Bailey Venning Associates

The Whole Plan Viability Assessment (WPVA) for the Borough of Chesterfield

by

Bailey Venning Associates Limited on behalf of

Chesterfield Borough Council

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Content

Appendices

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1.0 Executive Summary

1.1 Bailey Venning Associates is appointed to undertake a Whole Plan Viability Assessment (WPVA) on behalf of Chesterfield Borough Council. BVA is supported by Valuation Audit Services (VAS) who has undertaken an analysis of appropriate threshold land values and commercial revenue across the Borough. BVA is also instructed to undertake a similar WPVA for both Bolsover District Council and North East Derbyshire District Council.

1.2 The Council is currently preparing a new local plan for their area. The plan will cover the period up to 2033 and replace the currently adopted Chesterfield Core Strategy (2013). The Council published the Emerging Consultation Draft Local Plan for public consultation in January 2017. The Consultation Draft Local Plan carries forward the Council's preferred strategic options and sets out a comprehensive spatial strategy including the local plan vision, objectives and strategic priorities for the Borough, together with the preferred policies and site allocations to deliver this spatial strategy.

1.3 The Charging Schedule, regulation 123 List and exceptions policy were approved by the Full Council on Thursday 14th October 2015. In terms of residential development, the Charging Schedule is based upon a matrix approach for residential development, with charges of £80/sqm in the defined high-value zone, £50/sqm in the medium value zone, £20/sqm in the low-value zone and no charge in the Staveley and Rother Valley Corridor regeneration area ["the Staveley Corridor"]. Retail development is charged at £80/sqm across the borough, except for the Staveley Corridor.

1.4 The overall aim of the WPVA is to provide a robust and proportional evidence base for the assessment of development viability in the Borough of Chesterfield. This includes an assessment of the cumulative impacts on overall development viability of infrastructure requirements and policy requirements within the Emerging Local Plan so as to ensure the proposed policies are deliverable.

1.5 The study will establish land values and standard costs and to consider the balance of policy priorities between CIL, site specific infrastructure, sustainability, affordable housing and other S106 requirements on residential sites. This will then establish the basis for any updated CIL residential rates across the Borough. The WPVA also examines the viability of a number of non-residential uses, in order to determine whether a CIL rate is also applicable.

1.6 Due to the volume of information we have shown only the key results that we have modelled within the main report and where relevant, some sensitivities that have been tested. In undertaking this viability assessment, we have assessed the viability of a

range of residential and commercial developments across Chesterfield using a residual valuation appraisal tool. We have compared the residual land values produced for each site tested against a suite of land value benchmarks.

Residential/ Mixed Use Sites Tested

1.7 Our assessment is based on the viability of Emerging Local Plan policies across a range of notional sites. These notional sites were selected in consultation with the Council and with reference to work undertaken as part of the Emerging Local Plan to determine land availability and supply. Our experience has taught us that notional site selection is an important aspect in the delivery of a robust assessment of viability. This study focuses on typical notional sites likely to come forward during the Emerging Local Plan period.

1.8 In order to calculate the level of affordable housing contribution that is viable, we have carried out a set of appraisals of the following "typical" residential and mixed-use schemes which have been tested at a site density of 30dph and 40dph.

1.9 The following table sets out the range of sites tested:

Number of Residential Units	At 30 dph	At 40 dph
5	x	x
11	x	x
25	x	x
40	x	x
75	x	x
200	x	x
400	x	x
Chesterfield Waterside Strategic Site		
Rother Valley Corridor Strategic Site		
(Both Strategic Sites are mixed use, each will deliver circa 1,500 residential dwellings)		

Table 1.1: Notional Residential/ Mixed Use Schemes

Residential Development - Value Points

1.10 Each residential site is tested at four different sets of values, reflecting the full range of new-build residential values we identified and the following Value Points which are further considered as part of Section 4. We also tested each site with four different levels of affordable housing - from 10% to 40% of the total number of homes.

	£/m²
Value Point A	£2,000
Value Point B	£2,150
Value Point C	£2,350
Value Point D	£2,700

Table 1.2 Average Private Property Prices and Value Points Assumed

1.11 This range of values is considered appropriate, in order to cover a large majority of residential development in the Borough.

Build Costs

1.12 Our assessment of build costs has been derived from publicly available BCIS data – a source specifically mentioned in the national Planning Practice Guidance for the area. In order to ensure that the data is appropriate to the circumstances of Chesterfield, we have taken a long view of locational factors used by the Build Cost Information Service to tailor costs to particular areas of the country. This approach is set out in some detail in the Assumptions section of this report.

1.13 We have also taken into account the scope for developers of larger sites to achieve economies of scale, on big projects. The resulting, adjusted cost profiles are set out in the following table.

Unit Typology	BCIS Adjustment 1
5,11 and 25 Units	£1,141/m² (Unadjusted BCIS Rate);
40 Units	£1,107/m², discount of 3%
75 Units	£1,083/m², discount of 5%;
200 Unit	£1,050/m², discount of 8%;
400 Unit	£1,015/m², discount of 11%;
Staveley and Rother Corridor	£1,015/m², discount of 11%.
Chesterfield Waterside (houses)	£1,015/m², discount of 11%.
Chesterfield Waterside (apartments)	£1,268/m² discount of 11%

Table 1.3: Base Build Cost Assumptions

Other Cost Allowances

1.14 Other elements of cost such as professional fees, contingency and developer profit have been allowed for, generally as functions of development value or build costs (as appropriate).

1.15 The allowances we have made in each case are consistent with our professional experience and were set out in some detail in Section 5 of this report.

Commercial Site Types

1.16 The WPVA also assesses the viability of the commercial site types set out in Table 1.3. Theses commercial site types have been tested, in order to determine their potential capacity to deliver a Community Infrastructure Levy. The test for non-residential development is based on hypothetical schemes that are most likely to come forward in Chesterfield over the Plan period.

Development type	**Notional Scheme Tested**
Food Retail	3,000sqm Supermarket
Retail 2	300sqm Roadside Retail Unit
General Industrial	1,000sqm Factory
Office Use	2,000 sq m Office Building

Table 1.4: Notional Commercial Site Typologies

Residential Findings

1.17 As noted, the purpose of this report is both to analyse whether the totality of the policies proposed by the Council are viable and whether the plan, as drafted, is therefore deliverable. The answer to this primary question is that residential development in Chesterfield is viable and the Plan is, in that sense, deliverable.

1.18 The second question the study seeks to address is what the levels of CIL and affordable housing requirement that the Council should impose upon new developments as a condition of planning consent.

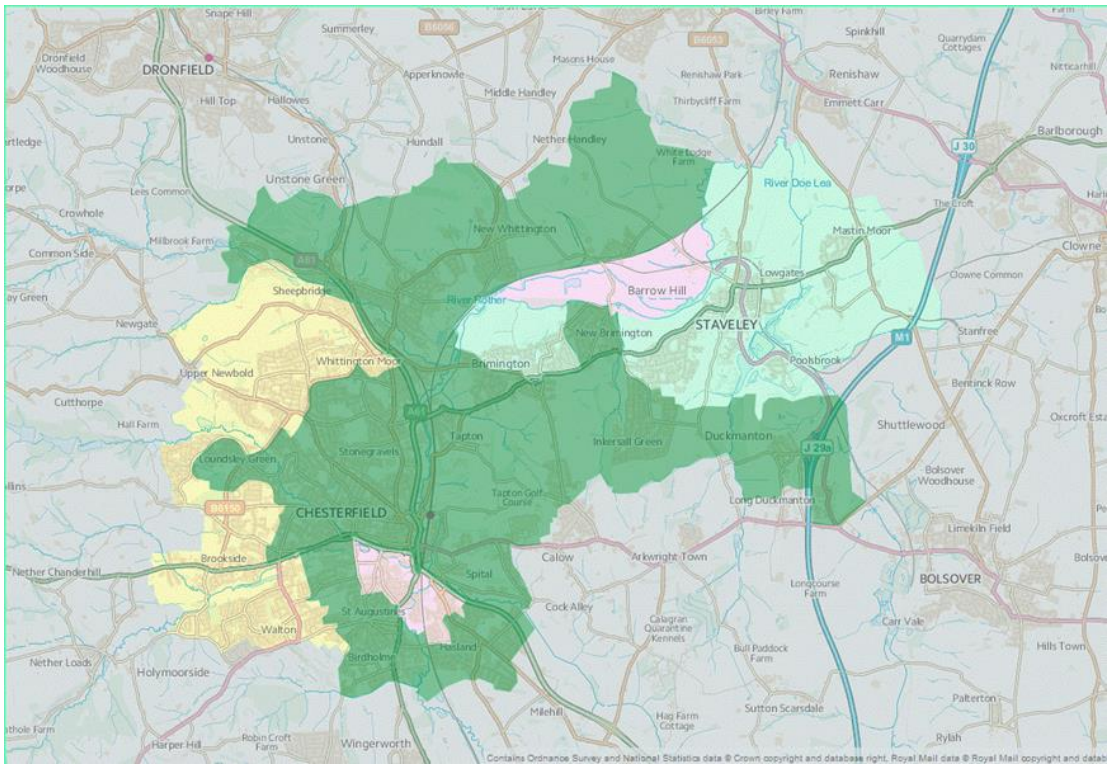
1.19 In theory, the number of variables involved in answering such a question is huge. There are any number of different combinations of policies that could be applied to sites at different parts of the Borough, where development achieves different values.

1.20 In practice, the convention is generally to take the impact of most policies as read and to treat only the levels of CIL and affordable housing as outputs. This is the approach we have applied in this study.

1.21 In a similar vein, housing markets are extremely granular, and values can vary significantly across quite short distances. However, attempting to capture all of that variation in a a policy map would require a vast amount of data and would be out of date almost immediately. It is more realistic for policies to be drawn with a broad brush, seeking to capture the general dynamics of the housing market. In this way, the land market can adjust to reflect policy rather than the other way around.

1.22 In the interests of continuity, our mapping of the different policy zones in the district started from the maps applied by the existing policies. We then amended the zones to reflect our findings.

1.23 Whilst the resulting policy map is similar to the adopted one, there are several differences. First, the wards of Dunstan and St Helens have each been moved up into the next policy tier but, second, the southern portion of the St Leonards ward was found to feature some of the lowest value new development in the Borough. We have therefore moved it onto the lowest policy zone.



1.24 The affordable housing rates and CIL levels that we recommend for these areas are as follows:

	Affordable Housing	CIL
Value Point 1	0%	£0/m²
Value Point 2	10%	£40/m²
Value Point 3	20%	£60/m²
Value Point 4	20%	£120m²

1.25 The overall pattern here is of a reduced affordable housing target but somewhat increased levels of CIL.

1.26 The reason for this is that, whilst we do not resile from the proposition that residential development in Chesterfield is viable and deliverable, our results were not as favourable as those obtained by the NCS in their 2014 study, which was the basis for the original introduction of the CIL.

1.27 Moreover, the 2018 amendment to the National Planning Policy Framework strongly suggests that the policies proposed in local plans should be demonstrably deliverable rather than aspirations. Although a case might reasonably have been made for an "aspirational" policy prior to the changes in the NPPF, it would be less justifiable now.

1.28 Taken together, the less favourable development climate and the changes to the NPPF necessitate a reduction in the headline affordable housing quota. However, a 10% reduction in the affordable housing policy creates significant "headroom" in the appraisal. An element of that headroom can then be captured through a somewhat increased CIL.

1.29 Thus, the policy mix we propose should not be seen as a rebalancing away from affordable housing, which remains an urgent priority in the area, it is simply that the modest increases in CIL rates that we propose have a far smaller impact on viability than the reductions in the affordable housing quotas. To be clear, we do not consider it feasible to introduce an alternative policy regime in which the affordable housing quotas are maintained at their old rates, whilst CIL is reduced in response to the changes in the economic climate for development.

1.30 In respect of the strategic level developments included in the study the former Staveley Works site and the Waterside development, we have compiled a set of site-specific appraisals based upon the information available at this time.

1.31 Our assessment was that the Staveley works site would require significant public investment to go ahead. The clean-up costs would be substantial and, if all of these were to be met from the proceeds of the development itself, there was a risk that development would not go ahead. However, depending on the level of support available we found that there was the site could be made viable – including an element of affordable housing. However, we saw little prospect of imposing any significant level of CIL. In this respect our findings repeat those of the earlier NCS study.

1.32 Turning to the Waterside, we found that the prospect of high-density residential development was viable but, based on our standard assumptions about commercial development, these other uses were likely to form a drag on overall viability. However,

having reviewed our assumptions on the basis of the attractive, city centre location and the types of development proposed, our finding was that, over the life of the plan, the development would become increasingly viable and might, ultimately achieve around 10% affordable housing.

Commercial Development Findings

1.33 The overall situation we found in respect of commercial development was rather less favourable than for residential. In each of the scenarios we tested the results we obtained were unviable, and, in the majority of cases, we found it resulted in negative land values.

1.34 The first conclusion to be drawn from this is that viability is likely to be fragile at best and the Council should seek, wherever possible to enable development rather than burdening it through the imposition of CIL.

1.35 We have therefore recommended a zero CIL rating for commercial use classes.

1.36 However, this should not be taken to mean that no commercial development will go ahead. The needs of employers will continue to change and they will continue to need new space. It is likely that development which is driven by the specific needs of particular employers will continue to go ahead but the volume of speculative development is likely to be limited.

3.0 Introduction

3.1 Bailey Venning Associates is appointed to undertake a Whole Plan Viability Assessment (WPVA) on behalf of Chesterfield Borough Council. The Council is preparing a new local plan for their area which was published for consultation in January 2017. The plan will cover the period up to 2033 and will replace the current adopted 2013 Core Strategy. BVA is also instructed to undertake a similar WPVA for both Bolsover District Council and North East Derbyshire District Council.

3.2 The Whole Plan Viability Assessment (WPVA) was *instructed* under the old NPPF. Consultation was carried out under the guidance that pertained at the time. The document was drawn up in line with the responses received at the time.

3.3 Since then, the new revised NPPF (July 2018) has introduced an increased responsibility upon developers to engage with the process and a presumption of greater engagement. Whilst there are transition arrangements in the NPPF so that this study need not necessarily conform to that standard, this document will be placed out to consultation. If developers have further information that they wish to submit at that time than it may be possible to incorporate it. The Study also considers the impact of affordable housing, sustainability and Emerging Plan Policies and examines 4 identified Value Points.

3.4 The main purpose of the WPVA is then to consider the balance of policy priorities between site specific infrastructure, sustainability, CIL, affordable housing and other requirements upon development, having regard to standard costs and land values.

3.5 BVA is supported by Valuation Audit Services (VAS) who has produced a Land Valuation Report (Please see Appendix 3) which considers the issue of Threshold Land Values across the Borough for relevant land uses. This technical work will help to inform the development strategy for the Borough covering the period up to 2033.

3.6 The emphasis of the WPVA is to undertake updated viability tests, in order to understand the cumulative impact of the range of the Emerging Plan policy requirements on development viability. Further appraisals have been carried out based upon a sliding scale of affordable housing targets of between 10% and 40% and other identified policy costs.

3.7 Due to the volume of information, we have shown key results within the main report (Chapters 7 to 12) and where relevant, a range of sensitivities have been tested (Chapter 16). The viability results present the Residual Land Value achieved (per gross hectare) at different levels of affordable housing provision. This Residual Land Value is then compared to identified Threshold Land Values, in order to determine scheme deliverability.

3.8 In the course of this study, we have carried out a large number of sensitivity tests – more than could be conveniently reported upon in this document without it becoming unwieldy. We have attempted to extract and report upon the most relevant results. Given the scope of the tender brief and the variations across the Borough in respect of land values and property values, it has been essential to develop a methodology that measures viability on a consistent basis, but that is flexible enough to allow for these variables.

3.9 This Study is structured in the following way:

- **Section 3** of the report provides the wider context of the study, including a summary of relevant policy and guidance which have informed the Whole Plan Viability Assessment. **Section 4** includes an overview of the Council's Emerging Plan policies.
- **Section 5** provides an overview of the methodology used to test the viability of different land uses in Chesterfield and the assumptions applied to the study. Our methodology and cost and value assumptions that have informed the Study are explained. **Section 6** sets out the approach of the study to stakeholder engagement.
- **Sections 7 to 9** examine the deliver of affordable housing and CIL, as measured against the VAS Threshold Land Values. Section 7 reviews development viability for smaller sites of 5 and 11 units and Section 8 includes the viability results for the medium sized 25, 40 and 75 unit residential developments. Chapter 9 considers the viability profile of the larger 200 and 400 residential site typologies.
- **Sections 10 to 12** examine the deliver of affordable housing and CIL, as measured against alternative Threshold Land Values, determined using the 'Shinfield Method' (as described in Section 5). Section 10 reviews development viability for smaller sites of 5 and 11 units and Section 11 includes the viability results for the medium sized 25, 40 and 75 unit residential developments. Section 12 considers the viability profile of the larger 200 and 400 residential site typologies.

- **Section 13** presents the viability results for the strategic mixed use development proposed at the Staveley and Rother Corridor. Section 14 examined the deliverability of the Chesterfield Waterside Strategic site.
- The Emerging Local Plan delivers a significant amount of employment floorspace. **Section 15** examines the capacity of a number of employment uses to deliver CIL. The commercial uses tested include notional retail, office and general industrial scheme scenarios;
- **Section 16** sets out the results of sensitivity testing which examines the viability of a range of variables including tenure mix, infrastructure costs and developer profit; and
- Our conclusions and recommendations are set out in **Section 17**.

4.0 Policy and Evidence Base Review

4.1 Relevant national and local policy information and guidance is contained in this section. While always central in the development process, viability has become an increasingly important consideration. Whether preparing policy or considering a specific proposal scheme, viability is inherently linked to the ability to satisfy planning policy, and to deliver regeneration objectives and economic development. Striking the right balance to deliver development in the right place at the right time is, therefore, essential.

National Policy and Guidance

The National Planning Policy Framework (NPPF)

4.2 The existing Local Plan was prepared under the NPPF as published on 27th March 2012. The Government published a revised NPPF on 24th July 2018. Whilst the viability tests were undertaken before the publication of the NPPF update, the methodology applied to the WPVA remains compliant with the revised framework.

4.3 The revised NPPF (July 2018) requires housing applications to be considered in the context of the presumption in favour of sustainable development. Relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate a five year supply of deliverable housing sites.

4.4 Where it is identified that affordable housing is needed, policies should be set for meeting the need on site, unless off-site or a financial contribution of appropriate value can be robustly justified.

4.5 In addition, the revised NPPF also highlights the importance of setting realistic targets in Local Plans that can be achieved, this includes the provision of new homes which will be undeliverable if viability thresholds are unrealistic.

4.6 Paragraph 57 of the NPPF recommends that that all viability assessments, at both Local Plan and planning application stage, should be based on national planning guidance. Paragraph 57 also recommends that where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable:

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

all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.'

4.7 Also, planning decisions should take into account efficient use of land taking into account local market conditions and viability (paragraph 122). Any planning obligations imposed would also have to satisfy the CIL Regulation 122 (2) tests in being necessary, directly related and be fairly and reasonably related in scale and kind (paragraph 56).

4.8 Paragraph 64 states that where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership[1], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:

a) provides solely for Build to Rent homes;

b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);

c) is proposed to be developed by people who wish to build or commission their own homes; or

d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.

National Planning Policy Guidance (NPPG)

4.9 On 6th March 2014, the Government published National Planning Policy Guidance (NPPG). The Government published a revised NPPG, including the viability guidance section on 24th July 2018, accompanying the revised NPPF policies, as reviewed above.

[1] As part of the overall affordable housing contribution from the site.

How should plan makers set policy requirements for contributions from development?[2]

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

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

How should plan makers and site promoters ensure that policy requirements for contributions from development are deliverable?[3]

4.12 The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.

4.13 It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.

4.14 Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.

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

[2] Paragraph: 001 Reference ID: 10-001-20180724
[3] Paragraph: 002 Reference ID: 10-002-20180724

Should every site be assessed for viability in plan making?[4]

4.16 Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.

What is meant by a typology approach to viability?[5]

4.17 A typology approach is where sites are grouped by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of sites and type of development proposed for allocation in the plan.

4.18 Average costs and values can be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Comparing data from existing case study sites will help ensure assumptions of costs and values are realistic and broadly accurate. In using market evidence it is important to disregard outliers. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment.

Why should strategic sites be assessed for viability in plan making?[6]

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

How should site promoters engage in viability assessment in plan making?[7]

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

[4] Paragraph: 003 Reference ID: 10-003-20180724
5 Paragraph: 004 Reference ID: 10-004-20180724
6 Paragraph: 005 Reference ID: 10-005-20180724
7 Paragraph: 006 Reference ID: 10-006-20180724

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

4.22 Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. An illustrative list of circumstances where viability should be assessed in decision making is set out below.

Should viability be assessed in decision taking?[8]

4.23 Generally it is expected that planning applications that comply with development plan policies will be assumed to be viable, although applicants have the onus placed upon them to demonstrate where the particular circumstances of their application warrant a deviation from policy on the basis of viability. Those circumstances may include development of unallocated sites or sites which are different from a standard model of development, like housing for older people.

What are the principles for carrying out a viability assessment?[9]

4.24 Essentially the National Planning Guidance sees the viability process as being founded upon non-developer specific data that encompasses the requirements of developing on the subject site in a proportionate, simple and transparent way. Being viable is determined from looking at whether the value generated by the development is more than the cost of developing it including all costs, landowner premium and developer's return. Decision making, where viability is considered, strikes a balance between the planning system in securing maximum public benefit from development (noting that development that is not viable might not secure any public benefit as it might not be built) and the interests of developers and landowners in terms of return against risk.

[8] Paragraph: 007 Reference ID: 10-007-20180724
[9] Paragraph: 010 Reference ID: 10-010-20180724

How should gross development value be defined for the purpose of viability assessment?[10]

4.25 Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.

4.26 For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.

How should costs be defined for the purposes of viability assessment?[11]

4.27 Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application.

4.28 The guidance is clear that costs should be adjusted to reflect the locality, based upon appropriate data like BCIS, and include site specific infrastructure/ abnormal costs, finance charges, professional fees and project management charges, sales and marketing fees and organisational overheads associated with the site.

4.29 The guidance also requires the Plan Makers account for he total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards.

How should land value be defined for the purpose of viability assessment?[12]

4.30 The guidance states that in order to be considered viable, development should generate values in excess of the existing use value ('EUV') of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options

[10] Paragraph: 011 Reference ID: 10-011-20180724
[11] Paragraph: 012 Reference ID: 10-012-20180724
[12] Paragraph: 013 Reference ID: 10-013-20180724

available, for the landowner to sell land for development whilst allowing a sufficient contribution to comply with policy requirements. This approach is then referred to as *'existing use value plus'* (EUV+).

What factors should be considered to establish benchmark land value?[13]

4.31 Benchmark land value should:

- be based upon existing use value
- allow for a premium to landowners (including equity resulting from those building their own homes)
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and
- be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

4.32 In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

How should a return to developers be defined for the purpose of viability assessment?[14]

4.33 Whilst it is confirmed that the price paid for land is not a mitigation for failing to accord with plan policy (and this is reiterated in the NPPG a number of times), developer returns of between 15% to 20% may be considered a suitable return. It is also confirmed that alternative figures may be appropriate for different development types.

[13] 014 Reference ID: 10-014-20180724
[14] Paragraph: 018 Reference ID: 10-018-20180724

Viability Testing Local Plans – Advice for Planning Practitioners (June 2012)

4.34 This report, otherwise known as the Harman Report, was published in June 2012. It is the result of a cross industry group of stakeholders, all with interests in home building in England and was chaired by Sir John Harman. The group aims, in part, to support growth and high standards in homebuilding to assist local authorities and developers to find agreed ways to fulfil their obligations under the NPPF.

4.35 The Harman Report contains practical advice for planners on developing viable Local Plans in the context of the NPPF. The methodology used within this WPVA Report for Chesterfield is consistent with the recommendations made by the Harman Report. In particular, it:

- Makes use of a cash flow in order properly to address the passage of time and the cost of finance;
- Uses appropriate assumptions in respect of costs and values which have been widely consulted upon;
- Assesses the viability of development both now and (on the basis of three different market projections) in the future in order to provide an understanding of how viability may change over time; and
- Assumes that, for the first five years of the study, costs and values remain steady, except where known changes in costs arise from the anticipated changes to building regulations.

4.36 The Harman Report considers it critical that consideration is given to the cumulative impact of the plan policies, rather than treating policies in isolation or overlooking the combined potential impact of policies on the delivery of planned development.

4.37 The report is clear that that planning authorities will often need to strike a balance between the policy requirements necessary to provide for sustainable development and the realities of economic viability. There should be both clear local justification for the adoption of local standards and policies, and reasonable returns for landowners and developers. Making an informed and explicit choice about the risks to delivery is a key outcome of the assessment of Local Plan viability.

4.38 The approach to assessing plan viability should recognise that it can only provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability. It cannot guarantee that every development in the plan period will be viable, only that the plan policies will be viable for the sufficient number of sites upon which the plan relies in order to fulfil its objectively assessed needs.

The Community Infrastructure Levy (CIL) Regulations

4.39 The CIL Regulations came into effect on 6th April 2010 and have been subject to several subsequent amendments, the latest which is dated 20th March 2015. CIL Regulation 14 (as amended) sets out the core principle for setting CIL:

> '(1) In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between—
>
> (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
>
> (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.'

4.40 From April 2015, Councils have been restricted in relation to pooling S106 contributions from five or more developments (CIL Regulations 123(3)). This restriction may encourage some Councils to adopt CIL – particularly where there are large items of infrastructure to be delivered that relate to multiple sites.

4.41 Following the implementation of CIL, a Council will still be able to raise additional s106 funds for infrastructure, provided this infrastructure can be directly linked to the site-specific needs associated with the scheme in question, and that it is not for infrastructure specifically identified to be funded by CIL, through the Regulation 123 List. Payments requested under the s106 regime must be (as set out in CIL Regulation 122):

a. necessary to make the development acceptable in planning terms;

b. directly related to the development; and

c. fairly and reasonably related in scale and kind to the development.

4.42 CIL Regulation 13 (as amended) provides scope for CIL to be set at different levels by different area (zones) and type and size of developments.

> '(1) A charging authority may set differential rates—
>
> (a) for different zones in which development would be situated;
>
> (b) by reference to different intended uses of development,
>
> (c) by reference to the intended gross internal area of development;

(d) by reference to the intended number of dwellings or units to be constructed or provided under a planning permission.

(2) In setting differential rates, a charging authority may set supplementary charges, nil rates, increased rates or reductions.'

4.43 There are a number of exemptions from CIL. First, no levy is imposed upon affordable housing – only the portion of a residential development which is to be sold upon the open market is chargeable.

4.44 Second, generally speaking, CIL is fixed; it cannot be negotiated in individual cases. However, if the local authority decides in advance as a matter of policy, it may waive CIL entirely in individual cases, but only where a CIL charge would crowd out a developer contribution via a planning obligation through a Section 106 agreement, or providing infrastructure on-site to make the development acceptable in planning terms. There are quite complex provisions governing the use of the exemption mechanism.

Current Local Policy

4.45 The Local Plan for Chesterfield Borough currently consists of the following documents:

- The 2013 Local Plan; Core Strategy
- Saved policies of the 2006 Replacement Chesterfield Borough Local Plan

The Chesterfield 2013 Local Plan: Core Strategy (2011 to 2031), Adopted July 2013

4.46 Chesterfield Borough Council adopted the Core Strategy at a meeting of the full council on the 24th July 2013. Policy CS1 sets out the Spatial Strategy and the requirement for the Council to make provision for the delivery of a minimum of 7,600 dwellings over the period 2011 to 2031. In terms of economic growth, Policy CS1 makes provision for 79 hectares of new employment land (B1, B2 and B8 uses) over the Plan period.

4.47 Policy CS11 indicates that *'On sites totalling 15 or more dwellings (including phases of those sites) and where there is evidence of need and subject to viability assessment, up to 30% of affordable and, where appropriate, special needs housing, will be sought by negotiation. The tenure of the affordable accommodation will be split between social rented accommodation and intermediate accommodation in accordance with the assessment of need.'*[15]

4.48 There are other notable policies in the adopted Core Strategy, including:

- CS4 Infrastructure Delivery;
- CS5 Renewable Energy;
- CS6 Sustainable Design and Construction;
- CS7 Managing the Water Cycle;
- CS8 Environmental Quality;
- CS9 Green Infrastructure and Biodiversity; and
- CS18 Design: For major developments costing in excess of £1 million, the council will seek to negotiate up to 1% of the total development cost of the scheme for the design, installation and maintenance of public artwork, secured by a legal agreement where necessary.

[15] Chesterfield Local Plan: Core Strategy, Adopted July 2013, Page 61.

Saved policies of the 2006 Replacement Chesterfield Borough Local Plan

4.49 A number of policies from the Replacement Chesterfield Borough Local Plan (2006) have been saved until the adoption of the Local Plan; Sites and Boundaries. These policies are detailed in Appendix H of the Core Strategy.

Local Housing Needs Evidence Base

The North Derbyshire and Bassetlaw (Housing Market Area wide) Strategic Housing Market Assessment (GL Hearn, November 2013)

4.50 Bassetlaw District Council, Bolsover District Council, Chesterfield Borough Council and North East Derbyshire District Council jointly commissioned the preparation of a Strategic Housing Market Assessment (SHMA) for the sub-regional housing market. The 2013 North Derbyshire and Bassetlaw SHMA considers future housing need for each of the above Local Authorities for the period up to 2031.

4.51 Paragraph 11.36 indicates that, *'the evidence indicates an objectively-assessed need for between 240-300 homes per annum in Chesterfield Borough.'* The lower end of this range reflects the demographic projections (the PROJ 1 figures assuming that household formation falls between the 2008 and 2011 headship rates). The higher end of this projection range is based on seeking to more positively support economic growth.

4.52 The study identifies an average need for 212 affordable homes per annum in Chesterfield (Paragraph 11.34). GL Hearn examined the affordability and need for different affordable housing tenures. Paragraph 1.18 of the SHMA then recommends 90% of affordable housing in Chesterfield should comprise of social/ affordable rented homes and that the remaining 10% should include intermediate affordable housing.

4.53 The SHMA not only provides an indication of the scale of need across both market and affordable tenures, it also seeks to set out the range of sizes of homes that would be required in order to meet existing requirements, as presented in Table 3.1, below.

	Affordable (Chesterfield)	Market (HMA)
1 bedroom	30-35%	0-5%
2 bedroom	35-40%	35-40%
3 bedroom	15-20%	40-45%
4 bedrooms	10-15%	15-20%

Table 3.1: Market and Affordable Housing Bedroom Mix (Para 1.19 and 1.22)

4.54 The 2013 North Derbyshire and Bassetlaw SHMA recommends that Councils include specific policies in their plans supporting the provision of specialist accommodation to meet older people's needs. The SHMA also recommends that the Councils should consider the inclusion of specific policies requiring provision of homes for those with disabilities on major development sites where there is an identified local need.

4.55 The SHMA indicates that there is a particular shortage of market housing and intermediate housing which is suitable for older people. This shows that a far greater amount of housing of various types will be needed to meet older people's needs and rising aspirations in the future. This includes bungalows, accessible apartments, supported retirement housing with resident or visiting wardens, and housing with high levels of care provision.

The North Derbyshire and Bassetlaw OAN Update – 2017 SHMA (October 2017), GL Hearn

4.56 The North Derbyshire and Bassetlaw SHMA - OAN Update was produced by GL Hearn in October 2017 and covers the Local Authorities of Bassetlaw, Bolsover, Chesterfield and North East Derbyshire. This document arrived at broadly similar conclusions to those of its predecessor but it identified a slightly different strategic mix of homes as the baseline requirement. The strategic housing mix recommended for Chesterfield is then set out, as part of Table 3.2, below.

	Low Cost Home Ownership	Affordable Housing (Rented)	Market
1 bedroom	10-15%	25-30%	0-5%
2 bedroom	40-45%	45%	30%
3 bedroom	35-40%	20%	50%
4 bedrooms	5-10%	5-10%	15-20%

Table 3.2: Strategic Chesterfield Market and Affordable Bedroom Mix (Table 94)

4.57 Unlike the 2013 study, the 2017 SHMA report does not propose a specific tenure breakdown within the affordable housing sector. Instead, it notes that the nature of

affordable housing needs identified locally would be more appropriately met through the provision of rented accommodation than intermediate but that, on the other hand, the Government may be on the point of imposing a requirement that residential development with a capacity in excess of 10 units provide 10% of the total number of affordable homes for sale.

4.58 Table 92 confirms an OAN (Objectively Assessed Need – 2014 to 2035) for 265 dwellings per annum across the Borough of Chesterfield.

4.59 As reviewed earlier in this section, Paragraph 64 of the revised NPPF (July 2018) states that where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership[16], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Whilst the 10% target is then set out as an expectation, there are certain exemptions which also need to be accounted for (Please see Paragraph 3.8 of the Report, for further details).

4.60 On the above basis, we have therefore sought to apply the tenure profile from the 2013 SHMA, on the grounds that this is likely to better meet the forms of need identified by the SHMAs (2013 and 2017). We have, however, tested an affordable housing package which includes 10% intermediate affordable housing as a sensitivity to our main assumptions.

Planning for the Right Homes in the Right Places (DCLG), September 2017

4.61 In September 2017, Government published consultation proposals for *'Planning for the Right Homes in the Right Places'.* The consultation includes proposals for a new standardised approach to quantifying housing need, based on the latest official household projections with adjustments to take account of market signals (which are capped in some instances). This quantifies a minimum level of housing provision which can be applied to each Local Authority area across the country.

4.62 The starting point is the latest official projections, with adjustments then applied based on the degree to which the affordability ratio is over 4, with a 1% increase in the ratio of median house prices to earnings over 4 resulting in an increase in a quarter of a percent in need above the projected household growth. A cap is envisaged which is 40% above existing local plan figures where the local plan was adopted in the previous

[16] As part of the overall affordable housing contribution from the site.

5 years; or 40% above either the latest local plan or the household projections (whichever is the higher) where there is not an up-to-date local plan.

4.63 The proposed methodology could change as a result of consultation responses, and release of new household projections in due course, and therefore figures arising from the proposed methodology should at the time of writing be treated with a degree of caution. The proposals based on current information (and 2014-based Household Projections) would show an OAN for 252 dwellings per annum across the Borough of Chesterfield.

CIL, Infrastructure and Local Viability Evidence Base

Chesterfield Adopted CIL Charging Schedule, Approved in October 2015, Applicable from April 2016.

4.65 The Chesterfield CIL Charging Schedule, Regulation 123 list and exceptions policy were approved by the Full Council on Thursday 14th October 2015. The CIL rates are based upon evidence set out in the Chesterfield Borough Council Community Infrastructure Levy & Affordable Housing Viability Assessment which was undertaken by the Nationwide CIL Service in March 2013.

4.66 In terms of residential (C3) development, the Charging Schedule is based upon a matrix approach for residential development, with charges of £80/sqm in the defined high-value zone, £50/sqm in the medium value zone, £20/sqm in the low-value zone and no charge in the Staveley and Rother Valley Corridor regeneration area ["the Staveley Corridor"].

Zone	Residential Class (C3) – CIL Rate per m²
High	£80
Medium	£50
Low	£20
Staveley Corridor	£0

Table 3.3: Current CIL Charging Schedule Rates Per m² – Residential Use Class (C3)

4.67 Retail development (Class A1 to A5) is charged at £80/sqm across the Borough, except for the Staveley Corridor, where a £0 rate for retail development currently applies. Other than the above identified CIL Levy rates, no charge is set for any other category of development across the Borough.

4.68 Paragraph 6 of the CIL Inspector's Report (December 2014) notes that the principal categories of infrastructure to which the Council proposed to direct CIL funding were transport, strategic flood defence and alleviation, education provision and strategic, off-site green infrastructure, including the restoration of the Chesterfield Canal. Projected expenditure on each of these categories was about £53 million, £350,000, £17.5 million and £14.3 million respectively, a total of some £85.15 million.

4.69 The above figures excluded infrastructure costs of some £89 million to support development in the Staveley Corridor as proposed in the Core Strategy and the emerging Area Action Plan. Those costs are expected to be met by the site promoters, possibly with the support of public regeneration funding. The effect of these costs on development viability was the reason for the exclusion of the Staveley Corridor from the current CIL Charging Schedule.

Chesterfield Borough Council Community Infrastructure Levy & Affordable Housing Viability Assessment, Nationwide CIL Service, March 2013

4.70 The 2013 Chesterfield CIL and Affordable Housing Viability Assessment, undertaken by the Nationwide CIL Service, informed the CIL rates that are included in the Council's adopted CIL Charging Schedule. The assessment followed a structured methodology, beginning by establishing a borough-wide evidence base of land and property values for each category of development.

4.71 The CIL Inspector noted that residential viability appraisals were undertaken using a two-stage residual valuation approach, as follows. An initial residual appraisal established land values for each category of development, in order to determine the uplift in value typically arising from planning permission. Half the uplift was then regarded as being available to fund affordable housing and CIL, with the other half remaining as a return to the landowner.

4.72 Paragraph 12 of the CIL Examiner's report indicates that,

> *'this approach, termed "market value benchmarking" …., is reasonable and proportionate, striking an appropriate balance between the need to provide a competitive return to a willing landowner and the funding of necessary infrastructure to allow development to proceed. Planning appeal decisions have found the approach to be acceptable.'*

4.73 This approach is not altogether consistent with the approach to Threshold Land Value Assessment set out in the new PPG but it was found sound at the time, it is also *compatible* with the approach set out in the national guidance. Moreover, it is one that has been used successfully elsewhere.

4.74 In the interests of consistency, we will therefore comment on the results that would have been obtained against this benchmark in the conclusion section of this report.

4.75 The output of the CIL viability appraisals for each category of development is the financial margin that is potentially available to support a CIL charge. The Council did not propose to levy a CIL charge on those categories of development for which the margin is shown to be negative. Accordingly, CIL charges are proposed on retail and residential development only, at the rates set out in the preceding sub-section, at Table 3.3 and Paragraph 4.66.

4.76 Separate viability appraisals carried out on the strategic mixed development scheme at Staveley Corridor show that it would be incapable of supporting any CIL charge, even with no affordable housing provided as part of the development scheme. Accordingly, the Council decided to levy no CIL on development in the Staveley Corridor.

Regulation 123 List – Adopted April 2016

4.77 The Chesterfield Regulation 123 Infrastructure List was adopted as part of the CIL Charging schedule in April 2016[17]. The list sets out the types of infrastructure on which CIL revenue will be spent, ensuring that there is no duplication between contributions from CIL and S106 agreements in funding the same infrastructure projects.

Strategic Green Infrastructure
Public Open Space and/or play provision and/or improvements*
Sports and Playing Pitches*
Restoration of Chesterfield Canal
Access improvement to Green Wedges and Strategic Gaps
Biodiversity and habitat enhancement including tree planting*
Transport Infrastructure
Improvements to A61 Chesterfield Inner Relief Road Junctions*
Chesterfield Staveley Regeneration Route
Hollis Lane Link Road
Implementation of Chesterfield Strategic Cycling Network*
Measures to improve walking, cycling and public transport provision within*: i. The A61 Corridor ii. The A619 Chatsworth Road iii. The A619 corridor through Brimington and Staveley iv. Access to Chesterfield Railway Station v. The proposed Strategic Cycle Network.
Other Infrastructure
Strategic Flood Defences and alleviation measures*
Education Provision
Provision of additional pupil capacity in existing schools and contributions to a new school or schools to address shortfalls in capacity arising from new housing growth

Table 3.4: Chesterfield Regulation 123 List – Adopted April 2016

*Excluding Site Specific measures arising as a result of specific development proposals, subject to statutory tests set out under Regulation 122 of the Community Infrastructure Levy Regulations 2010 (as amended), which stipulates the following: A planning obligation may only constitute a reason for granting planning permission for the development if the obligation is – a) necessary to make the development acceptable in planning terms b) directly related to the development; and c) fairly and reasonably related in scale and kind to the development.

[17] https://www.chesterfield.gov.uk/media/217383/cil-reg-123-list-april-2016.pdf

Employment Land Evidence Base

Chesterfield Borough Employment Land Requirements (2011-2036), Published in December 2016

4.78 The latest study of Employment Land Requirements across the Borough of Chesterfield was published in December 2016. Chesterfield BC is also a member of Sheffield City Region (SCR) Combined Authority and Local Enterprise Partnership. Underpinning its Strategic Economic Plan (SEP), the City Region has set an ambitious target of securing an additional 70,000 jobs (net) in the area by 2024.

4.79 Firstly, the Study identifies the level of employment change by key business sectors, in terms of the 'Main Projection'. These sectors are then assigned to the relevant B1, B2 and B8 employment use classes. Secondly, the Study then examined the total floorspace/ land requirements. The total employment land requirement for the period 2011 to 2036 is therefore estimated as:

- B1 – 8.5 ha
- B2 – 24.2 ha
- B8 – 43.8 ha
- Total – 77 ha

4.80 The land requirements of two additional growth scenarios are considered: firstly, an accelerated growth scenario (Growth Scenario 1) which sees growth following a higher trajectory than the main projection; and secondly, a high growth scenario (Growth Scenario 2) that is based on achieving the SCR target by 2024, and with continuing employment growth up to 2036. Table 3.5 presents the estimated level of employment land requirements, based upon the above growth scenarios:

	Growth Scenario 1	Growth Scenario 2
B1	8.9 ha	9.6
B2	24.2 ha	24.2
B8	50 ha	55.7
Total	**83 ha**	**90 ha**

Table 3.5: Employment Land Requirements Study 2016 – Growth Scenarios

4.81 Draft Policy CS1 of the Emerging Chesterfield Borough Local Plan (January 2017) confirms that in order to offer potential for additional growth the Council will allocate 83 hectares of land for employment use, consistent with Growth Scenario 1, as presented above.

5.0 Emerging Chesterfield Local Plan Policy

5.1 Chesterfield Borough Council has asked BVA to consider the impact of the policies in the Consultation Draft Local Plan (January 2017). To begin with, the Council outlined the following policies where they considered a potential impact on development viability may occur:

- Policy CS1 Spatial Strategy;
- Policy CS4 Infrastructure Delivery;
- Policy CS5 Renewable Energy;
- Policy CS7 Managing the Water Cycle;
- Policy CS8 A Healthy Environment;
- Policy CS 9 Green Infrastructure and Biodiversity;
- Policy CS9 (b) Open Space, Play Provision, Sports Facilities and Allotments;
- Policy CS11 Range of Housing; and
- Policy CS18 Design.

5.2 In addition to the above policies, the draft plan also contains a series of area-specific policies.

- Policy LP1 Regeneration Priority Areas;
- Policy LP2 Chesterfield Canal;
- Policy LP3 River Corridors;
- Policy PS1 Chesterfield Town Centre;
- Policy PS2 Chatsworth Road Corridor;
- Policy PS3 Chesterfield Waterside and the Potteries;
- Policy PS4 Markham Vale;
- Policy PS5 Staveley and Rother Valley Corridor; and
- Policy PS6 Neighbourhood Plans.

5.3 As discussed later in Section 6, during the stakeholder involvement interested parties, such as developers, landowners and registered social housing providers, were asked for their views regarding the delivery of the Emerging Local Plan policy and the potential impact upon development viability.

Consultation Draft Chesterfield Local Plan

5.4 The latest Consultation Draft Local Plan is dated January 2017, representing the Council's aspirations for development across the Borough, policy requirements and identified infrastructure items. The Emerging Plan covers the period up to 2033. Consultation on a Draft Local Plan and associated SA was undertaken in January and February of 2017.

5.5 The latest Local Development Scheme (April 2018) sets out the current Emerging Local Plan timetable which assumes Consultation upon on Pre-submission draft in December 2018 with submission to the Secretary of State for Examination in January 2019.

5.6 Once adopted, the Local Plan for the Borough will replace the 2013 Adopted Core Strategy and the Saved Policies from the 2006 Chesterfield Borough Local Plan.

Policy CS1 Spatial Strategy

5.7 The Council will make provision for the delivery of a minimum of 4629 dwellings over the period 2016 to 2033. To maintain economic growth and quality of provision, the council will make provision for 83 hectares of new employment land (B1, B2 and B8 uses) over the period 2016 to 2033. The key areas for employment land are at the already committed Markham Vale development, and at Staveley and Rother Valley Corridor.

Policy CS4 Infrastructure Delivery

5.8 The Borough Council will normally require that on-site infrastructure requirements are met via planning conditions or a Section 106 agreement. Developers will be required to demonstrate that the necessary infrastructure (green, social and physical) will be in place in advance of, or can be provided in tandem with, new development, and where appropriate arrangements are in place for its subsequent maintenance.

5.9 Where the provision of infrastructure is considered to be a strategic need and is included in the Council's CIL Regulation 123 list then development, if liable, will be required to contribute via the Community Infrastructure Levy (CIL).

5.10 Section 106 contributions will not be sought for infrastructure that is included in the Council's CIL Regulation 123 list.

5.11 All infrastructure requirements will be co-ordinated and delivered in partnership with other authorities and agencies.

Policy CS5 Renewable Energy

5.12 The Council will support proposals for renewable energy generation particularly where they have wider social, economic and environmental benefits, provided that the direct and cumulative adverse impacts of the proposals on the following assets are acceptable, or can be made so:

a) the historic environment including heritage assets and their setting;
b) natural landscape and townscape character;
c) nature conservation;
d) amenity – in particular through noise, dust, odour, and traffic generation.

5.13 Proposals will be expected to:

i. reduce impact in the open countryside by locating distribution lines below ground where possible
ii. include provision to reinstate the site if the equipment is no longer in use or has been decommissioned.
iii. incorporate measures to enhance biodiversity

Wind Energy

5.14 Proposals for wind energy development will be supported where they:

1 lie within an 'Area Identified as Suitable for Wind Energy Development' as defined on the Policies Map; or can be demonstrated to be community-led or set out within an area defined as being suitable for wind energy development within an adopted Neighbourhood Plan; and

2 are able to demonstrate, following public consultation, that all material planning impacts identified by affected local communities have been adequately addressed; and

3 meet criteria a) to d) above.

5.15 In addition to meeting criteria 1 to 3 above, wind energy development located within the Green Belt will constitute inappropriate development and planning permission will only be granted where very special circumstances (as set out in the NPPF) can be demonstrated.

Renewable Heat

5.16 New developments will connect to or be designed for future connection to community heating networks where appropriate. Where no district heating scheme exists or is proposed in the proximity of a major new development, the potential for developing a new scheme on the site should be explored and pursued where feasible. Priority sites for district heating include Staveley and Rother Valley Corridor, Town Centre Northern Gateway, and South of Chatsworth Road.

Hydro Power

5.17 Developments along the river and canal corridors (watercourses) will be expected to investigate the feasibility of using small scale hydro power.

Policy CS7 Managing the Water Cycle

Flood Risk

5.18 The council will require flood risk to be considered for all development commensurate with the scale and impact of the proposed development.

5.19 Development proposals and site allocations will:

a) be directed to locations with the least impact on flooding or water resources;
b) be assessed for their contribution to overall flood risk, taking into account climate change.

5.20 Within areas of functional floodplain, development is expected to preserve or enhance the contribution of the area to water management / reducing flood risk.

5.21 Outside flood zone 1, the redevelopment of previously developed land will be permitted where proposals can demonstrate that:

i. the development will deliver the economic, social and environmental regeneration of the borough that outweighs the risk of flooding and reduces flood risk overall;
ii. the safety of the development and users from flooding can be achieved and, as a minimum, there will be no increase in on- or off-site flood risk demonstrated through a site-specific flood risk assessment;
iii. the proposed uses are compatible with the level of flood risk, and;

iv. a sequential approach to the location of uses has been taken within the site itself, including matching the vulnerability of uses to the risk of flooding.

Improving the drainage network

5.22 The council will seek opportunities to increase the capacity of the floodplain safely, make space for water across the whole borough, and to remove problems from the drainage network, particularly in connection with new development.

5.23 Sustainable Drainage Systems (SuDS) and clear arrangements for their on-going maintenance over the lifetime of the development should be incorporated into all major development, unless it can be demonstrated that this is not appropriate in a specific location. The council will seek the maximum possible reduction in surface water run-off rates based on the SFRA or most recent national guidance.

5.24 The Council will require minor developments that require new surface water drainage to give priority to sustainable drainage systems.

Policy CS8 A Healthy Environment

5.25 The quality of the environment will be recognised at all levels of the planning and development process with the aim of protecting and enhancing environmental quality.

5.26 All developments will be required to have an acceptable impact on the amenity of users or adjoining occupiers, taking into account noise, dust, odour, air quality, traffic, appearance, overlooking, shading (daylight and sunlight) and glare and other environmental impacts.

Air Quality

5.27 Where appropriate, development proposals will include an assessment of impact on air quality and incorporate measures to avoid or mitigate increases in air pollution and minimise the exposure of people to poor air quality. Development that would make a declared Air Quality Management Area (AQMA) materially worse will not normally be permitted unless there are significant material considerations that would outweigh the harm.

5.28 New development will have regard to the measures set out in any Air Quality Action Plan.

Water Contamination

5.29 Where any such risk exists, developments must include measures to reduce or avoid water contamination and safeguard groundwater supply.

Unstable and Contaminated Land

5.30 Proposals for development on land that is, or is suspected as being, contaminated or unstable will only be permitted if the land is capable of remediation and fit for the proposed use and shall include:

a) a desk top survey with the planning application;

b) a phase II study and strategy for remediation and final validation where the desk top survey (a) indicates remediation may be necessary, on any full or reserved matters planning applications.

5.31 A programme of remediation and validation must be agreed before the implementation of any planning permission on contaminated and/or unstable land. The requirement to undertake this programme will be secured using planning conditions.

Policy CS 9 Green Infrastructure and Biodiversity

5.32 Chesterfield borough's green infrastructure network will be recognised at all levels of the planning and development process with the aim of protecting and enhancing the network. Development proposals should demonstrate that they will not adversely affect, or result in the loss of, features of recognised importance.

5.33 Development proposals are required to meet the following criteria where appropriate, and should:

a) not harm the character or function of the Green Belt, Green Wedges and Strategic Gaps, and Local Green Spaces shown on the adopted Proposals Map;

b) enhance connectivity between, and public access to, green infrastructure;

c) increase the opportunities for cycling, walking and horse riding;

d) enhance the multi-functionality of the Borough's formal and informal parks and open spaces;

e) Protect or enhance Landscape Character;

f) Protect and enhance the borough's biodiversity including where possible the linking of habitats;

g) protect existing ancient and non-ancient woodland and_increase tree cover in suitable locations in the borough;

h) in cases where loss of a green infrastructure asset is unavoidable, include provision of alternative green infrastructure, on site where possible, to ensure a net gain in quantity, quality or function.

5.34 The council will require with planning applications the submission of ecological surveys and assessments of the biodiversity and geological value of sites proportionate to the nature and scale of the development.

5.35 Where new green infrastructure is proposed, there must be clear funding and delivery mechanisms in place for its long term management and maintenance, prior to the development commencing.

Policy CS9 (b) Open Space, Play Provision, Sports Facilities and Allotments

5.36 Where a need is identified, developments must contribute to public open space, sports and play provision in accordance with the Council's adopted standards through on and/or off-site provision.

5.37 Contributions to off-site provision will be secured through CIL and/or S106 agreement as appropriate.

5.38 On-site provision will be incorporated into development proposals with suitable management and maintenance arrangements secured through S106 agreements.

5.39 Planning permission will not be granted for development which would have a negative impact on, or result in the loss of, open space, play provision and sports facilities unless they are:

i. identified as surplus to demand, based on evidence and locally defined standards; or,
ii. The development would result in alternative or improved provision that better meets locally defined standards; and
iii. The site is not needed for other open space, play provision or sports facilities identified in locally defined standards.

Policy CS11 Range of Housing

5.40 In order to increase local housing choice, respond to emerging needs and promote the creation of sustainable communities, in new housing developments the council will require a range of dwelling types and sizes based on the council's assessment of local housing needs and characteristics of the area.

5.41 On sites totalling 11 or more dwellings (including phases of those sites) up to 30% of affordable housing and 25% of adaptable and accessible housing and, where appropriate, wheelchair accessible housing, will be sought by negotiation informed by the charging zones set in the council's CIL, subject to viability assessment and any requirements for starter homes.

5.42 The Council is of the view that there is sufficient local evidence on need for adaptable and accessible housing to support the above policy proposal. The options being considered under Draft Policy CS11 include:

- 1. Do not have a specific policy and continue to negotiate on a case by case basis; and
- 2. A policy to require 25% of all new housing to be adaptable housing (M4(2) Building regulations standard), and a proportion of wheelchair accessible (M4(3) building regulations standard) will be sought by negotiation.

5.43 The tenure of the affordable accommodation will be split between social rented accommodation and intermediate accommodation in accordance with the assessment of need. Where appropriate a financial contribution will be sought for provision off-site.

Policy CS18 Design

5.44 All development should identify, respond to and integrate with the character of the site and surroundings and respect the local distinctiveness of its context.

a) Development will be expected to:
b) promote innovative forms and building designs that positively contribute to the distinctive character of the borough, enrich the quality of existing places and enhance the quality of new places;
c) respect the character, form and setting of the site and surrounding area by virtue of its function, appearance and architectural style, landscaping, scale, density, massing, detailing, height and materials;
d) be at a density appropriate to the character of the area whilst not excluding higher densities in and close to centres;
e) contribute to the vitality of its setting through the arrangement of active frontages, accesses, and functions, including servicing;
f) ensure that the interface between development boundaries and their surroundings are attractive and take account of the relationship between public and private spaces;
g) provide appropriate connections both on and off site, including footpath and cycle links to adjoining areas to integrate the development with its surroundings;
h) provide adequate and safe vehicle access and parking;

i) provide safe, convenient and attractive environment for pedestrians and cyclists;
j) preserve or enhance the landscape character and biodiversity assets of the borough;
k) be designed to be adaptable and accessible for all;
l) have an acceptable impact on the amenity of users and neighbours;
m) be designed to be safe and secure and to create environments which reduce the potential for crime;
n) minimise the impact of light pollution

Reducing Emissions

5.45 All development should, as far as possible, contribute towards reduction of CO2 emissions and generation of renewable energy.

5.46 Planning applications for new development should be accompanied by a statement which sets out how the development:

i. makes effective use of resources and materials through sustainable design and construction
ii. minimises water use and provide for waste reduction and recycling
iii. uses an energy hierarchy that seeks to use less energy, source energy efficiently, and make use of renewable energy
iv. is sited and designed to withstand the long-term impacts of climate change

5.47 The Council will consider the extent to which sustainability has informed the design of proposals, taking account of:

- Impact on viability;
- Scale and nature of development;
- Operational requirements of the proposed use;
- Site specific constraints; and
- The need to meet other planning policy requirements.

Percent for Art

5.48 For major developments with a value in excess of £1 million, the council will seek to negotiate up to 1% of the total development cost of the scheme for the design, installation and maintenance of public artwork, secured by a legal agreement and/or conditions where necessary.

6.0 Methodology and Assumptions

BVA Development Viability Methodology

6.1 Residual Land Value (RLV) assessment is a recognised practice within the development industry for evaluating costs and incomes associated with development. In essence, such appraisals consider the income from a development in terms of sales or rental returns and compare this with the costs associated with developing that scheme. The amount left over, or residual, is what is left for land acquisition, i.e. the residual land value.

6.2 The residual amount contained within the appraisal is assessed using the following formula:

Gross Development Value LESS Gross Development Cost
=
Residual Land Value

6.3 This is represented by the following figure:

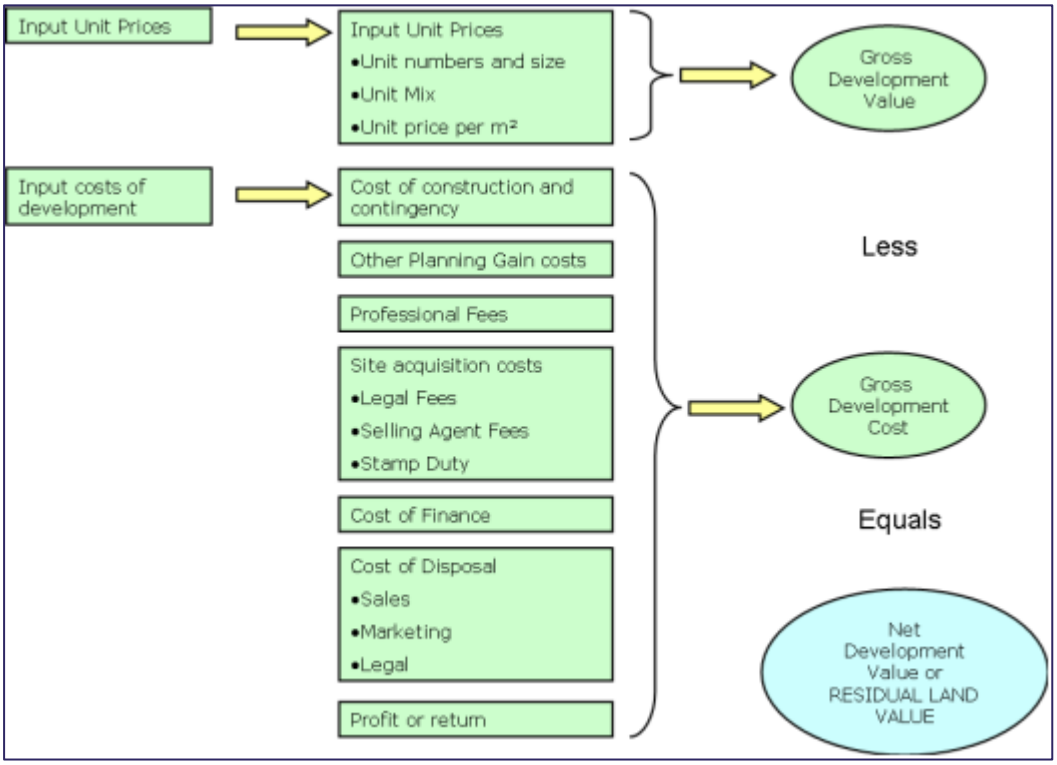


Figure 5.1: BVA Residual Assessment Methodology

6.4 The BVA team has developed a dynamic model to determine the residual land value that has been used in negotiation with over 300 Local Authorities and used at appeal hearings on numerous occasions. From this, a toolkit to assess viability on a District wide level has been developed, this is known as the Bailey Venning Development Viability Model (DVM).

6.5 Robust assumptions are then required to be inputted into this model. Development assumptions such as build costs, profit and development finance are arrived at through research as well as our experience and through consultation with the development industry and Council Officers.

Viability Threshold Land Values 1 – Benchmark Land Values Determined by Valuation Audit Services (VAS)

6.6 The viability appraisals undertaken are on the basis of a residual land value (as explained above). The scheme residual land value is then assessed against Threshold Land Values for the site in order to set a baseline. For the assessment of appraisals of viability such as this it is therefore essential to assess competing *'hurdle rates'* for the Threshold Land Value (TLV).

6.7 BVA recognises that in order for the proposed scheme to be deemed deliverable, a reasonable level of landowner return is required, in order to meet the terms of the Planning Policy Guidance. We understand that there is a minimum land value which schemes need to achieve in order to be viable and therefore brought forward for development, otherwise it becomes more economic for the site to continue in its existing (or alternative) use.

6.8 To inform the Threshold Land Values used in the first assessment of viability BVA has carried out the following:

- Sought feedback from stakeholders through the stakeholder engagement process (please see Appendix 2);
- Engaged Valuation Audit Services (VAS) to provide information on land values and recent land transactions undertaken in the Borough (please see Appendix 3).

6.9 VAS undertook an analysis of transactions in the land market which have informed the applied Threshold Land Values. Appendix 3 also demonstrates that VAS recommend average Threshold Land Values in the Borough which will allow development to come forward across the range of Value Areas tested.

VAS Threshold Land Values for Chesterfield Borough – Excluding Staveley

6.10 Firstly, VAS recommend Threshold Land Values for the Borough, excluding the Staveley area. All these values are quoted per net hectare – that is, on the basis of the land upon which the homes will be built. However, in most cases, it will not be feasible to build on all the land which forms part of the application. It is therefore necessary to consider land values on the basis of total site area and adjust the advised values according to the size of the development. We do this on the basis of the size of the site – as follows:

		0.65ha – 6Ha	>6ha	>6ha
NIA as % of GIA	**100%**	**75%**	**70%**	**60%**
Applicable Site Typology	5 and 11 unit schemes	25, 40 and 75 Unit Schemes	Chesterfield Waterside	200, 400 Unit
Greenfield w/o Abnormals	£620,000	£465,000	£434,000	£372,000
Greenfield w Abnormals	£490,000	£367,500	£343,000	£294,000
Brownfield w/o Abnormals	£600,000	£450,000	£420,000	£360,000
Brownfield w Abnormals	£480,000	£360,000	£336,000	£288,000

Table 5.2: Threshold Land Values Applied to Chesterfield WPVA (Excluding Staveley) - £Value per Net Hectare

VAS Threshold Land Values for the Staveley Area

6.11 VAS separately recommend achievable threshold land values for the Staveley area. VAS considers that associated land values are lower in this area, when compared to other parts of the Borough. Again, values are quoted on a per net hectare basis. This TLV is solely applied to the Strategic development proposed at Staveley Corridor. The applied TLVs for the Staveley area are then set out as part of the following table:

	>6ha
NIA as % of GIA	**60%**
Greenfield w/o Abnormals	£276,000
Greenfield w Abnormals	£201,000
Brownfield w/o Abnormals	£267,000
Brownfield w Abnormals	£195,000

Table 5.3: Threshold Land Values Applied to Staveley

Alternative Threshold Land Values, Based upon the 'Shinfield Method'

6.12 The Shinfield case (APP/X0360/A/12/2179141) demonstrated another method for assessing the level of landowner's return, which has subsequently become known as the "Shinfield Method". The method is based upon the principle that the Local Authority is entitled to a shared of the uplift in provision which arises via the granting of planning permission.

6.13 In the above appeal, evidence of existing use value for the site together with a Residual Land Value (RLV) calculation based on the scheme free of planning obligations was submitted. The difference between the existing use value and the RLV of the proposed scheme, free of planning obligations (Unencumbered), was taken to be the uplift in value attached to the consent. The Inspector determined that a competitive return for the landowner was deemed to equate to a 50:50 split of the uplift in value between the community/ Local Authority and the landowner. The following formula the applies:

Shinfield Method Formula

A. Calculate Existing Use Value
B. Calculate Unencumbered RLV of Proposed Scheme
C. 'Uplift' from Existing Use = B Minus A
D. Amount Available for Planning Obligations = 50% of Uplift. (50% of C, as above).
E. Shinfield Method Land Value = A (Existing Use Value PLUS D (50% OF Uplift).

Table 5.4: The Shinfield Method Formula

6.14 BVA has also applied the Shinfield method as a sensitivity test 'Sense Check', against which to compare the applied threshold land value. In this case, the landowner return is then the mid-point between the EUV and the RLV of the proposed scheme, unencumbered by affordable housing and other planning obligations.

6.15 As presented in Section 4 of this paper, during the Chesterfield CIL examination, the Inspector's report noted that the previous CIL evidence (Nationwide CIL Service, March 2013) was undertaken using a similar approach. An initial residual appraisal (Unencumbered by Affordable Housing/ Section 106) established land values for each category of development/ value point, in order to determine the uplift in value typically arising from planning permission. Half the uplift was then regarded as being available to fund affordable housing and CIL, with the other half remaining as a return to the landowner.

Viability Results and Determination of Viability

6.16 The viability tests presented in this paper compare the Residual Land Values to two different Threshold Land Value methodologies. These include:

- **Viability Results 1:** The achieved Residual Land Value, as compared to the Benchmark Land Values, as identified by Valuation Audit Services (VAS) and based upon x4 Benchmark Land Values for each site typology.; and
- **Viability Results 2:** The achieved Residual Land Value, as compared to the Benchmark Land Values determined using the Shinfield Method and based upon just one Benchmark Land Value for each site typology.

6.17 **Viability Results 1 – The VAS BLVs:** Where development generates a residual land value in excess of all 4 of the VAS benchmarks, we consider the site to be viable. Where the Residual Land Value (RLV) exceeds one or more benchmarks but not all of them, we consider viability to be marginal and, where the Residual Value is below all of these benchmarks, we consider development to be unviable.

6.18 The colour coded viability results set out in Sections 6 to 10 of this document then adopt this approach and the results tables record residual land values on the following basis:

		Viability Results 1: The VAS TLV Methodology	Viability Results 2: The Shinfield TLV Methodology
Viable		Where RLV exceeds all 4 Threshold Land Values	Where RLV exceeds the sole identified Shinfield TLV
Marginal		Where RLV exceeds one or more, of the Threshold Land Values;	Not Applicable.
Unviable		Where RLV falls below all 4 recommended threshold land values.	Where RLV falls below the sole identified Shinfield TLV

Table 5.5: Approach to Viability Results

6.19 This is not to say that some development will not go ahead in circumstances where the land value is below this level, nor does it suggest that land will not transact at values above it. However, the Local Planning Authority must take a view as the land value at which it would be unreasonable to assume that land is generally widely available.

6.20 Basing policy on the assumption that there will be a supply of sites at values below this level and imposing planning burdens accordingly runs the risk that insufficient land will come forward to deliver the plan.

6.21 The corollary of this approach is that developers are unlikely to be successful in requesting relief from planning burdens imposed by policy if they are citing land values in excess of this level in justification. It *may* be appropriate to take into consideration land values above this level if, for example, the land has a current use or obvious alternative use but it will not generally be appropriate to reduce planning burdens on the basis of land values in excess of this level where no such alternative uses are evident.

6.22 The approach to Threshold Land Value is also guided by Paragraph 3.4.5 of the RICS guidance document, *'Financial Viability in Planning'* (RICS, GEN 94, 2012), which states that, *'the Site Value will be based on market value, which will be risk-adjusted, so it will normally be less than current market prices for development land for which planning permission has been secured and planning obligation requirements are known.'*

6.23 A risk adjustment has been applied to the Threshold Land Values set out in Tables 5.2 and 5.3, in order to account for allocated schemes in the Emerging Local Plan for which planning consent has not yet been achieved.

6.24 **Viability Results 2 – The Shinfield BLV:** The Shinfield Results are determined in a broadly similar way. However, as demonstrated by Table 5.5, unlike the VAS method above, the Shinfield results are based exclusively upon comparing the residual land value against on BLV for each site typology/ value point.

6.25 Where development generates a residual land value in excess of the Shinfield benchmark, we consider the site to be viable. Where the Residual Value is below the Shinfield benchmark, we consider development to be unviable. As we compare the RLV to only one BLV, the marginally viable category is not applicable to the Shinfield results.

Viability Results – Surplus Value for CIL

6.26 This report examines the impact of the Council's proposed Local Plan policies and varying levels of affordable housing upon the level of deliverable CIL, at different Value Points across the Borough. It was generally found that lowering the level of affordable housing can improve viability and increase the level of CIL. Given that there are a greater number of private dwellings to cross-subside the affordable units, schemes become more viable.

6.27 In cases where a development scenario shows a viable result (Where the RLV exceeds the tested TLV), we have also shown a table that sets out the surplus value, for private units (in £ per m^2) only. This surplus (per $m^{2)}$ rate is then indicative of the deliverable CIL Levy, at each of the Value Points tested.

Site Identification Methodology

6.28 Using relevant information provided by the Council, and the Emerging Chesterfield Local Plan, a range of notional development sites likely to represent development over the life of the Plan (in respect of site size, density and unit numbers) were identified. Stakeholder consultation was also undertaken on the initial range of site typologies and densities.

6.29 The following site typologies (included in table 5.6 below) have been tested at a site density of 30dph and 40dph. A breakdown of unit composition for each notional development site can be found in Appendix 4.

Number of Residential Units	At 30 dph	At 40 dph
5	x	x
11	x	x
25	x	x
40	x	x
75	x	x
200	x	x
400		
Chesterfield Waterside(Mixed Use - 1,500 homes)		
Rother Valley Corridor (Mixed Use - 1,500 homes)		

Table 5.6: Notional Residential/ Mixed Use Schemes

6.30 The WPVA also assesses the viability of the commercial site types set out in Table 5.7. Theses commercial site types have been tested, in order to determine their potential capacity to deliver a Community Infrastructure Levy. The test for non-residential development is based on hypothetical schemes that are most likely to come forward in Chesterfield over the Plan period.

Development type	Notional Scheme Tested
Retail 1	300sqm Roadside Retail Unit
Retail 2	3,000sqm Supermarket
General Industrial	1,000sqm Factory
Office Use	2,000 sq m Office Building

Table 5.7: Notional Commercial Site Typologies

Study Assumptions - Values

Market Values

6.31 The starting point for any robust assessment of viability is the value of the properties that are likely to be built in developments in the Borough. Whilst robust information on average property values at the Borough level is obtainable with ease from the Land Registry, that information is provided on the basis of the transaction values for units of different types and it is more challenging to disaggregate it.

6.32 What is required for present purposes is a sense of the range of values per square metre (or per square foot) for different types of new build housing in different parts of the Borough. This is a multi-stage process. First, we must obtain a view of the average property values, then we must break it down in order to obtain a view of the values achievable for homes of different types on different developments. Having done that, we need to map the information onto the different areas of the borough and, finally, we must ensure that the assumptions we have applied about unit types and sizes are consistent with the data as we have found it.

6.33 As at the base date of our study – October 2017 - we found that average prices in Chesterfield were somewhat below the average for the region and a whole. The averages were as follows:

	All Homes	Detached	Semi-Detached	Terraced	Apartment
Chesterfield	£151,255	£228,188	£141,504	£112,246	£98,739
East Midlands	£183,255	£270,388	£168,417	137,933	£112,664

Table 5.8

6.34 Clearly, this is not a high value area – although property prices had increased significantly over the two years leading up to the base date of the study.

6.35 The table overleaf shows the change in the House Price Index over the period October 2015 to October 2017 – during which time, the index rose from 106 to 116, an increase of almost 10% or 4.8% per annum.

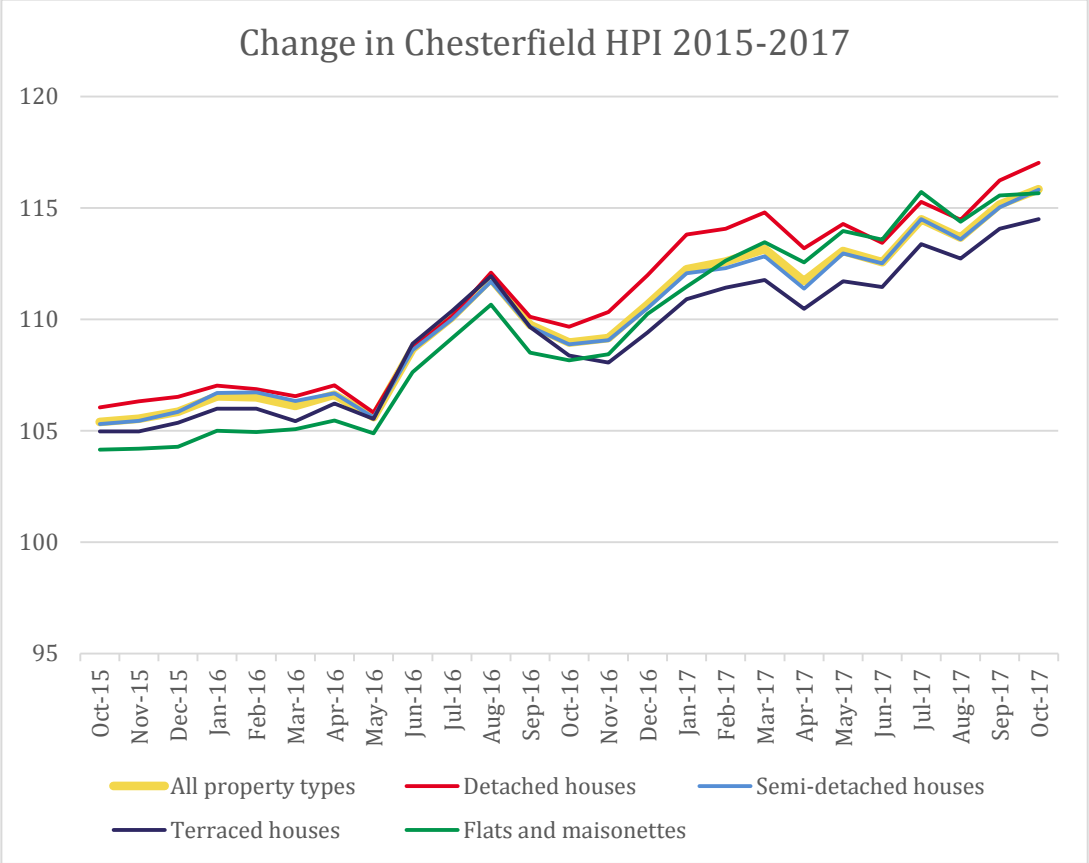


Figure 5.9

6.36 In the above chart, the index for all property types has been emphasized in red but it is clear that the value of all property types has risen and by broadly comparable amounts.

6.37 Since the base date, there have been signs of a slight softening in the market and the index fell to a trough of 113 in March but, the latest data, from May 2018 shows a rebound to 117. This pattern of strong growth up to the end of 2017 and a softening of the market thereafter mirrors wider housing market trends in the East Midlands and in England more generally. Whilst few commentators anticipate a sudden collapse in the housing market due to the extent of pent up demand, the possibility of a long period of house price stagnation or even modest falls in values is a real one.

Average Value Ranges

6.38 To inform our view of the range and distribution of values, we started by mapping average values for all property transactions using Land Registry data and on two

different bases – first by postcode sector and second by Middle Layer Super Output Areas (MSOA).

6.39 The image below shows the results of the first of these mapping exercises.

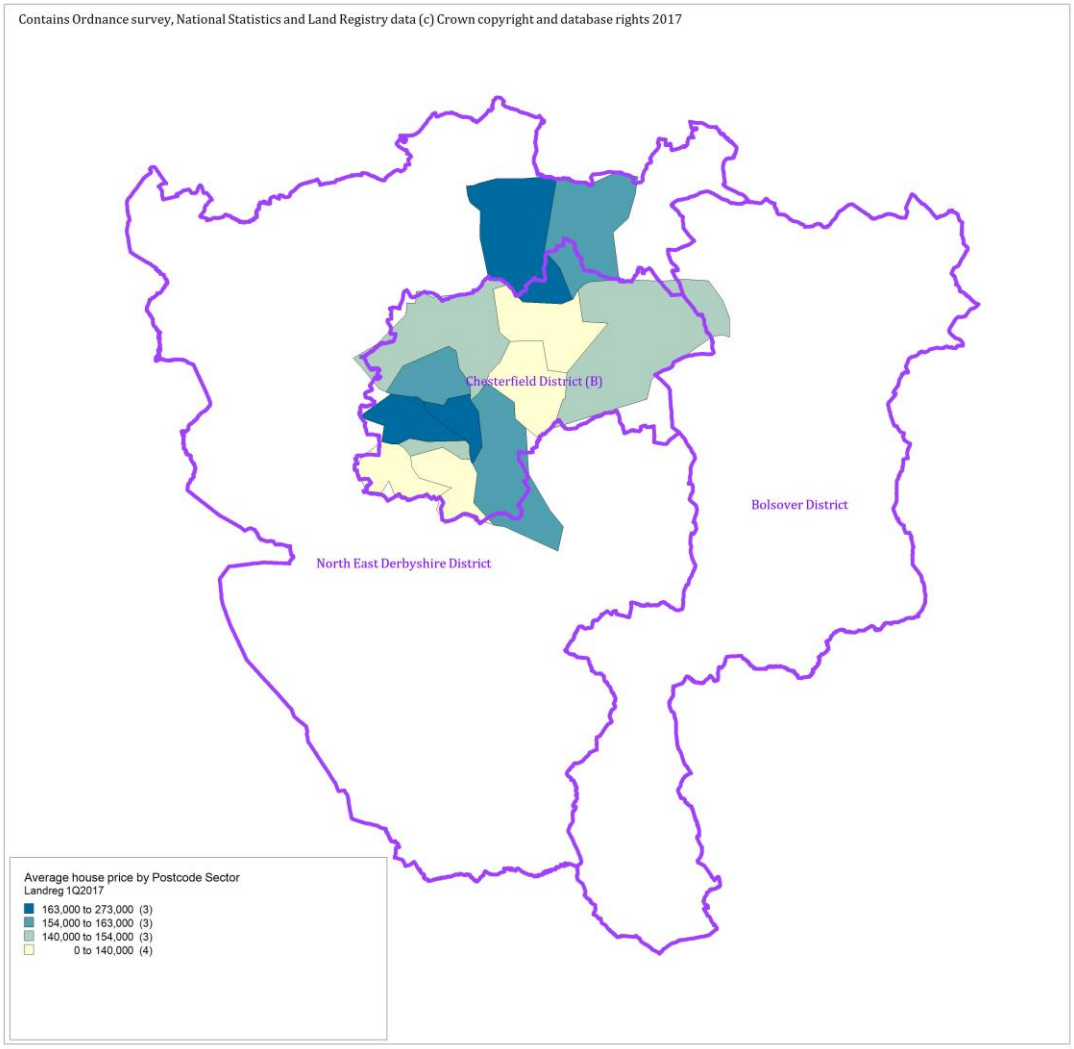


Figure 5.10

6.40 What we see is a concentration of higher values in the North and East of Chesterfield Town, albeit with a patch of lower values immediately adjacent to them in the south western part of the town.

6.41 There is another area of higher values in the north of the borough, although the area covered by that postcode falls mainly outside the boundaries of this authority.

6.42 When the same data is mapped on the basis of MSOAs, a similar pattern emerges, albeit with subtle differences.

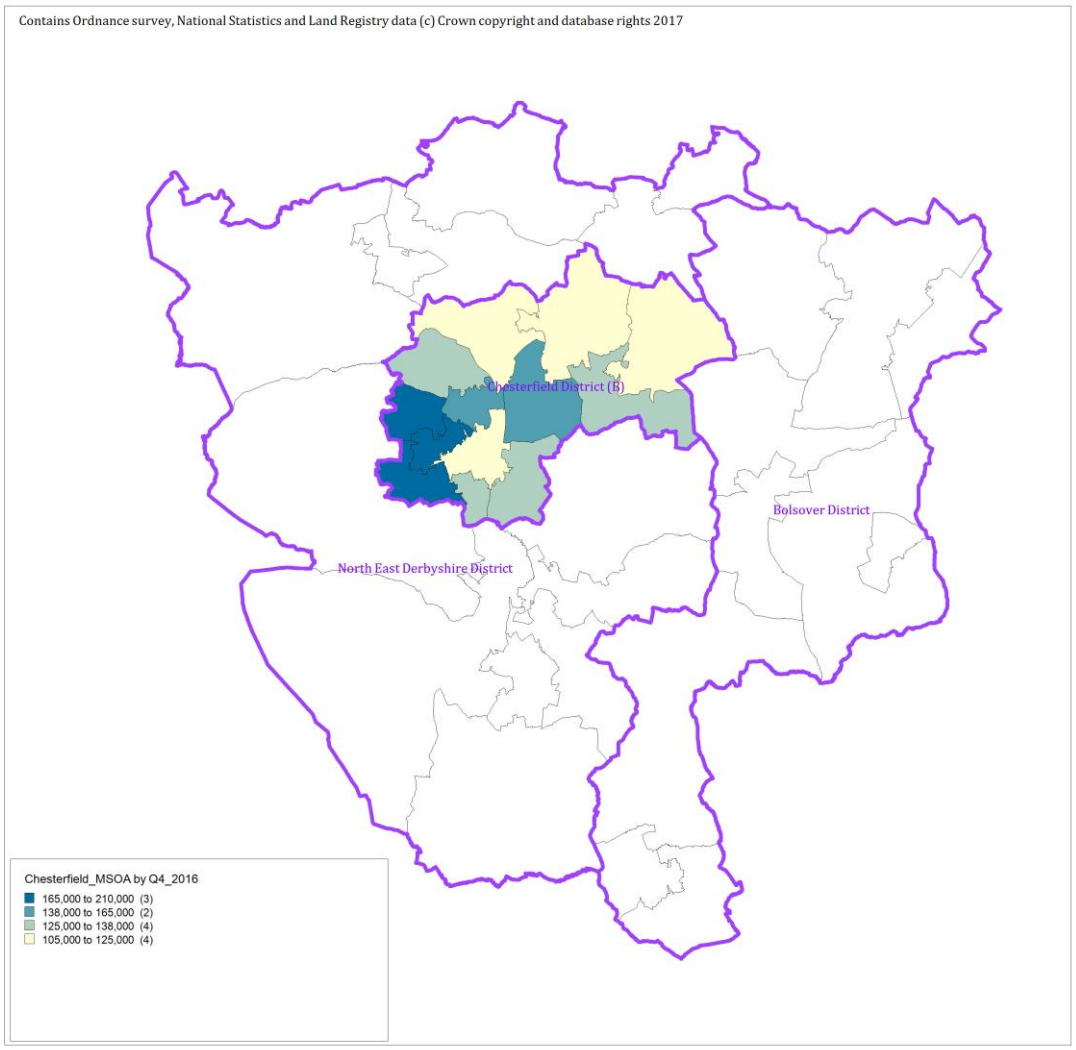


Figure 5.11

6.43 In this map we see a clear divide between the north and south of the borough, with the lowest values seen in the north of the District – along the Staveley Corridor and the highest values concentrated around the town of Chesterfield itself. However, we still see the same island of lower values in the centre of the town.

6.44 A final exercise that we undertook in order to understand the distribution of property values uses Rightmove data.

6.45 In the map below, we drew a custom search in an area broadly contiguous with the Borough. We then used the search functions to isolate the cheapest and most expensive terciles of the market. Finally, we superimposed the two searches on top of one another.

6.46 In the image below, the locations of the most expensive third of properties is coloured in red, while the cheapest are in green.

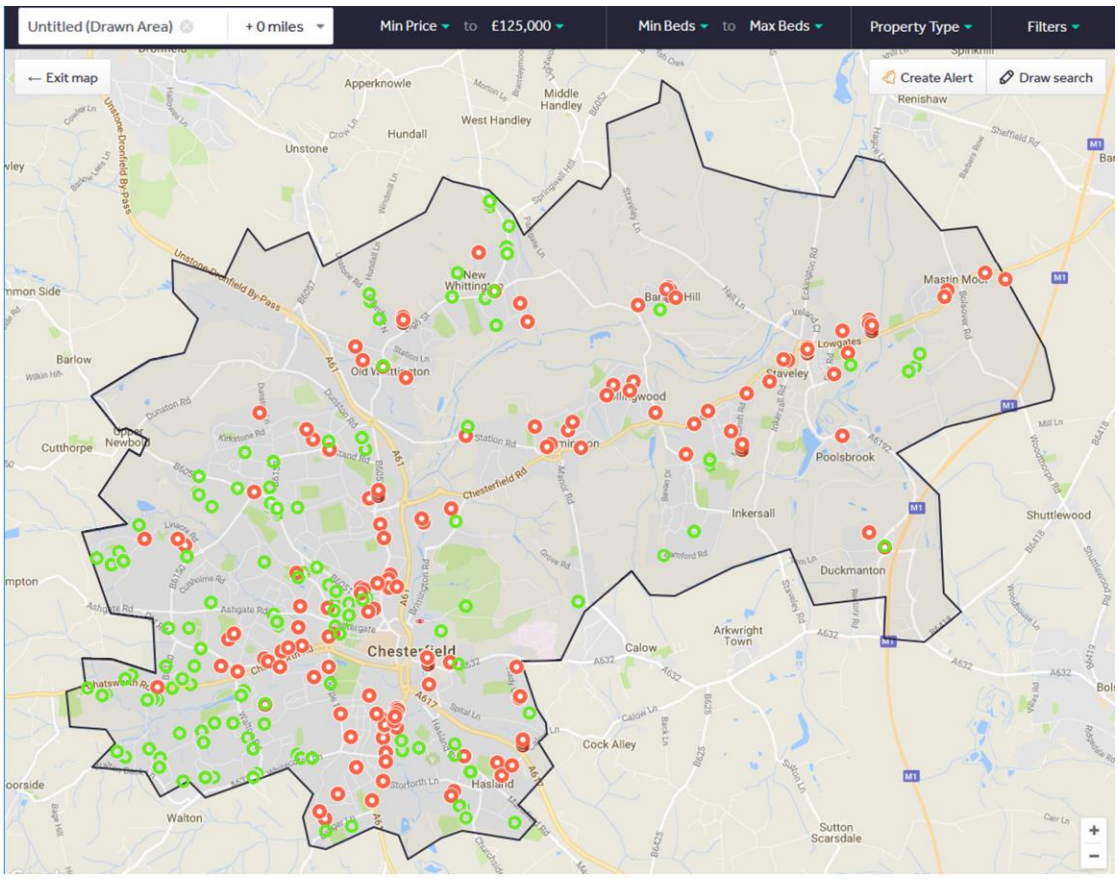


Figure 5.12

6.47 This image confirms the pattern observed in the other two maps, with the highest and lowest values in close proximity in the very centre of the town, a clear cluster of higher values in the South West and a corridor of low values along the A619 through Brimington and Stavele.y

New Build Values

6.48 Of course, these values represent the increase in the value of all transactions whereas the value of new properties is rather different from that of all properties. The median value of all of the 618 homes listed for sale in Chesterfield on the property website RightMove at the time of writing is £170,000. The median value of the 49 new homes currently listed is £285,000 – a discrepancy of almost 60%. This is an unusually large gulf. The equivalent relationship in nearby Nottingham is a median asking price of £180,000 compared to a median new build asking price of £247,500 – a new build premium of "only" 37%. Some of this differential will derive from the specification and condition of the homes themselves of course, and some from the difference between the average size of homes offered in the new build and second-hand sectors. Clearly, then, any accurate assessment of the viability of new housing development in Chesterfield will need to be sure to concentrate on the value of new homes only rather than being

6.49 We therefore obtained from the Land Registry, a list of 95 reported transactions for new properties in the district between 1 January 2016 and 31 December 2017. A complete digest will be included in an appendix to this document but the following table shows the average value for each distinct postcode listed in the data (there are, of course, more than one property at many of these postcodes). We then obtained the EPC certificate for each of the properties in order to obtain the floorspace of each of the homes and then compared them in order to obtain a value per square metre.

Postcode	Homes	Value	Size (m²)	Value/m²
S40 2FA	1	£ 124,950	63.0	£ 1,983.33
S40 2FZ	1	£ 75,000	102.0	£ 735.29
S40 2LE	2	£ 156,500	83.0	£ 1,885.54
S40 2NX	3	£ 145,317	50.3	£ 2,887.09
S40 4BT	1	£ 249,950	69.0	£ 3,622.46
S41 0HN	6	£ 269,133	143.0	£ 1,882.05
S41 0HU	3	£ 241,617	119.0	£ 2,030.39
S41 0QA	2	£ 173,475	76.0	£ 2,282.57
S41 0RG	4	£ 256,000	107.3	£ 2,386.95
S41 0UJ	9	£ 177,933	74.7	£ 2,383.04
S41 7BL	23	£ 371,192	141.2	£ 2,628.51
S41 7BN	7	£ 383,567	148.3	£ 2,586.68
S41 7FA	1	£ 328,495	115.0	£ 2,856.48
S41 7GW	4	£ 226,988	100.8	£ 2,252.98
S41 7GX	9	£ 157,961	67.1	£ 2,353.73
S41 7GZ	9	£ 157,806	74.3	£ 2,122.94

S43 1FE	2	£	217,500	117.0	£	1,858.97
S43 1GA	6	£	95,833	60.0	£	1,597.22
S43 2AB	1	£	110,000	52.0	£	2,115.38
Average	94	£	243,952	103.6	£	2,353.89

Table 5.13

6.50 The average value, of £2,354/m² equates to £219psf. Moreover, when we discount the obvious outliers – a single unit at S40 2FZ, another one at S40 4BT and six units at S43 1GA, we find that the range is relatively narrow. The single, low value unit (at Peak Court, Chatsworth Road) may well have been a shared ownership property, and, while we are not certain of the reason for the very high value obtained in respect of the property at S40 4BT (Greenbank Drive), the cluster of low value properties at S43 1GA (Devonshire Park, Brimington) were apartments.

6.51 Excluding these units, the range runs from around £1,900/m² to around £2,850/m² – with a significant amount of clustering around the average point.

6.52 The next task is to break down the average unit sizes and values by property type. In doing so, it is worth noting that the unit mix for which we were able to obtain data was dominated by sales of detached homes – which made up 52 of the 94 transactions we identified.

	Detached	Semi-Detached	Terraced	Flat or Maisonette
Number	52	22	13	6
Value	£321,852	£166,889	£140,288	£99,993
Size (m²)	131.8	69.7	64.2	60.4
Value/m²	£2,442/m²	£2,394/m²	£2,185/m²	£1,655/m²

Table 5.14

6.53 Given the predominance of detached properties in the data, it is unsurprising that the average for detached properties is close to the average for all properties (only around 5% higher) but, perhaps surprisingly, there is a significant drop-off in values as the home types get smaller with terraces less valuable than semis which are, in turn, less valuable than detached properties. This is the opposite of what we might normally expect – with the marginal value of each additional square metre of space falling as the size of a home

increases. However, this may be explained by the fact that developers will tend to build a higher proportion of larger and more prestigious homes in higher value areas.

6.54 If we look at the values per square metre achieved for homes of different types on the same development, the effect disappears and, indeed, goes into reverse. At Manor house Court, for example (S41 7GX), the five terraced properties achieve and average value of £2,423/m^2 whilst the two semis achieved only £2,327/m^2 and the two detached homes listed achieved £2,249/m^2. Whilst this example is based on a very small sample, it is one which accords with our wider experience.

6.55 Such a finding begs an obvious question. If smaller terraced and semi-detached homes generate lower values per square foot than larger homes, why is it that the provision of detached homes so dominates the available sales data for new homes.

6.56 An answer is to be found in the way the housing ladder works. Larger, terraced homes typically sell to established homeowners and the price they can pay is related not only to the value of the mortgage they can pay but also to the equity built up in their *previous* home both through the repayments they have made on the mortgage, and the windfall equity gains that they will have made from owning a home in a rising market. Smaller homes typically sell to first time buyers, who have no previous home to sell. The price they can pay is related to the value of the mortgage they can raise plus any savings they may have been able to build up. Although smaller, terraced homes are cheaper, than larger, detached ones, second hand property is cheaper still.

6.57 The pool of first time buyers available for developers to sell to is therefore likely to be reduced because price sensitive first time buyers are more attracted to the lower values on offer in the second hand sector – they may deem their interests better served by buying an older property in fair condition and committing to a slightly higher cost of ownership over time. Buyers who are looking to move up to a larger property and who have more equity behind them may be less price sensitive and therefore more open to a new property whose condition and specification is higher.

6.58 Ultimately, developers will wish to build the homes that they can most easily sell to the buyers who are interested in new build property – at the premium it commands. This is a matter to which the Council may wish to consider in deciding how rigidly to apply the findings of the SHMA – at least in respect of the open market housing mix.

6.59 The other obvious issue which arises from the value breakdown by type is the low values achieved by flats – only a little over two thirds of the value achieved by detached houses. Once again, part of the issue is the fact that five of the six flats for which we have sales data are in a low value area – Brimington. Two detached houses in a neighbouring development achieved only £1,859/m^2. Furthermore, one of the five achieved a value

well below that recorded for the other four (£70,000 compared to an average of £101,000) It is possible that this was a shared equity, or otherwise price restricted, home. Even so, the other flatted home in the data also achieved less than £2,000/m² and it seems clear that the market for flats is weak.

6.60 Given the fact that flats are more expensive to build than houses because of the need to provide circulation and common parts in addition to the saleable space. We consider that this is likely to remain a marginal element of the overall housing mix. Moreover, we note that the sales data we have reviewed is based upon developments that took place *before* the recent increase in the local cost base (which we discuss at greater length elsewhere). This change is likely to make the provision of open market flats an even less attractive prospect for developers in the near future.

6.61 The next task is to consider the spatial distribution of the sales values we have identified. This is not, and can never be, an entirely precise process. Planning must consider large swathes of a district whereas property prices can vary considerably at a very small scale of just a few streets. Moreover, whilst there is a wealth of property data arising from *all transactions,* we have already seen that there is an unusually wide spread between the values of new and second-hand properties in Chesterfield.

6.62 The task before us is therefore one of interpolation. We have therefore plotted the new build information in the table above onto a further map (shown overleaf), showing the distribution of these sales.

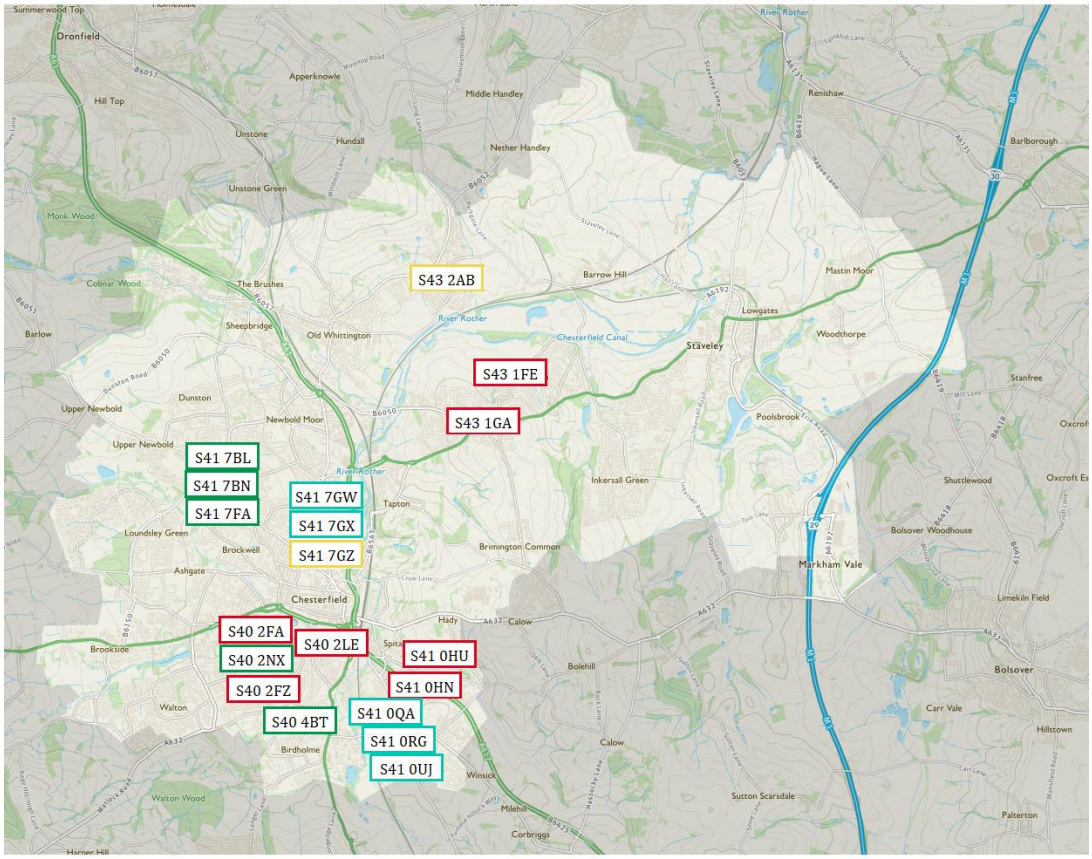
6.63 Once again, the map suggests a broad overall pattern of results with lower values in the North East of the borough – in Staveley and Brimington – and higher values in the North East of Chesterfield Town. Finally, we note that, the centre of Chesterfield town features both high and low values in close proximity to one another. On the basis of the foregoing, we propose to test four value points, which we consider will cover the majority of forthcoming residential development in the Borough.

	Average Value per m²	Colour Code in Map Overleaf
Value Point 1	£2,000	
Value Point 2	£2,150	
Value Point 3	£2,350	
Value Point 4	£2,700	

Table 5.15: Value Points Tested

Postcode	Homes	Value	Size (m^2)	Value/m^2
S41 7BL	23	£ 371,192	141.2	£ 2,628.51
S41 7BN	7	£ 383,567	148.3	£ 2,586.68
S41 7FA	1	£ 328,495	115.0	£ 2,856.48
S41 7GW	4	£ 226,988	100.8	£ 2,252.98
S41 7GX	9	£ 157,961	67.1	£ 2,353.73

Postcode	Homes	Value	Size (m^2)	Value/m^2
S41 7GZ	9	£ 157,806	74.3	£ 2,122.94
S43 1FE	2	£ 217,500	117.0	£ 1,858.97
S43 1GA	6	£ 95,833	60.0	£ 1,597.22
S43 2AB	1	£ 110,000	52.0	£ 2,115.38



Postcode	Homes	Value	Size (m^2)	Value/m^2
S40 2FA	1	£ 124,950	63.0	£ 1,983.33
S40 2FZ	1	£ 75,000	102.0	£ 735.29
S40 2LE	2	£ 156,500	83.0	£ 1,885.54
S40 2NX	3	£ 145,317	50.3	£ 2,887.09
S40 4BT	1	£ 249,950	69.0	£ 3,622.46

Postcode	Homes	Value	Size (m^2)	Value/m^2
S41 0HN	6	£ 269,133	143.0	£ 1,882.05
S41 0HU	3	£ 241,617	119.0	£ 2,030.39
S41 0QA	2	£ 173,475	76.0	£ 2,282.57
S41 0RG	4	£ 256,000	107.3	£ 2,386.95
S41 0UJ	9	£ 177,933	74.7	£ 2,383.04

Figure 5.16

Study Assumptions - Affordable Housing Targets and Tenure Assumptions

6.64 Draft Emerging Plan Policy CS11 (Range of Housing) proposes a 30% affordable housing target, on sites comprising 11 dwellings, or more. The proposed policy currently states that:

> *'On sites totalling 11 or more dwellings (including phases of those sites) up to 30% of affordable housing and 25% of adaptable and accessible housing and, where appropriate, wheelchair accessible housing, will be sought by negotiation informed by the charging zones set in the council's CIL, subject to viability assessment and any requirements for starter homes.'*

6.65 The 2013 Chesterfield Core Strategy affordable housing policy (Also labelled CS11) currently sets the same requirement of 30% across the Borough, subject to viability. The WPVA tests 30% affordable housing initially in all Value Points. In cases where it is not possible to achieve a viable position, lower affordable housing targets of 20% and 10% are then tested.

6.66 Based on the existing stock profile and incomes, the Chesterfield SHMA (GL Hearn, March 2014) also recommends a mix of affordable housing with 90% comprising social and affordable rented homes, and 10% intermediate affordable housing. It points to a limited need for shared ownership, or shared equity homes in the Borough.

6.67 The above position informs the *'Baseline'* test of development viability which considers a 90:10 (affordable rent: shared ownership) tenure split. Alternative 60:40 and 50:50 (Affordable Rent/ Social Rent: Intermediate Affordable Housing) tenure splits will also be tested.

6.68 The 2017 SHMA does not make any explicit recommendation regarding the tenure profile of affordable homes, noting only the apparent mis-match between the needs identified in the area and the direction of travel in the earlier Housing White Paper (February 2017), which may require local authorities to seek 10% of all homes on new development in the form of affordable homeownership, irrespective of identified need.

6.69 Paragraph 64 of the July 2018 revised NPPG states that where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership[18],

[18] As part of the overall affordable housing contribution from the site.

unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Whilst the 10% affordable housing home ownership proposal is reflected in in the adopted NPPF, Paragraph 64 is very clear that this is an expectation, rather than a mandatory requirement, which is subject to a number of exemptions and conditions.

6.70 In the circumstances, we have tested the identified needs measured by the previous 2013 SHMA as our baseline (90:10 – Affordable Rent: Shared Ownership). We have also examined alternative tenure mixes which consider a higher proportion of the intermediate product.

6.71 Following consultation with the Council, the following tenure mixes have been tested in which the figures below represent a percentage of the total affordable housing delivered:

- **Baseline:** 90:10 (Affordable Rent: Social Rent: Shared Ownership);
- **Sensitivity Test 1:** 60:40 (Affordable Rent: Shared Ownership);
- **Sensitivity Test 2:** 50:50 (Affordable Rent: Shared Ownership); and
- **Sensitivity Test 3:** Revised NPPF Paragraph 64 expectation that at least 10% of dwellings (overall) should comprise of affordable homeownership products. In cases where there is capacity to deliver additional affordable housing (depending upon the AH target assumed), the tests assume that any residual requirement is split evenly between affordable rent and shared ownership.

Affordable Housing Revenue Assumptions

6.72 Affordable Rents have been assumed based upon a review of NROSH+ (National Register of Social Housing) statistical data which is publicly available from the Homes and Community Agency (HCA). The rental revenue assumed as part of the tests of development viability is then set out in Table 5.17.

	Affordable Rent
1 Bed	£76.62
2 Bed	£90.23
3 Bed	£107.61
4 Bed	£117.00

Table 5.17: Affordable Rents (Weekly), NROSH+ Data 2016/7

6.73 A yield of 5.5% is assumed for the affordable rented products. A management cost of £300 per annum, a maintenance cost of £300 per annum, a void percentage of 2.5% and a major repairs allowance of 0.8% is also assumed.

6.74 Shared ownership is assumed as a 40% initial equity purchase with rent charged at 2.00% on the unsold equity. A management cost of £150 per annum has also been assumed. These are considered to be reasonable assumptions for viability testing of this type.

Density and Coverage

6.75 In developing our baseline modelling assumptions, we have applied the mix of homes of all tenures for which the SHMA has identified a need. The market and affordable housing mixes below are derived from the 2017 SHMA which have also helped to inform the viability tests undertaken as part of the WPVA which the Council intend to include as part of the next iteration of the Emerging Local Plan. However, the 2017 SHMA does not provide a proposed breakdown between rented and intermediate affordable housing. We have therefore adopted the 90:10 ratio from the 2013 study as our starting point (although two other ratios are also tested). The following tables show how the ranges of housing types set out in the SHMA have been set out in our testing.

6.76 For each tenure, there are two columns, the first of which shows the range set out in the SHMA and the second shows the point in that range adopted in our modelling. The first table shows the mix at 30dwellings/ha and the second at 40dwellings/ha.

30%				70%	
90%		10%			
Rented		**Inter**		**Market**	
25-30%	30%	10-15%	15%	0-5%	0%
45%	45%	40-45%	45%	30%	30%
20%	20%	35-40%	35%	50%	50%
5-10%	5%	5-10%	5%	15-20%	20%

Table 5.18: Draft Emerging Plan Bedroom Mix @ 30dph (Market and Affordable)

6.77 The changes that we have made for development at 40dph are modest – reflecting the narrow ranges in the SHMA.

30%				70%	
90%		10%			
Rented		**Inter**		**Market**	
25-30%	30%	10-15%	15%	0-5%	5%
45%	45%	40-45%	45%	30%	30%
20%	15%	35-40%	40%	50%	50%
5-10%	10%	5-10%	0%	15-20%	15%

Table 5.19: Draft Emerging Plan Bedroom Mix @ 30dph (Market and Affordable)

6.78 Our approach to unit sizes generally follows the Nationally Described Space Standards (NDSS). However, we have recognised that the buyers of larger private sector homes generally want, and are often able to afford, homes somewhat larger than the standards. We have therefore increased the size of the four bedroom market homes above the standard.

Type	Market	Affordable
1 bed flat	50m²	50m²
1 bed house	58m²	58m²
2 bed flat	61m²	61m²
2 bed house	79m²	79m²
3 bed house	102m²	102m²
4 bed house	140m²	115m²

Table 5.20: Unit sizes

6.79 The application of the above unit sizes to the two mixes of homes may not be reflected on every site. However, it may be helpful to consider to overall coverage implied by our models. This is around 12,300sqft/acre at 30dph and 15,700sqft/acre at 40dph.

Study Assumptions - Base Residential Build Costs

6.80 Base build costs have been assessed with reference to the Build Cost Information Service (BCIS) which is a dataset provided by the Royal Institute of Chartered Surveyors (RICS). These are per metre square costs for gross internal floor area and do not include any uplift, for example for external build cost such as link roads etc.

6.81 The viability tests are based upon the BCIS build costs for the County of Derbyshire. The applied build costs are based upon the average *'Median'* rate.

	Base Costs BCIS Derbyshire – September 2017
Estate Housing	£1,141/m²
Flats (apartments medium rise)	£1,329/m²
Flats (apartments high rise)	£1,697/m²

Table 5.21: Assumed Base Build Costs per m², BCIS Data for Derbyshire, Median Costs, September 2017

6.82 It should be noted that our review of current development has identified very few flats currently being developed. The exceptions were a limited number of Flats Over Garages or "Coach house" type properties. We have, therefore, largely eliminated them from our assessment. The exception is Chesterfield Waterside strategic site which delivers a significant amount of flatted accommodation. Table 5.13 (as below) then assumes a higher average build cost for the Chesterfield Waterside side, in order to account for the fact that flats have a higher BCIS base build cost. However, there is a real difference between the cost associated with medium rise (3-5 stories) and high rise accommodation (6 stories and above). For simplicity, we have applied a single, rate, reflecting the weighted between the two typologies in the outline application (roughly 75:25 in favour of medium rise accommodation). The resulting rate is £1,425/m².

6.83 In terms of the remaining site typologies, we have not included any apartments in our baseline models at either density. However, the one bedroom houses we have modelled are, in fact, fairly similar to the overall size of a Coach house apartment with stairs from the ground floor and costs might be expected to be similar. Moreover, we have not assumed any one bedroom homes in the market sector. The value associated with a one bedroom affordable home would be the same irrespective of whether it took the form of a flat or a house. Our modelling should thus be considered to be neutral on the matter of house form.

BCIS Adjustment 1 – Cost Efficiencies: The viability appraisals firstly assume that some cost efficiencies may be achievable, particularly for the medium and large/ strategic sites. The following level of discount has then been applied to the site typologies:

Unit Typology	BCIS Adjustment 1
5,11 and 25 Units	£1,141/m² (Unadjusted BCIS Rate);
40 Units	£1,107/m², discount of 3%
75 Units	£1,083/m², discount of 5%;
200 Unit	£1,050/m², discount of 8%;
400 Unit	£1,015/m², discount of 11%;
Staveley and Rother Corridor	£1,015/m², discount of 11%.
Chesterfield Waterside (houses)	£1,015/m², discount of 11%.
Chesterfield Waterside (apartments)	£1,268/m² discount of 11%

Table 5.22: BCIS Adjustment 1 for Cost Efficiencies

6.84 BCIS Adjustment 2 Historic Derbyshire Location Index- When we further considered build costs for this area, we found that BCIS considers Derbyshire to be a high cost area. We have been unable to discover any fundamental, underlying reason why this should be the case and it conflicts with our general experience.

6.85 We therefore tracked BCIS's fortnightly updates to the local cost base over the course of a year and compared them to the national average. The results are set out in the graph below:

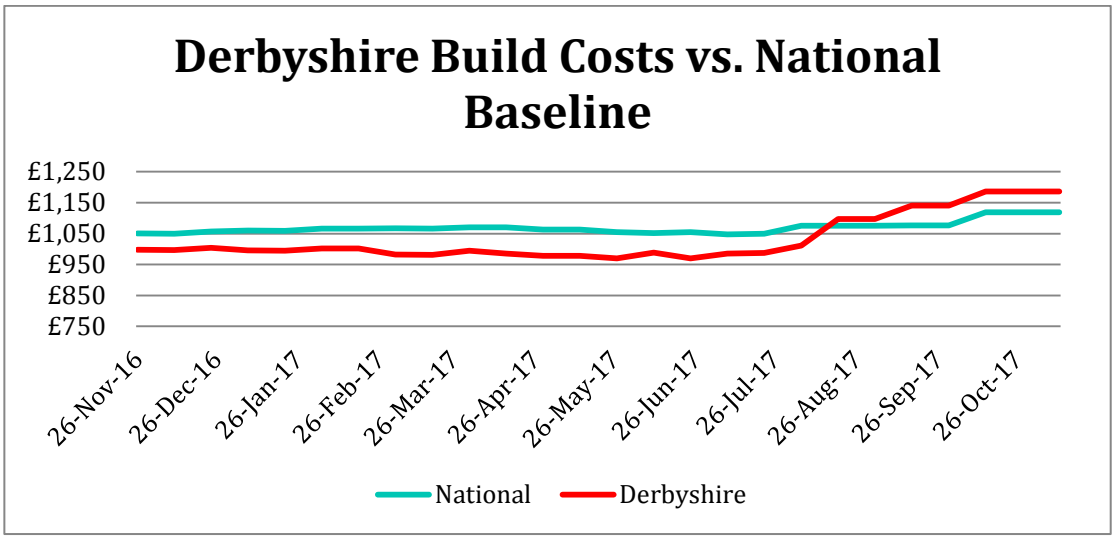


Figure 5.23: Change in Build Cost Rate (Derbyshire and National Rate – November 2016 to October 2017)

6.86 For most of the examined period (from November 2016), the cost base for the County was well below the national average. However, in August 2017, there is a dramatic change. The regional adjustment jumps from around 5% below the national average to 6% above it. This represents an increase in the cost base of over £100/m^2.

6.87 Our initial view was that this was a short-term issue, arising from a small number of submissions to the BCIS index and that subsequent submissions would soon correct an anomalous change in the numbers. Curiously, over the past year, during which this report has been in preparation, the numbers have not corrected. In fact, as at 1st September 2018, the regional adjustment jumped again – to 1.12. The combined effect of the increase in the national cost base and the enormous changes in the reported cost base for Derbyshire and the East Midlands more generally was nominal cost inflation of almost 20% in a single year. In our view, this is quite clearly wrong.

6.88 Not only would such rapid inflation be extraordinary on its face, it would be almost inconceivable that this should happen in a single region of the country but not in others.

6.89 Moreover, it made the East Midlands one of the most expensive places in the country to build – tied with the South East and behind only London. This too seemed intuitively wrong. Whilst there is not direct link between the values in an area and the cost of construction in the same area, there is clearly a degree of correlation – not only will housing costs affect the local cost of living and, hence – the cost of labour but we would also to expect far greater cost pressure on contractors where values are low than where they are high.

6.90 In order to illustrate this point, we compiled the following table. In it, we compare the BCIS cost adjustment for each region with the average house price for the region as a percentage of the national average. We make these comparisons at two dates at August 2017 and September 2018. Finally, in the right-hand column, we show the change in the BCIS cost index for each region over the 13 months in the table.

	August 2017		September 2018		
	BCIS Cost Adjustment ratio	Land Registry Value Adjustment Ratio	BCIS Cost Adjustment ratio	Land Registry Value Adjustment Ratio	Change in cost index
Yorks & Humber	98%	65%	89%	66%	-9%
East Midlands	95%	75%	112%	78%	17%
East Anglia	99%	119%	100%	117%	1%
South East	112%	133%	112%	132%	0%
Greater London	118%	201%	121%	195%	3%
South West	100%	103%	100%	103%	0%
West Midlands	101%	78%	98%	80%	-3%
North West	98%	65%	98%	65%	0%

Figure 5.24: Change in local adjustment factor – November 2016 to October 2017

6.91 Although values vary by a much larger amount across the country than costs do, the table above shows a strong correlation between values and costs. The 2018 figures for the East Midlands are a striking outlier. Not only is the East Midlands the only region in which values are below average and costs above average, but it is also the region with far and away the largest change in its cost adjustment.

6.92 Two potential explanations present themselves – either there is some factor, specific to the West Midlands or there is a glitch in the data.

6.93 In the absence of any obvious factor specific to the region which has been brought to our attention through the consultation process, a problem with the data seems to be far and away the most likely explanation.

6.94 We therefore contacted BCIS themselves in search of greater clarity. We were informed that the cost estimates draw on a large database of submissions over a long period but, naturally, it privileges newer submissions over older ones. The problem is that the service has seen a rapid decline in the *number* of submissions made each year.

6.95 A decade ago, it was common for the service to receive around 80 submissions per quarter but by 2018, there had been an enormous fall-off and they now receive only "a handful" of entries to add to the database each quarter. This means that any new submission has a disproportionate effect.

6.96 As we understand it, there are a number of reasons for the drop off in the number of submissions but part of the problem is that the system has always relied disproportionately upon public sector projects – including those by Registered Social

Landlords. Private developers tend not to make data returns – they consider the data commercially sensitive.

6.97 Although that was always a slight weakness of the index, it was not a serios one. Of more significance here is that the index was designed to incorporate data from traditionally procured and tendered contracts where there is a bill of quantities. But, in recent years, the guidance to public sector bodies has increasingly favoured Design and Build contracts, which do not involve a bill of quantities. Moreover, in in the past 18 months, regulations that required registered providers to make submissions to the service have been revoked. RPs now tend to see themselves as commercial entities (albeit with a social purpose) and, like other developers, they treat their data as sensitive.

6.98 The result is that the database not only becomes more volatile, but, as the submissions get fewer, they also get less representative. With the guidance now so strongly in favour of Design and Build contracts, there is at least a risk that those which take the traditional route may be unusual and consequently unrepresentative.

6.99 Whilst the PPG on Viability directs practitioners to the BCIS database as the best source of publicly available data, the data should be subjected to critical judgements. On this basis, we considered it appropriate to make two adjustments to the published figures in order to establish our baseline.

6.100 The first of these was to reject the uplifted location factor published by BCIS. Instead, we have used the average location index over the 2yrs prior to our base date. This is 97%. This further adjustment (Adjustment 2) is assumed as part of the *'Baseline'* viability tests presented in this paper.

6.101 Table 5.12 sets out initial build costs which have been applied to each unit type, also assuming an adjustment (Adjustment 1) for economies of scale. Table 5.25 (as below) further amends these build costs (Adjustment 2) which are adjusted, in order to reflect the historic 2 year average location index for the Derbyshire County sample.

	Baseline BCIS Cost	Adjustment 1 – Economies of Scale	Adjustment 2 – Historic Derbyshire Location Index
5, 11 and 25 Units	£1,141	£1,141	£1,042
40 Units	£1,141	£1,107	£1,010
75 Units	£1,141	£1,083	£989
200 Units	£1,141	£1,049	£958
400 Units	£1,141	£1,015	£926
Staveley Corridor & Waterside (houses)	£1,141	£1,015	£926
Waterside (flats)	£1,425	£1,268	£1,160

Table 5.25: Adjusted Cost Rate per m² – Adjustment 2 Build Costs are Applied to the *'Baseline'* Viability Tests Presented in this Paper.

External Build Works and Development Contingency

6.102 Build costs have then been uplifted by 15% to account for external works for development typologies up to 400 dwellings. A lower externals rate of 10% has been applied to the strategic sites. External works include secondary and tertiary distribution roads, onsite services infrastructure, layout and landscaping of open spaces, street furniture, boundary treatments, etc.

6.103 A build cost contingency of 5% is also applied to the viability assessments set out in this paper.

Section 106 Costs

6.104 Baseline S106 costs have been applied across the non-strategic sites at £1,500 per unit. BVA acknowledge that the Council has yet to make a formal decision to implement a CIL charge. Typically, in cases where a CIL charge is adopted, charging Authorities maintain a lower Section 106 cost in the region of £1,000 to £2,000 per unit.

6.105 In terms of the non-strategic sites, we have assumed a higher Section 106 cost of £2,400 per unit.

M4(2)/ M4(3) of the Building Regulations 2015

6.106 The Council is of the view that there is sufficient local evidence on need for adaptable and accessible housing to support the above policy proposal. The options being considered under Draft Emerging Local Plan Policy CS11 include:

- 1. Do not have a specific policy and continue to negotiate on a case by case basis; and
- 2. A policy to require 25% of all new housing to be adaptable housing (M4(2) Building regulations standard), and a proportion of wheelchair accessible (M4(3) building regulations standard) will be sought by negotiation.

6.107 The Housing Standards Review M4(2): Cost Impact Report by EC Harris (September 2014: table 45 on page 38) recommends an additional cost of just over £500 per unit for terraced, semi-detached, and detached units. This development cost has then been applied to 10% of the residential units tested, as part of the *'Baseline'* viability tests presented as part of this paper.

6.108 Whist the cost impact of developing homes to the M4(2) standard is limited, the same cannot be said of the M4 (3) standard which makes provision for homes that are fully wheelchair accessible.

6.109 The standard requires more circulation and provision for through lifts as well as a number of other features which might reasonably be expected to increase the amount of space required within the dwelling, as well as the different layouts required. In our view, it is the requirement to provide additional space which is the relevant consideration here.

6.110 We are also conscious that national guidance on the matter advises Councils that this standard should be imposed upon new dwellings should only be imposed where a mechanism exists to secure the homes for those who actually require a dwelling to the fully adapted standard. One simple interpretation of this requirement is that that any units provided to the M4(3) standard should be included within the affordable component of the development – since the nominations agreement to which these homes are subject can then reserve the homes for those who need them. This approach avoids the risk of developers being required to provide specialist accommodation which is not required – with the attendant possibility that the unit fails to sell and is eventually disposed of at a discount to a household which does not need the adaptations, who not only pays the developer a reduced price but who may then spend money removing the adaptations.

6.111 However, this approach may represent too narrow a view and ignores the fact that many households which contain a wheelchair user are owner occupiers. Such households may well have the means to buy a suitable home on the open market – they may also have specific sources of funding available to adapt their homes.

6.112 An example of this would be individuals whose needs arise from a change in circumstances brought about by an accident. In such cases, there may well be an insurance company involved and a needs assessment may have been performed by an occupational therapist concluding that their needs could not be met by means of adaptions to their current home. The insurance company would then be involved in assisting the household in finding new accommodation capable of adaptation.

6.113 In such cases, it would generally be easier to adapt a home that has not yet been built than an existing home and the funds would be available to do so. Thus, we consider that one approach to the implementation of the policy would be as follows:

6.114 Developers who bring forward outline applications should indicate units which might be suitable for development as accessible units (to the M4(3) or an equivalent standard. Once these proposals have been received, the Council would cross check against a database that they would maintain in order to identify whether there are any households in the area who might need the homes. If a match is found, in either the affordable *or* the market sectors, the unit could then be reserved for the identified household and the unit constructed to their specification – since specialist housing needs vary widely.

6.115 Under this approach, wheelchair accessible units would not be a burden on the development at all, they would become an asset, in the form of a pre-sale.

6.116 For example, a developer might notify the Council of several plots on their development which *could* be used to provide wheelchair accessible homes but which might otherwise be developed as three bedroom open market homes. If the Council is able to identify a household with a need for the home in the private sector, they would put them in touch with the developer. The developer would then notify the household (and any agencies or organisations working with them) of the open market price that the developer would expect to achieve for the home and the size and specification of the unit as planned. The household and those working with them would then suggest the amendments that they require to the design and they would enter into an agreement to purchase the home off-plan. The household would then pay the full price of the home with the extra-over cost of any adaptations met either by themselves, the agencies supporting them or the insurer handling their claim.

6.117 In this approach, the cost burden of providing the adapted home is fully off-set for the developer (who also achieves the additional security of a pre-sale), the occupying household receives a home that is tailored precisely to their specifications and the insurance company, charity or public agency achieves a cost saving because it is cheaper to build an appropriate home from scratch than it is to acquire and adapt an existing home.

6.118 In view of this, we do not consider it necessary to make a specific cost allowance to cover the impact of this policy. If the homes are required, they will be cost neutral, if they are not, they revert to ordinary hoes and are sold on the open market.

On-Site Infrastructure (Baseline Assumptions)

6.119 In terms of the infrastructure costs that have been applied to the *'baseline'* viability assessments,

- **Sites of 25, 40 and 75 Units:** It is assumed that an element of the Infrastructure costs on smaller and medium size sites are considered to be included in the external works uplift applied to BCIS build costs (15% of build cost and specified above); and
- **Sites of 200 / 400 Units:** The WPVA assumes the delivery of infrastructure costs at an average rate of £6,000 per unit. This assumption is in addition to external works which are assumed at 15% of base *'plot'* build costs.
- **Strategic Sites:** The WPVA assumes the delivery of 'Baseline' infrastructure costs at an average rate of between £12,700 and £59,000 per unit. This assumption is in addition to external works which are assumed at 10% of base *'plot'* build costs.

6.120 Section 16 of this report examines the results of sensitivity testing and the impact of lower/higher infrastructure costs upon development viability.

Developer Profit

6.121 We have undertaken our testing on the basis of 20% developer profit (as a percentage of Gross Development Value), this is considered an industry accepted method for testing area wide viability. In line with other appraisals of this nature we have taken a long term assumption as to the necessary profit to encourage development. We have also sensitivity tested the higher profit/ internal overhead assumption in Section 11 of this report.

6.122 For affordable housing, developer profit is around 6% of construction costs to reflect the contractor's return. The lower level of profit reflects the much reduced risk

associated with affordable housing since a known buyer is generally in place with a formal agreement to purchase at a fixed price prior to the commencement of works.

Other costs of development

6.123 Other costs of development have been applied, these costs are based on industry accepted values and provide a realistic view of development viability, these costs are included as follows:

6.124 **Charged Interest Rate –** 6.5%. This is the long term cost of development finance. It is notoriously difficult to say anything generalised about the cost of development finance. Financing models vary widely but it has become widespread practice to assume finance costs at about 6-7%. However, we note in passing that the HCA's Home Building Fund which purports to offer finance on commercial terms is currently offering rates below 4%;

- **Earned Interest Rate –** 0.5%. Again, a long term view of the earned interest rate has been taken;
- **Professional Fees –** 9% of Build Costs. This allowance is intended to cover architects, consultants and engineers fees etc.;
- **Agents Acquisition Fees –** 1.0% of Residual Land Value;
- **Site Acquisition Legal Fees –** 0.75% of Residual Land Value;
- **Marketing and Sales Fees –** 3% of Gross Development Value;
- **Legal Fees on sales -** £500 per unit; and
- **Stamp Duty Land Tax –** Applied at the standard HMRC rate.

Absorption rates

6.125 A range of absorption rates have been assessed against each notional development site. For notional developments of 11-200 units, baseline absorption rates of 35 sales per annum have been assessed. The notional 400 unit development assumes a baseline absorption rate of 70 units per annum – reflecting two sales centres.

6.126 On notional sites of 1,000 residential units and above, baseline absorption rates of 100 units per annum have been assumed – again reflecting multiple sale centres. Additional sensitivity tests with alternative absorption rates have been undertaken at Chapter 11. This reflects the different delivery approach taken for a larger site.

6.127 In all cases the development timetables assume periods for:

- enabling phases (for large scale developments);

- planning application;
- site acquisition;
- construction period; and
- sales period.

Sensitivity Tests

6.128 Chapter 16 of this report examines the impact of changes to a number of variables on viability. Variables tested include alternative Developer Profit, Affordable Housing Tenure and Infrastructure.

7.0 Stakeholder Engagement

7.1 A stakeholder questionnaire (See Appendix 2) was forwarded to a circulation list of over 200 key stakeholders provided to BVA. Twelve responses to the stakeholder questionnaire were received and a review of these responses is included in Appendix 2.

7.2 BVA also took part in a Developer Forum on 14th July 2017 and discussed local issues, cost/value assumptions and the objective of the Viability Assessment with local stakeholders. A number of topics were discussed at this Developer Forum, including:

- Viability Evidence Base: BVA noted that the Viability Study is key to support the emerging draft plans and to demonstrate that the policies satisfy the requirements of government policy and guidance. The Study will need to ensure that Emerging Plan Policies are deliverable;
- Threshold Land Values: Central to the consideration of viability is the assessment of land or site value. The most appropriate way to assess land or site value will vary but there are common principles which should be reflected;
- Site Selection: It was explained that a range of notional development sites likely to represent development over the life of the Local Plan (in respect of site size, density and unit numbers) will be identified;
- Property Values and The Value Area Approach: It is reasonable to assume that within a Local Authority boundary there will be a range of *'value areas'* that is locations where property values are likely to be lower or higher than the average for the Borough as a whole and this matter was discussed with Stakeholders;
- Affordable Housing Assumptions: BVA discussed the viability testing of different affordable housing tenures identified by the Council, including the affordable rented tenure and shared ownership; and
- Build Cost Assumptions: BVA discussed the application of Base (BCIS) build costs, externals, infrastructure costs, professional fees, developer profit, etc. with stakeholders. Stakeholders also provided their views on viability based upon their experience of operating in the local area.

7.3 As would be expected a range of responses were received from stakeholders. The responses received and outcomes of the developer forum meeting have been considered and our report has attempted to test variables taking the views of respondents into account.

7.4 Appendix 2 outlines how the views and local knowledge of stakeholders helped to shape the viability study. It is an integral part of our business to ensure that we are up to date on market conditions in the project area. Planning on the basis of viability requires a credible and robust evidence base. Stakeholder engagement has thus allowed BVA to consider relevant local data.

8.0 Viability Results – Small Sites of 5 and 11 Units at 30dph - VAS TLV

8.1 This section sets out the results for the notional smaller sites of 5 and 11 units at 30dph which are assessed in accordance with the assumptions outlined in Section 5 of this report and the relevant Emerging Plan policies set out in Section 4.

8.2 The WPVA examines Draft Emerging Policy CS11 which proposes to introduce an affordable housing target of 30% on sites comprising 11 dwellings, or more. In terms of the site area assumptions applied, the viability models assume a 100% net:gross ratio for the 5 and 11 unit scheme.

8.3 As set out in Chapter 5, VAS has advised relevant TLVs. The following residual land values need to be achieved on a gross hectare basis for the 5 and 11 unit site typologies:

8.4

Greenfield (No Abnormals)	£620,000
Greenfield (With Significant Abnormals)	£490,000
Brownfield (No Abnormals)	£600,000
Brownfield (With Significant Abnormals)	£480,000

Table 7.1: Small Sites VAS Threshold Land Value (Per Gross Hectare) – 5 and 11 Unit schemes

8.5 We have assessed viability initially against what we have termed the *'baseline assumptions'.* These have been determined following consultation with the Council and stakeholders and further information is provided at Chapter 5 of this report. Table 7.2 (next page) sets out the viability inputs that inform the 5 and 11 unit schemes.

Baseline Assumption	Small Sites (5 and 11 dwellings)
Affordable Housing Percentage Targets	0% to 40%.
Affordable Housing Tenure	90:10 (Affordable Rent: Shared Ownership).
Absorption Rate	35 Dwellings per Annum.
BCIS Build Cost	5 and 11 Unit Scheme: £1,042 per $m^{2;}$
Infrastructure and Additional Costs	Baseline assumes that this is incorporated into 15% uplift of external build costs.
Section 106 Costs	£1,500 per unit.

Table: 7.2: Baseline Assumptions – As applied to the 5 and 11 Units Site Typologies

Viability Results: 5 Units at 30dph

Residual Land Value Compared to VAS TLV

8.6 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 5 unit development scenario at 30 dph. The affordable housing targets tested represent the delivery of 2 affordable dwellings (40%) and 1 affordable unit (20%).

	40% AH	30% AH	20% AH	10% AH
Value Area 1	Minus £793,475	Minus £650,484	Minus £587,798	Minus £492,989
Value Area 2	Minus £403,789	Minus £181,547	Minus £78,061	£77,169
Value Area 3	Minus £228,912	£27,608	£146,075	£318,760
Value Area 4	£203,390	£524,847	£679,722	£912,024

Deliverable CIL Rate (Per m^2) - Based Upon VAS TLV

8.7 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 5 Unit development scenario at 30 dph:

	40% AH	20% AH
Value Area 1	£0	£0
Value Area 2	£0	£0
Value Area 3	£0	£0 to £39
Value Area 4	£0 to £23	£190 to £240

Table 7.4: CIL Rate per m², 5 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values

8.8 Value Point 1 (£2,000 per m²): The 5 unit/ 30dph development scenario proved to be unviable at Value Point 1, even when a 0% affordable housing target is considered.

8.9 Value Point 2 (£2,150 per m²): The 20% and 40% affordable housing targets proved to also be unviable at Value Point 2. The 0% affordable housing target proved to be viable, delivering a residual land value of £623,260 per gross hectare.

8.10 Value Point 3 (£2,350 per m²): 20% affordable housing is marginally viable at Value Point 3, delivering a CIL between £0 and £39 per m². The higher 40% affordable housing target is unviable.

8.11 Value Point 4 (£2,700 per m²): Value Point 4 includes the highest average values, at £2,700 per m². The 40% affordable housing target is marginally viable, delivering a CIL between £0 and £23 per m². The lower affordable housing target of 20% is viable and delivers a CIL between £190 and £240 per m².

Viability Results: 11 Units at 30dph

Residual Land Value Compared to VAS TLV

8.12 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 11 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£252,651	-£75,846	£100,959	£250,158	£340,622
Value Area 2	-£39,134	£161,498	£355,965	£519,944	£626,805
Value Area 3	£245,555	£468,697	£693,113	£876,065	£997,976
Value Area 4	£724,478	£993,916	£1,263,356	£1,490,398	£1,644,163

Table 7.5: Residual Land Value 11 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

Deliverable CIL Rate (Per m²) - Based Upon VAS TLV

8.13 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 11 Unit development scenario at 30 dph:

Table 7.6

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	£0	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0-12	£2-42
Value Area 3	£0	£0	£24-£70	£78-£120	£109-£149
Value Area 4	£43-£100	£137-£188	£212-£258	£265-£307	£295-£335

CIL Rate per m2, 11 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values

8.14 Value Point 1 (£2,000 per m²): The 11 Unit/30dph scheme was found to be unviable at Value Point 1, even when affordable housing targets as low as 0% affordable housing are assumed.

8.15 Value Point 2 (£2,150 per m²): The viability results indicate that higher residual land values are achievable at Value Point 2. This results in 10% affordable housing becoming marginally viable, delivering up to £12 per m² CIL.

8.16 Value Point 3 (£2,350 per m²): The viability tests demonstrate that at 20% affordable housing provision, the 11 unit/30dph scheme delivers a CIL rate of between £24 and £70 per m². When the level of affordable housing provision falls to 10%, the potential level of CIL then increases to a range of between £78 and £120 per m².

8.17 Value Point 4 (£2,700 per m²): The viability position improves when property values at this highest value point are adopted as part of the viability appraisal. The Emerging Local Plan policy of 30% affordable housing delivers a CIL rate of between £137 and £188 per m².

9.0 Viability Results – Medium Sites of 25, 40 and 75 Units at 30dph – VAS TLV

9.1 This section sets out the results for the notional medium development sites of 25, 40 and 75 units which are assessed in accordance with the assumptions outlined in Section 5 of this report and the relevant Emerging Plan policies set out in Section 4.

9.2 In terms of the site area assumptions applied, the viability models assume a 75% net:gross ratio for the 25 unit, 40 and 75 unit schemes. The viability results presented in this chapter are presented on a per gross hectare basis.

9.3 As set out in Chapter 5, VAS has advised relevant TLVs on a per net hectare basis. In order for the viability results to be directly comparable, the WPVA converts the Threshold Land Value to equivalent values per gross hectare, as set out in Table 8.1. The following residual land values need to be achieved on a gross hectare basis for the 25, 40 and 75 unit developments:

Greenfield (No Abnormals)	£465,000
Greenfield (With Significant Abnormals)	£367,500
Brownfield (No Abnormals)	£450,000
Brownfield (With Significant Abnormals)	£360,000

Table 8.1: Medium Sites VAS Threshold Land Value (Per Gross Hectare)

9.4 We have assessed viability initially against what we have termed the *'baseline assumptions'.* These have been determined following consultation with the Council and stakeholders and further information is provided at Chapter 5 of this report. The baseline assumptions for the 25 to 75 units schemes are then set out in Table 8.2.

Baseline Assumption	Medium Sites (25, 40 and 75 dwellings)
Affordable Housing Percentage Targets	10% to 40%.
Affordable Housing Tenure	90:10 (Social Rent: Affordable Rent: Shared Ownership).
Absorption Rate	35 Dwellings per Annum.
BCIS Build Cost	25 Unit Scheme: £1,042 per m^2; 40 Unit Scheme: £1,010 per m^2, 75 Unit Scheme: £989 per m^2.
Infrastructure and Additional Costs	Baseline assumes that this is incorporated into 15% uplift of external build costs.
Section 106 Costs	£1,500 per unit.

Table: 8.2: Baseline Assumptions – As applied to 25, 40 and 75 Unit Schemes

Viability Results: 25 Units at 30dph

Residual Land Value Compared to VAS TLV

9.5 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 25 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£296,645	-£78,384	£26,352	£166,644	£226,457
Value Area 2	-£162,999	£81,865	£196,005	£349,558	£416,227
Value Area 3	£15,196	£285,935	£414,542	£591,161	£669,546
Value Area 4	£315,414	£636,161	£795,490	£1,013,578	£1,112,389

Table 8.3: Residual Land Value 25 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

Deliverable CIL Rate (Per m²) - Based Upon VAS TLV

9.6 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 25 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0
Value Area 3	£0	£0	£0-£26	£53-£97
Value Area 4	£0	£88-£142	£155-£204	£230-£274

Table 8.4: CIL Rate per m², 25 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values

9.7 Value Point 1 (£2,000 per m²): Table 8.4 demonstrates that the 25 unit scheme at 30 dph is unviable at Value Point 1, even when a 0% affordable housing target is assumed.

9.8 Value Point 2 (£2,150 per m²): The viability tests undertaken demonstrate that when higher average values of £2,150 per m² are adopted at Value Point 2, this is insufficient to deliver 10% affordable housing.

9.9 Value Point 3 (£2,350 per m²): At Value Point 3, the 10% affordable housing scenario proves to be viable, delivering a CIL rate of between £53 and £97 per m². The scheme

becomes marginally viable when a higher affordable housing target of 20% is assumed, delivering a CIL rate of between £0 and £26 per m².

9.10 Value Point 4 (£2,700 per m²): The viability results significantly improve when average property prices of £2,700 per m² are assumed at Value Point 4. Table 8.4 demonstrates that the 30% affordable housing scenario is viable and delivers a CIL rate of between £88 and £142 per m².

Viability Results: 40 Units at 30dph

Residual Land Value Compared to VAS TLV

9.11 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 40 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£257,332	-£61,410	£42,198	£209,316	£289,704
Value Area 2	-£128,567	£89,345	£199,766	£385,830	£477,784
Value Area 3	£43,423	£281,568	£405,847	£621,006	£728,557
Value Area 4	£329,209	£614,910	£766,268	£1,032,563	£1,167,409

Table 8.5: Residual Land Value 40 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

Deliverable CIL Rate (Per m²) - Based Upon VAS TLV

9.12 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 40 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £11
Value Area 3	£0	£0	£0 to £22	£64 to £107
Value Area 4	£0	£78 to £132	£143 to £193	£234 to £277

Table 8.6: CIL Rate per m², 40 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values

9.13 Value Point 1 (£2,000 per m²): The viability results demonstrate that 0% affordable housing produces a residual land value of £289,704 per gross hectare. On this basis, the 40 unit/ 30 dph scheme is not sufficiently viable to deliver an affordable housing contribution, when tested against the lowest benchmark land value of £360,000 per gross hectare. This scheme is also unable to deliver a CIL at this value point.

9.14 Value Point 2 (£2,150 per m²): The application of higher average values of £2,150 per m² results in the 40 unit/ 30dph scheme becoming marginally viable at Value Point 2 at 10% affordable housing, delivering a CIL of between £0 and £11 per m².

9.15 Value Point 3 (£2,350 per m²): The 10% affordable housing option proved to be viable, delivering a CIL of between £64 and £107 per m². Increasing the affordable housing target to 20% results in the scheme becoming marginally viable, delivering a CIL of between £0 and £22 per m². The 30% affordable housing target proved to be unviable at this value point.

9.16 Value Point 4 (£2,700 per m²): 30% affordable housing proved to be viable at this value point and delivers a CIL rate of between £78 and £132 per m².

Viability Results: 75 Units at 30dph

Residual Land Value Compared to VAS TLV

9.17 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 75 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£190,973	£5,875	£133,097	£228,853	£309,077
Value Area 2	-£70,383	£143,330	£284,054	£392,556	£484,832
Value Area 3	£87,822	£323,117	£485,426	£611,449	£719,428
Value Area 4	£351,457	£638,162	£838,472	£994,519	£1,129,969

Table 8.7: Residual Land Value 75 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

Deliverable CIL Rate (Per m²) - Based Upon VAS TLV

9.18 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 70 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £13
Value Area 3	£0	£0	£9 to £54	£58 to £99
Value Area 4	£0	£85 to £136	£161 to £207	£209 to £251

Table 8.8: CIL Rate per m², 75 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values

9.19 Value Point 1 (£2,000 per m²): The viability assessments undertaken demonstrate that the delivery of affordable housing may be challenging at Value Point 1. The 0% affordable housing target proves to be unviable.

9.20 Value Point 2 (£2,150 per m²): The 10% affordable housing option proves to be marginally viable at this value point, delivering a CIL of between £0 and £13 per m².

9.21 Value Point 3 (£2,350 per m²): Affordable housing targets at 30% and above proved to be unviable at Value Point 3. The lower affordable housing target of 20% proved to be viable, delivering a CIL of between £9 and £54 per m². Further reducing the affordable housing target to 10% ensures the delivery of a CIL between £58 and £99 per m².

9.22 Value Point 4 (£2,700 per m²): The average level of property value is higher at Value Point 4, at £2,700 per m². On this basis, the 75 unit/ 30 dph scheme scenario proves to be viable at 30% affordable housing, delivering a CIL of between £85 and £136 per m².

10.0 Viability Results - Larger Sites of 200 and 400 Units at 30dph - VAS TLV

10.1 This section sets out the results for the larger notional development schemes of 200 and 400 residential units assessed in accordance with the assumptions outlined Section 5 of this report and the relevant Emerging Plan policies set out in Section 4.

10.2 The viability appraisals consider the impact of affordable housing at 4 identified Value Points, as set in Section 5.

10.3 We have compared the residual land values produced for each site tested against the land value benchmarks (greenfield and brownfield) identified in Section 5 of this paper. The residential viability analysis assumes that there will be a requirement to provide affordable housing on each site tested.

10.4 As set out in Chapter 5, VAS has advised relevant TLVs on a net hectare basis. In order for the viability results to be directly comparable, the WPVA converts the Threshold Land Value to equivalent values per gross hectare, as set out in Table 9.1. In terms of the site area assumptions applied, the viability models assume a 60% net:gross ratio for the larger residential developments. The viability results presented in this chapter are presented on a per gross hectare basis.

10.5 The following residual land values need to be achieved on a gross hectare basis for the 200 and 400 unit developments:

Greenfield (No Abnormals)	£372,000
Greenfield (With Significant Abnormals)	£294,000
Brownfield (No Abnormals)	£360,000
Brownfield (With Significant Abnormals)	£288,000

Table 9.1: 200 and 400 Unit Scheme VAS Threshold Land Values (Per Gross Hectare)

10.6 We have assessed viability initially against what we have termed the 'baseline assumptions'. These have been determined following consultation with the Council and stakeholders and further information is provided at Chapter 5 of this report. The baseline assumptions are then set out at Table 9.2. (Please see next page).

Baseline Assumption	Larger Sites (200 and 400 dwellings)
Affordable Housing Percentage Targets	10% to 40%.
Affordable Housing Tenure	90:10 (Affordable Rent: Shared Ownership).
Absorption Rate	35 Dwellings per Annum for 200 unit scheme; and 70 Dwellings per Annum for 400 unit scheme.
BCIS Build Cost	200 Units = £958 per m^2. 400 Units = £926 per m^2.
Infrastructure and Additional Costs	Baseline assumes infrastructure costs of £6,000 per unit. This is in addition to the external build cost allowance of 15% of base, 'plot', build costs.
Section 106 Costs	£1,500 per unit.

Table 9.2: Baseline Viability Assumptions for Larger Site Sites (200 and 400 dwellings)

Viability Results: 200 Units at 30dph

Residual Land Value Compared to VAS TLV

10.7 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 200 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£123,021	£10,262	£107,961	£183,181	£236,121
Value Area 2	-£37,593	£105,841	£215,567	£300,736	£361,336
Value Area 3	£72,876	£232,923	£359,125	£457,509	£528,291
Value Area 4	£260,963	£455,412	£610,457	£731,860	£820,461

Table 9.3: Residual Land Value 200 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

Deliverable CIL Rate (Per m²) - Based Upon VAS TLV

10.8 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 200 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £5
Value Area 3	£0	£0	£0 to £32	£35 to £70
Value Area 4	£0	£43 to £87	£109 to £147	£149 to £184

Table 9.4: CIL Rate per m², 200 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values

10.9 Value Point 1 (£2,000 per m²): The viability results indicate that the 200 unit/ 30 dph scheme is not viable at Value Point 1.

10.10 Value Point 2 (£2,150 per m²): Further viability testing was undertaken at Value Point 2 where average values of £2,150 per m² are assumed. 10% affordable housing proves to be marginally viable at this value point, delivering a CIL rate between £0 and £5 per m². The higher rates of affordable housing provision (20% to 40%) remain unviable.

10.11 Value Point 3 (£2,350 per m²): 20% affordable housing is marginally viable at Value Point 3, delivering a CIL between £0 and £32 per m². The lower affordable housing provision rate of 10% delivers a higher CIL of between £35 and £70 per m².

10.12 Value Point 4 (£2,700 per m²): Affordable housing set at 30% proves to be viable at this value point, delivering a CIL between £43 and £87 per m².

Viability Results: 400 Units at 30dph

Residual Land Value Compared to VAS TLV

10.13 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 400 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£68,119	£61,135	£155,723	£230,528	£283,098
Value Area 2	£16,567	£156,019	£262,799	£347,427	£407,621
Value Area 3	£123,490	£282,701	£405,567	£503,339	£573,740
Value Area 4	£310,980	£504,395	£655,514	£776,293	£864,449

Table 9.5: Residual Land Value 400 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

Deliverable CIL Rate (Per m²) - Based Upon VAS TLV

10.14 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 400 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £23
Value Area 3	£0	£0	£15 to £51	£52 to £85
Value Area 4	£0 to £14	£65 to £107	£123 to £159	£160 to £193

Table 9.6: CIL Rate per m², 400 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values

10.15 Value Point 1 (£2,000 per m²): The viability tests demonstrate that when values as low as £2,000 per m² are assumed, the 400 unit scheme at 30dph is unviable at Value Point 1.

10.16 Value Point 2 (£2,150 per m²): Table 9.6 demonstrates that the 10% affordable housing scenario is marginally viable at Value Point 2, delivering a CIL between £0 and £23 per m².

10.17 Value Point 3 (£2,350 per m²): When property values are further increased to £2,350 per m² at Value Area 3, the 400 unit scheme at 30dph becomes viable at 20% affordable housing, delivering a CIL between £15 and £51 per m².

10.18 Value Point 4 (£2,700 per m²): The application of higher average values of £2,700 per m² at Value Point 4 ensures that 30% affordable housing is viable, along with the delivery of a CIL between £65 and £107 per m².

11.0 Viability Results – Small Sites of 5 and 11 Units at 30dph - Shinfield TLV

Viability Results: 5 Units at 30dph

11.1 In order to be determined viable, the 5 unit at 30 dph scheme must achieve a residual land value at, or above, the following Threshold Land Values which have been determined using the Shinfield Method, as described in Section 5.

Value Area 1	£201,815
Value Area 2	£343,593
Value Area 3	£536,313
Value Area 4	£867,115

Table 10.1: Shinfield Method Threshold Land Value, as Applied to the 5 Unit at 30 dph scheme

Residual Land Value Compared to Shinfield TLV

11.2 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 5 unit development scenario at 30 dph. The affordable housing targets tested represent the delivery of 2 affordable dwellings (40%) and 1 affordable unit (20%).

	40% AH	20% AH	0% AH
Value Area 1	-£392,032.15	£3,842.31	£338,030.29
Value Area 2	-£194,917.51	£254,289.73	£623,260.54
Value Area 3	£67,902.00	£589,404.69	£1,009,461.81
Value Area 4	£528,650.60	£1,151,501.79	£1,672,174.68

Table 10.2: 5 Units at 30dph – Residual Land Value per Gross Hectare – 0% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

Deliverable CIL Rate (Per m²) - Based Upon Shinfield TLV

11.3 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 5 Unit development scenario at 30 dph. In this case, viability is measured against the Shinfield TLVs, as set out in Table 10.1.

	40% AH	20% AH
Value Area 1	£0	£0
Value Area 2	£0	£0
Value Area 3	£0	£19
Value Area 4	£0	£102

Table 10.3: 5 Units at 30dph –Deliverable level of CIL (£ per m²) – 20% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

11.1 Value Point 1 (£2,000 per m²): The viability results demonstrate that the affordable housing targets of 20% to 40% are unviable at Value Point 1.

11.2 Value Point 2 (£2,150 per m²): The 20% affordable housing target (1 affordable dwelling) also proves to be unviable at Value Point 2.

11.3 Value Point 3 (£2,350 per m²): In terms of the 5 unit/ 30 dph scheme, the 20% affordable housing target proved viable at Value Point 3, delivering a CIL of £19 per m². The higher 40% affordable housing target proves unviable.

11.4 Value Point 4 (£2,700 per m²): This site typology also proved viable at 20% affordable housing, delivering an increased CIL, at £102 per m². Again, 40% affordable housing proves unviable.

Viability Results: 11 Units at 30dph

11.5 In order to be determined viable, the 11 unit at 30 dph scheme must achieve a residual land value at, or above, the following Threshold Land Values which have been determined using the Shinfield Method, as described in Section 5.

Value Area 1	£201,815
Value Area 2	£344,532
Value Area 3	£529,575
Value Area 4	£852,681

Table 10.4: Shinfield Method Threshold Land Value, as Applied to the 11 Unit at 30 dph scheme

Residual Land Value Compared to Shinfield TLV

11.6 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 11 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£252,651	-£75,846	£100,959	£250,158	£340,622
Value Area 2	-£39,134	£161,498	£355,965	£519,944	£626,805
Value Area 3	£245,555	£468,697	£693,113	£876,065	£997,976
Value Area 4	£724,478	£993,916	£1,263,356	£1,490,398	£1,644,163

Table 10.5: 11 Units at 30dph – Residual Land Value per Gross Hectare – 0% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

Deliverable CIL Rate (Per m²) - Based Upon Shinfield TLV

11.7 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 11 Unit development scenario at 30 dph. In this case, viability is measured against the Shinfield TLVs, as set out in Table 10.4.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£15
Value Area 2	£0	£0	£4	£53
Value Area 3	£0	£0	£54	£105
Value Area 4	£0	£52	£135	£194

Table 10.6: 11 Units at 30dph –Deliverable level of CIL (£ per m²) – 10% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

11.8 Value Point 1 (£2,000 per m²): The viability results demonstrate that the higher affordable housing targets of 20% to 40% are unviable at Value Point 1. The 11 unit scheme type produces a RLV that exceeds the Shinfield Threshold Land Value at 10% affordable housing and produces a developer surplus which is sufficient, in order to deliver a CIL of £15 per m².

11.9 Value Point 2 (£2,150 per m²): The 20% affordable housing target is viable at Value Point 2, albeit this scenario produces a relatively low level of CIL, at £4 per m². The affordable housing target was then lowered to 10%, producing a higher CIL, at £53 per m².

11.10 Value Point 3 (£2,350 per m²): The higher average property value of £2,350 per m² at Value Point 3 ensures that the 20% affordable housing scenario is sufficiently viable, in order to deliver a CIL of £54 per m². However, the higher affordable housing targets of 30% and 40% remain unviable.

11.11 Value Point 4 (£2,700 per m²): The viability results at Value Point 4 are more favourable and the 30% affordable housing scenario is viable, delivering a CIL of £52 per m².

12.0 Viability Results – Medium Sites of 25, 40 and 75 Units at 30dph - Shinfield TLV

Viability Results: 25 Units at 30dph

12.1 In order to be determined viable, the 25 unit at 30 dph scheme must achieve a residual land value at, or above, the following Threshold Land Values which have been determined using the Shinfield Method, as described in Section 5.

Value Area 1	£138,975
Value Area 2	£233,949
Value Area 3	£360,476
Value Area 4	£581,899

Table 11.1: Shinfield Method Threshold Land Value, as Applied to the 25 Unit at 30 dph scheme

Residual Land Value Compared to Shinfield TLV

12.2 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 25 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£296,645	-£78,384	£26,352	£166,644	£226,457
Value Area 2	-£162,999	£81,865	£196,005	£349,558	£416,227
Value Area 3	£15,196	£285,935	£414,542	£591,161	£669,546
Value Area 4	£315,414	£636,161	£795,490	£1,013,578	£1,112,389

Table 11.2: 25 Units at 30dph – Residual Land Value per Gross Hectare – 0% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

Deliverable CIL Rate (Per m²) - Based Upon Shinfield TLV

12.3 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 25 Unit development scenario at 30 dph. In this case, viability is measured against the Shinfield TLVs, as set out in Table 11.1.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£12
Value Area 2	£0	£0	£0	£48
Value Area 3	£0	£0	£25	£97
Value Area 4	£0	£28	£100	£181

Table 11.3: 25 Units at 30dph –Deliverable level of CIL (£ per m²) – 10% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

12.4 Value Point 1 (£2,000 per m²): The 25 unit/30 dph site typology is viable at 10% affordable housing, delivering a CIL of £12 per m². However, the higher affordable housing targets of 20% to 40% proved to be unviable.

12.5 Value Point 2 (£2,150 per m²): The 10% affordable housing scenario is viable, delivering a higher level of CIL, at £48 per m². The 20% to 40% affordable housing scenarios remain unviable.

12.6 Value Point 3 (£2,350 per m²): The 20% affordable housing scenario becomes viable, delivering a CIL of £25 per m². When the affordable housing target is lowered to 10%, a higher level of CIL, at £97 per m², becomes deliverable.

12.7 Value Point 4 (£2,700 per m²): The higher values, at Value Point 4, result in the 30% affordable housing scenario becoming viable, delivering a CIL of £28 per m². The lower affordable housing target of 20% delivers a CIL of £100 per m².

Viability Results: 40 Units at 30dph

12.8 In order to be determined viable, the 40 unit at 30 dph scheme must achieve a residual land value at, or above, the following Threshold Land Values which have been determined using the Shinfield Method, as described in Section 5.

Value Area 1	£170,289
Value Area 2	£264,329
Value Area 3	£389,716
Value Area 4	£609,142

Table 11.4: Shinfield Method Threshold Land Value, as Applied to the 40 Unit at 30 dph scheme

Residual Land Value Compared to Shinfield TLV

12.9 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 40 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£257,331	-£61,410	£42,198	£209,315	£289,704
Value Area 2	-£128,566	£89,344	£199,766	£385,830	£477,783
Value Area 3	£43,423	£281,568	£405,847	£621,005	£728,556
Value Area 4	£329,209	£614,910	£766,267	£1,032,563	£1,167,409

Table 11.5: 40 Units at 30dph – Residual Land Value per Gross Hectare – 0% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

Deliverable CIL Rate (Per m^2) - Based Upon Shinfield TLV

12.10 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 40 Unit development scenario at 30 dph. In this case, viability is measured against the Shinfield TLVs, as set out in Table 11.4.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£16
Value Area 2	£0	£0	£0	£50
Value Area 3	£0	£0	£8	£95
Value Area 4	£0	£3	£75	£174

Table 11.6: 40 Units at 30dph –Deliverable level of CIL (£ per m²) - 10% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

12.11 Value Point 1 (£2,000 per m²): The higher affordable housing targets, at 20% to 40%, are not viable at Value Point 1. The lower 10% affordable housing target is viable, delivering a CIL of £16 per m².

12.12 Value Point 2 (£2,150 per m²): Again, the higher affordable housing targets of 20% to 40% are unviable when the 40 unit/ 30dph scheme is tested at Value Point 2. The lower affordable housing target of 10% delivers a CIL of £50 per m².

12.13 Value Point 3 (£2,350 per m²): 20% affordable housing becomes viable at Value Point 3, delivering a relatively low level of CIL, at £8 per m². The lower affordable housing target of 10% delivers a CIL of £95 per m². The higher affordable housing targets of 30% and 40% remain unviable.

12.14 Value Point 4 (£2,700 per m²): 30% affordable housing is viable at Value Point 4, delivering a relatively low level of CIL, at £3 per m². The 20% affordable housing target delivers a higher level of CIL, at £75 per m².

Viability Results: 75 Units at 30dph

12.15 In order to be determined viable, the 75 unit at 30 dph scheme must achieve a residual land value at, or above, the following Threshold Land Values which have been determined using the Shinfield Method, as described in Section 5.

Value Area 1	£179,174
Value Area 2	£267,112
Value Area 3	£384,410
Value Area 4	£589,681

Table 11.7: Shinfield Method Threshold Land Value, as Applied to the 75 Unit at 30 dph scheme

Residual Land Value Compared to Shinfield TLV

12.16 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 75 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£190,973	£5,875	£133,097	£228,853	£309,077
Value Area 2	-£70,383	£143,330	£284,054	£392,556	£484,832
Value Area 3	£87,822	£323,117	£485,426	£611,449	£719,428
Value Area 4	£351,457	£638,162	£838,472	£994,519	£1,129,969

Table 11.8: 75 Units at 30dph – Residual Land Value per Gross Hectare – 0% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

Deliverable CIL Rate (Per m^2) - Based Upon Shinfield TLV

12.17 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 75 Unit development scenario at 30 dph. In this case, viability is measured against the Shinfield TLVs, as set out in Table11.7.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£20
Value Area 2	£0	£0	£7	£50
Value Area 3	£0	£0	£44	£90
Value Area 4	£0	£24	£108	£160

Table 11.9: 75 Units at 30dph –Deliverable level of CIL (£ per m²) – 10% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

12.18 Value Point 1 (£2,000 per m²): The 75 unit/30 dph scheme is viable at 10% affordable housing, delivering a CIL of £20 per m². The 20% to 40% affordable housing targets tested proved to be unviable.

12.19 Value Point 2 (£2,150 per m²): The 75 unit/ 30 dph scheme is viable at 20% affordable housing, delivering a CIL of £7 per m². The lower affordable housing target of 10% delivers a CIL of £50 per m².

12.20 Value Point 3 (£2,350 per m²): Value point 3 delivers a maximum affordable housing target of 20% and this level of provision also ensures the delivery of a £44 per m² CIL. The 10% affordable housing scenario delivers a CIL of £90 per m².

12.21 Value Point 4 (£2,700 per m²): Value Point 4 includes the highest average values in the Borough, at £2,700 per m². The 75 unit/ 30 dph is viable at 30% affordable housing, delivering a CIL of £24 per m². The lower 20% affordable housing target delivers a CIL of £108 per m².

13.0 Viability Results - Larger Sites of 200 and 400 Units at 30dph - Shinfield TLV

Viability Results: 200 Units at 30dph

13.1 In order to be determined viable, the 200 unit at 30 dph scheme must achieve a residual land value at, or above, the following Threshold Land Values which have been determined using the Shinfield Method, as described in Section 5.

Value Area 1	£138,786
Value Area 2	£201,394
Value Area 3	£284,871
Value Area 4	£430,956

Table 12.1: Shinfield Method Threshold Land Value, as Applied to the 200 Unit at 30 dph scheme

200 Units at 30dph - Residual Land Value Compared to Shinfield TLV

13.2 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 200 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£123,021	£10,262	£107,961	£183,181	£236,121
Value Area 2	-£37,593	£105,841	£215,567	£300,736	£361,336
Value Area 3	£72,876	£232,923	£359,125	£457,509	£528,291
Value Area 4	£260,963	£455,412	£610,457	£731,860	£820,461

Table 12.2: 200 Units at 30dph – Residual Land Value per Gross Hectare – 0% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

200 Units at 30dph - Deliverable CIL Rate (Per m²) - Based Upon Shinfield TLV

13.3 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 200 Unit development scenario at 30 dph. In this case, viability is measured against the Shinfield TLVs, as set out in Table 12.1.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£18
Value Area 2	£0	£0	£6	£41
Value Area 3	£0	£0	£34	£72
Value Area 4	£0	£13	£82	£125

Table 12.3: 200 Units at 30dph –Deliverable level of CIL (£ per m²) – 10% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

13.4 Value Point 1 (£2,000 per m²): The 200 unit /30 dph scheme is viable at 10% affordable housing, delivering a CIL of £18 per m². The 20% to 40% affordable housing scenarios are unviable at this Value Point.

13.5 Value Point 2 (£2,150 per m²): 20% affordable housing is viable at Value Point 2, delivering a CL of £6 per m². The lower affordable housing target of 10% delivers a CIL of £41 per m².

13.6 Value Point 3 (£2,350 per m²): The viability results indicate that Value Point 3 can deliver a maximum affordable housing target of 20% and this scenario also results in a CIL of £34 per m².

13.7 Value Point 4 (£2,700 per m²): The higher average values at this value point ensure that the 30% affordable housing scenario becomes viable, delivering a relatively low level of CIL, at £13 per m². The 20% affordable housing scenario delivers a CIL of £82 per m².

Viability Results: 400 Units at 30dph

13.8 In order to be determined viable, the 400 unit at 30 dph scheme must achieve a residual land value at, or above, the following Threshold Land Values which have been determined using the Shinfield Method, as described in Section 5.

Value Area 1	£162,141
Value Area 2	£224,436
Value Area 3	£307,495
Value Area 4	£452,850

Table 12.4: Shinfield Method Threshold Land Value, as Applied to the 400 Unit at 30 dph scheme

400 Units at 30dph - Residual Land Value Compared to Shinfield TLV

13.9 The following table demonstrates the level of residual land value that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 400 Unit development scenario at 30 dph:

	40% AH	30% AH	20% AH	10% AH	0% AH
Value Area 1	-£68,119	£61,135	£155,723	£230,528	£283,098
Value Area 2	£16,567	£156,019	£262,799	£347,427	£407,621
Value Area 3	£123,490	£282,701	£405,567	£503,339	£573,740
Value Area 4	£310,980	£504,395	£655,514	£776,293	£864,449

Table 12.5: 400 Units at 30dph – Residual Land Value per Gross Hectare – 0% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

400 Units at 30dph - Deliverable CIL Rate (Per m²) - Based Upon Shinfield TLV

13.10 The following table demonstrates the level of CIL that is achievable at affordable housing targets of between 0% and 40% across the Borough, in relation to the 400 Unit development scenario at 30 dph. In this case, viability is measured against the Shinfield TLVs, as set out in Table 12.4.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£27
Value Area 2	£0	£0	£17	£49
Value Area 3	£0	£0	£43	£77
Value Area 4	£0	£25	£88	£128

Table 12.6: 400 Units at 30dph –Deliverable level of CIL (£ per m²) – 10% to 40% Affordable Housing, Value Points 1 to 4 – Assuming Shinfield TLV

13.11 Value Point 1 (£2,000 per m²): The 10% affordable housing scenario is viable, delivering a CIL of £27 per m². The 20% to 40% affordable housing targets prove to be unviable at Value Point 1.

13.12 Value Point 2 (£2,150 per m²): 20% affordable housing becomes viable at Value Point 2, delivering a CIL of £17 per m². The lower affordable housing target of 10% delivers a CIL of £49 per m².

13.13 Value Point 3 (£2,350 per m²): Again 20% affordable housing is viable, delivering a higher CIL rate of £43 per m² at Value Point 3.

13.14 Value Point 4 (£2,700 per m²): The higher average values at Value Point 4 are sufficient, in order to ensure that 30% affordable housing becomes viable, delivering a CIL of £25 per m². The lower affordable housing target of 20% delivers a CIL of £88 per m².

14.0 Viability Results - The Staveley and Rother Valley Corridor Strategic Site

14.1 The Emerging Chesterfield Local Plan seeks to maximise the potential of the major regeneration areas, including the Staveley and Rother Valley Corridor. The Staveley and Rother Valley Corridor is the largest regeneration opportunity within Chesterfield Borough, covering approximately 150 ha.

14.2 The corridor lies in the north east of the Borough, to the north of the settlements of Staveley and Brimington. The site consists of mostly vacant former industrial land. The area has in the past been subject to a range of uses, including foundries, chemical works and areas of opencast coal mining and landfill. All of these have left a difficult legacy of contaminated land and problematic ground conditions.

14.3 The site is allocated under Policy PS5 of the Emerging Local Plan. The Emerging Local Plan allows for the provision of 1,500 residential dwellings on-site. The site is allocated for mixed use development, including over 40 hectares of commercial development.

14.4 Appendix A of the Emerging Local Plan sets out the anticipated costs and further information relating to the funding and delivery of this strategic site. It is noted that some of the cost estimates are historic and that the estimates will be updated when further information becomes available. In terms of some of the key infrastructure items, these include:

Infrastructure/ Abnormal cost Requirements	Estimated Infrastructure Costs	Potential Funding Sources
Land decontamination and remediation	Overall costs: £60M - £70M Source: Options Report, Taylor	Regeneration agencies and developer contributions; + HS2
On-site road infrastructure	Overall costs : £12M Source: Options Report, Taylor Young (2010)	Developer contributions
Flood mitigation and defence works	Overall costs: £7M Source: Options Report, Taylor Young (2010)	Regeneration agencies and developer contributions or CIL
Masterplanned green infrastructure provision (inc proposed greenways)	Not currently estimated	Included as part of development costs.

Potential capacity issues at Springwell Secondary School	Dependent on local school capacity at the time housing proposals come forward	SCR skills agenda
New single form entry primary school (evidence from DCC)	TBC	TBC

Table 13.1: Staveley and Rother Corridor (Infrastructure/ Abnormal cost Requirements

Threshold Land Value – The VAS Based Results

14.5 As set out in Chapter 5, VAS has advised relevant TLVs on a per net hectare basis. VAS recommended a TLV specific to the Staveley area and a landowner return of £325,000 per net hectare for a brownfield site with significant abnormals which is likely to be more relevant, in this case. The VAS report also recommended a higher TLV of £445,000 per net hectare, for Brownfield sites without significant abnormals, in the Staveley area.

14.6 In order for the viability results to be directly comparable, the WPVA converts the above Threshold Land Values to equivalent values per gross hectare, based upon the proportion of net: gross site area. On this basis, the Staveley and Rother Corridor site needs to achieve a residual land value of £195,000 per gross hectare, based upon a brownfield site with significant abnormals. Whilst less relevant in this case, the viability results also examine a higher BLV of £267,000 per gross hectare, based upon a brownfield site without significant abnormals.

14.7 We have assessed the viability profile of the Staveley Corridor Strategic site initially against what we have termed the *'baseline assumptions'.* These have been determined following consultation with the Council and stakeholders and further information is provided at Chapter 5 of this report. Table 13.3 sets out the viability inputs that inform this strategic site.

Baseline Assumption	
Affordable Housing Percentage Targets	0% to 40%.
Affordable Housing Tenure	90:10 (Affordable Rent: Shared Ownership).
Absorption Rate	100 Dwellings per Annum.
BCIS Build Cost	£926 per $m^{2;}$
Infrastructure and Additional Costs	Baseline assumes that this is incorporated into 10% uplift of external build costs. In addition, the viability tests examined x3 levels of infrastructure costs at (A) £12,700 per unit (B) £33,000 per unit and (C) £59,000 per unit.
Section 106 Costs	£2,400 per unit.

Table: 13.3: Baseline Assumptions – The Staveley Corridor Site

14.8 Whilst the allocation in the plan are for substantial areas of land, it is our experience that the allocated area and the application area are not necessarily the same. The exact element of the scheme which is to comprise the built area of the scheme may also be subject to change over the course of the planning process. For the purposes of this exercise then, we have applied a notional Net to Gross ratio of 60%.

14.9 This is intended to reflect the ratio of the residential element to the area of the site including the public open space but not the commercial elements of the scheme which are excluded. It is assumed that the appraised costs we have applied to the residential area include the cost of providing the major overall infrastructure. The acquisition and associated costs of the commercial land is assumed to be addressed through the disposal of those parcels of land.

Assumed Residential Values

14.10 The Staveley Corridor site is in the area covered by Value Area 1, where average values of £2,000 per m^2 apply. The viability tests also consider the regenerative potential of strategic scale development. It is not uncommon for strategic developments to create their own sub-market area in which values are higher than in the immediately surrounding area. The viability tests presented in this section then also consider higher Value Area 2 (£2,150 per m^2) and Value 3 (£2,350 per m^2) average house prices.

Commercial Uses

14.11 The Staveley Corridor scheme will deliver over 40ha of employment land. This will have an effect on viability and needs to be considered.

14.12 Our approach has therefore generally been to assess the residential element of the strategic scale sites and make allowances which should, in our experience, be sufficient to service the commercial elements. The disposal of the employment land can then be treated as an additional revenue stream on top of that which has already been proposed.

Strategic Viability Result 1: Staveley Corridor, Assuming Lower Infrastructure Costs of £12,700 per Unit

14.13 Table 13.4 and 13.5 demonstrate the level of residual land value and CIL that is achievable at affordable housing targets of between 0% and 40%, in relation to the Stavelely Corridor site. The viability results are compared to both the VAS range of Threshold Land Value, in this case £195,000 to £267,000 per gross hectare.

14.14 In the case of this first set of results, the viability appraisal considers the lowest level of infrastructure provision, at £12,700 per unit (£19,050,000). Whilst it is acknowledged that the abnormal/ infrastructure costs set out in Table 13.1 may amount to over £80,000,000 (over £45,000 per unit), the lower infrastructure costs reflect a hypothetical scenario, whereby significant funding from public bodies becomes available.

14.15 It is recognised that this level of subsidy may be well in excess of what would be typically expected for a scheme of this nature. However, this test provides useful context, in terms of examining a more optimistic viability profile of the scheme.

VAS TLV Base Results (Lower Infrastructure Costs of £12,700 per Unit)

RLV	40% AH	30% AH	20% AH	10% AH	0% ah
Value Area 1	-£100,972	-£657	£76,429	£136,025	£177,569
Value Area 2	-£30,636	£76,849	£163,717	£231,271	£278,954
Value Area 3	£59,312	£179,991	£280,100	£358,266	£414,136

Table 13.4: Residual Land Value - Staveley Corridor - 0% to 40% Affordable Housing Provision at Value Points 1 to 3 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values – Lower Infrastructure Costs

CIL	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £10
Value Area 3	£0	£0	£4 to £25	£22 to £44

Table 13.5: CIL Levy -Staveley Corridor: 10% to 40% Affordable Housing Provision at Value Points 1 to 3 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values - Lower Infrastructure Costs

14.16 Value Point 1 (£2,000 per m²): The results of viability testing demonstrate (as above) that an affordable housing target of 10% is unviable in Value Area 1, even when the lowest infrastructure costs of £12,700 per unit are assumed. On this basis, there isn't any surplus value, in order to deliver a CIL.

14.17 The viability tests also considered a scheme unencumbered by affordable housing provision. The unencumbered scheme proved to be unviable, when tested against the lower VAS Threshold Land Value of £195,000 per gross hectare.

14.18 Value Point 2 (£2,150 per m²): The higher average values at Value Point 2 ensure that an affordable housing target of up to 10% may be achievable, again assuming the lower abnormal/ infrastructure costs of £12,700 per unit. The higher affordable housing targets of 20% to 40% remain unviable.

14.19 When measured against the VAS TLV, the scheme is marginally viable when delivering an affordable housing target of 10% and a CIL of up to £10 per m².

14.20 Value Point 3 (£2,350 per m²): As expected, the higher average prices of £2,350 per m² have a positive impact upon development viability. 20% affordable housing becomes viable, the VAS TLVs delivers a CIL between £4 and £25 per m². The lower affordable housing target of 10% delivers a higher level of CIL, between £22 and £44 per m².

14.21 The higher affordable housing targets of 30% and 40% remain unviable, at Value Point 3.

Strategic Viability Result 2: Staveley Corridor, Assuming 'Mid-Point' Infrastructure Costs of £33,000 per Unit

14.22 Tables 13.6 to 13.7 demonstrate the level of residual land value and CIL that is achievable at affordable housing targets of between 0% and 40%, in relation to the Stavelely Corridor site, assuming the mid-point level of infrastructure provision, at £33,000 per unit, or £49,500,000 across the 1,500 residential dwellings as a whole.

14.23 This scenario assumes more limited levels of subsidy from the various public bodies. It is again acknowledged that this is below the identified infrastructure/ abnormal works, as identified in Table 1.1.

VAS TLV Base Results (Mid Point Infrastructure Costs of £33,000 per Unit)

RLV	40% AH	30% AH	20% AH	10% AH	0% ah
Value Area 1	-£294,277	-£197,085	-£115,228	-£51,679	-£7,361
Value Area 2	-£226,416	-£114,706	-£22,080	£46,935	£94,619
Value Area 3	-£133,254	-£4,661	£95,767	£173,931	£229,800

Table 13.6: Residual Land Value: Staveley Corridor - 0% to 40% Affordable Housing Provision at Value Points 1 to 3 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values and Mid Level Infrastructure Costs

CIL	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0
Value Area 3	£0	£0	£0	£0

Table 13.7: CIL Levy: Staveley Corridor: 10% to 40% Affordable Housing Provision at Value Points 1 to 3 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values and Mid Level Infrastructure Costs

Value Point 1 (£2,000 per m²) to Value Point 3 (£2,350 per m²): The viability results at Tables 13.6 and 13.7 demonstrate that the mid-point infrastructure costs of £33,000 per unit have a significant impact upon the viability profile of the Staveley Corridor site, across all value areas tested.

14.24 The viability results demonstrate that the scheme is unable to deliver an affordable housing target. There is also insufficient developer surplus, in order to deliver a CIL.

14.25 It is noted that the 0% affordable housing target is marginally viable at Value Point 3, achieving a residual land value of £229,800 per gross hectare, above the lower VAS Threshold Land Value of £195,000 per gross hectare.

Strategic Viability Result 3: Staveley Corridor, Assuming 'Higher' Infrastructure Costs of £59,000 per Unit

14.26 Table 13.8 to 13.9 demonstrate the level of residual land value and CIL that is achievable at affordable housing targets of between 0% and 40%, in relation to the Stavelely Corridor site, assuming the higher level of infrastructure provision, at £59,000 per unit, or £88,500,000 across the 1,500 residential dwellings as a whole.

14.27 This scenario assumes that the majority of the identified infrastructure and abnormal works are delivered by developer subsidy, with minimal reliance upon subsidy from public bodies.

VAS TLV Base Results (Higher Infrastructure Costs of £59,000 per Unit)

RLV	40% AH	30% AH	20% AH	10% AH	0% ah
Value Area 1	-£534,363	-£440,204	-£363,321	-£302,680	-£259,299
Value Area 2	-£467,958	-£362,356	-£273,599	-£201,948	-£151,141
Value Area 3	-£379,419	-£256,059	-£149,776	-£66,443	-£6,833

Table 13.8: Residual Land Value: Staveley Corridor - 0% to 40% Affordable Housing Provision at Value Points 1 to 3 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values and Higher Infrastructure Costs

CIL	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0
Value Area 3	£0	£0	£0	£0

Table 13.9: CIL Levy: Staveley Corridor: 10% to 40% Affordable Housing Provision at Value Points 1 to 3 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values and Higher Infrastructure Costs

14.28 Value Point 1 (£2,000 per m²) to Value Point 3 (£2,350 per m²): The viability results at Tables 13.8 to 13.9 demonstrate that the higher infrastructure costs of £59,000 per unit result in all of the scheme scenarios tested becoming unviable. The highest value point (Value Area 3- £2,350 per m²) achieves a negative residual land value of Minus £6,833 per gross hectare, based upon a development scenario unencumbered by affordable housing provision. The Staveley Corridor scheme isn't able to deliver any level of developer contribution when these higher infrastructure costs are assumed.

15.0 Viability Results - The Chesterfield Waterside Strategic Site

15.1 Chesterfield Waterside is a narrow corridor of land extending northwards from the railway station and centred on the River Rother and Chesterfield Canal - an important part of Chesterfield's green infrastructure. Historically the area contained a range of employment uses, some of which are now vacant or underused. The site amounts to around 25ha of land.

15.2 In 2011 outline planning permission was granted for comprehensive redevelopment. The development contemplates:

a. Up to 1,550 new homes;

b. Up to 30,000m2 of new office space

c. Retail and food and drink uses

d. A doctors' surgery and creche

e. One or two hotels with 250 bedrooms in total

f. Public open space including linear parks

g. Two multi-storey car parks.

15.3 The site is allocated under Policy PS3 of the Emerging Local Plan. The Emerging Local Plan recognises the existence of the outline consent and requires that detailed planning permission will only be granted for development that contributes towards the creation of jobs; the restoration of the river and canal; the achievement of a mix of residential employment and leisure uses; a high quality environment, including a new park and managing the local flood risk.

15.4 Appendix A of the Emerging Local Plan sets out the anticipated costs and further information relating to the funding and delivery of this strategic site. It is noted that some of the cost estimates are historic and that the estimates will be updated when further information becomes available. In terms of some of the key infrastructure items, these include:

Infrastructure/ Abnormal Cost Requirements	Estimated Infrastructure Costs	Potential Funding Sources
Engineering and Sewerage diversion for canal basin	Overall cost: £100,000	East Midland Development Agency (completed
Off-site road infrastructure	Overall costs : £5m Source: Planning Application Legal Agreement	Developer contributions
Masterplanned green infrastructure provision	Overall costs: not estimated	Included as part of development cost. (management to be funded through service charge)

Table 14.1: Staveley and Rother Corridor (Infrastructure/ Abnormal cost Requirements

15.5 Note that these costs, when divided equally among the 1,550 homes contemplated for the Riverside site, amount to a little over £3,000/unit. This is a comparatively low infrastructure burden for a scheme on this scale.

15.6 As set out in Chapter 5, VAS has advised relevant TLVs on a per net hectare basis. In order for the viability results to be directly comparable, the WPVA converts the Threshold Land Value to equivalent values per gross hectare. To do this, we have drawn on the masterplan summary within the planning application. This document states that the scheme will achieve around 7.5ha of public open space. This implies that the net developable area represents about 70% of the total site. On this basis, the Waterside site needs to achieve a residual land value of between £336,000 per gross hectare, based upon a brownfield site with significant abnormals and £420,000 (reflecting brownfield land without significant abnormals).

15.7 In a departure from our practice in respect of the other residential sites, we have not undertaken testing against the alternative "Shinfield" land value benchmark. The reason for this is that, whilst the Shinfield approach is appropriate to the testing of residential land and can illustrate the capacity of that land to bear the cost of infrastructure provision, the Waterside is a mixed-use site and the employment uses are integrated with the residential uses.

15.8 Moreover, our assessment of commercial uses has suggested that, in general such uses are not likely to be viable (at least on the model we have tested). As such, we assume that many of the employment and other uses will, in effect, form a drag on the overall viability of the scheme. In this context, it makes little sense to refer to the

"unencumbered" value of the scheme before the imposition of planning obligations – because some of the major uses may themselves be loss making.

15.9 In order to address this, we have first assessed the residential component of the scheme against the VAS benchmarks set out above.

15.10 We have then undertaken separate, high level appraisals of the various employment and other uses in order to determine the land value that they generate (positive or negative). We have then combined these effects and used them to adjust the land value arising from the residential component.

Assumptions

15.11 Whilst there are modest discrepancies between the areas of land allocated in the plan, and in the planning applications submitted to date, we have based our modelling on 1,550 homes and 25ha of land.

15.12 We have assessed the viability profile of the strategic sites initially against what we have termed the *'baseline assumptions'.* These have been determined following consultation with the Council and stakeholders and further information is provided at Chapter 5 of this report. Table 1.3 sets out the viability inputs that inform this strategic site.

15.13 We also note that this development, uniquely among the residential sites tested, comprises mostly flatted accommodation. Of this, the planning application suggests that a minority is high rise and the remainder, medium rise. Essentially, we assume that the majority of the units on Phase 1 (Basin Square) will be high rise and the majority of the remaining phases will be below six stories (medium rise.) on this basis, we have applied a cost rate which reflects a blended average of 25% high rise and 75% medium rise accommodation.

15.14 Further details are set out in the assumptions chapter above.

Baseline Assumption	
Affordable Housing Percentage Targets	0% to 40%.
Affordable Housing Tenure	90:10 (Affordable Rent: Shared Ownership).
Absorption Rate	100 Dwellings per Annum.
BCIS Build Cost	£928 per $m^{2;}$ Houses £1,160 per m^2
Infrastructure and Additional Costs	Baseline assumes that this is incorporated into 10% uplift of external build costs. In addition, the viability tests examined 3 levels of infrastructure costs at (A) £5,000 per unit (B) £7,500 per unit and (C) £10,000 per unit.
Section 106 Costs	£1,500 per unit.

Table: 1.3: Baseline Assumptions – The Staveley Corridor Site

Assumed Residential Values

15.15 The Waterside site is in situated to the north of central Chesterfield with good access to the railway station and an attractive, waterfront location. We would therefore expect values to be relatively strong. However, valuation is more difficult because of the lack of comparable schemes in the area and because the regeneration effect that the scheme is designed to produce has yet to take place.

15.16 Moreover, in general, we would say that development in this location, would generate at values consistent with our Value Point 3 – or even Value Point 4. However, we also note that the accommodation here takes the form of apartments (for which there is little in the way of directly comparable precedent) and that the tall apartment buildings on phase 1 are to be constructed for rent.

15.17 This appears to us to make sense. Unlike, developments of houses, where the build out rate can be adjusted to match the absorption rate, large apartment buildings need to be built out at least a core at a time. This can create cashflow problems as developers have to finish apartments and then wait for them to sell through. The advantages of building to rent are, first, that take up is typically much faster and second, that it allows the developers to capture some of the uplift in value achieved by the regeneration effect over time.

15.18 One of the difficulties of regeneration is that the early phases need to be occupied before the regeneration is complete and before the new place that has been created has an opportunity to establish itself. This means that the values achieved do not capture the impact of regeneration. Whilst letting out the first phase may not achieve the maximum possible value initially, rents may be expected to rise over time, (and landlords may opt to sell off homes at higher values over time). Some of this future value may be built into the price paid to developers initially.

15.19 As to the level of rents locally, our research suggests that rents of £650/month for a two bedroom home are not uncommon for modern, purpose built apartments of good quality in this area. Given that service charges would be additional, we do not consider it unreasonable to apply a yield of around 5% to this gross rent in order to arrive at a capital value of £156,000 for the same two bedroom unit – before the impact of the regeneration effects, noted above. This is equivalent to a value of around £2,400/m^2 – roughly equivalent to our Value Point 3.

15.20 However, over the longer term, we would expect values to rise as the development establishes itself as a vibrant new quarter of the town. Regeneration can easily result in a premium of 15-25% over the values prevalent in the local market. Over time, therefore, we consider it reasonable to assume that the development would be able to achieve values closer to our Value Point 4 (£2,700/m^2)

Strategic Viability Result 1Chesterfield Waterside, Assuming Lower Infrastructure Costs of £5,000 per Unit. Residential only

15.21 Table 14.4 and 14.5 demonstrate the level of residual land value that is achievable at affordable housing targets of between 0% and 40%, in relation to the chesterfield Waterside site.

15.22 In this case, the viability appraisal considers the lowest level of infrastructure provision, at £5,000 per unit (£7,750,000). Whilst it is acknowledged that the abnormal/ infrastructure costs set out in Table 1.1 amount to just £5,100,000 (£3,250 per unit), we note that the schedule of costs is some years old and may be incomplete..

VAS TLV Base Results (Lower Infrastructure Costs of £5,000 per Unit)

RLV	40% AH	30% AH	20% AH	10% AH	0% ah
Value Area 3	-£604,789	-£376,906	-£140,308	£82,706	£271,866
Value Area 4	-£225,461	£58,656	£334,252	£600,141	£835,834

Table 14.4: Residual Land Value – Chesterfield Waterside - 0% to 40% Affordable Housing Provision at Value Points 3 & 4 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

CIL	40% AH	30% AH	20% AH	10% AH
Value Area 3	£0	£0	£0	£0
Value Area 4	£0	£0	£0	£17 to £27

Table 14.5: CIL Chesterfield Waterside: 10% to 40% Affordable Housing Provision at Value Points 3 & 4 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

15.23 Value Point 1 (£2,350 per m²): The results of viability testing the residential element of the scheme on the basis of current values suggest that the scheme is not viable, even with no affordable housing. Nonetheless, development does generate a positive land value, with no affordable housing and even with 10%. In view of the distressed nature of the site, this land value may exceed the existing use value – although it may be insufficient to bring it forward for development.

15.24 Value Point 2 (£2,150 per m²): However, if the regeneration effect were sufficient to boost values closer to the level represented by Value Point 4, then development would not only be viable, it would also be consistent with the inclusion of 10% affordable housing overall.

15.25 Such a scheme would also be able to provide a modest level of CIL although we would question the utility of applying this inflexible measure to a scheme whose finances are finely balanced.

15.26 We also note that the residual land value achieved on the basis of 20% affordable housing is very close to the lower end of the range of BLV we identified – being less

than £2,000/ha below that threshold. In reality, it may be more realistic to describe this scenario as "marginally viable" than unviable.

Strategic Viability Result 2: Chesterifeld Waterside, Assuming Infrastructure Costs of £7,500 per Unit. Residential only

15.27 Table 14.6 and 14.7 demonstrate the level of residual land value that is achievable at affordable housing targets of between 0% and 40%, in relation to the Waterside site, assuming the mid-point level of infrastructure provision, at £7,500 per unit, or £11,625,000 across the site as a whole.

VAS TLV Base Results (Mid Point Infrastructure Costs of £33,000 per Unit)

RLV	40% AH	30% AH	20% AH	10% AH	0% ah
Value Area 3	-£685,649	-£460,079	-£223,658	£4,465	£199,876
Value Area 4	-£308,633	-£21,146	£256,209	£522,058	£751,613

Table 14.6: Residual Land Value: Chesterfield Waterside - 0% to 40% Affordable Housing Provision at Value Points 3 & 4 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

CIL	40% AH	30% AH	20% AH	10% AH
Value Area 3	£0	£0	£0	£0
Value Area 4	£0	£0	£0	£9 to £19

Table 14.7: CIL Levy: Staveley Corridor: 10% to 40% Affordable Housing Provision at Value Points 1 to 3 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

15.28 Value Point 3 (£2,350 per m^2. Unsurprisingly, even a modest increase in the assumed cost of infrastructure and servicing has a deleterious effect on viability. The RLV arising from current market values remains positive – although only barely so when 10% affordable housing is included.

15.29 Value Point 4 (£2,700 per m^2) If values consistent with our Value Point 4 can be achieved, then the RLV is improved. Once again, our modelling suggests that the scheme might support 10% affordable housing and even a CIL – albeit a very modest one.

Strategic Viability Result 3: Chesterfield Waterside, Assuming Infrastructure Costs of £10,000 per Unit. Residential only

Table 14.8 and 14.9 demonstrate the level of residual land value that is achievable at affordable housing targets of between 0% and 40%, in relation to the Waterside site, assuming the higher level of infrastructure provision, at £10,000 per unit, or £15,500,000 across whole site.

VAS TLV Base Results (Higher Infrastructure Costs of £10,000 per Unit)

RLV	40% AH	30% AH	20% AH	10% AH	0% ah
Value Area 3	-£765,401	-£542,954	-£306,933	-£78,807	£121,793
Value Area 4	-£391,789	-£104,431	£178,179	£443,976	£673,530

Table 14.8: Residual Land Value: Chesterfield Waterside - 0% to 40% Affordable Housing Provision at Value Points 3 and 4 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

CIL	40% AH	30% AH	20% AH	10% AH
Value Area 3	£0	£0	£0	£0
Value Area 4	£0	£0	£0	£1 to £11

Table 14.9: CIL Levy: chesterfield Waterside: 10% to 40% Affordable Housing Provision at Value Points 1 to 3 (RLV per Gross Hectare) - Assuming VAS Threshold Land Values

15.30 Value Point 3 (£2,350 per m²) & Value Point 4 (£2,700 per m²): Once again, a further increase in the level of infrastructure assumed has a modest but negative impact on residual land value, and, hence, viability. In our modelling, each £2,500 increment in the assumed infrastructure costs reduces Residual Land Value by around £100,000/ha in all scenarios.

Commercial Uses

15.31 The above results refer only to the residential element of the proposed development. However, unlike other major developments in the area, it is the clear intention of the promoters of this scheme that the employment and other uses should be integrated with the residential accommodation. They are provided under and over the residential accommodation, in order to provide a new place within Central Chesterfield. It is

therefore impossible to consider overall scheme viability without giving consideration to the impact of these other uses.

15.32 However, we should note that our modelling of standalone developments of some of the uses proposed here deliver residual land values that are not only below the threshold necessary to achieve scheme viability but, in most cases, strongly negative in absolute terms. Clearly then, these uses will constitute a drag on the viability of the overall development.

15.33 We have therefore considered each of the uses included within the masterplan and reviewed the assumptions we made for commercial development in light of the specific circumstances of this scheme. We have then undertaken a broad-brush assessment of the Residual Land Value arising from each of these elements. For the major elements we have made use of the Commercial modelling software, Argus (although for some of the smaller uses, we have simply made an assessment based on our own experience and conditions in the area.

15.34 Each of these uses generates either a positive or negative land value, which we have then added together and then added to the results of the residential appraisals above.

15.35 Whilst this approach has the disadvantage that it extracts these uses from the cashflow mechanism, it has the advantage of providing decision takers with an understanding of which uses are generating the value in the development and which may be imposing an element of burden.

Office Space

15.36 The masterplan makes provision for some 30,350m^2 of office space, primarily on Basin Square. In our modelling of freestanding office development we found that this use class generated a huge loss.

15.37 We therefore looked again at the values we had assumed for the class in the context of the Waterside. To do so, we made a review of the Rateable Values of existing modern office space in the Borough. Whilst we found support for VAS's finding that rents were generally, in the order of £80/m^2, we also found that good quality office space in the Centre of the Town has the capacity to generate rents up to £120/m^2. This was the rate we found at, for example, the Dunston Innovation Centre, at Royal Court on Basil Close and at Capstone House. To this, we applied a yield of 8% as before.

15.38 On the cost side, we took the view that, because the office accommodation will be provided on the lower floors of the residential buildings, it would make sense to

assume that costs would be in line with those of the residential accommodation (£1,160 in this instance).

15.39 We further assume that, because the office space is integrated with the residential uses and because the cost of external space and landscaping has already been accounted for in the residential modelling, that there is not need to account for these costs here.

15.40 Finally, we have assumed that the units will be let or sold off plan rather than constructed speculatively. For this reason, we have allowed for a developer's profit margin of just 10% of GDV (down from 17.5% in the standalone appraisals).

15.41 On this basis the Residual Land Value deficit is considerably reduced but it remains substantially negative. We undertook an appraisal of 2,000m² of office accommodation and found that the Residual Land Value was *Minus* £704,211. Scaled up to the 30,350m² in the masterplan, this amounts to a negative land value of £10,686,000.

Food and Beverage

15.42 The masterplan makes provision for some 4,200m² Restaurants and Cafes, 600m² of Drinking Establishments and 500m² of Hot food businesses (A4) for a total of 5,300m² of food and beverage uses.

15.43 This was not a use class tested in our commercial appraisals but we have once again had recourse to the published rateable values for businesses of these types. had recourse to the published information on rateable values.

15.44 Values in this use class varied widely – from less than £90/m² to around £250 for a number of restaurants on Holyfield Street and as high as £350 for a single premise on Low Pavement. For the purpose of this appraisal, we have applied a rate at roughly the upper quartile level - £190/m². Again, we have a applied a yield of 8%

15.45 Once again, we have applied construction costs at the same rates as the flatted accommodation and no externals costs, assuming these to be counted in the residential appraisal. Profit has been set at 10% of Gross Development Value.

15.46 On this basis, our appraisal of 1,000m² of food and beverage uses, generated a modest but positive residual - £157,144. Applied to the 5,300m² described in the masterplan we get a Residual Land Value of. £833,000.

Retail

15.47 The next largest use class identified in the masterplan is a group of uses which may broadly be described as retail. Shops (1,770m²), a supermarket (430m²) and Financial Institutions (500m²) for a total of 2,700m².

15.48 As before, we have reviewed around the rateable values of around 75 Shops and premises in Chesterfield and applied a value at the upper quartile level - £150/m². Once again, we have applied a yield of 8%

15.49 We have also applied the same build cost as for apartments, excluded external costs and a developer's profit at 10% of GDV.

15.50 On this basis, our 1,000m² appraisal generates a negative land value of £137,579 and, scaling up to 2,700m² therefore results in a total reduction in RLV of *Minus* £371,000.

Hotel

15.51 The masterplan refers to two hotels with 250 bedrooms and 10,000m² of floorspace.

15.52 From a value point of view, the nearest comparison would appear to be the 100 bed Casa hotel nearby. This property has a rateable value of £380,000 – or £3,800 per bedroom.

15.53 If we apply this to the 250 bedrooms contemplated here, we get a rateable value of £950,000. To this, we need to apply a yield in order to arrive at a capital value. In our experience, the yields achieved on hotels are typically low. In a recent review of transactions we conducted, we found yields as low as 4%. For the purposes of this new scheme, we have therefore applied a yield of 5.5%. This suggests a capital value in the order of £17.25m – or a £1,725/m².

15.54 The cost of hotel construction can vary considerably - depending on the specification and facilities. It is therefore difficult to undertake a reliable residual appraisal. However, given the inclusion of such a large quantity of hotel accommodation, we consider it likely that this is seen as a significant income generator for the scheme.

15.55 We have therefore applied a land value slightly in excess of 10% of the Capital Value - £2m for all the hotel accommodation.

Nursing Home

15.56 A 3,500m² nursing home would, in our experience, have capacity for around 60 beds, which is normally sufficient to make provision viable.

15.57 The business models employed by care home providers can be complex and vary considerably depending on the level of care and facilities on offer. This can make them quite difficult to value. This is in addition to the usual variations associated with the wider cost of accommodation in the housing market and the cost of construction.

15.58 However, in our experience, where there is demand for a care home, it would be unusual for a provider to be unable to pay at least £1m for a suitable site. We have therefore made allowance for this as a first order approximation.

Other Uses

15.59 In addition to the foregoing, the masterplan also makes provision for a doctors' surgery (1,250m^2), a creche, (500m^2) a gym, (2,500m^2) and creative industries (2,700m^2).

15.60 In our experience, the contract signed by a GP's surgery would essentially cover the cost of provision – it imposes no cost or benefit on the scheme except through the requirement for free land.

15.61 A similar case could be made for the provision of a creche.

15.62 Gymnasia can generate substantial revenue in strong markets such as major cities but, elsewhere, they often require municipal support. Again, we anticipate that this would largely cover its costs but generate no positive land value.

15.63 Finally, the nature of the creative industries is not clear. These may be incubator units for small businesses, in which case, they might be considered to generate rather less value than the conventional office space. On the other hand, it may refer to co-working space – a growing form of employment space that can generate considerable amounts of revenue in well situated town centre revenues. Once again, we have assumed that this element is cost neutral and has no impact on the financial appraisal beyond the requirement for land.

Cumulative impact on land value

15.64 The net impact of the above commercial uses is summarised in the table below.

Offices	-£10,686,000
Hotel	£2,000,000
Nursing Home	£1,000,000
Food and Beverage	£833,000
Retail and Shops	-£371,000
Total Adjustment	-£7,224,000

Table 14.10: Impact of Commercial Uses on Land Value

15.65 Thus, the huge drag imposed by the offices and retail is only partially offset by the inclusion of the Hotel, Nursing Home and Food and Beverage units.

Overall Viability

15.66 We are therefore in a position to use the foregoing to adjust the residential appraisals carried out in the first portion of this Chapter.

15.67 We start with the land values per hectare arising from the residential appraisals encumbered by the lowest level of infrastructure costs (£5,000/unit)

RLV	40% AH	30% AH	20% AH	10% AH	0% ah
Value Area 3	-£604,789	-£376,906	-£140,308	£82,706	£271,866
Value Area 4	-£225,461	£58,656	£334,252	£600,141	£835,834

Table 14.11: Land Values/ha (residential only)

15.68 We then need to gross these values up to the full 25ha of the Waterside development. We have retained the colour coding for the benefit of clarity.

RLV	40% AH	30% AH	20% AH	10% AH	0% ah
Value Area 3	-£15,119,723	-£9,422,653	-£3,507,699	£2,067,641	£6,796,661
Value Area 4	-£5,636,515	£1,466,402	£8,356,300	£15,003,521	£20,895,858

Table 14.12: Gross Land Values (residential only)

15.69 We then deduct the land value deficit generated by the commercial uses in order to obtain the overall RLV:

RLV	40% AH	30% AH	20% AH	10% AH	0% ah
Value Area 3	-£22,343,723	-£16,646,653	-£10,731,699	-£5,156,359	-£427,339
Value Area 4	-£12,860,515	-£5,757,598	£1,132,300	£7,779,521	£13,671,858

Table 14.13: Gross Land Values (all uses)

15.70 Clearly, this is a substantial reduction in the overall land value. On the basis of current day property values (Value Point 3) the overall land value drops to a negative figure. However, when we take account of the regeneration effect and the potential to achieve values more in line with Value point 4 over the life of the scheme, the scheme achieves a positive return. With no affordable housing at all, the scheme would be "viable" although when 10% affordable housing is introduced, it ceases to be so.

15.71 For the benefit of comparison, we have also converted the Residual Values back to values per hectare.

RLV	40% AH	30% AH	20% AH	10% AH	0% ah
Value Area 3	-£893,748.90	-£665,866.10	-£429,267.97	-£206,254.35	-£17,093.54
Value Area 4	-£514,420.61	-£230,303.91	£45,292.00	£311,180.84	£546,874.30

Table 14.13: Land Values/ha (all uses)

15.72 On this basis, we can see that although the achievement of a "viable" land value is not possible with 10% affordable housing, even at the values associated with Value Point 4,

the Residual Land Value is, in fact, quite close to the lower of our two viability benchmarks (£336,000/ha).

Conclusions

15.73 On the basis of the fore-going, we conclude that the Waterside scheme is, in a fundamental sense, viable. It can go ahead and is likely to do so.

15.74 However, despite the stronger values in this part of the Borough and the density of development, the built form as well as the inclusion of a number of potentially loss-making commercial uses mean that achieving a viable scheme will be challenging.

15.75 We would not recommend the application of a CIL to this site and any such levy would be small in any case. Instead, we suggest that infrastructure burdens are minimised and sought on-site wherever possible – through the use of S106.

Whilst our modelling has not found that it would be possible to deliver even 10% affordable housing over the life of the scheme, it should be borne in mind that successful regenerations can result in sharp increases in value, even in the context of modest or nil value

16.0 Viability Results –Commercial Developments

16.1 The NPPF states that when drawing up local plans, local planning authorities should plan positively for a strong, competitive economy. As a result, when establishing a target for employment land provision the Council identified options based on the methods of establishing employment needs as set out in the National Planning Practice Guide (NPPG).

16.2 The test for non-residential development is based on hypothetical schemes that are most likely to come forward in Chesterfield over the Plan period. These are described in Table 15.1.

Use	Type and Area
Food Retail	300m² Roadside Retail
Supermarket	3,000m² Supermarket
Office Uses	2000m² Office Building
General Industrial	1000m² Factory

Table 15.1: Commercial Site Typologies Tested

Commercial Revenue Assumptions

16.3 Table 15.2 (next page) outlines the rental values for the non-residential uses, expressed in square metres (sq.m) and square feet (sq.ft) of net rentable floorspace, and likely yields. The non-residential revenue assumptions are derived from the VAS Valuation Report which is attached separately at Appendix 3.

	Size	Rent	Yield
Food Retail	300m² Roadside Retail	£12.50 /sqft (£134.55/m2)	7.5%
Supermarket	3,000m² Supermarket	£15 /sqft (£161.46/m²)	5.25%
Office Uses	2,000m² Office Building (Single Let)	£9 per ft²/ £96.876 per m²	8%
	2000 m² Office Building (Multi Let)	£10 per ft²/ £107.64 per m²	8%
General Industrial	1,000m² Factory	£5 per ft²/ £53.82 per m²	10%

Table 15.2: Commercial Values

16.4 For context, we also reviewed rents published for nearby urban centres for Office Accommodation by Colliers international for 2017.

	Grade A	Grade B
Derby	£18.00/sqft (£193.75/m²)	£12/sqft (£143.20/m²)
Nottingham	£19.50/sqft (£232.70/m²)	£12.50/sqft (£149.16/m²)
Leicester	£17.00/sqft (£202.85/m²)	£10/sqft (£107.64/m²)

Table 15.3 Office Rents in Nearby Urban Areas (Colliers)

16.5 The fact that rents for new accommodation in Chesterfield are almost half of the level encountered in these settlements and below the rents for Grade B accommodation hints at a limited demand for office uses in the area. We have also undertaken the same exercise for Industrial Space:

Big Sheds

	New	Early 1990s	Land Value/ha
Derby	£5.75/sqft (£61.90/m²)	£3.50/sqft (£37.67/m²)	£741,000
Nottingham	£5.75/sqft (£61.90/m²)	£4.25/sqft (£45.75/m²)	£864,500
Leicester	£6.25/sqft (£67.28/m²)	£4.25/sqft (£45.75/m²)	£625,000

Table 15.4 Industrial Rents in Nearby Urban Areas (Colliers)

16.6 Once again, rents are lower than in these comparator areas. However, the relationship between rents and land values is far from linear. Because costs vary far less than values from place to place, the reduction in rents is unlikely to be offset by commensurately lower development costs so that land values will be very much lower in this area than in Derby, Nottingham and Leicester.

Commercial Build Costs

16.7 Build cost inputs have been established from the RICS Build Cost Information Service (BCIS). All costs are based upon median prices at the time of this study. The sole exception is the use of the Non Air-Conditioned Office rate, where we have run an appraisal based upon the Lower Quartile cost by way of a sensitivity. This is because the median construction cost for offices is considerably in excess of the rent that we had identified for offices in the previous section. We therefore elected to undertake the further assessment in order to identify the extent of the scope which might exist to alter the development dynamic.

16.8 The rates are set out in Table 15.5.

	BCIS Rate	Cost per m²
Food Retail	Roadside Retail	£1,032/m²
	Supermarket	£1,576/m²
	Retail Warehouse	£747/m²
Office Uses	Office General	£1,631/m²
	Office - Non Air-Con (LQ)	£1,225/m²
General Industrial	Industrial Factory	£846/m²

Table 15.5 Commercial Build Cost in Derbyshire (BCIS)

External works

16.9 Plot externals relate to costs for internal access roads, car parking, drainage, utilities within the site and hard and soft landscaping associated with the site curtilage of the built area. We have allowed a rate of 10 to 15% of build costs for these items. This excludes abnormal site development costs and exceptional offsite infrastructure costs

Professional Fees

16.10 An allowance of 8% to cover normal professional fees in respect of the development of the commercial space. In addition to this, we have applied a developer's contingency of 5% to all classes of commercial Development.

Marketing

16.11 We have made allowance for a sales agent's fee of 1% of the completed value of the units. In addition to this, we have included a further allowance of 0.25% of the development value to cover legal fees. Finally, reflecting industry practice, we have assumed that all lettings are subject to a six month rent free period.

Finance Costs

16.12 As with the residential appraisals we have undertaken, as part of this report, we have allowed for finance at 6.5% on negative balances and 0.5% on any positive balance. Whilst we have made no distinct allowance for arrangement fees, it should be noted that we have undertaken the appraisals on the basis that land acquisition and construction are 100% debt financed.

Site Acquisition Costs

16.13 Standard site acquisition costs have been applied to allow for agent's fees, surveys and stamp duty. The total comes to 5.8% of the residual land value.

Commercial Viability Appraisal Findings

16.14 Table 15.6 summarises the appraisal results. The viability results consider the achievable level of residual land value for each non-residential use tested. The results are not at all favourable. Not only do the schemes fail to achieve the Commercial Land values set out in the VAS report, the Residual Land Values are, in most cases, negative.

Value Class	Cost Base	Gross Development Value	Total RLV *(negative)*
Roadside Retail	Retail	£433,956	*(£112,022)*
Supermarket	Supermarket	£7,518,343	*(£391,733)*
Supermarket	Retail Warehouse	£7,518,343	£2,200,244
Office (Single let)	Office General	£1,623,564	*(£3,052,422)*
Office (Multi let)	Office General	£2,164,752	*(£2,654,865)*
Office (Single let)	Office - Non Air-Con (LQ)	£1,623,564	*(£2,007,786)*
General Industrial	Industrial Factory	£386,113	*(£853,548)*

Table 15.6 Residual Land Values arising from Commercial Development

16.15 In all but one of the scenarios we have tested, the result of the appraisal was a Residual Land Value below zero. In many cases, the land value deficit is greater than the Gross Development Value.

16.16 The sole instance of a commercial use which generates a positive land value in our analysis is our second assessment of a supermarket. However, this was obtained through the employment of a far lower construction cost rate – a rate associated with retail warehouses rather than food stores per se. this rate might, in fact, reflect the construction rates of some of the discounters, such a Lidl and Netto but it is open to question whether these occupiers would pay the levels of rents associated with full priced supermarkets.

16.17 The conclusions to be drawn from these results fall into two parts. The first is the capacity of developments to bear planning or infrastructure burdens, whether through CIL or any other mechanism. In that sense, the answer is straightforward – they cannot.

16.18 The second question is whether or not any actual development is likely to take place and what ramifications that would have for a plan which seeks to allocate as much as 83ha of employment land. In this respect, the conclusions are far less clear. On the one hand it is unlikely that the area will see any significant quantity of speculative commercial development. On the other, the needs of existing employers will continue to change and they are likely to need to acquire sites and develop sites on their own account in order to satisfy their own needs – potentially opening up vacancies in the existing estate.

17.0 Sensitivity Testing

17.1 Sections 7 to 15 of this viability report assess the viability of the identified development categories using baseline assumptions for sites of 5 to 1,500 residential units. It is important to note that the results defined in the section below are using the absolute *'Baseline'* assumptions for the small, medium, larger and strategic sites, as defined in Chapters 7 to 15. Chapter 5 also sets out the applied VAS Threshold Land Values which vary, depending upon the site size and net : gross site ratio.

17.2 The sensitivity tests have been undertaken, in order to ensure the results are easily comparable. This section then examines the impact of changes to the following variables on viability and the achievable level of CIL and affordable housing:

- Sensitivity Test 1: Affordable Housing Tenure Mix;
- Sensitivity Test 2: Infrastructure Costs;
- Sensitivity Test 3: Section 106 Costs;
- Sensitivity Test 4: Absorption Rates; and
- Sensitivity Test 5: Developer Profit.

Sensitivity Test 1 – Affordable Housing Tenure

17.3 The *'Baseline'* viability results indicate the impact upon residual land value of the Emerging Local Plan affordable housing tenure split of 90:10 Affordable Rent : Shared Ownership. This sensitivity testing incorporates alternative affordable housing tenure splits, as follows:

- **Sensitivity Test 1a:** 60:40 (Affordable Rent: Shared Ownership);
- **Sensitivity Test 1b:** 50:50 (Affordable Rent: Shared Ownership); and
- **Sensitivity Test 1c:** 0:100 (Affordable Rent: Shared Ownership).

40 Units at 30dph (Baseline Tenure Split – 90:10 Affordable Rent: Shared Ownership)

17.4 The following table then sets out the viability results for the 'Baseline' affordable housing tenure split of 90:10 Affordable Rent:Shared Ownership, as relevant to the 40 unit at 30dph scheme. These results are based upon the baseline viability assumptions, as tested in Chapter 8.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £11
Value Area 3	£0	£0	£0 to £22	£64 to £107
Value Area 4	£0	£78 to £132	£143 to £193	£234 to £277

Table 16.1: CIL Rate per m², 40 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values and Baseline Viability Inputs

Sensitivity Test 1a – 40 Units at 30dph: 60:40 (Affordable Rent: Shared Ownership) Tenure Split

17.5 The following table then sets out the viability results for the Sensitivity Test 2a1 affordable housing tenure split of 60:40 (Affordable Rent : Shared Ownership), as relevant to the 40 unit at 30dph scheme. This sensitivity test maintains the other 'baseline' viability inputs.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £15
Value Area 3	£0	£0	£0 to £45	£70 to £114
Value Area 4	£7 to £73	£127 to £181	£175 to £225	£242 to £286

Table 16.2: Sensitivity Test 1a - 40 Units at 30dph: Affordable housing tenure split of 60:40 (Affordable Rent : Shared Ownership)

17.6 The viability tests undertaken demonstrate a marginal uplift in the CIL rate across the Value Points tested. However, the uplift is not sufficiently large to lead to an uplift in the quantum of affordable housing across Value Areas 1 to 3. 40% affordable housing become viable at Value Point 4.

Sensitivity Test 1b – 40 Units at 30dph: 50:50 (Affordable Rent: Intermediate)

17.7 The following table then sets out the viability results for the Sensitivity Test 1b 50:50 (Affordable Rent: Shared Ownership) affordable housing tenure split, as relevant to the 40 unit at 30dph scheme.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £17
Value Area 3	£0	£0 to £8	£3 to £53	£73 to £116
Value Area 4	£38 to £103	£143 to £197	£186 to £235	£245 to £288

16.3: Sensitivity Test 1b - 40 Units at 30dph: Affordable housing tenure split of 50:50 (Affordable Rent: Shared Ownership)

17.8 The alteration of the affordable housing tenure does not have a significant impact upon scheme deliverability at Value Area 1, the 10% affordable housing scenario remains unviable and the scheme is unable to deliver a CIL. In terms of Value Area 2, the 20% to 40% affordable housing targets remain unviable. The 10% development scenario remains marginally viable, delivering a slightly improved CIL range of £0 to £17 per m².

17.9 This sensitivity test has a more significant impact at Value Area 3, where the 30% affordable housing scenario becomes marginally viable, delivering a CIL of between £0 and £8 per m². The lower affordable housing target of 20% delivers a CIL rate between £3 and £53 per m².

17.10 Value Area 4 is again able to deliver an affordable housing target of up to 40% with an uplift in the level of CIL across the various affordable housing targets tested.

Sensitivity Test 1c – 40 Units at 30dph: 0:100 (Affordable Rent: Intermediate)

17.11 The following table then sets out the viability results for the Sensitivity Test 1c affordable housing tenure split which assumes that 100% of the affordable housing quantum delivered is in the form of the shared ownership product, as relevant to the 40 unit at 30dph scheme.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0 to £32	£0 to £41
Value Area 3	>£95/m²	>£95/m²	>£95/m²	>£95/m²
Value Area 4	>£250/m²	>£250/m²	>£250/m²	>£250/m²

Table 16.4: Sensitivity Test 1c - 40 Units at 30dph: Affordable housing tenure split of 0:100 (Affordable Rent : Shared Ownership)

17.12 The viability tests undertaken demonstrate that the delivery of a 100:0 (shared ownership: social/ affordable rent) tenure split fails to ensure scheme deliverability at Value Point 1. The 10% affordable housing target remains unviable.

17.13 There is a more significant improvement at Value Point 2, where the 20% affordable housing target is marginally viable, delivering a CIL between £0 and £32 per m². The 10% affordable housing scenario is also marginally viable at Value Point 2, delivering a CIL of £0 to £41 per m².

17.14 This affordable housing tenure split has a more profound impact at Value Point 3, where a CIL of at least £95 per m² is achievable, even when the higher affordable housing target of 40% is considered.

17.15 Value Area 4 is again able to deliver an affordable housing target of 40% with a significant uplift in the level of CIL, which is over £250 per m² across each of the affordable housing quantum scenarios tests (10% to 40%).

Sensitivity Test 2 –Infrastructure Costs

17.16 The baseline infrastructure assumptions which have been included in the modelling in terms of infrastructure include the following;

- Baseline Infrastructure Costs on 5, 11, 25, 40 and 75 unit sites: £0 per Unit, as the infrastructure costs would be considered to be included in external build costs.
- Baseline Infrastructure Costs on 200 and 400 Unit Sites: £6,000 per Unit, in addition to external works at 15% of base, *'plot'* build costs.

Sensitivity Test 2a: 40 Units at 30dph (Impact of Higher Infrastructure Costs of £5,000 and £15,000 per unit

17.17 We have used a 40 unit/30dph scheme as representative of the smaller sites for the purpose of testing the scope for such developments to carry significant infrastructure costs. These results are based upon the baseline viability assumptions, as tested in Chapter 8, assuming that the infrastructure costs are included as part of the external works allowance. The following table presents the 'baseline' viability results for the 40 unit at 30dph scheme.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £11
Value Area 3	£0	£0	£0 to £22	£64 to £107
Value Area 4	£0	£78 to £132	£143 to £193	£234 to £277

Table 16.5: CIL Rate per m², 40 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values and Baseline Viability Inputs

17.18 Tables 16.6 and 16.7 demonstrate the impact of the higher infrastructure costs of £7,500 and £15,000 per unit respectively.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0
Value Area 3	£0	£0	£0	£11 to £54
Value Area 4	£0	£10 to £65	£82 to £131	£180 to £223

Table 16.6: Sensitivity Test 2a1 - 40 Units at 30dph: Higher Infrastructure Costs of £7,500 per unit.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0
Value Area 3	£0	£0	£0	£0 to £1
Value Area 4	£0	£0	£20 to £70	£127 to £170

Table 16.7: Sensitivity Test 2a2 - 40 Units at 30dph: Higher Infrastructure Costs of £15,000 per unit.

17.19 As expected, the delivery of 10% affordable housing remains unviable at Value Point 1, when the higher infrastructure costings are assumed. The application of the higher infrastructure costs ensures that 10% affordable housing target becomes unviable at Value Point 2

17.20 At Value Point 3, the 20% affordable housing target is no longer deliverable. The 10% affordable housing target delivers a lower level of CIL at £11 to £54 per m^2 and £0 to £1 per m^2 respectively, when the higher infrastructure costs of £7,500 and £15,000 per unit are assumed.

17.21 In terms of Value Area 4, 30% affordable housing remains viable, when infrastructure costs of £7,500 per unit are assumed. The imposition of the higher infrastructure costs of £15,000 per unit ensures that 30% is unviable, at this value point. Affordable Housing targets of up to 20% remain viable, across each of the infrastructure sensitivity tests undertaken.

Sensitivity Test 2b: 200 Units at 30dph: Impact of Higher Infrastructure Costs at £5,000 and £15,000 per unit.

17.22 Infrastructure costs are more common in respect of larger 200 and 400 unit schemes. Such schemes are often large enough to exhaust the capacity of existing local infrastructure in terms of water, highways or power. This is the reason that we have included £6,000 per unit in infrastructure as our *'Baseline'* assumption for these larger sites. The following table considers the delivery of the 200 unit scheme, assuming the *'Baseline'* viability inputs.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £5
Value Area 3	£0	£0	£0 to £32	£35 to £70
Value Area 4	£0	£43 to £87	£109 to £147	£149 to £184

Table 16.8: CIL Rate per m², 200 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values and Baseline Viability Inputs

17.23 Tables 16.9 demonstrates the impact of the higher infrastructure costs of £15,000 per unit, as again relevant to the 200 unit/ 30dph scheme.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0
Value Area 3	£0	£0	£0	£0 to £28
Value Area 4	£0	£0 to £34	£62 to £101	£107 to £142

Table 16.9: Sensitivity Test 2b1 - 200 Units at 30dph: Higher Infrastructure Costs of £15,000 per unit.

17.24 As expected, the delivery of 10% affordable housing remains unviable at Value Point 1. The application of the higher infrastructure costs ensures that 10% affordable housing target becomes unviable at Value Point 2.

17.25 At Value Point 3, the 20% affordable housing target is no longer deliverable. The 10% affordable housing target becomes marginally viable, delivering a lower level of CIL at between £0 and £28 per m².

17.26 In terms of Value Area 4, 30% affordable housing is marginally viable, when infrastructure costs of £15,000 per unit are assumed, delivering a CIL between £0 and £34 per m².

Sensitivity Test 3 – Higher Section 106 Costs

17.27 The notional sites of 5 to 400 residential dwellings each assume a 'Baseline' Section 106 cost of £1,500 per unit. This assumes that a significant proportion of infrastructure will be delivered via CIL. It is important to note that the strategic sites assume a higher 'Baseline' section 106 costs, at £2,400 per unit and are considered separately, at Chapters 13 and 14.

17.28 The following table presents the 'baseline' viability results for the 40 unit at 30dph scheme, again assuming Section 106 costs at £1,500 per unit.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £11
Value Area 3	£0	£0	£0 to £22	£64 to £107
Value Area 4	£0	£78 to £132	£143 to £193	£234 to £277

Table 16.10: CIL Rate per m², 40 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values and Baseline Viability Inputs

17.29 Table 16.11 demonstrates the impact of the higher Section 106 costs of £4,000 per unit:

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0
Value Area 3	£0	£0	£0 to £1	£46 to £90
Value Area 4	£0	£55 to £110	£123 to £173	£216 to £259

Table 16.11: Sensitivity Test 3a - 40 Units at 30dph: Higher Section 106 Costs of £4,000 per unit.

17.30 As expected, the delivery of 10% affordable housing remains unviable at Value Point 1. The application of the higher Section 106 costs ensures that 10% affordable housing target becomes unviable at Value Point 2.

17.31 At Value Point 3, the 20% affordable housing target remains marginally viable, albeit this scenario can only deliver a CIL of up to £1 per m². The 10% affordable housing scenario delivers a lower CIL range between £46 to £90 per m².

17.32 In terms of Value Area 4, affordable housing targets of up to 30% remain viable.

Sensitivity Test 4 – Absorption Rates

17.33 The absorption rate is vital because it affects two aspects of the cashflow. First, and most obviously, it increases the duration of development – which has the effect of extending the period over which development needs to be financed.

17.34 The second is that it extends into the future the receipt of the developer's return. The value of £1 received today is not the same as the value of the same £1 received in one, two or ten years' time. The longer a development takes, the further the developer's profit is pushed into the future and the lower its present value falls.

Absorption Sensitivity Test for Sites of 5, 11, 25, 40, 75 and 200 units

17.35 The sensitivity tests below have tested two different levels of absorption rates.

- Baseline: absorption rate of 35 units per annum
- Sensitivity A: absorption rate of 40 units per annum; and
- Sensitivity B: absorption rate of 55 units per annum.

17.36 The developments of up to 200 units were modelled on the basis of a single phase/sales centre. This presents particular difficulties for the 200 unit development. Normally, sites on this scale would be considered to be about the largest scale of development that a single house builder would take on in a single phase. Here, the slow progress, in combination with the need to provide on site infrastructure, renders them less attractive.

17.37 We make these observations in a context where there is some evidence that even national house builders are looking for slightly smaller sites as a means of managing risk. At the sales rates assumed as the baseline for the study, a 200 Unit scheme would take almost six years to sell through. When the planning, pre-construction and pre-sales phases are added on, a development of 200 homes becomes a long-term investments.

17.38 The following table presents the 'baseline' viability results for the 40 unit at 30dph scheme, again an absorption rate of 35 dwellings per annum.

40% AH	30% AH	20% AH	10% AH

Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £11
Value Area 3	£0	£0	£0 to £22	£64 to £107
Value Area 4	£0	£78 to £132	£143 to £193	£234 to £277

Table 16.12: CIL Rate per m², 40 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values and Baseline Viability Inputs

17.39 Tables 16.13 and 16.14 demonstrate the impact of the higher absorption rates of 40 and 55 dwelling per annum respectively.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £12
Value Area 3	£0	£0	£0 to £24	£67 to £110
Value Area 4	£0	£81 to £135	£147 to £196	£237 to £281

Table 16.13: Sensitivity Test 4a - 40 Units at 30dph: Absorption Rate of 40 Dwellings per Annum

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £15
Value Area 3	£0	£0	£0 to £27	£70 to £114
Value Area 4	£0	£85 to £140	£152 to £202	£216 to £259

Table 16.14: Sensitivity Test 4b - 40 Units at 30dph: Absorption Rate of 55 Dwellings per Annum

17.40 The impact of the higher absorption rate upon viability is not sufficiently large to have a material impact upon affordable housing delivery. The above tables also demonstrate a marginal increase in the level of CIL.

Sensitivity Test 5 – Developer Profit

17.41 We have undertaken our testing on the basis of 20% Developer Profit on the Gross Development Value of the private element of each scheme (as well as a lower rate of 6% of cost on affordable units). In line with other appraisals of this nature we have taken a long term assumption as to the necessary profit to encourage development. We have also sensitivity tested the following profit assumptions:

- Baseline: Developer profit at 20% of Gross Development Value.
- Sensitivity 1: Developer profit at 17.5% of Gross Development Value.

17.42 The lower sensitivity profit rates reflect schemes where there is a justifiable lower level of developer risk. Our 'baseline' reporting has been on the basis of 20% Gross Developer Profit because this is the level of profit that has been accepted in many affordable housing viability studies of this type and in negotiations on sites (and supported at appeal).

17.43 The following table presents the 'baseline' viability results for the 40 unit at 30dph scheme, again an absorption rate of 35 dwellings per annum.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£0 to £11
Value Area 3	£0	£0	£0 to £22	£64 to £107
Value Area 4	£0	£78 to £132	£143 to £193	£234 to £277

Table 16.15: CIL Rate per m², 40 Units at 30dph - 0% to 40% Affordable Housing Provision at Value Points 1 to 4 – Assuming VAS Threshold Land Values and Baseline Viability Inputs

17.44 Table 16.16 demonstrates the impact of a lower developer profit rate, set at 17.5% of Gross Development Value, as relevant to the private market dwellings.

	40% AH	30% AH	20% AH	10% AH
Value Area 1	£0	£0	£0	£0
Value Area 2	£0	£0	£0	£1 to £44
Value Area 3	£0	£0	£9 to £59	£101 to £144
Value Area 4	£0 to £23	£120 to £174	£186 to £235	£276 to £319

Table 16.14: Sensitivity Test 4b - 40 Units at 30dph: Developer Profit at 17.5% of GDV

17.45 The delivery of 10% affordable housing remains unviable at Value Point 1, even when the lower profit rate of 17.5% of GDV is assumed. The application of the lower profit rate at Value Point 2 ensures that the 10% affordable housing scenario can deliver a higher CIL range of £1 to £44 per m^2. However, the affordable housing targets at 20% and above remain unviable.

17.46 At Value Point 3, the 20% affordable housing target is viable, delivering a CIL range between £9 and £59 per m^2.

17.47 In terms of Value Area 4, the lower profit rate ensure that the delivery of 40% affordable housing becomes marginally viable, delivering a CIL between £0 and £23 per m^2. The 30% affordable housing scenario produces a higher level of CIL, at £120 to £174 per m^2.

18.0 Conclusions and Recommendations

18.1 An assessment of the viability of an entire plan is, by nature, a broad-brush document – making an accurate assessment of the economic viability of a single site in a known location at a specific point in time is, itself a complex process which is highly sensitive to the starting assumptions. A simultaneous assessment of all the development sites across a wide area like a district, presents commensurately greater challenges of accuracy.

18.2 Consequently, such reports need to take account of the developmental context as well as the numerical results of their appraisals.

18.3 Like its neighbours in North East Derbyshire and Bolsover, Chesterfield is generally characterised by relatively low development values – at least by comparison to national averages. We also note that, in recent years, the primary challenge has been to ensure that overall development volumes are maintained rather than to ensure that developments make the maximum levels of provision towards the Council's adopted affordable housing policies (the CIL being fixed and non-negotiable).

18.4 In response to this, the Council has, generally taken a pragmatic approach and has accepted reduced levels of affordable housing from a number of sites coming forward for planning consent.

18.5 Alongside this context we must place the new edition of the NPPF and the accompanying PPG – both of which place an increased weight on the viability testing undertaken in support of the Local Plan. Whilst site specific viability assessments re expected to remain a feature of the planning system, there is an increased weight attributed to the policies in the plan and the viability testing that lies behind them. If the Government was ever minded to support Local Authorities in setting "ambitious" targets and then accepting that their full delivery would be the exception rather than the rule, it does not now.

18.6 Consequently, it behoves the authors of viability assessments to be increasingly cautious when imposing burdens on development – and perhaps especially in lower value areas.

18.7 One further piece of context is that a generation-long boom in housing values may be slowing to a halt. Whilst the Land Registry's House Price Index continues to rise in the East Midlands at the time of writing, it is flat in London in the South East and slowing in two of the three regions neighbouring the East Midlands – East of England and Yorkshire and Humberside.

18.8 Despite this, the build costs identified by the benchmark Build Cost Information Service continue to rise and especially rapidly in the East Midlands. Indeed, affording to the regional indices, the BCIS index has risen by as much as 20% over the past year.

18.9 In our view, this growth is does not reflect the lived experience on the ground and has more to do with statistical methodology of the index itself. Even so, there is a significant issue with build Cost inflation, and that, in tandem with a potential cooling of the housing market, suggests caution in setting policies.

18.10 This study is, necessarily, based upon the circumstances at a specific point in time – in this case the third quarter of 2017. This allows us to gain a comprehensive view of the interaction of costs, values and land values. But it has the inevitable drawback that it struggles to capture the effect of changes to the market after that date.

18.11 One way that we have sought to address this problem is through the use of a double benchmark for land. Our main point of reference for the value at which land is likely to come forward is drawn from a survey of transaction values drawn up by VAS. This is entirely consistent with the guidance set out in the PPG. However, we have also had reference to another, dynamic, approach. Also known as an uplift split. This was the approach adopted by NCS in their 2014 CIL study. Its advantage is that, instead of using an assessment of average land values to assess all sites, in the District, it links the Benchmark Land Value directly to the circumstances of the site under test. This is referred to in the results text as the "Shinfield" test. In general, it applies a lower land value benchmark to lower value developments and a higher one to developments in higher value development.

18.12 By considering both tests together, we feel that it is possible to gain a more comprehensive view of the overall circumstances of development.

Core Outputs and Themes

18.13 The main questions we have sought to answer in our study are, whether development of the type proposed by the Council in the plan is generally viable. The answer to that question is, a qualified yes. With certain exceptions, set out in this document. The second, more quantitative, question is what level of affordable housing and CIL the Council might be able to secure from development in the District – bearing in mind the viability constraints noted above.

18.14 For general development – both residential and non-residential, we have adopted a site typology approach – testing a range of sites at values which reflect those across the district. However, two of the sites, which are particularly important to the delivery of

the plan have been selected for somewhat more detailed scrutiny. These sites are the former Staveley Works and the Waterside in central Chesterfield.

18.15 In respect of the site typologies, we have found a considerable variability in values and consequently, viability of development in Chesterfield. In general, sites in the north and east of the District achieve lower values than those in the South and West. We do not, therefore, consider a blanket approach to affordable housing or CIL to be justified.

18.16 We also carried out testing at two different densities: 30dph and 40dph. In general we found that development at the higher density was likely to deliver slightly better viability but the effect was not nearly so marked as one might expect.

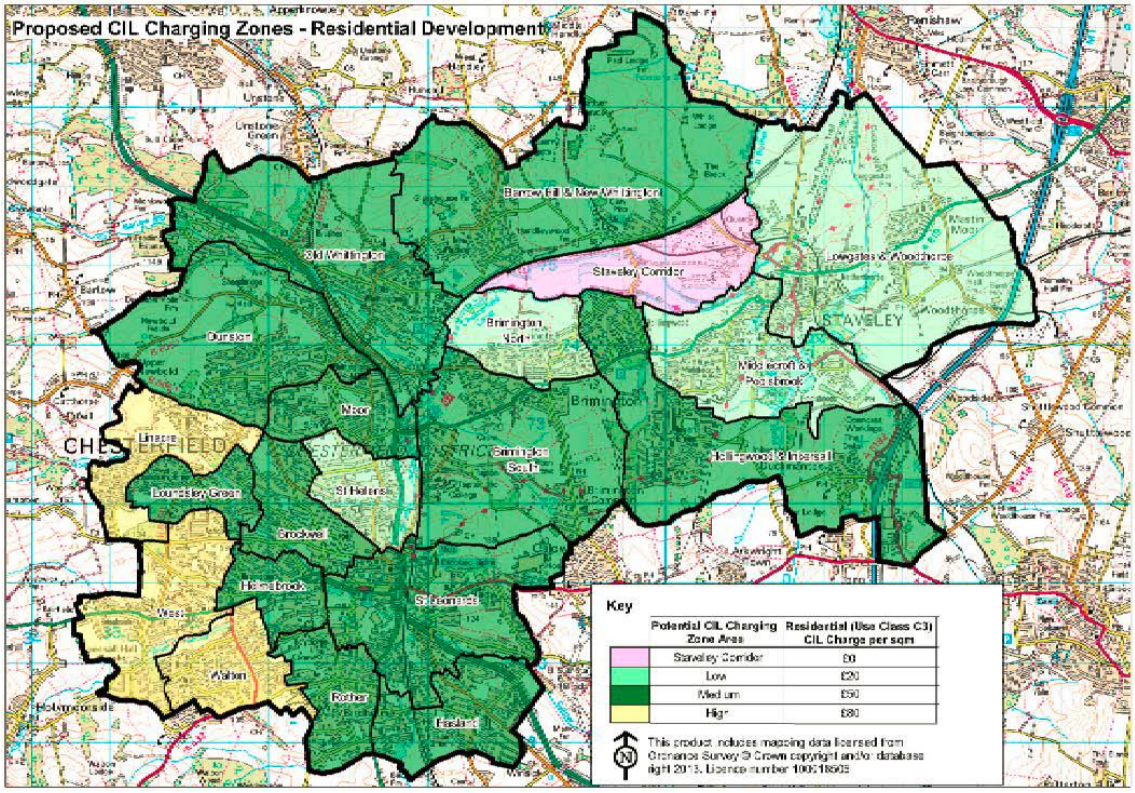
18.17 The other major theme in our results was that larger sites tended to produce slightly better viability than smaller ones. This is as one would expect. Whilst larger sites encounter increased servicing costs – especially at the strategic scale – they also present opportunities for the achievement of economies of sale and we have reflected this in the build costs we have assumed. Finally, the largest sites create the opportunity to create new places and set new market circumstances locally. This is, after all, implicit in the notion of regeneration.

18.18 Before, moving to our own findings, it may be helpful to review those of the previous viability study, undertaken in 2013 by the national CIL Service (NCS). Their main finding was that, in general, residential development was able to sustain the imposition of a 30% quota of affordable housing but that, development in the Staveley Corridor was fragile and no CIL would be achievable.

18.19 In addition to that, the NCS study recommended the imposition of the following levels of CIL:

	Affordable Housing	CIL
Staveley Corridor	0%	£0/m²
Low	30%	£20/m²
Medium	30%	£50/m²
High	30%	£80/m²

18.20 The areas in which the policies were to be applied were generally defined by the ward boundaries (with the exception of the Staveley Corridor, which is largely defined by the line of the railway and the river Rother). The key map is reproduced below.



BVA Findings

18.21 Our study found was divided into four value points – which corresponded to the average value per square metre of completed development:

- Value Point 1 - £2,000/m²
- Value Point 2 – £2,150/m²
- Value Point 3 - £2,350m/²
- Value Point 4 - £2,700/m²

18.22 In our general assessment, major developments (those comprising 11 additional homes or more) would be able to sustain somewhat lower levels of affordable housing than the 30% identified by NCS. We therefore recommend a reduction in the affordable housing requirement. On the other hand, the reduction in the level of affordable housing facilitates slightly increased levels of CIL.

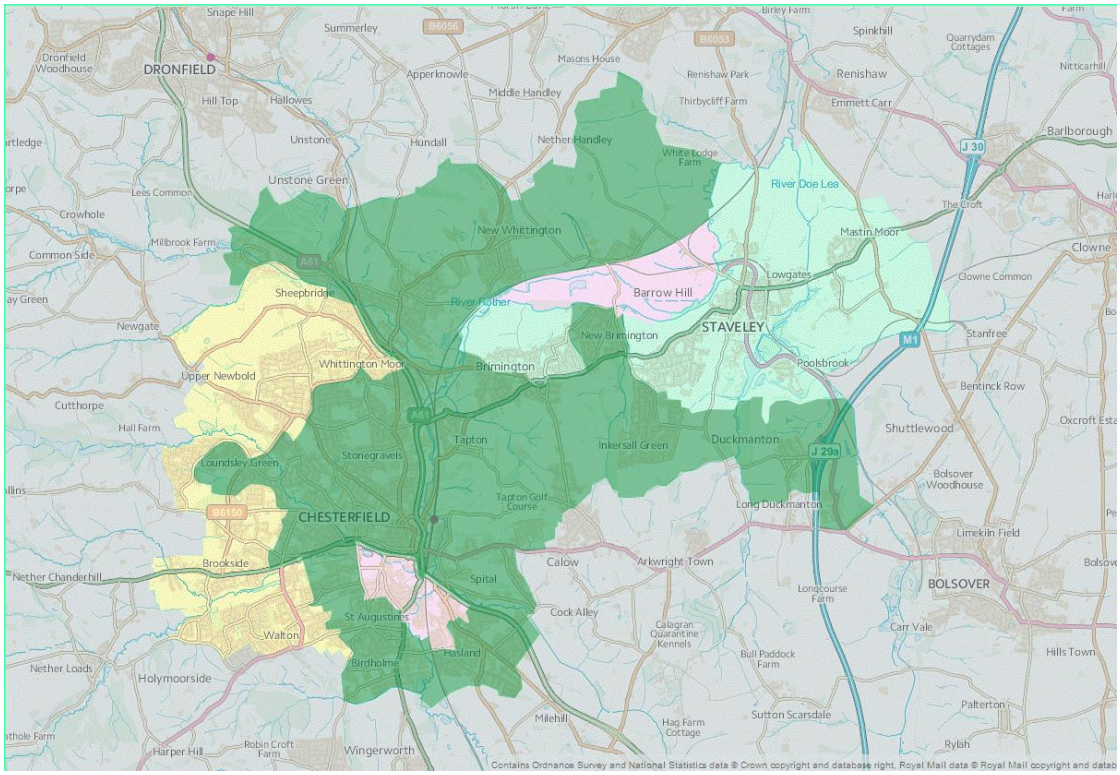
	Affordable Housing	CIL
Value Point 1	0%	£0/m²
Value Point 2	10%	£40/m²
Value Point 3	20%	£60/m²
Value Point 4	20%	£120m²

18.23 In addition to the amended policy rates, we also found that the areas in which these policies should be applied had changed a little. Following the convention of using ward boundaries to define the policy areas wherever possible, we made two changes to the ranking of entire wards. The first was in Dunston, where our review of new build values found some of the highest new build values in the district. We have therefore moved it from NCS's Medium ranking to our Value Point 4.

18.24 Similarly, although we did find evidence of some lower value development in St Helens, we found that values were not generally lower than in the rest of central Chesterfield. We have therefore moved this ward from the Low category to our Value Point 3.

18.25 Conversely, we did find evidence of a significant quantities of lower value development taking place in the Southern half of St Leonards – although the Northern half of the ward also contains higher value development. We have therefore divided the ward between our Value Point 3 and Value Point 1 with the boundary defined by the A617/A619.

18.26 An amended map is provided below.



Strategic Development at Former Staveley Works

18.27 The allocation of the former Staveley Works comprises, 150 ha of heavily contaminated ground which is to be allocated for over 40ha of employment and 1,500 homes with associated infrastructure.

18.28 As with the previous study, by NCS, we have found that this site would not ordinarily be commercially viable without significant support. The Council's appraisal of the site has identified around £60-£70m of clean up costs in addition to other infrastructure required to render the development acceptable in planning terms.

18.29 These clean-up costs, amount to around £500k/ha or £50k/home.

18.30 Coupled with the low values currently seen in Staveley, we do not consider this level of costs supportable on a commercial basis.

18.31 This does not mean that the site cannot or will not go ahead. First of all, there is the prospect of public support. Second, development on this scale is intended to regenerate the area. Although values will be low initially, it is entirely possible that the

development will create its own market and a distinct sense of place as it begins to establish itself.

18.32 We have therefore assessed the scheme on three different bases:

- On the basis that the public sector takes on the full cost of the clean-up and decontamination operations. This leaves the scheme to support £12,700/home in other infrastructure costs;
- On the basis that the Residential element of the development makes a pro-rata contribution to de-contamination on a per hectare basis (£33,000/unit)
- On the basis that the residential element of the scheme absorbs the entire cost of the infrastructure and clean-up (£59,000/unit);

18.33 At current values for the area, our analysis found that the scheme would be profoundly unviable on all three scenarios. However, we would stress that out analysis is based upon very broad brush estimates of the clean-up and infrastructure costs. Given that public subsidy will be required, it is inevitable that a great deal of scrutiny will be applied to each element of these costs before the public money is released. Moreover, as noted, there is scope, through place making, to elevate the values achieved on the site as it develops.

18.34 Our analysis found that, scenario 1 would, in fact be viable including 10% affordable housing, if the values currently characteristic of Value Point 2 were applied. That is not impossible, even in the early stages of development.

18.35 If, on later phases, values were to rise nearer to those characterising Value Point 3, then viability would, naturally be improved – although not so much so as to permit the delivery of a contribution equivalent to our Scenario 2.

18.36 We regard the prospects for the achievement of more than 10% affordable housing to be quite remote – however, we would note that this is less problematic than it might have been in an area where Council housing makes up an absolute majority of the surrounding housing stock.

Chesterfield Waterside

18.37 The Waterside site is a narrow corridor of land amounting to around 25ha in the centre of Chesterfield. Currently occupied by a mixture of mostly vacant or under-occupied employment uses, the site has the benefit of planning permission for:

- Up to 1,550 new homes;

- Up to 30,000m^2 of new office space
- Retail and food and drink uses
- A doctors' surgery and creche
- One or two hotels with 250 bedrooms in total
- Public open space including linear parks
- Two multi-storey car parks.

18.38 This is the only scheme appraised in the study in which flats comprise the majority of the development.

18.39 In general, apartments tend to achieve higher values per square foot but, conversely, the cost of development tends to be rather higher.

18.40 Unlike other mixed-use development in Derbyshire, where the residential and employment or other uses are relatively distinct form one another, the intention of the Waterside is clearly to generate a new urban quarter with multiple uses tightly integrated together. It therefore makes limited sense to talk of the residential or commercial elements separately because the masterplan clearly envisages parallel development of all the proposed uses.

18.41 However, for the benefit of clarity, our study did consider the elements separately – in order to identify which were drivers of value and which might be considered to be burdens.

18.42 On that basis, we found that, on current values, the residential element of the scheme was unlikely to be viable on its own. However, the purpose of regeneration is to create a new and more desirable place over the course of the development. If, over time, values were to increase to a level consistent with Value Point 4 then the scheme would not only be viable – it would also be capable of delivering at least 10% affordable housing and even, potentially, as much as 20%.

18.43 However, the scheme will not come forward on a purely residential basis – around a third of the total scheme takes the form of other uses. We therefore reviewed the impact on overall viability of the other uses set out in the master plan. Of these, we considered that the Hotel, Nursing home and Food and Beverage uses would all contribute positively to the viability of development.

18.44 By contrast, the Offices, Retail and Shops would all impact negatively on viability - generating a negative Residual Land Value which we consider will drag the overall site value down.

18.45 When we combine the uses on the basis of current values, we find that, as before, the scheme is unlikely to be viable even before the imposition of affordable housing and CIL. However, when we model a regeneration effect and assume values reach Value Point 4, we find that the scheme would be viable overall. Although we found that the scheme was unviable even at the lowest level of affordable housing tested (10%) the RLV was only slightly below the Benchmark Land Value that we consider to be the determinant of viability.

18.46 We conclude that some modest element of affordable housing is likely to be deliverable over the life of the scheme.

Commercial Development

18.47 Turning to Commercial Development, we tested a range of employment uses which are presented in Table 17.1. These schemes were tested on the basis of values provided by VAS for these use classes in this area and our view of costs was informed by information from BCIS.

Development type	Notional Scheme Tested
Food Retail	300m² Roadside Retail
Supermarket	3,000m² Supermarket
Office Uses	2000m² Office Building
General Industrial	1000m² Factory

Table 17.1: Commercial Site Typologies Tested

18.48 We expanded some of these basic typologies in order to reflect a range of circumstances. Unfortunately, our assessment of the viability of commercial development found that development would be in most cases unviable – even before the impact of planning burdens and S106 contributions.

Value Class	Cost Base	Gross Development Value	Total RLV *(negative)*
Roadside Retail	Retail	£433,956	*(£112,022)*
Supermarket	Supermarket	£7,518,343	*(£391,733)*
Supermarket	Retail Warehouse	£7,518,343	£2,200,244
Office (Single let)	Office General	£1,623,564	*(£3,052,422)*
Office (Multi let)	Office General	£2,164,752	*(£2,654,865)*
Office (Single let)	Office - Non Air-Con (LQ)	£1,623,564	*(£2,007,786)*
General Industrial	Industrial Factory	£386,113	*(£853,548)*

Table 17.2: Commercial Site Typologies Tested

18.49 With the exception of the supermarket, in each case, we found that development costs exceeded gross scheme development value by a considerable amount – resulting in a negative land value. The sole exception was for a supermarket but even this relatively strong result was achieved by applying the assessed rent for a supermarket to a Retail Warehouse – a mismatch which may not be wholly realistic. This strongly suggests that development will not go ahead.

18.50 In a sense then, the policy prescriptions arising from these findings are straightforward. No Community Infrastructure should be imposed and care should be taken to avoid imposing any other burdens on these forms of development which might further inhibit them.

18.51 This is not to say that no commercial development will take place. The needs of employers will continue to change and they will continue to need new space. It is likely that development which is driven by the specific needs of particular employers will continue to go ahead but the volume of speculative development is likely to be limited.

18.52 The more complex question is how the results we have obtained in respect of commercial development will affect the large, mixed use, strategic sites upon which the Council relies in order to deliver the plan.

18.53 In that respect, we consider that the infrastructure allowances we have made in respect of the residential elements of these sites should generally be sufficient to deliver the major infrastructure upon which the commercial land relies (spine roads, power etc). It may be the case that the employment uses do not come forward in the early phases of development and that it takes some time to deliver them. However, we do not consider it appropriate for the residential elements of the scheme to be expected to "prime the pump" by cross subsidising the delivery of the employment uses.