfield land would receive an uplift of over 10 times through developing land for both residential and non-residential uses.

6.31 This methodology does reflect a very considerable uplift for a landowner selling a greenfield site with consent for development. In the event of the grant of planning consent they would receive over many times the value compared with before that consent was granted. This approach has been widely accepted elsewhere.

6.32 There is no doubt that the policy requirements and CIL will be an additional cost on some development sites and that some sites may not be able to bear the costs of all the requirements a planning authority makes. This is recognised in the RICS Guidance which recognises that there may well be a period of adjustment in the price of land following the introduction of CIL. Similar views were expressed in the past round the introduction of affordable housing targets and in some cases this resulted in a 'hesitation' in the market.

Assumptions used in the appraisals

6.33 The above land price assumptions are summarised as follows:

Table 6.1 Existing Use Value Land Prices £/ha	
Residential	£750,000*
Industrial	£450,000
Retail	£6,000,000
Agricultural	£25,000
Paddock	£50,000

Source: HDH 2014 * net developable.

6.34 We have assumed a Viability Threshold, being the amount that the Residual Value needs to exceed for a site to be viable of 20% above these figures on all sites and have assumed a further uplift of £250,000/ha on greenfield sites (being those in agricultural and paddock uses).

6.35 We recognise that there are a number of approaches that may be taken in this area of the study so have also tested a number of alternative viability thresholds.

7. Appraisal Assumptions – Development Costs

7.1 We have carried forward the assumptions from the Worcestershire CIL Viability Study, updating these as appropriate.

Development Costs

Construction costs: baseline costs

7.2 We have based the cost assumptions on the Building Cost Information Service (BCIS) data. The costs are specific to different built forms (flats, houses, offices, supermarkets, hotels etc.).

7.3 The Councils have (Bromsgrove in particular) developed policies relating to the construction standards and environmental performance of new buildings. These are summarised in Chapter 8 below. The Government has recently clarified what improvements to environmental standards will be required in the future.

7.4 In the Worcestershire CIL Viability Study it was assumed that development would be carried out to CfSH Level 4, and that the additional costs over and above the BCIS costs would be 6%. The Department for Communities and Local Government (CLG) published a review of the costs of building to the Code for Sustainable Homes (CfSH) in August 2011. This provides useful guidance as to the costs of the implementation of the various environmental standards.

7.5 Building to the full requirements of CfSH4 is not expected to become mandatory, and will not all be incorporated into the building regulations. In our base appraisals (as agreed with the Councils) we have modelled the revised increased environmental requirements at an assumed additional cost of 2% of BCIS.

7.6 **Appendix** ## contains the February 2014 BCIS build costs for Worcestershire – broken into a number of key development types. We have used the median costs for the different development types that occur on the appraisal sites.

Construction costs: site specific adjustments

7.7 It is necessary to consider whether any site specific factors would suggest adjustments to these baseline cost figures. Two factors need to be considered in particular: small sites and high specification.

7.8 Since the mid-1990s, planning guidance on affordable housing has been based on the view that construction costs were appreciably higher for smaller sites with the consequence that, as site size declined, an unchanging affordable percentage requirement would eventually render the development uneconomic. Hence the need for a ‘site size threshold’, below which the requirement would not be sought.

7.9 It is not clear to us that this view is completely justified. Whilst, other things being held equal, build costs would increase for smaller sites, other things are not normally equal and there are other factors which may offset the increase. The nature of the development will change. The nature of the developer will also change as small local firms with lower central overheads replace the regional and national house builders. Furthermore, very small sites may be able to secure a ‘non-estate’ price premium.

7.10 In the present study, several of the sites are considered to fall into the ‘small site’ category, on these sites we have used the appropriate small site costs.

Construction costs: affordable dwellings

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

Other normal development costs

7.12 In addition to the £/m^2 build cost figures described above, allowance needs to be made for a range of infrastructure costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs), off-site costs for drainage and other services, and so on. Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within this broad brush study.

7.13 Nevertheless, it is possible to generalise. Drawing on experience, it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for lower density schemes since there is a smaller area of external works, and services can be used more efficiently. Large greenfield sites would also be more likely to require substantial expenditure on bringing mains services to the site.

7.14 In the light of these considerations we have developed a scale of allowances for the residential sites, ranging from 10% of build costs for the smallest sites, to 20% for the larger greenfield schemes.

7.15 For commercial and non-residential uses we made an allowance of 15% of build costs.

Abnormal development costs

7.16 Several of the sites are modelled on, or partly on, previously developed land. On some of these, from the information made available to us and visits to the sites, it appears that exceptional or abnormal development costs would need to be taken into account in preparing appraisals. We have set out the abnormal costs in Chapter 9 where we set out the modelled sites.

7.17 In some cases where the site involves redevelopment of land which was previously developed (particularly with existing housing), there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; piling or flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels, and so on.

Fees

7.18 Initially we assumed professional fees amount to 10% of build costs in each case. This is made up as follows:

Architects	6%	QS and Costs	0.5%
Planning Consultants	1%	Others	2.5%

7.19 In Chapter 8 we have reviewed the Councils' policy requirements. Some of the policies impose additional costs at the planning stage. We have adjusted the fee assumption up to 11% in Bromsgrove.

7.20 We also assumed a rate of 8% industrial, office and large retail sites in the non-residential section.

Contingencies

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

S106 Contributions

7.22 We have assumed £2,000 per residential unit plus a range of CIL Payments as set out at the end of Chapter 8. This is a higher allowance than in the Worcestershire CIL Viability Study.

Financial and Other Appraisal Assumptions

VAT

7.23 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full.

Interest

7.24 Our appraisals assume 7% pa for debit balances. This may seem high given the very low base rate figure (BoE Base Rate 0.5%, January 2014), but reflect banks' view of risk for housing developers in the present situation. In the residential appraisals we have prepared a simple cashflow to calculate interest.

7.25 For the non-residential appraisals and in line with the 'high level' nature of this study we have used the developer's rule of thumb to calculate the interest – being the amount due over one year on half the total cost. We accept that is a simplification however, due to the high level and broad brush nature of this analysis, we believe that it is appropriate.

Developers' profit

7.26 Neither the NPPF, nor the CIL Regulations, and nor the CIL Guidance provide useful guidance in this regard so, in reaching this decision, we have considered the RICS's Guidance, the Harman Guidance and referred to the HCA's Economic Appraisal Tool. None of these documents are prescriptive, but they do set out some different approaches. The RICS Guidance says:

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

7.27 The Harman Guidance says:

> ***Return on development and overhead***
>
> *The viability assessment will require assumptions to be made about the average level of developer overhead and profit (before interest and tax).*
>
> *The level of overhead will differ according to the size of developer and the nature and scale of the development. A 'normal' level of developer's profit margin, adjusted for development risk, can be determined from market evidence and having regard to the profit requirements of the providers of development finance. The return on capital employed (ROCE) is a measure of the level of profit relative to level of capital required to deliver a project, including build costs, land purchase, infrastructure, etc.*
>
> *As with other elements of the assessment, the figures used for developer return should also be considered in light of the type of sites likely to come forward within the plan period. This is because the required developer return varies with the risk associated with a given development and the level of capital employed.*
>
> *Smaller scale, urban infill sites will generally be regarded as lower risk investments when compared with complex urban regeneration schemes or large scale urban extensions.*
>
> *Appraisal methodologies frequently apply a standard assumed developer margin based upon either a percentage of Gross Development Value (GDV) or a percentage of development cost. The great majority of housing developers base their business models on a return expressed as a percentage of anticipated gross development value, together with an assessment of anticipated return on capital*

employed. Schemes with high upfront capital costs generally require a higher gross margin in order to improve the return on capital employed. Conversely, small scale schemes with low infrastructure and servicing costs provide a better return on capital employed and are generally lower risk investments. Accordingly, lower gross margins may be acceptable.

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

7.28 The guidance accompanying the HCA's Economic Appraisal Tool says:

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

Open Market Housing

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

Affordable Housing

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

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

7.30 As mentioned by one consultee, the inspector considered this specifically at the Shinfield appeal (January 2013)[17], saying:

Developer's profit

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

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

[17] APP/X0360/A/12/2179141. Land at The Manor, Shinfield, Reading RG2 9BX

conclude that the national housebuilders' figures are to be preferred and that a figure of 20% of GDV, which is at the lower end of the range, is reasonable.

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

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

a. To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield and the large strategic greenfield sites.

b. To set a rate for the different types of unit produced – say 20% for market housing and 6% for affordable housing, as suggested by the HCA.

c. To set the rate relative to costs – and thus reflect risks of development.

d. To set the rate relative to the gross development value as suggested by several of the stakeholders following the consultation event.

7.33 In deciding which option to adopt it is important to note that we are not trying to re-create any particular developer's business model. Different developers will always adopt different models and have different approaches to risk. It is however important to be reflective of local norms.

7.34 The argument is often made that financial institutions require a 20% return on development value and if that is not shown they will not provide development funding. In the pre-Credit Crunch era there were some lenders who did take a relatively simplistic view to risk analysis but that is no longer the case. Most financial institutions now base their decisions behind providing development finance on sophisticated financial modelling that it is not possible to replicate in a study of this type. They do require the developer to demonstrate a sufficient margin, to protect them in the case of changes in prices or development costs but they will also consider a wide range of other factors, including the amount of equity the developer is contributing (Return on Equity Employed), the nature of development and the development risks that may arise due to demolition works or similar, the warranties offered by the professional team, whether or not the directors will provide personal guarantees etc.

7.35 In the Worcestershire CIL Viability Study the developers' return was assessed as 20% of the total development costs. In the Redditch Affordable Housing Viability a lower assumption of 17.5% return on development costs was used, and in the Bromsgrove Affordable Housing Viability Study the developers' return was calculated as 20% of the Gross Development Value.

7.36 This is a high level study where it is necessary and proportionate to take a relatively simplistic approach. In this study we have calculated the profit to reflect risk from development at 20% of Gross Development Value. This assumption should be considered in line with the assumption about interest rates in the previous section, where a cautious approach was taken with a relatively high interest rate, and the assumption that interest is charged on the whole of the development cost. Further it should be considered with the contingency sum in the appraisals which is also reflects the risks.

Voids

7.37 On a scheme comprising mainly of individual houses one would normally assume only a nominal void period as the housing would not be progressed if there was no demand. In the case of apartments in blocks this flexibility is reduced. Whilst these may provide scope for early marketing, the ability to tailor construction pace to market demand is more limited.

7.38 A three month void period is assumed for all residential developments and non-residential developments. We have given careful consideration to this assumption in connection to the commercial developments. There is very little speculative commercial development taking place so we believe that this is the appropriate assumption to make.

Phasing and timetable

7.39 The appraisals have been prepared using prices and costs at a base date of February 2014. A pre-construction period of six months is assumed and each dwelling is assumed to be built over a nine month period.

7.40 The phasing programme for an individual site will reflect market take-up and would, in practice, be carefully estimated taking into account the site characteristics and, in particular, size and the expected level of market demand. We have developed a suite of modelled assumptions to reflect site size and development type, as set out in Chapter 9. We believe that these are conservative and do, properly, reflect the current difficult market.

Site Acquisition and Disposal Costs

Site holding costs and receipts

7.41 Each site is assumed to proceed immediately and so, other than interest on the site cost during construction, there is no allowance for holding costs, or indeed income, arising from ownership of the site.

7.42 It was suggested that this approach was not appropriate as sites do not proceed immediately. To some extend we agree – however the draft NPPG and the Harman Guidance both advise that work of this type should be done at today's prices and costs. It is therefore necessary to make such an assumption. The appraisals do allow a 6 month mobilisation period.

Acquisition costs

7.43 We have assumed an allowance 1.5% for acquisition agents' and legal fees. Stamp duty is calculated at the prevailing rates.

Disposal costs

7.44 For the market and the affordable housing, sales and promotion and legal fees are assumed to amount to some 3.5% of receipts. For disposals of affordable housing these figures can be reduced significantly depending on the category so in fact the marketing and disposal of the affordable element is probably less expensive than this.

8. Appraisal Assumptions – Planning Policy Requirements

8.1 We have reviewed the latest draft version of the **Bromsgrove District Plan Proposed Submission Version 2011 to 2030** and the **Borough of Redditch Local Plan Number 4 Proposed Submission (2011 to 2030)** and tested the impact of the policies on new development. It should be noted that many of these policies are very broad so we have only extracted those elements that may add to the cost of development and are relevant to this Local Plan Viability Study.

8.2 We have considered how the policies will impact on the implementation of the Plans. We have not listed the full policies in detail as they are readily accessible in the policy documents. Where quotations made they are selective quotations; for detail of the policies, readers should refer to the policy documents. We have included those policies that have an impact on development viability. For each that have an impact we have set out how we have modelled the impact:

Bromsgrove District Plan Proposed Submission Version 2011 to 2030

BDP1 Policy Sustainable Development Principles

8.3 This is the core policy. Whilst it does not introduce specific costs to the developer it does require that all proposals will have regard to '*cumulative impacts on infrastructure provision*' and '*financial viability and the economic benefits for the District, such as new homes and jobs*'. These are important considerations that cover the more specific provisions later in this report.

BDP5A Policy Bromsgrove Town Expansion Sites Policy

8.4 This policy covers the three principle sites where much of the District's development will be forthcoming. We have considered the strategic sites individually and subject to the following requirements:

a. The residential development reflects the local need of a high proportion of 2 and 3 bedroom properties and contains up to 40% affordable housing (which should include an appropriate mix of social rent, affordable rent and intermediate housing). We have assumed, in line with the Council's SHMA[18], that most affordable housing is 1 and 2 bedroom.

[18] Worcestershire Strategic Housing Market Assessment (SHMA), GVA 2012

b. All dwellings built to Lifetime Home Standards. The additional costs of developing to the Lifetime Homes Standards[19] is about an additional £11/m^2.

c. Mitigate of the impact on the transport network and support appropriate infrastructure.

   There are two elements to the costs of this policy. The first is of developing strategies and providing the appropriate plans and the like at the planning application stage. We have increased the assumptions of professional fees by 1% to 11% of residential development and to 9% of non-residential development. This increase in fees also covers various other provisions that arise later in the Plan.

   Secondly is the cost of implementing the requirements of the policy. We have drawn on the Council's information as to the infrastructure requirements. We have also tested a range of developer contributions.

d. The inclusion of open space and SUDS reduces the net developable area. We have reflected this in our modelling. It should be noted that whilst the inclusion of open space reduces the amount of development and thus the opportunity to generate income it also as a positive impact on the overall development and values that the scheme may achieve through creating a desirable environment.

RCBD1.1 Policy Redditch Cross Boundary Development

8.5 The requirements in relation to these sites are broadly similar to those in BDP5A Policy Bromsgrove Town Expansion Sites Policy. We have treated them in a similar way.

BDP6 Policy Infrastructure Contributions

8.6 This policy requires all developments '*irrespective of size*' to '*provide, or contribute towards the provision of infrastructure, facilities and services required to support growth*'. We have incorporated CIL into the modelling as set out towards the end of this chapter. In addition we have modelled a range of developer contributions, drawing on the Council's data in relation to the larger sites, to assess the ability to meet this requirement.

BDP7 Policy Housing Mix and Density

8.7 This policy does not impose requirements on development beyond ensuring that the focus is on 2 and 3 bedroom homes. This is taken into account in this study, where we have based the modelling on the expectations of the market.

[19] Based on *Assessing the cost of Lifetime Homes Standards*. Building Cost Information Service (BICS), July 2012 published by Department for Communities and Local Government.

BDP8 Policy Affordable Housing

8.8 The policy requires that on sites of 10 or more dwellings or the site is equal to or greater than 0.4 hectares, on-site affordable housing will be up to 40% affordable housing on greenfield sites or any site accommodating 200 or more dwellings and up to 30% affordable housing on brownfield sites accommodating less than 200 dwellings. This policy includes the provision for viability testing where this cannot be achieved. We have incorporated this into the modelling.

8.9 The policy is not specific as to the mix of affordable housing tenures on individual schemes however will seek a mix of Social Rent, Affordable Rent and Intermediate Housing. The SHMA does not indicate a preferred mix. We have modelled 1/3 Social Rent, 1/3 Affordable Rent and 1/3 Intermediate Housing.

8.10 In our modelling we have assumed that the majority of affordable housing (in line with the findings of the SHMA) are smaller units. The HDH model works on a £/m^2 basis but the policy is written and implemented on a per unit basis. This causes a distortion as, on the whole, the affordable units are substantially smaller than the market units. The typical market units are a little over 105m^2 and the typical affordable units are about 72m^2 (as the Council has identified a particular need for smaller units). This is illustrated in the following table:

Table 8.1 Relationship between number of affordable units and floor space

	Proportion	Units	Size	Floor Area	% of floor area
Total Scheme		100	m2		
Market Unit	60.00%	60	105	6,300	68.63%
Intermediate unit	13.33%	13.33	72	959.76	10.45%
Affordable Rent	13.33%	13.33	72	959.76	10.45%
Social Rent	13.34%	13.34	72	960.48	10.46%
				9,180	

Source: HDH 2014

8.11 In the 2013 Autumn Statement the Chancellor announced (paragraph 1.226) that there would be a consultation on 'a new 10-unit threshold for section 106 affordable housing contributions'. Neither the Treasury nor DCLG have been able to provide any information about when this may happen or what this may mean.

8.12 As set out elsewhere we have assumed all homes are built to Lifetime Homes Standards.

BDP10 Policy Homes for the Elderly

8.13 The policy requires all dwellings built to Lifetime Home Standards. Based on *Assessing the cost of Lifetime Homes Standards*, Building Cost Information Service (BICS), July 2012 published by Department for Communities and Local Government, the additional costs of developing to the Lifetime Homes Standards is about an additional £11/m^2.

8.14 We have built this into our modelling.

8.15 In addition to the above we have modelled sheltered housing and extracare housing.

BDP12 Policy Sustainable Communities

8.16 This policy requires development to mitigate the impact on infrastructure and contribute to appropriate improvements. As set out elsewhere we have modelled a range of developer contrition – including in relation to CIL

BDP13 Policy New Employment Development

8.17 This policy does not impose extra requirements on developers that are over and above national standards. Employment uses are however an important element of the Plan so we have modelled a range of schemes that may come forward over the plan-period.

BDP16 Policy Sustainable Transport

8.18 This policy requires development to mitigate the impact on infrastructure and contribute to appropriate improvements. As set out elsewhere we have modelled a range of developer contrition – including in relation to CIL

BDP17 Policy Town Centre Regeneration

8.19 This is a general and overarching policy that has been developed to enable and facilitate future development in central Bromsgrove. It concentrates on design however does not impose extra costs over and above the normal costs of development. Whilst we have tested town centre retail in the context of this policy, we do not believe that it is necessary to make further adjustments to the costs to reflect any particular aspect of this policy.

BDP19 Policy High Quality Design

8.20 This is an exceptionally detailed policy that sets the frame work for all new development. We have reviewed the various requirements and modelled those that add to the costs of development as follows:

a. The policy requires that residential development achieve the highest standard of Building for Life. Building for life is a comprehensive set of standards that require extensive community engagement from the design stage through a set of design standards. On the whole we believe that these standards are covered elsewhere in the Plan. There is one exception to this and that is in relation to the process of demonstrating compliance with Building for Life. We have assumed that these extra costs are included within the increased professional fees set out above in relation to BDP5A Policy Bromsgrove Town Expansion Sites Policy above.

b. The policy requires all affordable housing to meet the Code for Sustainable Home Level 6 and all market housing to meet Code Level 4 now and Code Level 6 by 2016. We have modelled this as set out in Chapter 7.

c. We have reflected the requirement that all non-residential developments to meet BREEAM 'very good' standard by adjusting the construction costs over and above the BCIS Base costs by 5%.

d. We have reflected the requirement for residential developments to provide sufficient functional space, soft landscaping etc within our modelling.

e. We have not added an addition costs to cover the requirement that developments meet the 'Secured by Design' standard as this can be achieved through good design rather than specific extra expenditure.

f. The policy includes specific provisions in relation to air quality whereby all new developments with a floor space greater than $1000m^2$ or 0.5ha or residential developments of 10 or more units must not increase nitrogen dioxide (NO_2), particulate matter (PM10) and carbon dioxide (CO_2) emissions from transport and should be accompanied by an assessment of the likely impact of the development on local air quality and comply with current best practice guidance.

   This is an unusual requirement that will require a separate assessment at the planning application stage. We have modelled this as an extra cost, assuming an additional cost of £5,000 per site.

8.21 In addition to the above, the policy states that the Council is producing a Design Guide Supplementary Planning Document. Should this introduce requirements over and above the assumptions used in this study that add to the costs of development, it may be necessary to revisit the deliverability of the Plan.

BDP21 Policy Natural Environment

8.22 Like the policies to mitigate the impact on infrastructure and contribute to appropriate improvements, this policy requires developments to contribute to environmental and other items. As set out elsewhere we have modelled a range of developer contribution – including in relation to CIL.

BDP23 Policy Water Management

8.23 This policy includes requirements to build to higher environmental standards. As set out in relation to BDP19 Policy High Quality Design above, we have modelled this as set out in the next chapter.

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

BDP24 Policy Green Infrastructure and BDP25 Policy Health and Well Being

8.24 We have considered these policies together. BDP24 a general policy that is not prescriptive. We have reflected this in our site modelling. BDP25 however, goes somewhat further specifying how much space is required. Using this and through reference to the Council's SPD Open Space Provision (17th September 2007) we have estimated the net developable area. This is broadly consistent with the assumptions set out in Figure 5 of the Council's SHLAA. Based on this we have assumed:

Table 8.2 Bromsgrove SHLAA Net Development Area Assumptions

Area (Ha)	Proportion developable
0.4	100%
0.4 to 2	85%
Over 2	65%

Source: Figure 5 SHLAA

Borough of Redditch Local Plan Number 4 Proposed Submission (2011 to 2030)

Policy 3 Development Strategy

8.25 This is a general policy however it stresses the importance of the Strategic Sites demonstrating how all necessary infrastructure to enable development will be funded and delivered with particular reference to the Council's most up-to-date Infrastructure Delivery Plan.

8.26 We have drawn on the Council's information as to the infrastructure requirements. We have also tested a range of developer contributions – including CIL as set out towards the end of this chapter.

Policy 4 Housing Provision

8.27 This policy requires a mix of housing types in terms of size, scale, density, tenure and cost which reflects the Borough's housing needs. The SHMA[20] does not specify any particular preferred mix in terms of size for market or affordable housing, we have therefore followed the assumptions for Bromsgrove.

[20] Chris Baker, Research and Intelligence Unit, Worcestershire County Council

8.28 Unlike in Bromsgrove the Council does not require all new houses to be built to Lifetime Homes Standards. It is a requirement that all new affordable housing for rent will be expected to comply with the Lifetime Homes Standard. We have modelled this requirement.

8.29 We have modelled both a sheltered and an extracare housing scheme.

Policy 5 Effective and Efficient Use of Land

8.30 This policy specifies that new development densities of between 30 and 50 dwellings per hectare will be sought in Redditch Borough, and 70 dwellings per hectare will be sought on sites for residential development that are within or adjacent to Redditch Town Centre and the District Centres. This is consistent with the assumptions used in the Council's SHLAA. We have reflected this requirement in the modelling as set out in the next chapter.

Policy 6 Affordable Housing

8.31 The policy requires that on sites of 10 or more dwellings (net), a 30% contribution towards the provision of affordable housing will be expected and that this should incorporate a mix of dwelling types and sizes as informed by the SHMA. It goes on to say that a mix of Social rented, Intermediate housing and Affordable rent will be appropriate. We have modelled 1/3 Social Rent, 1/3 Affordable Rent and 1/3 Intermediate Housing. As for Bromsgrove we have used the floor area assumptions set out in Table 8.1 above.

8.32 The policy goes on to require that on all sites of 5-9 dwellings (net), a 30% affordable housing provision by way of a financial contribution will be sought on completion of the development. The amount of this contribution is not specified and the Council does not currently have guidance in this regard. In discussion with the Council we have tested £20,000, £30,000 and £40,000 per affordable unit not delivered on site.

Policy 11 Green Infrastructure

8.33 This policy includes provision whereby new development will contribute to appropriate Green Infrastructure. As set out elsewhere we have modelled a range of developer contribution – including in relation to CIL.

Policy 12 Open Space Provision

8.34 This policy incorporates the requirement that new development will be required to make provision for new and/or improvements to open space, sports and recreation facilities in accordance with the Council's Adopted Open Space Provision Supplementary Planning Document (SPD). We have modelled this in two ways. Firstly, and broadly consistent with the assumptions set out in Council's SHLAA we have assumed:

Table 8.3 Redditch SHLAA Net Development Area Assumptions	
Area (Ha)	Proportion developable
0.4	100%
0.4 to 2	85%
Over 2	65%

Source: Paragraph5.5 SHLAA

8.35 This policy includes provision whereby new development will contribute to appropriate Green Infrastructure. As set out elsewhere we have modelled a range of developer contribution – including in relation to CIL.

Policy 15 Climate Change

8.36 The Council seeks to achieve zero carbon in line with the national standards. We have modelled these as set out in the following chapter.

8.37 We have reflected the requirement that all non-residential developments need to meet BREEAM 'very good' standard by adjusting the construction costs over and above the BCIS Base costs by 5%.

4.55 The policy includes the requirement that all development proposals must demonstrate that the use of sustainable, locally sourced and recycled materials has been considered, and that the waste hierarchy has been considered (waste minimisation, re-use and recycling) during construction. In our experience this provision is simple good economic sense and something most developers will seek to achieve for commercial reasons. We do not believe that this will add to the overall costs of development. There is a reporting aspect to this part of the policy. We would expect that this would be covered by a simple statement within the design and access statement so would be covered in the wider assumptions for professional fees.

Policy 17 Flood Risk Management and Policy 18 Sustainable Water Management

8.38 The requirements for Sustainable Urban Drainage Systems (SUDS) and the like can add to the costs of a scheme – although in larger projects these can be incorporated into public open space. We have assumed that the cost of SUDS adds 10% to the costs of construction on brownfield sites, however we have assumed that in the larger greenfield sites that SUDS will be incorporated into the green spaces and be delivered through soft landscaping within the wider site costs.

8.39 We consider the requirement to provide a Flood Risk Assessment on sites on the functional floodplain to be a normal cost of development so we have not modelled this separately.

Policy 19 Sustainable Travel and Accessibility

8.40 This is a relatively modest policy in terms of requirement that (for the purpose of this study) requires the integration of footpaths and cycle ways. We do not consider that these increase the costs of development over and above the normal costs.

8.41 We have incorporated CIL into the modelling as set out towards the end of this chapter. In addition we have modelled a range of developer contributions, drawing on the Council's data in relation to the larger sites, to assess the ability to meet this requirement.

Policy 20 Transport Requirements for New Development

8.42 This policy sets out the requirement for travel plans on 'certain development' – we assume the large one. We do not consider this to be abnormal cost of development that requires modelling.

8.43 This policy also sets out that proposals should include parking standards as prescribed by Worcestershire County Council. These standards are normal and we do not consider this to be abnormal cost of development over and above the base modelled assumptions.

Policy 23 Employment Land Provision

8.44 This policy does not impose extra requirements on developers that are over and above national standards. Employment uses are however an important element of the Plan so we have modelled a range of schemes that may come forward over the plan-period.

8.45 We have considered the delivery of employment sites later in this report.

Policy 28 Supporting Education, Training and Skills

8.46 This policy requires that developers of all major applications will be required to provide education and training, or funding towards the provision of education and training for local residents, in order for them to have the necessary skills to access employment opportunities.

8.47 Such contributions are likely to covered by the pooling restrictions contained in CIL Regulation 123. Rather than model this separately we have incorporated CIL into the modelling as set out towards the end of this chapter. In addition, we have modelled a range of developer contributions, drawing on the Council's data in relation to the larger sites, to assess the ability to meet this requirement.

Policy 30 Town Centre and Retail Hierarchy, Policy 31 Regeneration for the Town Centre and Policy 34 District Centre Redevelopment

8.48 These are general and overarching policies that has been developed to enable and facilitate future development. It concentrates on design, however does not impose extra costs over and above the normal costs of development. Whilst we have tested town centre retail in the context of this policy, we do not believe that it is necessary to make further adjustments to the costs to reflect any particular aspect of this policy.

Policy 39 Built Environment and Policy 40 High Quality Design and Safer Communities

8.49 These are general policies that requires (amongst other things) development to incorporate features of the natural environment including Green Infrastructure into the design to preserve and continue Redditch's unique landscape features. This requirement does not add to the costs of development over and above the base modelling carried out in the report.

Policy 46 Brockhill East, Policy 47 Land to the rear of the Alexandra Hospital, Policy 48 Webheath Strategic Site and Policy 49 Woodrow Strategic Site

8.50 These policies set out detailed provisions for the strategic sites. These requirements (and those wider policy requirements) have been used to inform the modelling as set out later in this report.

Community Infrastructure Levy (CIL) and s106 Payments

8.51 CIL is a new charge on development to ensure that new developments contribute to the cost of infrastructure. In March 2010 The Department for Communities and Local Government (CLG) published *Community Infrastructure Levy Guidance, Charge setting and charging schedule procedures* to support the CIL Regulations, this sets out the framework for councils to work within and introduce the levy. As mentioned above, both Bromsgrove and Redditch Councils are working with the other Worcestershire local authorities and Worcestershire County Council to introduce the CIL. At this stage no firm decision has been taken to adopt CIL, nor if it is introduced, at what level it would be set.

8.52 In the CIL Viability Report, a strategy of setting CIL is recommended, although specific rates are not. Each council will approach the setting of CIL differently, and when 'striking the balance' will put different priority and importance on different parts of their own development plans.

8.53 In order to inform the wider plan-making process, in this report we have tested a range of rates of CIL ranging from £10/m^2 to £90/m^2.

8.54 We have assumed that, in addition to CIL, all sites will contribute £2,000 per unit under continued s106 payments over and above CIL. This is higher than the assumption used in the Worcestershire CIL Viability Study where an assumption of £1,000 was used. This payment is applied to all units being both market housing and affordable housing.

8.55 In relation to the strategic sites tested we have used the following costs as advised by the Councils.

Table 8.3 Bromsgrove Strategic Sites – Infrastructure Costs

		Units	Infrastructure Costs	£/Unit
Norton Farm	Bromsgrove NE	316	3,763,018	11,908
Perryfields Rd	Bromsgrove NW	1300	12,891,140	9,916
Whitford Rd	Bromsgrove SW	490	14,580,570	29,756
St Goldwalds Rd	Bromsgrove SE	181	607,287	3,355
128 Birmingham Rd	Alvechurch N	27	67,589	2,503
Birmingham Rd / Rectory Ln	Alvechurch N	25	164,606	6,584
Kendal End Rd	Barnt Green NW	88	49,660	564
Church Rd	Catshill	80	355,000	4,438
Egghill Ln	Rubery	66	0	0
Kidderminster Rd	Hagley SE	175	1,075,237	6,144
Brook Crescent	Hagley SE	38	0	0
Western Rd	Hagley 2	70	354,330	5,062
Algoa House	Hagley S	18	0	0
Bleak House Fm	Wythall W	178	2,100,539	11,801
Selsdon Cls	Wythall N	76	2,255,326	29,675

Source: Bromsgrove District Council

Table 8.4 Redditch Strategic Sites – Infrastructure Costs

		Units	Infrastructure Costs	£/Unit
Brockhill East	Redditch NW	1,025	10,473,815	10,218
Matchborough DC	Matchborough	17	11,917	701
Rear Alexandra Hospital	Redditch S	145	101,645	701
Webheath	Redditch W	600	815,600	1,359
Woodrow	Redditch SC	180	494,100	2,745
Foxlydiate	Redditch NW	2,800	9,316,363	3,327
Brockhill	Redditch NW	600	2,557,842	4,263

Source: Redditch Borough Council

9. Modelled Sites

9.1 In the previous chapters we have set out the general assumptions to be inputted into the development appraisals. In this chapter we have set out the modelling. We stress that this is a high level study that is seeking to capture the generality rather than the specific. The purpose is to establish the cumulative impact of the Council's policies on development viability and to inform the CIL setting process. This information will be used with the other information gathered by the Council to assess whether or not the sites are actually deliverable.

9.2 Our approach is to model 8 residential development sites that are broadly representative of the type of development that is likely to come forward in each of Bromsgrove and Redditch. In addition we have modelled a range of non-residential development types that are likely to come forward over the plan-period – and have a reasonable prospect of yielding some CIL.

9.3 As a separate element of work we have also modelled the Strategic Sites as set out in Tables 1.2 and 1.3 at the start of this report:

Residential Development Sites

9.4 In discussion with the Councils it was decided that a total of 8 representative sites for each council sites and the 22 Strategic Sites should be modelled.

9.5 We acknowledge that modelling cannot be totally representative, however the aim of this work is to test the viability of sites likely to come forward over the plan-period. This will enable the Councils to assess whether their Development Plans are deliverable. The work is high level, so there are likely to be sites that will not be able to deliver the affordable housing target and CIL, indeed as set out at the start of this report, there are some sites that will be unviable even without any policy requirements (for example brownfield sites with high remediation costs), but there will also be sites that can afford more. Once CIL has been adopted, there is little scope for exemptions to be granted, however, where the affordable housing target and other policy requirements cannot be met, the developer will continue to be able to negotiate with the planning authority. The planning authority will have to weigh up the factors for and against a scheme, and the ability to deliver affordable housing will be an important factor. The modelled sites are reflective of development sites in the study area that are likely to come forward during the plan-period.

9.6 The modelled sites are informed by the sites in each Council's SHLAAs.

Development assumptions

9.7 In arriving at appropriate assumptions for residential development on each site we have ensured that the built form used in our appraisals is appropriate to the current development practices. We have developed a typology which responds to the variety of development situations and densities typical in Bromsgrove and Redditch, and this is used to inform development assumptions for sites. The typology enables us to form a view about floorspace density, based on the amount of development, measured in net floorspace per hectare, to be accommodated upon the site. This is a key variable because the amount of floorspace which can be accommodated on a site relates directly to the Residual Value, and is an amount which developers will normally seek to maximise (within the constraints set by the market).

9.8 The typology uses as a base or benchmark typical of post-PPG3/PPS3 built form which would provide development at around 3,550 m^2/ha on a substantial site, or sensibly shaped smaller site. A representative housing density might be around 35/ha. This has become a common development format. It provides for a majority of houses but with a small element of flats, in a mixture of two storey and two and a half to three storey form, with some rectangular emphasis to the layout.

9.9 There could be some schemes of appreciably higher density development providing largely or wholly apartments, in blocks of three storeys or higher, with development densities of 6,900 m^2/ha and dwelling densities of 100 units/ha upwards; and schemes of lower density, in the rural edge situations.

9.10 The density, in terms of units and floorspace, has been used to ensure appropriate development assumptions for a majority of the sites. This was presented to the stakeholders through the consultation process and there was a consensus that it was appropriate.

9.11 The Councils' SHMAs set out a clear need for smaller units. This is in part due to the on-going benefit reforms and the introduction of dwelling size and rent caps, as well as the ageing population. This has been reflected in the modelling and the assumption that the affordable units are smaller than the market units.

9.12 In our modelling we have applied the Redditch density policy that requires that new development densities of between 30 and 50 dwellings per hectare will be sought in Redditch Borough, and 70 dwellings per hectare will be sought on sites for residential development that are within or adjacent to Redditch Town Centre and the District Centres (not these have not been applied to the strategic sites. Bromsgrove do not have an equivalent requirement so we have simply followed market expectations.

9.13 We have based the densities used in the site modelling on the expected density that is likely to come forward in current market conditions. These follow the densities used in the SHLAAs, including the open space assumptions. Both SHLAAs use the same assumptions with regard to net developable area:

Table 9.1 Net / Gross assumptions	
Site Size (ha)	Development Ratio (Net Developable Area)
< 0.4 ha	100%
0.4 – 2 ha	85%
>2.0	65%

Source: Paragraph 5.2 RBC SHLAA

9.14 The Redditch SHLAA assumed a density based on 30 to 50 dwellings per hectare (dph) in urban areas and a minimum of 70 dph with the Town Centre and District Centres (based on the former Local Plan No.3 Policy B(HSG).4 – Density of Housing Development). A default 30 dph was assumed on other sites. These densities are applied to the new developable areas.

9.15 In the Bromsgrove SHLAA a different approach was taken, with the Council using the figure suggested by those submitting sites, where they have provided an indicative layout drawing or other detailed information identifying potential capacity although in the majority of instances a density of 30 dwellings per hectare has been used.

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

9.17 It is important to note that these are modelled sites and not actual sites. These modelled typologies have been informed by the sites included in the SHLAA, both in terms of scale and location. A proportion of the housing to come forward over the plan-period will be on smaller sites, therefore several smaller sites have been included.

9.18 In Bromsgrove it is relevant to note that just 11.5% of land (13% of units) identified through the SHLAA process is brownfield, however about half the number of sites are. This is reflected in the modelling set out below.

Table 9.2 Summary of Bromsgrove modelled sites

Site	Details		Notes
1 Settlement Edge	Units	125	Settlement edge site with mix of family housing. 35% open space.
	Area (Gross ha)	6.5	
	Density (units/ha)	30	
2 Settlement Edge	Units	55	Settlement edge site with mix of smaller housing with semis, terraces and some flats housing. 35% open space.
	Area (Gross ha)	2.1	
	Density (units/ha)	40	
3 Village Edge	Units	41	Village edge paddock site with mix of family housing. 35% open space.
	Area (Gross ha)	2.1	
	Density (units/ha)	30	
4 Village Edge	Units	26	Flat paddock on village edge. No known abnormals and good access. Mix of family housing. 15% open space.
	Area (Gross ha)	1	
	Density (units/ha)	30	
5 Village Edge	Units	3	Small paddock on village edge. Mix of detached and semi-detached.
	Area (Gross ha)	0.1	
	Density (units/ha)	30	
6 Settlement Brown	Units	38	Larger infill site of previously developed land. Mix of smaller housing with semis, terraces and some flats housing. 15% open space.
	Area (Gross ha)	1	
	Density (units/ha)	45	
7 Urban Infill	Units	12	Urban site with semis. No open space.
	Area (Gross ha)	0.4	
	Density (units/ha)	30	
8 Urban Infill	Units	2	Built up area infill. Small existing building to be cleared - allow £25,000. 1 pair of semis
	Area (Gross ha)	0.06	
	Density (units/ha)	30	

Source: HDH 2014. Note density calculated on net developable area

9.19 In Redditch it is relevant to note that just 36.4% of land (11% of units) identified through the SHLAA process is brownfield. This is reflected in the modelling set out below although we have put a greater emphasis on brownfield sites than in Bromsgrove due to the predominance of very large greenfield strategic sites that are tested separately.

9.20 Generally we have assumed higher densities in the Redditch area.

Table 9.3 Summary of Redditch modelled sites

Site	Details		Notes
9 Settlement Edge	Units	169	Settlement edge site with mix of family housing. 35% open space.
	Area (Gross ha)	6.5	
	Density (units/ha)	40	
10 Settlement Edge	Units	55	Settlement edge site with mix of smaller housing with semis, terraces and some flats housing. 35% open space.
	Area (Gross ha)	2.1	
	Density (units/ha)	40	
11 Village Edge	Units	42	Village edge paddock site with mix of smaller housing. 15% open space.
	Area (Gross ha)	1	
	Density (units/ha)	50	
12 Village Edge	Units	17	Flat paddock on village edge. No known abnormals and good access. Mix of family housing. 15% open space.
	Area (Gross ha)	0.5	
	Density (units/ha)	40	
13 Settlement Mixed	Units	113	School and playing field (allow £200,000 to clear) with a mix of higher density family housing. 35% open space.
	Area (Gross ha)	2.5	
	Density (units/ha)	70	
14 Settlement Brown	Units	60	Larger infill site of previously developed land. Mix of smaller housing with semis, terraces and some flats housing. 15% open space.
	Area (Gross ha)	1	
	Density (units/ha)	70	
15 Urban Infill	Units	28	Compact brownfield urban site with mix of flats and terraces. No open space.
	Area (Gross ha)	0.4	
	Density (units/ha)	70	
16 Urban Infill	Units	7	Built up area infill. Small existing building to be cleared - allow £25,000. Small flatted scheme.
	Area (Gross ha)	0.1	
	Density (units/ha)	70	

Source: HDH 2014. Note density calculated on net developable area

9.21 The gross and net areas and the site densities are summarised below.

Table 9.4 Modelled Site development assumptions

		Site	Units	Area		Density		Average Unit Size		Density
				Gross	Net	Gross	Net	m2	m2	m2/ha
1	Settlement Edge	Bromsgrove	125	6.50	4.23	19.23	29.55	96.74	12,092	2,859
2	Settlement Edge	Bromsgrove	55	2.10	1.37	26.19	40.29	82.76	4,552	3,335
3	Village Edge	Bromsgrove	41	2.10	1.36	19.52	30.15	98.44	4,036	2,968
4	Village Edge	Bromsgrove	26	1.00	0.85	26.00	30.59	99.27	2,581	3,036
5	Village Edge	Bromsgrove	3	0.10	0.10	30.00	30.00	111.00	333	3,330
6	Settlement Brown	Bromsgrove	38	1.00	0.85	38.00	44.71	76.37	2,902	3,414
7	Urban Infill	Bromsgrove	12	0.40	0.40	30.00	30.00	85.00	1,020	2,550
8	Urban Infill	Bromsgrove	2	0.06	0.06	33.33	33.33	90.00	180	3,000
9	Settlement Edge	Redditch	169	6.50	4.23	26.00	39.95	95.95	16,215	3,833
10	Settlement Edge	Redditch	55	2.10	1.37	26.19	40.29	82.76	4,552	3,335
11	Village Edge	Redditch	42	1.00	0.85	42.00	49.41	79.52	3,340	3,929
12	Village Edge	Redditch	17	0.50	0.43	34.00	39.53	93.06	1,582	3,679
13	Settlement Mixed	Redditch	113	2.50	1.63	45.20	69.54	87.85	9,927	6,109
14	Settlement Brown	Redditch	60	1.00	0.85	60.00	70.59	75.50	4,530	5,329
15	Urban Infill	Redditch	28	0.40	0.40	70.00	70.00	72.00	2,016	5,040
16	Urban Infill	Redditch	7	0.10	0.10	70.00	70.00	76.00	532	5,320
		0	793	27.36	19.07	28.98	41.59	88.76	70,390	3,692

Source: HDH 2014. Note: Floorspace density figures are rounded

Table 9.5 Bromsgrove Strategic Site development assumptions

	Site				Units	Area		Density	Average Unit Size		Density
						Gross ha	Net ha	Units/ha	m2	m2	m2/ha
1	Norton Farm	Bromsgrove NE	Green	Agricultural	316	12	12.00	26.33	88.59	27,994	2,333
2	Perryfields Rd	Bromsgrove NW	Green	Agricultural	1300	75	75.00	17.33	88.70	115,311	1,537
3	Whitford Rd	Bromsgrove SW	Green	Agricultural	490	24	24.00	20.42	88.62	43,426	1,809
4	St Goldwalds Rd	Bromsgrove SE	Green	Paddock	181	7.8	7.80	23.21	92.10	16,670	2,137
5	128 Birmingham Rd	Alvechurch N	Green	Paddock	27	0.6	0.60	45.00	88.52	2,390	3,983
6	Birmingham Rd / Rectory Ln	Alvechurch N	Green	Paddock	25	1.06	1.06	23.58	79.16	1,979	1,867
7	Kendal End Rd	Barnt Green NW	Green	Agricultural	88	5	5.00	17.60	87.31	7,683	1,537
8	Church Rd	Catshill	Green	Agricultural	80	6.04	6.04	13.25	83.20	6,656	1,102
9	Egghill Ln	Rubery	Green	Agricultural	66	6.6	6.60	10.00	89.44	5,903	894
10	Kidderminster Rd	Hagley SE	Green	Agricultural	175	9.8	9.80	17.86	90.18	15,781	1,610
11	Brook Crescent	Hagley SE	Green	Paddock	38	1.71	1.71	22.22	92.11	3,500	2,047
12	Western Rd	Hagley 2	Green	Paddock	70	4.25	4.25	16.47	87.96	6,157	1,449
13	Algoa House	Hagley S	Brown	Garden	18	1.44	1.44	12.50	87.94	1,583	1,099
14	Bleakhouse Fm	Wythall W	Green	Agricultural	178	6.3	6.30	28.25	87.11	15,506	2,461
15	Selsdon Cls	Wythall N	Green	Agricultural	76	3.1	3.10	24.52	92.74	7,048	2,274
					3128	12	12.00	26.33	88.74	277,587	2,333

Source: HDH 2014

Table 9.6 Redditch Strategic Site development assumptions

	Site				Units	Area		Density	Average Unit Size		Density
						Gross ha	Net ha	Units/ha	m2	m2	m2/ha
1	Brockhill East	Redditch NW	Green	Agricultural	1025	23.4	23.40	43.80	84.65	86,767	3,708
2	Matchborough DC	Matchborough	Brown	Brown	17	0.92	0.92	18.48	85.65	1,456	1,583
3	Rear Alexandra Hospital	Redditch S	Green	Agricultural	145	7.74	7.74	18.73	84.35	12,231	1,580
4	Webheath	Redditch W	Green	Agricultural	600	47.71	47.71	12.58	84.60	50,760	1,064
5	Woodrow	Redditch SC	Brown	School	180	3.95	3.95	45.57	84.77	15,258	3,863
6	Foxlydiate	Redditch NW	Green	Paddock	2800	148.24	148.24	18.89	84.60	236,880	1,598
7	Brockhill	Redditch NW	Green	Agricultural	600	35.61	35.61	16.85	84.60	50,760	1,425

Source: HDH 2014

9.22 The modelling does not exactly follow the density assumptions used in the SHLAA or the policy as the modelling has been informed by the actual characteristics of the sites on the ground. In order to tailor the appraisals to the local circumstances we have applied the geographical appropriate affordable housing targets and prices.

9.23 The price of units is one of the most significant inputs into the appraisals. This applies not just to the market homes but also the affordable uses (intermediate, social rented and affordable rented). Informed by the findings set out in Chapter 4 we have used the prices set out towards the end of that chapter.

Non-Residential Sites

9.24 For the purpose of this study we have assessed a number of development types. In considering the types of development to assess we have sought to include those types of development that are likely to come forward in the short to medium term. The predominant type of development will be residential development. This is important as the NPPF requires the charging authority to use '*appropriate available evidence*'[21].

9.25 We have therefore based our modelling on the following development types:

i. **Large offices**. These are more than 250 m^2, will be of steel frame construction, be over several floors and will be located on larger business parks. Typical larger units in the area are around 500 m^2 – we will use this as the basis of our modelling.

ii. **Small offices**. Modern offices of less than 250 m^2. These will normally be built of block and brick, will be of an open design, and be on a market town edge or in a more rural situation. Typical small office units in the area are around 150 m^2 – we will use this as the basis of our modelling.

iii. **Large industrial**. Modern industrial units of over 500 m^2. There is little new space being constructed. Typical larger units in the area are around 1,500 m^2 – we will use this as the basis of our modelling.

iv. **Small industrial**. Modern industrial units of less than 500 m^2. These will normally be on a small business park and be of simple steel frame construction, the walls will be of block work and insulated cladding, and there will be a small office area. Typical small units in the area are around 200 m^2 – we will use this as the basis of our modelling.

9.26 In developing these typologies, we have made assumptions about the site coverage and density of development on the sites. We have assumed 66% coverage on the large industrial sites, 60% coverage on the small industrial and large offices, and on the small

[21] As does CIL Regulations, and the CIL Guidance.

offices we have assumed 50% coverage. On the offices we have assumed two story construction. We have not looked at the plethora of other types of commercial and employment development beyond office and industrial/storage uses in this study.

9.27 During the consultation process it was suggested that few, if any, offices would come forward – particularly larger units – due to the existing oversupply. We agree with this sentiment in the current market, however bearing in mind the plan-period we have included these in the analysis.

Hotels and Leisure

9.28 The leisure industry is very diverse and ranges from conventional hotels and roadside budget hotels, to cinemas, theatres, historic attractions, equestrian centres, stables and ménages. We have reviewed this sector and there is currently very little activity at the moment, either at the planning stage or the construction stage. This is an indication that development in this sector is at the margins of viability at the moment. Having considered this further we have assessed a modern 'roadside' hotel (i.e. Travelodge, Premier etc.) on an edge of town site. Both Travelodge and Premier Inn are seeking hotel sites in the area. We have assumed that this is a 60 bedroom product with ample car parking on a 0.4 ha (1 acre) site.

Community/Institutional

9.29 This use includes development used for the provision of any medical or health services and development used wholly or mainly for the provision of education as a school or college under the Education Act or as an institution of higher education. The majority of development in this sector is mainly brought forward by the public sector or by not-for-profit organisations – many of which have charitable status (thus making them potentially exempt from CIL).

Retail

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

i. **Supermarket**[22] is a single storey retail unit development with a gross (i.e. GIA) area of 4,000 m^2. It is assumed to require 400 car parking spaces, and to occupy a total

[22] We recommend that the definition set out the examiner at the Wycombe DC CIL Examination is used:

site area of 2.6 ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

ii. **Retail Warehouse**[23] is a single storey retail unit development with a gross (i.e. GIA) area of 4,000 m^2. It is assumed to require 150 car parking spaces, and to occupy a total site area of 1.8ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

iii. **Town Centre Shop** is a brick built development on two storeys, of 150 m^2. No car parking or loading space is allowed for, and the total site area (effectively the building footprint) is 0.017 ha.

9.31 In line with the Guidance, we have only assessed developments of over 100 m^2. There are other types of retail development, such as small single farm shops, petrol filling stations and garden centres. We have not included these in this high level study due to the great diversity of project that may arise. For the larger units we have looked at Bulky Goods and Food.

9.32 In developing these typologies, we have made assumptions about the site coverage and density of development on the sites. We have assumed 15% building coverage on the large shed sites, 22% building coverage on the small sheds, and on the town centre shops we have assumed 100% coverage. The remainder of the larger sites are car parking, internal roads and landscaping. We have assumed simple, single story construction and have assumed there are no mezzanine floors.

Retirement and Extracare homes

9.33 We have modelled a private extracare scheme and a sheltered scheme, each on a 0.5ha site as follows.

a. **Sheltered Housing**:- 20 x 1 bed units of 50m^2 and 25 x 2 bed units of 75m^2 to give a net saleable area (GIA) of 2,875m^2. We have assumed a further 20% non-saleable service and common areas to give a scheme GIA of 3,450m^2.

Superstores/supermarkets are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit.

[23] We recommend that the definition set out the examiner at the Wycombe DC CIL Examination is used:

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

b. **Extracare Housing:-** of 24 x 1 bed units of $65m^2$ and 16 x 2 bed units of $80m^2$ to give a net saleable area (GIA) of $2,840m^2$. We have assumed a further 35% non-saleable service and common areas to give a scheme GIA of $3,834m^2$.

10. Residential Appraisal Results

10.1 This chapter sets out the results of the development appraisals for the various policy requirements set out in the previous chapters. We have looked at the impact on viability of the individual policies before looking at the cumulative impact of the different requirements. We have started by running base appraisals that assume the full requirements of the current iterations of the **Bromsgrove District Plan Proposed Submission Version 2011 to 2030** and the **Borough of Redditch Local Plan Number 4 Proposed Submission (2011 to 2030)**

10.2 At the start of this chapter it is important to stress that the results of the appraisals do not, in themselves, determine the Councils' policies. The study is testing the cumulative impact of the policies in the Plans on development viability. The results of this study are one of a number of factors that the Councils will consider, including each Council's own track record in delivering affordable housing and collecting payments under s106. The purpose of the appraisals is to provide an indication of the viability of different types of sites in different areas under different scenarios. In due course, the Councils will have to take a view as to whether or not to proceed with the Plans in their current form.

10.3 The appraisals use the Residual Valuation approach. They are designed to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use (see Chapter 6).

10.4 The main output is the Residual Value. The Residual Value is calculated using the formula set out in Chapter 2 above. In order to assist the Councils we have run several sets of appraisals, assuming no provision of affordable housing or developer contributions, as this will be useful in helping the Council to understand the cumulative impact of policy requirements. In calculating the Residual Value we have assumed a range of different levels of CIL as this has yet to be set.

10.5 Development appraisals are sensitive to changes in price so appraisals have been run with changes in the cost of construction, and an increase and decrease in prices.

10.6 As set out above, for each development type we have calculated the Residual Value. In the tables in this chapter we have colour coded the results using a simple traffic light system:

a. **Green Viable** – where the Residual Value per hectare exceeds the indicative Viability Threshold Value per hectare (being the Existing Use Value plus the appropriate uplift to provide a competitive return for the landowner).

b. **Amber Marginal** – where the Residual Value per hectare exceeds the Existing Use Value or Alternative Use Value, but not Viability Threshold Value per hectare. These sites should not be considered as viable when measured against the test set out – however depending on the nature of the site and the owner may come forward.

c. **Red Non-viable** – where the Residual Value does not exceed the Existing Use Value or Alternative Use Value.

10.7 The results are set out and presented for each site and per hectare to allow comparison between sites. It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability.

10.8 The detailed appraisal base results, are set out in the attached **Appendix** ##.

Base Appraisals – full current policy requirements

10.9 These initial appraisals are based on the base options:

<u>Bromsgrove</u>

a.	Affordable Housing	On greenfield sites and those over 200 units, 40% and other sites over 10 dwellings / over 0.4ha, 30%. Delivered as 1/3 Social Rent, 1/3 Affordable Rent and 1/3 Intermediate housing.
b.	Environmental Standards	Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) in brownfield sites, Lifetime Homes (£11/m^2).
c.	CIL and s106	s106 of £2,000 per unit (Market and Affordable). Plus £40/m^2 CIL.
d.	Developers' Return	20% on GDV.

<u>Redditch</u>

a.	Affordable Housing	On sites over 10 dwellings / over 0.4ha, 30%. Delivered as 1/3 Social Rent, 1/3 Affordable Rent and 1/3 Intermediate housing. A commuted sum in lieu of affordable housing is required on sites of less than 10 units, this has not been modelled at this stage.
b.	Environmental Standards	Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) in brownfield sites, Lifetime Homes (£11/m^2) on 20% of units.
c.	CIL and s106	s106 of £2,000 per unit (Market and Affordable). Plus £40/m^2 CIL.
d.	Developers' Return	20% on GDV.

Table 10.1 Residual Value, Modelled Sites, Base Appraisals. FULL POLICY REQUIREMENTS							
			Area		Units	Residual Value	
			Gross ha	Net ha		£/ha	£ site
1	Settlement Edge	Bromsgrove	6.5	4.23	125	463,194	3,010,762
2	Settlement Edge	Bromsgrove	2.1	1.365	55	607,272	1,275,271
3	Village Edge	Bromsgrove	2.1	1.36	41	984,167	2,066,752
4	Village Edge	Bromsgrove	1	0.85	26	1,361,511	1,361,511
5	Village Edge	Bromsgrove	0.1	0.1	3	1,436,811	143,681
6	Settlement Brown	Bromsgrove	1	0.85	38	109,131	109,131
7	Urban Infill	Bromsgrove	0.4	0.4	12	449,218	179,687
8	Urban Infill	Bromsgrove	0.06	0.06	2	297,753	17,865
9	Settlement Edge	Redditch	6.5	4.23	169	183,723	1,194,201
10	Settlement Edge	Redditch	2.1	1.365	55	529,268	1,111,462
11	Village Edge	Redditch	1	0.85	42	1,448,507	1,448,507
12	Village Edge	Redditch	0.5	0.43	17	1,619,763	809,882
13	Settlement Mixed	Redditch	2.5	1.625	113	-65,637	-164,093
14	Settlement Brown	Redditch	1	0.85	60	-151,794	-151,794
15	Urban Infill	Redditch	0.4	0.4	28	-431,534	-172,613
16	Urban Infill	Redditch	0.1	0.1	7	-837,105	-83,710

Source HDH 2014

10.10 All of the modelled sites in Bromsgrove generate a positive Residual Values and all the greenfield sites within Redditch. This is not the case in relation to the brownfield sites in Redditch.

10.11 INSERT BROMSGROVE STRATEGIC SITES

10.12 INSERT REDDITCH STRATEGIC SITES

10.13 These results in themselves do not provide a good indication of site viability as they are simply an indication of the amount a developer may pay for the land. To test the viability of these sites, we have compared the residual value with the Viability Thresholds (see the latter part of Chapter 6) as shown in the following tables.

Table 10.## Residual Value Compared to Viability Threshold, Modelled Sites, Base Appraisals. FULL POLICY REQUIREMENTS

			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	Settlement Edge	Bromsgrove	25,000	280,000	463,194
2	Settlement Edge	Bromsgrove	25,000	280,000	607,272
3	Village Edge	Bromsgrove	50,000	310,000	984,167
4	Village Edge	Bromsgrove	50,000	310,000	1,361,511
5	Village Edge	Bromsgrove	50,000	310,000	1,436,811
6	Settlement Brown	Bromsgrove	450,000	540,000	109,131
7	Urban Infill	Bromsgrove	450,000	540,000	449,218
8	Urban Infill	Bromsgrove	450,000	540,000	297,753
9	Settlement Edge	Redditch	25,000	280,000	183,723
10	Settlement Edge	Redditch	50,000	310,000	529,268
11	Village Edge	Redditch	50,000	310,000	1,448,507
12	Village Edge	Redditch	50,000	310,000	1,619,763
13	Settlement Mixed	Redditch	450,000	540,000	-65,637
14	Settlement Brown	Redditch	450,000	540,000	-151,794
15	Urban Infill	Redditch	450,000	540,000	-431,534
16	Urban Infill	Redditch	450,000	540,000	-837,105

Source: HDH 2014

10.14 Across both Council areas the development of brownfield sites is shown as not viable. It is our firm recommendation that the Councils put relatively little weight on the delivery of such sites in the short to medium term when assessing their 5 year land supply and delivery of housing.

10.15 Of particular note is the largest site (Site 9, 169 units) in Redditch. This is a greenfield site in a slightly lower price area than the housing in Bromsgrove and indicates some of the difficulty of the higher site costs associated with larger sites.

10.16 These results are broadly similar to the findings set out in the Table 1.1 above as taken from the Worcestershire CIL Viability Study.

10.17 INSERT BROMSGROVE STRATEGIC SITES

10.18 INSERT REDDITCH STRATEGIC SITES

10.19 We understand that, to a significant degree, these results are consistent with the Councils' track record in delivering affordable housing.

10.20 To assist the Councils to further develop policy and understand the relationship between affordable housing, developer contributions and other requirements, we have run further appraisals for the different elements of the policy requirements before considering the cumulative impact of the different policy elements

No policy requirements

10.21 The Plans contain a wide range of policies, as set out in the previous chapters, however, as part of the process of informing the plan-making process, we have run a set of appraisals with no policy requirements. In these we have assumed that there is no requirement for affordable housing, and no developer contributions (s106 or CIL) but the buildings are built to basic enhanced Building Regulation Standards (Part L plus part CfSH4).

Bromsgrove

a.	Affordable Housing	None.
b.	Environmental Standards	Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) on brownfield sites, Lifetime Homes (£11/m^2).
c.	CIL and s106	None.
d.	Developers' Return	20% on GDV.

Redditch

a.	Affordable Housing	None.
b.	Environmental Standards	Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) on brownfield sites, Lifetime Homes (£11/m^2) on 20% of units.
c.	CIL and s106	None.
d.	Developers' Return	20% on GDV.

Table 10.## Residual Value Compared to Viability Threshold, Modelled Sites, Base Appraisals. NO POLICY REQUIREMENTS

			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	Settlement Edge	Bromsgrove	25,000	280,000	937,233
2	Settlement Edge	Bromsgrove	25,000	280,000	1,199,931
3	Village Edge	Bromsgrove	50,000	310,000	1,638,580
4	Village Edge	Bromsgrove	50,000	310,000	2,242,329
5	Village Edge	Bromsgrove	50,000	310,000	1,639,251
6	Settlement Brown	Bromsgrove	450,000	540,000	609,587
7	Urban Infill	Bromsgrove	450,000	540,000	900,691
8	Urban Infill	Bromsgrove	450,000	540,000	495,274
9	Settlement Edge	Redditch	25,000	280,000	729,788
10	Settlement Edge	Redditch	50,000	310,000	1,105,105
11	Village Edge	Redditch	50,000	310,000	2,480,751
12	Village Edge	Redditch	50,000	310,000	2,674,780
13	Settlement Mixed	Redditch	450,000	540,000	565,153
14	Settlement Brown	Redditch	450,000	540,000	580,822
15	Urban Infill	Redditch	450,000	540,000	431,177
16	Urban Infill	Redditch	450,000	540,000	-458,987

Source: HDH 2014

10.22 INSERT BROMSGROVE STRATEGIC SITES

10.23 INSERT REDDITCH STRATEGIC SITES

No Affordable Housing

10.24 In the following analysis we have assumed that all the policy requirements other than the requirement for affordable housing are applied.

Bromsgrove

a. Affordable Housing — None.

b. Environmental Standards — Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) on brownfield sites, Lifetime Homes (£11/m^2).

c. CIL and s106 — s106 of £2,000 per unit (Market and Affordable). Plus £40/m^2 CIL.

d. Developers' Return — 20% on GDV.

Redditch

a. Affordable Housing — None.

b. Environmental Standards — Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) on brownfield sites, Lifetime Homes (£11/m^2) on 20% of units.

c. CIL and s106 — s106 of £2,000 per unit (Market and Affordable). Plus £40/m^2 CIL.

d. Developers' Return — 20% on GDV.

Table 10.## Residual Value Compared to Viability Threshold, Modelled Sites, Base Appraisals. FULL POLICY REQUIREMENTS – NO AFFORDABLE

			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	Settlement Edge	Bromsgrove	25,000	280,000	823,403
2	Settlement Edge	Bromsgrove	25,000	280,000	1,059,667
3	Village Edge	Bromsgrove	50,000	310,000	1,521,674
4	Village Edge	Bromsgrove	50,000	310,000	2,085,774
5	Village Edge	Bromsgrove	50,000	310,000	1,436,811
6	Settlement Brown	Bromsgrove	450,000	540,000	418,005
7	Urban Infill	Bromsgrove	450,000	540,000	734,192
8	Urban Infill	Bromsgrove	450,000	540,000	297,753
9	Settlement Edge	Redditch	25,000	280,000	578,118
10	Settlement Edge	Redditch	50,000	310,000	966,125
11	Village Edge	Redditch	50,000	310,000	2,263,316
12	Village Edge	Redditch	50,000	310,000	2,480,367
13	Settlement Mixed	Redditch	450,000	540,000	319,107
14	Settlement Brown	Redditch	450,000	540,000	279,648
15	Urban Infill	Redditch	450,000	540,000	77,269
16	Urban Infill	Redditch	450,000	540,000	-837,105

Source: HDH 2014

10.25 INSERT BROMSGROVE STRATEGIC SITES

10.26 INSERT REDDITCH STRATEGIC SITES

No Developer Contributions

10.27 In the following analysis we have assumed that all the policy requirements other than the requirement for developer contributions and affordable housing are applied.

Bromsgrove

a.	Affordable Housing	On greenfield sites and those over 200 units, 40% and other sites over 10 dwellings / over 0.4ha, 30%. Delivered as 1/3 Social Rent, 1/3 Affordable Rent and 1/3 Intermediate housing.
b.	Environmental Standards	Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) on brownfield sites, Lifetime Homes (£11/m^2).
c.	CIL and s106	None.
d.	Developers' Return	20% on GDV.

Redditch

a.	Affordable Housing	On sites over 10 dwellings / over 0.4ha, 30%. Delivered as 1/3 Social Rent, 1/3 Affordable Rent and 1/3 Intermediate housing. A commuted sum in lieu of affordable housing is required on sites of less than 10 units, this has not been modelled at this stage.
b.	Environmental Standards	Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) on brownfield sites, Lifetime Homes (£11/m^2) on 20% of units.
c.	CIL and s106	None.
d.	Developers' Return	20% on GDV.

Table 10.## Residual Value Compared to Viability Threshold, Modelled Sites, Base Appraisals. FULL POLICY REQUIREMENTS – NO DEVELOPER CONTRIBUTIONS

			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	Settlement Edge	Bromsgrove	25,000	280,000	553,491
2	Settlement Edge	Bromsgrove	25,000	280,000	720,115
3	Village Edge	Bromsgrove	50,000	310,000	1,076,761
4	Village Edge	Bromsgrove	50,000	310,000	1,485,416
5	Village Edge	Bromsgrove	50,000	310,000	1,639,251
6	Settlement Brown	Bromsgrove	450,000	540,000	276,319
7	Urban Infill	Bromsgrove	450,000	540,000	594,694
8	Urban Infill	Bromsgrove	450,000	540,000	495,274
9	Settlement Edge	Redditch	25,000	280,000	304,124
10	Settlement Edge	Redditch	50,000	310,000	641,078
11	Village Edge	Redditch	50,000	310,000	1,624,077
12	Village Edge	Redditch	50,000	310,000	1,775,984
13	Settlement Mixed	Redditch	450,000	540,000	153,323
14	Settlement Brown	Redditch	450,000	540,000	120,859
15	Urban Infill	Redditch	450,000	540,000	-120,075
16	Urban Infill	Redditch	450,000	540,000	-458,987

Source: HDH 2014

10.28 INSERT BROMSGROVE STRATEGIC SITES

10.29 INSERT REDDITCH STRATEGIC SITES

Cumulative Impact of Policies

10.30 The NPPF requires us to consider the cumulative impact of policies. In the following table we have combined the results from the preceding tables.

Table 10.## Residual Value Compared to Viability Threshold, Modelled Sites, Cumulative Impact of Policies								
			Alternative Use Value	Viability Threshold	Residual Value			
			£/ha	£/ha	No Affordable, No DC	No Affordable	No Developer Contribution	Base
1	Settlement Edge	Bromsgrove	25,000	280,000	937,233	823,403	553,491	463,194
2	Settlement Edge	Bromsgrove	25,000	280,000	1,199,931	1,059,667	720,115	607,272
3	Village Edge	Bromsgrove	50,000	310,000	1,638,580	1,521,674	1,076,761	984,167
4	Village Edge	Bromsgrove	50,000	310,000	2,242,329	2,085,774	1,485,416	1,361,511
5	Village Edge	Bromsgrove	50,000	310,000	1,639,251	1,436,811	1,639,251	1,436,811
6	Settlement Brown	Bromsgrove	450,000	540,000	609,587	418,005	276,319	109,131
7	Urban Infill	Bromsgrove	450,000	540,000	900,691	734,192	594,694	449,218
8	Urban Infill	Bromsgrove	450,000	540,000	495,274	297,753	495,274	297,753
9	Settlement Edge	Redditch	25,000	280,000	729,788	578,118	304,124	183,723
10	Settlement Edge	Redditch	50,000	310,000	1,105,105	966,125	641,078	529,268
11	Village Edge	Redditch	50,000	310,000	2,480,751	2,263,316	1,624,077	1,448,507
12	Village Edge	Redditch	50,000	310,000	2,674,780	2,480,367	1,775,984	1,619,763
13	Settlement Mixed	Redditch	450,000	540,000	565,153	319,107	153,323	-65,637
14	Settlement Brown	Redditch	450,000	540,000	580,822	279,648	120,859	-151,794
15	Urban Infill	Redditch	450,000	540,000	431,177	77,269	-120,075	-431,534
16	Urban Infill	Redditch	450,000	540,000	-458,987	-837,105	-458,987	-837,105

Source: HDH 2014

10.31 The cumulative impact of the Council's policies can be clearly seen. Even with the full policy requirement as drafted in the Plans, most greenfield sites are viable with residual values over £450,000/has and in many cases much higher and in excess of £1,000,000/ha.

10.32 The results show that the brownfield sites are inherently difficult in terms of viability. Even with no requirements some sites remain unviable.

10.33 In the above sites 5, 8 and 16, all are below the affordable housing thresholds, so it is not affordable housing that is rendering the sites unviable.

10.34 The affordable housing policy is achievable on most sites and both Councils include a viability test in cases where the site cannot bear the full requirement – this can act as a pressure valve to ensure delivery. These results to however highlight comments made in relation to the base appraisals with regard to brownfield sites. The Councils should put little weight on the delivery of development from brownfield sites in the short to medium term.

10.35 INSERT BROMSGROVE STRATEGIC SITES

10.36 INSERT REDDITCH STRATEGIC SITES

Sensitivity Testing +5% and -5% price change

10.37 The CIL Viability Study includes a commentary on the current state of the market. To enable a judgement to be made about the impact of price changes, the following tables show the impact of a 10% and 5% decrease, and a 10% and 5% increase, in house prices on the base appraisals. All other assumptions in the appraisals have been held constant.

10.38 It is important that, whatever policies are adopted, that the Plans are not unduly sensitive to future changes in prices and costs. We have therefore tested various variables in this regard. We have followed the time horizons set out in the NPPF and the methodology in the Harman Guidance.

10.39 In this report we have used the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecast a 15% increase in prices over the next 5 years[24]. We have tested a scenario with this increase in build costs.

10.40 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have therefore tested four price change scenarios, minus 10% and 5%, and plus 10% and 5%. In this analysis we have assumed all other matters in the base appraisals remain unchanged.

[24] See Page 7 of in *Quarterly Review of Building Prices* (Issue No 132 – February 2014). .

10.41 It is important to note that in the following table only the costs of construction and the value of the market housing is altered. This is a cautious assumption but an appropriate one.

10.42 The following appraisals are based on the base appraisals:

Bromsgrove

a.	Affordable Housing	On greenfield sites and those over 200 units, 40% and other sites over 10 dwellings / over 0.4ha, 30%. Delivered as 1/3 Social Rent, 1/3 Affordable Rent and 1/3 Intermediate housing.
b.	Environmental Standards	Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) on brownfield sites, Lifetime Homes (£11/m^2).
c.	CIL and s106	s106 of £2,000 per unit (Market and Affordable). Plus £40/m^2 CIL.
d.	Developers' Return	20% on GDV.

Redditch

a.	Affordable Housing	On sites over 10 dwellings / over 0.4ha, 30%. Delivered as 1/3 Social Rent, 1/3 Affordable Rent and 1/3 Intermediate housing. A commuted sum in lieu of affordable housing is required on sites of less than 10 units, this has not been modelled at this stage.
b.	Environmental Standards	Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) on brownfield sites, Lifetime Homes (£11/m^2) on 20% of units.
c.	CIL and s106	s106 of £2,000 per unit (Market and Affordable). Plus £40/m^2 CIL.
d.	Developers' Return	20% on GDV.

Table 10.## Residual Value Compared to Viability Threshold, Modelled Sites, Impact of Price Change										
			Alternative Use Value	Viability Threshold	Residual Value					
			£/ha	£/ha	BCIS +15%	Price -10%	Price -5%	**Base**	Price +5%	Price +10%
1	Settlement Edge	Bromsgrove	25,000	280,000	200,664	256,977	360,086	**463,194**	566,303	669,411
2	Settlement Edge	Bromsgrove	25,000	280,000	292,917	356,269	480,098	**607,272**	734,446	861,620
3	Village Edge	Bromsgrove	50,000	310,000	701,887	713,846	849,007	**984,167**	1,119,328	1,254,489
4	Village Edge	Bromsgrove	50,000	310,000	997,027	1,000,000	1,179,415	**1,361,511**	1,543,607	1,725,703
5	Village Edge	Bromsgrove	50,000	310,000	738,575	781,047	1,116,007	**1,436,811**	1,768,503	2,100,196
6	Settlement Brown	Bromsgrove	450,000	540,000	-380,052	-216,023	-53,446	**109,131**	263,908	421,818
7	Urban Infill	Bromsgrove	450,000	540,000	67,439	155,987	304,815	**449,218**	596,594	729,732
8	Urban Infill	Bromsgrove	450,000	540,000	-159,377	-144,865	76,444	**297,753**	519,062	740,371
9	Settlement Edge	Redditch	25,000	280,000	-192,235	-67,519	60,829	**183,723**	307,760	431,796
10	Settlement Edge	Redditch	50,000	310,000	219,465	282,560	408,422	**529,268**	653,948	778,629
11	Village Edge	Redditch	50,000	310,000	1,000,000	1,020,313	1,234,410	**1,448,507**	1,662,604	1,876,701
12	Village Edge	Redditch	50,000	310,000	1,171,858	1,175,105	1,397,434	**1,619,763**	1,842,093	2,045,037
13	Settlement Mixed	Redditch	450,000	540,000	-709,135	-488,259	-273,425	**-65,637**	137,798	336,132
14	Settlement Brown	Redditch	450,000	540,000	-909,995	-635,645	-391,074	**-151,794**	84,436	311,461
15	Urban Infill	Redditch	450,000	540,000	-1,341,642	-994,269	-712,902	**-431,534**	-158,456	113,316
16	Urban Infill	Redditch	450,000	540,000	-1,890,659	-1,567,684	-1,202,394	**-837,105**	-476,053	-123,220

Source: HDH 2014

10.43 The viability of sites is sensitive to changes in the costs of development and changes in price. A fall in prices of up to 10% will have an impact on the proportion of units coming forward.

Developer Contributions

10.44 Having considered the above we have run further sets of appraisals assuming CIL at £0/m^2, £20/m^2, £40/m^2, £60/m^2, £80/m^2 and £100/m^2, on the Base Appraisals. In these we have worked from the following initial assumptions:

Bromsgrove

a.	Affordable Housing	On greenfield sites and those over 200 units, 40% and other sites over 10 dwellings / over 0.4ha, 30%. Delivered as 1/3 Social Rent, 1/3 Affordable Rent and 1/3 Intermediate housing.
b.	Environmental Standards	Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) on brownfield sites, Lifetime Homes (£11/m^2).
c.	CIL and s106	s106 of £2,000 per unit (Market and Affordable). Plus CIL as shown.
d.	Developers' Return	20% on GDV.

Redditch

a.	Affordable Housing	On sites over 10 dwellings / over 0.4ha, 30%. Delivered as 1/3 Social Rent, 1/3 Affordable Rent and 1/3 Intermediate housing. A commuted sum in lieu of affordable housing is required on sites of less than 10 units, this has not been modelled at this stage.
b.	Environmental Standards	Building Regulations (Part L), plus the enhanced building regulations (part CfSH 4 (+£25/m^2)), and SUDS (5% BCIS) on brownfield sites, Lifetime Homes (£11/m^2) on 20% of units.
c.	CIL and s106	s106 of £2,000 per unit (Market and Affordable). Plus CIL as shown.
d.	Developers' Return	20% on GDV.

10.45 It should be noted that these rates of CIL have been applied across all sites, it is possible that the Councils will introduce variable rates of CIL that are set by different zones.

Table 10.## Residual Value Compared to Viability Threshold, Modelled Sites, Impact of CIL

			Alternative Use Value	Viability Threshold	Residual Value					
			£/ha	£/ha	£0/m^2	£20/m^2	**£40/m^2**	£60/m^2	£80/m^2	£100/m^2
1	Settlement Edge	Bromsgrove	25,000	280,000	514,703	488,949	**463,194**	437,440	411,685	385,930
2	Settlement Edge	Bromsgrove	25,000	280,000	667,290	637,281	**607,272**	577,263	547,254	517,245
3	Village Edge	Bromsgrove	50,000	310,000	1,037,382	1,010,775	**984,167**	957,560	930,953	904,345
4	Village Edge	Bromsgrove	50,000	310,000	1,432,975	1,397,243	**1,361,511**	1,325,779	1,290,047	1,254,315
5	Village Edge	Bromsgrove	50,000	310,000	1,576,382	1,506,597	**1,436,811**	1,367,026	1,297,241	1,239,549
6	Settlement Brown	Bromsgrove	450,000	540,000	202,076	155,071	**109,131**	61,664	14,196	-33,272
7	Urban Infill	Bromsgrove	450,000	540,000	531,824	490,521	**449,218**	407,915	366,612	325,308
8	Urban Infill	Bromsgrove	450,000	540,000	424,731	361,242	**297,753**	234,264	170,775	107,286
9	Settlement Edge	Redditch	25,000	280,000	252,163	217,943	**183,723**	150,920	116,376	81,831
10	Settlement Edge	Redditch	50,000	310,000	588,737	559,002	**529,268**	499,533	474,252	444,235
11	Village Edge	Redditch	50,000	310,000	1,540,141	1,494,324	**1,448,507**	1,402,691	1,356,874	1,311,057
12	Village Edge	Redditch	50,000	310,000	1,707,391	1,663,577	**1,619,763**	1,575,950	1,532,136	1,488,322
13	Settlement Mixed	Redditch	450,000	540,000	62,458	-1,282	**-65,637**	-129,993	-194,348	-258,704
14	Settlement Brown	Redditch	450,000	540,000	-4,957	-78,375	**-151,794**	-225,212	-298,631	-374,170
15	Urban Infill	Redditch	450,000	540,000	-266,860	-348,545	**-431,534**	-515,966	-600,399	-684,832
16	Urban Infill	Redditch	450,000	540,000	-606,484	-721,794	**-837,105**	-952,415	-1,067,725	-1,183,036

Source: HDH 2014

10.46 It is clear that CIL has a notable impact on the Residual Value of the modelled sites, however those sites, and the proportion of development that they represent, that are viable at £40/m2, remain viable at £100/m2. This will provide the Councils with reassurance that the sites do have scope to contribute towards the infrastructure needed to deliver their Plans.

Older People's Housing

10.47 As well as mainstream housing, we have considered the retirement sector separately. We have run simple appraisals based on the assumptions set out in the earlier sections of this report. The results of these, with no requirement for affordable housing, are summarised as follows (see **Appendix ##**):

Table 10.10 Older People's Housing, Appraisal Results – Higher Price Areas

	Sheltered Bromsgrove	Sheltered Redditch	24 Unit Extra Care Bromsgrove	25 Unit Extra Care Redditch
Residual Land Worth (Site)	1,586,033	1,005,537	492,926	21,078
Existing Use Value (£/ha)	370,000	370,000	370,000	370,000
Viability Threshold (£/ha)	444,000	444,000	444,000	444,000
Residual Value (£/ha)	3,172,066	2,011,074	985,853	42,156

Source: HDH 2014

10.48 Sheltered housing is viable in the study area and extracare housing is in the higher value areas.

Conclusions

10.49 We have discussed the consequence of these results in Chapter 12 below.

11. Non-Residential Appraisal Results

Results

11.1 In the preceding chapters we set out the assumptions for the non-residential development appraisals and concluded – at least initially – that the main cost and income assumptions apply across the County. Based on the assumptions set out previously, we have run a set of development financial appraisals for the non-residential development types. The detailed appraisal results are set out in **Appendix ##** and summarised in Tables 11.1 and 11.2 below.

11.2 As with the residential appraisals, we have used the residual valuation approach – that is, they are designed to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability we have used exactly the same methodology with regard to the Viability Thresholds (Alternative Land Use plus uplift).

Table 11.1 Appraisal Results showing Approximate Residual Value - Greenfield

	Large Industrial	Smaller Industrial	Large Office	Small Offices	Supermarkets	Retail Warehouse	Shops	Hotel
Residual Land Worth	-309,656	-265,973	-50,902	-36,957	937,017	925,413		941,676
Additional Profit (/site)	-374,056	-293,973	-95,702	-45,357	209,017	421,413		829,676
£/m2	-249	-588	-96	-302	52	211		512
Existing Use Value	25,000	25,000	25,000	25,000	25,000	25,000		25,000
Viability Threshold	280,000	280,000	280,000	280,000	280,000	280,000		280,000
Residual Value	-1,346,329	-2,659,725	-318,137	-1,231,899	360,391	514,118		2,354,190

Source HDH 2014

Table 11.2 Appraisal Results showing Approximate Residual Value - Brownfield

	Large Industrial	Smaller Industrial	Large Office	Small Offices	Supermarkets	Retail Warehouse	Shops	Hotel
Residual Land Worth	-542,462	-369,180	-283,720	-73,440	-607,050	268,472	-87,304	876,076
Additional Profit	-666,662	-423,180	-370,120	-89,640	-2,011,050	-703,528	-168,904	698,476
£/m2	-444	-846	-370	-598	-503	-352	-1,126	431
Existing Use Value	450,000	450,000	450,000	450,000	450,000	450,000	4,000,000	370,000
Viability Threshold	540,000	540,000	540,000	540,000	540,000	540,000	4,800,000	444,000
Residual Value	-2,358,531	-3,691,804	-1,773,247	-2,447,987	-233,481	149,151	-5,135,516	2,190,190

Source: HDH 2014

11.3 Supermarkets and retail warehouses are shown as viable on the greenfield sites where they are anticipated to come forward, however the town centre retail is not showing as viable. These findings are supported by the numbers of vacant retail properties in the town centres.

In part, this will be a factor of the significant changes within the retail sector with the consolidation of brands and the move to on-line outlets.

11.4 Little redevelopment of employment sites is occurring and when one looks across the wider area that employment development that is happening tends to be on the larger out of town 'parks'.

11.5 As we would expect, hotel development is shown as viable. This is reflective of the fact that some of the larger national operators are seeking new locations for roadside hotels and whilst such developments are not coming forward in the County at the moment, they are in other similarly priced areas.

Conclusions

11.6 The delivery of non-residential space is an important part of the Plans. The Councils will need to consider how this can be facilitated.

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

12. Conclusions and Recommendations

12.1 In the previous chapters we set out the various appraisals for the different policy requirements in order to assess the impact of those on development viability. In this chapter we build on those results and assess the cumulative impact that these may have on the delivery of the latest iteration of the **Bromsgrove District Plan Proposed Submission Version 2011 to 2030** and the **Borough of Redditch Local Plan Number 4 Proposed Submission (2011 to 2030)**.

12.2 The results from the analysis must be considered in the context of paragraph 174 of the NPPF. This says Planning Authorities … *should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and <u>policies should not put implementation of the plan at serious risk…</u> .* There is no suggestion that all sites should be viable, the test is whether or not the Plan is put at serious risk.

12.3 In order to be able to compare the results of the above appraisal we have produced several comparative tables that show the cumulative impact of introducing the requirements under the emerging Plans and of introducing CIL.

Cumulative Impact of Planning Policies

12.4 The following tables show the residual values from the tables in Chapter 10. The results with the least requirements are shown in the left hand of the coloured columns and requirements (or levels of CIL) increase in the columns to the right.

Table 10.## Residual Value Compared to Viability Threshold, Modelled Sites, Cumulative Impact of Policies

			Alternative Use Value	Viability Threshold	Residual Value			
			£/ha	£/ha	No Affordable, No DC	No Affordable	No Developer Contribution	Base
1	Settlement Edge	Bromsgrove	25,000	280,000	937,233	823,403	553,491	463,194
2	Settlement Edge	Bromsgrove	25,000	280,000	1,199,931	1,059,667	720,115	607,272
3	Village Edge	Bromsgrove	50,000	310,000	1,638,580	1,521,674	1,076,761	984,167
4	Village Edge	Bromsgrove	50,000	310,000	2,242,329	2,085,774	1,485,416	1,361,511
5	Village Edge	Bromsgrove	50,000	310,000	1,639,251	1,436,811	1,639,251	1,436,811
6	Settlement Brown	Bromsgrove	450,000	540,000	609,587	418,005	276,319	109,131
7	Urban Infill	Bromsgrove	450,000	540,000	900,691	734,192	594,694	449,218
8	Urban Infill	Bromsgrove	450,000	540,000	495,274	297,753	495,274	297,753
9	Settlement Edge	Redditch	25,000	280,000	729,788	578,118	304,124	183,723
10	Settlement Edge	Redditch	50,000	310,000	1,105,105	966,125	641,078	529,268
11	Village Edge	Redditch	50,000	310,000	2,480,751	2,263,316	1,624,077	1,448,507
12	Village Edge	Redditch	50,000	310,000	2,674,780	2,480,367	1,775,984	1,619,763
13	Settlement Mixed	Redditch	450,000	540,000	565,153	319,107	153,323	-65,637
14	Settlement Brown	Redditch	450,000	540,000	580,822	279,648	120,859	-151,794
15	Urban Infill	Redditch	450,000	540,000	431,177	77,269	-120,075	-431,534
16	Urban Infill	Redditch	450,000	540,000	-458,987	-837,105	-458,987	-837,105

Source: Table 10.## Bromsgrove and Redditch LPVS (HDH 2014)

12.5 It can be clearly seen that, as more requirements are introduced through policy, more sites move from viable through marginal and then to un-viable. When looked at as a whole, across the study area, it is clear that most sites that are viable with no policy requirements are able to bear the Councils' principal policy requirements (Affordable Housing and developer contributions). There are, however, a significant proportion of sites, being those brownfield sites within the lower value urban areas, that are not viable even without the application of planning policies requiring affordable housing or contributions towards infrastructure.

12.6 Based on the above, on balance we conclude that the Cumulative Impact of the Councils' Policies does not put residential development at risk, however brownfield sites within the urban areas are unlikely to be viable so the Councils should be cautious about any assumptions that assume the delivery of such sites in the short to medium term.

12.7 INSERT NOTES ON STRATEGIC SITES.

12.8 In this regard we draw particular attention to the second paragraph on page 23 of the Harman Guidance and paragraph 34 of the April 2013 CIL guidance that says:

Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability. (page 23 Harman Guidance)

In some cases, charging authorities could treat a major strategic site as a separate geographical zone where it is supported by robust evidence on economic viability. (CIL Guidance Paragraph 34)

12.9 We recommend that the Councils work with the promoters of these sites to further understand the economics of their delivery.

12.10 It will be necessary for the Councils to continue to be flexible over the implementation of policies in the built up areas and there is no doubt that not all sites will be able to bear the full policies' requirements.

12.11 The analysis of employment uses indicates that such development is not viable, however it is not the Councils' policies that render them unviable – it is a factor of the current difficult economic climate. Again this sets the Councils a real challenge when they come to showing that their Plans are deliverable. Both Bromsgrove District Council and Redditch Borough Council, in their capacity as Planning Authorities (and CIL Charging Authorities), are not developers and can only provide an environment conducive for development. This is particularly difficult at a time of budgetary constraint.

12.12 The Councils are advised to show that they are doing what they can do to facilitate development. The Councils have a wide range of existing and emerging initiatives in this regard, although it must be noted that in the current economic climate there is little Government money to provide such help. These include:

a. Being an active partner in the Local Enterprise Partnership (LEP) to secure any available external funding to the priority areas.

b. Through using CIL to carry out public realm works that will contribute towards environmental quality therefore enabling the delivery of housing.

c. Using CIL, other developer contributions and publicly owned land, to enable high quality employment space to continue to be developed.

12.13 Towards the end of Chapter 10 we set out the impact of price change and identified that a relatively small increase in house prices has a real and noticeable impact on viability. We would recommend that the Councils review viability in three years or should house prices change by 10%.

Next Steps

12.14 The recommendations in this study are ‘a consultant’s view’ and do not reflect the particular priorities and emphasis that the Councils may put on different parts of their Development Plans.

12.15 We stress that the information in this report is an important element of the assessment of deliverability - but is only one part of the evidence; the wider context needs to be considered.

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

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

The main areas of expertise are:

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

HDH Planning and Development have public and private sector clients throughout England and Wales.

HDH Planning and Development
Registered in England. Number 08555548
Bellgate, Casterton, Kirkby Lonsdale, Cumbria. LA6 2LF
simon@drummond-hay.co.uk 015242 76205 / 07989 975 977

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