Financial Viability Assessment

Land at Burston Garden Centre
North Orbital Road
St Albans

Castleoak

24th February 2021

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24th February 2021

Our Ref: 2020-364

PRIVATE AND CONFIDENTIAL

Planning and Building Control
District Council Offices
St Peter's Street
St Albans
Herts
AL13JE

For the Attention of: Sarah Smith

Dear Sarah,

Financial Viability Assessment in Respect of: -

Burston Garden Centre, North Orbital Road, AL2 2DS

EXECUTIVE SUMMARY

This report has been prepared in support of a planning application submitted to St Albans City & District Council for the proposed redevelopment of Burston Garden Centre. The application seeks planning permission for the following development:

Demolition of all existing buildings, structures and hardstanding and redevelopment of the site to provide a new retirement community comprising assisted living bungalows and apartments, with community facilities together with associated access, bridleway extension, landscaping, amenity space, car parking and other associated and ancillary works.

This report considers the financial viability of the proposals and provides justification in economic viability terms for the level of affordable housing and other planning benefits included within the planning application.

Based upon the findings herein the proposed scheme contained within the application produces a Residual Land Value below what is considered an appropriate Benchmark Land Value for this type of development whilst adopting an appropriate development return in accordance with published guidance on the financial viability in planning process.

This is on the assumption of a fully private scheme providing no affordable housing and making the s106 contributions as set out herein.

1. INTRODUCTION

1.1 Newsteer have prepared this report on behalf of the applicant – Castleoak – in order to consider the profitability resulting from the proposed development and demonstrate the ability of the scheme proposals to provide affordable housing taking account of the scheme revenue and costs together with the other planning benefits required. This report constitutes a financial viability appraisal of the proposed scheme for planning purposes.

1.2 This report is provided on a private and confidential basis to support the planning application submitted to St Albans City & District Council (hereafter "the Council"). We understand that the report will made available to the Council's advisors and are happy for this to occur however, we do not offer the Council or your advisors and or any third parties a professional duty of care.

1.3 This report must not be recited or referred to in any document or copied or made available (in whole or in part) to any other person without our express prior written consent.

1.4 This report has been prepared in line with RICS valuation guidance and regarding relevant guidance on preparing financial viability assessments for planning purposes. However, it does not constitute a formal "Red Book" valuation and should not be relied upon as such.

1.5 The scheme will be assessed using standard residual valuation methodology as follows:

Gross Development Value of the residential and commercial elements of the scheme

Less

Build costs, Section 106 costs, CIL, cost of sale, finance costs

Less

Development Profit

=

Residual Land Value

1.6 The Residual Land Value is then compared with a Viability Benchmark Value (VBV) and if the Residual Land Value is lower or not sufficiently higher than the Benchmark Value the scheme is not technically viable.

1.7 We have undertaken development appraisals using the industry recognised ARGUS Developer Model.

1.8 The report will give a brief overview of the scheme; set out the Viability Benchmark Value considered appropriate in this case; detail the assumptions made in relation to the scheme residual appraisal and detail the appraisal results. This will allow conclusions to be drawn in respect of the level of contributions which the scheme is able to support.

2. DEVELOPMENT PROPOSALS

2.1 The scheme has been through a rigorous design process. A plan showing the proposed development is shown below for context.

Accommodation Summary

2.2 We attach as Appendix A the scheme layout drawings and accommodation schedule in accordance with the submitted planning application. We detail a summary of the proposed accommodation below: -

Type	***Unit Count***	***GIA Area (m2)***
Assisted Living	*80*	*8,839*
Care Bungalow A	*1*	*126*
Care Bungalow B	*5*	*583*
Care Bungalow C	*14*	*1,673*
Care Bungalow D	*6*	*721*
Care Bungalow E	*6*	*720*
Care Bungalow F	*12*	*1,493*
Total	***124***	***14,154***

Scheme History & Design Progression

2.3 Our client, Castleoak, are looking to develop a retirement village with 80 assisted living apartments and 44 bungalows with a care provision. The site is located on the outskirts of St Albans nearby to a junction leading to the M1 and M25. The development site is currently part of a Garden Centre, and comprises commercial growing space for plants, greenhouses and two storage buildings.

2.4 A pre-application meeting was carried out on 6th October 2020. A scheme has been drawn up as per the above and further details of the accommodation schedule can be found in Appendix A.

3. VIABILITY BENCHMARK LAND VALUE

3.1 We attach as Appendix B, policy guidance.

Methodology

3.2 In summary, we have reviewed two methods in order to assist in arriving at what would form a reasonable return to the landowner and therefore the Benchmark Land Value for this scheme.

3.3 The site measures at c9.6 acres (3.88 ha) and the current use is as commercial nursery space for an adjacent garden centre, with a mix of industrial buildings and glasshouses.

3.4 The first method we have applied is the Existing Use Value basis based on bare agricultural land values with a residential development premium. Based upon a review of the St Albans CIL & Emerging Local Plan Viability Study (November 2017), we have adopted pricing for land sites for development at the higher end of the range at c£200,000 per gross acre. We have adopted the higher end of the range as commercial nursery space would command agricultural values at the higher end of the range and a premium is then applied to this. This would equate to a Benchmark Land Value of **£1,920,000**.

3.5 The second method we have applied is the Existing Use Value Plus basis adopting a value against the existing buildings and an agricultural land value to the nursery space. The 2 glasshouses measure at a total of c48,686ft^2 (c4,523m^2). The 2 industrial units measure at a total of c11,754ft^2 (1,092m^2). Applying a rate of £25psf to the glasshouses, and £75psf to the industrial units, based upon approximate replacement build costs, equates to a value of £2,098,700. An agricultural land value then applied to the 9.6 acres at £10,000 equates to an additional value of £96,000. Totalling in an existing use value of **£2,194,700**.

Landowner's Premium

3.6 It is widely accepted that viability should be considered against the EUV plus a landowner's premium. The premium is applied to represent the incentive a landowner would require to release the land for development.

3.7 We are of the opinion that the premium should be reflective of the amount that a reasonable landowner would seek to achieve in order for the site to be purchased for development.

3.8 In this case there is significant potential to enhance the value of the site through development we therefore believe that a premium of a minimum 20% is appropriate resulting in a landowner's premium of **£438,940.** This gives a total Benchmark Land Value **of £2,633,640**.

VBV Conclusion

3.9 Having regard to the above we would therefore adopt a Benchmark Land Value of **£2,600,000.**

4. VIABILITY APPRAISAL INPUTS & ASSUMPTIONS

4.1 We consider below the various inputs and assumptions contained within the attached appraisal.

Comments on the Residential and Extra Care Market

4.2 As we move forward in the pandemic, albeit with continuing concerns of more restrictions on movement, there is a little more clarity in the market, particularly in London and the South, where the pandemic hit first and hardest and is once again most prevalent. Prior to the start of the virus and after years of Brexit stagnation, the residential market received a boost due to the seeming end of uncertainty with the resulting hefty Tory victory in the December 2019 general election. The market responded as soon as it could in January 2020, previously slow sales rates in new schemes perked up significantly and new buyers registered up and down the country with estate agents. Confidence and forward momentum had returned and new sites for development were sought to further increase the supply pipeline of new build homes.

4.3 Of course, this stalled once the extent of the problems due to the pandemic sank in and, as is usual in sudden unforeseen circumstances, there was a period of complete inaction when everyone was trying to work out what to do and how the market would be affected; then acclimatisation as the Government's lockdown was implemented and everyone stayed at home. With the end to the stamp duty incentive scheme on the horizon it is likely to temper any up-tick in sentiment for the residential market.

4.4 Taking this into account, we envisage that prices will remain very much as they were prior to the pandemic, and although there may be no inflation in the short term, it is unlikely that there will be a significant correction either. However there has to be a certain level of cautiousness within the market and when valuing residential property as a result of the Pandemic.

Location and Market Values

4.5 The site is located on the North Orbital Road, c1.7km from Junction 6A of the M1 and Junction 21A of the M25. St Albans centre is located c3.5km to the North East of the site. Park Street train station is located c1km to the East of the site, providing services towards both St Albans and Watford Junction.

4.6 There are a number of Assisted Living apartments that have been utilised as comparable evidence in the surrounding area, however there was very little by way of retirement village bungalow evidence.

4.7 We have considered the following schemes when estimating the sales values achievable in this location for Assisted Living Apartments: -

Scheme Name	*Scheme Address*	*Developer*	*Total Units on Site (incl. other unit types)*	*Care Package Available*
Eleanor House	*London Road, AL1 1NR*	*McCarthy & Stone*	*50*	*Yes*
Maryland Place	*Townsend Drive, AL3 5FD*	*Beechcroft*	*35*	*No*

Debden House	*Debden Grange, Fallow Drive, Bury, CB11 3RP*	*Retirement Villages*	*81*	*Yes*
Castle Village	*Britwell Drive, Berkhamsted, HP4 2GS*	*Retirement Villages*	*150*	*Yes*
Cedars Village	*Finch Green, Chorleywood, WD3 5GL*	*Retirement Villages*	*153*	*Yes*

4.8 In addition to the rates for the apartments above we have considered the following schemes when estimating the sales values achievable in this location for Retirement Village Bungalows: -

Scheme Name	*Address*	*Developer*	*Units on Site*	*On-site Care*
Castle Village	*Britwell Drive, Berkhamsted, HP4 2GS*	*Retirement Villages*	*150*	*Yes*
Cedars Village	*Finch Green, Chorleywood, WD3 5GL*	*Retirement Villages*	*153*	*Yes*

4.9 For further information and detail, comparison tables relating to the above schemes can be found in Appendix C.

4.10 In conclusion, having regard to the evidence set out in Appendix C we would estimate that the average rate per square foot achievable on the proposed scheme is **£650 per sq. ft. for the apartments** and **£600 per sq. ft. for the bungalows** which are larger.

4.11 In addition we also see the need to account for Deferred Management Fees (DMF) or Event Fees. These are discussed further in Appendix D and an excel spreadsheet is included as Appendix E which calculates the addition we believe appropriate in this case. Including the DMF addition the total GDV value equates to would estimate that the average rate per square foot achievable on the proposed scheme is **£682 per sq. ft. for the apartments** and **£630 per sq. ft. for the bungalows**.

Development Phasing & Timescales

4.12 Our development appraisal assumes project timescales that are considered appropriate for this type and size of development. The detailed timings can be seen within the appraisal summary and are summarised briefly below. It is important to note that we have assumed the development would be completed in 2 phases, the construction element of the Bungalows being pushed back until the construction of the Apartments is complete. The apartment block includes the additional amenities and facilities that would be expected to be provided prior to any sales and this will therefore be the first element completed with the Bungalows following on. We have assumed an overlap of the sales of the apartments and bungalows by 18 months, however some operators may wish to push the bungalows back until more of the apartments have been sold :-

Apartments – Phase 1	Number of Months
Pre-construction	12
Construction	24 + 18
Sales	40 +22

TOTAL	76

4.13 We have allowed 12 months for purchase and pre-construction timings to allow for planning permission to be achieved.

4.14 We have allowed for sales at 2 per month.

4.15 By their nature, age restricted developments are limited to those over the age of 55 or indeed often older – 65+. As a result this significantly limits the market for potential purchasers in comparison to general needs housing which carries no age restrictions whatsoever. Considering moving away from the family home is a sizeable decision and because of a prospective purchaser's age and care needs, any sale is likely to involve additional family members, predominately their children, who will also need convincing that a property provides the best place for their parent(s) to live out their remaining years (and as importantly without eroding any inheritance)s. Accordingly, the sales rates of age restricted developments are much slower which increases their finance costs and decreases the Internal Rate of Return. Extra Care developments are further impacted as such schemes are limited to purchasers with care needs.

4.16 In contrast general needs residential schemes are not restricted by age or care requirements and are open to all who can afford them; including the elderly who often resist a move to specialist housing despite their existing homes becoming increasingly inappropriate to their needs. Consequently these developments are able to sell at a much faster rate providing another competitive edge that age and care need restricted developments struggle to match.

Development Costs

4.17 We have been provided with budget construction costings prepared by Castleoak who will build out the development themselves for an operator partner. These are included as Appendix F. The total estimated construction cost (including a 5% contingency) is £45,253,179. We are of the opinion that this is a reasonable estimate for a development of this nature, considering the quality of specification required in order to achieve the sales values detailed above.

4.18 Notwithstanding the need to build a larger scheme to achieve the same sales space, age restricted developments are more expensive to construct than general residential housing. Firstly any flatted development is more expensive to construct than a housing scheme due to the proportionally higher costs of a larger structure, noise insulation, incorporating car, cycle and bin storage, and higher proportion of bathrooms and kitchens which cost more to fit out. Secondly, age restricted developments cost more to construct compared to general developments as they will often include lifts (even if only two storey), specially adapted bathrooms, fitted out treatment rooms and amenity areas.

4.19 We have made an allowance of 10% for professional fees. These tend to be higher for Extra Care Schemes than General needs housing as unlike a housing estate, which will be designed around a standard set of house types, extra care schemes tend to be individual bespoke products requiring significantly greater design team input and therefore increasing costs. The market norm is between 8%-12% and we are of the opinion that 10% reflects a fair rate for the type of product seen here.

Planning Obligations

4.20 We have considered the draft s106 agreement for the previous application on the site and included potential s106 sums within our appraisal based upon this as follows:

- Travel Plan Evaluation and Support Contribution - £6,000
- Library Contribution is as follows:

  Assisted Living – Apartments

1B =	24 x £77 =	£1,848
2B =	53 x £129 =	£6,837
3B =	3 x £164 =	£ 492
		£9,177

  Assisted Living – Bungalows

2B =	44 x £147 =	£6,468

- Total Contributions **£21,645**
- It is likely these costs would require indexation but the indexation basis within the s106 is not clear – we have adopted the base figures for our appraisal but would note that and further indexation would further reduce viability.

Marketing, Acquisition and Sales Fees

4.21 Details of the estimated marketing, acquisition and sales fees are contained within our Argus appraisal. The specialist nature of age restricted developments mean that sales rates are significantly slower than a standard residential product. The additional sales period means that sales costs also increase significantly.

4.22 A significant cost in any development is the cost of sales. Only the smallest developments can rely solely upon an estate agent to sell the units at an acceptable rate. Most schemes will require a significant degree of marketing including a manned sales office and show home. The increased sales period faced by age restricted developments means that the sales office has to be manned for longer which increases its cost relative to general needs housing. Similarly marketing material and advertising costs run for an extended period. Furthermore, to secure the support of family members, additional time will need to be spent with each family which also increases staffing and admin costs. Additionally less mobile purchasers will be met at their home further increasing the time and expense required to sell each unit relative to general needs housing developments. On average a typical market housing scheme might cost circa 2-3% of the developed value to sell compared to up to 5%-6% for an age restricted development.

4.23 In this case we have adopted sales fees of 5% including the Marketing, Sales Agent Fees and made an additional allowance of 0.25% in respect of Sales Legal Fees, which we consider reflects the type of product and sales period stated.

Set Up Costs - Empty (Void) Property Costs

1.1 The facilities within an age restricted development assist in residents' well-being and, in the case of Extra Care, their day to day care needs these must be fully operational before the scheme can be occupied. The facilities also need to be operation to attract buyers willing to pay the premium price reflecting these facilities. Once completed any facilities within a development will need their operational costs covering. This is achieved through a service charge paid by residents. However, the amount chargeable to any one owner is only proportionate to the development at full occupation. Accordingly the developer has to cover the void cost of any unsold units which can be significant.

1.2 Based upon evidence of other schemes with which we are currently involved which include similar facilities and are of similar size we have estimated the service charge at £7,500.

1.3 In addition to covering the service charge, as units need completing to encourage potential purchasers developers have to cover the costs of Council tax. Based on band G Council tax for this location would currently be £3,114.97 and based upon band H it would be £3,737.96. We believe that that the majority of units will sit in between these bands and have therefore taken an average estimated cost at £3,400 per unit per annum. We have assumed that the development would be completed on a phase basis and therefore adopt costs related to the units in each phase.

1.4 As most general residential schemes do not have additional facilities, developers of such schemes do not face the same cost burden. Even where schemes do include additional facilities their operational start can be delayed until a certain level of occupation is achieved. We have considered the start-up costs on this development using an excel model attached as Appendix H. The total costs are then included cash flowed within our argus model.

Development Profit

4.24 Any profit requirement for the development needs to be carefully balanced between the need to secure highly competitive and limited development sites and the risks of a potential project. Expected profit margins range for residential schemes range from 17.5% to 20% of Gross Development Value with housing estates normally at the bottom of this range, standard flatted developments in the middle and age restricted or other complex developments (e.g. tower developments) at the top. In the current market, an acceptable return for a development of this nature should be approximately 20% of the gross development value. We would also note that in the case of Extra Care village developments there will often be a developer and an operator, as there is here, and both will require a profit element for their risk in taking on the development which will increase the profit requirement over a simple general needs housing scheme delivered by a housebuilder.

5. VIABILITY APPRAISAL RESULTS

5.1 Attached as Appendix G is an Argus Developer development appraisal summary considering the proposed redevelopment in accordance with the submitted application. We detail below the results of this appraisal, based upon the inputs detailed above: -

Gross Development Value	£80,579,894
Construction Costs	£43,248,873
Contingency @ 5%	£2,004,304
Professional Fees @ 10%	£4,525,318
Planning Obligations/CIL	£21,645
Marketing & Disposal Fees	£4,230,445
Finance	£8,054,800
Total Costs	£64,463,915
Viability Benchmark Land Value	£2,600,000
Residual Land Value	£45,734
Profit	£16,115,979
Profit on Cost (%)	25%
Profit on GDV (%)	20%

5.2 It is evident from the above that the residual land value generated by the proposed development is below the Viability Benchmark Value based upon what would be considered as an acceptable return for a development of this nature.

5.3 This shows that it is not viable to provide any on site affordable housing or financial contributions in lieu of such affordable housing. Any requirements to provide such contributions would further impact on viability.

6. CONCLUSIONS

6.1 Based upon the findings herein the proposed scheme contained within the application produces a Residual Land Value below what is considered an appropriate Benchmark Land Value for this type of development whilst adopting an appropriate development return in accordance with published guidance on the financial viability in planning process.

6.2 This is on the assumption of a fully private scheme providing no affordable housing and making the s106 contributions as set out herein.

6.3 Any requirement for further planning benefits may make the scheme undeliverable at the current time.

7. THIRD PARTIES AND PUBLICATIONS

7.1 This report contains commercially sensitive information and is private and confidential. Neither the whole nor any part of this report or any reference thereto may be included in any published document, circular or statement, nor published, reproduced or referred to any way without our prior written approval of the form and context in which it may appear.

7.2 This report has been prepared for the purposes of assessing the financial viability of the project and should not be relied upon by any third party. It does not constitute a formal valuation report and under no circumstances should be relied upon as such. Any figures contained within this report are specifically excluded from the provisions of the RICS Valuation Standards (The Red Book).

7.3 This document is confidential to those to whom it is addressed. This document, in whole, or in part and any specific information contained within is not to be provided to or discussed with any third parties other than the Council and their independent financial advisor. Should the Council wish to provide any of the information contained within to a third party, the third party will be required to enter into a written agreement with Newsteer, prior to the issue or discussion about such information.

7.4 Where we have relied upon information provided by third parties the accuracy of the report will depend upon on the accuracy of the information supplied by them. Should the information provided be inaccurate or incomplete then we would reserve the right to amend our report accordingly.

Yours faithfully

For and on behalf of

Newsteer

APPENDIX A: PROPOSED DEVELOPMENT DRAWINGS & ACCOMMODATION SCHEDULE

Accommodation Schedule

	Unit Count
ASSISTED LIVING	80
CARE BUNGALOW - TYPE A	1
CARE BUNGALOW - TYPE B	5
CARE BUNGALOW - TYPE C	14
CARE BUNGALOW - TYPE D	6
CARE BUNGALOW - TYPE E	6
CARE BUNGALOW - TYPE F	12
	124

Accommodation Schedule - Assisted Living

Name	Unit Count
1B	24
2B	53
3B	3
	80

Area Schedule (GIA)

Name	Area
Assisted Living	8838.6 m²
Care Bungalow - Type A	126.1 m²
Care Bungalow - Type B	583.0 m²
Care Bungalow - Type C	1673.0 m²
Care Bungalow - Type D	721.4 m²
Care Bungalow - Type E	719.8 m²
Care Bungalow - Type F	1492.5 m²
	14154.3 m²

Area Schedule (GEA)

Name	Area
Assisted Living	9533.8 m²
Care Bungalow - Type A	151.7 m²
Care Bungalow - Type B	723.7 m²
Care Bungalow - Type C	1980.8 m²
Care Bungalow - Type D	844.3 m²
Care Bungalow - Type E	840.5 m²
Care Bungalow - Type F	1731.9 m²
	15806.7 m²

Area Schedule (NSA) Assisted living

Name	Level	Unit Count	Area
Assisted Living			
1B	Level 0	6	345.2 m²
2B	Level 0	13	1,090.6 m²
3B	Level 0	1	101.1 m²
1B	Level 1	9	504.4 m²
2B	Level 1	20	1,668.6 m²
3B	Level 1	1	101.1 m²
1B	Level 2	9	504.4 m²
2B	Level 2	20	1,668.5 m²
3B	Level 2	1	101.1 m²
Grand total: 80		80	6,085.1 m²

Area Schedule (NSA) Care Bungalow

Plot number	Name	Unit Count	Area
1	CARE BUNGALOW - TYPE A	1	126.7 m²
2-3	CARE BUNGALOW - TYPE C	2	238.1 m²
4-5	CARE BUNGALOW - TYPE C	2	238.1 m²
6-9	CARE BUNGALOW - TYPE F	4	489.5 m²
10-13	CARE BUNGALOW - TYPE F	4	489.5 m²
14	CARE BUNGALOW - TYPE B	1	119.0 m²
15-16	CARE BUNGALOW - TYPE C	2	238.1 m²
17-18	CARE BUNGALOW - TYPE C	2	238.1 m²
19-21	CARE BUNGALOW - TYPE D	3	356.4 m²
22	CARE BUNGALOW - TYPE B	1	119.0 m²
23-25	CARE BUNGALOW - TYPE D	3	356.4 m²
26	CARE BUNGALOW - TYPE B	1	119.0 m²
27-29	CARE BUNGALOW - TYPE E	3	357.1 m²
30	CARE BUNGALOW - TYPE B	1	119.0 m²
31-33	CARE BUNGALOW - TYPE E	3	357.1 m²
34	CARE BUNGALOW - TYPE B	1	119.0 m²
35-36	CARE BUNGALOW - TYPE C	2	238.1 m²
37-38	CARE BUNGALOW - TYPE C	2	238.1 m²
39-42	CARE BUNGALOW - TYPE F	4	489.5 m²
43-44	CARE BUNGALOW - TYPE C	2	238.1 m²
Grand total		44	5,283.9 m²

Note: External refuse stores
not included in area schedule

Designed with reference to the surveys, information and reports listed:

Rev	Date	Description	Dwn	Ckd
E	03/09/20	Updated to align with pre-app 09/2020	MLH	JAB
F	26/10/20	Updated to align with Planning application 2020	MLH	JAB
G	14/12/20	Updated to align with Planning application 12/2020	MLH	JAB

Drawn MLH
Checked JAB
Date 14/05/18
Scale @ A3

Burston Garden Retirement Village
Schedule of Accommodation

0653-00-99-SCH-A-G0-500
REV G

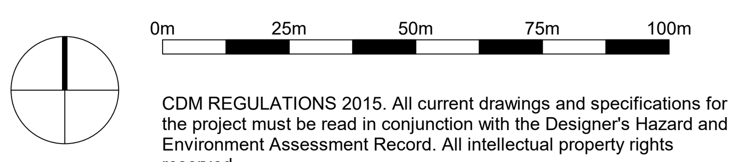
PRP

Existing Location Plan

1 : 1250

SITE ADDRESS : LAND TO REAR OF BURSTON GARDEN CENTRE
NORTH ORBITAL ROAD
ST. ALBANS
AL2 2DS

SITE AREA : 5.8 HECTARES
58,000 m^2



CDM REGULATIONS 2015. All current drawings and specifications for the project must be read in conjunction with the Designer's Hazard and Environment Assessment Record. All intellectual property rights reserved.

Designed with reference to the surveys, information and reports listed:

Rev	Date	Description	Dwn	Ckd
-	23/10/20	Issued for client approval	MLH	JAB
A	29/10/20	Issued for client review	MLH	JAB
B	10/12/20	Issued for Planning	MLH	JAB

Drawn MLH
Checked JAB
Date Oct 2020
Scale @ A1 1 : 1250

Burston Garden Retirement Village
Site Location Plan

0653-00-SL-PL-A-G7-010
REV B

PLANNING

PRP

CDM REGULATIONS 2015. All current drawings and specifications for the project must be read in conjunction with the Designer's Hazard and Environment Assessment Record. All intellectual property rights reserved.

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Drawn	MLH
Checked	JAB
Date	Oct 2020
Scale @ A1	1 : 500

Burston Garden Retirement Village
Existing Site Plan

0653-00-SL-PL-A-G7-011
REV B

PLANNING

PRP

KEY

Site Boundary

Demolished Buildings

Proposed Block Plan

1 : 1250

0m 25m 50m 75m 100m

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Drawn	MLH
Checked	JAB
Date	Oct 2020
Scale @ A1	As indicated

Burston Garden Retirement Village
Proposed Block Plan

0653-00-SL-PL-A-G7-012
REV B

PLANNING

PRP

Accommodation Schedule

	Unit Count
ASSISTED LIVING	80
CARE BUNGALOW - TYPE A	1
CARE BUNGALOW - TYPE B	5
CARE BUNGALOW - TYPE C	14
CARE BUNGALOW - TYPE D	6
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B	10/12/20	Issued for Planning	MLH	JAB

Drawn	MLH
Checked	JAB
Date	Oct 2020
Scale @ A1	1 : 500

Burston Garden Retirement Village
Proposed Site Plan

0653-00-SL-PL-A-G7-013
REV B

PLANNING

PRP

APPENDIX B: VIABILITY BENCHMARK VALUE POLICY & GUIDANCE

Viability Benchmark Land Value – Policy & Guidance

In order to examine the economic viability of the proposed development the scheme is tested against a base land value known as the Viability Benchmark Land Value (VBV).

In arriving at an appropriate VBV there are a number of documents that provide guidance on viability appraisals for planning purposes:

- National Planning Policy Framework (February 2019);
- Planning Practice Guidance on Viability (2018, updated September 2019); and
- RICS - Assessing Financial Viability in planning under the National Planning Policy Framework for England Guidance Note (Draft, under consultation, January 2020)

National Planning Policy Guidance and Context

Published in February 2019 government guidance set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) states 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.

PPG on Viability, most recently updated in September 2019, sets out that a 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); and
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees.

EUV is subsequently defined as follows:

"EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types... EUV can be established… by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development)."

It is recommend that the EUV should be informed by market evidence of current uses, costs and values. It is of note that market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value.

It is recommended that evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. 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.

PPG sets out that 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 available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements".

In short, the premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).

PPG also states that for the purpose of a viability assessment and Alternative Use Value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing VBV.

It is further required that <u>under no circumstances</u> will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

RICS Guidance

Since the NPPF and subsequent PPG updates in 2018 and 2019 the RICS has published two documents responding to changes to relevant policies:

1. Financial viability in planning: conduct & reporting, RICS professional statement (May 2019); and
2. A DRAFT guidance note entitled 'Assessing financial viability in planning under the National Planning Policy Framework for England'.

The RICS acknowledges that in determining an appropriate EUV, Stakeholders are often presented with a variety of valuation figures that are not always easy to understand. In particular it recognises that they will wish to reconcile figures included in FVAs with figures reported in the market.

In the interest of transparency, the professional statement requires that when providing VBV in accordance with the PPG for an FVA, RICS members must report the following:

- Current Use Value – CUV, referred to as EUV or first component in the PPG;
- Developers' Premium – the second component as set out in the PPG;
- Market evidence as adjusted in accordance with the PPG;
- All supporting considerations, assumptions and justifications adopted including valuation reports, where available; and
- Alternative use value as appropriate (market value on the special assumption of a specified alternative use).

The statement acknowledges that it is not appropriate to report an alternative use value where it does not exist. A statement must be included in the FVA or review of the applicant's FVA or area-wide FVA that explains how market evidence and other supporting information has been analysed and, as appropriate, adjusted to reflect existing or emerging planning policy and other relevant considerations.

The document further states that price paid is not allowable evidence for the assessment of VBV and cannot be used to justify failing to comply with policy.

The RICS Draft guidance note confirms that PPG prescribes the EUV plus a premium (EUV+) as the starting point for assessing BLV, but that the Alternative Use Value (AUV) can also be used in some circumstances.

The guidance states that the valuation process set out for the VBV does not accord directly with the valuation process adopted for the market valuation of the development property, and that therefore it may not accord with the market value of the property.

In the case of development valuation, RICS guidance suggests that two valuation methods should normally be applied: the market comparison approach and the residual method. In the case of development property, unlike some other property types, applying the market comparison approach only is rarely adequate. The two valuations are set out in Valuation of development property, RICS guidance note. In the case of the BLV in FVAs, these two methods are not the primary approach, which is the EUV plus a premium. They are therefore cross-checking mechanisms only.

The RICS confirms that it is "clear and unambiguous" that the Valuation Standards and PPG are compatible and that the EUV for the purposes of FVAs is the value in its existing use, ignoring any prospect of future change to that use. Market Value may, however include that prospect where it exists. They conclude that the assessment of EUV for FVA purposes does not involve a departure from the Red Book and does not formally need to be declared as such.

However they note that the following issues can arise in the determination of EUV within the context of FVAs:

- Analysis of transactional evidence;
- Repair and improvement;
- Buildings run down in anticipation of development;
- A partially completed development; and
- A specialised property.

The RICS recognises that for the purpose of defining land value for any FVA, PPG requires 'a benchmark land value should be established on the basis of the EUV of the land, plus a premium for the landowner' and that 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 available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements'. The premium is therefore a minimum return that would persuade a reasonable landowner to sell the land.

The RICS states that an important difference between market value and VBV is the weighting of the evidence base. While the evidence base for the market value is grounded in transactions, and in comparative values and costs of the developed property in a residual valuation, the PPG reduces the status of comparable land transactions to that of a cross-check of the BLV, which may be undertaken to help inform the VBV established by reference to the EUV plus a premium.

The premium should provide a reasonable incentive for a landowner to bring forward land for development, while allowing a sufficient contribution to fully comply with policy requirements. The BLV will normally be equal to or greater than the EUV.

The RICS notes that PPG allows VBVs from other FVAs to be used as evidence. Any data used should be adjusted to comply with policy levels of planning requirements and reflect differences in the timing of the assessments, quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners.

They state that there is no standard amount for the premium, and each assessment needs to be properly evidenced.

APPENDIX C: EVIDENCE OF GROSS DEVELOPMENT VALUES

Assisted Living Apartments – Comparable Evidence

Address	Description	Value / Date
Eleanor House – McCarthy & Stone		
Unit 4, Eleanor House, London Road, AL1 1NR	• *2 bedroom ground floor apartment* • *Built c2017* • *1 bathroom, 1 WC* • *Private patio* • *829 sq ft*	*£576,000 (£694.81psf)* *Asking Price*
Unit 19, Eleanor House, London Road, AL1 1NR	• *2 bedroom first floor apartment* • *Built c2017* • *1 bathroom, 1 WC* • *829 sq ft*	*£535,000 (£645.36psf)* *Asking Price*
Unit 39, Eleanor House, London Road, AL1 1NR	• *2 bedroom second floor apartment* • *Built c2017* • *1 bathroom, 1 WC* • *820 sq ft*	*£545,000 (£664.63psf)* *Asking Price*

Eleanor House is a McCarthy and Stone Retirement Living Plus development of c50 flats providing 24 hour assistance 365 days a year, along with a selected range of personal care packages tailored to specific needs. There are balconies or private patios for a number of the units. The scheme has an on-site restaurant and provides a mini-bus service into St Albans town centre.

Address	Description	Value / Date
Maryland Place – Beechcroft		
24 Maryland Place, Townsend Drive, AL3 5FD	• *3 bedroom first floor apartment* • *New build* • *1 bathroom, 1 en-suite* • *1,420 sq ft*	*£827,500 (£582.75psf)* *December 2019* *Sold*
13 Maryland Place, Townsend Drive, AL3 5FD	• *2 bedroom second floor apartment* • *New build* • *1 shower room, 1 en-suite* • *Balcony* • *1,238 sq ft*	*£695,000 (£561.38psf)* *November 2019* *Sold*
14 Maryland Place, Townsend Drive, AL3 5FD	• *3 bedroom ground floor apartment* • *New build* • *2 bathrooms* • *Patio area* • *1,571 sq ft*	*£850,000 (£541.06psf)* *October 2019* *Sold*
26 Maryland Place, Townsend Drive, AL3 5FD	• *3 bedroom first floor apartment* • *New build* • *3 bathrooms* • *Balcony* • *1,848 sq ft*	*£975,000 (£527.60psf)* *May 2019* *Sold*
23 Maryland Place, Townsend Drive, AL3 5FD	• *3 bedroom ground floor apartment* • *New build* • *1 bathroom, 1 en-suite* • *1,420 sq ft*	*£875,000 (£616.20psf)* *Asking Price*
20 Maryland Place, Townsend Drive, AL3 5FD	• *3 bedroom ground floor apartment* • *New build* • *1 bathroom, 1 en-suite* • *1,420 sq ft*	*£850,000 (£598.59psf)* *Asking Price*

Maryland Place is a development of 35 newly built houses, apartments and complexes for over 55s. This development doesn't provide the extra care, therefore an uplift should be added to the £psf to reflect the premium of the care provisions and facilities on-site.

Address	Description	Value / Date
Debden House – Retirement Villages		
63 Debden House, Debden Grange, Fallow Drive, Bury Water Lane, CB11 3RP	• *2 bedroom second floor apartment* • *New build* • *Two bathrooms* • *Balcony* • *1,044 sq ft*	*£465,000 (£445.40psf)* *Asking Price*
36 Debden House, Debden Grange, Fallow Drive, Bury Water Lane, CB11 3RP	• *2 bedroom ground floor apartment* • *New build* • *2 bathrooms* • *Patio* • *1,023 sq ft*	*£435,000 (£425.22psf)* *Asking Price*
28 Debden House, Debden Grange, Fallow Drive, Bury Water Lane, CB11 3RP	• *2 bedroom first floor apartment* • *New build* • *2 bathrooms* • *balcony* • *721 sq ft*	*£375,000 (£520.11psf)* *Asking Price*
16 Debden House, Debden Grange, Fallow Drive, Bury Water Lane, CB11 3RP	• *2 bedroom ground floor apartment* • *New build* • *2 bathrooms* • *patio* • *893 sq ft*	*£365,000 (£408.73psf)* *Asking Price*
35 Debden House, Debden Grange, Fallow Drive, Bury Water Lane, CB11 3RP	• *1 bedroom ground floor* • *New build* • *1 bathrooms* • *balcony* • *576 sq ft*	*£320,000 (£555.56psf)* *Asking Price*

Debden Grange is a new build retirement village located near Saffron Walden, Essex. The scheme provides an open plan clubhouse with a restaurant, bar, reading area and meeting room. Other facilities are also provided such as a shop, hairdressers and a minibus for shopping trips and excursions. Additional care packages and support can be provided depending on individuals needs.

Address	Description	Value / Date
Castle Village – Retirement Villages		
18 Lady Cooper Court, Castle Village, HP4 2GW	• *3 bedroom penthouse apartment* • *1 bathroom, 2 en-suites* • *Communal gardens* • *1,981 sq ft*	*£750,000 (£378.60psf)* *Asking Price*
2 Lady Cooper Court, Castle Village, HP4 2GW	• *3 bedroom ground floor apartment* • *1 bathroom, 2 en-suites* • *Communal gardens* • *1,562 sq ft*	*£795,000 (£508.96psf)* *Asking Price*
2 The Mansion, Castle Village, HP4 2GW	• *2 bedroom first floor apartment* • *1 bathroom, 1 en-suites* • *Communal gardens* • *1,071 sq ft*	*£525,000 (£490.20psf)* *Asking Price*
30 Farmery Court, Castle Village, HP4 2GW	• *2 bedroom first floor apartment* • *1 bathroom, 1 en-suites* • *Communal gardens* • *980 sq ft*	*£425,000 (£433.67psf)* *Asking Price*

Address	Description	Value / Date
Resales: Castle Village – Retirement Villages		
33 Farmery Court, Castle Village, HP4 2GW	• *2 bedroom apartment* • *2 bathrooms* • *Communal gardens*	*£315,000* *Feb 2020* *Sold*
7 Farmery Court, Castle Village, HP4 2GW	• *Apartment* • *Communal gardens*	*£365,000* *Jan 2020* *Sold*

Castle Village is a Retirement Villages development providing a mix of apartments, bungalows and cottages. The scheme provides a restaurant, meeting room, bar, library and snooker room. There is 24/7 emergency response services managed by on-site staff. A member of staff is on duty at set times and domiciliary care can be provided by 3rd party providers, should it be required.

Address	Description	Value / Date
Cedars Village – Retirement Villages		
9 Homewood Court, Cedars Village, WD3 5GB	• *2 bedroom ground floor apartment* • *1 bathroom, 1 en-suite* • *Communal gardens* • *751 sq ft*	*£385,000 (£512.65psf)* *Asking Price*
14 Wildwood Court, Cedars Village, WD3 5GL	• *2 bedroom first floor apartment* • *1 bathroom, 1 en-suite* • *Communal gardens* • *749 sq ft*	*£375,000 (£500.67psf)* *Asking Price*
17 Woodland Place, Cedars Village, WD3 5GB	• *2 bedroom first floor apartment* • *1 bathroom, 1 en-suite* • *Communal gardens* • *772 sq ft*	*£345,000 (£446.89psf)* *Asking Price*

Address	Description	Value / Date
Resales: Cedars Village – Retirement Villages		
23 Homewood Court, Cedars Village, WD3 5GB	• *2 bedroom apartment* • *1 bathroom, 1 en-suite* • *Communal gardens* • *720 sq ft*	*£320,000 (£444.44psf)* *August 2018* *Sold*
7 Homewood Court, Cedars Village, WD3 5GB	• *2 bedroom apartment* • *1 bathroom, 1 en-suite* • *Communal gardens* • *708 sq ft*	*£340,000 (£480.23psf)* *Jan 2018* *Sold*

Cedars Village is a Retirement Villages development providing a mix of apartments, bungalows and cottages. The scheme includes a conservatory, restaurant, bar, library, meeting room/hobbies room. There is a bus stop in the retirement village. The development provides 24 hour emergency service and each property is fitted with an alarm call system. A member of staff is on duty at set times and domiciliary care can be provided by 3rd party providers, should it be required.

C2 Bungalow Residential Comparable Evidence – Market Values

Address	Description	Value / Date
Castle Village – Retirement Villages		
7 Benningfield Gardens, Castle Village, HP4 2GW	• *3 bedroom detached – dormer bungalow* • *Built c2001* • *1 bath, 1 en-suite, 1 WC* • *Conservatory* • *private patio area and communal grounds* • *1,584 sq ft*	*£699,950 (£441.88psf)* *Asking Price*
5b Whybrow Gardens, Castle Village, HP4 2GU	• *2 double bedroom detached dormer bungalow* • *Built c2003* • *2 bathrooms* • *Conservatory* • *Communal gardens* • *1,251 sq ft*	*£695,000 (£555.56psf)* *Asking Price*
12 Whybrow Gardens, Castle Village, HP4 2GU	• *2 bedroom semi-detached dormer bungalow* • *Built c2003* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *1,281 sq ft*	*£675,000 (£526.93psf)* *Asking Price*
2 Whybrow Gardens, Castle Village, HP4 2GU	• *2 bedroom dormer bungalow* • *Built c2003* • *2 bathrooms* • *Conservatory* • *Communal gardens* • *1,236 sq ft*	*£650,000 (£525.89psf)* *Asking Price*
5 Priestland Gardens, Castle Village, HP4 2GT	• *2 bedroom dormer bungalow* • *Built c2001* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *1250 sq ft*	*£620,000 (£496psf)* *Asking Price*
6 Whybrow Gardens, Castle Village, HP4 2GU	• *2 bedroom bungalow* • *Built c2000* • *No. bathrooms* • *garden* • *parking / garage* • *864 sq ft*	*£465,000 (£538.19psf)* *Asking Price*

Address	Description	Value / Date
Resales: Castle Village – Retirement Villages		
12 Whybrow Gardens, Castle Village, HP4 2GU	• *2 bedroom semi-detached bungalow (dormer)* • *Built c2003* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *1,281 sq ft*	*£560,000 (£437.16psf)* *March 2020* *Sold*
11 Whybrow Gardens, Castle Village, HP4 2GU	• *3 bedroom bungalow* • *Built c2003* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *963 sq ft*	*£580,000 (£602.28psf)* *November 2018* *Sold*
7 Priestland Gardens, Berkhamsted, HP4 2GT	• *2 bedroom bungalow (dormer)* • *Built c2001* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *1,244 sq ft*	*£640,000 (£514.47psf)* *June 2020* *Sold*
11 Priestland Gardens, Berkhamsted, HP4 2GT	• *2 bedroom bungalow (dormer)* • *Built c2001* • *2 bathrooms* • *Communal gardens* • *Conservatory* • *1225 sq ft*	*£685,000 (£559.18psf)* *July 2018* *Sold*

Address	Description	Value / Date
Cedar Village – Retirement Villages		
19 Cedars Walk, Cedars Village, WD3 5GD	• *2 bedroom bungalow* • *Built c1998* • *2 bathrooms* • *Conservatory, private patio area and communal gardens* • *816 sq ft*	*£550,000 (£674psf)* *Asking Price*
14 Badgers Walk, Cedars Village, WD3 5GA	• *2 bedroom bungalow* • *Built c1998* • *2 bathrooms* • *Conservatory, private patio area and communal gardens* • *805 sq ft*	*£535,000 (£664.60psf)* *Asking Price*

Address	Description	Value / Date
Cedar Village – Retirement Villages		
7 Finch Green, Cedars Village, WD3 5GE	• *2 bedroom bungalow* • *Built c1995* • *2 bathrooms* • *Conservatory, private patio area and communal gardens* • *799 sq ft*	*£535,000 (£670psf)* *Asking Price*

Address	Description	Value / Date
Resales: Cedar Village – Retirement Villages		
17 Badgers Walk, Cedars Village, WD3 5GA	• *2 bedroom bungalow* • *Built c1998* • *2 bathrooms* • *Conservatory, private patio area and communal gardens* • *801 sq ft*	*£495,000 (£617.98psf)* *June 2020* *Sold*
28 Badgers Walk, Cedars Village, WD3 5GA	• *2 bedroom bungalow* • *Built c1996* • *2 bathrooms* • *Conservatory and communal gardens* • *856 sq ft*	*£495,000 (£578.27psf)* *March 2020* *Sold*
18 Badgers Walk, Cedars Village, WD3 5GA	• *2 bedroom bungalow* • *Built c1998* • *2 bathrooms* • *Conservatory and communal gardens* • *856 sq ft*	*£500,000 (£584.11psf)* *March 2020* *Sold*
3 Finch Green, Cedars Village, WD3 5GE	• *2 bedroom bungalow* • *Built c1995* • *2 bathrooms* • *Communal gardens* • *742 sq ft*	*£475,000 (£640.16psf)* *August 2018* *Sold*

APPENDIX D: DEFERRED MANAGEMENT FEE (DMF) CALCULATION

1. The business models of many of the retirement village operators now require those taking a lease to agree that a Deferred Management Fee (DMF) is paid when their flat is eventually vacated, normally after their death.

2. The inspector in the Gondar Gardens Case (Appeal Ref: APP/X5210/W/18/3198746 Gondar Gardens Reservoir, Gondar Gardens, London NW6 1QF) considered the need to include the DMF within the value of the scheme and concluded that an element of the DMF could be reflected in the value of the scheme when deciding how much it could afford towards affordable housing.

3. The average fees charged across the market are up to 10% of the sale price when an occupier decides to sell their home. This ramps up to this level over the first five years of occupation at 2% per annum and after that the occupier would pay the full amount. In the Gondar case the inspector references a report by a firm specialising in finance for healthcare and retirement living (Conaghan Healthcare and Corporate Finance: Retirement Communities and 'Event Fees', June 2016). The report confirms that event fees are becoming commonplace within the 'retirement community' sector and suggests that the majority of these are set at 10% or less.

4. However only a proportion of this fee can be taken into account in consideration of the GDV of the scheme at the outset as it is designed to cover a number of costs. Retirement villages require long term investment which will not be covered by the service charge. Service charges will pay for repainting corridors, communal areas, landscaping etc and the sinking fund included within the service charge means that if roof needs replacing, there is money for that. However longer term investment needed to maintain the villages value and attractiveness as a place to live in retirement will be required which cannot be covered by this service charge. For example; at some point in future every car will be electric and will need additional electricity sub-stations and electric charging points installations. This is just one example of the sort of costs retirement villages built in recent decades will face and it cannot be known now what similar challenges will be faced over the term of a long lease and beyond.

5. The communal services which have to be provided upfront are a considerable cost to the development in terms of both the provision and the interest thereon until units can be sold. This is not covered by the sale price of the properties and the DMF helps to pay towards these and thus an element of the fee can be included reflected in the GDV value. The operation of the amenities and services within retirement villages are not materially profit-making, being either based on a cost-recovery service charge model or a management fee model with minimal profitability. Given the operational risks associated, which are far in excess of those for a standard portfolio of managed rental accommodation, an additional role of the DMF is to offset this risk which would otherwise be commercially insupportable.

6. It is clear that as yet there is no common market practice which can be referred to in valuing the DMF and RICS guidance makes it clear that benefits or disbenefits unique to the applicant should be disregarded other than in exceptional circumstances.

Whatever we add in has to be appropriate to the market as a whole and also has to be in line with the evidence from which the base value for the unit is drawn – so if we have a comparable that includes no DMF it might be expected that the operator could charge more for that unit and this would need to be reflected in any addition made. Indeed if the evidence is from a scheme with no DMF we would say that there would be no adjustment made to value for DMF.

7. In this case we have had regard to all of the evidence from competing retirement schemes adjusting appropriately for location size and other physical factors as the base value for the subject scheme and then make an addition for a proportion of the value of the future cash flow from DMF or Event Fees.

8. Conaghan Healthcare and Corporate Finance have produced a later report (Retirement Communities in the UK dated January 2018) in which they consider the valuation of the DMF. They suggest a cash flow model which includes an appropriate rate for market value growth which they set at 3% and an appropriate discount rate which they believe should initially be set at 15% but which may reduce to 10% as a market in the valuation and lending against DMF emerges. They also recognise that a proportion of the DMF will be held for future investment in the village which will be required to ensure the value growth and will not be covered by service charges. However they don't comment on this percentage other than giving an example under which they suggest an operator may wish to realise a third of the fee.

9. We have discussed the approach with our various retirement village clients and are aware of the approach that their valuers and valuers to a number of the other village operators are taking to the valuation of DMF. As a result we are in agreement that the correct approach is a discounted cash flow which we have run over 100 years.

10. There follows in Appendix E an excel sheet in which we have valued the DMF element. We have assumed the following:

- Scheme planning and build out to first sales takes 36 months in line with development appraisal.
- DMF – 2% in yr 2 and then increases at 2% to a max of 10%.
- Average length of tenancy – 10 years at scheme maturity. This is an industry average based on discussions with our clients and other operators
- Maturity is reached at 10 years from the first sales based on the current industry averages across the our retirement village operator's portfolios building up to this rate on an even basis.
- Deferred Management Fee – these vary across the industry from circa 1% up to about 30%. However for the purposes of viability we believe it is correct to use an industry average and having spoken with a number of clients believe that 10% reflects a fair average across the industry.
- Market Growth - 2.5% backed up by the rate adopted in Savills, Knight Frank and other Residential forecasts.

- A discount rate of 10% based upon the Conaghan Healthcare report is considered reasonable in the light of the current risk as the market is not established sufficiently to give a guide on returns. This rate is also being adopted by valuers considering the valuation of Extra Care property.

- Having discussed the approach to reinvestment with our clients the approach taken by most operators is to allow a sum of money per unit which we have assumed on average to commence at £500 per annum for a new build scheme but increase up to £750 per annum in years 8-14 and £1,000 per annum thereafter. This amount is then increased by the expected RPI rate. In addition it is usually the case that operators will reinvest a sum in properties once the become available for resale in order to maintain the value of the scheme. We have included an average sum in this respect.

11. The above calculation, and following spreadsheet, show that a 5.06% increase in the GDV can be justified to reflect the DMF or Event Fees. This gives total GDV's of **£682 per sq. ft. for the apartments** and **£630 per sq. ft. for the bungalows** which are included within the Gross Development figures that have been included within our development appraisal.

APPENDIX E: CALCULATION OF DMF

Consideration of DMF

Number of units	124	
Av. Value per Unit	618,543	
Total GDV	76,699,350	
Total NSA sq ft	122,374	
Av. GDV £psf	627	
Development Period - yrs	3.00	
Av length of stay @ maturity	10	
Discount Rate	10.0%	
Growth Rate - market value	2.5%	
Reinvestment in village per unit	£500	Yrs 1-7
	£750	Yrs 8-14
	£1,000	Yr 15 onwards
Unit Refurbishment on resale	£12,000	
RPI applied to reinvestment cost	2.00%	
Years to maturity	10.00	

Year from first sales	1	2	3	4	5	6
Event Fee Level	0%	2%	4%	6%	8%	10%

Nb. Event fees increase at 2% pa from the end of the first year of occupation up to a max of 10%

	Units	Sq ft	£psf	Value
Phase 1	80	65,499	650	42,574,350
Phase 2	44	56,875	600	34,125,000
Total	124	122,374	627	76,699,350

Nb this helps cover various items including FF&E - General, Restaurant,Wellbeing,AV, External
Also covers upgardes such as intallation of Elctirc parking points or other new technology required over time

Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Sales Year	-	-	-	-	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00
Growth rate		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Average Unit Value	618,543	634,007	649,857	666,103	682,756	699,825	717,320	735,253	753,635	772,476	791,788	811,582	831,872	852,669
GDV	76,699,350	78,616,834	80,582,255	82,596,811	84,661,731	86,778,275	88,947,731	91,171,425	93,450,710	95,786,978	98,181,652	100,636,194	103,152,099	105,730,901
Events pa. at maturity		12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4	12.4
Event build up		0.00%	0.00%	0.00%	10.00%	20.00%	30.00%	40.00%	50.00%	60.00%	70.00%	80.00%	90.00%	100.00%
Number of events pa.		0.0	0.0	0.0	1.2	2.5	3.7	5.0	6	7	9	10	11	12
Value of Units Sold		-	-	-	846,617	1,735,565	2,668,432	3,646,857	4,672,536	5,747,219	6,872,716	8,050,896	9,283,689	10,573,090
Event Fee Level		0%	0%	0%	0%	2%	4%	6%	8%	10%	10%	10%	10%	10%
Event Fee Revenue		-	-	-	-	34,711	106,737	218,811	373,803	574,722	687,272	805,090	928,369	1,057,309
Less Unit refurbishment on resales		-	-	-	15,791	32,213	49,286	67,029	85,462	104,606	124,481	145,109	166,513	188,714
Less Reinvestment in scheme				64,505	65,795	67,111	68,453	69,822	71,219	72,643	111,144	113,366	115,634	117,946
Net Income		-	-	-64,505	-81,586	-64,613	-11,002	81,960	217,122	397,473	451,647	546,614	646,222	750,648
Present Value	**3,880,544**	-	-	-48,463	-55,724	-40,119	-6,210	42,059	101,289	168,567	174,130	191,585	205,906	217,436
PV as a % ofGDV	**5.06%**													

NB modelled over 100 years

		Phase 1	44,728,366	682.89
Total GDV including DMF element	**80,579,894**	**Phase 2**	35,851,528	630.36

APPENDIX F: COST PLAN FEB 2021

Stage 1 - Elemental Cost Plan

Project:	Burston Garden Centre, St Albans	
Date:	23/02/2021	
SOS Date:	TBC	

Item	Description	AL	Infrastructure	Total £
1	Temporary Works (Individual Buildings & Infrastructure)	830,938	735,623	1,566,561
2	Site Preparation (Individual Buildings & Infrastructure)	215,148	1,147,104	1,362,252
3	Substructure	1,450,017	-	1,450,017
4	Frame and Upper Floors	4,090,071	-	4,090,071
5	Roof	1,451,146	-	1,451,146
6	External Walls	1,343,120	-	1,343,120
7	External Windows and Doors	1,400,957	-	1,400,957
8	Internal Walls	713,134	-	713,134
9	Internal Doors and Screens	600,481	-	600,481
10	Wall Finishes	390,886	-	390,886
11	Floor Finishes	260,286	-	260,286
12	Floor Finishes - to assisted living apartments	433,130	-	433,130
13	Ceiling Finishes	605,000	-	605,000
14	e.o cost due to service wing in roof space	164,128	-	164,128
	Fixtures and Fittings (note see Prov Sum for Serveries)	-	-	-
	Assisted Baths and Sluices	13,912	-	13,912
	Special Furniture	-	-	-
	General	848,196	-	848,196
15	M&E	-	-	-
	M&E	5,233,597	-	5,233,597
		-	-	-
16	Lifts	163,412	-	163,412
17	BWIC Services	33,952	258,450	292,402
18	Provisional Sums	-	-	-
	Main Kitchen incl fire rated extract flue	80,000	-	80,000
	Main Laundry	-	-	-
	Nurse Stations	-	-	-
	Cinema	-	-	-
	Main Entrance Café unit / Reception Desk	-	-	-
	Domestic Kitchens	961,000	-	961,000
	Fireplaces	-	-	-
	Café/Servery	-	-	-
	Reception Desk	10,000	-	10,000
	Feature Ceiling to Main Reception	-	-	-
	Garden Features	-	-	-
	Wardrobe/Vanity Units to Bedrooms & Ensuites	93,000	-	93,000
	Spa Room Equipment & Fit-out	20,000	-	20,000
	STATS	200,000	-	200,000
	Landscaping	607,990	111,510	719,500
	Boundary Treatments	-	42,500	42,500
	Section 278 works (as per Mark Callaghan email dated 03/06/19)	-	1,000,000	1,000,000
	ALU Kitchens	-	-	-
19	External Works	-	-	-
	Roads and Paving	1,418,597	313,147	1,731,743
	Minor Works; topsoil and BWIC STATS	280,671	72,107	352,778
20	Drainage (Individual Buildings & Infrastructure)	384,035	705,645	1,089,680
21	Attenuation (Care Home Included in Drainage)	-	269,111	269,111
22	Fees	1,331,477	231,803	1,563,280
23	FF&E	-	-	-
24	Preliminaries	-	-	-
	Plant and Sundry Costs	-	1,872,000	1,872,000
	Site Staff	-	2,106,000	2,106,000
	Defects Allowance	80,000	10,000	90,000
				-
	TOTAL	**25,708,279**	**8,875,000**	**34,583,279**
		-	-	-
	Infrastructure & General Site Wide	-		-
	Demolition, Asbestos Removal, Remediation & Prelims (6 Weeks)	-	400,000	400,000
	Brick & flint wall	-	271,028	271,028
	Wet Well and pumping for foul networks	-	120,000	120,000
	Oversailing (Garden Centre)	-	40,000	40,000
	Signalised junction (tpa drawings) - Included in S278 Provisional Sum	-	-	-
	Works associated with existing right of way (maintaining, diversion etc)	-	50,000	50,000
	Communications mast (screening if required)	-	10,000	10,000
	Remove Existing fuel container	-	10,000	10,000
	Village green & forming pond	-	50,000	50,000
	Community garden & community orchard	-	40,000	40,000
	Prelims - Site welfare set up for large scheme	-	100,000	100,000
	Prelims - Sitewide security allowance (cctv/gate house)	-	100,000	100,000
	Prelims - Haul roads, temporary hardstanding areas	-	200,000	200,000
	Archeology (allowance for geophysical survey & searches)	-	50,000	50,000
	Ecology works allowance	-	50,000	50,000
	Additional attenuation (as Quad over standard allowance 180m3)	-	533,832	533,832
	Extra over for using Formpave	-	55,250	55,250
	Extra Care	-	-	-
		-	-	-
	Piled Foundation Solution (Assume 10m pile; 450m diameter @3m centres)	350,000	-	350,000
	Communal terrace onto green	10,000	-	10,000
	Seasonal gardens	10,000	-	10,000
	Materials upgrade allowance - clay roof tiles uplift	301,740	-	301,740
	Materials upgrade allowance - elevation treatment uplift	585,775	-	585,775
	Uplift to aluminium composite windows over UPVc	379,669	-	379,669
	Canopy Stucture to external façade, GF	35,700	-	35,700
	Breeam	64,000	-	64,000
	Sanitaryware (specification upgrade)	80,000	-	80,000
	Clubhouse internal specification uplift	318,521	-	318,521
	Spa & gym area fit-out (vaulted ceilings & timber kingposts)	50,000	-	50,000
		-	-	-
	Care Bungalows	-	-	-
		-	-	-
	Materials upgrade allowance - clay roof tiles uplift	344,654	-	344,654
	Materials upgrade allowance - elevation treatment uplift	449,071	-	449,071
	Uplift to aluminium composite windows over UPVc	291,065	-	291,065
	Balconies	22,500	-	22,500
	Breeam	36,000	-	36,000

	Sanitaryware (specification upgrade)		45,000	-	45,000
	Edible gardens allowance		40,000	-	40,000
	Fruit tree lanes		5,000	-	5,000
	Integral benches		4,000	-	4,000
			-	-	-
	OVERALL NETT TOTAL		**29,130,974**	**10,955,110**	**40,086,083**
					-
	Inflation	0.00%	-	-	-
	SUB TOTAL NETT		**29,130,974**	**10,955,110**	**40,086,083**
	Insurances	1.00%	291,310	109,551	400,861
	Contingency	5.00%	1,456,549	547,755	2,004,304
	SUB TOTAL NETT		**30,878,832**	**11,612,416**	**42,491,248**
					-
	Overheads and Profit	6.50%	2,007,124	754,807	2,761,931
					-
	OVERALL TOTAL		**32,885,956**	**12,367,223**	**45,253,179**

Stage 1 Cost Plan

Project:	**Burston Garden Centre, St Albans**
Date:	**24/05/2018**

General Notes

Based on CH GIFA of 3 Assisted Living of 8838.6m2 (80 apt)/ Bungalows 5,315.7m2 (44 units)
No allowance for VAT
Based on current Building Regulations at date of cost plan
The cost plan is based on a timberframe form of construction
No allowance for FF&E
No allowance for Party Wall Agreements or associated works
No allowance for any excavation in rock, ironstone or limestone or the like; GI indicative of clayey sands

No allowance has been made for any abnormal ground conditions, contamination or asbestos containing materials as these are unknown at this stage
All cartaway / excavated materials based on inert materials

We have allowed for a foundation solution based on a ground bearing pressure of 125kn/m2 at a level of 1m below the existing ground level
We have made allowances within the abnormals for an uplift to a piled foundation scheme to the CH & AL
Drainage based on Gravity Fed connection for foul and storm to a wet well, with pumping capacity to gravity fed sewer at boundary
Services and Utilities provisional sum is based on STATS connections to capacity being available at site boundary
In the absence of a topographical drawing we have allowed for a level site with FFL circa 150mm above existing ground level
Lifts are based on Ideal Lifts
External Boundary Treatments allowed as 1.8m high Close Boarded fencing only at this stage
12 months DLP allowed
Window u values are based on 1.5 w/m2K - i.e double glazing with no acoustic treatments
Allowance for ecology survey only. No allowance has been made for associated works, reports or the like
No allowance has been made for acoustic surveys and or associated works, reports and the like.
No allowance has been made for any floor risk mitigation surveys and or associated works, reports and the like
Roadway and carpark make up based on a CBR of >2 %
No allowance has been made for utilities diversions, lowering, wayleaves or the like
No allowance for any works outside of the site boundary
Site Access - Proposed bridleway and access track by others
We have allowed for the following pallet of external materials
External Materials (building and external works) based on design drawings.
External walls are allowed on the basis of the brickwork and weatherboard cladding as detailed in the drawings
Roof Tiles - Marley Eternit or similar; Flat roofs where applicable Single ply membrane; Fascia Soffit and RWG UPVc
External openings UPVc
Storey heights FFL to FFL 2.85m with ceiling height of 2.4m from FFL
Ironmongery based on the SLS Baseline specification
Hard landscaping as per Landscaping drawing (Car Park / Access Road: Tarmac; Other areas Block / slab paving.
We have included for a provisional sum value for any S278 works required; to include (but not limited to); signalised junction/civils works associated with/temporary traffic calming measures/prelims associated with necessary works etc
We have made no allowances for district heating, we have allowed for wall mounted gas boilers for heating to the assisted living apartments and the bungalows

Fees

No allowance for Bond
No allowance for third party fees, agreements or associated cost
Fees based on RIBA stages 4 -7. Fees upto and including planning by others.
BREEAM - Base cost allows for BREEAM Very good 2013
BREEAM based on early appointment of BREEAM assessors to get the early deign coordination credits. If these are not achieved BREEAM costs will increase and need to be reviewed
No allowance for Section 106 contributions or the like
No allowance for 278 fees and or associated surveys, reports and works, (see provisional sum for allowance to upgrade site entrance)
Cost plan allows for all post planning design and professional fees (RIBA stages 4 - 7). We have not made allowance for any planning resubmissions and or post planning fee consultancy and associated works
No allowance for any CIL
Interior design by others
No allowance for any party wall fees, surveys, reports, agreements and / or associated works have been made

APPENDIX G: ARGUS DEVELOPER VIABILITY APPRAISAL SUMMARY

St Albans, Burston Garden Centre

Development Appraisal
Newsteer
February 24, 2021

APPRAISAL SUMMARY NEWSTEER

St Albans, Burston Garden Centre

Appraisal Summary for Merged Phases 1 2 3

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Assisted Living	80	65,499	682.89	559,105	44,728,366
Bungalows	44	56,875	630.36	814,807	35,851,528
Totals	**124**	**122,374**			**80,579,894**

NET REALISATION				**80,579,894**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			45,734	
				45,734
Stamp Duty			457	
Effective Stamp Duty Rate		1.00%		
Agent Fee		1.00%	457	
Legal Fee		0.50%	229	
				1,143
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Assisted Living	95,139	191.63	18,231,819	
Bungalows	56,875	191.63	10,899,155	
Totals	**152,014 ft²**		**29,130,974**	
Contingency		5.00%	2,004,304	
Insurances		1.00%	400,861	
s106 costs			21,645	
				31,557,784
Other Construction				
Infrastructure			10,955,110	
OH&P			2,761,931	
				13,717,041
PROFESSIONAL FEES				
Professional Fees		10.00%	4,525,318	
				4,525,318
MARKETING & LETTING				
Marketing		3.00%	2,417,397	
				2,417,397
DISPOSAL FEES				
Sales Agent Fee		2.00%	1,611,598	
Sales Legal Fee		0.25%	201,450	
				1,813,048
MISCELLANEOUS FEES				
Start Up Costs			2,331,650	
				2,331,650
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				8,054,800
TOTAL COSTS				**64,463,915**
PROFIT				
				16,115,979

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	16.89%
Profit Erosion (finance rate 7.000)	3 yrs 3 mths

APPENDIX H: CALCULATION OF START UP COSTS

Calculation of Start Up Costs

Total Units	124	
Service Charge	£7,500	
Council Tax	£3,400	The majority of units will fall in band G or H - rates for band G in St Stephens Paris are £3,114.97 and for band H are £3,737.96. We adopt an average of £3,400
Total Costs per Vacant unit	£10,900	per unit per annum
Phase 1	80	
Phase 2	44	
Total Units	124	

Total sales period from appraisal 3.33 years at 2 per month with an overlap between phases as we have apartments and cottages.

Units sold	Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Phase 1		2	2	2	2	2	2	2	2	2	2	2	2	2	2
Phase 2															
Units sold pm		2	2	2	2	2	2	2	2	2	2	2	2	2	2
Total units sold		2	4	6	8	10	12	14	16	18	20	22	24	26	28
Unsold Units for Service Charge		122	120	118	116	114	112	110	108	106	104	102	100	98	96
Service charge cost		76250	75000	73750	72500	71250	70000	68750	67500	66250	65000	63750	62500	61250	60000
Unsold Units for Council Tax		78	76	74	72	70	68	66	64	62	60	58	56	54	52
Council Tax Cost		22100	21533	20967	20400	19833	19267	18700	18133	17567	17000	16433	15867	15300	14733
Total Costs		98350	96533	94717	92900	91083	89267	87450	85633	83817	82000	80183	78367	76550	74733

Units sold	15	16	17	18	19	20	21	22	23	24	25	26	27
Phase 1	2	2	2	2	2	2	2	2	2	2	2	2	2
Phase 2					2	2	2	2	2	2	2	2	2
Units sold pm	2	2	2	2	4	4	4	4	4	4	4	4	4
Total units sold	30	32	34	36	40	44	48	52	56	60	64	68	72
Unsold Units for Service Charge	94	92	90	88	84	80	76	72	68	64	60	56	52
Service charge cost	58750	57500	56250	55000	52500	50000	47500	45000	42500	40000	37500	35000	32500
Unsold Units for Council Tax	50	48	46	44	84	80	76	72	68	64	60	56	52
Council Tax Cost	14167	13600	13033	12467	23800	22667	21533	20400	19267	18133	17000	15867	14733
Total Costs	72917	71100	69283	67467	76300	72667	69033	65400	61767	58133	54500	50867	47233

Total Cost £2,331,650

28	29	30	31	32	33	34	35	36	37	38	39	40
2	2	2	2	2	2	2	2	2	2	2	2	2
2	2	2	2	2	2	2	2	2	2	2	2	2
4	4	4	4	4	4	4	4	4	4	4	4	4
76	80	84	88	92	96	100	104	108	112	116	120	124
48	44	40	36	32	28	24	20	16	12	8	4	0
30000	27500	25000	22500	20000	17500	15000	12500	10000	7500	5000	2500	0
48	44	40	36	32	28	24	20	16	12	8	4	0
13600	12467	11333	10200	9067	7933	6800	5667	4533	3400	2267	1133	0
43600	39967	36333	32700	29067	25433	21800	18167	14533	10900	7267	3633	0