The Cranbrook Plan: Examination

Matter 15 Viability

Statement on Behalf of East Devon New Community partners

DAVID LOCK ASSOCIATES

Matter 15 – Viability

Issue 21: Are the assumptions made regarding land values fully justified in respect of the Viability / Infrastructure Delivery Plan?

Q166. What evidence is there that the viability assessments reflect the recommended approach in Paragraph 57 of the Framework?

1. As an important precursor to the viability session of the Examination, the context here – a Cranbrook DPD - is different to a conventional Local Plan. The DPD is intended to help delivery of Cranbrook. The delivery of Cranbrook is critical here in East Devon as the delivery of Cranbrook to date has successfully enabled East Devon to meet housing requirements in a sustainable manner and to resist unsustainable development elsewhere in the District.

2. In a normal Local Plan process the early adoption of a Plan may be expected to encourage the delivery of much needed housing. In this instance – for the reasons set out below and in the regulation 19 representations, the early and quick approval of the Cranbrook DPD will have the opposite effect. Once the remaining 1000 plus dwellings are completed within the existing approved consents, the viability issues are such that Cranbrook delivery will slow or halt and pressure will grow for development elsewhere in the District contrary to the East Devon Local Plan.

3. As set out below we believe that the viability is so far awry that the cost of section 106/infrastructure needs to be reduced by something of the order of £60million (for further discussion in the Examination) and consideration given to the affordable housing requirements.

4. <u>After your careful consideration of the evidence in relation to viability, we would urge you to require EDDC to constructive negotiate with EDNCp and other objectors (as appropriate), to achieve a cost saving of some £60m from the proposed infrastructure/section 106 costs and to amend the Plan/IDP accordingly – rather than rush to the unhelpful adoption of the DPD. If, upon consideration, you consider that the savings required are a different figure –then please set out your expectations of necessary cost savings.</u> EDNCp confirm that they are ready and willing to negotiate with the Council and have always wanted to do that (see attached correspondence). It is regrettable that the Council has pressed on regardless and that we have in consequence needed to make such substantive representations in relation to viability and infrastructure delivery.

5. EDNCp agree that a standardised approach in methodology, based on the calculation of a residual land value, has been used that reflects the Framework and Viability Practice Guidance.

6. However, the viability assessment fails to follow the recommended approach in a number of important respects. These include:

    a) the absence of a collaborative and iterative approach (Para 002 of PPG on Viability);

    b) the inappropriate use of inputs in the Council's viability model through the use of inputs that are all at the lower end of the standard range (or below) and some not reflecting the specific circumstances nor reflecting the type of development the Cranbrook DPD is promoting such as the developers risk, mix of house builders likely to be involved which need to be reflected in the base build costs (BCIS figures), treatment of financial costs which are low.

c) the failure to satisfy the advice in Para 29 of the Viability PPG that: "the total cost of all relevant policies should not be a of a scale that will make development unviable".

7. It is considered the treatment of such issues means that the DPD Viability Assessment is a departure from the NPPF para 57 and the associated guidance.

8. Attached to its regulation 19 representations, EDNCp set out an Evidence Paper on Viability Issues dated 23 April 2019. That evidence paper was based on mimicking the Council's viability model for the Bluehayes expansion areas alone and applying more appropriate assumptions. It set out a through critique of various aspects of the Council's approach and inputs – notably benchmark land values and the treatment of SANGS but also the land use budget for the DPD; affordable housing revenue values; and various costs allowances. It demonstrated that the Bluehayes development would not have been found to be viable had appropriate assumptions been made.

9. In July 2019, an update note (4th July 2019) of the EDNCp Evidence paper on viability issues was submitted to the Council. In particular, the Note was updated to reflect new evidence of higher affordable housing revenues that might be anticipated. The updated paper similarly concludes that the Bluehayes development would not have been found to be viable had appropriate assumptions been made in the viability assessment. The Update Paper submitted to the Council in July 2019 is attached as appendix A to this statement. Appendix 2 to that July Update statement also sought to set out on a like for like basis the anticipated infrastructure and section 106 burden on the expansion areas of Cranbrook now proposed in the DPD and the costs that have been and are being incurred in relation to the existing consented scheme for some 3500 dwellings. The comparison in the former case is £28,300 per dwelling in the DPD and £10,900 in the existing scheme (excluding CHP costs funded significantly through external financial support).

10. The arguments set out in both evidence papers remain extant and should be read in conjunction with this statement as being highly germane to the Matters and Questions asked by the Inspector. This applies in particular to the land use budget, the treatment of SANGS and the appropriate developer return.

11. Throughout the preparation of the DPD, EDNCp have sought to engage with the Council mindful of the obligation in the PPG for the Council to collaborate with developers (among other stakeholders) with the specific purpose to "*ensure that policies are realistic and that the total cumulative cost of all relevant policies will not undermine deliverability of the Plan*" (Para 002).

12. Examples of correspondence to the Council in this regard is set out in Appendix B to this note seeking engagement on viability issues prior to the submission of the DPD. In the event the DPD was submitted to the Secretary of State in July 2019. The only response received from the Council is that set out in Appendix C to this statement which effectively makes no amendments or further attempt to strike the balance between policy expectations and viability. As EDNCp understand the Council's approach, regrettably (as despite repeated efforts by EDNCp no serious or constructive dialogue has taken place with EDDC), it is that it will be for the Examiner to consider the arguments and evidence put by both sides. No draft of the Viability Study was published, and the final version of the Viability report (dated January 2019 but only published in February 2019) was only made available alongside the Submission version of the DPD which had

been finalised and published for approval a few days later by the EDDC Strategic Planning Committee in February 2019.

13. In order to assist the Inspector, EDNCp have prepared a further Update Note of the viability issues and assumptions underpinning the Cranbrook DPD. This has been prepared by Whiteleaf Consulting with inputs from Nigel Jones of Chester Commercial. In order to most assist the Inspector, the latest (January 2020) Note updates information where necessary but in particular, mimics the Council's viability model over not just the Bluehayes development (as previously) but across the 4,170 dwellings and allocations proposed in the DPD.

14. Again the headline is that the policies in the DPD and the assumptions made in the Cranbrook DPD result in a development that falls a long way short of viability. The latest January 2020 note sets out the reasons for this. The Note is attached as Appendix D highlights the issues of developer rate of return and the calculation of the residual land value (once an appropriate value is assigned to the SANGS land and an appropriate land use budget is adopted). These key points are addressed also in this Statement.

15. For the sake of the avoidance of repetition, there are a number of other factors and differences however that are set out in the January 2020 update note that need to be considered at the DPD examination. These include:

- Sales rates (although the Councils trajectory has been adopted in the Whiteleaf model;
- Base build costs;
- Professional fees;
- Finance costs;
- Marketing and selling costs; and
- Affordable housing revenue

16. Before moving on from those issues in this statement I include by way of reference an appeal decision in relation to "The Manor, Shinfield" [APP/X0360/A/12/2179141 dated 8 January 2013 and often cited in relation to viability matters. In relation to professional fees the decision considers that they are normally in the range of 8% to 12% and that 10% seems more realistic (para 41)). In that decision the Inspector also:
    - noted that the parties agreed a debit rate of 7% for finance costs (para 56); and
    - concluded that a developer's profit of 20% of GDV was to be preferred as reasonable, being "at the lower end of the range" (para 44) [the range of 20-25% being the usual targets evidenced from national housebuilders].

17. The decision is appended to this statement as Appendix E by way of reference. In addition, Appendix I includes a summary and case reference of other decisions concerning relatively small schemes where a 20% developer return has been found to be appropriate. That Cranbrook involves considerable additional scale and complexity only adds to the robustness of a 20% developer return at Cranbrook.

18. One of the key issues in the viability assessment is the developer's expectations of a development return. The Viability Planning Practice Guidance (para 002) notes that "*it is the responsibility of site promoters to engage in plan making, take account of any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant*". This is exactly what EDNCp have sought to do throughout since the Councils policies and viability work were published. Since this was unsuccessful, this is exactly what EDNCp is seeking to do through the Cranbrook DPD examination. The issue remains that EDNCp's attempts to participate have yet to achieve the outcome in sought in the PPG – ie proposals for development that are policy compliant. The DPD has been rushed out on the basis of viability assessment that was produced at the last minute and with little or no real engagement.

19. The context for the discussion with regard to the rate of return is that the Council has had to place an expectation on developers that they will only receive a 17.5% return on development value for market housing and only 6% of affordable housing costs (not revenue). EDNCp consider that a minimum developer's return of 20% is required on market housing and 6% of development value on affordable housing.

20. The expectation of a 17.5% rate of return is wholly inconsistent with the all available evidence and precedent. Equally it fails to reflect that Cranbrook is a town development project not a simple housing development. There are complex development, infrastructure and sustainability requirements and the developer return must reflect this.

21. The East Devon Viability Study 2013 (see attached Appendix F) considers Cranbrook as a strategic development site in section 7.4. Prepared by Peter Brett and Three Dragons, and adopted by the Council, the report says that the main testing should be based on a 20% return. It also includes a sensitivity test to allow for a 22.5% rate of developer return – presumably since 20% would have been at the lower end of expectations. Inspector Thickett, in writing to the Council on 24 April 2014, noted that *"I am satisfied that the assumed rate of return[of 20%] is reasonable and supported by appropriate evidence"* (Appendix G).

22. Equally, the latest (2019) Viability Study prepared for EDDC to support the Draft Charging schedule adopts and tests some 13 case studies/development typologies varying from a small site with no affordable housing to the expansion of Cranbrook. They do so in different areas of the District.

23. Bizarrely whilst a 17.5% developers return is assumed for the most costly, complex and long term development in one of the least valuable areas of the district (Cranbrook):
- a 20% return, plus a buffer, is employed in the Viability Study for the smallest and simplest residential scenarios; and
- a 20% return is employed in the Viability Study for the high value areas of the district at Sidmouth and Budleigh Salterton – when setting CIL rates (see Appendix H of the Viability Study).

24. Having had to reduce the rate of return at Cranbrook to 17.5% (to try and make the viability model work rather than to reflect evidence) the latest viability study also appears to include little or no buffer compared with sites where there a positive CIL rate is set.

25. Please refer to paragraphs 5.37 to 5.59 of the April 2019 Evidence Paper submitted by EDNCp as part of its Regulation 19 representations for a more detailed explanation of why it is wholly inappropriate to arbitrarily reduce the expected developer rate of return.

26. The only rationale offered to reduce the return from the 20% employed everywhere else in the District, and indeed in the previous Viability Testing report that supported the previous CIL schedule (where 20% was employed at Cranbrook) is offered by Three Dragons in para 6.4.3 of the Viability Study: *"As noted in section 2, PPG suggests a range of 15%-20% developer return. Given that the initial development at Cranbrook is now well under way it is justifiable to assume that the overall level of risk is reduced and therefore the developer return need not be at the top of the range suggested by PPG".*

27. This is a wholly inappropriate interpretation of the PPG guidance implying that the 15-20% range is applicable to any site. That however is not its intent - The range is to reflect the range of sites - small and simple to large and complex.

28. Equally national planning guidance acknowledges that plan makers should adopt appropriate figures "according to the type, scale and risk profile of planned development" (NPPG Reference ID: 18-002-20180724), not pick an average.

29. Para 2.1.18 - 21 of the EDDC Viability Study draws attention to the publication "Viability Testing Local Plans - Advice for Practitioners" highlighting its role as guidance and its endorsement by MHCLG; LGA; PINS and POS.

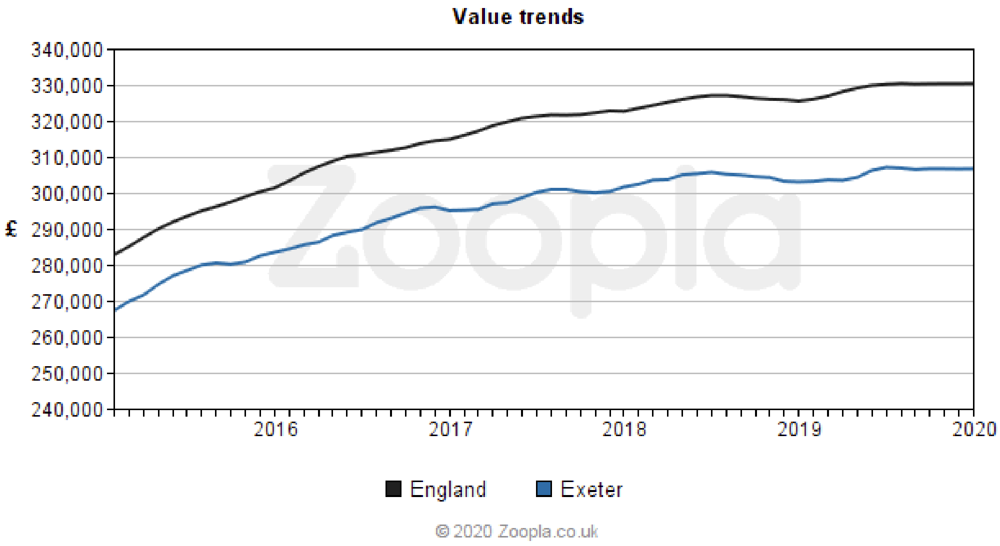
30. That guidance is helpful in relation to developers return noting in particular that: "*the required developer return varies with the risk associated with a given development and the level of capital employed" (Viability Testing Local Plans – Advice for Planning Practitioners, June 2012 page 36*).

31. In practice therefore:
   - *"Smaller scale, urban infill sites will generally be regarded as lower risk investments when compared with complex urban regeneration schemes or large scale urban extensions" (Viability Testing Local Plans – Advice for Planning Practitioners, June 2012 page 36*).
   - *"Schemes with high upfront capital costs generally require a higher gross margin in order to improve the return on capital employed". (Viability Testing Local Plans – Advice for Planning Practitioners, June 2012 page 37*).

32. The principal factors contributing to risk include: value, costs, delay, financing.

33. Viability Testing Local Plans - Advice for Practitioners – sets out the relationship between risk and value (as well as other factors) as follows: "*project risk is a function of the strength of the housing market within the given area, the size of the scheme and the extent of any abnormal and unpredictable costs such as remediation or new technologies*" (page 45). So, project risks and required rate of return are lower in high value areas. Devon is not a high value area and, within East Devon, Cranbrook and the edge of Exeter are accepted as lower value areas – with lower CIL rates adopted as a result in the current CIL schedule. Cranbrook offers values lower than Exeter also.

<u>Value profile of Exeter area compared with England and with the higher value South East</u>



34. As to costs, reference is made above to the comparison between the infrastructure/section 106 costs for the expansion areas as envisaged in the DPD (some £28,300 per dwelling) and those in the existing 3500 permission (£10,900 per dwelling excluding in the later case CHP (which was significantly funded with external support)).

35. The potential costs of development have therefore grown very substantially since the current phase of development increasing the risks to the developers and increasing the rate of return that is likely to be required to secure necessary borrowing.

36. There is also significant additional uncertainty and risk relating to the costs of development at this point in time – not least the effect of exiting the European Union on Build Costs.

37. There is less prospect of grant or loan funding now than was known about at the time of the commencement of Cranbrook - in particular the up front Kick Start funding that was made available to support the early phases of development. The developer risk grows accordingly. There is little comfort from the District Council that funding support may be replicated.

38. That the upfront costs and risks are undiminished is further emphasised by the fact that three of the expansion areas have been the subject of comprehensive outline planning applications since December 2014 (Treasbeare, Bluehayes and The Cobdens). The DPD has added substantial delay and cost and there is still no certainty when the applications will be determined. . The extended timescales and lack of certainty plus the promotion and pre development costs therefore remain extensive in connection with the expansion areas. Land for some of the expansion areas has been tied up for 10 or more years – with the costs of promotion disproportionately high as a result.

39. Similarly, the implementation period post commencement is undiminished. If anything the absence of Kick Start funding may result in more extended implementation period. Implementation over extended periods inevitably exposes developers to extra risk - changes in market, changes in costs, changes in regulatory environment etc etc. None of these risks are reduced in the case of the expansion areas compared to the first phase of Cranbrook now being implemented.

40. One issue raised in the Update Note attached as Appendix D, is that of cash flow. Whilst we have yet to be able to examine the cash flow forecasts adopted in the Council's Three Dragons

model (despite requests for more detailed information) we understand that these will are based on the highly optimistic development profile set out in Table 6.5 of the 2019 Viability Study. Whilst necessarily high level Whiteleaf Consulting in its updated report (Appendix D to this statement) reveals that the expansion areas may not turn cash positive. This has a dramatic effect on risk and the required rate of return.

41. For all of the reasons above the appears to be no basis whatsoever to adopt a reduced 17.5% developer return in the Viability Study.

42. Other matters in relation to viability are set out in the attached appendices or in response to other questions raised by the Inspector.

43. Finally, by way of context, the most recent independent consideration given to viability at Cranbrook was in the context of the present adopted CIL Charging Schedule. Mr Thickett's Report of the Examination of the Draft CIL Charging Schedule is attached as Appendix H to this statement for reference. By way of comparison Mr Thicket noted in para 15 that the then assumed section 106/infrastructure costs was £3,879.50 per dwelling, and that the proposed £125 per sq metre rate could not be supported in the expansion areas. Instead, allowing for an appropriate buffer, a rate of £68 per sq metre was proposed and adopted Assuming an average GIA per dwelling of 95sq metres (as assumed in the latest Three Dragons viability study) then the collective obligation then considered appropriate was £6,460 per dwelling (95sq m x £68 per sq. metre) per dwelling of CIL plus £3,879 of section 106 = £10,339 per dwelling. – dramatically below that now proposed.

Q167. Should Travel Planning be listed as critical rather than important in relation to the priority attributed to it? How would this impact on the viability of its delivery?

44. EDNCp has not commented specifically on the prioritisation of any item – travel planning or the upgrading of London Road. As a generality both important and critical requirements in the IDP are treated as a S106 cost in the Viability Appraisal in support of the Cranbrook DPD. Therefore, the treatment as critical or important is irrelevant to the Councils stance.

45. It is our view that greater rather than less distinction should be drawn between those infrastructure elements regarded as critical and those that are considered important or indeed desirable and considerably greater scrutiny should be applied to the planning obligation tests.

46. Again by way of reference, EDNCp note that the previous 2015 IDP ranked infrastructure across the district in the same manner but with just £44.8m critical, £167.4 necessary and £30.9 as desirable (para 6, Appendix G). The Cranbrook IDP disproportionately determines that virtually all infrastructure is critical.

Q168. Should the upgrading of London Road be critical given its linkage to Policy CB25?

47. See above.

Q172. What is the risk associated with a blended benchmarking rate regarding delivery of infrastructure serving Cranbrook?

48. It gives a false assessment of affordability as it treats SANGS as a low cost element providing for additional available monies to pay for infrastructure when in reality this would be needed to purchase the SANGS land.

Q169. How is the Section 106 allowance of £16,828 per plot arrived at? Does it reflect the actual cost of contributions?

49. The calculation of £16,828 appears to be the simple division of the £70.17m estimated section 106 costs set out in Table 6.4 of the CIL Viability study by 4170 dwellings.

50. The figure does not reflect the total infrastructure costs as set out as £113m in the Cranbrook IDP. The estimate therefore seeks to describe elements of this bill as development costs. The figure therefore gives a false impression of the full obligations required for the Cranbrook expansion areas.

51. In terms of actual costs, these may vary subsequently as they are estimated only at this stage with widely varying degrees of accuracy. The list is also not described as exclusive and may be subject to additional costs. For instance, the NHS in a consultation response on the latest Bluehayes application seeks a contribution of the order of £1m (broadly £4m for Cranbrook as a whole).

Q170. Is a breakdown of disaggregated assumed abnormal costs available and how has it featured in the costs per dwelling figure?

52. Within the DPD Viability the abnormal development costs are stated as £210,529,283 or £52,632 per unit (plus £76m for section 106 costs). Some work has been undertaken in understanding these costs although further information has been requested from EDDC. It is understood these are derived from the Council's Masterplan and benchmarked against other developments. However, such costs can never be fully understood until further detailed master planning and site investigation has been undertaken at application stage. Such uncertainty adds to the development risk associated with such a large strategic project.

Q171. What is the justification for deviation from the same benchmark rate across the development (eg SANGS).

53. This is a question directed primarily towards the Council and is a key issue within the DPD Viability Assessment.

54. The EDDC Viability Assessment has assumed SANGS land can be purchased at normal agricultural land values (£25,000 per hectare). This is not a logical assumption for all of the reasons set out in the EDNCp Viability Evidence Paper (23 April 2019) submitted with EDNCp's Regulation 19 representations.

55. In the spirit of minimising the repetition of evidence and the length of additional statements - reference should be made to paragraphs 5.12- 5.18. There is no reason to assume a £25,000 per hectare value for the SANG land and to artificially deflate the benchmark rate to £205,000 per hectare. Primarily the DPD dictates where the SANGS land should go (generally within the same land ownerships and contracts as the development land) reducing the chance of the developer negotiating release of other land at a lower cost. The release of the land releases residential land values and enhances the value accordingly.

56. There is a high risk to deliverability due to having a falsely low benchmark value (especially when coupled with other issues with the Viability Assessments). The risk here is that in using a low benchmark value, the resultant developments are not viable, impacting on their ability on infrastructure delivery.

Q173. What evidence is there to support the land values used in the assessment?

57. The use of £300k pgha is not objected to. What is not supported is reducing to a blended reduced value by assuming SANGS land would be available to a developer at normal agricultural values. See points made at Q172.

Q174. What evidence is there to support the index used for the assessment? Does it reflect current costs or inflation over the interim period?

58. No comment.

Q175. Does the GDV used by Three Dragons follow market norms?

59. The revenues for market housing used by Three Dragons in their Model are not contested. However the values it should be treated with some caution given that the market is changeable at this moment in time and that we have the issue of space standards to conform to, which could dilute revenues.

60. Equally the ability to deliver the housing units within specific development areas is questionable. For example, at Bluehayes the net acreage available for housing development is less than that assumed in the DPD Viability Assessment. This means that the density has to increase to above market norm or the number of units has to decrease. Both have an impact on the GDV either by a high-density development providing lower revenue units or by decreasing the number of units. Please refer to para 5.19 to 5.36 of EDNCp Viability Evidence Paper (23 April 2019) submitted with EDNCp's Regulation 19 representations.

Q176. Has any sensitivity testing been undertaken in respect of the figures used in the housing trajectory?

61. This matter can have a significant impact on the viability as it determines how quickly a developer pays back the upfront costs associated with the development and thus what finance costs need to be accounted for. It is not apparent that additional sensitivity testing of a more realistic housing trajectory has been undertaken by EDDC.

62. In Appendix D Whiteleaf Consulting in its updated report reveals that the expansion areas may not turn cash positive. This has a dramatic effect on risk and the required rate of return.

Q177. How does the plan adequately acknowledge the value of residential development land lost to infrastructure?

63. The Plan significantly underestimates the amount of land required for infrastructure. In addition it significantly underestimates the amount of land that will form the master plans for each expansion area. No detail is available in DPD documentation other than a theoretical land use budget. No account is taken of site topography, features, place making etc. The theoretical land use budget is potentially some 40 hectares less than the land that is allocated and could come forward for development through detailed master planning work.

64. The effect is again to artificially depress the calculated residual land value as well as potentially impacting on density and hence revenues.

Q178. What justification is there for the trajectory of housing delivery at Cranbrook in comparison to the actual delivery of units since 2011?

65. Housebuilding commenced at Cranbrook in May 2012 with first completions in September of that year. The Council's most recent Housing Monitoring Report estimates that 2004 dwellings were completed by 31 March 2019. On average therefore completion rates between September 2012 and April 2019 have been some 308 per annum, albeit higher initially when supported by Kick Start funding. More recently development rates have dropped as a result of market changes and delay in securing detailed approvals.

66. While it is possible that the completion rates may increase from these figures with the construction of the four expansion areas simultaneously a substantial increase in build rates to 585 is unrealistic. Similarly, the estimates of first completions in 2020/21 and 2021/22 are optimistic.

Q179. To what extent does the higher projection affect the delivery of the overall volume of housing at Cranbrook in relation to housing delivery.

67. Housing delivery is market driven. If the market is stagnated then delivery is stagnated. Simply applying a higher delivery in a Viability Assessment will not ensure such a delivery can be met by the market. It will provide for an unrealistic Viability Assessment especially when coupled with other concerns on the DPD Viability Assessment.

AQ21. Are any Main Modifications proposed in relation to Issue 21?

68. It is for the Council to propose Main Modifications.

69. <u>For the DPD to be viable it continues to be necessary to:</u>
- <u>reduce the expectations placed on the development in respect of affordable housing and other costs; and/or</u>
- <u>reduce the expectations placed on the development in terms of infrastructure delivery and section 106 obligations.</u>

70. To assist the Inspector the work completed by Whiteleaf and Partners suggests that on the basis of their evidenced assumptions in Appendix E then to ensure a viable development then the affordable housing contribution would need to be reduced to 10% AND a substantial proportion of the development costs/section 106 expectations would be unaffordable (potentially some £60m of the £113m spelt out in the Cranbrook IDP). This would need to be coupled with other more realistic assumptions relating to other inputs into the development model.

71. As set out above a<u>fter your careful consideration of the evidence in relation to viability, we would urge you to require EDDC to constructive negotiate with EDNCp and other objectors (as appropriate), to achieve a cost saving of some £60m from the proposed infrastructure/section 106 costs and to amend the Plan/IDP accordingly – rather than rush to the unhelpful adoption of the DPD. If, upon consideration, you consider that the savings required are a different figure – then please set out your expectations of necessary cost savings. This is critical if delivery of Cranbrook and housing in East Devon is not to be undermined.</u>

72. As indicated in the PPG a balance needs to be struck. The DPD seeks to achieve all possible outcomes in terms of Healthy new towns, Zero carbon, GI, custom built housing; Design Codes; digital connectivity; new railway infrastructure; ultra low emission charging and so on and so on. The anticipated extremely large section 106 contributions and the 15% affordable housing policy expectation are therefore unaffordable.

73. EDNCp have hitherto suggested scenarios to close the gap between the demonstrable residual values and the benchmark values. Consideration needs to be given to:
    a. A reduction in the affordable housing expectation to 5% or 10%;
    b. An amendment in the affordable housing tenure mix;
    c. A reduction in the proportion of an infrastructure cost that is anticipated to be attributable to Cranbrook expansion
    d. The removal, or postponement until funding is secured from third parties, of a number of infrastructure savings.

74. It is likely that more than one of the above options will be necessary.

75. With regard to potential savings in the infrastructure/section 106 obligation expectation, a number of factors should be considered including:
    a. The lack of soundness evident in a number of the policy aspirations of the Plan (see EDNCp representations on a number of DPD policies – often the result of a failure to be consistent with national policy);
    b. The cost effectiveness of infrastructure expectations - for instance:
        - a cost of £8million to help deliver public transport – the benefits of which are not demonstrated and which in any event are claimed only in relation to the very final phases of development;
        - a collective and overlapping cost (£27million) of Combined Heat and Power PLUS carbon reduction measures;
    c. the ability to deliver elements sought – e.g. the feasibility and practicality of delivering the Health and Wellbeing Centre when the constituent parts are increasingly looking to different delivery models;
    d. those elements of the package that need not be funded by the development but that are more effectively and more likely delivered by the private sector – for instance extra care housing (£3.5m), the retail asset endowment.

76. Equally it is apparent that there is no detailed costing for a number of elements of the IDP or that this is an exhaustive list. It remains high level and detailed viability testing is likely to be necessary at the application stage to reflect – revised costs, detailed masterplannimg, the availability of their party funding etc.

77. That further viability assessment is likely to be necessary given the uncertainty and inaccuracy presently attached to the evidence base should be made explicit in the Inspectors report.

SCHEDULE OF APPENDICES

APPENDIX A: REPRESENTATIONS ON THE CRANBROOK PLAN – EVIDENCE PAPER VIABILITY ISSUES Update Note (4 July 2019)

APPENDIX B: CORRESPONDENCE TO EDDC PRIOR TO SUBMISSION OF DPD (Both Letters sent to all Members of Strategic Planning Committee and officers)

APPENDIX C: RESPONSE RECEIVED FROM EDDC

APPENDIX D: Cranbrook Expansion Viability Issues: Executive Summary and Conclusions, January 2020, Whiteleaf Consulting

APPENDIX E: APPEAL DECISION, The Manor Shinfield (APP/X0360/A/12/2179141)

APPENDIX F: EAST DEVON VIABILITY STUDY, 2013.

APPENDIX G: Letter from Mr Thickett to EDDC 24 April 2014

APPENDIX H: REPORT OF EXAMINATION OF DRAFT CIL CHARGING SCHGEDULE, 15 January 2016

APPENDIX I: APPEAL DECISIONS REGARDING DEVELOPER RETURN (Tetlow King)

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REPRESENTATIONS ON THE CRANBROOK PLAN: EAST DEVON NEW COMMUNITY PARTNERS

EVIDENCE PAPER: VIABILITY ISSUES – Update Note (4 July 2019)

[Without prejudice to EDNCp formally submitted representations]

1 Introduction

1.1 In making representations in relation to the Submission version of the Cranbrook DPD, East Devon New Community Partner set out detailed submission in respect of the viability issues raised by the Cranbrook DPD (Evidence Paper: Viability Issues 23 April 2019)

1.2 The EDNCp evidence paper highlighted a number of issues leading to a conclusion that the proposals in the DPD are not viable. Attention was drawn in particular to three key issues (albeit that these issues were by no means the only ones of concern). In particular, it highlighted issues in respect of:

a. the benchmark land values assumed for the purposes of establishing that the land would be brought forward for development and the treatment of the value of SANGS in a blended benchmark value;

b. the underestimation of the land use budget necessary to deliver the planned expansion areas which has the important twin effect in relation to the robustness of the Viability Study of:
   i. depressing the so-called blended benchmark rate by artificially inflating the SANG element as a proportion of the total necessary development area; and
   ii. inflating the residual value per hectare by underestimating the hectarage required to deliver the development.

c. the reliance of the EDDC Viability Work on one scenario only, of a 17.5% developer rate of return, and an assumption that the since development is underway a lower level of risk might be assumed in the expansion areas;

d. an exaggeration in the Council's work of the values that might be achieved through the transfer of affordable homes.

1.3 The paper highlighted EDNCp's hope that ongoing engagement would be established and would lead to an updating of the Viability Study to reflect discussion with the developers (for the first time) and, in all likelihood, amendments to the policy ambitions of the DPD.

1.4 The consequences of adopting more appropriate and evidenced assumptions in respect of these issues (not all issues) is presented in Appendix 1 "*Cranbrook Expansion Viability Issues: Executive and Conclusions Summary*" produced by Whiteleaf Consulting Limited and Brookbanks Consulting Limited, appended to EDNCp's Viability Evidence Paper. The calculation mimics the model developed by Three Dragons then varies the assumptions in accordance with the evidence. For simplicity it assumes 930 dwellings can be accommodated within the EDNCp controlled area of Blue Hayes expansion area. It makes pro rata assumptions relating to the costs and section 106 and policy expectations.

1.5 Since the preparation of the Evidence Paper within the 6 week consultation period available, in April 2019, updated information has become available in a number of areas. This update note sets out that information and is intended to allow further engagement in terms of what is likely to be necessary if Cranbrook expansion is to become viable. The remainder of this paper sets out where updates should be taken into account.

1.6 <u>For the avoidance of doubt this update note is provided without prejudice to EDNCp's formally submitted representations in April 2019. The April 2019 Evidence Paper: Viability Issues submitted with EDNCp's representations on the Cranbrook DPD remains extant and continues to comprise EDNCp's formal representations on the DPD (along with other representations submitted).</u>

2 Updates

a. Affordable Revenue

2.1 One area of update is in relation to treatment of income from affordable housing.

2.2 Three Dragons in EDDC's Viability Study (January 2019) adopts a blended rate affordable housing revenue of approximately £2,000 per sm (or £185 per sq.ft).

2.3 In April, EDNCp considered that the most appropriate blended rate to employ within the viability study was rather less (at some £138 per sq foot or some £1,404 per sm). This was based on transfer values that had been obtained in relation Cranbrook 3500 (the existing phase of Cranbrook's development) and the preliminary discussions with registered providers that were possible in the DPD consultation period.

2.4 Subsequently, further consultation has confirmed that higher affordable housing values are likely to be sustainable. EDNCp consider that evidence provided by RPs would support a higher blended rate of £177 per sq ft - similar albeit not quite that assumed by Three Dragons. The values are based on 70% rented and 30% intermediate.

2.5 This revised assumption in relation to affordable housing revenues has been reflected in an updated version of "*Cranbrook Expansion Viability Issues: Executive and Conclusions Summary*" produced by Whiteleaf Consulting Limited and Brookbanks Consulting Limited which is appended to this update (Appendix 1).

b. Developers Rate of Return

2.6 In Section 5b (paras 5.37-5.59) of the April 2019 EDNCp Evidence Paper: Viability Issues, a comprehensive rationale and evidence base is set out concluding that there is no basis to adopt a reduced 17.5% developer return as is the case within the EDDC Viability Study.

2.7 Indeed, a somewhat perverse position appeared to be set out in EDDC's Viability Study whereby a 20% rate of return is employed in all of the other residential appraisals set out in the Council's Viability Study and bizarrely:

- a 20% return is employed in the Viability Study for the smallest and simplest residential scenarios while 17.5% is employed for Cranbrook; and
- a 20% return is employed in the Viability Study for the high value areas of the district at Sidmouth and Budleigh Salterton and 17.5% at Cranbrook which is one of the lowest value areas of the district.

2.8 EDNCp's comprehensive critique in April 2019 remains entirely accurate.

2.9 Indeed, it is reinforced by updated information and evidence that has been assembled subsequently.

2.10 In April 2019, the EDNCp contrasted the section 106 costs being proposed as part of the DPD in the expansion areas with those that had been evident within the first 3500 home phase of Cranbrook's development. It was estimated that the EDDC Viability Study was seeking £18,297 per dwelling in Cranbrook's expansion areas Cranbrook [that excludes approximately £43million of items identified in the

Cranbrook Infrastructure DPD as section 106 costs which, in the Viability Study, have been apportioned to other headings (CHP (£20m); transport works (£8.3m); undergrounding; carbon reduction £6.4m)]. Section 106 costs within the existing Cranbrook development of 3500 dwellings were estimated by EDNCp to be some £11,500 per dwelling.

2.11 Further work has been undertaken to ensure that a like for like comparison is made. That information was provided to EDDC in May 2019 but is appended here for completeness (Appendix 2). On a like for like basis, the updated information is that the DPD is seeking £28,300 per dwelling in the expansion areas. Much will be upfront and will need to be funded at risk. On the same basis, the contribution per unit within the first phase of 3500 dwellings was £10,900. The detailed headings are set out in table appended to this note (Appendix 2).

2.12 Given the key principle that "*the required developer return varies with the risk associated with a given development and the level of capital employed" (Viability Testing Local Plans – Advice for Planning Practitioners, June 2012 page 36*), and the dramatic increase in the scale of the expectation for capital employment by the developer in the expansion areas, EDDC's conclusion that a reduction in the rate of return to 17.5% for Cranbrook compared to all other development in EDDC and compared to the previous EDDC viability assessment is even further from the realms of a reasonable conclusion.

3 Consequential Effects

Update of Comparison Table to reflect Updated Affordable Housing Values

3.1 As noted above, in the April representations submission, EDNCp included an appendix to its Viability Evidence Paper – Appendix 1 "*Cranbrook Expansion Viability Issues: Executive and Conclusions Summary*" produced by Whiteleaf Consulting Limited which provided commentary on the EDDC's assumptions and which sought to set out the consequences of adopting more appropriate assumptions.

3.2 In so doing it sought to reflect only some of the principal differences in assumptions – to facilitate comparison. One of the differences in assumptions had been in relation to affordable housing values. This update note explains that that difference between EDDC and EDNCp is now much reduced. Appendix 1 (attached) has been updated to reflect the higher levels of affordable housing now evidenced. This is the only change made to summary comparison.

3.3 The effect of adopting updated affordable housing revenue assumptions, is to increase the net residual value of the mimicked scheme from £2.24m to £6.4million – still substantially below the £12.89m estimated in the Three Dragons/EDDC model and assumptions.

3.4 The effect on net residual value per hectare is an increase from £45,540 to £130,564 still dramatically below the appropriate benchmark value.

3.5 The overall effect of updating the affordable housing values is an unchanged conclusion:

- the DPD places unacceptable levels of cost burden and risk onto the developer;
- the proposals are manifestly not viable.

Additional Concerns

3.6 The mimicked model is developed to allow more ready calculation of the effects of some of the principal assumptions adopted by Three Dragons/EDDC – for comparison purposes.

3.7 There are significant factors which could well result in the viability gap being even higher still. Specifically, the comparison table does not take account of the unrealistic land use budget assumptions employed in the Three Dragons work (see EDNCp Evidence Paper: Viability Issues, April 2019).

3.8 It also relies upon the delivery of 930 dwellings within the Blue Hayes western expansion area controlled by EDNCp and makes no allowance for:

- a primary school or more open space in the expansion area; OR
- any impact on capacity arising from the DPDs demarcation of Built Up areas including in the Western Expansion Area

3.9 A further update since April also serves to emphasise the lack of viability and inappropriate treatment of costs and risks - while a comprehensive assessment of consultation responses has yet to be received or reviewed for the application for the western application area (made in March 2019), the consultation process has already revealed additional anticipated infrastructure costs NOT allowed for in the Three Dragons work. By way of example a £1.33million contribution towards funding health services is sought by the NHS in respect of the 930 dwellings in the west alone (£6million across all of the expansion areas).

3.10 The risk of an even greater viability gap is plain to see.

4 Next Steps

4.1 This update paper does not affect in any fundamental way the conclusions of the April 2019 EDNCp Evidence Paper: Viability Issues. <u>EDNCp do not believe that the DPD proposals as drafted are viable.</u>

4.2 <u>As noted above, for the avoidance of doubt this update is provided without prejudice to the EDNCp formally submitted representations and evidence in April 2019.</u>

4.3 <u>For the DPD to be viable it continues to be necessary to:</u>
- <u>reduce the expectations placed on the development in respect of affordable housing and other costs; and/or</u>
- <u>reduce the expectations placed on the development in terms of infrastructure delivery and section 106 obligations.</u>

4.4 While meaningful and effective dialogue and consultation with developers is a pre-requisite of a sound plan or DPD, and will have to be demonstrable at examination, consultation and discussion to date remains no more than preliminary and superficial. Demonstrable outcomes have yet to emerge. <u>It is for this reason that EDNCp continue to believe it is wholly premature to submit the DPD to the Secretary of State for examination.</u>

4.5 EDNCp are firmly committed to ongoing discussions with EDDC and Three Dragons leading to an updating of the Viability Study to reflect discussion with the developers and, in all likelihood, amendments to the policy ambitions of the DPD. EDNCp hope that such engagement would result in a fulfilment of the PPG obligation that development should not only be viable but also be feasible and "***<u>strike a balance</u>*** *between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission*" (Planning Practice Guidance Viability: para 010).

4.6 The DPD seeks to achieve all possible outcomes in terms of Healthy new towns, Zero carbon, GI, custom built housing; Design Codes; digital connectivity; new railway infrastructure; ultra low emission charging and so on and so on. The anticipated extremely large section 106 contributions and the 15% affordable housing policy expectation are therefore unaffordable.

4.7 EDNCp have hitherto suggested scenarios to close the gap between the demonstrable residual values and the benchmark values. Consideration needs to be given to:

1 A reduction in the affordable housing expectation to 5% or 10%;
2 An amendment in the affordable housing tenure mix;
3 The removal, or postponement until funding is secured from third parties, of a number of infrastructure savings.

4.8 It is likely that more than one of the above options will be necessary. With regard to potential savings in the infrastructure/section 106 obligation expectation, a number of factors should be considered including:

a. The lack of soundness evident in a number of the policy aspirations of the Plan (see EDNCp representations on a number of DPD policies – often the result of a failure to be consistent with national policy);

b. The cost effectiveness of infrastructure expectations - for instance:

- a cost of £8million to help deliver a second station – the benefits of which are not demonstrated and which in any event are claimed only in relation to the very final phases of development;

- a collective and overlapping cost (£27million) of Combined Heat and Power PLUS carbon reduction measures;

c. the ability to deliver elements sought – e.g. the feasibility and practicality of delivering the Health and Wellbeing Centre when the constituent parts are increasingly looking to different delivery models;

d. those elements of the package that need not be funded by the development but that are more effectively and more likely delivered by the private sector – for instance extra care housing (£3.5m), the retail asset endowment.

Appendix 1

"*Cranbrook Expansion Viability Issues: Executive and Conclusions Summary*"

Cranbrook Expansion Viability Issues: Executive and Conclusions Summary

DRAFT UPDATE June 2019

Produced by Whiteleaf Consulting Limited in consultation with Brookbank Consulting limited (both appointed by East Devon New Community partners).

1 **Coverage (built density, square feet per net acre).** For our model we have adopted the NDSS unit sizes, mix and unit numbers promoted in the DPD, but due to net residential area on the Cranbrook Western Extension being lower than Cranbrook as a whole, this creates a coverage of just under 18,000 sqft per net acre. This is in excess of normal market coverage and artificially increases our total revenues and again may present a high risk that this overstates potential viability.

2 **Affordable Revenue**. Following advice, we have amended our view on the affordable revenues and have now adopted a blended revenue per square foot of £177. This compares favourably with that adopted within the DPD model.

3 **Base Build Costs.** Based on our recent experience both of client housebuilder costs and recent viability precedent, we believe there is a high risk that base build costs have been underestimated. Three Dragons have used the lowest available BCIS measure (Lower Quartile) as at last Autumn. Build costs have risen since then and the updated figures are adopted in our assessment. Further, it is not clear that Three Dragons have added any contingency. This would be normal practice, especially when assuming the lowest level of base costs.

4 **External Works Costs Allowance.** For the DPD VA, WWA and Three Dragons have allowed a 7% (of base build) addition for on-plot externals and then used quants/rates to assess "standard" off plot externals (standard estate roads, drainage, utilities supply and associated works). Due to the high-level nature of assessing at Local Plan stage, we have adopted a standard approach of applying a percentage allowance of 13.5% (within the accepted range or 10-15%) to reflect all 'standard' external works, including plots costs AND standard estate works costs.

5 **Costs of infrastructure and site abnormals***.* Our cost consultant has met with WWA and this has resulted in agreement around a total infrastructure and abnormals costs of c£37.4m extrapolated for the 930-unit development.

6 **S106 Contributions** We have, for now, adopted WWA's s106 assessment, extrapolated to the 930 units for the Western Expansion Area.

7 **Other 'general' cost assumptions.** Our overall view is that Three Dragons have adopted levels that are either at the lower end of ranges typically accepted in

practice, or even below in some cases (see table below). Although, taken individually, these might not be too significant, in combination they can present a potentially high risk to delivery. This is especially relevant if other costs (base build and abnormals) are also unrealistically low and density/revenue assumptions are high.

8 **Developer Margin (Profit).** Despite the high level of risk assumed to be borne by the developer from high revenue/density and low-cost assumptions, the DPD VA assumes a developer margin of just 17.5% on private revenue and 6% of affordable build cost. These are significantly below real market hurdle rates, as well as recent precedent in VAs, the latter, in our direct experience, being typically agreed at 20% of private and 6% of affordable revenue (NOT cost). Assuming, at plan stage, that developers will bear significant risks due to the scale and nature of development, this is likely to present a significant risk to delivery.

9 **Benchmark Land Values**. The Three Dragons VA adopts a figure of £300k per gross hectare. We do not disagree with this. They do, however, suggest that for any land required for SANG purposes, a separate allowance of £25k pg ha should apply. We cannot agree with this. There is a strong argument that any land without which a development cannot be implemented, should carry an equal value to the rest of the 'red-line' area. Whichever approach is adopted, it must be recognised that enabling land required will need to be purchased and that the landowner will be aware of the potential allocation to which it relates (and so potentially constrains).

In conclusion, the combination of accommodation mix providing for high densities, low base costs and other general assumptions adopted in the DPD VA is likely, in our view, to overstate potential viability when applied to the western extension and so may risk that the basis of the DPD viability could be judged to be unsound.

National Policy is designed to encourage all parties involved to work together to ensure viability of allocations. In our view, the DPD VA places potentially unacceptable levels of cost burden and risk onto the developer, while constraining profit margins to levels that fail adequately to reflect that risk, thus also threatening potential delivery.

Other ‘general’ cost assumptions.

Comparison Table:

Input	Three Dragons	WCL	Comment
Professional Fees	6%	7% - 8%	WCL is typically accepted range, incl in DVS VAs
Finance	6%	6% - 7%	Three Dragons at bottom of typically accepted rates
Marketing	3%	3.25% - 4%	3% inadequate to cover all selling costs, incl agents’ fees, marketing, show house set up, maintenance and staffing and conveyancing.
Agents and legal fees	1.75%	1.75%	At lower end of accepted rates
Garages cost	£7,500 per unit	£8,900 per unit	WCL based on actual housebuilder garage costs

Table of Key Inputs and Outputs : Comparison between Three Dragons and Whiteleaf
adjusted for affordable housing values
updated 24/06/2019

Input Description	Scenario: Three Dragons (3D)	WCL at 3D Assumpts (check)	WCL at adopted assumptions	Variance
Dwelling Numbers:	**930**	**930**	**930**	
Affordable Content %	15%	15%	15%	
Affordable Numbers	140	140	140	
Land Areas:				
Gross Area (ha)	53.00	53.00	49.30	-11.51
Net Area (ha)	23.04	23.04	21.33	-1.71
net:gross	43.5%	43.5%	43.3%	
Densities & Coverage:				
Density (units per ha)	40.36	40.36	43.60	3.24
GIA market (m2)	77.8k	77.8k	77.6k	0.2k
GIA affordable (m2)	10.6k	10.6k	10.3k	-0.3k
coverage sqft pna	16,728	16,728	17,957	1,229
Total GIA	88.4k	88.4k	87.9k	**-0.5k**
Revenues:				
Revenue Market	226.6m	226.6m	227.3m	0.7m
Revenue Affordable	20.6m	20.6m	19.7m	-0.9m
Total Revenue	247.2m	247.2m	247.0m	-0.2m
Average Revenue per unit (blended)	265.8k	265.8k	265.7k	-0.1k
Average Revenue per sqm (blended)	2793	2793	2810	17
Average Revenue per sqft (blended)	259.5	259.5	261.1	3
Capital Contributions (self build, mixed use)	4.8m	4.8m	4.8m	0
Total Scheme Revenue	**251.9m**	**251.9m**	**252.9m**	**1.0m**
Costs & Fees:				
Build Costs	104.4m	104.4m	116.5m	12.1m
Garages*	2.6m	2.6m	2.0m	-0.6m
Pro Fees	5.4m	5.4m	8.9m	3.5m
Marketing Costs (incl market and AH legals)	6.7m	6.7m	8.0m	1.3m
Exceptional Development Costs	46.9m	46.9m	37.4m	-9.5m
Planning Obligation Costs	17.1m	17.1m	17.1m	0
Costs & Fees totals	**229m**	**229m**	**236m**	**7.0m**
Profit and financing & acquisition:				
Developer's Return (Margin on revenue)	39.6m	39.6m	44.5m	4.9m
Contractor's Return (Profit on Affordable COST)	0.83m	0.83m	1.2m	0.37m
Finance Costs	9.1m	9.1m	9.1m	0m
Agents and Legal Fees	229k	229k	120k	-109k
Stamp Duty	668k	683k	334k	-349k
Total profit, finance and ancillary costs	50.4m	50.4m	55.3m	**4.9m**
Net Residual	**12.89m**	**12.89m**	**6.4m**	**-6.49m**
Net Residual per gross hectare	**243,207**	**243,207**	**130,564**	**-112,643**
Benchmark Land Value (BLV) - Three Dragons	**10.89m**	**10.89m**		
BLV per gross hectare - Three Dragons	**205,414**	**205,414**		
BLV SANGS at equal value to red line application area	**15.9m**	**15.9m**	**14.8m**	**-1.1m**
BLV SANGS at equal value per gross hectare	**300,000**	**300,000**	**300,000**	

* Assumed for Three Dragons model that 37.5% of all homes have garages (table 4.9 of DPD); WCL 30% of private homes
BLV excludes aquistion costs (legal, agent and SDLT)

Appendix 2

Like for Like Comparison of Section 106 and Policy expectations in Cranbrook DPD for Expansion Areas Compared with First Existing 3500 homes Phase of Cranbrook

EDNC

Expansion s106 - Comparison with 3,500 scheme

Update: 13th May 2019

Ref	Section & Elements	Expansion Total £'ks	Expansion Section Total	Phase 1 - 3500 Total £'ks	Phase 1 - 3500 Section Total	Section & Elements
A	**Highways & Transportation**		**£ 20,260**		**£ 12,762**	
1	Cycle routes	£ 2,990		£ 8,143		CHBP
2	Sustaianble transport	£ 8,970		£ 598		Former A30 Improvments
3	Transport works	£ 8,300		£ 215		Offsite minor improvements
4				£ 2,000		J29 & J30
5				£ 368		Monitoring mitigation, etc
6				£ 300		Crannaford crossing
7				£ 2,062		Bus service contribution
8				£ 1,675		Railway station contribution
9				£ 151		Travel plans etc
10				£ 1,750		Tithebarn link
11				£ (4,500)		Grant contributions - Growth Point
12						
B	**Community Amenities**		**£ 21,739**		**£ 1,507**	
1	Community centre	£ 1,100		£ 1,904		MPB
2	Retail asset endowment (to CTC)	£ 2,000				
3	Children's Centre - fit out	£ 30		£ 485		
4	Health & Well-being hub	£ 8,769				
5	Extra care housing - 55 flats	£ 3,500				
6	Blue Light services	£ 1,900				
7	Youth - fit out	£ 30		£ 618		Temp and permanent
8	Library - fit out	£ 480				
9	Sports Centre - Swimming Pool	£ 3,930				
10				£ -		Town Council & Library - Post 3,450
11				£ (1,500)		Grant contributions - Growth Point
12						
C	**Landscape & Recreation**		**£ 17,664**		**£ 2,308**	
1	Play areas	£ 1,560		£ 800		Inc Skate park & youth
2	Allotments	£ 740		£ 55		
3	Grass sports picthes	£ 1,370				
4	Artifical sports pitches	£ 280				
5	Changing roosm and clubhouse	£ 670		£ 440		
6	Cricket pitches	£ 310		£ 160		
7	Tennis	£ 370				
8	Bowling	£ 50				
9	Amentity open space	£ 510				
10	Parks and recreation grounds	£ 1,764				
11	Natural and semi-open green space	£ 1,390				
12	Habitat mitigation	£ 2,050		£ 289		Exe extuary - Contribution
13	SANGs	£ 2,500				
14	SANGs - 2nd tranche	£ 4,100				
15				£ 165		Country Park officer
16				£ 189		CPRC
17				£ 40		Signage contribution
18				£ 30		Trim trail
19				£ 140		Street scene compound
D	**Education**		**£ 21,710**		**£ 18,061**	
1	Primary school - 420 place	£ 7,200		£ 3,386		
2	Primary school - 630 place	£ 10,770				
3	Secondary - enhancement	£ 2,740		£ 14,675		
4	SEN provision	£ 1,000				
5						
E	**Other - Misc**		**£ 31,627**		**£ 3,467**	
1	Engine testing bay	£ 1,200				
2	CHP	£ 20,000				
3	Undergounding power lines	£ 3,000				
4	Carbon Reduction	£ 6,400				
5	Balancing sum (to £113m)	£ 1,027				
6				£ 210		Recycling
7				£ 60		Public Art
8				£ 259		New Comm Officer
9				£ 132		Youth worker
10				£ 150		Comm Dev worker
11				£ 326		Church worker
12				£ 500		High street units
13				£ 1,785		Indexation
14				£ 45		Waste
15				£ -		Eon
16						
17						
F	**Total All**	**£ 113,000**	**£ 113,000**	**£ 38,105**	**£ 38,105**	
G	**Unit Numbers**		**4,000**		**3,500**	
H	**Contribution per Unit**		**£ 28.3**		**£ 10.9**	

APPENDIX B: CORRESPONDENCE TO EDDC PRIOR TO SUBMISSION OF DPD (Both Letters sent to all Members of Strategic Planning Committee and officers)

DAVID LOCK ASSOCIATES

Mark Williamson
Long Lane House
1C Cranford Avenue
Exmouth
EX8 2HP

18 February 2019

WCN053/NEF

Dear Councillor Williamson,

RE: STRATEGIC PLANNING COMMITTEE
Item 6: Cranbrook DPD and Item 7: CIL Preliminary Draft

I write on behalf of Hallam, Taylor Wimpey and Persimmon Homes (EDNCp). who have the key role to play in delivering the Cranbrook DPD. Without their involvement, the DPD would be undeliverable.

The consortium has been keen to work with EDDC on previous versions of the DPD. However, time has been moving on, and officers (under pressure by the late preparation of the viability evidence) feel obliged to present a final Draft DPD for Committee approval **and secure authorisation for its direct submission to the Secretary of State without further recourse to Committee or the Council (Rec.2).** EDNCp's concern is that proposals are unviable and will prove to be when examined. The consequences of such an outcome are severe for EDDC and EDNCp alike.

I write on behalf of the Consortium to request, as a matter of great importance, that the DPD is NOT submitted to Secretary of State without the further consideration and approval of this Committee and of the Full Council - POST CONSULTATION. This would best be achieved by deferring the approval of this report until May 2019. In the alternative it would be imperative to allow the DPD and Viability work to be approved for consultation but to require the outcomes of that consultation (and any necessary consequential changes) to be considered by this Committee and Council prior to its submission for Examination (i.e. Recommendation 2 should be rejected and the Plan be required to be brought back to the Committee instead).

The request is not made lightly (and contrary to all normal aspirations of developers to speed up the process) but it is too important to EDDC and stakeholders to press ahead with the DPD's Examination if the Plan is not deliverable.

To be clear, EDNCp (and all other stakeholders) saw the DPD for the first time on Monday 11th February. As only a draft master plan document had been published previously, the proposed Plan includes many new elements not subject to consultation.

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DAVID LOCK
ASSOCIATES

Even more important, the Council's Viability Study and IDP, was also only published on Monday 11th February 2019 with absolutely no advance consultation or sharing of information because of its timing.
As you know the NPPF has raised the importance of viability at plan making stage and placed a specific responsibility on LPAs to discuss and agree viability matters: "*It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. <u>Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers</u>".* NPPG Paragraph: 002 Reference ID: 10-002-20180724.

In officer's understandable but mistaken haste to bring the DPD to committee, such engagement simply has not taken place. The DPD, at examination, is immediately vulnerable.

In the absence of the normal consultation expectations and requirements, the prospect of conflict at the Examination is therefore very real. Why does this matter?

It matters because the approval of the DPD for consultation and submission to the Secretary of State removes much of the opportunity for engagement and agreement on a key matter. The scope for EDDC to update its evidence and position becomes very limited. While the DPD Inspector can recommended changes to <u>policies</u> through modifications that is not the case in relation to viability/deliverability. Either the DPD is viable and deliverable or it is not. If is not, the consequences are far longer delays than are implicit in this plea for common sense and proper engagement.

EDNCp are concerned that the indicative section 106 expectations are of sufficient scale to question whether any of the expansion areas would be viable - irrespective of the 15% affordable housing policy. EDNCp have other concerns including that the scale, distribution and mix of land uses do not generate the values assumed in the viability exercise.

The consortium is anxious to avoid a fundamental disagreement with EDDC and/or Three Dragons over the viability of the DPD proposals, at its Examination. Disagreement would be unfortunate enough, but together we run a high risk of an outcome no party is happy with - including that the Examiner requires the issue is revisited - causing a further 12 month delay.

We believe that there are ways through this. If the DPD is formally consulted upon now, or if it is deferred for informal consultation, then EDNCp and no doubt other stakeholders will set out a full response on the viability and deliverability issues presented by the Draft DPD.

Prior to its submission for Examination, officers and members would then have the opportunity to consider properly the outcomes of that engagement (remember none has happened yet). If needs be there could then be an update in the viability work. If needs be, members should also have the opportunity to consider the priority afforded to infrastructure elements (for instance whether £9million of infrastructure costs arising from a second station should be valued more highly than other community based infrastructure priorities). Such decisions, should be for members to make and not an Inspector.

Practically, deferral of consultation on the DPD, OR a requirement for the final DPD to be brought back to members (and if necessary reconsulted upon) does not take it out of synch with the Councils programme. The CIL Charging Schedule **<u>cannot</u>** be submitted to the Secretary of State without having been brought back to Committee and the results of consultation having been considered. We simply ask the same for the DPD itself which will be considered at the same Examination.

Whilst making progress with the DPD is important - it needs to be the right plan, properly consulted on and deliverable.

Yours sincerely,

N.E. Freer

NICK FREER
BUSINESS PARTNER
Email: nfreer@davidlock.com

cc: Mark Williams, Ed Freeman, Thea Billeter

DAVID LOCK ASSOCIATES

Councillor Kevin Blakey
Portfolio Holder - Economy
49 Post Coach Way
Cranbrook
EX5 7BR

e: kblakey@eastdevon.gov.uk

24 June 2019

WCN053/NEF

Dear Councillor Blakey,

STRATEGIC PLANNING CTEE: CRANBROOK DPD - PROPOSED SUBMISSION THEREOF

I write on behalf of EDNCp (Hallam, Taylor Wimpey and Persimmon) without whose involvement, the DPD would be undeliverable.

Importance of Viability Issues.

In February we wrote to Mark Williams and members to express our considerable anxiety that the recommendation to Strategic Planning Committee then was that the Cranbrook DPD be published for consultation and be submitted forthwith to the Secretary of State.

EDNCp's concern was, and is, that the DPD proposals were unviable and will prove to be when examined - and that the consequences of such an outcome are severe for EDDC and EDNCp alike.

We were grateful for the important amendment to the resolution of 20th February noting that submission to the Secretary of State would be "subject to any necessary changes arising from consultation being approved by the Strategic Planning Committee". We took this to be a meaningful response to our concerns and recognition that little or no consultation had taken place on DPD viability issues and that this needed further consideration as noted in the comments of the Service Lead in the SPC meeting minutes

We have since been able to consider the DPD viability evidence prepared on behalf of the Council. We have made detailed representations on the DPD policies but, in particular, on the viability evidence that supports the DPD as a whole. As things stand those representations will be considered at examination later this year - the Council's programme.

The concerns are not founded on differences in the working of alternative models or small variations in assumptions - although such variances abound. It is not an arcane or hypothetical discussion. The differences are real and transparent and large.

At the heart of it is the scale of infrastructure and S106 costs that the DPD seeks and the viability evidence base is obliged to assume. Most bluntly the developers are being asked to fund a cost that approaches 3 times that incurred in the approved Cranbrook scheme. The comparison, provided to officers following review of the 3 Dragons study is attached, and shows a section 106 cost of £113million or £28,500 per dwelling sought by the DPD in the expansion areas compared to £38million (£10,900 per dwelling) in

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the first phase of Cranbrook now being built. This is a blunt, evidenced conclusion, that an examination will not be able to ignore. It contradicts starkly with EDDC's viability report which draws its conclusions on the basis that there is a "lower risk of continuing the already established new settlement". This is simply not the position with Cranbrook expansion. Risk is directly associated with development costs. The DPD and its section 106 expectations dramatically increase the level of risk associated with continuing Cranbrook's development.

There are further fundamental transparent and evidenced issues:

- the absence of justification for using agricultural land value for SANGs land;
- the substantial underestimation in the viability evidence of the land use budget required and hence considerable exaggeration of the returns anticipated relative to the benchmark;
- the absence of buffer in the Councils viability assessments and the absence of a balance between developers and landowners and the benefits to be secured through public interest.

It is not only EDNCp that have raised concerns regarding viability. It is believed that others have expressed very similar matters in their representations on the DPD. It is a real and fundamental point. There will be considerable evidence, from various parties, before the Inspector to suggest that the DPD is not deliverable.

The Inspector will not welcome such a discrepancy of view not least given the NPPG imperative that: "*It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers*". NPPG Para: 002. Ref ID: 10-002-20180724. At Cranbrook the developers cannot and won't be able to say that that the policies are informed by engagement or are deliverable - as things stand.

Importance of Cranbrook

The importance of Cranbrook cannot be underestimated. Over 40% of the Local Plan provision to 2031 in the ED Local Plan is at Cranbrook. Over 30% of the Five year supply in the Housing Monitoring Update (HMU) published in November 2018 across the district is at Cranbrook (at least a third of which is in the expansion areas). As EDDC's HMU notes the impact of failure to deliver in the West End is disproportionately felt across the District (para 4.7).

Conclusion

As things stand there is a very substantial prospect that none of the Cranbrook expansion areas are deliverable and will not be capable of being brought forward.

Members will understand the considerable consequences of that in terms of Housing Delivery Test and the probability of increased numbers of new homes being developed in many villages across the district, as the failure to deliver expansion at Cranbrook will be patently manifest. The knock on effect on delivery of facilities within Cranbrook 3500 is also real and regrettable.

So what is the proper course of action. We do not believe that it is the immediate submission of the DPD and an expectation that an Inspector will sort it out one way or other. Instead we each need to continue to engage (through discussion only recently begun) and aim to arrive at a position that we can agree upon. The obligation on the LPA in NPPG is to work through consultation/engagement and it is the Authority that should take the decisions regarding prioritising infrastructure not an inspector.

Submission to the Secretary of State removes much of the opportunity for engagement and agreement on the vital key matter. The scope for EDDC to update its evidence and position becomes very limited. While policies may be modified, viability/deliverability is not easily resolved in an examination. Either the DPD is viable and deliverable or it is not. If is not, the consequences are far longer delays than are implicit in this plea for common sense and engagement - rather than submission of the DPD and a headlong charge into the most tempestuous of waters. Whilst making progress with the DPD is important - it needs to be the right plan, properly consulted on and deliverable.

Yours sincerely,

N.E. Freer

NICK FREER
BUSINESS PARTNER
cc: Mark Williams, Ed Freeman, James Brown.

EDNC

Expansion s106 - Comparison with 3,500 scheme

Update: 13th May 2019

Ref	Section & Elements	Expansion		Phase 1 - 3500		Section & Elements
		Total	Section Total	Total	Section Total	
		£'ks		£'ks		
A	**Highways & Transportation**		**£ 20,260**		**£ 12,762**	
1	Cycle routes	£ 2,990		£ 8,143		CHBP
2	Sustaianble transport	£ 8,970		£ 598		Former A30 Improvments
3	Transport works	£ 8,300		£ 215		Offsite minor improvements
4				£ 2,000		J29 & J30
5				£ 368		Monitoring mitigation, etc
6				£ 300		Crannaford crossing
7				£ 2,062		Bus service contribution
8				£ 1,675		Railway station contribution
9				£ 151		Travel plans etc
10				£ 1,750		Tithebarn link
11				£ (4,500)		Grant contributions - Growth Point
12						
B	**Community Amenities**		**£ 21,739**		**£ 1,507**	
1	Community centre	£ 1,100		£ 1,904		MPB
2	Retail asset endowment (to CTC)	£ 2,000				
3	Children's Centre - fit out	£ 30		£ 485		
4	Health & Well-being hub	£ 8,769				
5	Extra care housing - 55 flats	£ 3,500				
6	Blue Light services	£ 1,900				
7	Youth - fit out	£ 30		£ 618		Temp and permanent
8	Library - fit out	£ 480				
9	Sports Centre - Swimming Pool	£ 3,930				
10				£ -		Town Council & Library - Post 3,450
11				£ (1,500)		Grant contributions - Growth Point
12						
C	**Landscape & Recreation**		**£ 17,664**		**£ 2,308**	
1	Play areas	£ 1,560		£ 800		Inc Skate park & youth
2	Allotments	£ 740		£ 55		
3	Grass sports picthes	£ 1,370				
4	Artifical sports pitches	£ 280				
5	Changing roosm and clubhouse	£ 670		£ 440		
6	Cricket pitches	£ 310		£ 160		
7	Tennis	£ 370				
8	Bowling	£ 50				
9	Amentity open space	£ 510				
10	Parks and recreation grounds	£ 1,764				
11	Natural and semi-open green space	£ 1,390				
12	Habitat mitigation	£ 2,050		£ 289		Exe extuary - Contribution
13	SANGs	£ 2,500				
14	SANGs - 2nd tranche	£ 4,100				
15				£ 165		Country Park officer
16				£ 189		CPRC
17				£ 40		Signage contribution
18				£ 30		Trim trail
19				£ 140		Street scene compound
D	**Education**		**£ 21,710**		**£ 18,061**	
1	Primary school - 420 place	£ 7,200		£ 3,386		
2	Primary school - 630 place	£ 10,770				
3	Secondary - enhancement	£ 2,740		£ 14,675		
4	SEN provision	£ 1,000				
5						
E	**Other - Misc**		**£ 31,627**		**£ 3,467**	
1	Engine testing bay	£ 1,200				
2	CHP	£ 20,000				
3	Undergounding power lines	£ 3,000				
4	Carbon Reduction	£ 6,400				
5	Balancing sum (to £113m)	£ 1,027				
6				£ 210		Recycling
7				£ 60		Public Art
8				£ 259		New Comm Officer
9				£ 132		Youth worker
10				£ 150		Comm Dev worker
11				£ 326		Church worker
12				£ 500		High street units
13				£ 1,785		Indexation
14				£ 45		Waste
15				£ -		Eon
16						
17						
F	**Total All**	**£ 113,000**	**£ 113,000**	**£ 38,105**	**£ 38,105**	
G	**Unit Numbers**		**4,000**		**3,500**	
H	**Contribution per Unit**		**£ 28.3**		**£ 10.9**	

APPENDIX C: RESPONSE RECEIVED FROM EDDC

Abbreviations:

- East Devon District Council – EDDC
- East Devon New Communities Partnership – EDNCp
- Energy Performance Certificate – EPC
- Nationally Described Space Standards – NDSS
- National Planning Policy Guidance - NPPG
- Ward Williams Associates – WWA
- Building Cost Information Service - BCIS

Representor(s)	Issue	Comment	Response
EDNCp	Benchmark Land Values	The blended benchmark land value (c.£200,000/ha) is on the lower end of the range suggested by guidance and the higher benchmark of £300,000/ha should be applied across the whole site area. The values for the serviced employment land to be provided are too high.	The viability testing uses the standard benchmark of £300,000/gross ha for Cranbrook except for the SANG land where local and wider examples show that this type of use has a much smaller premium over existing use. Para 4.2.9 of the Viability Study sets out the approach. The value for employment land is set out in Viability Study para 4.2.6, along with the source. It is likely that employment space development will come forward as design and build rather than speculative development.
EDNCp,	Market Values	Comments on market values include views that values are both too high (Boyer, Devonshire Homes/Cranbrook LVA) and too low (EDNCp)	The evidence used to inform the sales vales is drawn from Land Registry Price Paid data June 2014 to April 2018 and EPC data – see viability Study table 4.5 and Annex B. In response to workshop comments a sample of EPC floor areas were checked against reserved matters house plans and no systematic differences were found.

Representor(s)	Issue	Comment	Response
EDNCp,	Affordable Housing Transfer Values	The transfer values for some dwelling types may be too high, based on the previous transfer values for Cranbrook. There is little difference between transfer values for Social Rent and Affordable Rent.	Previous transfer values for Cranbrook reflect the inclusion of Social Rented units, while the plans for the extension areas have Affordable Rent instead. This factor will have an effect on the transfer values. In response to comments on affordable housing values, Three Dragons undertook another round of consultation with Registered Providers operation in the area. The responses from the Registered Providers, one of which we understand has been shared with at least one of the developers at Cranbrook, confirms that there is a significant difference in value between Social and Affordable Rent, with Social Rent worth far less. Therefore, it is not considered appropriate to roll forward Social Rent figures from the earlier phases of Cranbrook to use as a proxy for Affordable Rent. In terms of the values of Affordable Rent and Shared Ownership, the feedback from the updated consultation with the Registered Providers suggests overall they are consistent with the figures used in the viability study. Therefore, based on the up to date guidance from Registered Providers there is no evidence to suggest that the affordable housing values used within the viability testing need amending.

Representor(s)	Issue	Comment	Response
EDNCp,	Developer return	The developer market return used in the viability assessment for Cranbrook (17.5%) is too low as the extension to the town carries a high level of risk because of factors such as infrastructure costs, scale of development, risk of economic slowdown etc. The return for custom and self-build should be 20% instead of 15%.	The revision to NPPG in 2018 included a specific range (15%-20%) within which developer return is generally expected to fall. A mid-range market return has been used as Cranbrook is now a successful established town within an area that has seen continued growth, and the extension has been the subject of detailed planning to reduce the uncertainties that may be apparent with other development. The approach to the viability of custom and self-build (including returns) is based upon detailed discussions with custom and self-builders as part of Three Dragons work with the Right to Build Task Force and the National Custom & Self-build Association.

Representor(s)	Issue	Comment	Response
EDNCp	Development costs	Contingency allowances should be higher. Fees should be higher than the 6% - 7%-7.5% is suggested. Finance costs should be 6.25%. The return on affordable housing should be higher than the 6% on costs used in the viability study. Bluehayes costs – there are differences between the various cost estimates produced by the promoters of this part of the Cranbrook expansion area and the costs used in the Viability Study.	The viability study uses contingency allowances as guided by the cost report in Annex I. This has a rate of 2% on housing (reflecting the standardised nature of dwelling types) and a higher rate of 10% on more specific items such as enabling works and travellers' pitches. The viability study uses allowances for professional fees as discussed at the development industry workshop and as guided by the cost report in Annex I. The allowance for fees also reflects a variety of site-specific viability assessments in the south of England. The rate of 6% was agreed at the development industry workshop. The contractor's return of 6% on affordable housing costs is well established and has been tested in numerous Plan and CIL examinations. During the Cranbrook Plan consultation period in 2019, WWA (who provided the cost plan for the Viability Study) and Brookbanks (who provide cost information for EDNCp) undertook a detailed review of site infrastructure costs, although this did not include the full range of construction costs. For the costs compared there was little net substantive difference although there were differences in the approach to layout/design that resulted in higher EDNCp costs overall.

APPENDIX D: Cranbrook Expansion Viability Issues: Executive Summary and Conclusions, January 2020, Whiteleaf Consulting

Cranbrook Expansion Viability Issues: Executive Summary and Conclusions

January 2020

Introduction. In order to assess the viability of the Cranbrook Extension area (incorporating the Bluehayes, Treasbeare, Cobdens and Grange areas) we have undertaken a Viability Assessment utilising a residual value technique which is accepted as a standardised technique and one also adopted by the Council's advisors on viability. The methodology calculates the Gross Development Value (GDV) from the sale of the residential units (and other income) from which is deducted development costs, impacts and costs of Council Policy (eg S106 and affordable housing), developer's profit/risk leaving a residual value which would be left for the purchase of the land. This residual value is then benchmarked against land values at which it is anticipated that a willing seller would release the land for development.

For this submission to make it clear we have undertaken a Viability Assessment of the full proposed 4170 units (including self-build) which can then be used as a pure comparison with the Viability Assessment undertaken for the Council by Three Dragons.

It should be noted that our previous submissions to this process focused on our client's development area known as Bluehayes and attempted to show how by applying the proposed policies, the viability of the Bluehayes scheme was unviable.

The following is a summary of the inputs used for this viability assessment.

Revenue. The submitted Draft DPD at Policy CB11 "Cranbrook Affordable Housing" states that "Affordable housing will be required on residential developments within the built-up area boundary of Cranbrook at a rate not less than 15%. It goes on further to suggest the provision "is sought as 70% social and affordable rented accommodation and 30% intermediate…" Although an alternative mix can be negotiated at periods of depressed markets to reflect viability considerations.

The Three Dragon's model reflects the 15% affordable content. However, from their summary sheets they deviate from the 70:30 rental: intermediate suggested blend in the Draft DPD. Instead they state a 70:30 split on shared equity:shared ownership (the difference of each is not explained). It is assumed that the two aspects are variations on part ownership options and provide for no affordable rental units. If so, this would allow for a higher revenue on affordable housing to be provided than if an affordable rent option was reflected.

Our model seeks to represent the Policy situation, a 70:30 split based on the policy mix of affordable rent to shared equity. The Three Dragons basis would indicate that they consider the viability to be "testing" and require the deviation from the Policy to help adjust the viability output of their model. A Viability Assessment that needs such adjustment to achieve the affordable percentage put forward by policy, suggests that policy cannot be met.

The three dragons model shows an affordable housing value of some £179psf (£1,926psqm) whereas our viability is at £176psf (£1,894psqm). Our figures have been provided in April 2019 by a specialist in the area of affordable home provision within the South West, Mike Owen Bsc MRICS. Our figures reflect the 70:30 split in affordable rental:shared ownership. The result of this is that the Three Dragons model overestimates the revenue from affordable housing by some £4.2m.

In terms of market revenue, we have utilised for the purpose of clarity the suggested mix and sizes as defined in the East Devon CIL and Cranbrook DPD Viability Report assuming a density of 40dph (table 4.1 of the same Report), along with the sizes as shown in table 4.4 with revenue per unit as set out in table 4.5 for Cranbrook.

Other revenue for self-build plots and non-residential income has utilised the figures within the Three Dragons model and so the revenue increase due to the affordable homes ownership split is the only difference between the two approaches, with the Three Dragons model seeming to reflect a deviation from the relevant proposed policy – CB11.

The Market Revenue average at £271psf (£2,917psqm) used by Three Dragon and adopted in our Viability Assessment is considered to reflect the market price within the Cranbrook area and as such is not challenged. However, it should be treated with some caution given that the market is a changeable.

Coverage: It should be noted that the net developable area of 99.11 hectares provides for a density of dwellings at 42.07 per hectare and a coverage 17,430 at 4,170 homes. The Three Dragons model does not allow for the 4% (170 units) of self-build plots that should also be part of this assessment and thus density/coverage calculation. This miscalculation indicates that both of our models are overestimating the revenue as they are assuming too high a density or too low a land take. To achieve the correct density would equate to losing 170 units (at the 3 bed and over size), reducing income significantly. For example, losing 170 x 3 bed detached units would reduce income by some £52m in order to provide a more realistically achievable coverage of c16,700 sqft per acre. This is the level of house density that is supported by the market and anything in excess of this would risk the ability to provide a townscape that is supported by market sales.

Sales Rates: Table 6.5 of the Cranbrook DPD Viability Report provides for a sales trajectory across the development of 4,170 homes. This has been mirrored in our own assessment; however, the sales rate is high at 48 homes per month at its maximum with all 4 areas being developed at once for most of the trajectory. This sales rate would increase competition which could have a dampening impact on sales values if the sales rate is to be achieved. Such sales pressure must be reflected in the developer's risk associated with the Cranbrook Extension Area. Otherwise any market downturn or unforeseen increase in costs could jeopardise profitability and/or ability to draw down land at or above minimum prices, and so threaten delivery of the development. It should be noted that the Council's Housing Monitoring Report estimates an average yearly completion rate of just 308 per annum, just 25 per month.

Base Build Costs (including Garages). We believe there is a high risk that base build costs have been underestimated. Three Dragons have used the lowest recognised BCIS measure - Lower Quartile - as at September 2018. Not only has build cost inflation moved on considerably since then (no indexation has been included to reflect this), but we also consider this basis to be too low for such a high-level, relatively high-risk, assessment. We understand this reflects the Three Dragons' assumption that only volume-based house builders would be involved and, consequently, their buying power would result in much lower costs. However, the DPD suggests that up to 10% of the dwellings should be released to small builders (DPD para 3.77) and also includes a number of requirements on build quality, not least high-performance fabric, to reduce carbon emissions. Further, as is healthy for adding variety of choice and style, it is likely that some regional private house builders, whose build costs can be significantly higher than publicly quoted volume builders, will be involved in eventual delivery. It appears to us that none of the above aspects is reflected adequately in adopting, now historic, Lower Quartile costs with minimal contingency.

We believe the Three Dragons Viability Assessment underestimates the potential cost of the build and also provides for little flexibility in providing the range and quality build sought by the DPD. In this case we believe there is a degree of conflict with the DPD aspirations and the Viability Assessment undertaken to support it. It is understood a contingency of 2% has been applied by Three Dragons to the BCIS lower quartile costs, but this, in our view, is insufficient to cover potential cost inflation as well as higher specification buildings.

To allow the DPD viability to reflect cost risk and DPD aspirations, it is our view that the build costs have to reflect the above factors so our base build costs reflect a proportionate approach with 70:30 Lower Quartile:Median split with a 5% contingency on the Lower Quartile element. This remains a highly conservative approach.

The Three Dragons adoption of significant cost control puts the viability at risk of showing too much "headroom" and as such helps to support a DPD that in reality will require a much higher cost base.

External Works Costs Allowance. Three Dragons have used the Council's cost consultant to assess standard external works such as internal estate roads, service connections, fences, gardens etc by benchmarking against other developments they have been involved with. In our experience it is standard practice for such high-level assessments to use a percentage increase on the BCIS costs. Attempting to apply design-specific costing, on what is an undefined master plan of 4,170 units (including self builds) is, in our view, too specific and potentially misleading. It also has the potential to underestimate costs based on historic data. Our view is such a high-level framework such as the DPD should be assessed using 13.5% uplift on base build costs. This approach, based more on past experience of typical levels, is less specific and allows some of the flexibility needed in the assessment of the DPD to ensure the DPD can provide the framework for a workable and viable Plan.

S106 Contributions: The presentation of the information relating to S106 and other obligations required by the Council (such as the CHP obligation) is confused in the presentation of the Viability Assessment. However total S106, infrastructure and exceptional costs are estimated within the Viability Assessment presented by Three Dragons to support the DPD as c£287m.

The Infrastructure Delivery Plan totals within this equate to some £113m (£26,081 per unit) and include elements described as desirable, important and critical to the delivery of the Cranbrook extension area.

For our Policy compliant Viability Assessment, we have used these figures as no direct independent assessment has been able to be undertaken at this stage. This further reflects the high-level nature of the viability and the need for a cautious approach to costs and risk.

Developer Margin (Profit). Despite the high level of risk assumed to be borne by the developer from high revenue/density and low-cost assumptions, significant S106 obligations, the DPD VA assumes a developer margin of just 17.5% on private revenue and 6% of affordable build cost. These are significantly below real market hurdle rates, as well as recent precedent in VAs, the latter, in our direct experience, being typically agreed at 20% of private and 6% of affordable revenue (NOT cost). This should really be considered against the affordable housing and S106 requirements which, in our view, skew the viability too much in favour of the Council's aspirations and puts into jeopardy the delivery of the Plan. In plan-making viability, it is crucial that "headroom" is allowed for in all general assumptions. Matters that impact on such risks and thus could be taken into account are:

- High sales volumes and competing multiple sites where revenues may be reduced (or incentives increased) to maintain volumes of sales;
- Cost inflation
- Unknown abnormal costs
- Greenfield development
- Market risks due to location with lower values than, say Exeter which is a competing area of development
- Covering risk due to market downturns
- Size of project
- Significant infrastructure costs
- Significant holding costs associated with promotion of the site through the Development Plan Process and delays in achieving planning consents – the expansion area applications were originally submitted in 2014.

It is considered, therefore, that a 20% risk level for the margin should be adopted to cover all these aspects.

Benchmark Land Values. We agree with the assumption that the base benchmark value for the land required to build the western expansion area should be £300k pgha but subject to the following comments.

The Three Dragons' position is that the land required to enable development (such as SANGS) would be purchased at agricultural values. They have therefore adopted an overall equalised value of £205k per gross hectare, albeit the development land is at £300k per gross hectare. This provides for a SANGS value of just £25,000 per hectare which is simply agricultural value. This is applied to the Land Use Budget set out in table 6.2 of the Cranbrook DPD Viability Report comprising 227.94 hectares of which 78.40 hectares is SANGS land and 149.94 hectares is estimated to be the remainder for the development including open space.

It is our view any land without which a development cannot be implemented (enabling land), would need to carry an equal value to the rest of the 'red-line' area. The land cannot be assumed to be held by one body and as such a landowner holding SANGS land would not sell without a premium simply to allow another to benefit from development value. Any third party will not, for simple commercial reasons, merely sell their land for SANG development at agricultural values.

Our assessment therefore applies the £300k per ha to all land required to enable delivery.

We have also adopted a higher overall land area than that used by Three Dragons whose assumptions do not adequately reflect all land required delivery of the development. This additional land includes Highways (11.24ha), SEN (1.2ha), place of worship (0.6ha) and natural green space (9.8ha), which is set out in the table on page 36 of the Cranbrook Masterplan supporting document A more realistic Land Use Budget for 4,170 dwellings is 270 hectares.

Other 'general' cost assumptions. Our overall view is that Three Dragons has adopted levels that are either at the lower end of ranges typically accepted in practice, or even below this in some cases (see table below). Although, taken individually, these might not be too significant, in combination they can present a high risk to delivery.

Comparison Table:

Input	Three Dragons	WCL	Comment
Professional Fees	4.9% of base build costs	7.5% of base build costs plus promotion costs	Three Dragons at bottom of typically accepted rates
Finance	6%	7%	Three Dragons at bottom of typically accepted rates
Marketing/Selling Costs	3% of market revenue	3.75% of market revenue	3% inadequate to cover all selling costs, incl agents' fees, marketing, show house set up, maintenance and staffing and conveyancing.
Agents and legal fees	1.75%	3%	Three Dragons at bottom of typically accepted rates

Professional Fees should adequately reflect the fees associated with professionals such architects, planners, engineers, QS, CDM assessors, project managers etc. Such work would invariably be outsourced by a developer and are not reflected in the base build costs provided by the RICS thought the BCIS figures. For a multi developed site such as this there is little scope for discounting due to size of contract, as each developer would need to instruct separately the professionals required. As such we have adopted a rate of 7.5% at the upper range of normally accepted rates to reflect multiple professionals utilised across the site. From the Viability Summary sheets provided in the Technical Annex supporting the DVD Three Dragons have 4.9% for the level of fees. This may reflect the assumption that the development is undertaken by one developer able to negotiate lowers fees over a larger contract. This is not, in our opinion, reflective of the likely fees that would need to be paid over multiple development sites.

Marketing Fees needs to reflect show home(s) set up and resourcing (including staff costs) and all marketing materials, brochures, advertising etc. Again, it should be noted that there will need to be multiple sales sites to achieve the maximum sales per month of 48 anticipated by the DPD. All will need show homes (with personnel) as well as marketing literature, advertising and web page/social media. Adopting 3% of revenue is not adequate. We have adopted 3.75% to provide adequate finance to ensure sales are kept to the levels required through continuous refreshing of marketing literature and sales houses.

Agents and legal fees. This is in respect of the land purchase. The level of fees adopted in the Three Dragons model would indicate either a single or limited transaction model and is inadequate where there are be multiple landowners and as such numerous negotiations through options and ultimately land purchase, both aspects requiring significant legal input. The adopted 1.75% by Three Dragons is simply not enough for the land holding of this size.

Higher costs invariably also impact on the finance costs. Risks with the development also impact rates charged. Underestimating the cost of the development, as we believe the DPD VA has done, will also underestimate financing fees, which can be significant. In this case the costs are of a magnitude that the cash flow never becomes positive giving an excessively high level of finance and reflecting a situation where money would not be forthcoming to develop the site. We have adopted a higher finance rate at 7% to reflect this risk of obtaining development finance if it was forthcoming. The 6% adopted by Three Dragons on a site that has not been fully costed through detailed master planning is extremely optimistic.

Finance costs are calculated within the residual model reflecting the sales timings from table 6.5 of the Cranbrook DPD Viability Report. Using the sales rate, the monthly revenue is calculated from which the estimated monthly construction costs are deducted. Land costs are also deducted prior to the site becoming developed. Interest on any deficit per month is then calculated on a monthly basis within the cash flow. The main parameters of the cash flow in our model are:

Factor	Model	Comment
Sales Trajectory	Our model reflects the sales trajectory estimated in the DPD Viability Report	It is considered the sales used is over ambitious. If assessed at a more reasonable basis would increase the time taken to deliver the revenue and as such increase finance costs and risk
Interest Rate	Our model reflects a 7% interest rate reflecting the uncertainties on the costings that need to be reflected in any lender risk profile	Any lower rate will underestimate the cost of finance for such a large scheme that has not been fully planned or costed
IRR	The cash flow provides a negative value of -0.3%	IRR rates should be in excess of 20% before any investment would be made
Land Purchase	Land purchase costs have been aligned with the 4 areas within the	This reflects a staged approach to land purchase

	DPD and their projected start dates for sales	
Infrastructure, S106 and Abnormal costs	Costs have been applied on a monthly basis reflecting development and sales progress	

Summary of Viability Inputs and outputs attached.

Table of Key inputs and outcomes
Comparison between Three Dragons and Whiteleaf

Input Description	Three Dragons	Whiteleaf	Variance	Comment
Dwelling numbers	4,170	4,170		
Market	4,000	4,000		
Self Build	170	170		
Affordable	600	600		
Affordable Content	15%	15%		
Affordable rent %	0%	70%	-70%	
Shared Equity %	70%	0%	70%	
Shared Ownership %	30%	30%		
Land Areas (ha)				
Gross Area	227.94	270.00	-42.06	
Net Area	99.11	99.11		
Density units per net area	40.36	42.07	-1.71	3D do not include self build within their density calculation
Coverage sqft per net acre (industry measure)	16,727	17,431	-704	3D do not include self build within their assumed coverage
Revenue				
Market	974,440,000	974,440,000	-	
Affordable blended	88,635,000	84,374,100	4,260,900	tenure mix impact as shared equity provides more revenue to developer
Self Build	12,240,000	12,240,000	-	
Other	8,425,000	8,425,000	-	
Total	**1,083,740,000**	**1,079,479,100**	**4,260,900**	
Development Costs				
House Build Build Costs	471,529,592	516,260,005	- 44,730,413	Whiteleaf updated BCIS costs
Garages	4,590,490	6,863,750	- 2,273,260	
Professional Fees	23,289,554	41,234,282	- 17,944,728	Whiteleaf includes promotion fees
Marketing Costs	29,233,200	37,422,371	- 8,189,171	
IDP incl S106	113,193,400	113,193,400	-	taken from Infrastructure Delivery Plan
Exceptional development costs	169,374,400	169,374,400	-	taken from 3D Viability Assessment (excluding IDP)
Total	**811,210,636**	**884,348,208**	**- 73,137,572**	
Developers Return (risk)				
Market Housing %	17.5%	20%		
Market Housing £	170,527,000	195,651,000	- 25,124,000	
Affordable Housing % (on revenue)	4%	6%		3D use 6% on construction costs equating to 4% on revenue
Affordable Housing £	3,577,114	5,062,446	- 1,485,332	
Total	**174,104,114**	**200,713,446**	**- 26,609,332**	
Finance Costs				
Rate %	6%	7%		
Cost	38,992,108	107,227,025	- 68,234,917	WCL assessment shows development never in positive cash flow
Other Costs				
Agents Fees	705,000	0		Whiteleaf zero as negative residual value
Legal Fees	282,360	0		Whiteleaf zero as negative residual value
Stamp Duty	2,961,157	0		Whiteleaf zero as negative residual value
Net Residual Value	**55,483,716**	**- 114,503,078**	**169,986,794**	
per gross ha	**243,414**	**- 424,085**	**667,499**	
Benchmark Land Value	**49,942,289**	**87,269,718**	**- 37,327,429**	includes fees and SDLT
per gross ha development land	**300,000**	**300,000**	**-**	excludes fees and SDLT for illustration
per gross ha SANGS	**25,000**	**300,000**	**- 275,000**	excludes fees and SDLT for illustration
Surplus/Deficit	**5,541,427**	**- 201,772,796**		
Viable if Net Residual Value above Benchmark Land Value	**Viable**	**Unviable**		

APPENDIX E: APPEAL DECISION, The Manor Shinfield (APP/X0360/A/12/2179141)

The Planning Inspectorate

Appeal Decision

Inquiry opened on 30 October 2012

Site visits made on 8 and 9 November 2012

by Clive Hughes BA (Hons) MA DMS MRTPI

an Inspector appointed by the Secretary of State for Communities and Local Government

Decision date: 8 January 2013

Appeal Ref: APP/X0360/A/12/2179141
Land at The Manor, Shinfield, Reading RG2 9BX and bordered by Brooker's Hill to the north, Hollow Lane to the east and Church Lane to the west

- The appeal is made under section 78 of the Town and Country Planning Act 1990 against a refusal to grant planning permission.
- The appeal is made by the University of Reading against the decision of Wokingham Borough Council.
- The application Ref O/2011/0204, dated 27 January 2011, was refused by notice dated 8 June 2012.
- The development proposed is a residential development comprising up to 126 dwellings, a sports pavilion, public open space, landscaping and associated works.
- The inquiry sat for 5 days on 30 & 31 October and 1, 2 & 9 November 2012.

Procedural matters

1. The application was submitted as an outline planning application with all matters other than access reserved for future consideration. The statement of Common Ground (SoCG) confirms that it is a hybrid application as it seeks full planning permission for the change of use of part of the site to public open space and outline planning permission for the remainder of the development.

2. By letter dated 16 August 2012 the Council confirmed that the first part of the reason for refusal, relating to the threshold of 100 dwellings being regarded as unacceptably exceeded, no longer formed part of the Council's case. The only remaining part of the reason for refusal relates to the impact of "the absence of proposals and a legal agreement to deliver relevant and necessary infrastructure and affordable housing" upon the amenity and infrastructure of existing and proposed residents.

3. The appellants submitted a Unilateral Undertaking (UU) dated 8 November 2012 that set out various financial contributions. Some of these contributions were agreed between the parties; others were in dispute and form the substance of much of this Decision.

Application for costs

4. At the Inquiry an application for a partial award of costs was made by the University of Reading against Wokingham Borough Council. This application is the subject of a separate Decision.

Decision

5. The appeal is allowed and planning permission (part outline, part full permission) is granted for a residential development comprising up to 126

dwellings, a sports pavilion, public open space, landscaping and associated works at land at The Manor, Shinfield, Reading RG2 9BX and bordered by Brooker's Hill to the north, Hollow Lane to the east and Church Lane to the west in accordance with the terms of the application, Ref O/2011/0204, dated 27 January 2011, subject to the 55 conditions set out in the Schedule at the end of this Decision.

Background

6. The appeal site has an area of around 8.5 ha and is located about 5 km to the south of Reading town centre, from which it is separated by the M4 motorway. It adjoins roads to the north and east with houses opposite that face the site. To the south east are the gardens of dwellings fronting Gloucester Avenue; to the south west are the backs of properties fronting Church Lane and Vicarage Court and the road. To the west, and in the same ownership, is farmland.

7. The eastern part of the site, a little over half its area, lies within the Development Limits of Shinfield as defined in the *Wokingham District Local Plan* 2004 and the *Wokingham Borough Core Strategy DPD* 2010. It is occupied by a number of vacant buildings. These were at one time occupied by the National Institute for Research in Dairying but have been disused since the 1980s. They are mostly in a poor condition due to vandalism and some having had asbestos roofs removed for safety reasons. There is a public footpath, part of which is edged on both sides by timber boarding, that crosses the site between Hollow Lane and Church Lane. There are a number of trees within the site that are subject to a Tree Preservation Order (TPO) including an avenue of semi-mature red oaks that flanks the main internal vehicular access drive. The western part of the site, which has an area of about 4 ha, is outside the Development Limits and is laid to rough grassland/ pasture.

8. It is proposed to demolish all the buildings and to redevelop the site by the erection of 126 dwellings (a net increase of 125 dwellings). Vehicular access would be from Brooker's Hill; the public footpath between Hollow Lane and Church Lane would be retained. The remainder of the site, outside the Development Limits, would provide public open space, allotments, equipped open space and a pavilion/ club house. An illustrative masterplan is provided within the *Design and Access Statement*.

9. The site and the surrounding area have a considerable planning history, some of which is highly relevant to this appeal. Of particular relevance are planning permissions, the first of which was in 1992, for not more than 18,766 sq m of B1 floorspace on the appeal site and the land to the south. The permission was renewed before it finally lapsed. The Inspector's Report into the Local Plan in 2001 identified part of the appeal site as being suitable for residential use. Planning permission for 80 dwellings was then granted on the land to the south of the site in 2003; at the same time permission was granted for 18,766 sq m of B1 floorspace on the appeal site. The housing to the south has been built.

10. The 2004 Local Plan identified the appeal site and the land to the south for a mixed use development of 80 dwellings and as a Core Employment Area. The site remains allocated for such uses under saved Policy WEM4 of the Local Plan. Temporary, personal, planning permission was granted in 2007 in respect of part of the hardstanding on the appeal site (identified in Document 22) for the siting of offices, car parking, site vehicle parking and materials store to Balfour Beattie. An informative attached to it stated that the development accorded

with the adopted/ emerging development plan. This permission ended in May 2009; the use has now ceased and the site has been vacated.

11. In the wider area, Policy CP19 of the Core Strategy identifies that the land around Shinfield, including the western part of the appeal site, comprises the South of the M4 Strategic Development Location (the SM4 SDL). Within this area, it is proposed that there will be, amongst other things, the phased delivery of 2,500 dwellings including affordable homes; appropriate employment and retail facilities; schools and physical infrastructure and mitigation measures in respect of the Thames Basin Heaths Special Protection Area (TBHSPA) including the provision of sufficient Suitable Alternative Natural Greenspace (SANG). This development includes the construction of an Eastern Relief Road for Shinfield (SERR). In respect of this wider development the Secretary of State allowed three appeals (8 November 2012) in respect of (i) a residential development of up to 1,200 dwellings, 150 units of specialist housing for elderly persons, a local centre (including a foodstore), the erection of a new primary school and the extension of existing schools, public open space etc; (ii) the construction of the SERR; and (iii) the change of use from agricultural land to SANG. (APP/X0360/A/11/2151409, 2151413 & 2151402)

12. Policy CP16 provides for a Science Park to be developed south of the M4 in Shinfield Parish. Outline planning permission has now been granted for the first phase of a Science and Innovation Park on land to the north east of Cutbush Lane, Shinfield. It is agreed by the appellants and the Council that this scheme will remove the need for business development on the appeal site. It is also agreed that in the light of that proposal, there is unlikely to be a net loss of business space and so the redevelopment of the appeal site for residential purposes would not represent a departure from the Core Strategy.

13. It is further agreed that the residential redevelopment of the eastern part of the appeal site, lying inside the Development Limits of Shinfield but outside the boundary of the SM4 SDL, would be consistent with the character of the adjoining areas of the village and would comprise an appropriate regeneration of this run-down site. I agree with that assessment. It is also agreed by the parties that the use of the western part of the appeal site, outside the Development Limits but within the SM4 SDL, for open space purposes is consistent with its inclusion within the SM4 SDL, although this is not necessary to make acceptable the additional 125 dwellings now proposed.

Main Issues

14. The main issues are: (i) whether the proposals make adequate provision for mitigating any adverse impact they would have upon local services and infrastructure; and (ii) whether the proposed amount of affordable housing would be appropriate in the context of the viability of the development, the National Planning Policy Framework, development plan policy and all other material planning considerations.

Reasons

Whether the proposals make adequate provision for mitigating any adverse impact they would have upon local services and infrastructure

15. The matter of affordable housing is considered in the section below. In respect of the other contributions sought and offered, the headline figures appear to be quite similar with the Council seeking £2,028,920 and the appellants offering

the higher sum of £2,312,569. However, these figures disguise major differences between what is being sought by the Council and what the appellants are offering. Issues relating to highways and sustainable travel modes make up much of the difference, but there are also differences in respect of sports hall provision, swimming pool provision and contributions towards the provision and improvement of country parks. The contributions that are not in dispute are considered in the section on the UU below.

16. Policy CC7 of the *South East Plan – Regional Spatial Strategy for the South East of England 2009* and Policy CP4 of the adopted *Core Strategy* both require the provision of adequate infrastructure in development proposals. Policy CC7, which was adopted when Circular 05/2009 was still extant, refers to consideration being given to the pooling of contributions towards the cost of facilities. Policy CP4 says that planning permission will not be granted unless appropriate arrangements are agreed for the improvement or provision of infrastructure, services, community and other facilities required for the development. It refers to the cumulative impact of development.

17. The Council drew attention to its Planning Advice Note (the PAN) *Infrastructure Impact Mitigation: Contributions for New Development* Revised November 2010. This document sets out the Council's approach, the financial contributions sought and the justification for each contribution. The PAN has had a number of former incarnations having been first adopted by the Council in 2002. It has undergone a number of significant revisions since then, most recently in April and November 2010. While it appears that the original document may have been the subject of public consultation, the most recent version has not been subject to any consultation outside the Council and so can carry only very limited weight.

18. Regulation 122(2) of Part II of *The Community Infrastructure Levy Regulations 2010* (CIL Reg 122) says that a planning obligation may only constitute a reason for granting planning permission for the development if the obligation is (a) necessary to make the development acceptable in planning terms; (b) directly related to the development; and (c) fairly and reasonably related in scale and kind to the development. Paragraph 204 of the *National Planning Policy Framework* (the *Framework*) says that planning obligations should only be sought where they meet all of these tests.

19. With regard to off-site works, the appellants are offering to contribute towards the SERR while the Council seeks contributions towards various walking/ cycling/ public transport measures. These involve upgrading walking/ cycling facilities at three points (referred to as the 3 Links) and upgrading 6 bus stops on Hollow Lane (A327). Some of these improvements are agreed.

SERR

20. The appellants' suggested contributions towards the SERR amounted to 3% of the total costs as it had been calculated, and not disputed by the Council, that the proposals would account for 3% of the traffic generated by the new dwellings in and adjoining the SM4 SDL. The SERR is required by Core Strategy Policy CP19(7) as part of the strategic development. While the new dwellings on the appeal site would lie outside the SM4 SDL, in considering the three planning applications for the development of 1350 dwellings, the SERR and Loddon SANG, the Council insisted on the traffic generated by the proposed dwellings at The Manor being included in the traffic assessment.

21. There is no dispute that the traffic generated by the residential development at The Manor could be accommodated on the existing road network without the need for the SERR. However, the SERR has been shown to be necessary to cater for the cumulative impact of the various new developments in the area. These include not just the SM4 SDL but also the proposed dwellings at the Arborfield Garrison SDL, the proposed Science and Innovation Park at Shinfield and the current proposals. Core Strategy Policy CP4 requires that the cumulative impacts of schemes are taken into account. Indeed, in respect of the other contributions sought in respect of the current appeal, the Council based its case to a considerable extent upon the cumulative impact of the various developments proposed and the overall increase of 7,500 dwellings in the Borough by 2026. In these circumstances it is reasonable and necessary to take account of the cumulative impact upon the road network.

22. While there is currently spare road capacity, due to the commitments set out in the adopted development plan; the recent permissions granted by the Secretary of State for development to the west of Shinfield; and the provisions of Core Strategy Policy CP4, there is no doubt that when looked at cumulatively the SERR is necessary to make the development acceptable in planning terms. This road will cost about £24,597,000 and attracts no public funding. I have taken account of the Council's concern about other developments also having to contribute to the SERR. However, there are circumstances that differentiate this site from any others. In particular, although the housing would be outside the SDL, part of these proposals includes open space uses to serve the SDL. The site is also acceptable for housing in part because the commercial land is now to be provided on the Science and Innovation Park inside the SDL.

23. In the Shinfield West decisions the Inspector commented that his understanding was that the SERR was fundamental to ensuring the full delivery of the SM4 SDL and, to a lesser extent, the Arborfield Garrison SDL. He considered that both SDLs should make contributions. Due to the location of the appeal site in relation to the village of Shinfield, it is reasonable for it to contribute to this necessary infrastructure. It is clearly directly related to the development and the contribution of 3% of the total costs would match the proportion of the traffic to be generated by the appeal site so it would also meet criterion (c). The contribution of £747,000 towards the SERR would therefore comply with CIL Reg 122 and with the *Framework* and can constitute a reason for granting planning permission.

Other off-site travel related contributions

24. There are two parts to these contributions sought by the Council. These relate to the measures regarding walking and cycling (Links 1, 2 & 3) and those regarding public transport (Bus stops 1-6). One of the contributions sought by the Council was withdrawn prior to the Inquiry; some of the other contributions sought have been agreed by the appellants and are included within the submitted UU. A very significant part of the total transport related costs (£191,300 out of £293,300) relates to Link 1 and is contested in its entirety. Link 1 relates to the pedestrian/ cycleway crossing over the M4 at the north eastern end of the southern section of Cutbush Lane. The Council is seeking contributions towards upgrading the pedestrian/ cycle facilities including surfacing, lighting, signage, replacement entrance feature and two Toucan crossings and speed limit measures at Lower Earley Way (B3270).

25. I agree that such features could significantly improve this route which links Shinfield with various facilities, including a local shopping centre, at Lower Earley. The road surface and lighting is poor, the entrance "feature" is a reused concrete manhole ring that forms a barrier to prevent vehicle access and traffic is fast on this section of Lower Earley Way. However, the Link is too remote from the appeal site to be reasonably considered necessary or be directly related to the development and there is no certainty that any residents would use it. I am not convinced that this Link complies with either criterion (a) or (b) of CIL Reg 122 or with the *Framework*.

26. Concerning Link 2, the Council has removed its requirement for a Toucan crossing and the appellants will contribute towards upgrading the footbridge over the M4 by providing a cycle wheel trough and upgrading the footpath on the southern side of the motorway. This Link, which I saw to be very well used, is located a short distance to the west of the appeal site off Brooker's Hill. These works satisfy the criteria of CIL Reg 122 and the *Framework*.

27. Link 3 is not disputed. It involves improvements to the cycleway on Hollow Lane between its roundabout junction with Church Lane and the appeal site. These would provide improved width for cyclists and are clearly related to the development. They would also comply with CIL Reg 122 and the *Framework*.

28. The bus stop improvements include the provision of Real Time Passenger Information (RTPI) where not already in place, shelters and Kassel kerbs where necessary and improvements to the geometry of a bus bay. The works to bus stops 3 and 4 are agreed. The appellants consider that as the road will be realigned for the SERR the improvements sought to bus stops 1 and 2 are unnecessary save for a shelter for bus stop 2 which could be reused. Bus stops 5 and 6 are considered to be too remote from the site.

29. I agree that it would not be reasonable to require the provision of RTPI for bus stops 1 and 2 as they will soon need to be relocated as part of the approved SERR. The improvements to bus stops 3 and 4, which are very close to the site are reasonable and CIL Reg 122 and *Framework* compliant. Bus stops 5 and 6 are located some distance to the south of the appeal site. However, they are located close to the centre of Shinfield and to a wide variety of local facilities. I saw that these facilities include a post office, health centre, pharmacy, junior and infant schools, village hall, club, Baptist church, tennis club and sports facilities. While it would be possible for some people to walk from the appeal site to the facilities, I consider that the facilities are sufficiently far away to make walking unrealistic for many people. These bus stops already have RTPI but the other improvements sought would improve their utility. There is a strong likelihood that residents would use the stops when travelling to and from the village facilities and so the requirements can reasonably be regarded as complying with the criterion in CIL Reg 122 and the *Framework*.

Sports halls

30. Sport England's *Active Places Power* identifies that where 140% of demand for a particular type of facility is satisfied, it indicates that all needs in an area are met. On that basis, the Council's *Final Amended Sports Assessment Report* (February 2012) identifies that Wokingham is currently meeting demand in terms of sports halls and will continue to do so until 2026. The removal of some facilities, either closed or not available for the general public, reduces the

current figure from 219.4% to 193.53% and even the 2026 figure remains above 140% at 143.14%.

31. It is only when only halls that are below 4 badminton courts in size, and thus not capable of catering for a wider variety of sports, are excluded that the figure falls below 140% by 2026. However, the smaller sports halls would still be available for use and would continue to meet some of the demand. In such circumstances it has not been shown that they should be completely removed from the calculations as it results in an artificially low outcome. Without the removal of smaller halls from the calculations, the current and projected supply exceeds the 140% standard and so the Council's required contribution to sports halls has not been demonstrated to be necessary to make the development acceptable in planning terms. While the UU makes provision for a contribution towards sports halls, if deemed necessary, this requirement fails the tests in CIL Reg 122 (2) (a) and the *Framework* and so does not need to be included.

Swimming pools

32. Using the same considerations as for sports halls, the *Final Amended Sports Assessment Report* identifies that without taking accessibility into account, Wokingham is over provided for in terms of swimming pools, both now (292.4% of demand met) and in 2026 (216.27%). Even if pools that are not publicly accessible, such as schools and a fitness club, are removed from the calculations Wokingham will still meet 158.87% of demand by 2026. It is only when all non-local authority type provision is excluded that the figure for 2026 comes down below 140% (to 111.6%). However, non-public authority pools continue to cater for some demand and it has not been fully explained why so many pools identified in the report should be omitted from the calculations.

33. Reference is made to an Amateur Swimming Association recommendation, but there is no evidence to show that this recommendation needs to be adhered to or that private and school provision should not be included in the calculations. Such pools clearly continue to cater for some of the demand; the Council's *Open Space, Sport & Recreation Study; Revised Standards Paper* (May 2012) identifies that the private sector provides a valuable pool resource. It has not been demonstrated that a contribution towards swimming pools is necessary to make the development acceptable in planning terms. While the UU makes provision for a contribution towards swimming pools, if deemed necessary, this requirement therefore also fails the tests in CIL Reg 122 (2) (a) and the *Framework* and so does not need to be included.

Country parks

34. The Council seeks a contribution towards country parks where such facilities cannot be provided on application sites. This accords with advice in the PAN. The appellants argue that a contribution towards country parks is not necessary as they are making a contribution towards a SANG and that there will be ready access to other SANGs as set out in the masterplan for the SM4 SDL. I was invited to visit both the Rooks Nest Wood SANG and the Dinton Pastures Country Park. While the former is relatively recent and therefore not yet mature, it is not envisaged that it will ever fulfil the same function as a country park. When visited on an early November afternoon in midweek during term-time the substantial Dinton Pastures Country Park car park was nearly full; there is a wide range of activities and facilities available there. In contrast the small car park at the SANG was deserted save for the van of somebody

working nearby. There are no formal activities or facilities; none are intended. While there would be some overlap in their use, in particular for country walks and exercising pets, their core functions are clearly very different.

35. The Council has identified a range of facilities that are needed to be improved or provided in its country parks. While this inevitably takes the form of a shopping list, that does not mean that they are not necessary or related to the increased demand for such facilities that the planned additional population in the Borough will generate. The country parks fulfil a necessary function and the Council has demonstrated that they are used by a large proportion of the local population. It is highly probable that residents at the appeal site will use the established country parks, increasing demand for parking and other facilities as well as increasing the use of existing paths and facilities. In these circumstances I consider that the Council is justified in its requirement for a contribution towards their improvement to cater for the planned increase in the population in the Borough. The UU makes provision for the appropriate payments, subject to their being necessary. I am satisfied that the contributions meet the criteria of CIL Reg 122 and the *Framework*.

36. I conclude on the first issue that subject to the provisions of the UU, the proposals would make adequate provision for mitigating any adverse impact they would have upon local services and infrastructure. In respect of the matters in dispute, I conclude that the development may legitimately contribute to the SERR and that some of the contributions to support sustainable modes of transport also comply with the provisions of CIL Reg 122 and the *Framework*. In respect of the other three matters in dispute, I conclude that contributions are not necessary in respect of swimming pools or sports halls, but that contributions are necessary in respect of country parks.

Whether the proposed amount of affordable housing would be appropriate in the context of the viability of the development, the National Planning Policy Framework, development plan policy and all other material planning considerations

37. Core Strategy Policy CP5 says that all residential developments of at least 5 dwellings (net) will provide up to 50% of the net additional units proposed as affordable units, where viable. The policy includes a table which identifies the appeal site as previously developed land within a modest or limited development location where the minimum percentage of affordable housing sought is 40% **subject to viability** [my emphasis]. It is the viability, or otherwise, of the amount of affordable housing now sought that is at issue. The Council is seeking 40% of the net additional units to be affordable housing in accordance with that policy; the appellants assert that the maximum amount that would be viable is 2%. In coming to these conclusions the Council and the appellants have also come to very different conclusions concerning what represents a competitive return.

38. Paragraph 173 of the *Framework* advises that to ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable. The *Framework* provides no advice as to what constitutes a competitive return; the interpretation of that term lies at the heart of a fundamental difference

between the parties in this case. The glossary of terms appended to the very recent RICS guidance note *Financial viability in planning* (RICS GN) says that a competitive return in the context of land and/ or premises equates to the Site Value (SV), that is to say the Market Value subject to the assumption that the value has regard to development plan policies and all other material considerations and disregards that which is contrary to the development plan. It is also the case that despite much negotiated agreement, in respect of calculating the viability of the development, other significant areas of disagreement remain.

39. In terms of the development plan, the Council has made it clear that it no longer has any objections to residential development on this site. It formally withdrew that part of the original reason for refusal. The development would also accord with the *Core Strategy* policy concerning affordable housing if the amount of affordable housing to be provided is consistent with the evidence concerning viability. With regard to development viability there was a significant level of agreement between the parties in respect of many inputs. Some aspects were disputed, however, and these are broadly set out in the *Supplementary SoCG relating to Development Viability*. Since that document was signed, however, the remediation costs associated with the contamination of the site have been agreed. Once the professional fees had been removed from the calculations, the costs were agreed at £1.14m for the remediation works alone. The other principal issues in dispute are set out below.

s106 contributions

40. The disputed contributions are considered above. The overall contributions are particularly important as any changes to either the contributions sought and or those offered will affect the overall equation. As set out above, the gap between the contributions considered necessary by the respective parties is only about 10%. I have concluded that the appellants' arguments are to be preferred in some of the issues in dispute, but not in every instance. These conclusions result in an increase in the final figure to £2,365,569.

Professional fees

41. The professional fees can be broken down into two parts; the professional fees going forward from the valuation date and the historic fees. In respect of the former, the Council has relied on a figure of 8% whereas the appellants rely on 10%. This results in a difference of around £116,250. The independent evidence to the Inquiry is in the *Affordable Housing Viability Study* carried out for the Council by Levvel (2008). Concerning professional fees it says that within residual valuation modelling these are normally assumed to be in the range of 8% to 12%; the *Study* assumed a figure of 8%. The Council acknowledged that the appeal site is not a simple or straightforward site to develop due to the existing development on site and the known contamination. I would add that the potential presence of protected species, the protected trees and the proximity of existing housing together with complying with the numerous conditions the Council wishes to see imposed means that a figure of 8% seems overly optimistic. I consider that 10% seems more realistic.

42. Concerning the historic fees, these relate to the period from 2009. During the Inquiry a list of the numerous meetings that took place within this period was produced. The Council's witness was afforded sight of all the receipts and accepted that the costs were genuine; he only contested the need for the

number of meetings. The Council's evidence was based upon there being a need for only a minimal number of meetings, but due to the wide range of issues, this seems unrealistic. The appellants' case was based upon the actual meetings that took place over the 3 year period; there is no evidence to show that any of these were unnecessary or evidence to support the Council's estimation. In these circumstances the appellants' evidence is sound.

Developer's profit

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

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

Private housing gross development value

45. There is a fundamental dispute between the parties concerning appropriate sales values; this constitutes the majority of the difference between the figures produced by the parties. This is a vital consideration as sales values determine the GDV. The RICS GN confirms that comparison with other sites is an acceptable method of valuation and the appellants produced evidence concerning six "comparable" housing sites. This comparison exercise must be prefaced with the caveat that there are difficulties with a village location like Shinfield insofar as direct comparisons are almost impossible to achieve. The housing site to the south of the appeal site, for example, is too old to be of use for comparison purposes. None of the six sites selected is in this village so their individual characteristics and their differences with the appeal site need to be taken into account. This inevitably reduces the usefulness of the figures as the calculations involve subjective assessments, albeit that these assessments were carried out by competent professionals. Four of these comparison sites have been completed and occupied; two are under construction with dwellings being advertised for sale.

46. I visited each of the six sites as well as both of the motorways (A329M and M4) and the established housing areas within Wokingham, Shinfield and Reading. In terms of the impact of the motorways, and in particular the relative volumes of traffic and resultant noise, it was clear that the M4 generates significantly higher background noise levels than the A329M. At the appeal site this noise was particularly intrusive at the northern end; further into the site a combination of changes in ground level, buildings and fencing all served to reduce the impact.

47. The appellants, using all six comparison sites, calculated the sales values at the appeal site to be between £266 and £269 per square foot (psf). Blended average figures are used throughout this comparison. The variation in the figures is based upon differences in the amount of affordable housing in the various calculations; more affordable housing means that a lesser proportion of the smaller units, which have higher sales values in £/psf, are available for market housing. The Council's figure was significantly higher at £294.75 psf; this figure was based upon only three of the comparison sites (The Carillons, The Pavillions and Mitford Fields) as the others were not considered to offer directly comparable sales values.

48. Based upon the evidence to the Inquiry and my own observations on the sites I agree with the parties that the sales values that have been achieved at The Carillons on the eastern outskirts of Wokingham (a blended average of £310 psf) are likely to be considerably higher than those likely to be achieved at the appeal site. This is due to a number of factors including the uncontested contention that a Wokingham postal address attracts a higher value than a Reading RG2 postcode address; road traffic noise at the site (close to the A329M) is lower than at the appeal site (which is close to the much busier M4); and there was little competition in the way of other new dwellings in the area to drive down prices.

49. I agree with the parties that the sales values achieved at The Carillons need to be reduced to achieve a meaningful comparison with the appeal site. The appellants' suggested a discount of 12.5%; the Council a discount of 5%. However, I am not convinced by the Council's claim that Wokingham can reasonably be considered to be part of "Greater Reading" as it has a distinct and significantly different character. The appellants produced evidence to show that house prices in Wokingham are significantly higher than in Reading; with flats the difference is even greater. While I consider it unreasonable to liken the character of the appeal site and its surroundings to the bulk of the RG2 postcode, I have no reason to doubt the local knowledge that this post code acts as a depressant on sales values.

50. The Council's suggested discounted sales value of £295 psf is significantly higher than the appellants' figure of £271 pfs. For the reasons set out above, I consider that the appellants' figure is likely to more closely reflect sales values at the appeal site.

51. Jennetts Park, is a very substantial residential development located to the east of Wokingham and close to the A329 (south of where this road becomes a motorway). It is in Bracknell rather than Wokingham. For the purpose of this comparison exercise it has the benefit of being of similar scale to the combined developments currently proposed at Shinfield. It is agreed that the sales values achieved are in the range of £206 - £268 pfs, with the higher prices being the more recent. Geographically it is not located far from The Carillons, but, being within Bracknell; having a significantly larger scale; having a significantly higher density; and having direct competition are all factors that are likely to have depressed sales values. These factors make it more comparable to the appeal site than The Carillons. While the appeal site is relatively small, the outline planning permission for the West of Shinfield development means that there is likely to be competition in the foreseeable future. I consider that it is a relevant comparator and accept that the appeal

site is likely to achieve slightly higher sales values than those achieved at Jennetts Park.

52. The comparison sites at Kennet Island and West Village are significantly different to Shinfield in that they are both urban sites within Reading with substantially higher densities than proposed on the appeal site. Indeed, the density at West Village is about three times that now proposed. While these sites offer some advantages over the appeal site, particularly their relative proximity to Reading town centre and the main railway station and the absence of significant road traffic noise, there is no doubt that they are likely to produce inferior sales values in £/psf terms. Kennet Island also has an industrial context. The achieved figures of £232-273 psf at Kennet Island and £242 psf at West Village reflect these inferior locations and higher densities. In these circumstances it is not unreasonable to add a premium to the likely sales values at the appeal site due to the superiority of the location.

53. The comparisons of sales values in respect of The Pavilions, close to the station in Wokingham and Mitford Fields, in a rural location to the west of the appeal site at Three Mile Cross are more problematical in that the sites are not completed and so the figures relate to asking prices rather than values that have been achieved. These figures need to be treated with a much greater degree of caution, especially in a depressed housing market in which buyers are more likely to be able to negotiate price reductions. The asking prices are, respectively £270-350 psf at The Pavillions and £271-334 psf at Mitford Fields.

54. I agree that a discount needs to be applied to The Pavillions due to its superior location in Wokingham; its proximity to the station; the lack of motorway noise; and the fact that the figures are not achieved sale prices. Mitford Fields has many of the characteristics of the appeal site but may benefit from not having a RG2 postcode. It is located further from the M4 than the appeal site but this advantage is reduced by its proximity to the A33 and so road traffic noise is still an issue, although not as significant as at the appeal site.

55. Overall, it is clear that direct comparisons are not achievable in respect of likely sales values at the appeal site. All of the six comparison sites involve different circumstances which affect their sales values. The appellants put forward a figure of £266-269, giving a GDV £27,365,000 based upon 40% affordable housing. The Council's figures, using the higher sales values but again based upon 40% affordable housing, gives a GDV of £30,344,512. I am not convinced by the Council's reasons for excluding three of the comparable sites as all six comparison sites have differences and the figures need to be adjusted to reflect the positive and negative factors that cause the differences. Provided discounts or premiums are applied to each site's figures to reflect their inferior or superior locations, I am satisfied that all six sites may reasonably be used. The discounts and premiums used by the appellants seem fair as no evidence has been put forward that is sufficient to discredit them. I therefore conclude that the appellants' GDV figure using these comparables is reasonable.

Finance costs

56. The parties' residual appraisals reflect the agreed debit rate of 7% on finance costs and a credit rate, which is likely to accrue towards the end of the development when the developer is in profit, of 0.5%. These figures are in line with current financial market conditions. It was not clear at the Inquiry as to why the Council's calculations arrived at a higher figure than the appellants.

This higher figure would have helped the appellants' case. While it is probably due to the time periods for the inputs, the parties were unable to provide a clear explanation for the difference.

Benchmark land value/ site value

57. There is a significant difference in the figures produced by the parties. The Council calculated a Benchmark Land Value of £1,984,000 (reduced to about £1,865,000 when decontamination costs were agreed); the appellants calculate it to be £2,325,000. During the Inquiry reference was made to Current Use Value (CUV) and Existing Use Value (EUV) but it was agreed that these definitions are interchangeable in respect of the calculations used for this site.

58. Since the use of the land by the National Institute for Research in Dairying ceased, the site was used for a couple of years for open storage with the benefit of temporary planning permission. While that permission was personal and time limited, advice on the Decision Notice said that the development accorded with the adopted and emerging development plan. This is not surprising as the site is still allocated for employment uses. The appellants use open storage on the site as a starting point.

59. The appellants again made use of a comparator site, an open storage site at Paddock Road, Caversham having recently been sold. This site has the benefit, in valuation terms, of having no hope value for residential use due to potential flood risk in the access roads. That use was dismissed at appeal. I visited the site and saw that it has an awkward access (parked cars make The Causeway effectively a single track road) but otherwise is a straightforward urban site, although any use would have to take account of its proximity to housing. The site has the benefit over the appeal site of being within the built confines of Reading, but has the disadvantages of a narrow access through a residential area, its proximity to housing and the potential for the access road to flood.

60. In respect of the appeal site, this has the benefit of the existing buildings. While no condition survey has been carried out, superficially it appears that these buildings could be reused with only a limited amount of work. New roof coverings are required (the former roofs have been removed due to their asbestos content and for safety as children have entered the site) but the concrete roof supports are still in place. The site has a substantial area of hard surfaced open space that could be used for storage purposes without the need for much preliminary work. The appellants' CUV is based upon no remediation of contamination or refurbishing the buildings; it is based upon the current value of the site as it stands. This seems a reasonable approach given the development plan allocation; the fact that much of the site could be used without any need for decontamination; and the recent temporary use.

61. The appellants' valuation of the site is £2,325,000 based upon 8 acres of commercial open storage/ industrial land and buildings at £250,000 per acre and 13 acres of settlement fringe at £25,000 per acre. The figure of £250,000 per acre seems reasonable in the light of the recent sale value achieved at the smaller site at Paddock Road (£330,000 per acre).

62. The Council did not use comparators; instead it relied upon a valuation based upon a substantial office scheme on the appeal site. This was based upon the outline planning permission for offices on the site in 2003 that was renewed in 2006 but which has since lapsed. This development provided a value of

£2.75m; from this it is necessary to subtract the cost of decontaminating the land. This gives a benchmark SV of £1.865m, a figure revised from the Council's original evidence to take account of the agreed costs of decontamination. I am concerned about this approach in that the Council has failed to demonstrate that there is any market for such a substantial office development here. Indeed, the only recently completed (2009) office development of comparable scale, The Blade in Reading, is still largely vacant.

63. Overall, therefore, there is a difference between the parties of about £500,000 (£2.3m compared to £1.8m) in the benchmark land value. Neither figure is wholly watertight. The appellants' calculations are partly based upon a comparable site which differs from the appeal site in a number of important respects (location, access, scale) resulting in a need for subjective adjustments to the achieved sale figure. The Council's valuation is based upon an office development for which there is no proven demand. Overall, however, as the appellants have significantly reduced their site value to take account of the various differences between the sites, this seems a more reasonable approach than using an office development for which there appears to be little or no demand.

Competitive return

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

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

Viable amount of Affordable Housing

66. The RICS GN says that any planning obligations imposed on a development will need to be paid out of the uplift in the value of the land but it cannot use up the whole of the difference, other than in exceptional circumstances, as that would remove the likelihood of land being released for development. That is exactly what is at issue here in that the Council's valuation witness, in cross

examination, stated that a landowner should be content to receive what the land is worth, that is to say the SV. In his opinion this stands at £1.865m. I accept that, if this figure was agreed (and it is not), it would mean that the development would be viable. However, it would not result in the land being released for development. Not only is this SV well below that calculated by the appellants, there is no incentive to sell. In short, the appellants would not be willing landowners. If a site is not willingly delivered, development will not take place. The appellants, rightly in my opinion, say that this would not represent a competitive return. They argue that the uplift in value should be split 50:50 between the landowner and the Council. This would, in this instance, represent the identified s106 requirements being paid as well as a contribution of 2% of the dwellings as affordable housing.

Unilateral Undertaking

67. The appellants submitted the UU at the Inquiry having failed to come to an agreement on a bi-lateral Undertaking with the Council. The Council stated that its reason for not signing a bi-lateral agreement was due to the fact that the Undertaking does not make provision for all of the disputed off site highway matters relating to sustainable modes of transport. I have taken account of the Council's concerns regarding the UU; the Council has not suggested that any of these concerns invalidate it.

68. As set out above, not all the provisions are necessary or compliant with CIL Reg 122 or with the provisions of paragraph 205 of the *Framework*. Of the matters in dispute I have concluded that the contribution towards the provision of £747,000 towards the construction of the SERR complies with CIL Reg 122 and the *Framework*. Concerning the sustainable travel modes contribution I have concluded that Link 1 is not necessary but that Links 2 and 3 are necessary and so also compliant. Only part of the bus stop improvement contribution is justified and needs to be included. This is partly covered by a condition as the UU makes no provision towards bus stops 5 or 6. I have found that contributions towards sports halls and swimming pools are not necessary but that the contribution of £348 per dwelling (less one dwelling) towards country park provision and improvement is necessary.

69. Concerning the other elements of the UU which are not in dispute, the submitted evidence justifies the amenity open space, the children's play area contribution, the junior, infant and primary education contributions, the secondary school and secondary school sixth form contributions, the library contribution, the pitches and recreation ground contribution and the need for a travel plan. With regard to the Special Protection Area SAMM contribution, in the light of the conclusions of the Secretary of State in the Shinfield West decision dated 8 November 2012 I conclude that a contribution is necessary and compliant with CIL Reg 122 and the *Framework*.

70. I conclude on this issue that, allowing the landowner a competitive return of 50% of the uplift in value, the calculations in the development appraisal allowing for 2% affordable housing are reasonable and demonstrate that at this level of affordable housing the development would be viable (Document 26). The only alterations to these calculations are the relatively minor change to the s106 contribution to allow for a contribution to country parks and additions to the contributions to support sustainable modes of travel. These changes would have only a limited impact on the return to the landowner. The development would remain viable and I am satisfied that the return would remain sufficiently

competitive to enable the land to come forward for development. Overall, therefore I conclude that the proposed amount of affordable housing (2%) would be appropriate in the context of the viability of the development, the *Framework*, development plan policy and all other material planning considerations.

Conditions

71. During the Inquiry, the parties submitted a revised list of suggested conditions (Document 28). The majority of these were agreed. Concerning the conditions in dispute, two versions of condition 1 were put forward. The appellants sought the "standard" outline conditions with the need to submit details within 3 years while the Council sought a shorter period of 18 months to allow for a re-consideration of the quantum of affordable housing if market conditions improve. In this case, however, due to the level of contamination on the site, it is unlikely that the appellants would be able to de-contaminate the site, sell a "clean" site and for a developer to submit details within the shorter period. These considerations outweigh the possibility of the market improving to a significant extent within 3 years.

72. I have imposed the suggested condition 4, relating to the phasing of the construction of the public open space on the western part of the appeal site, although the appellants have said this is unnecessary and impractical to comply with. However, it is likely that some of the landscaping within this area will be needed at the outset to mitigate the visual impact of the development. The condition only seeks details of phasing; this does not have to include a precise timetable for its full implementation. I am not convinced that the suggested condition 5, concerning mitigation measures set out in the Environmental Statement is necessary as the matters are covered by other conditions.

73. The Loddon SANG needs to be provided prior to the occupation of any of the permitted dwellings to minimise the impact of the development on the TBHSPA. Concerning the highway improvements, for the reasons set out above I have concluded that Links 2 (as amended) and 3 are necessary. I have also concluded that the improvements to bus stops 3, 4, 5 and 6 are necessary and that a bus shelter is needed for bus stop 2. These conclusions are reflected in the condition as set out. With regard to affordable housing, and as set out above, I have imposed a condition requiring that 2% of the dwellings should be affordable housing. The implementation of the affordable housing is as set out in the UU.

74. With regard to the agreed conditions, I have imposed conditions in respect of the phasing of the demolition of buildings; the remediation of the contamination; and proposed development to ensure that it is carried out in accordance with the approved details and to ensure the proper delivery of the site. A demolition method statement is necessary in the interests of public safety and to protect the living conditions of nearby residents. Details of the dwelling mix need to comply with the Council's policies relevant at the time of construction to ensure that there is a balanced mix of dwellings on this site and taking account of the wider area. The approved plans are identified for the avoidance of doubt and in the interests of the proper planning of the area.

75. Conditions concerning levels and ground remodelling are necessary due to the undulating nature of the site and the proximity of existing houses. Details of external materials, landscaping, tree protection measures, lighting, boundary

treatments are necessary in the interests of the appearance of the area and to ensure that the trees are protected during the course of construction. Restrictions on the timing of demolition, details of tree surveys and the undertaking of a pre-works bat emergence survey, together with details of the provision of replacement roosts for bats are all necessary to ensure appropriate protection for protected species and their habitats.

76. A waste management strategy is necessary in order to minimise waste at source; details of refuse storage are needed to ensure that adequate space is available within the dwellings or their curtilages for the storage of refuse and recyclable materials. A construction and environmental management plan is necessary to protect the living conditions of nearby residents, in the interests of highway safety and to avoid harm to the environment. Due to the potential for noise nuisance from traffic on the M4, details of noise attenuation measures to protect future residents from noise need to be submitted to and approved by the local planning authority. The site is known to suffer from contamination and a remediation scheme needs to be submitted and carried out in the interests of the health of future residents. Details of measures in respect of flooding and drainage are necessary to prevent the increased risk of flooding, to improve and protect water quality and improve habitat and amenity.

77. A programme of archaeological work is needed to ensure that any archaeological remains within the site are adequately investigated, recorded or preserved in situ. The sports pitches and allotments need to be laid out, provided and managed in accordance with an approved timetable to ensure the provision of such facilities. The dwellings and the sports pavilion need to contribute to sustainable development in the interests of the environment and to accord with adopted policy.

78. Details of the public footpath, emergency access to the site, visibility splays and the site access from Brooker's Hill are necessary in the interests of highway safety. Details of car parking and manoeuvring, cycle parking, bus and cycle facilities and travel plans are required in the interests of highway safety and to encourage the use of alternative means of transport to reduce reliance on the use of the private motor car. Details of emergency water supplies are necessary to ensure that an adequate level of infrastructure is provided on the site.

79. I have not imposed the suggested condition removing permitted development rights as these can be removed from individual dwellings, as and when considered necessary, at the detailed stage where they flow from the reserved matter. The suggested condition concerning ducting is not imposed as it is imprecise and unnecessary.

Conclusions

80. I have taken into account all the other matters raised at the Inquiry and in the written representations. In particular I have had regard to the need for housing land in the area. I agree that this is a sustainable location for housing; that there would be benefits from the re-use of this previously developed land; and that there would be benefits from the remediation of this contaminated land. The development would improve the appearance of a site that is, in part, visually harmful to the immediate area. Concerning the mix of dwellings to be provided, the illustrative Masterplan indicates a range of sizes of flats and houses. While the number of affordable homes would be limited, providing a

poor mix of tenure, this is due to the viability of the site and the need to deliver land for housing.

81. Overall I conclude that subject to the provisions of the UU and the conditions set out in the Schedule to this decision, the proposals would make adequate provision for mitigating any adverse impact they would have upon local services and infrastructure. The amount of affordable housing is limited but this is due to the particular circumstances of the site. The amount to be provided would be appropriate in the context of the viability of the development, the National Planning Policy Framework, development plan policy and all other material planning considerations.

Clive Hughes

Inspector

APPEARANCES

FOR THE LOCAL PLANNING AUTHORITY:

Mary Cook	Of Counsel; instructed by Sandra Fryer, Head of Development Delivery, Wokingham BC
She called	
Andy Glencross BSc BTec HND	Ecological advisor, Wokingham BC
Lynn Basford BA(Hons) MA MIHT MRTPI	Director of Transport Planning, JMP Consultants Ltd
Peter Barefoot FRICS FBE	Partner, Alder King LLP
Robert Gillespie BA(Hons) MRTPI	Director, Impact Planning Services Ltd
Jeremy Flawn	Impact Planning Services Ltd

FOR THE APPELLANT:

Christopher Young	Of Counsel; instructed by Simon Dimmock, Solicitor and Chairman, Blandy and Blandy LLP
He called	
Ian Tant BSC (Hons) BTP MRTPI	Senior Partner, Barton Willmore
Michael Knowles BSc (Hons) CEng DipTP ACGI MICE MCIHT	Consultant, RPS
Christopher Newman BSc (Hons) MRICS	Partner, Haslams Surveyors LLP
Nigel Jones BSc (Hons) FRICS ACIArb	Director, Chesterton Humberts
Simon Dimmock	Solicitor, Blandy & Blandy

INTERESTED PERSONS:

Peter Hughes	Shinfield Parish Council

DOCUMENTS SUBMITTED AT THE INQUIRY

1 Council's notification letter and list of persons notified
2 Opening submissions on behalf of the appellants
3 Letter dated 22 October 2012 from Secretary of State and Inspector's Report concerning Appeals APP/X0360/A/11/2151409, 2151413 & 2151402 – Land west of Shinfield, west of Hyde End Road and Hollow Lane and south of Church Lane, Shinfield
4 Council's putative reasons for refusal in respect of above appeal (2151409)
5 Letter dated 29 October 2012 from Barton Willmore to Wokingham BC and documents referred to therein
6 Draft copies of Bilateral Undertaking under section 106 of the Act
7 Draft conditions
8 Sensitivity Model at 17% Affordable Housing
9 Comparator Sheet A at 40% Affordable Housing and differing GDVs
10 Comparator Sheet B at 40% Affordable Housing and differing GDVs
11 Peter Barefoot Appendix A Vol 3
12 Peter Barefoot – rebuttal proof of evidence Appendix R1a (i) and (ii)
13 Peter Barefoot – post rebuttal bar chart
14 Draft Unilateral Undertaking
15 Secretary of State decision letter and Inspector's Report – land off Lydney bypass and Highfield Road, Lydney APP/P1615/A/08/2182407
16 *Robert Hitchins Ltd v SoS and Forest of Dean [2010] EWHC 1157 (admin)* dated 27 May 2010
17 Email dated 22 October 2012 concerning education matters
18 Letter dated 29 October 2012 from Barton Willmore to Wokingham BC
19 List of meetings December 2008 to 25 October 2012
20 ODPM Circular 05/2005 pp13-14
21 Statement by Peter Hughes on behalf of Shinfield Parish Council
22 Plans showing extent and layout of planning permission for storage on appeal site
23 Paddock Road, Caversham – sales particulars and extract from Flood Risk Assessment
24 Letter dated 2 November 2012 from University of Reading to Barton Willmore concerning past uses of part of appeal site
25 Development Appraisal 13% Affordable Housing – 1 November 2012
26 Development Appraisal 2% Affordable Housing – 1 November 2012
27 Ordnance Survey map showing locations of various sites referred to
28 Revised list of suggested conditions
29 Email dated 8 November 2012 from appellants to council clarifying changes to suggested conditions
30 Unilateral Undertaking under s106 of the Act dated 8 November 2012
31 Note from Blandy & Blandy concerning Unilateral Undertaking
32 List of Council's comments on Unilateral Undertaking
33 Secretary of State decision in respect of document 3 (above) dated 8 November 2012
34 Closing submissions on behalf of the Council
35 Closing submissions on behalf of the University of Reading
36 Application for a partial award of costs on behalf of the University of Reading
37 Response to costs application by the Council

PLANS

A Drawing No DW-411-101 Rev 00 – site location plan
B Drawing No DW-411-102 Rev 00 – parameter plan (land use)
C Drawing No DW-411-103 Rev 00 – parameter plan (heights)
D Drawing No DW-411-107 Rev 00 – topographic survey
E Drawing No JNY5203/RSA3/001 Rev C – proposed signalised junction stage 3 road safety audit additional works

Schedule of conditions (55):

1) a) Details of the appearance, landscaping, layout, and scale, (hereinafter called "the reserved matters") shall be submitted to and approved in writing by the local planning authority before any development begins and the development shall be carried out as approved.

b) Application for approval of the reserved matters shall be made to the local planning authority not later than three years from the date of this permission.

c) The development hereby permitted shall begin not later than two years from the date of approval of the last of the reserved matters to be approved.

2) The development hereby permitted shall be carried out in accordance with the application and the following drawings [Drawing Nos DW-411-101 Rev 00, 102 Rev 00, 103 Rev 00 and JNY5203/RSA3/001 Rev C] and the scale parameters set out in paragraphs 4.6.55-59 and the accompanying table/explanatory diagrams on page 66 of the Design and Access Statement (January 2011) received by the Local Planning Authority on 1 February 2011.

3) The first phase of works will comprise demolition of existing buildings and remediation of contamination across the whole site. No other development shall commence until a scheme of phasing of construction for the housing and associated works hereby approved has been submitted to and approved in writing by the Local Planning Authority and development shall be carried out in accordance with the agreed scheme of phasing.

4) No development other than works of demolition and remediation shall commence until a scheme of phasing of construction of the public open space on the western part of the appeal site, including sports pitches, equipped play area, pavilion, allotments and associated works has been submitted to and approved in writing by the Local Planning Authority. The development shall be carried out in accordance with the agreed scheme of phasing. The land which is to form the open space shall be fenced prior to first occupation of the approved dwellings and secured until such time as the public open space is brought into use.

Levels

5) No development other than works of demolition and remediation shall take place within any phase until a measured survey of that part of the site and a plan showing details of existing and proposed finished ground

levels (in relation to a fixed datum point) and finished floor levels for that part of the site and its relationship with adjoining buildings and land has been submitted to and approved in writing by the Local Planning Authority and the approved scheme shall be fully implemented before first occupation of the buildings within that phase.

Materials

6) Before any phase of the development hereby permitted is commenced other than in relation to works of demolition and remediation, samples and details of the materials to be used in construction of the external surfaces of the building(s) within that phase shall first be submitted to and approved in writing by the Local Planning Authority. Development of that phase shall be carried out in accordance with the approved details.

Dwelling mix

7) The reserved matters to comply with Condition 1 shall include a mix of dwellings taking account of the Council's housing mix policies at the time, the character of the development and the way in which it assimilates to the wider area.

Hard and soft landscaping and boundary treatments

8) Before any phase of the development hereby permitted other than works of demolition and remediation is commenced a comprehensive scheme detailing all boundary treatment(s) within that phase shall first be submitted to and approved in writing by the Local Planning Authority. The approved scheme shall be implemented insofar as it relates to that phase prior to the first use of land or occupation of buildings within that phase or phased as agreed in writing by the Local Planning Authority. The boundary treatments required by the scheme shall be retained in the approved form thereafter unless otherwise agreed in writing by the Local Planning Authority.

9) Prior to the commencement of development (other than works of development and remediation) full details of the Structural Landscaping for the entire site shall be submitted to and approved in writing by the planning authority. The approved scheme shall be implemented prior to the first use of land or occupation of buildings as agreed in writing by the Local Planning Authority. The approved Structural Landscaping shall be retained thereafter unless otherwise agreed in writing by the Local Planning Authority.

10) The development of each phase hereby permitted, other than works of demolition and remediation shall not commence until full details of both hard and soft landscape proposals for that phase have been submitted to and approved in writing by the local planning authority. These details shall include, as appropriate, proposed site levels or contours, means of enclosure, pedestrian and cycle access and circulation areas, hard surfacing materials, water features and minor artefacts and structures (e.g. furniture, boardwalks, signs, street lighting, external services, etc).

11) Soft landscaping details shall include planting plan, specification (including cultivation and other operations associated with plant and grass establishment), schedules of plants, noting species, planting sizes and proposed numbers/densities where appropriate, and implementation timetable.

12) All hard and soft landscape works shall be carried out in accordance with the approved details. The details will include the phasing of planting, soft and hard works within each part of the development, so as to ensure that works related to each development phase are completed in conjunction with that phase. The works shall be carried out in accordance with a programme submitted to and agreed in writing with the local planning authority.

13) A landscape management plan for each phase of the development, including a programme for implementation, long term design objectives, long term management responsibilities, proposals for structural planting, green space linkages, timescales and maintenance schedules for all landscape areas shall be submitted to and approved in writing by the local planning authority prior to the development of each phase, other than works of demolition and remediation. The landscape management plan shall be carried out as approved.

14) The plans and particulars submitted in accordance with condition 10 above shall include:

    (a) a plan showing the location of, and allocating a reference number to, each existing tree on the site which has a stem with a diameter, measured over the bark at a point 1.5 metres above ground level, exceeding 75 mm, showing which trees are to be retained and the crown spread of each retained tree;

    (b) details of the species, diameter (measured in accordance with paragraph (a) above), and the approximate height, and an assessment of the general state of health and stability, of each retained tree and of each tree which is on land adjacent to the site and to which paragraphs (c) and (d) below apply;

    (c) details of any proposed topping or lopping of any retained tree, or of any tree on land adjacent to the site;

    (d) details of any proposed alterations in existing ground levels, and of the position of any proposed excavation, within the crown spread of any retained tree or of any tree on land adjacent to the site within a distance from any retained tree, or any tree on land adjacent to the site, equivalent to half the height of that tree; and

    (e) details of the specification and position of fencing and of any other measures to be taken for the protection of any retained tree from damage before or during the course of development.

    In this condition "retained tree" means an existing tree which is to be retained in accordance with the plan referred to in paragraph (a) above.

15) The plans and particulars submitted in accordance with condition 10 above shall include details of the size, species, and positions or density of all trees to be planted, and the proposed time of planting.

16) In this condition "retained tree" means an existing tree which is to be retained in accordance with the approved plans and particulars; and paragraphs (a) and (b) below shall have effect until the expiration of 5 years from the date of commencement of the site for its permitted development.

(a) No retained tree shall be cut down, uprooted or destroyed, nor shall any retained tree be topped or lopped other than in accordance with the approved plans and particulars, without the written approval of the local planning authority. Any topping or lopping approved shall be carried out in accordance with British Standard 3998 (Tree Work).

(b) If any retained tree is removed, uprooted or destroyed or dies, another tree shall be planted at the same place and that tree shall be of such size and species, and shall be planted at such time, as may be specified in writing by the local planning authority.

(c) The erection of fencing for the protection of any retained tree shall be undertaken in accordance with the approved plans and particulars before any equipment, machinery or materials are brought on to the site for the purposes of the development, and shall be maintained until all equipment, machinery and surplus materials have been removed from the site. Nothing shall be stored or placed in any area fenced in accordance with this condition and the ground levels within those areas shall not be altered, nor shall any excavation be made without the written consent of the local planning authority.

17) a) Before any phase of the development hereby permitted is commenced a scheme (herein called the Approved Method statement for Arboricultural Works scheme) which provides for the retention and protection of trees, shrubs and hedges growing on or adjacent to land within that phase of the development has been submitted to and approved in writing by the Local Planning Authority; no development or other operations shall take place except in complete accordance with the approved protection scheme.

b) The scheme shall also provide for retention and protection of trees which are confirmed bat roosts and a network of corridors across the site to maintain bat commuting.

c) No operations shall commence on site in connection with development hereby approved (including any tree felling, tree pruning, demolition works, soil moving, temporary access construction and or widening or any other operation involving use of motorised vehicles or construction machinery) until the tree protection works required by the approved scheme are in place on site.

d) No excavations for services, storage of materials or machinery, parking of vehicles, deposit or excavation of soil or rubble, lighting of fires or disposal of liquids shall take place within an area designated as being fenced off or otherwise protected in the approved scheme.

e) The fencing or other works which are part of the approved scheme shall not be moved or removed, temporarily or otherwise, until all works including external works have been completed and all equipment, machinery and surplus materials removed from the site, unless the prior approval of the Local Planning Authority has first been sought and obtained.

Ecology

18) The details submitted in relation to condition 1 shall where relevant be in accordance with the Design Guide and Management Strategy for veteran

and mature trees (FLAC reference CC29- 1041 submitted on 27 January 2011).

19) Demolition of existing buildings shall be outside the bat maternity (mid-May to August) and hibernation (November to March) periods, unless otherwise agreed in writing by the Local Planning Authority. Before demolition of any building takes place it shall be subject to building checks by a licensed bat worker, a pre-demolition emergence survey and a destructive search by hand of sensitive areas such as the roofs. The building shall then be left exposed for at least 24 hours in order for bats to disperse.

20) Before demolition of existing buildings a scheme to provide short-term and long-term replacement roosts, including details of the type and location of bat boxes, the construction of buildings intended to serve as roosts and a timetable for their provision, shall be submitted to and approved in writing by the Local Planning Authority and the scheme shall be implemented in accordance with the approved details.

21) Before any works to trees which have been identified as having the potential to support bats or confirmed as bat roosts they shall be climbed and checked for the presence of bats using an endoscope, and a pre-works bat emergence survey will also be undertaken.

Lighting

22) Before the commencement of the development other than works of demolition and remediation, a Lighting Strategy incorporating the principles set out in paragraph 9.126 Ecology and Nature Conservation chapter in the of the Environmental Statement (University of Reading, January 2011) shall be submitted to and approved in writing by the Local Planning Authority. Each reserved matters application shall provide details of implementation for lighting within that phase for all principal highways, cycleways and public and other footpaths. The development shall be carried out in accordance with the approved details. The development shall be implemented in accordance with the approved Lighting Strategy before the relevant highways, cycleways and footpaths are brought into use and retained thereafter.

Waste management strategy

23) Before the commencement of the development a Waste Management Strategy including principles of minimisation of waste at source (reuse and recycling) shall be submitted to and approved in writing by the Local Planning Authority. The development shall be carried out in accordance with the approved Strategy.

Demolition and remediation

24) No works of demolition and remediation shall commence, until a Demolition and Remediation Method Statement has been submitted to, and approved in writing by, the local planning authority. The approved Statement shall be adhered to throughout the demolition and remediation period. The Statement shall provide for:
1. the parking of vehicles of site operatives and visitors
2. loading and unloading of plant and materials
3. storage of plant and materials used in the demolition / remediation
4. the erection and maintenance of security hoarding

5. wheel washing facilities
6. measures to control the emission of dust and dirt during demolition / remediation works
7. a scheme for recycling/disposing of waste resulting from demolition / remediation works
8. measures to control surface water run-off and prevention of contamination of surface water
9. measures for the retention and protection of trees which are confirmed bat roosts and a network of wildlife corridors across the site to maintain bat commuting
10. the tree protection works required by the approved Method statement for Arboricultural Works scheme for that part of the site.

Construction and environmental management

25) Before any phase of the development hereby permitted is commenced other than works of demolition and remediation a Construction Environmental Management Plan for that phase shall have been submitted to and approved in writing by the Local Planning Authority. Construction of the development shall be in accordance with the approved Construction Environmental Management Plan unless otherwise agreed in writing by the Local Planning Authority. The Construction Environmental Management Plan shall include the following matters:

(a) parking and turning for vehicles of site personnel, operatives and visitors;
(b) loading and unloading of plant and materials;
(c) piling techniques;
(d) storage of plant and materials;
(e) programme of works (including measures for traffic management and operating hours);
(f) provision of boundary hoarding and lighting;
(g) protection of important trees, hedgerows and other natural features;
(h) protection of the aquatic environment in terms of water quantity and quality;
(i) measures to control discharge of surface water and prevent increased localised risk of flooding;
(j) details of proposed means of dust suppression and noise mitigation;
(k) details of measures to prevent mud from vehicles leaving the site during construction;
(l) haul routes for construction traffic on the highway network; and
(m) monitoring and review mechanisms.

26) No works in respect of the construction of the development hereby permitted and no deliveries to the site during construction shall be undertaken:

- Outside the hours of 0800 - 1800 on Mondays to Fridays (inclusive);
- Outside the hours of 0800 - 1300 on Saturdays; and
- On Sundays and on public holidays.

Noise

27) Before any phase of the development commences a scheme for protecting the proposed dwellings and gardens/private amenity areas within that phase from road traffic noise shall been submitted to and approved by the Local Planning Authority. All works which form part of the approved scheme shall be completed before any affected dwelling is occupied and retained and maintained for the duration of the use.

28) Before construction of the sub-station commences, details of the technical specifications for it, to include a noise assessment and mitigation report identifying attenuation measures to ensure that this building is designed and insulated to mitigate against the noise produced from the development (whether directly or indirectly), shall be submitted to and approved in writing by the Local Planning Authority. The agreed attenuation measures shall be implemented maintained and retained thereafter in accordance the approved details.

Contamination

29) No development shall take place until a scheme to deal with contamination of the site has been submitted to and approved in writing by the local planning authority. The scheme shall include an investigation and assessment to identify the extent of contamination and the measures to be taken to avoid risk when the site is developed.

The contamination scheme shall include the following details:

A. Site Characterisation
An appraisal of remedial options, and proposal of the preferred option(s), conducted in accordance with DEFRA and the Environment Agency's 'Model Procedures for the Management of Land Contamination, CLR 11'.

B. Submission of Remediation Scheme
A detailed remediation scheme to bring the site to a condition suitable for the intended use by removing unacceptable risks to human health, buildings and other property and the natural environment must be prepared, and is subject to the approval in writing of the Local Planning Authority. The scheme must include all works to be undertaken, proposed remediation objectives and remediation criteria, timetable of works and site management procedures. The scheme must ensure that the site will not qualify as contaminated land under Part 2A of the Environmental Protection Act 1990 in relation to the intended use of the land after remediation.

C. Implementation of Approved Remediation Scheme
The approved remediation scheme (other than supplementary remediation schemes for unexpected contamination or measures which comprise part of the construction process) must be carried out in accordance with its terms prior to the commencement of development other than that required to carry out remediation, unless otherwise agreed in writing by the Local Planning Authority. The Local Planning Authority must be given two weeks written notification of commencement of the remediation scheme works. Following completion of measures identified in the approved remediation scheme, a verification report that

demonstrates the effectiveness of the remediation carried out must be produced, and is subject to the approval in writing of the Local Planning Authority.

D. Reporting of Unexpected Contamination
In the event that contamination is found at any time when carrying out the approved development that was not previously identified it must be reported in writing immediately to the Local Planning Authority. Investigation works must be implemented to define the extent and severity of the newly identified contamination. Where it is confirmed by the local planning authority that the currently approved remedial criteria do not adequately allow screening of the newly identified contaminants, further risk assessment must be undertaken in accordance with a scope and methodology which has been submitted to and approved in writing of the Local Planning Authority. Where a remedial requirement is identified and it is confirmed by the local planning authority that the currently approved remediation scheme does not detail remedial methods suitable to address the newly identified contamination a supplementary remediation scheme must be prepared in accordance with the requirements of part B of condition 31, which is subject to the approval in writing of the Local Planning Authority. The unexpected contamination must be remediated in accordance with the supplementary remediation scheme within timescales previously agreed with the local planning authority. Following completion of measures identified in the approved remediation scheme a verification report must be prepared; which is subject to the approval in writing of the Local Planning Authority in accordance with part C of condition 31.

No building hereby permitted shall be occupied until the written approval of the verification report has been issued by the Local Planning Authority.

Flooding and drainage

30) The development shall be carried out in accordance with the proposals set out in Section 6: Conclusions of the Flood Risk Assessment Reference BES0299, Revision: FINAL dated December 2010 and received by the Local Planning Authority on 1 February 2011.

31) No development other than works of demolition and remediation shall commence until a surface water drainage scheme for the site, based on sustainable drainage principles and an assessment of the hydrological and hydro geological context of the development, has been submitted to and approved in writing by the local planning authority. The scheme shall be implemented in accordance with the approved details before the development is completed.

The scheme shall also include:

- A detailed plan showing the drainage network on the site;
- details of use of SUDS features as proposed in the submitted FRA, to include Swales, permeable paving and consideration of other features appropriate to the site;
- demonstration that the site can be kept flood free up to the 1 in 100 (plus 30% allowance for climate change) storm event and will not result in overland run-off leaving the site;

- details of on-site attenuation and storage;
- proposals to secure a 20% reduction to the existing maximum rate of discharge from the site;
- details of interceptors where proposed; and
- maintenance details for the proposed drainage scheme (the Maintenance Plan).

32) No building shall be occupied until works for the disposal of foul and storm water sewage have been provided on the site to serve the development hereby permitted, in accordance with details to be submitted to and approved in writing by the local planning authority.

Archaeology

33) No development shall commence until a programme of archaeological work (which may comprise more than one phase of work) has been implemented in accordance with a written scheme of investigation, which has been submitted to and approved in writing by the Local Planning Authority. The development shall only take place in accordance with the detailed scheme approved pursuant to this condition.

Public open space (sports pitches and recreation)

34) The sports pitches shall be laid out in accordance with the standards and methodologies set out in the guidance note "Natural Turf for Sport" (Sport England, March 2000) or its successor publication.

35) Before the commencement of the development of the public open space a scheme for the layout, detailed design and on-going maintenance and management of the sports pitches, pavilion, car parking, children's play area and related cycle and footways shall be submitted to and approved in writing by the Local Planning applications. The development of the sports pitches, pavilion, car parking, children's play area and related cycle and footways shall be implemented and managed in accordance with the approved scheme. The scheme shall set out measures to secure public access to the facilities in perpetuity.

Public open space (allotments)

36) Before the commencement of the development of the allotments a scheme for the layout, specification and on-going maintenance, letting and management of the allotments shall be submitted to and approved in writing by the Local Planning applications. The development of the allotments shall be implemented, let and managed in accordance with the approved scheme.

Sustainability measures

37) The dwellings shall achieve the Code for Sustainable Homes level applicable at the time, subject to achieving a minimum of Code for Sustainable Homes level 3. No dwelling shall be occupied until a Final Code Certificate has been issued for it certifying that at least Code Level 3 has been achieved.

38) The sports pavilion shall be designed to achieve BREEAM 'very good' certification or such equivalent scheme and standard that shall operate at the time of construction of the sports pavilion.

39) The reserved matters to comply with Condition 1 shall include measures to secure at least 10% of reduction in carbon emissions from the

development. The development shall be carried out in accordance with the approved details and the approved measures shall be retained thereafter.

Access and emergency access

40) The reserved matters to comply with Condition 1 and the phasing to comply with Condition 3 shall make provision for retention of the Public Right of Way during construction and once the development is complete and include details of its surfacing and path furniture.

41) The first reserved matters to comply with Condition 1 shall include suitable provision for emergency access, pedestrian and cycle access in the vicinity of the intersection of Footpath 10 and Hollow Lane with appropriate visibility splays. No building shall be occupied until the emergency access has been constructed in accordance with the approved details. Furthermore, the land within all approved visibility splays shall be cleared of any obstruction exceeding 0.6 metres in height and maintained clear of any obstruction exceeding 0.6 metres in height at all times.

42) No building shall be occupied or land brought into beneficial use until the access from Brooker’s Hill has been constructed in accordance with Drawing No JNY5203/RSA3/001 Rev C in Appendix 10.1 of the Environmental Impact Assessment or other details which have first been submitted to and approved in writing by the Local Planning Authority.

Cycle parking

43) The reserved matters submissions to comply with Condition 1 shall include details of secure covered bicycle parking for each dwelling and secure cycle parking for the allotments and sports pitch(es). Cycle parking for each dwelling shall be provided in accordance with the approved details before occupation and the cycle parking for the sports pitch(es) and allotments shall be provided before their use commences. The approved cycle parking shall be retained thereafter.

Parking

44) The reserved matters to comply with Condition 1 shall include details of residential car and motorcycle parking in accordance with the Council's policies at the time of the reserved matters application. No dwelling shall be occupied until the access(es), driveways, parking and turning areas to serve it including any unallocated parking spaces have been provided in accordance with the approved details and the provision shall be retained thereafter. The vehicle parking shall not be used for any other purpose other than parking and the turning areas shall not be used for any other purpose other than turning.

45) The reserved matters to comply with Condition 1 shall include details of parking, access and turning for the proposed sports pitch(es) and pavilion, including provision for coaches in accordance with the agreed Travel Plan in relation to the pavilion. Provision shall be made, in accordance with the approved details prior to occupation of the pavilion or use of the pitches commencing and retained thereafter. The vehicle parking shall not be used for any other purpose other than parking and the turning areas shall not be used for any other purpose other than turning.

46) Notwithstanding the provisions of the Town and Country Planning (General Permitted Development) Order 1995 (as amended) or any Order revoking and re-enacting that Order within or without modification), any garage or carport accommodation on the site shall be kept available for the parking of vehicles ancillary to the residential use of the site at all times. Carports shall be erected in accordance with the approved reserved matters and shall not be enclosed beyond any enclosure shown on the approved drawings without the prior written approval of the Local Planning Authority. Garages and carports shall not be used for any business use nor as habitable space.

Visibility splays

47) The dwellings hereby approved shall not be occupied until visibility splays of 2.0 metres by 2.0 metres have been provided at the intersection of the driveway and the adjacent footway. (Dimensions to be measured along the edge of the drive and the back of the footway from their point of intersection). The visibility splays shall thereafter be kept free of all obstructions to visibility above a height of 0.6 metres.

Travel plans

48) Other than works of demolition and remediation development shall not be commenced until a travel plan for the residential development has been submitted to, and approved in writing by the Local Planning Authority. The travel plan shall be generally in accordance with the agreed Framework Travel Plan (dated 6th October 2011) and include a programme of implementation, including funding arrangements, proposals to promote alternative forms of transport to and from the site, other than by the private car and provide for periodic review. Such measures shall include personalised travel planning, provision of public transport vouchers, provision of bike vouchers and the provision of a travel plan co-ordinator. The travel plan shall be permanently implemented as agreed, unless otherwise agreed in writing by the Local Planning Authority.

49) The development of the pavilion shall not commence until a leisure based travel plan has been submitted to, and approved in writing by the Local Planning Authority. The travel plan shall include a programme of implementation, including funding arrangements, proposals to promote alternative forms of transport to and from the site, other than by the private car and provide for periodic review. The travel plan shall be permanently implemented as agreed, unless otherwise agreed in writing by the Local Planning Authority.

Bus, cycle and pedestrian facilities

50) No dwelling shall be occupied until the cycle facilities and improved pedestrian facilities as identified as Links 2 and 3 on Figure 2.2 (Lynn Basford's rebuttal proof of evidence) have been provided. Prior to the commencement of the development, schemes for bus stops improvements as identified as bus stops 3, 4, 5 and 6 and a bus stop shelter at bus stop 2 as identified on Figure 2.3 (Lynn Basford's rebuttal proof of evidence) shall be submitted to and approved in writing by the local planning authority. The approved bus stop improvements shall be implemented prior to occupation of the first dwelling.

Emergency water supply

51) Prior to first occupation of any relevant phase of development fire hydrants, or other suitable emergency water supplies, shall be provided in accordance with a scheme including details of their location, specification and a programme for their provision which has first been submitted to and approved in writing by the Local Planning Authority.

Refuse storage

52) The reserved matters to comply with Condition 1 shall incorporate internal and external spaces for the storage of refuse and recyclable materials storage for all dwellings, the sports pitches/pavilion and allotments and provision shall be made in accordance with the approved details prior to occupation of any building or commencement of any use and retained thereafter.

Affordable housing

53) The development shall not commence until an Affordable Housing Strategy for the provision of affordable housing as part of the development has been submitted to and approved in writing by the Local Planning Authority. The strategy shall provide 2% affordable housing up to a maximum of 3 dwellings unless otherwise agreed in writing by the Local Planning Authority. The affordable housing shall be provided in accordance with the approved scheme and shall meet the definition of Affordable Housing in Annex 2 to the National Planning Policy Framework. The Strategy shall provide:-

•The numbers, type, tenure and location on the site of the affordable housing provision to be made, which shall consist of a minimum of 2% of housing units

•The respective proportions of each tenure of dwellings are to be approved by the Local Planning Authority as part of the strategy set out above the affordable housing dwelling mix will be 20% one-bedroom apartments and houses 15% two bedroom apartments 30% two bedroom houses 20% three bedroom houses and 15% four bedroom houses unless otherwise agreed in writing by the council

•The standard of construction of the affordable dwellings

•Details of the shared ownership model including the equity share and capped rent of unsold equity

• The arrangements for the transfer of the affordable housing to an affordable housing provider approved by the council

• The arrangements to ensure that such provision is affordable for both first and subsequent occupiers of the affordable housing;

- The timing of the delivery of the affordable housing; and

• The occupancy criteria to be used for determining the identity of occupiers of the affordable housing and the means by which such occupancy criteria shall be enforced.

The Loddon SANG

54) None of the approved dwellings shall be occupied until the Loddon Suitable Alternative Natural Greenspace (SANG) has been provided and made available for public use.

Ground remodelling

55) No development shall commence until a scheme for the earth remodelling of the public open space and residential areas has been submitted to and approved in writing by the planning authority. The scheme shall include plans, sections and details of soil importation and exportation associated with the proposed development. The development shall be implemented in accordance with the approved scheme.

APPENDIX F: EAST DEVON VIABILITY STUDY, 2013.

East Devon District Council

East Devon Community Infrastructure Levy Viability Study

Final Report

January 2013

Contents

Technical Report

1 Introduction

1.1.1 The Community Infrastructure Levy regulations require the production of a charging schedule that sets out the rates that will be applied within each local authority area. This must be based on a robust evidence base to ensure that the proposed levels of CIL do not adversely impact on the economic viability of development.

1.1.2 Roger Tym & Partners (now part of Peter Brett Associates) and Three Dragons were each commissioned by East Devon District Council (EDDC) in February 2012 to undertake a viability assessment for non-residential and residential development respectively. The commission was to provide the evidence base which will assist EDDC in setting their Community Infrastructure Levy (CIL). This work is intended to be used alongside other research into infrastructure requirements.

1.1.3 This study does not seek to set the levy as this is for the local authority to determine and publish in their charging schedule. However it will make recommendations about the type of development which should be considered for CIL and to illustrate the impacts of setting a levy on development viability.

1.2 Background

1.2.1 The CIL is a new levy that local authorities in England and Wales can choose to charge on new developments in their area. The introduction of CIL corresponds to changes in the way that Section 106 obligations can work and it is likely that most Local Authorities in England will choose to use CIL in order to continue using some of the value created by development to fund the infrastructure required.

1.2.2 The main points relating to CIL are:

- CIL applies to most new buildings and charges are based on the size and type of the new development. The exemptions are for non-residential development of less than 100 sqm, charitable uses or when there is no additional floorspace created. There is a mandatory exemption for social housing.
- Charging authorities (in this case East Devon District Council) must produce a *charging schedule* which sets out the rate for their levy.
- The levy is intended to encourage development by creating a balance between collecting revenue to fund infrastructure and ensuring that the rates are not so high that they put development across the area at serious risk – i.e. an ‘appropriate balance’. CIL Regulation 14 recognises that the introduction of CIL *may put some potential development sites at risk*.[1]
- These rates should be supported by evidence, such as the viability of new development and the area’s infrastructure needs.

[1] CLG, 2010, Charge Setting and Charging Schedule Procedures

- The charging authority can set one standard rate or it can set specific rates for different areas and types of development. Any differential rate must be justified by the viability of new development and differential CIL rates should seek to avoid undue complexity.
- A charging authority is only required to use appropriate available evidence to *'inform the draft charging schedule'*. A charging authority's proposed CIL should appear reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence.
- Charging authorities must consult their local communities – including local businesses and neighbouring authorities – regarding their proposed rates for their levy.
- The land owner is liable for the charge unless another party such as a developer has a material interest in the development.
- If the charging authority chooses, it can adopt an exceptional circumstances policy to allow relief from the Levy. However there are state aid considerations that may arise from exemptions.
- The charge becomes due when consent for the development is given. However, if the charging authority chooses, it can adopt a staged payments policy.
- The charging authority can use up to 5% of CIL receipts to finance administrative expenses in connection with the Levy.

Updated CIL Statutory Guidance (December 2012)

1.2.3 DCLG has provided Guidance for the Community Infrastructure Levy[2], with a new version of this published in December 2012 and replacing the publication of March 2010.

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

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

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

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

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

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

1.2.7 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).

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

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

1.2.9 While not directly relevant to the evidence set out in this viability 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)

1.2.10 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).

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

CIL and scaled-back s106 requirements

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

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

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

Guidance on plan viability testing

1.2.14 Further guidance has been published to assist practitioners in undertaking viability studies for policy making purposes – "Viability Testing Local Plans - Advice for planning practitioners"[3]. The approach to viability testing 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*."

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

"The most straightforward way to assess plan policies for the first five years is to work on the basis of current costs and values". (page 26). But that:
"*The one exception to the use of current costs and current values should be recognition of significant national regulatory changes to be implemented………"(page 26)*

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

1.3 Objectives and Work Stages

1.3.1 The objectives of this report are to use the available evidence to assess the ability of different types of development to support a CIL. The work stages of the study informing the report are to:

i. Consider the evidence relating to the costs and values of different non-residential developments in East Devon; and consider whether there are differences in these values across different parts of the district.

ii. Review the types of development likely to come forward during the plan period, use this as a basis to generate some hypothetical development typologies.

iii. Undertake a series of viability tests on these hypothetical development typologies and consider whether there is value to support a CIL.

iv. Undertake early consultation with the development industry to check, challenge and agree assumptions (see CIL consultee workshop notes in Annex 1, which were circulated for stakeholder comment).

[3] Local Housing Delivery Group, Viability Testing Local Plans, Advice for Planning Practitioners, June 2012. The Local Housing Delivery Group was a cross-industry group, supported by the Local Government Association and the Home Builders Federation.

2 Developing Non-Residential Case Study Sites

2.1 Introduction

2.1.1 Based on the discussion of past and likely future developments, we have generated a set of development typologies to test. In developing these we have also considered real examples of recent development in East Devon and the surrounding area. These have informed our assumptions in terms of appropriate values and costs to apply in our high level viability testing.

2.2 Non-Residential Site Typologies

2.2.1 We have generated some 'typical' development typologies. These have been informed by real situations, but are not intended to represent any actual developments.

A1 Retail

2.2.2 We have based our A1 assumptions by testing three retail typologies:

- Retail warehouses - edge of town development of six retail warehouses totalling 10,000 sqm gross with a site coverage of 40%
- Out of town centre retail – out of town centre boundary development of 2,500 sqm gross with a site coverage of 40%
- Town centre shops - town or secondary centre retail of 300 sqm gross with site coverage of 80%.

A2 Financial and Professional Services

2.2.3 We have included this use within the A1 use class assessment above because, subject to consent, these uses are likely to occupy the same sorts of premises as many A1 town centre uses. Therefore the viability will be covered by the assessment of the viability of A1 town centre uses.

A3 Restaurants and Cafes

2.2.4 Again we have included this use within A1 town centre retail above, on the basis that, subject to consent, these uses are likely to occupy the same sorts of premises as many A1 town centre uses. Therefore the viability will be covered by the assessment of the viability of A1 town centre uses.

A4 Drinking Establishments

2.2.5 Again we have included this use within A1 town centre retail above. This is on the basis that, subject to consent and licensing, these uses are likely to occupy the same sorts of premises as many A1 town centre uses. Therefore the viability will be covered by the assessment of the viability of A1 town centre uses.

A5 Hot Food Takeaways

2.2.6 Again we have included this use within A1 town centre retail above. This is on the basis that, subject to consent, these uses are likely to occupy the same sorts of premises as many A1 town centre uses. Therefore the viability will be covered by the assessment of the viability of A1 town centre uses.

B1 Business Offices

2.2.7 We have used two B1 Office typologies:

- In town – 800 sqm with building footprint site coverage of 80% (development over three floors)
- Edge of Exeter business park with development of gross 2,000 sqm and with a building footprint site coverage of 40% (development over two floors).

2.2.8 The non-office B1 uses are covered by the B2/B8 uses discussed below.

B2 General Industrial

2.2.9 We have used two B2 general industrial typologies:

- Edge of town industrial units of gross 1,500 sqm with site coverage of 40%. This may include subdivisions into smaller workshop units.
- Edge of Exeter industrial unit of gross 5,000 sqm with site coverage of 40%.

B8 Storage/Distribution

2.2.10 As per B2 General Industrial because in practice the activity will have the same type of premises as the larger B2 typology; i.e. warehouse of gross 5,000 sqm with site coverage of 40%.

C1 Hotels

2.2.11 60 bedrooms' budget hotel of gross 2,800 sqm over three floors on an edge of town site with 50% site coverage.

C2 Residential Institutions

2.2.12 We have tested the viability of care homes because there has been significant private sector investment in care homes in the recent past, fuelled by investment funds seeking new returns. We assume development to include a 1,900 sqm (40 bedrooms over three floors) Care Homes on the edge of town with 50% site coverage.

D1 Non-Residential Institutions

2.2.13 Non-residential institutions will vary from public sector or charitable institutions such as health centres, children's centres, libraries and museums through to commercial uses such as private sector child care facilities. Many of these will be charitable or public sector uses which are not viable in any commercial sense and we have not sought to test these. We propose that the majority of other development falling into this category will be similar to town centre shops – in that they are 'selling' services such as childcare.

D2 Assembly and Leisure

2.2.14 Assembly and leisure also varies considerably but with common factors. We have tested two types of development which may come forward:

- A mixed leisure scheme to include facilities such as cinema, bowling, health and leisure complex, gambling and associated eating and drinking establishments, with 8,000 sqm on two floors on an edge of town site with 50% site coverage

- A standalone commercial health and leisure facility with 4,000 sqm on one floor on an edge of town site with 80% site coverage.

Sui Generis

2.2.15 Sui Generis uses include theatres; hostels providing no significant element of care, scrap yards, petrol filling stations, shops selling and/or displaying motor vehicles, retail warehouse clubs, nightclubs, launderettes, taxi businesses, amusement centres and casinos. The types of premises, value of uses and development costs for premises accommodating these types of activity will vary considerably; and this means that Sui Generis uses cannot be treated in the same way as the other use classes.

2.2.16 Our approach to this issue has been to consider the types of premises and locations that may be used for Sui Generis and assess whether the costs and value implications may have similarities with other uses. We have also considered the likely developments within the plan period as a guide to whether more detailed work might be useful.

- **Theatres** – very few new theatres are being developed in the UK and the exceptions are in locations with large catchments, an existing foundation of extensive artistic activity and a local authority with the means and inclination to pay. We do not consider it likely that a new theatre will be developed in East Devon during the plan period.

- **Hostels** providing no significant element of care – these are likely to be either charitable or public sector uses such as probation hostels, half-way houses, refuges etc., or low cost visitor accommodation such as Youth Hostels. Our view is that the charitable uses are dependent upon public subsidy for development and operation, and therefore not viable in any commercial sense. Youth Hostels are operated on a social enterprise basis with small financial returns. Neither of these scenarios offers significant commercial viability.

- **Scrapyards** – there may be new scrapyard/recycling uses in East Devon in the future, particularly if the prices of metals and other materials rise. Subject to consent 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.

- **Petrol filling stations** – we are aware that the recent new filling stations have generally been as part of larger supermarket developments, with independent filling stations closing. It seems unlikely that there will be significant new stand-alone filling station development.

- **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 centre A1 retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- **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. Therefore they are covered by this viability assessment.

- **Launderettes** – 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.

- **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.

- **Casinos** – The Casino Advisory Panel has advised the Government where the pilot eight large and eight small casinos should be located and the locations have not included East Devon. While an existing hotel may add a small casino to its existing operation this will be part of the overall hotel viability.

2.3 Sustainability

2.3.1 We have assumed that over time the sustainability of development will increase. This is encouraged in the New East Devon Local Plan (Proposed Submissions, November 2012).

2.3.2 There are cost implications in adopting higher BREEAM standards and these will vary depending on a variety of factors, including building location as well as the construction specification. Attainment of some aspects can be achieved through design and we are aware of some examples of up to ‘excellent’ that have no apparent cost increases. However most documented evidence reports the cost for achieving an ‘excellent’ rating to range between 1% and 3% on top of the capital costs.

3 Non-Residential Values and Costs

3.1 Introduction

3.1.1 The non-residential viability assessments are based around an understanding of the values from new development in East Devon and the costs associated with bringing the development forward.

3.1.2 The information on values and costs has been drawn from published sources such as Land Registry, Building Cost Information Service, Valuation Office Agency, Focus CoStar; as well as other web based information on sale and rental prices and specific trade price articles about values and costs.

3.1.3 Given the significant variety in some non-residential development types, this report has also considered historical comparable evidence for new values on both a local (covering Devon County but excluding Exeter), regional and national levels. A review of this information was undertaken and then presented and discussed with representatives of the development industry in March 2012[4]. The discussions with the development industry provided valuable information about the various elements of the market, particularly about likely sales revenues, building costs and land prices. Along with the opportunity for post-workshop correspondence with the development industry, it also provided a useful mechanism for consulting on the findings for informing the CIL charging schedule.

3.2 Non-Residential Market Context

3.2.1 In general the non-residential markets are subdued at present, reflecting the national and local downturn in the economy since late 2007. There have been limited transactions with deals at much lower prices than might have been obtained a few years ago at the height of the market. The current lack of new development also reflects low levels of occupier demand and a shortage of development finance. We have generally assumed that values will reach the highest levels obtainable in the current market which implies that finance will be available and that there is some confidence in occupier demand. To that extent, these assessments anticipate an improvement in market conditions. We believe this is justified because without it, very little development is likely to come forward in any event.

Non-Residential Site Coverage

3.2.2 The viability testing is being undertaken on a 'per hectare' basis. It is therefore important to consider the density of development proposed.

[4] The workshop was well attended by developers, land assemblers, estate agents and other professional advisors. Annex 1 in the Technical Report included a detailed note of the discussions at the workshop, which was circulated for further comments after the workshop.

Table 3-1 Density Assumptions

Development Typology	Site Coverage	Floors
B1 – town centre office	80%	3
B1 – edge of Exeter business park	40%	2
B1c/2 – industrial 1500 sqm	40%	1
B2 - industrial edge of Exeter 5000 sqm	40%	1
B8 – warehouse edge of Exeter 5000 sqm	40%	1
Retail – warehouse style	40%	1
Retail – out of town centre convenience stores	40%	1
Retail – town centre	80%	1
Multi leisure parks (cinemas, gambling etc)	50%	2
Health and fitness centres (gyms etc)	80%	1
Budget hotel	50%	3
Care homes	50%	3

Non-Residential Values

3.2.3 The table below illustrates the values established for non-residential uses.

Table 3-2 Gross Development Values

Use	Rents (per sqm)	Yields
B1 – town centre office	£91	7.9%
B1 – edge of Exeter business park	£150	7.2%
B1c/2 – industrial 1500 sqm	£61	8.9%
B2 - industrial edge of Exeter 5000 sqm	£61	8.9%
B8 – warehouse edge of Exeter 5000 sqm	£52	7.8%
Retail – warehouse style	£204	7.3%
Retail – out of town centre convenience stores	£210	5.1%
Retail – town centre	£190	7.0%
Multi leisure parks (cinemas, gambling etc)	£149	8.0%
Health and fitness centres (gyms etc)	£105	7.0%
Budget hotel	£103	6.1%
Care homes	£128	6.1%

Source: PBA research

Non-Residential Build and Other Development Costs

3.2.4 We have based our build costs on BCIS data which has been adjusted to take into account build costs specific to East Devon and feedback from consultation with the development industry.

3.2.5 The development industry has emphasised that town centre development costs are considerably higher than other locations.

Table 3-3 Build Costs

Use	Build cost per sqm
B1 – town centre office	£1,262
B1 – edge of Exeter business park	£1,214
B1c/2 – industrial 1500 sqm	£680
B2 - industrial edge of Exeter 5000 sqm	£680
B8 – warehouse edge of Exeter 5000 sqm	£553
Retail – warehouse style	£680
Retail – out of town centre convenience retail	£1,112
Retail – town centre	£786
Multi leisure parks (cinemas, gambling etc)	£1,398
Health and fitness centres (gyms etc)	£1,108
Budget hotel	£1,282
Care homes	£1,316

Source: PBA research and industry workshop[5].

3.2.6 Lastly, for other development costs we have assumed standard industry assumptions using viability guidance (including the recently published Viability Testing Local Plans (June 2012)) in addition to discussion with, and feedback from, agents, developers and other development industry stakeholders.

Table 3-4 Other Costs

Costs	Assumptions
External works	10% of build costs
Project/design team fees	12% of all construction
Developer contributions (non-CIL)	£0-£100 / sqm depending on the development
Finance	7.5% of build costs
Marketing & sales fees	4% of gross development value (GDV)
Developer's profit	22% of GDV of market units

Land for Non-Residential Development

3.2.7 Establishing the existing use value (EUV) of land, and in setting a benchmark at which a landowner is prepared to sell to enable a consideration of viability, can be a complex process. There are a wide range of site specific variables which effect land sales (e.g. position of the landowner – are they requiring a quick sale or is it a long term land investment). However, for a strategic study, where the land values on future individual sites are unknown, a pragmatic approach is required.

3.2.8 Therefore as a starting point for non-residential development, we have looked at VOA data for serviced industrial land in areas in and around East Devon as well as any available transaction or sale price data. We are also informed by discussion at the development industry workshop, although this noted that in the past some land has been purchased at

[5] We also used information from TRI/BDRC, 2007, Budget Hotels 2007 UK for build costs for budget hotels.

unrealistically high prices in the expectation of rising values. From this we have concluded that a benchmark figure of £300,000 per hectare is appropriate as a starting point.

3.2.9 We have assumed that some higher value uses are likely to attract higher land prices as landowners will want to take advantage of the opportunity to capture some of the value – so land for uses such as major food retail is likely to be considerably more than the benchmark value, and town centre land will also be considerably more expensive. We are also aware that land values for lower viability uses do not fall to the extent that a residual valuation might suggest; not least in the short term.

4 Non-Residential Viability

4.1 Introduction

4.1.1 This section sets out the assessment of non-residential development viability and also summarises the impact on viability of changes in values and costs, and how this might have an impact on the level of developer contribution. The tables below summarise the detailed assessments included in Annex 2 in the accompanying Technical Report, and represent the value per sqm, the costs per sqm (including an allowance for land cost and S106 to deal with site specific issues to make development acceptable) and the net balance between the two.

4.1.2 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, and 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.

4.2 B-class Uses

4.2.1 In line with other areas of the country, our analysis suggests that for commercial B-class development it is not currently viable to charge a CIL. Whilst there is variance for different types of B-space, essentially none of them generate sufficient value to justify a CIL charge.

4.2.2 As the economy recovers this situation may improve but for the purposes of setting a CIL we need to consider the current market. As previously mentioned, this viability assessment relates to speculative build for rent – we do expect that there will be development to accommodate specific users, and this will based on the profitability of the occupier's core business activities rather than the market values of the development.

Table 4-1 Industrial Development Viability

	Small Industrial	Large Industrial
Net development value / sqm	£614	£614
Net development costs / sqm (incl. land costs)	£1,176	£1,205
Residual value / sqm	-£563	-£591

Table 4-2 Warehouse Viability

	Warehousing
Net development value / sqm	£597
Net development costs / sqm (incl. land costs)	£1,036
Residual value / sqm	-£439

Table 4-3 Office Viability

	Town centre	Out of Centre
Net development value / sqm	£1,031	£1,503
Net development costs / sqm (incl. land costs)	£1,992	£2,102
Residual value / sqm	-£960	-£599

4.3 A-class Uses

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

4.3.2 **Town centre retail** – We have tested town centre retail developments and small retail developments under 300 sqm across the district. We also consider that on a strategic level in East Devon there is little difference between A1-A5 units with the exception of larger out of town centre convenience retail and retail warehouses, which are considered separately. The residual analysis shows that town centre retail is not currently able to support a CIL charge.

Table 4-4 Town Centre and Local Retail Viability

	Town Centre Retail
Net development value / sqm	£2,430
Net development costs / sqm (incl. land costs)	£2,430
Residual value / sqm	-£0

4.3.3 **Retail warehouse** – Although this market (covering comparison goods) has been relatively flat in recent times, especially in terms of new build, there may potentially be more activity in the future. Whilst values have dropped, the relatively low build costs mean that there is still value in these types of developments when there is occupier demand. Retail warehouse (comparison goods) development could realise a levy of £200 per sqm even if the market values drop 10% or development costs increase 10%, and possibly more if the council believe the market will be strong in the near future.

Table 4-5 Retail Warehouse Viability

	Warehouse Retail
Net development value / sqm	£2,502
Net development costs / sqm (incl. land costs)	£1,996
Residual value / sqm	£506

4.3.4 **Out of town centre convenience retail** - This continues to be one of the best performing sectors in the UK, although we are aware that even this sector is seeing reduced profits in the current national economic downturn. In particular, leases to the main supermarket operators, which tend to be the main occupiers of these uses command a premium with investment institutions. Although there are some small regional variations on yields, they remain generally strong with investors focussing primarily on the strength of the operator covenant and security of income. We would therefore suggest the evidence base for out of town centre (convenience) retail can be approached on a wider regional, or even national, basis when justifying CIL charging. Following our appraisal on this basis in East Devon, we believe there is scope for a significant CIL charge – say £150 / sqm - without affecting viability.

Table 4-6 Out of town centre Convenience Retail Viability

	Out of TC Retail
Net development value / sqm	£3,686
Net development costs / sqm (incl. land costs)	£3,127
Residual value / sqm	£560

4.4 Leisure Development

4.4.1 We have tested budget hotels, mixed leisure schemes and health clubs. Our high level appraisal of both these types of development shows that in the current market, values are not sufficient to justify a CIL charge.

4.4.2 **Hotels** – The rapid expansion in the sector at the end of the last decade was in part fuelled by a preference for management contracts or franchise operations over traditional lease contracts. Outside London (which has shown remarkable resilience to the recession) hotel development is being strongly driven by the budget operators delivering new projects through traditional leasehold arrangements with institutional investors.

4.4.3 Our viability model is based on an out of town centre budget hotel scheme, and in terms of East Devon it can be seen that there is not sufficient value realised to contribute to a levy.

Table 4-7 Hotel Viability

	Budget Hotel
Net development value / sqm	£1,512
Net development costs / sqm (incl. land costs)	£2,318
Residual value / sqm	-£807

4.4.4 **Mixed Leisure** - A mixed leisure scheme to include facilities such as cinema, bowling, health and leisure complex, gambling and associated eating and drinking establishments. Our analysis shows that this sort of scheme is currently unlikely to be viable enough in East Devon to support a CIL charge.

Table 4-8 Mixed Leisure Viability

	Mixed Leisure
Net development value / sqm	£1,667
Net development costs / sqm (incl. land costs)	£2,422
Residual value / sqm	-£754

4.4.5 **Health & Fitness** - A stand-alone commercial health and fitness facility is currently unlikely to be viable enough in East Devon to support a CIL charge.

Table 4-9 Health & Fitness Viability

	Health & Fitness
Net development value / sqm	£1,343
Net development costs / sqm (incl. land costs)	£1,977
Residual value / sqm	-£635

4.5 Other Uses

4.5.1 **Care Homes** - In addition to the uses above, we have tested the viability of care homes. There has been significant private sector investment in care homes in the recent past, fuelled by investment funds seeking new returns. However there have been concerns about the occupancy rates and the ability to sustain prices. The high level analysis suggests that care homes are unlikely to be viable enough in East Devon to support a CIL.

Table 4-10 Care Home Viability

	Care Homes
Net development value / sqm	£1,979
Net development costs / sqm (incl. land costs)	£2,402
Residual value / sqm	-£423

4.6 What CIL Rate Should Be Charged for Non-Residential Development?

4.6.1 The basis for setting a CIL rate needs to take account of:

- Setting a rate that will not affect the viability of most development. As a rule of thumb, this suggests that viability will not be affected by additional costs.[6]
- The guidance only requires a charging authority to use appropriate available evidence to 'inform the draft charging schedule'. A charging authority's proposed CIL rate (or rates) should appear reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence if, for example, the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism.
- The need to raise funds to support the infrastructure necessary to support development – the Council has undertaken separate work identifying the infrastructure required, referred to earlier in this report.
- The need to have a clear and simple approach that is understood by the Council and the development industry. In relation to this aspect, the study team has received guidance[7] that if possible there should not be different CIL rates for different size developments of the same type, unless there is very strong evidence to suggest otherwise.

Other Non-Residential Development

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

4.6.3 Our approach to this issue is that the commercial values for community uses are £0 but there are build costs of around £1,800 per sqm[8] plus the range of other development costs; with a net negative residual value. Therefore we recommend a £0 CIL for these uses.

4.7 Sensitivity

4.7.1 We have undertaken some sensitivity tests to help consider what the impacts might be of increases and decreases in values as well as changes in build costs:

- A 10% increase in values sees town centre retail gain a positive net residual value, but not enough to secure headroom to meet the 15% of development costs guideline.

[6] This rule of thumb is an PBA guideline to take account of the fluctuations in values and development costs
[7] Via the Planning Inspector who undertook the Redbridge CIL EIP
[8] Based on BCIS

- A 20% increase in values sees town centre retail exceed the 15% headroom guideline threshold to place it alongside out of town centre convenience retail and large format (warehousing) retail to support a CIL charge.
- A 10% decrease in values or increase in costs shows that out of town centre convenience retail and large format retail would remain viable although both fall below the 15% guideline threshold.

4.7.2 These sensitivity tests suggest that the initial view to set CIL for out of town centre convenience retail and large format retail is currently sound.

4.7.3 The sensitivity tests confirm the initial view that the B-class uses are not able to sustain a CIL charge, nor are hotels, leisure developments, health and fitness or care homes. Town centre retail is viable when values are higher, but it would need to grow by at least 15% to warrant a CIL charge.

4.8 Setting Non-Residential CIL Rates

4.8.1 There are some uses for which there is little scope for imposing CIL and it seems clear that the standard rate should be £0 sqm. These are:

- B-class uses;
- Town centre retail;
- Hotels;
- Leisure developments;
- Health and fitness; and
- Care homes.

4.8.2 There are other uses which are viable and could potentially support a CIL, and these are discussed below. The main issue here is the Council's attitude towards risk of jeopardising development against risk of not having sufficient funds to pay for the infrastructure required to support development; and risks associated with having a more complex charging schedule.

Table 4-11 Impact of Sensitivity Testing Values and Costs

Land use	B1 office town centre	B1 office out of centre	B2 industrial 1,500 sqm	B2 Industrial 5,000 sqm	B8 warehouse 5,000 sqm	Retail warehousing	Out of town centre retail	Town centre retail	Assembly / leisure	Health & fitness	Hotels	Care homes
Baseline												
Net development values / sqm	£1,031	£1,503	£614	£614	£597	£2,502	£3,686	£2,430	£1,667	£1,343	£1,512	£1,979
Net development costs / sqm (inc. land costs, EUV + uplift)	£1,992	£2,102	£1,176	£1,205	£1,036	£1,996	£3,127	£2,430	£2,422	£1,977	£2,318	£2,402
Residual value / sqm (inc. land costs, EUV + uplift)	-£960	-£599	-£563	-£591	-£439	£506	£560	£0	-£754	-£635	-£807	-£423
Headroom						25%	18%					
Sensitivity: +10% on Values												
Net development values / sqm	£1,134	£1,654	£675	£675	£657	£2,752	£4,055	£2,673	£1,834	£1,477	£1,663	£2,177
Net development costs / sqm (inc. land costs, EUV + uplift)	£1,992	£2,102	£1,176	£1,205	£1,036	£1,996	£3,127	£2,430	£2,422	£1,977	£2,318	£2,402
Residual value / sqm (inc. land costs, EUV + uplift)	-£857	-£449	-£501	-£530	-£380	£756	£928	£243	-£588	-£500	-£656	-£225
Headroom	-	-	-	-	-	38%	30%	10%	-	-	-	-
Sensitivity: +20% on Values												
Net development values / sqm	£1,238	£1,804	£736	£736	£716	£3,002	£4,424	£2,916	£2,001	£1,612	£1,814	£2,375
Net development costs / sqm (inc. land costs, EUV + uplift)	£1,992	£2,102	£1,176	£1,205	£1,036	£1,996	£3,127	£2,430	£2,422	£1,977	£2,318	£2,402
Residual value / sqm (inc. land costs, EUV + uplift)	-£754	-£299	-£440	-£468	-£320	£1,007	£1,297	£486	-£421	-£366	-£504	-£27
Headroom	-	-	-	-	-	50%	41%	20%	-	-	-	-
Sensitivity: -10% on Values												
Net development values / sqm	£938	£1,367	£558	£558	£543	£2,274	£3,351	£2,209	£1,516	£1,221	£1,374	£1,799
Net development costs / sqm (inc. land costs, EUV + uplift)	£1,992	£2,102	£1,176	£1,205	£1,036	£1,996	£3,127	£2,430	£2,422	£1,977	£2,318	£2,402
Residual value / sqm (inc. land costs, EUV + uplift)	-£1,054	-£736	-£618	-£647	-£493	£279	£224	-£221	-£906	-£757	-£944	-£603
	-	-	-	-	-	14%	7%	-	-	-	-	-
Sensitivity: +10% on Costs												
Net development values / sqm	£1,031	£1,503	£614	£614	£597	£2,502	£3,686	£2,430	£1,667	£1,343	£1,512	£1,979
Net development costs / sqm (inc. land costs, EUV + uplift)	£2,191	£2,313	£1,294	£1,325	£1,140	£2,195	£3,440	£2,673	£2,664	£2,175	£2,550	£2,642
Residual value / sqm (inc. land costs, EUV + uplift)	-£1,160	-£809	-£680	-£712	-£543	£307	£247	-£243	-£996	-£832	-£1,039	-£663
Headroom	-	-	-	-	-	14%	7%	-	-	-	-	-

Retail

4.8.3 Under the baseline scenario there is no apparent viability headroom for town centre retail. Imposing a CIL for these uses may risk some development. But out of town centre convenience retail and retail (comparison) warehousing demonstrate stronger viabilities, with 'headroom' values at the minimum 18% and almost 25% of costs respectively. The development 'headroom' is £560 sqm for out of town centre convenience retail and over £500 sqm for retail (comparison) warehousing. It may be possible to impose a CIL of £150 sqm for out of town centre convenience retail and £200 for large format comparison retail, should current values decrease by 10% or costs increase by 10%.

4.8.4 The options are:

- Setting a CIL rate that captures the bulk of development – probably out of town centre convenience retail and retail (comparison) warehousing rates of up to £150 and £200 sqm respectively.
- Setting a £0 rate for all retail in order not to put this development at risk.
- Setting a single compromise lower rate for all convenience and comparison retail that gains some revenue to support infrastructure while presenting a lower risk to town centre retail.
- Setting different rates by location.

4.8.5 In relation to charging different rates by location, there is a case for variation based on the type of goods offered and locations by acknowledging that whilst town centre generates high values, the development costs are also very high; whilst out of town centre retail development will see better margins from lower values because of the lower development costs.

Options

4.8.6 A risk averse attitude to affecting viability would suggest a simple low rate of CIL across all types of retail, probably linked to the main residential rate i.e. £100 sqm. While this may have an impact on some town centre retail development, most of the schemes with particularly high development costs would be replacing existing floorspace and so the net impact of CIL would be small – and arguably the other development costs and the market values would far outweigh the impact of CIL. This would have the benefit of a simple CIL structure and would be relatively easy to implement.

4.8.7 However this approach has the risk of infrastructure not being provided through lack of funding. Instead it would also be possible to adopt differential CIL rates for retail to balance the ability to collect some funds while minimising the amount of retail development jeopardised.

- This could be applied by type of location – town centre or non-town centre. Our analysis of values does show that there are different values for out of town centre and high street convenience retail, and also retail warehouses/retail parks (comparison). It is important to specify that the town centre retail reflects those areas covered by the town centre shopping areas delimited in the New East Devon Local Plan[9]. The town centre area should also apply to any new town centre (local or district) allocations, like at Cranbrook for example.

- In addition it is important to note that CIL can be levied on net new floorspace. Town centre retail developments typically replace some retail floorspace while this is less so for development in out of centre locations

- CIL can only be levied on non-residential floorspace of over 100 sqm, so the smallest retail would be exempt.

4.8.8 Developing different CIL rates within a single use requires balancing simplicity with different viability evidence. If the EDDC chooses to adopt a differential rate for retail development our recommendation is for up to £200 sqm for larger format retail (over 2,500 sqm), £150 for out of town centre convenience retail (c.2,500 sqm) and £0 for all other retail development. This follows the case studies and market value evidence collected, while leaving a good margin for error for most retail floorspace development.

[9] As represented by the pink hatching in http://maps2.eastdevon.gov.uk/mapping/localplan2013.

5 Residential Viability Testing

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

Figure 5.1 Residual Value Approach

Total development value (market and affordable)

Minus

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

=

Gross residual value

Minus

CIL + planning obligations (including AH)

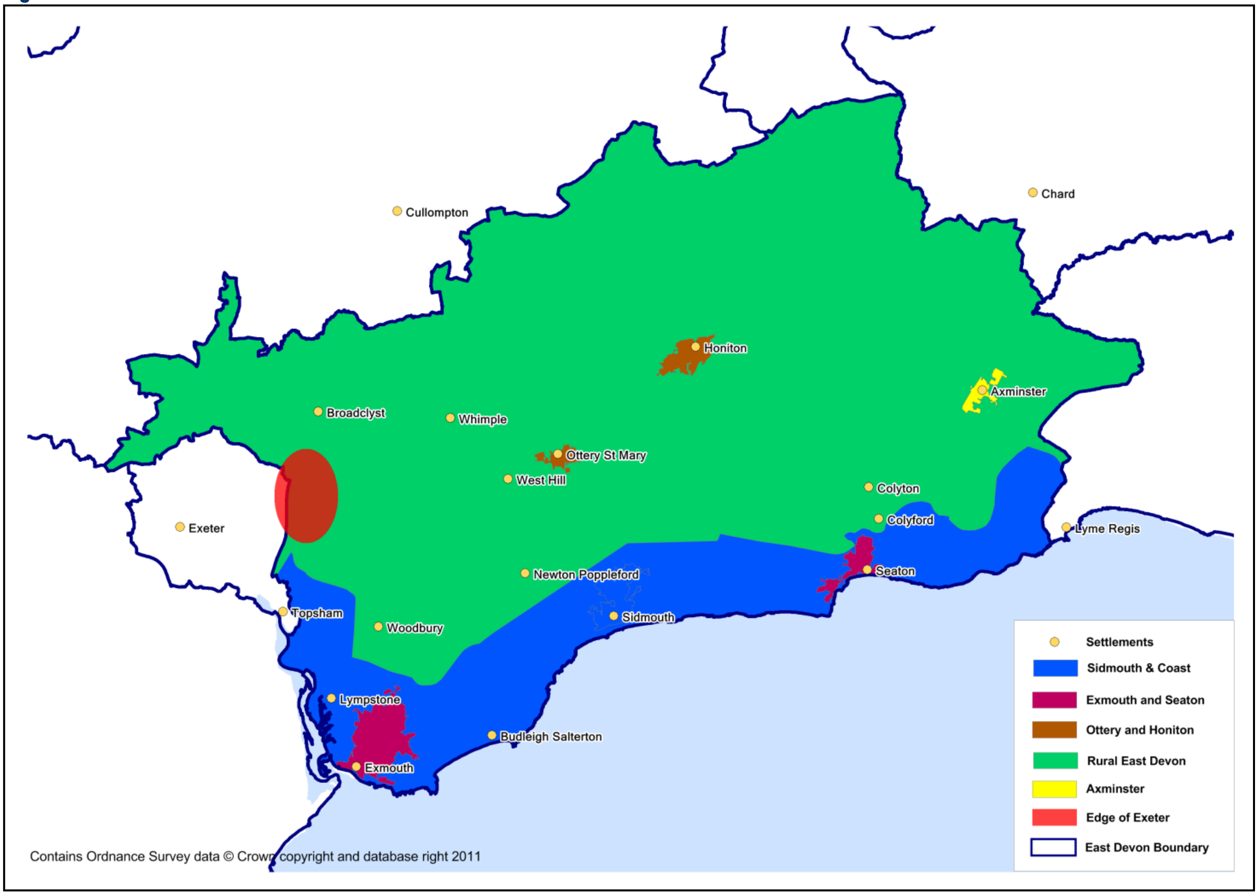
=

Net residual value (available to pay for land)

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

5.1.3 Differences in market values have a significant impact on residual values and the East Devon District Council Affordable Housing Viability Study (October 2011) identified a number of market value areas that reflect differences in market values across the district. These have been taken forward into the current study. The areas are shown in the map below while details of the market values for different property types in each value area are set out in Annex 3.

Figure 5.2: Market value areas



5.1.4 Benchmark land values with which residual values are compared are also based on the East Devon District Council Affordable Housing Viability Study. These were then represented to the development industry in April held to discuss this CIL Viability Study. The workshop raised no specific comments on the benchmarks.

Land value benchmarks:

Coast & Sidmouth	£900,000 to £1,000,000 per hectare
Rural	£900,000 to £1,000,000 per hectare
Axminster	£500,000 to £600,000 per hectare
Honiton & Ottery	£500,000 to £600,000 per hectare
Exmouth & Seaton	£500,000 to £600,000 per hectare
Edge of Exeter	£500,000 to £600,000 per hectare

5.1.5 At the workshop, benchmark land values for non residential uses were also presented. Taking a value towards the top end of the range for office/industrial of £350,000 per hectare, the benchmark land value shown above for the main urban areas is 40% to 70% above existing use values. This represents a significant uplift on current use values. For Coast and Sidmouth and Rural, it was accepted for the Affordable Housing Viability Study that a higher benchmark was required and the figure of £900,000 to £1,000,000 per hectare was used.

5.1.6 For (large-scale) greenfield development we assume between 10 to 20 times agricultural value – using £20,000 per hectare as agricultural land value in Devon. The higher multiples will apply in higher value areas. For the case studies, we put forward indicative benchmark values based on this range but note that higher or lower values may apply.

5.1.7 Site acquisition costs, which include Stamp Duty Land Tax, fees and land holding costs have been allowed. These vary, depending on the scale and type of development from 2% to 10%.

5.1.8 Two types of testing have been undertaken:

- A notional 1 hectare site (at a range of densities from 20dph to 50dph);
- A series of 12 case studies ranging in size from 1 to 400 dwellings and a large-scale strategic site modelled at 1,250 dwellings. The case studies are representative of development in the district and are based on information provided by the Council. Annex 5 sets out the details of the case studies.

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

- Build Costs
  - Flats - £1,090 per sq m, houses - £980 per sq m. These figures are based on BCIS data. They are adjusted for East Devon and include a 15% additional cost for external works (e.g. local roads, pavements, incidental landscaping).
- Other Development Costs
  - Professional Fees – 12%
  - Internal Overheads – 5%
  - Interest Rate – (Market and Affordable Housing) – 7.5%
  - Marketing fees – 3%
  - Developer's Return – 17%
  - Contractor's return – 6%

Total return to the developer (for market housing) approximates to around 20% (i.e. internal overhead plus developer's return).

5.1.10 In addition to the CIL levy, it is assumed that there will be a residual s106 payment of £3,500 per dwelling for planning obligation costs not covered by CIL (e.g. on-site provision of open space, play areas, allotments, community buildings, cycle routes, flood prevention, travel requirements, art, renewable energy and biodiversity mitigation). A further £1,000 per dwelling is also allowed to achieve compliance with the changes to the Building Regulations[10] which, we understand, will be introduced during 2013. Further changes may be introduced to Building Regulation for 2016 but their scale and scope is unclear. If substantial additional costs were to be introduced in 2016, the Council will need to consider

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

a review of either affordable housing targets and/or CIL. If, by 2016, market values have strengthened, additional costs could be absorbed without needing to adjust policy. The Council will need to keep this situation under review.

5.1.11 For most assumptions, the values used in this study are the same or very similar to those used in the previous Affordable Housing Viability Study (October 2011). There are, though, important differences in respect of the s106 costs and building standards. In the previous study an additional cost of £6,000 per dwelling was added to the build costs to broadly reflect development at Code for Sustainable Homes Level 4 and with Lifetime Homes and another £10,000 per dwelling for s106 costs. As noted above, these requirements have not been carried through to this study

5.1.12 The draft policy of the Council is that there should be an affordable housing target of 25% in the main urban areas and 50% in the rural areas and Sidmouth. In light of this, for this study, we have tested different CIL amounts in combination with a range of different percentages of affordable housing – 20%, 25%, 30% and 35% in the lower value areas (Axminster, Honiton & Ottery, Exmouth & Seaton, Edge of Exeter) and 40%, 45% and 50% in the higher value areas (Coast & Sidmouth, Rural). The affordable housing has been modelled at 70% affordable rent and 30% shared ownership[11] (with 40% of the equity purchased).

5.1.13 CIL rates were tested at £25, £50, £75, £80, £100 and £125 per sq metre.

5.1.14 Annex 3 sets out the assumptions used in the viability testing. The assumptions are based on a presentation to a CIL Viability development industry workshop in April 2012 and were amended in light of comments made at the workshop and subsequent feedback. Viability analysis of the residential development has been undertaken using the Three Dragons toolkit.

[11] Affordable rents are based on Local Housing Allowances

6 Residential Viability Analysis – notional 1 hectare site

6.1 Dwelling mix of notional site

6.1.1 We have modelled the residual value of a notional 1 hectare site in each of the market value areas at 20dph, 30dph, 40dph and 50dph. The mix used is shown in table below.

Table 6.1: Mixes for 1 hectare scheme

	20 dph	30 dph	40 dph	50 dph
1 bed flat				
2 bed flat				20%
2 bed terrace			20%	30%
3 bed terrace		25%	20%	20%
4 bed terrace				
3 bed semi		25%	20%	30%
3 bed detached	30%			
4 bed detached	50%	25%	40%	
5 bed detached	20%	25%		
	100%	100%	100%	100%

A land finance cost of 10% has been assumed in modelling the notional site. This allows for land purchase costs, stamp duty and some land-holding costs.

6.1.2 The following sections set out the key results for the notional 1 hectare site, considering the 4 areas where the emerging policy is for 25% affordable housing before considering Coast and Sidmouth and Rural where the emerging affordable housing target is 50%.

6.1.3 Annex 4 shows the results in full. The results across all the market value areas highlight the fact that residual values will vary with development type and higher density development does not necessarily mean an increase in residual value.

6.1.4 East Devon District Council's area falls within three Broad Rental Market Areas (BRMA) which are used to define rents in relation to housing benefit claims. The majority of the district is covered by Mid and East Devon BRMA, with an area to the west, adjacent to Exeter covered by the Exeter BRMA, and a very small area, in the extreme south east of the district to the east of Seaton, falling into Mid and West Dorset BRMA. The boundaries of the BRMAs are shown in Annex 3 to this report.

Axminster

6.1.5 The table below summarises the maximum CIL rate for the Axminster value area that generates a residual value in excess of the land value benchmark, for each density and affordable housing percentage tested. Where there is no CIL value shown, the benchmark is not reached.

Table 6.2: Axminster – Summary of Results for 1 hectare scheme

Maximum CIL Values to achieve higher and lower benchmark values								
Axminster								
Affordable Housing %	20%		25%		30%		35%	
Benchmark	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)
20 dph	£100	£125	£80	£125	£25	£80		£25
30 dph	£80	£125	£50	£100		£50		
40 dph	£125	£125	£125	£125	£100	£125	£50	£100
50 dph	£125	£125	£75	£100		£50		

Benchmark land value - £500,000 to £600,000

6.1.6 The 40 dph scheme consistently produces the highest land values.

6.1.7 At 25% affordable housing, the maximum CIL that can be achieved varies with development density but is in excess of £75 per sq m with the higher land value benchmark at 20, 40 and 50 dph and achieves £125 at 40 dph. With the lower benchmark, a CIL of £100 or £125 is achieved for all the densities tested.

6.1.8 An increase to 30% affordable housing can still achieve residual values above the upper benchmark at CIL levels of £100 for one density tested (40 dph) and a CIL of £50 or more for all the densities tested with the lower benchmark figure.

Honiton and Ottery

Table 6.3: Honiton and Ottery – Summary of Results for 1 hectare scheme

Maximum CIL Values to achieve higher and lower benchmark values								
Honiton and Ottery								
Affordable Housing %	20%		25%		30%		35%	
Benchmark	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)
20 dph								
30 dph		£50						
40 dph	£125	£125	£80	£125	£25	£80		£25
50 dph	£125	£125	£125	£125	£80	£125	£25	£50

Benchmark land value = £500,000 to £600,000

6.1.9 There is a significant variation between densities in the level of CIL that allows the benchmark value to be reached.

6.1.10 At 20dph, all levels of CIL fail to create a residual that exceeds even the lower benchmark, whilst at 40 and 50dph, a CIL of £80 and £125 respectively generate values that exceed the higher benchmark at 25% affordable housing.

Exmouth and Seaton

6.1.11 The Exmouth and Seaton market value area spans two BRMA – Seaton falling into Mid and East Devon BRMA and Exmouth into Exeter BRMA. The results for each are presented below.

Table 6.4: Exmouth and Seaton – Summary of Results for 1 hectare scheme for Mid and East Devon BRMA

Maximum CIL Values to achieve higher and lower benchmark values								
Exmouth and Seaton (Mid and East Devon BRMA)								
Affordable Housing %	20%		25%		30%		35%	
Benchmark	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)
20 dph		£25						
30 dph	£25	£80		£25				
40 dph	£125	£125	£80	£125	£25	£80		£25
50 dph	£125	£125	£100	£125	£50	£80		£25

Benchmark land value = £500,000 to £600,000

6.1.12 With 25% affordable housing, at densities of 40 and 50 dph, a residual value in excess of the higher benchmark is achieved with a CIL of £80. With a £25 CIL, the lower benchmark just fails to be achieved at 20dph, whilst at 30dph, the lower benchmark value is achieved. At 30dph (and 25% affordable housing), the benchmark is not achieved with a CIL of £50.

Table 6.5: Exmouth and Seaton – Summary of Results for 1 hectare scheme for Exeter BRMA

Maximum CIL Values to achieve higher and lower benchmark values								
Exmouth and Seaton (Exeter BRMA)								
Affordable Housing %	20%		25%		30%		35%	
Benchmark	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)
20 dph	£25	£80		£50				
30 dph	£50	£100	£25	£50		£25		
40 dph	£125	£125	£100	£125	£80	£125	£25	£80
50 dph	£125	£125	£125	£125	£80	£125	£25	£75

Benchmark land value = £500,000 to £600,000

6.1.13 The Exeter BRMA rents are higher than in the Mid and East Devon BRMA and this is reflected in higher residual values generally.

6.1.14 Again, the scheme at densities of 40 and 50dph produce higher residual values and a CIL of £100 or £125 respectively produces residual values in excess of the upper benchmark. With 25% affordable housing at 20 dph, a £50 CIL just exceeds the lower benchmark, whilst at 30 dph, the lower benchmark is comfortably achieved with a £50 CIL and is very close to the lower benchmark with a £75 CIL.

Edge of Exeter

Table 6.5: Edge of Exeter – Summary of Results for 1 hectare scheme

Maximum CIL Values to achieve higher and lower benchmark values								
Edge of Exeter								
Affordable Housing %	20%		25%		30%		35%	
Benchmark	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)	Higher (£600k)	Lower (£500k)
20 dph								
30 dph		£50						
40 dph	£100	£125	£50	£100	£25	£50		£25
50 dph	£100	£125	£50	£80		£25		

Benchmark land value = £500,000 to £600,000 per hectare

6.1.15 At affordable housing levels up to 25%, a CIL of £80 would mean the lower benchmark is achieved with schemes of densities of 40 and 50dph. At 20% affordable housing, the higher benchmark is exceeded with CIL of £100 per sq m. At 20 dph, the lower benchmark is not reached with 20% affordable housing and a £25 CIL. At 30 dph, with 20% affordable housing and a £50 CIL, the lower benchmark value is just achieved, although at 25% affordable housing the residual value falls just short of the lower benchmark.

Coast and Sidmouth

6.1.16 The Coast and Sidmouth market value area spans two BRMA - Sidmouth falling into Mid and East Devon BRMA and Budleigh Salterton into Exeter BRMA. The results for each are presented below.

Table 6.6: Coast and Sidmouth – Summary of Results for 1 hectare scheme for Mid and East Devon BRMA

Maximum CIL Values to achieve higher and lower benchmark values								
Coast and Sidmouth (Mid and East Devon BRMA)								
Affordable Housing %	40%		45%		50%			
Benchmark	Higher (£1,000k)	Lower (£900k)	Higher (£1,000k)	Lower (£900k)	Higher (£1,000k)	Lower (£900k)		
20 dph	£125	£125	£125	£125	£125	£125		
30 dph	£125	£125	£125	£125	£125	£125		
40 dph	£125	£125	£125	£125	£125	£125		
50 dph	£125	£125	£125	£125	£125	£125		

Benchmark land value = £900,000 to £1,000,000 per hectare

6.1.17 All the notional schemes produce residual values in excess of the higher benchmark for CIL at £125 per sq m and with affordable housing at 50%.

Table 6.7: Coast and Sidmouth – Summary of Results for 1 hectare scheme for Exeter BRMA

Maximum CIL Values to achieve higher and lower benchmark values								
Coast and Sidmouth (Exeter BRMA)								
Affordable Housing %	40%		45%		50%			
Benchmark	Higher (£1,000k)	Lower (£900k)	Higher (£1,000k)	Lower (£900k)	Higher (£1,000k)	Lower (£900k)		
20 dph	£125	£125	£125	£125	£125	£125		
30 dph	£125	£125	£125	£125	£125	£125		
40 dph	£125	£125	£125	£125	£125	£125		
50 dph	£125	£125	£125	£125	£125	£125		

Benchmark land value = £900,000 to £1,000,000 per hectare

6.1.18 As with the Coast and Sidmouth area in the Mid and East Devon BRMA, all the notional schemes in the Exeter BRMA produce residual values in excess of the higher benchmark for CIL at £125 per sq m and with affordable housing at 50%.

6.1.19 The detailed results in Annex 6 indicate that a CIL rate significantly in excess of £125 per sq m could be feasible in Coast and Sidmouth.

Rural

6.1.20 The Rural market value area spans two BRMA – the eastern three quarters of the district falls into Mid and East Devon BRMA with the balance falling into Mid and East Devon BRMA. The results for each are presented below.

Table 6.8: Rural – Summary of Results for 1 hectare scheme for Mid and East Devon BRMA

Maximum CIL Values to achieve higher and lower benchmark values								
Rural (Mid and East Devon BRMA)								
Affordable Housing %	40%		45%		50%			
Benchmark	Higher (£1,000k)	Lower (£900k)	Higher (£1,000k)	Lower (£900k)	Higher (£1,000k)	Lower (£900k)		
20 dph	£125	£125	£125	£125	£125	£125		
30 dph	£125	£125	£125	£125	£125	£125		
40 dph	£125	£125	£125	£125	£125	£125		
50 dph	£100	£125		£75				

Benchmark Land Value = £900,000 to £1,000,000 per hectare

6.1.21 Unlike the urban market value areas reported above, in the Rural market value area, the 20, 30 and 40 dph schemes produce similar (and relatively high) residual values. It is only with the 50 dph scheme that the benchmark land value is not exceeded for any level of CIL at 50% affordable housing. However, at 40%, the 50 dph scheme produces a residual value in excess of the higher benchmark at £100 CIL and above the lower benchmark with a CIL of £125 per sq m.

Table 6.9: Rural – Summary of Results for 1 hectare scheme for Exeter BRMA

Maximum CIL Values to achieve higher and lower benchmark values								
Rural (Exeter BRMA)								
Affordable Housing %	40%		45%		50%			
Benchmark	Higher (£1,000k)	Lower (£900k)	Higher (£1,000k)	Lower (£900k)	Higher (£1,000k)	Lower (£900k)		
20 dph	£125	£125	£125	£125	£125	£125		
30 dph	£125	£125	£125	£125	£125	£125		
40 dph	£125	£125	£125	£125	£125	£125		
50 dph	£125	£125	£80	£125		£50		

Benchmark Land Value = £900,000 to £1,000,000

6.1.22 Again, residual values are higher in those parts of the Rural market value area that fall within the Exeter BRMA. Even so, at 50% affordable housing, a CIL of £125 per sq m is not achieved at all the densities tested – although the higher benchmark is comfortably exceeded with the notional 1 ha scheme at 20, 30 and 40 dph.

6.1.23 As with Coast and Sidmouth, the detailed results in Annex 6, indicate that a CIL rate significantly in excess of £125 per sq m could be feasible in the Rural market value area, although at a lower level than in Coast and Sidmouth.

6.2 Sensitivity Testing

6.2.1 Sensitivity tests have been carried out to assess the impact of a range of factors. The first test keeps the percentage of affordable housing as with the baseline test but switches the mix of tenures to 30% affordable rent and 70% shared ownership.

6.2.2 The next set of tests review changes in market values (- 5% and -10% and + 5% and +10%) and build costs (-5% and -10% and + 5% and +10%) on residual values. One test combines a 5% reduction in market value with a 5% reduction in build costs. This is a plausible combination of factors and reflects the pattern of changes in the recent past.

6.2.3 The tests were undertaken for the notional 1 hectare scheme at 40dph, assuming a £125 per sq m CIL and 50% affordable housing in the Rural and Coast & Sidmouth areas, and 40dph, assuming an £80 per sq m CIL and 25% affordable housing in the four remaining areas.

6.2.4 The impact of increasing the developer return to 20% with a 5% overhead allowance and to 22% with no overhead allowance was also tested. Selected results are summarised in the table below, with the full results set out in Annex 6.

Table 6.10: Selected Sensitivity Test Results - Residual value in £sm per hectare

	40 dph, £125 CIL, 50% AH		40 dph, £80 CIL, 25% AH			
Market Area	Rural Areas	Coast & Sidmouth	Axminster	Honiton & Ottery	Exmouth & Seaton	Edge of Exeter
Baseline Value (£m)	1.26	1.91	0.84	0.63	0.63	0.57
30% Affordable rent/ 70% shared ownership (£m)	1.99	2.80	1.05	0.82	0.82	0.71
-10% Market Value (£m)	0.76	1.34	0.34	0.15	0.15	0.11
-5% Market Value (£m)	1.02	1.63	0.58	0.39	0.39	0.35
+5% Market Value (£m)	1.52	2.20	1.12	0.87	0.87	0.81
-5% Build costs (£m)	1.48	2.12	1.05	0.84	0.84	0.79
+5% Build costs (£m)	1.05	1.69	0.62	0.41	0.41	0.36
-5% Market value,-5% Build Costs (£m)	1.23	1.85	0.80	0.60	0.60	0.56
22% dev margin (£m)	1.10	1.71	0.67	0.48	0.48	0.43

6.2.5 Changing the affordable housing from 70% affordable rent/30% shared ownership to 30% affordable rent/70% shared ownership results in an increase in the residual value of the site. Where 50% affordable housing is provided, the increase in residual value is proportionally higher than where 25% affordable housing is provided. Even so, the switch increases residual values in the weakest market area (Edge of Exeter) by about 25% which illustrates how the council can improve viability, while meeting its overall affordable housing policies

6.2.6 The table above highlights how changes in just build costs or market values can have a significant impact on residual values. The lower value areas are more sensitive to movements in selling prices and build costs with little scope for absorbing downward pressure on market values or increasing build costs. The areas with higher values are better able to absorb increases in build costs or a drop in selling prices before having an adverse effect on their viability.

6.2.7 However, the combined reduction of 5% in market values and in build costs produces values very similar results to those of the baseline regardless of the value of the scheme.

6.2.8 The effect of increasing the developer margin from 17% combined with a 5% overhead, to 20% combined with a 5% overhead or 22% with no overhead allowance also has a greater impact on the residual values of the lower value schemes than it does on the higher value schemes.

6.2.9 The sensitivity tests highlight the importance for the Council of monitoring market changes and the way a sustained change in the market could lead to the need for a review of affordable housing and/or CIL requirements. It is however important to consider changes to the market ‘in the round’ rather than taking any specific change on its own.

6.3 Notional 1 Hectare Site – Overview

6.3.1 Outside Sidmouth, the market value areas covering the towns deliver lower residual values than the market value areas covering Rural East Devon and Sidmouth and the Coast.

6.3.2 There are also differences in the types of scheme (as defined by their density) that produce the highest residual values for each market value area, although typically a scheme of around 40 dph with a mix of smaller terrace, semi detached and 4 bed detached houses produces the highest values.

6.3.3 For the assumptions tested, the Coast and Sidmouth and Rural East Devon can generally support a combination of CIL at £125 per sq m and a 50% affordable housing requirement. There is evidence that a higher CIL could be feasible in both, especially so in Coast and Sidmouth.

6.3.4 In the other market value areas, with an affordable housing requirement of 25%, a CIL of £125 would not be viable. Axminster has a stronger market than the other 'town' market value areas and a CIL of £75/£80 per sq m is viable at the majority of densities tested (and with the higher land value benchmark). In Honiton and Ottery and Exmouth and Seaton, a CIL of £75/£80 is also viable for at least two of the densities tested (i.e. 40 dph and 50 dph).

6.3.5 The market value area of 'Edge of Exeter' is the weakest area and a CIL of over £50 is only viable with a reduced percentage of affordable housing. It is worth noting here the evidence points towards a different housing market (from the rural and coastal parts of East Devon) around the Edge of Exeter and although not spatially defined this edge of Exeter area extends around three kilometres from the City boundary into East Devon. Evidence about sales values is very limited. Many of the sales that have happened have occurred on housing estate and ribbon development that extend out of the city into East Devon and which in character are far more akin to being 'city developments' rather than 'rural/village East Devon developments'. The rural East Devon villages at or on the edge of Exeter, such as Rockbeare and Broadclyst can be expected to have values much more akin to the rural East Devon norm, rather than the edge of city picture. The East Devon Local Plan (2006-2026) allocates 1,400 dwellings on the edge of Exeter plus a further 3,100 dwellings at Cranbrook on top of the 2,900 currently with permission. Of the edge of Exeter allocations, applications for a total of 869 dwellings at Pinhoe and 930 dwellings at Tithebarn Green have been granted permission. Other than these strategic sites, very few if any other homes are expected to be built in the edge of Exeter area.

7 Residential Case Study Sites

7.1.1 The Council identified a number of case study sites which reflect typical sites likely to be brought forward in East Devon. The table below sets out the full range of sites (Annex 5 provides information about the mix of units in each case study). The case studies were derived in consultation with the Council and drawing on information about recent planning permissions.

7.1.2 The Advice for Planning Practitioners[12] indicates that larger scale schemes have additional costs that do not apply to smaller developments. We have already included a 15% uplift on build costs (identified by BCIS) for external works (local roads, pavements etc). This approximates to around £12,500 per dwelling or in the order of £500,000 per hectare for a 40 dph scheme.

7.1.3 We make a further allowance for the larger case studies. We have allowed opening up costs on a 'sliding scale' and recognise that these costs are an estimate of what will be required. We have also included 'opening up costs' for 'urban infill' schemes, which make a prudent allowance for possible costs associated with such sites.

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

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

[12] Local Housing Delivery Group, Viability Testing Local Plans, Advice for Planning Practitioners, June 2012.

Table 7.1: Case study sites.

Case study	Location	Market value area	BRMA area	No of Dws	Density – dph	Site Size (net)	Gross to net	Existing Use	Opening up costs per net ha	Pace/years to complete
A	All	Axminster Coast & Sidmouth Rural Edge of Exeter	Mid & E Devon Mid & E Devon Mid & E Devon Exeter	1	20	0.05	100%	Garden and Residential	£0	1
B	All	Axminster Coast & Sidmouth Rural Edge of Exeter	Mid & E Devon Mid & E Devon Mid & E Devon Exeter	2	25	0.08	100%	Greenfield	£0	1
C	All	Axminster Coast & Sidmouth Rural Edge of Exeter	Mid & E Devon Mid & E Devon Mid & E Devon Exeter	8	40	0.20	100%	Infill or edge urban	£0	1
D	Village	Rural	Mid & E Devon	30	50	0.60	100%	Village infill at higher density	£0	1
E	Seaton	Exmouth and Seaton	Mid & E Devon	30	40	0.75	100%	Greenfield - edge of urban	£30k	1
F	Sidmouth	Sidmouth	Mid & E Devon	30	64	0.47	100%	Hotel replacement	£0	1
G	Ottery St Mary	Honiton and Ottery	Mid & E Devon	40	50	0.80	100%	Urban infill	£50k	10 units year 1, 30 units year 2
H	Sidmouth	Sidmouth	Mid & E Devon	50	38	1.30	85%	Urban infill	£50k	10 units year 1, 25 units year 2, 15 units year 3
I	Budleigh Salterton	Sidmouth	Exeter	50	36	1.40	95%	Greenfield - edge of urban	£50k	10 units year 1, 25 units year 2, 15 units year 3
J	Honiton	Honiton and Ottery	Mid & E Devon	150	30	5.00	85%	Agriculture (urban extension)	£100k	25 units year 1, 50 units per annum thereafter.
K	Exmouth	Exmouth and Seaton	Exeter	350	30	11.67	80%	Agriculture (urban extension)	£150k	25 units year 1, 50 units per annum thereafter.
L	Axminster	Axminster	Mid & E Devon	400	30	13.30	70%	Agriculture (urban extension)	£150k	25 units year 1, 50 units per annum thereafter.

7.1.6 The residual values from each case study are summarised in a series of tables indicating the viability or otherwise of the scheme at various levels of CIL and affordable housing.

7.1.7 Case Studies A, B and C have been repeated in Axminster, Coast & Sidmouth, Rural and Edge of Exeter market areas reflecting the areas tested in the East Devon District Council Affordable Housing Viability Study dated October 2011 and as being representative of the market value areas in East Devon. The Broad Rental Market Area rents assumed for each case study are shown in the table above.

7.1.8 Case Studies A and B include a 10% increase in build costs associated with very small sites. We have not assumed that a smaller developer would have lower overheads or achieve an increase in selling prices over the default figures although this is likely on some small scale developments.

7.1.9 For case studies where development is identified as taking more than 2 years, we have modelled the scheme over time, using a discount cash flow, to show how time impacts on residual values. The development programme for case studies is shown on the table in Annex 5.

7.1.10 All results are based on residual values for the gross area, compared with the benchmark land values used.

7.1.11 Within the results for each case study, the residual values derived are classified as:

		Viable - above the higher benchmark
		Viable - within the benchmark range
		Marginally viable - within 10% of the lower benchmark
		Not viable - more than 10% below the lower benchmark

7.2 Case Study Results

Case study A

7.2.1 Case Study A, a single dwelling, was undertaken using 2 dwelling types, a 5 bed detached house and a 3 bed detached house. Both of which are being developed in East Devon. The results in each market area tested are shown below. In each case, the first set of results is for the 5 bed detached house and the second set, for the 3 bed detached house.

Axminster

Case Study	**A**					
Location	**Axminster**		No of dwellings		1	
BRMA	Mid & East Devon				Min	Max
Type	Garden/ residential		Benchmark Land Value		£500,000	£600,000
	Affordable Housing					
CIL in £s/sq m	0% AH	20% AH	25% AH	30% AH	35%	
£25	£ 588,000	£ -	£ 196,000	£ -	£ -	£ -
£50	£ 529,000	£ -	£ 137,000	£ -	£ -	£ -
£75	£ 451,000	£ -	£ 98,000	£ -	£ -	£ -
£80	£ 431,000	£ -	£ 78,000	£ -	£ -	£ -
£100	£ 372,000	£ -	£ 39,000	£ -	£ -	£ -
£125	£ 294,000	£ -	-£ 20,000	£ -	£ -	£ -

Case Study	**A**					
Location	**Axminster**		No of dwellings		1	3 bed det
BRMA	Mid & East Devon				Min	Max
Type	Garden/ residential		Benchmark Land Value		£500,000	600000
	Affordable Housing					
CIL in £s/sq m	0% AH		25% AH			
£25	£1,019,000	£ -	£ 549,000	£ -	£ -	£ -
£50	£ 960,000	£ -	£ 510,000	£ -	£ -	£ -
£75	£ 921,000	£ -	£ 451,000	£ -	£ -	£ -
£80	£ 902,000	£ -	£ 451,000	£ -	£ -	£ -
£100	£ 862,000	£ -	£ 392,000	£ -	£ -	£ -
£125	£ 804,000	£ -	£ 353,000	£ -	£ -	£ -

7.2.2 A single 5 bed dwelling in the Axminster market area is viable with no affordable housing up to a £50 per sq m CIL. But with 25% affordable housing provision and CIL, the scheme is not viable.

7.2.3 However, with the 3 bed dwelling, the scheme is viable (i.e. produces a residual value between the lower and higher land value benchmarks) with 25% affordable and a CIL up to £50 per sq m. It is marginal with CILs of £75 and £80 and not viable with a CIL of £100 and over.

Coast and Sidmouth

Case Study	**A**					
Location	**Coast and Sidmouth**	No of dwellings			1	
BRMA	Mid & East Devon				Min	Max
Type	Garden/ residential	Benchmark Land Value			£900,000	£1,000,000
	Affordable Housing					
CIL in £s/sq m	0% AH	40% AH	45% AH	50% AH		
£25	£3,332,000	£ -	£ -	£1,509,000	£ -	£ -
£50	£3,273,000	£ -	£ -	£1,490,000	£ -	£ -
£75	£3,195,000	£ -	£ -	£1,450,000	£ -	£ -
£80	£3,175,000	£ -	£ -	£1,431,000	£ -	£ -
£100	£3,116,000	£ -	£ -	£1,411,000	£ -	£ -
£125	£3,038,000	£ -	£ -	£1,372,000	£ -	£ -

Case Study	**A**					
Location	**Coast & Sidmouth**	No of dwellings			1	3 bed det
BRMA	Mid & East Devon				Min	Max
Type	Garden/ residential	Benchmark Land Value			£900,000	£1,000,000
	Affordable Housing					
CIL in £s/sq m	0%	40%	45%	50%		
£25	£3,214,000	£ -	£ -	£1,431,000	£ -	£ -
£50	£3,156,000	£ -	£ -	£1,411,000	£ -	£ -
£75	£3,116,000	£ -	£ -	£1,372,000	£ -	£ -
£80	£3,097,000	£ -	£ -	£1,372,000	£ -	£ -
£100	£3,058,000	£ -	£ -	£1,352,000	£ -	£ -
£125	£2,999,000	£ -	£ -	£1,333,000	£ -	£ -

7.2.4 A single plot, whether it is a 5 bed or 3 bed detached house, is viable in the Coast and Sidmouth market area with 50% affordable housing and a CIL of £125 per sq m.

Rural

Case Study	**A**					
Location	**Rural**		No of dwellings		1	
BRMA	Mid & East Devon				Min	Max
Type	Garden/ residential		Benchmark Land Value		£900,000	£1,000,000
			Affordable Housing			
CIL in £s/sq m	0% AH	40% AH	45% AH	50% AH		
£25	£2,626,000	£ -	£ -	£1,058,000	£ -	£ -
£50	£2,568,000	£ -	£ -	£1,019,000	£ -	£ -
£75	£2,489,000	£ -	£ -	£ 980,000	£ -	£ -
£80	£2,470,000	£ -	£ -	£ 980,000	£ -	£ -
£100	£2,411,000	£ -	£ -	£ 941,000	£ -	£ -
£125	£2,332,000	£ -	£ -	£ 902,000	£ -	£ -

Case Study	**A**					
Location	**Rural**		No of dwellings		1	3 bed det
BRMA	Mid & East Devon				Min	Max
Type	Garden/ residential		Benchmark Land Value		£900,000	£1,000,000
			Affordable Housing			
CIL in £s/sq m	0% AH	40%	45%	50%		
£25	£2,587,000	£ -	£ -	£1,058,000	£ -	£ -
£50	£2,528,000	£ -	£ -	£1,039,000	£ -	£ -
£75	£2,489,000	£ -	£ -	£1,000,000	£ -	£ -
£80	£2,470,000	£ -	£ -	£1,000,000	£ -	£ -
£100	£2,430,000	£ -	£ -	£ 980,000	£ -	£ -
£125	£2,372,000	£ -	£ -	£ 960,000	£ -	£ -

7.2.5 A single plot, whether it is a 5 bed or 3 bed detached house, is viable in the Rural market area with 50% affordable housing and a CIL of £125 per sq m (although for CIL above £50 per sq m, residual values are just shy of the upper land value benchmark.)

Edge of Exeter

Case Study	**A**					
Location	**Edge of Exeter**		No of dwellings		1	
BRMA	Exeter				Min	Max
Type	Garden/ residential		Benchmark Land Value		£500,000	£600,000
			Affordable Housing			
CIL in £s/sq m	0% AH	20% AH	25% AH	30% AH	35%	
£25	£ 196,000	£ -	-£ 551,000	£ -	£ -	£ -
£50	£ 137,000	£ -	-£ 612,000	£ -	£ -	£ -
£75	£ 59,000	£ -	-£ 673,000	£ -	£ -	£ -
£80	£ 39,000	£ -	-£ 673,000	£ -	£ -	£ -
£100	-£ 20,000	£ -	-£ 734,000	£ -	£ -	£ -
£125	-£ 102,000	£ -	-£ 775,000	£ -	£ -	£ -

Case Study	**A**					
Location	**Edge of Exeter**		No of dwellings		1	3 bed det
BRMA	Mid & East Devon				Min	Max
Type	Garden/ residential		Benchmark Land Value		£500,000	£600,000
	Affordable Housing					
CIL in £s/sq m	0% AH		25% AH			
£25	£ 627,000	£ -	£ 255,000	£ -	£ -	£ -
£50	£ 568,000	£ -	£ 216,000	£ -	£ -	£ -
£75	£ 529,000	£ -	£ 176,000	£ -	£ -	£ -
£80	£ 510,000	£ -	£ 157,000	£ -	£ -	£ -
£100	£ 470,000	£ -	£ 137,000	£ -	£ -	£ -
£125	£ 412,000	£ -	£ 98,000	£ -	£ -	£ -

7.2.6 Whether with a 5 or 3 bed detached house, the scheme is not viable in the Edge of Exeter market area with 25% affordable housing and any level of CIL. With 0% affordable housing and the 3 bed detached dwelling, the residual value exceeds the upper land value benchmark with a £25 CIL and falls between the benchmark values with a CIL between £50 and £80 per sq m.

Case Study B

7.2.7 Case study B is a scheme of 2 dwellings. A review of recent planning permissions shows that these small schemes are found at a variety of densities and dwelling types. We tested two alternative 2 unit schemes – with two 4 bed detached units and with two 3 be detached units. Annex 6 sets out all the results in detail. In this report we show the results for the scheme that produced the stronger residual value i.e. the most likely market solution.

Axminster (results for 3 bed houses shown)

Case Study	**B**					
Location	**Axminster**		No of dwellings		2	3 bed det
BRMA	Mid & East Devon				Min	Max
Type	Garden/ residential		Benchmark Land Value		£500,000	600000
	Affordable Housing					
CIL in £s/sq m			25% AH			
£25	£ -	£ -	£ 686,000	£ -	£ -	£ -
£50	£ -	£ -	£ 637,000	£ -	£ -	£ -
£75	£ -	£ -	£ 588,000	£ -	£ -	£ -
£80	£ -	£ -	£ 576,000	£ -	£ -	£ -
£100	£ -	£ -	£ 539,000	£ -	£ -	£ -
£125	£ -	£ -	£ 490,000	£ -	£ -	£ -

7.2.8 At 25% affordable housing, with two 3 bed detached houses, the residual value is above the upper land value benchmark with a £50 per sq m CIL. At £75 to £100 per sq m CIL, the residual value lies between the upper and lower benchmark values, whilst the scheme is only marginally viable with a CIL of £125 per sq m.

Coast and Sidmouth (results for 4 bed houses shown)

Case Study	**B**					
Location	**Coast and Sidmouth**		No of dwellings		2	
BRMA	Mid & East Devon				Min	Max
Type	Greenfield		Benchmark Land Value		£900,000	£1,000,000
	Affordable Housing					
CIL in £s/sq m		40% AH	45% AH	50% AH		
£25	£ -	£ 2,377,000	£ 2,156,000	£ 1,948,000	£ -	£ -
£50	£ -	£ 2,328,000	£ 2,107,000	£ 1,911,000	£ -	£ -
£75	£ -	£ 2,279,000	£ 2,070,000	£ 1,874,000	£ -	£ -
£80	£ -	£ 2,266,000	£ 2,058,000	£ 1,862,000	£ -	£ -
£100	£ -	£ 2,230,000	£ 2,034,000	£ 1,838,000	£ -	£ -
£125	£ -	£ 2,193,000	£ 1,985,000	£ 1,789,000	£ -	£ -

7.2.9 Case Study B in the Coast and Sidmouth market area is viable at all levels of affordable housing up to 50% and CIL tested at £125 per sq m. In this case, the scheme of two 4 bed detached produces the stronger residual value.

Rural (results for 4 bed houses shown)

Case Study	**B**					
Location	**Rural**		No of dwellings		2	
BRMA	Mid & East Devon				Min	Max
Type	Greenfield		Benchmark Land Value		£900,000	£1,000,000
	Affordable Housing					
CIL in £s/sq m		40% AH	45% AH	50% AH		
£25	£ -	£ 1,825,000	£ 1,642,000	£ 1,458,000	£ -	£ -
£50	£ -	£ 1,776,000	£ 1,593,000	£ 1,421,000	£ -	£ -
£75	£ -	£ 1,740,000	£ 1,556,000	£ 1,384,000	£ -	£ -
£80	£ -	£ 1,727,000	£ 1,544,000	£ 1,372,000	£ -	£ -
£100	£ -	£ 1,691,000	£ 1,507,000	£ 1,348,000	£ -	£ -
£125	£ -	£ 1,642,000	£ 1,470,000	£ 1,299,000	£ -	£ -

7.2.10 As with Coast and Sidmouth, in the Rural market value area, Case Study B is viable at all levels of affordable housing up to 50% and CIL tested at £125 per sq m. Again, the scheme of two 4 bed detached produces the stronger residual value.

Edge of Exeter (results for 4 bed units shown)

Case Study	**B**					
Location	**Edge of Exeter**		No of dwellings		2	
BRMA	Exeter				Min	Max
Type	Greenfield		Benchmark Land Value		£500,000	£600,000
	Affordable Housing					
CIL in £s/sq m		20% AH	25% AH	30% AH	35%	
£25	£ -	£ 343,000	£ 270,000	£ 208,000	£ 135,000	£ -
£50	£ -	£ 282,000	£ 208,000	£ 147,000	£ 86,000	£ -
£75	£ -	£ 221,000	£ 159,000	£ 98,000	£ 37,000	£ -
£80	£ -	£ 208,000	£ 147,000	£ 86,000	£ 25,000	£ -
£100	£ -	£ 159,000	£ 98,000	£ 49,000	-£ 13,000	£ -
£125	£ -	£ 98,000	£ 37,000	-£ 13,000	-£ 64,000	£ -

7.2.11 Case Study B in the Edge of Exeter market area is not viable at any of the levels of affordable housing and CIL tested whether with 3 bed or 4 bed houses. 3 bed houses produce a slightly higher residual value but not enough to affect the overall picture shown above.

Case Study C

Axminster

Case Study	**C**					
Location	**Axminster**		No of dwellings		8	
BRMA	Mid & East Devon				Min	Max
Type	Infill or urban edge		Benchmark Land Value		£500,000	£600,000
	Affordable Housing					
CIL in £s/sq m		20% AH	25% AH	30% AH	35%	
£25	£ -	£ -	£ 1,196,000	£ -	£ -	£ -
£50	£ -	£ -	£ 1,127,000	£ -	£ -	£ -
£75	£ -	£ -	£ 1,063,000	£ -	£ -	£ -
£80	£ -	£ -	£ 1,049,000	£ -	£ -	£ -
£100	£ -	£ -	£ 1,000,000	£ -	£ -	£ -
£125	£ -	£ -	£ 936,000	£ -	£ -	£ -

7.2.12 Case Study C in Axminster market area is viable at all levels of CIL tested including £125 at 25% affordable housing.

Coast and Sidmouth

Case Study	**C**					
Location	**Coast and Sidmouth**		No of dwellings		8	
BRMA	Mid & East Devon				Min	Max
Type	Infill or urban edge		Benchmark Land Value		£900,000	£1,000,000
	Affordable Housing					
CIL in £s/sq m				40% AH	45% AH	50% AH
£25	£ -	£ -	£ -	£ -	£ -	£ 2,288,000
£50	£ -	£ -	£ -	£ -	£ -	£ 2,244,000
£75	£ -	£ -	£ -	£ -	£ -	£ 2,200,000
£80	£ -	£ -	£ -	£ -	£ -	£ 2,190,000
£100	£ -	£ -	£ -	£ -	£ -	£ 2,156,000
£125	£ -	£ -	£ -	£ -	£ -	£ 2,112,000

7.2.13 Case Study C in the Coast and Sidmouth market area is viable at all levels of CIL tested at 50% affordable housing.

Rural

Case Study	**C**					
Location	**Rural**		No of dwellings		8	
BRMA	Mid & East Devon				Min	Max
Type	Infill or urban edge		Benchmark Land Value		£900,000	£1,000,000
	Affordable Housing					
CIL in £s/sq m				40% AH	45% AH	50% AH
£25	£ -	£ -	£ -	£ -	£ -	£ 1,607,000
£50	£ -	£ -	£ -	£ -	£ -	£ 1,563,000
£75	£ -	£ -	£ -	£ -	£ -	£ 1,519,000
£80	£ -	£ -	£ -	£ -	£ -	£ 1,509,000
£100	£ -	£ -	£ -	£ -	£ -	£ 1,475,000
£125	£ -	£ -	£ -	£ -	£ -	£ 1,431,000

7.2.14 Case Study C in the Rural market is viable with 50% affordable housing and CIL of £125 per sq m.

Edge of Exeter

Case Study	**C**					
Location	**Edge of Exeter**		No of dwellings		8	
BRMA	Exeter				Min	Max
Type	Infill or urban edge		Benchmark Land Value		£500,000	£600,000
	Affordable Housing					
CIL in £s/sq m		20% AH	25% AH	30% AH	35%	
£25	£ -	£ -	£ 779,000	£ -	£ -	£ -
£50	£ -	£ -	£ 715,000	£ -	£ -	£ -
£75	£ -	£ -	£ 652,000	£ -	£ -	£ -
£80	£ -	£ -	£ 637,000	£ -	£ -	£ -
£100	£ -	£ -	£ 583,000	£ -	£ -	£ -
£125	£ -	£ -	£ 519,000	£ -	£ -	£ -

7.2.15 Case Study C in the Edge of Exeter market area is viable with 25% affordable housing and a CIL of up to £80per sq m.

Case Study D – Rural only

Case Study	**D**					
Location	**Rural**		No of dwellings		30	
BRMA	Mid & East Devon				Min	Max
Type	Village infill at higher densit		Benchmark Land Value		£900,000	£1,000,000
	Affordable Housing					
CIL in £s/sq m				40% AH	45% AH	50% AH
£25	£ -	£ -	£ -	£ 1,156,000	£ 954,000	£ 753,000
£50	£ -	£ -	£ -	£ 1,102,000	£ 904,000	£ 708,000
£75	£ -	£ -	£ -	£ 1,049,000	£ 856,000	£ 664,000
£80	£ -	£ -	£ -	£ 1,038,000	£ 846,000	£ 655,000
£100	£ -	£ -	£ -	£ 995,000	£ 808,000	£ 619,000
£125	£ -	£ -	£ -	£ 941,000	£ 759,000	£ 575,000

7.2.16 Case Study D is viable with 40% affordable housing at all levels of CIL tested. At 45% affordable housing the scheme is viable with a CIL up to £50 per sq m and marginally viable with a CIL up to £80 per sq m. At 50% affordable housing the scheme is not viable.

7.2.17 An alternative mix for Case Study D (comprising 2 x 2 bed flats, 10 x 2 bed terrace, 6 x 3 bed terrace, 8 x 3 bed semi and 4 x 3 bed detached)[13] was also tested at 50% affordable housing.

[13] This mix included switched 4 of the 3b terrace units for 4 3b detached houses. Although illustrative, both types of scheme are reasonable representations of development types in East Devon.

Case Study D – Rural only – Alternative Mix

Case Study	D					
Location	Rural		No of dwellings		30	
BRMA	Mid & East Devon				Min	Max
Type	Village infill at higher densit		Benchmark Land Value		£900,000	£1,000,000
	Affordable Housing					
CIL in £s/sq m			40%	45%	50%	50% AH, with 30% AR/70% SO
£25	£ -	£ -	£ -	£ -	£ 1,093,000	£ 1,805,000
£50	£ -	£ -	£ -	£ -	£ 1,047,000	£ 1,759,000
£75	£ -	£ -	£ -	£ -	£ 1,001,000	£ 1,713,000
£80	£ -	£ -	£ -	£ -	£ 992,000	£ 1,704,000
£100	£ -	£ -	£ -	£ -	£ 954,000	£ 1,665,000
£125	£ -	£ -	£ -	£ -	£ 908,000	£ 1,619,000

7.2.18 The alternative mix exceeded the upper benchmark at CIL values of £25, £50 and £75 per sq m and exceeded the lower benchmark with CIL values of £80, £100 and £125 per sq m.

7.2.19 The table above also shows the effect of substituting the standard 70% affordable rent/ 30% shared ownership with 30% affordable rent/70% shared ownership to assess the impact on the scheme's viability. As shown in the table below, the residual value was improved further and was viable at all levels of CIL tested.

Case Study E- Exmouth and Seaton only

Case Study	E					
Location	Exmouth and Seaton		No of dwellings		30	
BRMA	Mid & East Devon				Min	Max
Type	Greenfield - Edge of urban		Benchmark Land Value		£500,000	£600,000
	Affordable Housing					
CIL in £s/sq m	20% AH	25% AH	30% AH	35% AH		
£25	£ 899,000	£ 767,000	£ 635,000	£ 502,000	£ -	£ -
£50	£ 830,000	£ 702,000	£ 575,000	£ 447,000	£ -	£ -
£75	£ 761,000	£ 638,000	£ 514,000	£ 391,000	£ -	£ -
£80	£ 748,000	£ 625,000	£ 502,000	£ 380,000	£ -	£ -
£100	£ 693,000	£ 573,000	£ 454,000	£ 336,000	£ -	£ -
£125	£ 624,000	£ 510,000	£ 395,000	£ 279,000	£ -	£ -

7.2.20 Case Study E is viable at all CIL levels tested with 25% affordable housing but exceeds the higher land value benchmark at up to £80 per sq m only. With this case study, higher levels of affordable housing (we tested at 30% and 35%) are viable with some level of CIL.

Case Study F – Sidmouth only

Case Study	**F**					
Location	**Sidmouth**		No of dwellings		30	
BRMA	Mid & East Devon				Min	Max
Type	Hotel replacement		Benchmark Land Value		£900,000	£1,000,000
	Affordable Housing					
CIL in £s/sq m	40% AH	45% AH	50% AH			50% AH, 30% AR/70%SO
£25	£ 1,627,000	£ 1,314,000	£ 1,004,000	£ -	£ -	£ 1,899,000
£50	£ 1,578,000	£ 1,269,000	£ 963,000	£ -	£ -	£ 1,857,000
£75	£ 1,529,000	£ 1,224,000	£ 922,000	£ -	£ -	£ 1,816,000
£80	£ 1,519,000	£ 1,215,000	£ 914,000	£ -	£ -	£ 1,797,000
£100	£ 1,478,000	£ 1,179,000	£ 880,000	£ -	£ -	£ 1,776,000
£125	£ 1,429,000	£ 1,133,000	£ 840,000	£ -	£ -	£ 1,734,000

7.2.21 Case Study F is viable at all levels of CIL tested at both 40% and 45% affordable housing. At 50% affordable housing the scheme is viable with a CIL up to £80 per sq m and marginally viable with a CIL up to £125 per sq m.

7.2.22 We tested the impact of substituting the standard affordable housing provision of 70% affordable rent/30% shared ownership with 30% affordable rent/70% shared ownership. At 50% affordable housing the scheme is viable at all levels of CIL tested.

Case Study G - Ottery St Mary only

Case Study	**G**					
Location	**Ottery St Mary**		No of dwellings		40	
BRMA	Mid & East Devon				Min	Max
Type	Urban infill		Benchmark Land Value		£500,000	£600,000
	Affordable Housing					
CIL in £s/sq m	20% AH DCF	25% AH DCF	30% AH DCF	35% AH DCF		
£25	£ 991,000	£ 798,000	£ 635,000	£ 471,000	£ -	£ -
£50	£ 915,000	£ 727,000	£ 569,000	£ 409,000	£ -	£ -
£75	£ 839,000	£ 655,000	£ 500,000	£ 346,000	£ -	£ -
£80	£ 824,000	£ 640,000	£ 487,000	£ 334,000	£ -	£ -
£100	£ 761,000	£ 582,000	£ 432,000	£ 282,000	£ -	£ -
£125	£ 683,000	£ 508,000	£ 364,000	£ 219,000	£ -	£ -

7.2.23 Case Study G is viable at all levels of CIL tested at 25% affordable housing, although viability is more marginal with 25% affordable housing and £100/£125 per sq m CIL. At 30% affordable housing, the scheme can support CIL of at least £25/50 per sq m.

Case Study H – Sidmouth only

Case Study	H				
Location	Sidmouth		No of dwellings	50	
BRMA	Mid & East Devon			Min	Max
Type	Urban infill		Benchmark Land Value	£900,000	£1,000,000
	Affordable Housing				
CIL in £s/sq m				40% AH DCF	45% AH DCF	50% AH DCF
£25	£ -	£ -	£ -	£ 1,593,000	£ 1,414,000	£ 1,235,000
£50	£ -	£ -	£ -	£ 1,554,000	£ 1,378,000	£ 1,202,000
£75	£ -	£ -	£ -	£ 1,514,000	£ 1,341,000	£ 1,169,000
£80	£ -	£ -	£ -	£ 1,506,000	£ 1,334,000	£ 1,162,000
£100	£ -	£ -	£ -	£ 1,474,000	£ 1,305,000	£ 1,136,000
£125	£ -	£ -	£ -	£ 1,434,000	£ 1,269,000	£ 1,103,000

7.2.24 Case Study H is viable at all levels of CIL and affordable housing tested.

Case Study I - Budleigh Salterton only (Sidmouth Market area, Exeter BRMA)

Case Study	I					
Location	Budleigh Salterton		No of dwellings		50	
BRMA	Mid & East Devon				Min	Max
Type	Greenfield, edge of urban		Benchmark Land Value		£900,000	£1,000,000
	Affordable Housing					
CIL in £s/sq m				40% AH DCF	45% AH DCF	50% AH DCF
£25	£ -	£ -	£ -	£ 2,278,000	£ 2,079,000	£ 1,879,000
£50	£ -	£ -	£ -	£ 2,228,000	£ 2,033,000	£ 1,838,000
£75	£ -	£ -	£ -	£ 2,178,000	£ 1,988,000	£ 1,797,000
£80	£ -	£ -	£ -	£ 2,169,000	£ 1,979,000	£ 1,788,000
£100	£ -	£ -	£ -	£ 2,129,000	£ 1,943,000	£ 1,755,000
£125	£ -	£ -	£ -	£ 2,080,000	£ 1,897,000	£ 1,715,000

7.2.25 Case Study I is viable at all levels of affordable housing and CIL tested.

7.2.26 The final three case studies (J, K and L) are for larger greenfield urban extensions and we use a different benchmark, based on a multiple of agricultural land value. We use a range of £250,000 to £300,000 per hectare (i.e. approximately 13 to 15 times agricultural land value). As noted in Table 4.1 above, we also allow for a proportion of the scheme that is non developable (i.e. the net developable area is less than 100%). This is down to as low as 70% in Case Study L. We also allow for 'opening up costs' for infrastructure associated with larger scale greenfield development such as site preparation, drainage, utilities and landscaping. We note that for the size of sites considered in case studies J, K and L, this level of infrastructure costs could well be an overestimate but we have taken a prudent approach and recognise it provides something of a cushion in viability terms.

7.2.27 Development rates used for these three case studies are the maximum proposed in the SHLAA guidance i.e. 25 units in the first year, 50 units per developer per year thereafter. Schemes of up to 500 units are assumed to be developed by one developer, and schemes between 501 and 1000 units are assumed to be developed by two developers.

7.2.28 For case studies J, K and L we allocate the affordable dwellings to the smaller properties and larger (detached) dwellings as market properties. This reflects the findings of the Exeter and Torbay Strategic Housing Market Assessment 2007, East Devon Update 2011 (Prepared by Opinion Research Services).[14]

7.2.29 For these case studies we also assess the impact of changing the affordable housing provision from the standard assumption of 70% affordable rent/30% shared ownership to 30% affordable rent/70% shared ownership. Again, a full set of results is shown in Annex 6.

7.2.30 In all three cases, we assume that all CIL money is collected in Year 1 of development. A phased approach to collecting CIL would lessen its impact on viability.

Case Study J – Honiton only

Case Study	**J**					
Location	**Honiton**		No of dwellings		150	
BRMA	Mid & East Devon				Min	Max
Type	Agriculture (urban extension)		Benchmark Land Value		£250,000	£300,000
	Affordable Housing					
CIL in £s/sq m	25%AH, DCF, CIL yr1	25%AH,DCF, CIL yr1, 30%AR 70%SO	0%	0%		
£25	£ 357,000	£ 451,000	£ -	£ -	£ -	£ -
£50	£ 316,000	£ 411,000	£ -	£ -	£ -	£ -
£75	£ 276,000	£ 371,000	£ -	£ -	£ -	£ -
£80	£ 268,000	£ 363,000	£ -	£ -	£ -	£ -
£100	£ 262,000	£ 330,000	£ -	£ -	£ -	£ -
£125	£ 195,000	£ 290,000	£ -	£ -	£ -	£ -

7.2.31 The scheme of 150 dwellings in Honiton produces a residual value above the higher benchmark with £50 CIL at 25% affordable housing. The residual value is between the lower and upper benchmark land values with a CIL between £75, £80 and £100 per sq m, but is not viable with a £125 per sq m CIL.

7.2.32 When the affordable housing is switched to 30% affordable rent/ 70% shared ownership the residual value is increased, and the scheme is viable at CIL levels up to £100 per sq m. With a £125 per sq m CIL, the residual value is just below the higher benchmark.

[14] See Figure 6

Case Study K – Exmouth only

Case Study	**K**					
Location	**Exmouth**		No of dwellings		350	
BRMA	Mid & East Devon				Min	Max
Type	Agriculture (urban extension)		Benchmark Land Value		£250,000	£300,000
	Affordable Housing					
CIL in £s/sq m	20%AH,DCF, CIL yr1	25%AH,DCF, CIL yr1	25%AH,DCF, CIL yr1, 30%AR 70%SO	0%	0%	0%
£25	£ 335,000	£ 277,000	£ 331,000	£ -	£ -	£ -
£50	£ 292,000	£ 236,000	£ 291,000	£ -	£ -	£ -
£75	£ 247,000	£ 194,000	£ 249,000	£ -	£ -	£ -
£80	£ 238,000	£ 186,000	£ 241,000	£ -	£ -	£ -
£100	£ 203,000	£ 152,000	£ 207,000	£ -	£ -	£ -
£125	£ 158,000	£ 109,000	£ 165,000	£ -	£ -	£ -

7.2.33 The Exmouth scheme of 350 dwellings achieves a residual value above the lower benchmark with 25% affordable housing, at £25 CIL, is marginal with a £50 CIL and is not viable with a CIL of £75 per sq m and above.

7.2.34 We also tested the scheme with 20% affordable housing, which was viable with a CIL up to £50 per sq m. It was marginally viable with a CIL of £75 or £80 per sq m and became unviable with a CIL of £100 per sq m or above.

7.2.35 The other test shown above, is with 25% affordable housing but with 30% affordable rent/70% shared ownership. The results show that the scheme is viable with a CIL of up to £50 and only £1,000 below the lower land value threshold at £75 per sq m.

7.2.36 Again, it must be remembered that this scheme has been modelled with a generous allowance of £150,000 per hectare strategic infrastructure costs, which provides a considerable 'viability cushion'.

Case Study L – Axminster only

Case Study	**L**					
Location	**Axminster**		No of dwellings		400	
BRMA	Mid & East Devon				Min	Max
Type	Agriculture (urban extension)		Benchmark Land Value		£250,000	£300,000
	Affordable Housing					
CIL in £s/sq m	25%AH,DCF, CIL yr1,	25%AH,DCF, CIL yr1, 30%AR 70%SO	0%	0%	0%	
£25	£ 334,000	£ 403,000	£ -	£ -	£ -	£ -
£50	£ 298,000	£ 367,000	£ -	£ -	£ -	£ -
£75	£ 261,000	£ 330,000	£ -	£ -	£ -	£ -
£80	£ 253,000	£ 323,000	£ -	£ -	£ -	£ -
£100	£ 223,000	£ 293,000	£ -	£ -	£ -	£ -
£125	£ 186,000	£ 256,000	£ -	£ -	£ -	£ -

7.2.37 Viability for Case Study L with 400 dwellings in Axminster is stronger than in Exmouth. At 25% affordable housing the higher benchmark is exceeded with £25 CIL. The scheme remains viable with CILs of £50, £75 and £80 per sq m with the residual falling between the upper and lower benchmarks. A CIL of £100 per sq m or more makes the scheme unviable.

7.2.38 With the affordable housing, as 30% affordable rent/ 70% shared ownership, the scheme becomes viable at all levels of CIL tested. At £100 and £125 per sq m CIL, the residual value lies between the upper and lower benchmark values.

7.3 Summary

7.3.1 The findings of the case studies generally reflect the findings from the notional 1 hectare testing.

7.3.2 In the lower value markets, very small schemes of 1 and 2 dwellings will not necessarily be able to meet the same level of CIL as larger schemes, without a compensating reduction in affordable housing requirements. The testing of small schemes also demonstrates the sensitivity of the economics of such sites to the type of dwelling provided.

7.3.3 But there are some very small schemes e.g. a single 4 bed detached house in the Edge of Exeter area, that appear not to be viable at 100% market housing and nil CIL and these clearly would not come forward in any case.

7.3.4 Larger schemes (of 8 to 50 dwellings –case studies C to I) generally produce strong residual values such that in the two higher market value areas (Coast and Sidmouth and Rural) at 50% affordable housing a CIL of £100 or £125 is realistic and in the other lower value area with 25% affordable housing a CIL of £75/£80 is generally achieved.

7.3.5 The three larger case studies (J, K and L) have to meet additional costs and this is reflected in the residual values achieved. However, as larger greenfield schemes, the benchmark land value to be met is lower. While the Honiton and Axminster examples can deliver 25% affordable housing with a CIL of £75/£80, the scheme at Exmouth would only achieve these CIL levels with a reduced affordable housing contribution.

7.3.6 Flexibility in the type of affordable housing used, is proven as a mechanism for strengthening viability for the same percentage of affordable housing and amount of CIL.

7.4 Strategic Development Site – Notional Cranbrook Extension

Approach

7.4.1 A major part of the future housing provision in East Devon will be the extension of the Cranbrook New Community. We have sought to model this using an indicative scheme that represents about half of the Cranbrook extension shown in the emerging Local Plan. The scheme tested is intended to be representative of the kind of development of the next phase of Cranbrook but is not intended to specify the form that development could or should take.

7.4.2 The assumptions used for the modelling are based on a mix of sources including information used for the other case studies and notional sites already tested, data provided by the council, feedback from consultation with the development industry (including representatives of the New Community Partners) and web based research (notably of up to date house prices and property characteristics). Annex 7 sets these out in detail but the key components are an overall development area of about 50 ha, of which 75% is developable, with 1,250 dwellings at a net development density of around 33 dph. The mix of market and affordable housing has been assessed in the light of current and emerging development patterns in the area.

7.4.3 In view of the length of the development, the results have been produced using the discounted cash flow facility within the Three Dragons Toolkit.

Overall Results

7.4.4 The main testing uses a 20% developer return but we have also undertaken a sensitivity test using a 22.5% return. (A 22.5% overall return equates to approximately 20% return on GDV and a 5% overhead on costs)

7.4.5 Assuming a 20% developer return, the residual values are as follows:-

- £31.70m for the entire scheme, which equates to
- £0.63m per gross hectare, or
- £0.84m per net hectare.

7.4.6 For the sensitivity test and assuming a 22.5% developer return, the residual values are as follows:-

- £27.64m for the entire scheme, which equates to
- £0.55m per gross hectare, or
- £0.73m per net hectare.

Contribution to s106 and/or CIL payments

7.4.7 No allowance was made in the modelling for any s106 and/or CIL contributions. For this exercise, it is assumed that all dwellings will contribute to s106 whilst CIL will only be charged on market dwellings.

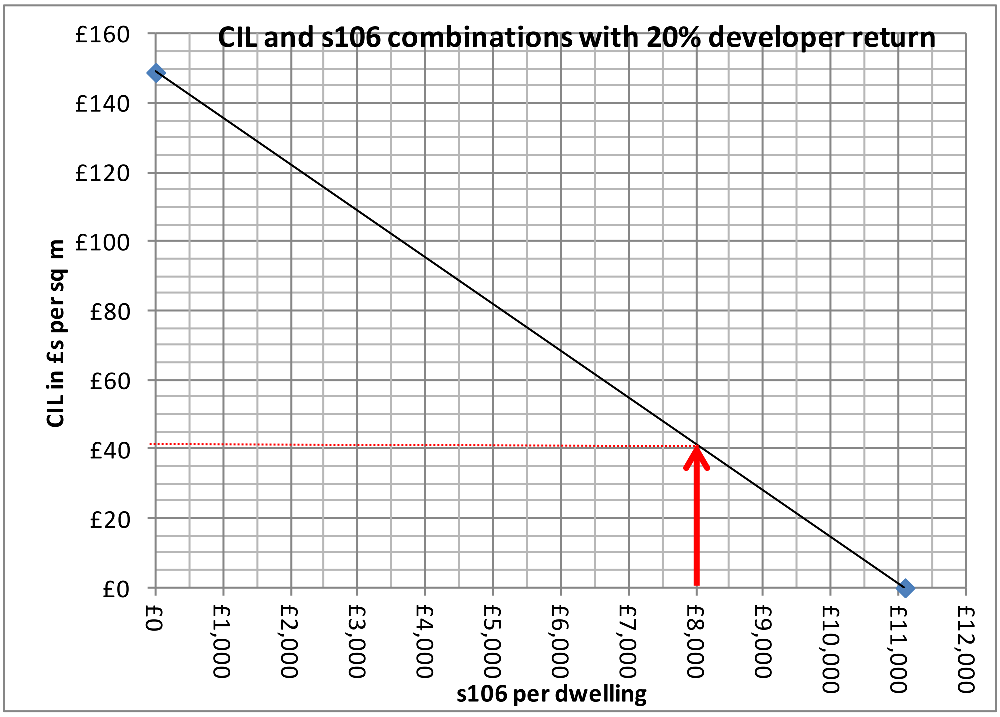
7.4.8 The following table shows how we have estimated the maximum available development funding available for s106 and/or CIL payments. We have included an allowance for finance costs for payment of s106 and/or CIL costs. We have assumed £50,000 per hectare which is a generous allowance and allows a further viability cushion.

Table 7.2: Calculating Finance Available for s106/CIL payments

	At 20% developer return	At 22.5% developer return
Residual value per gross hectare	£627,000	£547,000
Benchmark land value	£300,000	£300,000
Notional surplus per gross hectare (including c£50,000 deduction)	£275,000	£200,000

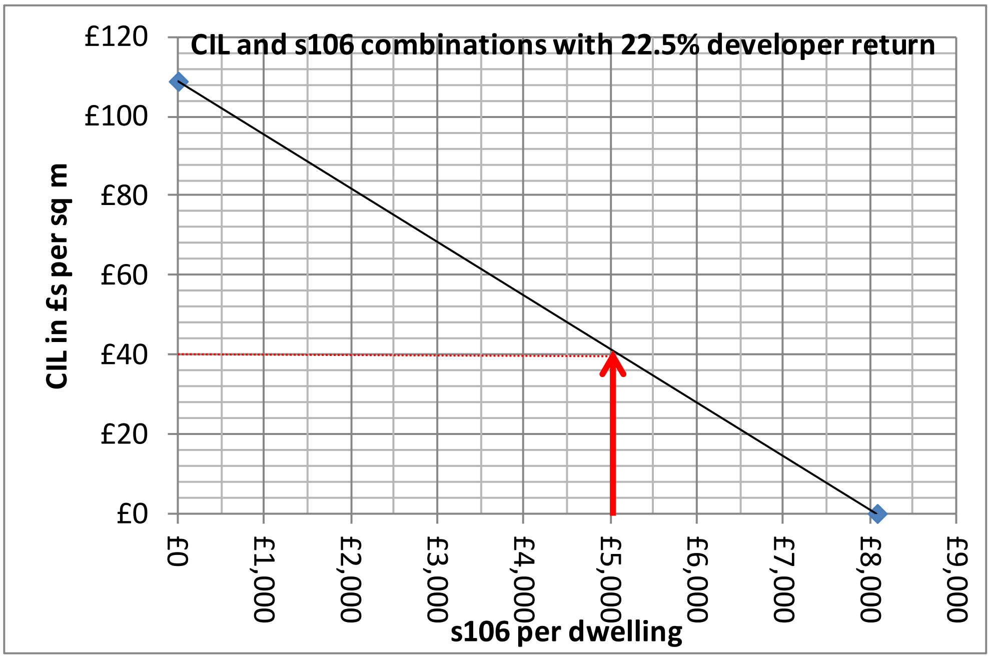
7.4.9 The chart below shows the combinations of CIL and s106 which equal the ‘surplus’ figures indicated in the above chart – first using the figures for the 20% developer return and then for the 22.5% return. In the first chart, we have illustrated the (maximum) level of CIL payment if a s106 payment of £8,000 per dwelling is assumed.

Chart 7.1: Cranbrook Notional Extension – Surplus Available for CIL and/or s106 – 20% return



7.4.10 In the above illustration, with s106 contribution of £8,000 per dwelling, the maximum CIL would be about £40 per sq m.

Chart 7.2: Cranbrook Notional Extension – Surplus Available for CIL and/or s106 – 22.5% return



7.4.11 With the higher level of developer return, a CIL of £40 per sq m implies a much lower s106 payment, at around £5,000 per dwelling.

7.4.12 But it needs to be noted that for all the above calculations, we have made a deduction of c£50,000 per hectare for finance costs for upfront s106/CIL payments. This is probably a generous allowance and would be reduced with staged payments for both.

7.4.13 If a s106 payment of £3,500 is assumed, as we did for all the other testing undertaken, the associated CIL rate is about £100 with the developer return of 20% and about £60 with the rate of 22.5% used in the sensitivity test.

8 Summary and Conclusions

8.1 Non-Residential Development

8.1.1 The table and graph below summarise the residual values per sqm of development and suggest what the potential for CIL might be.

Figure 8-1 Residual value per sqm in East Devon Summary

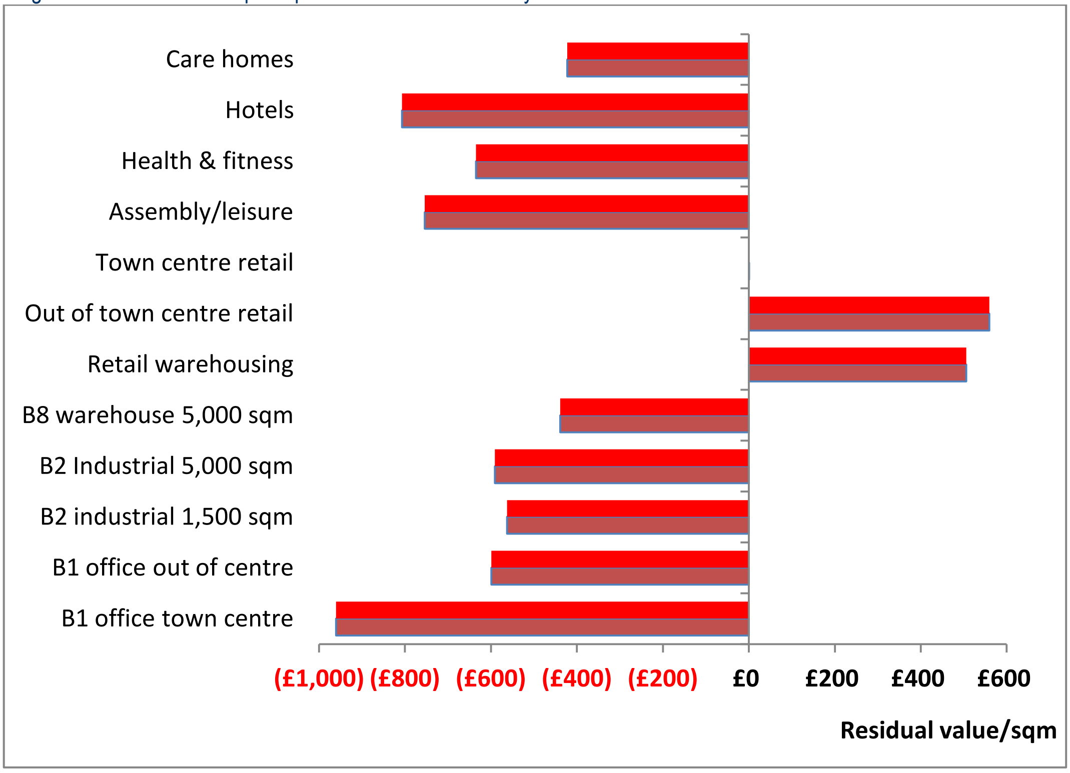


Table 8-1 Residual Viability and Potential CIL Summary

	Residual value/sqm	Viable?	Potential CIL
B1 office town centre	-£960	No	£0
B1 office out of centre	-£599	No	£0
B2 industrial 1,500 sqm	-£563	No	£0
B2 Industrial 5,000 sqm	-£591	No	£0
B8 warehouse 5,000 sqm	-£439	No	£0
Retail warehousing	£506	Yes	£200
Out of town centre retail	£560	Yes	£150
Town centre retail	£0	Yes	£0
Assembly/leisure	-£754	No	£0
Health & fitness	-£635	No	£0
Hotels	-£807	No	£0
Care homes	-£423	No	£0

8.1.2 Based on the discussion on the previous chapters, we recommend that non-residential development in East Devon has a £0 CIL rate, with the exception of retail (comparison) warehousing, which could support up to £200 sqm; and out of town centre (convenience) retail which could support up to £150 sqm. The reasons for these recommendations are:

- It is clear that there is not enough viability in most forms of non-residential development to support a levy.
- Most retail is able to support a levy, except for town centre retail which has higher development (including land value) costs.

8.1.3 Even though the viability assessment suggests that other types of non-residential development are not commercially viable in East Devon, there may still be development. This will include premises being developed to pursue core business activities, as opposed to developing premises for rent or sale.

8.2 Residential Development

8.2.1 The results across all the market value areas highlight the fact that residual values will vary with development type and higher density development does not necessarily mean an increase in residual value. Typically a scheme of around 40 dph with a mix of smaller terrace, semi detached and 4 bed detached houses produces the highest values

8.2.2 There are significant differences in the values between market value areas with Rural East Devon and Sidmouth and the Coast, achieving significantly higher residual values than those of the urban market value areas. This reflects differences in market values as well as, to a lesser extent, differences in affordable rent levels between the different Broad Rental Market Areas.

8.2.3 Looking at both the notional 1 hectare scheme and the case studies, the two market value areas of Coast and Sidmouth and Rural East Devon can generally support a combination of CIL at £125 per sq m and a 50% affordable housing requirement. There is evidence that a higher CIL could be feasible in both, especially so in Coast and Sidmouth.

8.2.4 In the other market value areas, Axminster has a stronger market than the other 'town' market value areas of Honiton and Ottery and Exmouth and Seaton. A CIL of up to £75/£80 is generally viable for the lower market value areas. Although a higher CIL could probably be supported in Axminster, the council may consider that separating out Axminster would lead to an overly complex charging schedule for the district.

8.2.5 The one word of caution here is the situation with the larger scale greenfield scheme in Exmouth would only achieve a CIL of say £75/£80 per sq m with a reduced affordable housing requirement. In other cases, flexibility in specifying the type of affordable housing can provide a viability cushion if needed.

8.2.6 In the lower value markets, very small schemes of 1 and 2 dwellings may not always be able to meet the same level of CIL as larger schemes, without a compensating reduction in affordable housing requirements.

8.2.7 The Edge of Exeter market consistently produces the lowest residual values and developments, as modeled in this study, would struggle to achieve a CIL of even £50 per sq m. However, as described earlier, there is very little historic development on which to base the value assumptions used and the area is due to change markedly with the development at Cranbroook. On the basis of this, and taking a common sense view, it is appropriate to treat the area generally as being part of the wider “Sidmouth, Coast and Rural” area with the important exception of Cranbrook. The area to the south of the existing Cranbrook permission which is indicated as a possible future expansion area for post 2026 is currently included in the “Sidmouth, Coast and Rural” figure as it is not allocated to come forward during the plan period.

8.2.8 For the Cranbrook extension itself, we have indicated the combinations of s106 and CIL payments that are feasible. For the main testing, the analysis indicates that, for instance, a s106 contribution of £8,000 per dwelling in combination with a CIL of up to £40 per sq m is viable. The analysis included a viability cushion to allow for finance cost to meet early CIL and s106 payments. Deferring these payments would improve viability and imply that higher charges could be absorbed.

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APPENDIX G: Letter from Mr Thickett to EDDC 24 April 2014

Examination of the East Devon District Council Community Infrastructure Levy Draft Charging Schedule

Mr M Dickins
Planning Policy Manager
East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL
By email only

Inspector: Anthony Thickett BA(Hons) BTP MRTPI Dip RSA

Programme Officer: Amanda Polley
Tel: 01395 571682
Council Offices
Knowle
Sidmouth
Devon
EX10 8HL
E mail: programmeofficer@eastdevon.gov.uk
24 April 2014

Dear Mr Dickins,

In my letter of 17 April I questioned the appropriateness of the proposed CIL rate of £150 per square metre (psm) for retail development in the new town centre for Cranbrook. Unfortunately I must now inform you that I also have concerns regarding the proposed residential rate for the Cranbrook expansion area.

The Community Infrastructure Guidance allows differential rates to be set on strategic sites[1] and I am satisfied that the evidence submitted to the examination justifies the principle of a separate charging zone for the Cranbrook expansion area. However, I am not persuaded that the proposed rate of £68 psm is justified by appropriate available evidence.

The Viability Study uses a series of assumptions relating to, amongst other things, a net developable area of 75%, opening up costs of £225,000 per hectare and a developer return of 20%. I am satisfied that the assumed rate of return is reasonable and supported by appropriate evidence. However, the information provided by the East Devon New Community Partners provides real data based on developing Cranbrook to date. The Partners conservatively estimate opening up costs to be between £500,000 and £600,000 per hectare. This is supported by the Harman report which advises that strategic infrastructure costs are typically in the order of £17,000 to £23,000 per plot which for a 40 dph scheme would be £680.000 to £920,000[2].

The addendum to the Viability Study[3] concludes that the cost of infrastructure to be secured through Section 106 contributions in the expansion area would be £4,661.72 per dwelling. Outside the Cranbrook expansion area the Viability Study assumes a Section 106 contribution of £3,500 per dwelling. This figure is disputed but, assuming it is reasonable, it is common ground that opening up/infrastructure costs are likely to be significantly higher on large strategic sites. Consequently, it must follow that Section 106 costs per dwelling would also be much higher. I am aware that the Council has reduced the Section 106 cost following the County Council's

[1] Paragraph 2:2:2:6
[2] Viability Testing Local Plans Advice for planning practitioners; Appendix B, paragraph 2 & East Devon Community partners submission paragraph 1.18
[3] CIL 14

review of education requirements/costs[4]. However, compared to £3,500 and on the basis of the evidence before me, £4,661.72 appears to be a very conservative estimate.

The Harman report says that failing to take into account that the net developable area on all but the smallest sites is likely to be significantly smaller than the gross area can result in flawed assumptions and inaccurate viability studies. The existing development at Cranbrook has a net to gross ratio of around 50% which the Harman report[5] considers to be not untypical for strategic sites. The assertion that a similar net to gross ratio should be assumed for the expansion area due to constraints such as flood plain and electricity pylons in addition to the need to provide open space etc appears to be reasonable.

Consequently, I am not satisfied that the assumptions in the Viability Study relating to the net developable area and infrastructure/Section 106 costs for the Cranbrook expansion areas are justified by appropriate available evidence. As I said in my letter of 17 April the delivery of Cranbrook is a key element of the Local Plan. Based on the evidence currently before me, I am not able to conclude that the proposed rate of £68 psm for Cranbrook would not threaten the delivery of the Cranbrook expansion areas.

Without prejudice, my concerns may be resolved through the submission of further viability evidence, the other option of course is that the proposed rate is reviewed. I would ask that you carefully consider the contents of this letter and indicate how you wish to proceed.

Yours sincerely

A Thickett

Inspector

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[4] Originally £6,114.54

[5] Viability Testing Local Plans Advice for planning practitioners; Appendix B, paragraph 1

APPENDIX H: REPORT OF EXAMINATION OF DRAFT CIL CHARGING SCHGEDULE, 15 January 2016

The Planning Inspectorate

Report to East Devon District Council

by Mr Anthony Thickett BA(Hons) BTP MRTPI Dip RSA

an Examiner appointed by the Council

Date: 15 January 2016

PLANNING ACT 2008 (AS AMENDED)
SECTION 212(2)

REPORT ON THE EXAMINATION OF THE DRAFT EAST DEVON DISTRICT COUNCIL COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE

Charging Schedule submitted for examination on 2 August 2013

Examination hearings held on 13 March 2014 and 9 July 2015

File Ref: PINS/U1105/429/6

Non Technical Summary

This report concludes that the East Devon District Council Community Infrastructure Levy Charging Schedule provides an appropriate basis for the collection of the levy in the area. The Council has sufficient evidence to support the schedule and can show that the levy is set at a level that will not put the overall development of the area at risk.

Two modifications are needed to meet the statutory requirements. They can be summarised as follows:

- The rate for retail development within Cranbrook to be £0 psm[1]
- Include land to the south of the former A30 in the Cranbook expansion charging zone.

The modifications recommended in this report are based on matters discussed during the public hearing sessions and do not alter the basis of the Council's overall approach or the appropriate balance achieved.

Introduction

1. This report contains my assessment of the East Devon District Council Community Infrastructure Levy (CIL) Charging Schedule in terms of Section 212 of the Planning Act 2008. It considers whether the schedule is compliant in legal terms and whether it is economically viable as well as reasonable, realistic and consistent with national guidance.

2. To comply with the relevant legislation the local charging authority has to submit a charging schedule which sets an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across the district. The basis for the examination is the Draft Charging Schedule (DCS) of June 2013, which is effectively the same as the document published for public consultation in June 2013[2]. A hearing was held in March 2014 and another in July 2015 which, amongst other things considered a proposed revision to the DCS.

3. Following the hearing on 13 March 2014, I informed the Council that I had concerns regarding the proposed rate for retail development for Cranbrook town centre (£150 psm) and the proposed residential rate for the Cranbrook expansion area (£68 psm). The Council carried out further work and now propose a nil rate for retail development in Cranbrook town centre. The proposed residential rate for the allocated Cranbrook expansion areas remain at £68 psm. The proposed change to the DCS was subject to consultation from 16 April to 12 June 2015.

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[1] Per square metre
[2] CIL07

4. The rates proposed in the revised DCS are as follows:

Development Type	Axminster, Cranbrook ("existing" town), Exmouth, Honiton, Ottery St Mary, Seaton and edge of Exeter allocation sites (defined by new Built up Area Boundaries and proposed Strategic Allocations)	Allocated Cranbrook expansion areas (as defined in the New Local Plan)	Sidmouth, Coast, and Rural (the rest of East Devon)
Residential	£80 psm	£68 psm	£125 psm
Development Type	Inside Town Centre Shopping Areas (as defined in the New Local Plan)	Cranbrook (as defined by the "existing town" plus allocated expansion areas	Rest of East Devon
Retail	£0 psm	£0 psm	£150 psm
All other Non Residential uses	£0 psm	£0 psm	£0 psm

Is the charging schedule supported by background documents containing appropriate available evidence?

Infrastructure

5. I am also appointed to examine the Council's New Local Plan. Subject to modification, I consider the Local Plan to be sound. The Council's Infrastructure Delivery Plan (IDP)[3] details the transport, education and social infrastructure required to enable and support the 17,100 new homes and other development planned to meet the District's needs.

6. The IDP ranks infrastructure into Priorities 1, 2 and 3. Priority 1 is defined as infrastructure that is fundamental to the delivery of the Plan's development strategy. As most of the new development in East Devon will take place at the West End[4] a large proportion of infrastructure listed in Priority 1 supports development there and includes, amongst other things, transport, education and Suitable Alternative Natural Greenspace (SANG). According to the March 2015 IDP the approximate cost of Priority 1 infrastructure is £44.8m and a funding gap of £14.2m is identified. The cost of Priority 2 infrastructure, defined as being necessary to meet the needs arising from new development,

[3] CIL16: Latest version March 2015
[4] That part of the district closest to Exeter which also includes Cranbrook

is estimated as £175.4m with a shortfall of £167.4m. Priority 3 infrastructure would secure higher sustainability standards and would cost around £30.9m with a funding gap of £28.8m. Overall the cost of infrastructure listed in the IDP runs to about £251.1m.

7. According to the Council the infrastructure that may be funded through CIL would cost around £176.2m. £12.62m has/will be secured through other sources (including planning obligations) leaving an aggregate funding gap of £163.6m. The Council anticipates receipts from CIL securing around £32.1m. These figures demonstrate the need to levy CIL.

Economic viability evidence

8. The Council commissioned a CIL Viability Assessment, which was published in January 2013 and updated in December 2014. The assessments use a residual valuation approach, using reasonable standard assumptions for a range of factors such as building costs, profit levels and fees etc. For non residential uses a range of 'typical' development typologies were generated informed by real examples of development in East Devon. For residential the study used a notional 1ha site in each market value area and tested viability at a range of densities and for different levels of affordable housing provision. Sensitivity testing involved assessing different market values and for residential, different tenures of affordable housing.

Conclusion

9. I consider a number of matters in greater detail below. However, I am satisfied that the draft Charging Schedule is supported by detailed evidence of the infrastructure needed to deliver the growth identified in the Local Plan and a robust analysis of viability.

Is the charging rate informed by and consistent with the evidence?

Residential development

10. The assumptions underpinning the viability study are challenged and it is argued that it is now out of date. The Council acknowledge that, for example, build costs have risen since January 2013 but it also presents evidence to show that sales prices have also increased. The Council argue and I am content that the evidence shows, that the study used conservative estimates, including residual Section 106 costs. Further comfort is provided by the sensitivity tests referred to above. A buffer of around 20% has been applied in each charging zone. For the higher value areas (Sidmouth, Coast and Rural) a rate of £150 psm was demonstrated to be viable whereas £125 is proposed. Similarly, potential rates of £85 and £100 were identified for Cranbrook and the rest of the district (£68 and £80 proposed).

11. Turning to the charging zones, it is inevitable that values close to the boundaries will be similar. However, I am satisfied that the viability study justifies differential rates and that the built up area boundaries provide a sensible demarcation between the towns and the rural area charging zones.

12. I am satisfied that the evidence submitted to the examination justifies the principle of a separate charging zone for the Cranbrook expansion areas. The developers of Cranbrook are committed to providing the necessary infrastructure. What is at issue is the mechanism by which it is funded and, if it is to be through CIL, the rate to be charged. It is the developers view and Devon County Council's that Cranbrook's infrastructure should continue to be funded through Section 106. They argue that a nil rate be set and the Regulation 123 list be changed to allow schools etc in Cranbrook to be funded through Section 106 Agreements.

13. I acknowledge that, so far, securing infrastructure to support the growth of Cranbrook through Section 106 agreements has been successful. I also consider that the Council is right to be concerned about the impact of the 5 obligation limit (pooling) on the continued ability to fund infrastructure in this way. However, it is not the role of an examiner to determine whether infrastructure is best funded through CIL or Section 106. The Council has chosen to set a charging rate for Cranbrook and I must determine whether that rate is supported by evidence and strikes an appropriate balance between funding infrastructure and the viability of development in the charging zone.

14. Following the hearing in March 2014 I wrote to the Council stating that I was not satisfied with its evidence relating to opening up costs, residual Section 106 contributions and its assumptions regarding net developable areas. The consortium estimate opening up costs to be around £570,000 per net hectare which falls in the range suggested in the Harman report[5]. The Council submitted further evidence[6] and point out that some elements cited by the consortium are in place or paid for (the Clyst Honiton by pass and open space/landscaping) and that others would be funded through CIL (highway infrastructure). This supports the Council's position that opening up costs for later phases will be lower and I consider that the Council has now produced sufficient evidence to show that its estimate of £225,000 per net hectare is appropriate.

15. The Council's Regulation 123 list includes on[7] and off site infrastructure including education, SANGs and strategic transport infrastructure. Contributions to these items should not, therefore, be sought through planning obligations and it is reasonable not to include them in any residual Section 106 cost. The Council produced a table of infrastructure items and costs which produces a figure of £3,879.50 per dwelling to be sought through residual Section 106 contributions. On this basis the Council estimates that developments in the Cranbrook expansion area could support £97 psm and remain viable. I note the consortium's reservations but consider that the Council has now produced sufficient evidence to support its position with regard to residual Section 106 costs.

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[5] Viability Testing Local Plans Advice for planning practitioners; Appendix B, paragraph 2

[6] East Devon Community Infrastructure Levy (CIL) additional report in response to Inspector's concerns – March 2015

[7] Excluding on site open space/recreation provision

16. The Council argues that it is reasonable to assume a net developable area of around 75%. However, the consortium has provided detailed and more persuasive evidence, based on the experience of developing the earlier phases, to support its contention that the net developable area should be assumed to be 50%. Whilst this has an impact on the Council's evidence relating to viability, the extent to which it reduces a viable rate below £97 psm is unknown. However, in addition to reduced Section 106 costs the Council point to improved sales values since the viability study was produced. The proposed rate, at £68 psm is significantly below what the Council's evidence suggests is viable (£97 psm) which, in my view, provides a reasonable buffer.

17. The expansion of Cranbrook is critical to meeting the housing needs of East Devon and the Local Plan strategy. The Council has committed to an early review of the Draft Charging Schedule alongside its production of the Cranbrook Development Plan Document (DPD). It is essential, in my view, in order to ensure that Cranbrook does deliver, to monitor viability and delivery constantly and very carefully.

18. The Council propose that the £68 psm rate apply to the east and west expansion areas shown on the Cranbrook charging zone map. The Local Plan makes provision for 1,550 new dwellings to be built within the Cranbrook DPD area. The consortium has submitted a planning application on land to the south of the former A30 but the Council argues that it is premature to apply the £68 psm charge (as opposed to £125 psm) ahead of the adoption of the Cranbrook DPD. These houses would make a significant contribution to meeting the District's housing needs.

19. As stated in the accompanying Local Plan report, I am not persuaded of the need for the Cranbrook DPD. The Council accepts that it makes sense to apply the £68 psm charge to any expansion of Cranbrook. The viability evidence does not support a £125 psm charge for strategic expansions to Cranbrook. Maintaining £125 psm would, therefore, put the delivery of development at serious risk. The £68 psm charging zone should, therefore, be expanded to include this land.

Retail

20. As submitted the Draft Charging Schedule proposed a rate for retail development of £0 psm in town centres and £150 psm elsewhere. The differential rates were justified in part on the costs associated with developing in town centres. The £150 psm is based on the costs of developing an out of town store or retail park and I questioned the applicability of such an approach in assessing the cost of developing a new town centre as proposed in Cranbrook.

21. The Council commissioned further evidence and propose to charge a nil rate for retail in Cranbrook. I am satisfied that this rate is consistent with the latest evidence.

All other Non Residential uses

22. The viability study recommends a nil rate be charged for all other uses. I have neither seen nor heard any evidence to lead me to question this view.

Does the evidence demonstrate that the proposed charge rate would not put the overall development of the area at serious risk?

23. Subject to the changes set out in Appendix A, the rates in the revised Draft Charging Schedule are based on reasonable assumptions about development values and likely costs. The evidence suggests that residential and commercial development will remain viable across most of the area if the charge is applied.

Conclusion

24. In setting the CIL charging rate the Council has had regard to detailed evidence on infrastructure planning and the economic viability evidence of the development market in East Devon. The Council has sought to be realistic in terms of achieving a reasonable level of income to address an acknowledged gap in infrastructure funding, while ensuring that a range of development remains viable across the District. The New East Devon Local Plan has just been examined and the delivery planned at Cranbrook and the West End in particular is critical to meeting the District's housing needs. Given the amount of infrastructure necessary to support the Plan and the significant funding gap, I consider the Council's proposal to carry out an early review of the rates to be eminently sensible.

LEGAL REQUIREMENTS	
National Policy/Guidance	The Charging Schedule complies with national policy/guidance.
2008 Planning Act and 2010 Regulations (as amended)	The Charging Schedule complies with the Act and the Regulations, including in respect of the statutory processes and public consultation, consistency with the New East Devon Local Plan and Infrastructure Delivery Plan and is supported by an adequate financial appraisal.

25. I conclude that subject to the modifications set out in the revised Draft Charging Schedule and at paragraph 23 above, the East Devon Community Infrastructure Levy Charging Schedule satisfies the requirements of Section 212 of the 2008 Act and meets the criteria for viability in the 2010 Regulations (as amended). I therefore recommend that the Charging Schedule be approved.

A Thickett

Examiner

Appendix A – Modification specified by the examiner required to enable the Charging Schedule to be approved.

Modification	Amend as follows:
Cranbrook town centre and Cranbrook expansion areas (as defined in the New Local Plan)	Modify the retail rate to £0 psm
Cranbrook Expansion Area Charging Zone map	Modify the Cranbrook expansion charging area to include the land to the south of the former A30 as shown edged red on the Cranbrook Composite Applications Boundaries submitted by David Lock Associates[8]

[8] Drawing number WCN053-05 Dated 11/06/15

APPENDIX I: APPEAL DECISIONS REGARDING DEVELOPER RETURN (Tetlow King)

APPEAL INFO	UNITS DELIVERED	INSPECTORS COMMENTS RE. DEVELOPERS PROFIT
Water Lane, Clifton Moor, York YO30 6PQ APP/C2741/A/11/2160459 February 2012 Dismissed	200 units (50 affordable)	Total construction costs, including externals and the spine road, were estimated at some £14.3m for the Appellant and £14.4m for the Council. After taking account of abnormals and various other matters, the Appellant identified almost £6.2m in additional costs, whereas the Council's figure was just below £6m. Thus, despite the differences in method, the Appellant estimates the costs to be some £20.5m with the Council's estimate being £20.4m. Given the Appellant's greater knowledge of the site, I consider the sum of £20.5m to be a fair assessment of development costs. **The Appellant then allows a return (or profit) to the developer of almost £4.6m, representing 20% of total costs, which generates a net residual land value of slightly less than £2.2m (£2.3m gross). In the Council's assessment, the return to the developer was set at 15% GDV (representing 17.65% total costs) or some £4.2m and the net residual land value was given as almost £3.3m (£3.5m gross).** Both witnesses provided examples in support of the level of return they had used. Whilst the return sought - or indeed obtained – clearly varies from one scheme to another, it seems to me that in current conditions a higher level is likely to be sought, as a reflection of the greater risk from a more uncertain market on a brownfield site which has a number of unknowns. **With that in mind I consider that, for the purposes of this appeal, it would not be unreasonable for the return to be set at the level taken by the Appellant.**
Land at The Manor, Shinfield, Reading RG2 9BX and bordered by Brooker's Hill to the north, Hollow Lane to the east and Church Lane to the west APP/X0360/A/12/2179141 January 2013 Allowed	126 units (3 affordable)	The parties were agreed that costs should be assessed at 25% of costs or 20% of gross development value (GDV). The parties disagreed in respect of the profit required in respect of the affordable housing element of the development with the Council suggesting that the figure for this should be reduced to 6%. This does not greatly affect the appellants' costs, as the affordable housing element is 2%, but it does impact rather more upon the Council's calculations. The appellants supported their calculations by providing letters and emails from six national housebuilders who set out their net profit margin targets for residential developments. The figures ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give great weight it. **I conclude that the national housebuilders' figures are to be preferred and that a figure of 20% of GDV, which is at the lower end of the range, is reasonable.** I conclude on this issue that, allowing the landowner a competitive return of 50% of the uplift in value, the calculations in the development appraisal allowing for 2% affordable housing are reasonable and demonstrate that at this level of affordable housing the development would be viable.
Former Stable Block, off Chesham Road, Berkhamstead, Hertfordshire HP4 2ST APP/A1910/W/15/3130856 February 2016 Allowed	5 units (0 affordable)	The Council considers that a lower level of developer profit (DP) should be applied with 20% being regarded as an acceptable level of DP through its CIL examination and others undertaken elsewhere in the country. This approach would reflect the lower end of the range cited in the Shinfield appeal decision, which the Inspector considered to be reasonable in the circumstances of that case. To my mind, the level of DP needs to reflect the costs and risks involved in delivering development. In my experience, these considerations vary from site to site given that their particular circumstances often vary. The level of DP sought would reflect these considerations. In this instance, the appellant has referred to the considerable costs of bringing the stables block back into beneficial use, which the Council regards as a non-designated heritage asset.

		With this particular consideration in mind, which is a benefit in favour of the appeal scheme, it seems to me that a DP of 25%, which would be at the upper end of the range quoted in the Shinfield appeal decision, would be reasonable.
Land off Flaxley Road, Selby YO8 4BW APP/N2739/S/16/3149425 November 2016 Allowed	200 units (54 affordable)	The appellant has adopted a profit level of 20% of GDV throughout the process. The appellant's case is that this level is effectively an industry standard, which is endorsed by the Home Builders Federation, and which has been accepted in other appeal decisions and by the Council in two recent developments. The DVS (appointed by LPA) has maintained the view that a profit of 17.5% of GDV for the market housing would be reasonable, with a lesser return of 5% of costs for the affordable housing. This split is intended to reflect the much lower risk involved in disposing of the affordable housing in a single sale to a registered provider, compared to the uncertainty of the open market, and is endorsed in HCA schemes. The DVS also cites appeal decisions where the principle of a split or reduced 'blended' return has been upheld and has quoted examples of VAs from north of England sites with a varied range of profit levels. Given evidence of almost diametrically opposed professional experience of the need for a 20% profit margin, in my view the decision on the correct level should err towards the option most likely to prevent development from stalling. **Therefore, I favour the appellant's submission that an overall profit level of 20% on GDV is required.**
Cornwater Fields, Longdale Lane, Ravenshead, Nottinghamshire NG15 9AD APP/N3020/S/16/3154302 December 2016 Allowed	70 units (21 affordable)	**The appellants have adopted a profit level of 20% of GDV** and argue that this rate is universally acknowledged in viability work as the base level necessary to secure a competitive return, in accordance with the NPPF, and to meet the requirements of lenders. Reference is made to a number of appeal decisions where this rate has been endorsed4 and to training material delivered by the DVS which incorporates the rate. The appellants contend that 17.5% profit is the appropriate rate for market housing and a lesser rate of 5% for affordable housing. This split is intended to reflect the much lower risk involved in disposing of the affordable housing in a single sale to a registered provider, compared to the uncertainty of the open market, and is endorsed in HCA schemes. **I support the appellants' view** that, as well as being of smaller scale than the HCA sites, the appeal site has extra complexity and risk added by the high proportion of retirement bungalows. **It appears unlikely that a regional or local scale developer would have greater confidence in proceeding at a lesser profit level than a major firm able to avail of economies of scale.**
Land north of The Laurels, York Road, Barlby, Selby YO8 5JH APP/N2739/S/17/3168721 November 2017 Allowed	37 units (2 affordable)	The Appellant argues that 20% profit on Gross Development Value (GDV) is a reasonable and acceptable return for both affordable and open market housing… The Council has used an (amended) profit level of 17.5% GDV on market housing and 7% on affordable housing, leading to a 'blended profit' of 17.05%. **Taking these matters in the round and in the light of the differences of professional opinion, the balance of evidence is that a figure of 20%, as used by the Council in other instances and promoted by the potential developer in this case is the most likely to unlock this stalled development.**
Former Factory/Land at Ark Lane, Ark Lane, Deal CT14 6PU APP/X2220/W/16/3161979 January 2018	41 units (0 affordable)	The remaining difference between the parties relates to the profit which is calculated on the basis of the GDV. The Council suggests that 18.5% is a reasonable profit level, having regard to the level of risk, whilst the appellant states that profit should be calculated at 20% of GDV. Although there are examples of developers of sheltered housing schemes accepting a profit level below 20%, there is insufficient information for me to conclude that similar considerations should apply to the appeal. Based on the available evidence, including the DVS

Allowed		assessment at Hythe (which would appear to be the closest match to the appeal scheme in terms of location, scale and date), **it would seem that 20% is not an unreasonable profit for a developer to bring this particular site forward.**
111-121 Fairfield Road, London E3 2QR APP/E5900/W/14/3000112 February 20215 Dismissed	20 units (0 affordable)	The parties agree that the level of profit should reflect the risk of the scheme and that 20% on the gross development value of the private tenure units is reasonable. The Council contends that a lower profit margin of 6% should apply to affordable housing units to reflect the low risk and which would be consistent with the toolkit used by the appellant. As things stand, there are no guaranteed sales and no specific evidence of Registered Provider interest. High risk can be demonstrated as a result and the market risk should be adjusted in line with the RICS guidance. **This leads me to prefer the appellant's case for a figure closer to 20%.** Having regard to each of the factors impacting on viability, the overall picture is a mixed one. I favour the appellant's arguments in respect of some factors and the Council's in relation to others, whilst concluding on the remainder the most appropriate assumptions lie somewhere between the two parties' contended figures. However, considering all the factors together, I am not satisfied that the appellant has conclusively demonstrated that no affordable housing would be viable as part of the proposed development. Consequently, in this respect, the scheme conflicts with CS Policy SP02.