SUBMISSIONS TO THE PLANNING INSPECTORATE

In connection with Inspector's Examination of the

CRANBROOK LOCAL PLAN

Stage 2 Questions

Prepared by

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On Behalf Of

Cranbrook LVA LLP (Respondent Number 145)

30th September 2020

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APPENDICES

1.0 INTRODUCTION

1.1 Sturt & Company has been requested to provide formal representations on the Independent Examination of the Cranbrook Local Plan and specifically the Inspector's Stage 2 Questions Dated 7th August 2020, on behalf of Cranbrook LVA LLP.

Qualifications

1.2 This report has been prepared by Richard Sturt MRICS, FRGS, MSc, BSc (Hons) and Malcolm Barber DipArb MRICS MCIArb who are both Chartered Surveyors and Registered Valuers under the RICS.

2.0 METHODOLOGY

2.1 Sturt & Company have already made written submissions concerning viability including both the CIL Review and Cranbrook Plan DPD submissions**.** Many of the issues raised in these earlier submissions are directly relevant to Stage 2 Questions.

2.2 Together, all these submissions have a direct impact on the viability and workings of the Cranbrook Local Plan.

2.3 Our major concerns include the following:

- The revised viability appraisal does not reflect the accepted market principles set out by the RICS and NPPF
- Inappropriate BCIS Index used. Lower quartile figures rather than the mean or median
- Insufficient profit margins to consider the risk profile of high infrastructure and utilities costs of £914 million
- Insufficient Benchmark Land Value to provide an adequate landowner's and promoter's proper return
- Inconsistent application of methodology so that outputs do not reflect the stated valuation assumption. This reduces confidence in the output and the viability of the Cranbrook Plan.

3.0 QUESTIONS

3.1 Set out below are our responses to the questions posed by the Inspector. For ease of reference, we have answered each question in turn.

AQ1	**To what extent is the revised viability assessment policy compliant in respect of the National Planning Policy Framework (The Framework) and Planning Policy Guidance (PPG)?**
	The revised viability assessment is still not compliant with the NPPF as it does not consider market industry standard assumptions. It is also at cross purposes with other published Three Dragons assessments which use different variables that often reflect market practice. For unknown reasons, these industry standard assumptions have not been applied to Cranbrook. Paragraph 57 of the NPPF clearly states: *'… the viability evidence underpinning it is up to date… All viability assessments, including any undertaken at the plan making stage, should* ***reflect the recommended approach in national planning guidance, including standardised inputs,*** *and should be made publicly available'.* The viability evidence that is underpinning the Local Authority's position does not use standardised inputs and does not reflect market norms. Many of the residual inputs used by Three Dragons are contrary to inputs they have used in other CIL assessments with no justification for their departure from industry norms. Thus, the viability evidence has failed to meet the criteria in paragraph 57 of the NPPF. The PPG provides additional guidance on viability and plan making. Under the section on accountability, it states the following: *'in order to improve clarity and accountability, it is an expectation that any* ***viability assessment is prepared with professional integrity by a suitably qualified practitioner****…'*[1] Three Dragons have not disclosed that they are professionally qualified nor members of a professional organisation such as the Royal Institution of Chartered Surveyors or are Registered Valuers. At the meeting to review the Scott Schedule of Viability, Three Dragons would not confirm if they were acting as an Expert or an Advocate. To reflect the PPG, the RICS now requires practitioners to publish the Statement of Truth confirming that their viability report is their Independent Expert opinion. Although not mandatory on non-RICS qualified individuals or companies, I would have anticipated that practitioners providing viability evidence for a Local Plan would follow a similar procedure.

[1] Paragraph 20 Reference Id 10-020-20180724

	The form of the viability report is required to be clear and aid understanding: *The inputs and findings of any viability assessment should be set out in a way that aids clear interpretation and interrogation by decision makers.*[2] The Council's appraisal report is anything but clear. They are inconsistent in their methodology and are not explicit in their assumptions how they display the material and input for. For example, when it comes to GDV some of these are inclusive of marketing fees, yet others are not. Similarly, with professional fees and contingency some costs are net of fees and some are inclusive. It is clearly not the intention of the PPG to have viability assessments which are inconsistent in so many ways and therefore not clear to interpretation. **Scott Schedule** As directed by the Inspector, the key stakeholders, all of whom were represented by Chartered Surveyors met with Three Dragons on 3rd February. This was to try and ascertain an area of common ground. Over 50 items were identified, and Three Dragons only agreed one item with the other parties. This clearly shows the failure of Three Dragons to accept the normal market practice.

[2] Paragraph: 020 Reference ID: 10-020-20180724

AQ2	**The viability results are set out at table 4.1 of the updated viability study entitled Cranbrook expansion viability results [Doc ref PSD21A] indicate a gross development value. To what extent are these figures now accepted as a robust assessment of costs?**
	All the headings in Table 4.1 are not accepted and we fundamentally disagree with the figures. As set out in our submissions the inputs are not agreed and thus the outputs cannot be agreed. The evidence needs to be robustly tested under cross-examination with further sensitivity analysis being provided by the Council. Further amendments reflecting industry standard assumptions should also be modelled for testing purposes.

AQ3	**What proportion of the overall development costs do the section 106 contributions represent? [Council]**
	Taking into account the S106 IDP requirements for the Cobden expansion area, and the extent and type of infrastructure proposed for the Farlands site (including undergrounding of Pylons and provision of a Junior Sports Pitch) the current planning application on this land for 260 dwellings has been calculated as having combined Category, 1, 2 and 3 costs of circa £30k per dwelling. We also note that the information provided for the Farlands planning application and the information that has been set out in the Three Dragons viability work provides a range of figures per dwelling. Overall the costs presented are too high a burden when the total infrastructure package is considered along with S278 works (£11.780m), utility (£40.720m) and abnormal development costs of £44.440m. Together they total £249.300m or approximately £30,000 per unit.

AQ4	**To what extent does the new viability information provide sufficient confidence that development, of the level set out in the Cranbrook Plan, is deliverable?**
	It does not provide any confidence that the Cranbrook Plan is deliverable. This is accepted by Three Dragons in paragraph 4 of the Executive Summary of the revised viability report where they acknowledge that the surplus of £26.5 million is insufficient to cover any material changes to costs or revenue. *"While the net residual value is able to cover some changes in costs and values (i.e. £26.8m changes),* ***<u>sensitivity testing shows that more significant negative changes in either costs or values alone would need to see an adjustment to developer return or the scheme may become unviable"</u>****.* The inputs that Three Dragons have used to assess the developer's return or profit is not market norm or compatible with the PPG or adjoining area wide assessments. On the basis that many of their assumptions do not reflect market industry standards as highlighted in earlier evidence, the Cranbrook Viability Appraisal is unviable. Had Three Dragons considered the differential in the Scott Schedule and adjusted their appraisal accordingly and it still showed a surplus, this may show that their appraisal was robust. Their failure to adjust any of the key inputs or methodology leads us to the conclusion that the scheme is largely unviable and the only way it can be shown to provide a small surplus is by not changing any of the key inputs or to follow accepted valuation methodology. It appears that they have now integrated all their assumptions and variables into a new format that reflects their previous findings with no material changes. Surprisingly, even when the area to be assessed by way of a Benchmark Land Value, increased from 227.94 to 277.7 ha (an increase of 49.76 ha) it did not have a material difference in their overall appraisal. It is unclear why this is the case. With a land value representing only 5.35% of the GDV, there is absolutely no margin for any of these variables to change. This leaves the project with no safety margin or sufficient contingency to consider changing market circumstances or more importantly, a proper assessment of costs. On typical schemes the development land value can be in the region of 30 – 35% of GDV depending on site specific costs and of course, profit. This is clearly not the case and with a surplus of only £26 million (representing only 2.32% of GDV), the Cranbrook Local Plan

	is liable to be found unsound when the costs are properly assessed on a site-specific basis. For example, only a modest increase of 3.45% of total build costs is required to eliminate the £26 million surplus. Focusing of build costs of just the dwellings (with not allowance for site works, externals or the like) an increase of only 5.75% is required to eliminate the surplus in its entirely.

AQ5	**Please explain any areas of fundamental concern with the approach to viability set out in the Councils paper of July 2020 and point to the evidence you rely on to support those concerns?**
	Three Dragons are not qualified practitioners and have not followed the guidance set out by both the RICS and NPPF / PPG in their assessment of this development. Detailed submissions have been made in the past about errors they have made and despite providing new viability evidence, they have not accurately reappraised any of their key inputs. They have merely stated that their new position considers stakeholder criticisms and the gross figure includes the mistakes, yet it makes no difference to their overall figures. In their assessment of the receipts from the financial sale of commercial land, gypsy sites, and self build phases did not include any disposal costs or fees associated with the sales. They have now responded by stating that the original gross figures now include all these costs that they forgot to allow for previously. This is not common practice where sales receipts are always subject to a defined percentage to allow for professional and legal costs of sale are explicitly set out. Whilst there is clear evidence to support our concerns, the most important factor is that Three Dragons failed to engage during the proposed mediation and despite the preparation of a detailed Scott Schedule, did not take these items into account in their revised viability appraisal. They have merely stated that their original outputs had already considered the errors and adjustments that were required/identified by the stakeholders. This is a circular argument, as of course, they were not aware of these errors at the time of publishing the original viability appraisal and they were only identified by the stakeholders after its publication. It is not sound practice to merely state that the figures had already allowed for the error and had been included. It is inappropriate that Three Dragons have used a professional fee basis of only 6.25 % which is far below any normal amount. As Three Dragons have not amended any of their basic methodology that we criticised in our original report, many of our comments remain unchanged. However, we think their methodology upon treating the following are unjustified and inconsistent with Local Authority viabilities in immediate vicinity. These are as follows: • Profit • Fees • Interest • BCIS Quartile

	• Contingencies In Appendix 1 we set out examples of viability assumptions from adjoining Local Authority viability assessments. **Developer Margin/Profit** A 17.5% profit margin is unjustified and not supported by other area wide assessments in the locality see Appendix 1. It does not reflect the risk profile of the scheme that requires almost a £1 billion (£914 million) total development cost package, which will take a decade to complete. This will require a minimum profit margin of 20% to cover any potential changes in the market in the future. The East Devon CIL Examination also uses a higher rate of 20% for housing throughout the region. This 20% was even adopted for smaller lower risk schemes. It is now accepted that in order to obtain commercial bank funding on development schemes, any project must show a minimum of 20% profit on GDV. Failure to hit this threshold will effectively mean that a developer would not be able to obtain bank finance for a scheme. Three Dragons have applied a contractor's margin instead of a profit on the affordable units. Even if this approach is considered appropriate, it has been applied contrary to the correct valuation methodology. This is because Three Dragons have only applied it to the base build cost of the dwellings and not the build costs associated with site preparation, abnormal costs or professional fees. Consequently, the output does not reflect correct valuation methodology. Three Dragons have incorrectly applied the 6% margin for affordable housing. It is accepted practice that 6% is applied to the GDV of the completed affordable dwellings rather than their build costs. This alone has an impact of £2.1 million and will further undermine the viability of the scheme. This is supported by several PINS decisions and input from the DVS. We would expect a corresponding increase once these had been properly assessed. The PPG gives very little guidance on inputs or methodology that viability assessment should follow but it does refer to profit. '*For the purposes of plan making, an assumption of 15-20% of Gross Development Value (GDV) may be considered as a suitable return for a developer in order to establish the viability of plan policy… A lower figure may be appropriate in consideration of delivery of affordable housing in circumstances where guaranteed end of sales at a known value and reduced risk….*'

	Three Dragons have chosen to use profit on affordable on a restricted cost basis. This does not comply with the limited guidance given by the PPG nor to the normal industry custom. Three Dragons have not provided a detailed Sensitivity Analysis other than set out in a worksheet which only reduces developer return to 15% and changes in revenue and build costs. **Gypsy and Self Build Plot Values** It appears that the gross values for the Gypsy and custom self build plots now include all finance and marketing fees within the sale price. This is not common practice and it appears that they have merely avoided accepting their error by stating that their original figures included all the missing items within their original calculations which were clearly lacking details. This is contrary to their statements made at the mediation meeting in February 2020. **Costs** Three Dragons have artificially reduced the BCIS assessment of construction by using lower quartile rather than median costs. This does not reflect accepted market practice which of course already differentiates between small and large schemes in their assessment costs. It is common practice throughout the industry including those parties presenting evidence on behalf of local authorities such as the DVS and private firms representing landowners and developers to use median costs wherever possible. Should median build costs be used this would make the Local Plan unviable. It is unclear how the use of BCIS has been utilised in the Excel Toolkit as the figures used for build cost applying median would result in a significant scheme deficit. **See Appendix 1** for rates used but adjoining Local Authorities. There are still several costs included in the IDP which are not directly related to the property. For instance, they require the landowners to fund and construct a care home on land which would normally be dealt with by the open market. It is not clear why the local authority is seeking funds for the provision of a care home when this can be dealt with by the open market with no requirement for monies to be paid to a local authority. We have grave concerns over the inputting and methodology of the viability evidence. This is based on the clear misunderstanding of Three Dragons at the meeting in February 2020 compounded by the errors that can be identified in the Excel Toolkit. Our earlier submissions have identified several mathematical errors in their modelling which do not seem to have been reflected in the figures. Disclosure of the excel modelling now highlights the fundamental misunderstanding of the development appraisal by Three Dragons.

	Using the Excel toolkit, it is possible to make manual adjustments to the appraisal that then do not reflect expectations. Example of these anomalies in the modelling include the following: **Interest Rates** Three Dragons have been inconsistent in applying an interest rate of 6%. However, the total cost of interest is not according between the two appraisals or within their current model. The original Three Dragons model had an interest of £38,992,000. This did not include any interest on Benchmark Land Value as at the time they claimed this was incorporated within developer's profit. (this is not market practice.) In their new viability appraisal, Three Dragons have a total interest charge of £25,930,000. This cannot be justified when compared to the previous assessment of £38,992,000 which did not include any interest on land. Amending the new Three Dragons Excel spreadsheet, we have put Benchmark Land Value in at £0. On this basis, total interest falls to £10,000,000. For a scheme where costs are close to £914,000,000 with spending over many years, it is not credible to run an appraisal on the basis that interest is this low. In a parallel model, we consider the interest charge at closer to £80,000,000 would be appropriate.

AQ6	**Are the requirements and costs in the revised Infrastructure Delivery Plan (IDP) justified taking into account the evidence available? If not, why not?**
	The result of this is an unrealistic appraisal output. The requirements and costs in the revised IDP are not justified based on the evidence available. There are numerous examples of unjustified cost within the IDP, and this is not necessarily an exhaustive list, but the Cranbrook Plan is currently unviable and this is down to the amount of infrastructure development the scheme is expected to deliver (CHP/renewables, carbon reductions in excess of building regs, extensive public transport, health and well-being hub, undergrounding of pylons in addition to more typical infrastructure such as schools and affordable housing). The plan is trying to be 'all things to all people'. A degree of pragmatism is required and some of the costs could clearly be removed from the IDP where they are not justified. The Inspector will recall concerns raised at the hearings about the ability for CHP to be delivered across the town. Delivery requires commercial buy-in from a provider to deliver such facilities, and there are concerns about the capacity of the existing infrastructure (e.g. more plant is needed), the fact the existing plant was heavily subsidised when delivered and the current system runs off gas, and not pyrolysis so it does not deliver the sustainability objectives EDDC had initially anticipated. No doubt the LPA will provide a further update on the delivery of CHP in their respective statement, but the cost of CHP (plus Carbon reduction above Building Regs) is a significant burden that could be lifted if CHP requirements were removed from the IDP and Cranbrook Plan. The Health and Well-being hub does not appear to be justified. There is a general lack of information/justification behind this costing e.g. no exact specification is provided for the building within the evidence basis. Notwithstanding the merit of providing such a centre, its overall cost does not appear to be justified. We know a flexible hub with a 'campus approach' is proposed but the IDP says costs are estimated and there is no apparent evidence where this information has come from. Extra Care facilities do not need to be included in the IDP and subsidised by S106 contributions. The evidence base refers to a need for a 55 unit/bed space extra care scheme and concerns raised by Devon County Council (DCC) that private provision tends to be expensive – this request is therefore made to help DCC fulfil their 'statutory duty to provide accommodation', but it could quite easily be delivered by the private sector rather than though developer finance or DCC. Similarly, the requirement for development to pay for a retail endowment toward the delivery of the town centre is an inappropriate requirement to include with a list of S106 items, when this appears to

	be a commercial issue rather than an item that should be required through a S106.

AQ7	**Would the cumulative level of contributions to be borne by the expansion areas threaten/compromise the delivery of any of the expansion areas? If so, how would they compromise them?**
	The cumulative level of contributions does threaten the delivery of the expansion areas by placing an undue financial burden on development. The total package of S106 contributions proposed will prevent the early delivery of housing schemes in Cranbrook. The overall housing strategy for the East Devon Local Plan is reliant on housing delivery in Cranbrook (and development in the West End) if EDDC are to maintain an appropriate 5-year housing land supply.

AQ8	**Please explain why the calculations for the self-build units appear not to include contributions under Section 106? [Council]**
	We will respond once we have seen the Council's comments on this section.

AQ9	**Is the sensitivity testing undertaken effective? If not, why not?**
	Three Dragons themselves acknowledge that there is a concern over the viability of the project and that any change in revenue or costs will mean that the Cranbrook Plan is in jeopardy. Even based on Three Dragons' own input and methodology they consider that the scheme is only just viable if cost change without further reduction of the developers return. They also state: *These tests show that if dwelling build costs increase without any change in values or an adjustment in developer return, then the scheme will become unviable.*[3] The margin available before the scheme is unviable is only £26,800,000 which is far too small to make the scheme viable of the extended period that the planning will have to run for. We have considered tipping points on both GDV and total build cost to illustrate what limited adjustments are required before this scheme becomes unviable without adjusting the Section 106 or infrastructure delivery requirements. • GDV falling by more than 2.3% would eliminate the surplus and make the scheme unviable. • Build costs going up by more than 3.45% makes the scheme unviable. Neither of these allow for changes in interest payments or developers profit and are too simplistic. The margins allowed for are insufficient to ensure the long-term deliverability of the scheme without repeated site-specific assessments. These margins are not acceptable to developers and are compounded by Three Dragons only allowing a 2% contingency on the base build cost only together with sub-normal fees for Consultants. As you can see even the smallest variance of build, profit or other inputs fundamentally undermines the viability of the scheme and wipes out the small £26 million surplus. The high-level sensitivity they provided as part of the HCA model is not sufficiently robust and does not consider any increase in profit and only deals with a scenario where the developers profit margin reduces to 15%.

[3] Paragraph 4.3.2 - Cranbrook Viability Study - update

	We would expect a far more detailed sensitivity model to be provided including possible "*Monte Carlo*" scenarios where a scheme is tested with multiple variables being changed at the same time to reflect change in market circumstances. These should include the following: • Change in build costs • Change in Profit • Changes in interest rates • Changes in development costs covered by the IDP (not just base build costs) • Slower sales/cashflow We have not received in detail the Three Dragons sensitivity, but it appears that some items are misleading. When they reference 'Build Cost', this is not the entire cost of construction but merely the base build cost. If the change is applied to all build costs, the outcome would be very different.

AQ10	**The Council sets out its position on equalisation at paragraphs 12.1 to 12.5 of their response to my earlier questions. Representors have previously argued that equalisation should not apply to all IDP entries. On what basis, legal or otherwise, should equalisation not apply to the abnormal costs listed?**
	The principle of equalisation is acceptable in appropriate circumstances. However, The PPG clearly sets out that abnormal costs and site-specific infrastructure should be considered when defining Benchmark Land Values.[4] Consequently, when considering a large scheme of this nature the sites that specifically benefit from the works should be responsible for dealing with them.

[4] Paragraph 0 12 reference ID 10 –12 – 20180724.

AQ11	**If items were to be removed from the equalisation equation what are they and what impact would that have on the viability of different expansion areas?**
	The impact would be site-specific but overall, it should not affect the delivery. This is because each site can be subject to a site-specific assessment where the site-specific infrastructure requirements will be considered, when assessing the level of contribution due.

AQ12	**If it is considered that the revised level of per plot contribution to Section 106 costs is unreasonable; At what level of contribution per plot would development in the Cranbrook Expansion areas be viable? What evidence supports your response?**
	At the level being proposed by the Council the scheme is unviable. Until the inspector has given a Determination on some of the fundamental inputs of the viability appraisal it is not possible to confirm what contribution can be sustained with any certainty. There are significant differences between Three Dragons and other stakeholders regarding inputs and it is crucial to have these settled before a meaning viability assessment can be delivered. These inputs include profit level, fees, valuation methodology, level of infrastructure and Benchmark Land Value. Even using the Three Dragons own viability input the scheme is only marginally viable with the proposed level of contributions. If errors in their appraisal are adjusted, the level of contribution will need to be reduced materially or the affordable housing proportion adjusted before the scheme is deliverable.

APPENDIX 1

ADJOINING LOCAL AUTHORITY VIABILITY ASSESSMENT

In considering the appraisal undertaken by Three Dragons, we have reviewed Local Authority viability assessments in the immediate vicinity to establish the appropriate valuation methodology. The assessments in the adjoining areas vary in date but generally follow a similar methodology which conflicts with the approach that Three Dragons have used. It appears that some of the detailed analysis and valuation spreadsheets are not available for all the Local Authorities and therefore we have relied on documents that are publicly available.

PROFIT

In the Cranbrook Assessment, Three Dragons have assessed it for the private sector element at 17.5% of GDV whilst for the affordable they have used 6% of build cost of the individual house excluding their proportion of externals, interest and fees. This compares to the following:

- **Teignbridge District Council Community Infrastructure Levy Viability Evidence prepared by Three Dragons and Peter Brett Associates dated October 2012**.
    - Developer's margin is based on the percentage of revenue[5]. For the residential element they used a developer's return (profit) of 17% for the private sector and contractor's return (profit) of 6% of the affordable. In addition, they allowed an internal overhead of 5% bringing the total developer's return for market units to around 20%[6].
    - For non-residential property, they have allowed 22.5% of Gross Development Value.
    - Site acquisition fees – 10% to include SDLT, fees (for strategic sites)

- **Mid-Devon District Council Viability Assessment Community Infrastructure Levy and Local Plan. By Dixon Searle LLP. Final Report June 2014.**
    - For open market housing they have used 20% of GDV. Affordable houses, they used 6% of GDV.
    - For non-residential or commercial, they have used 20% of GDV

- **West Dorset District Council Community Infrastructure Levy: Viability Study by BNP Paribas Real Estate dated February 2012.**

  They used a profit on GDV of 20% for standard private and 6% for affordable. However, they considered larger schemes of 250 to 1,500 units stating the following:

  > '*For larger sites (sites 6 and 7), which have extensive upfront infrastructure investment, we have assumed a higher profit of 25%.'*

[5] Paragraph 1.4.2
[6] Paragraph 4.1.2

- Private 20% generally but increased to 25% for larger schemes
- For affordable housing, they have used 6% of GDV
- For commercial, they have allowed a profit of 20% of GDV

- **Taunton Deane Borough Council Viability Study – Site Allocation Development Management Document, Three Dragons dated January 2015.**

    - Profit/Return for market units 20% of GDV
    - Affordable units 6% of build cost

- **South Somerset Council Community Infrastructure Levy – Viability Study prepared by BNP Paribas Real Estate dated May 2013.**
    - Profit on private residential is 20% of GDV.
    - Affordable Profit is 6% of build cost
    - 20% profit on commercial

    Although the report states that profits are based on costs for the affordable units, when reviewing their appraisals, for their large schemes being Yeovil 2,500 Dwellings, they use a total profit on cost of 27.1% (private and affordable housing), If 6% profit is placed on the affordable GDVs, the profit on private is 22.5% on GDV.

    This reflects the stated assumption in the West Dorset Assessment that larger scheme that extend over a long period require elevated profit.

FEES

Three Dragons have used a fee level of 6.25% for the build cost. This is despite an extensive amount of infrastructure and civil engineering works that generally require a higher professional input than simple house structures.

For marketing and sale cost (Estate Agents, Marketing Suites and Legal) they have used 3 %. With less on commercial elements.

- **Teignbridge District Council Community Infrastructure Levy Viability Evidence prepared by Three Dragons and Peter Brett Associates dated October 2012**.

    - Professional fees of 12% of build cost.
    - Marketing for residential 3%
    - Marketing for commercial 4%
    - Site Acquisition Fees -10 % to include SDLT and fees. (Strategic sites)

- **Mid-Devon District Council Viability Assessment Community Infrastructure Levy and Local Plan. By Dixon Searle LLP Final Report June 2014.**

    - Professional fees of 10% of build cost for residential and 12% of build cost for commercial
    - Marketing for residential 3% plus £750 per unit for legal costs
    - Site Acquisition Fees - SDLT plus agent's fees of 1.5% and Legal cost of 0.75%.

- **West Dorset District Council Community Infrastructure Levy: Viability Study by BNP Paribas Real Estate dated February 2012.**

    - Professional fees of 10% of build cost.
    - Residential marketing fees not specified.

- Commercial marketing fees a provision for 10% on letting fee plus 1.75% sales. This reflects investment sales which generally have a lower sales fee than for land or operational units

- **Taunton Deane Borough Council Viability Study – Site Allocation Development Management Document, Three Dragons dated January 2015.**

    - Professional fees of 12% of build cost for residential and commercial
    - Marketing for residential 3%
    - Site Acquisition Fees - SDLT plus agent's fees of 1.5% and Legal cost of 0.50%.

- **South Somerset Council Community Infrastructure Levy – Viability Study prepared by BNP Paribas Real Estate dated May 2013.**

    - Professional fees of 10% of build cost
    - Marketing and sale are 3% of private GDV
    - Legal costs of 0.25% to 0.5% of GDV
    - Agent's fees 0.75% to 1% of agent's fees

BASIC BUILD COSTS (BCIS)

Within the BCIS, Three Dragons have used Lower Quartile for their input costs.

- **Teignbridge District Council Community Infrastructure Levy Viability Evidence prepared by Three Dragons and Peter Brett Associates dated October 2012**.

    - Quartile not clarified for residential but on commercial have based on Mean Values

- **Mid-Devon District Council Viability Assessment Community Infrastructure Levy and Local Plan. By Dixon Searle LLP. Final Report June 2014.**

    - They have used BCIS median figure for both commercial and residential

- **West Dorset District Council Community Infrastructure Levy: Viability Study by BNP Paribas Real Estate dated February 2012.**

    - Quartile is not stated

- **Taunton Deane Borough Council Viability Study – Site Allocation Development Management Document, Three Dragons dated January 2015.**

    - Build cost based on BCIS median on a 5-year average

- **South Somerset Council Community Infrastructure Levy – Viability Study prepared by BNP Paribas Real Estate dated May 2013.**

    - Build cost based on BCIS but quartile not stated

CONTINGENCIES

As we need to gain access to the mathematical database from several Local Authorities, we have not been able to clearly establish what contingencies they have used. However, we have used the reports as follows:

- **Teignbridge District Council Community Infrastructure Levy Viability Evidence prepared by Three Dragons and Peter Brett Associates dated October 2012**.
  - Not stated
- **Mid-Devon District Council Viability Assessment Community Infrastructure Levy and Local Plan. Final Report June 2014.**
  - 3% contingency for schemes of between 1,500 and 3,000 units
  - Commercial contingency is 5%
- **West Dorset District Council Community Infrastructure Levy: Viability Study by BNP Paribas Real Estate dated February 2012.**
  - Contingency for both commercial and residential of 5%
- **Taunton Deane Borough Council Viability Study – Site Allocation Development Management Document, Three Dragons dated January 2015.**
  - Not stated
- **South Somerset Council Community Infrastructure Levy – Viability Study prepared by BNP Paribas Real Estate dated May 2013.**
  - 5% of build cost