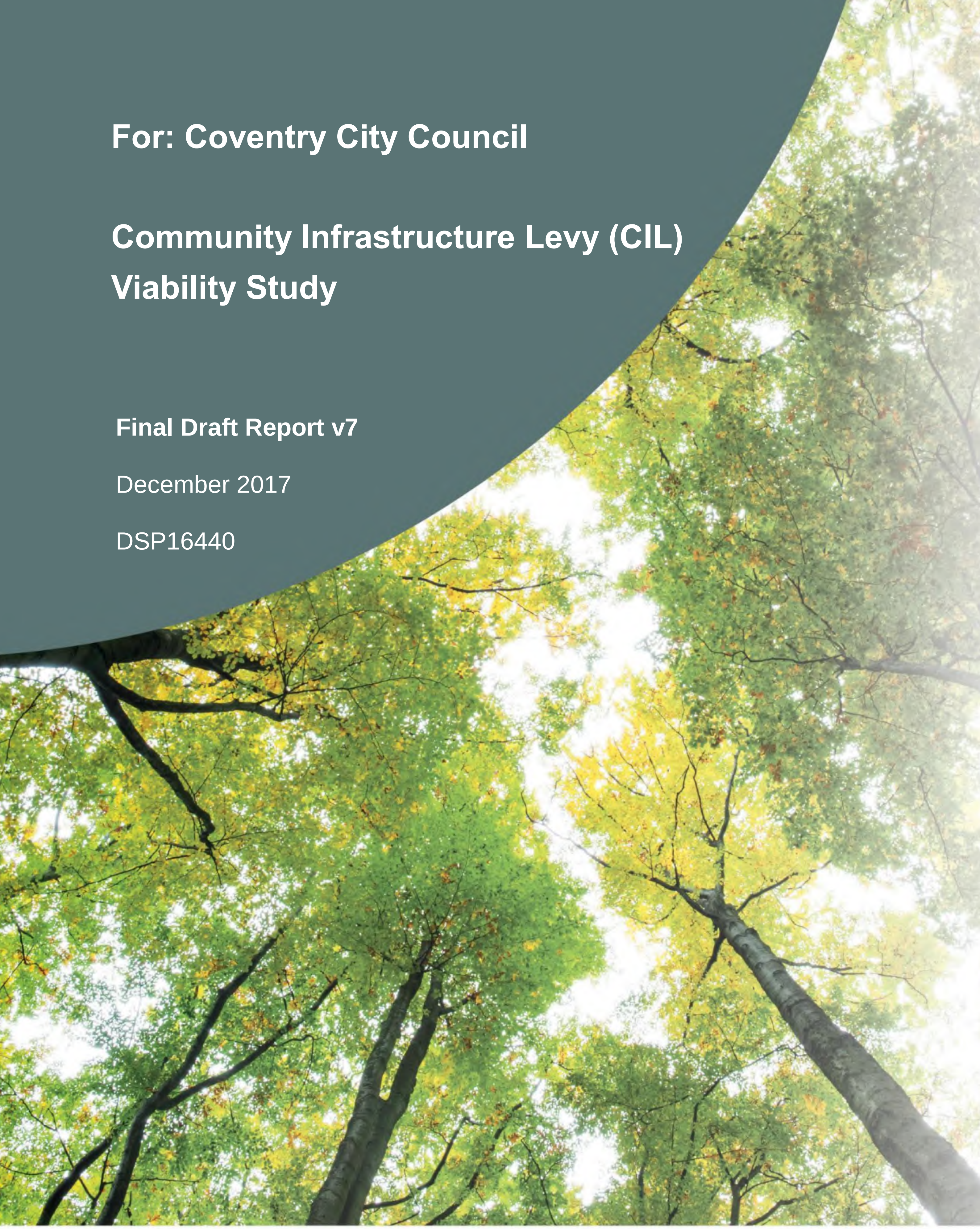
For: Coventry City Council

Community Infrastructure Levy (CIL) Viability Study

Final Draft Report v7

December 2017

DSP16440



Dixon Searle Partnership
The Old Hayloft, 28C Headley Road,
Grayshott, Hindhead, GU26 6LD
www.dixonsearle.co.uk

DixonSearle Partnership

Final Draft Report

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Appendices

Executive Summary

(TBC – Provisional / example version here for now – no further changes made at this stage – to complete on finally settling report text)

CIL background

1. The putting in place of a Community Infrastructure Levy (CIL) is optional. Currently, a local planning authority can decide whether or not it will set up a CIL; i.e. whether or not to become a charging authority.

2. A CIL is specifically linked to an up to date local development plan (LDP), such as is in place in the case of Coventry City Council (CCC). The LDP in this case comprises the ………. (details summary / status TBC)

3. A CIL does not fund any backlog of infrastructure needs but specifically supports the LDP through securing contributions towards new infrastructure associated with the planned new housing and other development. The type or types of infrastructure that a CIL will support is not prescribed by the Regulations; its scope and rates are set locally. This may include provision for education, roads and transport, health, public protection/emergency services, community facilities and amenities. The scope may include a range of such provision or be narrower and focus on particular priorities to support the LDP. In any event the charging authority must set out what it will spend the CIL receipts on, known as the 'Regulation 123 List'.

4. The content of the R123 List must not overlap with any continued collection of contributions or requirements to carry out works under the established mechanism of section 106. However, the use of s.106 alongside CIL will continue to some degree in most areas, with s.106 often supporting some site-specific requirements (where a development could not proceed without those).

5. However, with a CIL in place, the use of s.106 will be significantly scaled-back. The use of s.106 for pooled contributions for infrastructure is currently greatly restricted, although at present s.106 also remains the key mechanism for securing planning policy required affordable housing. This will continue and a CIL has to be set up to allow also for those and all other policy requirements that have a development cost impact.

6. Generally, the main focus for the charging in most areas relates to residential development. This is because a CIL requires an assessment of development viability,

providing clear financial scope to support the charges, which are made at fixed (non-negotiable) rates set by the charging authority. The viability of development varies by use type, location and scale of development, all matters considered by this assessment commissioned by CCC to inform and support the progression of its CIL proposals. Typically, residential development together with some limited forms of commercial / non-residential development support CIL charging in viability terms.

7. The viability assessment reviews and advises on the charging scope locally, including in respect of any necessary differentiation (variance) in the recommended charging rates related to the varying characteristics of development within the charging authority's area, and relevant to the LDP overall.

8. Although the CIL charging rates and related development types together with any differentiation and / or zoning are set out locally (within the Council's 'Charging Schedule'), the basis for the charging is prescribed through the regulations. The charge is levied per square metre (sq. m) of new development exceeding 100 sq. m in floor area, but including new dwellings of any size. However, existing floor space on a site being redeveloped may not be liable for the CIL, depending on its occupation status. There are also a number of set exemptions that are universally applicable through the regulations too, so that affordable housing, development by charities, self-build housing and domestic extensions are not charged.

9. Whilst the Council cannot varying these regulatory matters, informed by the viability and other evidence, in its Local Plan context, it decides which types of other development should be charged and at what rate(s). To recap, this means the Council considering the LDP relevance of and the viability of various forms of and locations for development in its area, given the local characteristics. Any differentials within its charging set-up (varied rates) should be based on viability evidence. Although it is not necessary for a prospective charging authority to follow exactly the viability assessment, it should be able to show how the assessment has informed its selected approach.

10. The CIL charging rates must not be set to the margins of viability, especially given that once implemented the rates will be fixed and impact alongside all other development costs and requirements. This involves appropriate assumptions setting, for the purpose, within the viability assessment; and often the use of a "buffer" factor to pull-back the rates from the potential maximum levels that may look achievable.

11. The authority will also need to show how it considers that an appropriate balance has been struck between the infrastructure needs and the viability of development, overall. So, together with evidence on viability, the CIL proposals are also dependent on evidence of infrastructure needs, with the CIL aimed usually and realistically to respond to a portion of the overall requirements; based on an identified funding gap.

Viability and Assessment Review

12. To provide the viability information and evidence associated with this, CCC sought advice from experienced viability consultants Dixon Searle Partnership (DSP) - in connection with the scope and level of proposed CIL charges for the City area. DSP has a strong track record of involvement with CIL viability from inception to examination stages, as well as long standing experience in other strategic level and site-specific viability assessment.

13. Viability assessment is a key part of the planning policy development process, as set out in the National Planning Policy Framework (the key source of the requirement to consider viability) and the Government's Planning Practice Guidance (PPG) on-line resource. The PPG is now also the source of the national guidance on the CIL.

14. Under the CIL principles it is accepted that not all individual developments will necessarily be viable. However, the CIL charging should be set at levels where development across the area – i.e. the delivery of the LDP as a whole – is not placed at undue risk through the collective costs of policies and obligations (including CIL payments) being too high.

Assessment principles

15. This assessment (the subject of this report – with full details within the main report body and Appendices) uses residual valuation principles. This is an established and common approach, consistent with all other Local Plan and CIL viability assessments by DSP; and also with the earlier LDP related viability work, together with most other similar studies.

16. This is all about the strength of the relationship between the development values and costs across a range of scenarios - based on appropriate available information and researched assumptions.

17. The methodology revolves around an appraisal structure that deducts all development costs (including build costs, finance, professional fees, sales costs, CCC LDP policy costs, etc.) from the estimated completed development (sales) value (i.e. the gross development value or 'GDV') so that we can explore whether there is a viability scope to support a CIL charge; and, if so, guide on the level(s) for it or parameters (range) within which it could be set, with respect to the viability testing. This is considered by reviewing whether a surplus exists for CIL, and if so how much, after realistic land value and developer's profit expectations have been taken into account too. Sufficient profit and land value are key ingredients of the market-led process of development, as the national policy and guidance outlines, and other guidance such as by the Royal Institution of Chartered Surveyors (RICS) also puts forward.

18. We test the potential capacity for CIL charging by starting with a nil (£0/sq. m) CIL scenario and then adding in and increasing the charge in small steps. The residual land value (RLV) outputs from the appraisal scenarios are seen to reduce as the CIL 'trial rates' increase.

19. A large number of appraisals (several thousand all together) are run, so that these effects can be considered across an appropriate range of development scenario types and new-build property sales values – all representative of the variety of development expected to come forward through the LDP here. For this strategic overview suitable for CIL informing purposes, however, it is not necessary or appropriate to appraise and review all conceivable development types and variations.

Findings & Recommendations

20. Residential property values, the key driver of viability, are varied across the City area. Typically, the value of housing is higher in the west and south, compared with the central, northern and eastern areas. The values available to support development in these areas tend to fall either side of the point at which viability clearly supports CIL charging.

21. This variation gives rise to differing viability outcomes viewed on a broad area basis appropriate to considering CIL charging rate(s) setting. There is clear potential for residential development to support CIL in the higher value areas *(TBC & list)* but, making

sure not to set the rates near to the margins of viability, at potentially £50 – 75/sq. m, and not higher.

22. This report offers CCC the potential to consider a City-wide residential charge, however, which set at the lower end of the above range (not exceeding £50/sq. m) is not considered likely to unduly impact delivery and could contribute to a better balance between viability and infrastructure needs overall; as well as forming a simpler, clearer CIL to set up and operate.

23. It also puts forward other potential scope / alternatives to consider. These include a suggestion to look at whether the overall housing growth contribution from and frequency of City centre sites warrants consideration of nil CIL rating there - also extended potentially to other development uses; and the potential to consider a higher CIL charging ate for the smaller housing sites beneath the affordable housing (AH) policy threshold of 25 dwellings.

24. The parameters put forward for the charging rates in all cases allow for an explicit "buffer" factor of approximately 50% from our assessed maximum potential charging rate, although we note also that the maximum theoretical rates (before the halving for buffering) could in fact be higher in many cases than our starting point indications. This significantly buffered approach has been taken here, working further back from the prudently assessed starting indications (maximum potential rates), because the local development characteristics rely heavily on previously developed land (PDL – i.e. ''brownfield') where a range of existing uses and associated site values together with development / cost implications will often be relevant to take account of. As the assessment results show, in many cases it appears that in fact the charging rates scope could be significantly higher.

25. Together with the key findings for the viability assessed CIL charging rates scope for other forms of development, our overview is set out in the table below. In brief summary, we also found there to be potential for CCC to charge CIL on retail development – again with either a differentiated (by type) or a simpler City area-wide approach potentially appropriate in DSP's view – potential options to consider. The applicable rates would be similar to those appropriate for residential development.

26. Purpose-build students' housing also has the capacity to bear CIL, again suggested at similar rates on a City-wide basis. Care Homes may have potential to support a lower CIL

rate (at up to approx. £30/sq. m) although the Council could also decide that is not justified at that level.

27. All other forms of development, including 'B' (employment) uses were found to be insufficiently viable to support CIL at this time, when looked at using the methodology and assumptions appropriate to considering CIL viability.

28. Recommended nil-rating in some cases / circumstances does not mean that developments of these types will not come forward or will consistently be undeliverable. Experience in practice shows that land owners and developers may be able to take particular decisions, reduce scheme costs or compromise in other ways (relative to our assumptions set for the assessment purpose) in order to progress developments. Whilst delivering some types of commercial floorspace will often remain relatively challenging with the still mixed economic backdrop, setting a nil-CIL is not a tool to aid economic development. However, the approach is the most that a charging authority can do in CIL terms, in recognition of what is at best going to continue to be a mixed viability picture for development types and schemes.

<u>CIL charging rates parameters - Recommendations Summary</u>

(Once settled, import summary as per Report end – Figures 11 & 12)

<u>CIL review</u>

29. Finally, it is important to recognise that inevitably a CIL Charging Schedule will have a short lifespan relative to a LDP.

30. Currently there are no set criteria on review, but from emerging experience it is likely that Charging Authorities will review and potentially amend their Schedules at between approximately 2 to 4 years from inception (a rough guide only).

31. Rather than review at fixed points, monitoring will be necessary and it is envisaged that a range of factors including the LDP delivery progress, economic climate and property market, development costs, national policy positions, relationship with s.106 and the like would all need to be considered as a part of taking a further updated look at the

context for CIL and at viability; one again to inform decisions about the setting of any revised Charging rates or amended forms of development / locations relevant to the local CIL regime.

32. DSP will be happy to assist CCC with any enquiries or further information required on any of these or other aspects, as further progress is made with its CIL.

Executive Summary Ends
Main report follows

Final Draft Report (v7) December 2017

DSP ref. 16440

1. Introduction

1.1 Introduction to the Study

1.1.1 The purpose of this report is to provide viability advice to support the preparation of a Community Infrastructure Levy (CIL) Charging Schedule for Coventry City Council.

1.1.2 The National Planning Practice Guidance states that 'Charging Authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant plan (Local Plan in England and London Plan in London)'.

1.1.3 The Council is in the final stages of preparing a Local Plan to enable and facilitate development across the City to 2031. The Coventry Local Plan and City Centre Area Action Plan were submitted to the Secretary of State on 1 April 2016. This followed a period of statutory public consultation between 18 January 2016 and 29 February 2016. The public examination hearing sessions took place over 3 stages between July 2016 and January 2017. Further consultation was undertaken in April 2017 and it is expected that the Inspector will report to the Council in Autumn 2017.

1.1.4 Alongside the preparation of the Local Plan, the Council is building the evidence base towards the publication and consultation on a Preliminary Draft Charging Schedule for the purposes of introducing a Community Infrastructure Levy for the City. To that end, DSP were appointed by Coventry City Council to provide viability advice and evidence to support the Preliminary Draft Charging Schedule.

1.1.5 The main objective is to provide robust and transparent evidence to enable the Council to set a prospective CIL at a rate which maximises the potential to deliver the identified infrastructure needed to support development through the Councils emerging Local Plan, but reduces any potential impact on the viability and deliverability of new development.

1.1.6 The assessment work for this study has been carried out between January and August 2017.

1.2 Background to the CIL

1.2.1 The Community Infrastructure Levy (CIL) came into force in April 2010 and allows local authorities in England and Wales to raise funds from developers undertaking new developments in their area. In this case, Coventry City Council would be the charging authority.

1.2.2 CIL takes the form of a charge that may be payable on 'development which creates net additional floor space'[1]. The majority of developments providing an addition of less than 100 sq. m in gross internal floor area will not pay. For example, a small extension to a house or to a commercial / non-residential property; or a non-residential new-build of less than 100 sq. m will not be subject to the charge. Additionally, under the Community Infrastructure (Amendment) Regulations 2014, there will be a mandatory exemption for residential annexes and extensions regardless of size. However, development that involves the creation of a new residential unit (such as a house or a flat) will pay the charge, even if the new dwelling has a gross internal floor area of less than 100 sq. m.[2]

1.2.3 The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority's area.

1.2.4 The CIL regulations require charging authorities to allocate a 'meaningful proportion' of the levy revenue raised in each neighbourhood back to those local areas. In January 2013, it was announced that in areas where there is a neighbourhood development plan in place, the neighbourhood will be able receive 25% of the revenues from the CIL arising from the development that they have chosen to accept. Under the Regulations the money would be paid directly to the neighbourhood planning bodies and could be used for community projects. Planning Practice Guidance provides further information on spending of Levy receipts including distribution to local neighbourhoods[3].

[1] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 002 Reference ID: 25-002-20140612 Revision date: 12 06 2014)

[2] Subject to the changes introduced in The Community Infrastructure Levy (Amendment) Regulations 2014 that provide a mandatory exemption for self-build housing, including communal housing.

[3] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 072 Reference ID: 25-072-20140612 Revision date: 12 06 2014)

1.2.5 Neighbourhoods without a neighbourhood development plan but where a CIL is still charged will receive a capped share of 15% of the levy revenue arising from development in their area.

1.2.6 Under the Government's regulations, affordable housing and development by charities will not be liable for CIL charging. This means that within mixed tenure housing schemes, it is the market dwellings only that will be liable for the payments at the rate(s) set by the charging authority.

1.2.7 The CIL Guidance contained within the PPG goes on to state that the levy rate(s) need to be set so that they do not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (Local Plan in England). '*Charging authorities will need to draw on the infrastructure planning evidence that underpins the development strategy for their area. Charging authorities should use that evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential impact upon the economic viability of development across their area.*'[4]

1.2.8 The Council has been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated Local Plan level of growth to be accommodated across the city as a whole. This ensures that new development is served by necessary infrastructure in a predictable, timely and effective fashion. It sets out key infrastructure and facility requirements for new development, taking account of existing provision and cumulative impact.

1.2.9 Infrastructure is taken to mean any service or facility that supports the Coventry City Council area and its population and includes (but is not limited to) facilities for transport, education, health, social infrastructure, green infrastructure, public services, utilities and flood defences. In the case of the current scope of the CIL, affordable housing is assumed to be outside that and dealt with in the established way through site specific planning (s.106) agreements. Within this study, an allowance has been made for the cost to developers of providing affordable housing and other costs of policy compliance in addition to testing potential CIL charging rates. In this sense, the collective planning obligations (including affordable housing, CIL and any continued use of s.106) cannot be separated. The level of each will play a

[4] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 008 Reference ID: 25-008-20140612 Revision date: 12 06 2014)

role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others. It follows that the extent to which s.106 will have an on-going role also needs to be considered in determining suitable CIL charging rates, bearing in mind that CIL is non-negotiable.

1.2.10 In most cases, where adopted, CIL replaces s.106 as the mechanism for securing developer contributions towards required infrastructure. Indeed, Government guidance on CIL states that it expects LPAs to work proactively with developers to ensure they are clear about infrastructure needs so that there is no actual or perceived "double dipping" – i.e. charging for infrastructure both through CIL and s.106. Therefore s.106 should be scaled back to those matters that are directly related to a specific site and are not set out in a Regulation 123 list (a list of infrastructure projects that the local planning authority intends to fund through the Levy). This could be a significant consideration, for example, in respect of large scale strategic development associated with on-site provision of infrastructure, high site works costs and particularly where these characteristics may coincide with lower value areas.

1.2.11 The CIL rate or rates should be set at a level that ensures development within the authority's area (as a whole, based on the plan provision) is not put at serious risk.

1.2.12 A key requirement of CIL and setting the charging rates is that an appropriate balance should be struck between the desirability of funding infrastructure from the levy and the potential effects that imposing the levy may have upon the economic viability of development (development viability).

'*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.*

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1), as amended by the 2014 Regulations), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.

As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be *subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The same principle applies in Wales.'* [5]

1.2.13 Later amendments to the CIL Regulations (The Community Infrastructure Levy (Amendment) Regulations 2014 came into force on 24th February 2014. These regulations introduced:

- new mandatory exemptions for self-build housing, and for residential annexes and extensions;
- a change to allow charging authorities to set differential rates by the size of development (i.e. floorspace, units);
- the option for charging authorities to accept payments in kind through the provision of infrastructure either on-site or off-site for the whole or part of the levy payable on a development;
- a 'vacancy test' - buildings must have been in use for six continuous months out of the last three years for the levy to apply only to the net addition of floorspace (previously a building to be in continuous lawful use for at least six of the previous 12 months);
- a requirement on the charging authority to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential effects of the levy on the economic viability of development across the area. Previously a charging authority had to 'aim to strike the appropriate balance';
- provisions for phasing of levy payments to all types of planning permission to deal fairly with more complex developments.

1.2.14 The CIL Regulations (Amendment) have been taken into account in the preparation of this report and in our opinion the preparation of this study meets the requirements of all appropriate Guidance. However, the Council will be aware that the Government commissioned a review of the Community Infrastructure Levy[6] with the task of assessing the extent to which CIL '*does or can provide an effective mechanism for funding infrastructure, and to recommend changes that would improve its operation in support of the Government's wider housing and growth objectives*'. The CIL Review

[5] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 009 Reference ID: 25-009-20140612 Revision date: 12 06 2014)

[6] A Report by the CIL Review Team – A New Approach to Developer Contributions (submitted October 2016 but published February 2017)

team's report was presented to the Government in October 2016 and published alongside the Housing White Paper in early 2017. In brief summary, it recommended that the Government should replace the CIL with a hybrid system of a broad and low level Local Infrastructure Tariff (LIT) and s106 for larger developments.

1.2.15 Through its Housing White Paper, the previous Government[7] stated that following the CIL Review Team's report, it would '*examine the options for reforming the system of developer contributions including ensuring direct benefit for communities, and will respond to the independent review and make an announcement at Autumn Budget 2017.'*. Obviously at this stage we have not been able to take into account any potential future changes to the CIL other than though high-level commentary within this report.

1.3 Coventry City Council Profile

1.3.1 The Coventry City Local Plan (2016) sets out the City Council's blueprint and vision to help re-establish Coventry as one of the Country's top ten cities. The Local Plan policies and proposals are intended to support the delivery of the Council's Corporate Plan and the development of the city through to 2031.

1.3.2 Coventry has been identified as the fastest growing city outside of London. The City's population is projected to grow by in excess of 89,000 people between 2011 and 2031, resulting in an Objectively Assessed Need (OAN) for housing of 42,400 homes over the same period. In addition, such growth also creates a need for approximately 215ha of employment land and 106,000sq.m of retail floor space.

1.3.3 The Local Plan states that delivering the city's housing need must be considered within the context of deliverability, sustainable development, justifiable constraints and housing land supply. Reviewing the Strategic Housing Land Availability Assessment across the local Housing Market Area (HMA) indicates that the city can accommodate between 24,600 and 25,000 homes, with the shortfall against the OAN figure (17,800 homes) to be provided within the wider Warwickshire area. The overall development needs are as set out in Policy DS1 of the Council's Local Plan and include:

- 24,600 additional homes.

[7] Note that a General Election was held during the process of carrying out this study.

- 128ha of employment land including:
    - 176,000sq.m of office floor space at Friargate and the wider city centre;
    - continued expansion of Whitley Business Park;
    - 15ha strategic allocation adjoining the A45
- 84,000sq.m gross comparison retail floor space and 21,900sq.m gross convenience floor space by 2031 (with at least 70,000sq.m allocated in Coventry city centre).

1.3.4 The Coventry City Council Local Plan documents and associated information may be viewed on the Council's web-site at: http://www.coventry.gov.uk/localplan/

1.4 Purpose of this Report

1.4.1 Viability testing is an important part of the plan-making process. The National Planning Policy Framework (NPPF) introduced a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. The national Planning Practice Guidance (PPG) and other publications cover further guidance on this requirement. National Planning Practice Guidance (PPG) (CIL section Para 8) also states that '*Charging authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant plan (Local Plan in England and London Plan in London)*'. As such the Council appointed Dixon Searle Partnership (DSP) to provide the viability evidence necessary to inform the development of the Council's new Preliminary Draft CIL Charging Schedule, should the Council choose to set up a CIL.

1.4.2 So, this study investigates the potential scope for CIL charging across the Coventry City area, taking into account the emerging Local Plan policies. This is done by considering the economic viability of residential and commercial / non-residential development scenarios within the city. The review takes into account the range of normal development costs and obligations (including costs associated with local and national planning policies, as would be borne by developments, in addition to the potential Community Infrastructure Levy payments and affordable housing provision). The aim is to provide the Council with advice as to the likely viability of seeking developer contributions towards infrastructure provision through the CIL. This includes the consideration of viability and the potential charging rate or rates appropriate in the local context; as part of a suitable and achievable overall package of likely planning obligations (including affordable housing) alongside other usual development costs.

1.4.3 The assessment takes into account fully the policies contained within the emerging Local Plan - including those relating to affordable housing and other housing standards - on the assumption that those policies will be adopted before the implementation of any CIL.

1.4.4 This approach does not require a detailed viability appraisal of every site anticipated to come forward over the plan period, but rather the testing of a range of appropriate site typologies reflecting the potential mix of sites likely to come forward. Neither does it require an appraisal of every likely policy, but rather potential policies that are likely to have a close bearing on development costs.

1.4.5 To this end, the study requires the policies and proposals in the emerging Local Plan to be brought together to consider their cumulative impact on the viability of introducing a CIL. This means taking account of the Local Plan document requirements such as design standards, infrastructure and services, affordable housing, local transport policies and sustainability measures as well as the cost impact of national policies and regulatory requirements.

1.4.6 One of the key areas, always having a viability impact, will be the Council's approach to affordable housing. The new Local Plan housing policy (Policy H6 of the emerging Local Plan) states that:

1. *'New residential schemes of 25 dwellings or more (excluding student accommodation), or more than 1ha, will be expected to provide 25% of all dwellings as affordable homes.*

2. *Proposals within areas of existing high concentration (shown on Figure 4.1 [of the Local Plan]) should make provisions as follows:*

   a) 10% Social/Affordable Rental provision
   b) 15% Intermediate Provision

3. *Proposals within areas of existing medium concentration (shown on Figure 4.1 [of the Local Plan]) should make provisions as follows:*

a) 12.5% Social/Affordable Rental provision
b) 12.5% Intermediate Provision

4. *Proposals within areas of existing low concentration (shown on Figure 4.1 [of the Local Plan]) should make provisions as follows:*

   a) 15% Social/Affordable Rental provision
   b) 10% Intermediate Provision

5. *Where the specified level of affordable housing cannot be provided, robust evidence must be presented to justify a reduced or alternative form of contribution.*

6. *Through appropriate design standards, new affordable housing units must be appropriately integrated within the development and with other affordable homes adjoining the site.*

7. *Through engagement with the Council, Registered Providers, and having regard to the recommendations of the SHMA, developers should ensure that affordable housing contributions comprise dwellings of the right size, type, affordability and tenure to meet local needs'.*

1.4.7 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Whilst acknowledging that, this work provides a high level, area-wide overview that cannot fully reflect the wide range of highly variable site specifics.

1.4.8 The approach used to inform the study applies the well-recognised methodology of residual valuation. Put simply, the residual value produced by a potential development is calculated by subtracting the costs of achieving that development from the revenue (sales income) generated by the completed scheme (the gross development value – GDV).

1.4.9 The residual valuation technique has been used to run appraisals on sample residential, commercial and mixed-use scheme typologies representing development scenarios that are likely to come forward across the city under the new development strategy.

1.4.10 The study process produces a large range of results relating to the exploration of a range of potential CIL charging rates across different scheme typologies and locations across the city. As with all such studies using these principles, an overview of the results and the trends seen across them is required - so that judgments can be made to inform the CIL rate setting process.

1.4.11 The potential level of CIL charge viable in each scenario has been varied through an iterative process exploring the potential maximum level of CIL that may be viable in dependent on the strength of the cost/value relationship in any given value zone or level tested. For each scenario, the residual value remaining after allowing for all development costs including land, build, fees, finance, profit and policy costs represents the potentially likely maximum level of CIL that could be possible from the scenarios tested.

1.4.12 The results of each of the appraisals (maximum CIL levels) are based on assumptions in relation to a range of potential benchmark land values or other guides relevant to the particular development scenarios. These are necessary to determine both a potentially viable level of CIL as it relates to development type and varying completed scheme value levels (GDVs). The results sets have been tabulated in summary form and those are included as Appendices IIa (residential) and IIb (non-residential / commercial).

1.4.13 A key element of the viability overview process is the potential level of land value that may need to be reached to ensure development sites continue to come forward so that development across the area is not put at risk. These comparisons are necessarily indicative but are usually linked to an appropriate site value or benchmark. Any surplus is then potentially available for CIL, with an appropriate level of affordable housing assumed (i.e. so that the review considers a viable combination of affordable housing requirements and CIL alongside all usual development costs).

1.4.14 In considering appropriate benchmark land values, we have to acknowledge that land value levels and comparisons will be highly variable in practice. It is acknowledged in a range of similar studies, technical papers and guidance notes on the topic of considering and assessing development viability that this is not an exact science.

Therefore, to inform our judgments in making this overview, our practice is to look at a range of potential land value levels that might need to be reached, allied to the various scenarios tested.

1.4.15 In the background to considering the scale of the potential charging rates and their proportional level in the local context, we have also reviewed them alongside a variety of additional measures that are useful in considering the overall impact of a level of CIL on development viability. This includes reviewing the potential CIL charging rates in terms of percentage of development value and cost. This provides additional context for considering the relative level of the potential CIL charging rate(s) and their impact compared with other factors that can affect development viability such as changes in property market conditions, build costs, inflation, affordable housing, etc.

1.4.16 This report sets out our findings and recommendations for the Council. These are intended to inform its considerations in taking forward the further development work on the local implementation of a new CIL or, potentially, an alternative strategy to collecting planning-led contributions. Through a CIL or similar, the aim is supporting the infrastructure that will be needed to accompany the development growth identified in the Local Plan. The strategy should be complimentary to the Plan, with contributions set in appropriate circumstances locally and at levels that mean a balance is struck between the need to support infrastructure and the viability of development.

1.4.17 In order not to unduly hamper viability and therefore the delivery of the Plan overall, any CIL should not be set at the margins of viability. This leads to a “buffered” type approach in considering assumptions and / or making judgments on likely implementable charging rates - compared with the maximum levels that may be indicated by the appraisal results.

1.5 Policy & Guidance

1.5.1 This viability study has been produced in the context of and with regard to the NPPF, CIL Regulations, CIL Guidance and other Guidance applicable to studies of this nature[8]. The study has also had regard to the national Planning Practice Guidance, which now contains the Government guidance on this matter.

1.5.2 The NPPF was published in 2012 superseding previous Planning Policy Statements (PPSs). The NPPF sets out the overall approach to the preparation of Local Plans. It states that planning authorities should seek opportunities to achieve each of the economic, social and environmental dimensions of sustainable development, with net gains across all three. Significant adverse impacts on any of these dimensions should be avoided and, wherever possible, alternative options that reduce or eliminate such impacts should be pursued. The NPPF also states that Local Plans should be aspirational but realistic - that is, to balance aspirational objectives with realistic and deliverable policies.

1.5.3 The NPPF provides specific guidance on ensuring Local Plan viability and deliverability, in particular, paragraphs 173-174 state:

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

Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle'.

[8] Local Housing Delivery Group – Viability Testing Local Plans (June 2012) & Royal Institution of Chartered Surveyors (RICS) Guidance Note – Financial Viability in Planning (GN 94/2012).

1.5.4 Specific changes to the NPPF are currently under consultation as are potential changes to the Community Infrastructure Levy. This report cannot pre-judge the outcome of these ongoing review processes and any changes that may be made.

1.5.5 As noted above, further guidance is set out in the Planning Practice Guidance (PPG) which re-iterates these messages where it says: '*Plan makers should consider the range of costs on development. This can include costs imposed through national and local standards, local policies and the Community Infrastructure Levy, as well as a realistic understanding of the likely cost of Section 106 planning obligations and Section 278 agreements for highways works. Their cumulative cost should not cause development types or strategic sites to be unviable. Emerging policy requirements may need to be adjusted to ensure that the plan is able to deliver sustainable development*'[9].

1.5.6 In addition, relevant information is contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' guidance). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of SPDs and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in strategic level viability assessments such as CIL.

1.5.7 The government's reform of the planning system has placed significant limitations on the Council's ability to set locally-specific standard and policy requirements. Following consultation on the Housing Standards Review (August 2013), on 27th March 2015 in a written Ministerial Statement the Government formally announced a new approach to the setting of technical housing standards in England. This has been accompanied by a new set of streamlined standards.

1.5.8 The DCLG statement said: '*From the date the Deregulation Bill 2015 is given Royal Assent, local planning authorities and qualifying bodies preparing neighbourhood plans should not set in their emerging Local Plans, neighbourhood plans, or supplementary planning documents, any additional local technical standards or requirements relating to the construction, internal layout or performance of new*

[9] Planning Practice Guidance (Ref. ID: 10-007-20140306).

dwellings. This includes any policy requiring any level of the Code for Sustainable Homes to be achieved by new development; the government has now withdrawn the code… For the specific issue of energy performance, local planning authorities will continue to be able to set and apply policies in their Local Plans which require compliance with energy performance standards that exceed the energy requirements of Building Regulations until commencement of amendments to the Planning and Energy Act 2008 in the Deregulation Bill 2015. This is expected to happen alongside the introduction of zero carbon homes policy in late 2016. The government has stated that, from then, the energy performance requirements in Building Regulations will be set at a level equivalent to the (outgoing) Code for Sustainable Homes Level 4. Until the amendment is commenced, we would expect local planning authorities to take this statement of the government's intention into account in applying existing policies and not set conditions with requirements above a Code level 4 equivalent'[10].

1.5.9 The new approach introduced optional Building Regulations requirements. Alongside optional increased water efficiency standards, the 2015 edition of Building Regulations (dwellings) - Approved Document M (Access to and use of buildings) - took effect on 1 October 2015 and contained updated guidance. In particular, it introduced three categories of dwellings:

- Category 1 - Visitable dwellings
- Category 2 - Accessible and adaptable dwellings
- Category 3 - Wheelchair user dwellings

(Note: Categories 2 and 3 apply only where required by planning permission – the optional element implementable by the Local Authority's approach subject to local justification).

1.5.10 In addition, a new security standard has now been included in the Building Regulations (Part Q).

1.5.11 The review also clarified statutory Building Regulations guidance on waste storage - to ensure that it is properly considered in new housing development.

1.5.12 The effectively optional regulations and space standards may only be applied where there is a local plan policy, based on evidenced local need for them; and where the viability of development is not unduly compromised as a result of their application.

[10] DCLG - Rt Hon Eric Pickles Written Statement to Parliament "Steps the government are taking to streamline the planning system, protect the environment, support economic growth and assist locally-led decision-making".

As far as we are aware, the optional standards have not been taken forward explicitly through the emerging Local Plan.

1.5.13 For context and further background, in November 2014, following a Ministerial Statement, the Government revised national policy on s.106 thresholds as follows:

- ‘*contributions should not be sought from developments of 10-units or less, and which have a maximum combined gross floorspace of no more than 1000sqm (gross internal area).*

- *In designated rural areas, local planning authorities may choose to apply a lower threshold of 5-units or less. No affordable housing or tariff-style contributions should then be sought from these developments. In addition, in a rural area where the lower 5-unit or less threshold is applied, affordable housing and tariff style contributions should be sought from developments of between 6 and 10-units in the form of cash payments which are commuted until after completion of units within the development. This applies to rural areas described under section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty.*

- *Affordable housing and tariff-style contributions should not be sought from any development consisting only of the construction of a residential annex or extension to an existing home.*

- *Additionally, local planning authorities should not seek section 106 affordable housing contributions, including any tariff-based contributions to general infrastructure plots, from developments of Starter Homes. Local planning authorities will still be able to seek other section 106 contributions to mitigate the impact of development to make it acceptable in planning terms, including addressing any necessary infrastructure*’.

1.5.14 The national policy changes also included a ‘vacant building credit’. This intended to incentivise the use of brownfield (previously developed) land, by reducing the affordable housing through a credit based on the floor area of any existing vacant buildings. This was intended to incentivise the use of brownfield (previously developed) land, and in many cases it would have had a positive effect on viability in such cases by reducing the affordable housing target through a credit based on the floor area of any existing vacant buildings. Whilst in operation, the effect was found to be variable and above all entirely site-specific.

1.5.15 Within the Glossary of the NPPF, the Government defines affordable housing as follows:

> ***'Affordable housing:*** *Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.*
>
> ***Social rented*** *housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.*
>
> ***Affordable rented*** *housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).*
>
> ***Intermediate housing*** *is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.*
>
> *Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.'*

1.5.16 The evolving area of housing mix is wide-ranging. Previously and through the introduction of the Housing and Planning Act 2016 (which became law in May 2016), Government announcements have indicated that the last paragraph above may be changed in the near future so that low cost market homes may be treated as affordable homes for the purposes of planning. Indeed, Section 159 of the new Housing and Planning Act 2016 states:

'(1) Regulations made by the Secretary of State may impose restrictions or conditions on the enforceability of planning obligations entered into with regard to the provision of—

1. *(a) affordable housing, or*
2. *(b) prescribed descriptions of affordable housing.*

(2) Regulations under this section—

3. *(a) may make consequential, supplementary, incidental, transitional or saving provision;*
4. *(b) may impose different restrictions or conditions (or none) depending on the size, scale or nature of the site or the proposed development to which any planning obligations would relate.*

(3) This section does not apply in relation to a planning obligation if—

(a) planning permission for the development was granted wholly or partly on the basis of a policy for the provision of housing on rural exception sites, or

(b) the obligation relates to development in a National Park or in an area designated under section 82 of the Countryside and Rights of Way Act 2000 as an area of outstanding natural beauty.

(4) In this section "affordable housing" means new dwellings in England that—

(a) are to be made available for people whose needs are not adequately served by the commercial housing market, or

(b) are starter homes within the meaning of Chapter 1 of Part 1 of the Housing and Planning Act 2016 (see section 2 of that Act)'[11].

1.5.17 The Housing White Paper also references the potential to introduce a requirement for local authorities to provide a minimum of 10% affordable home ownership products (rather than adherence strictly to 'starter homes') and recent announcements suggest that affordable private rental products will also form part of the overall housing mix in the future. We are of course unable to reflect the ever changing potential nature and tenure of affordable housing within a study of this nature – intended to provide the evidence for a fixed level of CIL. The development assumptions are therefore based only on the emerging Local Plan policies and do not take into account potential future changes in affordable housing mix that may, or may not, come forward nationally or locally.

1.5.18 In addition to the above, the Chancellor announced in his Budget speech in 2015 that affordable housing providers will now have to cut social housing rents by 1 per cent each year for four years from April 2016; a reversal of the rental formula which previously allowed RPs to raise rents in line with the consumer prices index (CPI) plus 1 per cent. As part of this viability study, we have also reviewed the impact of reduced rents on affordable housing values (i.e. the assumed value of the affordable homes using unit to a developer). We are aware that very recently this formula has since been revoked and there will be a return to social housing rents increasing by CPI inflation plus 1% from 2020. We obviously have not been able to reflect this in the study but this does allow for additional 'buffering' within the affordable housing revenue assumptions used.

1.5.19 The relevance or otherwise of the optional national housing standards, consistent with Coventry City Council's new Local Plan policies, will be noted below in Chapter 2 (Methodology) where the assessment assumption are explained (and see also the 'Assumptions Overview' at Appendix I.

[11] Housing & Planning Act 2016

2 Methodology

2.1 Residual valuation principles

2.1.1 This study investigates the potential for a range of development types to contribute to infrastructure provision funding across the city through the collection of financial contributions charged via a Community Infrastructure Levy (CIL).

2.1.2 There are a number of policies that may have an impact on the viability of development. In running this study, we have had regard to typical policy costs based on policies set out in the emerging Local Plan, in particular including affordable housing policy. This invariably tends to be one of the greatest influences on viability; secondary only to the market and local property price influences. By doing so we are able to investigate and consider how the cost of these obligations interact and therefore estimate the cumulative impact on viability. This is in accordance with established practice on reviewing development viability at this strategic level, and consistent with requirements of the NPPF. In this context, a development generally provides a fixed amount of value (the gross development value – GDV) from which to meet all necessary costs and obligations.

2.1.3 Prior to fixing assumptions, necessarily at a point in time, and running appraisals using those (as outlined in the following paragraphs) we undertake an extensive information review, property market research and development industry stakeholders' survey. As a part of this, we undertake a review of the emerging policies – enabling an assessment of which are considered likely to have a particular development cost impact, or additional cost implications over and above the costs information used from established sources such as the Building Cost Information Service of the RICS (BCIS). More information is included as we discuss the assumptions. Appendix I provides a quick reference assumptions guide and also includes (following the assumptions overview sheets) a policy review schedule.

2.1.4 In carrying out this study we have run development appraisals using the well-recognised principles of residual valuation on a number of scheme types, both residential and non-residential / commercial.

2.1.5 Residual valuation, as the term suggests, provides a "residual" value from the gross development value (GDV) of a scheme after all other costs are taken into account. In this case a range of benchmark land values for each scenario is entered into the appraisal alongside a fixed assumption on values, costs and profit, leading to a residual value that can be considered an approximation for the maximum level of CIL (in this case) that could potentially be secured.

2.1.6 In order to guide on a range of likely viability outcomes the assessment process also requires a judgement on the level of benchmark land value (or range of benchmarks of some form) to assume within the appraisal process.

2.1.7 The level of land value sufficient to encourage the release of a site for development is, in practice, a site specific and highly subjective matter. It often relates to a range of factors including the actual site characteristics and/or the specific requirements or circumstances of the landowner. Any available indications of land values using sources such as from the DCLG, Valuation Office Agency (VOA) reporting, previous and current evidence held by the Council and its immediate neighbours and any available sales, or other evidence on value, are used for this purpose in making our assessment. There is a typically low level of activity on land deals and as in all areas, consequently the use of comparables to inform land value assumptions is difficult. In any event, any available land sale comparables need to be treated with caution in their use directly; the detailed circumstances associated with a level of land value need to be understood. As such a range of reporting as mentioned above has to be relied upon to inform our assumptions and judgments. This is certainly not a Coventry City specific factor. In assessing the appraisal results, the surplus or excess residual remaining above these indicative land value comparisons is shown as the margin potentially available to fund CIL contributions from the particular appraisal result or results set that is under review once all other planning obligations and local and national policy costs have been taken into account.

2.1.8 Any potential margin (CIL funding scope) is then considered in the round so that charging rates are not pushed to the limits but also allow for some other scope to support viability given the range of costs that could alter over time or with scheme specifics.

2.1.9 The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available at Appendices I and III. They reflect the local markets through research on local values, costs and types of provision, etc. At various project stages we consulted with the Council's officers and sought soundings as far as were available from a range of local development industry stakeholders as we considered our assumptions. This included issuing a stakeholder questionnaire / pro-forma to key stakeholders (developers, house builders, landowners, agents, Registered Providers etc.) alongside e-mail exchanges and telephone discussions through which DSP sought to get feedback on study assumptions and to provide the opportunity for engagement and for provision of information to help inform the assessment. Appendix III provides more detail.

2.2 Scheme Development Scenarios

2.2.1 Appraisals using the principles outlined above have been carried out to review the viability of different types of residential and non-residential / commercial developments (development scenarios). The scenarios were developed and discussed with the Council following a review of the information it provided. Information included the latest version of the emerging Local Plan, Strategic Housing Land Availability Assessment (SHLAA), Strategic Housing Market Assessment (SHMA) previous studies, affordable housing and s106 performance monitoring, SPD and other information. For the purposes of CIL, it was necessary to determine scenario types reasonably representative of those likely to come forward across the city bearing in mind the probable life of any future CIL Charging Schedule.

Residential Development Scenarios

2.2.2 For residential schemes, numerous scenario types were tested with the following mix of dwellings (see Figure 1 below, and Appendix I provides more detail):

Figure 1: Residential Scheme Types

Scheme / Typology	Overall Scheme Mix
15 Mixed	2 x 1BF, 2 x 2BF, 3 x 2BH, 6 x 3BH, 2 x 4BH
25 Mixed	2 x 1BF, 4 x 2BF, 4 x 2BH, 10 x 3BH, 5 x 4BH
30 Flats (Sheltered)	22 x 1BF, 8 x 2BF
100 Mixed	9 x 1BF, 15 x 2BF, 15 x 2BH, 41 x 3BH, 20 x 4BH
100 Flats (Town Centre)	41 x 1BF, 59 x 2BF
200 Mixed	18 x 1BF, 30 x 2BF, 30 x 2BH, 82 x 3BH, 40 x 4BH
2500 Mixed	219 x 1BF, 375 x 2BF, 375 x 2BH, 1031 x 3BH, 500 x 4BH

Note: BH = bed house; BF = bed flat; Mixed = mix of houses and flats.

2.2.3 The assumed dwelling mixes are based on the range of information reviewed including Policy H2 of the Council's emerging Local Plan, SHLAA, SHMA and Council guidance. They reflect a range of different types of development that could come forward across the City area so as to ensure that viability has been tested with reference to the potential housing supply characteristics. Each of the above main scheme types was also tested over a range of value levels (VLs) representing varying residential values as seen currently across the city by scheme location / type whilst and also allowing us to consider the impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values dependent on market conditions) and by scale of development.

2.2.4 The scheme mixes are not exhaustive – many other types and variations may be seen, including larger or smaller dwelling types.

2.2.5 The residential scenarios were chosen to reflect and further test viability across a broad range of scenarios whilst also allowing us to test CIL in relation to affordable housing policy thresholds. In all cases it should be noted that a "best fit" of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility within small scheme numbers. The affordable housing numbers assumed within each scheme scenario can be seen in Appendix I – Assumptions Spreadsheet.

2.2.6 For larger scale comprehensive development proposals much depends upon the extent, cost and phasing of the infrastructure to be funded by the development, the amount and type of housing that can actually be accommodated on site and the timing of its provision in relation to that of the accompanying infrastructure. At this stage, the finer details are not clear and, as such, the larger site appraisal testing for this viability assessment is based on a mixture of known requirements and costs (as available at the timing of appraisals), and typical assumptions informed by reference to sources such as the Harman Report (as mentioned above) and through experience - as is appropriate for this level of viability testing. Further commentary is provided within Chapter 3, so far as possible at this stage given the results indicated by the different appraisal sets using tailored assumptions for the appraisal testing representing larger scale development

2.2.7 The dwelling sizes assumed for the purposes of this study are as follows (see figure 2 below):

Figure 2: Residential Unit Sizes

Dwelling type	Dwelling size assumption (sq. m)	
	Affordable	Private (market)
1-bed flat	50	50
2-bed flat	70	70
2-bed house	79	79
3-bed house	93	100
4-bed house	112	130

15% allowance net:gross ratio for flats

2.2.8 As with many other assumptions there will be a variety of dwelling sizes coming forward in practice, varying by scheme and location. Since there is a relationship between dwelling size, value and build costs, it is the levels of those that are most important for the purposes of this study (i.e. expressed in £ sq. m terms); rather than the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Values Levels' ('VL's) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. The approach to focus on values and costs per sq. m also fits with the way developers tend to assess, compare and price schemes. It provides a more relevant context for considering the potential viability scope.

2.2.9 The dwelling sizes indicated are expressed in terms of gross internal floor areas (GIAs). They are reasonably representative of the type of units coming forward within the scheme types likely to be seen most frequently providing on-site integrated affordable housing. All will vary, and from scheme to scheme. However, our research suggests that the values (£ sales values) applicable to larger house types would generally exceed those produced by our dwelling size assumptions but usually would be similarly priced in terms of the relevant analysis – i.e. looking at the range of £ per sq. m 'Value levels' basis. In summary on this point, it is always necessary to consider the size of new build accommodation in looking at its price; rather than its price alone. The range of prices expressed in £s per square metre is the therefore the key measure used in considering the research, working up the range of values levels for testing; and in reviewing the results.

2.3 Commercial / Non-Residential Development Scenarios

2.3.1 In the same way, the commercial scheme scenarios reviewed were developed through the review of information supplied by, and through consultation with, the Council; following the basis issued in its brief. This was supplemented with and checked against wider information including the local commercial market offer – existing development and any new schemes / proposals. Figure 3 below sets out the various scheme types modelled for this study, covering a range of uses in order to test the impact on viability of requiring CIL contributions from different types of commercial development considered potentially relevant in the city.

2.3.2 In essence, the commercial / non-residential aspects of this study consider the relationship between values and costs associated with different scheme types. Figure 3 below summarises the scenarios appraised through a full residual land value approach; again Appendix I provides more information.

Figure 3: Commercial / Non-residential Development Types Reviewed – Overview

Development Type	Example Scheme Type(s) and potential occurrence	GIA (m²)	Site Coverage	Site Size (Ha)
A1 Large format retail	Retail Warehousing	1250	40%	0.31
A1 Large format retail	Supermarket	2500	40%	0.63
City centre - Small Retail units	Comparison / other retail units –	200	70%	0.03
Other small retail units	Local convenience stores and other local shops	300	50%	0.06
Business - Offices - City Centre	Office Building	500	60%	0.08
Business - Offices - Outside City Centre	Office Building	1000	40%	0.25
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	500	40%	0.13
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	2000	40%	0.50
B8 - warehousing / distribution	Distribution unit	10000	50%	2.00
Hotel (budget)	Hotel - City centre / edge of City (60 Beds)	2100	50%	0.42
Student Accommodation	100% Cluster type Accommodation with ensuite (150 rooms)	3125	50%	0.63
C2 - Residential Institution	40-bed Nursing home / care home	1900	60%	0.32

Note: 300 sq. m retail ('small retail') scenarios representative of smaller shop types also permitting Sunday Trading Act related trading hours (see also subsequent information in this report).

2.3.3 Although highly variable in practice, these types and sizes of schemes are thought to be reasonably representative of a range of commercial or non-residential scheme scenarios that could potentially come forward in the city and are as subsequently agreed with the Council. As in respect of the assumptions for the residential scenarios, a variety of sources were researched and considered for guides or examples in support of our assumptions making process; including on values, land values and other development appraisal assumptions. DSP used information sourced from CoStar Commercial Real Estate Intelligence, the VOA Rating List and other web-based review as well as feedback from consultation. Additional information included articles and development industry features sourced from a variety of construction related publications; and in some cases property marketing details. Collectively, our research enabled us to apply a level of “sense check” to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme. Further information is provided within Appendix III to this report.

2.3.4 In addition to testing the commercial uses of key relevance above, further consideration was given to other development forms that may potentially come forward locally. These include for example non-commercially driven facilities (community halls, medical facilities, schools, etc.) and other commercial uses such as motor sales / garages, depots, workshops, surgeries / similar, health / fitness, leisure uses (e.g. cinemas / bowling) and day nurseries.

2.3.5 Clearly there is potentially a very wide range of such schemes that could be developed over the life of a CIL charging schedule. Alongside their viability, it is also relevant for the Council to consider the likely frequency and distribution of these; and their role in the delivery of the development plan overall. For these scheme types, as a first step it was possible to review (in basic terms) the key relationship between their completed value per square metre and the cost of building. We say more about this in Chapter 3.

2.3.6 Where it can be quickly seen that the build cost (even before all other costs such as finance, fees, profits, purchase and sale, etc. are allowed for) outweighs or is close to the completed value, it becomes clear that a scenario is not financially viable in the usual development sense being reviewed here and related to any CIL contributions scope. We are also able to consider these value / cost relationships alongside the range of main appraisal assumptions and the results that those provide (e.g. related to business development). This is an iterative process in addition to the main appraisals, whereby a further deteriorating relationship between values and costs provides a clear picture of further reducing prospects of viable schemes. This starts to indicate schemes that require other support rather than being able to produce a surplus capable of some level of contribution to CIL.

2.3.7 Through this process we were able to determine whether there were any further scenarios that warranted additional viability appraisals. Having explored the viability trends produced by examination of the cost/value relationships we found that in many other cases, completed scheme values were at levels insufficient to cover development costs and thus unlikely to support any level of CIL.

2.4 Gross Development Value (Scheme Value)

Market housing (sale) values

2.4.1 For the residential scheme types modelled in this study a range of (sales) value levels (VLs) have been applied to each scenario. This is in order to test the sensitivity of scheme viability to geographical values variations and / or with changing values as may be seen with further market variations.

2.4.2 It is always preferable to consider information from a range of sources to inform the assumptions setting and review of results stages. Therefore, we considered existing information contained within previous research documents including previous viability studies forming the evidence base for Local Plan work; from sources such as the Land Registry, Valuation Office Agency (VOA) and a range of property websites. This is in accordance with the CIL Regulations and Guidance which states that proposed CIL rates should be informed by 'appropriate available' evidence and that 'a charging authority should draw on existing data wherever it is available'. This information formed the base position from which we then undertook extensive research into new build house pricing across the city utilising a variety of sources but predominantly using the Land Registry published sold prices data – focussing solely on new-build housing.

2.4.3 Our practice is to consider all available sources to inform our up to date independent overview, not just historic data or particular scheme comparables. Appendix III of this report provides the detail of the research undertaken and the analysis of values leading to the assumptions used in this study.

2.4.4 A framework needs to be established for gathering and reviewing property values data. The residential market review has been based on the settlements and individual wards that make up the city so that the data could be aggregated and disaggregated to view values by ward, settlement or across the city as a whole.

2.4.5 This provided the best and most reflective, appropriate framework for gathering information and then for reviewing the implications of the variations seen linked to the likely provision of development across the city. It was considered that this would also enable a view on how the values patterns compare with the areas in which the most significant new housing provision is expected to come forward.

2.4.6 Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any clear variations between areas where significant development may be occurring in the context of any potential variation in policy with regard to the potential CIL charging schedule. It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the data-set for a given location at the point of gathering the information. In some cases, small numbers of properties in particular data samples (limited house price information) produce inconsistent results. This is not specific to Coventry City. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between the settlements and localities, given the varying characteristics of the city; as set out in these sections and as is suitable for the consideration of CIL viability and deliverability.

2.4.7 The values that are used within the development appraisals ultimately affect the consideration of viability of the level of CIL that can be charged without unduly affecting the viability of development.

2.4.8 Given the values variations seen in different parts of the city area through our research, the Value Levels (VLs) at which the scenarios have been tested cover the range of typical residential sales values (average prices across a scheme) seen - from £2,000/m^2 (approx. £186/sq. ft.) to £3,000/m^2 (approx. £279/sq. ft.) overall. Figure 4 below shows the range of values levels selected for the assessment testing overall. The indicative relevance of these to various areas of the city (based on a Ward areas overview) as set out below is also shown at Appendix I, with background information at Appendix III. The relationship between the Council's site allocations and approximate value levels used in this study are also provided at Appendix III.

Figure 4: Value Levels (VLs) and Indicative relationship with Coventry City Ward Areas

<table>
<tr><td></td><td colspan="2">CCC lower-end</td><td colspan="2">CCC typical new-build values</td><td colspan="2">CCC upper-end new-build values</td></tr>
<tr><td>Assumed Market Value Level (VL) range & indicative match with localities</td><td>VL1</td><td>VL2</td><td>VL3</td><td>VL4</td><td>VL5</td><td>VL6</td></tr>
<tr><td rowspan="3">Location (Range)</td><td colspan="2">Upper Stoke</td><td></td><td colspan="3">Earlesdon</td></tr>
<tr><td></td><td colspan="4">St Michaels, Lower Stoke, Wyken</td><td></td></tr>
<tr><td></td><td colspan="2">Radford, Longford, Holbrook, Sherbourne, Foleshill, Henley, Binley, Willenhall</td><td></td><td colspan="2">Wainbody, Woodlands, Bablake, Westwood, Cheylesmore, Whoberley</td></tr>
<tr><td>1 Bed Flat</td><td>£100,000</td><td>£110,000</td><td>£120,000</td><td>£130,000</td><td>£140,000</td><td>£150,000</td></tr>
<tr><td>2 Bed Flat</td><td>£140,000</td><td>£154,000</td><td>£168,000</td><td>£182,000</td><td>£196,000</td><td>£210,000</td></tr>
<tr><td>2 Bed House</td><td>£158,000</td><td>£173,800</td><td>£189,600</td><td>£205,400</td><td>£221,200</td><td>£237,000</td></tr>
<tr><td>3 Bed House</td><td>£200,000</td><td>£220,000</td><td>£240,000</td><td>£260,000</td><td>£280,000</td><td>£300,000</td></tr>
<tr><td>4 Bed House</td><td>£260,000</td><td>£286,000</td><td>£312,000</td><td>£338,000</td><td>£364,000</td><td>£390,000</td></tr>
<tr><td>Value House (£/m2)</td><td>£2,000</td><td>£2,200</td><td>£2,400</td><td>£2,600</td><td>£2,800</td><td>£3,000</td></tr>
</table>

Note: Sheltered Housing tested across a range £2,600 to £4,000/m2 following the information included within Appendix III

Affordable housing

2.4.9 In addition to the market housing, the development appraisals also assume a requirement for affordable housing (AH). Coventry City Council's approach through the emerging Local Plan is to seek 25% of all dwellings as affordable housing from sites of 25 dwellings or more, with the tenure requirement varied by location ('concentration' areas) as set out earlier in this report. As this study needs to include the Local Plan policies in full we have included the full, policy compliant affordable housing requirement in each case with testing based on variations to tenure mix to reflect development occurring in each of the concentration areas. These areas reflect the existing tenure balance, where by the Council seeks a greater proportion of rented affordable homes within the 25% total targeted as the existing proportion reduces, as per the 3 'concentration area' zones 'high' to 'low'. Although in many instances the viability impact of moving from the requirements in one area to another may be quite small, particularly where sales values and other factors may be similar, being within the policy set this does again need to be allowed for in looking at the CIL or other planning obligations rates potential.

2.4.10 In reality tenure will normally be decided based on an up to date Strategic Housing Market Assessment (SHMA) ensuring that properties meet local needs at the time of the application. In practice, many tenure mix variations could be possible; as well as many differing rent levels derived from the affordable rented (AR) tenure approach - as affected by local markets and by affordability. The same applies to the intermediate (assumed shared ownership) affordable housing element in that the setting of the initial purchase share percentage, the rental level charged on the Registered Provider's (RP's - i.e. Housing Association or similar) retained equity and the interaction of these two would usually be scheme specific considerations. Shared ownership (SO) is sometimes referred to as a form of 'affordable' or 'low cost home ownership' (LCHO) or similar. Assumptions need to be made for the study purpose.

2.4.11 At this stage, there is some uncertainty over future changes to the definition of affordable housing for planning purposes including homes defined as starter homes or affordable home ownership products. These may well play a future role and in our opinion, would lead to a smaller impact on development viability. The Government has yet to clarify whether Starter Homes / affordable home ownership / low cost market housing (if brought into the definition of affordable housing) would be in addition to affordable housing already sought or as part of the affordable housing policy requirement. For this study, we have based all modelling purely on the known requirements and characteristics i.e. those of the wider current understanding of affordable housing and of the emerging Local Plan policy.

2.4.12 For on-site affordable housing, the revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (affordable rent) or capitalised net rental stream and capital value of retained equity (in the case of shared ownership tenure). Currently the Homes and Communities Agency (HCA) expects affordable housing of either tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input. At the very least this should be the starting assumption pending any review of viability and later funding support for specific scenarios / programmes. We have therefore made no allowance for grant or other public subsidy / equivalent.

2.4.13 The value of the affordable housing (level of revenue received for it by the developer) is variable by its very nature. This may be described as the 'payment to developer', 'RP payment price', 'transfer payment' or similar. These revenue assumptions were reviewed based on our extensive experience in dealing with affordable housing policy development and site-specific viability issues (including specific work on SPDs, affordable rents, financial contributions and other aspects for other authorities). The affordable housing revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of rental income after deduction for management and maintenance costs, voids allowances and the like). We considered the affordable rented revenue levels associated with potential variations in the proportion (%) of market rent (MR); up to the maximum allowed by the Government of 80% MR including service charge.

2.4.14 In broad terms, the transfer price assumed in this study varies between approximately 30% and 65% of market value (MV) dependent on tenure, unit type and value level. For affordable rented properties rents for the varying unit types were assumed to be capped by the Local Housing Allowance (LHA) for each unit type for the corresponding Coventry Broad Rental Market Area (BRMA).

2.4.15 In practice, as above, the affordable housing revenues generated would be dependent on property size and other factors including an RP's own development strategies, and therefore could well vary significantly from case to case when looking at site specifics. The RP may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme dependent and variable and so has not been factored in here.

2.4.16 We have also reviewed the impact of reduced rents on affordable housing values (i.e. the assumed value of the affordable homes using unit to a developer) by making an allowance that reduces the calculated payment assuming housing providers will have to cut social housing rents by 1 per cent each year for the next four years from April 2016 - 2020. Research carried out on behalf of DSP indicates that the impact could lead to a reduction of around 10% compared to pre-April 2016 figures although again, the impact is highly variable and based on the willingness of RPs to take on affordable rented units – often influenced by internal policies and approach to risk management. At the time of finalising the assessment, however, it appears that this policy on restricting rents in this way will be ceased and we will see a reversion to affordable housing providers again being able to operate based on inflationary allowances to the rents charged.

2.4.17 Again, it is worth noting that affordable housing will not be liable for CIL payments. This is the case under the regulations nationally; not just in the Coventry City context. The market dwellings within each scenario will carry the CIL payments burden at the Council's specified rate(s). This needs to be considered in calculating any indicative CIL receipts levels, for example based on ranges of dwelling types and numbers that could be expected to pay a CIL charge.

2.5 Gross Development Value – Commercial / Non-residential

2.5.1 The value (GDV) generated by a commercial or other non-residential scheme varies enormously by specific type of development and location. In order to consider the viability of various commercial development types, a range of assumptions are needed. Typically, these are made with regard to the rental values and yields that would drive the value of completed schemes within each commercial scheme appraisal. The strength of the relationship between the GDV and the development costs was then considered. This was either through residual valuation techniques very similar to those used in the residential appraisals (in the case of the main development types to be considered) or; a simpler value vs. cost comparison (where it became clear that a poor relationship between the two existed so that clear viability would not be shown - making full appraisals unnecessary for a wider range of trial scenarios).

2.5.2 Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was from a range of sources including the VOA, EGi, CoStar and a range of development industry publications, features and web-sites. As with the residential information, Appendix III sets out more detail on the assumptions background for the commercial schemes.

2.5.3 Figure 5 below shows the range of annual rental values assumed for each scheme type. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme dependent on the combination of yield and rental values applied.

2.5.4 The rental values were tested at three levels representative of low, medium and high values relevant to each commercial / non-residential scheme type in the city. This enables us to assess the sensitivity of the viability findings to varying values. They are necessarily estimates and based on the assumption of new build development. This is consistent with the nature of the CIL regulations in that refurbishments / conversions / straight reuse of existing property will not attract CIL contributions (unless floor-space in excess of 100 sq. m is being added to an existing building; and providing that certain criteria on the recent use of the premises are met). In many cases, however, limited or no new build information for use of comparables exists, particularly given recent and current market circumstances. Therefore, views have had to be formed from local prevailing rents / prices and information on existing property and past research carried out on behalf of the Council. In any event, the amount and depth of available information varied considerably by development type. Once again, this is not a Coventry City only factor and it does not detract from the necessary viability overview process that is appropriate for this type of study.

2.5.5 These varying rental levels were capitalised by applying yields of between 5.0% and 7.5% (varying dependent on scheme type). This envisages good quality new development, rather than relating to mostly older accommodation which much of the marketing / transactional evidence provides. As with rents, varying the yields enabled us to explore the sensitivity of the results given that in practice a wide variety of rental and yields could be seen. We settled our view that the medium level rental assumptions combined were appropriate in providing context for reviewing results and considering viability outcomes. Taking this approach also means that it is possible to consider what changes would be needed to rent or yields to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could deteriorate whilst still supporting the collective costs, including CIL.

2.5.6 It is important to note here that small variations can have a significant impact on the GDV that is available to support the development costs (and thus the viability of a scheme) together with any potential CIL funding scope. We consider this very important bearing in mind the balance that must be found between infrastructure funding needs and viability. Overly optimistic assumptions in the local context (but envisaging new development and appropriate lease covenants etc. rather than older stock), could well act against finding that balance.

2.5.7 This approach enabled us to consider the sensitivity of the results to changes in the capital value of schemes and allowed us then to consider the most relevant results in determining the parameters for setting non-residential CIL rates across the city. As with other study elements, particular assumptions used will not necessarily match scheme specifics and therefore we need to look instead at whether / how frequently local scenarios are likely to fall within the potentially viable areas of the results (including as values vary). This is explained further in Chapter 3.

Figure 5: Assumed rental Value for Commercial Schemes

Development Type		**Value Level (Annual Rental Indication £/sq. m)**		
		Low	Medium	High
A1 Large Retail	Retail Warehousing	£175	£200	£225
A1 Large Retail	Supermarket	£200	£225	£250
Small Retail (City Centre)	Comparison shops (general/non-shopping centre) - City Centre	£180	£200	£220
Small Retail	Local convenience stores and local shops*	£100	£120	£140
Business - Offices - City Centre	Office Building	£140	£180	£220
Business - Offices - Outside City Centre	Office Building	£140	£180	£220
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£50	£75	£100
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£40	£60	£80

Development Type		Value Level (Annual Rental Indication £/sq. m)		
B8 - warehousing / distribution	Distribution unit	£40	£60	£80
Hotel (budget)	Hotel - City centre / edge of City (60 Beds)**	£3,000	£4,500	£6,000
Student Accommodation	100% Cluster type Accommodation with ensuite (150 rooms)***	£130	£145	£160
C2 - Residential Institution	40-bed Nursing home / care home	£200	£250	£300

* Convenience stores with sales area of less than 3,000 sq. ft. (280 sq. m), assuming longer opening hours.
**annual room rates
*** weekly room rates

2.5.8 As with residential development, consideration was given as to whether there should be any varying approach to CIL charging levels for commercial and other developments locally. On review, it was considered that variations in values and viability outcomes would be more likely to be the result of detailed site and scheme specific characteristics, and not necessarily driven by distinctions between general location (area) within the city so far as the likely location of such development is concerned. This was borne out on review of the commercial values data and results, as per the examples included at Appendix III.

2.5.9 As can be seen, there is variety in terms of values across the city. However, there were typical values that informed our rental and other assumptions for the appraisals, based on the upper end rental indications seen for business uses (offices and industrial / warehousing) as appropriate for high quality new build schemes and on the variety of indications seen for retail. In both cases these were taken from a combination of the VOA Rating List, EGi, CoStar and other sources as far as were available whilst keeping the review depth proportionate and economic in the study overview context. In respect of other commercial / non-residential development types again a city-wide overview was considered appropriate.

2.5.10 Overall, we found that in the event of identifying scope to charge a CIL on commercial or non-residential development in viability terms, there is no clearly justifiable or readily definable approach to varying that through viability findings based on location / geography. Whilst certain specific scheme types could create more value in one location compared with another in the city, typically there was felt to be no clear or useful pattern which might be described for that. It must be accepted that there will always be variations and imperfections in any level of overview approach; with or without area based differentiation.

2.6 Development Costs – General

2.6.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, assumptions have to be fixed to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. As with the scheme scenario building, an overview of the various available data sources is required.

2.6.2 Each area of the development cost assumptions is informed by data - from sources such as the RICS Building Cost Information Service (BCIS), any locally available soundings and scheme examples, professional experience and other research.

2.6.3 For this overview, we have not allowed for abnormal costs that may be associated with particular sites - these are highly specific and can distort comparisons at this level of review. Contingency allowances have however been made for all appraisals. This is another factor that should be kept in mind in setting CIL charging rates and ensuring those are not set to the 'limits' of viability. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.

2.7 Development Costs – Build Costs

2.7.1 The base build cost levels shown below (Figure 6) are taken from the BCIS. In each case the figure has been rebased using the Coventry City location. Costs assumed for each development type are provided in Appendix I.

Figure 6: Build Cost Data – BCIS Data
(BCIS Median, Coventry City location factor relevant at time of research)

Development Type		BCIS Build Cost (£/sq. m)*
Residential C3	Mixed Developments - generally (£/sq. m)	£1,053
	Estate Housing - generally (£/sq. m)	£1,027
	Flats - generally (£/sq. m)	£1,202
	Flats – 3-5 storey (£/sq. m)	£1,195
	(Sheltered Housing - Generally) (£/sq. m)	£1,258
A1 Large Retail	Retail Warehousing	£711
A1 Large Retail	Supermarket	£1,350
Small Retail (City Centre)	Comparison shops (general/non-shopping centre) - City Centre	£938
Small Retail	Local convenience stores and local shops*	£938
Business - Offices - City Centre	Office Building	£1,595
Business - Offices - Outside City Centre	Office Building	£1,470
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£1,125
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£783
B8 - warehousing / distribution	Warehousing / Distribution unit	£636
Hotel (budget)	Hotel - City area various	£1,735
Student Accommodation	100% Cluster type Accommodation with ensuite study bed/rooms	£1,667
C2 - Residential Institution	Nursing home / care home	£1,444

*excludes external works and contingencies

2.7.2 Unless stated, the above build cost levels do not include for external works / site costs, contingencies or professional fees (added separately). An allowance for site infrastructure / external works has been allowed for on a variable basis within the appraisal depending on the scheme type. These are based on a range of information sources and cost models and generally pitched at a level above standard levels in order to ensure sufficient allowance for the potentially variable nature of site works. The resultant build costs assumptions (after adding to the above for external works allowances but before contingencies and fees) are included at the tables in Appendix I.

2.7.3 For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always be a range of data and opinions on, and methods of describing, build costs. In our view, we have made reasonable assumptions which lie within the range of figures we generally see for typical new build schemes (rather than high specification or particularly complex schemes which might require particular construction techniques or materials). As with many aspects there is no single appropriate figure in reality, so judgments on these assumptions (as with others) are necessary. As with any appraisal input of course, in practice this will be highly site specific. In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.

2.7.4 In all cases further allowances have been added to the total build cost in respect of meeting policies and technical housing standards as discussed earlier.

2.7.5 An allowance of 5% of build cost has also been added in all cases, to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard assumption in our recent experience.

2.7.6 The interaction of costs and values levels will need to be considered again at future reviews of CIL. In this context, it is important to bear in mind that the base build cost levels may vary over time. In the most recent recessionary period build costs fell, but moving ahead they have in many cases risen relatively sharply and seen readjustment.

2.7.7 At the time of reporting the latest available BCIS briefing continued the theme of its previous briefings by stating the following on build cost trends:

'*There is still a great deal of uncertainty over the terms that will be agreed when the UK leaves the European Union, however the government's position papers suggest that the UK will eventually withdraw from the Single Market and the Customs Union.*

While almost any outcome is still possible BCIS will continue to produce forecasts based on three scenarios. These reflect the different political outcomes from the exit negotiations from the EU and are equally likely. However, the forecasts reflect the *increased likelihood of restrictions on the movement of labour and pressures on Sterling that are likely to result from a structured withdrawal from the Single Market and the Customs Union even with follow-on agreements in place.*

- *an 'upside' scenario based on the assumption that the UK will remain in the European free trade area, but there are restrictions on the movement of labour*

- *a 'downside' scenario based on the assumption that the UK does not have favourable access to the European Union market and there are restrictions on the movement of labour; and*

- *a 'central' scenario based on some restrictions to trade and there are restrictions on the movement of labour.*

The terms 'central', 'upside' and 'downside' reflect the impact of the scenarios on construction demand.
BCIS is publishing the 'central' scenario as the forecast for the price and cost indices but it should be borne in mind that each forecast is equally possible.

The current forecasts are based on exit from the EU at the end of the two-year period following the signing of Article 50. Unfortunately, we are no more enlightened about the arrangements upon exit from the EU, but the likelihood of a period of transition following this two year period is looking more probable. BCIS will be monitoring potential outcomes closely, and will amend its forecast assumptions accordingly going forward'[12]

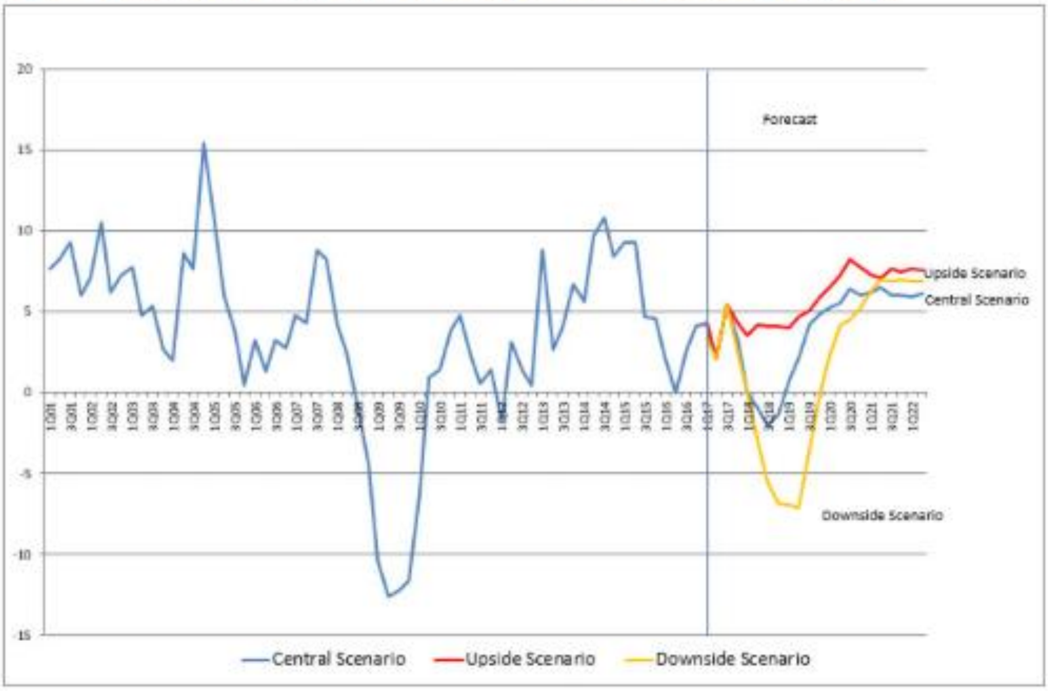
[12] BCIS Quarterly Briefing - Five Year Forecast of Building Costs and Tender Prices

Summary of scenarios

	Percentage change				
	2Q17 to 2Q18	2Q18 to 2Q19	21Q19 to 2Q20	2Q20 to 2Q21	2Q21 to 2Q22
'Central' scenario					
TPI	-1.0	+2.1	+5.5	+6.5	+6.1
GBCI	+3.3	+3.2	+4.2	+4.6	+4.9
New work output*	+1.8	-0.3	+1.0	+4.2	+5.7
'Upside' scenario					
TPI	+4.2	+4.7	+7.3	+7.1	+7.5
GBCI	+3.3	+3.2	+4.8	+5.4	+5.6
New work output*	+3.3	+5.4	+6.2	+6.5	+5.5
'Downside' scenario					
TPI	-3.1	-7.1	+4.2	+7.0	+6.9
GBCI	+3.3	+3.2	+3.7	+4.3	+4.4
New work output*	-1.4	-9.8	-5.7	+6.5	+9.8

*Year on year (2Q17 to 2Q18 = 2016 to 2017), constant prices 2013

Figure 1. BCIS All-in Tender Price Index – Annual percentage change



Source: BCIS

2.8 Development Costs – Fees, Finance & Profit (Residential)

2.8.1 The following costs have been assumed for the purposes of this study alongside those discussed above and vary slightly depending on the scale and type of development (residential or commercial). Other key development cost allowances for residential scenarios are as follows - *for the purposes of this assessment only* (Note: Appendix I also provides a summary):

Professional fees:	*Total of 10% of build cost*
Site Acquisition Fees:	*1.5% agent's fees* *0.75% legal fees* *Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT).*
Finance (all-in):	6.5% p.a. interest rate *(assumes scheme is debt funded)*
Marketing costs:	*3.0% sales fees* *£750 per unit legal fees*
Developer Profit:	*Market sale housing – range considered 17.5% to 20% GDV* *Affordable housing – 6% GDV (affordable housing revenue).*

2.9 Development Costs – Fees, Finance & Profit (Commercial)

2.9.1 Other development cost allowances for the commercial development scenarios are as follows:

BREEAM:	*5% of build cost*
Professional and other fees:	*10% of build cost*
Site Acquisition Fees:	*1.5% agent's fees* *0.75% legal fees* *Standard rate (HMRC scale) for Stamp Duty land Tax (SDLT)*
Finance:	*6.5% p.a. interest rate (assumes scheme is debt funded)* *Arrangement fee variable – 1-2% loan cost*
Marketing / other costs:	*(Cost allowances – scheme circumstances will vary)* *1% promotion / other costs (% of annual income)*

10% letting / management / other fees (% of assumed annual rental income)
5.75% purchasers costs – where applicable

Developer Profit: *20% GDV*

2.10 Build Period

2.10.1 The build period assumed for each development scenario has been based on BCIS data (using its Construction Duration calculator - by entering the specific scheme types modelled in this study) alongside professional experience and informed by examples where available. The build periods are for the build only; lead-in and extended sales periods have also been allowed-for on a variable basis according to scheme type and size, having the effect of increasing the periods over which finance costs are applied. Appendix I provides the detail.

2.11 Community Infrastructure Levy & Other Planning Obligations

2.11.1 Current guidance states the following with regard to CIL: '*At examination, the charging authority should set out a draft list of the projects or types of infrastructure that are to be funded in whole or in part by the levy (see Regulation 123). The charging authority should also set out any known site-specific matters for which section 106 contributions may continue to be sought. This is to provide transparency about what the charging authority intends to fund through the levy and where it may continue to seek section 106 contributions'*[13]. The purpose of the list is to ensure that local authorities cannot seek contributions for infrastructure through planning obligations when the levy is expected to fund that same infrastructure. The Guidance states that where a change to the Regulation 123 list would have a significant impact on the viability evidence that supported examination of the charging schedule, this should only be made as part of a review of that charging schedule. It is therefore important that the level of planning obligations assumed in this study reflects the likely items to be funded through this route.

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[13] https://www.gov.uk/guidance/community-infrastructure-levy#Community-Infrastructure-Levy-rates (Paragraph: 017 Reference ID: 25-017-20140612 Revision date: 12 06 2014)

2.11.2 On discussion with the Council it was considered that a great majority of existing planning obligation requirements are likely to be taken up within a CIL if adopted, but nevertheless sites are still required to contribute to site-specific mitigation measures (for example open space / highways / transport and similar requirements). The appraisals on schemes of up to and including 200 dwellings include an additional notional sum of £3,000 per dwelling (for all dwellings – including affordable) on this aspect. This is purely for the purposes of this study effectively as an additional contingency in respect of any residual s.106 / s.278 requirements. For the larger residential site typologies (strategic sites), the s.106 allowance has been removed and the appraisals run on the basis of a determining the total potential surplus that could be generated to fund on-site s106 requirements and / or CIL taking into account the policies contained within the Local Plan.

2.12 Strategic Sites

2.12.1 As part of this viability assessment update, we have also considered the viability, at a high level, of strategic scale development. 'Strategic' in this sense means development that is of a scale that means it is critical to Local Plan delivery, typically requiring significant infrastructure and development mitigation. For the purposes of this study we have assumed these sites include the two Strategic Urban Extensions at Keresley (H2:1) and Eastern Green (H2:2). However, the same principles would apply to any site carrying a similar level of infrastructure and development mitigation relative to its size. If this were the case, the Council would need to consider applying the same approach based on the recommendations of this report.

2.12.2 To test the potential viability of sites of a strategic scale and characteristics, appraisals were carried out with the specific inputs for each scenario appraisal based primarily on high-level assumptions. These reflect published information and our experience of viability work on similar sites in a range of other locations – both for strategic level assessment and site-specific viability review / s.106 negotiation purposes.

2.12.3 In viability terms the same general principles apply in reviewing the potential viability of these sites as for the other site typologies tested through this process. There are, however, bespoke assumptions that have been varied to reflect the different characteristics of these sites, and these are discussed further here.

2.12.4 Essentially any residual appraisal requires certain elements of the inputs (assumptions) to be fixed so that the result (residual) becomes the output and changes to that can be reviewed as adjustments to a key variable are made. In this case we have run the strategic site appraisals on the basis of fixing the land value and the site wide enabling costs / infrastructure and plot costs at £27,000 per dwelling, with the latter in this case placed by DSP above the upper end of the range £17,000 to £23,000 indicated as typical per plot strategic infrastructure costs within the Harman Report[14] which states: *'Cost indices rarely provide data on the costs associated with providing serviced housing parcels, i.e. strategic infrastructure costs which are typically in the order of £17,000 - £23,000 per plot for larger scale schemes'*.

2.12.5 For the purposes of this study we have assumed site infrastructure to include site costs necessary to provide *'serviced plots for building construction from unoccupied, secured, and uncontaminated site'*[15]. Effectively the costs are related to all other physical works that are needed to ready a site for development so that in combination with the assumptions on BCIS based housebuilding costs (i.e. covering works within the serviced parcels) sufficient overall cost has been allowed to build the housing development.

2.12.6 The s.106 (indicative scope for which we are viewing through the potential surplus) then covers the site-specific mitigation in terms of impact on community infrastructure "caused by" the development (the usual tests apply). With the enabling cost and s.106 viewed together, all site-specific ingredients should be achieved so far as viability permits – to support its physical development and directly related infrastructure needs.

2.12.7 Following the above, the result of the appraisal is then in practical terms a planning obligations residual with a fixed level of land and profit – i.e. after allowing for the land as a fixed cost within the appraisal along with profit calculated as a fixed percentage of the GDV of the scheme (based for the assessment purposes at 20% GDV on market housing and starter homes (where applicable) / 6% on affordable housing). The residual value (any surplus seen) above the fixed land cost allowance made is then the amount potentially available for s106 site mitigation / planning obligations (and / or any other potentially applicable costs not usually allowed for at this stage of review – e.g. any unknown development abnormals).

[14] Local Housing Delivery Group – Viability Testing Local Plans (June 2012)
[15] Homes & Communities Agency – Development Appraisal Tool (v4)

2.12.8 For each strategic site development scenario, we have carried out sensitivity testing on the basis of potentially rising and falling base costs and values - in set steps as seen in the results of this report and appended to the rear of this study (Appendix IIb). In broad terms, the sensitivity testing helps to show the impact of a rising or falling market on potential viability. It is likely that sites of the scale envisaged here would be differentiated for in CIL charging terms (e.g. nil or possibly reduced rated for CIL) owing to the likely scale of s.106 costs in combination with the site enabling/infrastructure costs as noted above. The output can however be considered the maximum level of potential surplus available for either CIL or s106.

2.12.9 We have assumed delivery rates based on our experience of dealing with the review of viability for large scale strategic developments on a site-specific basis across the country. In very general terms, a faster rate of delivery is likely to have a positive impact on viability as the overall finance costs should reduce with a shortening development period. However, with a delivery rate that is too high there is a risk that the trajectory starts to impact on sales values as units flood the market.

2.12.10 At the time of compiling this report we have not included additional costs in the viability testing for the strategic sites on this basis. We are of the opinion, however, that the scale of development is such that build costs will be lower than those allowed-for (i.e. at the BCIS rate as per the general scenarios testing) due to economies of scale. As our tests and results are based on median BCIS rates, there is probably sufficient allowance to cover additional costs of complying with those policies if required - as long as they are not set beyond the scope set out in our sensitivity testing.

2.12.11 For both the enabling infrastructure and the s106 costs we have assumed for the purposes of this study that those will be front-loaded. Details of when costs occur and payments are required can only really be known once a scheme is developed in detail, so this reflects a logical approach in our experience. The land payments are assumed to be made early in the appraisal periods. Again, in reality, payment profiles will vary and be subject to individual delivery details – phasing and negotiation between the involved parties.

2.13 Indicative land value comparisons and related discussion

2.13.1 Land value in any given situation should reflect the specifics on existing use, planning potential and status / risk, development potential (usually subject to planning) and constraints, site conditions and necessary works, costs and obligations. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value; as has been recognised by Local Plan and CIL Examiners as well as Planning Inspectors.

2.13.2 As discussed previously, in order to consider the likely viability of any development scheme relevant to CIL, the benchmark land value for each of the scenarios needs to be estimated. This is a key part of the context for reviewing the strength of the results as those change across the range of assumptions on sales values (GDVs) and other sensitivity tests (crucially including the effect of affordable housing policy targets applied fully in the case of the residential tests in relation to the level of CIL tested).

2.13.3 Determining a benchmark land value, as with much of strategic level viability assessment, is not an exact science. It involves judgements and the well-established acknowledgements that, as with other appraisal aspects, land value circumstances and requirements will in practice vary from scheme to scheme as well as being dependent to some extent on timing in relation to market conditions and other wider influences such as Government policy. The levels of land values selected in this context are often known as 'benchmark' land values, 'viability tests' or similar (as referred to in our results tables – Appendix II and within the following report Chapter 3). They are not fixed in terms of creating definite cut-offs or steps in viability, but in our experience they serve well in terms of adding a layer of filtering to the results, to help enable the review of those; they help to highlight the tone of the results and therefore the changing strength of relationship between the values (GDVs) and development costs as the appraisal inputs (assumptions) change – with key relevant assumptions (variables) in this case being the GDV level (value level – VL), affordable housing proportion and CIL.

2.13.4 The local housing requirement and strategy for growth that is responsive to Coventry City Council's emerging Local Plan indicates an overall supply pattern concentrated predominantly on housing led or mixed-use sites that are greenfield in nature; particularly those sites likely to bring forward the highest numbers of new dwellings.

Some medium / smaller sites across the City are also allocated on previously developed land (PDL) with some industrial, former or current employment and commercial sites.

2.13.5 In order to inform the land value comparisons or benchmarks we have reviewed existing evidence, previous viability studies and sought to find examples of recent land transactions locally. Limited evidence of such was available from the various soundings we took and sources we explored. In the usual and appropriate way for such a study, we reviewed information sourced as far as possible from the DCLG, VOA, previous research / local studies / advice provided by the Council, through seeking local soundings, EGi, Co-Star; and from a range of property and land marketing web-sites. Details, so far as available, are provided in Appendix III.

2.13.6 Each of the benchmark land values used represents potential values for sites of varying types; envisaging a potential spectrum of sites from greenfield through lower and then upper value commercial land and sites with existing residential use. Again, scheme specific scenarios and the particular influence of site owners' circumstances and requirements will be variable in practice.

2.13.7 In terms of the VOA, data available for comparison has reduced significantly since the July 2009 publication of its Property Market Report (PMR), with data provided only on a limited regional basis in the later reporting. The VOA now no longer produces a PMR and suggests that caution should be used when viewing or using its data. Nevertheless in areas where it is available, the data can provide useful indicators, certainly in terms of trends. The VOA however does publish residential land value estimates for policy appraisal on behalf of the DCLG. The data for Coventry City (but taking into account the numerous caveats and basis for those values) has also been considered.

2.13.8 As can be seen in Appendix IIa, we have made indicative comparisons focussing on land value levels in a range between £0.25m/ha and £0.65m/ha. Values at the lower end of the values range represent a general minimum option type figure for large scale greenfield development based on gross site area; a figure that we consider represents the minimum land value likely to incentivise release for development under most circumstances in the Coventry City. At the other end of the scale, higher land values, when viewed in £/ha terms, are likely to be relevant in the case of some central urban area sites with significant existing use values and subject to high density development proposals and, as can be seen from the results, some scenarios will underpin higher land values. These benchmarks are based on a review of available information from site specific reviews, local research and research carried out by others in carrying out viability studies both for Coventry City Council and neighbouring authorities, alongside any responses from stakeholder surveys.

2.13.9 The results at Appendix IIb use a range of benchmarks between £0.25m - £3m/ha as are considered relevant to varying types of development.

2.13.10 It is important to note that the land values used are based on the receipts available to landowners after allowing for all development costs. This is to ensure no potential overlapping / double counting of development costs that might flow from assuming land values at levels associated with serviced / ready for development land with planning permission, etc. The RLVs and the indicative comparison levels ('viability tests') represent a "raw material" look at the land, with all development costs falling to the prospective developer (usually the site purchaser).

2.13.11 Land value judgements for the assessment purpose are based on seeking to ensure a competitive return to a willing landowner, as is recognised through the RICS guidance on 'Financial Viability in Planning' (RICS GN 94/2012 – as noted below), the NPPF requirements and other papers on viability assessment.

2.13.12 The consideration of land value – whether in the RICS' terms (see below) or more generally for this context, involves looking at any available examples ('comparables') to inform a view on market value and may well also involve considering land value relating to a current or alternative use ('CUV' or 'AUV'). In addition, there may be an element of premium (an over-bid or incentive) over 'CUV' or similar required to enable the release of land for development – i.e. to take a site out of its current use, but not necessarily applicable where a site has become redundant for that use.

2.13.13 The HCA's draft document 'Transparent Viability Assumptions' that accompanies its Area Wide Viability Model suggested that '*the rationale of the development appraisal process is to assess the residual land value that is likely to be generated by the proposed development and to compare it with a benchmark that represents the value required for the land to come forward for development*'. This benchmark is referred to as threshold land value in that example: '*Threshold land value is commonly described as existing use value plus a premium, but there is not an authoritative definition of that premium, largely because land market circumstances vary widely*'. Further it goes on to say that '*There is some practitioner convention on the required* *premium above EUV, but this is some way short of consensus and the views of Planning Inspectors at Examination of Core Strategy have varied*'.

2.13.14 RICS Guidance[16] refers to site value in the following '*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… The residual land value (ignoring any planning obligations and assuming planning permission is in place) and current use value represent the parameters within which to assess the level of any planning obligations'.*

2.13.15 In the Local Housing Delivery Group report[17] chaired by Sir John Harman, it is noted that '*Consideration of an appropriate Threshold Land Value needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input to a model.*

We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values'.

2.13.16 These types of acknowledgements of the variables involved in practice align to our thinking on the potential range of scenarios likely to be seen. As further acknowledged later, this is one of a number of factors to be kept in mind in setting suitable rates which balance viability factors with the infrastructure needs side.

2.13.17 We would stress here that any overbid level of land value (i.e. incentive or uplifted level of land value) would be dependent on a ready market for the existing or other use that could be continued or considered as an alternative to pursuing the redevelopment option being assumed. The influences of existing / alternative uses on site value need to be carefully considered.

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[16] Financial Viability in planning – RICS Guidance note (August 2012)
[17] Local Housing Delivery Group – Viability Testing Local Plans (June 2012)

3 Findings and Recommendations

3.1 Introduction, values patterns and relationship with the LP and City area characteristics - Residential.

<u>**Values and implications – residential**</u>

3.1.1 As can be seen within Appendix I (and reflected also in the Appendix IIa tables) we have studied the effects of residential sales values varying across the overall range £2,000/sq. m to £3,000/sq. m (equivalent to approximately £186 to £279/sq. ft.). Whilst it is likely that some schemes on the higher value areas, or those shown to potentially support wide-ranging values (see Appendix I / Figure 7 below).

3.1.2 This overall sales values range is represented by a scale of Value Levels (VLs) increasing 1 to 6 at £200/sq. m (approximately £18.50/sq. ft.) intervals – so that we can see the effect on the RLV outcomes (and therefore on viability) of the sales values (GDVs) varying by scheme type / locality, or over time through varying market conditions.

3.1.3 As referred to at 2.4.8 above (including Figure 4), the indicative occurrence of the VLs by locality that we have found is essentially based on a ward areas view. As we usually find for such assessments, assembling information form a variety of sources is important to gain the appropriate overview, but it does inevitably point to some varying indicators and especially for some localities where quite a wide range of values could be seen depending on specific location and scheme type. This needs to be acknowledged – judgments have to be made around the assumptions setting, in terms of how best to express and consider both the range of values observed and viewed likely to be most relevant, and the results interpretation.

3.1.4 Following review, ultimately with an emphasis on the latest available pointers to new build values (particularly the use of Land Registry sold prices in conjunction with the EPC Register, for dwelling size checks), this informed the guide set out at Appendix I (and table included below as Figure 7).

3.1.5 On checking back and through our wider information review, this picture is also considered to be broadly consistent with the overall values patterns (i.e. general relativities between areas) identified by GL Hearn in the 2012 viability assessment work carried out for the Council (Coventry Affordable Housing Economic Viability Assessment).

Figure 7: Value Levels (VLs) range and indicative relevance to City area localities

	CCC lower-end		CCC typical new-build values		CCC upper-end new-build values	
Assumed Market Value Level (VL) range & indicative match with localities	**VL1**	**VL2**	**VL3**	**VL4**	**VL5**	**VL6**
Location (Range)	Upper Stoke			Earlesdon		
		St Michaels, Lower Stoke, Wyken				
		Radford, Longford, Holbrook, Sherbourne, Foleshill, Henley, Binley, Willenhall			Wainbody, Woodlands, Bablake, Westwood, Cheylesmore, Whoberley	
1 Bed Flat	£100,000	£110,000	£120,000	£130,000	£140,000	£150,000
2 Bed Flat	£140,000	£154,000	£168,000	£182,000	£196,000	£210,000
2 Bed House	£158,000	£173,800	£189,600	£205,400	£221,200	£237,000
3 Bed House	£200,000	£220,000	£240,000	£260,000	£280,000	£300,000
4 Bed House	£260,000	£286,000	£312,000	£338,000	£364,000	£390,000
Value House (£/m2)	**£2,000**	**£2,200**	**£2,400**	**£2,600**	**£2,800**	**£3,000**

Note: Sheltered Housing tested across a range £2,600 to £4,000/m2 following the information included within Appendix III

3.1.6 Appropriately for the purpose of CIL setting this is a broad area-based approach used as a key part of the backdrop to reviewing, making recommendations and leading to options for the Council to consider.

3.1.7 The mid-range values at around VLs 3 to 4 represent the most typically occurring new-builds. From our latest review of Land Registry sold prices data on new-builds, we have calculated the overall average (City-wide) new build value to be £2,508/sq. m (see Appendix I). It is important to note again that a significant variety of values will continue to be seen overall, although it appears that a relatively small number of schemes will see values varying by more than around 10% from this overall average level.

3.1.8 The significant "challenge" to consider responding to in this City Council's case, is that this area of the values range, around the overall average seen over the recent period, also coincides more or less directly with what we might consider to be the "cusp" of schemes moving from potentially non or only marginally viable with all policy and other costs considered (before any CIL), to viability prospects that above this become significantly stronger. It is not appropriate to consider this as a firm line or cut-off but our results (see Appendix IIa) do clearly show this switching in likely strength of viability.

3.1.9 Following the viability findings strictly, and only, for example it could be possible to put forward a CIL on residential development that only applied in a sweep of areas – all those Ward areas wrapping around the western and southern sides of the City centre. That view could be taken to apply to the Ward areas (moving broadly north to south) of Bablake, Woodlands, Whoberley, Westwood, Earlsdon, Wainbody and Cheylesmore.

3.1.10 A supportable upshot of this could, however, be a nil CIL rate (CIL at £0/sq. m) across all other areas – i.e. covering the City Centre and areas to the north and east – i.e. the typically lower value areas, acknowledging again though that variety is seen within those, as it is in most other areas. However, were that view taken, then the areas potentially supporting a £0/sq. m CIL (again moving broadly north to south – Holbrook, Longford, Henley, Radford, Foleshill, Upper Stoke, Wyken, Sherbourne, St Michaels, Lowe Stoke, Binley and Willenhall.

3.1.11 Looking at the areas noted in 3.1.10 and as noted here more generally, a number areas see mixed values – depending on particular siting and scheme details. From our wider look at recent new-build advertised pricing, examples of these seem likely to include areas forming a kind of central axis and perhaps particularly from Sherbourne / St Michaels (City Centre) eastwards - out to areas such as Lower Stoke and Wyken. Again, this cannot be definitive, but seeks to guide the Council's weighing up of potential approaches.

3.1.12 As can be seen, the VLs overlap in looking at likely applicability moving from one area to another, so overall the results can be considered as a part of a larger set and related to each other.

3.1.13 Any clear values patterns that influence viability, and are critical to the relationship between viability and housing (or other development) supply in terms of ensuring overall plan delivery, are to be respected. However, as noted above, it also needs to be understood that there are bound to be imperfections in defining any viability zones or similar (linked to any differential CIL charging rates). In practice values can change over very short distances (even within schemes, between different sides or ends of roads, with different aspects, particular surroundings, school catchments or other specific local influences). This, again, is not a Coventry CC area specific issue; it is a typical finding and where CIL is implemented the charging rates setting cannot be expected to fully respond to the multitude of local variances that are usually seen. One local example of variance that we have discussed with the Council's officers is a north-south variation associated with the east/west rail line running through Westwood in the south western fringe of the City. Without the arrangements potentially becoming very complex, it may well not be realistic to fully reflect localised effects such as this example. The "drawing of lines" associated with any differential CIL rates zoning can often be problematic in some way – have some unintended consequence. These sorts of factors may be a valid influence in the how the Council proceeds.

Range of other factors influencing results review and findings / potential options

3.1.14 As part of this mix, it is also worth noting that a prospective charging authority does not have to follow the viability assessment exactly. Instead, the Council needs to be able to show how this work has informed its prosed approach and rate(s) and first and foremost needs to have struck the above mentioned balance between the need to contribute to supporting infrastructure provision to, in turn, support the Local Plan as a whole. When considering CIL proposals, this needs to become strategic – primarily about a suitable overview than necessarily following a raft of variables.

3.1.15 Amongst those other variable influences in this case, the City Council, working with a wide range of development stakeholders, has continued to identify and will continue to bring forward a large variety of sites and schemes, as we outline here.

3.1.16 The predominant role, overall, is noted to be for greenfield development, although a significant usage of PDL (previously developed land – i.e. brownfield) sites also continues.

3.1.17 Schemes will vary from smaller housing schemes and typical density estate type, family housing through higher density mixed schemes to high density urban and City centre mainly apartments-led development. Amongst this great variety, the latter will often involve significantly higher development costs, usually only supported by upper-end values here, particularly with all policies factored in and likely to often require discussion on priorities regarding planning obligations and other matters.

3.1.18 Adding to these varying characteristics, the Council's affordable housing (AH) policy has potential implications in considering CIL or similar charging rates, even though it has been factored in to DSP's appraisals and findings at the full policy level of 25%, where applicable. The fully applied policy has to be allowed for in CIL setting, even though it may be known from experience in practice that AH and other negotiations are needed in some cases at the planning application stage.

3.1.19 In respect of the AH policy, with a threshold (policy "trigger") at 25 + dwellings, CIL may be differentiated above and below this – i.e. by scale of development, bearing in mind that developments of fewer than 25 dwellings so not carry AH requirements – a significant viability differential.

3.1.20 The AH policy also means varying results by tenure 'concentration area' as seen through the 3 sets reported in the Appendix IIa tables and corresponding to the 'high' 'medium' and 'low' areas.

3.1.21 So, in the case of Coventry City Council's CIL setting and charging rate(s) context, there are potentially many layers and issues to work with. The overview needed in setting up a CIL could involve considering how best to reflect this variety of circumstances, while ultimately needing the find an appropriate balance – all as above.

3.1.22 Ideally, however, and following core principles, a CIL should be set up as simply as possible.

3.1.23 Our approach below is therefore to consider the potential implications of following this variety (although still not necessarily fully / entirely "accurately", which in any event would be very difficult indeed to reflect suitable for the purpose) and leading to at least some level of differential CIL charging rates – more than one, and potentially multiple rates.

3.1.24 Owing to the way that sort of approach potentially builds, and again bearing in mind the balance and the overview always needed to some extent, we will also put forward alternatives - as we see those being potentially available for the Council's consideration. We consider that a simple approach could be possible and equitable and it is also useful to consider how this might look as / compare with a 'LIT' type charging level, should that be considered relevant or become so following on from the above mentioned Review Panel findings.

3.1.25 DSP has experience of advising on CIL in a wide range of areas with greatly varying characteristics – within and between authorities. This includes experience of working on CIL with larger conurbation / City authorities (such as Portsmouth, Brighton & Hove) and a variety of locations where both single, simple "one sizes fits all" area-wide and differential charging rate(s) approaches have been discussed, weighed-up and pursued – all supported through examination where progressed to that stage.

Make up and use of the Appendix IIa results tables – to inform discussion

3.1.26 Each residential results table at Appendix IIa – tables 1a to 1d – follows the same format, with each £/sq. m figure under the yellow header rows being an appraisal outcome.

3.1.27 That outcome shows in £s/sq. m the maximum “theoretical” CIL charging rate that can be supported give the particular combination of assumptions used and that is being read-off within the tables, i.e. appraisal inputs reflecting reading from left to right across each table set):

- Scheme scenario type – left side;

- Benchmark land values (BLVs) – being the site value levels used as fixed land cost inputs in generating each result. Overall at £250,000 to £650,000 these reflect likely larger greenfield site / minimum option values through potential smaller greenfield site and a range of PDL values. The use of the green shading is simply to guide on the trends seen and help illustrate more clearly where the CIL charging scope comes in based on the appraisal findings only; and then increases generally with rising sales value assumption (VL) used and with the lower compared with higher BLV indications. So, each higher maximum theoretical CIL rate shown is based on a particular mix of criteria and the increasingly intense green shading indicates increased confidence in the outcomes – rising scope available for CIL charging alongside other development costs and polices. As noted above, consistent with other aspects here, the BLVs are not firm and linked to particular cut-offs. They help inform the review of results for different scenarios and potential host site types, but acknowledging that other land value levels – including some at higher levels - could well be justified in some circumstances.

- VLs – positioning and use all as above. At Appendix IIa we see the results increasing, as expected, with increasing VL. We can also see the area within the mid-range where the above noted “cusp” of viability is seen in the case of most results sets.

- Table 1a at Appendix IIa provides a base tests set, all assumed only for that purpose at 0% AH but as above the 15 dwellings scenarios tests here are potentially informative in policy relevance terms, because those represent tests beneath the AH policy threshold. The results may be compared with the table 1b, c and d outcomes with 25% AH factored in across all tests – reflecting CCC policy at 25+ dwellings.

3.1.28 Within each Appendix IIa table, there are 2 distinct results sets. Based on our earlier stage emerging results and yet experience of developments continuing to be delivered in Coventry, we also ran a second full set of appraisals using reduced development costs assumptions either directly related to profit levels and / or build costs, or using those a proxy for reduced development costs compared with those assumed originally. Some lower costs may well be seen as schemes are delivered and actual viability outcomes focussed on.

3.1.29 However, for the purpose of CIL setting, avoiding the potential margins of viability and above all bearing in mind that in this large City area wide context of highly variable development schemes and development costs will be the norm, we are using the base (left side) results sets based on BCIS median build costs and development profit at a full 20% GDV, in our experience not necessarily warranted or accepted across the board at the site-specific level.

3.1.30 So, the assumptions sets have elements of "buffering" within them – a reasonably prudent approach is taken. However, in addition to this in these circumstances it is appropriate to consider the potential range of applicable BLVs and VLs, all as above, rather than look only at the higher maximum potential CIL scope outcomes derived from highest VLs, lowest BLVs, and so on.

3.1.31 In terms of the 'concentration areas' we have formed the view that, because the steps between these assumptions and outcomes are relatively small in viability outcomes, it is appropriate for the purpose to refer to the mid-range again – i.e. the 'medium' concentration area – results at Table 1c in Appendix IIa. In terms of the sub-affordable housing threshold results (sites providing fewer than 25 dwellings), the Table 1a results at Appendix IIa are also relevant.

3.1.32 The themes from the above commentary will be taken account of in considering the further detail that follows (using, for this rates scope related advice, the Appendix IIa Table 1c results sets - as above).

3.1.33 A sample of appraisal summaries will added to the rear of Appendices IIa (residential) and IIb (Commercial) to further illustrate the calculation structure - help an understanding of how residual land valuation principles have been used here, for those readers wishing to review. Bearing in mind the study purpose and nature, these are not the full appraisals or sets, given the volume and added complexity of information that would involve reproducing. The summaries included represent a selection of scheme / use types with a focus where, ultimately, positive CIL charging scope and recommendations have been made. This is consistent with DSP's established approach to such assessments. The appraisals are too numerous to include all summaries in such a way: or indeed a greater number that would still represent only a sample. This is also consistent with the need to provide an overview suitable for informing the CIL setting, as above, rather than attempting to treat the scenarios more as a very large number of examples of actual schemes. To reiterate, appraisal summaries are not included for the full range of scenarios that were considered non-viable or insufficiently viable to clearly support CIL, looking at this at the current time (again see the results tables).

3.1.34 All aspects in respect of commercial / non-residential development viability for CIL are covered in separate report sections below.

3.1.35 In addition to the nature of the assumptions setting and the points on the context for and review of results as noted above, for this study in our view and experience, applying an explicit 50% buffer factor would be appropriate to get to suitable indications for the parameters for potentially implementable CIL charging rates. So, in each example below, drawn from the results, we seek to pull out the maximum theoretical rates seen for the CIL charging scope from the tables. We then "halve-back" that rate, applying a specific suggested buffering factor (judgment based) to arrive at what we consider to be the potentially implementable scope for CI charging from the various scenarios / circumstances). Necessarily, these are not reviewed here across all potential circumstances – an overview needs to be made.

3.1.36 As above, except with 0% AH (see below) a great majority of results suggest workable viability prospects only at VL4 or higher. This reflects the "cusp" of viability – moving to positive CIL charging scope more reliably from VL3 to 4 i.e. at around £2,500/sq. m; also the overall City-wide average recent new-build value from our research. Therefore the only results related to VL3 and considered within the following detail are those in respect of 0% AH (15 dwellings tests) which receive a relative viability "benefit" from all units realising market sales values rather than the very significantly lower AH revenue levels.

3.1.37 It should be noted that the following findings and commentary reflect the £3,000/dwelling residual s106 / contingency that we have allowed for within all appraisals.

Residential results review – CIL charging scope

3.1.38 **15 mixed dwellings** (no AH policy applicable – 0% AH - Appendix IIa Table 1a). Depending on site type, the maximum rate is seen across a range £0 to £203/sq. m at VL3. After 50% buffer adjustment this becomes approximately £0 to £102/sq. m.

3.1.39 At VL4 the range of the maximum theoretical scope level becomes £134 to £348/sq. m. After the suggested buffering, this suggests charging parameters potentially ranging from £67 to £174/sq. m.

3.1.40 **25 mixed dwellings** (to recap, including 25% AH, and as scheme size the increases – Appendix IIa Table 1c). Depending on circumstances and the assumptions used, a maximum of £0 to £372/sq. m seen here indicates approximately charging parameters ranging from £0 to £186/sq. m. At VL4, the maximum CIL scope is indicated to be approximately £145/sq. m, leading to a buffered upper parameter for CIL charging at approximately £73/sq. m on that basis. At VL5, the maximum range is between £93 and £258/sq. m; approximate range £47 to £129/sq. m after buffering.

3.1.41 **30 flats (for the elderly – sheltered / retirement).** The premium values usually achieved for these schemes, together with the densities and typically reduced scope of external works, are in our experience positive viability influences offsetting the higher build costs associated with the construction of enlarged communal (non-saleable) areas in comparison with general market apartments development. Higher sales values than those assumed for the wider assessment purpose are in our view likely to relevant should such schemes come forward across the city – although through our research we have found no recent or current examples of similar scheme types at this stage.

3.1.42 This may be a question of demand or perhaps the relative affordability of other retirement options, but we consider that these schemes would be likely to come forward with both demand in place and sufficient sales values to support the development costs; some similar issues to those related to apartments development in a wider sense. We consider that this is likely to mean viable developments capable of supporting contributions towards CIL, should schemes come forward.

3.1.43 Following this through, we have tested this scenario at bespoke VLs ranging from £2,600 to £4,000/sq. m.

3.1.44 Overall in respect of this form of development (assuming within the C3 planning use class and therefore part of the very wide spectrum of market housing development), we consider there to be no reason for differentiating for it in affordable housing policy target or indeed CIL charging rate terms.

3.1.45 The findings are consistent with our wide experience of site-specific viability assessments across a variety of local authority areas. Schemes of this type are regularly supporting CIL payments alongside making some level of contribution towards meeting local affordable housing needs, although with viability regularly discussed and a variety of PDL scenarios the norm.

3.1.46 Our experience and general wider practice has been that financial contributions are typically the mode of provision from such schemes, although this need not affect the policy starting point or mean that the policy scope should be restricted to this, particularly as different forms of development and tenure formats could become a part of the overall picture in the coming period, with a greater national level emphasis on and need for housing for the elderly.

3.1.47 **100 mixed dwellings.** Here we see maximum outcomes of £10 to £274/sq. m. After buffering this suggests potential charging scope in the range £5 to £137/sq. m.

3.1.48 **100 flats**. The results suggest nil CIL scope assuming all other costs and assumptions fully applied. We find this regularly where high development costs are sometimes not sufficiently supported by typical local values levels. This does not mean that such schemes are necessarily undeliverable, but represents the significantly greater likelihood, in our experience, that consideration to reviewing other areas of requirements and appraisals may be needed to help underpin delivery.

3.1.49 **200 mixed dwellings.** The indications are a maximum of £0 to £232/sq. m**.** After the buffering, this suggests potential scope in the range £0 to £116/sq. m.

3.1.50 **Strategic scale development.** By strategic scale development we mean development that is clearly of a strategic scale rather than larger development in general; and that has significant site-specific development mitigation to fund. In this case we have tested a scheme of 2,500 units representative of the CCC SUE scale development proposals Development of this nature supports a major part of the Council's overall housing supply.

3.1.51 Without strategic development coming forward as planned, a plan as a whole could stall or fail in overall delivery terms. The key characteristic that differentiates this type of development in viability terms is the level of cost likely to be associated with site-specific planning obligations and other works / requirements to secure an appropriate level of development mitigation. In our experience this requires or at least is likely to be best dealt with through allowing maximum delivery flexibility using s.106 as the mechanism for securing the necessary infrastructure.

3.1.52 Using the approach as noted at section 2.12 above, our current stage appraisal <u>for CIL consideration purposes only</u> showed that by the time Harman report level strategic infrastructure / site works are added to the assumptions set, the appraisal generates insufficient surplus sufficient to fund CIL alongside the Local Plan required affordable housing and DSP's assessment approach to land value, developer's profit and other assumptions (the collective costs of development).

3.1.53 So currently the scenario testing points strongly to insufficient viability to support any level of CIL in respect of larger / strategic scale development where greatly increased costs are typically relevant; associated with site and access improvements, strategic landscaping, drainage and utility services and specific infrastructure or mitigation requirements weigh heavily on overall viability. This is a typical finding in our recent experience of CIL viability and at the current stage suggests that s.106 would represent a more adaptable and effective means for securing necessary planning obligations. Appraisal summaries are included at the end of Appendix IIa.

<u>Overall viability context – residential</u>

3.1.54 Overall in the Coventry City area, we have observed an active local property market with a viability picture clearly sufficient to regularly support development activity. From our wider experience combined with local review, however, using the type of approach assumptions prudent for CIL viability assessment, we have found mixed scope to create land value uplift that will be sufficient to usually help support planning policies and related obligations (as should be reflected in site value) and deal with site-based issues. Indeed, it is recognised that a CIL is one of the factors that will in itself influence land value. This is also bearing in mind the need to ensure sufficient and appropriate land values and developers' return levels (development profits).

3.1.55 This picture underpins mixed scope to provide a CIL income along with meeting other aims and creating high quality, sustainable development.

3.1.56 It will be advisable for CCC to link its CIL work to further information on s.106 as the further consultation and then submission stages progress on CIL – towards the CIL examination. We recommend that the Council keeps up to date its monitoring information on s.106 collected and agreed to date, and particularly in the last few years. This will inform comparisons and also help to inform the approach to s.106 – alongside a CIL - moving forward.

3.1.57 The inclusion within the sets of some very positive looking individual results on maximum theoretical charging rates scope (including for example those based on higher VLs and base tests at 0% AH for sites of 25+ dwellings), does not mean unfettered scope regarding CIL alongside the adopted affordable housing and other policies. Expectations need to be realistic all round, as once a CIL is in place as a "top-slice" of development costs, if set too high it could hamper development or mean too great a compromise in other planning objectives.

3.1.58 Collective development costs potentially including the highly variable site specific occurrence of abnormal works or other costs may be another factor at individual site delivery level – design and construction constraints, high density development, land assembly and associated issues, heritage aspects and so on.

3.1.59 So, as we have found from experience of considering CIL viability and setting with prospective charging authority clients in other some areas, there are particular counteracting factors to take account of when looking at the higher results and apparent charging potential.

3.1.60 In the CCC context, these factors are considered likely to come together sufficiently frequently to significantly temper the CIL charging scope, particularly on sites above the affordable housing threshold. This is reinforced by the fact that many results, including most at up to and including VL3, do not support viability for CIL charging, technically.

3.2 Findings overview and options / recommendations – Residential development.

3.2.1 Taking account of the wide range of outcomes but seeking not to set out overly complex options, our review and findings point to **scope for a residential development CIL at a rate not exceeding the parameters £50 - £75/sq. m if applied in the mid-high value areas** broadly in an arc wrapping around the west, south west and south of the City including, we suggest, Cheylesmore in the south. Very broadly this would be applicable with some certainty to the western half of the City area (see Figure 7 and 3.1.9 above; and Appendix I).

3.2.2 **Based only on viability considerations, this approach would mean a nil CIL (£0/sq. m) across all other areas – central to north and eastern City areas** (as per 3.1.10 above)**.**

3.2.3 However, in practice, the City areas in our view represents more of a "patchwork" of different and overlapping areas, with distinctions potentially hard to describe and reinforce, as well as map clearly and "defensibly".

3.2.4 Planning Practice Guidance states that 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. In our opinion a potentially suitable alternative approach for the Council may be to consider (alongside its wider evidence), setting of a low level CIL, not exceeding the lower parameter noted above i.e. £50/sq. m as a city-wide approach applicable to all residential (C3) development – in all localities. This would be consistent with needing to reach a necessary balance between the need to fund infrastructure and the potential implications for the economic viability of development.

3.2.5 So this option would involve accepting that whilst some sites might effectively "under-pay" CIL compared with their theoretical viability potential or with the applicable scope under a differential rate approach, others would contribute to the overall balance without having too much additional viability pressure.

3.2.6 For a number of years DSP has been providing additional information as a further guide to its clients – looking at the CIL trial (test) charging rates expressed in %GDV terms. This is not an extension of the viability testing, but merely a secondary guide/ form of "health-check" with a view to CIL rates not becoming potentially excessive. Where a scheme is inherently viable (i.e. in this case producing sufficient residual land values), in our experience, a CIL rate in the order of 3% of GDV suggests that a charge in that range should not be excessive. Where a scheme is inherently unviable, clearly this additional guide does not apply in the same way. This has tended to serve well, purely for additional CIL rates setting context.

3.2.7 These further indications are shown in the grid below (see Figure 8) from which may be viewed the potential CIL charging rates range that is equivalent to approximately 2 to 4% GDV, related to our commentary above.

Figure 8: CIL trial rates as % GDV

Coventry City Council CIL - Additional information to viability testing / context for results review

	CIL Trial Rates as % GDV					
CIL Trial Rate £/m^2	**VL1 £2,000**	**VL2 £2,200**	**VL3 £2,400**	**VL4 £2,600**	**VL5 £2,800**	**VL6 £3,000**
0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
10	0.50%	0.45%	0.42%	0.38%	0.36%	0.33%
20	1.00%	0.91%	0.83%	0.71%	0.71%	0.67%
30	1.50%	1.36%	1.25%	1.15%	1.07%	1.00%
40	2.00%	1.82%	1.67%	1.54%	1.43%	1.33%
50	2.50%	2.27%	2.08%	1.92%	1.79%	1.67%
60	3.00%	2.73%	2.50%	2.31%	2.14%	2.00%
70	3.50%	3.18%	2.92%	2.69%	2.50%	2.33%
80	4.00%	3.64%	3.33%	3.08%	2.86%	2.67%
90	4.50%	4.09%	3.75%	3.46%	3.21%	3.00%
100	5.00%	4.55%	4.17%	3.85%	3.57%	3.33%
120	6.00%	5.45%	5.00%	4.62%	4.29%	4.00%
140	7.00%	6.36%	5.83%	5.38%	5.00%	4.67%
160	8.00%	7.27%	6.67%	6.15%	5.71%	5.33%
180	9.00%	8.18%	7.50%	6.92%	6.43%	6.00%
200	10.00%	9.09%	8.33%	7.69%	7.14%	6.67%

KEY:

DSP background / secondary guide - potential CIL rates usually not exceeding 2-4% GDV max.

3.2.8 Reflecting the above, **for strategic development sites (as per 2.12 above) we recommend the consideration of a nil or nominal CIL rate(s) charging approach** (i.e. in relation larger developments typically progressed over a few years or more and having significant site-specific infrastructure or other development mitigation requirements to meet).

3.2.9 **For sites falling beneath the AH threshold, a differential approach could be considered. A higher CIL charging rate could be supported in our view.** At VL4, the first point in the values range at which secure CIL charging scope is seen through the viability calculations, the differential varies between around £70 and £120/sq. m in terms of additional charging scope. At VL4, the uplift in CIL scope is seen at between approximately £40 and £95/sq. m.

3.2.10 **On those sites below the affordable housing threshold, a rate that is £50/sq. m higher than other sites could be implemented. So, under the above differential route (as per 3.2.1 – 3.2.2) this would suggest rates at not exceeding approximately £50/sq. m in the typically lower value east and north as per 3.1.10 above and approximately £100 - 125/sq. m in the typically higher value west and south as per 3.1.9 above.**

3.2.11 Similarly, in our experience, so as to aid consideration of the funding receipts scope (guides/potential), see the potential charges in context, consider comparisons with s.106 and aid review by stakeholders it is always worth looking at the potential CIL rates in terms of what they could mean for liability levels due from typical new build dwellings. This tends to put in context the significance of the charges, particularly if they are looking too high, and so it may also act as a further form of check. For example, looking at the £0 - £75/sq. m overall potential charging rate(s) area as above (see the following table, Figure 9). Sample points within these overall recommended parameters are provided below. By viewing between the levels shown it will be possible to estimate the CIL equivalent sums per chargeable dwelling, based on other dwelling sizes and / or intermediate CIL rates as may be relevant. The Council could develop this in order to help guide with a feel to what its selected rates will mean in broad terms, in £s/dwelling.

Figure 9: Indicative CIL charges (based on rates findings parameters and assumed dwelling sizes)

Unit Sizes (sq. m)	CIL chargeable (market sale) dwelling size (GIA - sq. m)	CIL/market sale dwelling @ £0/sq. m	CIL/market sale dwelling @ £50/sq. m	CIL/market sale dwelling @ £75/sq. m
1-bed flat	50	£0	£2,500	£3,750
2-bed flat	70	£0	£3,500	£5,250
2-bed house	79	£0	£3,950	£5,925
3-bed house	100	£0	£5,000	£7,500
4-bed house	130	£0	£6,500	£9,750

DSP 2017 (based on assessment assumed market dwelling sizes, for illustration)

3.3 Introduction – CIL Viability tests and implications - Commercial.

3.3.1 The following report sections cover equivalent commentary and information aimed to guide the Council's consideration of a potential charging approach to and parameters for any rate or rates applicable to commercial / non-residential development uses.

3.3.2 In DSP's wide experience of viability assessments and related work informing and supporting prospective charging authorities' CIL Charging Schedule developments, as well as in local plan and site-specifics contexts, typically we have found no or very limited CIL viability scope beyond that supported by retail development of some forms of that.

3.3.3 However, our approach remains to test from scratch a variety of development use scenarios on each occasion. We have used this same approach for Coventry City Council, based on a range of tests as outlined at Appendix I , with corresponding results set out at Appendix IIb Tables 2a to 2f (again with relevant sample appraisals following those). The general format of the information in both Appendices follows the residential review principles as above, using appropriately scoped assumptions as were also noted earlier - in Chapter 2 above.

3.3.4 Appendices I and IIb contain information only relating to those scenarios considered to be of main relevance to reviewing the CIL charging potential - where full appraisals were carried out (i.e. in respect of retail, offices, industrial, warehousing/distribution, hotel, purpose-built students' housing and residential institution (nursing /care home) development uses).

3.3.5 The results tables show in their heading the rental yield % assumed for each set. They are to be reviewed bearing in mind the potential relevance of each yield % sensitivity test according to the development use type. For example at the lower yield tests (5.0% and 6.0% - Appendix IIb, tables 2a to 2c), these were considered to best represent the end at which the assumptions would be most relevant to any larger format retail (supermarket and retail warehousing) developments, and also potentially to other forms of prime development – perhaps including industrial/distribution, purpose built students' housing or care homes as an investment scenario. Overall. This involves a prudent rather than optimistic view of assumptions.

3.3.6 However, the viability outcomes are highly sensitive to changes in this yield assumption, so that with deteriorating rental income certainty and investment prospects comes an increased yield % and the investment (capital) value i.e. GDV falls steeply, supporting a reducing strength of relationship between development values and costs. As with residential, a lower GDV means less scope to support the development costs and a poorer value:cost relationship is quickly indicated through the reducing RLVs that are seen as the yield % increases moving from the most positive 5% tests undertaken at table 2a to those using a 7.5% yield assumption at table 2f.

3.3.7 Overall, the range of yield %s used assumes good quality, well-located new-build development as will be relevant to the LP and to the associated CIL. Through the range of tests we can see to what extent realistic assumptions support positive scheme viability and, from there, assess any scope for CIL payments.

3.3.8 For the development use types considered, where poor or only very marginal outcomes were seen generally (B Uses especially – business / employment space including offices and industrial, but also hotels and potentially other development forms where achievable values reduce), we can see that the results would deteriorate further with increased yield % trials, rents at lower levels or increased costs compared with the assumptions used – e.g. in relation to any abnormal site issues, site-specific s.106 and, potentially, through the need to support higher land values again in some instances (all as per the residential principles again).

3.3.9 For some forms of retail, and potentially students' housing, even our more positive assumptions might be considered to be on the conservative side. However, in our experience, for the study purpose we would not expect to rely on more positive assumptions than the combinations of lower yields and higher rents trialled amongst the ranges that we have explored through this testing. Furthermore, as noted above, we could fine that – again as with residential – some of the higher values uses such as larger format retailing or student housing development could support higher land prices or expectations needing to be met.

3.3.10 The more positive of these results certainly show the scope to meet the collective development costs, including higher land values as may be needed. However, in our experience, the practical, implementable level of CIL charging scope is going to be well beneath the high looking figures that are seen from some scenarios.

3.3.11 As per 3.3.4 above, only the results relating to key commercial / non-residential development trials are included at Appendix IIb. This is because the early stages consideration of the strength of relationship between the values and build costs quickly showed there to be no point developing the full testing process beyond initial stages in the case of a wider range of development uses. This applied where certain scenarios were seen to be clearly unviable as development uses based on our high-level research and experience, leading to a value:cost comparison enabling likely non-viability for CIL to be seen. We will pick up this area with further commentary later in this chapter, and refer to the table at Figure 9 below.

3.3.12 This certainly does not mean that development is not occurring or will not occur. Rather it means that according to our research, assumptions and findings, the current picture is at best of marginal or mixed viability prospects for development in those cases when reviewed in the appropriate way for this purpose. In our view and experience, this leads to a fairly narrow scoping of CIL beyond residential development.

3.3.13 For the non-viable scenarios, the range of trials (varied rents and yields) served the purpose of exploring how positive the assumptions would need to become to support viability where poor initial outcomes were seen at what were considered to be the more realistic end of the assumptions ranges and, hence, potentially, how far they would need to move so as to provide scope for CIL charging. It follows that if those and other scenarios (including for hotels and similar uses) produce poor results with these assumptions then we can see that the results would deteriorate further (become increasingly negative) with a range of less favourable values (rent, yield %) or costs assumptions that might be seen in practice.

3.3.14 The Appendix IIb equivalent of the residential test value levels (VLs) is the use of ‘Low’ (L), ‘Medium’ or ‘Mid’ (M) and ‘High’ (H) ‘Value level’ referring to the range of rent/revenue assumptions – as per the last part of Appendix I - ‘Commercial Assumptions Overview Sheet’.

3.3.15 In the main, on setting up the assumptions, the medium value levels were considered to be the key area regarding current balanced interpretation of results. ‘L’ and ‘H’ were set up to allow us to consider the sensitivity of outcomes to lower or higher values, related to varying scheme type or location; and / or market movements. As with the yield trials, or residential VLs, they provide context by helping us to gauge the extent to which the values would need to either increase to provide viable scheme results where the medium level results are poor or marginal; or on the other hand how sensitive to a fall away in the values the outcomes. So we are also gauging how secure the outcomes are bearing in mind again the fixed “top slicing” of development revenue that takes place for a CIL.

3.3.16 For context here, in our wider work we are seeing that for prime sectors and locations the commercial market has been showing signs of picking-up from the previous recessionary period in some respects. The outlook seems uncertain, however, and this is going to be a market feature for ongoing monitoring and future review of CIL. At present we are not detecting sufficiently positive trends on scheme viability so as to influence the likely CIL charging scope and provide significantly greater scope in the timespan involved from here to getting a CIL in place.

3.3.17 From the assessment research and findings, based on realistic current assumptions for the City area, this report needs to acknowledge viability challenges or at best potential / marginal viability outcomes viewed in the context of appropriate CIL viability assessment approach and assumptions sets. This overview relates to most forms of non-residential development at this time, and looking to the short term associated with the likely life of a first CIL Charging Schedule.

3.3.18 The assessment findings on this are not unusual at all in our wide experience of these matters (and are considered consistent with others’ findings in general), although activity within the local commercial property market should also be monitored by

Coventry CC so that any further information and signals from local market activity could help to inform a review of the CIL in due course.

3.3.19 The findings from the results will now be considered – by development use type.

3.4 Commercial results review – CIL charging scope

Retail

3.4.1 A key exception in terms of mainstream development types usually considered for CIL viability, and again a consistent assessment finding in our experience, is retail development, and particularly larger format retail (meaning any further supermarkets, superstores and retail warehousing units that are to come forward). In common with most other viability studies that we have undertaken, these were found to be the one clearly viable form of commercial development when viewed in the way that this evidence needs to be put together (using appropriate assumptions that do not lead to judgements at the margins of viability).

Larger format retail – e.g. foodstores, supermarkets, retail warehousing,

3.4.2 For foodstore developments (e.g. supermarkets), yields at around the lowest (i.e. most positive) percentages tested are likely to be seen.

3.4.3 We can see that with M values at a 5% yield the results show a maximum potential CIL rate at £691/sq. m based on the lowest BLV, which reduces to £231/sq. m with a BLV of £2m/Ha. Using a 5.5% yield, the maximum indicated is £440/sq. m, falling to £242/sq. m with a £1m/Ha BLV. The 5% yield indications reduce to £400/ sq. m maximum, falling to £203/sq. m at a £1m/Ha BLV with 'L' rents driving the GDV in place of 'M'. So the CIL charging scope is seen to reduce significantly with an increasing land value assumption (benchmark) in place. In this case, and for information alongside the wider commercial testing results, we have considered an extended range of BLVs, as are shown in the Appendix IIb tables.

3.4.4 So, as above, the outcomes are quite sensitive to varying input appraisal assumptions and the charging rate potential in our view is not as high as first appears from the most positive assumptions combinations. From our experience, we would **suggest considering a potential charging rate at not more than £100/sq. m applicable to foodstores (of all types)**.

3.4.5 The retail warehouse unit scenario appears to indicate stronger results and therefore potential to support CIL, mainly due to lower assumed build costs. As above, however, the investment yields may not support such a positive capitalisation of the rents, and lower rents could also be seen, with the results sensitive to these variables.

3.4.6 Overall given potential competition for similar sites and consistent with our previous CIL viability findings and recommendations, we do not consider a differential between the rates applied to supermarkets and retail warehouse developments to be justified. The results are once again sensitive to the variable inputs changing and higher site costs could impact, whether through the purchase and / or works scope needed. **We consider again that for retail warehousing a £100/sq. m charging rate would be well within the margins of viability and an effective, workable level of charge** should the Council consider setting up its CIL charges in this way. Further information on the relevance of varying forms of retail development is provided below.

3.4.7 As with residential, however, there is likely to be no single "right" approach to the charges for retail development. Existing provision, other information and relative priorities under the Local Plan might inform the approach.

3.4.8 The Council will no doubt wish to consider the overall importance of various types of retail to supporting the Local Plan. We understand that a variety of retail development types are likely to be relevant in some way – ranging from individual local stores development / redevelopment, to the vitality of smaller and neighbourhood centres, potential new retail associated with mixed-use developments (e.g. ground floor retail with apartments over) or with larger scale new housing, to city centre shopping of mixed types.

Development of smaller shop units – local convenience stores and similar

3.4.9 From our review, our advice is that is individual new local shops development, new neighbourhood shopping in the form of smaller units or similar needs to not be impacted by CIL viability, then the Council should consider nil-rating such development forms based on viability. The results for local convenience stores and similar are clearly poorer. They appear to be much more reliant on the more positive assumptions from the range tested.

Development of smaller shop units – city/town centre context

3.4.10 With the typically higher rents and stronger investment prospects likely to be achievable, city/town centre shopping developments are also considered likely to be viable where the demand exists. The findings suggest that the development of such shops could in some cases support a CIL charging rate similar to that for the larger format retail as above – i.e. at a level not exceeding circa £100/sq. m.

3.4.11 However, the viability of such schemes is likely to be highly scheme and site-specific – i.e. sensitive to particular assumptions and therefore to specific location / setting, type and investment details. While an expanded scope of external works has been envisaged in the modelling for the City/town centre smaller retail types to date, these currently do not reflect the very much higher costs associated with more comprehensive / shopping centre type development. Potentially a site-specific or at least more localised (zoned) approach would be necessary and, usually, a low or nil-rating for CIL with such a scheme looked at using the same appraisal principles as used for other development types. We also have experience of some other forms of retail development being nil-rated, for example where low rents or high regeneration related costs, site assembly or other complexities and abnormals are often required to be overcome as part of bringing schemes forward.

3.4.12 These considerations might fit with the commentary on the variable values that could impact viability along with high site and development costs in the City Centre context particularly. We mentioned at 3.1.11 a central swathe of the City that we consider could be found to demonstrate mixed viability, including some very challenging scenarios.

3.4.13 Whilst CIL must not be used as a tool e.g. for regeneration aims and incentives, the Council may wish to consider whether there are overlaps between some of these likely characteristics and, for example, whether any zone based nil or reduced rating for CIL is going to reflect its own experience of viability and scheme deliverability in such areas – potentially including a range of development types such as residential and retail. Considering our findings on flatted development may be worthwhile in this respect – when weighing up potential alternatives.

3.4.14 **So, overall on retail, we consider that a key option recommended for consideration is to address the various types, as above, subject to these being distinct enough to**

support a differential approach and defined accordingly. This would most likely arrive at a differential rates approach – indicatively as follows:

- **Suggested up to £100/sq. m for larger format development (based on retail warehouses and foodstores/supermarkets, assuming out of centre locations), and;**

- **£0/sq. m – or a nominal rate for all other forms and locations for smaller shops and other forms of retail development (including local comparison and convenience stores, and city centre retail development)**

3.4.15 There is always the possibility that a single rate, aimed to be responsive to the range of retail development types, but accepting also the potential non-viability of some developments, could be considered as an alternative. However, this would need to be at a low level in order not to unduly impact viability on a range of smaller shop developments and would not apply to the city centre in any event, where a nil rate would be recommended as above. This alternative would point to a rate not exceeding approximately £50/sq. m applied to all retail outside of the city centre (including larger format retail developments) but at this level potentially, therefore, aligning well with the suggested alternative single rate possibility for the residential charging.

Further background – Retail

3.4.16 In the event that the Council decides, on balance, to run with the suggested differential approach to setting CIL charging rates for retail development, however, there are particular considerations to be aware of. This is primarily because it is necessary to set out clearly how the differentiation is set up and described. A differential approach needs to be based on viability evidence, as included within this report and appendices. It follows that reduced evidence ought to be needed to support an approach involving no or limited differentiation, moving back towards the intended nature of a CIL originally perhaps (before the scope were introduced to differentiate by scale of development, and the exceptions/reliefs were fewer, for example)

3.4.17 DSP has experience of both single and differential CIL charging rates approaches for retail development. However, as a high-level outcome the general viability variation between larger (retail warehousing and supermarket type) and smaller retail formats identified here is consistent with most of our previous and wider work on CIL viability, as well as with the findings of other consultants engaged in similar work in many cases.

3.4.18 Developing the outline above, the further information on retail in this section is provided for completeness and background at this stage; it provides further insight for use by Coventry CC if a differential approach is considered relevant, bearing in mind the LP context around the types of development planned, in particular, and coming forward more generally in ways that support the plan policies. This applies to all retail scenarios (across Use Classes A1 – A5; i.e. also covering food and drink, financial services, etc.).

3.4.19 In practice, the "churn" of and adjustments to existing shop units or conversions from other uses may provide much of the new smaller shops provision. CCC may wish to consider the extent to which CIL liable new builds may occur.

3.4.20 It is important to consider the extent to which retail of any form is plan relevant. If certain or all forms are likely to be coming forward on an ad-hoc basis only (i.e. outside the plan policies scope) then potentially it may be considered that any non-viability of individual schemes is not critical under the CIL principles.

3.4.21 In any event, as part of considering the impacts of any CIL proposals (both positive and negative), the Council may also wish to consider the relevance of any unintended consequences for other forms of development, such as smaller shops in the larger centre and other individual or small groups of shops. Overall, our understanding with regard to this City Council area is that this range of retail uses is probably the key factor to which any approach to CIL and / or s.106 planning obligations needs to respond – in order to support the more general LP positions on retail, perhaps, as well as particular higher value proposals.

3.4.22 Following adjustments made to the regulations, charging authorities have for some time been able to set differential CIL rates by reference to varying scale of development as well as varying development use (as has been noted above, for example, in relation to residential development). DSP's experience is that differentiation has been possible - as well as most clearly justified and described - based on scale where that relates to varying development use (i.e. retail offer, site and unit type, site etc. associated with that). The difference between larger and smaller format retail can be clearly defined for these purpose, as has been successfully done across a range of assessments and charging schedules in the last 5 years since the early period of CIL viability assessment; with type of retail being the key differential and size only a secondary factor relating to scale but acting as a further way of clarifying the differentiating factors.

3.4.23 Looking at differentiating CIL charging rates by size of unit only (i.e. an approach led by or relying solely on different scales of development) can be problematic or lead to inequities in our view. DSP's experience is such that a retail use does not necessarily change characteristics in any readily determinable way at any specific floor area point other than that determined by the Sunday Trading provisions. Related to the opening hours available to an operator, these provisions create a clear threshold and at that a clear differentiator – based on sales area of less than 3,000 sq. ft. (approx. 280 sq. m).

3.4.24 We consider that unless a prospective charging authority has particular planning policies that influence viability (i.e. cause switch points in viability) either side of a certain floor area, the floor area based provisions relating to Sunday trading continue to provide the only clear unit size linked switch in viability, bearing in mind that a particular floor area figure needs to be in place to create a viability threshold.

3.4.25 Since altering the assumed floor area to any point between (for example) 200 and 500 sq. m would not trigger varying values or costs at this level of review, basically the reported values / costs relationship stays constant; so that we do not see altering viability prospects as we alter the specific floor area assumption over that range. This means that the outcomes for this scenario (as for many others) are not dependent on the specific size of unit alone.

3.4.26 We find the same at other unit size assumptions. In essence, to support a CIL differential at an alternative threshold point it is necessary to show a distinct change in viability, which would come from different appraisal inputs applying at a particular point – whether at 500 sq. m, 1,000 sq. m, 2,000 sq. m or indeed any particular unit size. So the same applies on altering the high level testing for floor area variations on supermarkets or similar; the use type does not switch at particular points so that selection of thresholds for the varying scale of development could be arbitrary. This in itself could create inequity. In each case, unless viability were found to be different either side of any such point (a particular floor area figure), in our view and experience it would not be appropriate to differentiate.

3.4.27 The key factor differentiating the smaller types of retail scenarios that we refer to from the larger ones is the value / cost relationship related to the type of premises and the use of them; they are simply different scenarios where that relationship is not as positive as it is in respect of larger, generally out of town / edge of town stores. Specific floor area will not in itself produce a different nature of use and value / cost relationship unless applied in relation to the Sunday Trading provisions so far as we can see.

3.4.28 To reiterate, in our view any differentiation is more about the distinct development use – i.e. the different retail offer that it creates and the particular site type that it requires, etc. The description of the use and its characteristics may therefore be more critical than relying simply on a floor area threshold or similar. The latter could also be set out to add clarity to the definition and therefore to the operation of a charging schedule in due course, however.

3.4.29 In case of assistance in this respect, DSP has worked with a number of authorities on the details of these aspects. As an example that considered and established this principle, the adopted Wycombe DC CIL Charging schedule included wording clarifications, in the form of footnotes to assist with the definitions of the chargeable retail use types, put forward by that Council and accepted by the Inspector at Examination, as follows:

[1] Superstores/supermarkets are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit.

[2] Retail warehouses are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering for mainly car-borne customers.

3.4.30 So, to recap, only if differentiating between these smaller and larger retail formats, we consider that creating a link with the size of sales floor space associated with the Sunday Trading provisions (3,000 sq. ft. / approx. 280 sq. m) may provide the most appropriate threshold as a secondary measure to the development use description that is the most relevant factor in both creating and describing the viability differential. Such an approach may not be relevant in Coventry. However, drivers towards this approach in some locations may be the overall plan relevance of different types (as new builds or larger extensions of over 100 sq. m triggering CIL liability) and any concerns over added development risk to smaller shops provision associated with adopting a single rate at too high a level. This approach to setting up a differential approach to CIL charging for retail development assumes the threshold being used for clarity - to further explain the nature of the development use that the viability and a charging rate differential is linked to.

3.4.31 There are a range of retail related uses, such as motor sales units, wholesale type clubs / businesses, which may also be seen locally, although not regularly as new builds because these uses often occupy existing premises. Whilst it is not possible to cover all eventualities for ad hoc development, and that is not the intention of the CIL principles, we consider that it would be appropriate in viability terms to also link these to the retail approach that is selected based on the main themes of plan delivery, all as above.

3.4.32 Similarly, we assume that where relevant any new fast food outlets, petrol station shops, etc., provided for example as part of large retail developments, would be treated as part of the retail scheme.

3.4.33 Other uses under the umbrella of retail would be treated similarly too. Individual units or extensions would be charged according to their size applied to the selected rate as per the regulations and standard charging calculation approach.

3.5 Purpose-built students' housing

3.5.1 As a matter of relevant local context, this is another form of development that has been reviewed at an appropriate level for the consideration of a CIL, given the presence of the University, scale and importance of the local student population.

3.5.2 As can be seen from the Appendix IIb tables, the assessment outcomes indicate generally positive viability expected to be associated with such developments. Generally, the outcomes are considered to be capable of supporting development across a range of sites and scenarios, with CIL contributions likely to be workable. Our understanding, and assessment assumption, is that such schemes do not carry affordable housing requirements, further supporting this viability contention.

3.5.3 This work is underpinned by our locally based information review and research, and it also appears to be borne out by the information that we regularly pick up in terms of market reporting on the strength of this sector as an investment opportunity and focus.

3.5.4 At a 5% yield (Appendix II a Table 1a) we see a maximum CIL rate at £255/sq. m using the highest of the residential scenarios BLV. Halved-back as per the above noted significant 50% ”buffer” factor (although noted essentially arbitrary – judgment based) this suggests scope for a CIL of up to around £127/sq. m As can be seen, however, this scope reduces as the assumed land cost (benchmark) increases. The buffered CIL charging rate falls to beneath £50/sq. m by the time the site value assumption reaches approximately £1m (i.e. equivalent to a benchmark land value of £1.6m/Ha).

3.5.5 Although some much higher outcomes are also suggested depending on the assumptions combination, as in other cases we also found the results to be highly sensitive to lower revenue levels through different letting income and yield assumptions. **On balance, an approach that includes rates similar to the selection(s) for residential appears appropriate – the same parameters apply for the charging rates scope. This means a potential CIL charging rate at £50 – 75/sq. m.**

3.5.6 From what we can see, between the locations where this type of development is most likely to occur, there is not likely to be a great variety in the overall viability prospects for it; and the scope for it to support CIL charging. Therefore, unless the Council considers nil-rating a range of City centre uses owing to known site characteristics and development costs involved there, in which case we would expect to see the same treatment for this development use type, we would not otherwise envisage differentiation for it by location. So, aside from potential City Centre considerations and any differentiation made in common with that for other development uses, a City area-wide approach to CIL charging is suggested for purpose built students’ housing – scope for charging as at 3.5.5 above. This means that in the event of residential development being nil-rated across the typically lower value areas (see 3.1.10), we would not envisage the same being expressed for students’ housing developments; those would be required to pay CIL based on a consistent charging rate across all areas.

3.6 Housing for the elderly – Care based development provision (C2) compared with retirement living/sheltered (C3)

3.6.1 Consistent with our wide experience of CIL viability, rates setting and site-specific viability review workload to date, we would recommend that no differentiation be made for market provided sheltered housing or similar developments. Whilst such schemes involve the costly construction of much larger non-saleable proportions of overall floor area (communal space) and need to be reviewed with particular assumptions (appraisal adjustments) that we have reflected, they also have some balancing viability characteristics. These include typically achieving premium sales values, having higher densities and reduced external works.

3.6.2 These schemes are in our view part of the wide spectrum of market housing. In our experience, both where a CIL is operational and without CIL, commercial negotiations tend to take place in respect of affordable housing contributions on such developments. As with all other schemes, that and other aspects of negotiation have the capacity to deal with viability issues where the collective costs cannot all be carried by a scheme, and a site-specific viability appraisal (planning applicant submission) and review investigates that.

3.6.3 Affordable sheltered housing (within C3) and nursing / care homes (C2 uses) will be exempt from CIL charging through the regulations.

3.6.4 Within the wide range of potential formats of accommodation for the elderly, there is very likely to be a range of scheme types coming forward. These may fall within C3 (e.g. an 'Extra-Care' scheme that is primarily residential, but where varying degrees of support may be additionally available); or C2 such as care / nursing homes and other facilities where the occupants are residents but the primary function and reason for development is the provision of care; a care-led rather than residential-led scenario. It is possible that the determination of the relevant planning Use Class may be difficult in some situations, and likely that this will need to be considered on a scheme-by-scheme basis.

3.6.5 However, in the case of C2 development our understanding is that this would not carry the usual affordable housing policy requirements. This in itself provides a significant viability boost compared with a scheme that may share at least some other characteristics and be broadly similar in development and construction terms, but also need to support affordable housing.

3.6.6 We have appraised a care home (C2) scenario – see 'commercial' results Appendix IIb, tables 2a to 2f. Using values and assumptions considered to be relevant in the CCC local context, our findings are that this is indicated to be a generally viable form of development.

3.6.7 However, once again, the outcomes are dependent mostly on the more positive rental and yield (development revenue) assumptions and they are sensitive to changes in these.

3.6.8 On review of information at the point of report drafting, we consider that a combination of the 5.5% yield assumption with at this stage our 'L' rent input may be the most relevant results set to consider. At the highest BLV this suggests maximum CIL scope at about £59/sq. m to which again we would apply the suggested buffering factor – adjusting to approximately £30/sq. m.

3.6.9 This represents an outcome beneath both potential alternatives discussed for the main residential picture – i.e. lower than both the suggested potential City-wide or higher west / south sides differential residential rates.

3.6.10 The charging schedule should make clear the Council's intentions in treating these various forms of development, described for clarity.

3.7 Hotels (C1)

3.7.1 We have found that, using the approach and assumptions that are suitable for the exploration of CIL charging scope through this viability overview, hotel development use as assumed is not sufficiently viable to support CIL charging. This must be noted to be related to the particular study purpose, as reviewed at this point in time.

3.7.2 Again, we can confirm, therefore, that this does not necessarily mean that such schemes are non-deliverable per se. Rather, it means that at the present time clear scope for CIL charging cannot be evidenced in viability terms.

3.8 Business (Use Class B – employment offices and industrial/warehousing)

3.8.1 The same finding on charging scope applies in respect of the current and short term lack of prospects for all likely relevant forms of business development (meaning 'B' class uses) to support CIL charging. Again, the assessment clearly shows very poor (often negative) or at best low RLV outcomes, leading to this finding – as seen from the Appendix IIb tables again.

3.8.2 Whilst only of more general relevance given the assessment purpose, and this should be kept under review in future, the findings on business development suggest an ongoing level of challenge locally in promoting development opportunities, and perhaps particularly for any significant level of speculative development.

3.8.3 Associated with this there will continue to be a need to look to the most accessible, most valuable locations and to work with other agencies as well as with the private sector; to help stimulate activity and facilitate delivery working with and in response to the market.

3.9 Other development uses

3.9.1 In common with most of our other CIL studies, we have also carried out some initial high-level consideration of other development uses such as leisure (e.g. bowling / fitness / gym) or other D class elements such as health / clinics / nurseries etc.

3.9.2 Bearing in mind the key development value / cost relationship that we are examining here, we find that it is not necessary to carry out full appraisals of these because a simple comparison of the completed value with the build cost indications from BCIS (before consideration of other development costs) points to poor to (at best) marginal development viability. This one of the key reasons why these forms of development are generally not seen stand-alone, but tend to be provided as part of mixed use schemes that are financially driven by the residential and /or retail development.

3.9.3 Much the same applies to elements such as health / clinics and other similar, more community oriented development.

3.9.4 Following our extensive iterative review process, throughout this assessment we can see that once values fall to a certain level there is simply not enough development revenue to support the developments costs, even before CIL scope is considered (i.e. where adding CIL cost simply increases the nominal or negative numbers produced by the residual land value results – makes the RLVs, and therefore viability prospects, lower or moves them further into negative).

3.9.5 In such scenarios, a level of CIL charge or other similar degree of added cost in any form would not usually be the single cause of a lack of viability. Such scenarios are generally unviable in the sense we are studying here – as a starting point. This is because they have either a very low or no real commercial value and yet the development costs are often similar to equivalent types of commercial builds. We regularly see that even the build costs, and certainly the total costs, exceed levels that can be supported based on any usual view of development viability. These are often schemes that require financial support through some form of subsidy or through the particular business plans of the organisations promoting and using them.

3.9.6 As will be seen below, there are a wide range of potential development types which could come forward as new builds, but even collectively these are not likely to be significant in terms of "lost opportunity" as regards CIL funding scope. We consider that many of these uses would more frequently occupy existing / refurbished / adapted premises.

3.9.7 A clear case in point will be community uses which generally either generate very low or sub-market level income streams from various community groups and as a general rule require very significant levels of subsidy to support their development cost; in the main they are likely to be a long way from producing any meaningful CIL funding scope.

3.9.8 There are of course a range of other arguments in support of a distinct approach for such uses. For example, in themselves, such facilities are generally contributing to the wider availability of community infrastructure. They may even be the very types of facilities that the pooled CIL contributions will ultimately support to some degree. For all this, so far as we can see the guiding principle in considering the CIL regime as may be applied to these types of scenarios remains their viability as new build scenarios.

3.9.9 As a part of reviewing the viability prospects associated with a range of other uses, we compared their estimated typical values (or range of values) – with reference to values research from entries in the VOA's Rating List and with their likely build cost levels (base build costs before external works and fees) sourced from BCIS. As has been discussed above, where the relationship between these two key appraisal ingredients is not favourable (i.e. where costs exceed or are not sufficiently outweighed by values) then we can quickly see that we are not dealing with viable development scenarios. The lack of positive relationship is often such that, even with low land costs assumed, schemes will not be viable. Some of these types of new developments may in any event be promoted / owned by charitable organisations and thereby be exempt from CIL charging (as affordable housing is).

3.9.10 On this basis, Figure 10 below provides examples of this review of the relationship between values and costs - in a range of these other scenarios. This is not an exhaustive list by any means, but it enables us to gain a clear picture of the extent of development types which (even if coming forward as new builds) would be unlikely to support CIL funding scope so as to sufficiently outweigh the added viability burden and further complication within any local CIL regime. These types of value / cost relationships are not unique to the Coventry City area at all. Very similar information is applicable in a wide range of locations in our experience, although the largely urban nature of this authority area increases the relevance of certain types of development uses and therefore the potential need to ensure that any essential delivery is not undermined. (See Figure 10 below).

Figure 10 – Development Value to Cost relationship – Other non-residential uses

Example development use type	Indicative annual rental value (£/sq. m)	Indicative capital value (£/sq. m) before sale costs etc.	Base build cost indications –BCIS**	Viability prospects and Notes
Cafés	£150 - £250 per sq. m.	£1,500 - £2,500 per sq. m.	Approx. £1,980 - £2,650	Insufficient viability to clearly and reliably outweigh the costs
Community Centres	£20 - £75 per sq. m.	£200 - £750 per sq. m.	Approx. £1,600 - £2,300	Clear lack of development viability
Day Nurseries (Nursery School /Creches)	£65 - £125 per sq. m.	£650 - £1,250 per sq. m.	Approx. £1,900 - £2,650	Clear lack of development viability
Garages and Premises	£30 - £80 per sq. m.	£300 - £800 per sq. m.	Approx. £500 - £900	Low grade industrial (B uses) - costs generally exceed values
Halls - Community Halls	£20 - £35 per sq. m.	£200 - £350 per sq. m.	Approx. £1,650 - £2,200	Clear lack of development viability – subsidy needed
Leisure Centre - Health and Fitness (Sports Centres/ recreational centres) generally	£40 - £80 per sq. m.	£400 - £800 per sq. m.	Approx. £1,300 - £2,700	Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises
Leisure Centre Other - Bowling / Cinema	No information available		Approx. £1,000 - £2,000	Likely marginal development viability at best - probably need to be supported within a mixed use scheme; or to occupy existing premises
Museums	No information available		Approx. £1,100 - £3,250	Likely clear lack of development viability – subsidy needed
Storage Depot and Premises	£10 - £60 per sq. m.	£100 - £600 per sq. m.	Approx. £500 - £1,100 (mixed storage types to purpose built warehouses)	Assumed (generally low grade) B type uses. Costs generally exceed values - no evidence in support of regular viability.
Surgeries	No information available		Approx. £1,650 - £2,200 (Health Centres, clinics, group practice surgeries)	Insufficient viability to clearly and reliably outweigh the costs based on other than high-end looking value assumptions.

*£/sq. m rough guide prior to all cost allowance (based on assumed 10% yield for illustrative purposes - unless stated otherwise).

**Approximations excluding external works, fees, contingencies, sustainability additions etc.

***BCIS Latest available data average of Warwick Location Factor

3.9.11 Our recommendation is for the Council to consider a nil (£0/sq. m) rate in respect of all other development uses not recommended for bearing positive charging rates as set out above. This applies to a wide range of development types such as included within Figure 10 above. As in other cases, this could be reviewed in future - in response to monitoring information.

3.9.12 Our overriding view at the current time is that the frequency of these other new build scenarios (i.e. aside from the retail, students' housing and care home development uses as considered above) in general that could reliably support meaningful CIL scope in the City area is likely to be very limited.

3.10 Recapping & further general points and context for results review

3.10.1 The wider economic backdrop remains mixed and uncertain in the period following the June 2016 "Brexit" vote, although at the point of writing-up this study there appear to be increasing signs of a slowing and in some cases flattening-off of house price growth, being seen more so in higher value than lower value areas. At present there is no particular evidence of a general slow-down as such in generally buoyant market areas like this. Only time will tell how this continues to play out; a key area for monitoring by the Council. In the meantime, the buffered type approach that we consider here in looking well within the apparently very high looking CIL charging scope is considered responsive to this level of potential uncertainty moving ahead.

3.10.2 Certainly a significant factor for the residential scenarios, as is always the case, is the affordable housing (AH) provision to be secured from market developments based on the policy targets. Outside the operation of the market itself, as above, the effect of the AH requirement is typically one of the most significant impacts, if not the most significant, on development viability.

3.10.3 Although the HCA are directly investing for example through site purchase and other means in some instances, this or other funding for affordable housing remains limited and uncertain at best, and likely to continue being so in application to non s.106 provision for the foreseeable future. Again, appropriate revenue assumptions have been made so that no affordable housing grant / other similar subsidy sources have been factored-in. The reported outcomes are not reliant on grant or any other external subsidy. This is an established approach. Where available, added grant would improve the viability positions indicated, or could help to restore affordable housing proportions or tenure mixes to some extent where those would otherwise need to be below target requirements in order to maintain viability (e.g. in instances of higher site costs, significant development abnormals or other requirements).

3.10.4 As a starting point CCC is necessarily continuing to seek what has been a typical mix of affordable rented and shared ownership / equivalent tenure. However, in practice the Council has operated this approach flexibly - according to a mix of factors including the site / scheme type, location, local needs and financial circumstances. This is currently a fairly typical approach in our experience. We are now seeing the emergence of a potential added / alternative "affordable" tenure in the form of low cost housing (assumed for sale at a discount to market price, similar to the Government's previous announcements on 'starter homes' or similar. At the time of preparing this assessment there are many unknowns on affordable housing, and judgements have to be made based on the existing, known, LDP related approach.

3.10.5 Moving ahead, we could see that any replacement of some or all of the traditional AH tenure housing within scheme mixes could produce quite different viability influences. So, on future review of its CIL charging schedule, the Council could well find different viability impacts from any updated housing and / or affordable housing mix. These influences should be monitored. This area of appraisal assumptions could have implications for both CIL levels and policy/SPD etc. and may need to be revisited as part of any review in future.

3.10.6 Developer's profit level requirements (and in some cases related funders' stipulations) could well vary; including profits supporting workable schemes at a lower proportion of GDV (% GDV) or a similar proportion of development cost. In our recent experience of scheme specifics and on reviewing appeal outcomes etc. we are seeing a range of profit levels. Whilst for CIL setting purposes only this observation may be particularly relevant in the case of commercial schemes, where we could see lower profit level requirements than those we have assumed (potentially significantly lower than 20% GDV) this may also be the case for residential.

3.10.7 However, <u>for the study purpose</u> (rather than any guide to site-specifics) we considered it appropriate overall to acknowledge that there may need to be some scope in this regard on commercial / mixed-use developments; or in respect of other commercial scheme costs / risks.

3.10.8 This, again, is part of setting assumptions which fit with arriving at a balanced approach overall and do not mean that the consideration of CIL charging rates involves pushing to the margins of viability; part of the "buffered" type approach. It is important to avoid removing cost from collective assumptions that are set on this basis, so that scheme prospects become too dependent on those particular assumptions proving absolutely correct in practice. When it comes to site specifics, all individual appraisal inputs will vary and, therefore, how they interact will vary too.

3.10.9 This means that whilst for CIL informing / setting purposes for this assessment we regard a profit based on 20% GDV across the board on all scenarios to be part of a prudent assumptions approach overall, CCC need not expect to see this as a consistent assumption or expectation on site-specifics at the delivery level where viability is being discussed.

3.10.10 This approach runs through the assumptions setting process. This is an important point, as the assumptions are made for the purpose of considering the CIL funding scope at the current time; and not for any wider purpose such as site-specific or affordable housing viability. For the study purpose we cannot consider for example the extent to which land and build costs etc. may be negotiated, savings may be identified against earlier stage assumptions as schemes are progressed built-out, profit margins may be flexed, contingencies reduced; or any gain on the values side. In balance with this, we have acknowledged also that rising costs tend to produce further pressure on overall viability if they not supported by positive values changes.

3.10.11 A common theme running through all of the results (residential and commercial) is that they are highly sensitive to varied appraisal inputs – particularly the values - and to the land value comparisons considered as potential benchmark ranges. A relatively small adjustment, particularly in some assumptions areas, can have a significant effect on the outcome.

3.10.12 Any potential CIL charging rates need to be considered alongside other factors relevant to the locality and the development plan delivery; i.e. not based on viability only.

3.10.13 Amongst these other factors, the location and frequency of site and scheme types forming key parts of the local growth planning options is always key to a prospective CIL charging authorities considerations – i.e. considering where in the main development will be coming forward (in relation to the site types and values patterns explored for example). The viability work should inform a Council's approach to CIL, but its approach need not follow the viability assessment exactly – the other influences discussed here, and wider evidence, will also be in play as part of the Council striking its local balance for the particular area characteristics.

3.10.14 The types and frequency of schemes likely to be relevant under the next phase of the LDP delivery relevant to the lifespan of any first CIL charging schedule will be a primary influence in the selection of the Council's approach to planning obligations for infrastructure; and may subsequently vary at any future review points when market, government policy or other influences together with review of the Council's monitoring information point to a refreshed check and view of the CIL scope being appropriate. In practice, the variation of schemes types could be very wide – including for commercial / non-residential development, where schemes could be seen in many shapes and sizes, widely varying uses and combinations of uses. However, it is necessary to consider the local relevance of those in terms of the plan delivery as a whole alongside their likely typical scope to support viability. Focus needs to be on the main relevant types, given that plan delivery and the Council's proposals for new housing and economic development based schemes across its administrative area as a whole are of greatest importance.

3.10.15 The modelling does not need to be sufficient to cover every potential scheme type; rather it is necessary to consider the more relevant types aligned to the expected Plan delivery.

3.10.16 Some individual schemes (residential and commercial) may not be able to support the collective requirements in any event; they may not be viable either prior to or following the imposition of any CIL (alongside other costs and requirements). Such viability outcomes are unlikely to be solely due to CIL charging, however. They are more likely to be associated with market conditions (arguably the biggest single factor) as impact a particular scheme, affordable housing, scheme design / construction / specification requirements (including but not limited to sustainable construction) and wider planning objectives. Usually, the collective costs impact on schemes will be relevant for consideration where issues arise, so that some level of prioritisation may be required – but, as noted above, bearing in mind that if implemented a CIL would be non-negotiable.

3.10.17 Therefore, whilst even a modest CIL charge may well not be solely responsible for any lack or insufficient level of viability (that may be inherent in the nature of the site, scheme timing or other matter), it certainly has the potential to further restrict the delivery scope where viability is limited. As a fixed "top-slice" from any overall optimal planning obligations funding scope, potentially it has a restricting effect on considering and delivering local / scheme priorities; other aspects may come under additional pressure subject to site-specifics.

3.10.18 Whilst this is accepted under the CIL principles, so that the inevitable non-viability of some individual schemes need not prejudice the plan delivery and the approach to CIL, this also means, however, that the viability of schemes that are critical to overall plan delivery needs to be assured. This is relevant to the extent that the approach to CIL as it affects such sites must not have too significant an effect on their viability so as to place their delivery at risk.

3.10.19 The latter points here tie in with the Government's latest CIL Guidance (as has been incorporated into the PPG, as noted earlier) because they relate also to local authorities putting in place a CIL regime that will not only avoid prejudicing the plan delivery as a whole, but will contribute positively to the development of the area. In any event the Council will need to be able to show that it has struck an appropriate balance between infrastructure needs and viability / delivery considerations in any re-setting of its CIL charging rates.

3.10.20 Local authorities (the charging authorities, including CCC) have significant scope to consider exactly how they will assess what the right balance is given the particular characteristics of their area.

3.10.21 As is relevant in the case of all of the viability reporting here, the selection of a rate or rates beneath our suggestions would be within the scope of our findings too. The Council would in any event need to satisfy the principle of finding an appropriate balance between contributing to infrastructure needs and the opposing tension (effective limiting factor) of viability.

3.10.22 If CCC decides to pursue differentiated CIL charging rates, as has been put forward here linked to the DVS value areas, mapping will need to be prepared by the Council to accompany the consultation stages in order to clearly show the extent of the Zones associated with the various rates, including for the Toad's Hole Valley strategic site. The CIL Regulations are quite specific about mapping requirements, including detailed criteria on the nature of the maps themselves. This appears to be an aspect of detail picked up on quite relatively regularly by examiners.

3.10.23 The CIL principles are such that, where it is implemented, ideally Charging Schedules should be as simple as possible; i.e. as simple as the main twin drivers of the viability overview and finding the right balance locally will permit.

3.10.24 Whilst a more differential approach in theory has the potential to reflect more closely the changing values and viability scenarios moving around the City area, variety always occurs and in fact the effects will be highly localised or even site and scheme specific in many cases. We reiterate that this need to look at high level value and viability patterns, rather than an expectation of being able to reflect highly localised effects, is consistent with CIL principles.

3.10.25 Again to reiterate, there may continue to be instances of schemes (of a range of types) that struggle for viability in any event (i.e. that may be marginal prior to the consideration of CIL). This may be due to lower than typical values, high scheme costs or a combination of factors. It is important to stress that this could occur even without any CIL or s.106 contribution / obligation, so it is not necessarily a result of such obligations. Wider scheme details, costs and obligations or abnormal costs can render schemes marginally viable or unviable before factoring-in CIL. As a common finding across our studies, no lower level set for CIL (i.e. even if at £0/sq. m) could ensure the deliverability of all these individual schemes on a guaranteed basis. CIL is unlikely to be solely responsible for poor or non-viability, but it should not be added as a fixed scheme cost where such schemes support the overall delivery and must not be placed under further viability pressure. These are not just local factors to CCC; such principles apply throughout our wide-ranging viability work.

3.10.26 The key test in terms of the CIL principles is that the rates selected do not put at undue risk the overall plan delivery; it always has to be accepted that some schemes may not work and that those do not in themselves necessarily prejudice the bigger picture on overall plan delivery.

3.10.27 Associated with this, and regardless of whether a CIL is pursued now or the levels at which it is set, it will be necessary for the Council to track the detail of development delivery and planning obligations outcomes as part of its normal monitoring processes. This should be with a view to informing any potential / necessary review of its approach to planning obligations and / or CIL in perhaps 2 to 3 years' time or so, as other Government or local policy developments may take place; and / or potentially in response to market and costs movements, or indeed any other key viability influences over time. There is no fixed or universally recommended approach to the timing of review; this depends on the way the wider and more local market and other viability influences (e.g. national and local policy approaches) develop. The passage of a period of time alone need not mean review is necessary.

3.10.28 It has been necessary for us to acknowledge the various viability sensitivities, which are likely to mean that actual scheme outcomes move around given the many variables. We have acknowledged the affordable housing and wider policy agenda impacts for example.

3.10.29 The Council will need to continue with an adaptable approach to delivery; as is currently applied in respect of the affordable housing policy targets operation for example.

3.10.30 There is a high level of residential development activity locally. This should be a key indicator of the potential and a vital continued aspect of the planning and delivery processes across the range of development types relevant to the LDP.

3.10.31 The CIL viability scoping outcomes need to be considered for the intended purpose only, in the context of the appropriate review, assumptions placing and judgements process - as is necessary to robustly and inform and support a CIL charging schedule under the regulations as well as the formal (PPG) and other guidance. This means that the viability findings here are not expected to be representative of the full range of individual site discussions and outcomes. This is because, at the delivery level, an alternative view may be appropriate or sufficient on assumptions, land value and/or other matters as part of a particular viability scenario. The assumptions used for this purpose should not be relied on for site-specifics, for example.

3.10.32 The carrying out of this assessment and review of its findings is a fully independent exercise by DSP on behalf of CCC, undertaken from the perspective of a fresh look at the local characteristics and market. This is informed and supported also through our wider CIL related and other significant viability assessment experience.

3.10.33 As part of the assumptions building and information overview that informed the review of results however, an important part of the process is the seeking of information / examples and soundings from locally involved parties – for example including a range of Council officers, property agents and developer interests - where possible. As found here, the response rate to this process is usually limited, for a range of reasons including the sensitivities / confidentialities that are involved.

3.10.34 Equivalent guides to the CIL / LIT (% GDV) guides provided above at Figure 11 can be provided to the Council in respect of the commercial / non-residential trial CIL charging rates if beneficial in due course, but are not provided here.

3.11 Summary – Coventry City Council CIL – Viability informed charging scope – Overview

3.11.1 Figure 11 below seeks to provide a quick reference outline of the viability assessment based parameters (with alternatives / options where available) as have been set out above – in respect of C3 residential development (all types). The green coloured table cells indicate the recommended CIL charging rates, or range for considering those (parameters) – all as above.

Figure 11: RESIDENTIAL (C3 – all types)
CIL charging rates parameters (after "buffer") - Recommendations Summary

Potential CIL Scope – Above AH Threshold															
£/sq. m	**0**	**10**	**20**	**25**	**30**	**35**	**40**	**45**	**50**	**55**	**60**	**65**	**70**	**75**	**80**
Differential (West/South)															
Differential (East/North)															
(City-wide alternative – single lower rate)															
City centre (C3) Component/ alternative															

Potential CIL Scope – Beneath AH Threshold							
£/sq. m	**0**	**25**	**50**	**75**	**100**	**125**	**150**
(Higher West/South)							
(Lower East/North)							

3.11.2 Figure 12 below seeks to provide a quick reference outline of the viability assessment based parameters (with alternatives / options where available) as have been set out above – this time in respect of commercial and all other development uses.

Figure 12: COMMERCIAL / OTHER USES

CIL charging rates parameters (after "buffer") - Recommendations Summary

Potential CIL scope £/sq. m	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**
Retail – larger format (retail warehouse/ food store – out of town											
Retail - Smaller shops – all other shops, City area wide incl. city centre											
(Retail - City-wide alternative – single lower rate)											
C2 Care Home											
Students' housing (City-wide)											
ALL OTHER USES (including 'B' – employment)											

Notes and Limitations

1. This has been mainly a desk-top exercise based on information provided by Coventry City Council (CCC) supplemented by local visits, information gathered by and assumptions made by DSP appropriate to the review purpose of informing the Council's preparation of a Community Infrastructure Levy (CIL) Charging Schedule for the City.

2. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment a large number of assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.

3. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily reflect site specific circumstances. Therefore, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments with varying characteristics come forward. Nevertheless, the assumptions used within this study reflect the policy requirements and strategy of the Council as known at the time of carrying out this review and therefore take into account the cumulative cost effects of policies where those are relevant in developing a CIL Charging Schedule.

4. It should be noted that every scheme is different and no review of this nature can reflect the variances seen in site specific cases. Specific assumptions and values applied for our schemes are unlikely to be appropriate for all developments and a degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing the Council's policy development.

5. This report sets out options to inform the Council's consideration of potential CIL charging rates from a viability perspective whilst taking into account confirmed local and national policies that may impact on development viability.

6. The review of development viability is not an exact science. There can be no definite viability cut off point owing to variation in site specific circumstances. These include the land ownership situation. The National Planning Policy Framework (NPPF) states that '*To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable'.* It is not appropriate to assume that because a development appears to produce some land value (or in some cases even value equivalent to an existing / alternative use), the land will change hands and the development proceed. This principle will in some cases extend to land owners expecting or requiring the land price to reach a higher level, perhaps even significantly above that related to an existing or alternative land use. This might be referred to as a premium. In some specific cases, whilst weighing up overall planning objectives to be achieved, therefore, the proposals may need to be viewed alongside the owner's enjoyment / use of the land, and a potential premium relative to existing use value or perhaps to an alternative use that the site may be put to. In practice, whether and to what extent an active market exists for an existing or alternative use will be a key part of determining whether or how site discussions develop. Overall, land value expectations will need to be realistic and reflective of the opportunities offered by, and constraints associated with, particular sites and schemes in the given circumstances and at the relevant delivery timing; with planning policies being reflected amongst these factors. The planning requirements including CIL will be necessarily reflected in the land values that are ultimately supportable.

7. This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

8. To the extent that the document is based on information supplied by others, Dixon Searle Partnership Ltd accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.

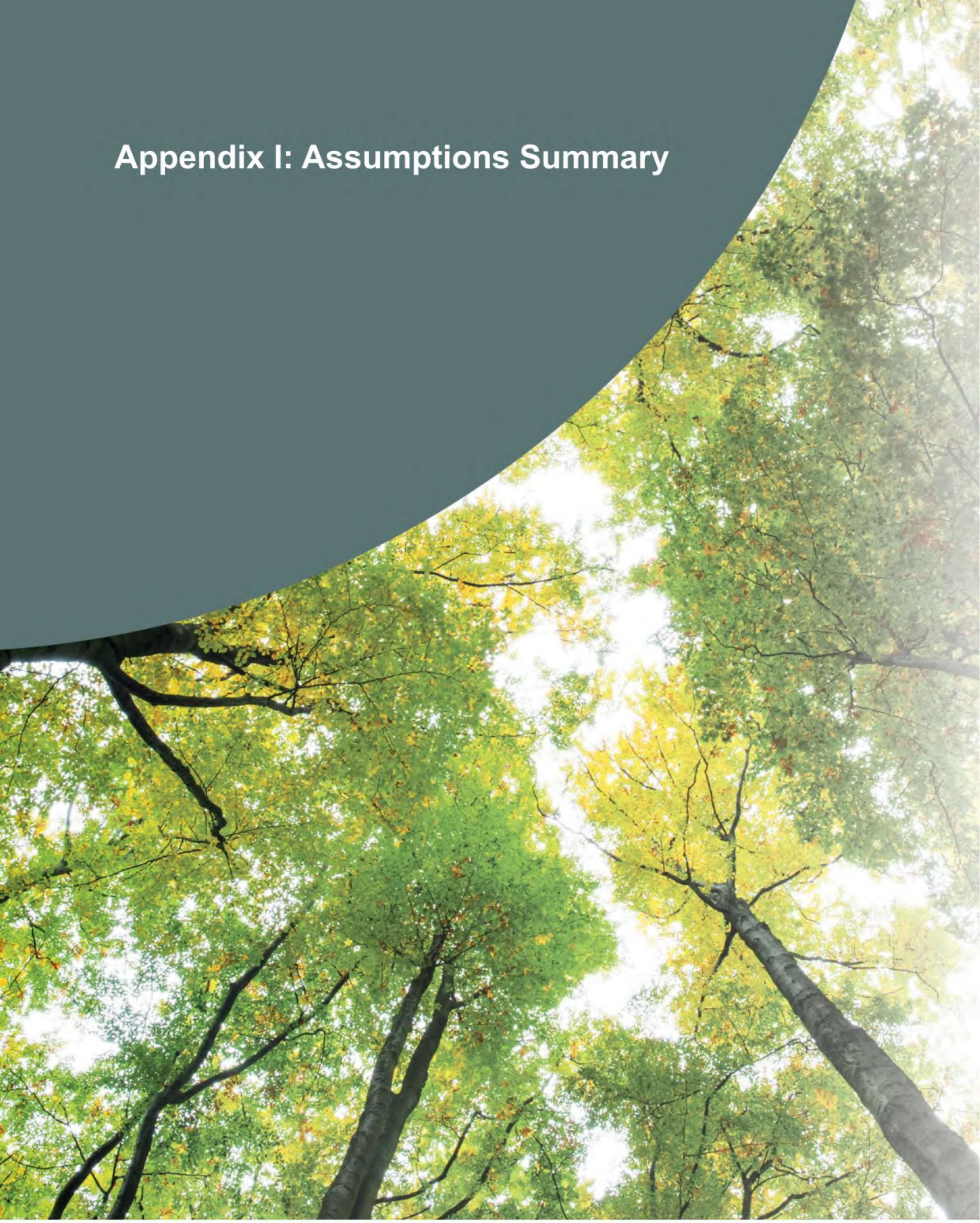
9. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies continue to be applied practically from case to case.

DRAFT Report Ends (December 2017)
DSP v7

Assessment work undertaken by:

Richard Dixon BSc (Hons) MRICS CIHM
Rob Searle BSc (Hons) MSc CIHM
Helena Jones BSc (Hons)
Rachel T Solani

Appendix I: Assumptions Summary



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FINAL DRAFT Coventry City Council - Appendix I - CIL Viability Assessment - Residential Assumptions Overview Sheet

Scenario Type Appraised	Site type	Overall Dwelling Mix (BF = Bed Flat; BH = Bed House)	Developed Land Area (ha) *including land area adjustment based on Policy H9*		Density (DPH)	Percentage Affordable Housing & Tenure Mix 0% Affordable Housing*	Percentage Affordable Housing & Tenure Mix 25% Affordable Housing*		Percentage Affordable Housing & Tenure Mix 25% Affordable Housing*		Percentage Affordable Housing & Tenure Mix 25% Affordable Housing*		Build Period (Months)
						Private Mix	Private Mix	Affordable Mix: Tenure Split 33.4% Rent; 66.6% Intermediate (shared ownership) High Concentration	Private Mix	Affordable Mix: Tenure Split 50% Rent; 50% Intermediate (shared ownership) Medium Concentration	Private Mix	Affordable Mix: Tenure Split 66.6% Rent; 33.4% Intermediate (shared ownership) Low Concentration	
15 Mixed	Greenfield / PDL	2 x 1BF, 2 x 2BF, 3 x 2BH, 6 x 3BH, 2 x 4BH	0.59	0.50	30 / 35	2 x 1BF, 2 x 2BF, 3 x 2BH, 6 x 3BH, 2 x 4BH	1 x 1BF, 1 x 2BF, 2 x 2BH, 5 x 3BH, 2 x 4BH	1 x 1BF, 1 x 2BF, 1 x 2BH, 1 x 3BH	1 x 1BF, 1 x 2BF, 2 x 2BH, 5 x 3BH, 2 x 4BH	1 x 1BF, 1 x 2BF, 1 x 2BH, 1 x 3BH	1 x 1BF, 1 x 2BF, 2 x 2BH, 5 x 3BH, 2 x 4BH	1 x 1BF, 1 x 2BF, 1 x 2BH, 1 x 3BH	9
25 Mixed	PDL	2 x 1BF, 4 x 2BF, 4 x 2BH, 10 x 3BH, 5 x 4BH	0.84		35	2 x 1BF, 4 x 2BF, 4 x 2BH, 10 x 3BH, 5 x 4BH	1 x 1BF, 3 x 2BF, 3 x 2BH, 8 x 3BH, 4 x 4BH	1 x 1BF, 1 x 2BF, 1 x 2BH, 2 x 3BH, 1 x 4BH	1 x 1BF, 3 x 2BF, 3 x 2BH, 8 x 3BH, 4 x 4BH	1 x 1BF, 1 x 2BF, 1 x 2BH, 2 x 3BH, 1 x 4BH	1 x 1BF, 3 x 2BF, 3 x 2BH, 8 x 3BH, 4 x 4BH	1 x 1BF, 1 x 2BF, 1 x 2BH, 2 x 3BH, 1 x 4BH	12
30 Flats (Sheltered)	PDL	22 x 1BF, 8 x 2BF	0.28		125	22 x 1BF, 8 x 2BF	16 x 1BF, 6 x 2BF	6 x 1BF, 2 x 2BF	16 x 1BF, 6 x 2BF	6 x 1BF, 2 x 2BF	16 x 1BF, 6 x 2BF	6 x 1BF, 2 x 2BF	18
100 Mixed	Greenfield	9 x 1BF, 15 x 2BF, 15 x 2BH, 41 x 3BH, 20 x 4BH	4.17		30	9 x 1BF, 15 x 2BF, 15 x 2BH, 41 x 3BH, 20 x 4BH	4 x 1BF, 11 x 2BF, 11 x 2BH, 34 x 3BH, 15 x 4BH	5 x 1BF, 4 x 2BF, 4 x 2BH, 7 x 3BH, 5 x 4BH	4 x 1BF, 11 x 2BF, 11 x 2BH, 34 x 3BH, 15 x 4BH	5 x 1BF, 4 x 2BF, 4 x 2BH, 7 x 3BH, 5 x 4BH	4 x 1BF, 11 x 2BF, 11 x 2BH, 34 x 3BH, 15 x 4BH	5 x 1BF, 4 x 2BF, 4 x 2BH, 7 x 3BH, 5 x 4BH	24
100 Flats (Town Centre)	PDL	41 x 1BF, 59 x 2BF	0.53		200	41 x 1BF, 59 x 2BF	30 x 1BF, 45 x 2BF	11 x 1BF, 14 x 2BF	30 x 1BF, 45 x 2BF	11 x 1BF, 14 x 2BF	30 x 1BF, 45 x 2BF	11 x 1BF, 14 x 2BF	24
200 Mixed	Greenfield / PDL	18 x 1BF, 30 x 2BF, 30 x 2BH, 82 x 3BH, 40 x 4BH	8.3	7.1	30 / 35	18 x 1BF, 30 x 2BF, 30 x 2BH, 82 x 3BH, 40 x 4BH	8 x 1BF, 22 x 2BF, 22 x 2BH, 68 x 3BH, 30 x 4BH	10 x 1BF, 8 x 2BF, 8 x 2BH, 14 x 3BH, 10 x 4BH	8 x 1BF, 22 x 2BF, 22 x 2BH, 68 x 3BH, 30 x 4BH	10 x 1BF, 8 x 2BF, 8 x 2BH, 14 x 3BH, 10 x 4BH	8 x 1BF, 22 x 2BF, 22 x 2BH, 68 x 3BH, 30 x 4BH	10 x 1BF, 8 x 2BF, 8 x 2BH, 14 x 3BH, 10 x 4BH	48
Strategic Site Typology													
2500 Mixed	Greenfield	219 x 1BF, 375 x 2BF, 375 x 2BH, 1031 x 3BH, 500 x 4BH	180.0		30	219 x 1BF, 375 x 2BF, 375 x 2BH, 1031 x 3BH, 500 x 4BH	94 x 1BF, 281 x 2BF, 281 x 2BH, 844 x 3BH, 375 x 4BH	125 x 1BF, 94 x 2BF, 94 x 2BH, 187 x 3BH, 125 x 4BH	94 x 1BF, 281 x 2BF, 281 x 2BH, 844 x 3BH, 375 x 4BH	125 x 1BF, 94 x 2BF, 94 x 2BH, 187 x 3BH, 125 x 4BH	94 x 1BF, 281 x 2BF, 281 x 2BH, 844 x 3BH, 375 x 4BH	125 x 1BF, 94 x 2BF, 94 x 2BH, 187 x 3BH, 125 x 4BH	120***

Note: Land Area Adjustment (Policy H9) - 5% added non-developable area on sites within the City Centre; 15% added on sites below 2ha and 20% added on sites in excess of 2ha.

*Fully applied policy position. Actual percentage will vary due to policy requirement.

*** Assumes multiple developers

Dwelling Size Assumptions

Unit Sizes (sq. m)*	Affordable	Private (market)
1-bed flat	50	50
2-bed flat	70	70
2-bed house	79	79
3-bed house	93	100
4-bed house	112	130

15% allowance net:gross ratio for flats

Dwelling mix principles (based on SHMA 2013 Update)

Market Housing Mix: **5-10% 1-Beds, 25-30% 2-Beds, 40-45% 3-Beds, 20-25% 4-Beds+**

Affordable Housing Mix: **20-25% 1-Beds, 30-35% 2-Beds, 25-30% 3-Beds, 15-20% 4-Beds**

Note: All subject to 'best fit scenario' within assumed mix

2017 Study Value Assumptions

	CCC lower-end		CCC typical new-build values		CCC upper-end new-build values	
Assumed Market Value Level (VL) range & indicative match with localities	**VL1**	**VL2**	**VL3**	**VL4**	**VL5**	**VL6**
Location (Range)	Upper Stoke			Earlesdon		
		St Michaels, Lower Stoke, Wyken				
		Radford, Longford, Holbrook, Sherbourne, Foleshill, Henley, Binley, Willenhall			Wainbody, Woodlands, Bablake, Westwood, Cheylesmore, Whoberley	
1 Bed Flat	£100,000	£110,000	£120,000	£130,000	£140,000	£150,000
2 Bed Flat	£140,000	£154,000	£168,000	£182,000	£196,000	£210,000
2 Bed House	£158,000	£173,800	£189,600	£205,400	£221,200	£237,000
3 Bed House	£200,000	£220,000	£240,000	£260,000	£280,000	£300,000
4 Bed House	£260,000	£286,000	£312,000	£338,000	£364,000	£390,000
Value House (£/m2)	**£2,000**	**£2,200**	**£2,400**	**£2,600**	**£2,800**	**£3,000**

Sheltered Housing tested at £2,600 - £4,000/m² - assuming value of 2-bed apartment is equivalent to a 3-bed house locally - as per Community Infrastructure Levy and Sheltered Housing / Extra Care Developments - A Briefing Note on Viability (Prepared for the Retirement Housing Group by the Three Dragons May 2013 Amended February 2016).

2017 Affordable Housing Revenue Assumptions (Coventry LHA Rates)

Unit	LHA (Average) Cap
1BF	£92.05
2BF	£111.48
2BH	£111.48
3BH	£128.19
4BH	£170.67

Unit	Market Size	Average AH Transfer Price (LHA Cap)	AH Transfer Price less 10%
1BF	50	£67,043	£60,948
2BF	70	£81,196	£73,815
2BH	79	£81,196	£73,815
3BH	100	£93,368	£84,880
4BH	130	£124,308	£113,007

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Development / Policy Costs	CCC 2017 Lower Quartile BCIS	CCC 2017 Median Quartile BCIS	Notes
RESIDENTIAL BUILDING, MARKETING & S106 COSTS			
Build Costs Mixed Developments - generally (£/sq. m)[1]	£1,023	£1,158	
Build Costs Estate Housing - generally (£/sq. m)	£1,129	£1,288	Only applicable to scenarios <10 units. Increased by 14% from updated base figures - adjustment based on BCIS FSB report. [2]
Build Costs Estate Housing - generally (£/sq. m)	£990	£1,130	11+ units
Build Costs Flats - generally (£/sq. m)	£1,159	£1,322	
Build Costs Flats - generally (£/sq. m)	£1,104	£1,259	Only applicable to scenarios <10 units. . Reduced by -5% from updated base figures - adjustment based on BCIS FSB report.[2]
Build Costs Flats - 3-5 Storey (£/sq. m)	£1,095	£1,252	11+ units
Build Costs (Sheltered Housing - Generally) (£/sq.m)[1]	£1,247	£1,384	
Site Prep & Survey Costs (£ / unit)	£4,500	£4,500	Assumed at £17,000 - £23,000/dwelling equivalent - strategic scale development (500+ dwellings tests) where applicable
Contingencies (% of build cost)	5%	5%	
Professional & Other Fees (% of build cost)	10.0%	10.0%	
Sustainable Design / Construction Standards (% of build cost)[3]	2.00%	2.00%	Latest data suggests allowances in the range of 1% to 1.5% to meet building regulations
Residual s.106 /non-CIL costs (£ per unit) - non-strategic sites	£3,000	£3,000	
On strategic sites - carried out on surplus basis unless detailed infrastructure costs and timings known			
CCC potential CIL rates (£/sq.m.)	Max CIL - Appraisal Output	Max CIL - Appraisal Output	
Access compliance	n/a	n/a	Access compliance to Building Regulations M Volume 1: Access to and use of dwellings. No allowance for enhanced access to M4(2) and M4(3) optional requirements based on CCC Local Plan (March 2017)
Technical Housing Standards - nationally described space standard			
Reduced Water usage (max.consumption)	110 litres per person per day	110 litres per person per day	Based on the Housing/technical Standards Review - optional increased standard included within Building Reg.s
Marketing & Sales Costs (%of GDV)	3%	3%	
Legal Fees on sale (£ per unit)	£750	£750	
DEVELOPER'S RETURN FOR RISK AND PROFIT			
Open Market Housing Profit (% of GDV)	17.5%	20.0%	
Affordable Housing Profit (% of GDV)	6.0%	6.0%	
FINANCE & ACQUISITION COSTS			
Agents Fees (% of site value)	1.50%	1.50%	
Legal Fees (% of site value)	0.75%	0.75%	
Stamp Duty Land Tax (% of site value)	0% to 5%	0% to 5%	HMRC scale
Finance Rate including Arrangement Fees - Build (%)	6.5%	6.5%	
Finance Rate - Land (%)	6.5%	6.5%	

Notes:

[1] Build cost taken as "Median" figure from BCIS for that build type - e.g. flats ; houses storey heights etc. and then rounded. Median figure gives a better figure than the Mean as it is not so influenced by rogue figures that can distort the mean on small sample sizes. The BCIS figure for Coventry has been used. Includes allowance for uplift to build costs based on BCIS / FSB research for sites of 10 or fewer dwellings. External works added separately - 10% of base build costs.

[2] BCIS report for the Federation of Small Businesses - Housing development: the economics of small sites - the effect of project size on the cost of housing construction (August 2015)

[3] The above costs are based on the DCLG Housing Standards Review Impact Assessment costings assuming equivalent CfSH L4 energy costs only base. Appraisals assume cost uplift in line with figures above assuming average cost uplift from each unit type (£1,932 per unit average, equating to the 2% assumed above).

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FINAL DRAFT Coventry City Council - Appendix I - Viability Assessment - Commercial Assumptions Overview Sheet

Development Use Type / Use Class indication	Example Scheme Type	GIA (sq. m)	Site Coverage	Site Size (Ha)	Build Period (Months)**	Values Range - Annual Rents £/sq. m (unless stated otherwise) Low	Mid	High	Build Cost (£/sq. m)*	External works cost addition (%)	Total Build Cost (£/sq. m excl fees etc.)	Notes:
A1 Large Retail	Retail Warehousing	1250	40%	0.31	12	£175	£200	£225	£711	15%	£818	BCIS - Retail Warehousing - up to 1000 sq. m
A1 Large Retail	Supermarket	2500	40%	0.63	12	£200	£225	£250	£1,350	15%	£1,553	BCIS - Hypermarkets / Supermarkets - generally
Small Retail (City Centre)	Comparison shops (general/non-shopping centre) - City Centre	200	70%	0.03	6	£180	£200	£220	£938	50%	£1,407	BCIS - Shops - Generally
Small Retail	Local convenience stores and local shops	300	50%	0.06	6	£100	£120	£140	£938	15%	£1,079	BCIS - Shops - Generally
Business - Offices - City Centre	Office Building	500	60%	0.08	6	£140	£180	£220	£1,595	15%	£1,834	BCIS - Offices - 3-5 stories; air-conditioned
Business - Offices - Outside City Centre	Office Building	1000	40%	0.25	12	£140	£180	£220	£1,470	15%	£1,691	BCIS - Offices generally
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	500	40%	0.13	6	£50	£75	£100	£1,125	15%	£1,294	BCIS - Advance factories / offices - mixed facilities (B1) 500 - 2,000 sq. m
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	2000	40%	0.50	12	£40	£60	£80	£783	15%	£900	BCIS - Advance factories / offices - mixed facilities (B1) > 2,000 sq. m
B8 - warehousing / distribution	Distribution unit	10000	50%	2.00	12	£40	£60	£80	£636	15%	£731	BCIS - Purpose-built warehouses > 2,000 sq. m
Hotel (budget)	Hotel - City centre / edge of City (60 Beds)	2100	50%	0.42	18	£3,000	£4,500	£6,000	£1,735	15%	£1,995	BCIS data - hotels (median average figure shown - range applied)
						Annual Room Rates						
Student Accommodation	100% Cluster type Accommodation with ensuite (150 rooms)	3125	50%	0.63	18	£130	£145	£160	£1,667	5%	£1,750	BCIS - Student Accommodation
						Weekly Room Rates						
C2 - Residential Institution	40-bed Nursing home / care home	1900	60%	0.32	16	£150	£200	£250	£1,444	15%	£1,661	BCIS - Care Homes for the Elderly - generally
Other / Sui Generis	Variable - considered on strength of values / costs relationship basis for a range of other development uses including community / clinics / fitness/ leisure / nurseries etc.	Value / costs relationship strength considered in report										

* Convenience stores with sales area of less than 3,000 sq ft (280 sq m), assuming longer opening hours.

Development Costs		
BREAAM / other enhancements addition contingency (% of cost)[1]	5%	
Professional Fees (% of cost)	10%	
Contingencies (% of cost)	5%	
Planning / Building Regs etc. / insurances (% of cost)	2.0%	
Site survey / preparation costs / S106	Variable	
Finance Costs		
Finance rate p.a. (including over lead-in and letting / sales period)	6.5%	
Arrangement / other fees (% of cost)	0.0%	included within higher overall finance rate
Marketing Costs		
Advertising Fees (% of annual income)	1%	
Letting Fees (% of annual income)	10%	
Purchaser's costs	5.75%	
Developer Profit (% of GDV)	20%	
Yields	Variable applicability - tested across range at 5% to 8%	
Site Acquisition Costs		
Agents Fees (% of site value)	1.50%	
Legal Fees (% of site value)	0.75%	
Stamp Duty (% of value - HMRC scale)	0 to 5%	

*BCIS Median - Location Factor for Coventry

[1] For non-residential developments - include a contingency equivalent to requirement for BREEAM. Cost addition estimate only

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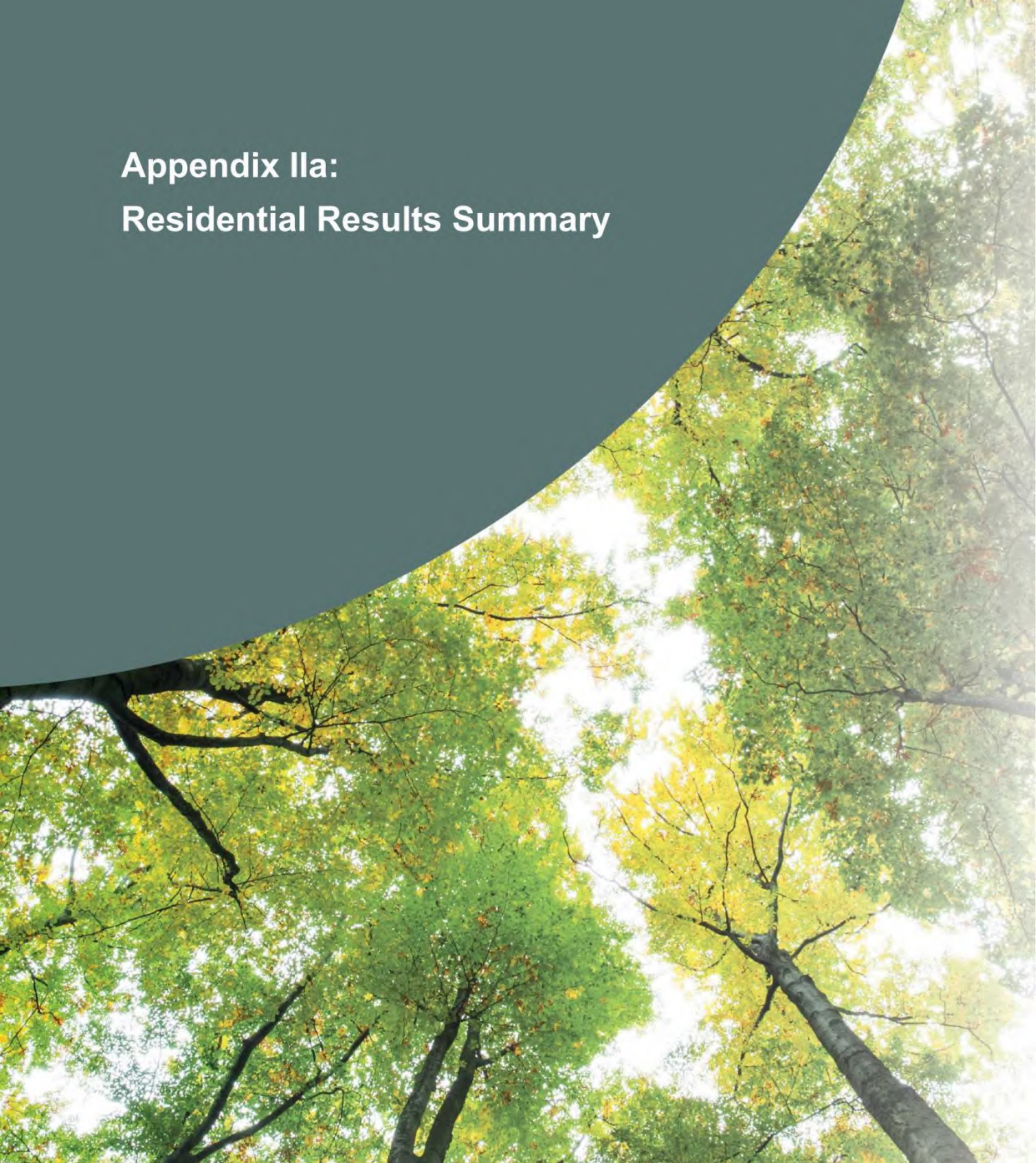
Appendix IIa:
Residential Results Summary



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DRAFT Table 1a: Max CIL Rates by Scenario Type, Value Level and Benchmark Land Value - 0% AH

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
15 Mixed	Greenfield	30	1337	BLV1	£250,000	£0.00	£39.05	£184.63	£330.22	£475.80	£621.38	£99.09	£249.40	£399.71	£550.02	£700.33	£850.65
				BLV2	£350,000	£0.00	£0.00	£136.79	£282.37	£427.96	£573.54	£51.24	£201.56	£351.87	£502.18	£652.49	£802.81
				BLV3	£500,000	£0.00	£0.00	£62.71	£208.29	£353.87	£499.46	£0.00	£127.47	£277.79	£428.10	£578.41	£728.72
				BLV4	£650,000	£0.00	£0.00	£0.00	£133.76	£279.34	£424.92	£0.00	£52.94	£203.25	£353.57	£503.88	£654.19

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
15 Mixed	PDL	35	1337	BLV1	£250,000	£0.00	£57.30	£202.88	£348.46	£494.04	£639.62	£117.33	£267.64	£417.95	£568.27	£718.58	£868.89
				BLV2	£350,000	£0.00	£0.00	£162.34	£307.92	£453.50	£599.08	£76.79	£227.10	£377.41	£527.72	£678.04	£828.35
				BLV3	£500,000	£0.00	£0.00	£100.61	£246.19	£391.77	£537.35	£0.00	£165.37	£315.68	£466.00	£616.31	£766.62
				BLV4	£650,000	£0.00	£0.00	£0.00	£183.03	£328.61	£474.19	£0.00	£102.21	£252.52	£402.83	£553.15	£703.46

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
25 Mixed	PDL	35	2346	BLV1	£250,000	£0.00	£55.18	£200.01	£344.83	£489.66	£634.48	£115.74	£265.27	£414.81	£564.34	£713.87	£863.40
				BLV2	£350,000	£0.00	£14.34	£159.16	£303.99	£448.81	£593.64	£74.90	£224.43	£373.96	£523.49	£673.03	£822.56
				BLV3	£500,000	£0.00	£0.00	£97.71	£242.54	£387.36	£532.18	£13.44	£162.98	£312.51	£462.04	£611.57	£761.10
				BLV4	£650,000	£0.00	£0.00	£36.26	£181.08	£325.91	£470.73	£0.00	£101.52	£251.05	£400.59	£550.12	£699.65

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,667	£2,933	£3,200	£3,467	£3,733	£4,000	£2,667	£2,933	£3,200	£3,467	£3,733	£4,000
30 Flats (Sheltered)	PDL	125	1660	BLV1	£250,000	£0.00	£0.00	£43.54	£189.85	£335.61	£481.92	£0.00	£102.60	£253.46	£404.32	£554.62	£705.48
				BLV2	£350,000	£0.00	£0.00	£19.85	£166.16	£311.92	£458.23	£0.00	£78.97	£229.83	£380.69	£530.98	£681.84
				BLV3	£500,000	£0.00	£0.00	£0.00	£130.62	£276.38	£422.69	£0.00	£43.51	£194.37	£345.23	£495.53	£646.39
				BLV4	£650,000	£0.00	£0.00	£0.00	£95.09	£240.85	£387.16	£0.00	£8.00	£158.88	£309.77	£460.08	£610.94

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
100 Mixed	Greenfield	30	9385	BLV1	£250,000	£0.00	£48.63	£189.01	£329.38	£469.76	£610.13	£103.18	£247.87	£392.57	£537.26	£681.95	£826.64
				BLV2	£350,000	£0.00	£0.04	£140.42	£280.80	£421.17	£561.55	£54.60	£199.29	£343.98	£488.67	£633.36	£778.05
				BLV3	£500,000	£0.00	£0.00	£67.54	£207.92	£348.29	£488.67	£0.00	£126.41	£271.10	£415.79	£560.48	£705.18
				BLV4	£650,000	£0.00	£0.00	£0.00	£135.04	£275.42	£415.79	£0.00	£53.53	£198.22	£342.91	£487.61	£632.30

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
100 Flats (City Centre)	PDL	200	6180	BLV1	£250,000	£0.00	£0.00	£0.00	£34.94	£157.62	£280.31	£0.00	£13.68	£140.14	£266.59	£393.05	£519.51
				BLV2	£350,000	£0.00	£0.00	£0.00	£26.74	£149.43	£272.11	£0.00	£5.49	£131.94	£258.40	£384.85	£511.31
				BLV3	£500,000	£0.00	£0.00	£0.00	£14.45	£137.13	£259.82	£0.00	£0.00	£119.65	£246.10	£372.56	£499.02
				BLV4	£650,000	£0.00	£0.00	£0.00	£2.16	£124.84	£247.53	£0.00	£0.00	£107.35	£233.81	£360.27	£486.72

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
200 Mixed	Greenfield	30	18770	BLV1	£250,000	£0.00	£30.61	£162.71	£294.81	£426.91	£559.02	£79.92	£215.83	£351.74	£487.64	£623.55	£759.45
				BLV2	£350,000	£0.00	£0.00	£114.36	£246.46	£378.56	£510.66	£31.57	£167.48	£303.38	£439.29	£575.19	£711.10
				BLV3	£500,000	£0.00	£0.00	£41.83	£173.93	£306.03	£438.13	£0.00	£94.95	£230.85	£366.76	£502.67	£638.57
				BLV4	£650,000	£0.00	£0.00	£0.00	£101.40	£233.50	£365.61	£0.00	£22.42	£158.33	£294.23	£430.14	£566.04

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
200 Mixed	PDL	35	18770	BLV1	£250,000	£0.00	£48.08	£180.19	£312.29	£444.39	£576.49	£97.40	£233.31	£369.21	£505.12	£641.02	£776.93
				BLV2	£350,000	£0.00	£6.72	£138.82	£270.93	£403.03	£535.13	£56.04	£191.94	£327.85	£463.76	£599.66	£735.57
				BLV3	£500,000	£0.00	£0.00	£76.78	£208.88	£340.99	£473.09	£0.00	£129.90	£265.81	£401.71	£537.62	£673.52
				BLV4	£650,000	£0.00	£0.00	£14.74	£146.84	£278.94	£411.05	£0.00	£67.86	£203.76	£339.67	£475.58	£611.48

Source: Dixon Searle Partnership (2017)

DRAFT Table 1b: Max CIL Rates by Scenario Type, Value Level and Benchmark Land Value - 25% AH (High Concentration Area)

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
25 Mixed	PDL	35	1817	BLV1	£250,000	£0.00	£0.00	£46.75	£160.43	£274.10	£387.78	£14.66	£132.03	£249.40	£366.77	£484.14	£601.51
				BLV2	£350,000	£0.00	£0.00	£5.36	£119.03	£232.71	£346.38	£0.00	£90.63	£208.01	£325.38	£442.75	£560.12
				BLV3	£500,000	£0.00	£0.00	£0.00	£56.75	£170.43	£284.10	£0.00	£28.36	£145.73	£263.10	£380.47	£497.84
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£108.15	£221.82	£0.00	£0.00	£83.45	£200.82	£318.19	£435.56

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,667	£2,933	£3,200	£3,467	£3,733	£4,000	£2,667	£2,933	£3,200	£3,467	£3,733	£4,000
30 Flats (Sheltered)	PDL	125	1220	BLV1	£250,000	£0.00	£0.00	£0.00	£48.50	£234.05	£420.29	£0.00	£0.00	£131.09	£321.88	£511.96	£702.75
				BLV2	£350,000	£0.00	£0.00	£0.00	£34.01	£201.81	£388.05	£0.00	£0.00	£98.85	£289.67	£479.78	£670.59
				BLV3	£500,000	£0.00	£0.00	£0.00	£0.00	£153.44	£339.69	£0.00	£0.00	£77.12	£241.31	£431.42	£622.24
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£105.08	£291.32	£0.00	£0.00	£55.39	£192.95	£383.06	£573.88

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
100 Mixed	Greenfield	30	7189	BLV1	£250,000	£0.00	£0.00	£130.47	£304.42	£478.37	£652.32	£24.23	£202.52	£380.80	£559.08	£737.36	£915.65
				BLV2	£350,000	£0.00	£0.00	£66.78	£240.72	£414.67	£588.62	£0.00	£138.82	£317.10	£495.38	£673.67	£851.95
				BLV3	£500,000	£0.00	£0.00	£0.00	£145.18	£319.12	£493.07	£0.00	£43.27	£221.55	£399.83	£578.12	£756.40
				BLV4	£650,000	£0.00	£0.00	£0.00	£49.63	£223.58	£397.53	£0.00	£0.00	£126.00	£304.28	£482.57	£660.85

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
100 Flats (City Centre)	PDL	200	4650	BLV1	£250,000	£0.00	£0.00	£0.00	£0.00	£31.58	£184.70	£0.00	£0.00	£16.29	£173.18	£330.07	£486.95
				BLV2	£350,000	£0.00	£0.00	£0.00	£0.00	£20.69	£173.81	£0.00	£0.00	£0.00	£162.28	£319.17	£476.06
				BLV3	£500,000	£0.00	£0.00	£0.00	£0.00	£4.35	£157.47	£0.00	£0.00	£0.00	£145.95	£302.83	£459.72
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£0.00	£141.13	£0.00	£0.00	£0.00	£129.61	£286.50	£443.38

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
200 Mixed	Greenfield	30	14378	BLV1	£250,000	£0.00	£0.00	£73.77	£236.98	£400.20	£563.41	£0.00	£142.62	£309.66	£476.69	£643.73	£810.77
				BLV2	£350,000	£0.00	£0.00	£10.37	£173.59	£336.80	£500.02	£0.00	£79.23	£246.26	£413.30	£580.34	£747.37
				BLV3	£500,000	£0.00	£0.00	£0.00	£78.50	£241.71	£404.93	£0.00	£0.00	£151.17	£318.21	£485.25	£652.28
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£146.62	£309.84	£0.00	£0.00	£56.08	£223.12	£390.16	£557.19

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
200 Mixed	PDL	35	14378	BLV1	£250,000	£0.00	£0.00	£96.68	£259.90	£423.11	£586.33	£0.00	£165.53	£332.57	£499.61	£666.64	£833.68
				BLV2	£350,000	£0.00	£0.00	£42.45	£205.67	£368.88	£532.10	£0.00	£111.31	£278.34	£445.38	£612.41	£779.45
				BLV3	£500,000	£0.00	£0.00	£0.00	£124.33	£287.54	£450.76	£0.00	£29.96	£197.00	£364.04	£531.07	£698.11
				BLV4	£650,000	£0.00	£0.00	£0.00	£42.98	£206.20	£369.41	£0.00	£0.00	£115.66	£282.69	£449.73	£616.77

Source: Dixon Searle Partnership (2017)

DRAFT Table 1c: Max CIL Rates by Scenario Type, Value Level and Benchmark Land Value - 25% AH (Medium Concentration Area)

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
25 Mixed	PDL	35	1817	BLV1	£250,000	£0.00	£0.00	£31.10	£144.78	£258.45	£372.13	£0.00	£116.38	£233.75	£351.12	£468.49	£585.86
				BLV2	£350,000	£0.00	£0.00	£0.00	£103.39	£217.06	£330.74	£0.00	£74.99	£192.36	£309.73	£427.10	£544.47
				BLV3	£500,000	£0.00	£0.00	£0.00	£41.11	£154.78	£268.46	£0.00	£12.71	£130.08	£247.45	£364.82	£482.19
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£92.50	£206.18	£0.00	£0.00	£67.80	£185.17	£302.54	£419.91

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,667	£2,933	£3,200	£3,467	£3,733	£4,000	£2,667	£2,933	£3,200	£3,467	£3,733	£4,000
30 Flats (Sheltered)	PDL	125	1220	BLV1	£250,000	£0.00	£0.00	£0.00	£12.12	£194.87	£378.31	£0.00	£0.00	£97.50	£285.49	£472.78	£660.77
				BLV2	£350,000	£0.00	£0.00	£0.00	£0.00	£162.63	£346.07	£0.00	£0.00	£65.27	£253.29	£440.60	£628.60
				BLV3	£500,000	£0.00	£0.00	£0.00	£0.00	£114.27	£297.70	£0.00	£0.00	£43.54	£204.93	£392.24	£580.26
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£65.90	£249.34	£0.00	£0.00	£31.69	£156.57	£343.88	£531.90

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
100 Mixed	Greenfield	30	9385	BLV1	£250,000	£0.00	£0.00	£102.71	£274.34	£445.98	£617.62	£1.10	£177.06	£353.03	£529.00	£704.97	£880.94
				BLV2	£350,000	£0.00	£0.00	£39.01	£210.65	£382.28	£553.92	£0.00	£113.37	£289.33	£465.30	£641.27	£817.24
				BLV3	£500,000	£0.00	£0.00	£0.00	£115.10	£286.73	£458.37	£0.00	£17.82	£193.79	£369.75	£545.72	£721.69
				BLV4	£650,000	£0.00	£0.00	£0.00	£19.55	£191.18	£362.82	£0.00	£0.00	£98.24	£274.21	£450.18	£626.14

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
100 Flats (City Centre)	PDL	200	6180	BLV1	£250,000	£0.00	£0.00	£0.00	£0.00	£1.68	£152.66	£0.00	£0.00	£0.00	£145.41	£300.17	£454.92
				BLV2	£350,000	£0.00	£0.00	£0.00	£0.00	£0.00	£141.77	£0.00	£0.00	£0.00	£134.52	£289.27	£444.03
				BLV3	£500,000	£0.00	£0.00	£0.00	£0.00	£0.00	£125.43	£0.00	£0.00	£0.00	£118.18	£272.94	£427.69
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£0.00	£109.09	£0.00	£0.00	£0.00	£101.84	£256.60	£411.35

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
200 Mixed	Greenfield	30	18770	BLV1	£250,000	£0.00	£0.00	£48.04	£209.12	£370.19	£531.26	£0.00	£119.04	£283.93	£448.83	£613.72	£778.61
				BLV2	£350,000	£0.00	£0.00	£0.00	£145.72	£306.79	£467.87	£0.00	£55.65	£220.54	£385.43	£550.33	£715.22
				BLV3	£500,000	£0.00	£0.00	£0.00	£50.63	£211.70	£372.78	£0.00	£0.00	£125.45	£290.34	£455.24	£620.13
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£116.61	£277.69	£0.00	£0.00	£30.36	£195.25	£360.14	£525.04

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
200 Mixed	PDL	35	18770	BLV1	£250,000	£0.00	£0.00	£70.96	£232.03	£393.10	£554.17	£0.00	£141.95	£306.85	£471.74	£636.63	£801.53
				BLV2	£350,000	£0.00	£0.00	£16.73	£177.80	£338.87	£499.94	£0.00	£87.73	£252.62	£417.51	£582.40	£747.30
				BLV3	£500,000	£0.00	£0.00	£0.00	£96.46	£257.53	£418.60	£0.00	£6.38	£171.28	£336.17	£501.06	£665.95
				BLV4	£650,000	£0.00	£0.00	£0.00	£15.12	£176.19	£337.26	£0.00	£0.00	£89.93	£254.83	£419.72	£584.61

Source: Dixon Searle Partnership (2017)

DixonSearle Partnership

DRAFT Table 1d: Max CIL Rates by Scenario Type, Value Level and Benchmark Land Value - 25% AH (Low Concentration Area)

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
25 Mixed	PDL	35	1817	BLV1	£250,000	£0.00	£0.00	£15.46	£129.13	£242.81	£356.48	£0.00	£100.73	£218.10	£335.47	£452.84	£570.21
				BLV2	£350,000	£0.00	£0.00	£0.00	£87.74	£201.41	£315.09	£0.00	£59.34	£176.71	£294.08	£411.45	£528.82
				BLV3	£500,000	£0.00	£0.00	£0.00	£25.46	£139.13	£252.81	£0.00	£0.00	£114.43	£231.80	£349.17	£466.54
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£76.85	£190.53	£0.00	£0.00	£52.15	£169.52	£286.89	£404.26

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,667	£2,933	£3,200	£3,467	£3,733	£4,000	£2,667	£2,933	£3,200	£3,467	£3,733	£4,000
30 Flats (Sheltered)	PDL	125	1220	BLV1	£250,000	£0.00	£0.00	£0.00	£0.00	£155.69	£336.33	£0.00	£0.00	£63.92	£249.11	£433.60	£618.79
				BLV2	£350,000	£0.00	£0.00	£0.00	£0.00	£123.45	£304.08	£0.00	£0.00	£31.69	£216.90	£401.42	£586.62
				BLV3	£500,000	£0.00	£0.00	£0.00	£0.00	£75.09	£255.72	£0.00	£0.00	£0.00	£168.54	£353.06	£538.28
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£26.73	£207.36	£0.00	£0.00	£0.00	£120.18	£304.70	£489.92

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
100 Mixed	Greenfield	30	9385	BLV1	£250,000	£0.00	£0.00	£74.94	£244.27	£413.59	£582.91	£0.00	£151.61	£325.27	£498.92	£672.58	£846.23
				BLV2	£350,000	£0.00	£0.00	£11.25	£180.57	£349.89	£519.21	£0.00	£87.91	£261.57	£435.22	£608.88	£782.54
				BLV3	£500,000	£0.00	£0.00	£0.00	£85.02	£254.34	£423.66	£0.00	£0.00	£166.02	£339.68	£513.33	£686.99
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£158.79	£328.11	£0.00	£0.00	£70.47	£244.13	£417.78	£591.44

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
100 Flats (City Centre)	PDL	200	6180	BLV1	£250,000	£0.00	£0.00	£0.00	£0.00	£0.00	£120.63	£0.00	£0.00	£0.00	£117.65	£270.27	£422.89
				BLV2	£350,000	£0.00	£0.00	£0.00	£0.00	£0.00	£109.74	£0.00	£0.00	£0.00	£106.76	£259.38	£411.99
				BLV3	£500,000	£0.00	£0.00	£0.00	£0.00	£0.00	£93.40	£0.00	£0.00	£0.00	£90.42	£243.04	£395.65
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£0.00	£77.06	£0.00	£0.00	£0.00	£74.08	£226.70	£379.32

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
200 Mixed	Greenfield	30	18770	BLV1	£250,000	£0.00	£0.00	£0.00	£181.25	£340.18	£499.11	£0.00	£95.46	£258.21	£420.96	£583.71	£746.46
				BLV2	£350,000	£0.00	£0.00	£0.00	£117.86	£276.78	£435.71	£0.00	£32.07	£194.82	£357.57	£520.32	£683.06
				BLV3	£500,000	£0.00	£0.00	£0.00	£22.77	£181.69	£340.62	£0.00	£0.00	£99.73	£262.48	£425.22	£587.97
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£86.60	£245.53	£0.00	£0.00	£4.64	£167.39	£330.13	£492.88

Development Scenario	Site Type	Site Density (dph)	Market Floor Area	Benchmark Land Values		Median Quartile BCIS @ 20% Profit on GDV						Lower Quartile BCIS @ 17.5% Profit on GDV					
						VL1	VL2	VL3	VL4	VL5	VL6	VL1	VL2	VL3	VL4	VL5	VL6
						£2,000	£2,200	£2,400	£2,600	£2,800	£3,000	£2,000	£2,200	£2,400	£2,600	£2,800	£3,000
200 Mixed	PDL	35	18770	BLV1	£250,000	£0.00	£0.00	£45.23	£204.16	£363.09	£522.02	£0.00	£118.38	£281.12	£443.87	£606.62	£769.37
				BLV2	£350,000	£0.00	£0.00	£0.00	£149.93	£308.86	£467.79	£0.00	£64.15	£226.90	£389.65	£552.39	£715.14
				BLV3	£500,000	£0.00	£0.00	£0.00	£68.59	£227.52	£386.45	£0.00	£0.00	£145.55	£308.30	£471.05	£633.80
				BLV4	£650,000	£0.00	£0.00	£0.00	£0.00	£146.18	£305.11	£0.00	£0.00	£64.21	£226.96	£389.71	£552.46

Source: Dixon Searle Partnership (2017)

Appendix IIa - Residential Appraisal Summaries

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Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	15 Mixed (GF) 0% AH VL5 @ BLV4				
DEVELOPMENT SIZE (TOTAL m²) - GIA	1,379				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	15	15	0	0%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	100%	0%	0%	0%	0%
SITE SIZE (HA)			0.59		
VALUE / AREA			5		

REVENUE

Affordable Housing Revenue	£0	
Open Market Housing Revenue	£3,743,600	
Total Value of Scheme	£3,743,600	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£1,597,705	
Fees, Contingencies, Planning Costs etc	£239,656	
Site Preparation / Survey Costs etc.	£67,500	
Sustainable Design & Construction Costs	£31,954	
Total Build Costs	£1,936,814	
Section 106	£45,000	
CIL Costs	£385,311	**£279.34 CIL / sq.m**
Marketing Costs & Legal Fees	£123,558	
Total s106 & Marketing Costs	£553,869	
Finance on Build Costs	£60,710	
TOTAL DEVELOPMENT COSTS	£2,551,394	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£748,720	
Affordable Housing Profit	£0	
Total Operating Profit	£748,720	
GROSS RESIDUAL LAND VALUE	£443,486	
FINANCE & ACQUISITION COSTS		
Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£59,985	
Total Finance & Acquisition Costs	£59,985	
BLV (£ per Ha)	£650,000	

Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	25 Mixed (PDL) 25%AH Medium Concentration VL3 @ BLV4				
DEVELOPMENT SIZE (TOTAL m²) - GIA	2,381				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	25	19	6	24%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	76%	0%	24%	0%	0%
SITE SIZE (HA)			0.84		
VALUE / AREA			3		

REVENUE

Affordable Housing Revenue	£560,740	
Open Market Housing Revenue	£4,360,800	
Total Value of Scheme	£4,921,540	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£2,757,980	
Fees, Contingencies, Planning Costs etc	£413,697	
Site Preparation / Survey Costs etc	£112,500	
Sustainable Design & Construction Costs	£55,160	
Total Build Costs	£3,339,337	
Section 106	£75,000	
CIL Costs	-£24,498	**£0.00 CIL / sq. m.**
Marketing Costs & Legal Fees	£166,396	
Total s106 & Marketing Costs	£216,898	
Finance on Build Costs	£115,578	
TOTAL DEVELOPMENT COSTS	£3,671,813	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£872,160	
Affordable Housing Profit	£33,644	
Total Operating Profit	£905,804	
GROSS RESIDUAL LAND VALUE	£343,923	
FINANCE & ACQUISITION COSTS		
Arrangement Fee / Misc Fees (Surveyors etc), Agents Fees, legal fees, stamp duty, interest etc.	£49,923	
Total Finance & Acquisition Costs	£49,923	
BLV (£ per Ha)	£650,000	

DixonSearle Partnership

Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	25 Mixed (PDL) 25% AH Medium Concentration VL6 @ BLV4				
DEVELOPMENT SIZE (TOTAL m²) - GIA	2,381				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	25	19	6	24%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	76%	0%	24%	0%	0%
SITE SIZE (HA)			0.84		
VALUE / AREA			6		

REVENUE		
Affordable Housing Revenue	£560,740	
Open Market Housing Revenue	£5,451,000	
Total Value of Scheme	£6,011,740	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£2,757,980	
Fees, Contingencies, Planning Costs etc	£413,697	
Site Preparation / Survey Costs etc	£112,500	
Sustainable Design & Construction Costs	£55,160	
Total Build Costs	£3,339,337	
Section 106	£75,000	
CIL Costs	£490,919	**£206.18 CIL / sq. m.**
Marketing Costs & Legal Fees	£199,102	
Total s106 & Marketing Costs	£765,021	
Finance on Build Costs	£133,392	
TOTAL DEVELOPMENT COSTS	£4,237,750	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£1,090,200	
Affordable Housing Profit	£33,644	
Total Operating Profit	£1,123,844	
GROSS RESIDUAL LAND VALUE	£650,145	
FINANCE & ACQUISITION COSTS		
Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£104,145	
Total Finance & Acquisition Costs	£104,145	
BLV (£ per Ha)	£650,000	

DixonSearle Partnership

Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	30 Flats Sheltered (PDL) 25% AH Medium Concentration VL6 @ BLV4				
DEVELOPMENT SIZE (TOTAL m²) - GIA	1,775				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	30	22	8	27%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	73%	0%	20%	0%	0%
SITE SIZE (HA)			0.24		
VALUE / AREA			6		

REVENUE		
Affordable Housing Revenue	£1,017,600	
Open Market Housing Revenue	£5,411,667	
Total Value of Scheme	£6,429,267	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£3,506,549	
Fees, Contingencies, Planning Costs etc	£333,957	
Site Preparation / Survey Costs etc	£135,000	
Sustainable Design & Construction Costs, Voids etc.	£130,131	
Total Build Costs	£4,105,637	
Section 106	£90,000	
CIL Costs	£442,169	**£249.11 CIL / sq. m.**
Marketing Costs & Legal Fees	£176,100	
Total s106 & Marketing Costs	£708,269	
TOTAL DEVELOPMENT COSTS	£4,813,906	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£1,064,000	
Affordable Housing Profit	£53,138	
Total Operating Profit	£1,117,138	
GROSS RESIDUAL LAND VALUE	£498,223	
FINANCE & ACQUISITION COSTS		
Land Cost, Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£316,223	
Total Finance & Acquisition Costs	£316,223	
BLV (£ per Ha)	£650,000	

Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	100 FLats (PDL) 25% AH Medium Concentration VL3 @ BLV4				
DEVELOPMENT SIZE (TOTAL m²) - GIA	5,475				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	100	75	25	25%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	75%	0%	6%	0%	0%
SITE SIZE (HA)			0.53		
VALUE / AREA			3		

REVENUE

Affordable Housing Revenue	£1,946,160	
Open Market Housing Revenue	£11,472,500	
Total Value of Scheme	£13,418,660	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£10,093,830	
Fees, Contingencies, Planning Costs etc	£961,317	
Site Preparation / Survey Costs etc	£450,000	
Sustainable Design & Construction Costs, Voids etc.	£201,877	
Total Build Costs	£11,707,024	
Section 106	£300,000	
CIL Costs	£2,232,199	**£0.00 CIL / sq. m.**
Marketing Costs & Legal Fees	£391,050	
Total s106 & Marketing Costs	£2,923,249	
TOTAL DEVELOPMENT COSTS	£14,630,273	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£2,232,000	
Affordable Housing Profit	£142,798	
Total Operating Profit	£2,374,798	
GROSS RESIDUAL LAND VALUE	-£3,586,411	
FINANCE & ACQUISITION COSTS		
Land Cost, Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£485,405	
Total Finance & Acquisition Costs	£485,405	
BLV (£ per Ha)	£650,000	

Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	100 FLats (PDL) 25% AH Medium Concentration VL6 @ BLV4				
DEVELOPMENT SIZE (TOTAL m²) - GIA	5,475				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	100	75	25	25%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	75%	0%	6%	0%	0%
SITE SIZE (HA)			0.53		
VALUE / AREA			6		

REVENUE

Affordable Housing Revenue	£2,432,700	
Open Market Housing Revenue	£14,262,500	
Total Value of Scheme	£16,695,200	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£10,093,830	
Fees, Contingencies, Planning Costs etc	£961,317	
Site Preparation / Survey Costs etc	£450,000	
Sustainable Design & Construction Costs, Voids etc.	£201,877	
Total Build Costs	£11,707,024	
Section 106	£300,000	
CIL Costs	£596,807	**£109.01 CIL / sq. m.**
Marketing Costs & Legal Fees	£474,750	
Total s106 & Marketing Costs	£1,371,557	
TOTAL DEVELOPMENT COSTS	£13,078,581	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£2,790,000	
Affordable Housing Profit	£142,798	
Total Operating Profit	£2,932,798	
GROSS RESIDUAL LAND VALUE	£683,821	
FINANCE & ACQUISITION COSTS		
Land Cost, Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£683,822	
Total Finance & Acquisition Costs	£683,822	
BLV (£ per Ha)	£650,000	

Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	100 Mixed (GF) 25% AH Medium Concentration VL2 @ BLV1				
DEVELOPMENT SIZE (TOTAL m²) - GIA	7,353				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	100	75	25	25%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	75%	0%	6%	0%	0%
SITE SIZE (HA)			4.17		
VALUE / AREA			2		

REVENUE

Affordable Housing Revenue	£2,560,536	
Open Market Housing Revenue	£158,220,500	
Total Value of Scheme	£160,781,036	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£11,567,563	
Fees, Contingencies, Planning Costs etc	£1,101,625	
Site Preparation / Survey Costs etc	£450,000	
Sustainable Design & Construction Costs, Voids etc.	£231,341	
Total Build Costs	£13,350,529	
Section 106	£300,000	
CIL Costs	-£507,309	**£0.00 CIL / sq. m.**
Marketing Costs & Legal Fees	£530,724	
Total s106 & Marketing Costs	£323,415	
TOTAL DEVELOPMENT COSTS	£13,673,944	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£3,163,160	
Affordable Housing Profit	£149,457	
Total Operating Profit	£3,312,617	
GROSS RESIDUAL LAND VALUE	£143,794,475	
FINANCE & ACQUISITION COSTS		
Land Cost, Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£1,452,774	
Total Finance & Acquisition Costs	£1,452,774	
BLV (£ per Ha)	£250,000	

Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	100 Mixed (GF) 25% AH Medium Concentration VL5 @ BLV3				
DEVELOPMENT SIZE (TOTAL m²) - GIA	7,353				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	100	75	25	25%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	75%	0%	6%	0%	0%
SITE SIZE (HA)			4.17		
VALUE / AREA			5		

REVENUE

Affordable Housing Revenue	£3,258,864	
Open Market Housing Revenue	£20,191,700	
Total Value of Scheme	£23,450,564	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£11,567,563	
Fees, Contingencies, Planning Costs etc	£1,101,625	
Site Preparation / Survey Costs etc	£450,000	
Sustainable Design & Construction Costs, Voids etc.	£231,341	
Total Build Costs	£13,350,529	
Section 106	£300,000	
CIL Costs	£2,110,403	**£287.01 CIL / sq. m.**
Marketing Costs & Legal Fees	£660,126	
Total s106 & Marketing Costs	£3,070,529	
TOTAL DEVELOPMENT COSTS	£16,421,058	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£4,025,840	
Affordable Housing Profit	£149,457	
Total Operating Profit	£4,175,297	
GROSS RESIDUAL LAND VALUE	£2,854,209	
FINANCE & ACQUISITION COSTS		
Land Cost, Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£2,854,709	
Total Finance & Acquisition Costs	£2,854,709	
BLV (£ per Ha)	£500,000	

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Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	200 Mixed (GF) 25% AH Medium Concentration VL3 @ BLV2				
DEVELOPMENT SIZE (TOTAL m²) - GIA	14,699				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	200	150	50	25%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	75%	0%	3%	0%	0%
SITE SIZE (HA)			8.30		
VALUE / AREA			3		

REVENUE

Affordable Housing Revenue	£5,586,624	
Open Market Housing Revenue	£34,632,200	
Total Value of Scheme	£40,218,824	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£23,472,234	
Fees, Contingencies, Planning Costs etc	£2,235,451	
Site Preparation / Survey Costs etc	£900,000	
Sustainable Design & Construction Costs, Voids etc.	£469,445	
Total Build Costs	£27,077,130	
Section 106	£600,000	
CIL Costs	-£225,947	**£0.00 CIL / sq. m.**
Marketing Costs & Legal Fees	£1,147,716	
Total s106 & Marketing Costs	£1,521,769	
TOTAL DEVELOPMENT COSTS	£28,598,899	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£6,901,440	
Affordable Housing Profit	£318,235	
Total Operating Profit	£7,219,675	
GROSS RESIDUAL LAND VALUE	£4,400,250	
FINANCE & ACQUISITION COSTS		
Land Cost, Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£1,498,156	
Total Finance & Acquisition Costs	£1,498,156	
BLV (£ per Ha)	£350,000	

Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	200 Mixed (GF) 25% AH Medium Concentration VL5 @ BLV3				
DEVELOPMENT SIZE (TOTAL m²) - GIA	14,699				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	200	150	50	25%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	75%	0%	3%	0%	0%
SITE SIZE (HA)			8.30		
VALUE / AREA			5		

REVENUE

Affordable Housing Revenue	£6,517,728	
Open Market Housing Revenue	£40,383,400	
Total Value of Scheme	£46,901,128	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£23,472,234	
Fees, Contingencies, Planning Costs etc	£2,235,451	
Site Preparation / Survey Costs etc	£900,000	
Sustainable Design & Construction Costs, Voids etc.	£469,445	
Total Build Costs	£27,077,130	
Section 106	£600,000	
CIL Costs	£3,116,356	**£212.01 CIL / sq. m.**
Marketing Costs & Legal Fees	£1,320,252	
Total s106 & Marketing Costs	£5,036,608	
TOTAL DEVELOPMENT COSTS	£32,113,738	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£8,051,680	
Affordable Housing Profit	£318,235	
Total Operating Profit	£8,369,915	
GROSS RESIDUAL LAND VALUE	£6,417,475	
FINANCE & ACQUISITION COSTS		
Land Cost, Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£6,417,475	
Total Finance & Acquisition Costs	£6,417,475	
BLV (£ per Ha)	£500,000	

DixonSearle Partnership

Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	200 Mixed (PDL) 25% AH Medium Concentration VL3 @ BLV4				
DEVELOPMENT SIZE (TOTAL m²) - GIA	14,699				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	200	150	50	25%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	75%	0%	3%	0%	0%
SITE SIZE (HA)			8.30		
VALUE / AREA			3		

REVENUE

Affordable Housing Revenue	£5,586,624	
Open Market Housing Revenue	£34,632,200	
Total Value of Scheme	£40,218,824	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£23,472,234	
Fees, Contingencies, Planning Costs etc	£2,235,451	
Site Preparation / Survey Costs etc	£900,000	
Sustainable Design & Construction Costs, Voids etc.	£469,445	
Total Build Costs	£27,077,130	
Section 106	£600,000	
CIL Costs	-£6,546,621	**£0.00 CIL / sq. m.**
Marketing Costs & Legal Fees	£1,147,716	
Total s106 & Marketing Costs	-£4,798,905	
TOTAL DEVELOPMENT COSTS	£22,278,225	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£6,901,440	
Affordable Housing Profit	£318,235	
Total Operating Profit	£7,219,675	
GROSS RESIDUAL LAND VALUE	£10,720,924	
FINANCE & ACQUISITION COSTS		
Land Cost, Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£5,473,184	
Total Finance & Acquisition Costs	£5,473,184	
BLV (£ per Ha)	£650,000	

Residual Land Value Data Summary & Results

DEVELOPMENT TYPE	Residential				
DEVELOPMENT DESCRIPTION	200 Mixed (PDL) 25% AH Medium Concentration VL5 @ BLV4				
DEVELOPMENT SIZE (TOTAL m²) - GIA	14,699				
TOTAL NUMBER OF UNITS	Total	Private	Affordable	% AH	
	200	150	50	25%	
PERCENTAGE BY TENURE	% Private	% SR	%AR	% Int 1	% Int 2
	75%	0%	3%	0%	0%
SITE SIZE (HA)			8.30		
VALUE / AREA			5		

REVENUE

Affordable Housing Revenue	£6,517,728	
Open Market Housing Revenue	£40,383,400	
Total Value of Scheme	£46,901,128	
RESIDENTIAL BUILDING, MARKETING & S106 COSTS		
Build Costs	£23,472,234	
Fees, Contingencies, Planning Costs etc	£2,235,451	
Site Preparation / Survey Costs etc	£900,000	
Sustainable Design & Construction Costs, Voids etc.	£469,445	
Total Build Costs	£27,077,130	
Section 106	£600,000	
CIL Costs	£2,593,552	**£176.44 CIL / sq. m.**
Marketing Costs & Legal Fees	£1,320,252	
Total s106 & Marketing Costs	£4,513,804	
TOTAL DEVELOPMENT COSTS	£31,590,934	
DEVELOPER'S RETURN FOR RISK AND PROFIT		
Open Market Housing Profit	£8,051,680	
Affordable Housing Profit	£318,235	
Total Operating Profit	£8,369,915	
GROSS RESIDUAL LAND VALUE	£6,940,279	
FINANCE & ACQUISITION COSTS		
Land Cost, Arrangement Fee / Misc Fees (Surveyors etc), agents fees, legal fees, stamp duty, interest etc.	£6,940,279	
Total Finance & Acquisition Costs	£6,940,279	
BLV (£ per Ha)	£650,000	

Appendix IIa:

Residential Results Summary

- Strategic Site Results Summary

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Partnership

Coventry CC - Strategic Site Testing - Summary

Site	Assumed total site area (Ha)	Assumed (net) Developable Area - Resi. only (Ha)	Indicative ave. density (d.p.h. on net area)	Indicative capacity (approx. no. of dwellings)	Sensitivity Test	Land Cost	Residual Land Value (£)	Estimated Potential Surplus / Deficit over BLV (£)	Estimated Potential Surplus / Deficit over BLV (£/dwelling)
2,500 Residential / Mixed Use (Low Concentration Area)	180.00	71.0	35.00	2500	25% Affordable Housing (Low Concentration Area)	£45,000,000	£34,288,650	-£10,711,350	-£4,284.54

DSP 2017

Appendix IIa:
Residential Results Summary
- Larger Site Appraisal Summary

DixonSearle Partnership

2,500 Unit Mixed Use Scheme
Low Concentration Area

2,500 Unit Residential / Mixed Use
25% Affordable Housing
Residual Land Value
20% Profit Private / 6% Profit AH

Development Appraisal
Prepared by DSP
Dixon Searle Partnership
18 December 2017

2,500 Unit Mixed Use Scheme
Low Concentration Area

Summary Appraisal for Phase 1 Market Housing

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Rate m²**	**Unit Price**	**Gross Sales**
1-bed flat	94	4,700.00	2,800.00	140,000	13,160,000
2-bed flat	281	19,670.00	2,800.00	196,000	55,076,000
2-bed house	281	22,199.00	2,800.00	221,200	62,157,200
3-bed house	844	84,400.00	2,800.00	280,000	236,320,000
4+-bed house	375	48,750.00	2,800.00	364,000	136,500,000
1-bed flat - Affordable Housing	125	6,250.00	1,372.00	68,600	8,575,000
2-bed flat - Affordable Housing	94	6,580.00	1,372.00	96,040	9,027,760
2-bed house - Affordable Housing	94	7,426.00	1,372.00	108,388	10,188,472
3-bed house - Affordable Housing	187	17,391.00	1,372.00	127,596	23,860,452
4+-bed house - Affordable Housing	125	14,000.00	1,372.00	153,664	19,208,000
Totals	**2,500**	**231,366.00**			**574,072,884**

Rental Area Summary	**Units**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
	375	250	93,750	93,750

Investment Valuation

Current Rent	93,750	YP @	5.0000%	20.0000	1,875,000

GROSS DEVELOPMENT VALUE		**575,947,884**
Purchaser's Costs	(109,688)	
		(109,688)
NET DEVELOPMENT VALUE		**575,838,196**
NET REALISATION		**575,838,196**

OUTLAY

ACQUISITION COSTS

This appraisal report does not constitute a formal valuation.

2,500 Unit Mixed Use Scheme
Low Concentration Area

Residualised Price (180.00 Ha 190,492.50 pHect)			34,288,650	
				34,288,650
Stamp Duty			1,705,432	
Agent Fee		1.50%	514,330	
Legal Fee		0.75%	257,165	
				2,476,927
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
1-bed flat	5,222.22 m²	1,053.00 pm²	5,499,000	
2-bed flat	21,853.37 m²	1,053.00 pm²	23,011,599	
2-bed house	22,199.00 m²	1,053.00 pm²	23,375,547	
3-bed house	84,400.00 m²	1,053.00 pm²	88,873,200	
4+-bed house	48,750.00 m²	1,053.00 pm²	51,333,750	
1-bed flat - Affordable Housing	6,944.44 m²	1,053.00 pm²	7,312,500	
2-bed flat - Affordable Housing	7,310.38 m²	1,053.00 pm²	7,697,830	
2-bed house - Affordable Housing	7,426.00 m²	1,053.00 pm²	7,819,578	
3-bed house - Affordable Housing	17,391.00 m²	1,053.00 pm²	18,312,723	
4+-bed house - Affordable Housing	14,000.00 m²	1,053.00 pm²	14,742,000	
Totals	**235,496.42 m²**		**247,977,727**	**247,977,727**
Contingency		5.00%	15,773,886	
Site Works & Infrastructure	2,500.00 un	27,000.00 /un	67,500,000	
Sus Des. & Constr		2.00%	4,959,555	
2FE Primary Schools			7,600,000	
				95,833,441
PROFESSIONAL FEES				
Professional Fees		10.00%	31,547,773	
				31,547,773
DISPOSAL FEES				
Marketing & Sales Agent Fees		3.00%	15,096,396	
Sales Legal Fee	2,500.00 un	750.00 /un	1,875,000	
				16,971,396
MISCELLANEOUS FEES				
Profit - Affordable Housing		6.00%	4,251,581	
Profit - Market Housing		20.00%	101,017,640	
				105,269,221
FINANCE				

This appraisal report does not constitute a formal valuation.

2,500 Unit Mixed Use Scheme
Low Concentration Area

Debit Rate 6.000%, Credit Rate 0.000% (Nominal)		
Land	24,109,044	
Construction	17,363,780	
Total Finance Cost		41,472,824
TOTAL COSTS		**575,837,958**
PROFIT		
		238

Performance Measures

This appraisal report does not constitute a formal valuation.

2,500 Unit Mixed Use Scheme
Low Concentration Area

Table of Land Cost and Land Cost

	Sales: Rate pm²					
Construction: Rate pm²	-400.00 pm²	-200.00 pm²	0.00 pm²	+200.00 pm²	+400.00 pm²	+600.00 pm²
	2,400.00 pm²	2,600.00 pm²	2,800.00 pm²	3,000.00 pm²	3,200.00 pm²	3,400.00 pm²
-7.500%	(£13,385,377)	(£30,747,883)	(£48,110,525)	(£65,473,108)	(£82,835,697)	(£100,198,289)
974.03 pm²	(£13,385,377)	(£30,747,883)	(£48,110,525)	(£65,473,108)	(£82,835,697)	(£100,198,289)
-5.000%	(£8,775,385)	(£26,140,684)	(£43,503,275)	(£60,865,855)	(£78,228,453)	(£95,591,035)
1,000.35 pm²	(£8,775,385)	(£26,140,684)	(£43,503,275)	(£60,865,855)	(£78,228,453)	(£95,591,035)
-2.500%	(£4,164,078)	(£21,533,025)	(£38,896,026)	(£56,258,604)	(£73,621,199)	(£90,983,786)
1,026.68 pm²	(£4,164,078)	(£21,533,025)	(£38,896,026)	(£56,258,604)	(£73,621,199)	(£90,983,786)
0.000%	£521,165	(£16,922,707)	(£34,288,650)	(£51,651,350)	(£69,013,948)	(£86,376,541)
1,053.00 pm²	£521,165	(£16,922,707)	(£34,288,650)	(£51,651,350)	(£69,013,948)	(£86,376,541)
+2.500%	£5,798,845	(£12,311,309)	(£29,680,347)	(£47,044,097)	(£64,406,690)	(£81,769,296)
1,079.33 pm²	£5,798,845	(£12,311,309)	(£29,680,347)	(£47,044,097)	(£64,406,690)	(£81,769,296)
+5.000%	£11,139,908	(£7,697,743)	(£25,070,028)	(£42,436,847)	(£59,799,434)	(£77,162,043)
1,105.65 pm²	£11,139,908	(£7,697,743)	(£25,070,028)	(£42,436,847)	(£59,799,434)	(£77,162,043)
+7.500%	£16,550,643	(£3,081,627)	(£20,458,533)	(£37,827,610)	(£55,192,176)	(£72,554,781)
1,131.97 pm²	£16,550,643	(£3,081,627)	(£20,458,533)	(£37,827,610)	(£55,192,176)	(£72,554,781)
+10.000%	£22,027,440	£1,758,673	(£15,844,966)	(£33,217,340)	(£50,584,920)	(£67,947,526)
1,158.30 pm²	£22,027,440	£1,758,673	(£15,844,966)	(£33,217,340)	(£50,584,920)	(£67,947,526)

Sensitivity Analysis : Assumptions for Calculation

Sales: Rate pm²
Original Values are varied in Fixed Steps of £200.00

Heading	Phase	Rate	No. of Steps
1-bed flat	1	£2,800.00	3 Up & Down
2-bed flat	1	£2,800.00	3 Up & Down
2-bed house	1	£2,800.00	3 Up & Down
3-bed house	1	£2,800.00	3 Up & Down
4+-bed house	1	£2,800.00	3 Up & Down

Construction: Rate pm²
Original Values are varied by Steps of 2.500%.

Heading	Phase	Rate	No. of Steps
1-bed flat	1	£1,053.00	4 Up & Down

This appraisal report does not constitute a formal valuation.

2,500 Unit Mixed Use Scheme
Low Concentration Area

2-bed flat	1	£1,053.00	4 Up & Down
2-bed house	1	£1,053.00	4 Up & Down
3-bed house	1	£1,053.00	4 Up & Down
4+-bed house	1	£1,053.00	4 Up & Down
1-bed flat - Affordable Housing	1	£1,053.00	4 Up & Down
2-bed flat - Affordable Housing	1	£1,053.00	4 Up & Down
2-bed house - Affordable Housing	1	£1,053.00	4 Up & Down
3-bed house - Affordable Housing	1	£1,053.00	4 Up & Down
4+-bed house - Affordable Housing	1	£1,053.00	4 Up & Down

This appraisal report does not constitute a formal valuation.