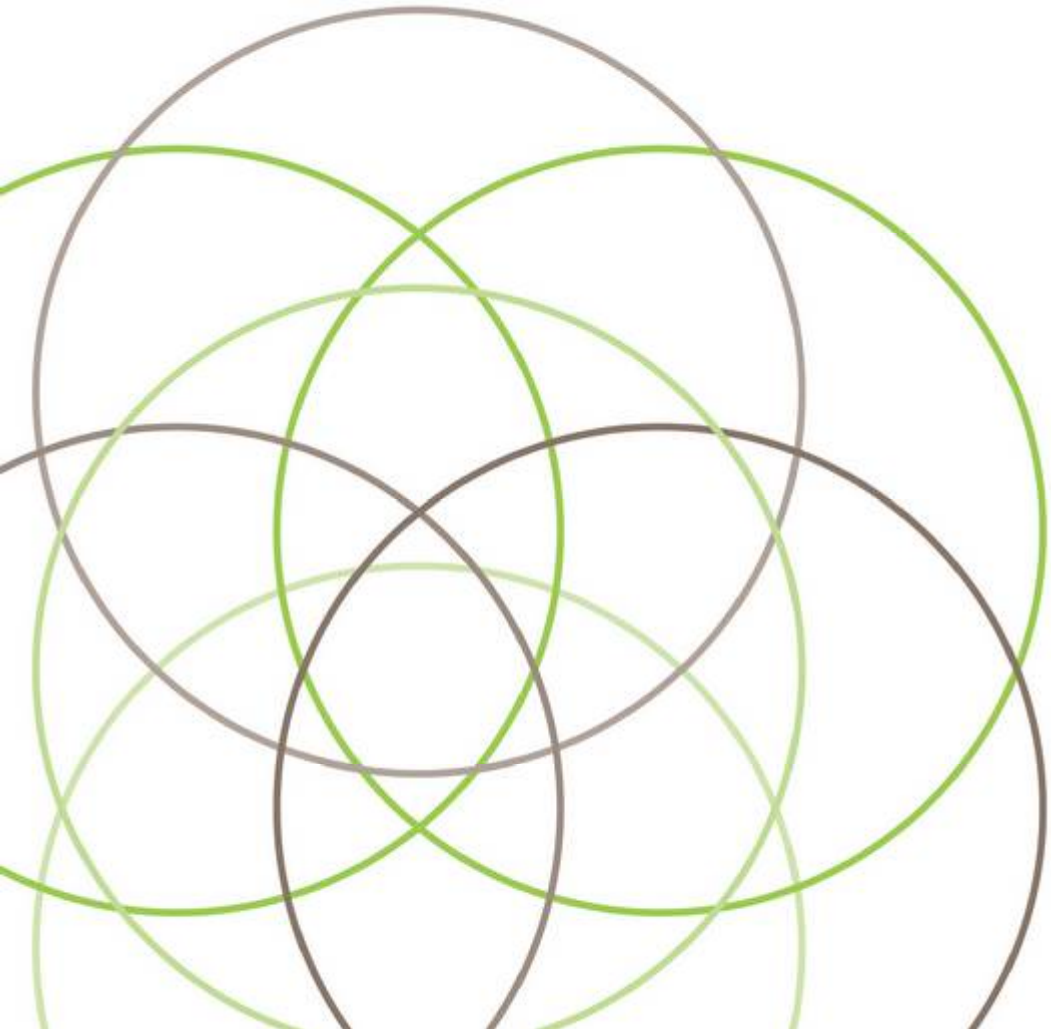
Financial Viability Assessment Report

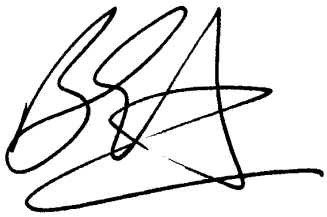
CIL Viability Assessment

Vale of White Horse District Council

April 2019



Quality Assurance

Date	26th April 2019
Version	V9
Filename and path	S:_Client Projects\1810 CIL Viability Review_Vale of White Horse VOWH DC_Reports\1902 CIL Viability Report\190426 VOWH CIL Review FVA Report_v9.docx
Checked by	
Authorised by	

Limitation

This report has been prepared on behalf of and for the exclusive use of Aspinall Verdi Limited's Client and it is subject to and issued in connection with the provisions of the agreement between Aspinall Verdi Limited and its Client. Aspinall Verdi Limited accepts no liability or responsibility whatsoever for or in respect of any use of or reliance upon this report by any third party.

Aspinall Verdi

Contents

Non-Technical Summary

Report

Aspinall Verdi

Tables & Figures

Appendices

Non-Technical Summary

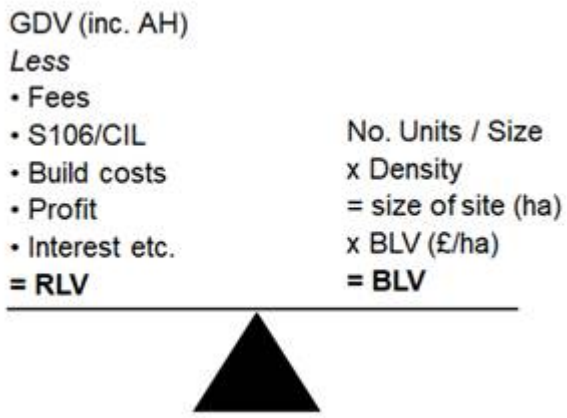
ES 1 AspinallVerdi has been appointed by Vale of White Horse District Council to provide financial viability advice in respect of their CIL Charging Schedule.

ES 2 Our financial viability appraisal has been carried out having regard to the various statutory requirements comprising primary legislation, Statutory Regulations and guidance – including: the revised National Planning Policy Framework (NPPF)/Planning Practice Guidance (PPG) (February 2019); the Housing White Paper (February 2017); and the CIL Review (October 2016) (see section 2).

ES 3 We have carried out a review of the market for development land and new build residential sales values in Vale of White Horse (see Appendices 3 and 4 respectively). We have also carried out a review of the commercial property market for retail and business (B1, B2 and B8) (Appendix 5).

ES 4 Our general approach is illustrated on the diagram below (Figure ES.1). This is explained in more detail in section 4 – Viability Assessment Method.

Figure ES.1 – Balance between RLV and BLV



Source: AspinallVerdi © Copyright

ES 5 We have carried out residual appraisals to establish the Residual Land Value (RLV). This is a traditional model having regard to: the gross development value (GDV) of the scheme; including Affordable Housing; and deducting all costs; including CIL; to arrive at the RLV. A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

ES 6 We have had regard to the cumulative impact of the Local Plan policies. The impact of each of the policies (either direct or indirect) is set out on the policies matrix (at Appendix 1).

ES 7 This is then compared to the Benchmark Land Value (BLV). The BLV is the price at which a landowner will be willing to sell their land for development and is derived from benchmark Existing Use Values (EUV) plus a premium / benchmark policy compliant Market Values, the size of the hypothetical scheme and the development density assumption.

ES 8 The RLV less BLV results in an appraisal 'balance' which should be interpreted as follows:

- If the 'balance' is positive, then the proposal / policy is viable. We describe this as being 'viable for plan making purposes' herein.
- If the 'balance' is negative, then the proposal / policy is 'not viable for plan making purposes' and the CIL and/or Affordable Housing policy should be reviewed.

ES 9 In addition to the RLV appraisals and BLV analysis, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of viability and to appreciate the sensitivity of the appraisals to key variables such as: Affordable Housing %; infrastructure costs; density; BLV and profit; and, to consider the impact of rising construction costs. This is to de-emphasise the BLV in each typology and help consider viability 'in-the-round' i.e. in the

context of sales values, development costs, contingency, developer's profit which make up the appraisal inputs.

ES 10 Our detailed assumptions and results are set out in sections 5 - 9 of this report together with our detailed appraisals which are appended. We have consulted on these assumptions both with industry stakeholders (in a workshop meeting 28th February 2019) and Council Members (21st March 2019). In summary we make the following recommendations:

Strategic Sites

ES 11 Based on the appraisal of the strategic sites, we recommend that:

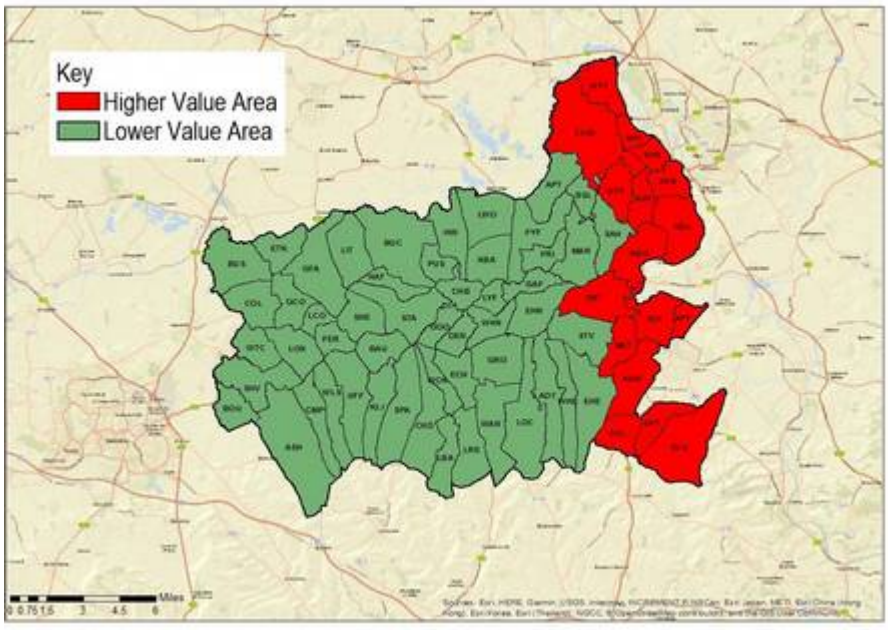
i Having regard to the cumulative impact of the emerging Local Plan policies, these sites are all viable including 35% affordable housing and £0.00 psm CIL and S106 and infrastructure costs of at least £36,000 per unit (costs vary for each site).

ii Given that the strategic sites mitigate their own impact through site-specific S106, there is no rationale to charge CIL on these sites.

Residential Uses

ES 12 Based on our residential market research we recommend that the current CIL charging zones are changed to high and lower value zones as illustrated on the map below.

Figure ES1.1 - Zone Map



ES 13 Based on the residential viability results, we recommend that:

iii Having regard to the cumulative impact of the emerging Local Plan policies, including the current CIL Charge (£93.02 and £131.33 psm depending on the zone), there is the potential to increase the CIL charging rate in all zones.

iv There is potential to increase CIL in the higher value zone from the current zone 1 rate of £133.03 psm to between £350 psm to over £570 psm without prejudicing viability. We recommend the following rates:

- £350 psm for all developments providing 11 or more dwellings.
- £400 psm for developments of 10 units or less.
- If the Council were to adopt a policy requiring an off-site commuted sum for affordable housing in the AONB for developments of 6 or more dwellings - the threshold for increasing CIL to the higher rate of £400psm should be at 5 units or less.

v There is potential to increase CIL in the lower value zone from the current zone 1 rate of £133.03 psm to between £170 psm to over £570 psm without prejudicing viability. We recommend the following rates:

- £250 psm for all developments providing 11 or more dwellings.
- £300 psm for developments of 10 units or less.
- If the Council were to adopt a policy requiring an off-site commuted sum for affordable housing in the AONB for developments of 6 or more dwellings - the threshold for increasing CIL to the higher rate of £300 psm should be at 5 units or less.

vi Rural Exceptions Sites (RES) are maintained as just that, exceptions. CIL would not be chargeable on 100% affordable housing schemes in any event. There is a significant viability buffer for RES sites, however in the event that this typology becomes unviable, in the first instance any funding shortfall should be made up from Homes England or via internal subsidy from the Registered Providers. CIL payable on any market housing that are introduced on RES schemes would be counter-productive.

Student Accommodation

ES 14 In addition to the above we make the following recommendations in respect of purpose-built student accommodation (PBSA):

vii PBSA is viable based on 35% off-site affordable housing, and including CIL at £131.33 psm.

viii There is scope to increase the CIL levied on PBSA. We would recommend that this is limited to the equivalent of the general needs residential CIL rate (for simplicity and to ensure an adequate buffer).

Specialist Accommodation for Older People

ES 15 In addition to the above we make the following recommendations in respect of specialist accommodation for older people (C3 self-contained Supported Living typologies):

ix Age Restricted / Sheltered Housing is viable with a 35% affordable housing off-site commuted sum and (the current) £170.73 psm CIL. The appraisals show that there is surplus to increase CIL up to £210 - 290 psm but we recommend that this is limited to the equivalent of the general needs residential CIL rate (for simplicity and to ensure an adequate buffer).

x Assisted Living / Extra-Care housing typologies are viable including a 35% affordable housing off-site commuted sum and £0 psm CIL as it is currently CIL exempt. The appraisals show that there is only surplus to introduce CIL on greenfield sites up to £70 psm. We recommend that CIL is not introduced on this typology to ensure an adequate buffer.

Retail

ES 16 We have compared current values to the assumptions contained in the previous CIL study. We have also compared the change in values to the change in costs to determine whether there is any scope to change the CIL Charging Schedule for retail property.

ES 17 In summary, we found that viability has not have increased significantly and therefore recommend that the following existing CIL rates should be retained as follows:

- Supermarkets and retail warehouses - £109.44 psm (index linked) as existing
- High Street retail - £0 psm as existing

ES 18 Note that the above rates should be the subject of indexation (as is currently the case).

Commercial

ES 19 We have compared current values to the assumptions contained in the previous CIL study. We have also compared the change in values to the change in costs to determine whether there is any scope to change the CIL Charging Schedule for retail property.

ES 20 In summary, we found that viability has not have increased significantly and therefore recommend that the following existing CIL rates should be retained as follows:

- Offices - £0 psm as existing
- High Street retail - £0 psm as existing

ES 21 We recommended that the CIL rate for commercial typologies remains, as existing, at £0.00 (nil) psm.

Best Practice

1.2 In addition, we recommend that, in accordance with best practice, the plan wide/CIL viability is reviewed on a regular basis to ensure that the Plan/CIL remains relevant as the property market cycle(s) change.

1.3 Furthermore, to facilitate the process of review, we recommend that the Council monitors the development appraisal parameters herein, but particularly data on land values across the District.

1 Introduction

1.4 AspinallVerdi has been appointed by Vale of White Horse District Council (VOWHDC, the Council, the Local Planning Authority (LPA) as the context requires) to provide a Financial Viability Assessment (FVA) and review of the CIL Charging Schedule having regard to the cumulative impact on development of Local Plan policies. The objective is to determine whether there is any scope to review the CIL Charging Schedule in order to increase CIL rates to pay for infrastructure to support development across the District.

RICS Practice Statement

1.5 Our FVA has been carried out in accordance with the RICS Financial Viability in Planning: Conduct and Reporting Practice Statement (Draft November 2018).

1.6 Our FVA has also been carried out in accordance with the RICS Financial Viability in Planning guidance (1st edition, guidance note, August 2012) having regard to the 2018/19 revisions to the National Planning Policy Framework (NPPF, July 2018 and February 2019) and the Planning Practice Guidance (PPG, July 2018).

Objectivity, Impartiality and Reasonableness

1.7 We have carried out our review in collaboration with: the Council as LPA; Oxfordshire County Council (as the authority responsible for the provision key infrastructure such as highways and education); and in consultation with industry (developer and landowners). At all times we have acted with objectivity, impartially and without interference when carrying out our viability assessment and review.

1.8 At all stages of the viability process, we have advocated reasonable, transparent and appropriate engagement between the parties.

Conflicts of Interest

1.9 We confirm that we have no conflict of interest in providing this advice and we have acted independently and impartially.

Local Plan Reviewed

1.10 We have reviewed the Vale of White Horse Local Plan 2021 Part1: Strategic Sites and Policies (adopted December 2016) and Part 2: Detailed Policies and Additional Sites (draft) in order to inform policy costs for this assessment. We have also used the current CIL Charging Schedule dated September 2017 as the baseline for the CIL costs.

1.11 The Local Plan includes policies on affordable housing, education contributions and open space contributions (amongst others). Vale of White Horse also has an adopted Community Infrastructure Levy (CIL) Charging Schedule. We have tested the cumulative impact of these policies in the context of CIL.

1.12 The remainder of this report is structure as follows:

Section:	Contents:
Section 2 – National Planning Context	This section sets out the statutory requirements for the Local Plan and CIL viability including the NPPF, CIL Regulations and PPG website.
Section 3 – Local Planning Context	This section sets out the details of the current adopted Local Plan, the existing evidence base, and the Local Plan policies which will have a direct impact on viability. This section also includes details of the current CIL Charging Schedule.
Section 4 – Viability Assessment Method	This section describes our generic methodology for appraising the viability of development which is based on the residual approach as required by guidance and best practice.
Section 5 – 9	These sections summarise the evidence base, property market context, development monitoring and viability for each sector of the property market including residential, retail and commercial uses.
Section 10 – Conclusions and Recommendations	Finally, we make our recommendations in respect of potential changes t to the CIL Charging Schedule.

2 National Policy Context

2.1 Our financial viability appraisal has been carried out having regard to the various statutory requirements comprising primary legislation, planning policy, statutory regulations and guidance.

2.2 The new NPPF and updated viability PPG was published in July 2018 and updated in February 2019, we set out some observations below.

National Planning Policy Framework (Revised July 2018, Updated February 2019)

2.3 The NPPF confirms the Government's planning policies for England and how these should be applied and provides a framework within which locally-prepared plans for housing and other development can be produced[1].

2.4 It confirms the primacy of the development plan in determining planning applications. It confirms that the NPPF must be taken into account in preparing the development plan, and is a material consideration in planning decisions[2].

2.5 It is important to note that within the new NPPF, paragraph 173 of the old NPPF has been deleted. The old paragraph 173 referred to viability and required '*competitive returns to a willing land owner and willing developer to enable the development to be deliverable'*.

2.6 The new NPPF refers increasingly to deliverability rather than viability as follows:

Development Contributions

2.7 Paragraph 34 states:

Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the ***deliverability*** *of the plan.*

Planning conditions and obligations

2.8 Paragraph 57 states:

Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision

[1] National Planning Policy Framework, February 2019, para 1
[2] National Planning Policy Framework, February 2019, para 2

maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. 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.

2.9 We understand that the Government's objective is to reduce the delays to delivery of new housing due to the site-specific viability process that was created as a result of the previous paragraph 173. Once a new Local Plan is adopted no site-specific viability assessment should be required (except in exceptional circumstances) and developers should factor into their land buying decisions the cost of planning obligations (including affordable housing) and CIL.

2.10 In this respect we have consulted with landowners and developers on the minimum price for which the land can be secured/delivered for development and therefore the 'buffer' between the policy compliant residual land value (RLV), including CIL, and the minimum price of the land.

Planning Practice Guidance for Viability (July 2018)

2.11 The Planning Practice Guidance for Viability was updated at the same time as the NPPF on 24 July 2018. This confirms that for viability and plan making:

Paragraph: 001 - Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development.[3]

2.12 The PPG therefore confirms that Local Authorities can set different levels of CIL and/or affordable housing by greenfield or brownfield typologies.

2.13 The PPG addresses the question, *'how should plan makers and site promoters ensure that policy requirements for contributions from development are deliverable?'* It confirms that:

[3] Paragraph: 001 Reference ID: 10-001-20180724, Revision date: 24 07 2018

Paragraph: 002 - It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan.[4]

2.14 In this respect we have carried out a stakeholder workshop (including Oxfordshire County Council) to consult on the costs in terms of both social infrastructure (health, education, green infrastructure etc) and physical infrastructure (road, utilities etc.). This is to ensure that the strategic infrastructure costs are identified and known (as far as possible for the stage of design) and are factored into the appraisal of the site(s). This is to ensure that there is a sufficient margin or buffer between the RLV and the price at which the land can be delivered (on any particular strategic site).

2.15 Paragraph 005 of the PPG refers specifically to strategic sites:

It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.[5]

2.16 And, paragraph 006:

Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.

It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.

Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.[6]

[4] Paragraph: 002 Reference ID: 10-002-20180724, Revision date: 24 07 2018
[5] Paragraph: 005 Reference ID: 10-005-20180724, Revision date: 24 07 2018
[6] Paragraph: 006 Reference ID: 10-006-20180724, Revision date: 24 07 2018

2.17 This reconfirms the guidance at paragraph 002. It is important to note in this context that the land price information that we have sought is to confirm the BLV which is the *minimum* that landowners will release land for development. This is to ensure that there is sufficient margin or buffer between the RLV on a policy compliant basis at the decision taking stage and the price at which the land can be delivered. Accordingly, the RLV price paid for the site at the point of planning consent must be on a policy compliant basis.

2.18 The PPG also sets out standardised inputs to viability assessment. See also our detailed methodology and approach in section 4 in this respect.

2.19 Paragraph 010 of the PPG describes the principles for carrying out a viability assessment. It stated that, *'viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it'* […] '*in plan making and decision making viability helps to strike a balance 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.*'[7]

2.20 The PPG describes how the gross development value and costs should be defined for the purposes of viability assessment (Paragraphs 011 and 012).

2.21 Specifically, the PPG describes how land value should be defined for the purposes of viability assessment. In this respect the *'benchmark land value should be established on the basis of the* ***existing use value (EUV) of the land, plus a premium*** *for the landowner*.' [8]

2.22 The PPG defines EUV as follows:

'[…] *EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types'*.[9]

2.23 The PPG also defines the premium to the landowner:

'The premium (or the 'plus' in EUV+) […] is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.

[7] Paragraph: 010 Reference ID: 10-010-20180724, Revision date: 24 07 2018
[8] Paragraph: 013 Reference ID: 10-013-20180724, Revision date: 24 07 2018
[9] Paragraph: 015 Reference ID: 10-015-20180724, Revision date: 24 07 2018

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).'[10]

2.24 It is important to note that the BLVs contained herein are for 'high-level' plan viability purposes and the appraisals should be read in the context of the BLV sensitivity table (contained within the appraisals). It is important to emphasise that the adoption of a particular BLV £ in the base-case appraisal typologies in no way implies that this figure can be used by applicants to negotiate site specific planning applications. Where sites have obvious abnormal costs (e.g. sloping topography or limited access etc.) these costs should be deducted from the value of the land. The land value for site specific viability appraisals should be thoroughly evidenced having regard to the existing use value of the site in accordance with the PPG. This report is for plan-making/CIL Charging Schedule purposes and is 'without prejudice' to future site-specific planning applications.

2.25 Finally, the PPG also defines developer's return / profit for the purposes of viability assessment:

'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies.'[11]

2.26 In this respect we have provided sensitivities on the profit margin.

Planning Practice Guidance for CIL

2.27 The ***levy is expected to have a positive economic effect*** on development across a local plan area. When deciding the levy rates, ***an appropriate balance must be struck*** between additional investment to support development and the potential effect on the viability of developments.[12] (our emphasis)

2.28 In this respect, CIL **Regulation 14** requires that -

[10] Paragraph: 016 Reference ID: 10-016-20180724, Revision date: 24 07 2018
[11] Paragraph: 018 Reference ID: 10-018-20180724, Revision date: 24 07 2018
[12] Paragraph: 009 Reference ID: 25-009-20190315, Revision date: 15 03 2019

> A charging authority must strike what appears to the charging authority to be an appropriate balance between —
>
> (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
>
> (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.[13]

2.29 A charging authority should be able to explain how their proposed levy rate or rates will contribute towards new infrastructure to support development across their area. Charging authorities will need to summarise their economic viability evidence. Viability assessments should be proportionate, simple, transparent and publicly available in accordance with the viability guidance… This evidence should … [show] the potential effects of the proposed levy rate or rates on the economic viability of development across the authority's area[14]. [i.e. this report(s)]

2.30 A charging authority must use ***'appropriate available evidence'*** (as defined in the Planning Act 2008 section 211(7A)) to inform their draft charging schedule. The Government recognises that the available data is ***unlikely to be fully comprehensive.*** Charging authorities need to demonstrate that their proposed levy rate or rates are ***informed by 'appropriate available' evidence and consistent with that evidence across their area*** as a whole. [15] (our emphasis)

2.31 In addition, a charging authority should directly sample an appropriate range of types of sites across its area, in line with planning practice guidance on viability. This will require support from local developers[16].

2.32 Charging authorities that decide to set ***differential rates*** may need to undertake more fine-grained sampling, on a higher proportion of total sites, to help them to estimate the boundaries for their differential rates. Fine-grained sampling is also likely to be necessary where they wish to differentiate between categories or scales of intended use. [17] (our emphasis)

2.33 A charging authority's proposed 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, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be ***appropriate to ensure that a 'buffer' or margin***

[13] The Community Infrastructure Levy Regulations 2010, 6 April 2010 under section 222(2)(b) of the Planning Act 2008 Regulation 14
[14] Paragraph: 018 Reference ID: 25-018-20190315 Revision date: 15 03 2019
[15] Paragraph: 019 Reference ID: 25-019-20190315 Revision date: 15 03 2019
[16] Paragraph: 019 Reference ID: 25-019-20190315 Revision date: 15 03 2019
[17] Paragraph: 019 Reference ID: 25-019-20190315 Revision date: 15 03 2019

is included, so that the levy rate is able to support development when economic circumstances adjust. [18] (our emphasis)

2.34 The regulations allow charging authorities to apply ***differential rates*** in a flexible way, to help ensure the viability of development is not put at risk. Differential rates should not be used as a means to deliver policy objectives. Differential rates may be appropriate in relation to -

- geographical zones within the charging authority's boundary
- types of development; and/or
- scales of development. [19] (our emphasis)

2.35 It is important to note that the CIL Regulations refer to 'use' here rather than 'type' of development. Regulation 13 states that –

> *A charging authority may set differential rates—*
>
> *(a) for different zones in which development would be situated;*
>
> *(b) by reference to different intended uses of development.*
>
> *(c) by reference to the intended gross internal area of development;*
>
> *(d) by reference to the intended number of dwellings or units to be constructed or provided under a planning permission.*[20]

2.36 This is important, because development on brownfield land could be considered a 'type' of development, but it is not a 'use'. Paragraph: 022 Reference ID: 25-022-20140612 refers to 'How can rates be set by type of use?' This states that 'the definition of "use" for this purpose is not tied to the classes of development in the Town and Country Planning Act (Use Classes) Order 1987. Therefore it is not entirely clear whether differential rates can or cannot be set by reference to brownfield (previously developed land) typologies, however, in our experience most Charging Authorities are interpreting 'type' to mean 'use' as in the Regulations.

2.37 A charging authority that plans to set differential rates should seek to ***avoid undue complexity.*** Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development. Charging authorities may wish to consider how any differential rates appropriately reflect the viability of the size, type and tenure of housing needed for different groups in the community, including accessible and adaptable housing, as set out in the National Planning Policy Framework. Charging authorities should consider the views of developers at an early stage. [21] (our emphasis)

[18] Paragraph: 019 Reference ID: 25-019-20190315 Revision date: 15 03 2019
[19] Paragraph: 021 Reference ID: 25-021-20190315 Revision date: 15 03 2019
[20] The Community Infrastructure Levy Regulations 2010 and (Amendment) Regulations 2014
[21] Paragraph: 021 Reference ID: 25-021-20190315 Revision date: 15 03 2019

2.38 If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area. The same principle should apply where the evidence shows similarly low viability for particular types and/or scales of development. [22]

[22] Paragraph: 021 Reference ID: 25-021-20190315 Revision date: 15 03 2019

3 Local Policy Context

3.1 Vale of White Horse District Council is the Local Planning Authority for Vale of White Horse. The Council's current Local Plan (formerly Local Development Plan) comprises of:

- The Local Plan 2031 Part 1: Strategic Sites and Policies (adopted 2016)
- The 'saved policies' of the Local Plan 2011 (adopted 2006)
- Made Neighbourhood Plans.

3.2 The 'saved policies' of the Local Plan 2011 (adopted 2006) will be replaced by the emerging Local Plan 2031 Part 2: Detailed Policies and Additional Sites once it is adopted.

3.3 Local Plan 2031 Part 1 sets out the 'spatial strategy' and strategic policies for the district to deliver sustainable development. It identifies the number of new homes and jobs to be provided in the area for the plan period up to 2031. It makes provision for retail, leisure and commercial development and for the infrastructure needed to support them.

3.4 The Local Plan 2031 Part 2 sets out policies and locations for housing for the Vale's proportion of Oxford's housing need up to 2031, which cannot be met within the City boundaries. It contains policies for the part of Didcot Garden Town that lies within the Vale of White Horse District, and detailed development management policies to complement the Local Plan 2031 Part 1. It also allocates additional development sites for housing.

3.5 The Local Plan 2031 Part 2 was submitted to the Secretary of State on Friday 23 February 2018 for independent examination.

3.6 In order to appraise the CIL Charging Schedule we have reviewed the cumulative impact of the policies in the Local Plan. We have analysed each of the policies contained within the Local Plan 2031 (part 1 and 2) in order to determine which policies have a direct or indirect impact on development viability. Those policies with a direct impact on viability have been factored into our economic assessment below. Those policies with an indirect impact have been incorporated into the viability study indirectly through the property market cost and value assumptions adopted.

3.7 It is important to note that all the policies have an indirect impact on viability. The Local Plan 2031 will set the 'framework' for the property market to operate within. All the policies have an indirect impact on viability through the operation of the property market and via site allocations which shape supply over time (the price mechanism).

3.8 A detailed matrix of all the planning policies is appended (see Appendix 1 – Policies Matrix), and this outlines how the directly influential policies have both shaped the typologies appraised and the assumptions adopted within the appraisals. We highlight the directly influential policies below.

Local Plan 2011 Policies

3.9 The saved policies in the Local Plan 2011 will be replaced by the Vale of White Horse Local Plan 2031 Part 2 once it is adopted. A number of the Local Plan 2011 policies were previously superseded when the Local Plan Part 1 was adopted in 2016. We have therefore not reviewed the Local Plan 2011 policies.

Vale of White Horse Local Plan 2031 Part 1: Strategic Sites (adopted 2016)

3.10 The policies considered to have a direct influence on viability are:

- Core Policy 7: Providing Supporting Infrastructure and Services
- Core Policy 17: Delivery of Strategic Highway Improvements within the South-East Vale Sub-Area
- Core Policy 22: Housing Mix
- Core Policy 23: Housing Density
- Core Policy 24: Affordable Housing
- Core Policy 25: Rural Exception Sites
- Core Policy 26: Accommodating Current and Future Needs of the Ageing Population
- Core Policy 32: Retailing and other Main Town Centre Uses
- Core Policy 33: Promoting Sustainable Transport and Accessibility
- Core Policy 35: Promoting Public Transport, Cycling and Walking
- Core Policy 36: Electronic communications
- Core Policy 37: Design and Local Distinctiveness
- Core Policy 38: Design Briefs for Strategic and Major Sites
- Core Policy 40: Sustainable Design and Construction
- Core Policy 42: Flood Risk
- Core Policy 43: Natural Resources
- Core Policy 44: Landscape
- Core Policy 45: Green Infrastructure
- Core Policy 46: Conservation and Improvement of Biodiversity

Vale of White Horse Local Plan 2031 Part 2: Detailed Policies and Additional Sites, Publication Version October 2017

3.11 The policies considered to have a direct influence on viability are:

- Core Policy 8b: Dalton Barracks Comprehensive Development Framework
- Core Policy 15b: Harwell Campus Comprehensive Development Framework

- Core Policy 16b: Didcot Garden Town
- Development Policy 2: Space Standards
- Development Policy 14: Village and Local Shops
- Development Policy 15: Retail Parks
- Development Policy 16: Access
- Development Policy 17: Transport Assessments and Travel Plans
- Development Policy 20: Public Art
- Development Policy 26: Air Quality
- Development Policy 27: Land Affected By Contamination
- Development Policy 28: Waste Collection and Recycling
- Development Policy 32: Wilts and Berks Canal
- Development Policy 33: Open Space
- Development Policy 34: Leisure and Sports Facilities

3.12 There are a number of policies contained within the appendices of the Local Plan 2031 Part 2. The policies considered to have a direct influence on viability are:

- 3. South-East Vale Sub-Area
  - Harwell Campus (36.78 ha)
  - North-West of Grove (28.35 ha)
- 4. Abingdon-on-Thames and Oxford Fringe Sub-Area
  - Dalton Barracks (Shippon) (287.96 ha)
  - East of Kingston Bagpuize with Southmoor (within the parish of Fyfield and Tubney) (34.73 ha)

3.13 A detailed analysis of these and all the policies, together with our response in terms of this economic assessment, is set out in the policies matrix appended (see Appendix 1 – Policies Matrix).

Existing Community Infrastructure Levy Charging Schedule

3.14 Vale of White Horse District Council's CIL Charging Schedule in February 2016 came into effect on 1st September 2017. Figure 3.1 outlines the levy rate at which development will be liable for CIL in Vale of White Horse.

Figure 3.1 - Adopted CIL Charging Schedule

Development Type	CIL Charging Rate (£ per sq m)		
	Zone 1	Zone 2 Faringdon, Grove and Wantage	Zone 3 Crab Hill, Didcot Power Station, East of Coxwell Road, Grove Airfield, Land South of Park Road, Monks Farm, North of Shrivenham, South of Faringdon and Valley Park Strategic Sites
Residential development (including student accommodation and sheltered housing)	£120	£85	£0
Development Type	**District Wide**		
Extracare, nursing and care homes[1]	£0		
Residential development which is required to enable a rural exception site under Core Policy 25	£0		
Supermarkets and retail warehousing	£100		
All other development	£0		

[1] Extracare, nursing and care homes that provide accommodation and ongoing nursing and/or personal care. Personal care includes: assistance with dressing, feeding, washing and toileting, as well as advice, encouragement and emotional and psychological support.

Source: Vale of White Horse District Council, CIL Charging Schedule 2017

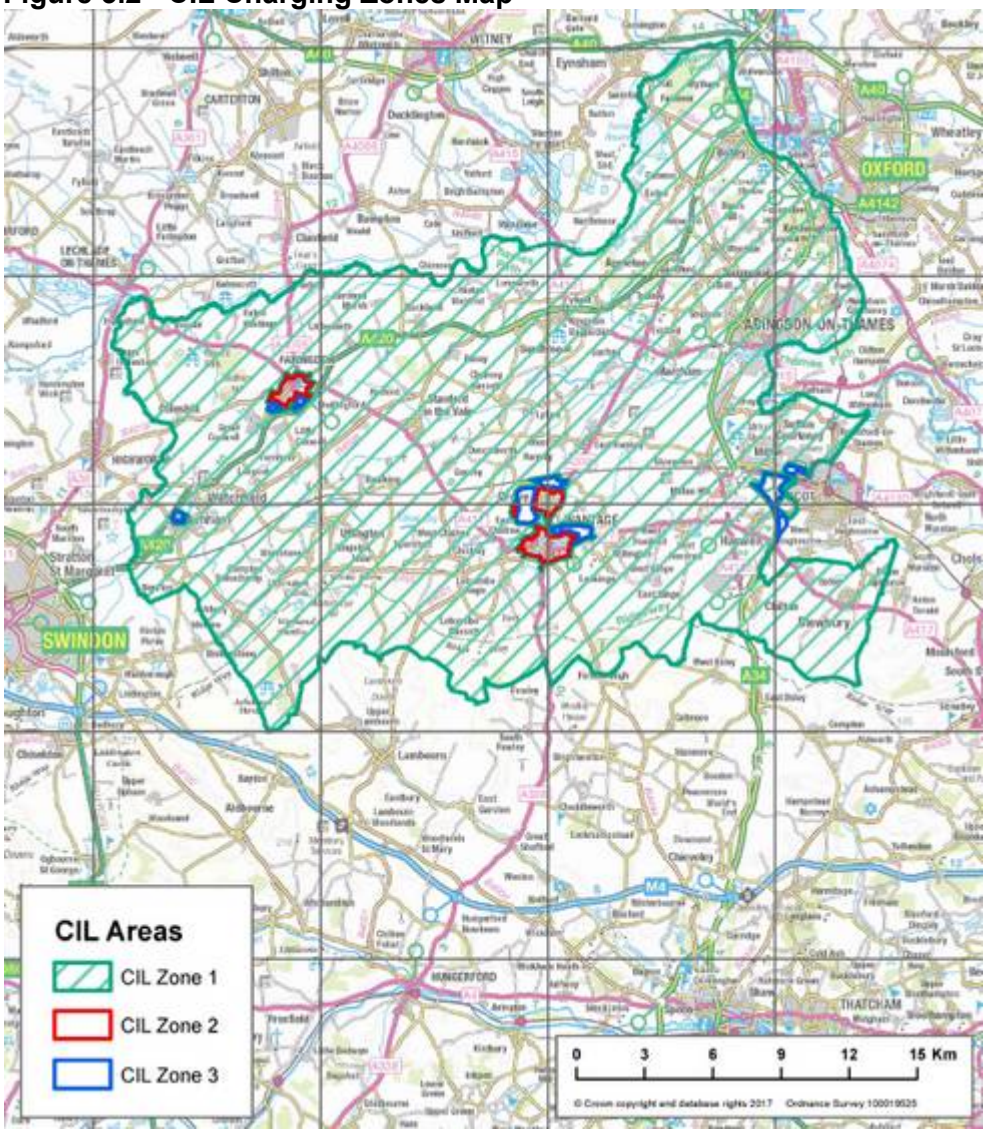
3.15 It is important to note that the above CIL rates are indexed linked and the current rates which we have used within our appraisals are:

- Residential Development Zone 1 - £131.33 /m2
- Residential Development Zone 2 - £93.02 /m2
- Supermarkets, superstores and retail warehouses - £79.67/m2[23]

3.16 The aforementioned zones are illustrated on the following map (Figure 3.2).

[23] www.southoxfordshire.gov.uk/cil - note that these rates are subject to indexation

Figure 3.2 - CIL Charging Zones Map



Source: Vale of White Horse District Council, CIL Charging Schedule 2017

3.17 We have used the current adopted CIL rates as the baseline for our viability assessments and make recommendations about the scope to vary (/ increase) these in the context of the emerging Local Plan policies and infrastructure requirements.

Adjacent Authority Policies

3.18 Figure 3.3 shows the local authority district boundaries surrounding Vale of White Horse District Council.

Figure 3.3 - Local Authorities Adjacent to Vale of White Horse Map

Source: AspinallVerdi, 2019

3.19 The property market for development is a continuum across boundaries within Oxfordshire. It is therefore relevant to consider the Affordable Housing targets and CIL requirements in surrounding authorities/districts. That said, every local jurisdiction has unique economic circumstances and geography which could result in different FVA evidence. For example Oxford City is a very constrained local authority area which is mainly brownfield urban context for benchmark land value. We set out below the headline Affordable Housing targets from surrounding authorities for ease of comparison.

Table 3.1 - Neighbouring Authorities Affordable Housing Policies

Local Authority	CIL Charging Schedule	Status / Date adopted
Cotswold District Council	Residential (excluding Chesterton Strategic Site) - £80 psm Retail Development - £60 psm	Adopted August 2018, effective from April 2019
West Oxfordshire District Council	**Residential** District Wide (excluding AONB 6 – 10 units and Strategic Sites; including AONB 5 units and less and AONB 11 units and more;) - £200 psm AONB 6 – 10 units - £100 psm Allocated Strategic Development Areas - £100 psm Sheltered Housing and Extra Care - £100 psm **Non-residential** Town Centre A1 – A5 uses - £50 psm Outside Town Centre A1 – A5 uses - £175 psm	Revise Draft Charging Schedule, January 2017. Consulted on but not submitted for examination.
Cherwell District Council	**Residential** Area 1 (except strategic sites) - £100 psm Area 2 (except strategic sites) - £230 psm Area 3 (including strategic sites) - £270 psm **Non-residential** Out-of-centre retail - £170 psm	Draft Charging Schedule, October 2017 – Consulted on but not adopted
Oxford City Council	**Residential** C2 and C2A Residential Institutions - £50 psm C3 – dwelling-houses (except strategic sites)- £200 psm C4 Houses in multiple occupation - £200 psm Student accommodation - £200 psm **Non-residential** A1 – A5 - £200 psm B1, B2 and B8 - £50 psm C1, D1 and D2 - £50 psm	Preliminary Draft Charging Schedule, October 2018
South Oxfordshire District Council	**Residential** (excluding strategic sites, retirement housing, care homes and rural exception sites) Zone 1 - £150 psm (index linked in 2019 to £173.45 psm)	Adopted February 2016, effective from April 2016 Currently subject to review

	Zone 2 - £85 psm (index linked in 2019 to £98.29 psm) **Non-residential** Supermarkets, superstores and retail warehouses - £70 psm	
West Berkshire Council	**Residential** C3 & C4 Zone 1 - £75 psm C3 & C4 Zone 2 - £125 psm	Adopted March 2014, Effective from April 2015
Wiltshire Council	**Residential** C2, C2A, C3 and C4 (excluding strategic sites) Zone 1 - £85 psm Zone 2 - £55 psm C2, C2A, C3 and C4 (including strategic sites) Zone 1 - £40 psm Zone 2 – £30 psm Student Accommodation - £70 psm **Non-Residential** Hotels - £70 psm Retail (A1 -A5, excluding retail warehouse and superstore) Zone 1 - £70 psm Zone 2 - £0 psm Retail warehouse and superstore / supermarkets - £175 psm	Adopted May 2015
Swindon Borough Council	**Residential (C3)** Zone 1 (new communities) - £0 psm Zone 2 - £55 psm **Non-residential** Retail (A1 – A5) (town centre and new communities) Zone 1 - £0 psm Retail Zone 2 - £100 psm	Adopted March 2015, effective from April 2015

Source: Council websites 2019

4 Viability Assessment Method

4.1 In this section of the report we set out our methodology to establish the viability of the various land uses and development typologies described in the following sections.

4.2 Cross-reference should be made back to the Viability PPG guidance in section 2 and specifically the guidance in respect of EUV, premium and profit.

4.3 We also set out the professional guidance that we have had regard to in undertaking the financial viability appraisals and some important principles of land economics.

The Harman Report (June 2012)

4.4 The Harman report 'Viability Testing Local Plans'[24] was prepared in June 2012 for the purposes of the 2012 NPPF. Many of the themes within the Harman Report have been incorporated into the 2018 PPG Viability guidance and are equally relevant for CIL viability testing.

4.5 Our FVA is consistent with both the Harman report and the PPG.

4.6 The Harman report refers to the concept of 'Threshold Land Value' (TLV). Harman states that the *'Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development.'*[25] While this is an accurate description of the important value concept, we adopt the Benchmark Land Value terminology throughout this report in line with the terminology in the PPG.

4.7 Harman recommends that '*the Threshold Land Value is based on a premium over current use values and 'credible' alternative use values'*. However, the report accepts that *'alternative use values are most likely to be relevant in cases where the Local Plan is reliant on sites coming forward in areas (such as town and city centres) where there is competition for land among a range of alternative uses.'*[26]

4.8 The Harman report does not state what the premium over existing use value should be, but states that this should be 'determined locally' – but then goes on to state that *'there is evidence that it represents a sufficient premium to persuade landowners to sell'*[27].

4.9 The guidance further recognises that in certain circumstances, particularly in areas where landowners have '*long investment horizons'* (e.g. family trusts, The Crown, Oxbridge Colleges,

[24] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report)
[25] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 28
[26] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29
[27] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29

Financial Institutions), '*the premium will be higher than in those areas where key landowners are more minded to sell*'[28]. An example of this is in relation to large urban extensions where a prospective seller is potentially making a once in a lifetime decision over whether to sell an asset. In this scenario the uplift on current use value will invariably be significantly higher than those in an urban context. In reconciling such issues, Harman stresses the importance of using local market evidence as a means of providing a sense check.

RICS Guidance

4.10 The RICS guidance on Financial Viability in Planning[29] was published after the Harman report in August 2012 and is more 'market facing' in its approach. The guidance is currently in the process of review following the decision in the Parkhurst Road Limited v Secretary of State for Communities and Local Government and The Council of the London Borough of Islington High Court case (see below)[30]. However, this case was more about the application of the guidance rather than the guidance itself.

4.11 The RICS Guidance defines 'site value', whether this is an input into a scheme specific appraisal or as a [land value] benchmark, as follows -

> *Site value should equate to the **market value** subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan[31] (Box 7).* (our emphasis)

4.12 The guidance also advocates that any assessment of site value will need to consider prospective planning obligations and recommends that a second assumption be applied to the aforementioned definition of site value, when undertaking Local Plan or CIL (area wide) viability testing. This is set out below -

> *Site value (as defined above) may need to be further **adjusted to reflect the emerging policy / CIL charging level.** The level of the adjustment assumes that site delivery would not be prejudiced. Where an adjustment is made, the practitioner should set out their professional opinion underlying the assumptions adopted*… (Box 8) (our emphasis)

4.13 This is to make an allowance for emerging (greater) obligations for e.g. infrastructure and affordable housing which, assuming that developers' profit is fixed (see below), has to come out of land value.

[28] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30
[29] RICS Professional Guidance England (August 2012) Financial viability in planning, 1st edition guidance note GN 94/2012
[30] Parkhurst Road Ltd v Secretary of State for Communities And Local Government & Anor [2018] EWHC 991 (Admin) on BAILII
[31] This includes all Local Plan policies relevant to the site and development proposed

Guidance on Premiums/Land Value Adjustments

4.14 The PPG requires the existing use value plus premium approach to land value. However, there is no specific guidance on the premium. One therefore has to 'triangulate' the BLV based on market evidence.

4.15 A number of reports have commented upon the critical issue of land value, as set out below. These inform the relationship between the 'premium' and 'hope value' in the context of market value.

HCA Transparent Viability Assumptions (August 2010)

4.16 In terms of the EUV + premium approach, the Homes and Communities Agency (now Homes England) (in August 2010) published a consultation paper on transparent assumptions for Area Wide Viability Modelling[32].

4.17 This notes that, '*typically, this gap or premium will be expressed as a percentage over EUV for previously developed land and as a multiple of agricultural value for greenfield land*'[33].

4.18 It also notes that benchmarks and evidence from planning appeals tend to be in a range of '***10% to 30% above EUV in urban areas***. *For greenfield land, benchmarks tend to be in a range of* ***10 to 20 times agricultural value***'[34].

Mayor of London CIL (Jan 2012)

4.19 The impact on land value of future planning policy requirements e.g. CIL [or revised Affordable Housing targets] was contemplated in the Examiner's report to the Mayor of London CIL (January 2012)[35].

4.20 Paragraph 32 of the Examiner's report states:

> *…the price paid for development land may be reduced. As with profit levels there may be cries that this is unrealistic, but* ***a reduction in development land value is an inherent part of the CIL concept****. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the prospect of raising funds for infrastructure would be forever receding into the future…* (our emphasis)

[32] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version
[33] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version para 3.3
[34] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version para 3.5
[35] Holland, K (27 January 2012) Report on the Examination of the Draft Mayoral Community Infrastructure Levy Charging Schedule, The Planning Inspectorate, PINS/K5030/429/3

Greater Norwich CIL (Dec 2012)

4.21 The Greater Norwich Development Partnership's CIL Examiner's report adds to this -

> *Bearing in mind that the cost of **CIL needs to largely come out of the land value**, it is necessary to establish a threshold land value i.e. the value at which a typical willing landowner is likely to release land for development. Based on market experience in the Norwich area the Councils' viability work assumed that **a landowner would expect to receive at least 75% of the benchmark value**. Obviously what individual land owners will accept for their land is very variable and often depends on their financial circumstances. However, in the absence of any contrary evidence **it is reasonable to see a 25% reduction in benchmark values as the maximum** that should be used in calculating a threshold land value*[36]. (our emphasis)

Sandwell CIL (Dec 2014)

4.22 Furthermore, the Examiner's report for the Sandwell CIL states -

> *The TLV is calculated in the VAs [Viability Assessments] as being **75% of market land values** for each typology. According to the CA, this way of calculating TLVs is based on the conclusions of Examiners in the Mayor of London CIL Report January 2012 and the Greater Norwich Development Partnership CIL Report December 2012. **This methodology was uncontested.***[37]

4.23 These all support a 'policy' adjustment of a 25% reduction from 'Market Value' to allow for emerging policy. Note that all these decisions and precedents are now quite historic.

4.24 Greater emphasis is now being placed on the existing use value (EUV) + premium approach to planning viability to break the circularity of ever-increasing land values. This circularity is described in detail in the research report by the University of Reading, 'Viability and the Planning System: The Relationship between Financial Viability Testing, Land Values and Affordable Housing in London' (January 2017) and the policy response considered in the new Mayor of London SPD 'Homes for Londoners' (August 2017).

4.25 Due to ever increasing land values (partly driven by developers negotiating a reduction in policy obligations on grounds of 'viability') we are finding that the range between existing use value (EUV) and 'Market Values' and especially asking prices is getting larger. Therefore 20 x EUV and

[36] Report to the Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council, by Keith Holland BA (Hons) Dip TP, MRTPI ARICS, 4 December 2012, File Ref: PINS/G2625/429/6 – paragraph 9

[37] Report to Sandwell Metropolitan Borough Council by Diana Fitzsimons MA MSc FRICS MRTPI an Examiner appointed by the Council, 16 December 2014, File Ref: PINS/G4620/429/9 - paragraph 16

25% reduction from 'Market Value' may not 'meet in the middle' and it is therefore a matter of judgement what the BLV should be.

Parkhurst Road v SSCLG & LBI (2018)

4.26 The High Court case between Parkhurst Road Limited (Claimant) and Secretary of State for Communities and Local Government and The Council of the London Borough of Islington (Defendant/s)[38] addresses the issue of land valuation and the circularity of land values which are not appraised on a policy compliant basis.

4.27 In this case it was common ground that the existing use was redundant and so the existing use value ("EUV") was "negligible". There was no alternative form of development which could generate a higher value for an alternative use ("AUV") than the development proposed by Parkhurst. The site did not suffer from abnormal constraints or costs. LBI contended that there was considerable "headroom" in the valuation of such a site enabling it to provide a substantial amount of affordable housing in accordance with policy requirements. Furthermore, that the achievement of that objective was being frustrated by Parkhurt's use of a 'greatly inflated' BLV for the site which failed properly to reflect those requirements (paragraph 22).

4.28 Mr Justice Holgate dismissed the challenge and agreed with LBI that what is to be regarded as comparable market evidence, or a "market norm", should "reflect policy requirements" in order to avoid the "circularity" problem (paragraph 39).

4.29 In an unusual postscript to the judgement, Mr Justice Holgate said that this might be an "opportune" time for the RICS to consider revisiting the 2012 guidance note, Financial viability in Planning, "in order to address any misunderstandings about market valuation concepts and techniques" (paragraph 147).

Land Value Capture report (Sept 2018)

4.30 The House of Commons - Housing, Communities and Local Government Committee has published a report into the principles of land values capture. This defines land value capture, the scope for capturing additional land value and the lessons learned from past attempts to capture uplifts in land value. It reviews improving existing mechanisms, potential legislative reforms and alternative approaches to land value capture.

4.31 Paragraph 109 of the report states […] the extent to which the 'no-scheme' principle would reduce value "very much depends on the circumstances". For land in the middle of the countryside, which would not otherwise receive planning permission for housing, the entire development value could

[38] Case No: CO/3528/2017

be attributed to the scheme. However, […] most work was undertaken within constrained urban areas—such as town extensions and redevelopments—where the hope value was much higher.

4.32 Hence it is important to consider the policy context for infrastructure and investment when considering land values. Where existing agricultural land in the green belt or open countryside are being considered for housing allocations, the entire uplift in value is attributable to the policy decision (without which there can be no development).

Brownfield / Greenfield Land Economics

4.33 CIL has its roots in the perceived windfall profit arising from the release of greenfield land by the planning system to accommodate new residential sites and urban extensions[39]. However, lessons from previous attempts to tax betterment[40] show that this is particularly difficult to achieve effectively without stymieing development. It is even harder to apply the concept to brownfield redevelopment schemes with all attendant costs and risks. The difference between greenfield and brownfield scheme economics is usually important to understand for affordable housing targets; plan viability and CIL rate setting.

4.34 The timing of redevelopment and regeneration of brownfield land particularly is determined by the relationship between the value of the site in its current [low value] use ("Existing Use Value") and the value of the site in its redeveloped [higher value] use – less the costs of redevelopment. Any planning gain which impacts on these costs will have an effect on the timing of redevelopment. This is relevant to consider when setting the 'appropriate balance'.

4.35 Fundamentally, CIL is a form of 'tax' on development as a contribution to infrastructure. By definition, any differential rate of tax/CIL will have a distorting effect on the pattern of land uses. The question as to how this will distort the market will depend upon how the CIL is applied.

4.36 Also, consideration must be given to the 'incidence' of the tax i.e. who ultimately is responsible for paying it i.e. the developer out of profit, or the landowner out of price (or a bit from each).

4.37 This is particularly relevant in the context of brownfield sites in the town centres and built up areas. Any CIL on brownfield redevelopment sites will impact on the timing and rate of redevelopment. This will have a direct effect on economic development, jobs and growth.

4.38 In the brownfield context redevelopment takes place at a point in time when buildings are economically obsolete (as opposed to physically obsolete). Over time the existing use value of buildings falls as the operating costs increase, depreciation kicks in and the rent falls by comparison with modern equivalent buildings. In contrast the value of the next best alternative

[39] See Barker Review (2004) and Housing Green Paper (2007)

[40] the 2007 Planning Gain Supplement, 1947 'Development Charge', 1967 'Betterment Levy' and the 1973 'Development Gains Tax' have all ended in repeal

use of the site increases over time due to development pressure in the urban context (assuming there is general economic growth in the economy). Physical obsolescence occurs when the decreasing existing use value crosses the rising alternative use value.

4.39 However, this is not the trigger for redevelopment. Redevelopment requires costs to be incurred on site demolition, clearance, remediation, and new build construction costs. These costs have to be deducted from the alternative use value 'curve'. The effect is to extend the time period to achieve the point where redevelopment is viable.

4.40 This is absolutely fundamental for the viability and redevelopment of brownfield sites. Any tariff, tax or obligation which increases the costs of redevelopment will depress the net alternative use value and simply extend the timescale to when the alternative use value exceeds the existing use value to precipitate redevelopment.

4.41 Contrast this with the situation for development on greenfield land. Greenfield sites are constrained by the planning designation. Once a site is 'released' for development there is significant step up in development value – which makes the development economics much more accommodating than brownfield redevelopment. There is much more scope to capture development gain, without postponing the timing of development.

4.42 That said, there are some other important considerations to take into account when assessing the viability of greenfield sites. This is discussed in the Harman Report[41].

4.43 The existing use value may be only very modest for agricultural use and on the face of it the landowner stands to make a substantial windfall to residential land values. However, there will be a lower benchmark (Benchmark Land Value) where the land owner will simply not sell. This is particularly the case where a landowner *'is potentially making a once in a lifetime decision over whether to sell an asset that may have been in the family, trust or institution's ownership for many generations.'*[42]Accordingly, the 'windfall' over the existing use value will have to be a sufficient incentive to release the land and forgo the future investment returns.

4.44 Another very important consideration is the promotional cost of strategic greenfield sites. For example, in larger scale urban extension sites such as the Strategic Development Areas (e.g. Didcot Garden Town) identified in the emerging Local Plan, there will be significant investment in time and resources required to promote these sites through the development plan process. The benchmark land value therefore needs to take into account of the often-substantial planning promotion costs, option fees etc. and the return required by the promoters of such sites. *'This should be borne in mind when considering the [benchmark] land value adopted for large sites*

[41] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) pp 29-31
[42] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30

and, in turn, the risks to delivery of adopting too low a [benchmark] that does not adequately and reasonably reflect the economics of site promotion…' [43]

4.45 This difference between the development 'gain' in the context of a greenfield windfall site and the slow-burn redevelopment of brownfield sites is absolutely fundamental to the success of any regime to capture development gain such as CIL. It is also key to the 'incidence' of the tax i.e. whether the developer or the land owner carries the burden of the tax.

4.46 In the case of Vale of White Horse there are a number of housing sites coming forward which are both greenfield and brownfield sites and therefore we have appraised both greenfield and brownfield scheme typologies.

Land Economics Summary

4.47 A very important aspect when considering plan viability is an appreciation of how the property market for development land works in practice.

4.48 Developers have to secure sites and premises in a competitive environment and therefore have to equal or exceed the landowners' aspirations as to value for the landowner to sell. From the developers' perspective, this price has to be agreed often many years before commencement of the development. The developer has to subsume all the risk of: ground conditions; obtaining planning permission; funding the development; finding a tenant/occupier; increases in constructions costs; and changes to the economy and market demand etc. This is a significant amount of work for the developer to manage; but this is the role of the developer and to do so the developer is entitled to a normal developer's profit.

4.49 The developer will appraise all of the above costs and risks to arrive at their view of the residual site value of a particular site.

4.50 To mitigate some of these risks developers and landowners often agree to share some of these risks by entering into arrangements such as: Market Value options based on a planning outcome; 'subject to planning' land purchases'; and / or overage agreements whereby the developer shares any 'super-profit' over the normal benchmark.

4.51 From the landowners' perspective, they will have a preconceived concept of the value or worth of their site. This could be fairly straight-forward to value, for example, in the case of greenfield agricultural land which is subject to per hectare benchmarks. However, in the case of brownfield sites, the existing use value could be a lot more subjective depending upon: the previous use of the property; the condition of the premises; contamination; and/or any income from temporary lets, car parking and advertising hoardings etc. Also, whilst (say) a former manufacturing building

[43] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 31

could have been state-of-the-art when it was first purchased by the landowner, in a redevelopment context it might now be the subject of depreciation and obsolescence which the landowner finds difficult to reconcile. Accordingly, the existing use value is much more subjective in a brownfield context.

4.52 Furthermore, where there is a possibility of development the landowner will often have regard to 'hope value'. Hope value is the *element of* open market value of a property in excess of the existing use value, reflecting the prospect of some more valuable future use or development. It takes account of the uncertain nature or extent of such prospects, including the time which would elapse before one could expect planning permission to be obtained or any relevant constraints overcome, so as to enable the more valuable use to be implemented. Therefore, in a rising market landowners may often have high aspirations of value beyond that which the developer can justify in terms of risk and in a falling market the land owner my simply 'do nothing' and not sell in the prospect of a better market returning in the future. The actual amount paid in any particular transaction is the purchase price and this crystallises the value for the landowner. Note that hope value is represented in the EUV premium and can never be in excess of policy compliant market value (RLV).

4.53 Hence land 'value' and 'price' are two very different concepts which need to be understood fully when formulating planning policy and CIL. The incidence of any tax/CIL to a certain extent depends on this relationship and the individual circumstances. For example, a farmer with a long-term greenfield site might have limited 'value' aspirations for agricultural land – but huge 'price' aspirations for residential development. Whereas an existing factory owner has a much higher value in terms of sunk costs and investment into the existing use and the tipping point between this and redevelopment is much more marginal.

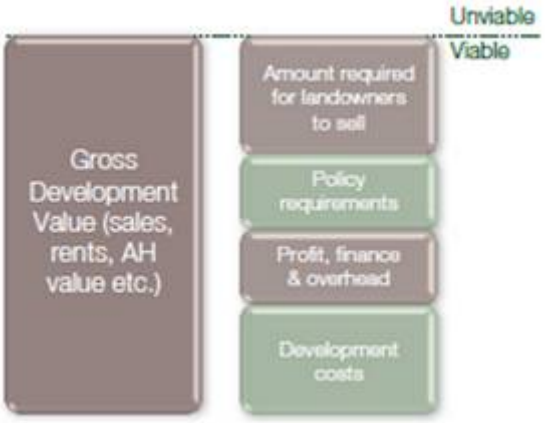
4.54 Detailed research and analysis in respect of land values (Benchmark Land Values) set out within the Land Market paper appended (see Appendix 3 – Land Value Paper).

Viability Modelling Best Practice

4.55 The general principle is that CIL/planning obligations including affordable housing (etc.) will be levied on the increase in land value resulting from the grant of planning permission. However, there are fundamental differences between the land economics and every development scheme is different. Therefore, in order to derive the potential CIL/planning obligations and understand the 'appropriate balance' it is important to understand the micro-economic principles which underpin the viability analysis.

4.56 The uplift in value is calculated using a RLV appraisal. Figure 4.1 below, illustrates the principles of a RLV appraisal.

Figure 4.1 - Elements Required for a Viability Assessment



Source: Local Housing Delivery Group, 2012[44]

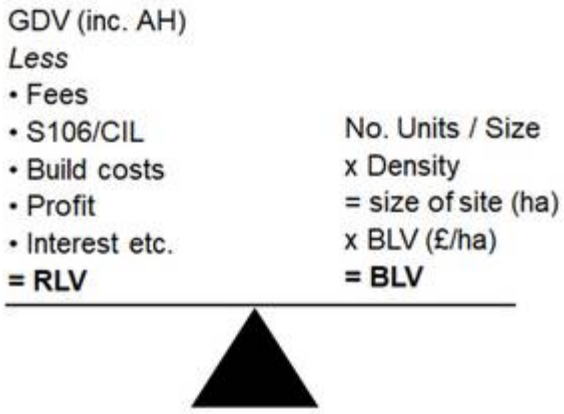
4.57 Our specific appraisals for each for the land uses and typologies are set out in the relevant section below.

4.58 A scheme is viable if the Gross Development Value (GDV) of the scheme is greater than the total of all the costs of development including land acquisition, planning obligations and profit. Conversely, if the GDV is less than the total costs of development (including land, S106s and profit) the scheme will be unviable.

4.59 However, in order to advise on the ability of the proposed uses/scheme to support affordable housing and CIL/planning obligations we have benchmarked the residual land values (RLV) from the viability analysis against existing or alternative land use relevant to the particular typology – the Benchmark Land Value (BLV). This is illustrated in Figure 4.2 - Balance between RLV and BLV below.

[44] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 25

Figure 4.2 - Balance between RLV and BLV



Source: AspinallVerdi © Copyright

How to Interpret the Viability Appraisals

4.60 In development terms, the price of a site is determined by assessment of the residual land value (RLV). This is the gross development of the site (GDV) less ALL costs including planning policy requirements and developers' profit. If the RLV is positive the scheme is viable. If the RLV is negative the scheme is not viable.

4.61 Part of the skill of a developer is to identify sites that are in a lower value economic uses and purchase / option these sites to (re)develop them into a higher value uses. The landowner has a choice - to sell the site or not to sell their site depending on their individual circumstances. Historically this would be left to 'the market' and there would be no role for planning in this mechanism.

4.62 A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

4.63 However, planning policy in England has become increasingly detached from the development process of real estate. Since the credit crunch and the 2012 NPPF planning policy has sought to intervene in the land market by requiring that at [an often 'arbitrary'] 'threshold' or 'benchmark' land value (BLV) is achieved as a 'return to the landowner'. This left Local Authorities 'open' to negotiations to reduce affordable housing and other contributions on viability grounds which sets up a powerful force of escalating land values (which is prejudicial to delivery in the long term). The NPPF/PPG 2018 is seeking to redress this.

4.64 In planning viability terms, for a scheme to come forward for development the RLV for a particular scheme has to exceed the landowner's BLV.

4.65 In Development Management terms every scheme will be different (RLV) and every landowner's motivations will be different (BLV).

4.66 For Plan Making purposes it is important to benchmark the RLV's from the viability analysis against existing or alternative land use relevant to the particular typology – the Benchmark Land Value – see Figure 4.2 above.

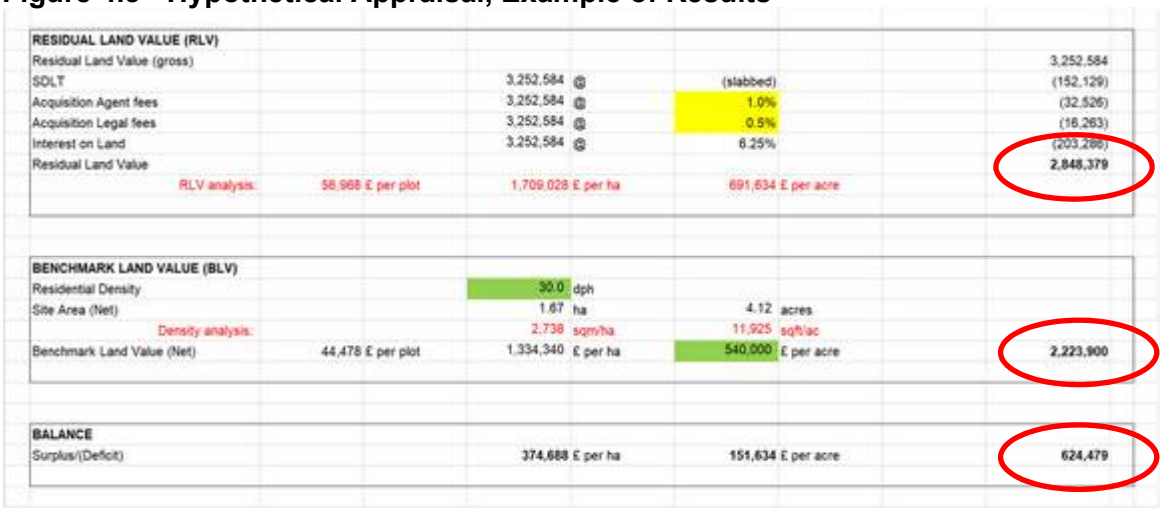
4.67 The results of the appraisals should therefore be interpreted as follows:

- If the 'balance' is positive (RLV > BLV), then the CIL/policy is viable. We describe this as being 'viable for plan making purposes herein'.
- If the 'balance' is negative (RLV < BLV), then the CIL/policy is 'not viable for plan making purposes' and the CIL rates/planning obligations and/or affordable housing targets should be reviewed.

4.68 Thirdly, if the RLV is positive, but the appraisal is not viable due to the BLV assumed – we refer to this as being 'marginal'.

4.69 This is illustrated in the following boxes of our hypothetical appraisals (appended). In this case the RLV at £2.8m is some £624,000 higher than the assumed BLV of £2.2m meaning the balance is positive/in surplus.

Figure 4.3 - Hypothetical Appraisal, Example of Results



RESIDUAL LAND VALUE (RLV)				
Residual Land Value (gross)				3,252,584
SDLT		3,252,584 @	(slabbed)	(152,129)
Acquisition Agent fees		3,252,584 @	1.0%	(32,526)
Acquisition Legal fees		3,252,584 @	0.5%	(16,263)
Interest on Land		3,252,584 @	6.25%	(203,286)
Residual Land Value				**2,848,379**
RLV analysis:	58,968 £ per plot	1,709,028 £ per ha	691,634 £ per acre	
BENCHMARK LAND VALUE (BLV)				
Residential Density		30.0 dph		
Site Area (Net)		1.67 ha	4.12 acres	
Density analysis:		2,738 sqm/ha	11,925 sqft/ac	
Benchmark Land Value (Net)	44,478 £ per plot	1,334,340 £ per ha	540,000 £ per acre	**2,223,900**
BALANCE				
Surplus/(Deficit)		374,688 £ per ha	151,634 £ per acre	**624,479**

Source: AspinallVerdi

4.70 In addition to the above, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of the viability (and particularly the viability buffer); the sensitivity of the appraisals to key variables such as planning obligations, affordable housing, BLV and profit; and to consider the impact of rising construction costs. An example of a sensitivity appraisal and how they are interpreted is shown below.

Affordable Housing

Figure 4.4 - CIL versus Affordable Housing Sensitivity

TABLE 1		Affordable Housing - % on site 35%						
Balance (RLV - BLV)	624,479	20%	25%	30%	35%	40%	45%	50%
	70	904,112	830,543	756,975	683,406	609,838	536,262	462,686
	90	841,101	771,470	701,840	632,210	562,580	492,950	423,319
	110	778,090	712,398	646,705	581,013	515,321	449,629	383,937
	130	715,078	653,325	591,571	529,817	468,063	406,309	344,556
	150	652,042	594,240	536,436	478,621	420,805	362,989	305,174
CIL £psm	170	588,992	535,130	481,267	427,405	373,543	319,669	265,792
93.02	190	525,941	476,020	426,098	376,177	326,255	276,334	226,410
	210	462,891	416,910	370,929	324,948	278,967	232,986	187,005
	230	399,808	357,786	315,760	273,720	231,679	189,639	147,599
	250	336,715	298,637	260,558	222,480	184,391	146,292	108,192
	270	273,623	239,488	205,353	171,217	137,082	102,945	68,786
	290	210,518	180,339	150,147	119,955	89,763	59,571	29,378
	310	147,382	121,158	94,934	68,692	42,444	16,195	(10,054)
	330	84,246	61,968	39,690	17,412	(4,876)	(27,181)	(49,487)
	350	21,103	2,778	(15,554)	(33,886)	(52,218)	(70,557)	(88,919)
	370	(42,079)	(56,435)	(70,798)	(85,184)	(99,570)	(113,955)	(128,352)
	390	(105,261)	(115,668)	(126,075)	(136,482)	(146,922)	(157,361)	(167,801)
	410	(168,456)	(174,901)	(181,359)	(187,817)	(194,276)	(200,767)	(207,261)
	430	(231,686)	(234,160)	(236,644)	(239,153)	(241,662)	(244,173)	(246,721)
	450	(294,916)	(293,438)	(291,960)	(290,488)	(289,049)	(287,609)	(286,181)
	470	(358,178)	(352,716)	(347,286)	(341,856)	(336,435)	(331,047)	(325,658)
	490	(421,459)	(412,034)	(402,613)	(393,231)	(383,848)	(374,484)	(365,147)
	510	(484,749)	(471,360)	(457,981)	(444,605)	(431,271)	(417,937)	(404,635)
	530	(548,082)	(530,702)	(513,351)	(496,017)	(478,694)	(461,408)	(444,124)
	550	(611,416)	(590,077)	(568,738)	(547,432)	(526,143)	(504,879)	(483,641)
	570	(674,801)	(649,453)	(624,155)	(598,857)	(573,603)	(548,359)	(523,160)

Source: AspinallVerdi

4.71 This table shows the sensitivity of the balance (RLV – BLV) for different combinations of Affordable Housing (AH %) across the columns and different amounts of CIL (£ psm) down the rows. Thus:

- You should be able to find the appraisal balance by looking up the base case AH% (e.g. 35%) and the base case CIL rounded to the nearest 20 (£90 or £130 psm).
- Higher % levels of CIL will reduce the 'balance' and if the balance is negative the scheme is 'not viable' for Plan Making purposes (note that it may still be viable in absolute RLV terms and viable in Plan Making terms depending on other sensitivities (e.g. BLV, Profit (see below)).
- Lower % levels of CIL will increase the 'balance' and if the balance is positive then the scheme is viable in Plan Making terms
- Similarly, higher levels of AH (%) will reduce the 'balance'
- And, lower levels of AH (%) will increase the 'balance'.

Site Specific S106 Sensitivity

Figure 4.5 - CIL versus Site Specific S106 Sensitivity

TABLE 2		Site Specific S106	100%	(where 110% is a 10% increase etc.)				
Balance (RLV - BLV)	624,479	100%	110%	120%	130%	140%	150%	160%
	70	683,406	672,420	661,433	650,447	639,460	628,473	617,487
	90	632,210	621,223	610,237	599,250	588,264	577,277	566,290
	110	581,013	570,027	559,040	548,054	537,067	526,080	515,094
	130	529,817	518,830	507,844	496,857	485,871	474,884	463,898
	150	478,621	467,634	456,642	445,647	434,651	423,655	412,660
CIL £psm	170	427,405	416,410	405,414	394,418	383,423	372,427	361,431
93.02	190	376,177	365,181	354,185	343,190	332,194	321,198	310,203
	210	324,948	313,952	302,957	291,961	280,965	269,970	258,973
	230	273,720	262,724	251,728	240,726	229,721	218,716	207,710
	250	222,480	211,474	200,469	189,464	178,458	167,453	156,448
	270	171,217	160,212	149,207	138,201	127,196	116,191	105,186
	290	119,955	108,950	97,944	86,939	75,934	64,928	53,916
	310	68,692	57,687	46,679	35,664	24,649	13,633	2,618
	330	17,412	6,397	(4,618)	(15,634)	(26,649)	(37,665)	(48,680)
	350	(33,886)	(44,901)	(55,916)	(66,932)	(77,947)	(88,963)	(99,978)
	370	(85,184)	(96,199)	(107,214)	(118,230)	(129,251)	(140,276)	(151,302)
	390	(136,482)	(147,508)	(158,534)	(169,560)	(180,586)	(191,612)	(202,638)
	410	(187,817)	(198,843)	(209,869)	(220,895)	(231,921)	(242,947)	(253,973)
	430	(239,153)	(250,179)	(261,205)	(272,231)	(283,257)	(294,292)	(305,329)
	450	(290,488)	(301,518)	(312,555)	(323,592)	(334,630)	(345,667)	(356,704)
	470	(341,856)	(352,893)	(363,930)	(374,967)	(386,004)	(397,041)	(408,078)
	490	(393,231)	(404,268)	(415,305)	(426,342)	(437,380)	(448,429)	(459,478)
	510	(444,605)	(455,650)	(466,698)	(477,747)	(488,796)	(499,844)	(510,893)
	530	(496,017)	(507,065)	(518,114)	(529,163)	(540,211)	(551,260)	(562,309)
	550	(547,432)	(558,481)	(569,530)	(580,581)	(591,642)	(602,703)	(613,764)
	570	(598,857)	(609,918)	(620,979)	(632,040)	(643,100)	(654,161)	(665,222)

Source: AspinallVerdi

4.72 This table shows the sensitivity of the balance (RLV – BLV) for different combinations of Site Specific S106 costs (£) across the columns and different amounts of CIL (£ psm) down the rows. The S106 costs are shown as % changes to costs where 100% is the base case S106 cost and 110% represents a 10% increase in costs and so on.

4.73 Thus:

- The CIL Costs (£ psm) should be interpreted as for the CIL v AH sensitivity above.
- Higher % levels of S106 Costs will reduce the 'balance' and if the balance is negative the scheme is 'not viable' for Plan Making purposes (note that it may still be viable in absolute RLV terms and viable in Plan Making terms depending on other sensitivities (e.g. BLV, Profit (see below)).

4.74 We have produced a similar sensitivity for the site-specific infrastructure costs. This can be interpreted as the CIL v site specific S106 costs. Note that this is predominantly relevant for the strategic site typologies.

Profit Sensitivity

Figure 4.6 - CIL versus Profit Sensitivity

TABLE 4		Profit 20%						
Balance (RLV - BLV)	624,479	15%	16%	17%	18%	19%	20%	21%
	70	1,133,420	1,043,417	953,415	863,412	773,409	683,406	593,404
	90	1,082,224	992,221	902,218	812,215	722,213	632,210	542,207
	110	1,031,027	941,024	851,022	761,019	671,016	581,013	491,011
	130	979,831	889,828	799,825	709,822	619,820	529,817	439,814
	150	928,634	838,631	748,629	658,626	568,623	478,621	388,618
CIL £psm	170	877,419	787,416	697,413	607,411	517,408	427,405	337,402
93.02	190	826,190	736,188	646,185	556,182	466,179	376,177	286,174
	210	774,962	684,959	594,956	504,954	414,951	324,948	234,945
	230	723,733	633,731	543,728	453,725	363,722	273,720	183,717
	250	672,493	582,490	492,488	402,485	312,482	222,480	132,477
	270	621,231	531,228	441,225	351,223	261,220	171,217	81,214
	290	569,968	479,966	389,963	299,960	209,958	119,955	29,952
	310	518,706	428,703	338,701	248,698	158,695	68,692	(21,310)
	330	467,426	377,423	287,420	197,418	107,415	17,412	(72,591)
	350	416,128	326,125	236,122	146,120	56,117	(33,886)	(123,889)
	370	364,830	274,827	184,824	94,822	4,819	(85,184)	(175,186)
	390	313,532	223,529	133,526	43,523	(46,479)	(136,482)	(226,485)
	410	262,196	172,193	82,191	(7,812)	(97,815)	(187,817)	(277,820)
	430	210,861	120,858	30,855	(59,147)	(149,150)	(239,153)	(329,156)
	450	159,525	69,523	(20,480)	(110,483)	(200,486)	(290,488)	(380,491)
	470	108,158	18,155	(71,848)	(161,850)	(251,853)	(341,856)	(431,859)
	490	56,783	(33,220)	(123,222)	(213,225)	(303,228)	(393,231)	(483,233)
	510	5,409	(84,594)	(174,597)	(264,600)	(354,602)	(444,605)	(534,608)
	530	(46,003)	(136,006)	(226,009)	(316,011)	(406,014)	(496,017)	(586,019)
	550	(97,419)	(187,421)	(277,424)	(367,427)	(457,430)	(547,432)	(637,435)
	570	(148,843)	(238,846)	(328,849)	(418,852)	(508,854)	(598,857)	(688,860)

Source: AspinallVerdi

4.75 This figure shows the sensitivity of the balance (RLV – BLV) for different combinations of Profit (%) across the columns and different amounts of CIL (£ psm) down the rows. Thus:

- The CIL Costs (£ psm) should be interpreted as for the CIL v AH sensitivity above.
- Higher levels of Profit (%) will increase the return to the developer, but with a corresponding reduction in RLV and therefore reduce the 'balance' for a given BLV
- Conversely, lower levels of Profit (%) will reduce the return to the developer, and increase the RLV and therefore increase the 'balance' for a given BLV.

Benchmark Land Value Sensitivity

Figure 4.7 - CIL versus BLV sensitivity

TABLE 5		BLV (per acre)	540,000					
Balance (RLV - BLV)	624,479	200,000	250,000	300,000	350,000	400,000	450,000	500,000
	70	2,083,640	1,877,723	1,671,806	1,465,890	1,259,973	1,054,056	848,140
	90	2,032,443	1,826,527	1,620,610	1,414,693	1,208,777	1,002,860	796,943
	110	1,981,247	1,775,330	1,569,413	1,363,497	1,157,580	951,663	745,747
	130	1,930,050	1,724,134	1,518,217	1,312,300	1,106,384	900,467	694,550
	150	1,878,854	1,672,937	1,467,021	1,261,104	1,055,187	849,271	643,354
CIL £psm	170	1,827,639	1,621,722	1,415,805	1,209,889	1,003,972	798,055	592,139
93.02	190	1,776,410	1,570,493	1,364,577	1,158,660	952,743	746,827	540,910
	210	1,725,181	1,519,265	1,313,348	1,107,431	901,515	695,598	489,681
	230	1,673,953	1,468,036	1,262,120	1,056,203	850,286	644,370	438,453
	250	1,622,713	1,416,796	1,210,880	1,004,963	799,046	593,130	387,213
	270	1,571,451	1,365,534	1,159,617	953,701	747,784	541,867	335,951
	290	1,520,188	1,314,271	1,108,355	902,438	696,521	490,605	284,688
	310	1,468,926	1,263,009	1,057,092	851,176	645,259	439,342	233,426
	330	1,417,646	1,211,729	1,005,812	799,896	593,979	388,062	182,146
	350	1,366,348	1,160,431	954,514	748,598	542,681	336,764	130,848
	370	1,315,050	1,109,133	903,216	697,300	491,383	285,466	79,550
	390	1,263,751	1,057,835	851,918	646,001	440,085	234,168	28,251
	410	1,212,416	1,006,499	800,583	594,666	388,749	182,833	(23,084)
	430	1,161,080	955,164	749,247	543,330	337,414	131,497	(74,420)
	450	1,109,745	903,828	697,912	491,995	286,078	80,162	(125,755)
	470	1,058,377	852,461	646,544	440,627	234,711	28,794	(177,123)
	490	1,007,003	801,086	595,169	389,253	183,336	(22,581)	(228,497)
	510	955,628	749,712	543,795	337,878	131,962	(73,955)	(279,872)
	530	904,217	698,300	492,383	286,467	80,550	(125,367)	(331,283)
	550	852,801	646,884	440,968	235,051	29,134	(176,782)	(382,699)
	570	801,376	595,460	389,543	183,626	(22,290)	(228,207)	(434,124)

Source: AspinallVerdi

4.76 The figure above shows the sensitivity of the balance (RLV – BLV) for different combinations of BLV (£ per acre) across the columns and different amounts of CIL (£ psm) down the rows. Thus:

- The CIL Costs (£ psm) should be interpreted as for the CIL v AH sensitivity above.
- Higher BLV for Plan Making purposes will reduce the 'balance' and (if negative) show that the Policy is not viable – for that particular typology (and profit margin in the RLV etc.)
- Conversely, lower BLV's will increase the 'balance' and (if positive) show that the Policy is viable.

Density Sensitivity

Figure 4.8 - CIL versus Density sensitivity

TABLE 6		Density (dph)	30					
Balance (RLV - BLV)	624,479	30	40	50	60	70	80	90
	70	683,406	1,239,381	1,572,966	1,795,356	1,954,206	2,073,344	2,166,006
	90	632,210	1,188,185	1,521,770	1,744,160	1,903,010	2,022,147	2,114,810
	110	581,013	1,136,988	1,470,573	1,692,963	1,851,813	1,970,951	2,063,613
	130	529,817	1,085,792	1,419,377	1,641,767	1,800,617	1,919,754	2,012,417
	150	478,621	1,034,596	1,368,181	1,590,571	1,749,421	1,868,558	1,961,221
CIL £psm	170	427,405	983,380	1,316,965	1,539,355	1,698,205	1,817,343	1,910,005
93.02	190	376,177	932,152	1,265,737	1,488,127	1,646,977	1,766,114	1,858,777
	210	324,948	880,923	1,214,508	1,436,898	1,595,748	1,714,886	1,807,548
	230	273,720	829,695	1,163,280	1,385,670	1,544,520	1,663,657	1,756,320
	250	222,480	778,455	1,112,040	1,334,430	1,493,280	1,612,417	1,705,080
	270	171,217	727,192	1,060,777	1,283,167	1,442,017	1,561,155	1,653,817
	290	119,955	675,930	1,009,515	1,231,905	1,390,755	1,509,892	1,602,555
	310	68,692	624,667	958,252	1,180,642	1,339,492	1,458,630	1,551,292
	330	17,412	573,387	906,972	1,129,362	1,288,212	1,407,350	1,500,012
	350	(33,886)	522,089	855,674	1,078,064	1,236,914	1,356,052	1,448,714
	370	(85,184)	470,791	804,376	1,026,766	1,185,616	1,304,754	1,397,416
	390	(136,482)	419,493	753,078	975,468	1,134,318	1,253,455	1,346,118
	410	(187,817)	368,158	701,743	924,133	1,082,983	1,202,120	1,294,783
	430	(239,153)	316,822	650,407	872,797	1,031,647	1,150,785	1,243,447
	450	(290,488)	265,487	599,072	821,462	980,312	1,099,449	1,192,112
	470	(341,856)	214,119	547,704	770,094	928,944	1,048,082	1,140,744
	490	(393,231)	162,744	496,329	718,719	877,569	996,707	1,089,369
	510	(444,605)	111,370	444,955	667,345	826,195	945,332	1,037,995
	530	(496,017)	59,958	393,543	615,933	774,783	893,921	986,583
	550	(547,432)	8,543	342,128	564,518	723,368	842,505	935,168
	570	(598,857)	(42,882)	290,703	513,093	671,943	791,080	883,743

Source: AspinallVerdi

4.77 The figure above shows the sensitivity of the balance (RLV – BLV) for different combinations of density (dph) across the columns and different amounts of CIL (£ psm) down the rows. Thus:

- The CIL Costs (£ psm) should be interpreted as for the CIL v AH sensitivity above.
- Lower densities will reduce the 'balance' and (if negative) show that the Policy is not viable – for that particular typology (and profit margin in the RLV etc.)
- Conversely, higher densities will increase the 'balance' and (if positive) show that the Policy is viable.

4.78 We have included sensitivity analysis for each site between 30 dph and 90 dph. The higher the density within the model, the smaller the site requirement for any given number of dwellings and therefore the lower the BLV. Assuming all other things are equal when compared to the RLV, this increases the development surplus and the viability of the scheme.

4.79 This trend is infinite within the constraints of the financial model. However, we acknowledge that beyond a certain point the quality of the development is likely to suffer due to too high density which would impact the values and costs within the RLV.

Construction Costs Sensitivity

Figure 4.9 – CIL versus Construction Costs sensitivity

TABLE 7		Build cost 100%	(where 105% is a 5% increase, and 95% is a 5% decrease etc.)					
Balance (RLV - BLV)	624,479	90%	95%	100%	105%	110%	115%	120%
	70	1,347,374	1,015,434	683,406	351,259	18,961	(313,523)	(646,225)
	90	1,296,237	964,268	632,210	300,031	(32,301)	(364,821)	(697,590)
	110	1,245,099	913,101	581,013	248,803	(83,564)	(416,119)	(748,965)
	130	1,193,953	861,935	529,817	197,574	(134,826)	(467,454)	(800,344)
	150	1,142,787	810,768	478,621	146,346	(186,112)	(518,789)	(851,760)
CIL £psm	170	1,091,621	759,572	427,405	95,089	(237,410)	(570,126)	(903,176)
93.02	190	1,040,455	708,375	376,177	43,827	(288,708)	(621,500)	(954,621)
	210	989,289	657,179	324,948	(7,436)	(340,018)	(672,875)	(1,006,079)
	230	938,122	605,982	273,720	(58,701)	(391,353)	(724,263)	(1,057,558)
	250	886,933	554,779	222,480	(109,999)	(442,689)	(775,678)	(1,109,061)
	270	835,737	503,551	171,217	(161,297)	(494,036)	(827,094)	(1,160,582)
	290	784,540	452,322	119,955	(212,595)	(545,410)	(878,545)	(1,212,131)
	310	733,344	401,094	68,692	(263,918)	(596,785)	(930,003)	(1,263,702)
	330	682,147	349,865	17,412	(315,253)	(648,181)	(981,485)	(1,315,300)
	350	630,925	298,608	(33,886)	(366,589)	(699,596)	(1,032,988)	(1,366,931)
	370	579,696	247,345	(85,184)	(417,946)	(751,012)	(1,084,509)	(1,418,579)
	390	528,467	196,083	(136,482)	(469,320)	(802,468)	(1,136,059)	(1,470,278)
	410	477,239	144,820	(187,817)	(520,695)	(853,927)	(1,187,628)	(1,522,000)
	430	425,998	93,525	(239,153)	(572,099)	(905,412)	(1,239,226)	(1,573,754)
	450	374,736	42,227	(290,488)	(623,514)	(956,915)	(1,290,853)	(1,625,561)
	470	323,473	(9,071)	(341,856)	(674,933)	(1,008,437)	(1,342,501)	(1,677,403)
	490	272,211	(60,382)	(393,231)	(726,392)	(1,059,986)	(1,394,193)	(1,729,286)
	510	220,936	(111,717)	(444,605)	(777,850)	(1,111,554)	(1,445,906)	(1,781,215)
	530	169,638	(163,053)	(496,017)	(829,338)	(1,163,152)	(1,497,660)	(1,833,204)
	550	118,340	(214,391)	(547,432)	(880,842)	(1,214,774)	(1,549,455)	(1,885,249)
	570	67,042	(265,766)	(598,857)	(932,364)	(1,266,423)	(1,601,283)	(1,937,352)

Source: AspinallVerdi

4.80 This sensitivity shows the potential impact of increases (and decreases) of construction costs (£ psm) on the viability of CIL (and the Local Plan).

4.81 The sensitivity shows the balance (RLV – BLV) for different combinations of CIL (£ psm) across the columns and different % changes to construction costs where 100% is the base case construction cost and 105% represents a 5% increase in costs and 95% represents a -5% decrease in costs and so on.

- The CIL Costs (£ psm) should be interpreted as for the CIL v AH sensitivity above.
- Higher construction costs result in a lower RLV which reduces the balance.
- Lower construction costs result in a higher RLV which increases the balance.

4.82 The sensitivity of construction costs should be considered carefully in the context of Brexit.

Market Value Sensitivity

Figure 4.10 – CIL versus Market Value sensitivity

TABLE 8		Market Values 0%	(where 105% is a 5% increase, and 95% is a 5% decrease etc.)					
Balance (RLV - BLV)	624,479	90%	95%	100%	105%	110%	115%	120%
	70	2,929	343,215	683,406	1,023,503	1,363,568	1,703,565	2,043,562
	90	(48,305)	292,010	632,210	972,337	1,312,424	1,652,427	1,992,424
	110	(99,567)	240,781	581,013	921,171	1,261,258	1,601,290	1,941,286
	130	(150,830)	189,553	529,817	870,004	1,210,092	1,550,152	1,890,149
	150	(202,092)	138,324	478,621	818,812	1,158,925	1,499,013	1,839,011
CIL £psm	170	(253,379)	87,087	427,405	767,616	1,107,759	1,447,846	1,787,873
93.02	190	(304,677)	35,825	376,177	716,419	1,056,593	1,396,680	1,736,736
	210	(355,975)	(15,437)	324,948	665,223	1,005,414	1,345,514	1,685,598
	230	(407,294)	(66,700)	273,720	614,026	954,218	1,294,348	1,634,435
	250	(458,630)	(117,984)	222,480	562,801	903,021	1,243,182	1,583,269
	270	(509,965)	(169,282)	171,217	511,572	851,825	1,192,016	1,532,103
	290	(561,328)	(220,580)	119,955	460,344	800,628	1,140,820	1,480,937
	310	(612,703)	(271,888)	68,692	409,115	749,425	1,089,623	1,429,770
	330	(664,081)	(323,224)	17,412	357,872	698,196	1,038,427	1,378,604
	350	(715,496)	(374,559)	(33,886)	306,609	646,968	987,230	1,327,422
	370	(766,912)	(425,905)	(85,184)	255,347	595,739	936,034	1,276,225
	390	(818,356)	(477,279)	(136,482)	204,085	544,511	884,820	1,225,029
	410	(869,815)	(528,654)	(187,817)	152,808	493,264	833,592	1,173,832
	430	(921,293)	(580,049)	(239,153)	101,510	442,002	782,363	1,122,636
	450	(972,796)	(631,464)	(290,488)	50,212	390,739	731,135	1,071,440
	470	(1,024,317)	(682,880)	(341,856)	(1,086)	339,477	679,906	1,020,216
	490	(1,075,867)	(734,336)	(393,231)	(52,411)	288,204	628,656	968,987
	510	(1,127,439)	(785,794)	(444,605)	(103,747)	236,906	577,394	917,759
	530	(1,179,037)	(837,279)	(496,017)	(155,082)	185,608	526,131	866,530
	550	(1,230,670)	(888,782)	(547,432)	(206,432)	134,310	474,869	815,302
	570	(1,282,320)	(940,305)	(598,857)	(257,807)	82,995	423,599	764,048

Source: AspinallVerdi

4.83 This sensitivity shows the potential impact of increases (and decreases) of market value (£) on the viability of CIL (and individual schemes).

4.84 The sensitivity shows the balance (RLV – BLV) for different combinations of CIL (£ psm) across the columns and different % changes to market values where 100% is the base case market value and 105% represents a 5% increase in values and 95% represents a -5% decrease in values and so on.

- The CIL Costs (£ psm) should be interpreted as for the CIL v AH sensitivity above.
- Higher values result in a higher RLV which increases the balance.
- Lower values result in a lower RLV which decreases the balance.

4.85 The sensitivity of market values should also be considered carefully in the context of Brexit.

4.86 As you can see from the above, the typologies are very sensitive to small changes to key inputs and particularly S106, Affordable Housing, BLV and profit. We have also tested a number of typologies representing a number of different sized schemes in the various housing market areas. This has resulted in a large number of appraisal results and exponential number of sensitivity scenarios.

4.87 In making our recommendations we have had regard to the appraisal results and sensitivities 'in the round'. Therefore, if one particular scheme is not viable, whereas other similar typologies are

highly viable, we have had regard to the viable schemes in forming our recommendations and cross checked the viability of the outlying scheme against the sensitivity tables (e.g. a small reduction in profit, or a small reduction in BLV which is within the margins of the 'viability buffer').

BLV Caveats

4.88 It is important to note that the BLV's contained herein are for 'high-level' plan/CIL viability purposes and the appraisals should be read in the context of the BLV sensitivity table (contained within the appraisals). The BLV's included herein are generic and include healthy premiums to provide a viability buffer for plan making purposes.

4.89 In the majority of circumstances, we would expect the RLV of a scheme on a policy compliant basis to be greater than the EUV (and also the BLV including premium) herein and therefore viable.

4.90 However, there may be site specific circumstances (e.g. brownfield sites or sites with particularly challenging topography, access or other constraints) which result in a RLV which is less than the BLV herein. It is important to emphasise that the adoption of a particular BLV £ in the base-case appraisal typologies in no way implies that this figure can be used by applicants to negotiate site specific planning applications where these constraints exist. In these circumstances, the site-specific BLV should be thoroughly evidenced having regard to the EUV of the site in accordance with the PPG. This report is for plan-making purposes and is without prejudice to future site-specific planning applications.

5 Residential

5.1 The residential section of the report sets out our assumptions and results in respect of the general needs residential typologies (see Appendix 2 – Typologies Matrix).

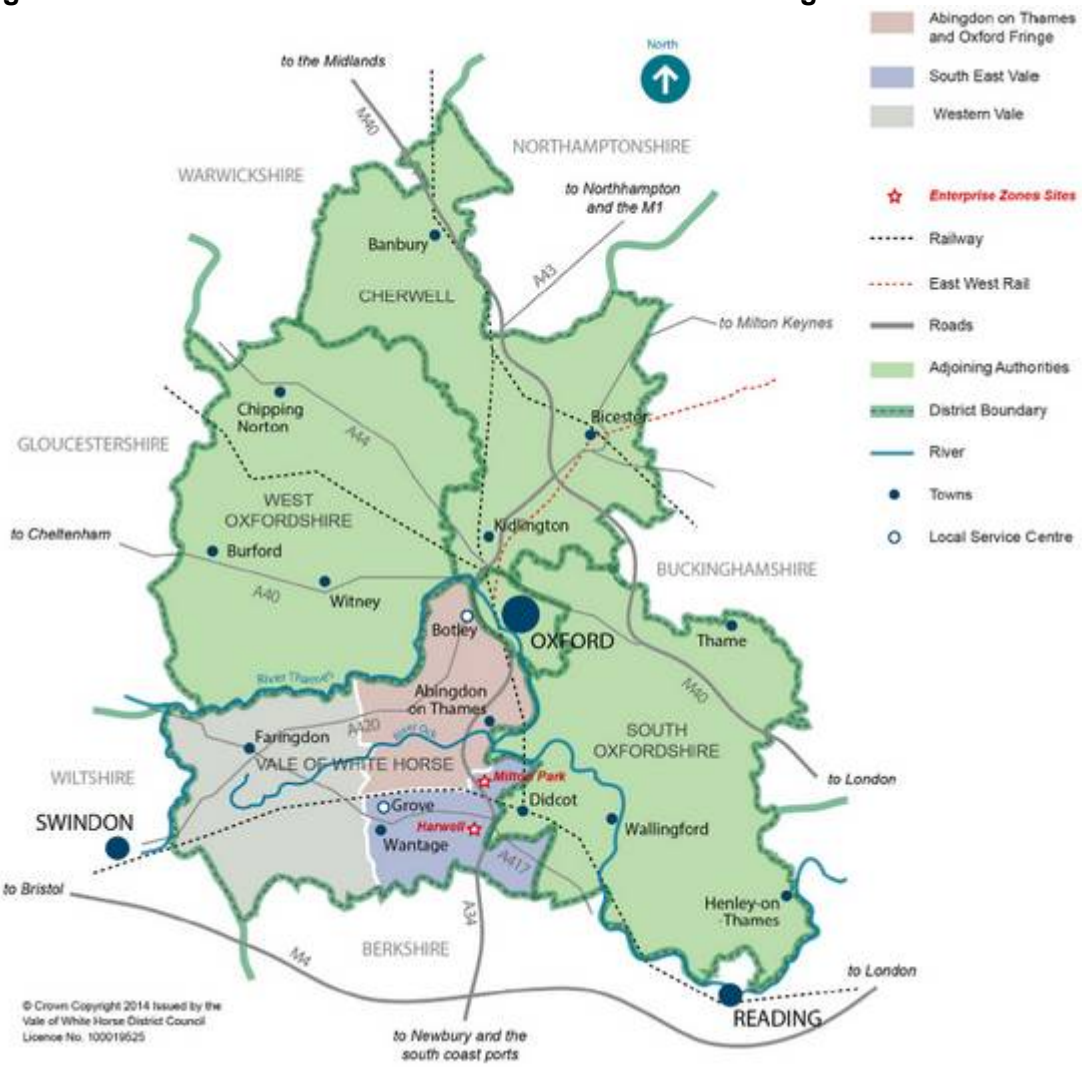
5.2 In terms of values, we append our residential market paper which reviews the existing evidence base and provides a detailed residential market analysis setting out how we have arrived at our assumptions. We provide a summary of the findings of this research paper herein (see Appendix 4 – Residential Market Paper).

Housing Zones Maps

5.3 The Local Plan 2031 Part 1 provides the context of the settlement hierarchy and characteristics of the district.

5.4 The Vale of White Horse falls between the larger centres of Oxford to the north-east and Swindon to the south-west. Didcot lies to the south-east boundary of the Vale. Although Didcot is predominantly within South Oxfordshire, the Vale is expected to accommodate major growth within the next decade. See Figure 5.1 below for the district's location and wider setting.

Figure 5.1 - Vale of White Horse District and its wider setting



Source: VOWH Local Plan 2033 Part 1, December 2016

5.5 The Vale is a largely rural district with three main settlements which are the market towns of Abingdon-on-Thames, Faringdon and Wantage. There are also two local service centres (Botley and Grove) and over 70 villages.

5.6 As can be seen from Figure 5.1 above, the district has been divided into three locally distinctive sub-area strategies:

- Abingdon-on-Thames and Oxford Fringe Sub-Area – this covers the northern and north-eastern part of the Vale which have strong linkages with the City of Oxford.
- South East Vale Sub-Area – this includes much of the Science Vale area which is an area of economic growth and innovation which spans across VOWH and South Oxfordshire Districts.

- Western Vale Sub-Area – this is a more rural sub-area stretching from the North Wessex downs AONB to the River Thames.

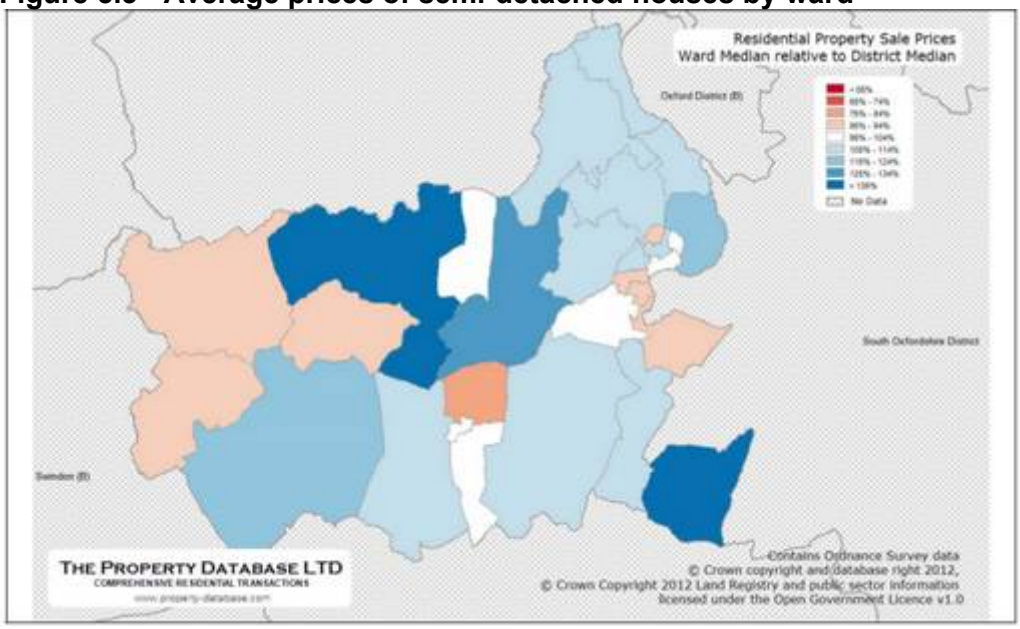
5.7 These sub areas are outlined in more detail in the map below.

Figure 5.2 – Sub-areas and Strategic growth areas

Source: VOWH Local Plan 2033 Part 1, December 2016

5.8 In 2015, HDH were commissioned to test the ability of a range of development types throughout the District of Vale of White Horse to make contributions to infrastructure requirements through the CIL. HDH considered the different value areas within the district, see Figure 5.3, and associated the different settlements with the different price areas.

Figure 5.3 - Average prices of semi-detached houses by ward



Source: HDH, SHLAA Viability Assessment, February 2014

5.9 The value areas were as follows:

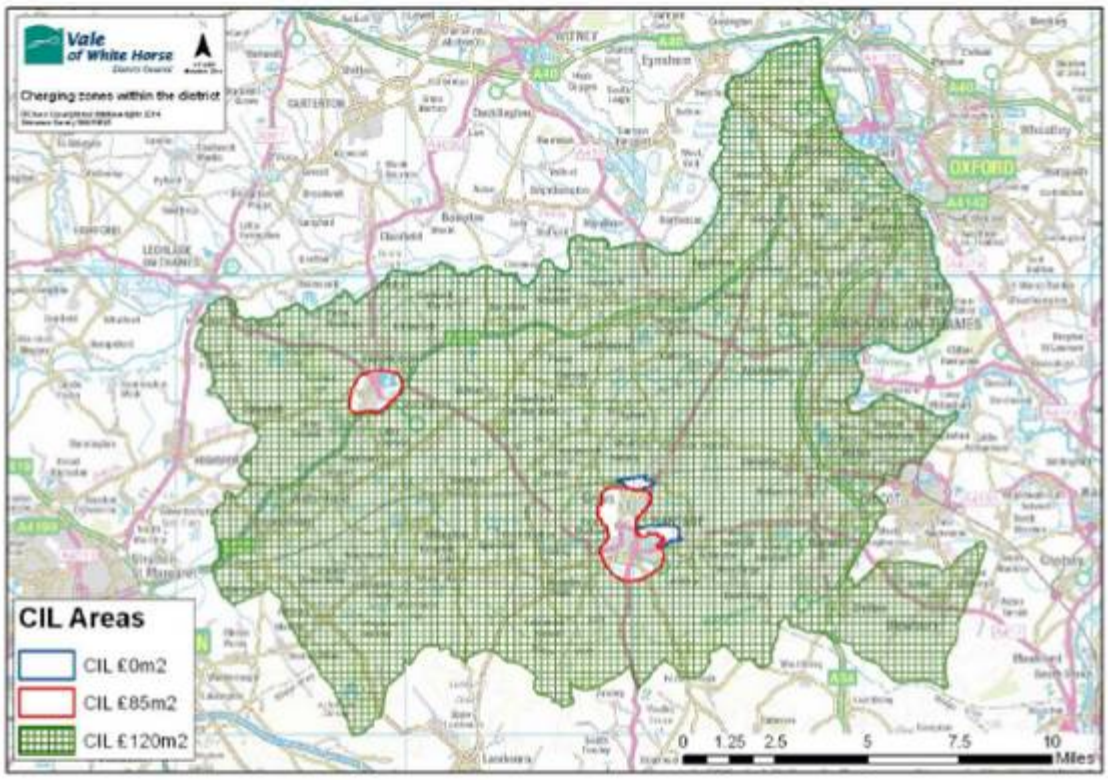
5.10 Table 5.1 - Price areas from the HDH CIL study

	Units	% of SHLAA
Area 1 - Higher Rural	**18,188**	**66%**
East Hanney Marcham Wootton Milton Harwell Drayton	Sutton Courtenay Kingston Bagpuize with Southmoor Stanford in the Vale Steventon Uffington	
Area 2 - Lower Rural	**2,258**	**8%**
Shrivenham	East Challow	
Area 3 - Higher main settlement	**4,547**	**16%**
Botley	Abingdon-on-Thames	
Area 4 - Lower Main Settlement	**2,744**	**10%**
Faringdon Grove	Wantage	

Source: HDH, SHLAA Viability Assessment, February 2014

5.11 Based on these residential values and subsequent viability assessments, the following residential charging zone areas were recommended (Figure 5.4).

Figure 5.4 - CIL Charging Schedule Zones (recommended by HDH)

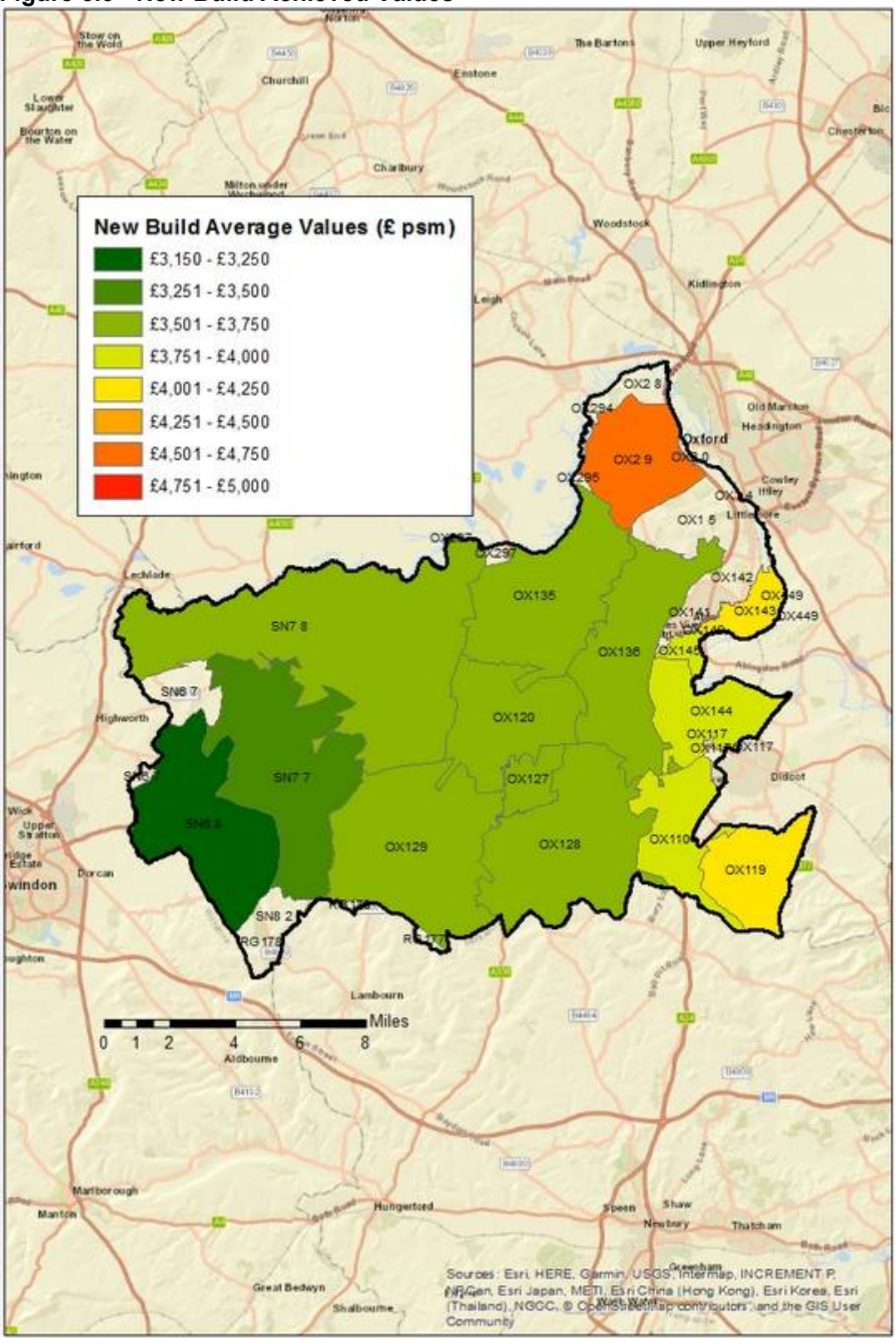


Source: HDH, 2014

5.12 It is important to notice that the above market values zones did not fully translate into the final adopted CIL zones (Figure 3.2 - CIL Charging Zones Map).

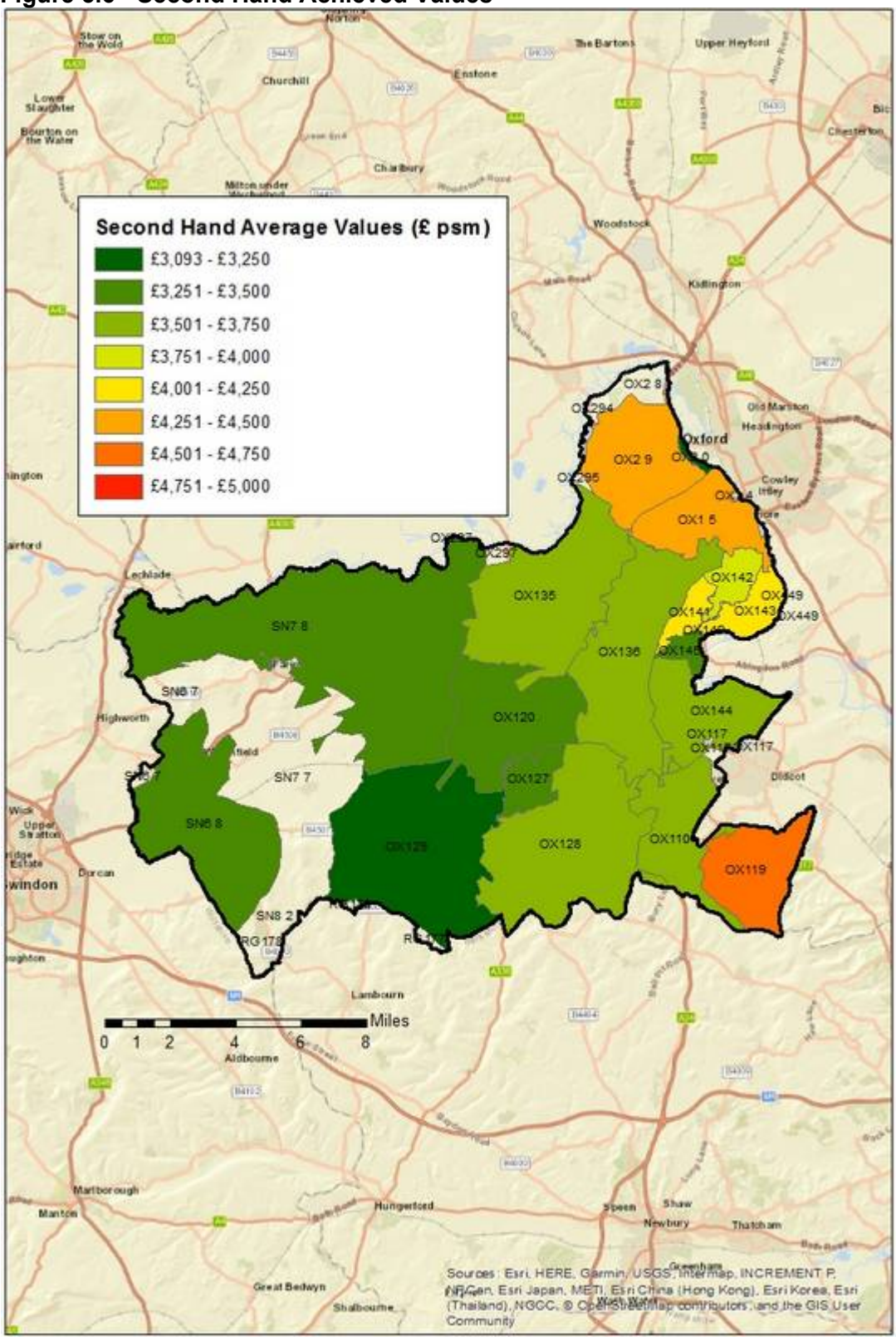
5.13 Our market research shows that residential values increase towards the east of the district. Figure 5.5 and Figure 5.6 below show the pattern of values for new build residential sales and the sales values of second-hand properties. The second-hand data is more comprehensive in some postcodes as these postcode areas did not have any new build sales recorded.

Figure 5.5 - New Build Achieved Values



Source: AspinallVerdi

Figure 5.6 - Second Hand Achieved Values



Source: AspinallVerdi

5.14 The maps above demonstrate that there is a higher value zone to the east and a lower value zone to the west. We have considered the options of either a two zone or three zone approach.

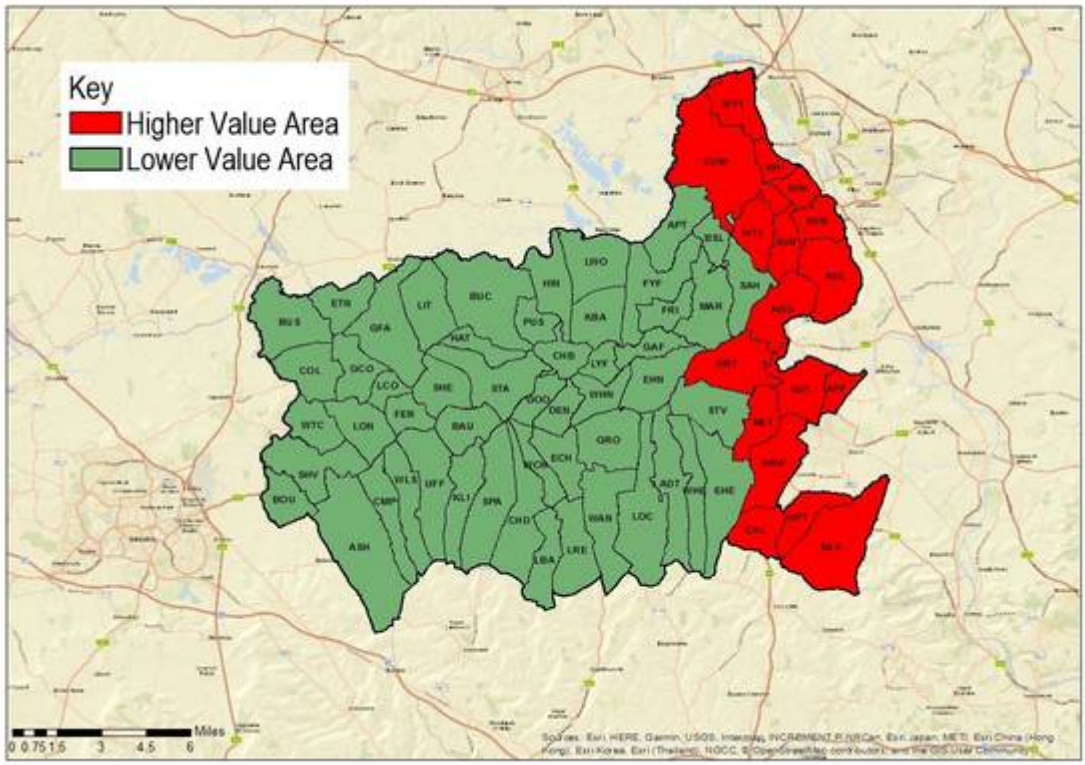
5.15 A two-zone approach would include a high value zone to the area east of the A34. There is some evidence that the remaining area could be divided again and a further lower value area could be adopted to the west. This would include postcodes SN6 8, SN7 7 and Faringdon Town Centre.

5.16 Faringdon and Wantage are the two main settlements west of the A34 we have therefore looked at these towns further to identify whether there is sufficient evidence demonstrating that they are in separate value zones.

5.17 The average new-build sale value psm in SN7 7 which includes Faringdon is £3,474 and the average new-build sales value psm in OX12 8 which includes Wantage is £3,662. This difference is due to the mix and size of properties available. As demonstrated in our residential market paper (see Appendix 4) circa half the house types in Faringdon are higher value than the same house types in Wantage. We therefore do not consider there to be sufficient evidence that Faringdon is a significantly different value area to Wantage.

5.18 Based upon the above analysis we recommend high and lower value market areas to the east and west of the A34 respectively. This maps to the following wards as illustrated below (Figure 5.7).

Figure 5.7 - Value Zones



Residential Typology Assumptions

5.19 The detailed typologies are set out in the matrix appended (see Appendix 2 – Typologies Matrix). There are a number of assumptions within the matrix which are evidenced below.

Number of Units

5.20 We have analysed the Oxfordshire Strategic Housing and Economic Land Availability Assessment (SHELAA) to formulate our typologies by size, greenfield / brownfield and location, taking into consideration the housing market areas set out above and within our residential market research paper. These have been agreed in consultation with officers at VOWHDC.

Mix

5.21 The following housing mix has been provided by the Council based on the SHMA.

Table 5.2 – Housing Mix Assumptions

	1B H	2B H	3B H	4B H	5B H	1B F	2B F
Market Housing Mix	10%	25%	35%	5%	5%	7%	13%
Affordable Housing Mix	15%	30%	40%	7.5%	7.5%	-	-

Source: AspinallVerdi

5.22 Please see the typologies matrix for the specific mix assumed for each typology (see Appendix 2 – Typologies Matrix).

Unit Size Assumptions

5.23 For the purposes of our appraisal we have ensured that our assumptions meet or exceed the nationally described housing standards by DCLG. In forming our floor area assumptions to be adopted within the appraisals, the nationally described space standards provide a useful benchmark and are our starting point.

5.24 The DCLG minimum floorspace standards are set out on the table below.

Table 5.3 - Technical Housing Standards

Number of bedrooms(b)	Number of bed spaces (persons)	1 storey dwellings	2 storey dwellings	3 storey dwellings	Built-in storage
1b	1p	39 (37)[2]			1.0
	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4.0
	8p	125	132	138	

Source: Technical housing standards – nationally described space standard (March 2015)

5.25 The DCLG standards set out a complex matrix of house types and storey heights. We have therefore had to simplify this for our analysis.

5.26 The table below sets out the range of floor areas for new-build property sold within the District.

5.27 The Land Registry does not provide details of the number of bedrooms and therefore we have had to make certain assumptions. We have adopted a number of bedrooms assumption for each unit based on nationally described space standards.

5.28 Table 5.4 summarises the floor areas for the assumed house types.

Table 5.4 - Actual Floor Areas for achieved new-build properties

	Minimum sqm	Average sqm	Median sqm	Maximum sqm
1 bed flat	39	51	51	60
2 bed flat	61	67	66	80
1 bed house	64	67	67	70
2 bed house	71	77	79	80
3 bed house	82	91	91	100
4 bed house	101	114	113	129
5 bed house	131	163	159	240

Source: AVL, 2018 – 181205 New Build Data_v2

5.29 Using the Land Registry data cross-referenced with the Energy Performance Certificate (EPC) register to establish floor areas creates complexity as the larger a property gets, the range of unit sizes widens. It is not always possible to determine whether a unit in the Land Registry data is 3, 4 or 5+ bedrooms.

5.30 Table 5.5 below provides a summary of our assumptions:

Table 5.5 - Floorspace Assumptions

Property Type	Size (Sqm)
1-Bed House	62
2-Bed House	79
3-Bed House	100
4-Bed House	115
5-Bed House	165
1 Bed Flat	50
2 Bed Flat	70

Source: AspinallVerdi

Density

5.31 The typologies matrix (see Appendix 2 – Typologies Matrix) sets out our density assumptions specific to each typology.

5.32 We have generally applied a density of 30 dwellings per hectare (dph) for the generic typologies and strategic sites. This is based on consultation with VOWHDC.

Residential Value Assumptions

5.33 The residential market paper appended (see Appendix 4 – Residential Market Paper) provides the background to the market housing value assumptions.

5.34 Based on our market assessment above we have assumed the following values (£ psm, £) across the District.

Table 5.6 - Residential Value Assumptions (£)

Dwelling Type	Eastern Parishes (£)	Rest of District (£)
1 Bed Flat	£235,200	£200,000
2 Bed Flat	£286,000	£255,000
1 Bed House	£300,000	£240,000
2 Bed House	£350,000	£300,000
3 Bed House	£420,000	£365,000
4 Bed House	£500,000	£400,000
5 Bed Houses	£600,000	£525,000

Source: AspinallVerdi (190228 Market Value Assumptions_v3)

Table 5.7 - Residential Value Assumptions (£ psm)

Dwelling Type	Eastern Parishes (£ psm)	Rest of District (£ psm)
1 Bed Flat	£4,704	£4,000
2 Bed Flat	£4,086	£3,643
1 Bed House	£4,839	£3,871
2 Bed House	£4,430	£3,797
3 Bed House	£4,200	£3,650
4 Bed House	£4,348	£3,478
5 Bed Houses	£3,636	£3,182

Source: AspinallVerdi (190228 Market Value Assumptions_v3)

Transfer Values

5.35 The Council has provided us with updated affordable housing mix and transfer values for the purposes of this viability study. These are set out below.

Table 5.8 - Affordable Housing Mix and Value Assumptions

Affordable Housing Tenure	% Mix	Transfer Value (% of OMV)
Affordable Housing %	35%	
Of which…		
Intermediate Tenure (LCHO)	25%	76%
Affordable Rent	75%	60%

Source: VOWHDC Housing

Residential Cost Assumptions

5.36 The development costs adopted within our appraisals are evidenced (where necessary) and set out below. Note that we consulted with stakeholders on these assumptions at the workshop on 28th February 2019.

Table 5.9 - Residential Cost Assumptions

Item	Comment
Planning Application Professional Fees and Reports	Allowance for typology, generally 3 times statutory planning fees.
Statutory Planning Fees	Based on national formula.
CIL	This is the residential CIL rate (£ psm) and an input to the CIL sensitivity tables which shows the impact of potential movement in the charging schedule which is currently: • Zone 1 (Rest of District) - £93.02 • Zone 2 (Faringdon, Grove and Wantage) - £131.33 • £0.00 psm for designated strategic sites. For the purposes of the appraisals herein we have adopted the Zone 1 CIL rate for greenfield typologies and the Zone 2 rate for brownfield typologies. We have assumed that the strategic sites mitigate their own impacts (as set out in the detailed S106 and Infrastructure pro-forma spreadsheets) and therefore no CIL will be chargeable.
Site-Specific S106/S278	Site Specific Allowance for typology – note that this is in addition to external works costs. See typologies matrix – Appendix 2.

Item	Comment
	£2,500 per dwelling for developments up to 20 units £7,000 per dwelling for developments over 20 units Note that the strategic sites include various site specific S106 (and infrastructure assumptions). These are set out at Appendix 6 based on the Council's Infrastructure Delivery Plan (IDP).
Strategic Infrastructure	This is based upon the site specific proformas that have been confirmed with the Council. Note that this only applies to strategic sites.
Estate Housing (build costs)	£1,160 – 1,308 psm lower to median BCIS. This is rebased for Oxfordshire for the last 5 years. We have used median BCIS cost in our baseline assumptions. For larger sites over 100 units we have adopted the lower quartile.
Flats 3-5 Storey (build costs)	£1,439 psm We have used the median BCIS cost in our baseline assumptions. This is rebased for Oxfordshire for the last 5 years.
M4(2) Category 2 – Accessible and Adaptable housing	+£521 per unit Based on DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157 (all units).
M4(3) Category 3 - Wheelchair Adaptable dwellings	+£10,111 per unit Based on DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157 (all units).
Water Efficiency	£10 per unit additional cost. This is as per research in South Oxfordshire based on the latest version of the SODC WCS (v4.3, 15/01/2018).
External Works	15% For the purposes of our appraisal we have used 15% for external works, which we consider is a more than sufficient allowance for a plan-wide study (given we have included 3% contingency). This includes generic 'on-plot' costs including inter alia: estate roads, pavements, street-lights, utilities, drainage etc. Note that this is in addition to the strategic infrastructure costs quoted on the site proformas.
Contingency	3% of the above construction costs. Higher contingencies are sometimes included in site specific appraisals, but these are generally for specific abnormal costs

Item	Comment
	or ground conditions which are not part of a high-level plan wide viability assessment.
Professional Fees	6.5% Based on average of recent FVA evidence. These are construction related professional fees as opposed to the 'Planning Application Professional Fees and Reports' professional fees included above at the feasibility stage.
Disposal Costs	3% (Marketing & Disposal) 1% (Sale Agents) 0.5% (Sales Legal Fees) Note that the marketing and promotion costs have to be considered 'in-the-round' with the sales values and gross profit (where developers have internal sales functions).
Finance Costs	6.5% interest rate Based on average of recent FVAs. Applies to 100% of cashflow to include Finance Fees etc.
Profit	20% on open market sales (see below). 6% on affordable housing.

Source: AspinallVerdi

Profit Assumptions

5.37 For the purposes of this FVA we have consulted on a baseline profit of 20% to the private housing (open market sales (OMS) values) - with a sensitivity analysis which shows the impact of profit between 15-21%. We also consulted on 6% profit to the on-site affordable housing (where applicable).

5.38 This is consistent with the PPG (July 2018) which refers to profit of 15-20% being a reasonable assumption for market housing. Our baseline assumption of 20% profit is at the top end of the range and we have included sensitivities down to 15% profit within the appraisals. However, we consider this to be a generous margin and allows for 'buffer' in addition to the contingency allowance (3% included).

5.39 It is important to note that it is good practice for policy obligations not to be set right up to the margins of viability. However, in certain circumstances developers will agree lower profit margins in order to secure planning permission and generate turnover. The sensitivity analyses within the appendices show the 'balance' (i.e. RLV – BLV) for developer's profit from 21% on private

housing down to 15%. This clearly shows the significant impact of profit on viability (especially for larger schemes).

Residential Land Value Assumptions

5.40 The Land Value Paper (see Appendix 3 – Land Value Paper) sets out our approach and analysis of the land market in Vale of White Horse. Within this section we outline the key assumptions around residential land values. Our benchmark land value (BLV) assumptions are set out below (page over).

5.41 Land value is one of the key variables (together with profit) which determines the viability and deliverability or otherwise of a scheme.

5.42 With the new NPPF (July 2018) government policy has changed to ensure that planning policies are tested and viable at a Plan level; the developer has planning certainty to agree the land price with the landowner; and the scheme is delivered on a policy compliant basis.

5.43 For greenfield typologies we adopt a bottom up approach based on the net value per acre / hectare for agricultural / paddock land (existing use value (EUV)). This EUV is 'grossed up' to reflect a net developable to gross site area ratio of 75%. The BLV is divided by the (higher) net value per acre / hectare gives an uplift multiplier (or premium) of between 20-28. These are the benchmark values that we would assume for the purpose of our hypothetical viability appraisals, and they act as the benchmark to test the RLV's of schemes to determine whether sites would come forward for development. These premiums are greater than those set out in the Homes and Communities Agency (now Homes England) (in August 2010) guidance which is now somewhat historic and does not take into consideration the high value area which is Oxfordshire. See the BLV Caveats at section 4 in respect of site-specific negotiations and premiums.

5.44 For the residential typologies on brownfield land, the benchmark land value is based on a 20% premium over perceived Existing Use Values. Note that EUVs for brownfield sites are sensitive to the particular use and any legacy costs of contamination, site remediation and demolition.

Table 5.10 - Benchmark Land Value Assumptions

Typology	Location	Existing Use	EUV -					Uplift Multiplier	BLV -		Policy adjustment	MV -	
			(per acre) (gross)	(per ha) (gross)	Net:Gross (%)	(per acre) (net)	(per ha) (net)	x [X] or %(rounded)	(per acre) (net developable) (rounded)	(per ha) (net developable) (rounded)	- [X] %	(per acre) (net)	(per ha) (net) (rounded)
Residential < 50 units	Higher Value Zone - Eastern Parishes	Greenfield	£15,000	£37,065	75%	£20,000	£49,420	28	£550,000	£1,359,000	15%	£650,000	£1,606,000
Residential > 50 units	Higher Value Zone - Eastern Parishes	Greenfield	£12,500	£30,888	75%	£16,667	£41,183	28	£470,000	£1,161,000	15%	£550,000	£1,359,000
Residential < 50 units	Lower Value Zone - Rest of the District	Greenfield	£15,000	£37,065	75%	£20,000	£49,420	25	£500,000	£1,236,000	17%	£600,000	£1,483,000
Residential > 50 units	Lower Value Zone - Rest of the District	Greenfield	£12,500	£30,888	75%	£16,667	£41,183	27	£450,000	£1,112,000	10%	£500,000	£1,236,000
Residential Strategic Sites	Lower Value Zone - Rest of the District	Greenfield	£10,000	£24,710	50%	£20,000	£49,420	23	£450,000	£1,112,000	10%	£500,000	£1,236,000
Residential	Higher Value Zone - Eastern Parishes	Brownfield	£700,000	£1,729,700	100%	£700,000	£1,729,700	20%	£840,000	£2,076,000			
Residential	Lower Value Zone - Rest of the District	Brownfield	£450,000	£1,111,950	100%	£450,000	£1,111,950	20%	£540,000	£1,334,000			

Source: AspinallVerdi (190226 VOWH Land Value Research_v4)

Residential Viability Results

5.45 We set out below the results of our viability appraisals. For ease of reference, the results are set out by market area and follow our typologies matrix from A through to AM. Where necessary, we provide comment on any nuances in the results.

5.46 The residential appraisals are appended in full at Appendix 6. These include a summary table at the end of each batch of appraisals (by market area / type as described below).

5.47 Note that in the discussion below we have rounded the values for ease of interpretation.

Schemes A - C: Strategic Sites

5.48 We have appraised the following strategic sites:

- A - 400 units - North west of Grove
- B - 1,200 units - Dalton Barracks
- C - 600 units - East of Kingston Bagpuize

5.49 These typologies are all viable including 35% affordable housing and £0.00 psm CIL.

5.50 We have included within the appraisal the significant costs of site specific S106 and infrastructure costs for each strategic site. These assumptions are set out in the Strategic Site Assumptions at Appendix 7 (which have been confirmed by the Council).

5.51 The *total* cost of S106 and infrastructure for each strategic site is –

- A - North west of Grove - £45,704 per unit
- B - Dalton Barracks - £36,351 per unit
- C - East of Kingston Bagpuize - £46,591 per unit

5.52 All of the typologies generate a RLV in excess of £470,000 per acre / £1,167,000 per hectare (scheme C – East of Kingston Bagpuize) and up to £573,000 per acre / £1,417,000 per hectare (scheme B – Dalton Baracks) – which is a healthy land value.

5.53 Taking into consideration the BLV for greenfield strategic sites (£450,000 per acre / £1,112,000 per hectare), the surplus over the RLV is also healthy. For Dalton Barracks we have adopted a BLV for brownfield sites (£540,000 per acre / £1,334,000 per ha).

5.54 The surplus over RLV equates to a minimum of £20,000 per acre / £56,000 per hectare (scheme C – East of Kingston Bagpuize) up to £33,000 per acre / £82,500 per hectare (scheme B – Dalton Baracks). This represents a sufficient 'viability buffer'.

5.55 The sites are sensitive to S106 costs, BLV, profit, density, build costs and market values. Therefore an increase in costs can be mitigated through higher density and lower profit or BLV assumptions. Due to the size of these schemes a small reduction in BLV or profit still provides a significant return to the developer and land owner in absolute terms.

5.56 Given that the strategic sites mitigate their own impact through site-specific S106, there is no rationale to charge CIL on these sites. We recommend that CIL remains at £0 psm for strategic sites.

Schemes D – J: Lower value zone - Greenfield

5.57 We have appraised 7 greenfield typologies in the lower value zone ranging from a 1 unit scheme to a 270 unit scheme (see Appendix 2 – Typologies Matrix). We have adopted the CIL rate for the existing zone 1 which is most representative of greenfield sites.

5.58 **These typologies are all viable including 35% affordable housing / 0% affordable housing for the schemes less than 10 units and £131.33 psm CIL.**

5.59 All of the typologies generate a RLV in excess of £632,000 per acre / £1,561,000 per hectare (scheme G – 50 units) and up to £1,071,000 per acre / £2,647,000 per hectare (scheme J – 1 unit) – which is a healthy land value.

5.60 Taking into consideration the BLV based on £450,000 per acre / £1,112,000 per hectare for the large sites (in excess of 50 units) and £500,000 per acre / £1,235,500 for the smaller sites - this results in a substantial surplus.

5.61 The surplus for the sites below the 10-unit affordable housing threshold (schemes H – J) provide the highest surplus on a per acre basis of over £465,000 per acre / £1,151,000 per hectare. This is because there is no affordable housing on these sites.

5.62 Schemes D and E (270 units and 170 units) provide the highest surplus of the sites over 10 units of circa £375,000 per acre / £925,000 per hectare. These are large sites which are likely to be built out by larger developers who are able to achieve a lower build rate and therefore these schemes have lower costs.

5.63 Scheme G – 50 units, provides the lowest surplus on a per acre basis of £132,000 per acre / £325,000 per hectare – which is still a healthy surplus. This scheme provides a lower surplus due to the higher BLV and build costs compared to larger schemes.

5.64 These typologies include the existing zone 1 CIL of £131.33 psm. The sensitivity tables show that there is scope to increase CIL, without prejudicing viability, to:

- £430 psm on the smaller schemes below 10 units (schemes H, I and J)
- £330 psm on the medium sized schemes (90 and 50 units - schemes F and G)

- Over £570 psm on the larger schemes (270 and 170 units - schemes D and E)

Schemes K-P: Lower value zone - Brownfield

5.65 We have appraised 6 brownfield typologies in the lower value zone ranging from a 1 unit scheme to a 170 unit scheme (see Appendix 2 – Typologies Matrix). We have adopted the CIL rate for the existing zone 2 which is more representative of brownfield sites.

5.66 **These typologies are all viable including 35% affordable housing / 0% affordable housing for the schemes less than 10 units and £93.02 psm CIL.**

5.67 All of the typologies generate a RLV in excess of £602,000 per acre / £1,488,000 per hectare (scheme M – 25 units) and up to £1,070,000 per acre / £2,645,000 per hectare (scheme P – 1 unit) – which is a healthy land value.

5.68 Taking into consideration the BLV based on £540,000 per acre / £1,334,000 per hectare for brownfield sites - this still results in a substantial surplus.

5.69 The surplus for the sites below the 10-unit affordable housing threshold (schemes N – P) provide the highest surplus on a per acre basis of over £434,000 per acre / £1,071,000 per hectare. This is because they do not have to contribute to affordable housing.

5.70 The 170-unit scheme (scheme K) provides the highest surplus of the sites over 10 units of circa £256,000 per acre / £633,000 per hectare. This is a large site which is likely to be built out by larger developers who are able to achieve a lower build rate and therefore this scheme has lower costs.

5.71 Schemes L and M (50 and 25 units), provide the lowest surplus on a per acre basis of circa £63,000 per acre / £155,000 per hectare – which is still a healthy surplus. These schemes provide a lower surplus due to the higher BLV and build costs compared to larger schemes.

5.72 These typologies include the existing zone 1 CIL of £93.02 psm. The sensitivity tables show that there is scope to increase CIL, without prejudicing viability, to:

- £370 psm on the smaller sites below 10 units (schemes N, O and P)
- £170 psm on the medium sized sites (50 and 25 unit schemes L and M)
- £490 psm on the large 170 unit scheme (scheme K)

5.73 Schemes L and M have the lowest viability threshold due to higher land costs for smaller sites but higher build costs compared to the rates which can be achieved by national house builders on larger sites. These schemes are sensitive to profit, density and BLV and CIL can be increased to £250 psm (for example) if:

- Profit is reduced to 18%
- BLV is reduces to £500,000 per acre, or

- Density is increased to 35 dph

5.74 Furthermore, we have included £50,000 an acre for demolition for brownfield sites. This is based on the assumption there may be some existing buildings on these sites. We have not taken into consideration the fact that CIL is only payable on the net increase in floorspace and that vacant building credit could be used to offset some of the affordable housing requirements. Therefore the actual amount that CIL can increase to before prejudicing viability is likely to be higher.

Schemes Q - W: Higher value zone - Greenfield

5.75 We have appraised 7 greenfield typologies in the lower value zone ranging from a 1 unit scheme to a 270 unit scheme (see Appendix 2 – Typologies Matrix). We have adopted the CIL rate for the existing zone 1 which will be most representative of greenfield sites.

5.76 **These typologies are all viable including 35% affordable housing / 0% affordable housing for the schemes less than 10 units and £131.33 psm CIL.**

5.77 All of the typologies generate a RLV in excess of £1,040,100 per acre / £2,572,000 per hectare (scheme T – 50 units) and up to £1,875,000 per acre / £4,632,000 per hectare (scheme W – 1 unit) – which is a healthy land value.

5.78 Taking into consideration the BLV based on £470,000 per acre / £1,161,000 per hectare for the large sites (in excess of 50 units) and £550,000 per acre / £1,359,000 for the smaller sites - this results in a substantial surplus.

5.79 The surplus for the sites below the 10 unit affordable housing threshold (schemes U – W) provide the highest surplus on a per acre basis of over £1,142,000 per acre / £2,820,000 per hectare

5.80 Schemes Q and R (270 units and 170 units) provide the highest surplus of the sites over 10 units of circa £762,000 per acre / £1,883,000 per hectare. These are large sites which are likely to be built out by larger developers who are able to achieve a lower build rate and therefore these schemes have lower costs.

5.81 Scheme T – 50 units, provides the lowest surplus on a per acre basis of £491,000 per acre / £1,213,000 per hectare – which is still a healthy surplus. This scheme provides a lower surplus due to the higher BLV and build costs compared to larger schemes.

5.82 These typologies include the existing zone 1 CIL of £131.33 psm. The sensitivity tables show that there is scope to increase CIL on all sites to over £570 psm without prejudicing viability. However, we would not recommend such a large increase in one go and recommend a phased increase and continual review.

Schemes X-AC: Higher value zone - Brownfield

5.83 We have appraised 6 brownfield typologies in the higher value zone ranging from a 1 unit scheme to a 170 unit scheme (see Appendix 2 – Typologies Matrix). We have adopted the CIL rate for the existing zone 2 which will most representative of brownfield sites.

5.84 **These typologies are all viable including 35% affordable housing / 0% affordable housing for the schemes less than 10 units and £93.02 psm CIL.**

5.85 All of the typologies generate a RLV in excess of £1,014,000 per acre / £2,504,000 per hectare (scheme Z – 50 units) and up to £1,874,000 per acre / £4,630,000 per hectare (scheme AC – 1 unit) – which is a healthy land value.

5.86 Taking into consideration the BLV based on £840,000 per acre / £2,076,000 per hectare for brownfield sites - this results in a substantial surplus.

5.87 The surplus for the sites below the 10-unit affordable housing threshold (schemes AA-AC) provide the highest surplus on a per acre basis of over £864,000 per acre / £2,135,000 per hectare.

5.88 Scheme X (170 units) provides the highest surplus of the sites over 10 units of circa £364,000 per acre / £901,000 per hectare. This is a large site which is likely to be built out by larger developers who are able to achieve a lower build rate and therefore this scheme has lower costs.

5.89 Scheme Z (50 units), provides the lowest surplus on a per acre basis of circa £63,000 per acre / £155,000 per hectare – which is still a health surplus. These schemes provide a lower surplus due to the higher BLV and build costs compared to larger schemes.

5.90 These typologies include the existing zone 1 CIL of £93.02 psm. The sensitivity tables show that there is scope to increase CIL to:

- Over £570 psm on the smaller sites below 10 units (schemes AA, AB and AC)
- £350 psm on the medium sized sites (90 and 50 unit schemes Y and Z)
- Over £570 psm on the large 170 unit scheme (scheme X)

5.91 Brownfield typologies are particularly sensitive to the EUV and premium assumption (BLV) and we would therefore recommend a lower CIL rate on brownfield sites compared to greenfield sites in order to ensure there is a large viability buffer.

Schemes AD:AE: Apartment schemes - Brownfield

5.92 We have appraised a small 9 unit brownfield apartment scheme in the higher and lower value areas.

5.93 **These typologies are viable including 0% affordable housing and £93.02 psm CIL.**

5.94 Scheme AD in the lower value zone generates a RLV of £925,000 per acre / £2,284,000 per hectare. Scheme AE in the higher value zone generates a RLV of £1,714,000 per acre / £4,235,000 per hectare. These are healthy land values.

5.95 Taking into consideration the BLV based on £540,000 per acre / £1,334,000 and £840,000 per acre / £2,076,000 per hectare for brownfield sites - this results in a substantial surplus.

5.96 The surplus for scheme AD (lower value zone) is £385,000 per acre / £950,000 per hectare. The surplus for scheme AE (higher value zone) is £874,000 per acre / £2,159,000 per hectare.

5.97 These typologies include the existing zone 1 CIL of £93.02 psm. The sensitivity tables show that there is scope to increase CIL to £230 psm in the lower value zone and £430 psm in the higher value zone.

Schemes AF:AG – AONB and RES

5.98 We have appraised a 9-unit RES (Rural Exception Sites) scheme. This is based on 100% affordable housing (excluding any other site-specific mitigation S106 contributions)[45].

5.99 **The RES scheme is viable including £2,500 psm of S106 costs - CIL is set to £ Nil (because affordable housing is exempt)**.

5.100 Scheme AF shows a RLV of £42,750 per plot which is significantly above the £10,000 per plot / £121,000 per acre / £300,000 per hectare BLV.

5.101 We note that the NPPF specifically states that *Local planning authorities should support opportunities to bring forward rural exception sites that will provide affordable housing to meet identified local needs, and consider whether allowing some market housing on these sites would help to facilitate this.* [46]

5.102 This helps to strengthen the link between private housing on RES sites, but we still have concerns about introducing market housing onto RES sites. Landowners will not necessarily make the link between the market housing and the cross-subsidy required to the affordable housing. Landowners will see the market housing as the 'thin end of the wedge' which enables them to attribute 'hope value' to much higher land value than they might otherwise expect the receive for just 100% affordable housing - they will want their uplift in value particularly in comparison with allocated sites. There is a danger that market housing on RES sites could result a spiralling land values for this type of development which would be counter-productive.

5.103 However, this should not be required given the above viability model. If viability circumstances were to change this is an option for consideration, however, the danger with the above policy of

[45] Note that the February 2018 included £1,750 per unit for site specific mitigation
[46] Department of Communities and Local Government (February 2019) The National Planning Policy Framework paragraph 77.

allowing private housing on rural exceptions sites is that landowners will inevitably think that they can charge more for the land i.e. the benchmark land value will go up.

5.104 This should not be required on the basis of the above viability model. Furthermore, CIL payable on any market housing that is introduced on RES schemes would be counter-productive.

5.105 We have appraised a 6-unit scheme in the AONB. We have adopted the CIL rate for the existing zone 1 which will predominantly be greenfield sites.

5.106 **The AONB typology is viable including a 35% affordable housing commuted sum and £131.33 psm CIL.**

5.107 Scheme AG shows a RLV of £947,000 per acre / £2,341,000 per acre which is a healthy land value.

5.108 Taking into consideration the BLV of £550,000 per acre / £1,359,000 based on small greenfield sites - this results in a substantial surplus. The surplus for scheme AG is £447,000 per acre / £1,106,000 per hectare.

5.109 We have calculated the equivalent off-site commuted sum for this typology to be £168 psm.

5.110 This typology includes the existing zone 1 CIL of £131.33 psm. The sensitivity tables show that there is scope to increase CIL to £450 psm without prejudicing viability.

6 Student Accommodation

6.1 This section is in respect of purpose-built student accommodation (PBSA). The appraisals are appended in full at Appendix 8.

Typology Assumptions

6.2 Table 6.1 outlines our typology assumptions for PBSA. This is based on a typical (cluster) flatted scheme which may come forward on a greenfield site, for example in the north east of the District around Oxford, or the edge of Reading. There is also potential for this typology to come forward in Didcot or Culham. Note that the typology appraised is generic.

Table 6.1 – Student Typology Assumptions

	Schemes AH - AK – Student Accommodation
No. of units	175 / 500
Development Density (dph)	160
1 Bed unit size (sqm)	20
Non-chargeable communal space (net-to-gross)	85%

Source: AspinallVerdi

Value Assumptions

6.3 Please see Chapter 7 in the Residential Market Paper (see Appendix 4 – Residential Market Paper) for our market commentary in respect of rents and yields for student accommodation.

6.4 The purpose-built student accommodation is a significant property sector in its own right. It is an attractive sector for investors not withstanding potential structural changes in terms of the cost of higher education provision for overseas students.

6.5 We have used the following headline rent within our PBSA appraisal.

Table 6.2 – PBSA Rental Value Assumptions

Property	Rental Value £ pcm
1 bed student let	1,080

Source: AspinallVerdi, December 2018

6.6 We have assumed a 30% deduction from the gross headline rent to the net rent. This is to take into consideration the cost of: Void Loss / Write-offs / Expend on Voids; Regular Maintenance / Insurance / Utilities; Management Fees / Letting Costs; and Major repairs / refurb (SF) etc.

6.7 We have applied a net yield of 4.25%.

Affordable Housing Value assumptions

6.8 For the purposes of this typology we have assumed that there is no affordable housing on-site and calculated the equivalent of 35% affordable housing as a commuted sum.

Cost Assumptions

6.9 The table below outlines the cost assumptions:

Table 6.3 – PBSA Construction Cost Assumptions

Item	Build Cost	Comments
Flats 6+ Storey (e.g. Student etc)	£1,569 – 1,861 psm	Lower – Median BCIS. We have used the median BCIS cost in our baseline assumptions.
External Works	+5%	These schemes generally have fewer external areas and higher densities.
Contingency	+5%	Due to the higher density structures.
Site-Specific S106/S278	£6,000 per dwelling	Site Specific Allowance for typology – note that this is in addition to external works costs. See typologies matrix – Appendix 2.

Source: AspinallVerdi

Profit

6.10 We have included a profit margin of 15% on cost for the PBSA typology. This is because this is more of a 'commercial' investment approach to development rather than a volume housebuilder traditional margin on turnover/sales model.

6.11 In reality we acknowledge that PBSA investors and developers have a variety of measures to appraisal projects including IRR (Internal Rate of Return). This is too bespoke for high level plan viability purposes.

Land Values

6.12 For the purpose of the student accommodation appraisal, we have included a BLV of £450,000 per acre / £1,161,000 per hectare based on residential greenfield sites for the rest of the District / lower value area.

Viability Results

6.13 We have tested PBSA typologies in both greenfield and brownfield sites. They are applicable across the district but focus on the north west of the District around Oxford. There is also potential for this typology to come forward in Didcot.

Scheme AH:AI: PBSA - Greenfield

6.14 These schemes are viable based on a 35% affordable housing off-site commuted sum and CIL at £131.33 psm.

6.15 The RLV for these schemes are circa £6m per acre / £15m per hectare – which is a very healthy land value. Taking into consideration the BLV based on £470,000 per acre / £1,161,000 for greenfield sites, this still results in a substantial surplus of £5.5m per acre / £14m per hectare.

6.16 We have calculated the equivalent affordable housing off-site commuted sum to be £447 psm for scheme AH – 175 units and £440 psm for scheme AI – 500 units.

6.17 These typologies include the existing zone 1 CIL of £131.33 psm. The sensitivity tables show that there is scope to increase CIL to over £600 psm without prejudicing viability. However, we would recommend that such a large increase is not implemented in one go and the CIL aligned with residential rates for simplicity.

Scheme AJ:AK: PBSA - Brownfield

6.18 These schemes are viable based on a 35% affordable housing off-site commuted sum and CIL at £93.02 psm.

6.19 The RLV for these schemes are circa £6m per acre / £15m per hectare – which is a very healthy land value. Taking into consideration the BLV based on £840,000 per acre / £2,076,000 for brownfield sites, this still results in a substantial surplus of £5m per acre / £13m per hectare.

6.20 We have calculated the equivalent affordable housing off-site commuted sum to be £447 psm for scheme AJ – 175 units and £440 psm for scheme AK – 500 units.

6.21 These typologies include the existing zone 2 CIL of £93.02 psm. The sensitivity tables show that there is scope to increase CIL to over £600 psm without prejudicing viability. Again, we would not recommend that such a large increase is implemented in one go and the CIL aligned with residential rates for simplicity. It is important to have regard to the higher risks and sensitivity of brownfield land development in terms of EUV, site remediation and demolition etc.

7 Specialist Accommodation for Older People

7.1 Chapter eleven of the Residential Market Paper (see Appendix 4 – Residential Market Paper) sets out our approach to appraising specialist accommodation for older people. It defines the various types of older persons / age restricted housing. This section provides a summary of the value and cost assumptions, our typologies and appraisal results. The appraisals are appended in full at Appendix 7.

Typology Assumptions

7.2 Table 7.1 outlines our typology assumptions for older persons housing. The typologies appraised are generic typologies for C3 self-contained schemes.

Table 7.1 – Older Persons Housing Typology Assumptions

	Scheme AL – Age Restricted / Sheltered Housing	Scheme AM – Assisted Living / Extra-Care Housing
No. of units	55	60
Development Density (dph)	125	100
1 Bed unit size (sqm)	50	60
2 Bed unit size (sqm)	75	80
Non-chargeable communal space (net-to-gross)	75%	65%

Source: AspinallVerdi

Value Assumptions

7.3 The Residential Market Paper provides a market analysis of the demand for older persons housing. Consistent with national trends, Vale of White Horse District has an aging population.

7.4 We have identified a number of new build and second-hand schemes for age restricted units in Vale of White Horse.

7.5 We have taken the average new build asking prices from Faringdon and Wantage as we have assumed the older persons housing in our typology appraisals will be located in the 'rest of district' area. This is on the basis that if the scheme is viable in the lower value area it will be viable in the higher value area.

7.6 We have assumed the following values for sheltered housing / retirement living properties:

Table 7.2 - Retirement Living / Sheltered Housing Value Assumptions

No. of Beds	Unit Price	Floor Area (sqm)	Price psm
1-Bed	£240,000	50	£4,800
2-Bed	£300,000	75	£4,000

Source: AspinallVerdi (190110 Retirement Living v1)

7.7 We have applied a 25% premium to establish a value for the extra-care housing. This is based on benchmark guidance from the Retirement Housing Group[47].

Table 7.3 - Extra-Care Housing Value Assumptions

No. of Beds	Unit Price	Floor Area (sqm)	Price psm
1-Bed	£300,000	60	£5,000
2-Bed	£375,000	80	£4,688

Source: AspinallVerdi (190110 Retirement Living v1)

Cost Assumptions

7.8 The table below outlines the cost assumptions:

Table 7.4 - Older Persons Housing Construction Cost Assumptions

Typologies	Build Cost	Comments
Demolition / Site Clearance	£50,000 per acre	For brownfield typologies we have made an allowance of £50,000 per acre for site clearance / demolition.
Sheltered Housing	£1,349 - £1,563 psm	Lower – Median BCIS. We have adopted the Median construction cost in our appraisals.
Extra Care Housing	+4%	Based on Retirement Housing Group Viability Base Data evidence.
External Works	+10%	These schemes generally have less external areas (e.g. less car parking). This is consistent with the higher development density assumptions.
Contingency	+3%	

[47] RHG Retirement Housing Group, Retirement Housing Viability Base Data (April 2013) / Briefing Paper for CIL Practitioners Retirement Housing and the Community Infrastructure Levy (June 2013) by Churchill Retirement Living and McCarthy and Stone

Typologies	Build Cost	Comments
Site-Specific S106/S278	£6,000 per dwelling	Site Specific Allowance for typology – note that this is in addition to external works costs. See typologies matrix – Appendix 2.

Source: AspinallVerdi

7.9 The other cost assumptions are the same as for the residential appraisals above.

Profit Assumptions

7.10 For the purposes of this FVA we used a baseline profit of 20% to the private housing (open market sales (OMS) values) - with a sensitivity analysis which shows the impact of profit between 15-21%. We have applied 6% profit to the on-site affordable housing (where applicable to calculate the equivalent commuted sum).

Land Values

7.11 For the purpose of the supported living appraisals, we have included a BLV of £450,000 per acre for greenfield typologies and BLV of £540,000 for brownfield sites. This is based on residential sites for the rest of the District.

Viability Results

7.12 We have tested both Sheltered Housing and Extra-Care typologies across the District.

7.13 Key viability issues for these typologies include:

- The high net-to-gross ratio compared to C3 apartment typologies which reduces the saleable area;
- The larger unit sizes which reduces the number of units that can be accommodated within a particular sales area;
- The higher build cost based on the gross area and BCIS data;
- The high development density which reduces the quantum of land assumed and therefore the BLV, but this may not be enough to off-set the above costs.

Scheme AL: Age Restricted / Sheltered Housing - Brownfield

7.14 Despite the above viability issues, the scheme is viable, including a 35% affordable housing off-site commuted sum and CIL at £93.02 psm. This typology produces a RLV of £849,000 per acre / £2,099,000 per hectare.

7.15 Furthermore, due to the high density of the scheme, the BLV is relatively low in absolute terms. Based on the assumptions outlined above, there is a healthy surplus of £309,000 per acre / £764,000 per hectare.

7.16 We have calculated the equivalent commuted sum to be £126 psm.

7.17 These typologies include the existing zone 2 CIL of £93.02 psm. The sensitivity tables show that there is scope to increase CIL to £210 psm without prejudicing viability.

Scheme AM: Assisted Living / Extra-Care Housing - Brownfield

7.18 Again, despite the above viability issues, the scheme is viable, including a 35% affordable housing off-site commuted sum and excluding CIL. This typology produces a RLV of £598,000 per acre / £1,478,000 per hectare.

7.19 Furthermore, due to the high density of the scheme, the BLV is relatively low in absolute terms. Based on the assumptions outlined above, there is a surplus of £58,000 per acre / £143,000 per hectare.

7.20 We have calculated the equivalent affordable housing commuted sum to be £140 psm. This is higher than for the sheltered housing because there is no CIL on this typology.

7.21 This typology is currently CIL exempt in the VOWH Charging Schedule. The sensitivity tables show that there is not scope to introduce CIL on this typology.

Scheme AN: Age Restricted / Sheltered Housing - Greenfield

7.22 This scheme is viable, including a 35% affordable housing off-site commuted sum and CIL at £93.02 psm. This typology produces a RLV of £948,000 per acre / £2,344,000 per hectare.

7.23 Furthermore, due to the high density of the scheme, the BLV is relatively low in absolute terms. Based on the assumptions outlined above, there is a healthy surplus of £498,000 per acre / £1,232,000 per hectare.

7.24 We have calculated the equivalent commuted sum to be £111 psm.

7.25 These typologies include the existing zone 1 CIL of £131.33 psm. The sensitivity tables show that there is scope to increase CIL to £290 psm without prejudicing viability.

Scheme AO: Assisted Living / Extra-Care Housing - Greenfield

7.26 This scheme is also viable, including a 35% affordable housing off-site commuted sum and excluding CIL. This typology produces a RLV of £652,000 per acre / £1,611,000 per hectare.

7.27 Furthermore, due to the high density of the scheme, the BLV is relatively low in absolute terms. Based on the assumptions outlined above, there is a healthy surplus of £202,000 per acre / £499,000 per hectare.

7.28 We have calculated the equivalent affordable housing commuted sum to be £141 psm. This is higher than for the sheltered housing because there is no CIL on this typology.

7.29 This typology is currently CIL exempt. The sensitivity tables show that there is scope to introduce CIL at £70 psm.

8 Retail

8.1 We set out at Appendix 5 our Retail and Commercial Market research paper. This sets out our research in respect of high-street retail, supermarkets and retail warehouse development from both a national and a local context.

8.2 We compared the findings to the assumptions contained in the previous CIL study. We have also compared the change in values to the change in costs to determine whether there is any scope to change the CIL Charging Schedule for retail property.

Supermarket

8.3 We were unable to identify any recent foodstore or supermarket transactions in the Vale of White Horse. In recent years supermarket growth has been limited due to the expansion of discount retailers gaining market share. Supermarket chains are consolidating existing stores and supermarket development has reduced. This trend is expected to continue into 2019 particularly given the additional pressures cause by Brexit.

8.4 Due to the difficulties within this sector we do not consider there to be scope to increase the CIL charge. We recommend that the CIL charge stays the same at £109.44 psm (index linked).

Retail Warehouse

8.5 We were unable to obtain any recent retail warehouse transactions. In recent years retail rental growth has been limited due to the negative sentiment concerning the retail sector in general (due to the rise of internet shopping, weak sales and Brexit). Growth has also been weak because the rental differential between warehouse parks and high street that initially attracted occupiers has reduced.

8.6 We do not consider there has been sufficient growth in this sector to increase CIL and therefore recommend that the CIL rate remains at £109.44 psm (index linked)..

High Street Retail

8.7 High street retail does not currently have an associated CIL charge as it was considered to be unviable on the assumption that high street retail development will be in the town centres and therefore the existing use value and associated site assembly and redevelopment costs will be high.

8.8 HDH assumed a rent of £200 psm and a yield of 10%. We found typical high street rents to be £172 psm suggesting that rents have reduced. General market sentiment regarding the high street is also negative due to the rise of e-commerce.

8.9 We therefore do not consider there has been sufficient growth in this sector to introduce CIL and recommend that the CIL rate remains at £0 psm.

9 Commercial

9.1 We have carried out a comprehensive market review for commercial values. This is set out at Appendix 5. We have reviewed the commercial office and industrial/distribution sectors falling into classes B1, B2 and B8 of the Use Classes Order.

9.2 In this section, we review the commercial market evidence and compare the findings to the assumptions contained in the previous CIL study. We have also compared the change in values to the change in costs to determine whether there is any scope to change the CIL Charging Schedule for commercial property.

Office

9.3 The current CIL rate for offices is £0 psm.

9.4 Typical office rents across the district range between £130 psm and £215 psm. Agent reports are predicting a slowing of occupier and investment activity due to current political uncertainty. Therefore, there is unlikely to be significant rental growth in 2019.

9.5 In their 2014 CIL study, HDH adopted values of between £120 psm and £200 psm demonstrating that there has not been significant uplift in values within the past 5 years. HDH adopted yields of between 5.25% and 6% and a capital value of £3,600 psm for Harwell Campus. HDH found office development to be on the margins of viability.

9.6 We have found there to be minimal rental growth in the office sector. However, prime yields have improved and are now at 5%. The resulting capital value for prime office development is now at circa £4,300 psm. This represents an increase in capital values of circa 20% since 2014.

9.7 We have also reviewed BCIS costs which have increased by 25% over the same time period.

9.8 This increase in costs will mitigate any positive impacts on viability from the increase in capital value. Office development is therefore likely to remain at the margins of viability. This is particularly the case for speculative offices which are harder to fund and carry much more risk in terms of voids, empty rates and holding costs until let.

9.9 We therefore recommend that the CIL charge remains at £0 psm.

Industrial

9.10 The current CIL rate for industrial is £0 psm.

9.11 Typical industrial rents across the district range between £54 psm and £96 psm. Market sentiment regarding this sector is more positive compared to other commercial property and speculative development is on the rise in prime locations.

9.12 In 2014 HDH found that industrial rents were between £60 psm and £80 psm in the higher value eastern area. In general rents were found to be £75 psm across the district. HDH applied a yield of 5.25%. HDH found industrial development to be unviable.

9.13 We have reviewed BCIS rates for general warehouses and found that between Q3 2014 and February 2019 costs have increased by circa 25%.

9.14 Rents have grown at a similar rate to costs and yields have improved and are now at circa 5%. This increase in capital value (c30%) is likely to improve the viability from unviable to only marginally viable and therefore there will not create sufficient surplus to enable the charging of CIL. Furthermore, Carter Jonas note that there is a lack of stock[48]. Speculative development remains in the minority and should be encouraged to meet demand. CIL would further inhibit this form of development.

9.15 We therefore recommend that CIL remains at its current rate at £0 psm.

[48] Carter Jonas, Oxford Commercial Edge, 2018.

10 Conclusions and Recommendations

10.1 In this section we draw together the conclusions and recommendations from the viability modelling.

Strategic Sites

10.2 Based on the appraisal of the strategic sites above, we recommend that:

xi Having regard to the cumulative impact of the emerging Local Plan policies, these sites are all viable including 35% affordable housing and £0.00 psm CIL and S106 and infrastructure costs of at least £36,000 per unit (costs vary for each site).

xii Given that the strategic sites mitigate their own impact through site-specific S106, there is no rationale to charge CIL on these sites.

Residential Uses

10.3 Based on the residential viability results above, we recommend that:

xiii Having regard to the cumulative impact of the emerging Local Plan policies, including the current CIL Charge (£93.02 and £131.33 psm depending on the zone), there is the potential to increase the CIL charging rate in all zones.

xiv There is potential to increase CIL in the higher value zone from the current zone 1 rate of £133.03 psm to between £350 psm to over £570 psm without prejudicing viability. We recommend the following rates:

- £350 psm for all developments providing 11 or more dwellings.
- £400 psm for developments of 10 units or less.
- If the Council were to adopt a policy requiring an off-site commuted sum for affordable housing in the AONB for developments of 6 or more dwellings - the threshold for increasing CIL to the higher rate of £400psm should be at 5 units or less.

xv There is potential to increase CIL in the lower value zone from the current zone 1 rate of £133.03 psm to between £170 psm to over £570 psm without prejudicing viability. We recommend the following rates:

- £250 psm for all developments providing 11 or more dwellings.
- £300 psm for developments of 10 units or less.
- If the Council were to adopt a policy requiring an off-site commuted sum for affordable housing in the AONB for developments of 6 or more dwellings - the

threshold for increasing CIL to the higher rate of £300 psm should be at 5 units or less.

xvi Rural Exceptions Sites (RES) are maintained as just that, exceptions. CIL would not be chargeable on 100% affordable housing schemes in any event. Any policy to enable affordable housing on RES schemes by the introduction of market housing has the potential to raise land values and landowners apply 'hope value' for future open market residential development. This outcome would not facilitate the delivery of affordable housing in rural areas. It is between the Council and the Registered Providers to retain RES sites with 100% affordable housing. There is a significant viability buffer for RES sites, however in the event that this typology becomes unviable, in the first instance any funding shortfall should be made up from Homes England or via internal subsidy from the Registered Providers. CIL payable on any market housing that are introduced on RES schemes would be counter-productive.

Student Accommodation

10.4 In addition to the above we make the following recommendations in respect of purpose-built student accommodation (PBSA):

xvii PBSA is viable based on 35% off-site affordable housing, and including CIL at £131.33 psm.

xviii There is scope to increase the CIL levied on PBSA. We would recommend that this is limited to the equivalent of the general needs residential CIL rate (for simplicity and to ensure an adequate buffer).

Specialist Accommodation for Older People

10.5 In addition to the above we make the following recommendations in respect of specialist accommodation for older people (C3 self-contained Supported Living typologies):

xix Age Restricted / Sheltered Housing is viable with a 35% affordable housing off-site commuted sum and (the current) £170.73 psm CIL. The appraisals show that there is surplus to increase CIL up to £210 - 290 psm but we recommend that this is limited to the equivalent of the general needs residential CIL rate (for simplicity and to ensure an adequate buffer).

xx Assisted Living / Extra-Care housing typologies are viable including a 35% affordable housing off-site commuted sum and £0 psm CIL as it is currently CIL exempt. The appraisals show that there is only surplus to introduce CIL on greenfield sites up to £70 psm. We recommend that CIL is not introduced on this typology to ensure an adequate buffer.

Best Practice

10.6 In addition, we recommend that, in accordance with best practice, the plan wide/CIL viability is reviewed on a regular basis to ensure that the Plan/CIL remains relevant as the property market cycle(s) change.

10.7 Furthermore, to facilitate the process of review, we recommend that the Council monitors the development appraisal parameters herein, but particularly data on land values across the District.