

CIL VIABILITY UPDATE NOTE

25th February 2017

1. This brief note has been prepared by HDH Planning and Development, in the run up to the CIL hearings in response to further information with regard to the s106 strategic infrastructure and mitigation costs:
 - Milton Heights increased from £793,792 to £5,201,828 based on revised number of units of 458. This is not a consented scheme so has been modelled as per the Plan (ie 400 units). Remodelled as $400/458^{\text{th}}$ of £5,201,828 = £4,543,081.
 - Valley Park increased from £31,688,642 to £81,904,188 based on the unchanged number of units of 4,254 (being consistent with the resolution to approve).
2. The appraisals have been re-run reflecting these two changes. All other matters are unchanged and the following tables are directly comparable with Table 5.8 and 5.9 in the CIL Pre-hearing Viability Update – December 2016 (copied below for convenience).
3. In addition to the above the promoters of Valley Park have provided further evidence suggesting that value assumption of this site is too high making specific reference to the adjacent Great Weston Park scheme. Whilst it is not accepted that the values are as low as suggested it is accepted that it is necessary to revisit the value assumption on this site. Further appraisals have been run at lower values – all other things being kept unchanged.

Table 5.8 Residual Value, Full Policy Requirements – STRATEGIC SITES

							Area		Units	Residual Value		
							Gross ha	Net ha		Gross ha	Net ha	£ site
Site 1	North of Abingdon				Green		53.82	22.86	800	604,434	1,423,038	32,530,638
Site 2	North-West of Abingdon				Green		8	5.71	200	1,187,553	1,663,822	9,500,424
Site 3	South of East Hanney				Green							
Site 4	Kingston Bagpuize with Southmead				Green		11.83	8	280	1,297,172	1,918,194	15,345,551
Site 5	North-West of Radley				Green		12.15	6.86	240	1,209,084	2,141,454	14,690,374
Site 6	South of Kennington				Green		11.79	7.71	270	1,421,817	2,174,218	16,763,220
Site 7	Monks Farm				Green		56.71	21.43	885	380,604	1,007,188	21,584,036
Site 8	Crab Hill				Green		98.71	42.86	1500	66,585	153,350	6,572,586
Site 9	Valley Park				Green		180.7	72.86	4254	600,393	1,489,281	108,509,035
Site 10	North-West of Valley Park				Green		38.58	22.86	800	853,607	1,440,603	32,932,177
Site 11	East Harwell Campus				Green							
Site 12	North-West of Harwell Campus				Green							
Site 13	East of Sutton Courtenay				Green		8.83	6.29	220	1,639,442	2,301,474	14,476,273
Site 14	West of Harwell				Green		8.58	5.71	207	1,165,532	1,751,360	10,000,264
Site 15	Milton Heights				Green		16	11.43	400	1,049,097	1,468,553	16,785,557
Site 16	East of Coxwell Road Faringdon				Green		8	5.71	200	580,187	812,871	4,641,496
Site 17	Land South of Park Road				Green		27.85	10	350	370,196	1,030,996	10,309,960
Site 18	South-West of Faringdon				Green		10.47	5.71	200	716,944	1,314,606	7,506,399
Site 19	South of Faringdon				Green		18.35	5.71	200	298,791	960,213	5,482,817
Site 20	North of Shrivenham				Green		31.47	14.29	500	270,761	596,280	8,520,835
Site 21	West of Stanford-in-the-Vale				Green		11.62	5.71	200	722,290	1,469,880	8,393,013
Site 22	Grove Airfield				Green		119	71.42	2500	111,961	186,550	13,323,418
Site 23	Didcot Power Station				Green		5.7	3.48	120	381,276	624,503	2,173,272

Source: CIL Pre-hearing Viability Update – December 2016

Table 5.9 Residual Value compared to Viability Thresholds, Full Policy Requirements – STRATEGIC SITES					
			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	North of Abingdon	Abingdon	20,000	374,000	604,434
2	North-West of Abingdon	Abingdon	20,000	374,000	1,187,553
3	South of East Hanney	East Hanney			Deleted
4	Kingston Bagpuize with Southmoor	East of Kingston Bagpuize with Southmoor	20,000	374,000	1,297,172
5	North-West of Radley	Radley	20,000	374,000	1,209,084
6	South of Kennington	Radley	20,000	374,000	1,421,817
7	Monks Farm	Grove	20,000	374,000	380,604
8	Crab Hill	Wantage	20,000	374,000	66,585
9	Valley Park	Harwell and Milton Parishes east of the A34	20,000	374,000	600,393
10	North-West of Valley Park	Harwell and Milton Parishes east of the A34	20,000	374,000	853,607
11	East Harwell Campus	Harwell Campus			Deleted
12	North-West of Harwell Campus	Harwell Campus			Deleted
13	East of Sutton Courtenay	Sutton Courtenay	20,000	374,000	1,639,442
14	West of Harwell	Harwell	20,000	374,000	1,165,532
15	Milton Heights	Milton Parish west of the A34	20,000	374,000	1,049,097
16	East of Coxwell Road Faringdon	Faringdon	20,000	374,000	580,187
17	Land South of Park Road	Faringdon	20,000	374,000	370,196
18	South-West of Faringdon	Faringdon	20,000	374,000	716,944
19	South of Faringdon	Great Coxwell Parish	20,000	374,000	298,791
20	North of Shrivenham	Shrivenham	20,000	374,000	270,761
21	West of Stanford-in-the-Vale	Stanford-in-the-Vale	20,000	374,000	722,290
22	Grove Airfield	Grove	20,000	374,000	111,961
23	Didcot Power Station	Didcot	20,000	374,000	381,276

Source: CIL Pre-hearing Viability Update – December 2016

Changes as a consequence of updated IDP Costs

4. The results have changed as follows:

New Table 1 – Summary of Changes			
	Gross ha	Net ha	£ site
Valley Park			
November 2016	£764,100	£1,895,357	£138,095,721
January 2017	£600,393	£1,489,281	£108,509,035
Milton Heights			
November 2016	£1,239,952	£1,735,716	£19,839,234
January 2017	£1,049,097	£1,468,553	£16,785,557

Source: HDH February 2017

5. On this basis, it is not appropriate to set a differential rate of CIL for these sites. Whilst there is a fall in the residual value there remains a substantial cushion over and above the viability threshold.
6. The analysis in Table 5.13 of the CIL Pre-hearing Viability Update – December 2016 shows CIL as a percentage of Residual Value, being an indication of the amount land values may fall as a consequence of CIL. For Valley Park this has increased from 23.48% to 29.88% and for Milton Heights this has increased from 15.33% to 18.12%.
7. This test shows that whilst Milton Heights is within the 25% upper limit, Valley Park is marginally over this suggesting some doubt as to the appropriateness of CIL at £120/m² in addition to the increased strategic infrastructure and mitigation costs.
8. There is no change to the Table 5.15 where CIL is presented as a percentage of the GDV.
9. Bearing in mind the Council's wish to keep the charging schedule as simple as practical, Valley Park has been retested at £85/m². At this rate the Residual Value is as follows, and CIL would represent 20.12% of the Residual Value:

New Table 2 Valley Park Residual Value with CIL at £85/m²		
Gross ha	Net ha	£ site
£631,448	£1,566,314	£114,121,661

Source: HDH February 2017

10. Taking into account the changes to the strategic infrastructure and mitigation costs, it is recommended that Valley Park is moved to the £85/m² zone. No change is recommended for Milton Heights.

Changes as a consequence of revised value assumptions at Valley Park

11. The promoter of the Valley Park Site has suggested that the values at Valley Park will closely follow that at the adjacent Great Western Park site. As Great Western Park is a South Oxfordshire site the review of Land Registry Price Paid Data (PPD) did not include these sales. We have undertaken a review of the PPD for Great Western Park and married it with the EPC data using the same methodology as in the other viability work.
12. The results for 2015 and 2016 are as follows (although it is important to note that it takes up to 6 months for new sales to appear in the dataset to 2016 is not the complete year):

Table 3 GWP Summary of Price Paid Data					
	Detached	Semi-detached	Terrace	Flat	All
2015					
Count	60	69	42	24	195
Max	£400,000	£355,000	£309,995	£219,995	£400,000
Min	£277,000	£206,995	£240,000	£157,000	£157,000
Mean	£308,983	£292,598	£264,368	£197,765	£279,887
Median	£293,498	£290,000	£249,000	£202,245	£285,000
£/m2					
Mean	£3,350	£3,119	£3,637	£3,365	£3,332
Median	£3,389	£3,191	£3,889	£3,409	£3,388
Upper Q	£3,565	£3,565	£3,565	£3,565	£3,565
2016					
Count	37	59	18	11	125
Max	£495,000	£380,000	£370,000	£220,000	£495,000
Min	£280,000	£260,000	£260,000	£204,000	£204,000
Mean	£365,416	£327,699	£301,597	£212,335	£324,953
Median	£359,950	£321,950	£303,450	£212,000	£319,950
£/m2					
Mean	£3,343	£3,266	£3,418	£3,391	£3,322
Median	£3,333	£3,230	£3,224	£3,397	£3,306
Upper Q	£3,686	£3,686	£3,686	£3,686	£3,686

Source: Land Registry and EPC Register

13. The assumption used in the CIL Pre-hearing Viability Update – December 2016 for Valley Park is £3,700/m². It is accepted that this is not supported by the above evidence. The promoter has suggested an assumption of £3,500/m² would be more appropriate. This is not accepted on the basis that Valley Park benefits from a better situation (although to some extent this is countered by the proximity of the A34).

14. In 2015 the median at GWP was £3,388/m² and the upper quartile £3565/m². Surprisingly the median in 2016 was a little lower at £3,306/m², although the upper quartile was closer to the assumption at £3,686/m². This fall is probably due to the mix of units being different and the relatively small number of sales.
15. We have run two further sets of appraisals. The first being at £3,600/m² and the second at £3,500/m² – in both the updated s106 cost of £81,904,188 is used. For the avoidance of doubt the £3,500/m² is to provide for context only, this value is not accepted.

Table 4 Valley Park - Residual Values with revised prices CIL at £85/m2 and s106 costs of £81,904,188						
Residential Value	Residual Value			Alternative Use Value	Viability Threshold	Residual Value
	Gross ha	Net ha	£ site			
£3,700	631,448	1,566,314	114,121,661	20,000	374,000	631,448
£3,600	567,960	1,408,830	102,647,347	20,000	374,000	567,960
£3,500	504,471	1,251,346	91,173,033	20,000	374,000	504,471

Source: HDH February 2017

16. Taking an approach that is consistent with that taken to the other sites it is recognised that the buffer / cushion between the Residual Value and Viability Threshold is limited at the value of £3,600/m². It is therefore recommended that Valley Park be moved to the CIL Zone 3 and be subject to the zero rate of CIL.