BASINGSTOKE & DEANE BOROUGH COUNCIL VIABILITY STUDY

Residential and Non-residential Viability Final Report

Three Dragons – November 2013

Three Dragons

This report is not a formal land valuation or scheme appraisal. It has been prepared using the Three Dragons toolkit and non-residential model and is based on 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. The Basingstoke and Deane Borough Council Viability Study provides the Council with evidence to assist it in preparing affordable housing policies for the emerging local plan and in drawing up a Community Infrastructure Levy (CIL) charging schedule. The evidence has been prepared in consultation with the development industry and has followed the relevant regulations and guidance as well as being in line with the National Planning Policy Framework. Evidence has been prepared to inform the CIL charging schedule for both residential and non-residential uses. For residential development, the study can also be used to inform local plan policies for affordable housing targets and site size thresholds.

Residential uses

2. At the start of the study, evidence was collected that showed that the Borough can be divided into two market value areas with noticeable differences in average market values. The two areas are Basingstoke/Tadley and the Rest of the borough. Costs do not vary across the Borough in the same way.

3. The testing undertaken assessed the residual value of a scheme for different combinations of affordable housing and CIL. The residual value is the total revenue of a scheme less its costs. This is then compared with a benchmark land value and a scheme is said to be viable if the residual value exceeds the benchmark. The benchmark land value generally used is £1 million per hectare, with a lower benchmark (£400,000 per hectare) for large-scale greenfield sites which have additional costs to meet.

4. Two types of testing were undertaken and the results from both brought together in the study conclusions. The first set of tests used a notional 1 ha tile with different densities of development, in both the Basingstoke/Tadley and 'Rest of Borough' market areas. These tests provide a picture of the underlying viability of residential development. The second set of tests was a series of case studies that were specific to each market value area and were selected to represent the type of development likely to be brought forward over the life of the local plan. Importantly, the case studies included examples of large-scale strategic sites to be developed on greenfield land. The case studies highlight where a certain type of site has different viability characteristics terms compared with the average (as shown in the 1ha testing).

5. A number of policy approaches indicated by the Council have had an impact on the testing undertaken and the results of that testing. The key factors include:

   - The mix of affordable housing used – the testing used a mix of social rent and affordable rent for the rental component of the affordable housing and for the majority of the analysis, 75% of the rental component was assumed to be affordable rent.
   - A reliance on CIL money to fund a wide range of infrastructure requirements and, consequently, the importance of being able to set a realistically high CIL charge. Although there will still be a requirement for planning obligations delivered through s106 agreements, these will be significantly scaled-back and the testing undertaken reflects this.

- The additional costs that need to be taken into account in assessing the viability of large-scale greenfield sites.

6. Results from the testing of both the 1 ha sites and the case study schemes showed that the two market value areas have different patterns of viability. The higher value Rest of Borough area is more able to sustain a higher percentage of affordable housing and rate of CIL than in Basingstoke/Tadley. But for both market areas, there is a trade-off between the amount of affordable housing sought and the level of CIL that can be achieved.

7. In Basingstoke/Tadley, the testing demonstrates that most development is viable at 40% affordable housing (with an affordable rent emphasis) although some types of development are not able to support a meaningful level of CIL with this proportion of affordable housing. As the proportion of affordable housing falls then the amount of CIL that can be supported rises. The table below summarises the potential trade-offs between affordable housing percentages and **theoretical maximum** CIL levels (noting that the guidance clearly states that CIL rates should not be set at the margins of viability and that some level of viability buffer will be required).

Basingstoke/Tadley – trade-off between CIL and affordable housing

Affordable housing percentage	MAXIMUM CIL in £s per sq m
30%	£140-£200
35%	£100 - £160
40%	£55 - £120

8. However, it must be noted that even at lower proportions of affordable housing and £0 CIL, high density flatted schemes in Basingstoke town centre and sheltered housing schemes are unlikely to proceed in the current market. In relation to sheltered housing schemes, where there may be variations, sensitivity testing has shown that these schemes may be viable in some circumstances and able to pay some CIL. The Council will need to consider whether these factors justify an alternative affordable housing/CIL approach or whether such schemes are so limited in number, that a separate approach is not justified.

9. The position in the Rest of the Borough is that affordable housing target of 40% appears generally justified in combination with a theoretical maximum CIL of £200 per sq m.

10. The table below sets out the potential CIL rate ranges at 50%, 70% and 75% of the theoretical maximum for different proportions of affordable housing.

Potential CIL charges with buffer

Affordable housing percentage	Potential CIL at approximately 50% of theoretical maximum £s per sq m	Potential CIL at approximately 70% of theoretical maximum £s per sq m	Potential CIL at approximately 75% of theoretical maximum £s per sq m
30%	£70 - £100	£100 - £140	£100 - £150
35%	£50 - £80	£70 - £110	£75 - £120
40%	£27 - £60	£38 - £85	£40 - £90

11. For any given percentage of affordable housing, if the Council wishes to provide more social rent and less affordable rent than was assumed in the majority of the testing, the maximum CIL rates will be lower than those set out above (by around £20 to £40 per sq m). If all of the rented elements were at affordable rent (rather than an affordable rent emphasis) then maximum CIL rates will be higher than those set out above (by around £10-£40 per sq m).

12. In identifying the size of site from above which affordable housing is to be sought (the site size threshold), it has been assumed that the impact on viability will be the same whether the affordable housing is provided on site (as dwellings), provided off site as dwellings or provided by way of a financial contribution. There is only limited evidence to support an affordable housing threshold of four or more units, based on the increased costs borne by smaller sites. However this does not take into account any premium value that may be attached to small sites. Even without this, some higher density schemes of fewer than 4 dwellings are viable. On this basis there is not a clear case for setting an affordable housing threshold as part of housing policy and all schemes should contribute affordable housing. However, the Council may still opt for an approach which, because of other policy considerations, seeks on-site delivery of affordable housing on sites above a certain size but provision by way of a commuted sum on smaller schemes. Either way, the financial impact should be the same.

Non-residential uses

13. The viability testing for non-residential uses included a range of developments representative of the types of development likely to come forward under the emerging local plan as follows:

- Retail
- Offices
- Industrial
- Warehouse
- Hotels
- Mixed leisure

- Care homes

14. Using the same residual value analysis as the residential development, these non-residential uses were tested. The results show that:

    - Town centre retail is viable and is able to bear a CIL charge.
    - Retail warehouses are viable and able to bear a CIL charge.
    - Convenience retail is viable and is able to bear a CIL charge.
    - Budget hotels are viable and are able to bear a CIL charge.
    - Offices are not viable although if values change sufficiently out of centre offices may become viable.
    - The other uses such as town centre office or industrial are not viable and would require considerable changes in value before they are able to pay CIL.

15. The number of non-residential developments likely to come forward under the emerging local plan will be far fewer than the number of dwellings and it is reasonable to expect that as a result there may be more variation within the different uses. The table below illustrates possible CIL rates at 50%, 70% and 75% of the theoretical viability headroom of the viability headroom this would leave a set of charges as set out in the table below.

Potential CIL charges for viable uses in £s per sq m

Use	Potential CIL charge per sq m		
	Approximately 50% of theoretical headroom	Approximately 70% of theoretical headroom	Approximately 75% of theoretical headroom
Town centre comparison retail	£55	£80	£85
Retail warehouse	£160	£220	£240
Small convenience (under 280 sq m floor area)	£40	£55	£60
Supermarket	£65	£90	£100
Superstore	£150	£205	£220
Budget hotel	£35	£50	£55

16. Although different retail uses have varying viability, they do not necessarily all have to have separate CIL rates (in the same way that different residential schemes have varying viability). In choosing CIL rates for non-residential uses it will be important to ensure that the types of development important to the delivery of the local plan are viable.

17. A further consideration is the simplicity or complexity of the charging schedule. In considering the charges to use, at 50% of the viability headroom the Council could consider a combined rate of, say £150 sq m for larger convenience and out of centre comparison retail; and a combined rate of £35 sq m for smaller retail and hotels. All other non-residential uses not noted in this table are not able to support a CIL and should be charged at £0.

1 INTRODUCTION

1.1 The viability evidence provided in this report is to assist Basingstoke and Deane Borough Council in preparing affordable housing policies for the emerging local plan and to inform the Council's proposed Community Infrastructure Levy (CIL) charging schedule for residential and non-residential uses.

1.2 The viability testing for this report has been designed to assess:

- The amount of CIL that residential and non-residential development can afford.
- The proportion and tenure of affordable housing that is viable.
- Whether the same proportions of affordable housing should apply to sites of all sizes (i.e. analysing the site size threshold for affordable housing).
- Whether there are differences in viability across the borough, sufficient to justify different CIL rates and/or affordable housing policies.

1.3 The research which has been drawn on for the analysis includes:

- A review of the types of sites planned for development in the local plan.
- A review of the policies in the local plan and central government guidance that may have implications for development viability.
- A review of recent developer contributions with Council officers.
- Desk research to form initial views on the values and costs of residential and non-residential development in Basingstoke and Deane and how these vary across the borough.
- Consultation with the development industry, active in the borough firstly through two workshops (one for residential development and one for non-residential development). A note of the workshop discussions is shown at Annex 2. Subsequently, Three Dragons contacted a number of participants to explore specific points raised at the workshop. The Council also subsequently conducted a survey of Registered Providers (RPs) to get detailed advice on the affordable housing assumptions to be used.
- With agreement of the Council to the assumptions to be used, operation of the Three Dragons residential and non-residential viability models to undertake the viability testing set out in this report.

2 CONTEXT FOR THE ANALYSIS

National Policy Context

2.1 The National Planning Policy Framework or NPPF recognises the need for planning authorities to consider the policies they require to deliver affordable housing in their area[1]. Policies typically deal with the amount of affordable housing as well as the size of site from which affordable housing will be sought. The NPPF provides no national guidance on the site size thresholds they identify in their local plans.

2.2 The NPPF highlights the importance of taking viability into account in developing policies for affordable housing and other standards in order to ensure plans are deliverable and overall development is not jeopardised.

'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.'(Para 173)

2.3 The NPPF also notes that '*Where practical, Community Infrastructure Levy charges should be worked up and tested alongside the Local Plan*'[2].

2.4 The National Planning Practice Guidance, Beta version[3] 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. However it is not necessary to test each site or assure the viability of each site; instead typologies may be used. The range of costs on development should be considered.

2.5 The Beta 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."*[4]

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[1] Paragraph 50
[2] Paragraph 175
[3] Beta version published by DCLG, August 2013
[4] From draft Guidance section titled, "How should changes in values and costs be treated in plan-making?"

2.6 The Beta Practice Guidance makes suggestions about values and costs to be included in viability assessments:

- Total sales and/or capitalised rental income along with grant and other external sources of funding should be considered in order to arrive at Gross Development Value. On retail and commercial development, broad assessment of value in line with industry practice.
- Build costs based on appropriate data, e.g. BCIS.
- Known abnormal costs.
- Infrastructure costs.
- Emerging policy requirements and standards, emerging planning obligations policy and community infrastructure levy charges.
- General finance costs.
- Professional, project management, sales and legal costs.

2.7 The Beta Practice Guidance also deals with the issue of land values in the section on viability assessment and plan-making. The Beta version wording is set out in full below.

> *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.*

2.8 The Beta Practice Guidance goes on to define 'competitive return' as follows:

> *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.*

2.9 The viability assessments undertaken in this study have been developed to be compliant with the NPPF and are also compliant with the National Planning Practice Guidance, Beta version.

The Community Infrastructure Levy (CIL)

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

"(b) that the charging authority has used appropriate available evidence to inform the draft charging schedule,"[5]

2.11 The CIL regulations allow charging authorities to set different rates of net additional floorspace for different uses and for different zones – provided these can be clearly identified geographically[6]. CIL is set out as £s per sq metre for developments of 1 dwelling or more, or over 100 sq m additional non-residential floorspace. Exemptions include affordable housing and charities.

2.12 DCLG has provided Guidance for the Community Infrastructure Levy[7], with a new version of this published in April 2013. The 2013 Guidance re-iterates that evidence is needed to inform the draft charging schedule but highlights that charging authorities should apply pragmatism:

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

The guidance also warns that, "*Charging authorities should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area. Charging authorities should show, ……..that their proposed charging rates will contribute positively towards and not threaten delivery of the relevant Plan as a whole at the time of charge setting and throughout the economic cycle"* (para 30). 'Economic cycle' is not further defined neither is there further definition of the measures a local authority should take to avoid setting a charge at the margins of viability.

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

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

[5] Planning Act 2008 s212 (4)
[6] Regulation 13
[7] [7] Department for Communities and Local Government , Community Infrastructure Levy Guidance, April 2013

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

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

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

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

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

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

2.16 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

2.17 The Council has advised that there will be an average requirement for onsite s106 contributions equivalent to £1,500 per dwelling. This is a reduction on the average level of contributions that has been achieved and assumes that some s106 obligations (such as a contribution to off-site education) which are currently sought through S106 will be funded from CIL receipts or CIL payments in kind.

Changes to Community Infrastructure Regulations

2.18 The Department for Communities and Local Government (DCLG) undertook a consultation exercise in April and May 2013 on changes to CIL regulations. DCLG has just published its response to this exercise (October 2013) and this indicates that regulations will be changed to require/allow:

- A more appropriate balance between maintaining the economic viability of development and the need to fund infrastructure.
- Charging differential CIL rates by both the use and scale of development.
- Publication of the regulation 123 list alongside the rate setting process and proportionate consultation on changes to the regulation 123 list.
- Postponing the deadline for pooled s106 contributions from April 2014 to April 2015.

- Including s278 agreements within the regulation 123 list with the exception of trunk road highways agreements with the Highways Agency.
- Including on or off-site infrastructure as in kind payment of CIL in addition to the current inclusion of land as in kind payment; with actual costs and fees used to determine the value of the in kind payment.
- Broadening the definition of phased development (and phased CIL liability) to include full as well as outline consent.
- Increasing the vacancy period for offsetting CIL liability against existing floorspace from 12 months to three years.
- Exemptions for self-build.

2.19 These DCLG responses will need to be taken into consideration by the Council when setting its CIL rates.

2.20 The viability assessments undertaken in this study have been developed to be compliant with the CIL regulations, the 2013 CIL Guidance and take into account the CIL regulations consultation.

Guidance on Viability Testing for Residential Development

2.21 Guidance has been published to assist practitioners in undertaking viability studies for policy making purposes – "*Viability Testing Local Plans - Advice for planning practitioners*"[8]. The Foreword to the Advice for planning practitioners includes support from DCLG, the LGA, the HBF, PINS and POS. PINS and the POS[9] state that:

"*The Planning Inspectorate and Planning Officers Society welcome this advice on viability testing of Local Plans. The use of this approach will help enable local authorities to meet their obligations under NPPF when their plan is examined*."

2.22 The approach to viability testing adopted for this study follows the principles set out in the Advice. The Advice re-iterates that:

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

2.23 The Advice also comments on how viability testing should deal with potential future changes in market conditions and other costs and values and, in line with National Planning Practice Guidance, Beta version, states that:

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

[8] The guide was published in June 2012 and is the work of the Local Housing Delivery Group, chaired by Sir John Harman, which is a cross-industry group, supported by the Local Government Association and the Home Builders Federation.
[9] Acronyms for the following organisations - Department of Communities and Local Government, LGA Environment and Housing Board, Home Builders Federation, Planning Inspectorate, Planning Officers Society

But that:

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

2.24 In the light of this advice on national regulatory changes, we have taken into account the changes to the Building Regulations Part L that have been recently announced by DCLG and have allowed for an additional cost of £500 per dwelling for this in line with the associated Impact Assessment[10].

Local Plan Policies

2.25 The NPPF is clear that viability testing should take into account, '*…the costs of any requirements likely to be applied to development,…'* (Para 173). Therefore a planning policy review has been undertaken.

2.26 The Local Plan (currently in draft form) will be the main planning document for Basingstoke and Deane. It will set out the overarching spatial strategy and development principles for the area together with more detailed policies to help determine planning applications. The main elements of the Local Plan are:

- Strategic objectives for the area
- Overarching strategy for the location of new development
- Scale of new employment, housing and retail provision
- Identification of new strategic scale development sites
- Extent of new infrastructure required
- Key environmental constraints and opportunities
- Set of detailed policies to guide consideration of new development proposals

2.27 It is anticipated that the Development Strategy will be formally adopted in summer 2014.

2.28 The National Planning Policy Framework (NPPF) includes a range of guidance to ensure that development is of a good standard and that a range of issues from economic development, vibrant town centres and prosperous rural areas, sustainable transport, quality, design, healthy communities etc. are all considered.

2.29 However it also states that "*Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation,*

[10] DCLG, Changes to Part L of the Building Regulations 2013,Impact Assessment, August 2013

provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable." (paragraph 173).

2.30 It then goes on to state that (paragraph 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*."

2.31 The following process has been used to ensure that the 'cumulative impact' of the emerging policies and standards has been taken into account:

- An initial review of the draft Development Strategy was undertaken to identify a long list of policies with potential viability implications.
- A meeting was held at Basingstoke and Deane Borough Council officers. The group undertook a review of each policy in the draft Local Plan and any available evidence considered. The group then took a view on whether the policy obligation would be a normal part of a quality development or whether it involved an extra cost over and above what might normally be required under the NPPF. This took into account the changing circumstances affecting the development industry, including the successive revisions to Building Regulations.

2.32 As a result of the viability discussions (and other concerns about implementation and forthcoming allowable solutions) the proposed policy EM10 Reductions in Carbon Emissions / Carbon Buyout Fund was not included in the draft local plan.

2.33 Detailed analysis of the policies is shown in the separate Annex 1. This section of the report summarises the outcome of this process and the implications for the viability testing. The assessment of the Draft Local Plan policies indicates that the key impacts on development viability relate to:

- Affordable Housing proportion and tenure. The proposed target affordable housing proportion is 40% across the Borough with a mix of affordable rent, social rent and shared ownership. The viability testing incorporates these targets as well as modelling at other levels of affordable housing in order to illustrate the impacts on the potential CIL that might be charged.
- Provision of infrastructure (CN5). The approach to the funding of infrastructure required to support the planned development has been discussed as part of this study. In line with the funding strategy in the draft Infrastructure Delivery Plan, it is planned that infrastructure will be funded through CIL and third party funding rather than being

a direct cost to development[11]. The Council considers that as a result, the anticipated residual level of s106/278 sought from development will therefore fall to £1,500 per dwelling on average and this figure has been used in the viability assessments. There are some exceptions relating to the larger urban extensions and these are discussed below.

- Sustainable Water (EM9) requires that new homes achieve Code for Sustainable Homes level 4 for water consumption and that non-residential developments meet BREEAM 'excellent' standards for water consumption. Allowances have been made in the residential and non-residential viability testing for the development costs to meet these standards.

2.34 In addition there are a set of policies that have an impact on viability for some developments only:

- Housing mix (CN3) – there may be some developments where the housing mix sought by the Council may differ from a market focused mix. Viability testing has used dwelling mixes agreed with the Council.
- Sheltered and extra care housing is sought by the Council (CN3). One of the case studies used for the viability testing is a sheltered and extra care housing scheme.
- Provision of infrastructure (CN5). While the funding strategy for the Infrastructure Delivery Plan states that infrastructure will be funded through CIL and third party funding rather than being a direct cost to development it is anticipated that some of the larger scale urban extensions may have to carry the costs of transport infrastructure specific to these sites. Allowances have been made for this for the relevant case study sites tested (see chapter5).
- Thames Basin Heath Special Protection Area (EM3). A limited amount of development may be obliged to mitigate impacts on the Special Protection Area through provision of Suitable Alterative Natural Green Space and Strategic Access Management and Monitoring. It is understood that the scale of this mitigation is likely to be small and as a result of the limited scale and scope of the policy as it affects viability, it has not been included in the viability testing.
- Sustainable drainage as part of EM6. In order to avoid deterioration of the water environment, some development may have to provide sustainable drainage. In most cases this will be considered a standard cost to development.
- Employment development and town centre policies (EP1, SS8 and EP3) directs non-residential development towards Basingstoke town centre and existing employment areas (such as Basing View etc.). The non-residential viability testing takes account of these locations.

[11] This does not preclude any in-kind infrastructure delivery that may be agreed between the Council and developers in due course (subject to the outcome of the current CLG consultation on this issue).

- Site allocations (SS3) sets out the scale and type of sites in different locations in the borough, including factors that may affect the gross to net land take. This will have an impact on viability in terms of value areas and values and costs associated with different scale sites; and this is taken account of in the development of the case studies used for the viability testing.
- Lifetimes homes – 15% of new homes are required to be of lifetime homes standard. The costs have been incorporated into the residential viability assessments.

3. VIABILITY APPROACH AND KEY ASSUMPTIONS – RESIDENTIAL DEVELOPMENT

Principles and approach

3.1 The Advice for planning practitioners summarises viability as follows:

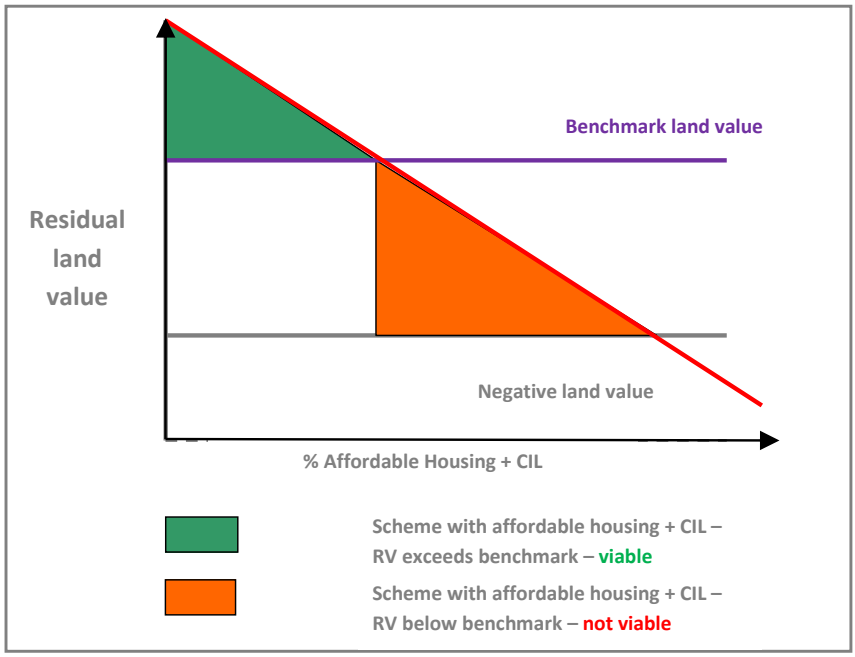
'*An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes 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*.' (page 14)

3.2 Reflecting this definition of viability, and as specifically recommended by the Advice for planning practitioners[12], we have adopted a residual value approach to our analysis. Residual value is the value of the completed development (known as the Gross Development Value or GDV) less the costs of undertaking the development. The residual value is then available to pay for the land. The value of the scheme includes both the value of the market housing and affordable housing. Scheme costs include the costs of building the development, plus professional fees, scheme finance and a return to the developer. Scheme costs also include planning obligations (including affordable housing, direct s106 costs and CIL) and the greater the planning obligations, the less will be the residual value. Details of the assumptions about values and costs are discussed later in this section and set out in full in Annex 3.

3.3 The residual value of a scheme is then compared with a benchmark land value. If the residual value is less than the benchmark value, then the scheme is unlikely to be brought forward for development and is considered unviable for testing purposes. If the residual value exceeds the benchmark, then it can be considered viable in terms of policy testing. Figure 3.1 below illustrates this relationship.

[12] See page 25 – "We recommend that the residual land value approach is taken when assessing the viability of plan-level policies and further advice is provided below on the considerations that should be given to the assumptions and inputs to a model of this type."

Figure 3-1: Relationship of residual value and benchmark land value



RV – residual value

Land Value Benchmarks

3.4 Establishing suitable land value benchmarks is an important part of any viability testing and the Advice for planning practitioners[13] sets out a preferred approach in the following extract from page 29:

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

3.5 The exceptions referred to in the Advice for planning practitioners reflect the significant differences in the types of current use found within settlements and on greenfield land adjoining settlements. The exceptions are summarised as:

- Larger scale sites for urban extensions on greenfield land where the uplift on current use value (agricultural land) sought by the landowner will be significantly higher than in an urban context.
- Smaller, edge-of-settlement greenfield sites, where landowners' required returns will be more like those for sites within the settlement. This becomes an important consideration with one of the case studies reported later.

3.6 Advice for planning practitioners states that reference to market values can still provide a useful 'sense check' on the benchmark values that are being used for testing, but it is not recommended that these are used as the basis for the input to a model. This is an important

[13] Local Housing Delivery Group, 2012, Viability Testing Local Plans

concept and explains why the land value benchmark used to test plan policies (and CIL rates) can be **less** than the value at which land is being traded in the market. This point was highlighted in a recent CIL examiner's report[14]:

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

3.7 Annex 1 (Transparent Viability Assumptions) to the Homes and Communities Agency guidance for its Area Wide Viability Model published in August 2010 states that in relation to the required premium above existing use value (EUV):

"*Benchmarks and evidence from planning appeals tend to be in a range of 10% to 30% above EUV in urban areas. For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value".* (page 9)[15]

3.8 Another report in 2011 undertaken for the Department for Communities and Local Government[16] suggested that a premium of 25% over existing use value was required to bring forward industrial land for redevelopment. The premium for greenfield land was said to be higher, recognising that while the existing use value base is low, the costs normally associated with realising new development on unserviced greenfield land are considerable.

3.9 For residential land, current use value is taken as industrial land for urban sites and agricultural land for strategic sites/urban extensions, with appropriate uplifts applied.

Implications for Residential Benchmark Land Values in Basingstoke

3.10 As illustrated above, there is no single source of information or approach that can be drawn on to identify an appropriate land value benchmark, although guidance from the industry operating in Basingstoke and Deane is that values for different types of development land e.g. for residential or commercial use, do not vary significantly by location. We have therefore adopted a single set of benchmarks for the whole of the borough.

3.11 We have distinguished between smaller (urban) schemes and large-scale strategic development on greenfield land. For the latter, there is a measure of consensus between published sources and feedback from the development industry which indicates that £400,000 per gross hectare is a suitable benchmark land value. This represents about up to 20 times agricultural values[17].

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[14] Report to The Mayor of London, by Keith Holland January 2012

[15] Homes and Communities Agency, 2010, Annex 1 (Transparent Viability Assumptions)

[16] Turner Morum, 2011, Cumulative impacts of regulations on house builders and landowners

[17] The most up to date national report of land values is from the Valuation Office Agency. Its latest (2011) Property Market Report showed the value of equipped land for Oxfordshire and Kent which varied between the counties and farming type

For the purposes of viability testing, strategic sites are taken to be developments of at least 400 dwellings. While only three of the residential case studies are tested against this benchmark, these represent a large proportion of the housing expected to be developed in the Borough over the life of the local plan.

3.12 For non-strategic development sites, in line with the Advice for planning practitioners, we use a premium of 30% over existing values for industrial land where £740,000 per hectare is a reasonable estimate of current land values (as put forward by the development industry). This gives a benchmark of £960,000 per hectare which we round up to £1,000,000 per hectare as our benchmark value. The rounding up has already added a 4% cushion to the viability analysis. There is also recent market evidence of land transacting at these values.

3.13 Consultation with the development industry suggests higher figures may be achieved currently in the market. Taking a 26% reduction on residential land values for Basingstoke from values given in the Valuation Office Agency 2009 Property Market Report[18] would give residential values of around £1.3m per gross hectare for serviced sites. This value per gross hectare would allow a higher value per net hectare in line with some of the reported recent land sales, depending on the gross to net ratio for individual sites. While the benchmark land value is not supposed to replicate current market values, this higher figure indicates the relative strength of the land market in the borough.

3.14 It is plausible that there are intermediate benchmark land values between the £1m/ha for smaller sites and the large scale greenfield benchmark of £0.4m/ha. There is no clear basis to estimate what this intermediate benchmark might be and we have used a nominal £0.7m/ha (i.e. the mid-point between the standard and large scale greenfield benchmarks) to illustrate how this might have an effect on the viability of case studies which appear to fall between the standard and large-scale development type (See chapter 5 for details).

3.15 Further detail about the sources of information we have drawn on to arrive at the benchmark land values are shown in Annex 4.

Assumptions used in the testing

3.16 A full set of assumptions used in the testing is set out in Annex 3. This includes the market values for the sale housing. These are based on an analysis of Land Registry data for new house prices, and reviewed in line with feedback at the development industry workshop.

3.17 The borough is divided into two value areas – Basingstoke and Tadley and the Market towns/villages – see Figure 3.2 below. Figure 3.3 then sets out the indicative market values for new build properties we have used.

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but was at about £20,000 per hectare. Knight Frank in their Rural Report of spring/summer 2013 indicate a maximum average land price again of £20,000 per hectare

[18] 26% is derived from a research report from Savills in May 2013, Demand for Residential Development Land http://www.savills.co.uk/research_articles/141285/146005-0

Figure 3-2: Basingstoke and Deane residential market value areas

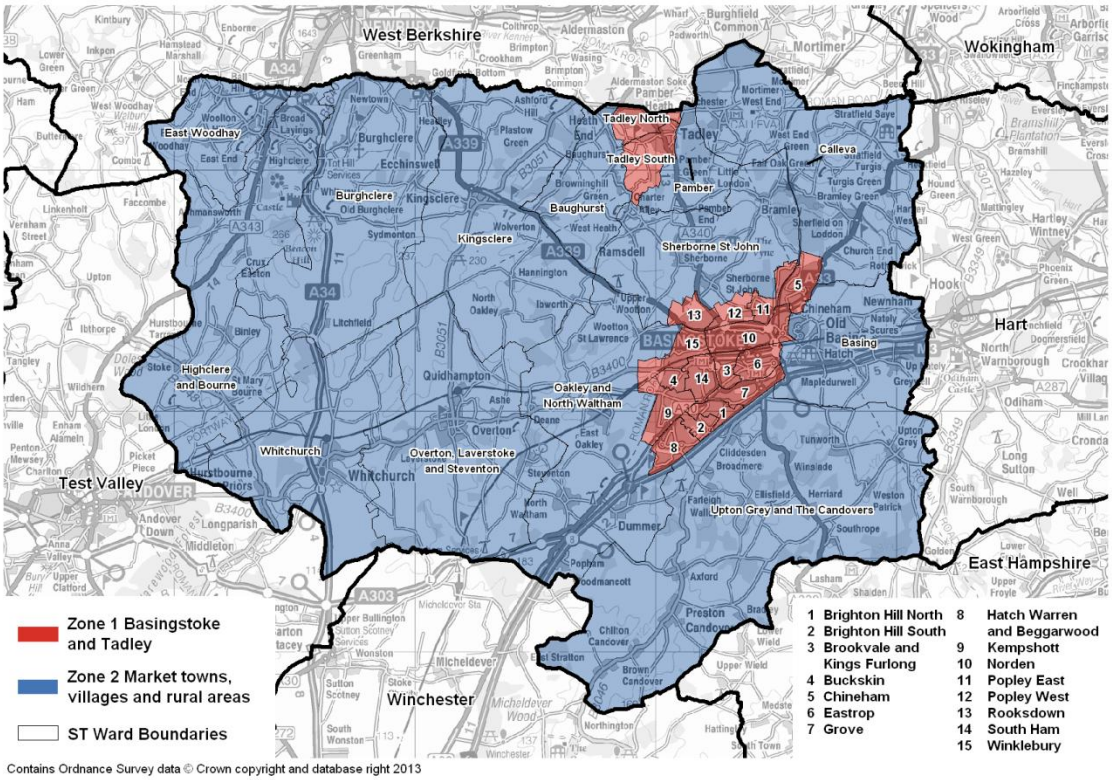


Figure 3-3: Market values used in testing

		Basingstoke (and Tadley)	Rest of borough Market towns/villages
Flat	1 bed	£150,000	£140,000
	2 bed	£160,000	£150,000
	3 bed	£170,000	£160,000
Terrace	2 bed	£200,000	£210,000
	3 bed	£220,000	£230,000
	4 bed	£240,000	£250,000
Semi	3 bed	£230,000	£240,000
Detached	4 bed	£300,000	£380,000
	5 bed	£330,000	£410,000

3.18 Within both value areas, there will be variation in selling prices by location. However, the data and the feedback from the development industry workshop supports the broad division into two market value areas. If anything, the development industry indicated that the market values we have used are low and also that the differences between values in Basingstoke/Tadley and elsewhere should be greater than we identified. We have revisited Land Registry data for the most up to date transactions and have not been able to detect any

consistent trends in recent months and so have left the values unchanged but sensitivity test the results for an increase in value.

3.19 Other key assumptions used in the testing are:

- All affordable housing comprises 70% rented and 30% shared ownership – with the rented component as either i) 75% affordable rent and 25% social rent (the 'affordable rent lead'); ii) 75% social rent and 25% affordable rent (the 'social rent lead'); or iii) 100% affordable rent. So, for example, with the affordable rent lead, if we have 100 affordable dwellings to model we assume they are made up of:
    - 52.5 affordable rented dwellings
    - 17.5 social rented dwellings
    - 30 shared ownership dwellings
- The Council has specified the type of affordable housing it wishes to see provided and which differ by affordable tenure type.
- 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 just over £400,000 for an 'average' 1 hectare scheme of 30 dwellings.
- Future increase in costs are an additional £500 per dwelling to deal with changes to the building regulations announced in 2013[19] and £100 per dwelling[20] for to achieve Code for Sustainable Homes (CfSH) 4 for water (as required in the emerging local plan).
- 15% of dwellings are built to Lifetime Homes standards – and that the standard costs £2,100 per dwelling where it is achieved.[21]
- We assume development will still have to meet a residual s106 and s278 cost[22] and, on advice from the Council, we have used a figure of £1,500 per dwelling to cover on site provision for sport and recreation and open space and local transport improvements. All education provision, other community provision, major open space and other transport improvements are assumed to be paid for by CIL/payment in kind or other public funding.
- Strategic sites (400 or more dwellings) are assumed to incur additional costs of £200,000 per net hectare for opening up the sites and providing serviced parcels of land

[19] The figure of £500/dwelling is rounded up from the £453 per dwelling from Changes to Part L of the Building Regulations 2013 Impact Assessment, Department for Communities and Local Government

[20] 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.

[21] 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.

[22] 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.

for development. These are in addition to the external works allowance of 15% of construction costs.

3.20 Three points emerged from the development industry workshop that we have specifically responded to in the viability testing undertaken:

- That marketing fees should be set at 4% of value rather than the 3% presented to the workshop - we have used 4% in testing.
- That the developer return should be based on 20% of total scheme value (market and affordable housing) rather than the 20% return for market housing and 6% on development costs for affordable housing that is commonly used in viability studies such as this one.
- That calculating revenue from affordable housing on the basis of capitalised net rent (as we use) underestimates what affordable housing providers can afford to pay for affordable housing as they are able to make more effective use of their asset base.

3.21 To address the latter 2 points, we have carried out a series of additional sensitivity tests.

3.22 For the affordable housing tested, rental values and the size of dwellings used differ from those originally presented and discussed at the development industry workshop. The values and sizes 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 August and September 2013. The rents used are set out below.

Figure 3-4: Rental values used in testing (£s per week)

	Social Rent		Affordable Rent	
House type	**Basingstoke**	**Rest of Borough**	**Basingstoke**	**Rest of Borough**
1 bedroom flat	£95.00	£90.00	£120.00	£114.00
2 bedroom flat	£108.50	£103.00	£134.00	£127.50
2 bedroom terrace	£116.00	£110.00	£150.50	£143.00
3 bedroom terrace	£142.50	£135.50	£175.00	£166.00
4 bedroom terrace	£166.00	£158.00	£192.50	£183.00

3.23 Finally we comment that all the testing has been carried out on the basis that the Council wishes to maximise both the amount of affordable housing and CIL that can be achieved while maintaining scheme viability.

Testing undertaken

3.24 The viability testing undertaken has been of two types:

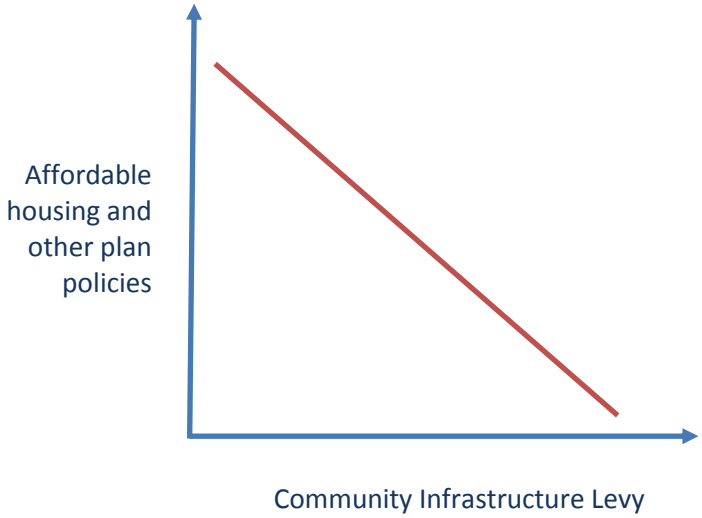
- Using a notional 1 ha development scheme with different densities of development. For each density tested, there is a different mix of dwelling types with more smaller dwellings (including flats) in the higher density schemes. The highest density schemes were tested in Basingstoke/Tadley market area only.
- A series of case studies that represent the types of development that is identified in the local plan, as well as examples of smaller schemes, not identified in the local plan, but which might be brought forward as windfall schemes. The case studies were informed

by the emerging local plan as well as experience of past development patterns and the views of the development industry explored at the workshop. The case studies range in size from 1 dwelling to 3,000 dwellings.

3.25 The two types of testing are complementary. The 1 ha tiles provide a picture of the underlying viability of residential development and what this means for affordable housing proportions and potential CIL. The case studies then highlight where site types differ in their viability compared with the average of the 1 ha tiles and this is then used to review whether the affordable housing and theoretical CIL should be adjusted. Within the case studies particular attention is given to the large-scale urban extensions, which are anticipated to provide a large part of the housing supply identified in the emerging local plan.

3.26 For both types of testing, we have tested a range of affordable housing percentages and identified the **maximum** level of CIL that could be sought and the scheme remain viable. The principle underlying this is illustrated in the graphic below which show the trade off to be made between the amount of affordable housing and CIL that is sought.

Figure 3-5: Local Plan Policy and CIL trade off



4 VIABILITY TESTING – NOTIONAL 1 HA TILE

Introduction

4.1 This section of the report sets out the viability assessments for the 1 ha notional tiles. As discussed earlier, these are used to explore the underlying viability trends across the borough and arrive at a high level assessment of the amount of affordable housing and CIL that can be sustained. The findings are then used to refine the assumptions in the case study assessments later on in the report.

Types of tile tested

4.2 Five notional 1 ha schemes were tested as follows:

- At 30dph, 35 dph and 45 dph in Basingstoke/ Tadley – the former two densities assumed to be applicable in Basingstoke's urban extensions and the 45 dph scheme, more likely in the more urban parts of the towns.
- At 20 dph and 30 dph in the remainder of the borough (i.e. in the market towns and rural areas).

4.3 The mix of market and affordable dwellings for each is set out in Annex 3. The higher density schemes have more smaller units, while in the 20 dph scheme, 60% of the market units are assumed to be 4 and 5 bed detached houses.

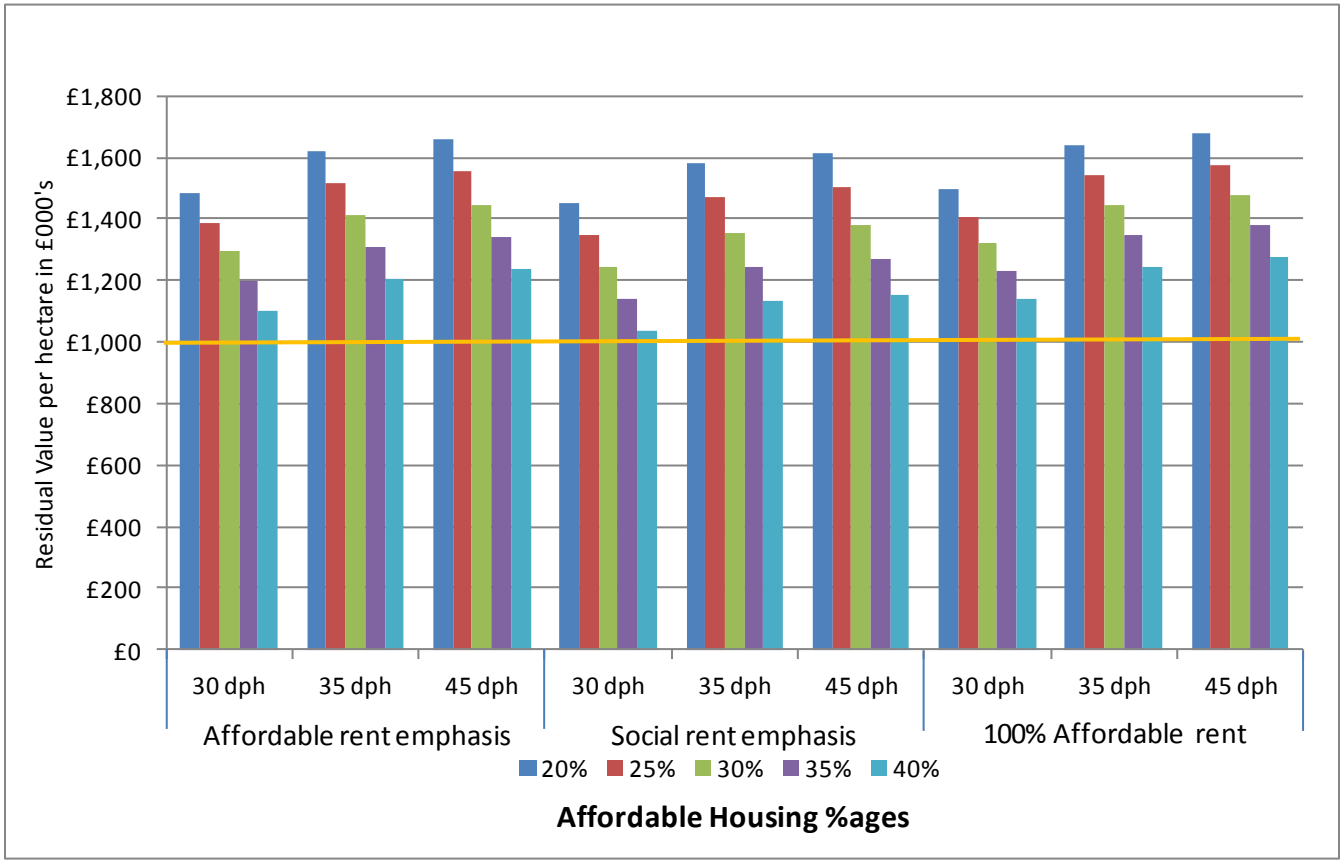
4.4 For each set of tests the affordable housing element ranges from 20% to 40%. There are then two options for provision of affordable housing (irrespective of the overall percentage of affordable housing). Both tests comprise 70% rented and 30% shared ownership affordable housing. However, in the first set of tests (i) affordable rented makes up 75% of the rented element and social rent makes up 25%, while in the second test (ii), the proportions are 25% affordable rent and 75% social rent. Test (i) represents the Council's current approach. This reflects the Council's assessment of need for affordable housing generally and the fact that Affordable Rent has been identified by the Homes and Communities Agency as the '*the main type of new housing supply*'[23]. Test (ii) identifies the opportunity to increase social rented provision if viability permits and this is required to meet housing needs. We have also reviewed the implications of assuming that rented affordable housing is provided entirely as affordable rent and illustrate this in some of the charts presented below. All results for the 1 ha tiles (at all of the different densities and types of affordable housing) testing is set out in Annex 3.

1 ha tile – Basingstoke/Tadley results

4.5 The results presented below show the residual value of the 1 hectare scheme against the land value benchmark of £1 million per hectare. In the charts, 'Affordable rent emphasis' is option (i) above and 'Social rent emphasis' is option (ii).

[23] http://www.homesandcommunities.co.uk/ourwork/affordable-rent

Figure 4-1: Basingstoke/Tadley – Notional 1 ha scheme at 30 dph, 35 dph and 45 dph– Residual value per hectare in £000s, with affordable housing from 20% to 40% (NO CIL)



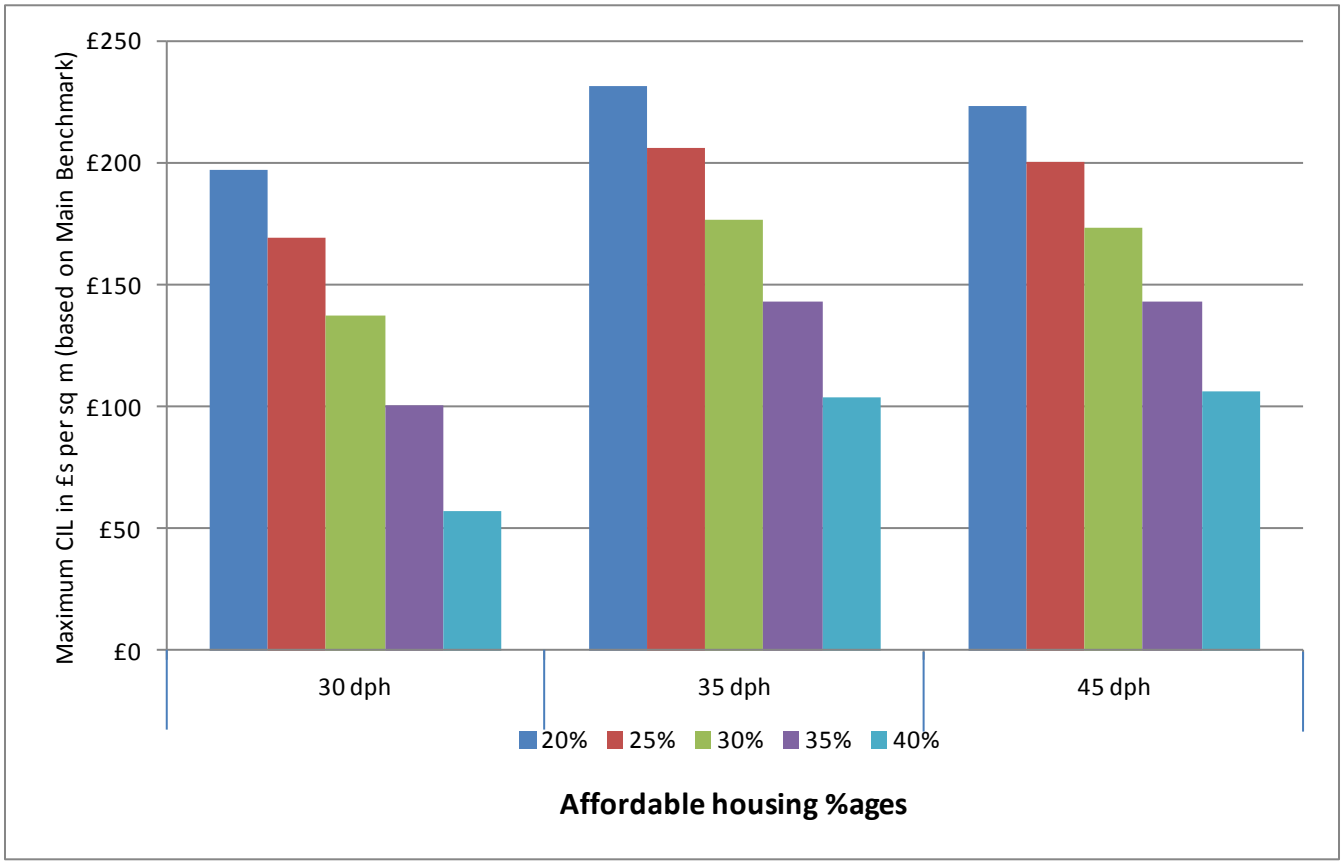
4.6 Commentary (noting that the results above **do not allow for any CIL**):

- Residual values vary with the density of development and the highest residual values are achieved with the 45 dph scheme and the lowest values, with the 30 dph scheme. However, it is development at around 30 dph which will be more typical of future schemes in Basingstoke, especially the strategic sites and this needs to be borne in mind in reviewing the results for the Basingstoke/Tadley market area.
- With Affordable rent emphasis, all levels of affordable housing up to the 40% tested for all the development densities, exceed the land value benchmark.
- With Social rent emphasis, residual values are reduced and the impact is greater as the percentage of affordable housing increases. Nevertheless, the land value benchmark is exceeded for all the development densities tested and affordable housing up to and including 40% - albeit that with the 30 dph scheme, the residual value is only some £38,000 above the benchmark.

- With all the rental element of the affordable housing as 100% affordable rent, residual values are highest and at 40% affordable housing, exceed the benchmark by at least £140,000 per hectare for the 30 dph scheme.

4.7 The results shown above do not allow for any CIL payment. The chart below shows the maximum amount of CIL that can be sought and the scheme remains viable. The chart shows the results for the 'Affordable rent emphasis' only (as the Council's preferred approach) but Annex 5 provides all the results of the testing in full.

Figure 4-2a: Basingstoke/Tadley - Maximum CIL rates for the notional 1 ha scheme at affordable housing % from 20% to 40% - Affordable rent emphasis



(Land value benchmark of £1m per hectare)

Figure 4-2b: Basingstoke/Tadley - Maximum CIL rates per sq m for the notional 1 ha scheme at affordable housing % from 20% to 40% - Affordable rent emphasis – Table of results

Affordable Housing	30 dph	35 dph	45 dph
20%	£197	£232	£223
25%	£169	£206	£200
30%	£138	£177	£173
35%	£100	£143	£143
40%	£57	£104	£106

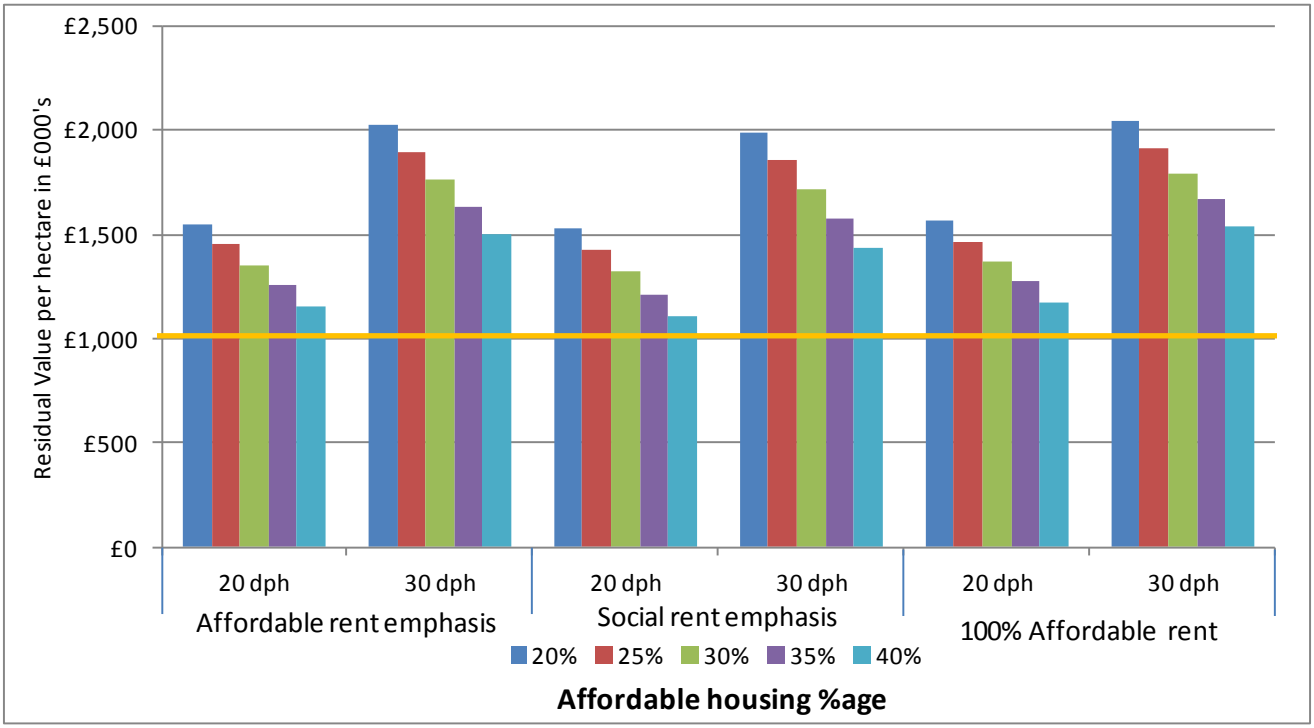
4.8 Commentary -

- Some level of CIL is possible at all affordable housing percentages and for all scheme densities. As a very broad indicative average across the 3 development densities, a **maximum** CIL of around £80/£100 per sq m is realistic at 40% affordable housing and at around £120/£140 per sq m at 35% affordable housing. These amounts do not take into account the need to avoid setting a CIL rate that is at the margins of viability and that 'a buffer' should be allowed.
- The level of CIL that could also be charged will be lower if the Council wants to achieve a higher level of social rented housing. As a broad guide, at 40% affordable housing, with a social rent emphasis, the maximum CIL rate would be about £50 per sq m. (See Annex 5 for details).

1 ha tile – Rest of borough results

4.9 Residual values for the 'Rest of the borough' for the 1 hectare scheme against the land value benchmark of £1m per hectare are shown in the following charts, again with the different values for the 'Affordable rent emphasis' and the 'Social rent emphasis'.

Figure 4-3: Rest of borough – Notional 1 ha scheme at 20 dph and 30 dph– Residual value per hectare in £000s, with affordable housing from 20% to 40% (NO CIL)



4.10 Commentary (noting that the results above **do not allow for any CIL**):

- Residual values again vary with the density of development and the higher residual values are achieved with the 30 dph scheme.
- With all 3 options for the affordable housing, all levels of affordable housing up to and including 40% comfortably exceed the land value benchmark.

Figure 4-4a: Rest of borough - Maximum CIL rates for the notional 1 ha scheme at affordable housing % from 20% to 40% - Affordable rent emphasis

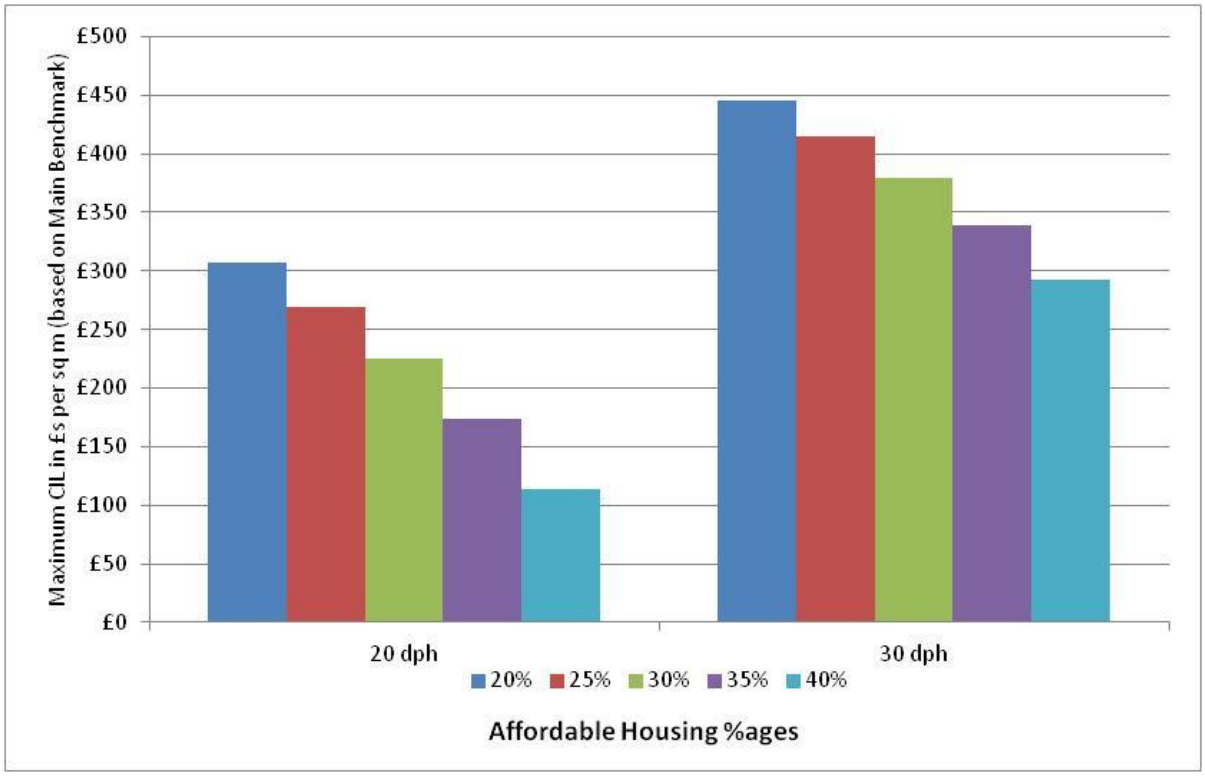


Figure 4-4b: Rest of borough - Maximum CIL rates per sq m for the notional 1 ha scheme at affordable housing % from 20% to 40% - Affordable rent emphasis – Table of results

Affordable Housing	20 dph	30 dph
20%	£307	£445
25%	£269	£415
30%	£225	£380
35%	£174	£339
40%	£114	£292

4.11 Commentary:

- Some level of CIL is possible at all affordable housing percentages and for both scheme densities. The maximum amount of CIL varies considerably with density. With 40% affordable housing, at 20 dph the maximum is around £110 per sq m and at 30 dph, the maximum is significantly higher at around £290 per sq m. These figures do not take into account the need to avoid setting a CIL rate that is at the margins of viability and with a 'buffer'.

- The level of CIL that could also be charged will be lower if the Council wants to achieve a higher level of social rented housing. As a broad guide, at 40% affordable housing, with a social rent emphasis, the maximum CIL rate would be about £10 to £30 per sq m less than with the Affordable rent emphasis – depending on the density (See Annex 5 for details).

Sensitivity testing – 1 ha tile

4.12 Some participants at the development industry workshop specifically questioned three of the draft assumptions put forward and we respond to this by undertaking a number of sensitivity tests. The sensitivity tests illustrate the implications of higher market values, the developer return required for affordable housing and higher values for affordable housing. The tests are as follows:

- Test 1 - Plus 5% and plus 10% in market values – this responds to comments at the workshop that the market values being assumed are low, by around these percentages.
- Test 2 - 20 % return for affordable housing –the same return as for market housing. It was put forward by some workshop attendees as the rate currently being expected by funders (rather than the 6% of costs used as standard in the testing).
- Test 3 - 5% capitalisation rate for affordable housing – which produces a greater revenue from the affordable rented housing. This test deals with the argument that Registered Providers can afford to pay more than the our modelling approach generates, since they have greater flexibility to invest in new affordable housing schemes, using their asset base.

4.13 The results of the sensitivity tests are shown below. They include a combined test using a lower capitalisation rate for the affordable housing (Test 3 - which increases revenue) and a higher return for the affordable housing (Test 2 - which increases costs).

4.14 The testing is undertaken for all the densities of 1 ha tile used earlier. In the Rest of the Borough, testing is only undertaken at 40% affordable housing but for Basingstoke/Tadley it is undertaken at 30% and 40% affordable housing. In all cases, the affordable housing is with the Affordable rent.

Figure 4-5: Sensitivity tests, 1 ha scheme, for selected percentage of affordable housing - residual values in £s per hectare and CIL in £s per sq m

Housing Market Area	Basingstoke/ Tadley (45 dph)		Basingstoke/ Tadley (35 dph)		Basingstoke/ Tadley (30 dph)		Rest of borough (30 dph)		Rest of Borough (20 dph)	
Benchmark Land Value	**1,000,000**		**1,000,000**		**1,000,000**		**1,000,000**		**1,000,000**	
40% Affordable Homes	Residual Value	Max CIL/sq m	Residual Value	Max CIL/sq m	Residual Value	Max CIL/sq m	Residual Value	Max CIL/sq m	Residual Value	Max CIL/sq m
Baseline Value	1,235,780	*106*	1,208,620	*104*	1,104,830	*57*	1,504,470	*292*	1,153,330	*114*
+5% Market Value	1,439,480	*199*	1,412,320	*205*	1,289,130	*157*	1,707,200	*410*	1,307,560	*229*
+10% Market Value	1,640,270	*289*	1,614,080	*305*	1,470,520	*256*	1,900,230	*522*	1,455,000	*339*
Capitalisation at 5%	1,526,780	*238*	1,470,520	*234*	1,329,870	*180*	1,720,780	*418*	1,297,860	*222*
20% aff housing rev 6.5% cap	1,034,990	*16*	1,027,230	*14*	949,630	*-27*	1,352,180	*204*	1,052,450	*39*
20% aff housing rev 5% cap	1,269,730	*122*	1,236,750	*118*	1,130,050	*71*	1,525,810	*305*	1,167,880	*125*
30% Affordable Homes										
Benchmark Land Value	**1,000,000**		**1,000,000**		**1,000,000**					
Baseline Value	1,447,240	*173*	1,414,260	*177*	1,294,950	*138*				
+5% Market Value	1,673,250	*261*	1,641,240	*273*	1,500,590	*234*				
+10% Market Value	1,896,350	*347*	1,866,280	*369*	1,703,320	*328*				
Capitalisation at 5%	1,664,520	*257*	1,612,140	*261*	1,462,760	*216*				
20% aff housing rev 6.5% cap	1,297,860	*115*	1,279,430	*119*	1,178,550	*83*				
20% aff housing rev 5% cap	1,470,520	*182*	1,437,540	*187*	1,312,410	*146*				

4.15 Commentary -

- Increases in market values (Test 1), without any increase in costs, strengthen residual values significantly. With a 5% increase, residual values in Basingstoke/Tadley increases by about £200,000 per hectare. Clearly, with a 10% increase in values, the impact is greater and so, for example, with 40% affordable housing, a maximum CIL of around £250 per sq m is feasible (the 30 dph scheme). These findings need to be seen in context and the importance stressed in all the guidance viability testing should be undertaken using **current values and costs**.
- The additional costs of a 20% return for the affordable housing (Test 2), has the opposite impact. It adds to costs and reduces residual values (and potential for CIL). Even so, in the Rest of the Borough, 40% affordable housing and a maximum CIL of around £200 per sq m is still feasible. But in Basingstoke/Tadley, 40% affordable housing produces a negative CIL i.e. the scheme is not viable. At 30% affordable housing, a maximum CIL of about £100 remains feasible.
- But when the higher level of return for affordable housing (Test 2) is combined with a lower capitalisation rate (5%) (Test 3), the two largely cancel each other out.

4.16 These sensitivity tests provide an insight into the viability impacts arising from changes in values. If values change significantly it may be useful to review the evidence and determine whether there is a case for changing affordable housing or CIL requirements. Monitoring is discussed in chapter 7 of the report.

5 RESIDENTIAL VIABILITY TESTING –BASINGSTOKE AND TADLEY CASE STUDY SITES

Introduction

5.1 The viability assessments use a number of case study sites which reflect typical sites likely to be brought forward in the borough. The case studies were derived in consultation with the Council and draw on information about recent planning permissions and the type of development identified in the emerging local plan.

5.2 At the time of writing, the Council advises that, out of a total housing land supply 2011 to 2029 of about 13,500, there is a requirement to identify sites for 7,550 homes over the plan period plus a small contingency. This is after the following types dwellings have been discounted i) homes already built or with permission ii) those to be provided on small-scale unidentified sites, iii) urban / brownfield sites highlighted in the SHLAA iii) regeneration opportunities and iv) with permission or in the pipeline. Of the 7,550 homes, approximately 7,010 will be on allocated strategic sites in the emerging local plan and around 900 homes to be provided through Neighbourhood Planning. The total number of homes to be built on strategic sites is approximately 52% of those to be provided over the course of the plan period. This emphasises the importance of strategic sites to future supply and explains why we have focused much of the case study testing on these site types.

5.2 Chapter 3 of this report discusses the two different value areas[24] in the borough, and these value differentials are also used to help inform the case studies and how they are presented. This chapter discusses the case studies in Basingstoke and Tadley, which between them form one of the two value areas in the borough. The case studies in the remainder of the borough are discussed in the next chapter of the report.

[24] Based on price paid data for new dwellings from Land Registry.

5.3 Figure 5.1 below sets out the case study sites used for testing in Basingstoke and Tadley.

Figure 5-1: Basingstoke and Tadley case study sites

Case Study	Type	Location	Total Dwellings	Density (dph)	Site Size ha (net)
1	Single unit	Basingstoke urban	1	33	0.03
2	Single unit	Basingstoke edge	1	25	0.04
3	Three units	Basingstoke urban	3	40	0.08
4	Three units	Basingstoke edge	3	25	0.12
5	Four units	Basingstoke urban	4	45	0.09
6	Four units	Basingstoke edge	4	30	0.13
7	High density flatted scheme	Basingstoke Urban	90	180	0.50
8	Intermediate size development	Basingstoke edge	100	30	3.30
9	Sheltered housing scheme	Basingstoke Urban	100	125	0.80
10	Urban extension (400 units)	Basingstoke edge	400	30	13.30
11	Large urban extension (1000 units)	Basingstoke edge	1000	30	33.30
12	Large urban extension (3000 units)	Basingstoke edge	3000	30	100.00

5.4 Further detail about the profile of these case studies can be found in Annex 6.

5.5 The viability tests have been undertaken at 40%, 35% and 30% affordable housing. It is assumed that if provision is not made on site (e.g. smaller sites) then a commuted sum to the equivalent value is provided for provision elsewhere. This chapter reports on values based on an affordable rent emphasis for the rental component of the affordable housing provision, using 25% social rent and 75% affordable rent. This represents the housing policy approach in the emerging local plan. The full range of viability testing includes a social rent emphasis (with the rental component of the affordable housing provision made up of 25% social rent and 75% affordable rent) and 100% affordable rent for the rental component, and this is reported in Annex 7.

5.6 Residual values from the case studies are compared to the benchmark land values discussed in chapter 3. Case studies 1 to 8 are compared to the standard Basingstoke and Deane benchmark of £1m per gross hectare and case studies 10, 11 and 12 are compared to the large scale greenfield benchmark of £0.4m per gross hectare. Case study 8 is also considered against a nominal intermediate benchmark of £0.7m/ha. If the residual land value from a scheme is above the benchmark land value, then the scheme is considered viable and able to proceed. A full set of results for the case studies, across both market areas, is found in Annex 7.

5.7 The Basingstoke and Tadley discussion below is split into smaller case studies (1-6), larger case studies i.e. the urban extensions (10-12) and the other sites (7-9).

Basingstoke and Tadley case study findings

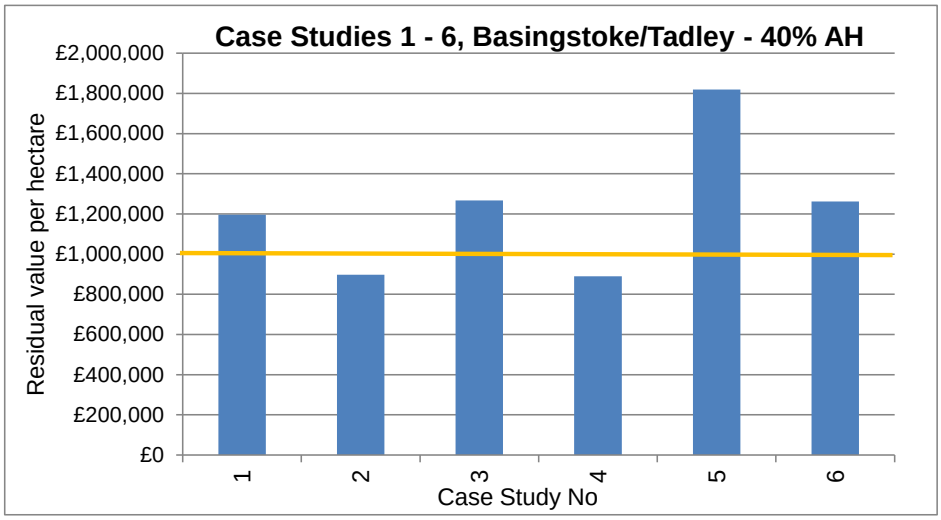
Smaller sites

5.8 The case study testing includes a number of smaller schemes in order to explore the viability implications of the higher build costs often associated with sites of three dwellings or less. The

testing of these smaller schemes is conservative as the dwelling value assumptions used are the same as for larger sites yet it can be the case that in the right location, some smaller schemes may be able to attract higher than average values (exclusivity etc.) and some of the smaller developers that may build these schemes have lower overheads than average. However neither of these factors will necessarily take place and so the value and associated costs are maintained as per the averages discussed with the development industry.

5.9 Figure 5.2 below illustrates the residual value per hectare for the smaller case study schemes at 40% affordable housing. Overall, the urban schemes (which have a smaller land take) have better values than the edge of settlement schemes, and the scheme of four dwellings is more viable than the schemes of three or fewer dwellings. The urban scheme of four dwellings is comfortably above the benchmark land value at 40% affordable housing, while the urban single dwelling, urban three dwelling and edge of settlement four dwelling sites are also above the land value benchmark. The single dwelling and the three dwelling edge of centre schemes are not viable.

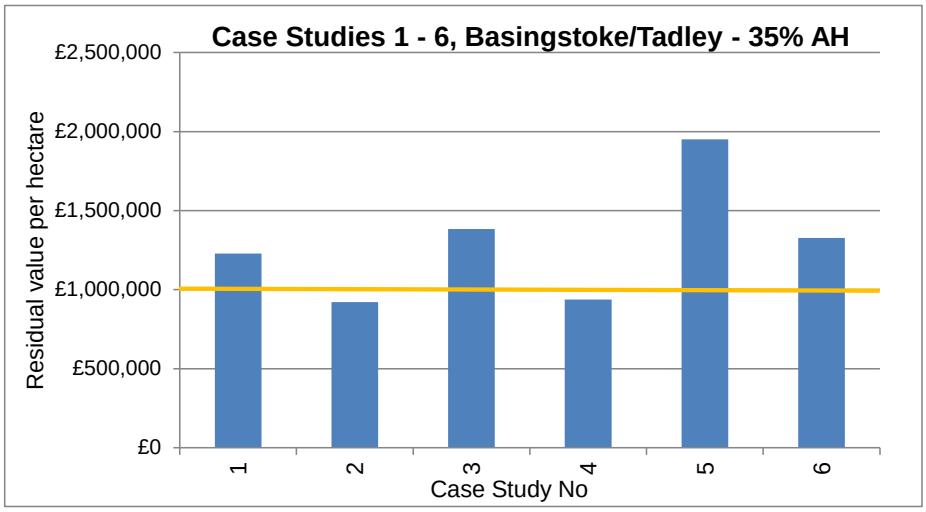
Figure 5-2: Viability of small Basingstoke/Tadley schemes at 40% affordable housing



Case studies key
1 – Single urban dwelling
2 – Single edge of settlement dwelling
3 – Three dwellings on urban site
4 – Three dwellings on edge of settlement
5 – Four dwellings on urban site
6 - Four dwellings on edge of settlement

5.10 Figure 5.3 below illustrates the residual value per hectare for the smaller case study schemes at 35% affordable housing. Scheme values are higher although the overall the viability picture is not much changed – the same schemes are viable and the single dwelling and the three dwelling edge of centre schemes remain not viable.

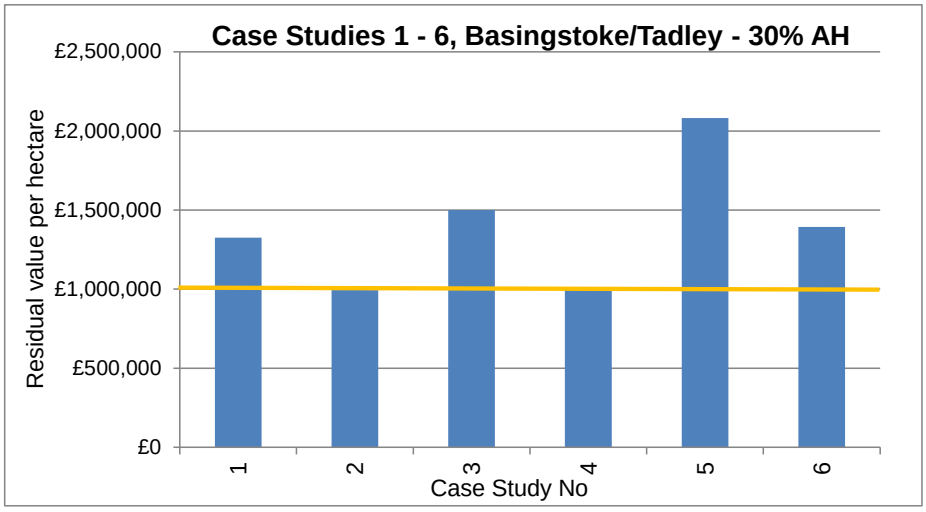
Figure 5-3: Viability of small Basingstoke/Tadley schemes at 35% affordable housing



Case studies key
1 – Single urban dwelling
2 – Single edge of settlement dwelling
3 – Three dwellings on urban site
4 – Three dwellings on edge of settlement
5 – Four dwellings on urban site
6 - Four dwellings on edge of settlement

5.11 Figure 5.4 below illustrates the residual value per hectare for the smaller case study schemes at 30% affordable housing. Again, reducing the affordable housing requirement increases all of the scheme values and the change results brings the single dwelling and the three dwelling edge of centre schemes to marginal viability.

Figure 5-4: Viability of small Basingstoke/Tadley schemes at 30% affordable housing



Case studies key
1 – Single urban dwelling
2 – Single edge of settlement dwelling
3 – Three dwellings on urban site
4 – Three dwellings on edge of settlement
5 – Four dwellings on urban site
6 - Four dwellings on edge of settlement

Implications for housing policy for smaller sites

5.12 The analysis above demonstrates that at 40% affordable housing, most of the smaller site case studies are viable. However if the affordable housing proportion is reduced to 30% then all of the smaller sites become viable, although this is marginal for the single dwelling and the three dwelling edge of centre schemes.

5.13 These findings do not suggest that a threshold for affordable housing is required in the Borough as most of the types of development tested reach the benchmark land value. But it must be

noted that this conclusion solely relates to affordable housing, and is in advance of any discussion about CIL.

5.14 If Basingstoke and Deane Borough Council consider it important to ensure the viability of all smaller sites (including the single dwelling and the three dwelling edge of centre schemes where viability is weaker) then a threshold for the affordable housing requirement could be used; or a commuted sum taken instead and at a level which reflected the residual value of individual schemes. If a threshold for a nil or reduced requirement is used, the viability testing suggests that it would be at three dwellings or below as this is where the viability is weaker.

Implications for CIL for smaller sites

5.15 The viability testing considers the opportunities to charge CIL at different affordable housing proportions. In considering these theoretical maximum rates, it should be noted that the guidance suggests "*Charging authorities should avoid setting a charge right up to the maximum of economic viability across the vast majority of sites in their area*"[25].

5.16 The analysis indicates that three of the smaller case study sites – four dwellings on an urban site; four dwellings on an edge of settlement site; and three dwellings on an urban site – have the capacity to pay significant CIL at 40% affordable housing. For these three schemes the theoretical 'headroom' varies from approximately £130 per sq m to £400 per sq m.

5.17 The single dwelling urban site has sufficient viability to support some CIL payment with a theoretical 'headroom' of £79 per sq m. The single dwelling and the three dwelling edge of settlement schemes are not able to support any CIL at 40% affordable housing.

5.18 As the proportion of affordable housing falls, the amount of CIL that could be supported increases, which follows the same pattern as the viability analysis above. However, even when the affordable housing proportion falls to 30%, the single dwelling and the three dwelling edge of centre schemes are not able to support a CIL charge.

[25]DCLG, 2012, Community Infrastructure Levy Guidance para 30

Figure 5-5 Summary of Basingstoke and Tadley smaller sites case studies

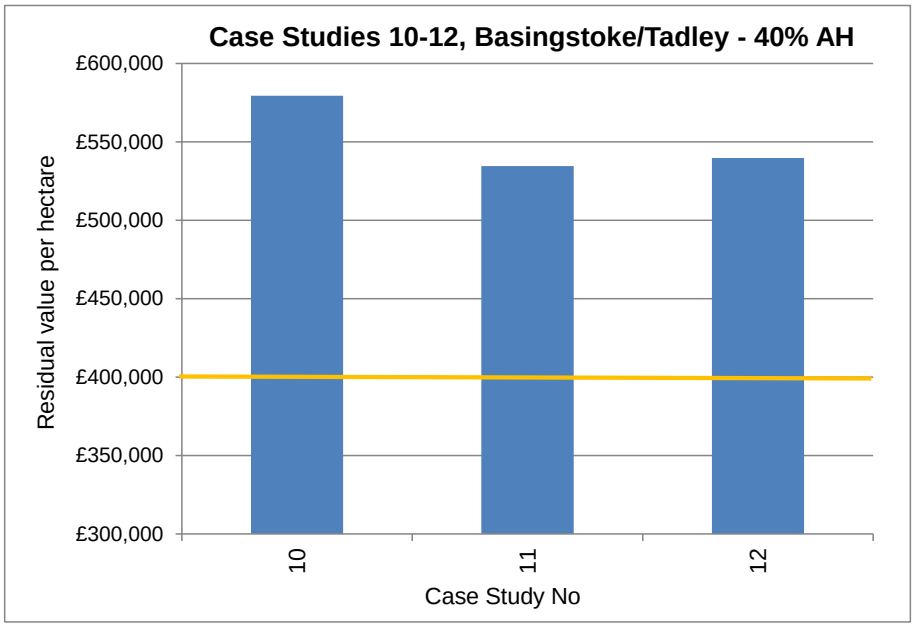
Case study	Affordable housing	Residual value/ha	Benchmark land value	Theoretical maximum CIL rate
CS 1 – 1 dwg urban	30%	£1,326,000	£1,000,000	£112
	35%	£1,229,000	£1,000,000	£84
	40%	£1,196,000	£1,000,000	£79
CS 2 – 1 dwg edge of settlement	30%	£994,000	£1,000,000	-£3
	35%	£922,000	£1,000,000	-£39
	40%	£897,000	£1,000,000	-£55
CS 3 – 3 dwgs urban	30%	£1,500,000	£1,000,000	£238
	35%	£1,384,000	£1,000,000	£193
	40%	£1,267,000	£1,000,000	£149
CS 4 – 3 dwgs edge of settlement	30%	£1,002,000	£1,000,000	£1
	35%	£938,000	£1,000,000	-£31
	40%	£889,000	£1,000,000	-£59
CS 5 – 4 dwgs urban	30%	£2,082,000	£1,000,000	£451
	35%	£1,951,000	£1,000,000	£427
	40%	£1,820,000	£1,000,000	£399
CS 6 – 4 dwgs edge of settlement	30%	£1,393,000	£1,000,000	£170
	35%	£1,327,000	£1,000,000	£152
	40%	£1,262,000	£1,000,000	£132

Larger sites

5.19 Case studies include schemes intended to be representative of some of the larger developments expected to come forward under the new local plan. These include case studies representing medium sized and large urban extension developments. The testing of larger sites includes the opening up costs and different benchmark land values for the larger scale greenfield urban extensions. The urban extension case study schemes are tested against the large scale greenfield benchmark land value of £0.4m/ha.

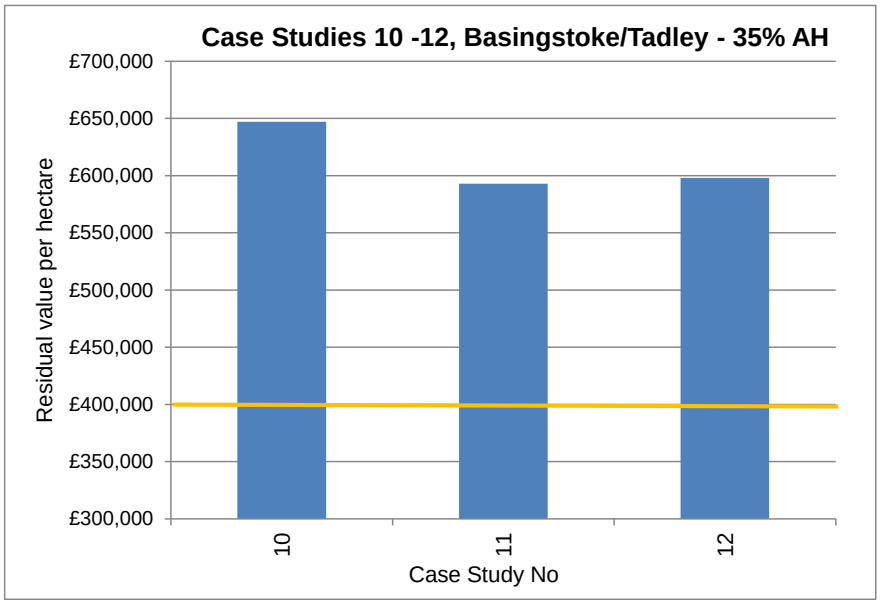
5.20 Figure 5.6 below illustrates the residual value per hectare for the larger case study schemes at 40% affordable housing. This indicates that the urban extensions (case studies 10, 11 and 12) **without CIL,** produce residual values above the land value benchmark at 40% affordable housing.

Figure 5-6: Viability of Basingstoke and Tadley larger schemes at 40% affordable housing.



5.21 Figure 5.7 below illustrates the residual value per hectare for the larger case study schemes at 35% affordable housing. The urban extensions (case studies 10, 11 and 12) all show stronger viability with more headroom against the threshold land value.

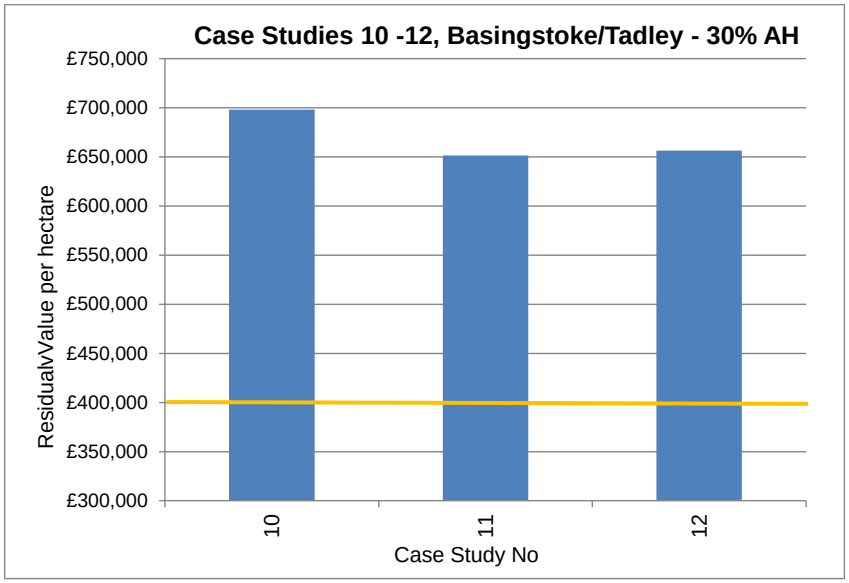
Figure 5-7 Viability of Basingstoke and Tadley larger schemes at 35% affordable housing.



5.22 Figure 5.8 below illustrates the residual value per hectare for the larger case study schemes at 30% affordable housing. Again, residual values increase as the proportion of affordable housing

falls, with the urban extensions comfortably viable and values at least £0.25m/ha above the benchmark.

Figure 5-8 Viability of Basingstoke and Tadley larger schemes at 30% affordable housing.



Case studies key
10 – Urban extension 400 units
11 – Urban extension 1,000 units
12 – Urban extension 3,000 units

Implications for housing policy for larger sites

5.23 The analysis above demonstrates that, **without CIL,** at 40% affordable housing, the urban extension sites that are key to the delivery of the local plan are viable, and with some headroom above the benchmark land value.

Implications for CIL for larger sites

5.24 The viability testing considers the opportunities to charge CIL at different affordable housing proportions. In considering these theoretical maximum rates, it should be noted that the guidance suggests "*Charging authorities should avoid setting a charge right up to the maximum of economic viability across the vast majority of sites in their area*"[26]. In considering the potential CIL charges regard should include the requirement for infrastructure necessary to support new development in the borough – if the CIL charge is too low then housing delivery may be compromised by the lack of necessary infrastructure.

5.25 The urban extension sites are able to support a CIL at 40% affordable housing, with the maximum theoretical CIL between £124 per sq m and £162 per sq m (bearing in mind the guidance suggests that the rate charged should not be at these theoretical maximums).

[26]DCLG, 2012, Community Infrastructure Levy Guidance para 30

5.26 At 35% affordable housing the urban extension sites are able to support a higher CIL, with the maximum theoretical CIL between £164 per sq m and £206 per sq m depending on the case study.

5.27 At 30% affordable housing the urban extension sites are again able to support at higher CIL, with the maximum theoretical CIL between £198 per sq m and £231 per sq m depending on the case study.

Summary of Basingstoke and Tadley larger scheme case studies

Figure 5.9: Summary of Basingstoke and Tadley residual values and theoretical maximum CIL rates

Case study	Affordable housing	Residual value/ha	Benchmark land value	Theoretical maximum CIL rate per sq m
CS 10 – 400 dwgs urban extension	30%	£698,000	£400,000	£231
	35%	£647,000	£400,000	£206
	40%	£579,000	£400,000	£162
CS 11 – 1,000 dwgs urban extension	30%	£651,000	£400,000	£198
	35%	£593,000	£400,000	£164
	40%	£535,000	£400,000	£124
CS 12 – 3,000 dwgs urban extension	30%	£656,000	£400,000	£202
	35%	£598,000	£400,000	£168
	40%	£540,000	£400,000	£129

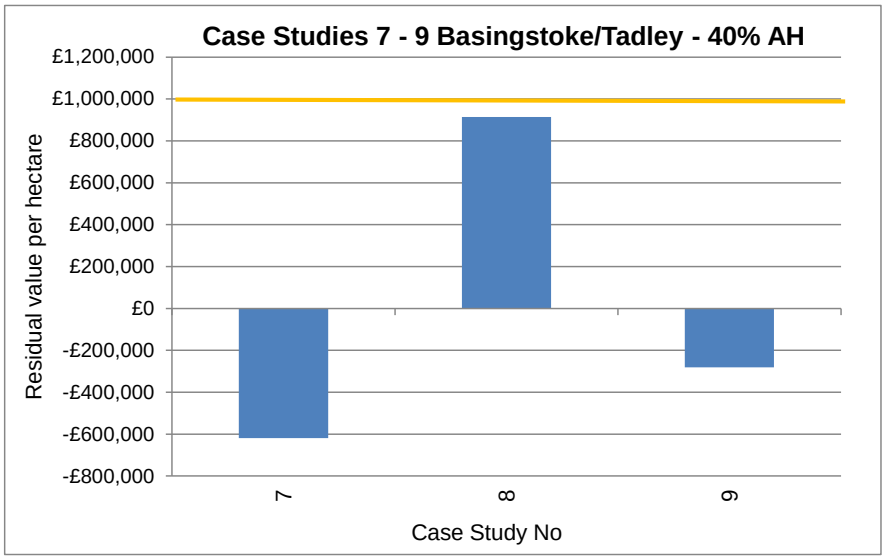
Other Basingstoke and Tadley Sites

5.28 Case studies also include schemes covering intermediate sites on the edge of Basingstoke as well as a higher density flatted scheme in the Basingstoke urban area and a sheltered housing scheme. These 'other sites' case study schemes are primarily tested against the standard benchmark land value of £1m/ha. This includes the 100 dwelling edge of Basingstoke scheme (case study 8) although it is likely that there is an intermediate benchmark between the £1m/ha and £0.4m/ha suitable for this type of site (say £0.7m/ha) and we have considered this in the commentary below.

5.29 The figure below illustrates the residual value per hectare for the other site case study schemes at 40% affordable housing. This indicates that:

- Both the high density flatted scheme (case study 7) and the sheltered housing scheme (case study 9) produce negative residual values.
- Case study 8 which is a 100 dwelling scheme on the edge of Basingstoke and Tadley produces a positive residual value at 40% affordable housing but this is below the benchmark land value of £1m/ha. As such this type of development is not viable at 40% affordable housing. If this scheme is considered against the intermediate benchmark suggested above then it is viable (residual value of £0.91m/ha compared to the intermediate benchmark £0.7m/ha) with 40% affordable housing.

Figure 5-10: Viability of Basingstoke and Tadley other sites at 40% affordable housing.

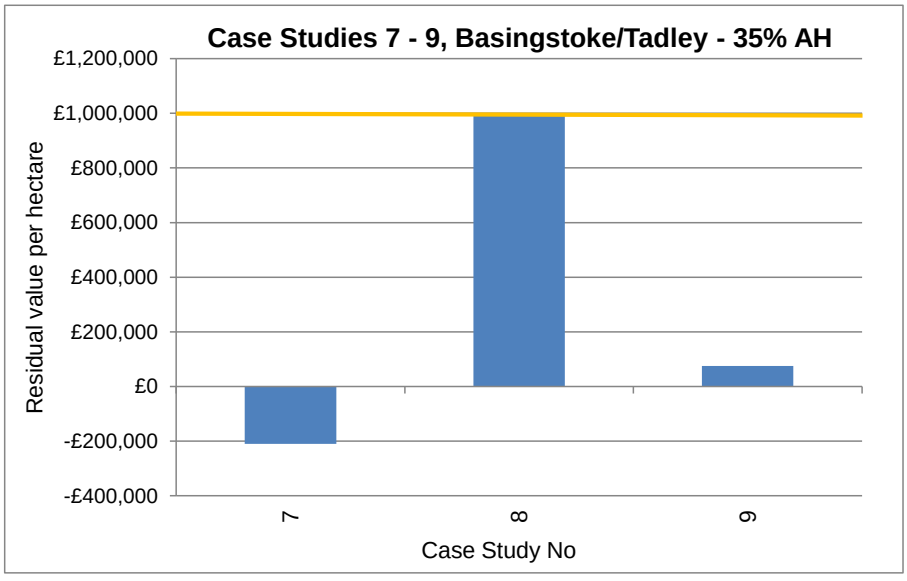


Case studies key
7 – High density 90 flats scheme
8 –100 units edge of settlement
9 – Sheltered housing 100 unit scheme

5.30 Figure 5.11 below illustrates the residual value per hectare for the larger case study schemes at 35% affordable housing. Overall, residual values increase as the proportion of affordable housing falls although there is no change in the types of schemes that are viable or unviable:

- The high density flatted scheme (case study 7) still produces negative residual values.
- The sheltered housing scheme (case study 9) produces a positive residual value but this is some way short of the benchmark land value.
- The 100 dwelling edge of settlement scheme (case study 8) is marginally viable against the £1m/ha benchmark, although the residual value (£0.99m/ha) is above the intermediate benchmark of £0.7m/ha with 35% affordable housing.

Figure 5-11: Viability of Basingstoke and Tadley other sites at 35% affordable housing.



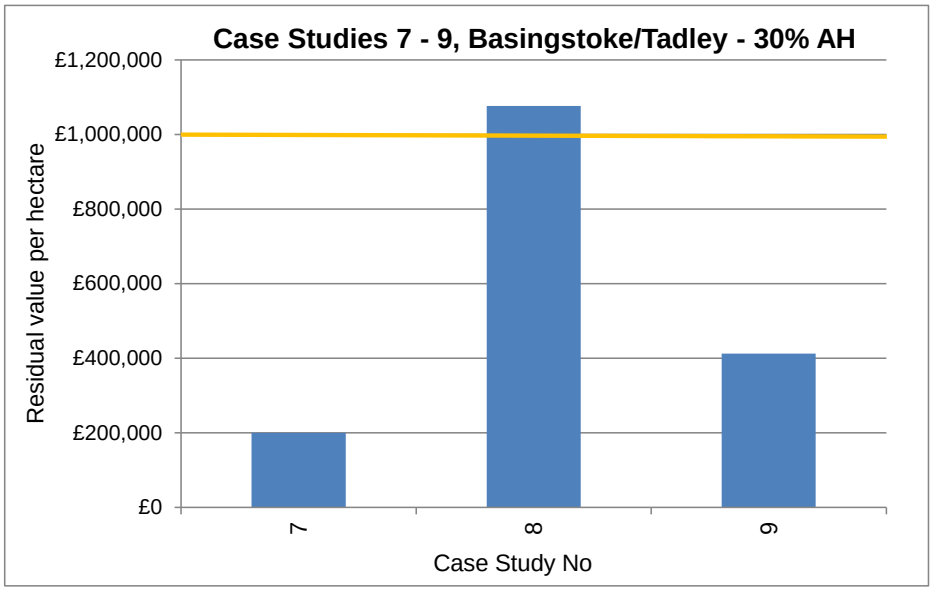
Case studies key
7 – High density 90 flats scheme
8 –100 units edge of settlement
9 – Sheltered housing 100 unit scheme

5.31 Figure 5.12 below illustrates the residual value per hectare for the larger case study schemes at 30% affordable housing. Again, residual values increase as the proportion of affordable housing falls.

- The 100 dwelling edge of settlement scheme is just over the £1m/ha benchmark (£1.1m/ha) and comfortably above the £0.7m/ha intermediate benchmark land value.
- The flatted scheme and the sheltered housing scheme both have a positive residual value but less than the benchmark.

5.32 The viability analysis suggests that neither the flatted nor the sheltered housing schemes are viable under any of the affordable housing scenarios tested.

Figure 5-12: Viability of Basingstoke and Tadley other sites at 30% affordable housing.



Case studies key
7 – High density 90 flats scheme
8 –100 units edge of settlement
9 – Sheltered housing 100 unit scheme

Implications for housing policy for other sites

5.33 The analysis suggests that intermediate sites (around 100 dwellings) are not viable at the standard benchmark land value at 40% affordable housing although if the proportion is reduced to 30% this type of scheme does become viable. However if this case study is tested at an intermediate benchmark land value of £0.7m/ha then it is viable at 40% affordable housing and then more comfortably viable as the proportion of affordable housing falls. Sites of about this size make up two of the allocated Basingstoke sites in the emerging local plan[27] and as such may not be considered key to affordable housing delivery in the local plan.

5.34 On the basis of this analysis the flatted and the sheltered housing schemes are unlikely to be able to deliver even 30% affordable housing. The specific issues faced by sheltered housing and

[27] Swing Swang Lane and Redlands

flatted schemes may require a bespoke approach to CIL and affordable housing in order to encourage such developments until values change.

5.35 A sensitivity test has been run for the sheltered housing case study to reflect the variation in these schemes. The base case study takes a cautious approach to values and costs and the sensitivity test uses a 10% increase in values (based on local sheltered new build development) and a reduction in the circulation space allocated to each sheltered unit (from 33 sq m per unit to 30-31 sq m per unit depending on unit size, based on evidence from elsewhere). The high density nature of the case study means that this sensitivity test has a considerable impact on the overall scheme value, providing a residual value per ha of £1.3 million at 40% affordable housing and £1.7 million at 35% affordable housing. Both these values are above the benchmark land value of £1 million per ha.

Implications for CIL for other sites

5.36 The viability testing considers the opportunities to charge CIL at different affordable housing proportions. In considering these theoretical maximum rates, it should be noted that the guidance suggests "Charging authorities should avoid setting a charge right up to the maximum of economic viability across the vast majority of sites in their area"[28]. In considering the potential CIL charges regard should include the requirement for infrastructure necessary to support new development in the borough – if the CIL charge is too low then housing delivery may be compromised by the lack of necessary infrastructure.

5.37 The 100 dwelling intermediate scheme along with the flatted and sheltered housing schemes are unable to support a CIL at 40% affordable housing. It should be noted that for the 100 dwelling scheme, the land value benchmark used is £1m per hectare. If this scheme is tested against the intermediate £700,000 per hectare benchmark it would yield a potential CIL of £141 at 40% affordable housing.

5.38 At 35% affordable housing the 100 dwelling intermediate scheme along with the flatted and sheltered housing schemes are still unable to support a CIL. If the 100 dwelling intermediate scheme is tested against the intermediate benchmark land value of £0.7m/ha then it is able to support a theoretical maximum CIL of £180 per sq m.

5.39 At 30% affordable housing the 100 dwelling intermediate scheme is able to support a CIL of £43 per sq m. The flatted and sheltered housing schemes are still unable to support any CIL. If the 100 dwelling intermediate scheme is tested against the intermediate benchmark land value of £0.7m/ha then it is able to support a theoretical maximum CIL of £213 per sq m.

5.40 The sensitivity test for sheltered housing (discussed above) takes a less cautious approach to some of the testing assumptions, and the results show residual values above the benchmark land value. Under these sensitivity test assumptions the potential sheltered housing maximum CIL is £45 per sq m at 40% affordable housing and £103 per sq m at 35% affordable housing.

[28]DCLG, 2012, Community Infrastructure Levy Guidance para 30

Summary of Basingstoke and Tadley larger scheme case studies

Figure 5-13: Summary of Basingstoke and Tadley residual values and theoretical maximum CIL rates

Case study	Affordable housing	Residual value/ha	Benchmark land value	Theoretical maximum CIL rate
CS 7 – 90 dwgs flatted scheme	30%	£200,000	£1,000,000	-£98
	35%	-£210,000	£1,000,000	-£159
	40%	-£619,000	£1,000,000	-£231
CS 8 – 100 dwgs intermediate scheme*	30%	£1,077,000	£1,000,000	£43
	35%	£996,000	£1,000,000	-£3
	40%	£914,000	£1,000,000	-£57
CS 9 – 100 dwgs sheltered housing	30%	£412,000	£1,000,000	-£86
	35%	£75,000	£1,000,000	-£145
	40%	-£281,000	£1,000,000	-£217

Note that if case study 8 is considered against the intermediate benchmark of £0.7m/ha viability is stronger and it is able to support a CIL (£141 per sq m at 40% affordable housing).

Impact of time and cash flow

5.41 As part of the testing process we have undertaken additional testing for the large sites, using a discounted cash flow (DCF)[29]. This takes into account the impact of time on residual values and the effect of the pace of development and the pattern of assumed costs and revenues over time. The DCF analysis is sensitive to a range of assumptions (such as the timing of phases and costs) that will vary considerably in practice. The process does not make any assumptions about changes in the underlying build costs or market values in the future. The discounted figures are useful in interpreting the figures from the standard analysis, particularly when considering the proportion of affordable housing sought and the opportunities to support a CIL.

5.42 Discounting is only applied to the larger case study schemes that are anticipated to be delivered over a number of years – i.e. case studies 8, 10, 11 and 12.

5.43 The table below shows this effect and presents results from the static analysis and using the DCF to give a Present Value (PV).

Figure 5.14 Standard and discounted residual values and theoretical maximum CIL rates

Case study	Affordable housing	Residual value/ha		Theoretical maximum CIL rate	
		Standard analysis	Discounted	Standard analysis	Discounted
CS 8 – 100 dwgs	30%	£1,076,000	£1,019,000	£43	£11
	35%	£996,000	£944,000	-£3	-£34
	40%	£914,000	£870,000	-£57	-£86
CS 10 – 400 dwgs	30%	£698,000	£615,000	£231	£167
	35%	£647,000	£566,000	£206	£138
	40%	£579,000	£516,000	£162	£105

[29] Using the standard HM Treasury discount rate of 5.35%

Case study	Affordable housing	Residual value/ha		Theoretical maximum CIL rate	
		Standard analysis	Discounted	Standard analysis	Discounted
CS 11 – 1,000 dwgs	30%	£651,000	£554,000	£198	£121
	35%	£593,000	£501,000	£164	£86
	40%	£534,000	£460,000	£124	£55
CS 12 – 3,000 dwgs	30%	£656,000	£378,000	£202	-£17
	35%	£598,000	£346,000	£168	-£45
	40%	£540,000	£315,000	£129	-£78

5.44 The general effect of discounting is to reduce residual values and the impact is greater the longer the development takes to complete. With case study 12, discounting takes a positive CIL with the static model and produces a 'negative' CIL when the PV is used (although it is important to note that the scheme is still producing a positive residual value – e.g. £315,000 per hectare at 40% affordable without any CIL). However, because the larger schemes are developed over a number of years there is a good probability that values will increase and that out-turn residual values in the future will be higher than as modelled today. The analysis highlights the importance for large-scale schemes of not setting affordable housing targets and CIL rates at the margins of viability and of undertaking reviews of both when there has been a sustained change in market values and costs.

5.45 Case study 8 again warrants further consideration. As noted earlier, the benchmark land value used in the above table is the same as for smaller urban schemes, at £1m per hectare. If the 'intermediate' benchmark land value of £700,000 per hectare is used, there is a positive residual value above the intermediate benchmark land value, which will allow some CIL to be supported (theoretical maximum of £29 per sq m at 40% affordable housing; rising to £48 per sq m at 30% affordable housing).

Summary

5.46 With affordable rent emphasis, all levels of affordable housing up to the 40% tested exceed the land value benchmarks for the majority of case study schemes. The schemes that are not clearly viable are:

- Some smaller schemes – the single dwelling and three dwelling edge of settlement schemes
- The flatted and sheltered housing schemes, which demonstrate little viability even at 30% affordable housing.
- The 100 dwelling edge of settlement site, which is not viable at 40% affordable housing, marginally viable at 35% affordable housing and only clearly viable at 30% affordable housing when tested against the main £1m/ha benchmark land value.

5.47 All of the larger urban extension case studies tested are viable at 40% affordable housing with an affordable rent emphasis. The viability includes enough 'headroom' to have a theoretical maximum CIL of up to £124per sq m for the 1,000 dwelling case study, which has the least strong viability of the three urban extension case studies tested (bearing in mind the clear guidance not to set a CIL rate at this maximum).

5.48 The viability of the 100 dwelling edge of settlement case study is weaker than both smaller and larger sites. Part of this may be because of the benchmark land value of £1m per hectare which is applied to both small and intermediate sites. It is plausible that benchmark values per hectare will fall as site size increases (although no evidence has emerged that this is definitely the case) and if so, the viability of these intermediate sites will be improved and they will then be able to support a small CIL at 40% affordable housing.

5.49 There is little evidence to support an affordable housing threshold of four or more units, based on the increased costs borne by smaller sites. In addition there may be premium value attached to small sites in some locations and even without this, some higher density smaller sites remain viable below the threshold. On this basis there is a case for having a threshold of 0 for affordable housing but clearly for very small sites, the affordable housing contribution will need to be taken as a financial contribution rather than on site provision..

5.50 The table below summarises the maximum theoretical CIL rates for the different Basingstoke and Tadley case studies (using the standard analysis), along with the residual value per hectare.

Figure 5-15: Summary of Basingstoke and Tadley residual values and theoretical maximum CIL rates

Case study	Affordable housing	Residual value/ha	Benchmark land value	Theoretical maximum CIL rate
Smaller sites				
CS 1 – 1 dwg urban	30%	£1,326,000	£1,000,000	£112
	35%	£1,229,000	£1,000,000	£84
	40%	£1,196,000	£1,000,000	£79
CS 2 – 1 dwg edge of settlement	30%	£994,000	£1,000,000	-£3
	35%	£922,000	£1,000,000	-£39
	40%	£897,000	£1,000,000	-£55
CS 3 – 3 dwgs urban	30%	£1,500,000	£1,000,000	£238
	35%	£1,384,000	£1,000,000	£193
	40%	£1,267,000	£1,000,000	£149
CS 4 – 3 dwgs edge of settlement	30%	£1,002,000	£1,000,000	£1
	35%	£938,000	£1,000,000	-£31
	40%	£889,000	£1,000,000	-£59
CS 5 – 4 dwgs urban	30%	£2,082,000	£1,000,000	£451
	35%	£1,951,000	£1,000,000	£427
	40%	£1,820,000	£1,000,000	£399
CS 6 – 4 dwgs edge of settlement	30%	£1,393,000	£1,000,000	£170
	35%	£1,327,000	£1,000,000	£152
	40%	£1,262,000	£1,000,000	£132
Urban extensions (static rather than discounted values)				
CS 10 – 400 dwgs urban extension	30%	£698,000	£400,000	£231
	35%	£647,000	£400,000	£206
	40%	£579,000	£400,000	£162
CS 11 – 1,000 dwgs urban extension	30%	£651,000	£400,000	£198
	35%	£593,000	£400,000	£164
	40%	£535,000	£400,000	£124
CS 12 – 3,000 dwgs urban extension	30%	£656,000	£400,000	£202
	35%	£598,000	£400,000	£168
	40%	£540,000	£400,000	£129
Other schemes				
CS 7 – 90 dwgs flatted scheme	30%	£200,000	£1,000,000	-£98
	35%	-£210,000	£1,000,000	-£159
	40%	-£619,000	£1,000,000	-£231
CS 8 – 100 dwgs intermediate scheme*	30%	£1,077,000	£1,000,000	£43
	35%	£996,000	£1,000,000	-£3
	40%	£914,000	£1,000,000	-£57
CS 9 – 100 dwgs sheltered housing	30%	£412,000	£1,000,000	-£86
	35%	£75,000	£1,000,000	-£145
	40%	-£281,000	£1,000,000	-£217

*Note:

- CS8 – the land value benchmark used in this table is £1m per hectare and there is a case for using a lower benchmark for this case study as discussed earlier.
- Case studies 10, 11 and 12 show values from the static model rather than discounted.

6. RESIDENTIAL VIABILITY ANALYSIS – REST OF BOROUGH CASE STUDY SITES

Introduction

6.1 Following the discussion of the case study sites in Basingstoke and Tadley in the previous chapter, this chapter discusses the case studies in the Rest of the borough. The table below sets out the case study sites used for testing in the Rest of the borough.

Figure 6-1: Rest of borough case study sites

Case Study	Type	Location	Total Dwellings	Density (dph)	Site Size ha (net)
13	Single unit	Towns/Villages	1	20	0.05
14	Single unit	Rural	1	20	0.05
15	Three units	Towns/Villages - Overton/ Whitchurch	3	20	0.15
16	Three units	Rural	3	20	0.15
17	Four units	Towns/Villages	4	20	0.20
18	Four units	Rural	4	20	0.20
19	Edge of small town/village	Towns/Villages	10	20	0.50
20	Market town urban extension	Towns/Villages	100	30	3.30

6.2 Further detail about the profile of these case studies can be found in Annex 6.

6.3 The viability tests for the Rest of borough schemes use 40%, affordable housing, which is the draft local plan target. Again, it is assumed that if provision is not made on site (e.g. smaller sites) then a commuted sum to the equivalent value is provided for provision elsewhere. This chapter reports on values based on an affordable rent emphasis for the rental component of the affordable housing provision, using 25% social rent and 75% affordable rent. This represents the housing policy approach in the emerging local plan. The full range of viability testing includes a social rent emphasis (with the rental component of the affordable housing provision made up of 25% social rent and 75% affordable rent) and 100% affordable rent for the rental component, and this is reported in Annex 7.

6.4 Smaller case studies (numbers 13 to 19 in table 6.1 above) are assumed to be delivered within a year. The larger case study (number 20 in table 6.1 above) are assumed to take more than one year to deliver.

Benchmark Land Values

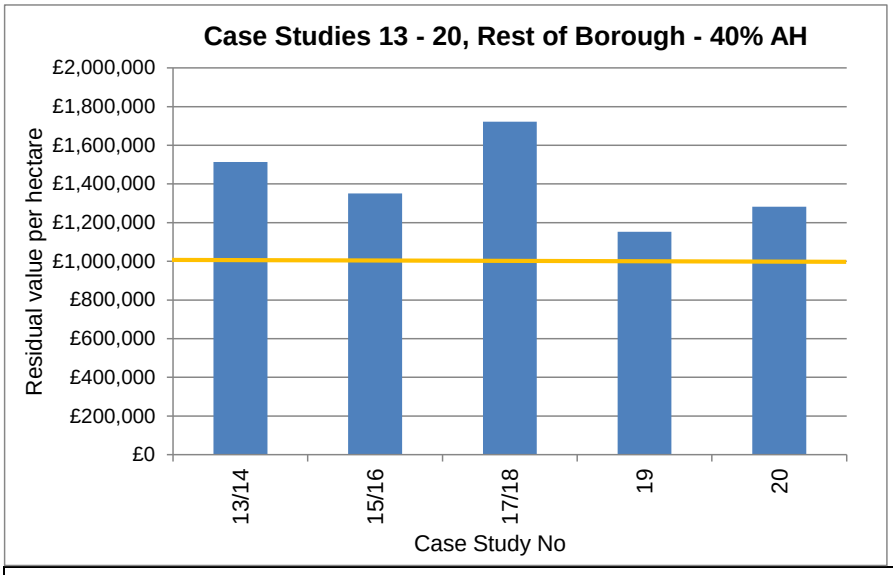
6.5 Residual values from the case studies are compared to the benchmark of £1m per gross hectare. If the residual land value from a scheme is above the benchmark land value, then the scheme is considered viable and able to proceed.

Rest of Borough Case Study Findings

6.6 Figure 6.2 below illustrates the residual value per hectare for the Rest of borough study schemes at 40% affordable housing. All of the schemes in the Rest of the borough are viable at this level of affordable housing, with the four dwelling schemes (case studies 17 and 18) showing the strongest viability, followed by the single dwelling schemes. The 10 dwelling scheme is the least viable, mainly because of the dwelling mix.

6.7 The testing at 35% and 30% affordable housing show that all the Rest of borough schemes have even stronger viability.

Figure 6-2: Rest of borough schemes at 40% affordable housing



Case studies key
13 – Single market town/village dwelling
14 –Single rural dwelling
15 – Three dwellings in market town/village
16 – Three dwellings in rural area
17 – Four dwellings in market town/village
18 - Four dwellings in rural area
19 – 10 dwellings on the edge of market town/village
20 – 100 dwelling extension to market town

Implications for housing policy for Rest of borough sites

6.8 The analysis above demonstrates that at 40% affordable housing is viable in the types of schemes anticipated to come forward in the Rest of the borough.

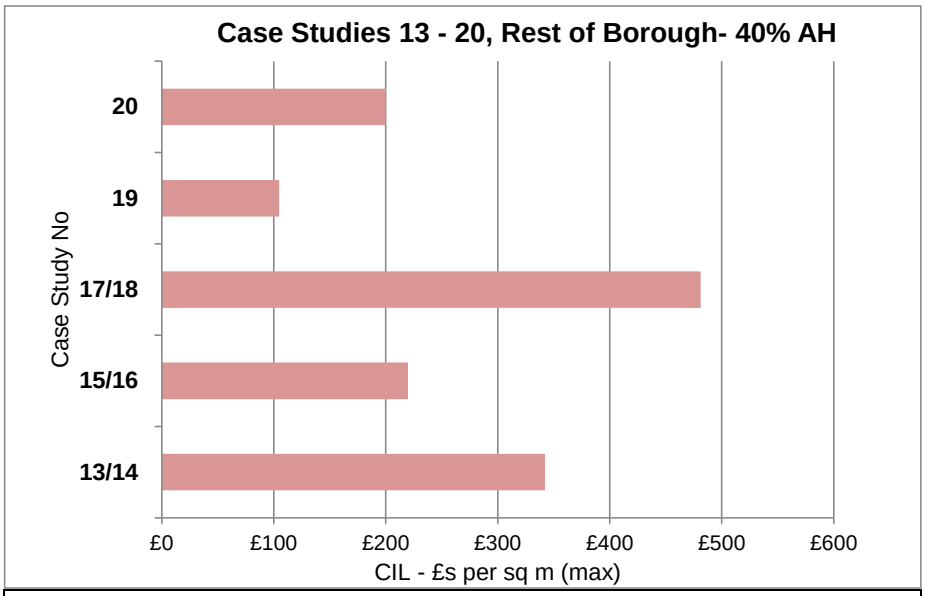
Implications for CIL for Rest of borough sites

6.9 The viability testing considers the opportunities to charge CIL at 40% affordable housing. Again, in considering these theoretical maximum rates, it should be noted that the guidance suggests

"*Charging authorities should avoid setting a charge right up to the maximum of economic viability across the vast majority of sites in their area*"[30].

6.10 Figure 6.3 below illustrates the theoretical maximum CIL rate for the different Rest of borough scheme case studies at 40% affordable housing. All of the schemes tested are able to support a CIL payment at 40% affordable housing, with theoretical CIL of between £105 per sq m and £481 per sq m. The larger of the Rest of borough schemes (the 100 dwelling market town extension) has a theoretical maximum CIL rate of £200 per sq m and 10 dwelling schemes has a theoretical maximum CIL rate of £105 per sq m.

Figure 6-3 Potential for CIL for Rest of borough schemes at 40% affordable housing.



Case studies key
13 – Single market town/village dwelling
14 –Single rural dwelling
15 – Three dwellings in market town/village
16 – Three dwellings in rural area
17 – Four dwellings in market town/village
18 - Four dwellings in rural area
19 – 10 dwellings on the edge of market town/village
20 – 100 dwelling extension to market town

Cash flow time discounts for larger schemes

5.51 For case study 20 (the scheme with 100 dwellings) we have also undertaken an analysis of the viability of the scheme using a discount cash flow – to take into account the effect of time on residual value. Again, the results are sensitive to a range of assumptions (such as the timing of phases and costs) that will vary considerably in practice. The discounted figures are useful in interpreting the figures from the standard analysis, particularly when considering the

[30]DCLG, 2012, Community Infrastructure Levy Guidance para 30

proportion of affordable housing sought and the opportunities to support a CIL. For case study 20, the effect of discounting is to reduce the residual values from £1.28/ha to £1.21m/ha, with a theoretical maximum CIL of £142 per sq m. Overall viability is little affected and the case study is still able to support a CIL.

Summary

6.11 The types of schemes anticipated to come forward in the Rest of the borough show strong viability, with the exception of the 10 dwelling scheme which whilst still viable, has less 'headroom' than the other schemes tested as a result of the chosen dwelling mix. There is a set of scheme types (including the smaller and larger scheme types expected to come forward) in the Rest of the borough with sufficient viability to support a maximum CIL of between £200 per sq m and £481 per sq m, and the 10 dwelling scheme with a theoretical maximum CIL of £105 per sq m – although the guidance indicates that it would not be suitable to set the rate at the maximum level. Some sites – 4 dwelling schemes - will have stronger viability.

6.12 Table 6.3 below summarises the maximum theoretical CIL rates for the different Rest of Borough case studies (using the standard analysis), along with the residual value per hectare.

Figure 6-4: Summary of Rest of Borough residual values and theoretical maximum CIL rates

Case study	Affordable housing	Residual value/ha	Benchmark land value	Theoretical maximum CIL rate
CS 13 – 1 dwg urban	40%	£1,513,000	£1,000,000	£342
CS 14 – 1 dwg edge of settlement	40%	£ 1,513,000	£1,000,000	£342
CS 15 – 3 dwgs urban	40%	£1,352,000	£1,000,000	£220
CS 16 – 3 dwgs edge of settlement	40%	£ 1,352,000	£1,000,000	£220
CS 17 – 4 dwgs urban	40%	£1,722,000	£1,000,000	£481
CS 18 – 4 dwgs edge of settlement	40%	£1,722,000	£1,000,000	£481
CS 19 – 10 dwgs edge of small town/village	40%	£1,152,000	£1,000,000	£105
CS 20 – 100 dwgs market town extension	40%	£1,283,000	£1,000,000	£200

7 RESIDENTIAL VIABILITY CONCLUSIONS

Synthesising the results

7.4 The process for developing recommendations is a set of structured qualitative judgements which takes account of the type of development being tested and the role of this development type in delivering the emerging local plan. The process starts with the 1 ha tiles and uses the analysis to develop an initial view. This is then tested against the findings from the case study analysis to check whether the case study analysis suggest any amendment, with particular weight given to the site types that are important to plan delivery – such as the large strategic greenfield sites. The process takes a rounded view and does not automatically default to the lowest theoretical maximum CIL rate.

7.5 The figure below follows the process through the two stages, split between Basingstoke and Tadley and the Rest of the borough. The process assumes that the majority of rented affordable housing is on an Affordable Rent basis, rather than social rent (representing the emerging local plan policies and the Government's position). The CIL rates noted are the **maximum theoretical rates** rather than recommended rates. We draw attention to the need for the council to set CIL rates that are not at the margin of viability and provide a buffer to allow for individual site circumstances and market change.

Figure 7-1: Considering the affordable housing percentage and maximum theoretical CIL for Basingstoke and Tadley

Basingstoke and Tadley: Stage 1 – 1 ha tiles		
AH	**Notes**	**Maximum CIL per sq m**
30%	Schemes of 35 dph or more are able to support a maximum CIL of around £170 per sq m. 30 dph schemes are less viable and able to support a maximum CIL of around £140 per sq m.	£140 if current densities of 30 dph are continued or £170 if the majority of development will be at 35 dph or more.
35%	Schemes of 35 dph or more are able to support a maximum CIL of around £140 per sq m. 30 dph schemes are less viable and able to support a maximum CIL of around £100 per sq m.	£100 if current densities of 30 dph are continued or £140 if the majority of development will be at 35 dph or more.
40%	Schemes of 35 dph or more are able to support a maximum CIL of around £100per sq m. 30 dph schemes are less viable and are able to support a maximum CIL of around £55per sq m.	£55 if current densities of 30 dph are continued or £100 if the majority of development will be at 35 dph or more.
Stage 1 conclusions – if the proportion of affordable housing sought in Basingstoke and Tadley is 40% then a CIL not exceeding £100 per sq m is possible but only if development is at a higher density than has been seen in recent delivery. If development remains at 30dph then the maximum is £55 per sq m. If the proportion of affordable housing is reduced to 30% then a CIL not exceeding £140-£170 per sq m is possible.		

Basingstoke and Tadley: Stage 2 – Testing against the case studies		
AH	**Notes**	**Maximum CIL per sq m**
30%	Urban three and four dwelling developments are able to support a theoretical CIL of £238-£451per sq m, while edge of settlement 3 and 4 dwelling developments are only able to £0-£170per sq m. Single dwelling developments are only able to support a CIL of £0-£112per sq m. The urban extensions are able to pay a maximum CIL of £198-£231per sq m (with the largest schemes between £198-£202per sq m). The 100 dwelling scheme is not able to support a CIL.	Theoretical maximum CIL of **£140-£200**, which includes the urban extensions and some of the smaller sites.
35%	Urban 3 and 4 dwelling developments are able to support a theoretical CIL of £193-£427per sq m, while edge of settlement 3 and 4 dwelling developments are only able to support a CIL of £0-£152per sq m. Single dwelling developments are only able to support a CIL of £0-£84per sq m. The urban extensions are able to pay a maximum CIL of £164-£206per sq m (with the largest schemes between £164-£168per sq m). The 100 dwelling scheme is not able to support a CIL.	The theoretical maximum CIL is adjusted to a range between **£100-£160**, which encompasses the urban extensions as well as the three and four dwelling urban developments.
40%	Urban 3 and 4 dwelling developments are able to support a theoretical CIL of £149-£399per sq m, while edge of settlement 3 and 4 dwelling developments are only able to £0-£132. Single dwelling developments are only able to support a CIL of £0-£79per sq m. The urban extensions are able to pay a maximum CIL of £124-£162per sq m (with the largest schemes between £124-£129per sq m). The 100 dwelling scheme is not able to support a CIL.	The case study testing suggests that the upper end of the range is a maximum of **£120**, which includes the urban extensions and some of the smaller sites. The lower end of the range remains at **£55**.
Stage 2 conclusions – with 40% affordable housing a CIL not exceeding £120 per sq m is possible. This will include the major urban extensions as well as some of the smaller sites. However, the impact of time on the urban extensions reduces viability, particularly for the larger schemes. If the affordable housing proportion is reduced then more CIL is possible - £100-£160 per sq m at 35% affordable and £140-£200 at 30% affordable. Under this level of CIL some smaller schemes may not be viable and it may also be appropriate to have a		

separate rate for flatted schemes and sheltered with extra care schemes - although as modelled, neither scheme type is viable whatever the CIL rate. Some development may have greater viability headroom that will not be captured by CIL.

Figure 7-2: Considering the affordable housing percentage and maximum theoretical CIL for the Rest of the borough

Rest of Borough: Stage 1 – 1 ha tiles		
AH	**Notes**	**Maximum CIL per sq m**
30%	Schemes of 20 dph are able to support a maximum CIL of £225per sq m. 30 dph schemes are more viable and able to support a maximum CIL of £380per sq m.	£220-£380 per sq m on the basis that there will be a mix of development at 20 and 30 dph.
35%	Schemes of 20 dph are able to support a maximum CIL of £174per sq m. 30 dph schemes are more viable and able to support a maximum CIL of £339per sq m.	£170-£340 per sq m on the basis that there will be a mix of development at 20 and 30 dph.
40%	Schemes of 20 dph are able to support a maximum CIL of around £114per sq m. 30 dph schemes are more viable and able to support a CIL of around £292per sq m	£110-£290per sq m on the basis that there will be a mix of development at 20 and 30 dph.
Stage 1 conclusions – if the proportion of affordable housing sought in the Rest of the borough is 40% then a CIL not exceeding £290per sq m is possible. This may mean densities are mainly 30 dph or higher. There is no need to have a lower affordable housing proportion unless a CIL above this range is sought.		

↓

Rest of Borough: Stage 2 – Testing against the case studies		
Affordable housing	**Notes**	**Maximum CIL per sq m**
40%	At 40% affordable housing the maximum theoretical CIL for the smaller case studies varies between £220-£481per sq m. The 10 dwelling development has is able to support a theoretical maximum CIL of £105per sq m and the 100 dwelling market town extension is able to support £200per sq m. It will be important to set a CIL rate that allows the majority of development to proceed.	The case study testing for the Rest of borough sites suggests that the £290per sq m from the 1 ha tile should be decreased to allow the larger sites to proceed and it is suggested that the maximum theoretical CIL is **£200per sq m**. This will mean the 10 dwelling site as modelled is not viable although other dwelling mixes may be more viable and may allow this scale of development to proceed.
Stage 2 conclusions – if the proportion of affordable housing sought in the Rest of the borough is 40% then a CIL not exceeding £200per sq m is possible. This will include the larger allocated sites as well as the smaller sites. Some development may have greater viability headroom that will not be captured by CIL.		

7.6 On the basis of the above analysis, we summarise the potential trade-offs between affordable housing percentages and **maximum** CIL levels in the table below. In interpreting the table, three points need to be borne in mind:

- That the testing has focused on delivering Affordable rent rather than social rent as the major component of the affordable housing. If more social rent is required, this will reduce residual values, while more affordable rent will increase values.

- The importance of collecting sufficient CIL to fund the infrastructure needed to support development and that the testing undertaken has assumed that s106 agreements will have a very limited role going forward.
- That the figures for CIL in the table are **maximum** and the Council will need to avoid setting CIL rates at the 'margin of viability' to comply with the guidance.

7.7 The impact of time reduces values on larger schemes, which are where the majority of the development in the Borough is due to take place. Setting CIL rates should be cautious in order to maintain the viability of development on these sites.

Figure 7-3 Basingstoke/Tadley – trade-off between CIL and affordable housing

Affordable housing percentage	MAXIMUM CIL in £s per sq m
30%	£140 -£200
35%	£100 - £160
40%	£55 - £120

7.8 However, it must be noted that even at lower proportions of affordable housing and £0 CIL, high density flatted schemes in Basingstoke town centre and sheltered housing schemes are unlikely to proceed in the current market. In relation to sheltered housing schemes, where there may be variations, sensitivity testing has shown that these schemes may be viable in some circumstances and able to pay some CIL. The Council will need to consider whether these factors justify an alternative affordable housing/CIL approach or whether such schemes are so limited in number, that a separate approach is not justified.

7.9 The position in the Rest of the Borough is that affordable housing target of 40% appears generally justified in combination with a maximum CIL of £200 per sq m.

7.10 The table below sets out the potential CIL rate ranges at 50%, 70% and 75% of the theoretical maximum for different proportions of affordable housing.

Figure 7-4 Potential CIL charges with buffer

Affordable housing percentage	Potential CIL at approximately 50% of theoretical maximum £s per sq m	Potential CIL at approximately 70% of theoretical maximum £s per sq m	Potential CIL at approximately 75% of theoretical maximum £s per sq m
30%	£70 - £100	£100 - £140	£100 - £150
35%	£50 - £80	£70 - £110	£75 - £120
40%	£27 - £60	£38 - £85	£40 - £90

7.11 There is only limited evidence to support an affordable housing threshold of four or more units, based on the increased costs borne by smaller sites. However this does take into account any premium value that may be attached to small sites. Even without this, some higher density schemes of fewer than 4 dwellings are viable. On this basis there is not a clear case for setting an affordable housing threshold as part of housing policy.

Relationship between the CIL rate and provision of infrastructure

7.12 The delivery of new housing in the borough will be dependent on the provision of the necessary infrastructure such a schools, roads, community facilities etc. The Borough Council's Draft Infrastructure Delivery Plan (IDP) identifies a need for 'essential' infrastructure which totals around £198 million over the course of the Local Plan period, and it will therefore be important to set the CIL level at an appropriate level which helps to ensure that the infrastructure is delivered to support development proposed by the Local Plan. This will need to also consider other funding sources that may be available to the Borough Council, such as the New Homes Bonus alongside the amount of affordable housing which will be sought through policies in the emerging Local Plan.

7.13 Post 2014 it will no longer be possible to pool s106 to deliver infrastructure[31], as the Government considers that this role will be taken by CIL. The draft Basingstoke and Deane Infrastructure Delivery Plan supporting the emerging local plan sets CIL as being a key funder for much of the infrastructure required and on this basis it will be important to capture a reasonable CIL. This may be a factor in considering the trade-off between affordable housing and CIL.

7.14 As noted at the beginning of Chapter 5, out of a total housing land supply 2011 to 2029 of about 13,500, there is a need to specifically allocate sites for around 7,550 homes, in addition to other components of housing land supply in the emerging Local Plan, which includes windfalls, brownfield and regeneration opportunities. This is set out in table 2 of the Pre-

[31] The current consultation suggests this may be extended to 2015 but this merely postpones the issue.

Submission Local Plan. Taking into account and discounting those sites which have or may receive planning permission (dependent on the outcome of current planning applications / appeals) in addition to windfalls that are likely to come forward in advance of the introduction of CIL will leave around 5,450 homes which are likely to attract a CIL charge at 40% provision of affordable housing, or around 5,900 homes at 35% affordable provision. This represents an average infrastructure cost per market dwelling of around £36,000 with 40% affordable housing, or £34,000 assuming a 35% affordable housing provision.

Monitoring and review

7.15 The analysis in this report has used current values and costs, as promoted in the guidance. But we and the Council are aware that both can change over time. It is important that the Council keeps values and costs under review. We recommend that the main build costs and market and rental values are monitored regularly (at least annually) using published sources and that the development industry is consulted on these and other changes that can affect viability (e.g. interest rates and developer returns). A sustained change in the key variables should trigger a review of CIL and/or the affordable housing policy. In any case, the Council should consider a regular review of CIL (say in 3 to 5 years' time) but noting that a review does not have to lead to a revised rate.

8. NON-RESIDENTIAL

Introduction

8.1 The non-residential viability testing covers the following uses:

- Retail
- Offices
- Industrial
- Warehouse
- Hotels
- Mixed leisure
- Care homes

8.2 These uses have been tested through the following case studies, which have been developed in discussion with Basingstoke and Deane Borough Council officers to be representative of the types of development likely to come forward under the emerging local plan. These uses were discussed at the workshop of representatives from the commercial development sector.

Retail

8.3 Retail case studies include convenience and comparison, in and out of town centre.

- **Town Centre Comparison Retail** - The case study is a two storey development of 800 sq m, which may be split into two or more units within Basingstoke town centre[32]. Nominally this would be close to Festival Place in Basingstoke and enjoy similar values. Given the built up nature of this location it is assumed that this will be on previously developed land and replace some existing floorspace[33].
- **Out of Centre Comparison Retail/Retail Warehouse** - The case study is a development of retail warehouse multiple units totalling 6,000 sq m over one storey, located on a new or existing retail park (such as those at Hatch Warren or Brighton Hill)[34].
- **Small Convenience Retail** - A development of 300 sq m (which fits within the Sunday trading threshold[35]of maximum 280 sq m floor area for serving customers). This may be in a

[32] In terms of what constitutes a retail 'centre', Basingstoke and Deane Borough Council has undertaken separate work as part of the local plan process identifying town centre boundaries on a functional basis, and these could be used as suitable boundaries for a charging schedule.

[33] Assumes that the existing retail use has half the proposed floorspace with a lower rent and weaker yield; and that a 20% premium on value is required to incentivise the sale.

[34] 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. This definition was suggested as part of the Wycombe CIL examination report December 2012

[35] Sunday Trading Act 1994

variety of locations including the proposed urban extensions (some of which provide for local centres)[36].

- **Supermarket** – A development of 1,100 sq m in an out of town centre location or as part of one of the urban extensions. Superstores/supermarkets are defined as 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[37].
- **Superstore** – A development of 2,500 sq m in an out of town centre location or as part of one of the urban extensions. Again, superstores/supermarkets are defined as 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.

Offices

8.4 Office case studies include business park and town centre.

- **Town centre offices** – the case study is a four storey development of 2,000 sq m which may be split into two or more units. In line with the emerging local plan it is expected that this may take place on Basing View.
- **Out of Centre Offices** – the case study is a two storey development of 1,500 sq m which may be split into two or more units. In line with the emerging local plan it is expected that this may take place on one of the existing employment locations such as Chineham.

Industrial and Warehouse

8.5 We have tested two schemes which cover these types of development.

- **Smaller industrial/warehouse** – 1,600 sq m over one storey on an existing or new business park (such as Kingsland).
- **Larger warehouse/industrial**– 5,000 sq m over one storey on an existing or new business park (such as Kingsland).

8.6 While some forms of this development can be larger still such as logistics centres (with some local examples), Basingstoke and Deane is not a focus for this type of activity and none is planned in the emerging local plan.

[36] New small convenience retail may take place in town centre locations although this is often in existing premises and therefore exempt from CIL.

[37] This definition builds upon a Competition Commission investigation into supermarkets (Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom, 2000, Competition Commission – section 4), and was also suggested as part of the Wycombe CIL examination report December 2012.

Hotels

8.7 Hotel case studies include premium and budget accommodation.

- **Full service premium hotel**[38] - 200 rooms over three storeys (total 10,000 sq m). In line with the emerging local plan it is expected that this will be on Basing View.
- **Budget hotel**[39] - 70 rooms over two storeys (total 2,450 sq m), out of centre location (business park or similar).

Mixed Leisure

8.8 The mixed leisure case study is a 3,800 sq m development with cinema and other leisure uses, in an out of centre location.

Care Homes

8.9 The care home case study is a 1,800 sq m 60 bedroom development in an out of centre location.

Land values for non-residential development

8.10 The approach taken for non-residential benchmark land values is based on existing use values with a premium as appropriate. This takes into account the likely location for this development and whether it is likely to have a cleared site or an existing occupied use.

8.11 Non-residential development activity in Basingstoke has been slow in recent years with few recent industrial land sales on which to build a broad picture. Basingstoke and Deane Borough Council and development partners Muse are proposing to develop schemes for Basing View, the key central regeneration site within Basingstoke, but it is difficult to produce office based schemes that generate a positive land value.

8.12 The Valuation Office Agency (VOA) used to provide estimates of land values for Basingstoke, with the most recent available being 2009. At that time the VOA estimated that in Basingstoke industrial land (for development ready serviced sites) ranging from £1m per ha to £1.89m per ha; with typical value of £1.62m per ha. Since that time there is evidence from a variety of news reports that land values have fallen e.g. 2013 Savills' research[40] indicated that in South East England greenfield land has fallen in value by 26% from former peak and urban land has fallen by 52%. Applying these estimated changes in value suggests that industrial land in Basingstoke may be £780,000 per ha for a serviced site at current values. Discussion at the

[38] While there is no common definition of a full service hotel, this type of accommodation will typically be of 4 or 5 start quality and include a range of restaurant and leisure facilities as well as meeting rooms and conference facilities suitable for business use.

[39] The British Hospitality Association Trends and Developments Report 2012 indicates that budget hotels are defined as a property without an extensive food and beverage operation, with limited en-suite and in-room facilities (limited availability of such items as hair dryers, toiletries, etc.), low staffing and service levels and a price markedly below that of a full service hotel.

[40] Savills, May 2013, Demand for Residential Development Land
http://www.savills.co.uk/research_articles/141285/146005-0

development industry workshop in June 2013 included benchmark land values and indicated that around £740,000 per ha was a reasonable estimate of current industrial land values, noting that land may transact at higher values in individual circumstances.

8.13 Where the developments are anticipated to be on vacant industrial or office land the benchmark is therefore considered to be £740,000 per ha. This would apply to developments on locations such as Basing View and to developments anticipated to be on new/existing employment allocations. As the assumption is that land is unoccupied there is no premium built in to provide an incentive for a sale.

8.14 The exception to this is for uses known to generate high values, where landowner expectations will require a premium to provide an incentive. In particular this will apply to superstores and out of centre comparison retail. In the absence of transaction evidence and based on experience elsewhere the testing has used a benchmark land value of £2m per ha for out of centre comparison retail and £3m per ha for superstores, recognising that these are well above the residential benchmark land value.

8.15 While supermarkets and small convenience uses will also attract higher benchmark land values than office or industrial uses, the broader range of covenants (and therefore values) for this format means the premium will be more limited. Accordingly, supermarkets and small convenience uses have been tested at £1m per ha, which is the same as the residential benchmark

8.16 For town centre retail development it is reasonable to expect that any site will be occupied by another user. Therefore the benchmark land value will be the existing use value and there will be demolition costs etc. Town centre retail viability therefore uses the costs of making the site available (EUV plus demolition and transaction costs) as the benchmark rather than any per ha equivalent.

Local plan policy viability implications

8.17 Section 2 of this report considers the emerging local plan policies and their viability implications. This highlighted that non-residential development should meet BREEAM Excellent standard for water. This aims to reduce the consumption of potable water for sanitary use in new buildings from all sources through the use of water efficient components and water recycling systems.

8.18 A review of costs associated with BREEAM Excellent[41] notes that there can be significant variances, although when the standards are built in from an early part of the design process the uplift is lower. Generally the evidence suggests an uplift in building costs is between 1.5% and 2.5% for BREEAM Excellent. Basingstoke and Deane Borough Council standards relate to sustainable water only, and no evidence has been uncovered as to what proportion of the total expected uplift in costs might be attributed to this aspect. An allowance has been made of 1%-2% (depending on the development type) of base build costs to meet this standard, which is a generous estimate.

[41] Target Zero, RICS, Price of Sustainable Schools, EC Harris, BRE/Cyril Sweett, Bristol City Council

8.19 Based on discussion with Basingstoke and Deane Borough Council allowances have been made in the viability testing for s106/s278 obligations that may remain post CIL. These obligations have been included as costs to development in the viability testing.

Non-residential costs and values

8.20 The table below summarises the values and costs used in the viability testing

Figure 8-1: Non-residential values and costs

	Out of centre offices	Town centre offices	Industrial/ warehouse units	Warehouse/ industrial units
Floorspace sq m	1500	2000	1600	5000
Storeys	2	4	1	1
Site coverage	40%	75%	40%	40%
Rent per sq m	£194	£151	£86	£86
Yield	8.50%	9.50%	9.00%	9.00%
Purchaser costs % GDV	5.80	5.80	5.80	5.80
Build costs per sq m including 2013 building regulations and BREAM water	£1,232	£1,385	£563	£563
External works % of base build costs	10%	10%	10%	10%
Professional fees	12.00%	12.00%	12.00%	12.00%
Sales and letting costs % of GDV	3%	3%	3%	3%
Allowance for s106 (not covered by CIL)	£20,000	£0	£20,000	£50,000
Finance costs	7.5%	7.5%	7.5%	7.5%
Build and void period (months)	22	26	20	20
Developer return % GDV	20%	20%	20%	20%
SDLT[42] & agent fees per sq m (if viable)	£0	£0	£0	£0

[42] Stamp duty land tax

	Town centre comparison shops	Retail warehouse	Small convenience store	Supermarket	Superstore
Floorspace sq m	800	6000	300	1100	2500
Storeys	2	1	1	1	1
Site coverage	80%	40%	40%	40%	40%
Rent per sq m	£258	£194	£129	£151	£226
Yield	7.00%	7.50%	7.00%	5.90%	5.11%
Purchaser costs % GDV	5.80	5.80	5.80	5.80	5.80
Build costs per sq m including 2013 building regulations and BREAM water	£889	£563	£730	£944	£1,205
External works % of base build costs	10%	10%	10%	10%	10%
Professional fees	12.00%	12.00%	12.00%	12.00%	12.00%
Sales and letting costs % of GDV	3%	3%	3%	3%	3%
Allowance for s106 (not covered by CIL)	£0	£500,000	£0	£100,000	£500,000
Finance costs	7.5%	7.5%	7.5%	7.5%	7.5%
Build and void period (months)	24	26	6	14	24
Developer return % GDV	20%	20%	20%	20%	20%
SDLT & agent fees per sq m (if viable)	£26	£61	£7	£20	£66

	Full service hotel	Budget hotel	Leisure development	Care home
Floorspace sq m	10000	2450	3800	2100
Storeys	4	3	2	2
Site coverage	50%	50%	80%	40%
Rent per sq m	£108	£129	£97	£88
Yield	6.80%	6.20%	7.30%	6.30%
Purchaser costs % GDV	5.80	5.80	5.80	5.80
Build costs per sq m including 2013 building regulations and BREAM water	£1,414	£964	£1,189	£1,451
External works % of base build costs	10%	10%	10%	10%
Professional fees	12.00%	12.00%	12.00%	12.00%
Sales and letting costs % of GDV	3%	3%	3%	3%
Allowance for s106 (not covered by CIL)	£5,000	£10,000	£20,000	£75,000
Finance costs	7.5%	7.5%	7.5%	7.5%
Build and void period (months)	14	10	12	12
Developer return % GDV	20%	20%	20%	20%
SDLT & agent fees per sq m (if viable)	£0	£6	£0	£0

Summary viability assessments

8.21 The tables below summarise the results from the detailed assessments for each non-residential development type. They provide the following information

- Net value per square metre.
- Net costs per square metre - including an allowance for land cost and s106 to deal with site specific issues (e.g. On-site highways, travel plan etc.) To make development acceptable).
- Residual value per sq m (i.e. Value less costs).
- The land value benchmark for that use - presented £s per sq m of development to take into account differences in site coverage and the number of storeys for the notional developments.
- The viability headroom and maximum potential for CIL.

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

B Class Uses – Offices, industrial and warehouses

8.23 The viability assessments indicate that all of these B class uses produce a negative residual value. There is therefore no possibility of charging CIL. The lack of viability for B class uses is common across many areas of the country.

Figure 8-2: Offices

	Out of centre offices	Town centre offices
Value per sq m	£2,046	£1,424
Costs per sq m	£2,220	£2,331
Residual per sq m	-£174	-£907
Land benchmark per sq m	£93	£25
Viability 'headroom' per sq m – theoretical maximum CIL	-£266	-£932

Table 8-3 Industrial and Warehouses

	Industrial/ warehouse units	Warehouse/ industrial units
Value per sq m	£859	£859
Costs per sq m	£995	£992
Residual per sq m	-£136	-£133
Land benchmark per sq m	£185	£185
Viability 'headroom' per sq m – theoretical maximum CIL	-£321	-£318

Retail uses

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

8.25 **Superstores, supermarkets and local convenience** – convenience retailing is defined as the provision of everyday essential items, including food, drinks, newspapers/magazines and confectionery; and within this larger stores provide the range required for weekly shops and smaller stores provide more of a 'top-up' function[43]. Large scale convenience retail continues to be a perform strongly, although even this sector is seeing some reduced profits and there are suggestions that rental levels have fallen from previous highs.

8.26 Leases to the main supermarket operators (often with fixed uplifts) command a premium with investment institutions. Although there are some small regional variations on yields, they remain generally strong with investors focusing primarily on the strength of the operator covenant and security of income. There is also evidence that the values increase as the size of store increases, which is due to a range of factors including an increased range of comparison goods being included within a weekly convenience shop (giving larger 'baskets'); larger stores becoming shopping destinations rather than relying on passing trade; as well as larger stores generally operated by brands with strong covenants.

8.27 We would therefore suggest the evidence base for predominantly convenience provision retail can be approached on a wider region or even national basis when justifying CIL charging. Following our appraisal on this basis in Basingstoke and Deane we believe there is scope for a CIL charge without affecting viability.

Figure 8-4: Convenience retail

	Small convenience store	Supermarket	Superstore
Value per sq m	£1,656	£2,293	£3,971
Costs per sq m	£1,329	£1,912	£2,926
Residual per sq m	£328	£381	£1,044
Land benchmark per sq m	£250	£250	£750
Viability 'headroom' per sq m – theoretical maximum CIL	£78	£131	£294

8.28 **Town centre comparison retail** –we have tested town centre retail and this suggests that it is viable and able to support a CIL charge.

8.29 **Retail warehouse** – although this market has been relatively flat in recent times it is viable and able to support a CIL charge.

[43] Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom, 2000, Competition Commission – section 4 provides more detail on different convenience retail uses.

Figure 8-5: Comparison retail

	Town Centre	Retail Warehouse
Value per sq m	£3,313	£2,319
Costs per sq m	£2,058	£1,502
Residual per sq m	£1,254	£817
Land benchmark per sq m	£1,141	£500
Viability 'headroom' per sq m – theoretical maximum CIL	£114	£317

Other Uses

8.30 The other uses tested include hotels, mixed leisure developments and care homes.

8.31 **Hotels** – both full service and budget hotels were tested. Much of the hotel development nationally has been in budget hotels and this part of the sector is viable and able to support a CIL. The full service hotel is not viable.

8.32 **Mixed leisure** – the mixed leisure scheme is not viable and is unable to support a CIL

8.33 **Care homes** – there has been significant private sector investment in care homes in the past, fuelled by investment funds seeking new returns. However there have been concerns about the occupancy rates and the ability to sustain prices. The care home case study scheme tested here is not viable and is unable to support a CIL.

Figure 8-6: Other uses

	Full service hotel	Budget hotel	Leisure development	Care home
Value per sq m	£1,421	£1,870	£1,191	£1,258
Costs per sq m	£2,236	£1,748	£1,865	£2,267
Residual per sq m	-£815	£122	-£674	-£1,009
Land benchmark per sq m	£37	£49	£46	£93
Viability 'headroom' per sq m – theoretical maximum CIL	-£852	£73	-£720	-£1,102

Sensitivity

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

- A 10% increase in values would see the viability of the retail sectors and budget hotel become stronger but no change in status in the sectors current unviable. Out of centre offices come close to viability.

- A 15% increase in values would further improve viability for retail and budget hotels. Out of centre offices are now viable, but with little headroom to support a CIL charge. No other uses have become viable at this stage.
- A 20% increase in values would again further improve viability for retail, budget hotels and out of centre offices. No other uses have become viable at this stage.
- A 5% increase in costs results in town centre comparison, small convenience stores and hotels becoming marginal, and supermarkets barely able to support a CIL. Out of centre comparison retail and superstores remain viable.
- A 10% increase in costs would see town centre comparison, small convenience and supermarkets become unviable. Superstores are marginal.
- A 5% decrease in costs would see retail and budget hotel viability strengthen. No other uses have become viable at this stage.

Other Uses

8.35 The viability testing has been based on the development expected to come forward and discussions with the development industry. It is acknowledged that there are other uses that could arise and it is recommended that the following approach is taken:

- A2 Financial and Professional Services – treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- A3 Restaurants and Cafes – again treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- A4 Drinking Establishments - again treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- A5 Hot Food Takeaways - again treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- Selling and/or displaying motor vehicles - sales of vehicles are likely to occupy the same sorts of premises and locations as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.
- Retail warehouse clubs – these retail uses are likely to be in the same type of premises as the out of town A1 retail uses and covering the same purchase or rental costs.
- Nightclubs – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs.
- Scrapyards – there may be new scrapyard/recycling uses in the future, particularly if the prices of metals and other materials rise. These are likely to occupy the same sorts of premises as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.
- Taxi businesses – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- Amusement centres – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

8.36 For community facilities that are ultimately paid for by the public sector such as community centres, health centres, hospitals and schools there is a relatively simple approach. The commercial values for community uses are £0 but there are build costs of around £1,300 to £1,600 per sq m[44] plus the range of other development costs; with a net negative residual value. Therefore we recommend a £0 CIL for these uses.

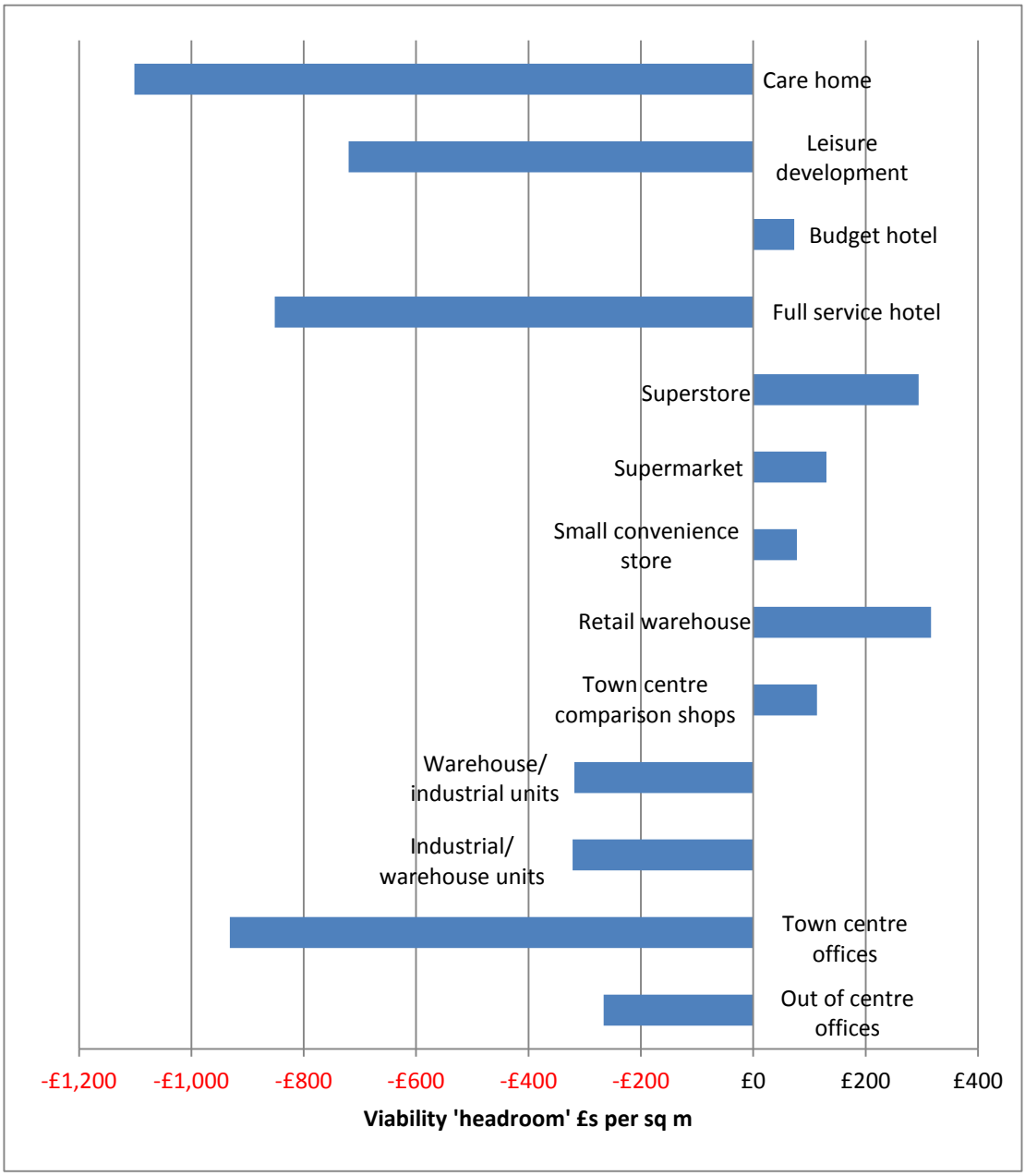
Summary and Ability to Support a CIL Charge

8.37 The graph below summarises the viability 'headroom' for each of the non-residential uses tested.

8.38 When considering the graph below it should be noted that, while the testing suggests that some types of development are not viable, developments of these types may still be brought forward for individual occupiers to meet their specific requirements.

[44] Based on BCIS September 2013 – Hospitals, Community Centres, Schools and Libraries

Figure 8-7: Non-residential viability summary – viability 'headroom' in £s per sq m



Ability to support a CIL

8.39 The decision on the level of CIL needs to be informed by this evidence but ultimately taken by Basingstoke and Deane Borough Council. In theory the amount a scheme can afford to contribute CIL is to a maximum of all of the difference between the residual value and the threshold land value after taking into account all costs. However it is clear from the guidance that it is not appropriate to charge up to the maximum viability headroom in order to allow for

margins of error and the likelihood of different costs and values affecting different locations and sites.

8.40 The analysis above has demonstrated that of the non-residential development types considered, only retail uses and budget hotels are currently able to support a CIL.

8.41 Basingstoke and Deane Borough Council, in deciding on the CIL rates it wishes to set, should take into account the suggested maximum rates set out in the figure and individual appraisal tables above. The table below illustrates possible CIL rates at 50%, 70% and 75% of the theoretical viability headroom[45] of the viability headroom this would leave a set of charges as set out in the table below.

Figure 8.8: Potential CIL charges for viable uses in £s per sq m

Use	Potential CIL charge per sq m		
	Approximately 50% of theoretical headroom	Approximately 70% of theoretical headroom	Approximately 75% of theoretical headroom
Town centre comparison retail	£55	£80	£85
Retail warehouse	£160	£220	£240
Small convenience (under 280 sq m floor area)	£40	£55	£60
Supermarket	£65	£90	£100
Superstore	£150	£205	£220
Budget hotel	£35	£50	£55

8.42 Although different retail uses have varying viability, they do not necessarily all have to have separate CIL rates (in the same way that different residential schemes have varying viability). In choosing CIL rates for non-residential uses it will be important to ensure that the types of development important to the delivery of the local plan are viable.

8.43 A further consideration is the simplicity or complexity of the charging schedule. In considering the charges to use, at 50% of the viability headroom the Council could consider a combined rate of, say £150 sq m for larger convenience and out of centre comparison retail; and a combined rate of £35 sq m for smaller retail and hotels. All other non-residential uses not noted in this table are not able to support a CIL and should be charged at £0.

[45] Note that these are arbitrary amounts based on prudence rather than informed by specific guidance, although the CIL guidance is clear that some 'buffer' is required.

ANNEX 1
Local Plan Policy Viability Implications

This annex is presented separately due to its size. The findings are summarised within Section 2 of the report.

ANNEX 2
Development Industry Workshops 19th June – notes

CIL and Affordable Housing Viability Development Industry Workshop
Basingstoke and Deane Borough Council

19th May 2013

Attendance
Sentinel Housing Association
Asterhomes
Homes & Communities Agency
Sovereign
David Wilson Homes
Bewley Homes plc
TA Fisher
Woolf Bond Planning
DGG Planning
The Planning Bureau Ltd
Savills
Boyer Planning
Geoffrey White Simmons and Sons
HCC
BDBC
Reading University
Three Dragons

Introduction

Mark Lambert (ML) welcomed everyone to the workshop and set out its purpose. He explained that the Council is advanced in the preparation of its local plan. The Council wants to review its emerging affordable housing policies – including both the threshold for on-site delivery of affordable housing and the percentage target that should be set out in policy. At the same time, the Council is considering implementing a Community Infrastructure Levy (CIL) and needs viability evidence on which to base this. The Levy will cover both residential and non residential uses. The viability evidence is being prepared for the Council by its consultants will therefore support both the local plan and CIL charging schedule.

Approach to viability testing

Dominic Houston (DH) explained the background to viability testing and plan making and the regulations that specifically relate to CIL. The testing will be based on a calculation of residual value with out-turn figures compared with benchmark land values. This is set out below

Total development value

Minus

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

=

Gross residual value

Minus

CIL + planning obligations (including AH)

=

Net residual value (available to pay for land)

Testing to be undertaken for a series of notional 1 ha schemes and case study schemes.

The workshop found this approach acceptable.

Benchmark land values

3D put forward the following as appropriate benchmarks

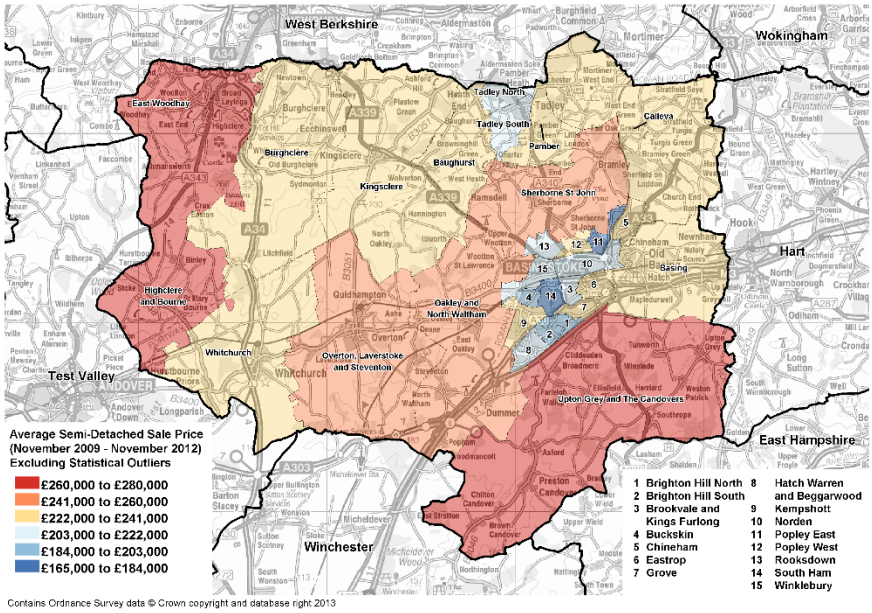
- Urban Areas – using industrial land values plus 30% - £340k plus 30% premium = £442,000/gross acre
- Strategic sites based on agricultural land £8,500 per acre* x10/ x20 = £85,000-£170,000/gross acre

Comments from the workshop as follows:

- Important to get the 'willing seller' into the mix in setting benchmarks values
- How do you arrive at the 30% premium over EUV – why this figure rather than another?
- Borough is quite uniform in terms of land values
- A 'going rate' of £590k per acre for larger sites to £750/800k per acre for smaller sites was put forward
- Larger greenfield sites attract lower values - £170k per gross acre put forward as acceptable

Market values

3D explained that the modelling undertaken will be based on series of assumptions about average or typical conditions found locally. The first set of assumptions were the market values. An initial analysis of data from Land Registry indicated a complex pattern of values as shown in the map below – but this had been simplified into two main areas with indicative new build values as shown in the table below.



		Basingstoke (and Tadley)	Market towns/villages
Flat	1 bed	£150,000	£140,000
	2 bed	£160,000	£150,000
	3 bed	£170,000	£160,000
Terrace	2 bed	£200,000	£210,000
	3 bed	£220,000	£230,000
	4 bed	£240,000	£250,000
Semi	3 bed	£230,000	£240,000
Detached	4 bed	£300,000	£380,000
	5 bed	£330,000	£410,000

Workshop comments as follows:

- Initial view was that values for flats and houses (all sizes) are too low – there has been recovery in the last year. These should be increased by 5%, driven by increased sales.
- There are variations within areas – so Popley values might be like the values shown above for Basingstoke but other areas within Basingstoke would achieve more.
- Market towns should be higher values, with more of a differentiation between Basingstoke and rural/market towns. Uplift needs to be higher for rural/market towns. Includes larger houses.
- Urban extensions likely to use Basingstoke values, particularly for start of urban extensions (later values might be stronger).

Please can workshop participants comment further on market value changes and robustness of adding 5% to Basingstoke values and c10% increase for Rest of borough – Thank you

Development costs

3D put forward the proposed assumptions

Build cost (based on BCIS 5 year median values) plus external works - £s per sq metre

- Houses £1,033
- Flats
  - 1-2 storey £1,057
  - 3-5 storey £1,097
  - 6+ storey £1,305
- Bungalows £1,130
- Sheltered £1,203

Post workshop note:

Base BCIS costs are the rate per sq m gross internal area for construction of the building, together with the substructure. The rate includes prelims.

The additional 15% for 'external works' includes, for example, gardens, fences, plot landscaping, footpaths, roads and sewers and services forming part of the development. It excludes public open space areas, and other infrastructure such as non-frontage development roads, off-site works, major service diversions etc.

Sustainable Homes

- Add on £1,000 per dwelling for 2013 Bldg Regs
- £500 for CoSH 5 water

Workshop comments:

- Very different views on robustness of BCIS values – some comments that these are too high and volume housebuilders would expect to achieve considerable savings while other (especially RPS and developers of higher spec/niche developments) thought the values were too low. However, acknowledged that BCIS was probably only recognised source of information on this.
- Noted that most RPs use design and build contractors that include some costs that volume housebuilders might strip out.
- Clarification sought from 3D on what included in build costs shown (see above information). On basis that referred to dwellings and immediate surroundings – build costs shown appeared robust for 'mainstream' market housing. Any viability modelling needs to take into account other costs of bringing services etc into (larger) sites
- Noted that no requirement for any enhancements on current Building Regs other than update to assumed 2013 Building Regs and code 5 for water.
- Important that build costs for flats include allowance for circulation space. LC indicated that modelling would include 10% increase. Comment from one participant that this should be a higher figure and 15% quoted. 3D to review percentage uplift with Council for actual schemes built/applications.
- LC noted that BCIS provided additional info on costs for schemes of 1 to 3 dwellings and uplifted values would be used for modelling small schemes.

- Sheltered house build costs seem to be correct. Extra Care used sheltered and mixed use tab on BCIS, i.e. slightly higher than sheltered but below care home.

Other development costs:

LC presented following as proposed assumptions

- Professional fees 12% of total build costs
- Finance 7.5% of build costs
- Marketing fees 3% of gross development value of market units (GDV)
- Developer return 20% of GDV of market units
- Contractor return 6% AH construction costs

Workshop comments:

- Professional fees - OK
- Finance - OK
- Marketing 4% not 3% as current norm
- 6% marketing for sheltered
- Developer profit 20% minimum – agreed for market and sheltered
- However, 20% return required across value of all housing (market and affordable) rather than the 20% for market and 6% return on costs for affordable. Discussion included view that, for AH, 6% on cost may be similar to 20% on value. 3D to check total return against total value in the analysis.

Dwelling sizes

Dwelling Type	Affordable Floor Area (sqm)	Market Floor Area (sqm)
1 bedroom flat	54	51
2 bedroom flat	70	66
3 bedroom flat	89	89
2 bedroom terrace	71	65
3 bedroom terrace	96	80
4 bedroom terrace	109	95
3 bed semi detached	96	95
4 bed detached	114	125
5 bed detached	125	150

Workshop comments:

- About right for market, maybe a bit low in places
- But slightly high for affordable – and do not reflect impact of Welfare Reform. E.g. 1 bed flat 45sq m, 2 bed flats 67sq m, 3 bed 85sq m but 4 bed terrace OK. LC asked for further feedback from RPs with specific guidance on dwelling sizes to use.

Affordable housing assumptions

LC explained that modelling revenue for affordable housing, 3D would assume a capitalised net rent for rented units and, for shared ownership the % of market value plus capitalised rent on the unbought share. Assumptions as follows:

		Social Rent		Affordable Rent	
		Basingstoke	Rest of Borough	Basingstoke	Rest of Borough
Flat	1 bed	£78	£97	£120	£123
	2 bed	£92	£114	£135	£138
Terrace	2 bed	£105	£130	£140	£144
	3 bed	£117	£140	£165	£169
	4 bed	£120	£149	£200	£205

For social rent and affordable rent

- Approach — Capitalised net rent
- Management/maintenance costs — £900 per annum
- Voids/bad debts — 3% gross rent
- Repairs reserve — £500
- Capitalisation — 6.5%

For shared ownership

- Average share size — 55%
- Rental factor — 2.75%

Workshop comments: Noting that RPs to consider further and provide detailed feedback.

- Note that affordable rents have higher risks with impact on borrowing and stock valuations.
- 2.75% rental for SO seems high – more like 2.5%
- Noted that 3D assessment of revenue for rented units based on capitalised net rent and assumed no cross subsidy or investment from RP against their assets. A view from workshop expressed that this will lead to an underestimate of scheme revenue and hence the residual values modelled will be below their 'true' level. However, there is no direct mechanism to measure this effect and cannot assume that will be sustained post 2015. RPs to review this point and advise 3D on additional revenue per dwelling that should be modelled to reflect sustainable pattern of cross subsidy. LC indicated a possible £5k/dwg from reserves but this figure was neither accepted nor rejected. SJ to discuss with RPs.

Approach to testing AH and CIL

LC explained the overall testing approach the Council has asked 3D to follow.
For AH - testing between 20% to 40% affordable housing at 5% point intervals and implications for (maximum) CIL at each step

AH to be modelled as:

- 70:30 rented/shared ownership
- And for the rented component – 75:25 social/affordable rent and 25:75 social/affordable rent

Workshop comments:

- Further clarification sought on the modelling of social/affordable rent proportions
- It is correct to assume nil AH grant.
- Mix within affordable housing proposed is recognised as a policy driven approach rather than one that relates back to viability.

Testing process

LC explained that the testing to be undertaken would be two stage – i) a notional 1 hectare scheme tested in various locations ii) a series of case study schemes intended to represent likely future pattern of land supply

1 Ha scheme

Scheme	Capacity	Density Gross	Density Net	Market dwelling mix	Notes
1 ha village	20 dw	20 dph	20 dph	30% 2-bed. 10% 3-bed. 25% 4-bed. 35% 5-bed.	
1 ha Overton/ Whitchurch	30 dw	30 dph	30 dph	30% 2-bed. 35% 3-bed. 35% 4-bed.	
1 ha Basingstoke edge	35 dw	35 dph	35 dph	30% 2-bed. 20% 3-bed. 40% 4-bed. 10% 5-bed.	
1 ha Basingstoke urban	45 dw	45 dph	45 dph	40% 2-bed. 40% 3-bed. 20% 4-bed.	Includes an allowance for 0.16 ha of open space.

W**orkshop comments – none at the meeting but further comment in detail invited**

Testing – case studies

LC highlighted the importance of testing the right range of schemes and of ensuring that assumptions about the schemes were realistic – but noting that individual schemes in the 'real world' might have additional costs and/or value that the modelling would not take into account.

Small sites to be tested:

1, 3 and 4 dwellings

Tested in 'villages', Overton/Whitchurch, Basingstoke urban and edge

15 to 30 dph

Except in urban Basingstoke – 40/45 dph – including terrace

Then mix of schemes – 10 to 3,000 dwellings

Scheme	Capacity	Gross area	Density Net	Market dwelling mix	Notes
0.5 ha low density edge of small town/village	10 dw	0.5 ha	20 dph	30% 2-bed. 30% 4-bed. 40% 5-bed.	
'Overchurch' extension	100 dw	3.8 ha	30 dph	30% 2-bed 35% 3-bed. 35% 4-bed.	Allow 0.5 ha of open space.
Basingstoke medium urban extension	400 dw	20.7 ha	30 dph	30% 2-bed. 35% 3-bed. 35% 4-bed.	Net housing area of 13.3 ha 5.4 ha of open space + 2ha for a school.

Scheme	Capacity	Gross area	Density Net	Market dwelling mix	Notes
Basingstoke large urban extension	1,000 dw gross & net	52.9 ha	30 dph	5% 1-bed. 25% 2-bed. 35% 3-bed. 30% 4-bed. 5% 5-bed.	Net housing area of 33.3 ha Allow 13.54 ha of open space + 2.85 ha for a school and community centre, + 3.2 ha of playing pitches.
Basingstoke major strategic urban extension	3,000 dw	159.7 ha	30 dph	5% 1-bed. 25% 2-bed. 35% 3-bed. 30% 4-bed. 5% 5-bed.	Net housing area of 100 ha Remaining c60 ha for open space, community facilities, playing pitches, shops, distributor road, schools.

Workshop comment:

- There are one or two 100 dwgs scheme on the edge of Basingstoke. Agreed that it needs to be included as a case study.
- Noted that no wholly affordable schemes to be modelled.

Affordable housing mixes

LC explained that affordable housing would have their own mixes – depending on location – this reflects the SHMA

Scheme location/mix	Basingstoke urban area	Edge of urban area	Towns/ villages	Rural
One Bedroom Flat	26%	21%	29%	27%
Two Bedroom Flat	4%	5%	8%	8%
One Bedroom Bungalow	4%	2%	6%	7%
Two Bedroom Bungalow	1%	0%	4%	13%
Two Bedroom House	41%	50%	28%	31%
Three Bedroom House	12%	12%	14%	11%
Four Bedroom House	4%	3%	3%	1%
Five Bedroom House	1%	0%	0%	0%
Sheltered	8%	7%	8%	2%

Workshop comments

- Please simplify – this is more complex than would get developed. Mix may reflect need but not reflect reality
- Shared ownership is same as market mix, 2 beds are common and sought after
- For rented properties:
  - No demand for 1 bed houses
  - Delete 5 bed houses and the 1 bed bungalows
- 3D will revise mix and send to RPs asap

Other assumptions to be used in modelling

- Current typical s106 & 278/dwg £7,200
- Post CIL typical s106 & 278/dwg £1,500

- Small sites build out in one or two years
- 'Overchurch' 40 dwgs pa
- Basingstoke urban extensions 80-120 dwgs pa + time to start development
- Major urban extension 300 dwgs pa (2 areas with two developers each) + time to start development

Workshop comments

- Would recognise £10k as current level for s106.
- Build out rates are too high for larger schemes. Examples of current developments indicate that 50 pa plus AH on a scheme is typical. Mainstream housebuilder achieving 3 to 4 sales per month and 2 – 3 affordable.
- But smaller schemes e.g. in market towns - more like 2 per month market.
- For large scale developments (as the 3,000 dw case study) – may be 175 market per annum max (any more than 2 developers on sites and the market gets saturated). So 220 per annum including AH is the maximum that should be assumed.
- Noted that 3D will allow an initial development period before sales begin.

ML thanked people for attending the workshop and explained that a meeting note would be circulated for comment in the next day or so.

20th June 2013

CIL and Affordable Housing Viability Development Industry Workshop
Basingstoke and Deane Borough Council

19th May 2013

Attendance
B and D BC

Chas Bradfield, Town Centre Manager

Simon Hope, Basing View Manager

Nick Collins, Property Services

Jim London, London Clancy

Lin Cousins, 3D

Paul Dunnell, 3D

Dominic Houston, 3D

Pete Wyatt, Reading University

Approach to viability testing

DH introduced the workshop and explained the purpose of the workshop and relationship to potential for the council to introduce CIL. DH explained that the study approach would adopt a residual value approach to the analysis.

Workshop agreed to the approach

Land Value Benchmarks

DH set out the potential land value benchmarks.

Industrial land (PMR 2009)	
Basingstoke	£1.62m/ha (£656k/acre)

- Savills research (May 2013) suggests urban land values have fallen by 52% since peak
- Urban Areas – using industrial land values plus 30% - £340k plus 30% premium = £442,000/gross acre
- Supermarket sites - £2 m/acre

Workshop comments:

- Very little market evidence – few transactions – especially evidence from the office market
- Council has interest in c70% of the footprint of the town
- Office market relies on pre lets if anything is to happen – spec offices would show a negative residual
- For new build office development to be viable needs a £20 per sq ft rent! A long way off this today in Basingstoke
- c£300k per acre land value might be reasonable for industrial development – industrial rents have held up reasonably well
- Supermarket sites - £2m per acre – not unrealistic (in a sub regional context)

Non residential uses to be tested

DH listed the uses to be tested and there was and no workshop comment

- Retail – in town and edge of town; convenience and comparison
- Offices
- Industrial
- Warehouse
- Hotels – budget edge of town, business in town
- Mixed leisure
- Care homes (Extra Care and Sheltered picked up as separate category in residential)

Rents and yields

Convenience retail

Store Size	Rent/sqft	Yield %
Convenience <1000 sqm	£12.00	6.23
Convenience 1001-2500 sqm	£13.00	5.86
Convenience 2501+ sqm	£21.00	5.11

Workshop comments

- Rents are OK as generalised values
- Yields could be low?
  - Smaller stores yield should go up to say 7% (assume a good covenant small district centre)
  - Larger stores is realistic

Comparison retail

Store Location/Size	Rent/sqft	Yield %
Town centre comparison	£24.00	6.4
Out of centre comparison	£18.00	7.5

DH explained that these are average values which originate from CoStar Focus

Workshop comments

- Values are OK for this type of study but they will vary by development and occupier

Offices

Type/Size	Rent/sqft	Yield %
Town centre	£14.00	7.5
Business park	£18.00	7.0

Workshop comments

- Rents are OK – but would assume, say, 12 months rent free
- Town centre 7.5% yield has not been achievable over recent years – had gone as high as 10% - today nearer 9.5%
- Business park – say 8.5% yield - but not being built so evidence is very thin
- Very little occupier demand

Industrial and warehouse

Type/Size	Rent/sqft	Yield %
Industrial	£8.00	9%
Warehouse	£7.50	7.7%

Workshop comments

- New industrial/warehouse buildings - £8 rent and yield of 9% - is OK
- Most warehouse development is indistinguishable from industrial in terms of rent and yields – therefore adjust warehouse to match industrial.
- There is very limited evidence that Basingstoke is a common location for large distribution warehouses. Further info to be provided by BDBC.

Hotels etc

Type	Rent/sqft	Yield %
Business Hotel	£10.00	6.8%
Budget Hotel	£11.85	6.2%
Mixed Leisure/Fitness	£9.00	7.3%
Care Homes	£8.20	6.3%

DH corrected the above slide and explained that budget hotels have stronger rent and yield than business hotels. *Correct slide presented above*.

Workshop comment:

- Current local evidence is that business hotels are not going forward but budget hotels have more operator interest
- Budget hotel yield should be 6.5%
- Business hotels – very difficult to evaluate – so little evidence
- Mixed leisure – assumptions look OK
- Care homes – very little current evidence available – nothing to gainsay assumptions used

Build costs to assume

Type	Cost/sqft
Convenience Retail	£72-£120
Town Centre Comparison Retail	£88
Out of Centre Comparison Retail	£53
Office	£122-138
Industrial	£41
Warehouse	£42
Hotels	£94-£140
Leisure	£118
Care Homes	£131

Workshop comments:

- Industrial and warehouse costs are low – should be at least £50 psft – 3D to review this and check how BCIS derives the values. *BCIS checked and date of project submission tested. Data based upon 12 warehouse projects and 15 factories. Median values above confirmed as correct and up to date but build costs for modelling to be adjusted as indicated in the workshop.*
- Office costs are OK
- Other costs – reasonable values to use but noting that very limited experience of some development types in recent years

Other development costs

Professional fees	12% of build costs
Marketing fees	3% of GDV
Finance	7.5% of development cost
Developer return	20% of development cost
Purchaser costs	5.8% of yield x rent
Acquisition costs	Varies – c 2.0% + SDLT
Rent free periods	0-12 months

Workshop comments:

- Must also consider void periods - industrial 12 months and office 18 months
- And revise rent free periods to - industrial 12 months and office 18 months
- So – 36 months no income for office development post completion

Will also consider s106/s278 costs

ANNEX 3
Residential Modelling Assumptions

These assumptions have been compiled based on the discussions and findings at the Developer Workshop which took place on Wednesday 19th June 2013 at Basingstoke and Deane Borough Council offices and subsequent amendments as a result of ongoing discussion with the council. The notes and attendees of that meeting are shown in a separate document.

Two types of testing will be undertaken.

Notional Schemes

5 notional schemes will be tested over two value areas.

	Density	**Net Area**	**Gross Area**
Basingstoke and Tadley Area			
Basingstoke Urban	45 dph	1.00 ha	1.16 ha
Basingstoke Edge (inc Tadley)	35 dph	1.00 ha	1.00 ha
Basingstoke	30 dph	1.00 ha	1.00 ha
Market Towns and Villages (Rest of Borough)			
Market towns (inc Overton and Whitchurch)	30 dph	1.00 ha	1.00 ha
Villages	20 dph	1.00 ha	1.00 ha

Case Studies

A series of case studies will be tested which reflect the type of development likely to come forward. The case studies are listed in Annex 6.

Market Values

		Basingstoke and Tadley	**Market Towns and Villages**
Flat	1 bed	£150,000	£140,000
Flat	2 bed	£160,000	£150,000
Terrace	2 bed	£200,000	£210,000
	3 bed	£220,000	£230,000
	4 bed	£240,000	£250,000
Semi detached	3 bed	£230,000	£240,000
Detached	4 bed	£300,000	£380,000
	5 bed	£330,000	£410,000

Source: Land Registry <u>new</u> house prices – bespoke data set for 2009 -2012 (1371 transactions)

Sensitivity tests at +5% and +10% MV will also be completed.

Market Housing Development mixes

House Type/Area	**Villages** **20 dph mix**	**Market Towns** **30 dph mix**	**Basingstoke edge/ Tadley** **35 dph mix**	**Basingstoke Urban** **45 dph mix**
1 bed flat				
2 bed flat			10%	20%
2 bed terrace	30%	30%	20%	20%

House Type/Area	Villages 20 dph mix	Market Towns 30 dph mix	Basingstoke edge/ Tadley 35 dph mix	Basingstoke Urban 45 dph mix
3 bed terrace	6%	21%	12%	24%
4 bed terrace			15%	10%
3 bed semi	4%	14%	8%	16%
4 bed detached	25%	25%	30%	10%
5 bed detached	35%	10%	5%	

Affordable Housing Development Mix

House Type	Central Basingstoke *Case Study 14 only)*	Basingstoke	Towns/Villages /Rural
1 bed flat	35%	25%	25%
2 bed flat	65%	25%	15%
2 bed terrace		30%	40%
3 bed terrace		15%	15%
4 bed terrace		5%	5%

Affordable housing

Affordable housing will be tested at 5% intervals from 20% to 40% affordable housing.

Affordable housing will be tested on the basis of 70% rented/ 30% shared ownership. The tenures of the rented element will be tested at 75% social rent/25% affordable rent , 25% social rent/75% affordable rent and 100% affordable rent.

Weekly rents used for testing are shown below – with different values for Basingstoke and remainder of borough

	Social Rent		Affordable Rent	
Housetype/ Area	**Basingstoke**	**Rest of Borough**	**Basingstoke**	**Rest of Borough**
1 bedroom flat	£95.00	£90.00	£120.00	£114.00
2 bedroom flat	£108.5	£103.00	£134.00	£127.50
2 bedroom terrace	£116.00	£110.00	£150.50	£143.00
3 bedroom terrace	£142.50	£135.50	£175.00	£166.00
4 bedroom terrace	£166.00	£158.00	£192.50	£183.00

Service charges – no service charges apply to Social rent. Service charges of £8 per week for flats and £3 per week for houses apply to Affordable rents.

Rents – these rents are lower than those at the developer industry workshop to reflect subsequent comments from RPs and the reduction in area of affordable housing.

Shared Ownership – assume average share size of 50% is purchased and 2.75% rental charged on the unbought share.

Affordable housing - other costs

Social/Affordable Rent

Management /Maintenance	£900 per annum
Voids/ Bad Debt	3% gross rent
Repairs	£500 per annum
Capitalisation	6.5% per annum with a sensitivity test at 5%

Shared Ownership

Average share size	50%
Rental Factor	2.75% rental charged on the unbought share
Capitalisation	6.5% per annum with a sensitivity test at 5%

Development costs

Professional Fees	12%
Internal Overheads	0%
Interest rate (market & affordable)	7.5%
Marketing	4%
Developers return	20%
Contractors return	6%

Build Costs (per BCIS)

Flats (Generally)	£1,100/sq.m
Houses	£1,033/sq.m
Bungalows	£1,130/sq.m
Sheltered	£1,203 per sq m

Build costs include a 15% uplift to allow for external works costs

Other Development Costs

Allow £500 per dwelling for compliance with 2013 Building Regulations
Allow £100 per dwelling for compliance with Code for Sustainable Homes level 4 water requirements.
Allow £2,100 per dwelling for Lifetime homes, applied to 15% of the dwellings.

Allow opening up costs of £50,000 per net hectare for opening up costs for Case Studies 8 and 20.
Allow £200,000 per net hectare for opening up costs (over and above the allowance for external works) for larger sites (400 dwellings or more) – Case Studies 10, 11 and 12.

Allow £2m for case study 11 (1,000 dwellings) for strategic transport infrastructure
Allow £5m for case study 12 (3,000 dwellings) for strategic transport infrastructure

S106 payment

Residual s106 payment - £1,500 per dwelling (all tenures)

Dwelling Sizes

House Type	Affordable Floor Area (sq.m)	Market Floor Area (sq.m)
1 bedroom sheltered flat	50	50
2 bedroom sheltered flat	75	75
1 bedroom flat	45	51
2 bedroom flat	62	56
3 bedroom flat	Not used	Not used
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

Notes:
The floor sizes for affordable housing are lower than those presented at the workshop and reflect subsequent feedback from the RPs.
An additional 33% is added to the floor area of the sheltered flats to for common areas, circulation and administration space.
For the high density flatted scheme, case study 7, an additional 20% is added to floor areas to allow for circulation space/ common areas.
For all other flats, and additional 15% is added to the floor area to allow for circulation space/ common areas.

Sheltered Housing
The sheltered housing case study has some different testing assumptions from the other case studies:
Sizes
1 bed flats are assumed to have a floor area of 50sq m, plus additional 33% circulation, admin and common area – 67 sq m, Selling Price £170,000
2 bed flats are assumed to have a floor area of 75sq m, plus additional 33% circulation, admin and common area – 100 sq m, Selling Price £215,000
Development Costs
No allowance made for Lifetime Homes (not necessary)
Empty Property costs allowed - £120,000 (as scheme built before any significant number of occupations)
Rent, and social housing costs assumptions as per standard assumptions as set out for standard housing.

ANNEX 4

Residential Threshold Land Value

Land value benchmarks – background information

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

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

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

The exceptions referred to in Viability Testing Local Plans are:

- Larger scale sites for urban extensions, where a prospective seller is potentially making a once in a lifetime decision over whether to sell an asset; and the uplift to current use value sought by the landowner will invariably be significantly higher than in an urban context.
- Smaller, edge-of-settlement greenfield sites, where landowners' required returns will be more in line with the Threshold Land Values per hectare adopted within the urban area.

Annex 1 (Transparent Viability Assumptions) to the Homes and Communities Agency guidance for its Area Wide Viability Model published in August 2010 states that:

- *"There is some practitioner convention on the required premium above EUV, but this is some way short of consensus and the views of Planning Inspectors at Examination of Core Strategy have varied. Benchmarks and evidence from planning appeals tend to be in a range of 10% to 30% above EUV in urban areas. For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value.*
- *In practice, the premium over EUV/ AUV will vary according to the strength of demand for new homes, the supply of land at various stages within the planning system and the predominant attitude of landowners to a sale of land. In areas where landowners have long investment horizons and they are content with current land use, the premium will be relatively high. Conversely, the premium will be relatively low (and in extreme cases non-existent) where landowners are minded to sell or financially distressed." (page 9)*[46]

A 2011 research undertaken for the Department for Communities and Local Government[47] suggested that a premium of at 25% over existing use value was required to bring forward industrial land for redevelopment. The premium for greenfield land is higher, recognising that while the existing use value base is low, the costs normally associated with realising new development on such unserviced greenfield land tend to be considerable. The report presented figures that suggested £0.49m per

[46] EUV – existing use value, AUV – alternative use value
[47] Turner Morum, 2011, Cumulative impacts of regulations on house builders and landowners

gross ha (£0.2m per acre) and £0.99m per net ha (£0.4m per acre) would be suitable for release of greenfield land but this figure was based on values achieved before the recession.

For residential land, current use value is taken as industrial land for urban sites and agricultural land for strategic sites/urban extensions, with appropriate uplifts applied.

The benchmark land values for this study in Basingstoke and Deane draw upon historic information on land values for agricultural, industrial and residential use; reported recent land sales (along with site characteristics); and discussion within the development industry workshop.

The Valuation Office Agency (VOA) used to provide estimates of land values for Basingstoke, with the most recent available being 2009. At that time the VOA estimated that the following was applicable in Basingstoke[48]:

- Industrial land (for development ready serviced sites) ranging from £1m per ha to £1.89m per ha; with typical value of £1.62m per ha
- Residential land ranging from £1.8m per ha for small sites (up to 5 houses) to £1.755m per ha (sites over 2ha) and £1.76m for sites for flats of maisonettes. These values are for sites "*assumed to be in a typical location for the area, have planning permission, services to the edge of the site and be ripe for development*"
- Agricultural land value in South East England was estimated to range between £19,700 and £18,500 per ha. Similar values were indicated in the later, January 2011, VOA report.

Since that time there is evidence from a variety of news reports that land values have fallen. Recently, Savills produced residential land research[49] that indicated that in South East England greenfield land has fallen in value by 26% from former peak and urban land has fallen by 52%. The research also states that there is variation around this change and that small consented sites in prime locations may sell at above previous prices. Applying these estimated changes in value suggests that industrial land in Basingstoke may be £780,000 per ha for a serviced site at current values.

While development activity in Basingstoke has been slow in recent years with relatively few suitable land transactions, there are some examples which have emerged. These indicate that some urban serviced sites have been sold for residential for between £1.5m and £1.8m per net ha, although this includes a site where public funding is to be used to bring forward residential development. There has also been a sale of land for a midrange size urban residential site for £0.96m per gross ha. There have been few recent industrial land sales on which to build a broad picture although there has been land purchase in the region of £1.5m per hectare for a specific occupier (i.e. site value relates to the business activity rather than predicated upon property development values). Basingstoke and Deane Borough Council and development partners Muse have been developing schemes for Basing View, the

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48 http://webarchive.nationalarchives.gov.uk/20110320170052/http://www.voa.gov.uk/publications/property_market_report/pmr-jul-09/industrial_land.htm and http://webarchive.nationalarchives.gov.uk/20110320170052/http://www.voa.gov.uk/publications/property_market_report/pmr-jul-09/residential.htm

49 Savills, May 2013, Demand for Residential Development Land http://www.savills.co.uk/research_articles/141285/146005-0

key central regeneration site within Basingstoke. Within this location and the town centre evidence suggests developers are finding it difficult to produce schemes that generate a positive land value for office developments without significant pre-lets to occupiers. This points to a challenging climate to deliver viable schemes given current market conditions.

Discussion at the Development Industry Workshop in June 2013 included benchmark land values. Feedback included

- The Borough is quite uniform in terms of land values.
- For residential development, a 'going rate' of £1.46m per ha (£0.59m per acre) for larger sites to £1.8 m- £1.98m per ha (£0.75m/£0.8m per acre) for smaller sites was put forward.
- Larger greenfield sites attract lower values for residential; development - £420,000 per gross ha (£170,000 per gross acre) was acceptable.
- For industrial land, a figure of around £740,000 per hectare (or c£300,000 per acre) was a reasonable estimate of current land values.

The Development Industry Workshop also considered land for developments such as supermarkets, where values in the region of £4.9m per ha (£2m per acre) might be expected, reflecting the ability of this sector to generate value.

There is a relationship between policy obligations and land values, where transactions will take into account the costs of policies in determining the value of development land. This has applied to affordable housing in the past, where developments not obliged to provide affordable housing are able to sustain higher land prices than those which are. In the Examination report for the London Mayor's CIL the Examiner noted that "*a reduction in development land value is an inherent part of the CIL concept*" (Para 32) and this has been echoed in some subsequent CIL examination reports.

ANNEX 5
1ha residual values
Basingstoke/ Tadley – 1ha results

dph	Affordable Housing %	Emphasis on Social Rent (SR), Affordable Rent (AR) or 100% affordable rent (100% AR)	Residual Value per ha (RV)	RV less benchmark land value (£1,000,000 per ha)	Maximum CIL - per sq m
Basingstoke and Tadley					
45	20%	AR	1,660,000	660,000	£223
45	25%	AR	1,554,000	554,000	£200
45	30%	AR	1,447,000	447,000	£173
45	35%	AR	1,342,000	342,000	£143
45	40%	AR	1,236,000	236,000	£106
35	20%	AR	1,621,000	621,000	£232
35	25%	AR	1,518,000	518,000	£206
35	30%	AR	1,414,000	414,000	£177
35	35%	AR	1,312,000	312,000	£143
35	40%	AR	1,209,000	209,000	£104
30	20%	AR	1,483,000	483,000	£197
30	25%	AR	1,388,000	388,000	£169
30	30%	AR	1,295,000	295,000	£138
30	35%	AR	1,200,000	200,000	£100
30	40%	AR	1,105,000	105,000	£57
45	20%	SR	1,617,000	617,000	£209
45	25%	SR	1,501,000	501,000	£181
45	30%	SR	1,383,000	383,000	£148
45	35%	SR	1,268,000	268,000	£112
45	40%	SR	1,150,000	150,000	£68
35	20%	SR	1,583,000	583,000	£217
35	25%	SR	1,471,000	471,000	£187
35	30%	SR	1,357,000	357,000	£152
35	35%	SR	1,245,000	245,000	£112
35	40%	SR	1,131,000	131,000	£65
30	20%	SR	1,450,000	450,000	£184
30	25%	SR	1,346,000	346,000	£151
30	30%	SR	1,245,000	245,000	£114
30	35%	SR	1,142,000	142,000	£71
30	40%	SR	1,039,000	39,000	£21

dph	Affordable Housing %	Emphasis on Social Rent (SR), Affordable Rent (AR) or 100% affordable rent (100% AR)	Residual Value per ha (RV)	RV less benchmark land value (£1,000,000 per ha)	Maximum CIL - per sq m
Basingstoke and Tadley					
45	20%	100% AR	1,682,000	682,000	£231
45	25%	100% AR	1,576,000	576,000	£208
45	30%	100% AR	1,479,000	479,000	£186
45	35%	100% AR	1,379,000	379,000	£158
45	40%	100% AR	1,278,000	278,000	£126
35	20%	100% AR	1,640,000	640,000	£239
35	25%	100% AR	1,542,000	542,000	£216
35	30%	100% AR	1,443,000	443,000	£189
35	35%	100% AR	1,345,000	345,000	£159
35	40%	100% AR	1,247,000	247,000	£123
30	20%	100% AR	1,500,000	500,000	£204
30	25%	100% AR	1,408,000	408,000	£178
30	30%	100% AR	1,319,000	319,000	£149
30	35%	100% AR	1,229,000	229,000	£115
30	40%	100% AR	1,139,000	139,000	£76

Rest of Borough 1 Ha results

dph	Affordable Housing %	Emphasis on Social Rent (SR), Affordable Rent (AR) or 100% affordable rent (100% AR)	Residual Value per ha (RV)	RV less benchmark land value (£1,000,000 per ha)	Maximum CIL - per sq m
Rest of Borough					
30	20%	AR	2,024,000	1,024,000	£445
30	25%	AR	1,894,000	894,000	£415
30	30%	AR	1,764,000	764,000	£380
30	35%	AR	1,634,000	634,000	£339
30	40%	AR	1,504,000	504,000	£292
20	20%	AR	1,550,000	550,000	£307
20	25%	AR	1,451,000	451,000	£269
20	30%	AR	1,352,000	352,000	£225
20	35%	AR	1,253,000	253,000	£174
20	40%	AR	1,153,000	153,000	£114
30	20%	SR	1,991,000	991,000	£431
30	25%	SR	1,853,000	853,000	£395
30	30%	SR	1,715,000	715,000	£355
30	35%	SR	1,577,000	577,000	£309
30	40%	SR	1,439,000	439,000	£254
20	20%	SR	1,528,000	528,000	£295
20	25%	SR	1,424,000	424,000	£253
20	30%	SR	1,319,000	319,000	£204
20	35%	SR	1,215,000	215,000	£148
20	40%	SR	1,109,000	109,000	£81
30	20%	100% AR	2,041,000	1,041,000	£452
30	25%	100% AR	1,915,000	915,000	£424
30	30%	100% AR	1,790,000	790,000	£392
30	35%	100% AR	1,665,000	665,000	£356
30	40%	100% AR	1,538,000	538,000	£312

ANNEX 6
Case study characteristics

Case Study	Location/ Description		Total Dwgs	Density (dph)	Site Size ha (net)	Gross to net	Main TLV	Upper TLV	Opening up costs/ net ha	No of developers	Pace/years to complete	% AH
1	Single plot	Basingstoke urban	1	33	0.03	100%	£1,000,000	£1,300,000	£0	1	1	40%
2	Single plot	Basingstoke edge	1	25	0.04	100%	£1,000,000	£1,300,000	£0	1	1	40%
3	Three plots	Basingstoke urban	3	30	0.08	100%	£1,000,000	£1,300,000	£0	1	1	30%
4	Three plots	Basingstoke edge	3	25	0.12	100%	£1,000,000	£1,300,000	£0	1	1	30%
5	Four plots	Basingstoke urban	4	30	0.09	100%	£1,000,000	£1,300,000	£0	1	1	40%
6	Four plots	Basingstoke edge	4	30	0.15	100%	£1,000,000	£1,300,000	£0	1	1	40%
7	Basingstoke - high density flatted scheme	Basingstoke Urban	90	180	0.50	100%	£1,000,000	£1,300,000	£0	1	1 yr to 1st LC, then 50 pa. 3 yrs	40%
8	Basingstoke	Basingstoke edge	100	30.3	3.30	87%	£1,000,000	£1,300,000	£50,000	1	6 mths to 1st LC, then 50 pa. 2.5 yrs	30%
8	Basingstoke	Basingstoke edge	100	30.3	3.30	87%	£1,000,000	£1,300,000	£50,000	1	6 mths to 1st LC, then 50 pa. 2.5 yrs	35%
8	Basingstoke	Basingstoke edge	100	30.3	3.30	87%	£1,000,000	£1,300,000	£50,000	1	6 mths to 1st LC, then 50 pa. 2.5 yrs	40%
9	Basingstoke sheltered housing scheme	Basingstoke Urban	100	125	0.80	100%	£1,000,000	£1,300,000	£0	1	18mths to 1st LC, then 12 pa. 9.5 yrs	30%
9	Basingstoke sheltered housing scheme	Basingstoke Urban	100	125	0.80	100%	£1,000,000	£1,300,000	£0	1	18mths to 1st LC, then 12 pa. 9.5 yrs	35%
9	Basingstoke sheltered housing scheme	Basingstoke Urban	100	125	0.80	100%	£1,000,000	£1,300,000	£0	1	18mths to 1st LC, then 12 pa. 9.5 yrs	40%
10	Basingstoke - urban extension 400 units)	Basingstoke edge	400	30	13.30	64%	£400,000	£400,000	£200,000	2	6 mths to 1st LC, then 100 pa. 4.5 yrs	30%
10	Basingstoke - urban extension 400 units)	Basingstoke edge	400	30	13.30	64%	£400,000	£400,000	£200,000	2	6 mths to 1st LC, then 100 pa. 4.5 yrs	35%
10	Basingstoke - urban extension 400 units)	Basingstoke edge	400	30	13.30	64%	£400,000	£400,000	£200,000	2	6 mths to 1st LC, then 100 pa. 4.5 yrs	40%
11	Basingstoke - large urban extension (1000 units)	Basingstoke edge	1000	30	33.30	63%	£400,000	£400,000	£200,000	4	1 yr to 1st LC, then 220 pa, 5.5 yrs	30%
11	Basingstoke - large urban extension (1000 units)	Basingstoke edge	1000	30	33.30	63%	£400,000	£400,000	£200,000	4	1 yr to 1st LC, then 220 pa, 5.5 yrs	35%
11	Basingstoke - large urban extension (1000 units)	Basingstoke edge	1000	30	33.30	63%	£400,000	£400,000	£200,000	4	1 yr to 1st LC, then 220 pa, 5.5 yrs	40%
12	Basingstoke - large urban extension (3000 units)	Basingstoke edge	3000	30	100.00	63%	£400,000	£400,000	£200,000	4	1 yr to 1st LC, then 220 pa, 14.6 yrs	30%
12	Basingstoke - large urban extension (3000 units)	Basingstoke edge	3000	30	100.00	63%	£400,000	£400,000	£200,000	4	1 yr to 1st LC, then 220 pa, 14.6 yrs	35%
12	Basingstoke - large urban extension (3000 units)	Basingstoke edge	3000	30	100.00	63%	£400,000	£400,000	£200,000	4	1 yr to 1st LC, then 220 pa, 14.6 yrs	40%

							Market element of scheme								Rented (SR+AR)					SO				
Case Study	Location/ Description		Total Dwgs	Density (dph)	Site Size ha (net)	Gross to net	1 b flat	2 b flat	2 b terr	3 b terr	4 b terr	3 b semi	4 b det	5 b det	1 b flat	2b flat	2 b terrac	3 b terrac	4 b terrac	1 b flat	2b flat	2 b terrac	3 b terrac	4 b terrac
1	Single plot	Basingstoke urban	1	33	0.03	100%							1.0											
2	Single plot	Basingstoke edge	1	25	0.04	100%							1.0											
3	Three plots	Basingstoke urban	3	30	0.08	100%			1.0	2.0														
4	Three plots	Basingstoke edge	3	25	0.12	100%							3.0											
5	Four plots	Basingstoke urban	4	30	0.09	100%			1.0	3.0														
6	Four plots	Basingstoke edge	4	30	0.15	100%						2.0	2.0											
7	Basingstoke - high density flatted scheme	Basingstoke Urban	90	180	0.50	100%	19.4	34.6							8.8	16.4	-	-	-	3.8	7.0			
8	Basingstoke	Basingstoke edge	100	30.3	3.30	87%			21.0	14.7		9.8	17.5	7.0	5.3	5.3	6.3	3.2	1.1	2.3	2.3	2.7	1.4	0.5
8	Basingstoke	Basingstoke edge	100	30.3	3.30	87%			19.5	13.7		9.1	16.3	6.5	6.1	6.1	7.4	3.7	1.2	2.6	2.6	3.2	1.6	0.5
8	Basingstoke	Basingstoke edge	100	30.3	3.30	87%			18.0	12.6		8.4	15.0	6.0	7.0	7.0	8.4	4.2	1.4	3.0	3.0	3.6	1.8	0.6
9	Basingstoke sheltered housing scheme	Basingstoke Urban	100	125	0.80	100%	45.5	24.5							13.7	7.4				5.9	3.2			
9	Basingstoke sheltered housing scheme	Basingstoke Urban	100	125	0.80	100%	42.3	22.8							15.9	8.6				6.8	3.7			
9	Basingstoke sheltered housing scheme	Basingstoke Urban	100	125	0.80	100%	39.0	21.0							18.2	9.8				7.8	4.2			
10	Basingstoke - urban extension 400 units)	Basingstoke edge	400	30	13.30	64%			84.0	58.8		39.2	70.0	28.0	21.0	21.0	25.2	12.6	4.2	9.0	9.0	10.8	5.4	1.8
10	Basingstoke - urban extension 400 units)	Basingstoke edge	400	30	13.30	64%			78.0	54.6		36.4	65.0	26.0	24.5	24.5	29.4	14.7	4.9	10.5	10.5	12.6	6.3	2.1
10	Basingstoke - urban extension 400 units)	Basingstoke edge	400	30	13.30	64%			72.0	50.4		33.6	60.0	24.0	28.0	28.0	33.6	16.8	5.6	12.0	12.0	14.4	7.2	2.4
11	Basingstoke - large urban extension (1000 units)	Basingstoke edge	1000	30	33.30	63%			210.0	147.0		98.0	175.0	70.0	52.5	52.5	63.0	31.5	10.5	22.5	22.5	27.0	13.5	4.5
11	Basingstoke - large urban extension (1000 units)	Basingstoke edge	1000	30	33.30	63%			195.0	136.5		91.0	162.5	65.0	61.3	61.3	73.5	36.8	12.3	26.3	26.3	31.5	15.8	5.3
11	Basingstoke - large urban extension (1000 units)	Basingstoke edge	1000	30	33.30	63%			180.0	126.0		84.0	150.0	60.0	70.0	70.0	84.0	42.0	14.0	30.0	30.0	36.0	18.0	6.0
12	Basingstoke - large urban extension (3000 units)	Basingstoke edge	3000	30	100.00	63%			630.0	441.0		294.0	525.0	210.0	157.5	157.5	189.0	94.5	31.5	67.5	67.5	81.0	40.5	13.5
12	Basingstoke - large urban extension (3000 units)	Basingstoke edge	3000	30	100.00	63%			585.0	409.5		273.0	487.5	195.0	183.8	183.8	220.5	110.3	36.8	78.8	78.8	94.5	47.3	15.8
12	Basingstoke - large urban extension (3000 units)	Basingstoke edge	3000	30	100.00	63%			540.0	378.0		252.0	450.0	180.0	210.0	210.0	252.0	126.0	42.0	90.0	90.0	108.0	54.0	18.0

Case Study	Location/ Description		Total Dwgs	Density (dph)	Site Size ha (net)	Gross to net	Main TLV	Upper TLV	Opening up costs/ net ha	No of developers	Pace/years to complete	% AH
13	Single plot	Towns/Villages	1	25	0.07	100%	£1,000,000	£1,300,000	£0	1	1	40%
14	Single plot	Rural	1	25	0.07	100%	£1,000,000	£1,300,000	£0	1	1	40%
15	Three plots	Towns/Villages - Overton/	3	25	0.15	100%	£1,000,000	£1,300,000	£0	1	1	40%
16	Three plots	Rural	3	25	0.15	100%	£1,000,000	£1,300,000	£0	1	1	40%
17	Four plots	Towns/Villages	4	30	0.15	100%	£1,000,000	£1,300,000	£0	1	1	40%
18	Four plots	Rural	4	30	0.15	100%	£1,000,000	£1,300,000	£0	1	1	40%
19	Edge of small town/village	Towns/Villages	10	20	0.50	100%	£1,000,000	£1,300,000	£0	1	1	40%
20	Rest of Borough - Urban extension	Towns/Villages	100	30.3	3.30	87%	£1,000,000	£1,300,000	£50,000	1	6 mths to 1st LC, then 50 pa. 2.5 yrs	40%

							Market element of scheme								Rented (SR+AR)					SO				
Case Study	Location/ Description		Total Dwgs	Density (dph)	Site Size ha (net)	Gross to net	1 b flat	2 b flat	2 b terr	3 b terr	4 b terr	3 b semi	4 b det	5 b det	1 b flat	2b flat	2 b terrac	3 b terrac	4 b terrac	1 b flat	2b flat	2 b terrac	3 b terrac	4 b terrac
13	Single plot	Towns/Villages	1	25	0.07	100%							1.0											
14	Single plot	Rural	1	25	0.07	100%							1.0											
15	Three plots	Towns/Villages - Overton/	3	25	0.15	100%							2.0	1.0										
16	Three plots	Rural	3	25	0.15	100%							2.0	1.0										
17	Four plots	Towns/Villages	4	30	0.15	100%							4.0											
18	Four plots	Rural	4	30	0.15	100%							4.0											
19	Edge of small town/village	Towns/Villages	10	20	0.50	100%			1.8	0.4		0.2	1.5	2.1	0.7	0.4	1.1	0.4	0.1	0.3	0.2	0.5	0.2	0.1
20	Rest of Borough - Urban extension	Towns/Villages	100	30.3	3.30	87%			18.0	12.6		8.4	15.0	6.0	7.0	4.2	11.2	4.2	1.4	3.0	1.8	4.8	1.8	0.6

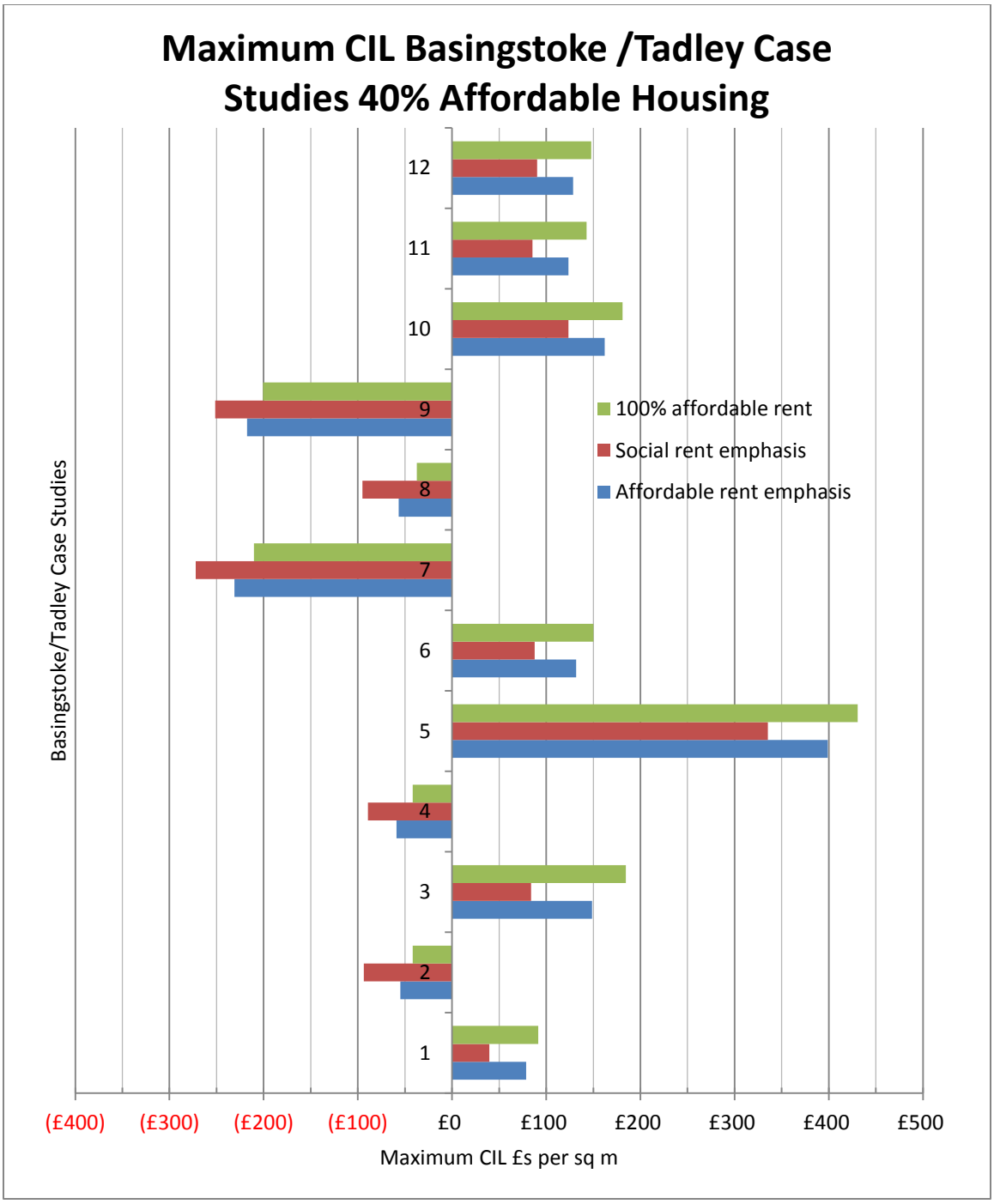
ANNEX 7
Case study residual values

Basingstoke and Tadley Case Studies							
		Affordable rent emphasis		**Social rent emphasis**		**100% affordable rent**	
Case Study	Affordable Housing	Residual Value less benchmark land value/ ha	Theoretical Maximum CIL rate per sq m	Residual Value less benchmark land value/ ha	Theoretical Maximum CIL rate per sq m	Residual Value less benchmark land value/ ha	Theoretical Maximum CIL rate per sq m
CS 1 - 1 dwg urban	30%	£325,667	£112	£261,000	£89	£358,000	£123
	35%	£228,667	£84	£164,000	£61	£293,333	£108
	40%	£196,333	£79	£99,333	£40	£228,667	£91
CS 2 - 1 dwg edge of settlement	30%	-£5,750	-£3	-£54,250	-£25	£18,500	£8
	35%	-£78,500	-£39	-£127,000	-£63	-£30,000	-£15
	40%	-£102,750	-£55	-£175,500	-£94	-£78,500	-£42
CS 3 - 3 dwgs urban	30%	£500,267	£238	£409,733	£195	£552,000	£263
	35%	£383,867	£193	£280,400	£141	£435,600	£219
	40%	£267,467	£149	£151,067	£84	£332,133	£185
CS 4 - 3 dwgs edge of settlement	30%	£2,333	£1	-£38,083	-£17	£18,500	£8
	35%	-£62,333	-£31	-£110,833	-£55	-£30,000	-£15
	40%	-£110,833	-£59	-£167,417	-£89	-£78,500	-£42
CS 5 - 4 dwgs urban	30%	£1,081,685	£451	£972,697	£405	£1,125,281	£469
	35%	£950,899	£427	£831,011	£373	£1,005,393	£451
	40%	£820,112	£399	£689,326	£335	£885,506	£431
CS 6 - 4 dwgs edge of settlement	30%	£393,008	£170	£334,662	£145	£422,180	£182
	35%	£327,368	£152	£254,436	£118	£363,835	£169
	40%	£261,729	£132	£174,211	£88	£298,195	£150
CS 7 - 100 dwgs flatted scheme	30%	-£800,180	-£98	-£1,013,580	-£124	-£685,720	-£84
	35%	-£1,209,520	-£159	-£1,463,660	-£193	-£1,081,480	-£142
	40%	-£1,618,860	-£231	-£1,907,920	-£272	-£1,473,360	-£210
CS 8 - 100 dwgs intermediate scheme	30%	£76,612	£43	£33,394	£19	£98,604	£56
	35%	-£4,454	-£3	-£55,343	-£34	£20,863	£13
	40%	-£85,775	-£57	-£144,081	-£95	-£56,878	-£38
CS 9 - 100 dwgs sheltered scheme	30%	-£587,750	-£86	-£716,275	-£104	-£516,213	-£75
	35%	-£924,825	-£145	-£1,099,425	-£172	-£836,313	-£131
	40%	-£1,281,300	-£217	-£1,481,363	-£251	-£1,181,875	-£201
CS 10 - 400 dwgs urban extension	30%	£298,050	£231	£266,216	£206	£313,967	£243
	35%	£247,079	£206	£201,569	£168	£257,254	£215
	40%	£179,351	£162	£136,875	£124	£200,496	£181

Basingstoke and Tadley Case Studies							
		Affordable rent emphasis		**Social rent emphasis**		**100% affordable rent**	
CS 11 - 1000 dwgs urban extension	30%	£251,345	£198	£220,055	£173	£266,962	£210
	35%	£192,987	£164	£156,505	£133	£211,210	£179
	40%	£134,612	£124	£92,917	£85	£155,459	£143
CS 12 - 3000 dwgs urban extension	30%	£256,334	£202	£225,100	£178	£271,953	£214
	35%	£198,035	£168	£161,589	£137	£216,252	£184
	40%	£139,724	£129	£98,083	£90	£160,550	£148

The figure below illustrates the difference in potential maximum CIL per sqm for each of the Basingstoke/Tadley case studies, varied by affordable rent emphasis (housing policy in the emerging local plan), social rent emphasis and 100% affordable rent for the rental element of the affordable housing provision. The illustration applies to 40% affordable housing.

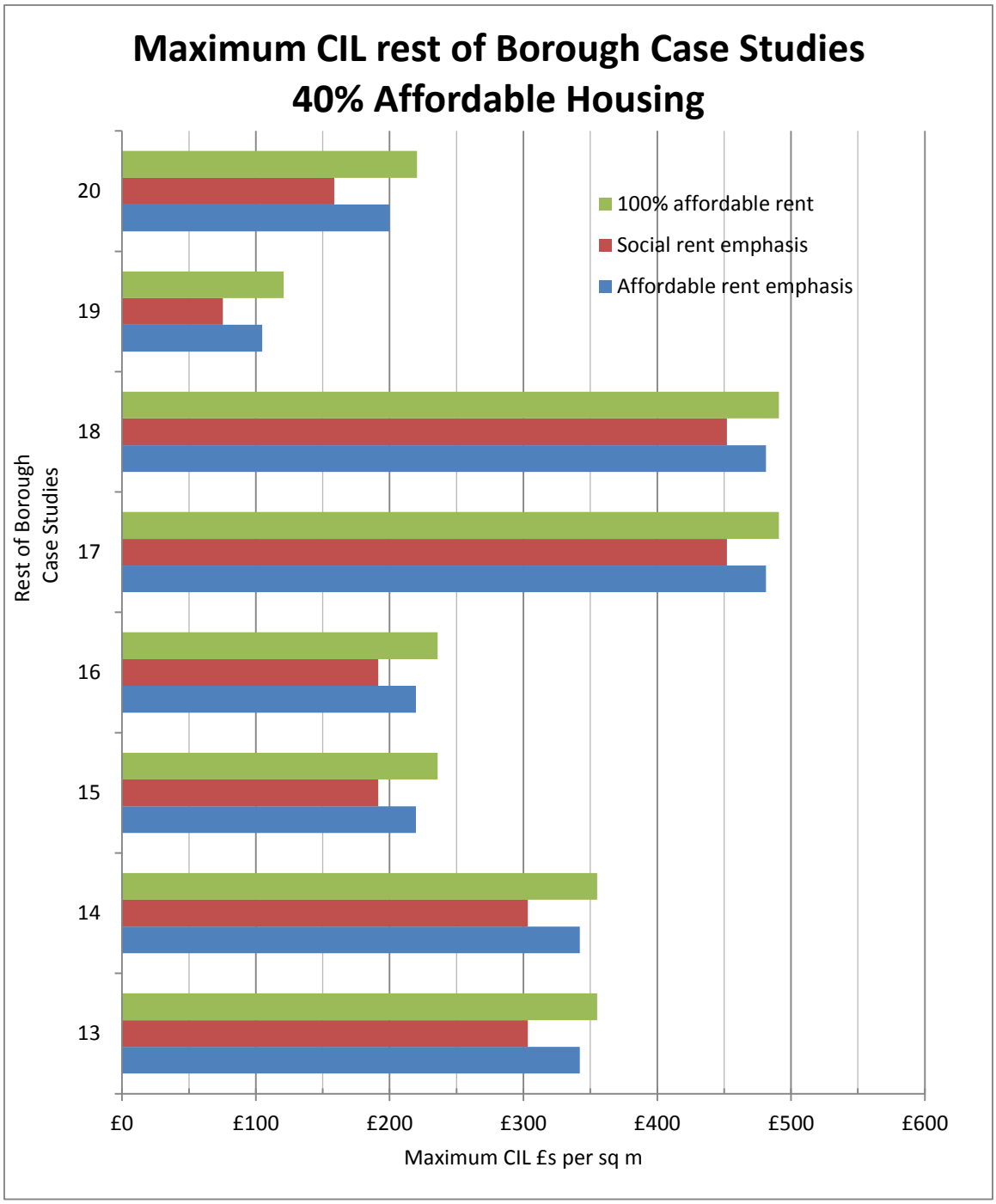
For any given percentage of affordable housing, if the Council wishes to provide more social rent and less affordable rent than was assumed in the majority of the testing, the maximum CIL rates will be lower than those set out above (by around £20 to £40 per sq m). If all of the rented elements were at affordable rent (rather than an affordable rent emphasis) then maximum CIL rates will be higher than those set out above (by around £10-£40 per sq m).


Maximum CIL Basingstoke /Tadley Case Studies 40% Affordable Housing
Basingstoke/Tadley Case Studies
12
11
10
9
8
7
6
5
4
3
2
1
100% affordable rent
Social rent emphasis
Affordable rent emphasis
(£400)
(£300)
(£200)
(£100)
£0
£100
£200
£300
£400
£500
Maximum CIL £s per sq m

Rest of Borough Case Studies							
		Affordable rent emphasis		**Social rent emphasis**		**100% affordable rent**	
Case Study	Affordable Housing	Residual Value less benchmark land value/ ha	Theoretical Maximum CIL rate	Residual Value less benchmark land value/ ha	Theoretical Maximum CIL rate	Residual Value less benchmark land value/ ha	Theoretical Maximum CIL rate
CS 13 - 1 dwg urban	40%	£513,200	£342	£455,000	£303	£532,600	£355
CS 14 - 1 dwg edge of settlement	40%	£513,200	£342	£455,000	£303	£532,600	£355
CS 15 - 3 dwgs urban	40%	£351,533	£220	£306,267	£191	£377,400	£236
CS 16 - 3 dwgs edge of settlement	40%	£351,533	£220	£306,267	£191	£377,400	£236
CS 17 - 4 dwgs urban	40%	£721,750	£481	£678,100	£452	£736,300	£491
CS 18 - 4 dwgs edge of settlement	40%	£721,750	£481	£678,100	£452	£736,300	£491
CS19 - 10 dwgs edge of settlement	40%	£152,360	£105	£109,680	£75	£175,640	£121
CS 20 - 100 dwgs mkt town extension	40%	£282,728	£200	£224,422	£159	£311,881	£221

The figure below illustrates the difference in potential maximum CIL per sqm for each of the rest of Borough case studies, varied by affordable rent emphasis (housing policy in the emerging local plan), social rent emphasis and 100% affordable rent for the rental element of the affordable housing provision. The illustration applies to 40% affordable housing.

The same picture emerges, with affordable rent providing stronger development viability along with potential CIL; and social rent reducing viability and potential CIL.


Maximum CIL rest of Borough Case Studies
40% Affordable Housing
100% affordable rent
Social rent emphasis
Affordable rent emphasis
Rest of Borough Case Studies
20
19
18
17
16
15
14
13
£0
£100
£200
£300
£400
£500
£600
Maximum CIL £s per sq m

ANNEX 8
Non-residential Viability Tests

Non-residential Viability Assessment Model

Office development of two storeys out of town (a/c multiple units)

Size of unit (GIA)	1500	sq m
Ratio of GEA to GIA	100.0%	
GEA	1500	sq m
NIA as % of GIA	95%	
NIA	1425	sq m
Floors	2	
Site coverage	40%	
Site area	0.19	Hectares

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)		£194		
BREEAM premium (% uplift on headline rent)		0%		
Headline annual rent (in £s per sq m) with BREEAM premium		£ 194		
Annual rent for assesment (total) - NIA		£ 275,994		
Yield		8.50%		
(Yield times rent)		**£ 3,246,988**		
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 3,068,987**
SCHEME COSTS				
Build costs	£ 1,194	per sq m	£ 1,791,540	
Allowance for Part L 2013	£ 20	per sq m	£ 30,000	
BREEAM Excellent Water	1.50%	of base build costs	£ 26,873	
External costs	10%	of base build costs	£ 179,154	
Total construction costs				***£ 2,027,567***
Professional fees	12.00%	of construction costs	£ 243,308	
Sales and lettings costs	3%	of GDV	£ 92,070	
S106 costs (not covered by CIL)			£ 20,000	
Total 'other costs'				***£ 355,378***
Finance costs	7.5%	Interest rate		
Build period	10	Months		
Finance costs for 100% of construction and other costs			£ 148,934	
Void finance period (in months)	12	Months	£ 178,721	
Total finance costs				***£ 327,655***
Developer return	20%	Scheme value		***£ 613,797***
Total scheme costs				**£ 3,324,397**
RESIDUAL VALUE				
Gross residual value				-£ 255,410
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 260,518
	Equivalent per hectare			-£ 1,389,431
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 740,000
Equivalent benchmark land value for site				£ 138,750
Potential for CIL for the scheme				-£ 399,268
Potential per sq m				NONE

Non-residential Viability Assessment Model

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

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

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£151	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 151	
Annual rent for assesment (total) - NIA			£ 286,216	
Yield			9.50%	
(Yield times rent)			**£ 3,012,800**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 2,847,637**
SCHEME COSTS				
Build costs	£ 1,345	per sq m	£ 2,690,000	
Allowance for Part L 2013	£ 20	per sq m	£ 40,000	
BREEAM Excellent	1.50%	of base build costs	£ 40,350	
External costs	10%	of base build costs	£ 269,000	
Total construction costs				***£ 3,039,350***
Professional fees	12.00%	of construction costs	£ 364,722	
Sales and lettings costs	3%	of GDV	£ 85,429	
S106 costs (not covered by CIL)			£ -	
Total 'other costs'				***£ 450,151***
Finance costs	7.5%	Interest rate		
Build period	14	Months		
Finance costs for 100% of construction and other costs			£ 305,331	
Void finance period (in months)	12	Months	£ 261,713	
Total finance costs				***£ 567,044***
Developer return	20%	Scheme value		***£ 569,527***
Total scheme costs				**£ 4,626,072**
RESIDUAL VALUE				
Gross residual value				-£ 1,778,435
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 1,814,004
	Equivalent per hectare			-£ 27,210,062
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 740,000
Equivalent benchmark land value for site				£ 49,333
Potential for CIL for the scheme				-£ 1,863,337
Potential per sq m				NONE

Non-residential Viability Assessment Model

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

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

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£86	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 86	
Annual rent for assesment (total) - NIA			£ 130,842	
Yield			9.00%	
(Yield times rent)			**£ 1,453,796**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 1,374,098**
SCHEME COSTS				
Build costs	£ 538	per sq m	£ 860,800	
Allowance for Part L 2013	£ 20	per sq m	£ 32,000	
BREEAM Excellent	1.00%	of base build costs	£ 8,608	
External costs	10%	of base build costs	£ 86,080	
Total construction costs				***£ 987,488***
Professional fees	12.00%	of construction costs	£ 118,499	
Sales and lettings costs	3%	of GDV	£ 41,223	
S106 costs (not covered by CIL)			£ 20,000	
Total 'other costs'				***£ 179,721***
Finance costs	7.5%	Interest rate		
Build period	8	Months		
Finance costs for 100% of construction and other costs			£ 58,360	
Void finance period (in months)	12	Months	£ 87,541	
Total finance costs				***£ 145,901***
Developer return	20%	Scheme value		***£ 274,820***
Total scheme costs				**£ 1,587,930**
RESIDUAL VALUE				
Gross residual value				-£ 213,832
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 218,109
	Equivalent per hectare			-£ 545,273
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 740,000
Equivalent benchmark land value for site				£ 296,000
Potential for CIL for the scheme				-£ 514,109
Potential per sq m				NONE

Non-residential Viability Assessment Model

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

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

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£86	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 86	
Annual rent for assesment (total) - NIA			£ 408,880	
Yield			9.00%	
(Yield times rent)			**£ 4,543,111**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 4,294,056**
SCHEME COSTS				
Build costs	£ 538	per sq m	£ 2,690,000	
Allowance for Part L 2013	£ 20	per sq m	£ 100,000	
BREEAM Excellent	1.00%	of base build costs	£ 26,900	
External costs	10%	of base build costs	£ 269,000	
Total construction costs				***£ 3,085,900***
Professional fees	12.00%	of construction costs	£ 370,308	
Sales and lettings costs	3%	of GDV	£ 128,822	
S106 costs (not covered by CIL)			£ 50,000	
Total 'other costs'				***£ 549,130***
Finance costs	7.5%	Interest rate		
Build period	8	Months		
Finance costs for 100% of construction and other costs			£ 181,751	
Void finance period (in months)	12	Months	£ 272,627	
Total finance costs				***£ 454,379***
Developer return	20%	Scheme value		***£ 858,811***
Total scheme costs				**£ 4,948,220**
RESIDUAL VALUE				
Gross residual value				-£ 654,164
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 667,247
	Equivalent per hectare			-£ 533,798
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 740,000
Equivalent benchmark land value for site				£ 925,000
Potential for CIL for the scheme				-£ 1,592,247
Potential per sq m				NONE

Non-residential Viability Assessment Model

Town centre comparison retail 800 sqm

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£258	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 258	
Annual rent for assesment (total) - NIA			£ 196,262	
Yield			7.00%	
(Yield times rent)			**£ 2,803,749**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 2,650,046**
SCHEME COSTS				
Build costs	£ 861	per sq m	£ 688,640	
Allowance for Part L 2013	£ 20	per sq m	£ 16,000	
BREEAM Excellent	1.00%	of base build costs	£ 6,886	
External costs	10%	of base build costs	£ 68,864	
Total construction costs				***£ 780,390***
Professional fees	12.00%	of construction costs	£ 93,647	
Sales and lettings costs	3%	of GDV	£ 79,501	
S106 costs (not covered by CIL)			£ -	
Total 'other costs'				***£ 173,148***
Finance costs	7.5%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 71,515	
Void finance period (in months)	12	Months	£ 71,515	
Total finance costs				***£ 143,031***
Developer return	20%	Scheme value		***£ 530,009***
Total scheme costs				**£ 1,626,579**
RESIDUAL VALUE				
Gross residual value				£ 1,023,467
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ 20,469
Residual value	For the scheme			£ 1,003,399
	Equivalent per hectare			£ 20,067,986
		Go to next stage		
Potential for CIL				
Benchmark land value (per hectare)				£ 18,251,764
Equivalent benchmark land value for site				£ 912,588
Potential for CIL for the scheme				£ 90,811
Potential per sq m				£ 114

Non-residential Viability Assessment Model

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

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

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£194	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 194	
Annual rent for assesment (total) - NIA			£ 1,103,976	
Yield			7.50%	
(Yield times rent)			**£ 14,719,680**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 13,912,741**

SCHEME COSTS				
Build costs	£538	per sq m	£ 3,228,000	
Allowance for Part L 2013	£ 20	per sq m	£ 120,000	
BREEAM Excellent	1.00%	of base build costs	£ 32,280	
External costs	10%	of base build costs	£ 322,800	
Total construction costs				***£ 3,703,080***
Professional fees	12.00%	of construction costs	£ 444,370	
Sales and lettings costs	3%	of GDV	£ 417,382	
S106 costs (not covered by CIL)			£ 500,000	
Total 'other costs'				***£ 1,361,752***
Finance costs	7.5%	Interest rate		
Build period	14	Months		
Finance costs for 100% of construction and other costs			£ 443,173	
Void finance period (in months)	12	Months	£ 379,862	
Total finance costs				***£ 823,035***
Developer return	20%	Scheme value		***£ 2,782,548***
Total scheme costs				**£ 8,670,415**

RESIDUAL VALUE			
Gross residual value			£ 5,242,326
Less purchaser costs	5.00	% Stamp duty land tax	£ 262,116
	2.00	% Agent/legal purchase fees	£ 104,847
Residual value	For the scheme		£ 4,899,370
	Equivalent per hectare		£ 3,266,247
		Go to next stage	

Potential for CIL		
Benchmark land value (per hectare)	£	2,000,000
Equivalent benchmark land value for site	£	3,000,000
Potential for CIL for the scheme	£	1,899,370
Potential per sq m	£	317

Non-residential Viability Assessment Model

Small Convenience Store 300 sqm

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

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£129	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 129	
Annual rent for assesment (total) - NIA			£ 36,799	
Yield			7.00%	
(Yield times rent)			**£ 525,703**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 496,884**
SCHEME COSTS				
Build costs	£ 710	per sq m	£ 213,048	
Allowance for Part L 2013	£ 20	per sq m	£ 6,000	
BREEAM Excellent	1.00%	of base build costs	£ 2,130	
External costs	10%	of base build costs	£ 21,305	
Total construction costs				***£ 242,483***
Professional fees	12.00%	of construction costs	£ 29,098	
Sales and lettings costs	3%	of GDV	£ 14,907	
S106 costs (not covered by CIL)			£ -	
Total 'other costs'				***£ 44,005***
Finance costs	7.5%	Interest rate		
Build period	6	Months		
Finance costs for 100% of construction and other costs			£ 10,743	
Void finance period (in months)	0	Months	£ -	
Total finance costs				***£ 10,743***
Developer return	20%	Scheme value		***£ 99,377***
Total scheme costs				**£ 396,608**
RESIDUAL VALUE				
Gross residual value				£ 100,276
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ 2,006
Residual value	For the scheme			£ 98,310
	Equivalent per hectare			£ 1,310,795
		Go to next stage		
Potential for CIL				
Benchmark land value (per hectare)				£ 1,000,000
Equivalent benchmark land value for site				£ 75,000
Potential for CIL for the scheme				£ 23,310
Potential per sq m				£ 78

Non-residential Viability Assessment Model

Supermarket of 1,100 sqm

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

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£151	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 151	
Annual rent for assesment (total) - NIA			£ 157,419	
Yield			5.90%	
(Yield times rent)			**£ 2,668,115**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 2,521,848**
SCHEME COSTS				
Build costs	£ 915	per sq m	£ 1,006,060	
Allowance for Part L 2013	£ 20	per sq m	£ 22,000	
BREEAM Excellent	1.00%	of base build costs	£ 10,061	
External costs	10%	of base build costs	£ 100,606	
Total construction costs				***£ 1,138,727***
Professional fees	12.00%	of construction costs	£ 136,647	
Sales and lettings costs	3%	of GDV	£ 75,655	
S106 costs (not covered by CIL)			£ 100,000	
Total 'other costs'				***£ 312,303***
Finance costs	7.5%	Interest rate		
Build period	8	Months		
Finance costs for 100% of construction and other costs			£ 72,551	
Void finance period (in months)	6	Months	£ 54,414	
Total finance costs				***£ 126,965***
Developer return	20%	Scheme value		***£ 504,370***
Total scheme costs				**£ 2,082,364**
RESIDUAL VALUE				
Gross residual value				£ 439,484
Less purchaser costs	3.00	% Stamp duty land tax		£ 13,185
	2.00	% Agent/legal purchase fees		£ 8,790
Residual value	For the scheme			£ 418,556
	Equivalent per hectare			£ 1,522,023
		Go to next stage		
Potential for CIL				
Benchmark land value (per hectare)				£ 1,000,000
Equivalent benchmark land value for site				£ 275,000
Potential for CIL for the scheme				£ 143,556
Potential per sq m				£ 131

Non-residential Viability Assessment Model

Superstore

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

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£226	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 226	
Annual rent for assesment (total) - NIA			£ 536,655	
Yield			5.11%	
(Yield times rent)			**£ 10,502,055**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 9,926,328**
SCHEME COSTS				
Build costs	£ 1,173	per sq m	£ 2,932,100	
Allowance for Part L 2013	£ 20	per sq m	£ 50,000	
BREEAM Excellent	1.00%	of base build costs	£ 29,321	
External costs	10%	of base build costs	£ 293,210	
Total construction costs				***£ 3,304,631***
Professional fees	12.00%	of construction costs	£ 396,556	
Sales and lettings costs	3%	of GDV	£ 297,790	
S106/278 costs (not covered by CIL)			£ 500,000	
Total 'other costs'				***£ 1,194,346***
Finance costs	7.5%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 337,423	
Void finance period (in months)	12	Months	£ 337,423	
Total finance costs				***£ 674,846***
Developer return	20%	Scheme value		***£ 1,985,266***
Total scheme costs				**£ 7,159,089**
RESIDUAL VALUE				
Gross residual value				£ 2,767,239
Less purchaser costs	4.00	% Stamp duty land tax		£ 110,690
	2.00	% Agent/legal purchase fees		£ 55,345
Residual value	For the scheme			£ 2,610,603
	Equivalent per hectare			£ 4,176,965
		Go to next stage		
Potential for CIL				
Benchmark land value (per hectare)				£ 3,000,000
Equivalent benchmark land value for site				£ 1,875,000
Potential for CIL for the scheme				£ 735,603
Potential per sq m				£ 294

Non-residential Viability Assessment Model

200 bedroom full service hotel

Size of unit (GIA)	10000	sq m	
Ratio of GEA to GIA	100.0%		
GEA	10000	sq m	
NIA as % of GIA	95%		
NIA	9500	sq m	
Floors	4		
Site coverage	50%		
Site area	0.50	Hectares	

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£108	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 108	
Annual rent for assesment (total) - NIA			£ 1,022,200	
Yield			6.80%	
(Yield times rent)			**£ 15,032,353**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 14,208,273**
SCHEME COSTS				
Build costs	£ 1,367	per sq m	£ 13,665,200	
Allowance for Part L 2013	£ 20	per sq m	£ 200,000	
BREEAM Excellent	2.00%	of base build costs	£ 273,304	
External costs	10%	of base build costs	£ 1,366,520	
Total construction costs				***£ 15,505,024***
Professional fees	12.00%	of construction costs	£ 1,860,603	
Sales and lettings costs	3%	of GDV	£ 426,248	
S106 costs (not covered by CIL)			£ 5,000	
Total 'other costs'				***£ 2,291,851***
Finance costs	7.5%	Interest rate		
Build period	14	Months		
Finance costs for 100% of construction and other costs			£ 1,557,227	
Void finance period (in months)	0	Months	£ -	
Total finance costs				***£ 1,557,227***
Developer return	20%	Scheme value		***£ 2,841,655***
Total scheme costs				**£ 22,195,756**
RESIDUAL VALUE				
Gross residual value				-£ 7,987,483
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 8,147,233
	Equivalent per hectare			-£ 16,294,466
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 740,000
Equivalent benchmark land value for site				£ 370,000
Potential for CIL for the scheme				-£ 8,517,233
Potential per sq m				NONE

Non-residential Viability Assessment Model

70 bedroom budget hotel out of town

Size of unit (GIA)	2450	sq m	
Ratio of GEA to GIA	100.0%		
GEA	2450	sq m	
NIA as % of GIA	95%		
NIA	2327.5	sq m	
Floors	3		
Site coverage	50%		
Site area	0.16	Hectares	

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£129	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 129	
Annual rent for assesment (total) - NIA			£ 300,527	
Yield			6.20%	
(Yield times rent)			**£ 4,847,206**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 4,581,481**
SCHEME COSTS				
Build costs	£ 925	per sq m	£ 2,267,132	
Allowance for Part L 2013	£ 20	per sq m	£ 49,000	
BREEAM Excellent	2.00%	of base build costs	£ 45,343	
External costs	10%	of base build costs	£ 226,713	
Total construction costs				***£ 2,588,188***
Professional fees	12.00%	of construction costs	£ 310,583	
Sales and lettings costs	3%	of GDV	£ 137,444	
S106 costs (not covered by CIL)			£ 10,000	
Total 'other costs'				***£ 458,027***
Finance costs	7.5%	Interest rate		
Build period	10	Months		
Finance costs for 100% of construction and other costs			£ 190,388	
Void finance period (in months)	6	Months	£ 114,233	
Total finance costs				***£ 304,621***
Developer return	20%	Scheme value		***£ 916,296***
Total scheme costs				**£ 4,267,132**
RESIDUAL VALUE				
Gross residual value				£ 314,348
Less purchaser costs	3.00	% Stamp duty land tax		£ 9,430
	2.00	% Agent/legal purchase fees		£ 6,287
Residual value	For the scheme			£ 299,379
	Equivalent per hectare			£ 1,832,934
		Go to next stage		
Potential for CIL				
Benchmark land value (per hectare)				£ 740,000
Equivalent benchmark land value for site				£ 120,867
Potential for CIL for the scheme				£ 178,513
Potential per sq m				£ 73

Non-residential Viability Assessment Model

Edge of centre mixed leisure development

Size of unit (GIA)	3800	sq m			
Ratio of GEA to GIA	100.0%				User input cells
GEA	3800	sq m			Produced by model
NIA as % of GIA	95%				Key results
NIA	3610	sq m	GEA		*Gross external area*
Floors	2		GIA		*Gross internal area*
Site coverage	80%		NIA		*Net internal area*
Site area	0.24	Hectares			

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£97	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 97	
Annual rent for assesment (total) - NIA			£ 349,592	
Yield			7.30%	
(Yield times rent)			**£ 4,788,937**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 4,526,405**
SCHEME COSTS				
Build costs	£ 1,151	per sq m	£ 4,375,016	
Allowance for Part L 2013	£ 20	per sq m	£ 76,000	
BREEAM Excellent	1.50%	of base build costs	£ 65,625	
External costs	10%	of base build costs	£ 437,502	
Total construction costs				***£ 4,954,143***
Professional fees	12.00%	of construction costs	£ 594,497	
Sales and lettings costs	3%	of GDV	£ 135,792	
S106 costs (not covered by CIL)			£ 20,000	
Total 'other costs'				***£ 750,289***
Finance costs	7.5%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 427,832	
Void finance period (in months)	0	Months	£ -	
Total finance costs				***£ 427,832***
Developer return	20%	Scheme value		***£ 905,281***
Total scheme costs				**£ 7,037,546**
RESIDUAL VALUE				
Gross residual value				-£ 2,511,140
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 2,561,363
	Equivalent per hectare			-£ 10,784,686
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 740,000
Equivalent benchmark land value for site				£ 175,750
Potential for CIL for the scheme				-£ 2,737,113
Potential per sq m				NONE

Non-residential Viability Assessment Model

Care home 60 bedrooms

Size of unit (GIA)	2100	sq m
Ratio of GEA to GIA	100.0%	
GEA	2100	sq m
NIA as % of GIA	95%	
NIA	1995	sq m
Floors	2	
Site coverage	40%	
Site area	0.26	Hectares

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

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£88	
BREEAM premium (% uplift on headline rent)			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 88	
Annual rent for assesment (total) - NIA			£ 176,023	
Yield			6.30%	
(Yield times rent)			**£ 2,794,013**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 2,640,844**
SCHEME COSTS				
Build costs	£ 1,410	per sq m	£ 2,960,076	
Allowance for Part L 2013	£ 20	per sq m	£ 42,000	
BREEAM Excellent	1.50%	of base build costs	£ 44,401	
External costs	10%	of base build costs	£ 296,008	
Total construction costs				***£ 3,342,485***
Professional fees	12.00%	of construction costs	£ 401,098	
Sales and lettings costs	3%	of GDV	£ 79,225	
S106 costs (not covered by CIL)			£ 75,000	
Total 'other costs'				***£ 555,323***
Finance costs	7.5%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 292,336	
Void finance period (in months)	0	Months	£ -	
Total finance costs				***£ 292,336***
Developer return	20%	Scheme value		***£ 528,169***
Total scheme costs				**£ 4,718,313**
RESIDUAL VALUE				
Gross residual value				-£ 2,077,468
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 2,119,018
	Equivalent per hectare			-£ 8,072,449
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 740,000
Equivalent benchmark land value for site				£ 194,250
Potential for CIL for the scheme				-£ 2,313,268
Potential per sq m				NONE