
BASINGSTOKE & DEANE BOROUGH
COUNCIL

**Golf Course and
Hounsome Fields
Viability Report**

**Three Dragons – April
2015**



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

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

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EXECUTIVE SUMMARY

1. This viability study is the third in a series of assessments used to provide evidence in support of the emerging Local Plan and the draft Community Infrastructure Levy (CIL) charging schedule. It follows:
 - The 2013 Basingstoke and Deane Borough Council Viability Study.
 - The 2014 Manydown and the Golf Course Viability Study.
2. This third study responds to the inclusion of an additional new site – Hounsome Fields – in the Local Plan. This site is adjacent to the Golf Course site (assessed in the 2014 study) and some of the infrastructure required to serve Hounsome Fields is common across the two sites. This has resulted in changes to the costs that development on the Golf Course will be required to support as well as the introduction of infrastructure costs on the new site. Therefore this April 2015 study provides a viability assessment for Hounsome Fields as well as re-testing the Golf Course to take account of the revised costs. Unlike the 2013 and 2014 studies, this current work is focused on the Local Plan, and does not specifically provide CIL recommendations.
3. This study is intended as a revision to the July 2014 testing (as it deals with revisions to the Golf Course development testing assumptions) and therefore it utilises the same values and costs in the viability modelling.

Changes since the 2014 study

4. While the same key value and development cost assumptions remain the same as those used in the 2014 viability study, the costs of planning obligations (s106) and land budgets have changed from those modelled for the Golf Course:
 - Additional greenspace costs have been included.
 - The cost of school provision has reduced as this facility is now shared with Hounsome Fields.
 - Costs for providing outdoor sports facilities have been included. These were not modelled in 2014.
 - Site specific s106 per dwelling is £10,500 plus a generic assumption of £1,500 s106 per dwelling for local recreation, open space and transport.
 - Basingstoke and Deane Borough Council has advised that the proportion of the site that can be developed for housing (the net developable area)¹ is now 62% (was 67% in 2014) to reflect changes in the land budget including the addition of off-site greenspace.
5. Planning obligations identified by the Council for Hounsome Fields, include education, greenspace, sports and site specific transport infrastructure. A policy compliant land budget has also been developed by Basingstoke and Deane Borough Council, with a developable area

¹ In larger development sites, a proportion of the site will be taken up by other uses – including greenspaces

of 58% of the total site area. Site specific s106 per dwelling is £11,700² plus a generic assumption of £1,500 s106 per dwelling for local recreation, open space and transport.

6. For practical reasons the education and indoor/outdoor sports infrastructure required for the two sites is provided on one or the other of the two sites rather than having smaller duplicate facilities on each site. The s106 costs discussed above include a proportionate split of the costs for these infrastructure items. However the land take is not proportionate as the space required varies between the education and sports facilities. In response to this, Basingstoke and Deane Borough Council has instructed Three Dragons to provide an additional scenario in which land for these common infrastructure items is divided proportionately. In effect this reduces the cost to development on Hounsome Fields and increases the cost to development on the Golf Course. This additional scenario is in advance of any negotiations about the costs of land equalisation for this infrastructure and therefore can only be considered illustrative.

Viability Findings

7. Development on the Golf Course site with 40% affordable housing is considered viable including meeting its site specific infrastructure costs of £10.5m. The site is also considered viable with an additional £0.5m as a notional cost for land equalisation). The assessment suggests that there is also some viability headroom which may be used as CIL to help support infrastructure elsewhere in the Borough if the Council choose, or to provide a buffer against additional development costs that may arise.
8. Development on Hounsome Fields with 40% affordable housing is also considered viable including meeting its site specific infrastructure costs of £8.4m. This applies to both the standard and alternative scenarios (which includes £0.5m as a notional allowance for land equalisation). The assessment also suggests that there is some viability headroom which may be used as CIL to help support infrastructure elsewhere in the Borough or to provide a buffer against additional development costs that may arise.

² Estimate excludes the 20 self-build dwellings planned for Hounsome Fields

Summary Residual Values

	Scheme residual value	Residual value/gross ha	Residual value/gross ha over the £400,000/ha threshold land value	Viability headroom - £s/sq m for market housing
Golf Course standard scenario	£23,064,000	£497,000	£97,292	£82
Golf Course alternative scenario (additional land costs)	£22,639,000	£488,000	£88,121	£75
Hounsome Fields standard scenario	£17,068,000	£466,000	£66,000	£61
Hounsome Fields alternative scenario (additional land revenue)	£17,493,000	£478,000	£78,000	£71

1 INTRODUCTION

- 1.1 Basingstoke and Deane Borough Council's emerging Local Plan was submitted for Examination in October 2014. It was supported by viability evidence produced by Three Dragons and published in two reports. The first report is the Basingstoke and Deane Residential and Non-Residential Viability Study (November 2013) which addresses the viability of the Local Plan policies and identifies the development scenarios which could support a CIL. The second report is the Manydown and Golf Course Viability Report (July 2014) which focuses on the viability of the two largest strategic sites being allocated in the Local Plan and takes account of the special circumstances of these developments including the provision of on-site infrastructure.
- 1.2 An exploratory meeting into the Local Plan took place in December 2014, following which the Inspector identified some areas for further work. The council has addressed these issues and the most significant change to the Local Plan is an increase in the number of new homes being planned in the borough, rising from 748 per year to 850 per year. This has resulted in the proposed allocation of an additional strategic site for 750 dwellings at Hounsome Fields to the south west of Basingstoke.
- 1.3 Hounsome Fields is adjacent to the proposed strategic site at Basingstoke Golf Course, so this latest allocation provides opportunities for shared infrastructure across the two sites, with the Council's current preference for infrastructure delivery through s106 on these sites. As such policy SS3.11 for the Golf Course has been amended and a new policy, SS3.12 for Hounsome Fields has been drafted. Both of these policies are now being published for consultation as part of the Mid Examination Proposed Main Modifications.
- 1.4 The council has asked Three Dragons to assess the viability of these proposed main modifications to the Local Plan using the same methodology as the previous viability evidence in order to ensure a consistent approach for all sites. This study is intended as a revision to the Manydown and Golf Course Viability Report (July 2014) and therefore it utilises the same values and costs in the viability modelling. In turn, the July 2014 study drew upon many of the assumptions in the 2013 Three Dragons Basingstoke and Deane Residential and Non-residential Viability Study³, updated to take into account the policy and guidance changes that have taken place in the interim, along with updated development values and costs.
- 1.5 The council intends to prepare updated viability assessments, using the Local Plan as a basis, to inform the setting of CIL rates in due course.

³ This included consultation with the development industry and established many of the assumptions used in the viability testing in this new analysis.

2 CONTEXT FOR THE ANALYSIS

2.1 The 2013 viability study provided a review of the national policy and guidance. Since that time there have been some changes, as reviewed below.

National Policy Context

2.2 The National Planning Policy Framework 2012 states:

- “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.” (para 173)
- “Local planning authorities shouldassess the likely cumulative impacts on development in their area of all existing and proposed local standards,” (para174)

2.3 Planning Practice Guidance⁴ states that viability judgements should be evidence based and stem from a collaborative approach between the local authority, business community, developers and landowners. Evidence should be proportionate with more detail where viability may be an issue such as strategic sites.

2.4 The Practice Guidance also states that “*Plan makers should not plan to the margin of viability but should allow for a buffer to respond to changing markets and to avoid the need for frequent plan updating. Current costs and values should be considered when assessing the viability of plan policy*” and that, “*Where any relevant future change to regulation or policy (either national or local) is known, any likely impact on current costs should be considered.*”⁵

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

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

2.6 An allowance for residual s106 contributions have been included within the viability assessments, as well as the known site specific s106 requirements.

Local Plan Policies

2.7 In accordance with the NPPF requirement that viability testing should take into account the costs of any requirements likely to be applied to development (Para 173), this assessment considers the policies in the draft Local Plan. The 2013 viability assessment included a review of local Plan policies. Changes since that time have been advised by Basingstoke and Deane Borough Council and have related to the specific policies for the strategic sites being tested in

⁴ DCLG, August 2013 onwards

⁵ From Guidance section titled, “How should changes in values and costs be treated in plan-making?”

this viability study. Policies SS3.11 and SS3.12 consider the Golf Course and Hounsome Fields respectively and provide overall site areas and dwelling numbers, as well as requirements for gypsy and traveller facilities, sports, recreation, education greenspace, highways, energy, noise and sewerage. These policies have been taken into account in the viability testing, including development of policy-compliant land budgets, dwelling mixes and s106/278 obligations.

- 2.8 Policy SS3.11 for Hounsome Fields also requires that there is provision for a proportion self-build. Basingstoke and Deane Borough Council has advised that this is likely to be small in number and that approximately 20 of the 750 dwellings are expected to be self-build.

3. VIABILITY APPROACH AND KEY ASSUMPTIONS

Principles and approach

- 3.1 This study has adopted the same principles as the 2013 and 2014 studies, based on the Advice for Planning Practitioners⁶ and Planning Practice Guidance⁷.

Land Value Benchmarks

- 3.2 The 2013 viability study drew upon published research and consultation with the development industry to estimate the threshold land values suitable for Basingstoke and Deane. For strategic greenfield land for residential development this concluded that £400,000 per gross hectare is a suitable benchmark land value, which is about 19 times agricultural values⁸. Development at the Golf Course and on Hounsme Fields is on strategic greenfield land and is therefore tested against this threshold.
- 3.3 The other benchmark land value established in 2013 was for non-strategic development sites. These sites are generally less expensive to bring forward because servicing/opening up is easier and there will typically be less non-developable land, and therefore they will often command a better value. The 2013 study established a benchmark of £1,000,000 per hectare, based on a rounded up premium of 30% over existing values for industrial land at £740,000 per hectare. This second benchmark land value is important for the self-build plots on Hounsme Fields as discussed later in the report.

Development Profile

Golf Course

- 3.4 The Golf Course has 1,000 dwellings planned on a gross site area of 42.7 ha, with net developable area of 28.6 ha at 35 dwellings per hectare. The gross area is slightly smaller than the 43.4 ha overall allocation with the balance of the site taken up by other uses such as a gypsy and traveller facility. In addition to the different land uses within the site, the development will be required to provide 3.68 ha greenspace *off site*.
- 3.5 Basingstoke and Deane Borough Council have provided a land budget, which is detailed below.

⁶ Local Housing Delivery Group, 2012, Viability Testing Local Plans.

⁷ DCLG, August 2013 onwards.

⁸ The most up to date national report of land values is from the DCLG in February 2015 – Land Value Estimates for Policy Appraisal. This provides a generic agricultural land benchmark of £21,000/ha. Knight Frank in their Rural Report of spring/summer 2013 indicate a maximum average land price again of £20,000 per agricultural hectare.

Table 3.1 Golf Course land budget

	ha
Total site	43.4
Net residential developable	28.6
Buffers which contribute to on-site green space.	8.0
Additional on-site Green Space not in buffers.	2.0
Allotments.	0.8
Playing fields.	2.0
Public square and car parking for local centre including community centre.	1.3
Green Space commuted off site.	3.68
Total non-housing area comprising land budget	17.78
Total land which will be paid for by the residential development (Gross Area)	46.38
Gross to net developable	62% including off-site greenspace

- 3.6 Development on the Golf Course is required to deliver a set of infrastructure through s106, as detailed below. This is in addition to the standard £1,500 s106/278⁹ per dwelling for children’s play, local open space and local transport, which is assumed to be incurred as dwellings are built.
- 3.7 The school will be on the Hounsome Fields site but the Golf Course will contribute its proportionate share of the capital cost (based on dwelling numbers).

⁹ Section 278 agreements allow developers to either pay for or undertake works relating to public highways. Typically this will relate to the works necessary to connect development to the highway network but it may also include offsite works. S278 may also include a bond to ensure works are undertaken

Table 3.2 Golf Course s106

Strategic transport	£2,000,000	Source: BDDC estimate	Required by first dwelling.
Open space (multifunctional green space and allotments)	£2,400,000	Source: BDBC	Figure has changed from July 2014 report which allowed for £941,000. Required in line with development.
Sports facilities: 2 grass pitches plus changing provision	£415,000	Source: BDBC and Sport England	To serve both sites. Required in line with development.
Primary school (3FE)	£5,700,000	Source: HCC	To serve both sites. Required by 300 dwellings on this site.
TOTAL	£10,515,000		

Hounsome Fields

- 3.8 Hounsome Fields has 750 dwellings planned on a gross site area of 36.61 ha, with net developable area of 21.4 ha at 35 dwellings per hectare. The gross area is smaller than the 43 ha overall allocation, partly as some other uses are anticipated to come forward (such as a gypsy and traveller facility). There will also be a local centre, which is also excluded from the land budget as both the local centre and the gypsy and traveler facility will have separate funding.
- 3.9 Basingstoke and Deane Borough Council have provided a land budget, which is detailed below.

Table 3.3 Hounsome Fields land budget

	ha
Total site	43
Net residential developable	21.43
Green Space outside the housing net developable area @ 1,800 persons (750 dwellings x 2.4 persons) x 57 sqm pp.	10.26 ha
Allotments.	0.61 ha
Sports facilities (4 no. tennis courts including parking and buffer strips, and 4 court badminton hall).	0.65 ha
School: one 3FE school.	3.0 ha
Community centre.	0.5 ha
Strategic Highway Infrastructure - Increased width of Western Bypass.	0.16 ha
Off site green space	0 ha
Total non-housing area comprising land budget	15.28
Total land which will be paid for by the residential development (Gross area)	36.61
Gross to net developable	58%

3.10 Development on Hounsome Fields is required to deliver a set of infrastructure through s106, as detailed below. This is in addition to the standard £1,500 s106/278 per dwelling for children’s play, local open space and local transport, which is assumed to be incurred as dwellings are built.

3.11 The school will serve both Hounsome Fields and the Golf Course and the figure in table 3.4 is just the Hounsome Fields proportionate share of the overall £10m cost of a Hampshire 3FE primary school.

Table 3.4 Hounsome Fields s106

Strategic transport	£2,000,000	Source: BDBC estimate	Required by first dwelling.
Open space (multifunctional green space and allotments)	£1,800,000	Source: BDBC	Required in line with development.
Sports facilities: 4 tennis courts / MUGA	£295,000	Source: BDBC and Sport England	To serve both sites. Required in line with development
Primary school (3FE)	£4,300,000	Source: HCC	To serve both sites. Required by 300 dwellings on this site
	£8,395,000		

Self-build on Hounsome Fields

- 3.12 Basingstoke and Deane Borough Council plans that Hounsome Fields will deliver approximately 20 of the 750 dwellings as self-build. For the purposes of this testing it is assumed that the density of the self-build units will be the same as for the rest of the site (35 dph).
- 3.13 In the absence of more detailed planning it is assumed that the 0.57ha land required for these 20 self-build dwellings will be passed to a third party developer(s). Clearly the basis of this transfer will be subject to a commercial negotiation but for the purposes of this modelling we have assumed the urban sites benchmark land value. At the £1m/ha urban sites benchmark (see para 3.3) the land required may have a value of £0.57m, which is £28,500 per plot. There may be other costs associated with the disposal of the land such as marketing and legal fees but discussions with self-build developers elsewhere in England suggest that £28,500/plot is a conservative estimate of the value of self-build plots. On this basis we have assumed that any additional costs can be covered by additional value and that the £0.57m is a net input to the Hounsome Fields development.
- 3.14 Set against this input will be the strategic greenfield benchmark land value of £400,000/ha (see para 3.2) and the opening up costs (see para 3.20), both of which will apply to the land used for self-build. In summary, 20 market units have been deducted from the overall calculations, £0.57m has been added to the scheme revenue and all greenfield land and site opening up costs for the full net area have been retained.
- 3.15 Self-build is typically free from developer obligations¹⁰. This means that the s106 requirements detailed in table 3.4 will be carried by the balance of 730 houses.

Alternative Scenario

- 3.16 In addition to the land and s106 costs discussed above, Basingstoke and Deane Borough Council has instructed Three Dragons to model a scenario in which the Golf Course also meets its share of the land required to accommodate the shared school and sports facilities serving both sites. In effect this adjustment reduces the cost to development on Hounsome Fields and increases the cost to development on the Golf Course. This additional scenario is in advance of any negotiations about the costs of land equalisation for this infrastructure and therefore can only be considered illustrative.
- 3.17 Under the standard scenario Hounsome Fields is contributing 1.23ha more than its proportionate share of the land for the school, indoor and outdoor sports facilities. At the strategic benchmark land value of £400,000/ha this equates to £491,000 and for the modelling this is rounded to £0.5m. Accordingly, for the alternative scenario £0.5m is added to the education cost for the Golf Course and taken off the school cost for Hounsome Fields¹¹. Clearly

¹⁰ Exempt from CIL and as they are logically in developments of less than 11 dwellings, free from s106 or affordable housing obligations.

¹¹ Even though this arrangement covers land for sports facilities as well, the school is the main land item and for clarity the arrangement is therefore attached to this infrastructure item.

there is a variety of ways in which this land can be valued and this represents only one simple basis. This figure should not be used to inform the actual negotiations in due course.

- 3.18 The mechanism for delivering this arrangement will be developed by Basingstoke and Deane Borough Council and Hampshire County Council in due course.

Other assumptions used in the testing (both main and alternative scenarios)

- 3.19 The other value and cost assumptions used in the testing of both the Golf Course and Hounsme Fields for all scenarios tested are the same as those used in the July 2014 study.

Table 3.5 Market values

	Flat	Detached	Semi	Terraced
1 bed	£150,000			
2 bed	£160,000			£224,000
3 bed			£258,000	£246,000
4 bed		£336,000		£269,000
5 bed		£370,000		

- 3.20 For the affordable housing tested, rental values have been provided by the Council, drawing on information they collected through a mini survey of the key housing associations active in the Borough in 2013, updated in 2014. The rents used are set out below.

Table 3.6 Rental values (£s per week excluding service charges)

Type	Social Rent	Affordable Rent
1 bedroom flat	£97	£117
2 bedroom flat	£111	£142
2 bedroom terrace	£119	£151
3 bedroom terrace	£142	£172
4 bedroom terrace	£164	£205

- 3.21 Other key assumptions used in the testing are:

- All affordable housing comprises 70% rented and 30% shared ownership – with the rented component as 75% affordable rent and 25% social rent.
- Basic build costs are derived from Building Cost Information Service (BCIS) data, are adjusted to take into account the location factor for the borough and include an allowance of 15% for external works. This equates to over £450,000/ha for an ‘average’ 35 dph scheme.

- Future increase in costs are £100 per dwelling¹² to achieve Code for Sustainable Homes (CfSH) 4 standard for water (as required in the draft Local Plan); and 15% of dwellings are built to Lifetime Homes standards – and that the standard costs £2,100 per dwelling where it is achieved.¹³
- Both the Golf Course and Hounsome Fields are large scale strategic sites and are assumed to incur additional costs of £200,000 per net hectare for opening up the sites and providing serviced parcels of land for development. These are in addition to the external works allowance of 15% of construction costs. This figure was been tested against detailed cost estimates for the Manydown site¹⁴ (another of the strategic sites on the edge of Basingstoke) and found to be generously adequate.
- Discounted cash flows have used a discount rate of 3.5%, along with a 7% debit and 2% credit rate.
- A notional allowance of 3% of residual value is used as an estimate of holding costs for the period from purchase to permission.
- It has been assumed that from the start of development there will be a year to the first sale and 220 dwellings per year thereafter, which is the same as the 2014 and 2013 studies.

3.22 Further build costs may be incurred in 2016 as the full requirement for zero carbon homes becomes defined by government, and this should be considered when reviewing the outcome from the viability assessments.

¹² The figure of £100 per dwelling is a rounded estimate taken from the Impact Assessment undertaken by EC Harris for the Department for Communities and Local Government as part of the 2013 Housing Standards Review Consultation.

¹³ The figure of £2,100 per dwelling is a broad average taken from the Impact Assessment undertaken by EC Harris for the Department for Communities and Local Government as part of the 2013 Housing Standards Review Consultation.

¹⁴ Gleeds, 2013, Manydown Masterplan to 2029 Order of Cost Estimate NR 04

4 VIABILITY TESTING – GOLF COURSE

Introduction

4.1 This section of the report sets out the viability assessments for the Golf Course site of 1,000 dwellings. This includes policy compliant 40% affordable housing and has two scenarios:

- A planning obligation package of £10.5m
- A planning obligation package of £10.5m plus a notional payment of £0.5m for land for the shared infrastructure being provided on Hounsme Fields, to take into account the potential costs of equalising the land requirement for the shared education and sports facilities.

Presentation of Results

4.2 The viability assessment findings are presented on a discounted cash flow basis, to take account of the estimated profile of values and cost over time and include credit and debit interest as well as the HM Treasury time preference discount rate¹⁵.

4.3 The assumptions used to model development on the Golf Course indicate that development will be complete 6 years after commencement. The impact of discounted cash flows can be positive or negative depending on the timing of values and costs.

Viability Findings

4.4 The estimated residual value of development of the Golf Course scheme is £23.1 million, which is equivalent to £497,000 per gross ha. This takes into account the £1,500 per dwelling general s106/278 costs and the £10.5m site specific s106/278 costs detailed in section 3, as well as the policy compliant 40% affordable housing.

4.5 The estimated residual value of £497,000 per ha is above the benchmark land value of £400,000 and therefore the development can be considered viable. The net residual value per market dwelling after land costs have been taken is £7,500, which is equivalent to £82/sq m for market housing. This provides an indication of the theoretical maximum extent to which the development may be able to contribute to infrastructure needs elsewhere in the Borough through CIL as well as meeting site specific requirements.

Alternative Scenario

4.6 The estimated alternative scenario residual value of development of the Golf Course scheme is £22.6 million, which is equivalent to £488,000 per gross ha. This takes into account the £1,500 per dwelling general s106/278 costs and the £10.5m site specific s106/278 costs and the notional £0.5m shared infrastructure land equalisation detailed in section 3, as well as the policy compliant 40% affordable housing.

4.7 Again, the estimated residual value of £488,000 per ha is above the benchmark land value of £400,000 and therefore the alternative scenario development can be considered viable. The

¹⁵ See section 3 for the details of these rates.

net residual value per market dwelling after land costs have been taken is £6,800, which is equivalent to £75/sq m. This provides an indication of the theoretical maximum extent to which the development may be able to contribute to infrastructure needs elsewhere in the Borough through CIL as well as meeting site specific requirements.

4.8 Figure 4.1 below illustrates the relative value per gross hectare compared to the threshold land value of £400,000 per ha for the standard and alternative modelling scenarios set out.

Figure 4.1 Residual Land Value / gross ha compared to benchmark



Summary

4.9 The Golf Course strategic site is considered to be viable for policy compliant development, including meeting its site specific infrastructure costs of £10.5m. This applies to both the standard and alternative scenarios (which adds another £0.5m as a notional cost for land equalisation). The assessment suggests that there is also some viability headroom which could be used to support a CIL charge or meet any additional development costs.

Table 4.1 Golf Course Viability Summary

	Scheme residual value	Residual value/gross ha	Residual value/gross ha over the £400,000/ha threshold land value	Viability headroom - £s/sq m for market housing
Standard scenario	£23,064,000	£497,000	£97,292	£82
Alternative scenario (additional land costs)	£22,639,000	£488,000	£88,121	£75

5 VIABILITY TESTING – HOUNSOME FIELDS

Introduction

5.1 This section of the report sets out the viability assessments for the Hounsome Fields site of 750 dwellings, of which 20 may be self-build and therefore not share in the site specific s106/278 costs. With the exception of the self-build dwellings, the development is tested at policy compliant 40% affordable housing and has two scenarios:

- A planning obligation package of £8.4m
- A planning obligation package of £8.4m less a notional payment of £0.5m for land for the shared infrastructure being provided on Hounsome Fields, to take into account the potential benefits to the scheme from equalising the land requirement for the shared education and sports facilities.

Presentation of Results

5.2 The viability assessment findings are presented on a discounted cash flow basis, to take account of the estimated profile of values and cost over time and include credit and debit interest as well as the HM Treasury time preference discount rate¹⁶.

5.3 The assumptions used to model development on the Hounsome Fields indicate that development will be complete 5 years after commencement. The impact of discounted cash flows can be positive or negative depending on the timing of values and costs.

Viability Findings

5.4 The estimated residual value of development of the Hounsome Fields scheme is £17.1 million, which is equivalent to £466,000 per gross ha. This takes into account the £1,500 per dwelling general s106/278 costs and the £8.4m site specific s106/278 costs detailed in section 3, as well as the policy compliant 40% affordable housing.

5.5 The estimated residual value of £466,000 per ha is above the benchmark land value of £400,000 and therefore the development can be considered viable. The net residual value per market dwelling after land costs have been taken is £5,500, which is equivalent to £61/sq m. This provides an indication of the theoretical maximum extent to which the development may be able to contribute to infrastructure needs elsewhere in the Borough through CIL as well as meeting site specific requirements.

Alternative Scenario

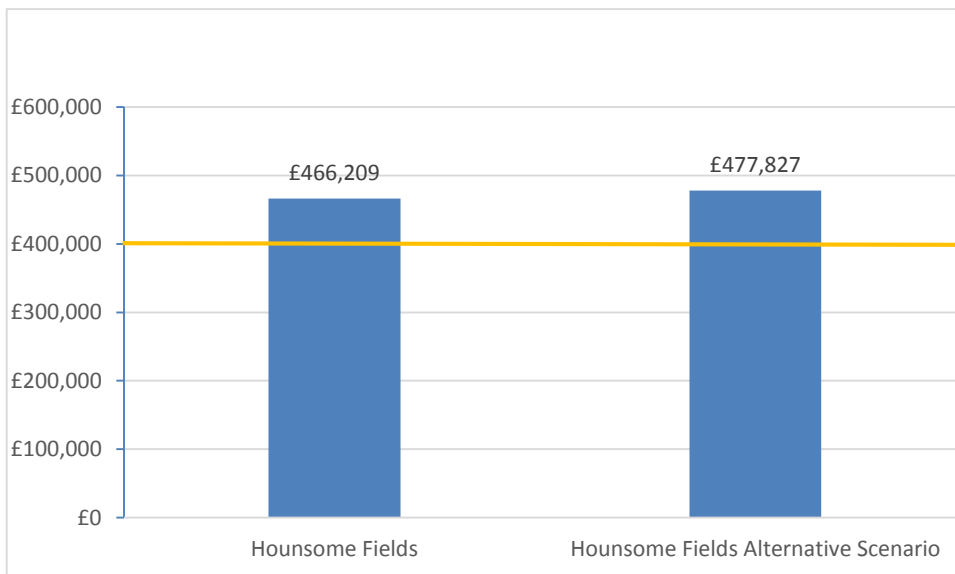
5.6 The estimated alternative scenario residual value of development of the Hounsome Fields scheme is £17.5 million, which is equivalent to £478,000 per gross ha. This takes into account the £1,500 per dwelling general s106/278 costs and the £8.4m site specific s106/278 costs, as well as the policy compliant 40% affordable housing. It also includes the notional £0.5m shared infrastructure land equalisation revenue (detailed in section 3).

¹⁶ See section 3 for the details of these rates.

5.7 Again, the estimated residual value of £478,000 per ha is above the benchmark land value of £400,000 and therefore the alternative scenario development can be considered viable. The net residual value per market dwelling after land costs have been taken is £6,500, which is equivalent to £71/sq m.

5.8 Figure 5.1 below illustrates the relative value per gross hectare compared to the threshold land value of £400,000 per ha for the standard and alternative modelling scenarios set out.

Figure 5.1 Residual Land Value / gross ha compared to benchmark



Summary

5.9 The Hounsome Fields strategic site is considered to be viable for policy compliant development, including meeting its site specific infrastructure costs of £8.4m. This applies to both the standard and alternative scenarios (which includes £0.5m as a notional allowance for land equalisation). The assessment suggests that there is also some viability headroom which may be used to support a CIL charge or set against any additional development costs.

Table 5.1 Hounsome Fields Viability Summary

	Scheme residual value	Residual value/gross ha	Residual value/gross ha over the £400,000/ha threshold land value	Viability headroom - £s/sq m for market housing
Standard scenario	£17,068,000	£466,000	£66,000	£61
Alternative scenario (additional land revenue)	£17,493,000	£478,000	£78,000	£71

ANNEX 1

Golf Course and Hounsome Fields Local Plan Policies

Policy SS3.11 – Basingstoke Golf Course

This 43.4 hectare site lies to the south west of Basingstoke will deliver a high quality mixed-use development that will:

- a) Make provision for approximately 1,000 dwellings;
- b) In addition to the mix of dwelling sizes and types, make provision for a proportion of self-build units and also, in conjunction with other sites, a permanent, pitch/plot provision to meet identified accommodation needs of Gypsies, Travellers and Travelling Showpeople in the borough, such needs being identified in the council's Gypsy and Traveller Accommodation Assessment (and any updates);
- c) Include the provision of social and physical infrastructure, including the provision of a community centre, local shopping facilities, and sports facilities including playing pitches;
- d) Respond positively to the special characteristics and sensitivities of the landscape and respect its location, providing for integration with nearby residential areas;
- e) Avoid or mitigate direct and indirect adverse impacts on key species and habitats, including the adjacent Peak Copse Site of Importance for Nature Conservation through adequate buffering, ensuring the retention of key woodland areas and less managed grasslands and by mitigating and/or compensating any adverse impacts to ensure a net gain in biodiversity. Opportunities will be taken to create and enhance habitat connectivity between existing key habitats;
- f) Include measures to mitigate the impact of development on the local road network including improvements to the A30 corridor;
- g) Provide all-purpose vehicular accesses from both Winchester Road (A30) and Beggarwood Lane supported by emergency accesses, ensuring that the most appropriate location for access from the A30 is identified, taking into account the requirement to access Hounsme Fields (SS3.12);
- h) Prevent 'rat-running' through the site between Beggarwood Lane and Winchester Road (A30) by including measures and/or designing the road layout to discourage the passage of through traffic;
- i) Include measures to improve accessibility by non-car transport modes, the ability to service the site by public transport and ensuring the external and internal connection of the site with existing cycle and pedestrian routes and Public Rights of Way network, including the upgrading of the cycle link to Dummer, improving the links to the existing Winchester Road bus stops and providing safe and convenient crossing points to facilities provided on Hounsme Fields (SS3.12);
- j) Ensure adequate infrastructure is provided for sewerage (on and off site) and surface water drainage and produce a drainage strategy;
- k) Avoid development and points of access in the small area of the site within flood zone 2
- l) Include appropriate open space/green infrastructure, including allotments, to meet local needs in line with the council's adopted standards, providing links to the existing green network;
- m) Ensure acceptable noise standards can be met within homes and amenity areas through suitable noise mitigation measures in light of the proximity of the site to the A30 and M3;

- n) Incorporate and/or promote renewable energy technologies.
- o) Ensure, through joint masterplanning, that it provides a comprehensive development with the Kennel Farm (policy SS3.2) and Hounsome Fields (policy SS3.12) allocations.
- p) Development on site will deliver homes in the period 2020/21 to 2028/29, in accordance with the requirement to maintain a five year supply of deliverable housing sites. Development will be informed through the preparation of a masterplan.

New Policy SS3.12 – Hounsome Fields

This 43 hectare site lies to the south west of Basingstoke and will deliver a high quality mixed-use development that will:

- a) a) Make provision for approximately 750 dwellings;
- b) b) In addition to the mix of dwelling sizes and types, make provision for a proportion of self-build units and also, in conjunction with other sites, a permanent, pitch/plot provision to meet identified accommodation needs of Gypsies, Travellers and Travelling Showpeople in the borough, such needs being identified in the council's Gypsy and Traveller Accommodation Assessment (and any updates);
- c) c) Include the provision of social and physical infrastructure, including the provision of a community centre, local shopping facilities, sports facilities including playing pitches, and a three form entry primary school;
- d) d) Respond positively to the special characteristics and sensitivities of the landscape, ensuring that the density, heights and layout of buildings respond positively to the site and its setting and minimise any visual impact;
- e) e) Include a robust landscape strategy that creates a strong defensible boundary between the site and open countryside, respecting the Roman Road as a landscape feature and existing hedgerows and woodlands. The layout should incorporate the existing landscape structure within the proposal, reinforcing and extending the existing green infrastructure network within the site, ensuring that links are made with the green infrastructure network outside the site;
- f) f) Avoid or mitigate direct and indirect adverse impacts on key species and habitats, including nearby Sites of Importance for Nature Conservation (SINCs) through adequate buffering, ensuring the retention of key woodland areas and by mitigating and/or compensating any adverse impacts to ensure a net gain in biodiversity. Opportunities will be taken to create and enhance habitat connectivity between existing key habitats;
- g) g) Conserve and enhance the architectural and historic significance of the Grade II listed Southwood Farmhouse and its setting, which lies close to the south western boundary of the site, subject to allowing a sufficient landscape buffer to preserve a sense of the rural setting and context of the listed building, and ensuring that adequate mitigation measures to protect its setting are put in place;
- h) h) Include measures to mitigate the impact of development on the local road network including improvements to the A30 corridor;
- i) i) Provide all-purpose vehicular accesses from the Winchester Road (A30) , ensuring that the most appropriate location for this is identified, taking into account the requirement to provide vehicular access to site SS3.11 (Basingstoke Golf Course);j)

- j) j) Include measures to improve accessibility by non-car transport modes, the ability to service the site by public transport and ensuring the external and internal connection of the site with existing cycle and pedestrian routes and Public Rights of Way network, including the upgrading of the cycle link to Dummer, improving the links to the existing Winchester Road bus stops, and providing safe and convenient crossing points for the A30;
- k) k) Make provision for vehicular access requirements that may be needed to serve future development to the north-west of the site;
- l) l) Ensure adequate infrastructure is provided for sewerage (on and off site) and surface water drainage and produce a drainage strategy;
- m) m) Avoid development and points of access in the vicinity of the part of the site falling within flood zone 2;
- n) n) Include appropriate open space/green infrastructure, including allotments, to meet local needs in line with the council's adopted standards, providing links to the existing green infrastructure network;
- o) o) Ensure acceptable noise and air quality standards can be met within homes and amenity areas through suitable design and noise and air quality mitigation measures in light of the proximity of the site to the A30;
- p) p) Incorporate and/or promote renewable energy technologies;
- q) q) Ensure that, through joint masterplanning, it provides for a comprehensive development with the Kennel Farm (policy SS3.2) and Basingstoke Golf Course (policy SS3.11) allocations.
- r) r) Development on site will deliver homes in the period 2017/18 to 2028/9, in accordance with the requirement to maintain a five year supply of deliverable housing sites.

ANNEX 2

Testing Assumptions

Values

Land

Benchmark land value £400,000/gross ha

Market values used in testing

	Flat	Detached	Semi	Terraced
1 bed	£150,000			
2 bed	£160,000			£224,000
3 bed			£258,000	£246,000
4 bed		£336,000		£269,000
5 bed		£370,000		

Rental values used in testing (£s per week excluding service charges)

Type	Social Rent	Affordable Rent
1 bedroom flat	£97	£117
2 bedroom flat	£111	£142
2 bedroom terrace	£119	£151
3 bedroom terrace	£142	£172
4 bedroom terrace	£164	£205

Costs

Build Costs (per sq m)

BCIS Median Build costs last 5 years	Net	With external works
Flats (1-2 storeys)	£1,092	£1,256
Houses (2 & 3 storey)	£993	£1,142

Dwelling Sizes

House Type	Affordable Floor Area (sq.m)	Market Floor Area (sq.m)
1 bedroom flat	45	51
2 bedroom flat	62	56
2 bedroom terrace	73	65
3 bedroom terrace	85	80
4 bedroom terrace	95	95
3 bed semi detached	85	95
4 bed detached	95	125
5 bed detached		150

For flats, an additional 15% is added to the floor area to allow for circulation space/ common areas

Development costs

Professional Fees	12%
Internal Overheads	0%
Interest rate (market & affordable)	7.00%
Marketing	4%
Developers return	20%
Contractors return	6%

- £1,500 per dwelling s106/278 to cover on site provision for recreation, local open space and local transport improvements, incurred in line with development.
- £100/dwg for water standards (CfSH 4).
- 15% of dwellings are built to Lifetime Homes standards – and that the standard costs £2,100 per dwelling where it is achieved.
- £200,000 per net hectare for opening up.
- 7% debit and 2% credit rate
- Notional allowance of 3% of residual value is used as an estimate of holding costs for the period from purchase to permission.
- 1 year to the first sale and 220 dwellings per year thereafter.
- 40% affordable housing 70% rented and 30% shared ownership – with the rented component as 75% affordable rent and 25% social rent.
- Service charges – no service charges apply to Social rent. Service charges of £10 per week for flats and £3 per week for houses apply to Affordable rents.
- Shared Ownership –average share size of 50% is purchased and 2.75% rental charged on the unbought share.

Market Mix	35 dph
1 bed flat	5%
2 bed flat	10%
2 bed terrace	25%
3 bed terrace	10%
4 bed terrace	0%
3 bed semi/detached	20%
4 bed detached	25%
5 bed detached	5%

Affordable Housing

Affordable Housing Development Mix

1 bed flat	25%
2 bed flat	25%
2 bed terrace	30%
3 bed terrace	15%
4 bed terrace	5%

Affordable housing - other costs

Social/Affordable Rent

Management /Maintenance £950 per annum

Voids/ Bad Debt 3% gross rent

Repairs £500 per annum

Capitalisation 6.5% per annum

Shared Ownership

Average share size 50%

Rental Factor 2.75% rental charged on the unbought share

Capitalisation 6.5% per annum