CIL Viability Assessment

1 Introduction

1.1 As part of the preparation of the Preliminary Draft Charging Schedule for the Community Infrastructure Levy (CIL), Breckland Council have commissioned Capita Symonds to undertake a Viability Assessment. This assessment will form a core piece of evidence base to support the CIL, and aims to:

- Provide a level of detail sufficient to justify a rate of CIL per sqm in Breckland;
- Establish any variations in residential land values which could have an implication on development viability within Breckland;
- Provide CIL rates for other chargeable use classes, including commercial, employment, residential and other uses; and
- Give advice on a potential CIL instalment policy.

1.2 This viability study builds on an initial evidence base report prepared by Capita Symonds in 2011, which considered the initial potential for a CIL within Breckland. The evidence base report alongside the Breckland Infrastructure Growth Study (EDAW, 2009) and the Breckland Integrated Delivery Document (BIDD), provided an understanding of the key infrastructure requirements within the District, and the likely funding gap, excluding section 106 agreements, and committed funds. Overall these studies have provided justification to support a CIL within Breckland, and as such, it is not the intention of this study to repeat this work.

1.3 This assessment has utilised the residual land value viability model to establish the potential funds available to provide CIL in the District.

1.4 This document does not attempt to capture or prioritise infrastructure requirements. Supporting evidence on these matters is included within other documents and is cross-referenced where appropriate.

2 Planning Policy Context

National Policy

2.1 The Community Infrastructure Levy Regulations 2010 (as amended in 2011 and 2012) set out the scope and requirements for the production of Local Authorities CIL. Through national planning regulations, the role of s106 agreements is being scaled back with effect from 6th April 2014 following a transitional period towards the Community Infrastructure Levy (CIL). The CIL regulations state that in setting a charge, Local Authorities must aim to strike “an appropriate balance” between revenue maximisation on the one hand and the potentially adverse impact upon the viability of development on the other. The regulations also state that Local Authorities should take account of other sources of available funding for infrastructure when setting CIL rates. This report deals with viability only and does not consider other sources of funding, as this is considered elsewhere within the Council’s evidence base (particularly the Breckland Infrastructure Delivery Document, (Capita Symonds, 2011)).

2.2 Breckland's CIL is prepared similarly to a Development Plan Document, and as such is subject to an iterative consultation process. The CIL Regulations at Part 3 (15) set out the requirements on Local Authorities for consultation on their proposed charging schedule. Local Authorities must consult relevant stakeholders on the nature and amount of any proposed CIL. Following consultation, a Charging Schedule must be submitted for independent examination.

2.3 Part 6 of the CIL Regulations 2010 allow a number of exemptions from CIL. Firstly, affordable housing and buildings with other charitable uses (if controlled by a charity) are subject to relief. Secondly, local authorities may, if they choose, elect to offer an exemption on proven viability grounds. The exemption would be available for 12 months, after which time viability of the scheme concerned would need to be reviewed. To be eligible for exemption, regulation 55 states that the Applicant must enter into a Section 106 agreement (and the costs of complying with the agreement must exceed the amount of CIL that would have been payable); and that the Authority must be satisfied that granting relief would not constitute state aid.

2.4 The CIL regulations enable local authorities to set differential rates (including zero rates) for different zones within which development would take place and also for different types of development (i.e residential, retail and employment uses). However, the zones can only be set on the grounds of viability rather than development size or type.

2.5 The 2010 regulations set out clear timescales for payment of CIL, which varied according to the size of the payment, which by implication is linked to the size of the scheme. The 2011 amendments to the regulations allow Local Authorities to set their own timescales for the payment of CIL if they choose to do so. This is an important issue that the Council will need to consider, as the timing of payment of CIL can have an impact on an Applicant’s cashflow (the earlier the payment of CIL, the more interest the Applicant will bear before the development is completed and sold). This assessment will set out recommendations on payment timescales, and its potential to impact on the viability of the development.

Additional National Requirements

2.6 In addition to the new CIL regulations, other changes to national guidance could have implications for builld costs. Planned changes to national guidance in the form of energy efficiency requirements, are likely to impact upon the viability of development through increases to build costs. Additional requirements are likely to come in the form of:

- **Code for Sustainable Homes:** Aims to achieve a step change in sustainable building practice for new dwellings. Through part L of the Building Regulations, requirements for energy efficiency of dwellings in comparison to 2006 levels will increase. This includes the requirement to meet Code Level 4 within the Code for Sustainable Homes by 2013, and Zero Carbon by 2016.

- **BREEAM:** The standard relates to non-domestic dwellings. Similarly to the Code for Sustainable Homes requirements in energy efficiency are increasing for non-domestic dwellings. The Breckland Core Strategy and Development Control Policies DPD requires all employment development of over 1000m2 to provide 10% of its energy from renewable resources.

Breckland Core Strategy and Development Control Policies DPD

2.7 Breckland has a significant growth agenda over the plan period from 2001 to 2026, which will see 19,100 new homes built within the District. The overall growth levels were set through the Core Strategy and Development Control Policies DPD, which was adopted in December 2009. In addition to the Core Strategy Breckland has also already adopted the Thetford Area Action Plan DPD and Site Specific Policies and Proposals DPD to help guide the growth, with an action plan also being developed for Attleborough. In order to support the existing development plan documents, Breckland already has a significant evidence base on the infrastructure requirements for the District. This includes:

- Growth Infrastructure Study (EDAW/AECOM)
- Breckland Integrated Delivery Document – BIDD (Capita Symonds)
- Water Cycle Study (Scott-Wilson)
- A11 Energy Study (IT Power Ltd)

2.8 In addition to the infrastructure requirements set out in the above documents, the Core Strategy and Development Control Policies DPD provide a number of policy requirements for new developments. The Core Strategy requires all new developments of over 5 units or 0.17ha to provide 40% of the housing as affordable units. Although CIL will not be charged on affordable housing units, the requirement to provide the units on-site or through commuted sums has the potential to impact upon development viability.

2.9 An additional requirement of the Core Strategy is for all new residential developments to contribute toward open space, depending on site size this will either be in the form of on-site provision or through a commuted sum. Furthermore, at a local level there is also the requirement for larger schemes 10 dwellings pr more, or commercial floorspace of 1000m2 to provide 10% of its energy from renewable sources. Both of these policy requirements will have a potential implication on the cost of the development.

2.10 It will be requisite upon any CIL to take into account the financial implications of local policies, including most notably the 40% requirement for affordable housing.

Residential Development

2.11 As noted previously the Core Strategy will see significant new residential development within Breckland. The majority of this growth will come from two large urban extensions in Thetford and Attleborough for 5,000 and 4,000 new houses respectively. Housing growth in these areas will have significant infrastructure requirements, as set out within the Integrated Development Document and Growth Infrastructure Study. This includes the provision of a new link road in Attleborough, primary schools and health facilities. In addition to this, the following growth has been programmed for the other market towns and three of the Local Service Centre villages within the District, through the Site Specific Policies and Proposals DPD:

- Dereham: 600 new homes across three sites. One of the sites will be on brownfield land, whilst the remaining two will form greenfield extensions to the town.
- Swaffham: 250 new homes on a single site to the south of the town. The allocation will link the existing town to the planning permission at the Redland Tiles site
- Watton: 214 new homes have been allocated. The houses will be delivered across four sites within the town.
- Narborough: 50 homes on a single site to the south of the village

- Shipdham: 100 new homes across two sites
- Swanton Morley: 50 homes on a single site

Employment Development

2.12 The Breckland Employment Land Review (Roger Tym and Partners, 2006) provided both an update on the existing employment land supply within the district, and recommendations on the future employment supply, which has been incorporated into Districts DPD's. In order to support the significant housing growth rates planned within Breckland, additional employment development will be required. Significant quantum's of new land have been identified for Thetford (40ha), Attleborough (10ha) and Snetterton Heath (20ha) in accordance with the Core Strategy. New employment sites have also been allocated in Dereham and Swaffham through the Site Specific Policy and Proposals DPD. Breckland's Annual Monitoring Report records the amount of new employment floorspace developed by use class. Over the past financial year 21,036sqm of new floorspace was delivered, predominantly with a B8 use class, which represents a significant increase on previous financial years.

Retail Development

2.13 Over the plan period since 2001, relatively limited levels of new retail development have occurred. However, to deliver sustainable communities, new retail development is proposed through the Councils Area Action Plans and Site Specific Policies and Proposals DPD. The 2010 Breckland Retail and Town Centre Study provides recommendations for the levels of convenience and comparison goods floorspace required within the District. Up to 2016 the study recommends that a further 3,100sqm net convenience floorspace will be required. This increases to 4,000sqm net by 2021. The study recommends that most of this additional floorspace should be spread between Thetford and Attleborough. In terms of comparison floorspace the retail and town centre study indicates that in the short term up to 2016 there is scope for approximately 3,100sqm net new floorspace across the District, but this would increase to 11,600sqm net by 2021. The study recommends that the majority of this floorspace is delivered in Thetford and Dereham.

Infrastructure Context

2.14 Breckland's infrastructure requirements, potential funding streams and timescales are set out within the integrated delivery document. The integrated delivery document was published in 2010 and is still considered to provide up to date information on key infrastructure projects within the District. This document was used to inform the stage 1 evidence base report for the CIL. These documents in addition to the Growth Infrastructure Study (EDAW/AECOM) provide evidence of the funding gap which exists within Breckland, further details of which are provided within 3 'Review and Updating of Existing Evidence Base'.

2.15 Key infrastructure projects required to be delivered in Breckland to support the growth of the District, include but are not limited too:

- Transport improvements (including an Attleborough link road and improvements to the junctions on the A11)
- New/improved Education and Health Facilities
- Enhancements to the Energy Supply (particularly at Snetterton Heath)
- New schools/pupil places
- Enhancements to waste water infrastructure

3

3 Review and Updating of Existing Evidence Base

Existing CIL Evidence Base

3.1 In 2011 Breckland Council commissioned Capita Symonds to produce a stage 1 evidence base study, which considered the potential scope for CIL within the District. The study drew on the existing infrastructure work, which had been commissioned to support the Breckland Core Strategy and Development Control Policies which concludes that the overall cost of infrastructure associated with planned growth in Breckland is £209,961,470. Currently £16,225,000 is accounted for through public funding (including utilities), whilst a further £149,990,470 will come in the form of on-site provision from s106 and s278 agreements. This leaves an infrastructure funding gap of £59,971,000 which means that CIL is a suitable option for Breckland to help meet its infrastructure requirements.

3.2 The stage 1 report also began to consider the potential viability of CIL across different use classes, including residential and commercial. Although the study provided an initial assessment of some potential CIL rates per sqm, it concluded that more detailed viability evidence was needed, in order to inform the Preliminary Draft Charging Schedule. The aim of this study is to provide the more detailed viability evidence required to produce the charging schedule.

Residential Market Context

3.3 Data from land registry Figure 3.1 'House Prices and Sales Volumes in Norfolk (Source: Land Registry)' shows the fluctuations in prices which have been seen within the County since January 2007. House prices within the County reached their peak in December 2007 followed by the credit crisis which saw house prices reach their lowest level in spring/summer 2009. Although house prices in Norfolk have recovered since their lowest level, they are still significantly lower than at the peak of the market. Sales volumes in Norfolk have reflected the trend in house prices, with a decrease in the number of sales since 2007.

Figure 3.1 House Prices and Sales Volumes in Norfolk (Source: Land Registry)

3.4 Breckland's Stage 1 CIL Evidence Base Report provided an analysis of the residential market within the District. The analysis made use of UK House Price Index available from the BBC. In 2011 when the stage 1 study was produced, sales values within both Breckland and Norfolk had been decreasing. Furthermore, at the time

Breckland was demonstrating lower sales values than the Norfolk average. Table 3.1 'Average House Price by Property Type in Breckland (Source: BBC UK House Price Index)' allows for a comparison of these values from 2011-2012.

Property Type	Average Price (January-March 2011)	Average Price (January-March 2012)
Detached	£208,507	£210,933
Semi-detached	£131,627	£143,858
Terraced	£116,666	£128,859
Flat	£93,500	£106,196

Table 3.1 Average House Price by Property Type in Breckland (Source: BBC UK House Price Index)

3.5 Over the past year property values within Breckland have risen for all property types. The greatest increase in sales values has been seen for flats, however the average sales value increase for the District has been 3.6%. The increase in sales values in Breckland is in contrast to Norfolk as a whole, which has seen a decrease in average sales values by 1.2%

3.6 As noted within section 2 'Planning Policy Context', Breckland has adopted its Core Strategy and Development Control Policies DPD, which has set the planning context within the District. In order to establish potential CIL charging zones within Breckland, it is necessary to consider sales values within the District. Using Breckland's hometrack system, it has been possible to analyse levels of housing sales within the District. Hometrack provides data on all housing sales by house type within a given area, producing an average value for the area. The robustness of the data varies depending on the level of sales within the area, the greater the robustness. The data has been analysed at middle super output area as at lower super output area there was not sufficient sales data available for each area. Both middle and lower super output areas are geographical areas defined by the office of national statistics, with middle super output areas having an average population of 7,200, whilst lower super output areas on average have a population of 1,500. The data presented in the following figures is representative of all property sale within Breckland over the period September 2010 - August 2012.

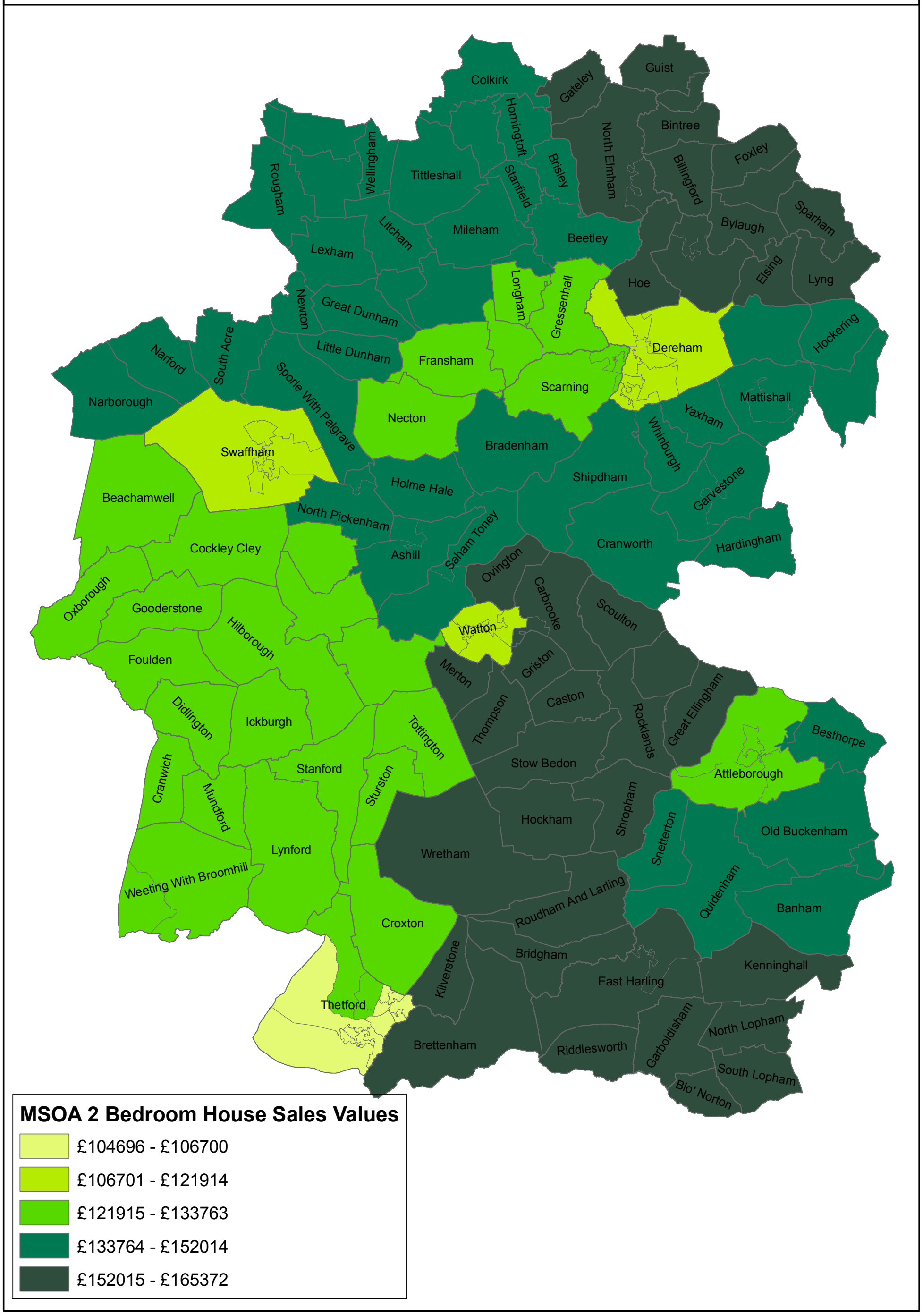

Figure 3.2 Sales Values for 2 Bedroom Houses

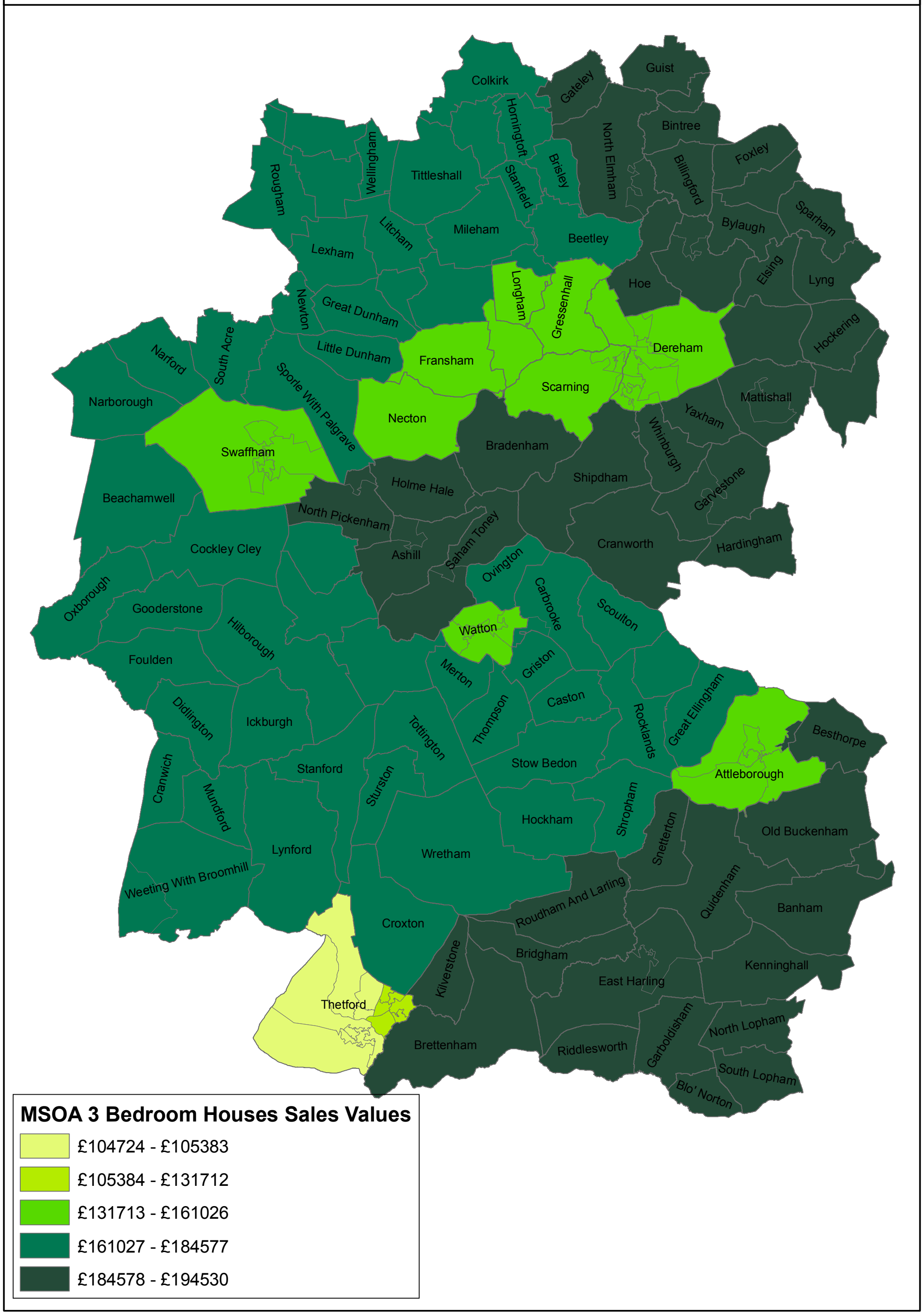

Figure 3.3 Sales Values for 3 Bedroom Houses

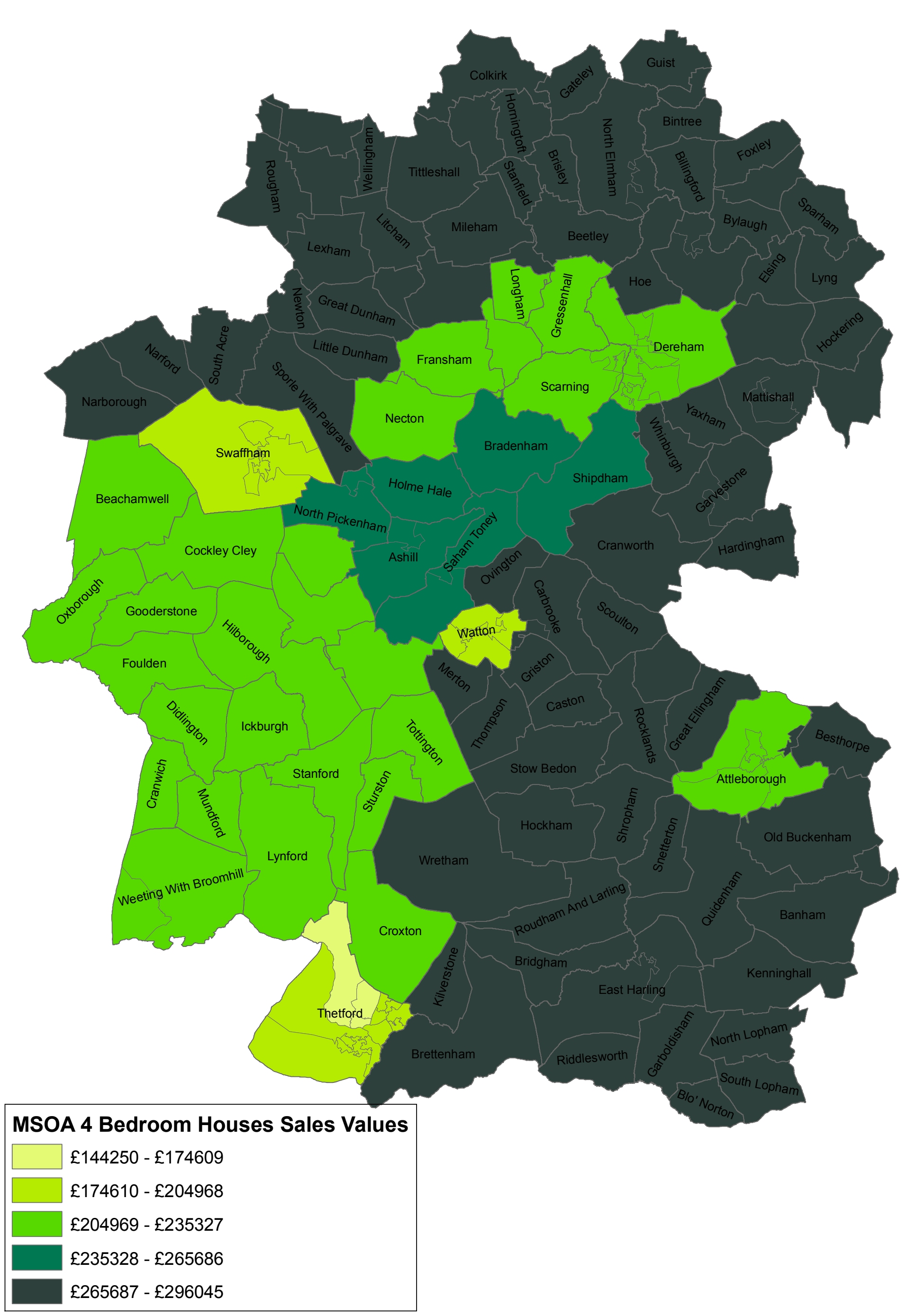

Figure 3.4 Sales Values for 4 Bedroom Houses

3.7 The hometrack data when analysed against middle super output areas shows a number of zones based on the sales values. The parishes to the north-east of Dereham for 2,3 and 4 bedroom houses consistently achieves sales averages within the highest levels experienced in the District. A second band of higher sales values exists for the rural parishes surrounding Attleborough. These values particularly contrast with those for Thetford, which for 2,3 and 4 bedroom houses represent the lowest sales values found within Breckland. There is a significant proportion of low quality stock in Thetford, particularly linked to the western estates within the town. Whilst regeneration of these estates is currently being proposed, this is likely to have impacted on the sales values within the town.

3.8 Sales values in Swaffham and Dereham are relatively consistent with each other, and are lower than their rural hinterlands, however the values are higher than Thetford. The values for Watton vary considerably across 2, 3 and 4 bedroom houses, with the values for 4 bedroom properties being amongst the highest within the District. However this needs to be tempered against the fact the the value is representative of only four sales, and as such is unlikely to be a true reflection of the housing market within the town. Furthermore the average house price data taken from hometrack, within the stage 1 study suggested that house prices within Watton were the second lowest in the District behind Thetford, and closer resembled the average price of properties in Swaffham.

3.9 From the hometrack data, it is possible to observe that the more rural parts of the District predominantly have higher sales values than the market towns. There is a high demand for properties in rural areas and the higher house prices is in part likely to be due to the lower number of properties on the market within these areas. In these rural areas, Figure 3.3 'Sales Values for 3 Bedroom Houses' shows a relatively consistent set of sales values. There is a greater variation for the sales values of 2 and 4 bedroom houses, with lower values being seen to the south-west of the District

3.10 When considering the recent sales values from the hometrack data, their are distinct similarities with the results considered previously through the Stage 1 CIL Evidence Base Report. Whilst Table 3.1 'Average House Price by Property Type in Breckland (Source: BBC UK House Price Index)' shows that average house prices have risen within Breckland over the past year, this has been proportionate across the draft zones that were initially identified in 2011.

Retail Market Context

3.11 The Annual Monitoring Report provides detailed information on the amount of retail development in each of the market towns. In the past financial year there has been a small increase in floorspace occupied by A1 uses across the five market towns by 251.88 sqm. However inside the designated town centres A1 floorspace has decreased. This is consistent with the overall trend for town centre uses inside the designated town centres, with floorspace decreasing by 636.49 sqm in the past financial year.

3.12 There has been increased interest within the District from larger scale retail developments over the past financial year. This has included a recent decision to grant planning permission for a new 3,321sqm foodstore in Swaffham and a further two large retail developments currently seeking planning permission in Thetford.

Employment Market Context

3.13 The Employment Land Review (2006) considers the geographical variations in the commercial property market within Breckland. The ELR considers the commercial property market to be focused around Thetford and to a lesser extent Dereham. Thetford benefits from good accessibility and a prominent location along the A11. As such, there is a demand for industrial and distribution space from local, regional and national distributors, and as the town develops (through the allocation of 5,000 new homes) it is likely to become an increased concentration of demand for employment space within the town. It is important to note that the ELR considers the commercial market in Thetford to benefit from the low rental rates within the town.

3.14 Dereham is also a focus for the commercial market and has a reasonable employment base in comparison to the other market towns, attracting local commercial occupiers from Norwich. Away from Dereham and Thetford, the ELR considers Attleborough to have the most active commercial market of the other market towns within the District, due to its good location on the A11 between Thetford and Norwich.

3.15 Current rental values for industrial units from estate agents allow for an evaluation of of the commercial market in Breckland. The following values are correct as of September 2012.

- Napier Place, Thetford - Industrial Units 3203 sq ft. Rent £2 sq ft.
- Stephenson Way, Thetford - Industrial Units 2000 - 4024 sq ft. Rent £3 sq ft.
- John Goshawk Way, Dereham - Industrial Unit 3630 sq ft. Rent £14,500 per annum which equates to £4 per sq ft.
- Chalk Lane, Snetterton - Industrial Unit 19,000 sq ft. Rent £4.75 sq ft
- Norwich Road, Attleborough - Industrial Unit 16,705 sq ft. Rent £3.50 sq ft.

3.16 The stage 1 CIL report considered rents for industrial units within the market towns, which were £1-3 per sq ft in Thetford and slightly higher elsewhere in the District. These rates are lower than seen before the economic downturn, with the Employment Land Review (2006) quoting average rents in Thetford of £4 sq ft. Since the 2011 Stage 1 Evidence Base Report was produced it is possible to observe that there has only been limited change in rental values.

4 Methodology

4.1 The following methodology has been used to assess the viability of notional schemes within Breckland. Notional scenarios have been used to establish viability rather than actually scenarios in accordance with best practise guidance. The appraisals use the residual valuation method which calculates the value of the site, accounting for the value of the completed scheme less the development costs. This can be summarised as:

Residual Land Value = **Gross Development Value** minus **Total Development Costs** minus **Developers Profit**

4.2 The residual land value for a site forms the sum which is left over to pay for the land once all the other associated costs have been deducted. If a CIL is applied to the development, this would see a reduction in the residual land value to accommodate the cost. In order for a development to be able to support a CIL and see the land sold for development, the residual land value must be greater than the existing use value or an alternative use value.

4.3 Viability appraisals have been carried out on a number of development scenarios across various sectors. Scenarios have been agreed with the Council and assumptions made on costs and values as set out in 5 'Assumptions and Benchmarks' of this report. The robustness of the assumptions and scenarios were discussed and tested through a stakeholder workshop, which comprised developers and agents from across the residential, employment and retail sectors working within the Breckland District.

4.4 The Homes and Communities Agency's Development Appraisal Tool has been used for the residential development appraisals with Kel Delta Plus, a software appraisal tool used by Capita Symonds, being used to appraise other developments.

4.5 The residual sum calculated from these appraisals includes land value (purchase price) and any surplus that will be available for Community Infrastructure Levy. To determine what Levy per square metre is applicable for each development scenario, the land value is deducted from the residual sum and the surplus divided by the gross area of the appraised scheme. This is considered against an agreed "benchmark" land value (a reasonable value to which land will transact). Critically, assumptions will also need to be applied to the effect of CIL, as a land tax, on the benchmark value.

5 Assumptions and Benchmarks

5.1 The following assumptions and scenarios were agreed prior to carrying out the viability assessments.

5.1 Residential

Development Scenarios

5.2 Scenarios for residential development appraisals were agreed with the Council on the following bases:

Scenario	No. Units/Site Area	Assumptions	Sales Values	Section 106 Costs per dwelling[1]
Market Town Greenfield	200 dwellings	• Low, medium and high densities to be tested • 40% affordable housing at 75% affordable rent, 25% intermediate ownership • High density to include 30% apartments	Low, medium and high sales value areas	£1,000
Market Town Infill Site (Brownfield)	25 dwellings	• Medium and high density to be tested • 40% affordable housing at 75% affordable rent, 25% intermediate ownership • High density to include 30% apartments	Low, medium and high sales value areas	£1,000
Village	15 dwellings	• Low density to be tested • 40% affordable housing at 75% affordable rent, 25% intermediate ownership • Higher Value construction costs	• High Sales Value area • Higher quartile construction costs to reflect higher specification, design and finishes	£1,000

1 **Section 106 relate to direct on-site costs associated with the development, e.g transportation and open space**

Scenario	No. Units/Site Area	Assumptions	Sales Values	Section 106 Costs per dwelling[1]
Other Small Below Affordable Housing Threshold	4 dwellings 0.17 hectares	• Lower density scenario only • No affordable housing • Higher quartile construction costs • No adopted roads, therefore lower section 106 costs	• Medium and high sales value areas only	£750

Table 5.1 Development Scenarios

Unit Sizes

5.3 Individual dwelling sizes have been based on those used for the Breckland Council Strategic Housing Land Availability assessment. A 100% gross:net ratio has been adopted for houses with an 85% ratio adopted for apartments to reflect the common areas. Affordable housing units are constructed to slightly different sizes and specifications than traditional private housing to reflect the requirements of funders. Details adopted for the development appraisals are set out in the following table:

Unit Type	Market Housing		Affordable Housing	
	Gross (sq.m.)	Net (sq.m.)	Gross (sq.m.)	Net (sq.m.)
1 bed apartment	52.9	45	54.1	46
2 bed apartment	70.6	60	78.8	67
2 bed house	75	75	76	76
3 bed house	95	95	85	86
4 bed house	115	115	101	101

Table 5.2 Residential Dwelling Unit Sizes (sqm)

Scheme Details

5.4 As with the unit sizes, the mix of unit types within the scenarios outlined above are based on those used in the SHLAA and details are as follows:

Scheme	Density	No. of Units	1 bed apt	2 bed apt	2 bed house	3 bed house	4 bed house
Market Town Greenfield	45 per ha	200	24%	6%	29%	29%	12%
	30 per ha	200	0%	0%	41%	41%	18%
	20 per ha	200	0%	0%	41%	41%	18%
Market Town Brownfield	45 per ha	25	24%	6%	29%	29%	12%
	30 per ha	25	0%	0%	40%	40%	20%
Village	20 per ha	15	0%	0%	40%	40%	20%
Other	24 per ha	4	0%	0%	0%	50%	50%

Table 5.3 Development/Unit mix

1 **Section 106 relate to direct on-site costs associated with the development, e.g transportation and open space**

5.5 Adopting this mix and the unit sizes above, the hypothetical scheme details for each scenario, including 40% affordable housing at either affordable rent or intermediate ownership tenure are:

Scheme	Density	No. of Units	Site Area (ha)	1 bed apt		2 bed apt		2 bed house		3 bed house		4 bed house	
				Mkt	Aff	Mkt	Aff	Mkt	Aff	Mkt	Aff	Mkt	Aff
Market Town Greenfield	45/ha	200	4.44	29	19	7	5	35	23	35	23	14	10
	30/ha	200	6.67	0	0	0	0	49	33	49	33	22	14
	20/ha	200	10.0	0	0	0	0	49	33	49	33	22	14
Market Town Brownfield	45/ha	25	0.56	4	2	1	1	4	3	4	3	2	1
	30/ha	25	1.2	0	0	0	0	6	4	6	4	3	2
Village	20/ha	15	0.75	0	0	0	0	3	3	4	2	2	1
Other	24/ha	4	0.17	0	0	0	0	0	0	2	0	2	0

Table 5.4 Tenure Details for Development Scenarios

Scenario	Density	No. of Units	1 bed apt		2 bed apt		2 bed house		3 bed house		4 bed house	
			Int	AR	Int	AR	Int	AR	Int	AR	Int	AR
Market Town Greenfield	45/ha	200	5	14	1	4	6	17	6	17	3	7
	30/ha	200	0	0	0	0	8	25	8	25	4	10
	20/ha	200	0	0	0	0	8	25	8	25	4	10
Market Town Brownfield	45/ha	25	1	1	0	1	1	2	1	2	0	1
	30/ha	25	0	0	0	0	1	3	1	3	1	1
Village	20/ha	15	0	0	0	0	1	2	1	1	0	1
Other	24/ha	4	0	0	0	0	0	0	0	0	0	0

Table 5.5 Affordable Housing Split for Development Scenarios

Development Costs

5.6 Construction costs have been sourced from the Building Costs Information Service (BCIS) with costs being based on Gross Internal Areas and including preliminaries (e.g. ground investigations). Unit costs have been adjusted for Norfolk. Based on the assumptions and scenarios above, the following costs have been adopted for the appraisals:

Scenario	Apartments (£/sq.m.)	Houses (£/sq.m.)
Market Town Greenfield	942	815
Market Town Brownfield	942	815
Village	n/a	903
Other	n/a	903

Table 5.6 Building Costs

5.7 Other development costs assumptions have been made as follows:

Cost	Assumption
External Works	20% of construction costs to account for costs associated with roads and sewers, street lighting, “on plot” works (gardens, fencing, driveways etc), open space and landscaping, car parking areas, service connections (gas, water, electricity, telephones).

Cost	Assumption
Finance Costs	6.5% interest rate A £1,000/unit arrangement fee has been adopted. This cost will vary from lender to lender and is indicative to reflect such a cost will be incurred.
Professional Fees	10% of construction costs to include architects/design, engineers (highways, structural, M&E), Quantity Surveyor, CDM Co-ordinator and Planning Consultant.
Developer Profit	20% on Gross Development Value.
Contingency	5% of construction costs
Sales Fees	5% of revenue to include agents fees and marketing costs Legal fees £500/unit
Stamp Duty	Stamp Duty will be payable on the site acquisition at the following rates: • Purchase price up to £150,000 0% • Purchase price £150,000 - £250,000 1% • Purchase price £250,000 - £500,000 3% • Purchase price £500,000 - £1 million 4% • Purchase price £1 million - £2 million 5% • Purchase price over £2 million 7% (a 15% rate applies to purchases over £2 million by certain persons including corporate bodies)
Development Period	In the current climate, a typical construction rate is 35 units per annum. Construction commences in month 6, allowing for site set up and preparation. The construction rate reflects sales rates as developers will not carry vacant units.
Sales Rate	Sales rates have typically been around 3 per month, first sales 6 months from commencement of construction.
Abnormal Costs	The impact of abnormal ground conditions such as the presence of contamination on development costs can only be accurately assessed through detailed and intrusive site investigations. The results of these investigations will determine whether a site is capable of development and, assuming development can proceed, what additional costs will be incurred through, for example, the requirement for contaminated material to be removed from the site and new clean material imported or requirements for different foundation construction over and above traditional strip foundations. An allowance of £100,000/ha has been adopted on brownfield sites to reflect that such costs are more likely on these sites. Actual costs will be specific to circumstances on particular sites and may lead to contentions that these additional costs will render sites unviable if CIL is applied.

Table 5.7 Residential Assumptions

Sales Values

5.8 Sales information from Breckland Council's Hometrack system together with that from local estate agents has been analysed to determine typical values for the various property types in different areas of Breckland. From the data, three zones can be identified: higher value, medium value and lower value areas.

5.9 The higher value areas include the area to the north, east and south of Dereham (MSOA reference 1 and 6) and the area to the south of Attleborough and east of Thetford (MSOA reference13 and 14). The market towns of Watton has a wide variance in value for the different property types with particularly high leves for 4 bed accommodation. However, this is from a very small sample size and appears to be an anomaly compared to 2 and 3 bed property values. Watton has therefore been included in the mid-value zone.

5.10 Thetford (MSOA reference 15, 16 and 17) attracts the lowest values in the borough.

5.11 Hometrack indicates the following average values (sample sizes) from sales between September 2010 and August 2012 for each of the identified zones:

Area (MSOA ref)	1 bed apt	2 bed apt	2 bed house	3 bed house	4 bed house
High Value Zone					
Attleborough (11)	73,250 (2)	101,250 (4)	126,188 (8)	167,378 (37)	245,000 (95)
Area 1			191,000 (5)	203,653 (18)	280,000 (65)
Area 2			147,000 (50)	185,000 (96)	295,000 (67)
Area 6		86,500 (2)	137,200 (10)	185,432 (22)	285,000 (81)
Area 8			144,000 (39)	195,000 (86)	245,000 (58)
Area 10		93,500 (4)	160,000 (25)	183,000 (112)	275,000 (65)
Area 13			155,613 (7)	192,220 (5)	270,000 (89)
Area 14			145,350 (7)	187,186 (21)	265,000 (62)
Adopted Value	**73,250**	**90,000**	**146,000**	**190,000**	**280,000**
Medium Value Zone					
Dereham (3)			113,200 (5)	147,357 (14)	210,977 (11)
Swaffham (7)			107,778 (9)	146,786 (14)	195,000 (9)
Watton (9)			108,550 (10)	171,402 (23)	276,667 (3)
Rest of area	59,000 (2)		142,809 (67)	170,266 (132)	223,174 (79)
Adopted Value	**65,000***	**85,000**	**120,000**	**160,000**	**225,000**
Low Value Zone					
Thetford (15-17)	67,900 (4)		107,071 (13)	111,729 (64)	182,771 (20)
Adopted Value	**65,000**	**80,000**	**107,000**	**112,000**	**183,000**

Table 5.8 Average Sales Values

*very little activity on apartments and values achieved do not reflect patterns for houses. Value adopted for medium value zone is slightly higher than that achieved and the value adopted for the low value zone has been adopted.

5.12 The affordable housing units have been valued (as capitalised value) at 75% of the market value for intermediate ownership and 60% for affordable rental units.

Potential Residential Charging Zone

5.13 Figure 5.1 below updates the initial assessment of zones from the stage 1 report and updates using information on sales values to indicate the potential residential charging zones. However, although the stage 1 indicated up to three potential zones for residential development, the values in the 'medium value' zone are such that there may, in effect, only be two residential zones in practice as the medium and low value zones could merge.

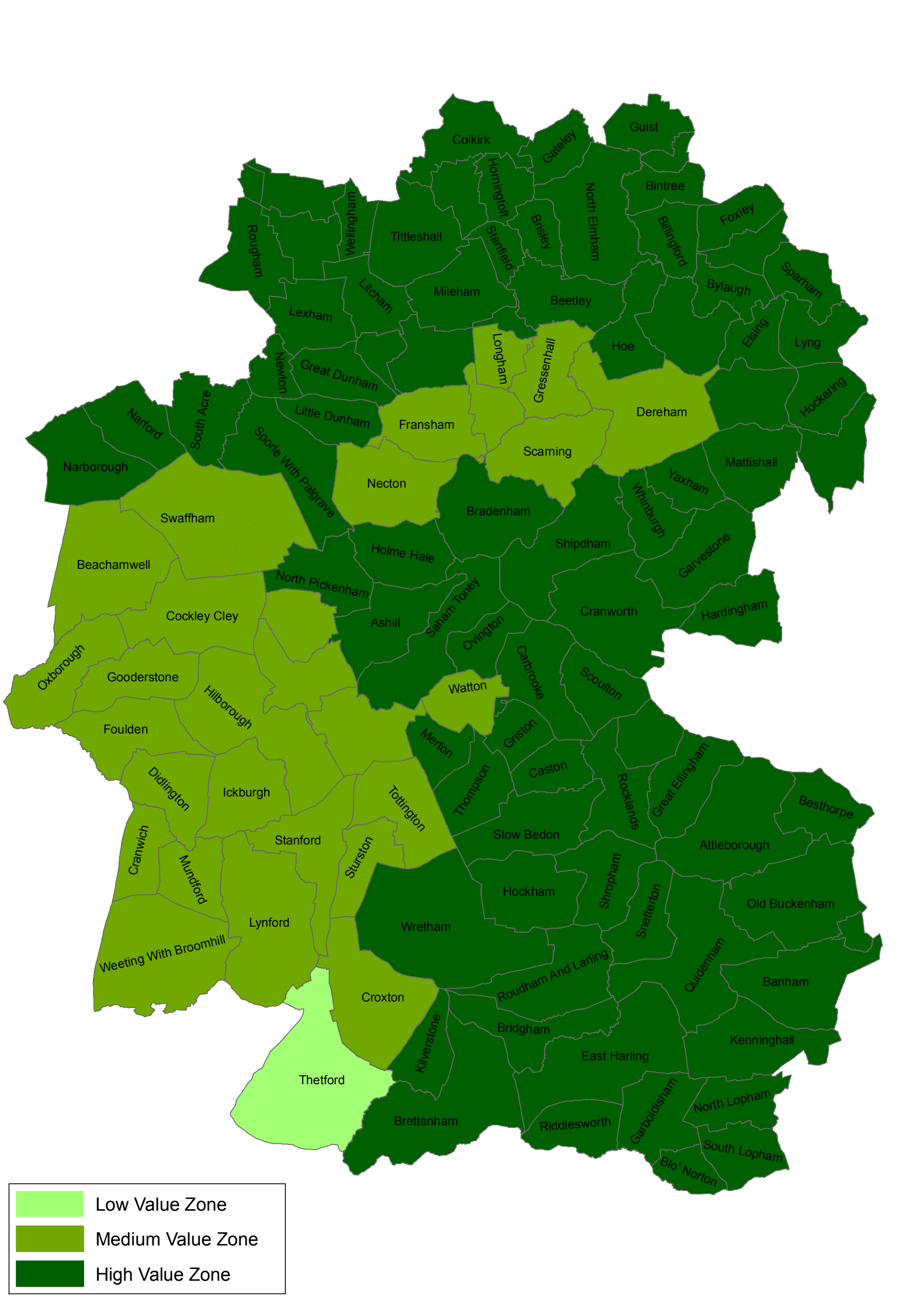

Figure 5.1 Proposed CIL Charging Zones

Residential Land Value

5.14 There is no specific evidence of actual transactions for residential development sites against which to benchmark the residual values from the appraisals.

5.15 The Valuation Office Agency Property Market Report 2011 indicates that land values for a suburban site of 0.5ha in Norwich were in the region of £1.6 million per hectare (£647,500/acre) as at 1st January 2011 assuming a maximum of 2 storey construction and density, Section 106 costs and affordable housing provision based on the market expectations for the locality.

5.16 Discussions with local agents have indicated suggested lower land values within Breckland District, of £350,000/acre in Attleborough, £300,000 in Dereham, £260,000 in Swaffham, and £250,000 for Thetford and Watton. The villages achieve £250,000/acre. Their most recent site in Dereham had just sold for £295,000 an acre. These values are similar to those included within the SHLAA, and it has been advised that there has been no particular change in residential land values in the District in the last year.

5.17 The rate of CIL is likely to have an impact on both the benchmark land value and the level of uplift value from the existing use, as the CIL will be paid from the residual value after all development costs. This includes the potential to depress land values. The validity of this approach has been endorsed by the Planning Inspectorate through the examination of the London Mayoral CIL. The examiners report stated:

> *"the price paid for development land **may be reduced**....a reduction in development land value is an inherent part of the CIL concept"*

5.18 The rural nature of Breckland district and the limited quantum of brownfield land, means that the majority of developments planned will occur on greenfield land. The uplift in value from greenfield (predominantly agricultural) land is still significant, with the current value of agricultural land in the District being in the region of £8,000 per acre.

5.19 The following land values have been adopted for each zone (taking into account local land sales, discussions with agents, land values within adjoining Districts, and a reduction in value related to CIL), against which to benchmark the residual valuations:

- High Value Zone £432,000/hectare (£180,000/acre)
- Medium Value Zone £371,000/hectare (£154,583/acre)
- Low Value Zone £371,000/hectare (£154,583/acre)

5.2 Employment

Development Scenarios

5.20 Development scenarios have been agreed with the Council on the following bases:

Scenario	Floor Area (sq.m.)	Assumptions	Comments
Offices – B1a	500	2 storey accommodation. c40% site coverage. Site area 0.04ha including car parking, servicing and landscape.	Dereham, Swaffham and Thetford examples required

Scenario	Floor Area (sq.m.)	Assumptions	Comments
General Industrial – B2	1,000	c30% site coverage. Site area 0.3ha including car parking, servicing and landscape.	Dereham, Swaffham and Thetford examples required
Storage and Distribution – B8	1,000	c30% site coverage. Site area 0.3ha including car parking, servicing and landscape.	Dereham, Swaffham and Thetford examples required

Table 5.9 Development Scenarios

Development Costs

5.21 Construction Costs have been sourced from BCIS (mean costs) with costs being based on Gross Internal Areas and including preliminaries. Unit costs have been adjusted for Norfolk. Based on the assumptions and scenarios above, the following costs have been adopted for the appraisals:

Scenario	Build Costs (£/sq.m.)
Offices – B1a Offices – 1-2 storey – Air-conditioned	1,172
General Industrial – B2 Factories – 500-2,000sq.m. GFA	655
Storage and Distribution – B8 Warehouses/Stores – 500-2,000sq.m. GFA	565

Table 5.10 Build Costs

Other Development Costs Assumptions

Costs	Assumptions
External Works	20% of construction costs to account for costs associated with infrastructure (roads, sewer connections, services etc), service yards/delivery areas, car parking and landscaping.
Finance Costs	6.5% interest rate
Professional Fees	10% of construction costs to include architects/design, engineers (highways, structural, M&E), Quantity Surveyor, CDM Co-ordinator and Planning Consultant.
Developer Profit	20% on Gross Development Value.
Contingency	5% of construction costs

Costs	Assumptions
Sales Fees	5% of revenue to include agents fees and marketing costs
Stamp Duty	Stamp Duty will be payable on the site acquisition at the following rates: • Purchase price up to £150,000 0% • Purchase price £150,000 - £250,000 1% • Purchase price £250,000 - £500,000 3% • Purchase price £500,000 - £1 million 4% • Purchase price £1 million - £2 million 5% • Purchase price over £2 million 7% (a 15% rate applies to purchases over £2 million by certain persons including corporate bodies)
Development Period	A construction period of 18 months has been adopted for the office development scenario and 12 months for the B2 and B8 scenarios.
Abnormal Costs	The impact of abnormal ground conditions such as the presence of contamination on development costs can only be accurately assessed through detailed and intrusive site investigations. The results of these investigations will determine whether a site is capable of development and, assuming development can proceed, what additional costs will be incurred through, for example, the requirement for contaminated material to be removed from the site and new clean material imported or requirements for different foundation construction over and above traditional strip foundations. We have assumed development sites to be "clean" and have made no allowance for abnormal costs. However, it should be noted that actual costs will be specific to circumstances on particular sites and may lead to contentions that these additional costs will render sites unviable if CIL is applied.

Development Assumption

Rental Values - Offices

5.22 The Breckland Council Premises Register has the following properties available:

Location	Rental Value
Attleborough	Bush House,Queens Square– 1st floor office – 16.5 sq.m. (177.6 sq.ft) - £3,000pa (£181.81/sq.m. - £16.89/sq.ft)
Dereham	Breckland Business Centre,St Withburga Lane– managed by Breckland Council, quoting rental levels are at £107.64/sq.m. (£10/sq.ft) plus service charge. Actual rents achieved are currently between £64.58/sq.m. (£6/sq.ft) and £86.11/sq.m. (£8/sq.ft) depending on the size. Leases are offered on internal repairing terms and rent free periods of up to 2 years are available.
Swaffham	139.35 sq.m. (1,500 sq.ft) has been let at 35aTurbine Way on the EcoTech Business and InnovationPark at £96.88/sq.m. (£9/sq.ft). The quoting rent was £17,250 (123.79/sq.m. - £11.50/sq.ft). Information from Breckland Council. Fitzroy House, 32 Market Place is available at £80.73/sq.m. (£7.50/sq.ft)

Location	Rental Value
Thetford	The Maltings – 2 floors plus mezzanine – 658 sq.m. (7,082 sq.ft) available at £46,000pa (£69.91/sq.m. - £6.50/sq.ft) Keystone Innovation Centre, Croxton Road – 443sq.m. (4,771 sq.ft) Grade A offices with parking - £48,000pa (£108.35/sq.m. - £10.06/ft.sq) Breckland Business Centre, St Nicholas Street – managed by Breckland Council, quoting rental levels are at £107.64/sq.m. (£10/sq.ft) plus service charge. Actual rents achieved are currently between £64.58/sq.m. (£6/sq.ft) and £86.11/sq.m. (£8/sq.ft) depending on the size. Leases are offered on internal repairing terms and rent free periods of up to 2 years are available. 223 sq.m. (2,400 sq.ft) are available for £38,150pa reflecting £171.10/sq.m. (£15.90/sq.ft) including service charge of circa £75.35/sq.m. (£7/sq.ft).

Table 5.11 Office Rental Values

Sales

5.23 Breckland is not a prime area for office accommodation and there is no evidence of sales or development activity. Typical yields for office accommodation should be in the region of 10%.

Adopted Values

5.24 There is no evidence of new build office accommodation to benchmark the appraisals for the Swaffham, Dereham or Thetford areas we have been requested to consider. The EcoTech Business and Innovation Park at Swaffham, the Breckland Business Centres in Dereham and Thetford and the Keystone Innovation Centre, Thetford offer the best quality of office accommodation in the area.

5.25 The scenario to be appraised is for 500 sq.m. and based on the values achieved and quoting rents within these highlighted premises, a rental value of **£110/sq.m.** has been adopted for the purposes of the appraisal.

Rental Values - Industrial

5.26 Details of rental values has been sourced from internet research via CoStar/Focus and other sites, The Breckland Council Premises Register, discussions with local agents and the Valuation Office Agency (VOA).

5.27 The VOA provided the Council with valuation advice for industrial rents in January 2012 as follows:

Town	1,000-2,499 sq.ft	2,500-5,000 sq.ft	10,000 sq.ft	18,000 sq.ft
Thetford (new or refurbished)	3.40/sq.ft 36.60/sq.m.	3.00/sq.ft 32.29/sq.m.	2.60/sq.ft 27.99/sq.m.	2.00/sq.ft 21.53/sq.m.
Dereham	3.60/sq.ft 38.75/sq.m.	3.10/sq.ft 33.37/sq.m.	2.35/sq.ft 25.30/sq.m.	-
Attleborough	3.35/sq.ft 36.06/sq.m.	2.90/sq.ft 31.22/sq.m.	2.35/sq.ft 25.30/sq.m.	-

Town	1,000-2,499 sq.ft	2,500-5,000 sq.ft	10,000 sq.ft	18,000 sq.ft
Watton	3.05/sq.ft 32.83/sq.m.	2.50/sq.ft 26.91/sq.m.	2.20/sq.ft 23.68/sq.m.	-

Table 5.12 Industrial Rental Values

5.28 The VOA have advised that the rental levels quoted in January remain valid in September.

5.29 The development scenario agreed for appraisal is 1,000 sq.m. (10,764 sq.ft) of B2 and B8 space.

5.30 The Breckland Council Premises Register has the following properties available:

Location	Unit Details
Attleborough	• 40 Maurice Gaymer Road - 69 sq.m. (750 sq.ft) industrial/warehouse £3,375pa (£48.91/sq.m.- £4.50/sq.ft) • Unit B Maurice Gaymer Road – 100 sq.m. (1,076 sq.ft) industrial/warehouse £6,456pa (£64.56/sq.m.- £6/sq.ft) • Unit C Maurice Gaymer Road – 156 sq.m. (1,769 sq.ft) industrial/warehouse £10,074pa (£64.58/sq.m. - £6/sq.ft) • Unit D Maurice Gaymer Road – 234 sq.m. (2,519 sq.ft) industrial/warehouse £15,114pa (£64.59/sq.m. - £6/sq.ft)
Thetford	**Fison Way Industrial Estate** • 2 Audley Court - 185sq.m. (1,991 sq.ft) - £7,200pa (£38.92/sq.m. - £3.62/sq.ft • 3 Rutherford Way – 225.3 sq.m. (2,425 sq.ft) - £9,093pa (£40.36/sq.m. - £3.75/sq.ft) • 4 Rutherford Way – 451 sq.m. (4,855 sq.ft) - £16,250pa (£36.03/sq.m. - £3.35/sq.ft) • 4 Lodge Way – 92 sq.m. (990 sq.ft) - £4,000pa (43.48/sq.m. - £4/sq. **Brunel Way Industrial Estate** • 19 Brunel Way – 406 sq.m. (4,370 sq.ft) - £13,200pa (£32.51/sq.m. - £3.02/sq.ft) • 21 Brunel Way – 418.7 sq.m. (4,507 sq.ft) - £13,521pa (£32.29/sq.m. - £3/sq.ft) **St Helens Way** • Units 5, 6 & 7 – 87.97sq.m. (947 sq.ft) - £4,000pa (£45.47/sq.m. - £4.22/sq.ft) **Telford Way Industrial Estate** • 19 Telford Way – 1,046 sq.m. (11,259 sq.ft) - £30,885 (£29.52/sq.m. - £2.75/sq.ft)

Location	Unit Details
	Kelvin Place, Stephenson Way • Units available from 408 sq.m. (4,400 sq.ft). Rents from £10.76/sq.m. - £1/sq.ft. **Lime Kiln Lane** • 12 Lime Kiln Lane – 427.7 sq.m. (4,604 sq.ft) - £20,200pa (£47.23/sq.m. - £4.39/sq.ft) (includes secure rear yard area)
Watton	High Bay Warehousing, Neaton Business Park – 3,267 sq.m. (35,165sq.ft) - £123,000pa (£37.65/sq.m. - £3.50/sq.ft)

Industrial Units Rental Details

5.31 Arnolds, a local firm of Chartered Surveyors, indicated that there is little difference in rental levels across Breckland for industrial/warehousing property and there is currently no new build under development.

Sales

5.32 There is no evidence of sales of industrial units but, typically, the sector attracts yields of around 12.5% and, assuming any future developments will be around the main arterial routes, this level of value should be achieved.

Adopted Values

5.33 As with the office sector, there is no evidence of new build accommodation against which to benchmark. Analysing the evidence above and following discussions with local agents, there is no significant difference in rental levels across the Borough and neither is there a difference between rental levels for B2 general industrial use or B8 storage and distribution. The agreed scenario for both B2 and B8 uses is 1,000 sq.m. A rental value of **£40/sq.m.** has been adopted for the appraisal. This is slightly higher than the levels quoted by the VOA, but an uplift has been made to account for assumed higher quality for new build accommodation.

Industrial land Value

5.34 Again, there is little or no evidence of site disposals within the Breckland area against which to benchmark the residual land value to determine the surplus available for Community Infrastructure Levy.

5.35 The VOA provided advice to Breckland in January 2012 on values for freehold serviced industrial sites as follows:

Town	Site Area	Value
Thetford	Up to 2 ha (5 acres)	£234,745/ha (£95,000/acre)
Dereham	Up to 2 ha (5 acres)	£172,970/ha (£70,000/acre)
Attleborough	Up to 0.4 ha (1 acre)	£271,810/ha (£110,000/acre)
Swaffham	All other than Eco-Tech	£148,260/ha (£60,000/acre)
Swaffham: Eco-Tech	Industrial sites per acre	£172,970/ha (£70,000/acre)
	Business Sites per acre	£247,100/ha (£100,000/acre)
Watton	All sites	£135,905/ha (£55,000/acre)

Table 5.13 Industrial Land Values

5.36 Clearly, there is a wide variance in land values across the District. On the assumption that any new development will be close to the main arterial routes (A11/A47) an indicative land value of £240,000/ha (£97,000/acre) is appropriate.

5.3 Retail

Development Scenarios

5.37 The following scenarios have been agreed with the Council:

Scenario	Floor Area (sq.m.)	Comments
Retail Foodstore (A1) – Out of Town Centre	3,000	
Retail Foodstore (A1) –Town Centre	3,000	
Restaurants and Cafes (A3)	75	
Drinking Establishments (A4)	650	
Hot Food Takeaway (A5)	450	Drive through. Unit area amended to 300sq.m. for appraisal

Table 5.14 Retail Development Scenarios

Development Costs

5.38 BCIS costs, rate per square metre gross internal floor area, including preliminaries and adjusted for Norfolk, indicate the following construction costs for the retail developments to be appraised:

Development type	Mean (£/sq.m.)	Lowest (£/sq.m.)	Lower Quartile (£/sq.m.)	Median (£/sq.m.)	Upper Quartile (£/sq.m.)	Highest (£/sq.m.)
Hypermarkets/ Supermarkets 1,000-7,000m2 GFA (sample 43)	1,093	176	772	1,152	1,407	1,844
Restaurants (sample 6)	1,753	1,283	1,422	1,644	1,788	2,761
Cafes, Snack Bars, Coffee Bars, Milk Bars	1,698	814	-	1,439	-	3,099

Development type	Mean (£/sq.m.)	Lowest (£/sq.m.)	Lower Quartile (£/sq.m.)	Median (£/sq.m.)	Upper Quartile (£/sq.m.)	Highest (£/sq.m.)
(sample 4)						
Public Houses, Licensed Premises 500-2,000m2 GFA (sample 12)	1,503	922	1,342	1,460	1,776	2,072

Table 5.15 Retail Build Costs

5.39 The following costs have been adopted in the appraisals for the different scenarios:

Scenario	Construction Costs(£/sq.m.)
Retail Foodstore	1,093
Restaurants and Cafes	1,720
Drinking Establishments	1,503
Drive Through Hot Food Takeaway	1,422

Table 5.16 Adopted Retail Build Costs

Other Development Costs

Cost	Assumption
External Works	20% of construction costs to account for costs associated with infrastructure (roads and sewer connections, service yards, car parking, landscaping, services etc) for the A1 retail units and the drive through with 10% for “high street uses.
Finance Costs	6.5% interest rate
Professional Fees	10% of construction costs to include architects/design, engineers (highways, structural, M&E), Quantity Surveyor, CDM Co-ordinator and Planning Consultant.
Developer Profit	20% on Gross Development Value.
Contingency	5% of construction costs
Sales Fees	5% of revenue to include agents fees and marketing costs
Stamp Duty	Stamp Duty will be payable on the site acquisition at the following rates: • Purchase price up to £150,000 0% • Purchase price £150,000 - £250,000 1% • Purchase price £250,000 - £500,000 3% • Purchase price £500,000 - £1 million 4% • Purchase price £1 million - £2 million 5% • Purchase price over £2 million 7% (a 15% rate applies to purchases over £2 million by certain persons including corporate bodies)

Cost	Assumption
Development Period	A construction period of 12 months has been.
Abnormal Costs	The impact of abnormal ground conditions such as the presence of contamination on development costs can only be accurately assessed through detailed and intrusive site investigations. The results of these investigations will determine whether a site is capable of development and, assuming development can proceed, what additional costs will be incurred through, for example, the requirement for contaminated material to be removed from the site and new clean material imported or requirements for different foundation construction over and above traditional strip foundations. We have assumed development sites to be "clean" and have made no allowance for abnormal costs. However, it should be noted that actual costs will be specific to circumstances on particular sites and may lead to contentions that these additional costs will render sites unviable if CIL is applied.

Development Assumptions

Rental Values

5.40 The scenario to be valued is a 3,000 sq.m. foodstore both out of centre and within a town centre. Generally, larger foodstores/supermarkets often attract a higher rental level than larger high street units or retail warehouses as they are better equipped to deliver to a wider catchment area.

5.41

Morgan Williams, national retail property advisers, are advertising for a freehold foodstore investment in a proposed retail development at Fenland Way, Chatteris, a market town in Cambridgeshire approximately 24 miles north-west of Cambridge, 15 miles north-east of Huntingdon and 28 miles to the south of Peterborough. The property is in an edge of town centre location to the west of Chatteris town centre and adjacent to the A141 Fenland Way. The development comprises a Tesco Superstore, to be constructed to Tesco's sustainable "Eco store" specification, together with a 4 pump petrol filling station. The store will provide a gross internal floor area of 4,290 sq.m. (46,177 sq.ft) with a net retail sales area of 2,525 sq.m. (27,179 sq.ft) of which 2,128 sq.m. (22,916 sq.ft) will be devoted to the sale of food and related products and 326 sq.m. (4,262 sq.ft) to the sale of comparison goods. Car parking will be provided with approximately 310 spaces including disabled (18) and parent and toddler (13) spaces plus motorcycle and bicycle spaces.

5.42 The lease is for a term of 25 years at a commencing rent of £1,062,071pa based on £239.17/sq.m (£23/sq.ft) overall. Apportioning a standard 7.5% to the petrol filling station, the rent payable for the store equates to £230.35/sq.m. (£21.40/sq.ft). There is a tenants break option at years 10 and 20 on 6 months notice and, if the break is exercised, the tenant must purchase the freehold at market value assuming a 25 year lease to Tesco with no breaks, and the valuation rent is the higher of the passing rent or the market rent. The rent is subject to review every 5 years based on a yearly cumulative basis based on annual Retail Price Index uplifts capped at 5% and collar of 0% (the cap prevents the rent exceeding an agreed figure and the collar prevents the rent falling below a minimum level – in this case the rent can not increase by an index of more than 5% pa nor fall below the passing rent).

5.43 The developer is Cambridge Property Group Plc and planning consent was granted in April 2012 with work scheduled to commence in October 2012 for completion in May 2013. The developer is anticipating a completed investment value of £20,080,000 reflecting a net initial yield of 5% allowing for purchaser's costs of 5.8%.

5.44 Within the Breckland area, Roche Chartered Surveyors in Norwich are marketing the new South Green Retail Park in Dereham which has up to 6 units available from 325 sq.m. (3,500 sq.ft) to 2,369 sq.m. (25,000 sq.ft). The site is situated adjacent to the Breckland Retail Park, which includes Homebase, Bennetts and Carpetright, and is just off the A47. Interest for A1 or B8 (trade counter) uses is being invited and rental levels are at £134.55/sq.m. (£12.50/sq.ft).

5.45 Roche indicated that prime high street rents in Dereham are at £375-430/sq.m. (£35-40/sq.ft) Zone A with values in other market towns being at a lower level.

5.46 The following retail properties are currently on the market:

Location	Value
Dereham	4-8a. Brown & Co are marketing this prominent retail unit which comprises three lock up shop units presently arranged to provide one large retail space of 420.2 sq.m. (4,523 sq.ft) across two floors. The VOA calculates the area in terms of Zone A at 174.8 sq.m. (1,881 sq.ft). The unit is appropriate for A1 retail, A2 financial services, A3 restaurant/café, A4 pubs/bars/clubs and A5 hot food take away. The quoting rent is £45,000 which reflects £107.09/sq.m. (£9.95/sq.ft) overall or approx £257/sq.m. (£24/sq.ft) in terms of zone A. 41 Market Place. Prime retail unit comprising: • Ground floor sales 197.1 sq.m. (2,122 sq.ft) • First Floor Sales 101.4 sq.m. (1,092 sq.ft) • First Floor Offices/Ancillary 37.3 sq.m. (401 sq.ft) • Second Floor/Attic storage 42.2 sq.m. (454 sq.ft) From the VOA website, the area in terms of Zone A is 101.75 sq.m. (1,095 sq.ft). The passing rent is £40,750pa under the terms of a 25 year lease from 6th March 2000 (assumed payable from March 2010) reflecting £400.50/sq.m. (£37.20/sq.ft). Units 1-4 Bridge Court, Dereham – Brand new retail units within a predominantly residential area from 95.5-305.1 sq.m. (1,028-3,392 sq.ft).
Watton	28 High Street. A corner retail unit comprising ground floor retail space of 134.5 sq.m. (1,448 sq.ft) and first floor retail/offices of 114 sq.m. (1,227 sq.ft); an area in terms of Zone A of 106.8 sq.m. with a quoting rental of £24,000pa equating to £229/sq.m. (£21.27/sq.ft) Zone A, or £96.58/sq.m. (£9/sq.ft) overall.
Thetford	A unit of 340 sq.m. (3,659 sq.ft) at LimeKilnLaneRetailPark is on the market with Merrifields either to let or for sale. The agent has indicated a value of £200,000 for the freehold interest, which equates to £588/sq.m. (£54.65/sq.ft) but is not able to give an estimate of the rental value as the unit has been vacant for some time with no interest

Table 5.17 Rental Values for Retail Units

5.47 Town centre locations are likely to command a slightly lower rental value for this type of accommodation than edge/out of centre locations due to accessibility. An operator will look to maximise the catchment area with sites within easy access of main arterial routes being preferred.

5.48 The agreed scenarios for appraisal include Restaurants and Cafes (A3) and Drinking Establishments (A4). These uses are accommodated in units that can be adapted for a number of retail uses and rental values are based on retail zones.

5.49 The final retail scenario is that of a drive through Hot Food Takeaway, such as a McDonalds. The scheme to be appraised was indicated at 450 sq.m. Looking at other operational units, this seems to be a little larger than may be required and advice from Capita Symonds Director of Valuation is that this type of use requires typically 280 sq.m. (3,000 sq.ft). A unit size of 300 sq.m. has therefore been adopted for appraisal. Rental values range between £270-323/sq.m. (£25-30/sq.ft) depending on location

Sales

5.50 There is no evidence of sales for retail use but from experience yields for retail are in the region of 8%. For drive through hot food takeaways, these are typically let on 20 year fixed term leases with no breaks and command a yield of around 6%.

Adopted Values

5.51 Analysing the information above, the following values have been adopted in the appraisals for the different development scenarios:

Scenario	Unit Size (Sq.m.)	Rental Value (£/sq.m.)
Retail Foodstore – Out of Centre (A1)	3,000	215
Retail Foodstore - Town Centre (A1)	3,000	193.50
Restaurants and Cafes (A3)	75	110
Drinking Establishments (A4)	650	110
Drive-through Hot Food Takeaway (A5)	300	270

Table 5.18 Adopted Values for Retail Uses

Land Values

5.52 Land values for foodstore developments will depend on the size of store, certainty of end user, planning consent etc as well as site specific issues (ground conditions etc) with values anywhere up to £9.88m/ha (£4m/acre). There is a lack of specific transactional evidence but local agents have been canvassed as well as utilising experience to derive a land value against which to benchmark the appraisals. Large scale superstores will command higher values and, for the purposes of the appraisal for a 3,000 sq.m. unit, a land value of £1,976,000/ha (£800,000/acre) has been adopted for edge of town centre sites and £1,779,100/ha (£720,000/acre) for town centre sites to reflect the reduced rental value.

5.53 For a 3,000 sq.m. store, a site area of 1.2 ha (2.97 acres) has been assumed adopting 25% site coverage to allow for car parking, servicing and circulation.

5.54 For restaurant/café and drinking establishment uses, a value of £1,013,100/ha (£410,000/acre) has been adopted. It is assumed that these developments will be within town centre high street settings and site area will be only slightly higher than gross building areas.

5.55 Assuming a 15% site coverage for drive-through restaurants, a site area of 0.2ha (0.5 acres) has been adopted. There is no specific evidence available to determine a benchmark site value but, given that these facilities command a higher rental value than retail foodstores, a site value based on the ratio of the rental values has been assumed at £2,482,500/ha (£1,005,000/acre).

5.4 Other Uses

Residential Care Homes and Nursing Homes

5.56 RICS guidance advises that the Care Standards Act 2000 specified standards for the physical environment within care homes but the subsequent Health and Social Care Act 2008 (effective from 1st October 2010) is far less prescriptive. However, despite the lack of prescribed standards, the market continues to assess homes in relation to established benchmarks in terms of size and facilities. In line with current practice, areas of 12 sq.m. per bedroom and 4.1 sq.m. per bed for communal space have been adopted. This gives a gross area of 805 sq.m. of accommodation for a 50 bedroom facility. It has been assumed that the communal space only includes areas such as catering and recreation facilities for the residents. The total area for the accommodation has been increased by 15% to 925 sq.m. to include administrative areas, storage, plant rooms etc.

Development Costs

5.57 BCIS indicates a mean construction cost for "nursing homes, convalescent homes, short stay medical homes" of £1,262/sq.m. gross internal floor area including preliminaries (adjusted for Norfolk).

5.58 Other development costs adopted include:

Cost	Assumptions
External Works	20% of construction costs to account for costs associated with infrastructure (roads, sewer connections, services etc), service yards/delivery areas, car parking and landscaping
Finance Costs	6.5% interest rate
Professional Fees	10% of construction costs to include architects/design, engineers (highways, structural, M&E), Quantity Surveyor, CDM Co-ordinator and Planning Consultant.
Developer Profit	20% on Gross Development Value.
Contingency	5% of construction costs
Sales Fees	5% of revenue to include agents fees and marketing costs
Stamp Duty	Stamp Duty will be payable on the site acquisition at the following rates: • Purchase price up to £150,000 0% • Purchase price £150,000 - £250,000 1% • Purchase price £250,000 - £500,000 3% • Purchase price £500,000 - £1 million 4% • Purchase price £1 million - £2 million 5% • Purchase price over £2 million 7% (a 15% rate applies to purchases over £2 million by certain persons including corporate bodies)
Development Period	A construction period of 18 months has been adopted.
Abnormal Costs	The impact of abnormal ground conditions such as the presence of contamination on development costs can only be accurately assessed through detailed and intrusive site investigations. The results of these investigations will determine whether a site is capable of development and, assuming development can proceed, what additional costs will be

Cost	Assumptions
	incurred through, for example, the requirement for contaminated material to be removed from the site and new clean material imported or requirements for different foundation construction over and above traditional strip foundations. We have assumed development sites to be "clean" and have made no allowance for abnormal costs. However, it should be noted that actual costs will be specific to circumstances on particular sites and may lead to contentions that these additional costs will render sites unviable if CIL is applied.

Table 5.19 Assumptions

Values

5.59 We have discussed the potential values with a care home developer who advised that typically homes will be split approximately 70:30 between local authority care and private clients with local authority beds commanding between £450 and £600 per bed per week and private beds an additional 20% on these figures. For the purposes of the appraisal, a value of £450 per bed per week has been adopted for local authority beds and £540 for private. Assuming 90% occupancy, this provides for a gross income of £1,116,180. Deducting running costs of 70% gross income, a net income of £334,854 is achieved. Yields will be between 7% and 9% depending on location and, adopting 8%, a capital value of £4,185,675 is achieved for the 50 bedroom facility, equating to a capital value of £83,713/bed.

5.60 We are aware of the following transactions/properties on the market in the care home sector:

- North Norfolk – Freehold interest in a care home registered for 14 old age/dementia residents for sale through Amberglobe Ltd at a guide price of £675,000. The property is advertised as having almost 100% occupancy resulting in annual fee income of £315,000 and adjusted net profits in excess of £100,000pa. There is scope to develop 4 unused rooms to create additional private living accommodation or additional resident rooms. Based on the current 14 residents (it is assumed this also relates to the number of rooms), the guide price equates to £48,214 per bedroom.
- The freehold interest in a detached residential care home for 23 residents providing care for mental health and set in 4 acres of land in Norfolk is for sale with Redwoods Dowling Kerr at a guide of £1,800,000. The property had a fee income of £545,961 for 2010. The guide breaks down to £78,260 per bed.
- A small care/nursing home in Cambridgeshire, registered for 5 residents sold through RTA Business Consultants Ltd in March 2011. The guide price for the freehold interest was £649,950 or £129,990 per bed.
- Butterwicks Healthcare Agents have sold a well established residential care home for the elderly (July 2012) in Hertfordshire Town Centre, the guide for the freehold being £1,650,000. The property comprised 19 single en-suite rooms and has recently been granted planning consent to add some 4 or 5 rooms. The guide equates to £86,842/bed based on the existing 19 rooms or £68,750 if an additional 5 rooms are developed.
- A specialist care home in an affluent town in Hertfordshire, established in 2006 with a projected annual turnover for year end 2011 of £254,423, average room size of 13.18sq.m. with 100% occupancy sold in August 2011 at a guide for the freehold of £850,000. No details on the number of rooms is available. The agent was Belleveue Mortlakes Commercial Agents.

5.61 The above values indicate an average price of £85,826 per bedroom. However, the small 5 bed facility seems to be anomalous. Excluding this, the average of the other three transactions suggest and average of £65,075 per bedroom.

5.62 Applying a value of £65,000 per bedroom to the 50 bed development comprising a gross internal area of 805 sq.m., net internal area of 600 sq.m., scenario, the capital value is £3,250,000 which equates to £5,417/sq.m.

5.63 In terms of land value, a site with a high street location in Norfolk within 20 miles of Thetford town centre, 25 miles of Norwich town centre and 15 minutes drive from a junction on the A11, has permission for a 40 bed care facility is available freehold at a guide price of £525,000 with Bishops. The site is to the rear of an existing Georgian property, half of which it is proposed to demolish and refurbished as offices or used as additional accommodation. Based on the 40 beds under the planning consent, the guide price devalues to £13,125 per bed. This is an asking price rather than the achieved value and therefore a value of £11,500 per bed has been assumed for the appraisal, being approximately 10% below the asking price for the above site.

5.64 A 50 bed facility at a value of £11,500 per bed, the baseline site value adopted is £575,000

Hotels (C1)

5.65 The standard method of valuation for assessing rental value of hotel premises is the profits approach, based on an assessment of the level of trade and profit that a reasonably efficient operator would expect to achieve on a specific site. Comparable evidence of completed hotel transactions is generally analysed on a simple rent per room basis and in broad terms turnkey rents for new budget hotels would fall in the range of £3,000 to £5,500 per room.

5.66 On the basis of a development scenario comprising a 50 bed budget hotel on a 0.66 hectare site, an average room size of 15 sq.m. has been adopted and a substantial net/gross area of 75% has been used to reflect communal areas, servicing etc.

Development Costs

5.67 BCIS indicates a mean construction cost for “hotels” of £1,294/sq.m. gross internal floor area including preliminaries (adjusted for Norfolk). However, on the assumption that the development scenario is to comprise a budget hotel the lower quartile build cost of £1,137/sq.m. is considered more appropriate to reflect the accommodation type.

5.68 Other development costs adopted include:

Cost	Assumption
External Works	20% of construction costs to account for costs associated with infrastructure (roads, sewer connections, services etc), service yards/delivery areas, car parking and landscaping.
Finance Costs	6.5% interest rate
Professional Fees	10% of construction costs to include architects/design, engineers (highways, structural, M&E), Quantity Surveyor, CDM Co-ordinator and Planning Consultant.
Developer Profit	20% of Gross Development Value
Contingency	5% of construction costs.
Sales Fees	1.5% of revenue to include agents fees on investment sale.
Stamp Duty	Stamp Duty will be payable on the site acquisition at the following rates: • Purchase price up to £150,000 0% • Purchase price £150,000 - £250,000 1% • Purchase price £250,000 - £500,000 3% • Purchase price £500,000 - £1 million 4%

Cost	Assumption
	• Purchase price £1 million - £2 million 5% • Purchase price over £2 million 7% (a 15% rate applies to purchases over £2 million by certain persons including corporate bodies)
Development Period	A construction period of 18 months has been adopted.
Abnormal Costs	The impact of abnormal ground conditions such as the presence of contamination on development costs can only be accurately assessed through detailed and intrusive site investigations. The results of these investigations will determine whether a site is capable of development and, assuming development can proceed, what additional costs will be incurred through, for example, the requirement for contaminated material to be removed from the site and new clean material imported or requirements for different foundation construction over and above traditional strip foundations. We have assumed development sites to be “clean” and have made no allowance for abnormal costs. However, it should be noted that actual costs will be specific to circumstances on particular sites and may lead to contentions that these additional costs will render sites unviable if CIL is applied.

Table 5.20 Assumptions

Values

5.69 An annualised rental rate of £4,500 per room has been adopted. No allowance has been made for void rates but for simplicity neither has any allowance been made for income achievable for letting off ground floor retail concession space and one omission should offset the other. A yield adjustment of 7% from the market rate of 5 to 6% for similar investments has been made to reflect location factors, which could also be considered as a factor likely to affect void levels. This is supported by evidence of an investment sale of the long leasehold interest in a 104 bed budget hotel in Norwich let to a national chain, which completed in December 2009 at a yield equating to 6.5%.

5.70 It has been assumed that the scheme would only be developed with an identified operator and therefore there will be no void period and minimal sales period following completion.

5.71 Land values are likely to be higher than residential values but there is no evidence available to confirm this. A base line value of £864,850/hectare (£350,000/acre) has been adopted for the appraisal.

Holiday Accommodation

5.72 The scenario to be appraised comprises 3 individual self-catering chalets with communal, external car parking, gardens and landscaping. It has been assumed that the units will be a similar size to 1 bed apartments and have adopted 45 sq.m. in the appraisal. It is assumed that the accommodation is for owner occupation.

5.73 Construction costs have been taken at the lower end of the BCIS range for “estate housing single storey” at £500/sq.m. All other assumptions are as adopted for the residential appraisals.

Value

5.74 The scenario assumes that there will be planning restrictions on occupation, ie “seasonal” use between, say, March and October. There is no evidence available against which to benchmark sales values and therefore a discount has been applied to the values adopted for residential units. One bed apartments are between £65,000 and £73,250 across the three zones with 2 bed houses at £107,000 to £146,000. Based on the apartment values, uplifted to reflect the fact these are stand alone units rather than being in a block a baseline value of £80,000 is reasonable. This has then been discounted to reflect a lower quality of construction and the restriction on occupation and a value of £60,000 per unit has been adopted for the appraisal.

5.75 Land values have also been slightly reduced from residential development land and a benchmark value of £494,200/ha (£200,000/acre) has been used. A site area of 0.07ha has been assumed to allow for car parking and external landscaping/garden areas.

Public Buildings

5.76 A scenario has not been currently tested which looks specifically at public buildings under the use class D1. Within Breckland, the number of public buildings coming forward is considered to be minimal over the remainder of the plan period to 2026. Public buildings are not anticipated to be a key part of the growth agenda in terms of either floorspace or CIL value. It is worth noting that public buildings tend to be subject to different funding mechanisms to other forms of development, which reduces the amount of leverage available within a viability appraisal to fund CIL. Furthermore, the buildings often fall within the scope of infrastructure and should be considered to be a public good.

6 Viability Appraisals

6.1 The appraisals have calculated the residual land values, including surplus available for Community Infrastructure Levy. Where a - is indicated within the tables, this refers to a negative residual land value and as such means that there is no surplus remaining to meet the benchmark site value or to fund a CIL.

6.1 Residential

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus available for CIL	Maximum CIL £/sq.m.
High Value Zone						**£432,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	886,742	1,900,800	0	0
	30/ha	200	17,620	6.67	3,141,940	2,881,440	260,500	14.78
	20/ha	200	17,620	10	3,141,940	4,320,000	0	0
Market Town Brownfield	45/ha	25	1,896	0.56	-62,617	241,920	-	-
	30/ha	25	2,215	1.2	166,757	518,400	0	0
Village	20/ha	15	1,336	0.75	115,984	324,000	0	0
Other	24/ha	4	420	0.17	148,312	73,440	74,872	178.26
Medium Value Zone						**£371,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	-1,858,572	1,632,400	-	-
	30/ha	200	17,620	6.67	-158,146	2,474,570	-	-
	20/ha	200	17,620	10	-158,146	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,896	0.56	-439,343	207,760	-	-
	30/ha	25	2,215	1.2	-326,679	445,200	-	-
Village	20/ha	15	1,336	0.75	-182,890	278,250	-	-
Other	24/ha	4	420	0.17	35,053	63,070	0	0
Low value Zone						**£371,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	-4,715,167	1,632,400	-	-
	30/ha	200	17,620	6.67	-4,038,406	2,474,570	-	-
	20/ha	200	17,620	10	-4,038,406	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,896	0.56	-783,768	207,760	-	-
	30/ha	25	2,215	1.2	-831,036	445,200	-	-
Village	20/ha	15	1,336	0.75	-492,363	278,250	-	-
Other	24/ha	4	420	0.17	-91,834-	63,070	-	-

Table 6.1 Residential Viability Appraisals

6.2 Using the assumptions set out within 5.1 'Residential' the scope for CIL is limited to two scenarios within the higher value zone of the District. Within both the medium and low value zones, using the assumptions as set out, it is possible to observe that the residual land values are all negative. In order to consider the impact of the individual assumptions on the viability appraisals sensitivity testing has been carried out. Further appraisals have been carried out on the residential development scenarios reflecting reduced levels of affordable housing of 35% and 25% (the proportion of intermediate and affordable rented units being unchanged at 25% and 75% respectively).

6.3 This gives us the following revised schemes and mix of affordable housing tenures:

35% Affordable Housing

Scheme	Density	No. of Units	Site Area (ha)	1 bed apt		2 bed apt		2 bed house		3 bed house		4 bed house	
				Mkt	Aff	Mkt	Aff	Mkt	Aff	Mkt	Aff	Mkt	Aff
Market Town Greenfield	45/ha	200	4.44	31	17	8	4	38	20	38	20	16	8
	30/ha	200	6.67	0	0	0	0	57	25	57	25	25	11
	20/ha	200	10.0	0	0	0	0	57	25	57	25	25	11
Market Town Brownfield	45/ha	25	0.56	5	1	1	1	4	3	4	3	2	1
	30/ha	25	1.2	0	0	0	0	6	4	6	4	3	2
Village	20/ha	15	0.75	0	0	0	0	4	2	4	2	2	1
Other	24/ha	4	0.17	0	0	0	0	0	0	2	0	2	0

Table 6.2 Residential Development Scenario for 35% Affordable Housing

Scenario	Density	No. of Units	1 bed apt		2 bed apt		2 bed house		3 bed house		4 bed house	
			Int	AR	Int	AR	Int	AR	Int	AR	Int	AR
Market Town Greenfield	45/ha	200	4	13	1	3	5	15	5	15	2	6
	30/ha	200	0	0	0	0	6	19	6	19	27	9
	20/ha	200	0	0	0	0	6	19	6	19	27	9
Market Town Brownfield	45/ha	25	0	1	0	1	1	2	1	2	0	1
	30/ha	25	0	0	0	0	1	3	1	2	0	2
Village	20/ha	15	0	0	0	0	0	2	1	1	0	1
Other	24/ha	4	0	0	0	0	0	0	0	0	0	0

Table 6.3 Affordable housing mix at 35% provision

6.4 The appraisal provides the following values:

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus available for CIL	Maximum CIL £/sq.m.
High Value Zone						**£432,000/ha**		
Market Town Greenfield	45/ha	200	15,273	4.4	1,219,186	1,900,800	0	0
	30/ha	200	17,726	6.67	3,775,312	2,881,440	893,872	50.43
	20/ha	200	17,726	10	3,775,312	4,320,000	0	0
Market Town Brownfield	45/ha	25	1,895	0.56	-48,420	241,920	0	-
	30/ha	25	2,215	1.2	139,617	518,400	0	0
Village	20/ha	15	1,335	0.75	140,871	324,000	0	0
Other	24/ha	4	420	0.17	148,312	73,440	74,872	178.26
Medium Value Zone						**£371,000/ha**		
Market Town Greenfield	45/ha	200	15,273	4.4	-1,537,070	1,632,400	-	-
	30/ha	200	17,726	6.67	373,048	2,474,570	-	-
	20/ha	200	17,726	10	373,048	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,895	0.56	-426,549	207,760	-	-
	30/ha	25	2,215	1.2	-350,753	445,200	-	-
Village	20/ha	15	1,335	0.75	-160,337	278,250	-	-
Other	24/ha	4	420	0.17	35,053	63,070	0	0
Low value Zone						**£371,000/ha**		

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus available for CIL	Maximum CIL £/sq.m.
Market Town Greenfield	45/ha	200	15,273	4.4	-4,443,423	1,632,400	-	-
	30/ha	200	17,726	6.67	-3,552,898	2,474,570	-	-
	20/ha	200	17,726	10	-3,552,898	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,895	0.56	-770,918	207,760	-	-
	30/ha	25	2,215	1.2	-850,790	445,200	-	-
Village	20/ha	15	1,335	0.75	-472,055	278,250	-	-
Other	24/ha	4	420	0.17	-91,834	63,070	-	-

Table 6.4 Residential Viability Appraisal for 35% Affordable Housing

6.5 Reducing the affordable housing requirement to 35%, 5% lower than the existing policy requirement has had a positive impact on the residual site values, for the different scenarios. However, whilst the residual site values had improved, this is from a low initial rate , and only two of the schemes within the higher value zone have a surplus available to fund a community infrastructure levy.

25% Affordable Housing

Scheme	Density	No. of Units	Site Area (ha)	1 bed apt		2 bed apt		2 bed house		3 bed house		4 bed house	
				Mkt	Aff	Mkt	Aff	Mkt	Aff	Mkt	Aff	Mkt	Aff
Market Town Greenfield	45/ha	200	4.44	36	12	9	3	44	14	44	14	18	6
	30/ha	200	6.67	0	0	0	0	62	20	62	20	27	9
	20/ha	200	10.0	0	0	0	0	62	20	62	20	27	9
Market Town Brownfield	45/ha	25	0.56	4	2	2	0	5	2	5	2	3	0
	30/ha	25	1.2	0	0	0	0	8	3	8	2	3	1
Village	20/ha	15	0.75	0	0	0	0	5	1	4	2	2	1
Other	24/ha	4	0.17	0	0	0	0	0	0	2	0	2	0

Table 6.5 Residential Development Scenario for 25% Affordable Housing

Scenario	Density	No. of Units	1 bed apt		2 bed apt		2 bed house		3 bed house		4 bed house	
			Int	AR	Int	AR	Int	AR	Int	AR	Int	AR
Market Town Greenfield	45/ha	200	3	9	1	2	3	11	3	11	2	4
	30/ha	200	0	0	0	0	5	15	5	15	2	7
	20/ha	200	0	0	0	0	5	15	5	15	2	7
Market Town Brownfield	45/ha	25	1	1	0	0	0	2	1	1	0	0
	30/ha	25	0	0	0	0	1	2	0	2	0	1
Village	20/ha	15	0	0	0	0	0	1	1	1	0	1
Other	24/ha	4	0	0	0	0	0	0	0	0	0	0

Table 6.6 Affordable housing mix at 25% provision

6.6 The resulting values are:

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
High Value Zone						**£432,000/ha**		
Market Town Greenfield	45/ha	200	15,337	4.4	1,817,650	1,900,800	0	0
	30/ha	200	17,794	6.67	4,215,216	2,881,440	1,334,076	74.97
	20/ha	200	17,794	10	4,215,216	4,320,000	0	0
Market Town Brownfield	45/ha	25	1,911	0.56	99,670	241,920	0	0
	30/ha	25	2,206	1.2	249,483	518,400	0	0
Village	20/ha	15	1,334	0.75	180,127	324,000	0	0
Other	24/ha	4	420	0.17	148,312	73,440	74,872	178.27
Medium Value Zone						**£371,100/ha**		

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
Market Town Greenfield	45/ha	200	15,337	4.4	-967,367	1,632,400	-	-
	30/ha	200	17,794	6.67	732,942	2,474,570	0	0
	20/ha	200	17,794	10	732,942	3,710,000	0	0
Market Town Brownfield	45/ha	25	1,911	0.56	-295,747	207,760	-	-
	30/ha	25	2,206	1.2	-245,638	445,200	-	-
Village	20/ha	15	1,334	0.75	-124,869	278,250	-	-
Other	24/ha	4	420	0.17	35,053	63,070	0	0
Low value Zone						**£371,100/ha**		
Market Town Greenfield	45/ha	200	15,337	4.4	-3,945,717	1,632,400	-	-
	30/ha	200	17,794	6.67	-3,213,439	2,474,570	-	-
	20/ha	200	17,794	10	-3,213,439	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,911	0.56	-668,823	207,760	-	-
	30/ha	25	2,206	1.2	-761,983	445,200	-	-
Village	20/ha	15	1,334	0.75	-440,178	278,250	-	-
Other	24/ha	4	420	0.17	-91,834	63,070	-	-

Table 6.7 Residential Viability Appraisal for 25% Affordable Housing

6.7 A lower level of affordable housing contribution has been tested at 25%. Similarly to the appraisals carried out with 35% affordable housing, having only 25% affordable housing has had a positive impact on the residual site value for each of the scenarios. However only two scenarios have a surplus left over for CIL, when compared against the benchmark site values.

6.8 Leading up to the recent GNDP CIL examination, the HCA, in November 2011, made comments on a number of assumptions that had been made in carrying out development appraisals. The two pertinent comments in relation to allowance for contingencies and levels of developers profit were made that this study should have regard to.

6.9 In relation to contingency, the HCA has indicated that it has "never known a housebuilder or developer that has a project contingency". This statement is not strictly true as this study is dealing with a hypothetical scenario for the purposes of establishing viability for a CIL schedule and there will be unknown or unanticipated costs on actual development sites in many cases. The HCA Economic Appraisal Tool User Manual includes an allowance for contingency within the appraisal model, although it does state that "generally for volume house building on greenfield sites no contingency is to be anticipated". This may well be the case in actual development schemes on Greenfield sites but is an assumption usually made following some degree of site investigation, which is not the case in the hypothetical example scenarios. In the wholly hypothetical and generic scenario we are working within for the purposes of establishing a level of CIL, an allowance for a contingency is considered appropriate.

6.10 Having regard to profit levels, the HCA states that developers profit on the affordable housing element of a scheme should be reduced and that "a blended rate of 20% across all tenure is not acceptable" as a developer will have a partner Registered Provider to deliver the affordable homes thereby reducing the risk to the developer and subsequently reducing borrowing and peak debt over the development period. A profit level of 5% is suggested on the affordable housing with 17% applied to the market housing units.

6.11 The impact on risk on the affordable housing elements is accepted . However, in our experience, there is generally a requirement from funders to achieve a profit of around 20% across the whole of the scheme. However, in order to illustrate the impact on viability of a reduced profit level on the affordable housing we have carried out the residential appraisals at 40% affordable housing provision with a 20% profit on the market housing and the suggested 5% on the affordable provision. Due to the way the HCA appraisal model operate, we have calculated a blended profit level at 15.5%. This reflects 5% and 20% profit levels on the affordable and market housing respectively. The results are set out in the table below:

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
High Value Zone						**£432,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	1,729,634	1,900,800	0	0
	30/ha	200	17,620	6.67	4,146,899	2,881,440	1,265,459	71.82
	20/ha	200	17,620	10	4,146,899	4,320,000	0	0
Market Town Brownfield	45/ha	25	1,896	0.56	66,404	241,920	0	0
	30/ha	25	2,215	1.2	321,883	518,400	0	0
Village	20/ha	15	1,336	0.75	211,936	324,000	0	0
Other	24/ha	4	420	0.17	148,312	73,440	74,872	178.27
Medium Value Zone						**£371,000/ha**		

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
Market Town Greenfield	45/ha	200	15,230	4.4	-1,006,078	1,632,400	-	-
	30/ha	200	17,620	6.67	721,616	2,474,570	0	0
	20/ha	200	17,620	10	721,616	3,710,000	0	0
Market Town Brownfield	45/ha	25	1,896	0.56	-324,443	207,760	-	-
	30/ha	25	2,215	1.2	-185,494	445,200	-	-
Village	20/ha	15	1,336	0.75	-96,336	278,250	-	-
Other	24/ha	4	420	0.17	35,053	63,070	0	0
Low value Zone						**£371,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	-3,951,113	1,632,400	-	-
	30/ha	200	17,620	6.67	-3,152,465	2,474,570	-	-
	20/ha	200	17,620	10	-3,152,465	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,896	0.56	-688,551	207,760	-	-
	30/ha	25	2,215	1.2	-718,337	445,200	-	-
Village	20/ha	15	1,336	0.75	-423,810	278,250	-	-
Other	24/ha	4	420	0.17	-91,834	63,070	-	-

Table 6.8 Residential Viability Appraisal with 40% Affordable Housing and Lower Developers Profit

6.12 The appraisals have also been run adopting the lower profit level on affordable housing assuming a 25% provision. In this case the blended profit level is 17.5% and the results are as follows:

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
High Value Zone						**£432,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	2,313,978	1,900,800	413,178	27.13
	30/ha	200	17,620	6.67	4,809,078	2,881,440	1,927638	109.40
	20/ha	200	17,620	10	4,809,078	4,320,000	489,078	27.76
Market Town Brownfield	45/ha	25	1,896	0.56	173,820	241,920	0	0
	30/ha	25	2,215	1.2	338,066	518,400	0	0
Village	20/ha	15	1,336	0.75	235,530	324,000	0	0
Other	24/ha	4	420	0.17	148,312	73,440	74,872	178.27
Medium Value Zone						**£371,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	-479,631	1,632,400	-	-
	30/ha	200	17,620	6.67	1,242,325	2,474,570	0	0
	20/ha	200	17,620	10	1,242,325	3,710,000	0	0
Market Town Brownfield	45/ha	25	1,896	0.56	-227,151	207,760	-	-
	30/ha	25	2,215	1.2	-164,876	445,200	-	-
Village	20/ha	15	1,336	0.75	-74,899	278,250	-	-
Other	24/ha	4	420	0.17	35,053	63,070	0	0
Low Value Zone						**£371,000/ha**		

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
Market Town Greenfield	45/ha	200	15,230	4.4	-3,493,551	1,632,400	-	-
	30/ha	200	17,620	6.67	-2,689,582	2,474,570	-	-
	20/ha	200	17,620	10	-2,689,582	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,896	0.56	-611,837	207,760	-	-
	30/ha	25	2,215	1.2	-697,426	445,200	-	-
Village	20/ha	15	1,336	0.75	-400,408	278,250	-	-
Other	24/ha	4	420	0.17	-91,834	63,070	-	-

Table 6.9 Residential Viability Appraisal with 25% Affordable Housing and Lower Developers Profit

6.13 Sensitivity testing has also been carried out on the the cost of external works. The assumption set out within 5.1 'Residential' included external works at 20% of the build costs. When compared against other viability assessments this assumption is relatively high. Appraisals have been rerun adopting reduced costs for external works at 15% and 10%, a reduced sales fee of 3.5% on residential appraisals to reflect the affordable housing provision that would not attract the same level of fee and reduced contingency of 2.5%. The blended developers profit level of 17.5% has been used for these appraisals. The housing mix and scenarios have remained the same. The following table shows the breakdown of costs of external works for residential development at £ rate per hectare when the cost of external works is set at 20%, 15% an 10% of build costs.

Scenario	Site Area	20% External Works	15% External Works	10% External Works
Market Town Greenfield 45/ha	4.4	597,874	448,405	298,937
Market Town Greenfield 30/ha	6.67	430,594	322,945	215,297
Market Town Greenfield 20/ha	10.00	287,206	215,405	143,603
Market Town Brownfield 45/ha	0.56	593,657	445,243	296,829
Market Town Brownfield 30/ha	1.20	300,871	225,653	150,436
Village	0.75	321,708	241,281	160,855
Other	0.17	446,188	334,641	223,094

Table 6.10 £ per hectare for External Works

6.14 For the residential appraisals, these reduced costs have been applied to the 40% and 25% affordable housing scenarios at reduced developer's profit levels to reflect a lower profit against the affordable units.

40% Affordable Housing with 15% External Works

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
High Value Zone						**£432,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	2,816,667	1,900,800	915,867	60.14
	30/ha	200	17,620	6.67	5,358,286	2,881,440	2,476,846	140.57
	20/ha	200	17,620	10	5,358,286	4,320,000	1,038,286	58.93
Market Town Brownfield	45/ha	25	1,896	0.56	221,787	241,920	0	0
	30/ha	25	2,215	1.2	497,659	518,400	0	0
Village	20/ha	15	1,336	0.75	328,206	324,000	4,206	3.15
Other	24/ha	4	420	0.17	175,170	73,440	101,730	242.21
Medium Value Zone						**£371,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	146,071	1,632,400	0	0
	30/ha	200	17,620	6.67	1,881,802	2,474,570	0	0
	20/ha	200	17,620	10	1,881,802	3,710,000	0	0
Market Town Brownfield	45/ha	25	1,896	0.56	-160,410	207,760	-	-
	30/ha	25	2,215	1.2	-2,252	445,200	-	-
Village	20/ha	15	1,336	0.75	22,155	278,250	0	0
Other	24/ha	4	420	0.17	61,911	63,070	0	0
Low value Zone						**£371,000/ha**		

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
Market Town Greenfield	45/ha	200	15,230	4.4	-2,694,846	1,632,400	-	-
	30/ha	200	17,620	6.67	-1,797,089	2,474,570	-	-
	20/ha	200	17,620	10	-1,797,089	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,896	0.56	-530,195	207,760	-	-
	30/ha	25	2,215	1.2	-543,474	445,200	-	-
Village	20/ha	15	1,336	0.75	-308,636	278,250	-	-
Other	24/ha	4	420	0.17	-62,738	63,070	-	-

Table 6.11 Residential Appraisals with 40% Affordable Housing and 15% External Works

25% Affordable Housing with 15% External Works

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
High Value Zone						**£432,000/ha**		
Market Town Greenfield	45/ha	200	15,337	4.4	3,415,023	1,900,800	1,514,223	98.73
	30/ha	200	17,794	6.67	6,033,257	2,881,440	3,151,817	177.13
	20/ha	200	17,794	10	6,033,257	4,320,000	1,713,257	96.28
Market Town Brownfield	45/ha	25	1,911	0.56	310,323	241,920	68,403	35.79
	30/ha	25	2,206	1.2	508,518	518,400	0	0
Village	20/ha	15	1,334	0.75	353,240	324,000	29,240	21.92
Other	24/ha	4	420	0.17	175,170	73,440	101,730	242.21
Medium Value Zone						**£371,000/ha**		

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
Market Town Greenfield	45/ha	200	15,337	4.4	630,357	1,632,400	0	0
	30/ha	200	17,794	6.67	2,411,012	2,474,570	0	0
	20/ha	200	17,794	10	2,411,012	3,710,000	0	0
Market Town Brownfield	45/ha	25	1,911	0.56	-80,784	207,760	-	-
	30/ha	25	2,206	1.2	77,006	445,200	0	0
Village	20/ha	15	1,334	0.75	42,977	278,250	0	0
Other	24/ha	4	420	0.17	61,911	63,070	0	0
Low value Zone						**£371,000/ha**		
Market Town Greenfield	45/ha	200	15,337	4.4	-2,230,088	1,632,400	-	-
	30/ha	200	17,794	6.67	-1,362,837	2,474,570	-	-
	20/ha	200	17,794	10	-1,362,837	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,911	0.56	-468,696	207,760	-	-
	30/ha	25	2,206	1.2	-538,863	445,200	-	-
Village	20/ha	15	1,334	0.75	-284,123	278,250	-	-
Other	24/ha	4	420	0.17	-62,738	63,070	-	-

Table 6.12 Residential Appraisals for 25% Affordable Housing and 15% External Works

40% Affordable Housing with 10% External Works

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
High Value Zone						**£432,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	3,322,049	1,900,800	1,421,249	93.32
	30/ha	200	17,620	6.67	5,903,113	2,881,440	3,021,673	171.49
	20/ha	200	17,620	10	5,903,113	4,320,000	1,583,113	89.85
Market Town Brownfield	45/ha	25	1,896	0.56	294,964	241,920	53,044	27.98
	30/ha	25	2,215	1.2	577,130	518,400	58,730	26.51
Village	20/ha	15	1,336	0.75	382,376	324,000	58,376	43.69
Other	24/ha	4	420	0.17	192,497	73,440	119,057	283.47
Medium Value Zone						**£371,000/ha**		
Market Town Greenfield	45/ha	200	15,230	4.4	658,396	1,632,400	0	0
	30/ha	200	17,620	6.67	2,430,510	2,474,570	0	0
	20/ha	200	17,620	10	2,430,510	3,710,000	0	0
Market Town Brownfield	45/ha	25	1,896	0.56	-79,632	207,760	-	-
	30/ha	25	2,215	1.2	100,036	445,200	0	0
Village	20/ha	15	1,336	0.75	76,325	278,250	0	0
Other	24/ha	4	420	0.17	79,237	63,070	0	0
Low value Zone						**£371,000/ha**		

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
Market Town Greenfield	45/ha	200	15,230	4.4	-2,055,914	1,632,400	-	-
	30/ha	200	17,620	6.67	-1,156,921	2,474,570	-	-
	20/ha	200	17,620	10	-1,156,921	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,896	0.56	-449,096	207,760	-	-
	30/ha	25	2,215	1.2	-455,398	445,200	-	-
Village	20/ha	15	1,336	0.75	-249,396	278,250	-	-
Other	24/ha	4	420	0.17	-43,968	63,070	-	-

Table 6.13 Residential Appraisals with 40% Affordable Housing and 10% External Works

25% Affordable Housing with 10% External Works

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
High Value Zone						**£432,000/ha**		
Market Town Greenfield	45/ha	200	15,337	4.4	3,924,624	1,900,800	2,023,824	131.96
	30/ha	200	17,794	6.67	6,584,590	2,881,440	3,703,150	208.11
	20/ha	200	17,794	10	6,584,590	4,320,000	2,264,590	127.27
Market Town Brownfield	45/ha	25	1,911	0.56	383,948	241,920	142,028	74.32
	30/ha	25	2,206	1.2	587,667	518,400	69,267	31.40
Village	20/ha	15	1,334	0.75	407,329	324,000	83,329	62.47
Other	24/ha	4	420	0.17	192,497	73,440	119,057	283.47
Medium Value Zone						**£371,000/ha**		

Scenario	Density	No. of Units	Devt Area (sq.m.)	Site Area (ha)	Residual Site Value	Bench-mark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
Market Town Greenfield	45/ha	200	15,337	4.4	1,146,318	1,632,400	0	0
	30/ha	200	17,794	6.67	2,966,363	2,474,570	491,793	27.64
	20/ha	200	17,794	10	2,966,363	3,710,000	0	0
Market Town Brownfield	45/ha	25	1,911	0.56	-178	207,760	-	-
	30/ha	25	2,206	1.2	-2,304	445,200	-	-
Village	20/ha	15	1,334	0.75	97,066	278,250	0	0
Other	24/ha	4	420	0.17	79,237	63,070	16,617	38.49
Low value Zone						**£371,000/ha**		
Market Town Greenfield	45/ha	200	15,337	4.4	-1,607,009	1,632,400	-	-
	30/ha	200	17,794	6.67	-725,104	2,474,570	-	-
	20/ha	200	17,794	10	-725,104	3,710,000	-	-
Market Town Brownfield	45/ha	25	1,911	0.56	-387,099	207,760	-	-
	30/ha	25	2,206	1.2	-451,145	445,200	-	-
Village	20/ha	15	1,334	0.75	-224,971	278,250	-	-
Other	24/ha	4	420	0.17	-43,968	63,070	-	-

Table 6.14 Residential Appraisals with 25% Affordable Housing and 10% External Works

6.2 Employment

Scenario	Area (sq.m.)	Site Area (ha)	Site Value	Benchmark Site Value	Surplus for CIL
Offices B1	500	0.04	(443,158)	-	-

Scenario	Area (sq.m.)	Site Area (ha)	Site Value	Benchmark Site Value	Surplus for CIL
General Industrial B2	1,000	0.3	(652,596)	72,000	-
Storage and Distribution B8	1,000	0.3	(534,488)	72,000	-

Table 6.15 Employment Viability Appraisal

6.15 The viability appraisal has shown that there is no surplus available for CIL. Sensitivity testing has occurred on the costs of external works, to consider the difference this could make to the viability appraisal. The following table shows the difference varying the cost of external works can have on the cost of these works in £per hectare, which have then been used within the viability appraisal.

Scenario	Area (ha)	20% External Works	15% External Works	10% External Works
Offices B1	0.04	2,930,000	2,197,500	1,465,000
General Industrial B2	0.30	436,667	327,500	218,333
Storage and Distribution B8	0.30	376,667	282,500	188,333

Table 6.16 Cost of External Works in £ per hectare

6.16 The appraisals has also been rerun using a lower percentage for external costs at both 15% and 10%.

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL
Offices B1	500	0.04	-399,936	-	-
General Industrial B2	1,000	0.3	-603,512	72,000	-
Storage and Distribution B8	1,000	0.3	-492,147	72,000	-

Table 6.17 Employment Appraisal with 15% External Works and 2.5% Contingency

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL
Offices B1	500	0.04	-372,084	-	-

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL
General Industrial B2	1,000	0.3	-571,880	72,000	-
Storage and Distribution B8	1,000	0.3	-464,861	72,000	-

Table 6.18 Employment Appraisals with 10% External Works and 2.5% Contingency

6.3 Retail

Scenario	Area (sq.m.)	Site Area (ha)	Site Value	Benchmark Site Value	Surplus for CIL	Maximum CIL £/sq.m.
Retail Foodstore – Out of Centre (A1)	3,000	1.2	2,690,018	2,372,160	317,858	105.95
Retail Foodstore – Town Centre (A1)	3,000	1.2	1,495,325	2,134,920	0	0
Restaurants and Cafes (A3)	100	0.009	-88,599	9,118	-	-
Drinking Establishments (A4)	650	0.08	-596,380	81,048	-	-
Hot Food Takeaways (A5)	300	0.2	318,472	496,500	0	0

Table 6.19 Retail Viability Appraisal Summary

6.17 The viability appraisals show that only out of town retail foodstore type development can support any level of CIL. However, a level of sensitivity testing has been carried out which adopting reduced costs for external works of 10% and 15% of development costs for both out of town and town centre retail foodstores of 3,000sqm and 5,000sqm. The appraisals for restaurants and cafes (A3) and drinking establishments (A4) have not been rerun as they were initially carried out with only 10% external works, as shown within Table 6.19 'Retail Viability Appraisal Summary'. The impact of changing the percentage used for external works, is shown in £ per hectare in the following table, whilst the results of the sensitivity testing are illustrated in tables 6.21 and 6.22 below:

Scenario	Area (ha)	20% External Works	15% External Works	10% External Works
Retail Foodstore 3,000sqm out of town centre	1.20	546,500	409,875	273,250
Retail Foodstore 5,000sqm out of town centre	2.00	546,500	409,875	273,250

Scenario	Area (ha)	20% External Works	15% External Works	10% External Works
Retail Foodstore 3,000sqm town centre	1.20	546,500	409,875	273,250
Retail Foodstore 5,000sqm town centre	2.00	546,500	409,875	273,250
Restaurants and Cafes A3	0.01	N/a	N/a	1,720,000
Drinking Establishments A4	0.08	N/a	N/a	1,221,188
Hot Food Takeaways A5	0.2	426,600	319,950	213,300

Table 6.20 Cost of External Works in £ per hectare

Scenario	Area (sq.m.)	Site Area (ha)	Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
Retail Foodstore – Out of Centre (A1)	3,000	1.2	2,934,448	2,372,160	317.858	105.95
Retail Foodstore – Out of Centre (A1)	5,000	2.0	4,890,750	3,953,600	937,150	187.43
Retail Foodstore – Town Centre (A1)	3,000	1.2	1,739,755	2,134,920	0	0
Retail Foodstore – Town Centre (A1)	5,000	2.0	2,754,740	3,558,200	0	0
Hot Food Takeaways (A5)	300	0.2	338,966	496,500	0	0

Table 6.21 Retail Appraisals with 15% External Works and 2.5% Contingency

Scenario	Area (sq.m.)	Site Area (ha)	Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
Retail Foodstore – Out of Centre (A1)	3,000	1.2	3,005,056	2,372,160	632,896	210.97
Retail Foodstore – Out of Centre (A1)	5,000	2.0	5,153,281	3,953,600	1,199,681	239.94

Scenario	Area (sq.m.)	Site Area (ha)	Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
Retail Foodstore – Town Centre (A1)	3,000	1.2	1,897,274	2,134,920	0	0
Retail Foodstore – Town Centre (A1)	5,000	2.0	3,162,126	3,558,200	0	0
Hot Food Takeaways (A5)	300	0.2	370,766	496,500	0	0

Table 6.22 Retail Appraisals with 10% External Works and 2.5% Contingency

6.4 Other Uses

Residential Care Home/Nursing Home

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
50 bed care home	925	n/a	659,264	575,000	84,264	91.10

Table 6.23 Residential Care Home Viability Appraisal

6.18 Table 6.23 'Residential Care Home Viability Appraisal' shows that care home/nursing home uses have a surplus available for CIL, due to a higher residual site value. To establish a clear level Sensitivity testing has occurred looking at varying the cost of external works at 15% and 10% levels. The impact of varying the percentage used for external works can be seen in the different total costs in the following table.

Scenario	20% External Works	15% External Works	10% External Works
50 bed care homes	233,470	170,550	113,700

Table 6.24 Cost of External Works

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
50 bed care home	925	n/a	740,826	575,000	175,826	179.27

Table 6.25 Residential Care Home Appraisal with 15% External Works and 2.5% Contingency

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
50 bed care home	925	n/a	793,386	575,000	218,386	236.09

Table 6.26 Residential Care Home Appraisal with 10% External Works and 2.5% Contingency

Hotels

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
50 bed hotel	1,000	0.66	717,763	570,801	146,962	146.96

Table 6.27 Hotel Viability Appraisal

6.19 The hotel scenario tested is based upon a chain hotel development. The notional scenario tested shows that the development would be able to support a maximum CIL rate of £146.96 per sqm. Sensitivity testing has also been carried out on this scenario to look at varying the cost of external works at 15% and 10% levels. The results of which are shown within Table 6.29 'Hotel Appraisals with 15% External Works and 2.5% Contingency' and Table 6.30 'Hotel Appraisals with 10% External Works and 2.5% Contingency'. By decreasing the cost expended on external works within the scenario the surplus available for CIL may increase significantly up to a maximum rate of £278.85 per sqm.

Scenario	Area (ha)	20% External Works	15% External Works	10% External Works
50 bed hotel	0.66	344,545	258,409	172

Table 6.28 Cost of External Works in £ per hectare

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
50 bed hotel	1,000	0.66	797,961	570,801	227,160	227.16

Table 6.29 Hotel Appraisals with 15% External Works and 2.5% Contingency

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
50 bed hotel	1,000	0.66	849,647	570,801	278,846	278.85

Table 6.30 Hotel Appraisals with 10% External Works and 2.5% Contingency

Tourist/ Holiday Accommodation

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
3 single storey chalets	135	0.07	35,520	34,594	926	6.86

Table 6.31 Tourist Accommodation Viability Appraisal

6.20 The appraisal considering tourist accommodation shows that using the assumptions as set out within 5.4 'Other Uses' there is available within the residual site value to both meet the benchmark site value and also fund a CIL rate. It is considered that tourist accommodation would have lower levels of costs associated with external works than residential accommodation, due to the lower levels of landscaping or internal access routes being needed within the site. As such the 15% or 10% rates may be more applicable, Sensitivity testing has occurred looking at varying the cost of external works at both 15% and 10% levels..

Scenario	Area (ha)	20% External Works	15% External Works	10% External Works
3 single storey chalets	0.07	192,857	144,643	96,429

Table 6.32 Cost of External Works in £ per hectare

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
3 single storey chalets	135	0.07	38,608	34,594	4,014	29.73

Table 6.33 Tourist Accommodation Appraisal with 15% External Works and 2.5% Contingency

Scenario	Area (sq.m.)	Site Area (ha)	Residual Site Value	Benchmark Site Value	Surplus Available for CIL	Maximum CIL £/sq.m.
3 single storey chalets	135	0.07	43,401	34,594	8,807	65.24

Table 6.34 Tourist Accommodation Appraisal with 10% External Works and 2.5% Contingency

6.21 The sensitivity testing within Table 6.33 'Tourist Accommodation Appraisal with 15% External Works and 2.5% Contingency' and Table 6.34 'Tourist Accommodation Appraisal with 10% External Works and 2.5% Contingency' shows the variation in CIL rate which could be charged within Breckland depending on the level of external works.

7 Instalments

7.1 Regulation 69B of the CIL Regulations allows authorities to set out their policy on the payment of CIL by instalments. It is recommended taht the Council consider the implmentation of an instalment policy in the District. It should be noted that instalment policies sit outside of the CIL examination process; however, it is considered that there is merit in providing some advice within this viability study of what an instalment approach could mean for a development.

7.2 The following table illustrates the impact of staged CIL payments (either by instalments or payment of the whole amount at a different time) on the interest payments assuming an interest rate of 6.5% (see Section 5 - assumptions):

Scenario	Surplus available for CIL	Interest on development costs if payed 'up front'	'Effective cost' if CIL payed monthly during construction	Impact if payed at the end of construction	Effective cost if CIL payed at month 12 and 24	Impact if paid at month 2 and 4 (liability less than £100K)
Greenfield Site 200 units - 20/ha	1,038,286	1,402,961	1,171,459	1,078,281	1,279,007	-
Greenfield Site 200 units - 30/ha	2,476,846	1,301,767	770,533	601,631	1,008,208	-
Greenfield Site 200 units - 45/ha	915,867	800,486	605,133	535,663	692,478	-
Village 15 units - 20/ha	4,206	70,041	69,984	69,926	-	69,972
Other - 4 units 24/ha	101,730	22,920	22,368	21,818	-	-

Table 7.1

7.3 The above table seeks to illustrate how viability can be affected by delaying payments as development is delivered on site. It is not expected that payments on a monthly basis will be appropriate.

7.4 The appraisals illustrate that the developments which can support CIL using the scenario of 40% affordable housing provision and 15% for external works at a profit level representing 20% on value on the dwellings for sale on the open market and 5% on the affordable housing are viable whenever the payment is made.

7.5 Clearly it is to the Council's advantage to receive payment as early in the development process as possible in order to maximise its funds for the development of infrastructure projects the CIL will support. Developers, however, will prefer to delay payments as long as possible in order to reduce interest payments and enhance profit levels. As it can be demonstrated that, on the assumptions made, developments are viable, payment should be sought as early as possible.

7.6 An instalment policy would be more appropriate for larger liabilities (i.e. schemes such as the Greenfield sites of 200 units detailed in the appraisals), although the policy can only relate to the amount of CIL liability and not scheme size or development period. Instalments should be of amounts to provide the Council with sufficient funds to allow infrastructure projects to be taken forward to complement the developments. The above scenarios indicate liabilities of in excess of £100,000 for all other than the village scenario.

7.7 Given the "other" scenario is for only 4 units and has a short development period, a minimum threshold of a CIL liability £100,000 could be used in such a policy to ensure that significant payment is not outstanding beyond the completion of the development. There should be no more than 4 instalments to be paid within the first 12 to 18 months following commencement of development to ensure the Council obtains the capital to deliver infrastructure projects at the earliest opportunity.

7.8 The Planning Advisory Service (PAS) also provides guidance and illustration of instalment policies adopted by other authorities. By way of example, London Borough of Redbridge have an instalment policy, effective from 1st January 2012 as follows:

Amount of CIL Liability	**Number of Instalments**	**Payment periods and thresholds**
Amounts less than £100,000	Payment in a single instalment	Total amount to be paid within 60 days of commencement of development.
Amounts between £100,000 and £250,000	Payment in two instalments	£100,000 payable within 60 days of commencement of development. Balance payable in 120 days from commencement of development.
Amounts from £250,000 to £500,000	Payment in three instalments	£100,000 payable within 60 days of commencement of development. Balance payable in a further two instalments of equal amount within 120 and 180 days of commencement of development.
Any amount greater than £500,000	Four instalments	£250,000 payable within 60 days of commencement of development. Balance payable in a further three instalments of equal amount within 120, 180 and 240 days of commencement of development.

Table 7.2 Redbridge Example Instalment approach

7.9 Therefore, having regard to the positive benefits to scheme viability as set out above, it is considered that an approach to payment by instalments similar to Redbridge could be adopted in Breckland.

8 Conclusions and Recommendations

8.1 The approach for establishing the viability of developments and the inclusion of a CIL has been set out within 4 'Methodology'. The conclusions and recommendations set out below will need to be read in conjunction with 6 'Viability Appraisals'. Any CIL rate proposed to be set by the charging authority must strike an appropriate balance between the need to raise funding for infrastructure, whilst ensuring that development remains economically viable. It is reminded that the appraisals are based on notional scenarios and as such, will not be able to reflect the nuances of every element of a specific scheme. Therefore, it may be that as a result of CIL, some specific proposals may no longer be viable; however, the Council will need to ensure that any rate set does not compromise the viability in more general terms.

8.2 The viability of residential development remains a significant challenge within the district. As can be seen from the analysis of residential sales values in 3 'Review and Updating of Existing Evidence Base', there are areas of the district where sales values have sufficient difference that could affect overall viability. It is considered the extent of these differences would support a 'multiple CIL zone' approach in Breckland. The residential rates proposed are based on the three zones set out within section 5 'Assumptions and Benchmarks' and reflect recent sales values within the district, using data from the Councils Hometrack system. The zones have been based around the individual parishes with the high value zone including Attleborough and most of the rural parishes, with the exception of parishes to the south-west of the District. The medium value zone includes Dereham, Swaffham and Watton and the parishes to the south west, whilst Thetford is within the low value zone. The appraisals have revealed that there is generally a lack of residential viability in the district if the Council's full policy requirements for affordable housing are sought. The only **residential development** that can currently support CIL are **small scale schemes in the high value zone which could support a CIL of around £60 per sqm**. A sensitivity analysis has been carried out on the residential development scenarios to consider the effects of different levels of affordable housing provision and developers profit. The provision of affordable housing is a policy decision albeit one that significantly affects viability, and can therefore be varied (unlike CIL which is a 'tax' and cannot). However, despite a reduced rate of affordable housing the sensitivity analysis still demonstrates a general lack of viability in residential development in Breckland in the original medium and low value areas. This is principally due to lower sales values and comparatively lower site development values in these areas of Breckland when compared to others.

8.3 Further sensitivity testing was also carried out to consider the influence that varying the cost for external works could have on the overall residual site value and therefore potential surplus for CIL. Depending on the percentage included for external works, within the higher value zone, there is a considerable variation in the potential CIL rate. For residential development on greenfield sites a CIL of up £280 per sqm could be supported on small scale rural schemes, whilst a rate of between £55 to £170 could be supported for other residential development.

8.4 In terms of employment/ commercial development, the viability appraisals demonstrate that the residual land value available would not be above the benchmark in order to allow for CIL to be charged. This scenario is not uncommon in the current economic climate and there remain significant challenges for businesses to survive, not least considering expansion of new floorspace. As such, **it is recommended that a rate of £0 per sqm be put forward in the Charging Schedule for commercial development**.

8.5 In terms of retail development, the appraisal results indicate that out of centre/ town retail food store developments in Use Class A1 could support CIL of around £100 per sqm. Further sensitivity testing of retail scenarios based on lower external works costs reveals that out of centre retail proposals could support CIL of up to £180 per sqm, rising to around £230 per sqm. Therefore, a rate for retail **foodstore proposals (class A1) of between £100-150 per sqm** could be considered . Turning to other 'A Class' Uses (A3- A5), the viability appraisals do not demonstrate sufficient viability to support CIL, and as such, a rate of £0 should be applied to these uses.

8.6 The viability appraisals reveal that in Breckland **hotel type development could support a CIL rate of around £140 per sqm** using standard appraisal values. However, when applying a sensitivity tested external works rates of 15% and 10% of development costs this rises toa potential rate of **between £220 to £270 per sqm** based on a typical "chain hotel" example. The appraisals also reveal that **residential care/ nursing home developments could support a CIL rate of around £90 per sqm**.

8.7 The analysis reveals that whilst holiday accommodation is viable and could support CIL, using an external works at 20% of development costs, this would be at a level that could be considered to be so low (assessment shows £6.71 per sqm) that it may not be appropriate, on the balance of general viability, to charge for this development type. However, after sensitivity testing at 15% and 10% of development costs for external works, the appraisals show a greater level of viability. As such, should the Council wish to propose a rate for **holiday accommodation based on the sensitivity tested result, then a figure of between £5 to £40 per sqm** could be levied. A successful balance could be considered to be around £30 per sqm.

8.8 There are a range of values included in the various appraisals that could vary over time (such as construction cost increases due to changes in standards). However, this appraisal has not included any potential for increases in residential sales values should current housing market conditions improve and has been based on current economic conditions. The Council will need to consider a review of its CIL Charging Schedule in future years, particularly if economic conditions become more favourable.

8.9 Due to the constraints on the viability of certain uses, Regulation 40 (3) of the CIL regs is likely to be of relevance to Breckland. The Regulation states that where the amount of CIL to be charged would be less than £50, the amount is deemed as zero. As such, the Council will need to carefully consider whether it is reasonable to impose CIL on proposals such as holiday accommodation on viability grounds and whether to do so would yield any income from CIL.

8.10 Whilst the potential CIL rates are set out above, it is worth noting that as set out within the 1 'Introduction', where the cost of complying with the planning obligation is higher than meeting the full chargeable amount from CIL, Charging Authorities may offer exceptional relief at set out within Regulation 55 (3) (c) of the 2010 regulations.