St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing

September 2019

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St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing: East Hemel Hempstead (North)

Prepared for

St Albans City and District Council

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1 Introduction

The National Planning Practice Guidance on Viability 2019 ('NPPG') identifies at paragraph 003 that, *"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."* However, it goes on to identify that the *"in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."* This is reiterated in paragraph 005 which sets out that, "*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."*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the East Hemel Hempstead (North) strategic development site as allocated in the St Albans City and District Local Plan 2020-2036 Publication Draft 2018 ('LPPD'). This work follows the St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study ('CIL&LPVS') report dated November 2017, which tested the ability of a range of development types throughout the City and District to yield contributions to infrastructure requirements through the Community Infrastructure Levy ('CIL') along with the planning policy requirements of the emerging St Albans City and District Local Plan Draft and other key local policies and guidance as well as national policies.

This report has been prepared with the particular purpose of testing the cumulative impact of the Council's emerging requirements on the identified strategic development site including affordable housing, on-site Section 106 obligations, the Council's proposed CIL charges and on-site infrastructure and sustainability measures. This is in line with the requirements of the National Planning Policy Framework 2018 ('NPPF'), the NPPG and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that have been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council's CIL Charging Schedule and emerging local plan policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of strategic site

The Council's LPPD sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period the Council has identified a number of Strategic Development Sites ('strategic sites'). Given the importance of these strategic sites to the local growth strategy the Council has instructed BNP Paribas Real Estate to consider their viability in detail as well as their potential to contribute to infrastructure through CIL.

The Council has provided information to BNP Paribas Real Estate as to the assumptions for the development of the strategic development envisaged at East Hemel Hempstead (North) as set out in Policy S6 i - East Hemel Hempstead (North) Broad Location. Table 2.1 sets out these assumptions including; the gross and net site areas, the number of residential units and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at East Hemel Hempstead (North)

Element considered	Site specifications
Site Size Gross Net	 67.7 Ha 40.6 Ha
Number of residential units (Density circa 40 units per Ha) Estimated Self Build units @ 3%	1,650 50
Specialist housing **Care Home (beds)** **Extra care / flexicare (units)** **Other – special needs supported living**	 50 50 12
Local Centre (assumed to be 0.6sq m NIA provided for each house)	990 square metres
Health provision (provided on site assumed to be NIA)	394 square metres
Travellers' Pitches	Provided on East Hemel Hempstead South site

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with that adopted in the CIL&LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the proposed development on the East Hemel Hempstead (North) strategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the proposed development on the East Hemel Hempstead (North) strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value. If a development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the benchmark, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Table 3.2.1 based on the mix adopted for Typology 14 in the CIL&LPVS on the basis that this is a reasonable assumption to test in a viability assessment, but understandably does not preclude other unit mixes. The size of units adopted in the study have been informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1: Unit mix

Unit type	2 Bed 4p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House
Unit size[1]	**79 sq m**	**93 sq m**	**115 sq m**	**125 sq m**
% tested in Scheme	36%	56%	4%	4%

3.2.2 Private/market residential sales values

We have adopted an average private/market residential sales value of £5,705 per sq m in our appraisal. This corresponds with the sales values adopted in the CIL&LPVS, which were based on research using sources including the Land Registry online database, Rightmove online database, our understanding of viability of live schemes in the District and discussions with active local agents.

3.2.3 Affordable housing

We understand that the LPPD Policy S6 i identifies that development will be required to deliver a minimum of 40% affordable housing in accordance with Policy L3. Policy L3 (Provision of and Financial Contributions towards Affordable Housing) sets out that the Council will seek a minimum of 40% affordable homes as a proportion of the overall dwelling numbers on the site or an equivalent land area, on schemes of 10 (net) or more homes, unless it is clearly demonstrated that this is not economically viable. In such circumstances the Council will seek to negotiate the affordable housing provision at a level which allows the scheme to be viable. In addition the Council will seek 60% of the affordable housing as 'Affordable Housing for Rent' of which 30% is to be at social rents and the 30% is to be provided as "Affordable Rent" at a maximum of 80% of market rent. The remaining 40% affordable housing is to be provided as "Subsidised Home Ownership" including Shared Ownership, Starter Homes and Discounted Market Sales. Further, the policy identifies that at least 75% of such provision must be through Registered Providers to seek to secure the subsidy in perpetuity.

We note that the Council's saved Local Plan Policy 7a (Affordable Housing in Towns and Specified settlements) identifies that the Council will normally seek to negotiate an element of affordable housing on sites of over 0.4Ha and on sites of under this size where 15 or more dwellings are proposed based on site and marketing conditions and local housing need. We note that the Council's Affordable Housing Supplementary planning Guidance ('SPG') identifies that "the percentage of affordable housing required will normally be 35%" and that "The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented."

The Council have requested that we base our assessments on the higher emerging policy target of 40% with a tenure split provision of 60% Rented units (split 30% social rent and 30% Affordable Rent) and 40% as Subsidised Home Ownership units (split 30% shared ownership units and 10% Discount Market Sale).

As set out in the CIL&LPVS, we have used our bespoke model to value the affordable rented housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2017 - 2018 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP's) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt. Our appraisals assume that the Affordable Rent units are let at 80% or market rent, but which do not exceed Local Housing Allowance ('LHA') rates, so that they are affordable to households subject to the Universal Credit. Our calculations have identified that this to equate to an average capital value of £1,477 per square metre for such units.We have appraised the intermediate shared ownership units, assuming that Registered Providers ('RPs') will sell 30% initial equity stakes at market and charge a rent of 2.75% on the retained equity. A 10% charge for

[1] In line with the Government's "Technical housing standards nationally described space standard" published in March 2015.

management is deducted from the rental income and the net amount is capitalised using a yield of 5%. We have assessed the capital value for such units to equate to £3,579 per square metre.

With respect to the Discount Market Sale units, we have appraised these units at 80% of the open market/private unit values. This equates to an average capital value of £4,564 per square metre.

3.2.4 Self-build plots

Policy S6 i identifies that 3% of homes are to be provided as self-build housing. Given this, we have undertaken an assessment of the value of a serviced plot of land for a 4 bed self-build house (on the basis that this would be a reasonable average size of plot between 3 and 5 bed homes). This assessment has identified an average serviced plot value of £400,000, which we have adopted in our appraisal of the 50 self-build pots on the strategic site.

3.2.5 Care home

Policy S6 i sets out a requirement for at least one 50+ C2 Residential Nursing care home (C2 Use). As identified in the CIL&LPVS care homes are residential institutions where older people live, usually in single rooms but sometimes in shared rooms, and have access to on-site care services. A home registered simply as a care home will provide personal care only (i.e. help with washing, dressing and giving medication). A home registered as a care home with nursing will provide the same personal care but also have a qualified nurse on duty 24 hours a day to carry out nursing tasks. The cost/rents for rooms in care homes depend on the specific level of care required.

We have adopted rental levels consistent with those set out in the CIL&LPVS, which are based on research of rents for care homes in the District. Our appraisals allow for private rents of £800 per week for a single room, which is considered to be a conservative rent by comparison to some of the care homes rents charged in the District. We have also allowed for 40% of the accommodation in our appraisal to be provided as affordable care rooms at £471 per week. This is based on rents in-line with the average County allowance for a single room for older people[2] at £419.77 per week and a single room with nursing at £522.47 per week.

3.2.6 Extra care / flexicare units

Policy S6 i sets out a requirement for at least one 50+ home Flexi-care scheme. The CIL&LPVS identified that Extra Care Housing (C3 Use) can be precisely defined (and differentiated from other types of residential institutions) by reason of some specific characteristics, as set out in the RTPI Good Practice Note. The Royal Town Planning Institute defines Extra Care Housing as, 'purpose-built accommodation in which varying amounts of care and support can be offered and where some services are shared'. People who live in Extra Care Housing have their own self-contained homes, their own front doors and a legal right to occupy the property. It comes in many built forms, including blocks of flats, bungalow estates and retirement villages. It is a popular choice among older people because it can sometimes provide an alternative to a care home. In addition to the communal facilities often found in retirement housing Extra Care often includes a restaurant or dining room, health & fitness facilities, hobby rooms and even computer rooms. Domestic support and personal care are available, usually provided by on-site staff.

As with retirement housing it is recognised that Extra Care developments have different viability considerations to standard residential dwellings. These arise due to a significant gross to net ratio for such developments due to the need for more communal facilities as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience such units also achieve premium value.

In line with our assumptions adopted in the CIL&LPVS for such developments we have assumed that the 50 extra care units identified on the strategic site will be provided as 50% one and 50% two

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[2] https://www.hertfordshire.gov.uk/services/adult-social-services/care-and-carers/arranging-and-paying-for-care/paying-for-your-care-costs.aspx#DynamicJumpMenuManager

bedroom apartments. We have also allowed for a gross to net floorspace ratio of 60% and a higher average sales value reflecting £6,997 per square metre (£650 per square foot).

In line with the requirements of Policy S6 i we have allowed for 40% of these units to be delivered as affordable housing with 60% provided as rented units (50% social rent and 50% affordable rent) and 40% as shared ownership.

3.2.7 Special needs supported living units

Policy S6 i identifies that 12 special needs supported living units are be required to be provided as part of the development of the East Hemel Hempstead (North) strategic site. We have assumed that these units would all be provided as a block of one bedroom apartments. Given the nature of such development we have valued these as affordable rented units, at a capital value of £1,665 per sq m. This is higher than the average value of the standard affordable rented units in the scheme as these units are all one bed units.

3.2.8 Local centres

The assumptions used in the appraisals to value the non-residential accommodation provided in the local centre are in line with those adopted in the CIL&LPVS. These are summarised in Table 3.2.8 below.

Table 3.2.8: Non-residential revenue and assumptions

Accommodation	Rent £ per square metre	Yield	Void Period (Inc. Rent Free)
Retail	£237	6.5%	1.5 years

3.2.9 Base build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services (‘BCIS’), which is based on tenders for actual schemes adjusted to reflect local circumstances in St Albans District. The base build costs used in our appraisals are set out in Table 3.2.9 below, these are in line with the costs adopted in the CIL&LPVS.

Table 3.2.9 Base build costs adopted in appraisal

Use	Base build costs per square metre
Residential houses	£ 1,124
Commercial uses - Local centre	£ 2,026
Health	£ 2,270
Care Home	£ 1,621
Extra care / flexicare apartments	£ 1,736
Special needs supported living apartments	£ 1,736

In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the local centre and the health use). The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and pavements/driveways/parking works within the site.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the CIL&LPVS we have also allowed for extra over costs associated with policy requirements. We summarise these costs below, which we have incorporated within our appraisals.

- Sustainable homes: £5,000 per unit;
- SUDs: £2,500 per residential unit;
- Lifetime Homes: £3,200 per unit; and
- Accessible units: £26,000 per house and £11,000 on apartments (10% of units only).

We have also included an allowance of £20,000 per standard residential unit and £10,000 per unit for all other specialist residential units for infrastructure costs. In our experience greenfield sites such as East Hemel Hempstead (North) are likely to require significant development of infrastructure such as servicing and roads etc. to open up the site for development.

3.2.10 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

3.2.11 Development finance

In line with the CIL&LPVS, our appraisal assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.12 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and the private extra care units and on the discount market sales affordable housing units.

For the commercial units we have allowed for a 10% letting agent and 5% legal fee.

We have included a 1% sales agent allowance on commercial uses, the care home use and self-build plots.

A 0.5% sales legal fee on GDV has been applied for all uses.

3.2.13 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value and on the commercial uses in the local centre.

3.2.14 CIL and Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information as to the likely level of these costs including the apportionment of costs of delivering such infrastructure on existing sites in the District and high level knowledge of the likely specific costs being worked up at present. Given this these costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.14 below.

Table 3.2.14: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£31,515,000	1 x 3 FE Primary (assumes £7.5m per primary school) 1 x 6-8 FE Secondary (assumes £35m per secondary school)
Community Facilities	£1,650,000	Based on £1,000 per unit
Green infrastructure: Strategic open space / green infrastructure	£3,300,000	Based on £2,000 per unit
Local open/play Space/Green Infrastructure	£1,650,000	Based on £1,000 per unit
Transport Infrastructure	£18,150,000	Allows for: - Strategic - LTP4 major scheme; - Local highway - on & off site - Sustainable travel - public transport; - Sustainable travel - walking + cycling on & off site
Total	**£56,265,000**	

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above. In line with the assumptions in the CIL&LPVS we have assumed £1,150 per unit and £20 per square metre for non-residential uses.

With respect to the delivery of open space, there are a number of allowances included in this assessment. Integral open/play space and non-strategic open space is accounted for through the allowance for external works on base build costs and a further £1,000 per residential unit allowance in the S106 contributions. For strategic level open space a further allowance of £2,000 per residential unit has been adopted in this assessment through s106 contributions.

We have calculated the CIL liability of the proposed development based on the proposed CIL charges set out in the CIL&LPVS. These include £150 per square metre for residential floorspace, £245 per square metre for care home floorspace and £20 per square metre for extra care, special needs supported living and commercial floorspace. Details of the calculation of the CIL liability are set out in Appendix 1.

3.2.15 Profit

As identified in the CIL&LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 20% on Gross Development Value (GDV) for private housing units, private extra care units, self-build plots and discount market rent affordable housing;

- 6% on GDV for affordable rent and shared ownership affordable housing and extra care units and special needs supported living units; and
- 15% profit on GDV for non-residential uses in local centres.

3.2.16 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in three phases of circa 533 units each and that there will be multiple sales outlets. We have assumed that the sales rate will be 4 units per month, which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' deliver of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.16 below.

Table 3.2.16: Development timescales

Phase	Total	Phase 1	Phase 2	Phase 3
Pre-construction (months)	27	9	9	9
Construction (months)	120	40	40	40
Residential Sales (months)	120	40	40	40
Extra Care Units	10	0	10	0

The sales rates are applied to the private housing and extra care unit only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the delivery of the care home, extra care/flexicare, special needs supported living units, health provision and local centre we have included these within Phase 2 of the development. Given their smaller scale of development we have allowed for a 24 month construction phase for each use.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at East Hemel Hempstead (North) as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate benchmark land value ('BLV') identified in the CIL&LPVS, which in this instance is the Greenfield value of £370,000 per Ha, in order to determine whether this might be sufficient for the site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – East Hemel Hempstead (North)

Scenario appraised	Residual land value	BLV (based on £370,000 per Ha	Viable/ Unviable
40% AH & CIL	£79,032,000	£25,049,000	**Viable**

The appraisal scenario tested for East Hemel Hempstead (North) identifies that the proposed scheme is viable against the BLV of £370,000 per hectare when delivering 40% Affordable Housing, the proposed CIL charge and other policy requirements.

5 Conclusions and Recommendations

This testing demonstrates that the East Hemel Hempstead (North) strategic site is viable and deliverable having regard to both the Council's planning policy requirements (including affordable housing and development specified in Policy S6 i and the proposed Community Infrastructure Levy charging rates set out in BNPPRE's November 2017 CIL&LPVS.

In light of the above we recommend that the Council considers applying its CIL charges as proposed to the East Hemel Hempstead (North) strategic site.

Appendix 1 - Working assumptions adopted in appraisal

Name of site	East Hemel Hempstead (North)

Site Size (Gross) Ha	67.7
Site Size (Net) Ha	40.6
Total No Standard Residential units	1,650
Self build plots (3%)	50
Total units less self build (97%)	1,600
Care Home rooms	50
Extra Care / flexicare units	50
Special needs supporting living units	12
Traveller & Gypsy Pitches	-
No Phases	3

Unit mix Based on Typology 14

Site type	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total
Size (sq m)	**50**	**70**	**86**	**108**	**79**	**93**	**115**	**125**	
Percentage split	0%	0%	0%	0%	36%	56%	4%	4%	
Total Floor area (sq m)	-	-	-	-	45,504	83,328	7,360	8,000	144,192

Affordable Housing Analysis

Percentage	40%
Rented (50% Social rent and 50% Affordable Rent)	60%
Intermediate (Shared Ownership)	30%
Intermediate (Discount Market Sale)	10%

Resi floor area analysis

	Total	Phase 1	Phase 2	Phase 3
Private Floor area	86,515	28,838	28,838	28,838
Affordable Floor Area	57,677	19,226	19,226	19,226
Rented (50% Social rent and 50% Affordable Rent)	34,606.08	11,535	11,535	11,535
Shared ownership	17,303.04	5,768	5,768	5,768
Discount Market Sale	5,768	1,923	1,923	1,923

Self-Build units

	Total	Phase 1	Phase 2	Phase 3
No plots	50	17	17	16

Health provision

	Total	Phase 1	Phase 2	Phase 3
Gross floorarea (sq m)	480	-	480	-
Net floorarea (sq m)	394	-	394	-

Neighbourhood / Local Centre

	Total	Phase 1	Phase 2	Phase 3
Gross floorarea (sq m)	1,207	-	1,207	-
Net floorarea (sq m)	990	-	990	-

Care Homes **Phase 2**

National Care Standards requirements			
135	sq ft of useable floorspace, excluding ensuite		
38	sq ft of space for en-suite		
42	sq ft of communal space, excluding circulation		
50	rooms	6,750	floor area of rooms
		1,900	en-suite bathrooms
		2,100	communal space
		10,750	sq ft NIA
0.15	Circulation	1,613	sqft
		12,363	sqft GIA
		1,149	**sqm GIA**

Extra-Care / Flexi Care

	Phase 2				Affordable Housing	
	1 Bed 2p flat	2 bed 4p flat	Total	Private	Rented (50% Social rent and 50% Affordable Rent)	Intermediate (Shared Ownership)
Size (sq m)	**50**	**70**				
Percentage split	50%	50%		60%		
Total Floor area (sq m) NIA	1,250	1,750	3,000	1,800	720	480
Total Floor area (sq m) GIA @60% Gross to Net assumption	**2,083**	**2,917**	**5,000**	**3,000**		

Special Needs Supported Living Units	**Phase 2**
	1 Bed 2p flat
Size (sq m)	**50**
Percentage split	100%
Total Floor area (sq m) (Net)	600
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	**800**

	Total	Phase 1	Phase 2	Phase 3
Travellers Pitches in Ha	-	-	-	-

Timescales

	Total	Phase 1	Phase 2	Phase 3
Pre-constuction (months)	27	9	9	9
Construction (months)	120	40	40	40
Private Resi Sales (months)	120	40	40	40
Extra Care Units	10	0	10	0

	Total	Phase 1	Phase 2	Phase 3
No Private units less self build units	960	320	320	320

Revenue

Standard Residential	Capital value £ per sq m
Private Housing	£ 5,705
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,477
Shared Ownership	£ 3,579
Discount Market Sale	£ 4,564

	Value per plot (assuming 4 bed house)
Self build plots	£ 400,000

	Capital value
Special needs supported living units	£1,477

Care Home

Beds (Affordable)	30	£471	per week		90%	occupancy	£661,452
Beds (Pvt)	20	£800	per week		90%	occupancy	£748,800
					30%	of income	£423,075.74
Standard profit margin (EBITDA)					10%	yield	£4,230,757
Capitalise EBITDA							-£634,614
Deduct	15%	for income shortfall to maturity					
Gross Adjusted turnkey value of Home							***£3,596,144***

Extra Care Housing	Capital value £ per sq m
Private	£ 6,997
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,665
Shared Ownership	£ 4,349

	Rent per sq m	Yield	Rent Free & Void (months)
Commercial	£237	6.50%	18

Costs

Residual S106

	unit of measure	Total	Phase 1	Phase 2	Phase 3
Standard residential per unit	£ 1,150	£ 1,897,500	£ 632,500	£ 632,500	£ 632,500
Commercial per sq m	£ 20	£ 24,146	£ -	£ 24,146	£ -
Care Home per sq m	£ 20	£ 22,970	£ -	£ 22,970	£ -
Extra Care / Flexicare units per unit	£ 1,150	£ 57,500	£ -	£ 57,500	£ -
Special needs supported living per unit	£ 1,150	£ 13,800	£ -	£ 13,800	£ -
TOTAL			**£ 632,500**	**£ 750,916**	**£ 632,500**

CIL

	£ pr sq m	Total Floor area	Total	Phase 1	Phase 2	Phase 3
Resi	£ 150	86,515	12,977,280	£ 4,325,760	£ 4,325,760	£ 4,325,760
Care Home	£ 245	£ 1,149	£ 281,384	£ -	£ 281,384	£ -
All other uses (Extra Care and special needs supported living units)	£ 20	£ 3,800	£ 76,000	£ -	£ 76,000	£ -
All other uses (Commercial)	£ 20	£ 1,207	£ 24,146	£ -	£ 24,146	£ -
Total				**£ 4,325,760**	**£ 4,707,290**	**£ 4,325,760**

S106 Infrastructure Costs

	Total costs
Transport	£ 18,150,000
Education (1 x 3FE Primary School @ £7.5 m & 1 x 6-8FE Secondary School @ £35m)	£ 31,515,000
Community Facilities (£1,000 per unit)	£ 1,650,000

	Per unit cost	Total costs
Strategic open space / green infrastructure	£ 2,000	£ 3,300,000
Local open space / play space / green infrastructure	£ 1,000	£ 1,650,000

	Per unit cost	Total costs	Phase 1	Phase 2	Phase 3
Site opening up costs Standard Resi	£ 20,000	£ 33,000,000	£ 11,000,000	£ 11,000,000	£ 11,000,000
Site opening up costs Other Residential uses	£ 10,000	£ 1,120,000	£ 560,000	£ 560,000	£ -
			£ 11,560,000	£ 11,560,000	£ 11,000,000

Build costs

	Base per sq m	Externals per sq m	Lifetime homes (£3,200 per unit)	10% Accessable homes @ £26,000 per house and £11,000 per flatted unit	SUDS @ £2,500 per unit	Sustainability @ £5,000 per unit	Total
Resi	£ 1,124	£ 169	£ 37	£ 30	£ 29	£ 57	**£ 1,445**
Commercial	£ 2,026	£ 203	£ -	£ -	£ -	£ -	**£ 2,229**
Health	£ 2,270	£ 227					**£ 2,497**
Care Home	£ 1,621	£ 146	£ -	£ -	£ -	£ -	**£ 1,768**
Extra care / flexicare	£ 1,736	£ 260	£ 32	£ 11	£ 25	£ 50	**£ 2,114**
Special needs supported living	£ 1,736	£ 260	£ 48	£ 17	£ 38	£ 75	**£ 2,173**

Contingency on build costs	5%

Traveller's pitches	No pitches	Cost
Info from Dacorum BC 5 pitches = 0.5 Ha Each travellers pitch estimated to cost £242,000	-	£ -

Profit

Private/Market Resi on GDV	20%
Affordable Resi on GDV	6%
Commercail on GDV	15%

Marketing /agency and legal fees

Resi Sales agent and marketing on GDV	3.00%
Resi Sales legal fees on GDV	0.50%

Commercial Letting fee on rent pa	10.00%
Commercial Letting Legal fee on rent pa	5.00%
Commercial Sales fee on GDV	1.00%
Commercial Legal fee on GDV	0.50%

Professional fees	10%
Finance	7.00%

Appraisal Outcome

Residual Land Value @ 40% AH	**£ 79,032,000**
Benchmark Land Value Greenfield	£ 25,049,000
Appraisal outcome (Surplus/ Deficit)	**£ 53,983,000**

Appendix 2 - Argus appraisal summary

BNP Paribas Real Estate

Development Appraisal

East Hemel Hempstead (North)

40% Affordable Housing

Report Date: 15 November 2018

East Hemel Hempstead (North)
40% Affordable Housing

Summary Appraisal for Merged Phases 1 2 3

Currency in £

REVENUE

Sales Valuation	Units	m²	Rate m²	Unit Price	Gross Sales
Private Residential	1	28,838.00	5,705.00	164,520,790	164,520,790
Affordable Housing - Rented	1	11,535.00	1,477.00	17,037,195	17,037,195
Affordable Housing - SO	1	5,768.00	3,579.00	20,643,672	20,643,672
Self Build Plots	17	0.00	0.00	400,000	6,800,000
Affordable Housing - DMS	1	1,923.00	4,564.00	8,776,572	8,776,572
Private Residential	1	28,838.00	5,705.00	164,520,790	164,520,790
Affordable Housing - Rented	1	11,535.00	1,477.00	17,037,195	17,037,195
Affordable Housing - SO	1	5,768.00	3,579.00	20,643,672	20,643,672
Care Home	1	0.00	0.00	3,596,144	3,596,144
Special Needs Supported Living	1	600.00	1,665.00	999,000	999,000
Self Build Plots	17	0.00	0.00	400,000	6,800,000
Extra/Flexi Care Housing - Private	1	1,800.00	6,997.00	12,594,600	12,594,600
Extra/Flexi Care Housing - Aff Rented	1	720.00	1,665.00	1,198,800	1,198,800
Extra/Flexi Care Housing - Aff SO	1	480.00	4,349.00	2,087,520	2,087,520
Affordable Housing - DMS	1	1,923.00	4,564.00	8,776,572	8,776,572
Private Residential	1	28,838.00	5,705.00	164,520,790	164,520,790
Affordable Housing - Rented	1	11,535.00	1,477.00	17,037,195	17,037,195
Affordable Housing - SO	1	5,768.00	3,579.00	20,643,672	20,643,672
Self Build Plots	16	0.00	0.00	400,000	6,400,000
Affordable Housing - DMS	1	1,923.00	4,564.00	8,776,572	8,776,572
Totals	**67**	**147,792.00**			**673,410,751**

Rental Area Summary	Units	m²	Rate m²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Neighbourhood / Local Centre	1	990.00	237.00	234,630	234,630	234,630
Health Provision	1	394.00		0	0	
Totals	**2**	**1,384.00**			**234,630**	**234,630**

East Hemel Hempstead (North)
40% Affordable Housing

Investment Valuation						
Neighbourhood / Local Centre						
Market Rent	234,630	YP @	6.5000%	15.3846		
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.5000%	0.9099	3,284,322	
					3,284,322	
GROSS DEVELOPMENT VALUE				**676,695,073**		
Purchaser's Costs		6.80%	(467,872)			
				(467,872)		
NET DEVELOPMENT VALUE				**676,227,202**		
NET REALISATION				**676,227,202**		
OUTLAY						
ACQUISITION COSTS						
Residualised Price			79,032,128			
Stamp Duty		5.00%	3,951,606			
Agent Fee		1.00%	790,321			
Legal Fee		0.80%	632,257			
				84,406,313		
CONSTRUCTION COSTS						
Construction	**m²**	**Rate m²**	**Cost**			
Neighbourhood / Local Centre	1,207.32 m²	2,229.00 pm²	2,691,110			
Health Provision	480.49 m²	2,497.00 pm²	1,199,778			
Private Residential	28,838.00 m²	1,445.00 pm²	41,670,910			
Affordable Housing - Rented	11,535.00 m²	1,445.00 pm²	16,668,075			
Affordable Housing - SO	5,768.00 m²	1,445.00 pm²	8,334,760			
Affordable Housing - DMS	1,923.00 m²	1,445.00 pm²	2,778,735			
Private Residential	28,838.00 m²	1,445.00 pm²	41,670,910			
Affordable Housing - Rented	11,535.00 m²	1,445.00 pm²	16,668,075			

APPRAISAL SUMMARY — BNP PARIBAS REAL ESTATE

East Hemel Hempstead (North)
40% Affordable Housing

Affordable Housing - SO	5,768.00 m²	1,445.00 pm²	8,334,760	
Care Home	1,149.00 m²	1,768.00 pm²	2,031,432	
Special Needs Supported Living	800.00 m²	2,173.00 pm²	1,738,400	
Extra/Flexi Care Housing - Private	3,000.00 m²	2,114.00 pm²	6,342,000	
Extra/Flexi Care Housing - Aff Rented	1,200.00 m²	2,114.00 pm²	2,536,800	
Extra/Flexi Care Housing - Aff SO	800.00 m²	2,114.00 pm²	1,691,200	
Affordable Housing - DMS	1,923.00 m²	1,445.00 pm²	2,778,735	
Private Residential	28,838.00 m²	1,445.00 pm²	41,670,910	
Affordable Housing - Rented	11,535.00 m²	1,445.00 pm²	16,668,075	
Affordable Housing - SO	5,768.00 m²	1,445.00 pm²	8,334,760	
Affordable Housing - DMS	1,923.00 m²	1,445.00 pm²	2,778,735	
Totals	**152,828.80 m²**		**226,588,160**	**226,588,160**
Contingency		5.00%	11,411,908	
Site opening up costs			34,120,000	
Strategic Open Space			3,300,000	
Local open/play space green infrast			1,650,000	
S106			2,015,916	
CIL			13,358,810	
Transport			18,150,000	
Education			31,515,000	
Community Facilities			1,650,000	
				117,171,634
PROFESSIONAL FEES				
Professional fees		10.00%	27,377,007	
				27,377,007
DISPOSAL FEES				
Resi Sales Agent and Marketing Fee		3.00%	15,184,709	
Commercial Sales Agent Fee		1.00%	351,892	
Sales Legal Fee		0.50%	3,381,136	
				18,917,737

Additional Costs

East Hemel Hempstead (North)
40% Affordable Housing

Resi Private Profit	20.00%	36,019,472	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	2,260,852	
Resi Private Profit	20.00%	36,783,078	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	2,517,971	
Commercial Profit	15.00%	1,032,070	
Resi Private Profit	20.00%	35,939,472	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	2,260,852	
			116,813,768
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			84,952,734
TOTAL COSTS			**676,227,352**
PROFIT			
			(151)
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
Development Yield% (on Rent)	0.03%		
Equivalent Yield% (Nominal)	6.50%		
Equivalent Yield% (True)	6.77%		
IRR	6.96%		
Rent Cover	0 yrs 0 mths		
Profit Erosion (finance rate 7.000%)	N/A		

BNP PARIBAS REAL ESTATE

Real Estate
for a changing
world

St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing: East Hemel Hempstead (South)

Prepared for

St Albans City and District Council

November 2018

Contents

Appendices

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1 Introduction

The National Planning Practice Guidance on Viability 2019 ('NPPG') identifies at paragraph 003 that, *"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."* However, it goes on to identify that the *"in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."* This is reiterated in paragraph 005 which sets out that, "*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."*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the East Hemel Hempstead (South) strategic development site as allocated in the St Albans City and District Local Plan 2020-2036 Publication Draft 2018 ('LPPD'). This work follows the St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study ('CIL&LPVS') report dated November 2017, which tested the ability of a range of development types throughout the City and District to yield contributions to infrastructure requirements through the Community Infrastructure Levy ('CIL') along with the planning policy requirements of the emerging St Albans City and District Local Plan Draft and other key local policies and guidance as well as national policies.

This report has been prepared with the particular purpose of testing the cumulative impact of the Council's emerging requirements on the identified strategic development site including affordable housing, on-site Section 106 obligations, the Council's proposed CIL charges and on-site infrastructure and sustainability measures. This is in line with the requirements of the National Planning Policy Framework 2018 ('NPPF'), the NPPG and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that have been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council's CIL Charging Schedule and emerging local plan policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of strategic site

The Council's LPPD sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period the Council has identified a number of Strategic Development Sites ('strategic sites'). Given the importance of these strategic sites to the local growth strategy the Council has instructed BNP Paribas Real Estate to consider their viability in detail as well as their potential to contribute to infrastructure through CIL.

The Council has provided information to BNP Paribas Real Estate as to the assumptions for the development of the strategic development envisaged at East Hemel Hempstead (South) as set out in Policy S6 iii - East Hemel Hempstead (South) Broad Location. Table 2.1 sets out these assumptions including; the gross and net site areas, the number of residential units and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at East Hemel Hempstead (South)

Element considered	Site specifications
Site Size Gross Net	 98 Ha 59 Ha
Number of residential units (Density circa 40 units per Ha) Estimated Self Build units @ 3%	2,400 72
Specialist housing **Care Home (beds)** **Extra care / flexicare (units)** **Other – special needs supported living**	 50 50 12
Local Centre (assumed to be 0.6sq m NIA provided for each house)	1,440 square metres
Health provision (provided on site assumed to be NIA)	573 square metres
Travellers' Pitches	15 pitches

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with that adopted in the CIL&LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the proposed development on the East Hemel Hempstead (South) strategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the proposed development on the East Hemel Hempstead (South) strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value. If a development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the benchmark, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Table 3.2.1 based on the mix adopted for Typology 14 in the CIL&LPVS on the basis that this is a reasonable assumption to test in a viability assessment, but understandably does not preclude other unit mixes. The size of units adopted in the study have been informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1: Unit mix

Unit type	2 Bed 4p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House
Unit size[1]	**79 sq m**	**93 sq m**	**115 sq m**	**125 sq m**
% tested in Scheme	36%	56%	4%	4%

3.2.2 Private/market residential sales values

We have adopted an average private/market residential sales value of £5,705 per sq m in our appraisal. This corresponds with the sales values adopted in the CIL&LPVS, which were based on research using sources including the Land Registry online database, Rightmove online database, our understanding of viability of live schemes in the District and discussions with active local agents.

3.2.3 Affordable housing

We understand that the LPPD Policy S6 iii identifies that development will be required to deliver a minimum of 40% affordable housing in accordance with Policy L3. Policy L3 (Provision of and Financial Contributions towards Affordable Housing) sets out that the Council will seek a minimum of 40% affordable homes as a proportion of the overall dwelling numbers on the site or an equivalent land area, on schemes of 10 (net) or more homes, unless it is clearly demonstrated that this is not economically viable. In such circumstances the Council will seek to negotiate the affordable housing provision at a level which allows the scheme to be viable. In addition the Council will seek 60% of the affordable housing as ‘Affordable Housing for Rent’ of which 30% is to be at social rents and the 30% is to be provided as “Affordable Rent” at a maximum of 80% of market rent. The remaining 40% affordable housing is to be provided as “Subsidised Home Ownership” including Shared Ownership, Starter Homes and Discounted Market Sales. Further, the policy identifies that at least 75% of such provision must be through Registered Providers to seek to secure the subsidy in perpetuity.

We note that the Council’s saved Local Plan Policy 7a (Affordable Housing in Towns and Specified settlements) identifies that the Council will normally seek to negotiate an element of affordable housing on sites of over 0.4Ha and on sites of under this size where 15 or more dwellings are proposed based on site and marketing conditions and local housing need. We note that the Council’s Affordable Housing Supplementary planning Guidance (‘SPG’) identifies that “the percentage of affordable housing required will normally be 35%” and that “The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented.”

The Council have requested that we base our assessments on the higher emerging policy target of 40% with a tenure split provision of 60% Rented units (split 30% social rent and 30% Affordable Rent) and 40% as Subsidised Home Ownership units (split 30% shared ownership units and 10% Discount Market Sale).

As set out in the CIL&LPVS, we have used our bespoke model to value the affordable rented housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2017 - 2018 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP’s) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt. Our appraisals assume that the Affordable Rent units are let at 80% or market rent, but which do not exceed Local Housing Allowance (‘LHA’) rates, so that they are affordable to households subject to the Universal Credit. Our calculations have identified that this to equate to an average capital value of £1,477 per square metre for such units.

[1] In line with the Government’s “Technical housing standards nationally described space standard” published in March 2015.

We have appraised the intermediate shared ownership units, assuming that Registered Providers ('RPs') will sell 30% initial equity stakes at market and charge a rent of 2.75% on the retained equity. A 10% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 5%. We have assessed the capital value for such units to equate to £3,579 per square metre.

With respect to the Discount Market Sale units, we have appraised these units at 80% of the open market/private unit values. This equates to an average capital value of £4,564 per square metre.

3.2.4 Self-build plots

Policy S6 iii identifies that 3% of homes are to be provided as self-build housing. Given this, we have undertaken an assessment of the value of a serviced plot of land for a 4 bed self-build house (on the basis that this would be a reasonable average size of plot between 3 and 5 bed homes). This assessment has identified an average serviced plot value of £400,000, which we have adopted in our appraisal of the 72 self-build pots on the strategic site.

3.2.5 Care home

Policy S6 iii sets out a requirement for at least one 50+ Residential or Nursing care home (C2 Use). As identified in the CIL&LPVS Care homes are residential institutions where older people live, usually in single rooms but sometimes in shared rooms, and have access to on-site care services. A home registered simply as a care home will provide personal care only (i.e. help with washing, dressing and giving medication). A home registered as a care home with nursing will provide the same personal care but also have a qualified nurse on duty 24 hours a day to carry out nursing tasks. The cost/rents for rooms in care homes depend on the specific level of care required.

We have adopted rental levels consistent with those set out in the CIL&LPVS, which are based on research of rents for care homes in the District. Our appraisals allow for private rents of £800 per week for a single room, which is considered to be a conservative rent by comparison to some of the care homes rents charged in the District. We have also allowed for 40% of the accommodation in our appraisal to be provided as affordable care rooms at £471 per week. This is based on rents in-line with the average County allowance for a single room for older people[2] at £419.77 per week and a single room with nursing at £522.47 per week.

3.2.6 Extra care / flexicare units

Policy S6 iii sets out a requirement for at least one 50+ home Flexi-care scheme. The CIL&LPVS identified that Extra Care Housing (C3 Use) can be precisely defined (and differentiated from other types of residential institutions) by reason of some specific characteristics, as set out in the RTPI Good Practice Note. The Royal Town Planning Institute defines Extra Care Housing as, 'purpose-built accommodation in which varying amounts of care and support can be offered and where some services are shared'. People who live in Extra Care Housing have their own self-contained homes, their own front doors and a legal right to occupy the property. It comes in many built forms, including blocks of flats, bungalow estates and retirement villages. It is a popular choice among older people because it can sometimes provide an alternative to a care home. In addition to the communal facilities often found in retirement housing Extra Care often includes a restaurant or dining room, health & fitness facilities, hobby rooms and even computer rooms. Domestic support and personal care are available, usually provided by on-site staff.

As with retirement housing it is recognised that Extra Care developments have different viability considerations to standard residential dwellings. These arise due to a significant gross to net ratio for such developments due to the need for more communal facilities as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience such units also achieve premium value.

[2] https://www.hertfordshire.gov.uk/services/adult-social-services/care-and-carers/arranging-and-paying-for-care/paying-for-your-care-costs.aspx#DynamicJumpMenuManager

In line with our assumptions adopted in the CIL&LPVS for such developments we have assumed that the 50 extra care units identified on the strategic site will be provided as 50% one and 50% two bedroom apartments. We have also allowed for a gross to net floorspace ratio of 60% and a higher average sales value reflecting £6,997 per square metre (£650 per square foot).

In line with the requirements of Policy S6 iii we have allowed for 40% of these units to be delivered as affordable housing with 60% provided as rented units (50% social rent and 50% affordable rent) and 40% as shared ownership.

3.2.7 Special needs supported living units

Policy S6 iii identifies that 12 special needs supported living units are be required to be provided as part of the development of the East Hemel Hempstead (South) strategic site. We have assumed that these units would all be provided as a block of one bedroom apartments. Given the nature of such development we have valued these as affordable rented units, at a capital value of £1,665 per sq m. This is higher than the average value of the standard affordable rented units in the scheme as these units are all one bed units.

3.2.8 Local centres

The assumptions used in the appraisals to value the non-residential accommodation provided in the local centre are in line with those adopted in the CIL&LPVS. These are summarised in Table 3.2.8 below.

Table 3.2.8: Non-residential revenue and assumptions

Accommodation	Rent £ per square metre	Yield	Void Period (Inc. Rent Free)
Retail	£237	6.5%	1.5 years

3.2.9 Gypsy and Traveller site

Policy S6 iii identifies that one 15 pitch Gypsy and Traveller site will be required on the East Hemel Hempstead (South) strategic site. We have adopted costs associated with the delivery of the Gypsy and Traveller site of £242,000 per pitch based on advice provided by WT Partnership (WTP) to Dacorum Borough Council for their Update to their Local Allocations Viability Testing report prepared by BNP Paribas Real Estate in June 2016.

We have taken a conservative approach to the delivery of this site as we have only adopted the costs of delivering the pitches and have not allowed for any revenue generation from these uses. The pitches are likely to generate an income so the position presented is a worst case scenario.

3.2.10 Base build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services (‘BCIS’), which is based on tenders for actual schemes adjusted to reflect local circumstances in St Albans District. The base build costs used in our appraisals are set out in Table 3.2.10 below, these are in line with the costs adopted in the CIL&LPVS.

Table 3.2.10 Base build costs adopted in appraisal

Use	Base build costs per square metre
Residential houses	£ 1,124
Commercial uses - Local centre	£ 2,026
Health	£ 2,270
Care Home	£ 1,621
Extra care / flexicare apartments	£ 1,736
Special needs supported living apartments	£ 1,736

In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the local centre and the health use). The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and pavements/driveways/parking works within the site.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the CIL&LPVS we have also allowed for extra over costs associated with policy requirements. We summarise these costs below, which we have incorporated within our appraisals.

- Sustainable homes: £5,000 per unit;
- SUDs: £2,500 per residential unit;
- Lifetime Homes: £3,200 per unit; and
- Accessible units: £26,000 per house and £11,000 on apartments (10% of units only).

We have also included an allowance of £20,000 per standard residential unit and £10,000 per unit for all other specialist residential units for infrastructure costs. In our experience greenfield sites such as East Hemel Hempstead (South) are likely to require significant development of infrastructure such as servicing and roads etc. to open up the site for development.

3.2.11 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

3.2.12 Development finance

In line with the CIL&LPVS, our appraisal assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.13 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and the private extra care units and on the discount market sales affordable housing units.

For the commercial units we have allowed for a 10% letting agent and 5% legal fee.

We have included a 1% sales agent allowance on commercial uses, the care home use and self-build plots.

A 0.5% sales legal fee on GDV has been applied for all uses.

3.2.14 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value and on the commercial uses in the local centre.

3.2.15 CIL and Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information as to the likely level of these costs including the apportionment of costs of delivering such infrastructure on existing sites in the District and high level knowledge of the likely specific costs being worked up at present. Given this these costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.15 below.

Table 3.2.15: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£45,840,000	1 x 3 FE Primary and 1 X 2FE (assumes £7.5m per primary school) Secondary (assumes £35m per secondary school) joint with East Hemel Hempstead (North)
Community Facilities	£2,400,000	Based on £1,000 per unit
Green infrastructure: Strategic open space / green infrastructure Local open/play Space/Green Infrastructure	£4,800,000 £2,400,000	Based on £2,000 per unit Based on £1,000 per unit
Transport Infrastructure	£26,400,000	Allows for: - Strategic - LTP4 major scheme; - Local highway - on & off site - Sustainable travel - public transport; - Sustainable travel - walking + cycling on & off site
Total	**£81,840,000**	

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above. In line with the assumptions in the CIL&LPVS we have assumed £1,150 per unit and £20 per square metre for non-residential uses.

With respect to the delivery of open space, there are a number of allowances included in this assessment. Integral open/play space and non-strategic open space is accounted for through the allowance for external works on base build costs and a further £1,000 per residential unit allowance in the S106 contributions. For strategic level open space a further allowance of £2,000 per residential unit has been adopted in this assessment through s106 contributions.

We have calculated the CIL liability of the proposed development based on the proposed CIL charges set out in the CIL&LPVS. These include £150 per square metre for residential floorspace, £245 per square metre for care home floorspace and £20 per square metre for extra care, special needs supported living and commercial floorspace. Details of the calculation of the CIL liability are set out in Appendix 1.

3.2.16 Profit

As identified in the CIL&LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 20% on Gross Development Value (GDV) for private housing units, private extra care units, self-build plots and discount market rent affordable housing;
- 6% on GDV for affordable rent and shared ownership affordable housing and extra care units and special needs supported living units; and
- 15% profit on GDV for non-residential uses in local centres.

3.2.17 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in six phases of circa 388 units each and that there will be multiple sales outlets. We have assumed that the sales rate will be 4 units per month, which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' deliver of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.17 below.

Table 3.2.17: Development timescales

Phase	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Pre-construction (months)	45	9	9	9	9	9	9
Construction (months)	175	29	29	29	29	29	29
Residential Sales (months)	175	29	29	29	29	29	29
Extra Care Units	10	0	0	10	0	0	0

The sales rates are applied to the private housing and extra care unit only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the delivery of the care home, extra care/flexicare, special needs supported living units, Gypsy and Travellers pitches, health provision and local centre we have included these within Phase 3 of the development. Given their smaller scale of development we have allowed for a 24 month construction phase for each use.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at East Hemel Hempstead (South) as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate benchmark land value ('BLV') identified in the CIL&LPVS, which in this instance is the Greenfield value of £370,000 per Ha, in order to determine whether this might be sufficient for the site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – East Hemel Hempstead (South)

Scenario appraised	Residual land value	BLV (based on £370,000 per Ha	Viable/ Unviable
40% AH & CIL	£82,810,000	£36,260,000	**Viable**

The appraisal scenario tested for East Hemel Hempstead (South) identifies that the proposed scheme is viable against the BLV of £370,000 per hectare when delivering 40% Affordable Housing, the proposed CIL charge and other policy requirements.

5 Conclusions and Recommendations

This testing demonstrates that the East Hemel Hempstead (South) strategic site is viable and deliverable having regard to both the Council's planning policy requirements (including affordable housing and development specified in Policy S6 iii and the proposed Community Infrastructure Levy charging rates set out in BNPPRE's November 2017 CIL&LPVS.

In light of the above we recommend that the Council considers applying its CIL charges as proposed to the East Hemel Hempstead (South) strategic site.

Appendix 1 - Working assumptions adopted in appraisal

Name of site	East Hemel Hempstead (South)

Site Size (Gross) Ha	98
Site Size (Net) Ha	59.0
Total No Standard Residential units	2,400
Self build plots (3%)	72
Total units less self build (97%)	2,328
Care Home rooms	50
Extra Care / flexicare units	50
Special needs supporting living units	12
Traveller & Gypsy Pitches	15
No Phases	6

Unit mix Based on Typology 14

Site type	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total
Size (sq m)	**50**	**70**	**86**	**108**	**79**	**93**	**115**	**125**	
Percentage split	0%	0%	0%	0%	36%	56%	4%	4%	
Total Floor area (sq m)	-	-	-	-	66,208	121,242	10,709	11,640	209,799

Affordable Housing Analysis

Percentage	40%
Rented (50% Social rent and 50% Affordable Rent)	60%
Intermediate (Shared Ownership)	30%
Intermediate (Discount Market Sale)	10%

Resi floor area analysis

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Private Floor area	125,880	20,980	20,980	20,980	20,980	20,980	20,980
Affordable Floor Area	83,920	13,987	13,987	13,987	13,987		13,987
Rented (50% Social rent and 50% Affordable Rent)	50,352	8,392	8,392	8,392	8,392	8,392	8,392
Shared ownership	25,176	4,196	4,196	4,196	4,196	4,196	4,196
Discount Market Sale	8,392	1,399	1,399	1,399	1,399	1,399	1,399

Self-Build units

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
No plots	72	12	12	12	12	12	12

Health provision

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Gross floorarea (sq m)	699	-		699	-	-	-
Net floorarea (sq m)	573	-		573	-	-	-

Neighbourhood / Local Centre

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Gross floorarea (sq m)	1,756	-	-	1,756	-	-	-
Net floorarea (sq m)	1,440	-	-	1,440	-	-	-

Care Homes

	Phase 3		
National Care Standards requirements			
135	sq ft of useable floorspace, excluding ensuite		
38	sq ft of space for en-suite		
42	sq ft of communal space, excluding circulation		
50	rooms	6,750	floor area of rooms
		1,900	en-suite bathrooms
		2,100	communal space
		10,750	sq ft NIA
0.15	Circulation	1,612.50	sqft
		12,362.50	sqft GIA
		1,149	**sqm GIA**

Extra-Care / Flexi Care

	Phase 3				Affordable Housing	
	1 Bed 2p flat	2 bed 4p flat	Total	Private	Rented (50% Social rent and 50% Affordable Rent)	Intermediate (Shared Ownership)
Size (sq m)	**50**	**70**				
Percentage split	50%	50%		60%		
Total Floor area (sq m) NIA	1,250	1,750	3,000	1,800	720	480
Total Floor area (sq m) GIA @60% Gross to Net assumption	**2,083**	**2,917**	**5,000**	**3,000**		

Special Needs Supported Living Units

	Phase 3
	1 Bed 2p flat
Size (sq m)	**50**
Percentage split	100%
Total Floor area (sq m) (Net)	600
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	**800**

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5
Travellers Pitches in Ha	-	-	-	15	-	-

Timescales

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Pre-constuction (months)	54	9	9	9	9	9	9
Construction (months)	175	29	29	29	29	29	29
Private Resi Sales (months)	175	29	29	29	29	29	29
Extra Care Units	10	0	0	10	0	0	0

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
No Private units less self build units	1397	233	233	233	233	233	233

Revenue

Standard Residential	Capital value £ per sq m
Private Housing	£ 5,705
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,477
Shared Ownership	£ 3,579
Discount Market Sale (80% of Market Value)	£ 4,564

	Value per plot (assuming 4 bed house)
Self build plots	£ 400,000

	Capital value
Special needs supported living units	£1,477

Care Home

Beds (Affordable)	30	£471	per week		90%	occupancy	£661,452
Beds (Pvt)	20	£800	per week		90%	occupancy	£748,800
					30%	of income	£423,075.74
Standard profit margin (EBITDA)					10%	yield	£4,230,757
Capitalise EBITDA							-£634,614
Deduct	15%	for income shortfall to maturity					
Gross Adjusted turnkey value of Home							***£3,596,144***

Extra Care Housing	Capital value £ per sq m
Private	£ 6,997
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,665
Shared Ownership	£ 4,349

	Rent per sq m	Yield	Rent Free & Void (months)
Commercial	£237	6.50%	18

Costs

Residual S106

	unit of measure	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Standard residential per unit	£ 1,150	£ 2,760,000	£ 460,000	£ 460,000	£ 460,000	£ 460,000	£ 460,000	£ 460,000
Commercial per sq m	£ 20	£ 35,122	£ -	£ -	£ 35,122	£ -	£ -	£ -
Care Home per sq m	£ 20	£ 22,970	£ -	£ -	£ 22,970	£ -	£ -	£ -
Extra Care / Flexicare units per unit	£ 1,150	£ 57,500	£ -	£ -	£ 57,500	£ -	£ -	£ -
Special needs supported living per unit	£ 1,150	£ 13,800	£ -	£ -	£ 13,800	£ -	£ -	£ -
TOTAL			**£ 460,000**	**£ 460,000**	**£ 589,392**	**£ 460,000**	**£ 460,000**	**£ 460,000**

CIL

	£ pr sq m	Total Floor area	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Resi	£ 150	125,880	18,881,942	£ 3,146,990	£ 3,146,990	£ 3,146,990	£ 3,146,990	£ 3,146,990	£ 3,146,990
Care Home	£ 245	£ 1,149	£ 281,384	£ -	£ -	£ 281,384	£ -	£ -	£ -
All other uses (Extra Care and special needs supported living units)	£ 20	£ 3,800	£ 76,000	£ -	£ -	£ 76,000	£ -	£ -	£ -
All other uses (Commercial)	£ 20	£ 1,756	£ 35,122	£ -	£ -	£ 35,122	£ -	£ -	£ -
Total				**£ 3,146,990**	**£ 3,146,990**	**£ 3,539,496**	**£ 3,146,990**	**£ 3,146,990**	**£ 3,146,990**

S106 Infrastructure Costs

	Total costs
Transport	£ 26,400,000
Education (1 x 3FE Primary School @ £7.5 m & 1 x 6-8FE Secondary School @ £35m)	£ 45,840,000
Community Facilities (£1,000 per unit)	£ 2,400,000

	Per unit cost	Total costs
Strategic open space / green infrastructure	£ 2,000	£ 4,800,000
Local open space / play space / green infrastructure	£ 1,000	£ 2,400,000

	Per unit cost	Total costs	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Site opening up costs Standard Resi	£ 20,000	£ 48,000,000	£ 8,000,000	£ 8,000,000	£ 8,000,000	£ 8,000,000	£ 8,000,000	£ 8,000,000
Site opening up costs Other Residential uses	£ 10,000	£ 1,120,000	£ 373,333.33	£ 373,333.33	£ 373,333.33	£ -	£ -	£ -
			£ 8,373,333	£ 8,373,333	£ 8,373,333	£ 8,000,000	£ 8,000,000	£ 8,000,000

Build costs

	Base per sq m	Externals per sq m	Lifetime homes (£3,200 per unit)	10% Accessable homes @ £26,000 per house and £11,000 per flatted unit	SUDS @ £2,500 per unit	Sustainability @ £5,000 per unit	Total
Resi	£ 1,124	£ 169	£ 37	£ 30	£ 29	£ 57	**£ 1,445**
Commercial	£ 2,026	£ 203	£ -	£ -	£ -	£ -	**£ 2,229**
Health	£ 2,270	£ 227					**£ 2,497**
Care Home	£ 1,621	£ 146	£ -	£ -	£ -	£ -	**£ 1,768**
Extra care / flexicare	£ 1,736	£ 260	£ 32	£ 11	£ 25	£ 50	**£ 2,114**
Special needs supported living	£ 1,736	£ 260	£ 48	£ 17	£ 38	£ 75	**£ 2,173**

Contingency on build costs	5%

Traveller's pitches	No pitches	Cost
Info from Dacorum BC 5 pitches = 0.5 Ha Each travellers pitch estimated to cost £242,000	15	£ 3,630,000

Profit

Private/Market Resi on GDV	20%
Affordable Resi on GDV	6%
Commercial on GDV	15%

Marketing /agency and legal fees

Resi Sales agent and marketing on GDV	3.00%
Resi Sales legal fees on GDV	0.50%

Commercial Letting fee on rent pa	10.00%
Commercial Letting Legal fee on rent pa	5.00%
Commercial Sales fee on GDV	1.00%
Commercial Legal fee on GDV	0.50%

Professional fees	10%
Finance	7.00%

Appraisal Outcome

Residual Land Value @ 40% AH	**£ 82,810,000**
Benchmark Land Value Greenfield	£ 36,260,000
Appraisal outcome (Surplus/ Deficit)	**£ 46,550,000**

Appendix 2 - Argus appraisal summary

Licensed Copy

Development Appraisal

East Hemel Hempstead (South)

40% AH

Report Date: 27 June 2019

APPRAISAL SUMMARY — LICENSED COPY

East Hemel Hempstead (South)
40% AH

Summary Appraisal for Merged Phases 1 2 3 4 5 6

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Rate m²**	**Unit Price**	**Gross Sales**
Private Residential	1	20,980.00	5,705.00	119,690,900	119,690,900
Affordable Housing - Rented	1	8,392.00	1,477.00	12,394,984	12,394,984
Affordable Housing - SO	1	4,196.00	3,579.00	15,017,484	15,017,484
Affordable Housing - DMR	1	1,399.00	3,564.00	4,986,036	4,986,036
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Private Residential	1	20,980.00	5,705.00	119,690,900	119,690,900
Affordable Housing - Rented	1	8,392.00	1,477.00	12,394,984	12,394,984
Affordable Housing - SO	1	4,196.00	3,579.00	15,017,484	15,017,484
Affordable Housing - DMR	1	1,399.00	3,564.00	4,986,036	4,986,036
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Private Residential	1	20,980.00	5,705.00	119,690,900	119,690,900
Affordable Housing - Rented	1	8,392.00	1,477.00	12,394,984	12,394,984
Affordable Housing - SO	1	4,196.00	3,579.00	15,017,484	15,017,484
Affordable Housing - DMR	1	1,399.00	3,564.00	4,986,036	4,986,036
Care Home	1	0.00	0.00	3,596,144	3,596,144
Special Needs Supported Living	1	600.00	1,665.00	999,000	999,000
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Extra/Flexi Care Housing - Private	1	1,800.00	6,997.00	12,594,600	12,594,600
Extra/Flexi Care Housing - Aff Rented	1	720.00	1,665.00	1,198,800	1,198,800
Extra/Flexi Care Housing - Aff SO	1	480.00	4,349.00	2,087,520	2,087,520
Private Residential	1	20,980.00	5,705.00	119,690,900	119,690,900
Affordable Housing - Rented	1	8,392.00	1,477.00	12,394,984	12,394,984
Affordable Housing - SO	1	4,196.00	3,579.00	15,017,484	15,017,484
Affordable Housing - DMR	1	1,399.00	3,564.00	4,986,036	4,986,036
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Private Residential	1	20,980.00	5,705.00	119,690,900	119,690,900
Affordable Housing - Rented	1	8,392.00	1,477.00	12,394,984	12,394,984

East Hemel Hempstead (South)
40% AH

Affordable Housing - SO	1	4,196.00	3,579.00	15,017,484	15,017,484
Affordable Housing - DMR	1	1,399.00	3,564.00	4,986,036	4,986,036
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Private Residential	1	20,980.00	5,705.00	119,690,900	119,690,900
Affordable Housing - Rented	1	8,392.00	1,477.00	12,394,984	12,394,984
Affordable Housing - SO	1	4,196.00	3,579.00	15,017,484	15,017,484
Affordable Housing - DMR	1	1,399.00	3,564.00	4,986,036	4,986,036
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Totals	**101**	**213,402.00**			**961,812,488**

Rental Area Summary

	Units	m²	Rate m²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Neighbourhood / Local Centre	1	1,440.00	237.00	341,280	341,280	341,280
Health Provision	1	573.00		0	0	
Totals	**2**	**2,013.00**			**341,280**	**341,280**

Investment Valuation

Neighbourhood / Local Centre					
Market Rent	341,280	YP @	6.5000%	15.3846	
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.5000%	0.9099	4,777,196
					4,777,196

GROSS DEVELOPMENT VALUE			**966,589,684**
Purchaser's Costs	6.80%	(569,387)	
			(569,387)
NET DEVELOPMENT VALUE			**966,020,297**
NET REALISATION			**966,020,297**

OUTLAY

ACQUISITION COSTS

APPRAISAL SUMMARY	LICENSED COPY

East Hemel Hempstead (South)
40% AH

Residualised Price			82,809,950	
Stamp Duty		5.00%	4,140,498	
Agent Fee		1.00%	828,100	
Legal Fee		0.80%	662,480	
				88,441,027

CONSTRUCTION COSTS

Construction	**Units**	**Unit Amount**	**Cost**
Travellers Pitches	15 un	242,000	3,630,000

	m²	**Rate m²**	**Cost**
Neighbourhood / Local Centre	1,756.10 m²	2,229.00 pm²	3,914,341
Health Provision	698.78 m²	2,497.00 pm²	1,744,855
Private Residential	20,980.00 m²	1,445.00 pm²	30,316,100
Affordable Housing - Rented	8,392.00 m²	1,445.00 pm²	12,126,440
Affordable Housing - SO	4,196.00 m²	1,445.00 pm²	6,063,220
Affordable Housing - DMR	1,399.00 m²	1,445.00 pm²	2,021,555
Private Residential	20,980.00 m²	1,445.00 pm²	30,316,100
Affordable Housing - Rented	8,392.00 m²	1,445.00 pm²	12,126,440
Affordable Housing - SO	4,196.00 m²	1,445.00 pm²	6,063,220
Affordable Housing - DMR	1,399.00 m²	1,445.00 pm²	2,021,555
Private Residential	20,980.00 m²	1,445.00 pm²	30,316,100
Affordable Housing - Rented	8,392.00 m²	1,445.00 pm²	12,126,440
Affordable Housing - SO	4,196.00 m²	1,445.00 pm²	6,063,220
Affordable Housing - DMR	1,399.00 m²	1,445.00 pm²	2,021,555
Care Home	1,149.00 m²	1,768.00 pm²	2,031,432
Special Needs Supported Living	800.00 m²	2,173.00 pm²	1,738,400
Extra/Flexi Care Housing - Private	3,000.00 m²	2,114.00 pm²	6,342,000
Extra/Flexi Care Housing - Aff Rented	1,200.00 m²	2,114.00 pm²	2,536,800
Extra/Flexi Care Housing - Aff SO	800.00 m²	2,114.00 pm²	1,691,200
Private Residential	20,980.00 m²	1,445.00 pm²	30,316,100
Affordable Housing - Rented	8,392.00 m²	1,445.00 pm²	12,126,440
Affordable Housing - SO	4,196.00 m²	1,445.00 pm²	6,063,220
Affordable Housing - DMR	1,399.00 m²	1,445.00 pm²	2,021,555
Private Residential	20,980.00 m²	1,445.00 pm²	30,316,100

East Hemel Hempstead (South)
40% AH

Affordable Housing - Rented	8,392.00 m²	1,445.00 pm²	12,126,440	
Affordable Housing - SO	4,196.00 m²	1,445.00 pm²	6,063,220	
Affordable Housing - DMR	1,399.00 m²	1,445.00 pm²	2,021,555	
Private Residential	20,980.00 m²	1,445.00 pm²	30,316,100	
Affordable Housing - Rented	8,392.00 m²	1,445.00 pm²	12,126,440	
Affordable Housing - SO	4,196.00 m²	1,445.00 pm²	6,063,220	
Affordable Housing - DMR	1,399.00 m²	1,445.00 pm²	2,021,555	
Totals	**219,205.88 m²**		**323,162,918**	**326,792,918**
Contingency		5.00%	16,459,646	
Site opening up costs			49,119,999	
Strategic Open Space			4,800,000	
Local open/play space green infrast			2,400,000	
S106			2,889,392	
CIL			19,274,446	
Transport			26,400,000	
Education			45,840,000	
Community Facilities			2,400,000	
				169,583,483
PROFESSIONAL FEES				
Professional fees		10.00%	39,477,256	
				39,477,256
MARKETING & LETTING				
Letting Agent Fee		10.00%	34,128	
Letting Legal Fee		5.00%	17,064	
				51,192
DISPOSAL FEES				
Resi Sales Agent and Marketing Fee		3.00%	21,922,200	
Commercial Sales Agent Fee		1.00%	665,202	
Sales Legal Fee		0.50%	4,830,101	
				27,417,503

Additional Costs

East Hemel Hempstead (South)
40% AH

Resi Private Profit	20.00%	24,935,387	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,644,748	
Resi Private Profit	20.00%	24,935,387	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,644,748	
Resi Private Profit	20.00%	27,454,307	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,901,867	
Commercial Profit	15.00%	1,256,001	
Resi Private Profit	20.00%	24,935,387	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,644,748	
Resi Private Profit	20.00%	24,935,387	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,644,748	
Resi Private Profit	20.00%	24,935,387	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,644,748	
			163,512,852

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			150,744,162

TOTAL COSTS	**966,020,393**

PROFIT

	(96)

Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.04%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%
IRR	6.98%
Rent Cover	0 yrs 0 mths

East Hemel Hempstead (South)
40% AH

Profit Erosion (finance rate 7.000%)	N/A

BNP PARIBAS REAL ESTATE

Real Estate
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world

St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing: East St Albans

Prepared for

St Albans City and District Council

November 2018

Contents

Appendices

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1 Introduction

The National Planning Practice Guidance on Viability 2019 (‘NPPG’) identifies at paragraph 003 that, *“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.”* However, it goes on to identify that the *“in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.”* This is reiterated in paragraph 005 which sets out that, “*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.”*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the East St Albans strategic development site as allocated in the St Albans City and District Local Plan 2020-2036 Publication Draft 2018 (‘LPPD’). This work follows the St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study (‘CIL&LPVS’) report dated November 2017, which tested the ability of a range of development types throughout the City and District to yield contributions to infrastructure requirements through the Community Infrastructure Levy (‘CIL’) along with the planning policy requirements of the emerging St Albans City and District Local Plan Draft and other key local policies and guidance as well as national policies.

This report has been prepared with the particular purpose of testing the cumulative impact of the Council’s emerging requirements on the identified strategic development site including affordable housing, on-site Section 106 obligations, the Council’s proposed CIL charges and on-site infrastructure and sustainability measures. This is in line with the requirements of the National Planning Policy Framework 2018 (‘NPPF’), the NPPG and the Local Housing Delivery Group guidance ‘Viability Testing Emerging Local Plans: Advice for planning practitioners’ (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that have been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council’s CIL Charging Schedule and emerging local plan policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of strategic site

The Council's LPPD sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period the Council has identified a number of Strategic Development Sites ('strategic sites'). Given the importance of these strategic sites to the local growth strategy the Council has instructed BNP Paribas Real Estate to consider their viability in detail as well as their potential to contribute to infrastructure through CIL.

The Council has provided information to BNP Paribas Real Estate as to the assumptions for the development of the strategic development envisaged at East St Albans as set out in Policy S6 v - East St Albans Broad Location. Table 2.1 sets out these assumptions including; the gross and net site areas, the number of residential units and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at East St Albans

Element considered	Site specifications
Site Size Gross Net	 52.5 Ha 31.5 Ha
Number of residential units (Density circa 40 units per Ha) Estimated Self Build units @ 3%	1,250 38
Specialist housing **Care Home (beds)** **Extra care / flexicare (units)** **Other – special needs supported living**	 50 50 12
Local Centre (assumed to be 0.6sq m NIA provided for each house)	750 square metres
Health provision (provided on site assumed to be NIA)	299 square metres

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with that adopted in the CIL&LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the proposed development on the East St Albans strategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the proposed development on the East St Albans strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value. If a development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the benchmark, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Table 3.2.1 based on the mix adopted for Typology 14 in the CIL&LPVS on the basis that this is a reasonable assumption to test in a viability assessment, but understandably does not preclude other unit mixes. The size of units adopted in the study have been informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1: Unit mix

Unit type	2 Bed 4p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House
Unit size[1]	**79 sq m**	**93 sq m**	**115 sq m**	**125 sq m**
% tested in Scheme	36%	56%	4%	4%

3.2.2 Private/market residential sales values

We have adopted an average private/market residential sales value of £5,705 per sq m in our appraisal. This corresponds with the sales values adopted in the CIL&LPVS, which were based on research using sources including the Land Registry online database, Rightmove online database, our understanding of viability of live schemes in the District and discussions with active local agents.

3.2.3 Affordable housing

We understand that the LPPD Policy S6 v identifies that development will be required to deliver a minimum of 40% affordable housing in accordance with Policy L3. Policy L3 (Provision of and Financial Contributions towards Affordable Housing) sets out that the Council will seek a minimum of 40% affordable homes as a proportion of the overall dwelling numbers on the site or an equivalent land area, on schemes of 10 (net) or more homes, unless it is clearly demonstrated that this is not economically viable. In such circumstances the Council will seek to negotiate the affordable housing provision at a level which allows the scheme to be viable. In addition the Council will seek 60% of the affordable housing as 'Affordable Housing for Rent' of which 30% is to be at social rents and the 30% is to be provided as "Affordable Rent" at a maximum of 80% of market rent. The remaining 40% affordable housing is to be provided as "Subsidised Home Ownership" including Shared Ownership, Starter Homes and Discounted Market Sales. Further, the policy identifies that at least 75% of such provision must be through Registered Providers to seek to secure the subsidy in perpetuity.

We note that the Council's saved Local Plan Policy 7a (Affordable Housing in Towns and Specified settlements) identifies that the Council will normally seek to negotiate an element of affordable housing on sites of over 0.4Ha and on sites of under this size where 15 or more dwellings are proposed based on site and marketing conditions and local housing need. We note that the Council's Affordable Housing Supplementary planning Guidance ('SPG') identifies that "the percentage of affordable housing required will normally be 35%" and that "The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented."

The Council have requested that we base our assessments on the higher emerging policy target of 40% with a tenure split provision of 60% Rented units (split 30% social rent and 30% Affordable Rent) and 40% as Subsidised Home Ownership units (split 30% shared ownership units and 10% Discount Market Sale).

As set out in the CIL&LPVS, we have used our bespoke model to value the affordable rented housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2017 - 2018 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP's) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt. Our appraisals assume that the Affordable Rent units are let at 80% or market rent, but which do not exceed Local Housing Allowance ('LHA') rates, so that they are affordable to households subject to the Universal Credit. Our calculations have identified that this to equate to an average capital value of £1,477 per square metre for such units.

We have appraised the intermediate shared ownership units, assuming that Registered Providers

[1] In line with the Government's "Technical housing standards nationally described space standard" published in March 2015.

('RPs') will sell 30% initial equity stakes at market and charge a rent of 2.75% on the retained equity. A 10% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 5%. We have assessed the capital value for such units to equate to £3,579 per square metre.

With respect to the Discount Market Sale units, we have appraised these units at 80% of the open market/private unit values. This equates to an average capital value of £4,564 per square metre.

3.2.4 Self-build plots

Policy S6 v identifies that 3% of homes are to be provided as self-build housing. Given this, we have undertaken an assessment of the value of a serviced plot of land for a 4 bed self-build house (on the basis that this would be a reasonable average size of plot between 3 and 5 bed homes). This assessment has identified an average serviced plot value of £400,000, which we have adopted in our appraisal of the 38 self-build pots on the strategic site.

3.2.5 Care home

Policy S6 v sets out a requirement for at least one 50+ C2 Residential Nursing care home (C2 Use). As identified in the CIL&LPVS care homes are residential institutions where older people live, usually in single rooms but sometimes in shared rooms, and have access to on-site care services. A home registered simply as a care home will provide personal care only (i.e. help with washing, dressing and giving medication). A home registered as a care home with nursing will provide the same personal care but also have a qualified nurse on duty 24 hours a day to carry out nursing tasks. The cost/rents for rooms in care homes depend on the specific level of care required.

We have adopted rental levels consistent with those set out in the CIL&LPVS, which are based on research of rents for care homes in the District. Our appraisals allow for private rents of £800 per week for a single room, which is considered to be a conservative rent by comparison to some of the care homes rents charged in the District. We have also allowed for 40% of the accommodation in our appraisal to be provided as affordable care rooms at £471 per week. This is based on rents in-line with the average County allowance for a single room for older people[2] at £419.77 per week and a single room with nursing at £522.47 per week.

3.2.6 Extra care / flexicare units

Policy S6 v sets out a requirement for at least one 50+ home Flexi-care scheme. The CIL&LPVS identified that Extra Care Housing (C3 Use) can be precisely defined (and differentiated from other types of residential institutions) by reason of some specific characteristics, as set out in the RTPI Good Practice Note. The Royal Town Planning Institute defines Extra Care Housing as, 'purpose-built accommodation in which varying amounts of care and support can be offered and where some services are shared'. People who live in Extra Care Housing have their own self-contained homes, their own front doors and a legal right to occupy the property. It comes in many built forms, including blocks of flats, bungalow estates and retirement villages. It is a popular choice among older people because it can sometimes provide an alternative to a care home. In addition to the communal facilities often found in retirement housing Extra Care often includes a restaurant or dining room, health & fitness facilities, hobby rooms and even computer rooms. Domestic support and personal care are available, usually provided by on-site staff.

As with retirement housing it is recognised that Extra Care developments have different viability considerations to standard residential dwellings. These arise due to a significant gross to net ratio for such developments due to the need for more communal facilities as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience such units also achieve premium value.

[2] https://www.hertfordshire.gov.uk/services/adult-social-services/care-and-carers/arranging-and-paying-for-care/paying-for-your-care-costs.aspx#DynamicJumpMenuManager

In line with our assumptions adopted in the CIL&LPVS for such developments we have assumed that the 50 extra care units identified on the strategic site will be provided as 50% one and 50% two bedroom apartments. We have also allowed for a gross to net floorspace ratio of 60% and a higher average sales value reflecting £6,997 per square metre (£650 per square foot).

In line with the requirements of Policy S6 v we have allowed for 40% of these units to be delivered as affordable housing with 60% provided as rented units (50% social rent and 50% affordable rent) and 40% as shared ownership.

3.2.7 Special needs supported living units

Policy S6 v identifies that 12 special needs supported living units are be required to be provided as part of the development of the East St Albans strategic site. We have assumed that these units would all be provided as a block of one bedroom apartments. Given the nature of such development we have valued these as affordable rented units, at a capital value of £1,665 per sq m. This is higher than the average value of the standard affordable rented units in the scheme as these units are all one bed units.

3.2.8 Local centres

The assumptions used in the appraisals to value the non-residential accommodation provided in the local centre are in line with those adopted in the CIL&LPVS. These are summarised in Table 3.2.8 below.

Table 3.2.8: Non-residential revenue and assumptions

Accommodation	Rent £ per square metre	Yield	Void Period (Inc. Rent Free)
Retail	£237	6.5%	1.5 years

3.2.9 Base build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services ('BCIS'), which is based on tenders for actual schemes adjusted to reflect local circumstances in St Albans District. The base build costs used in our appraisals are set out in Table 3.2.9 below, these are in line with the costs adopted in the CIL&LPVS.

Table 3.2.9 Base build costs adopted in appraisal

Use	Base build costs per square metre
Residential houses	£ 1,124
Commercial uses - Local centre	£ 2,026
Health	£ 2,270
Care Home	£ 1,621
Extra care / flexicare apartments	£ 1,736
Special needs supported living apartments	£ 1,736

In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the local centre and the health use). The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and pavements/driveways/parking works within the site.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the CIL&LPVS we have also allowed for extra over costs associated with policy requirements. We summarise these costs below, which we have incorporated within our appraisals.

- Sustainable homes: £5,000 per unit;
- SUDs: £2,500 per residential unit;
- Lifetime Homes: £3,200 per unit; and
- Accessible units: £26,000 per house and £11,000 on apartments (10% of units only).

We have also included an allowance of £20,000 per standard residential unit and £10,000 per unit for all other specialist residential units for infrastructure costs. In our experience greenfield sites such as East St Albans are likely to require significant development of infrastructure such as servicing and roads etc. to open up the site for development.

3.2.10 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

3.2.11 Development finance

In line with the CIL&LPVS, our appraisal assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.12 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and the private extra care units and on the discount market sales affordable housing units.

For the commercial units we have allowed for a 10% letting agent and 5% legal fee.

We have included a 1% sales agent allowance on commercial uses, the care home use and self-build plots.

A 0.5% sales legal fee on GDV has been applied for all uses.

3.2.13 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value and on the commercial uses in the local centre.

3.2.14 CIL and Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information as to the likely level of these costs including the apportionment of costs of delivering such infrastructure on existing sites in the District and high level knowledge of the likely specific costs being worked up at present. Given this these costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.14 below.

Table 3.2.14: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£23,875,000	1 x 2 FE Primary (assumes £7.5m per primary school) 1 x 6-8 FE Secondary (assumes £35m per secondary school)
Community Facilities	£1,250,000	Based on £1,000 per unit
Green infrastructure: Strategic open space / green infrastructure Local open/play Space/Green Infrastructure	£2,500,000 £1,250,000	Based on £2,000 per unit Based on £1,000 per unit
Transport Infrastructure	£10,560,000	Allows for: - Local highway - on & off site - Sustainable travel - public transport; - Sustainable travel - walking + cycling on & off site
Total	**£38,185,000**	

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above. In line with the assumptions in the CIL&LPVS we have assumed £1,150 per unit and £20 per square metre for non-residential uses.

With respect to the delivery of open space, there are a number of allowances included in this assessment. Integral open/play space and non-strategic open space is accounted for through the allowance for external works on base build costs and a further £1,000 per residential unit allowance in the S106 contributions. For strategic level open space a further allowance of £2,000 per residential unit has been adopted in this assessment through s106 contributions.

We have calculated the CIL liability of the proposed development based on the proposed CIL charges set out in the CIL&LPVS. These include £150 per square metre for residential floorspace, £245 per square metre for care home floorspace and £20 per square metre for extra care, special needs supported living and commercial floorspace. Details of the calculation of the CIL liability are set out in Appendix 1.

3.2.15 Profit

As identified in the CIL&LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 20% on Gross Development Value (GDV) for private housing units, private extra care units, self-build plots and discount market rent affordable housing;
- 6% on GDV for affordable rent and shared ownership affordable housing and extra care units and special needs supported living units; and

- 15% profit on GDV for non-residential uses in local centres.

3.2.16 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in three phases of circa 417 units each and that there will be multiple sales outlets. We have assumed that the sales rate will be 4 units per month, which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' deliver of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.16 below.

Table 3.2.16: Development timescales

Phase	Total	Phase 1	Phase 2	Phase 3
Pre-construction (months)	27	9	9	9
Construction (months)	90	30	30	30
Residential Sales (months)	90	30	30	30
Extra Care Units	10	0	10	0

The sales rates are applied to the private housing and extra care unit only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the delivery of the care home, extra care/flexicare, special needs supported living units, health provision and local centre we have included these within Phase 2 of the development. Given their smaller scale of development we have allowed for a 24 month construction phase for each use.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at East St Albans as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate benchmark land value ('BLV') identified in the CIL&LPVS, which in this instance is the Greenfield value of £370,000 per Ha, in order to determine whether this might be sufficient for the site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – East St Albans

Scenario appraised	Residual land value	BLV (based on £370,000 per Ha	Viable/ Unviable
40% AH & CIL	£68,924,000	£19,425,000	**Viable**

The appraisal scenario tested for East St Albans identifies that the proposed scheme is viable against the BLV of £370,000 per hectare when delivering 40% Affordable Housing, the proposed CIL charge and other policy requirements.

5 Conclusions and Recommendations

This testing demonstrates that the East St Albans strategic site is viable and deliverable having regard to both the Council's planning policy requirements (including affordable housing and development specified in Policy S6 v and the proposed Community Infrastructure Levy charging rates set out in BNPPRE's November 2017 CIL&LPVS.

In light of the above we recommend that the Council considers applying its CIL charges as proposed to the East St Albans strategic site.

Appendix 1 - Working assumptions adopted in appraisal

Name of site	East St Albans

Site Size (Gross) Ha	52.5
Site Size (Net) Ha	31.5
Total No Standard Residential units	1,250
Self build plots (3%)	38
Total units less self build (97%)	1,212
Care Home rooms	50
Extra Care / flexicare units	50
Special needs supporting living units	12
Traveller & Gypsy Pitches	-
No Phases	3

Unit mix Based on Typology 14

Site type	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total
Size (sq m)	**50**	**70**	**86**	**108**	**79**	**93**	**115**	**125**	
Percentage split	0%	0%	0%	0%	36%	56%	4%	4%	
Total Floor area (sq m)	-	-	-	-	34,469	63,121	5,575	6,060	109,225

Affordable Housing Analysis

Percentage	40%
Rented (50% Social rent and 50% Affordable Rent)	60%
Intermediate (Shared Ownership)	30%
Intermediate (Discount Market Sale)	10%

Resi floor area analysis

	Total	Phase 1	Phase 2	Phase 3
Private Floor area	65,535	21,845	21,845	21,845
Affordable Floor Area	43,690	14,563	14,563	14,563
Rented (50% Social rent and 50% Affordable Rent)	26,214	8,738	8,738	8,738
Shared ownership	13,107	4,369	4,369	4,369
Discount Market Sale	4,369	1,456	1,456	1,456

Self-Build units

	Total	Phase 1	Phase 2	Phase 3
No plots	38	13	13	12

Health provision

	Total	Phase 1	Phase 2	Phase 3
Gross floorarea (sq m)	365	-	365	-
Net floorarea (sq m)	299	-	299	-

Neighbourhood / Local Centre

	Total	Phase 1	Phase 2	Phase 3
Gross floorarea (sq m)	915	-	915	-
Net floorarea (sq m)	750	-	750	-

Care Homes **Phase 2**

National Care Standards requirements

135	sq ft of useable floorspace, excluding ensuite		
38	sq ft of space for en-suite		
42	sq ft of communal space, excluding circulation		
50	rooms	6,750	floor area of rooms
		1,900	en-suite bathrooms
		2,100	communal space
		10,750	sq ft NIA
0.15	Circulation	1,612.50	sqft
		12,362.50	sqft GIA
		1,149	**sqm GIA**

Extra-Care / Flexi Care **Phase 2**

	1 Bed 2p flat	2 bed 4p flat	Total	Private	Affordable Housing: Rented (50% Social rent and 50% Affordable Rent)	Intermediate (Shared Ownership)
Size (sq m)	**50**	**70**				
Percentage split	50%	50%		60%		
Total Floor area (sq m) NIA	1,250	1,750	3,000	1,800	720	480
Total Floor area (sq m) GIA @60% Gross to Net assumption	**2,083**	**2,917**	**5,000**	**3,000**		

Special Needs Supported Living Units	**Phase 2**
	1 Bed 2p flat
Size (sq m)	**50**
Percentage split	100%
Total Floor area (sq m) (Net)	600
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	**800**

	Total	Phase 1	Phase 2	Phase 3
Travellers Pitches in Ha	-	-	-	-

Timescales

	Total	Phase 1	Phase 2	Phase 3
Pre-constuction (months)	27	9	9	9
Construction (months)	91	30	30	30
Private Resi Sales (months)	91	30	30	30
Extra Care Units	10	0	10	0

	Total	Phase 1	Phase 2	Phase 3
No Private units less self build units	727	242	242	242

Revenue

Standard Residential	**Capital value £ per sq m**
Private Housing	£ 5,705
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,477
Shared Ownership	£ 3,579
Discount Market Sale (80% of Market Value)	£ 4,564

	Value per plot (assuming 4 bed house)
Self build plots	£ 400,000

	Capital value
Special needs supported living units	£1,477

Care Home

Beds (Affordable)	30	£471	per week		90%	occupancy	£661,452
Beds (Pvt)	20	£800	per week		90%	occupancy	£748,800
					30%	of income	£423,075.74
Standard profit margin (EBITDA)					10%	yield	£4,230,757
Capitalise EBITDA							-£634,614
Deduct	15%	for income shorfall to maturity					
Gross Adjusted turnkey value of Home							***£3,596,144***

Extra Care Housing	**Capital value £ per sq m**
Private	£ 6,997
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,665
Shared Ownership	£ 4,349

	Rent per sq m	Yield	Rent Free & Void (months)
Commercial	£237	6.50%	18

Costs

Residual S106

	unit of measure	Total	Phase 1	Phase 2	Phase 3
Standard residential per unit	£ 1,150	£ 1,437,500	£ 479,167	£ 479,167	£ 479,167
Commercial per sq m	£ 20	£ 18,293	£ -	£ 18,293	£ -
Care Home per sq m	£ 20	£ 22,970	£ -	£ 22,970	£ -
Extra Care / Flexicare units per unit	£ 1,150	£ 57,500	£ -	£ 57,500	£ -
Special needs supported living per unit	£ 1,150	£ 13,800	£ -	£ 13,800	£ -
TOTAL			**£ 479,167**	**£ 591,729**	**£ 479,167**

CIL

	£ pr sq m	Total Floor area	Total	Phase 1	Phase 2	Phase 3
Resi	£ 150	65,535	9,830,290	£ 3,276,763	£ 3,276,763	£ 3,276,763
Care Home	£ 245	£ 1,149	£ 281,384	£ -	£ 281,384	£ -
All other uses (Extra Care and special needs supported living units)	£ 20	£ 3,800	£ 76,000	£ -	£ 76,000	£ -
All other uses (Commercial)	£ 20	£ 915	£ 18,293	£ -	£ 18,293	£ -
Total				**£ 3,276,763**	**£ 3,652,439**	**£ 3,276,763**

S106 Infrastructure Costs

	Total costs
Transport	£ 10,560,000
Education (1 x 3FE Primary School @ £7.5 m & 1 x 6-8FE Secondary School @ £35m)	£ 23,875,000
Community Facilities (£1,000 per unit)	£ 1,250,000

	Per unit cost	Total costs
Strategic open space / green infrastructure	£ 2,000	£ 2,500,000
Local open space / play space / green infrastructure	£ 1,000	£ 1,250,000

	Per unit cost	Total costs	Phase 1	Phase 2	Phase 3
Site opening up costs Standard Resi	£ 20,000	£ 25,000,000	£ 8,333,333	£ 8,333,333	£ 8,333,333
Site opening up costs Other Residential uses	£ 10,000	£ 1,120,000	£ 560,000	£ 560,000	£ -
			£ 8,893,333	£ 8,893,333	£ 8,333,333

Build costs

	Base per sq m	Externals per sq m	Lifetime homes (£3,200 per unit)	10% Accessable homes @ £26,000 per house and £11,000 per flatted unit	SUDS @ £2,500 per unit	Sustainability @ £5,000 per unit	Total
Resi	£ 1,124	£ 169	£ 37	£ 30	£ 29	£ 57	**£ 1,445**
Commercial	£ 2,026	£ 203	£ -	£ -	£ -	£ -	**£ 2,229**
Health	£ 2,270	£ 227					**£ 2,497**
Care Home	£ 1,621	£ 146	£ -	£ -	£ -	£ -	**£ 1,768**
Extra care / flexicare	£ 1,736	£ 260	£ 32	£ 11	£ 25	£ 50	**£ 2,114**
Special needs supported living	£ 1,736	£ 260	£ 48	£ 17	£ 38	£ 75	**£ 2,173**

Contingency on build costs	5%

Traveller's pitches	No pitches	Cost
Info from Dacorum BC 5 pitches = 0.5 Ha Each travellers pitch estimated to cost £242,000	-	£ -

Profit

Private/Market Resi on GDV	20%
Affordable Resi on GDV	6%
Commercial on GDV	15%

Marketing /agency and legal fees

Resi Sales agent and marketing on GDV	3.00%
Resi Sales legal fees on GDV	0.50%

Commercial Letting fee on rent pa	10.00%
Commercial Letting Legal fee on rent pa	5.00%
Commercial Sales fee on GDV	1.00%
Commercial Legal fee on GDV	0.50%

Professional fees	10%
Finance	7.00%

Appraisal Outcome

Residual Land Value @ 40% AH	**£ 68,924,000**
Benchmark Land Value Greenfield	£ 19,425,000
Appraisal outcome (Surplus/ Deficit)	**£ 49,499,000**

Appendix 2 - Argus appraisal summary

Licensed Copy

Development Appraisal

East St Albans

40% AH

Report Date: 27 June 2019

APPRAISAL SUMMARY LICENSED COPY

East St Albans
40% AH

Summary Appraisal for Merged Phases 1 2 3

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Rate m²**	**Unit Price**	**Gross Sales**
Private Residential	1	21,845.00	5,705.00	124,625,725	124,625,725
Affordable Housing - Rented	1	8,738.00	1,477.00	12,906,026	12,906,026
Affordable Housing - SO	1	4,369.00	3,579.00	15,636,651	15,636,651
Affordable Housing - DMR	1	1,456.00	3,564.00	5,189,184	5,189,184
Self Build Plots	13	0.00	0.00	400,000	5,200,000
Private Residential	1	21,845.00	5,705.00	124,625,725	124,625,725
Affordable Housing - Rented	1	8,738.00	1,477.00	12,906,026	12,906,026
Affordable Housing - SO	1	4,369.00	3,579.00	15,636,651	15,636,651
Affordable Housing - DMR	1	1,456.00	3,564.00	5,189,184	5,189,184
Care Home	1	0.00	0.00	3,596,144	3,596,144
Special Needs Supported Living	1	600.00	1,665.00	999,000	999,000
Self Build Plots	13	0.00	0.00	400,000	5,200,000
Extra/Flexi Care Housing - Private	1	1,800.00	6,997.00	12,594,600	12,594,600
Extra/Flexi Care Housing - Aff Rented	1	720.00	1,665.00	1,198,800	1,198,800
Extra/Flexi Care Housing - Aff SO	1	480.00	4,349.00	2,087,520	2,087,520
Private Residential	1	21,845.00	5,705.00	124,625,725	124,625,725
Affordable Housing - Rented	1	8,738.00	1,477.00	12,906,026	12,906,026
Affordable Housing - SO	1	4,369.00	3,579.00	15,636,651	15,636,651
Affordable Housing - DMR	1	1,456.00	3,564.00	5,189,184	5,189,184
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Totals	**55**	**112,824.00**			**510,748,822**

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Neighbourhood / Local Centre	1	750.00	237.00	177,750	177,750	177,750
Health Provision	1	299.00		0	0	
Totals	**2**	**1,049.00**			**177,750**	**177,750**

APPRAISAL SUMMARY	LICENSED COPY

East St Albans
40% AH

Investment Valuation					
Neighbourhood / Local Centre					
Market Rent	177,750	YP @	6.5000%	15.3846	
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.5000%	0.9099	2,488,123
					2,488,123
GROSS DEVELOPMENT VALUE				**513,236,945**	
Purchaser's Costs		6.80%	(413,730)		
				(413,730)	
NET DEVELOPMENT VALUE				**512,823,215**	
NET REALISATION				**512,823,215**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			68,924,174		
Stamp Duty		5.00%	3,446,209		
Agent Fee		1.00%	689,242		
Legal Fee		0.80%	551,393		
				73,611,018	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
Neighbourhood / Local Centre	914.63 m²	2,229.00 pm²	2,038,720		
Health Provision	364.63 m²	2,497.00 pm²	910,491		
Private Residential	21,845.00 m²	1,445.00 pm²	31,566,025		
Affordable Housing - Rented	8,738.00 m²	1,445.00 pm²	12,626,410		
Affordable Housing - SO	4,369.00 m²	1,445.00 pm²	6,313,205		
Affordable Housing - DMR	1,456.00 m²	1,445.00 pm²	2,103,920		
Private Residential	21,845.00 m²	1,445.00 pm²	31,566,025		
Affordable Housing - Rented	8,738.00 m²	1,445.00 pm²	12,626,410		

APPRAISAL SUMMARY				LICENSED COPY
East St Albans				
40% AH				
Affordable Housing - SO	4,369.00 m²	1,445.00 pm²	6,313,205	
Affordable Housing - DMR	1,456.00 m²	1,445.00 pm²	2,103,920	
Care Home	1,149.00 m²	1,768.00 pm²	2,031,432	
Special Needs Supported Living	800.00 m²	2,173.00 pm²	1,738,400	
Extra/Flexi Care Housing - Private	3,000.00 m²	2,114.00 pm²	6,342,000	
Extra/Flexi Care Housing - Aff Rented	1,200.00 m²	2,114.00 pm²	2,536,800	
Extra/Flexi Care Housing - Aff SO	800.00 m²	2,114.00 pm²	1,691,200	
Private Residential	21,845.00 m²	1,445.00 pm²	31,566,025	
Affordable Housing - Rented	8,738.00 m²	1,445.00 pm²	12,626,410	
Affordable Housing - SO	4,369.00 m²	1,445.00 pm²	6,313,205	
Affordable Housing - DMR	1,456.00 m²	1,445.00 pm²	2,103,920	
Totals	**117,452.27 m²**		**175,117,723**	**175,117,723**
Contingency		5.00%	8,818,386	
Site opening up costs			26,119,999	
Strategic Open Space			2,500,000	
Local open/play space green infrast			1,250,000	
S106			1,550,063	
CIL			10,205,965	
Transport			10,560,000	
Education			23,875,000	
Community Facilities			1,250,000	
				86,129,413
PROFESSIONAL FEES				
Professional fees		10.00%	21,130,611	
				21,130,611
DISPOSAL FEES				
Resi Sales Agent and Marketing Fee		3.00%	11,594,153	
Commercial Sales Agent Fee		1.00%	364,381	
Sales Legal Fee		0.50%	2,564,116	
				14,522,650
Additional Costs				

East St Albans
40% AH

Resi Private Profit	20.00%	25,962,982	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,712,561	
Resi Private Profit	20.00%	28,481,902	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,969,680	
Commercial Profit	15.00%	912,640	
Resi Private Profit	20.00%	25,962,982	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,712,561	
			86,715,307
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			55,596,514
TOTAL COSTS			**512,823,235**
PROFIT			
			(20)

Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	0.03%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%
IRR	6.90%
Rent Cover	0 yrs 0 mths
Profit Erosion (finance rate 7.000%)	N/A

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St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing: North East Harpenden

Prepared for

St Albans City and District Council

November 2018

Contents

Appendices

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1 Introduction

The National Planning Practice Guidance on Viability 2019 ('NPPG') identifies at paragraph 003 that, *"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."* However, it goes on to identify that the *"in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."* This is reiterated in paragraph 005 which sets out that, "*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."*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the North East Harpenden strategic development site as allocated in the St Albans City and District Local Plan 2020-2036 Publication Draft 2018 ('LPPD'). This work follows the St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study ('CIL&LPVS') report dated November 2017, which tested the ability of a range of development types throughout the City and District to yield contributions to infrastructure requirements through the Community Infrastructure Levy ('CIL') along with the planning policy requirements of the emerging St Albans City and District Local Plan Draft and other key local policies and guidance as well as national policies.

This report has been prepared with the particular purpose of testing the cumulative impact of the Council's emerging requirements on the identified strategic development site including affordable housing, on-site Section 106 obligations, the Council's proposed CIL charges and on-site infrastructure and sustainability measures. This is in line with the requirements of the National Planning Policy Framework 2018 ('NPPF'), the NPPG and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that have been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council's CIL Charging Schedule and emerging local plan policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of strategic site

The Council's LPPD sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period the Council has identified a number of Strategic Development Sites ('strategic sites'). Given the importance of these strategic sites to the local growth strategy the Council has instructed BNP Paribas Real Estate to consider their viability in detail as well as their potential to contribute to infrastructure through CIL.

The Council has provided information to BNP Paribas Real Estate as to the assumptions for the development of the strategic development envisaged at North East Harpenden as set out in Policy S6 vii - North East Harpenden Broad Location. Table 2.1 sets out these assumptions including; the gross and net site areas, the number of residential units and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at North East Harpenden

Element considered	Site specifications
Site Size Gross Net	 31.7 Ha 19.0 Ha
Number of residential units (Density circa 40 units per Ha) Estimated Self Build units @ 3%	760 23
Specialist housing **Extra care / flexicare (units)** **Other – special needs supported living**	 50 10
Health provision (provided on site assumed to be NIA)	181 square metres

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with that adopted in the CIL&LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the proposed development on the North East Harpenden strategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the proposed development on the North East Harpenden strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value. If a development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the benchmark, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Table 3.2.1 based on the mix adopted for Typology 14 in the CIL&LPVS on the basis that this is a reasonable assumption to test in a viability assessment, but understandably does not preclude other unit mixes. The size of units adopted in the study have been informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1: Unit mix

Unit type	2 Bed 4p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House
Unit size[1]	**79 sq m**	**93 sq m**	**115 sq m**	**125 sq m**
% tested in Scheme	36%	56%	4%	4%

3.2.2 Private/market residential sales values

We have adopted an average private/market residential sales value of £5,705 per sq m in our appraisal. This corresponds with the sales values adopted in the CIL&LPVS, which were based on research using sources including the Land Registry online database, Rightmove online database, our understanding of viability of live schemes in the District and discussions with active local agents.

3.2.3 Affordable housing

We understand that the LPPD Policy S6 vii identifies that development will be required to deliver a minimum of 40% affordable housing in accordance with Policy L3. Policy L3 (Provision of and Financial Contributions towards Affordable Housing) sets out that the Council will seek a minimum of 40% affordable homes as a proportion of the overall dwelling numbers on the site or an equivalent land area, on schemes of 10 (net) or more homes, unless it is clearly demonstrated that this is not economically viable. In such circumstances the Council will seek to negotiate the affordable housing provision at a level which allows the scheme to be viable. In addition the Council will seek 60% of the affordable housing as 'Affordable Housing for Rent' of which 30% is to be at social rents and the 30% is to be provided as "Affordable Rent" at a maximum of 80% of market rent. The remaining 40% affordable housing is to be provided as "Subsidised Home Ownership" including Shared Ownership, Starter Homes and Discounted Market Sales. Further, the policy identifies that at least 75% of such provision must be through Registered Providers to seek to secure the subsidy in perpetuity.

We note that the Council's saved Local Plan Policy 7a (Affordable Housing in Towns and Specified settlements) identifies that the Council will normally seek to negotiate an element of affordable housing on sites of over 0.4Ha and on sites of under this size where 15 or more dwellings are proposed based on site and marketing conditions and local housing need. We note that the Council's Affordable Housing Supplementary planning Guidance ('SPG') identifies that "the percentage of affordable housing required will normally be 35%" and that "The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented."

The Council have requested that we base our assessments on the higher emerging policy target of 40% with a tenure split provision of 60% Rented units (split 30% social rent and 30% Affordable Rent) and 40% as Subsidised Home Ownership units (split 30% shared ownership units and 10% Discount Market Sale).

As set out in the CIL&LPVS, we have used our bespoke model to value the affordable rented housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2017 - 2018 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP's) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt. Our appraisals assume that the Affordable Rent units are let at 80% or market rent, but which do not exceed Local Housing Allowance ('LHA') rates, so that they are affordable to households subject to the Universal Credit. Our calculations have identified that this to equate to an average capital value of £1,477 per square metre for such units.

[1] In line with the Government's "Technical housing standards nationally described space standard" published in March 2015.

We have appraised the intermediate shared ownership units, assuming that Registered Providers ('RPs') will sell 30% initial equity stakes at market and charge a rent of 2.75% on the retained equity. A 10% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 5%. We have assessed the capital value for such units to equate to £3,579 per square metre.

With respect to the Discount Market Sale units, we have appraised these units at 80% of the open market/private unit values. This equates to an average capital value of £4,564 per square metre.

3.2.4 Self-build plots

Policy S6 vii identifies that 3% of homes are to be provided as self-build housing. Given this, we have undertaken an assessment of the value of a serviced plot of land for a 4 bed self-build house (on the basis that this would be a reasonable average size of plot between 3 and 5 bed homes). This assessment has identified an average serviced plot value of £400,000, which we have adopted in our appraisal of the 23 self-build pots on the strategic site.

3.2.5 Extra care / flexicare units

Policy S6 vii sets out a requirement for at least one 50+ home Flexi-care scheme. The CIL&LPVS identified that Extra Care Housing (C3 Use) can be precisely defined (and differentiated from other types of residential institutions) by reason of some specific characteristics, as set out in the RTPI Good Practice Note. The Royal Town Planning Institute defines Extra Care Housing as, 'purpose-built accommodation in which varying amounts of care and support can be offered and where some services are shared'. People who live in Extra Care Housing have their own self-contained homes, their own front doors and a legal right to occupy the property. It comes in many built forms, including blocks of flats, bungalow estates and retirement villages. It is a popular choice among older people because it can sometimes provide an alternative to a care home. In addition to the communal facilities often found in retirement housing Extra Care often includes a restaurant or dining room, health & fitness facilities, hobby rooms and even computer rooms. Domestic support and personal care are available, usually provided by on-site staff.

As with retirement housing it is recognised that Extra Care developments have different viability considerations to standard residential dwellings. These arise due to a significant gross to net ratio for such developments due to the need for more communal facilities as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience such units also achieve premium value.

In line with our assumptions adopted in the CIL&LPVS for such developments we have assumed that the 50 extra care units identified on the strategic site will be provided as 50% one and 50% two bedroom apartments. We have also allowed for a gross to net floorspace ratio of 60% and a higher average sales value reflecting £6,997 per square metre (£650 per square foot).

In line with the requirements of Policy S6 vii we have allowed for 40% of these units to be delivered as affordable housing with 60% provided as rented units (50% social rent and 50% affordable rent) and 40% as shared ownership.

3.2.6 Special needs supported living units

Policy S6 vii identifies that 10 special needs supported living units are be required to be provided as part of the development of the North East Harpenden strategic site. We have assumed that these units would all be provided as a block of one bedroom apartments. Given the nature of such development we have valued these as affordable rented units, at a capital value of £1,665 per sq m. This is higher than the average value of the standard affordable rented units in the scheme as these units are all one bed units.

3.2.7 Base build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services ('BCIS'), which is based on tenders for actual schemes adjusted to reflect local circumstances in St Albans District. The base build costs used in our appraisals are set out in Table 3.2.7 below, these are in line with the costs adopted in the CIL&LPVS.

Table 3.2.7 Base build costs adopted in appraisal

Use	Base build costs per square metre
Residential houses	£ 1,124
Health	£ 2,270
Extra care / flexicare apartments	£ 1,736
Special needs supported living apartments	£ 1,736

In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the health use). The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and pavements/driveways/parking works within the site.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the CIL&LPVS we have also allowed for extra over costs associated with policy requirements. We summarise these costs below, which we have incorporated within our appraisals.

- Sustainable homes: £5,000 per unit;
- SUDs: £2,500 per residential unit;
- Lifetime Homes: £3,200 per unit; and
- Accessible units: £26,000 per house and £11,000 on apartments (10% of units only).

We have also included an allowance of £20,000 per standard residential unit and £10,000 per unit for all other specialist residential units for infrastructure costs. In our experience greenfield sites such as North East Harpenden are likely to require significant development of infrastructure such as servicing and roads etc. to open up the site for development.

3.2.8 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

3.2.9 Development finance

In line with the CIL&LPVS, our appraisal assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.10 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and the private extra care units and on the discount market sales affordable housing units.

We have included a 1% sales agent allowance on the self-build plots.

A 0.5% sales legal fee on GDV has been applied for all uses.

3.2.11 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value.

3.2.12 CIL and Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information as to the likely level of these costs including the apportionment of costs of delivering such infrastructure on existing sites in the District and high level knowledge of the likely specific costs being worked up at present. Given this these costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.12 below.

Table 3.2.12: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£5,700,000	1 x 2 FE Primary (assumes £7.5m per primary school)
Community Facilities	£760,000	Based on £1,000 per unit
Green infrastructure: Strategic open space / green infrastructure	£760,000	Based on £1,000 per unit
Local open/play Space/Green Infrastructure	£760,000	Based on £1,000 per unit
Transport Infrastructure	£2,280,000	Allows for: - Local highway - on & off site - Sustainable travel - public transport; - Sustainable travel - walking + cycling on & off site
Total	**£10,260,000**	

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above. In line with the assumptions in the CIL&LPVS we have assumed £1,150 per unit and £20 per square metre for non-residential uses.

With respect to the delivery of open space, there are a number of allowances included in this assessment. Integral open/play space and non-strategic open space is accounted for through the allowance for external works on base build costs and a further £1,000 per residential unit allowance in the S106 contributions. For strategic level open space a further allowance of 1,000 per residential unit has been adopted in this assessment through s106 contributions.

We have calculated the CIL liability of the proposed development based on the proposed CIL charges set out in the CIL&LPVS. These include £150 per square metre for residential floorspace and £20 per square metre for extra care, special needs supported living and commercial floorspace. Details of the calculation of the CIL liability are set out in Appendix 1.

3.2.13 Profit

As identified in the CIL&LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 20% on Gross Development Value (GDV) for private housing units, private extra care units, self-build plots and discount market rent affordable housing; and

- 6% on GDV for affordable rent and shared ownership affordable housing and extra care units and special needs supported living units.

3.2.14 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in two phases of circa 380 units each. We have assumed that the sales rate will be 4 units per month, which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' deliver of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.14 below.

Table 3.2.14: Development timescales

Phase	Total	Phase 1	Phase 2
Pre-construction (months)	18	9	9
Construction (months)	111	55	55
Residential Sales (months)	111	55	55
Extra Care Units	0	0	10

The sales rates are applied to the private housing and extra care unit only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the delivery of the extra care/flexicare, special needs supported living units and health provision we have included these within Phase 2 of the development. Given their smaller scale of development we have allowed for a 24 month construction phase for each use.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at North East Harpenden as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate benchmark land value ('BLV') identified in the CIL&LPVS, which in this instance is the Greenfield value of £370,000 per Ha, in order to determine whether this might be sufficient for the site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – North East Harpenden

Scenario appraised	Residual land value	BLV (based on £370,000 per Ha	Viable/ Unviable
40% AH & CIL	£52,653,000	£11,729,000	**Viable**

The appraisal scenario tested for North East Harpenden identifies that the proposed scheme is viable against the BLV of £370,000 per hectare when delivering 40% Affordable Housing, the proposed CIL charge and other policy requirements.

5 Conclusions and Recommendations

This testing demonstrates that the North East Harpenden strategic site is viable and deliverable having regard to both the Council's planning policy requirements (including affordable housing and development specified in Policy S6 vii and the proposed Community Infrastructure Levy charging rates set out in BNPPRE's November 2017 CIL&LPVS.

In light of the above we recommend that the Council considers applying its CIL charges as proposed to the North East Harpenden strategic site.

Appendix 1 - Working assumptions adopted in appraisal

Name of site	North East Harpenden

Site Size (Gross) Ha	31.7
Site Size (Net) Ha	19.0
Total No Standard Residential units	760
Self build plots (3%)	23
Total units less self build (97%)	737
Care Home rooms	-
Extra Care / flexicare units	50
Special needs supporting living units	10
Traveller & Gypsy Pitches	-
No Phases	2

Unit mix Based on Typology 14

Site type	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total
Size (sq m)	**50**	**70**	**86**	**108**	**79**	**93**	**115**	**125**	
Percentage split	0%	0%	0%	0%	36%	56%	4%	4%	
Total Floor area (sq m)	-	-	-	-	20,960	38,383	3,390	3,685	66,418

Affordable Housing Analysis

Percentage	40%
Rented (50% Social rent and 50% Affordable Rent)	60%
Intermediate (Shared Ownership)	30%
Intermediate (Discount Market Sale)	10%

Resi floor area analysis

	Total	Phase 1	Phase 2
Private Floor area	39,851	19,926	19,926
Affordable Floor Area	26,567	13,284	13,284
Rented (50% Social rent and 50% Affordable Rent)	15,940	7,970	7,970
Shared ownership	7,970	3,985	3,985
Discount Market Sale	2,657	1,328	1,328

Self-Build units

	Total	Phase 1	Phase 2
No plots	23	12	11

Health provision

	Total	Phase 1	Phase 2
Gross floorarea (sq m)	221	-	220.73
Net floorarea (sq m)	181	-	181.00

Neighbourhood / Local Centre

	Total	Phase 1	Phase 2
Gross floorarea (sq m)	-	-	-
Net floorarea (sq m)	-	-	-

Care Homes	**Phase 2**		
National Care Standards requirements			
135	sq ft of useable floorspace, excluding ensuite		
38	sq ft of space for en-suite		
42	sq ft of communal space, excluding circulation		
-	rooms	-	floor area of rooms
		-	en-suite bathrooms
		-	communal space
		-	sq ft NIA
0.15	Circulation	-	sqft
		-	sqft GIA
		-	**sqm GIA**

Extra-Care / Flexi Care	**Phase 2**				**Affordable Housing**	
	1 Bed 2p flat	2 bed 4p flat	Total	Private	Rented (50% Social rent and 50% Affordable Rent)	Intermediate (Shared Ownership)
Size (sq m)	**50**	**70**				
Percentage split	50%	50%		60%		
Total Floor area (sq m) NIA	1,250	1,750	3,000	1,800	720	480
Total Floor area (sq m) GIA @60% Gross to Net assumption	**2,083**	**2,917**	**5,000**	**3,000**		

Special Needs Supported Living Units	**Phase 2**
	1 Bed 2p flat
Size (sq m)	**50**
Percentage split	100%
Total Floor area (sq m) (Net)	500
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	**667**

	Total	Phase 1	Phase 2
Travellers Pitches in Ha	-	-	-

Timescales

	Total	Phase 1	Phase 2
Pre-constuction (months)	18	9	9
Construction (months)	111	55	55
Private Resi Sales (months)	111	55	55
Extra Care Units	10	0	10

	Total	Phase 1	Phase 2
No Private units less self build units	442	221	221

Revenue

Standard Residential	Capital value £ per sq m
Private Housing	£ 5,705
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,477
Shared Ownership	£ 3,579
Discount Market Sale (80% of Market Value)	£ 4,564

	Value per plot (assuming 4 bed house)
Self build plots	£ 400,000

	Capital value
Special needs supported living units	£1,477

Care Home

Beds (Affordable)	0	£471	per week		90%	occupancy	£0
Beds (Pvt)	0	£800	per week		90%	occupancy	£0
					30%	of income	£0.00
Standard profit margin (EBITDA)					10%	yield	£0
Capitalise EBITDA							£0
Deduct		15%	for income shortfall to maturity				
Gross Adjusted turnkey value of Home							***£0***

Extra Care Housing	Capital value £ per sq m
Private	£ 6,997
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,665
Shared Ownership	£ 4,349

	Rent per sq m	Yield	Rent Free & Void (months)
Commercial	£237	6.50%	18

Costs

Residual S106

	unit of measure	Total	Phase 1	Phase 2
Standard residential per unit	£ 1,150	£ 874,000	£ 437,000	£ 437,000
Commercial per sq m	£ 20	£ -	£ -	£ -
Care Home per sq m	£ 20	£ -	£ -	£ -
Extra Care / Flexicare units per unit	£ 1,150	£ 57,500	£ -	£ 57,500
Special needs supported living per unit	£ 1,150	£ 11,500	£ -	£ 11,500
TOTAL			**£ 437,000**	**£ 506,000**

CIL

	£ pr sq m	Total Floor area	Total	Phase 1	Phase 2
Resi	£ 150	39,851	5,977,660	£ 2,988,830	£ 2,988,830
Care Home	£ 245	£ -	£ -	£ -	£ -
All other uses (Extra Care and special needs supported living units)	£ 20	£ 3,667	£ 73,333	£ -	£ 73,333
All other uses (Commercial)	£ 20	£ -	£ -	£ -	£ -
Total				**£ 2,988,830**	**£ 3,062,163**

S106 Infrastructure Costs

	Total costs
Transport	£ 2,280,000
Education (1 x 3FE Primary School @ £7.5 m & 1 x 6-8FE Secondary School @ £35m)	£ 5,700,000
Community Facilities (£1,000 per unit)	£ 760,000

	Per unit cost	Total costs
Strategic open space / green infrastructure	£ 1,000	£ 760,000
Local open space / play space / green infrastructure	£ 1,000	£ 760,000

	Per unit cost	Total costs	Phase 1	Phase 2
Site opening up costs Standard Resi	£ 20,000	£ 15,200,000	£ 7,600,000	£ 7,600,000
Site opening up costs Other Residential uses	£ 10,000	£ 600,000	£ 300,000	£ 300,000
			£ 7,900,000	£ 7,900,000

Build costs

	Base per sq m	Externals per sq m	Lifetime homes (£3,200 per unit)	10% Accessable homes @ £26,000 per house and £11,000 per flatted unit	SUDS @ £2,500 per unit	Sustainability @ £5,000 per unit	Total
Resi	£ 1,124	£ 169	£ 37	£ 30	£ 29	£ 57	**£ 1,445**
Commercial	N/A	N/A	£ -	£ -	£ -	£ -	**N/A**
Health	£ 2,270	£ 227					**£ 2,497**
Care Home	£ 1,621	£ 146	£ -	£ -	£ -	£ -	**N/A**
Extra care / flexicare	£ 1,736	£ 260	£ 32	£ 11	£ 25	£ 50	**£ 2,114**
Special needs supported living	£ 1,736	£ 260	£ 48	£ 17	£ 38	£ 75	**£ 2,173**

Contingency on build costs	5%

Traveller's pitches	No pitches	Cost
Info from Dacorum BC 5 pitches = 0.5 Ha Each travellers pitch estimated to cost £242,000	-	£ -

Profit

Private/Market Resi on GDV	20%
Affordable Resi on GDV	6%
Commercial on GDV	15%

Marketing /agency and legal fees

Resi Sales agent and marketing on GDV	3.00%
Resi Sales legal fees on GDV	0.50%

Commercial Letting fee on rent pa	10.00%
Commercial Letting Legal fee on rent pa	5.00%
Commercial Sales fee on GDV	1.00%
Commercial Legal fee on GDV	0.50%

Professional fees	10%

Finance	7.00%

Appraisal Outcome

Residual Land Value @ 40% AH	**£ 52,653,000**
Benchmark Land Value Greenfield	£ 11,729,000
Appraisal outcome (Surplus/ Deficit)	**£ 40,924,000**

Appendix 2 - Argus appraisal summary

Licensed Copy

Development Appraisal

North East Harpenden

40% AH

Report Date: 26 June 2019

North East Harpenden
40% AH

Summary Appraisal for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Rate m²**	**Unit Price**	**Gross Sales**
Private Residential	1	19,926.00	5,705.00	113,677,830	113,677,830
Affordable Housing - Rented	1	7,970.00	1,477.00	11,771,690	11,771,690
Affordable Housing - SO	1	3,985.00	3,579.00	14,262,315	14,262,315
Affordable Housing - DMR	1	1,328.00	3,564.00	4,732,992	4,732,992
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Private Residential	1	19,926.00	5,705.00	113,677,830	113,677,830
Affordable Housing - Rented	1	7,970.00	1,477.00	11,771,690	11,771,690
Affordable Housing - SO	1	3,985.00	3,579.00	14,262,315	14,262,315
Affordable Housing - DMR	1	1,328.00	3,564.00	4,732,992	4,732,992
Special Needs Supported Living	1	500.00	1,665.00	832,500	832,500
Self Build Plots	11	0.00	0.00	400,000	4,400,000
Extra/Flexi Care Housing - Private	1	1,800.00	6,997.00	12,594,600	12,594,600
Extra/Flexi Care Housing - Aff Rented	1	720.00	1,665.00	1,198,800	1,198,800
Extra/Flexi Care Housing - Aff SO	1	480.00	4,349.00	2,087,520	2,087,520
Totals	**35**	**69,918.00**			**314,803,074**

NET REALISATION			**314,803,074**
OUTLAY			
ACQUISITION COSTS			
Residualised Price		52,653,431	
Stamp Duty	5.00%	2,632,672	
Agent Fee	1.00%	526,534	
Legal Fee	0.80%	421,227	
			56,233,864
CONSTRUCTION COSTS			

APPRAISAL SUMMARY				**LICENSED COPY**

North East Harpenden
40% AH

Construction	**m²**	**Rate m²**	**Cost**	
Health Provision	220.73 m²	2,497.00 pm²	551,167	
Private Residential	19,926.00 m²	1,445.00 pm²	28,793,070	
Affordable Housing - Rented	7,970.00 m²	1,445.00 pm²	11,516,650	
Affordable Housing - SO	3,985.00 m²	1,445.00 pm²	5,758,325	
Affordable Housing - DMR	1,328.00 m²	1,445.00 pm²	1,918,960	
Private Residential	19,926.00 m²	1,445.00 pm²	28,793,070	
Affordable Housing - Rented	7,970.00 m²	1,445.00 pm²	11,516,650	
Affordable Housing - SO	3,985.00 m²	1,445.00 pm²	5,758,325	
Affordable Housing - DMR	1,328.00 m²	1,445.00 pm²	1,918,960	
Special Needs Supported Living	666.67 m²	2,173.00 pm²	1,448,667	
Extra/Flexi Care Housing - Private	3,000.00 m²	2,114.00 pm²	6,342,000	
Extra/Flexi Care Housing - Aff Rented	1,200.00 m²	2,114.00 pm²	2,536,800	
Extra/Flexi Care Housing - Aff SO	800.00 m²	2,114.00 pm²	1,691,200	
Totals	**72,305.40 m²**		**108,543,844**	**108,543,844**
Contingency		5.00%	5,465,192	
Site opening up costs			15,800,000	
Strategic Open Space			760,000	
Local open/play space green infrast			760,000	
S106			943,000	
CIL			6,050,993	
Transport			2,280,000	
Education			5,700,000	
Community Facilities			760,000	
				38,519,185
PROFESSIONAL FEES				
Professional fees		10.00%	13,056,904	
				13,056,904
DISPOSAL FEES				
Resi Sales Agent and Marketing Fee		3.00%	7,198,508	
Commercial Sales Agent Fee		1.00%	186,660	
Sales Legal Fee		0.50%	1,574,015	

North East Harpenden
40% AH

			8,959,183
Additional Costs			
Resi Private Profit	20.00%	23,682,164	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,562,040	
Resi Private Profit	20.00%	26,201,084	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,809,170	
			53,254,459
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			36,235,630
TOTAL COSTS			**314,803,068**
PROFIT			
			6
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
IRR	7.02%		
Profit Erosion (finance rate 7.000%)	0 yrs 0 mths		

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St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing: North Hemel Hempstead

Prepared for

St Albans City and District Council

November 2018

Contents

Appendices

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1 Introduction

The National Planning Practice Guidance on Viability 2019 (‘NPPG’) identifies at paragraph 003 that, *“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.”* However, it goes on to identify that the *“in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.”* This is reiterated in paragraph 005 which sets out that, “*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.”*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the North Hemel Hempstead strategic development site as allocated in the St Albans City and District Local Plan 2020-2036 Publication Draft 2018 (‘LPPD’). This work follows the St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study (‘CIL&LPVS’) report dated November 2017, which tested the ability of a range of development types throughout the City and District to yield contributions to infrastructure requirements through the Community Infrastructure Levy (‘CIL’) along with the planning policy requirements of the emerging St Albans City and District Local Plan Draft and other key local policies and guidance as well as national policies.

This report has been prepared with the particular purpose of testing the cumulative impact of the Council’s emerging requirements on the identified strategic development site including affordable housing, on-site Section 106 obligations, the Council’s proposed CIL charges and on-site infrastructure and sustainability measures. This is in line with the requirements of the National Planning Policy Framework 2018 (‘NPPF’), the NPPG and the Local Housing Delivery Group guidance ‘Viability Testing Emerging Local Plans: Advice for planning practitioners’ (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that have been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council’s CIL Charging Schedule and emerging local plan policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of strategic site

The Council's LPPD sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period the Council has identified a number of Strategic Development Sites ('strategic sites'). Given the importance of these strategic sites to the local growth strategy the Council has instructed BNP Paribas Real Estate to consider their viability in detail as well as their potential to contribute to infrastructure through CIL.

The Council has provided information to BNP Paribas Real Estate as to the assumptions for the development of the strategic development envisaged at North Hemel Hempstead as set out in Policy S6 iv - North Hemel Hempstead Broad Location. Table 2.1 sets out these assumptions including; the gross and net site areas, the number of residential units and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at North Hemel Hempstead

Element considered	Site specifications
Site Size Gross Net	 66.8 Ha 40.1 Ha
Number of residential units (Density circa 40 units per Ha) Estimated Self Build units @ 3%	1,500 45
Specialist housing **Care Home (beds)** **Extra care / flexicare (units)** **Other – special needs supported living**	 50 50 12
Local Centre (assumed to be 0.6sq m NIA provided for each house)	900 square metres
Health provision (provided on site assumed to be NIA)	358 square metres

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with that adopted in the CIL&LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the proposed development on the North Hemel Hempsteadstrategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the proposed development on the North Hemel Hempstead strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value. If a development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the benchmark, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Table 3.2.1 based on the mix adopted for Typology 14 in the CIL&LPVS on the basis that this is a reasonable assumption to test in a viability assessment, but understandably does not preclude other unit mixes. The size of units adopted in the study have been informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1: Unit mix

Unit type	2 Bed 4p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House
Unit size[1]	**79 sq m**	**93 sq m**	**115 sq m**	**125 sq m**
% tested in Scheme	36%	56%	4%	4%

3.2.2 Private/market residential sales values

We have adopted an average private/market residential sales value of £5,705 per sq m in our appraisal. This corresponds with the sales values adopted in the CIL&LPVS, which were based on research using sources including the Land Registry online database, Rightmove online database, our understanding of viability of live schemes in the District and discussions with active local agents.

3.2.3 Affordable housing

We understand that the LPPD Policy S6 iv identifies that development will be required to deliver a minimum of 40% affordable housing in accordance with Policy L3. Policy L3 (Provision of and Financial Contributions towards Affordable Housing) sets out that the Council will seek a minimum of 40% affordable homes as a proportion of the overall dwelling numbers on the site or an equivalent land area, on schemes of 10 (net) or more homes, unless it is clearly demonstrated that this is not economically viable. In such circumstances the Council will seek to negotiate the affordable housing provision at a level which allows the scheme to be viable. In addition the Council will seek 60% of the affordable housing as 'Affordable Housing for Rent' of which 30% is to be at social rents and the 30% is to be provided as "Affordable Rent" at a maximum of 80% of market rent. The remaining 40% affordable housing is to be provided as "Subsidised Home Ownership" including Shared Ownership, Starter Homes and Discounted Market Sales. Further, the policy identifies that at least 75% of such provision must be through Registered Providers to seek to secure the subsidy in perpetuity.

We note that the Council's saved Local Plan Policy 7a (Affordable Housing in Towns and Specified settlements) identifies that the Council will normally seek to negotiate an element of affordable housing on sites of over 0.4Ha and on sites of under this size where 15 or more dwellings are proposed based on site and marketing conditions and local housing need. We note that the Council's Affordable Housing Supplementary planning Guidance ('SPG') identifies that "the percentage of affordable housing required will normally be 35%" and that "The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented."

The Council have requested that we base our assessments on the higher emerging policy target of 40% with a tenure split provision of 60% Rented units (split 30% social rent and 30% Affordable Rent) and 40% as Subsidised Home Ownership units (split 30% shared ownership units and 10% Discount Market Sale).

As set out in the CIL&LPVS, we have used our bespoke model to value the affordable rented housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2017 - 2018 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP's) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt. Our appraisals assume that the Affordable Rent units are let at 80% or market rent, but which do not exceed Local Housing Allowance ('LHA') rates, so that they are affordable to households subject to the Universal Credit. Our calculations have identified that this to equate to an average capital value of £1,477 per square metre for such units.

[1] In line with the Government's "Technical housing standards nationally described space standard" published in March 2015.

We have appraised the intermediate shared ownership units, assuming that Registered Providers ('RPs') will sell 30% initial equity stakes at market and charge a rent of 2.75% on the retained equity. A 10% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 5%. We have assessed the capital value for such units to equate to £3,579 per square metre.

With respect to the Discount Market Sale units, we have appraised these units at 80% of the open market/private unit values. This equates to an average capital value of £4,564 per square metre.

3.2.4 Self-build plots

Policy S6 iv identifies that 3% of homes are to be provided as self-build housing. Given this, we have undertaken an assessment of the value of a serviced plot of land for a 4 bed self-build house (on the basis that this would be a reasonable average size of plot between 3 and 5 bed homes). This assessment has identified an average serviced plot value of £400,000, which we have adopted in our appraisal of the 45 self-build pots on the strategic site.

3.2.5 Care home

Policy S6 iv sets out a requirement for at least one 50+ Residential Nursing care home (C2 Use). As identified in the CIL&LPVS care homes are residential institutions where older people live, usually in single rooms but sometimes in shared rooms, and have access to on-site care services. A home registered simply as a care home will provide personal care only (i.e. help with washing, dressing and giving medication). A home registered as a care home with nursing will provide the same personal care but also have a qualified nurse on duty 24 hours a day to carry out nursing tasks. The cost/rents for rooms in care homes depend on the specific level of care required.

We have adopted rental levels consistent with those set out in the CIL&LPVS, which are based on research of rents for care homes in the District. Our appraisals allow for private rents of £800 per week for a single room, which is considered to be a conservative rent by comparison to some of the care homes rents charged in the District. We have also allowed for 40% of the accommodation in our appraisal to be provided as affordable care rooms at £471 per week. This is based on rents in-line with the average County allowance for a single room for older people[2] at £419.77 per week and a single room with nursing at £522.47 per week.

3.2.6 Extra care / flexicare units

Policy S6 iv sets out a requirement for at least one 50+ home Flexi-care scheme. The CIL&LPVS identified that Extra Care Housing (C3 Use) can be precisely defined (and differentiated from other types of residential institutions) by reason of some specific characteristics, as set out in the RTPI Good Practice Note. The Royal Town Planning Institute defines Extra Care Housing as, 'purpose-built accommodation in which varying amounts of care and support can be offered and where some services are shared'. People who live in Extra Care Housing have their own self-contained homes, their own front doors and a legal right to occupy the property. It comes in many built forms, including blocks of flats, bungalow estates and retirement villages. It is a popular choice among older people because it can sometimes provide an alternative to a care home. In addition to the communal facilities often found in retirement housing Extra Care often includes a restaurant or dining room, health & fitness facilities, hobby rooms and even computer rooms. Domestic support and personal care are available, usually provided by on-site staff.

As with retirement housing it is recognised that Extra Care developments have different viability considerations to standard residential dwellings. These arise due to a significant gross to net ratio for such developments due to the need for more communal facilities as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience such units also achieve premium value.

[2] https://www.hertfordshire.gov.uk/services/adult-social-services/care-and-carers/arranging-and-paying-for-care/paying-for-your-care-costs.aspx#DynamicJumpMenuManager

In line with our assumptions adopted in the CIL&LPVS for such developments we have assumed that the 50 extra care units identified on the strategic site will be provided as 50% one and 50% two bedroom apartments. We have also allowed for a gross to net floorspace ratio of 60% and a higher average sales value reflecting £6,997 per square metre (£650 per square foot).

In line with the requirements of Policy S6 iv we have allowed for 40% of these units to be delivered as affordable housing with 60% provided as rented units (50% social rent and 50% affordable rent) and 40% as shared ownership.

3.2.7 Special needs supported living units

Policy S6 iv identifies that 12 special needs supported living units are be required to be provided as part of the development of the North Hemel Hempstead strategic site. We have assumed that these units would all be provided as a block of one bedroom apartments. Given the nature of such development we have valued these as affordable rented units, at a capital value of £1,665 per sq m. This is higher than the average value of the standard affordable rented units in the scheme as these units are all one bed units.

3.2.8 Local centres

The assumptions used in the appraisals to value the non-residential accommodation provided in the local centre are in line with those adopted in the CIL&LPVS. These are summarised in Table 3.2.8 below.

Table 3.2.8: Non-residential revenue and assumptions

Accommodation	Rent £ per square metre	Yield	Void Period (Inc. Rent Free)
Retail	£237	6.5%	1.5 years

3.2.9 Base build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services ('BCIS'), which is based on tenders for actual schemes adjusted to reflect local circumstances in St Albans District. The base build costs used in our appraisals are set out in Table 3.2.9 below, these are in line with the costs adopted in the CIL&LPVS.

Table 3.2.9 Base build costs adopted in appraisal

Use	Base build costs per square metre
Residential houses	£ 1,124
Commercial uses - Local centre	£ 2,026
Health	£ 2,270
Care Home	£ 1,621
Extra care / flexicare apartments	£ 1,736
Special needs supported living apartments	£ 1,736

In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the local centre and the health use). The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and pavements/driveways/parking works within the site.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the CIL&LPVS we have also allowed for extra over costs associated with policy requirements. We summarise these costs below, which we have incorporated within our appraisals.

- Sustainable homes: £5,000 per unit;
- SUDs: £2,500 per residential unit;
- Lifetime Homes: £3,200 per unit; and
- Accessible units: £26,000 per house and £11,000 on apartments (10% of units only).

We have also included an allowance of £20,000 per standard residential unit and £10,000 per unit for all other specialist residential units for infrastructure costs. In our experience greenfield sites such as North Hemel Hempstead are likely to require significant development of infrastructure such as servicing and roads etc. to open up the site for development.

3.2.10 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

3.2.11 Development finance

In line with the CIL&LPVS, our appraisal assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.12 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and the private extra care units and on the discount market sales affordable housing units.

For the commercial units we have allowed for a 10% letting agent and 5% legal fee.

We have included a 1% sales agent allowance on commercial uses, the care home use and self-build plots.

A 0.5% sales legal fee on GDV has been applied for all uses.

3.2.13 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value and on the commercial uses in the local centre.

3.2.14 CIL and Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information as to the likely level of these costs including the apportionment of costs of delivering such infrastructure on existing sites in the District and high level knowledge of the likely specific costs being worked up at present. Given this these costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.14 below.

Table 3.2.14: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£11,250,000	1 x 2 FE Primary (assumes £7.5m per primary school)
Community Facilities	£1,500,000	Based on £1,000 per unit
Green infrastructure: Strategic open space / green infrastructure	£3,000,000	Based on £2,000 per unit
Local open/play Space/Green Infrastructure	£1,500,000	Based on £1,000 per unit
Transport Infrastructure	£16,500,000	Allows for: - Local highway - on & off site - Sustainable travel - public transport; - Sustainable travel - walking + cycling on & off site
Total	**£33,750,000**	

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above. In line with the assumptions in the CIL&LPVS we have assumed £1,150 per unit and £20 per square metre for non-residential uses.

With respect to the delivery of open space, there are a number of allowances included in this assessment. Integral open/play space and non-strategic open space is accounted for through the allowance for external works on base build costs and a further £1,000 per residential unit allowance in the S106 contributions. For strategic level open space a further allowance of £2,000 per residential unit has been adopted in this assessment through s106 contributions.

We have calculated the CIL liability of the proposed development based on the proposed CIL charges set out in the CIL&LPVS. These include £150 per square metre for residential floorspace, £250 per square metre for care home floorspace and £20 per square metre for extra care, special needs supported living and commercial floorspace. Details of the calculation of the CIL liability are set out in Appendix 1.

3.2.15 Profit

As identified in the CIL&LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 20% on Gross Development Value (GDV) for private housing units, private extra care units, self-build plots and discount market rent affordable housing;
- 6% on GDV for affordable rent and shared ownership affordable housing and extra care units and special needs supported living units; and
- 15% profit on GDV for non-residential uses in local centres.

3.2.16 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in three phases of circa 500 units each and that there will be multiple sales outlets. We have assumed that the sales rate will be 4 units per month, which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' deliver of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.16 below.

Table 3.2.16: Development timescales

Phase	Total	Phase 1	Phase 2	Phase 3
Pre-construction (months)	27	9	9	9
Construction (months)	108	36	36	36
Residential Sales (months)	108	36	36	36
Extra Care Units	10	0	10	0

The sales rates are applied to the private housing and extra care unit only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the delivery of the care home, extra care/flexicare, special needs supported living units, health provision and local centre we have included these within Phase 2 of the development. Given their smaller scale of development we have allowed for a 24 month construction phase for each use.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at North Hemel Hempstead as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate benchmark land value ('BLV') identified in the CIL&LPVS, which in this instance is the Greenfield value of £370,000 per Ha, in order to determine whether this might be sufficient for the site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – North Hemel Hempstead

Scenario appraised	Residual land value	BLV (based on £370,000 per Ha	Viable/ Unviable
40% AH & CIL	£90,322,000	£24,716,000	**Viable**

The appraisal scenario tested for North Hemel Hempstead identifies that the proposed scheme is viable against the BLV of £370,000 per hectare when delivering 40% Affordable Housing, the proposed CIL charge and other policy requirements.

5 Conclusions and Recommendations

This testing demonstrates that the North Hemel Hempstead strategic site is viable and deliverable having regard to both the Council's planning policy requirements (including affordable housing and development specified in Policy S6 iv and the proposed Community Infrastructure Levy charging rates set out in BNPPRE's November 2017 CIL&LPVS.

In light of the above we recommend that the Council considers applying its CIL charges as proposed to the North Hemel Hempstead strategic site.

Appendix 1 - Working assumptions adopted in appraisal

Name of site	North Hemel Hempstead

Site Size (Gross) Ha	66.8
Site Size (Net) Ha	40.1
Total No Standard Residential units	1,500
Self build plots (3%)	45
Total units less self build (97%)	1,455
Care Home rooms	50
Extra Care / flexicare units	50
Special needs supporting living units	12
Traveller & Gypsy Pitches	-
No Phases	3

Unit mix Based on Typology 14

Site type	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total
Size (sq m)	50	70	86	108	79	93	115	125	
Percentage split	0%	0%	0%	0%	36%	56%	4%	4%	
Total Floor area (sq m)	-	-	-	-	41,380	75,776	6,693	7,275	131,125

Affordable Housing Analysis

Percentage	40%
Rented (50% Social rent and 50% Affordable Rent)	60%
Intermediate (Shared Ownership)	30%
Intermediate (Discount Market Sale)	10%

Resi floor area analysis

	Total	Phase 1	Phase 2	Phase 3
Private Floor area	78,675	26,225	26,225	26,225
Affordable Floor Area	52,450	17,483	17,483	17,483
Rented (50% Social rent and 50% Affordable Rent)	31,470	10,490	10,490	10,490
Shared ownership	15,735	5,245	5,245	5,245
Discount Market Sale	5,245	1,748	1,748	1,748

Self-Build units

	Total	Phase 1	Phase 2	Phase 3
No plots	45	15	15	15

Health provision

	Total	Phase 1	Phase 2	Phase 3
Gross floorarea (sq m)	437	-	437	-
Net floorarea (sq m)	358	-	358	-

Neighbourhood / Local Centre

	Total	Phase 1	Phase 2	Phase 3
Gross floorarea (sq m)	1,098	-	1,098	-
Net floorarea (sq m)	900	-	900	-

Care Homes — **Phase 2**

National Care Standards requirements			
135	sq ft of useable floorspace, excluding ensuite		
38	sq ft of space for en-suite		
42	sq ft of communal space, excluding circulation		
50	rooms	6,750	floor area of rooms
		1,900	en-suite bathrooms
		2,100	communal space
		10,750	sq ft NIA
0.15	Circulation	1,612.50	sqft
		12,362.50	sqft GIA
		1,149	**sqm GIA**

Extra-Care / Flexi Care

	1 Bed 2p flat (Phase 2)	2 bed 4p flat	Total	Private	Affordable Housing: Rented (50% Social rent and 50% Affordable Rent)	Intermediate (Shared Ownership)
Size (sq m)	50	70				
Percentage split	50%	50%		60%		
Total Floor area (sq m) NIA	1,250	1,750	3,000	1,800	720	480
Total Floor area (sq m) GIA @60% Gross to Net assumption	**2,083**	**2,917**	**5,000**	**3,000**		

Special Needs Supported Living Units	**Phase 2**
	1 Bed 2p flat
Size (sq m)	**50**
Percentage split	100%
Total Floor area (sq m) (Net)	600
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	**800**

	Total	Phase 1	Phase 2	Phase 3
Travellers Pitches in Ha	-	-	-	-

Timescales

	Total	Phase 1	Phase 2	Phase 3
Pre-constuction (months)	27	9	9	9
Construction (months)	109	36	36	36
Private Resi Sales (months)	109	36	36	36
Extra Care Units	10	0	10	0

	Total	Phase 1	Phase 2	Phase 3
No Private units less self build units	873	291	291	291

Revenue

Standard Residential	**Capital value £ per sq m**
Private Housing	£ 5,705
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,477
Shared Ownership	£ 3,579
Discount Market Sale (80% of Market Value)	£ 4,564

	Value per plot (assuming 4 bed house)
Self build plots	£ 400,000

	Capital value
Special needs supported living units	£1,477

Care Home

Beds (Affordable)	30	£471	per week		90%	occupancy	£661,452
Beds (Pvt)	20	£800	per week		90%	occupancy	£748,800
					30%	of income	£423,075.74
Standard profit margin (EBITDA)					10%	yield	£4,230,757
Capitalise EBITDA							-£634,614
Deduct	15%	for income shortfall to maturity					
Gross Adjusted turnkey value of Home							***£3,596,144***

Extra Care Housing	**Capital value £ per sq m**
Private	£ 6,997
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,665
Shared Ownership	£ 4,349

	Rent per sq m	Yield	Rent Free & Void (months)
Commercial	£237	6.50%	18

Costs

Residual S106

	unit of measure	Total	Phase 1	Phase 2	Phase 3
Standard residential per unit	£ 1,150	£ 1,725,000	£ 575,000	£ 575,000	£ 575,000
Commercial per sq m	£ 20	£ 21,951	£ -	£ 21,951	£ -
Care Home per sq m	£ 20	£ 22,970	£ -	£ 22,970	£ -
Extra Care / Flexicare units per unit	£ 1,150	£ 57,500	£ -	£ 57,500	£ -
Special needs supported living per unit	£ 1,150	£ 13,800	£ -	£ 13,800	£ -
TOTAL			**£ 575,000**	**£ 691,221**	**£ 575,000**

CIL

	£ pr sq m	Total Floor area	Total	Phase 1	Phase 2	Phase 3
Resi	£ 150	78,675	11,801,214	£ 3,933,738	£ 3,933,738	£ 3,933,738
Care Home	£ 245	£ 1,149	£ 281,384	£ -	£ 281,384	£ -
All other uses (Extra Care and special needs supported living units)	£ 20	£ 3,800	£ 76,000	£ -	£ 76,000	£ -
All other uses (Commercial)	£ 20	£ 1,098	£ 21,951	£ -	£ 21,951	£ -
Total				**£ 3,933,738**	**£ 4,313,073**	**£ 3,933,738**

S106 Infrastructure Costs

	Total costs
Transport	£ 16,500,000
Education (1 x 3FE Primary School @ £7.5 m & 1 x 6-8FE Secondary School @ £35m)	£ 11,250,000
Community Facilities (£1,000 per unit)	£ 1,500,000

	Per unit cost	Total costs
Strategic open space / green infrastructure	£ 2,000	£ 3,000,000
Local open space / play space / green infrastructure	£ 1,000	£ 1,500,000

	Per unit cost	Total costs	Phase 1	Phase 2	Phase 3
Site opening up costs Standard Resi	£ 20,000	£ 30,000,000	£ 10,000,000	£ 10,000,000	£ 10,000,000
Site opening up costs Other Residential uses	£ 10,000	£ 1,120,000	£ 560,000	£ 560,000	£ -
			£ 10,560,000	£ 10,560,000	£ 10,000,000

Build costs

	Base per sq m	Externals per sq m	Lifetime homes (£3,200 per unit)	10% Accessable homes @ £26,000 per house and £11,000 per flatted unit	SUDS @ £2,500 per unit	Sustainability @ £5,000 per unit	Total
Resi	£ 1,124	£ 169	£ 37	£ 30	£ 29	£ 57	**£ 1,445**
Commercial	£ 2,026	£ 203	£ -	£ -	£ -	£ -	**£ 2,229**
Health	£ 2,270	£ 227					**£ 2,497**
Care Home	£ 1,621	£ 146	£ -	£ -	£ -	£ -	**£ 1,768**
Extra care / flexicare	£ 1,736	£ 260	£ 32	£ 11	£ 25	£ 50	**£ 2,114**
Special needs supported living	£ 1,736	£ 260	£ 48	£ 17	£ 38	£ 75	**£ 2,173**

Contingency on build costs	5%

Traveller's pitches	No pitches	Cost
Info from Dacorum BC 5 pitches = 0.5 Ha Each travellers pitch estimated to cost £242,000	-	£ -

Profit

Private/Market Resi on GDV	20%
Affordable Resi on GDV	6%
Commercial on GDV	15%

Marketing /agency and legal fees

Resi Sales agent and marketing on GDV	3.00%
Resi Sales legal fees on GDV	0.50%

Commercial Letting fee on rent pa	10.00%
Commercial Letting Legal fee on rent pa	5.00%
Commercial Sales fee on GDV	1.00%
Commercial Legal fee on GDV	0.50%

Professional fees	10%
Finance	7.00%

Appraisal Outcome

Residual Land Value @ 40% AH	**£ 90,322,000**
Benchmark Land Value Greenfield	£ 24,716,000
Appraisal outcome (Surplus/ Deficit)	**£ 65,606,000**

Appendix 2 - Argus appraisal summary

Licensed Copy

Development Appraisal

North Hemel Hempstead

40%

Report Date: 27 June 2019

APPRAISAL SUMMARY	**LICENSED COPY**

North Hemel Hempstead
40%

Summary Appraisal for Merged Phases 1 2 3

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Rate m²**	**Unit Price**	**Gross Sales**
Private Residential	1	26,225.00	5,705.00	149,613,625	149,613,625
Affordable Housing - Rented	1	10,490.00	1,477.00	15,493,730	15,493,730
Affordable Housing - SO	1	5,245.00	3,579.00	18,771,855	18,771,855
Affordable Housing - DMR	1	1,748.00	3,564.00	6,229,872	6,229,872
Self Build Plots	15	0.00	0.00	400,000	6,000,000
Private Residential	1	26,225.00	5,705.00	149,613,625	149,613,625
Affordable Housing - Rented	1	10,490.00	1,477.00	15,493,730	15,493,730
Affordable Housing - SO	1	5,245.00	3,579.00	18,771,855	18,771,855
Affordable Housing - DMR	1	1,748.00	3,564.00	6,229,872	6,229,872
Care Home	1	0.00	0.00	3,596,144	3,596,144
Special Needs Supported Living	1	600.00	1,665.00	999,000	999,000
Self Build Plots	15	0.00	0.00	400,000	6,000,000
Extra/Flexi Care Housing - Private	1	1,800.00	6,997.00	12,594,600	12,594,600
Extra/Flexi Care Housing - Aff Rented	1	720.00	1,665.00	1,198,800	1,198,800
Extra/Flexi Care Housing - Aff SO	1	480.00	4,349.00	2,087,520	2,087,520
Private Residential	1	26,225.00	5,705.00	149,613,625	149,613,625
Affordable Housing - Rented	1	10,490.00	1,477.00	15,493,730	15,493,730
Affordable Housing - SO	1	5,245.00	3,579.00	18,771,855	18,771,855
Affordable Housing - DMR	1	1,748.00	3,564.00	6,229,872	6,229,872
Self Build Plots	15	0.00	0.00	400,000	6,000,000
Totals	**62**	**134,724.00**			**608,803,310**

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Neighbourhood / Local Centre	1	900.00	237.00	213,300	213,300	213,300
Health Provision	1	358.00		0	0	
Totals	**2**	**1,258.00**			**213,300**	**213,300**

APPRAISAL SUMMARY						LICENSED COPY

North Hemel Hempstead
40%

Investment Valuation					
Neighbourhood / Local Centre					
Market Rent	213,300	YP @	6.5000%	15.3846	
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.5000%	0.9099	2,985,748
					2,985,748
GROSS DEVELOPMENT VALUE				**611,789,058**	
Purchaser's Costs		6.80%	(447,569)		
				(447,569)	
NET DEVELOPMENT VALUE				**611,341,489**	
NET REALISATION				**611,341,489**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			90,322,168		
Stamp Duty		5.00%	4,516,108		
Agent Fee		1.00%	903,222		
Legal Fee		0.80%	722,577		
				96,464,075	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
Neighbourhood / Local Centre	1,097.56 m²	2,229.00 pm²	2,446,463		
Health Provision	436.59 m²	2,497.00 pm²	1,090,154		
Private Residential	26,225.00 m²	1,445.00 pm²	37,895,125		
Affordable Housing - Rented	10,490.00 m²	1,445.00 pm²	15,158,050		
Affordable Housing - SO	5,245.00 m²	1,445.00 pm²	7,579,025		
Affordable Housing - DMR	1,748.00 m²	1,445.00 pm²	2,525,860		
Private Residential	26,225.00 m²	1,445.00 pm²	37,895,125		
Affordable Housing - Rented	10,490.00 m²	1,445.00 pm²	15,158,050		

APPRAISAL SUMMARY — LICENSED COPY

North Hemel Hempstead
40%

Affordable Housing - SO	5,245.00 m²	1,445.00 pm²	7,579,025	
Affordable Housing - DMR	1,748.00 m²	1,445.00 pm²	2,525,860	
Care Home	1,149.00 m²	1,768.00 pm²	2,031,432	
Special Needs Supported Living	800.00 m²	2,173.00 pm²	1,738,400	
Extra/Flexi Care Housing - Private	3,000.00 m²	2,114.00 pm²	6,342,000	
Extra/Flexi Care Housing - Aff Rented	1,200.00 m²	2,114.00 pm²	2,536,800	
Extra/Flexi Care Housing - Aff SO	800.00 m²	2,114.00 pm²	1,691,200	
Private Residential	26,225.00 m²	1,445.00 pm²	37,895,125	
Affordable Housing - Rented	10,490.00 m²	1,445.00 pm²	15,158,050	
Affordable Housing - SO	5,245.00 m²	1,445.00 pm²	7,579,025	
Affordable Housing - DMR	1,748.00 m²	1,445.00 pm²	2,525,860	
Totals	**139,607.15 m²**		**207,350,629**	**207,350,629**
Contingency		5.00%	10,442,531	
Site opening up costs			31,120,000	
Strategic Open Space			3,000,000	
Local open/play space green infrast			1,500,000	
S106			1,841,221	
CIL			12,180,549	
Transport			16,500,000	
Education			11,250,000	
Community Facilities			1,500,000	
				89,334,301
PROFESSIONAL FEES				
Professional fees		10.00%	25,041,316	
				25,041,316
DISPOSAL FEES				
Resi Sales Agent and Marketing Fee		3.00%	13,843,064	
Commercial Sales Agent Fee		1.00%	428,239	
Sales Legal Fee		0.50%	3,056,707	
				17,328,011

Additional Costs

APPRAISAL SUMMARY				LICENSED COPY

North Hemel Hempstead
40%

Resi Private Profit	20.00%	31,168,699	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	2,055,935	
Resi Private Profit	20.00%	33,687,619	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	2,313,054	
Commercial Profit	15.00%	987,284	
Resi Private Profit	20.00%	31,168,699	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	2,055,935	
			103,437,226
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			72,386,047
TOTAL COSTS			**611,341,606**
PROFIT			
			(117)
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
Development Yield% (on Rent)	0.03%		
Equivalent Yield% (Nominal)	6.50%		
Equivalent Yield% (True)	6.77%		
IRR	6.93%		
Rent Cover	0 yrs 0 mths		
Profit Erosion (finance rate 7.000%)	N/A		

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing: North St Albans

Prepared for

St Albans City and District Council

November 2018

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Appendices

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1 Introduction

The National Planning Practice Guidance on Viability 2019 ('NPPG') identifies at paragraph 003 that, *"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."* However, it goes on to identify that the *"in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."* This is reiterated in paragraph 005 which sets out that, "*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."*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the North St Albans strategic development site as allocated in the St Albans City and District Local Plan 2020-2036 Publication Draft 2018 ('LPPD'). This work follows the St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study ('CIL&LPVS') report dated November 2017, which tested the ability of a range of development types throughout the City and District to yield contributions to infrastructure requirements through the Community Infrastructure Levy ('CIL') along with the planning policy requirements of the emerging St Albans City and District Local Plan Draft and other key local policies and guidance as well as national policies.

This report has been prepared with the particular purpose of testing the cumulative impact of the Council's emerging requirements on the identified strategic development site including affordable housing, on-site Section 106 obligations, the Council's proposed CIL charges and on-site infrastructure and sustainability measures. This is in line with the requirements of the National Planning Policy Framework 2018 ('NPPF'), the NPPG and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that have been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council's CIL Charging Schedule and emerging local plan policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of strategic site

The Council's LPPD sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period the Council has identified a number of Strategic Development Sites ('strategic sites'). Given the importance of these strategic sites to the local growth strategy the Council has instructed BNP Paribas Real Estate to consider their viability in detail as well as their potential to contribute to infrastructure through CIL.

The Council has provided information to BNP Paribas Real Estate as to the assumptions for the development of the strategic development envisaged at North St Albans as set out in Policy S6 vi - North St Albans Broad Location. Table 2.1 sets out these assumptions including; the gross and net site areas, the number of residential units and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at North St Albans

Element considered	Site specifications
Site Size Gross Net	 46.7 Ha 28.0 Ha
Number of residential units (Density circa 40 units per Ha) Estimated Self Build units @ 3%	1,100 33
Specialist housing **Care Home (beds)** **Extra care / flexicare (units)** **Other – special needs supported living**	 50 50 12
Local Centre (assumed to be 0.6sq m NIA provided for each house)	660 square metres
Health provision (provided on site assumed to be NIA)	263 square metres

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with that adopted in the CIL&LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the proposed development on the North St Albans strategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the proposed development on the North St Albans strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value. If a development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the benchmark, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Table 3.2.1 based on the mix adopted for Typology 14 in the CIL&LPVS on the basis that this is a reasonable assumption to test in a viability assessment, but understandably does not preclude other unit mixes. The size of units adopted in the study have been informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1: Unit mix

Unit type	2 Bed 4p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House
Unit size[1]	**79 sq m**	**93 sq m**	**115 sq m**	**125 sq m**
% tested in Scheme	36%	56%	4%	4%

3.2.2 Private/market residential sales values

We have adopted an average private/market residential sales value of £5,705 per sq m in our appraisal. This corresponds with the sales values adopted in the CIL&LPVS, which were based on research using sources including the Land Registry online database, Rightmove online database, our understanding of viability of live schemes in the District and discussions with active local agents.

3.2.3 Affordable housing

We understand that the LPPD Policy S6 vi identifies that development will be required to deliver a minimum of 40% affordable housing in accordance with Policy L3. Policy L3 (Provision of and Financial Contributions towards Affordable Housing) sets out that the Council will seek a minimum of 40% affordable homes as a proportion of the overall dwelling numbers on the site or an equivalent land area, on schemes of 10 (net) or more homes, unless it is clearly demonstrated that this is not economically viable. In such circumstances the Council will seek to negotiate the affordable housing provision at a level which allows the scheme to be viable. In addition the Council will seek 60% of the affordable housing as ‘Affordable Housing for Rent’ of which 30% is to be at social rents and the 30% is to be provided as “Affordable Rent” at a maximum of 80% of market rent. The remaining 40% affordable housing is to be provided as “Subsidised Home Ownership” including Shared Ownership, Starter Homes and Discounted Market Sales. Further, the policy identifies that at least 75% of such provision must be through Registered Providers to seek to secure the subsidy in perpetuity.

We note that the Council’s saved Local Plan Policy 7a (Affordable Housing in Towns and Specified settlements) identifies that the Council will normally seek to negotiate an element of affordable housing on sites of over 0.4Ha and on sites of under this size where 15 or more dwellings are proposed based on site and marketing conditions and local housing need. We note that the Council’s Affordable Housing Supplementary planning Guidance (‘SPG’) identifies that “the percentage of affordable housing required will normally be 35%” and that “The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented.”

The Council have requested that we base our assessments on the higher emerging policy target of 40% with a tenure split provision of 60% Rented units (split 30% social rent and 30% Affordable Rent) and 40% as Subsidised Home Ownership units (split 30% shared ownership units and 10% Discount Market Sale).

As set out in the CIL&LPVS, we have used our bespoke model to value the affordable rented housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2017 - 2018 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP’s) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt. Our appraisals assume that the Affordable Rent units are let at 80% or market rent, but which do not exceed Local Housing Allowance (‘LHA’) rates, so that they are affordable to households subject to the Universal Credit. Our calculations have identified that this to equate to an average capital value of £1,477 per square metre for such units.

[1] In line with the Government’s “Technical housing standards nationally described space standard” published in March 2015.

We have appraised the intermediate shared ownership units, assuming that Registered Providers ('RPs') will sell 30% initial equity stakes at market and charge a rent of 2.75% on the retained equity. A 10% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 5%. We have assessed the capital value for such units to equate to £3,579 per square metre.

With respect to the Discount Market Sale units, we have appraised these units at 80% of the open market/private unit values. This equates to an average capital value of £4,564 per square metre.

3.2.4 Self-build plots

Policy S6 vi identifies that 3% of homes are to be provided as self-build housing. Given this, we have undertaken an assessment of the value of a serviced plot of land for a 4 bed self-build house (on the basis that this would be a reasonable average size of plot between 3 and 5 bed homes). This assessment has identified an average serviced plot value of £400,000, which we have adopted in our appraisal of the 33 self-build pots on the strategic site.

3.2.5 Care home

Policy S6 vi sets out a requirement for at least one 50+ C2 Residential Nursing care home (C2 Use). As identified in the CIL&LPVS care homes are residential institutions where older people live, usually in single rooms but sometimes in shared rooms, and have access to on-site care services. A home registered simply as a care home will provide personal care only (i.e. help with washing, dressing and giving medication). A home registered as a care home with nursing will provide the same personal care but also have a qualified nurse on duty 24 hours a day to carry out nursing tasks. The cost/rents for rooms in care homes depend on the specific level of care required.

We have adopted rental levels consistent with those set out in the CIL&LPVS, which are based on research of rents for care homes in the District. Our appraisals allow for private rents of £800 per week for a single room, which is considered to be a conservative rent by comparison to some of the care homes rents charged in the District. We have also allowed for 40% of the accommodation in our appraisal to be provided as affordable care rooms at £471 per week. This is based on rents in-line with the average County allowance for a single room for older people[2] at £419.77 per week and a single room with nursing at £522.47 per week.

3.2.6 Extra care / flexicare units

Policy S6 vi sets out a requirement for at least one 50+ home Flexi-care scheme. The CIL&LPVS identified that Extra Care Housing (C3 Use) can be precisely defined (and differentiated from other types of residential institutions) by reason of some specific characteristics, as set out in the RTPI Good Practice Note. The Royal Town Planning Institute defines Extra Care Housing as, 'purpose-built accommodation in which varying amounts of care and support can be offered and where some services are shared'. People who live in Extra Care Housing have their own self-contained homes, their own front doors and a legal right to occupy the property. It comes in many built forms, including blocks of flats, bungalow estates and retirement villages. It is a popular choice among older people because it can sometimes provide an alternative to a care home. In addition to the communal facilities often found in retirement housing Extra Care often includes a restaurant or dining room, health & fitness facilities, hobby rooms and even computer rooms. Domestic support and personal care are available, usually provided by on-site staff.

As with retirement housing it is recognised that Extra Care developments have different viability considerations to standard residential dwellings. These arise due to a significant gross to net ratio for such developments due to the need for more communal facilities as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience such units also achieve premium value.

[2] https://www.hertfordshire.gov.uk/services/adult-social-services/care-and-carers/arranging-and-paying-for-care/paying-for-your-care-costs.aspx#DynamicJumpMenuManager

In line with our assumptions adopted in the CIL&LPVS for such developments we have assumed that the 50 extra care units identified on the strategic site will be provided as 50% one and 50% two bedroom apartments. We have also allowed for a gross to net floorspace ratio of 60% and a higher average sales value reflecting £6,997 per square metre (£650 per square foot).

In line with the requirements of Policy S6 vi we have allowed for 40% of these units to be delivered as affordable housing with 60% provided as rented units (50% social rent and 50% affordable rent) and 40% as shared ownership.

3.2.7 Special needs supported living units

Policy S6 vi identifies that 12 special needs supported living units are be required to be provided as part of the development of the North St Albans strategic site. We have assumed that these units would all be provided as a block of one bedroom apartments. Given the nature of such development we have valued these as affordable rented units, at a capital value of £1,665 per sq m. This is higher than the average value of the standard affordable rented units in the scheme as these units are all one bed units.

3.2.8 Local centres

The assumptions used in the appraisals to value the non-residential accommodation provided in the local centre are in line with those adopted in the CIL&LPVS. These are summarised in Table 3.2.8 below.

Table 3.2.8: Non-residential revenue and assumptions

Accommodation	Rent £ per square metre	Yield	Void Period (Inc. Rent Free)
Retail	£237	6.5%	1.5 years

3.2.9 Base build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services ('BCIS'), which is based on tenders for actual schemes adjusted to reflect local circumstances in St Albans District. The base build costs used in our appraisals are set out in Table 3.2.9 below, these are in line with the costs adopted in the CIL&LPVS.

Table 3.2.9 Base build costs adopted in appraisal

Use	Base build costs per square metre
Residential houses	£ 1,124
Commercial uses - Local centre	£ 2,026
Health	£ 2,270
Care Home	£ 1,621
Extra care / flexicare apartments	£ 1,736
Special needs supported living apartments	£ 1,736

In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the local centre and the health use). The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and pavements/driveways/parking works within the site.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the CIL&LPVS we have also allowed for extra over costs associated with policy requirements. We summarise these costs below, which we have incorporated within our appraisals.

- Sustainable homes: £5,000 per unit;
- SUDs: £2,500 per residential unit;
- Lifetime Homes: £3,200 per unit; and
- Accessible units: £26,000 per house and £11,000 on apartments (10% of units only).

We have also included an allowance of £20,000 per standard residential unit and £10,000 per unit for all other specialist residential units for infrastructure costs. In our experience greenfield sites such as North St Albans are likely to require significant development of infrastructure such as servicing and roads etc. to open up the site for development.

3.2.10 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

3.2.11 Development finance

In line with the CIL&LPVS, our appraisal assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.12 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and the private extra care units and on the discount market sales affordable housing units.

For the commercial units we have allowed for a 10% letting agent and 5% legal fee.

We have included a 1% sales agent allowance on commercial uses, the care home use and self-build plots.

A 0.5% sales legal fee on GDV has been applied for all uses.

3.2.13 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value and on the commercial uses in the local centre.

3.2.14 CIL and Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information as to the likely level of these costs including the apportionment of costs of delivering such infrastructure on existing sites in the District and high level knowledge of the likely specific costs being worked up at present. Given this these costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.14 below.

Table 3.2.14: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£8,250,000	1 x 2 FE Primary (assumes £7.5m per primary school)
Community Facilities	£1,100,000	Based on £1,000 per unit
Green infrastructure: Strategic open space / green infrastructure	£2,200,000	Based on £2,000 per unit
Local open/play Space/Green Infrastructure	£1,100,000	Based on £1,000 per unit
Transport Infrastructure	£12,100,000	Allows for: - Local highway - on & off site - Sustainable travel - public transport; - Sustainable travel - walking + cycling on & off site
Total	**£23,650,000**	

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above. In line with the assumptions in the CIL&LPVS we have assumed £1,150 per unit and £20 per square metre for non-residential uses.

With respect to the delivery of open space, there are a number of allowances included in this assessment. Integral open/play space and non-strategic open space is accounted for through the allowance for external works on base build costs and a further £1,000 per residential unit allowance in the S106 contributions. For strategic level open space a further allowance of 2,000 per residential unit has been adopted in this assessment through s106 contributions.

We have calculated the CIL liability of the proposed development based on the proposed CIL charges set out in the CIL&LPVS. These include £150 per square metre for residential floorspace, £245 per square metre for care home floorspace and £20 per square metre for extra care, special needs supported living and commercial floorspace. Details of the calculation of the CIL liability are set out in Appendix 1.

3.2.15 Profit

As identified in the CIL&LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 20% on Gross Development Value (GDV) for private housing units, private extra care units, self-build plots and discount market rent affordable housing;
- 6% on GDV for affordable rent and shared ownership affordable housing and extra care units and special needs supported living units; and

- 15% profit on GDV for non-residential uses in local centres.

3.2.16 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in two phases of circa 550 units each and that there will be multiple sales outlets. We have assumed that the sales rate will be 4 units per month, which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' deliver of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.16 below.

Table 3.2.16: Development timescales

Phase	Total	Phase 1	Phase 2
Pre-construction (months)	18	9	9
Construction (months)	80	40	40
Residential Sales (months)	80	40	40
Extra Care Units	10	0	10

The sales rates are applied to the private housing and extra care unit only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the delivery of the care home, extra care/flexicare, special needs supported living units, health provision and local centre we have included these within Phase 2 of the development. Given their smaller scale of development we have allowed for a 24 month construction phase for each use.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at North St Albans as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate benchmark land value ('BLV') identified in the CIL&LPVS, which in this instance is the Greenfield value of £370,000 per Ha, in order to determine whether this might be sufficient for the site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – North St Albans

Scenario appraised	Residual land value	BLV (based on £370,000 per Ha	Viable/ Unviable
40% AH & CIL	£ 72,954,000	£17,279,000	**Viable**

The appraisal scenario tested for North St Albans identifies that the proposed scheme is viable against the BLV of £370,000 per hectare when delivering 40% Affordable Housing, the proposed CIL charge and other policy requirements.

5 Conclusions and Recommendations

This testing demonstrates that the North St Albans strategic site is viable and deliverable having regard to both the Council's planning policy requirements (including affordable housing and development specified in Policy S6 vi and the proposed Community Infrastructure Levy charging rates set out in BNPPRE's November 2017 CIL&LPVS.

In light of the above we recommend that the Council considers applying its CIL charges as proposed to the North St Albans strategic site.

Appendix 1 - Working assumptions adopted in appraisal

Name of site	North St Albans

Site Size (Gross) Ha	46.7	
Site Size (Net) Ha	28.0	
Total No Standard Residential units	1,100	550
Self build plots (3%)	33	
Total units less self build (97%)	1,067	
Care Home rooms	50	
Extra Care / flexicare units	50	
Special needs supporting living units	12	
Traveller & Gypsy Pitches	-	
No Phases	2	

Unit mix Based on Typology 14

Site type	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total
Size (sq m)	**50**	**70**	**86**	**108**	**79**	**93**	**115**	**125**	
Percentage split	0%	0%	0%	0%	36%	56%	4%	4%	
Total Floor area (sq m)	-	-	-	-	30,345	55,569	4,908	5,335	96,158

Affordable Housing Analysis

Percentage	40%
Rented (50% Social rent and 50% Affordable Rent)	60%
Intermediate (Shared Ownership)	30%
Intermediate (Discount Market Sale)	10%

Resi floor area analysis

	Total	Phase 1	Phase 2
Private Floor area	57,695	28,847	28,847
Affordable Floor Area	38,463.22	19,232	19,232
Rented (50% Social rent and 50% Affordable Rent)	23,078	11,539	11,539
Shared ownership	11,539	5,769	5,769
Discount Market Sale	3,846	1,923	1,923

Self-Build units

	Total	Phase 1	Phase 2
No plots	33	17	16

Health provision

	Total	Phase 1	Phase 2
Gross floorarea (sq m)	321	-	320.73
Net floorarea (sq m)	263	-	263.00

Neighbourhood / Local Centre

	Total	Phase 1	Phase 2
Gross floorarea (sq m)	805	-	804.88
Net floorarea (sq m)	660	-	660

Care Homes Phase 2

National Care Standards requirements			
135	sq ft of useable floorspace, excluding ensuite		
38	sq ft of space for en-suite		
42	sq ft of communal space, excluding circulation		
50	rooms	6,750	floor area of rooms
		1,900	en-suite bathrooms
		2,100	communal space
		10,750	sq ft NIA
0.15	Circulation	1,612.50	sqft
		12,362.50	sqft GIA
		1,149	**sqm GIA**

Extra-Care / Flexi Care Phase 2

	1 Bed 2p flat	2 bed 4p flat	Total	Private	Affordable Housing: Rented (50% Social rent and 50% Affordable Rent)	Intermediate (Shared Ownership)
Size (sq m)	**50**	**70**				
Percentage split	50%	50%		60%		
Total Floor area (sq m) NIA	1,250	1,750	3,000	1,800	720	480
Total Floor area (sq m) GIA @60% Gross to Net assumption	**2,083**	**2,917**	**5,000**	**3,000**		

Special Needs Supported Living Units	Phase 2
	1 Bed 2p flat
Size (sq m)	**50**
Percentage split	100%
Total Floor area (sq m) (Net)	600
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	**800**

	Total	Phase 1	Phase 2
Travellers Pitches in Ha	-	-	-

Timescales

	Total	Phase 1	Phase 2
Pre-constuction (months)	18	9	9
Construction (months)	80	40	40
Private Resi Sales (months)	80	40	40
Extra Care Units	10	0	10

	Total	Phase 1	Phase 2
No Private units less self build units	640	320	320

Revenue

Standard Residential	Capital value £ per sq m
Private Housing	£ 5,705
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,477
Shared Ownership	£ 3,579
Discount Market Sale (80% of Market Value)	£ 4,564

	Value per plot (assuming 4 bed house)
Self build plots	£ 400,000

	Capital value
Special needs supported living units	£1,477

Care Home

Beds (Affordable)	30	£471	per week		90%	occupancy	£661,452
Beds (Pvt)	20	£800	per week		90%	occupancy	£748,800
					30%	of income	£423,075.74
Standard profit margin (EBITDA)					10%	yield	£4,230,757
Capitalise EBITDA							-£634,614
Deduct		15%	for income shorfall to maturity				
Gross Adjusted turnkey value of Home							***£3,596,144***

Extra Care Housing	Capital value £ per sq m
Private	£ 6,997
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,665
Shared Ownership	£ 4,349

	Rent per sq m	Yield	Rent Free & Void (months)
Commercial	£237	6.50%	18

Costs

Residual S106

	unit of measure	Total	Phase 1	Phase 2
Standard residential per unit	£ 1,150	£ 1,265,000	£ 632,500	£ 632,500
Commercial per sq m	£ 20	£ 16,098	£ -	£ 16,098
Care Home per sq m	£ 20	£ 22,970	£ -	£ 22,970
Extra Care / Flexicare units per unit	£ 1,150	£ 57,500	£ -	£ 57,500
Special needs supported living per unit	£ 1,150	£ 13,800	£ -	£ 13,800
TOTAL			**£ 632,500**	**£ 742,868**

CIL

	£ pr sq m	Total Floor area	Total	Phase 1	Phase 2
Resi	£ 150	57,695	8,654,224	£ 4,327,112	£ 4,327,112
Care Home	£ 245	£ 1,149	£ 281,384	£ -	£ 281,384
All other uses (Extra Care and special needs supported living units)	£ 20	£ 3,800	£ 76,000	£ -	£ 76,000
All other uses (Commercial)	£ 20	£ 805	£ 16,098	£ -	£ 16,098
Total				**£ 4,327,112**	**£ 4,700,593**

S106 Infrastructure Costs

	Total costs
Transport	£ 12,100,000
Education (1 x 3FE Primary School @ £7.5 m & 1 x 6-8FE Secondary School @ £35m)	£ 8,250,000
Community Facilities (£1,000 per unit)	£ 1,100,000

	Per unit cost	Total costs
Strategic open space / green infrastructure	£ 2,000	£ 2,200,000
Local open space / play space / green infrastructure	£ 1,000	£ 1,100,000

	Per unit cost	Total costs	Phase 1	Phase 2
Site opening up costs Standard Resi	£ 20,000	£ 22,000,000	£ 11,000,000	£ 11,000,000
Site opening up costs Other Residential uses	£ 10,000	£ 1,120,000	£ 560,000	£ 560,000
			£ 11,560,000	£ 11,560,000

Build costs

	Base per sq m	Externals per sq m	Lifetime homes (£3,200 per unit)	Accessable homes @ £26,000 per house and £11,000 per flatted unit	SUDS @ £2,500 per unit	Sustainability @ £5,000 per unit	Total
Resi	£ 1,124	£ 169	£ 37	£ 30	£ 29	£ 57	**£ 1,445**
Commercial	£ 2,026	£ 203	£ -	£ -	£ -	£ -	**£ 2,229**
Health	£ 2,270	£ 227					**£ 2,497**
Care Home	£ 1,621	£ 146	£ -	£ -	£ -	£ -	**£ 1,768**
Extra care / flexicare	£ 1,736	£ 260	£ 32	£ 11	£ 25	£ 50	**£ 2,114**
Special needs supported living	£ 1,736	£ 260	£ 48	£ 17	£ 38	£ 75	**£ 2,173**

Contingency on build costs	5%

Traveller's pitches	No pitches	Cost
Info from Dacorum BC 5 pitches = 0.5 Ha Each travellers pitch estimated to cost £242,000	-	£ -

Profit	
Private/Market Resi on GDV	20%
Affordable Resi on GDV	6%
Commercial on GDV	15%

Marketing /agency and legal fees	
Resi Sales agent and marketing on GDV	3.00%
Resi Sales legal fees on GDV	0.50%

Commercial Letting fee on rent pa	10.00%
Commercial Letting Legal fee on rent pa	5.00%
Commercial Sales fee on GDV	1.00%
Commercial Legal fee on GDV	0.50%

Professional fees	10%
Finance	7.00%

Appraisal Outcome

Residual Land Value @ 40% AH	**£ 72,954,000**
Benchmark Land Value Greenfield	£ 17,279,000
Appraisal outcome (Surplus/ Deficit)	**£ 55,675,000**

Appendix 2 - Argus appraisal summary

Licensed Copy

Development Appraisal

North St Albans

40% AH

Report Date: 27 June 2019

APPRAISAL SUMMARY | LICENSED COPY

North St Albans
40% AH

Summary Appraisal for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Rate m²**	**Unit Price**	**Gross Sales**
Private Residential	1	28,848.00	5,705.00	164,577,840	164,577,840
Affordable Housing - Rented	1	11,539.00	1,477.00	17,043,103	17,043,103
Affordable Housing - SO	1	5,769.00	3,579.00	20,647,251	20,647,251
Affordable Housing - DMR	1	1,923.00	3,564.00	6,853,572	6,853,572
Self Build Plots	17	0.00	0.00	400,000	6,800,000
Private Residential	1	28,848.00	5,705.00	164,577,840	164,577,840
Affordable Housing - Rented	1	11,539.00	1,477.00	17,043,103	17,043,103
Affordable Housing - SO	1	5,769.00	3,579.00	20,647,251	20,647,251
Affordable Housing - DMR	1	1,923.00	3,564.00	6,853,572	6,853,572
Care Home	1	0.00	0.00	3,596,144	3,596,144
Special Needs Supported Living	1	600.00	1,665.00	999,000	999,000
Self Build Plots	16	0.00	0.00	400,000	6,400,000
Extra/Flexi Care Housing - Private	1	1,800.00	6,997.00	12,594,600	12,594,600
Extra/Flexi Care Housing - Aff Rented	1	720.00	1,665.00	1,198,800	1,198,800
Extra/Flexi Care Housing - Aff SO	1	480.00	4,349.00	2,087,520	2,087,520
Totals	**46**	**99,758.00**			**451,919,596**

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Neighbourhood / Local Centre	1	660.00	237.00	156,420	156,420	156,420
Health Provision	1	263.00		0	0	
Totals	**2**	**923.00**			**156,420**	**156,420**

Investment Valuation

Neighbourhood / Local Centre					
Market Rent	156,420	YP @	6.5000%	15.3846	
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.5000%	0.9099	2,189,548

APPRAISAL SUMMARY	LICENSED COPY

North St Albans
40% AH

					2,189,548
GROSS DEVELOPMENT VALUE				**454,109,144**	
Purchaser's Costs		6.80%	(393,427)		
				(393,427)	
NET DEVELOPMENT VALUE				**453,715,717**	
NET REALISATION				**453,715,717**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			72,954,490		
Stamp Duty		5.00%	3,647,724		
Agent Fee		1.00%	729,545		
Legal Fee		0.80%	583,636		
				77,915,395	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
Neighbourhood / Local Centre	804.88 m²	2,229.00 pm²	1,794,073		
Health Provision	320.73 m²	2,497.00 pm²	800,867		
Private Residential	28,848.00 m²	1,445.00 pm²	41,685,360		
Affordable Housing - Rented	11,539.00 m²	1,445.00 pm²	16,673,855		
Affordable Housing - SO	5,769.00 m²	1,445.00 pm²	8,336,205		
Affordable Housing - DMR	1,923.00 m²	1,445.00 pm²	2,778,735		
Private Residential	28,848.00 m²	1,445.00 pm²	41,685,360		
Affordable Housing - Rented	11,539.00 m²	1,445.00 pm²	16,673,855		
Affordable Housing - SO	5,769.00 m²	1,445.00 pm²	8,336,205		
Affordable Housing - DMR	1,923.00 m²	1,445.00 pm²	2,778,735		
Care Home	1,149.00 m²	1,768.00 pm²	2,031,432		
Special Needs Supported Living	800.00 m²	2,173.00 pm²	1,738,400		
Extra/Flexi Care Housing - Private	3,000.00 m²	2,114.00 pm²	6,342,000		

North St Albans
40% AH

Extra/Flexi Care Housing - Aff Rented	1,200.00 m²	2,114.00 pm²	2,536,800	
Extra/Flexi Care Housing - Aff SO	800.00 m²	2,114.00 pm²	1,691,200	
Totals	**104,232.61 m²**		**155,883,082**	**155,883,082**
Contingency		5.00%	7,849,154	
Site opening up costs			23,120,000	
Strategic Open Space			2,200,000	
Local open/play space green infrast			1,100,000	
S106			1,265,000	
CIL			8,654,224	
Transport			12,100,000	
Education			8,250,000	
Community Facilities			1,100,000	
				65,638,378
PROFESSIONAL FEES				
Professional fees		10.00%	18,795,224	
				18,795,224
DISPOSAL FEES				
Resi Sales Agent and Marketing Fee		3.00%	10,252,508	
Commercial Sales Agent Fee		1.00%	322,994	
Sales Legal Fee		0.50%	2,268,579	
				12,844,081
Additional Costs				
Resi Private Profit		20.00%	34,286,282	
Resi & Extr Care Aff, Sp Nds Profit		6.00%	2,261,421	
Resi Private Profit		20.00%	36,805,202	
Resi & Extr Care Aff, Sp Nds Profit		6.00%	2,518,540	
Commercial Profit		15.00%	867,854	
				76,739,300
FINANCE				
Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Total Finance Cost				45,900,295

APPRAISAL SUMMARY	LICENSED COPY

North St Albans
40% AH

TOTAL COSTS		**453,715,756**
PROFIT		
		(39)
Performance Measures		
Profit on Cost%	0.00%	
Profit on GDV%	0.00%	
Profit on NDV%	0.00%	
Development Yield% (on Rent)	0.03%	
Equivalent Yield% (Nominal)	6.50%	
Equivalent Yield% (True)	6.77%	
IRR	6.94%	
Rent Cover	0 yrs 0 mths	
Profit Erosion (finance rate 7.000%)	N/A	

Real Estate
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St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing: North West Harpenden

Prepared for

St Albans City and District Council

November 2018

Contents

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1 Introduction

The National Planning Practice Guidance on Viability 2019 ('NPPG') identifies at paragraph 003 that, *"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."* However, it goes on to identify that the *"in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."* This is reiterated in paragraph 005 which sets out that, "*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."*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the North West Harpenden strategic development site as allocated in the St Albans City and District Local Plan 2020-2036 Publication Draft 2018 ('LPPD'). This work follows the St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study ('CIL&LPVS') report dated November 2017, which tested the ability of a range of development types throughout the City and District to yield contributions to infrastructure requirements through the Community Infrastructure Levy ('CIL') along with the planning policy requirements of the emerging St Albans City and District Local Plan Draft and other key local policies and guidance as well as national policies.

This report has been prepared with the particular purpose of testing the cumulative impact of the Council's emerging requirements on the identified strategic development site including affordable housing, on-site Section 106 obligations, the Council's proposed CIL charges and on-site infrastructure and sustainability measures. This is in line with the requirements of the National Planning Policy Framework 2018 ('NPPF'), the NPPG and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that have been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council's CIL Charging Schedule and emerging local plan policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of strategic site

The Council's LPPD sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period the Council has identified a number of Strategic Development Sites ('strategic sites'). Given the importance of these strategic sites to the local growth strategy the Council has instructed BNP Paribas Real Estate to consider their viability in detail as well as their potential to contribute to infrastructure through CIL.

The Council has provided information to BNP Paribas Real Estate as to the assumptions for the development of the strategic development envisaged at North West Harpenden as set out in Policy S6 viii - North West Harpenden Broad Location. Table 2.1 sets out these assumptions including; the gross and net site areas, the number of residential units and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at North West Harpenden

Element considered	Site specifications
Site Size Gross Net	 18.2 Ha 14.5 Ha
Number of residential units (Density circa 40 units per Ha) Estimated Self Build units @ 3%	580 17
Specialist housing Extra care / flexicare (units)	 50
Health provision (provided on site assumed to be NIA)	139 square metres

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with that adopted in the CIL&LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the proposed development on the North West Harpenden strategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the proposed development on the North West Harpenden strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value. If a development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the benchmark, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Table 3.2.1 based on the mix adopted for Typology 14 in the CIL&LPVS on the basis that this is a reasonable assumption to test in a viability assessment, but understandably does not preclude other unit mixes. The size of units adopted in the study have been informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1: Unit mix

Unit type	2 Bed 4p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House
Unit size[1]	**79 sq m**	**93 sq m**	**115 sq m**	**125 sq m**
% tested in Scheme	36%	56%	4%	4%

3.2.2 Private/market residential sales values

We have adopted an average private/market residential sales value of £5,705 per sq m in our appraisal. This corresponds with the sales values adopted in the CIL&LPVS, which were based on research using sources including the Land Registry online database, Rightmove online database, our understanding of viability of live schemes in the District and discussions with active local agents.

3.2.3 Affordable housing

We understand that the LPPD Policy S6 viii identifies that development will be required to deliver a minimum of 40% affordable housing in accordance with Policy L3. Policy L3 (Provision of and Financial Contributions towards Affordable Housing) sets out that the Council will seek a minimum of 40% affordable homes as a proportion of the overall dwelling numbers on the site or an equivalent land area, on schemes of 10 (net) or more homes, unless it is clearly demonstrated that this is not economically viable. In such circumstances the Council will seek to negotiate the affordable housing provision at a level which allows the scheme to be viable. In addition the Council will seek 60% of the affordable housing as ‘Affordable Housing for Rent’ of which 30% is to be at social rents and the 30% is to be provided as “Affordable Rent” at a maximum of 80% of market rent. The remaining 40% affordable housing is to be provided as “Subsidised Home Ownership” including Shared Ownership, Starter Homes and Discounted Market Sales. Further, the policy identifies that at least 75% of such provision must be through Registered Providers to seek to secure the subsidy in perpetuity.

We note that the Council’s saved Local Plan Policy 7a (Affordable Housing in Towns and Specified settlements) identifies that the Council will normally seek to negotiate an element of affordable housing on sites of over 0.4Ha and on sites of under this size where 15 or more dwellings are proposed based on site and marketing conditions and local housing need. We note that the Council’s Affordable Housing Supplementary planning Guidance (‘SPG’) identifies that “the percentage of affordable housing required will normally be 35%” and that “The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented.”

The Council have requested that we base our assessments on the higher emerging policy target of 40% with a tenure split provision of 60% Rented units (split 30% social rent and 30% Affordable Rent) and 40% as Subsidised Home Ownership units (split 30% shared ownership units and 10% Discount Market Sale).

As set out in the CIL&LPVS, we have used our bespoke model to value the affordable rented housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2017 - 2018 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP’s) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt. Our appraisals assume that the Affordable Rent units are let at 80% or market rent, but which do not exceed Local Housing Allowance (‘LHA’) rates, so that they are affordable to households subject to the Universal Credit. Our calculations have identified that this to equate to an average capital value of £1,477 per square metre for such units.

We have appraised the intermediate shared ownership units, assuming that Registered Providers

[1] In line with the Government’s “Technical housing standards nationally described space standard” published in March 2015.

('RPs') will sell 30% initial equity stakes at market and charge a rent of 2.75% on the retained equity. A 10% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 5%. We have assessed the capital value for such units to equate to £3,579 per square metre.

With respect to the Discount Market Sale units, we have appraised these units at 80% of the open market/private unit values. This equates to an average capital value of £4,564 per square metre.

3.2.4 Self-build plots

Policy S6 viii identifies that 3% of homes are to be provided as self-build housing. Given this, we have undertaken an assessment of the value of a serviced plot of land for a 4 bed self-build house (on the basis that this would be a reasonable average size of plot between 3 and 5 bed homes). This assessment has identified an average serviced plot value of £400,000, which we have adopted in our appraisal of the 17 self-build pots on the strategic site.

3.2.5 Extra care / flexicare units

Policy S6 viii sets out a requirement for at least one 50+ home Flexi-care scheme. The CIL&LPVS identified that Extra Care Housing (C3 Use) can be precisely defined (and differentiated from other types of residential institutions) by reason of some specific characteristics, as set out in the RTPI Good Practice Note. The Royal Town Planning Institute defines Extra Care Housing as, 'purpose-built accommodation in which varying amounts of care and support can be offered and where some services are shared'. People who live in Extra Care Housing have their own self-contained homes, their own front doors and a legal right to occupy the property. It comes in many built forms, including blocks of flats, bungalow estates and retirement villages. It is a popular choice among older people because it can sometimes provide an alternative to a care home. In addition to the communal facilities often found in retirement housing Extra Care often includes a restaurant or dining room, health & fitness facilities, hobby rooms and even computer rooms. Domestic support and personal care are available, usually provided by on-site staff.

As with retirement housing it is recognised that Extra Care developments have different viability considerations to standard residential dwellings. These arise due to a significant gross to net ratio for such developments due to the need for more communal facilities as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience such units also achieve premium value.

In line with our assumptions adopted in the CIL&LPVS for such developments we have assumed that the 50 extra care units identified on the strategic site will be provided as 50% one and 50% two bedroom apartments. We have also allowed for a gross to net floorspace ratio of 60% and a higher average sales value reflecting £6,997 per square metre (£650 per square foot).

In line with the requirements of Policy S6 viii we have allowed for 40% of these units to be delivered as affordable housing with 60% provided as rented units (50% social rent and 50% affordable rent) and 40% as shared ownership.

3.2.6 Base build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services ('BCIS'), which is based on tenders for actual schemes adjusted to reflect local circumstances in St Albans District. The base build costs used in our appraisals are set out in Table 3.2.6 below, these are in line with the costs adopted in the CIL&LPVS.

Table 3.2.6 Base build costs adopted in appraisal

Use	Base build costs per square metre
Residential houses	£ 1,124
Health	£ 2,270
Extra care / flexicare apartments	£ 1,736

In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the health use). The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and pavements/driveways/parking works within the site.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the CIL&LPVS we have also allowed for extra over costs associated with policy requirements. We summarise these costs below, which we have incorporated within our appraisals.

- Sustainable homes: £5,000 per unit;
- SUDs: £2,500 per residential unit;
- Lifetime Homes: £3,200 per unit; and
- Accessible units: £26,000 per house and £11,000 on apartments (10% of units only).

We have also included an allowance of £20,000 per standard residential unit and £10,000 per unit for all other specialist residential units for infrastructure costs. In our experience greenfield sites such as North West Harpenden are likely to require significant development of infrastructure such as servicing and roads etc. to open up the site for development.

3.2.7 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

3.2.8 Development finance

In line with the CIL&LPVS, our appraisal assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.9 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and the private extra care units and on the discount market sales affordable housing units.

We have included a 1% sales agent allowance on the self-build plots.

A 0.5% sales legal fee on GDV has been applied for all uses.

3.2.10 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value.

3.2.11 CIL and Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information as to the likely level of these costs including the apportionment of costs of delivering such infrastructure on existing sites in the District and high level knowledge of the likely specific costs being worked up at present. Given this these costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.11 below.

Table 3.2.11: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£4,350,000	1 x 2 FE Primary (assumes £7.5m per primary school)
Community Facilities	£580,000	Based on £1,000 per unit
Green infrastructure: Local open/play Space/Green Infrastructure	£580,000	Based on £1,000 per unit
Transport Infrastructure	£1,740,000	Allows for: - Local highway - on & off site - Sustainable travel - public transport; - Sustainable travel - walking + cycling on & off site
Total	**£7,250,000**	

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above. In line with the assumptions in the CIL&LPVS we have assumed £1,150 per unit.

With respect to the delivery of open space, there are a number of allowances included in this assessment. Integral open/play space and non-strategic open space is accounted for through the allowance for external works on base build costs and a further £1,000 per residential unit allowance in the S106 contributions.

We have calculated the CIL liability of the proposed development based on the proposed CIL charges set out in the CIL&LPVS. These include £150 per square metre for residential floorspace and £20 per square metre for extra care. Details of the calculation of the CIL liability are set out in Appendix 1.

3.2.12 Profit

As identified in the CIL&LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 20% on Gross Development Value (GDV) for private housing units, private extra care units, self-build plots and discount market rent affordable housing; and

- 6% on GDV for affordable rent and shared ownership affordable housing and extra care units.

3.2.13 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in two phases of circa 290 units each. We have assumed that the sales rate will be 4 units per month, which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' deliver of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.13 below.

Table 3.2.13: Development timescales

Phase	Total	Phase 1	Phase 2
Pre-construction (months)	18	9	9
Construction (months)	84	42	42
Residential Sales (months)	84	42	42
Extra Care Units	10	0	10

The sales rates are applied to the private housing and extra care unit only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the delivery of the extra care/flexicare units and health provision we have included these within Phase 2 of the development. Given their smaller scale of development we have allowed for a 24 month construction phase for each use.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at North West Harpenden as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate benchmark land value ('BLV') identified in the CIL&LPVS, which in this instance is the Greenfield value of £370,000 per Ha, in order to determine whether this might be sufficient for the site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – North West Harpenden

Scenario appraised	Residual land value	BLV (based on £370,000 per Ha	Viable/ Unviable
40% AH & CIL	£44,037,000	£6,734,000	**Viable**

The appraisal scenario tested for North West Harpenden identifies that the proposed scheme is viable against the BLV of £370,000 per hectare when delivering 40% Affordable Housing, the proposed CIL charge and other policy requirements.

5 Conclusions and Recommendations

This testing demonstrates that the North West Harpenden strategic site is viable and deliverable having regard to both the Council's planning policy requirements (including affordable housing and development specified in Policy S6 viii and the proposed Community Infrastructure Levy charging rates set out in BNPPRE's November 2017 CIL&LPVS.

In light of the above we recommend that the Council considers applying its CIL charges as proposed to the North West Harpenden strategic site.

Appendix 1 - Working assumptions adopted in appraisal

Name of site — North West Harpenden

Site Size (Gross) Ha	18.2	
Site Size (Net) Ha	14.5	
Total No Standard Residential units	580	290
Self build plots (3%)	17	
Total units less self build (97%)	563	
Care Home rooms	-	
Extra Care / flexicare units	50	
Special needs supporting living units	-	
Traveller & Gypsy Pitches	-	
No Phases	2	

Unit mix Based on Typology 14

Site type	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total
Size (sq m)	50	70	86	108	79	93	115	125	
Percentage split	0%	0%	0%	0%	36%	56%	4%	4%	
Total Floor area (sq m)	-	-	-	-	16,012	29,321	2,590	2,815	50,738

Affordable Housing Analysis

Percentage	40%
Rented (50% Social rent and 50% Affordable Rent)	60%
Intermediate (Shared Ownership)	30%
Intermediate (Discount Market Sale)	10%

Resi floor area analysis

	Total	Phase 1	Phase 2
Private Floor area	30,443	15,221	15,221
Affordable Floor Area	20,295	10,148	10,148
Rented (50% Social rent and 50% Affordable Rent)	12,177	6,089	6,089
Shared ownership	6,089	3,044	3,044
Discount Market Sale	2,030	1,015	1,015

Self-Build units

	Total	Phase 1	Phase 2
No plots	17	9	8

Health provision

	Total	Phase 1	Phase 2
Gross floorarea (sq m)	170	-	169.51
Net floorarea (sq m)	139	-	139.00

Neighbourhood / Local Centre

	Total	Phase 1	Phase 2
Gross floorarea (sq m)	-	-	-
Net floorarea (sq m)	-	-	-

Care Homes — Phase 2

National Care Standards requirements			
135	sq ft of useable floorspace, excluding ensuite		
38	sq ft of space for en-suite		
42	sq ft of communal space, excluding circulation		
-	rooms	-	floor area of rooms
		-	en-suite bathrooms
		-	communal space
		-	sq ft NIA
0.15	Circulation	-	sqft
		-	sqft GIA
		-	**sqm GIA**

Extra-Care / Flexi Care — Phase 2

	1 Bed 2p flat	2 bed 4p flat	Total	Private	Affordable Housing: Rented (50% Social rent and 50% Affordable Rent)	Affordable Housing: Intermediate (Shared Ownership)
Size (sq m)	50	70				
Percentage split	50%	50%		60%		
Total Floor area (sq m) NIA	1,250	1,750	3,000	1,800	720	480
Total Floor area (sq m) GIA @60% Gross to Net assumption	2,083	2,917	5,000	3,000		

Special Needs Supported Living Units	Phase 2
	1 Bed 2p flat
Size (sq m)	50
Percentage split	100%
Total Floor area (sq m) (Net)	-
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	-

	Total	Phase 1	Phase 2
Travellers Pitches in Ha	-	-	-

Timescales

	Total	Phase 1	Phase 2
Pre-constuction (months)	18	9	9
Construction (months)	84	42	42
Private Resi Sales (months)	84	42	42
Extra Care Units	10	0	10

	Total	Phase 1	Phase 2
No Private units less self build units	338	169	169

Revenue

Standard Residential	Capital value £ per sq m
Private Housing	£ 5,705
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,477
Shared Ownership	£ 3,579
Discount Market Sale (80% of Market Value)	£ 4,564

	Value per plot (assuming 4 bed house)
Self build plots	£ 400,000

	Capital value
Special needs supported living units	N/A

Care Home

Beds (Affordable)	0	£471	per week		90%	occupancy	£0
Beds (Pvt)	0	£800	per week		90%	occupancy	£0
					30%	of income	£0.00
Standard profit margin (EBITDA)					10%	yield	£0
Capitalise EBITDA							£0
Deduct		15%	for income shortfall to maturity				
Gross Adjusted turnkey value of Home							***£0***

Extra Care Housing	Capital value £ per sq m
Private	£ 6,997
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,665
Shared Ownership	£ 4,349

	Rent per sq m	Yield	Rent Free & Void (months)
Commercial	£237	6.50%	18

Costs

Residual S106

	unit of measure	Total	Phase 1	Phase 2
Standard residential per unit	£ 1,150	£ 667,000	£ 333,500	£ 333,500
Commercial per sq m	£ 20	£ -	£ -	£ -
Care Home per sq m	£ 20	£ -	£ -	£ -
Extra Care / Flexicare units per unit	£ 1,150	£ 57,500	£ -	£ 57,500
Special needs supported living per unit	£ 1,150	£ -	£ -	£ -
TOTAL			**£ 333,500**	**£ 391,000**

CIL

	£ pr sq m	Total Floor area	Total	Phase 1	Phase 2
Resi	£ 150	30,443	4,566,380	£ 2,283,190	£ 2,283,190
Care Home	£ 245	£ -	£ -	£ -	£ -
All other uses (Extra Care and special needs supported living units)	£ 20	£ 3,000	£ 60,000	£ -	£ 60,000
All other uses (Commercial)	£ 20	£ -	£ -	£ -	£ -
Total				**£ 2,283,190**	**£ 2,343,190**

S106 Infrastructure Costs

	Total costs
Transport	£ 1,740,000
Education (1 x 3FE Primary School @ £7.5 m & 1 x 6-8FE Secondary School @ £35m)	£ 4,350,000
Community Facilities (£1,000 per unit)	£ 580,000

	Per unit cost	Total costs
Strategic open space / green infrastructure	£ -	£ -
Local open space / play space / green infrastructure	£ 1,000	£ 580,000

	Per unit cost	Total costs	Phase 1	Phase 2
Site opening up costs Standard Resi	£ 20,000	£ 11,600,000	£ 5,800,000	£ 5,800,000
Site opening up costs Other Residential uses	£ 10,000	£ 500,000	£ 250,000	£ 250,000
			£ 6,050,000	£ 6,050,000

Build costs

	Base per sq m	Externals per sq m	Lifetime homes (£3,200 per unit)	10% Accessable homes @ £26,000 per house and £11,000 per flatted unit	SUDS @ £2,500 per unit	Sustainability @ £5,000 per unit	Total
Resi	£ 1,124	£ 169	£ 37	£ 30	£ 29	£ 57	**£ 1,445**
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Health	£ 2,270	£ 227					**£ 2,497**
Care Home	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Extra care / flexicare	£ 1,736	£ 260	£ 32	£ 11	£ 25	£ 50	**£ 2,114**
Special needs supported living	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**

Contingency on build costs	5%

Traveller's pitches	No pitches	Cost
Info from Dacorum BC 5 pitches = 0.5 Ha Each travellers pitch estimated to cost £242,000	-	£ -

Profit	
Private/Market Resi on GDV	20%
Affordable Resi on GDV	6%
Commercial on GDV	15%

Marketing /agency and legal fees	
Resi Sales agent and marketing on GDV	3.00%
Resi Sales legal fees on GDV	0.50%

Commercial Letting fee on rent pa	10.00%
Commercial Letting Legal fee on rent pa	5.00%
Commercial Sales fee on GDV	1.00%
Commercial Legal fee on GDV	0.50%

Professional fees	10%
Finance	7.00%

Appraisal Outcome

Residual Land Value @ 40% AH	**£ 44,037,000**
Benchmark Land Value Greenfield	£ 6,734,000
Appraisal outcome (Surplus/ Deficit)	**£ 37,303,000**

Appendix 2 - Argus appraisal summary

Development Appraisal

North West Harpenden

40% AH

Report Date: 27 June 2019

APPRAISAL SUMMARY — LICENSED COPY

North West Harpenden
40% AH

Summary Appraisal for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	Units	m²	Rate m²	Unit Price	Gross Sales
Private Residential	1	15,221.00	5,705.00	86,835,805	86,835,805
Affordable Housing - Rented	1	6,089.00	1,477.00	8,993,453	8,993,453
Affordable Housing - SO	1	3,044.00	3,579.00	10,894,476	10,894,476
Affordable Housing - DMR	1	1,015.00	3,564.00	3,617,460	3,617,460
Self Build Plots	9	0.00	0.00	400,000	3,600,000
Private Residential	1	15,221.00	5,705.00	86,835,805	86,835,805
Affordable Housing - Rented	1	6,089.00	1,477.00	8,993,453	8,993,453
Affordable Housing - SO	1	3,044.00	3,579.00	10,894,476	10,894,476
Affordable Housing - DMR	1	1,015.00	3,564.00	3,617,460	3,617,460
Self Build Plots	8	0.00	0.00	400,000	3,200,000
Extra/Flexi Care Housing - Private	1	1,800.00	6,997.00	12,594,600	12,594,600
Extra/Flexi Care Housing - Aff Rented	1	720.00	1,665.00	1,198,800	1,198,800
Extra/Flexi Care Housing - Aff SO	1	480.00	4,349.00	2,087,520	2,087,520
Totals	**28**	**53,738.00**			**243,363,308**

NET REALISATION				**243,363,308**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			44,037,058	
Stamp Duty		5.00%	2,201,853	
Agent Fee		1.00%	440,371	
Legal Fee		0.80%	352,296	
				47,031,578
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	

North West Harpenden
40% AH

Health Provision	169.51 m²	2,497.00 pm²	423,272	
Private Residential	15,221.00 m²	1,445.00 pm²	21,994,345	
Affordable Housing - Rented	6,089.00 m²	1,445.00 pm²	8,798,605	
Affordable Housing - SO	3,044.00 m²	1,445.00 pm²	4,398,580	
Affordable Housing - DMR	1,015.00 m²	1,445.00 pm²	1,466,675	
Private Residential	15,221.00 m²	1,445.00 pm²	21,994,345	
Affordable Housing - Rented	6,089.00 m²	1,445.00 pm²	8,798,605	
Affordable Housing - SO	3,044.00 m²	1,445.00 pm²	4,398,580	
Affordable Housing - DMR	1,015.00 m²	1,445.00 pm²	1,466,675	
Extra/Flexi Care Housing - Private	3,000.00 m²	2,114.00 pm²	6,342,000	
Extra/Flexi Care Housing - Aff Rented	1,200.00 m²	2,114.00 pm²	2,536,800	
Extra/Flexi Care Housing - Aff SO	800.00 m²	2,114.00 pm²	1,691,200	
Totals	**55,907.51 m²**		**84,309,682**	**84,309,682**
Contingency		5.00%	4,244,484	
Site opening up costs			12,100,000	
Local open/play space green infrast			580,000	
S106			724,500	
CIL			4,626,380	
Transport			1,740,000	
Education			4,350,000	
Community Facilities			580,000	
				28,945,364
PROFESSIONAL FEES				
Professional fees		10.00%	10,123,417	
				10,123,417
DISPOSAL FEES				
Resi Sales Agent and Marketing Fee		3.00%	5,587,986	
Commercial Sales Agent Fee		1.00%	140,349	
Sales Legal Fee		0.50%	1,216,817	
				6,945,152

Additional Costs

APPRAISAL SUMMARY				LICENSED COPY

North West Harpenden
40% AH

Resi Private Profit	20.00%	18,090,653	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,193,276	
Resi Private Profit	20.00%	20,609,573	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,390,455	
			41,283,957
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			24,724,204
TOTAL COSTS			**243,363,354**
PROFIT			
			(46)
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
IRR	6.97%		
Profit Erosion (finance rate 7.000%)	N/A		

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St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing: Park Street Garden Village

Prepared for

St Albans City and District Council

November 2018

Contents

Appendices

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1 Introduction

The National Planning Practice Guidance on Viability 2019 ('NPPG') identifies at paragraph 003 that, *"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."* However, it goes on to identify that the *"in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."* This is reiterated in paragraph 005 which sets out that, "*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."*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the Park Street Garden Village strategic development site as allocated in the St Albans City and District Local Plan 2020-2036 Publication Draft 2018 ('LPPD'). This work follows the St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study ('CIL&LPVS') report dated November 2017, which tested the ability of a range of development types throughout the City and District to yield contributions to infrastructure requirements through the Community Infrastructure Levy ('CIL') along with the planning policy requirements of the emerging St Albans City and District Local Plan Draft and other key local policies and guidance as well as national policies.

This report has been prepared with the particular purpose of testing the cumulative impact of the Council's emerging requirements on the identified strategic development site including affordable housing, on-site Section 106 obligations, the Council's proposed CIL charges and on-site infrastructure and sustainability measures. This is in line with the requirements of the National Planning Policy Framework 2018 ('NPPF'), the NPPG and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that have been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council's CIL Charging Schedule and emerging local plan policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of strategic site

The Council's LPPD sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period the Council has identified a number of Strategic Development Sites ('strategic sites'). Given the importance of these strategic sites to the local growth strategy the Council has instructed BNP Paribas Real Estate to consider their viability in detail as well as their potential to contribute to infrastructure through CIL.

The Council has provided information to BNP Paribas Real Estate as to the assumptions for the development of the strategic development envisaged at Park Street Garden Village as set out in Policy S6 xi - Park Street Garden Village Broad Location. Table 2.1 sets out these assumptions including; the gross and net site areas, the number of residential units and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at Park Street Garden Village

Element considered	Site specifications
Site Size Gross Net	 97.7 Ha 58.6 Ha
Number of residential units (Density circa 40 units per Ha) Estimated Self Build units @ 3%	2,300 69
Specialist housing **Care Home (beds)** **Extra care / flexicare (units)** **Other – special needs supported living**	 50 50 20 (12 of which to be provided as flexi living units and 8 flats run as special needs units at affordable rents)
Local Centre (assumed to be 0.6sq m NIA provided for each house)	1,380 square metres
Health provision (provided on site assumed to be NIA)	549 square metres
Travellers' Pitches	30 pitches

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with that adopted in the CIL&LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the proposed development on the Park Street Garden Village strategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the proposed development on the Park Street Garden Village strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value. If a development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the benchmark, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Table 3.2.1 based on the mix adopted for Typology 14 in the CIL&LPVS on the basis that this is a reasonable assumption to test in a viability assessment, but understandably does not preclude other unit mixes. The size of units adopted in the study have been informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1: Unit mix

Unit type	2 Bed 4p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House
Unit size[1]	**79 sq m**	**93 sq m**	**115 sq m**	**125 sq m**
% tested in Scheme	36%	56%	4%	4%

3.2.2 Private/market residential sales values

We have adopted an average private/market residential sales value of £5,705 per sq m in our appraisal. This corresponds with the sales values adopted in the CIL&LPVS, which were based on research using sources including the Land Registry online database, Rightmove online database, our understanding of viability of live schemes in the District and discussions with active local agents.

3.2.3 Affordable housing

We understand that the LPPD Policy S6 xi identifies that development will be required to deliver a minimum of 40% affordable housing in accordance with Policy L3. Policy L3 (Provision of and Financial Contributions towards Affordable Housing) sets out that the Council will seek a minimum of 40% affordable homes as a proportion of the overall dwelling numbers on the site or an equivalent land area, on schemes of 10 (net) or more homes, unless it is clearly demonstrated that this is not economically viable. In such circumstances the Council will seek to negotiate the affordable housing provision at a level which allows the scheme to be viable. In addition the Council will seek 60% of the affordable housing as 'Affordable Housing for Rent' of which 30% is to be at social rents and the 30% is to be provided as "Affordable Rent" at a maximum of 80% of market rent. The remaining 40% affordable housing is to be provided as "Subsidised Home Ownership" including Shared Ownership, Starter Homes and Discounted Market Sales. Further, the policy identifies that at least 75% of such provision must be through Registered Providers to seek to secure the subsidy in perpetuity.

We note that the Council's saved Local Plan Policy 7a (Affordable Housing in Towns and Specified settlements) identifies that the Council will normally seek to negotiate an element of affordable housing on sites of over 0.4Ha and on sites of under this size where 15 or more dwellings are proposed based on site and marketing conditions and local housing need. We note that the Council's Affordable Housing Supplementary planning Guidance ('SPG') identifies that "the percentage of affordable housing required will normally be 35%" and that "The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented."

The Council have requested that we base our assessments on the higher emerging policy target of 40% with a tenure split provision of 60% Rented units (split 30% social rent and 30% Affordable Rent) and 40% as Subsidised Home Ownership units (split 30% shared ownership units and 10% Discount Market Sale).

As set out in the CIL&LPVS, we have used our bespoke model to value the affordable rented housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2017 - 2018 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP's) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt. Our appraisals assume that the Affordable Rent units are let at 80% or market rent, but which do not exceed Local Housing Allowance ('LHA') rates, so that they are affordable to households subject to the Universal Credit. Our calculations have identified that this to equate to an average capital value of £1,477 per square metre for such units.

[1] In line with the Government's "Technical housing standards nationally described space standard" published in March 2015.

We have appraised the intermediate shared ownership units, assuming that Registered Providers ('RPs') will sell 30% initial equity stakes at market and charge a rent of 2.75% on the retained equity. A 10% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 5%. We have assessed the capital value for such units to equate to £3,579 per square metre.

With respect to the Discount Market Sale units, we have appraised these units at 80% of the open market/private unit values. This equates to an average capital value of £4,564 per square metre.

3.2.4 Self-build plots

Policy S6 xi identifies that 3% of homes are to be provided as self-build housing. Given this, we have undertaken an assessment of the value of a serviced plot of land for a 4 bed self-build house (on the basis that this would be a reasonable average size of plot between 3 and 5 bed homes). This assessment has identified an average serviced plot value of £400,000, which we have adopted in our appraisal of the 69 self-build pots on the strategic site.

3.2.5 Care home

Policy S6 xi sets out a requirement for at least one 50+ Residential or Nursing care home (C2 Use). As identified in the CIL&LPVS Care homes are residential institutions where older people live, usually in single rooms but sometimes in shared rooms, and have access to on-site care services. A home registered simply as a care home will provide personal care only (i.e. help with washing, dressing and giving medication). A home registered as a care home with nursing will provide the same personal care but also have a qualified nurse on duty 24 hours a day to carry out nursing tasks. The cost/rents for rooms in care homes depend on the specific level of care required.

We have adopted rental levels consistent with those set out in the CIL&LPVS, which are based on research of rents for care homes in the District. Our appraisals allow for private rents of £800 per week for a single room, which is considered to be a conservative rent by comparison to some of the care homes rents charged in the District. We have also allowed for 40% of the accommodation in our appraisal to be provided as affordable care rooms at £471 per week. This is based on rents in-line with the average County allowance for a single room for older people[2] at £419.77 per week and a single room with nursing at £522.47 per week.

3.2.6 Extra care / flexicare units

Policy S6 xi sets out a requirement for at least one 50+ home Flexi-care scheme. The CIL&LPVS identified that Extra Care Housing (C3 Use) can be precisely defined (and differentiated from other types of residential institutions) by reason of some specific characteristics, as set out in the RTPI Good Practice Note. The Royal Town Planning Institute defines Extra Care Housing as, 'purpose-built accommodation in which varying amounts of care and support can be offered and where some services are shared'. People who live in Extra Care Housing have their own self-contained homes, their own front doors and a legal right to occupy the property. It comes in many built forms, including blocks of flats, bungalow estates and retirement villages. It is a popular choice among older people because it can sometimes provide an alternative to a care home. In addition to the communal facilities often found in retirement housing Extra Care often includes a restaurant or dining room, health & fitness facilities, hobby rooms and even computer rooms. Domestic support and personal care are available, usually provided by on-site staff.

As with retirement housing it is recognised that Extra Care developments have different viability considerations to standard residential dwellings. These arise due to a significant gross to net ratio for such developments due to the need for more communal facilities as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience such units also achieve premium value.

[2] https://www.hertfordshire.gov.uk/services/adult-social-services/care-and-carers/arranging-and-paying-for-care/paying-for-your-care-costs.aspx#DynamicJumpMenuManager

In line with our assumptions adopted in the CIL&LPVS for such developments we have assumed that the 50 extra care units identified on the strategic site will be provided as 50% one and 50% two bedroom apartments. We have also allowed for a gross to net floorspace ratio of 60% and a higher average sales value reflecting £6,997 per square metre (£650 per square foot).

In line with the requirements of Policy S6 xi we have allowed for 40% of these units to be delivered as affordable housing with 60% provided as rented units (50% social rent and 50% affordable rent) and 40% as shared ownership.

3.2.7 Special needs supported living units

Policy S6 xi identifies that 20 special needs supported living units are be required to be provided as part of the development of the Park Street Garden Village strategic site. We have assumed that 12 of these units would all be provided as a block of one bedroom apartments. Given the nature of such development we have valued these as affordable rented units, at a capital value of £1,665 per sq m. This is higher than the average value of the standard affordable rented units in the scheme as these units are all one bed units. We have assumed that the remaining eight units are to be provided as Extra Care/flexi care units, which we have assessed based on the assumptions set out in 3.2.6 above.

3.2.8 Local centres

The assumptions used in the appraisals to value the non-residential accommodation provided in the local centre are in line with those adopted in the CIL&LPVS. These are summarised in Table 3.2.8 below.

Table 3.2.8: Non-residential revenue and assumptions

Accommodation	Rent £ per square metre	Yield	Void Period (Inc. Rent Free)
Retail	£237	6.5%	1.5 years

3.2.9 Gypsy and Traveller sites

Policy S6 xi identifies that two 15 pitch Gypsy and Traveller sites will be required on the Park Street Garden Village strategic site. We have adopted costs associated with the delivery of the Gypsy and Traveller sites of £242,000 per pitch based on advice provided by WT Partnership (WTP) to Dacorum Borough Council for their Update to their Local Allocations Viability Testing report prepared by BNP Paribas Real Estate in June 2016.

We have taken a conservative approach to the delivery of this site as we have only adopted the costs of delivering the pitches and have not allowed for any revenue generation from these uses. The pitches are likely to generate an income so the position presented is a worst case scenario.

3.2.10 Base build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services (‘BCIS’), which is based on tenders for actual schemes adjusted to reflect local circumstances in St Albans District. The base build costs used in our appraisals are set out in Table 3.2.10 below, these are in line with the costs adopted in the CIL&LPVS.

Table 3.2.10 Base build costs adopted in appraisal

Use	Base build costs per square metre
Residential houses	£ 1,124
Commercial uses - Local centre	£ 2,026
Health	£ 2,270
Care Home	£ 1,621
Extra care / flexicare apartments	£ 1,736
Special needs supported living apartments	£ 1,736

In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the local centre and the health use). The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and pavements/driveways/parking works within the site.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the CIL&LPVS we have also allowed for extra over costs associated with policy requirements. We summarise these costs below, which we have incorporated within our appraisals.

- Sustainable homes: £5,000 per unit;
- SUDs: £2,500 per residential unit;
- Lifetime Homes: £3,200 per unit; and
- Accessible units: £26,000 per house and £11,000 on apartments (10% of units only).

We have also included an allowance of £20,000 per standard residential unit and £10,000 per unit for all other specialist residential units for infrastructure costs. In our experience greenfield sites such as Park Street Garden Village are likely to require significant development of infrastructure such as servicing and roads etc. to open up the site for development.

3.2.11 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

3.2.12 Development finance

In line with the CIL&LPVS, our appraisal assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.13 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and the private extra care units and on the discount market sales affordable housing units.

For the commercial units we have allowed for a 10% letting agent and 5% legal fee.

We have included a 1% sales agent allowance on commercial uses, the care home use and self-build plots.

A 0.5% sales legal fee on GDV has been applied for all uses.

3.2.14 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value and on the commercial uses in the local centre.

3.2.15 CIL and Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information as to the likely level of these costs including the apportionment of costs of delivering such infrastructure on existing sites in the District and high level knowledge of the likely specific costs being worked up at present. Given this these costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.15 below.

Table 3.2.15: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£43,930,000	1 x 3 FE Primary and 1 X 2FE (assumes £7.5m per primary school) 1 x 6-8 FE Secondary (assumes £35m per secondary school)
Community Facilities	£2,300,000	Based on £2,000 per unit
Green infrastructure: Strategic open space / green infrastructure	£4,600,000	Based on £2,000 per unit
Local open/play Space/Green Infrastructure	£2,300,000	Based on £1,000 per unit
Transport Infrastructure	£25,300,000	Allows for: - Local highway - on & off site - Sustainable travel - public transport; - Sustainable travel - walking + cycling on & off site
Total	**£78,430,000**	

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above. In line with the assumptions in the CIL&LPVS we have assumed £1,150 per unit and £20 per square metre for non-residential uses.

With respect to the delivery of open space, there are a number of allowances included in this assessment. Integral open/play space and non-strategic open space is accounted for through the allowance for external works on base build costs and a further £1,000 per residential unit allowance in the S106 contributions. For strategic level open space a further allowance of £2,000 per residential unit has been adopted in this assessment through s106 contributions.

We have calculated the CIL liability of the proposed development based on the proposed CIL charges set out in the CIL&LPVS. These include £150 per square metre for residential floorspace, £245 per square metre for care home floorspace and £20 per square metre for extra care, special needs supported living and commercial floorspace. Details of the calculation of the CIL liability are set out in Appendix 1.

3.2.16 Profit

As identified in the CIL&LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 20% on Gross Development Value (GDV) for private housing units, private extra care units, self-build plots and discount market rent affordable housing;
- 6% on GDV for affordable rent and shared ownership affordable housing and extra care units and special needs supported living units; and
- 15% profit on GDV for non-residential uses in local centres.

3.2.17 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in six phases of circa 383 units each and that there will be multiple sales outlets. We have assumed that the sales rate will be 4 units per month, which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' deliver of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.17 below.

Table 3.2.17: Development timescales

Phase	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Pre-construction (months)	55	9	9	9	9	9	10
Construction (months)	167	28	28	28	28	28	28
Residential Sales (months)	167	28	28	28	28	28	28
Extra Care Units	14	0	0	14	0	0	0

The sales rates are applied to the private housing and extra care unit only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the delivery of the care home, extra care/flexicare, special needs supported living units, Gypsy and Travellers pitches, health provision and local centre we have included these within Phase 3 of the development. Given their smaller scale of development we have allowed for a 24 month construction phase for each use.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at Park Street Garden Village as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate benchmark land value ('BLV') identified in the CIL&LPVS, which in this instance is the Greenfield value of £370,000 per Ha, in order to determine whether this might be sufficient for the site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – Park Street Garden Village

Scenario appraised	Residual land value	BLV (based on £370,000 per Ha	Viable/ Unviable
40% AH & CIL	£81,038,000	£36,149,000	**Viable**

The appraisal scenario tested for Park Street Garden Village identifies that the proposed scheme is viable against the BLV of £370,000 per hectare when delivering 40% Affordable Housing, the proposed CIL charge and other policy requirements.

5 Conclusions and Recommendations

This testing demonstrates that the Park Street Garden Village strategic site is viable and deliverable having regard to both the Council's planning policy requirements (including affordable housing and development specified in Policy S6 xi and the proposed Community Infrastructure Levy charging rates set out in BNPPRE's November 2017 CIL&LPVS.

In light of the above we recommend that the Council considers applying its CIL charges as proposed to the Park Street Garden Village strategic site.

Appendix 1 - Working assumptions adopted in appraisal

Name of site	Park Street Garden Village

Site Size (Gross) Ha	97.7
Site Size (Net) Ha	58.6
Total No Standard Residential units	2,300
Self build plots (3%)	69
Total units less self build (97%)	2,231
Care Home rooms	50
Extra Care / flexicare units	50
Special needs supporting living units	20 Last site 20 to be divided as 12 flexi living units and 8 units and flats run as special needs units provided as affordable housing units
Traveller & Gypsy Pitches	30
No Phases	6

Unit mix Based on Typology 14

Site type	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total
Size (sq m)	**50**	**70**	**86**	**108**	**79**	**93**	**115**	**125**	
Percentage split	0%	0%	0%	0%	36%	56%	4%	4%	
Total Floor area (sq m)	-	-	-	-	63,450	116,190	10,263	11,155	201,058

Affordable Housing Analysis

Percentage	40%
Rented (50% Social rent and 50% Affordable Rent)	60%
Intermediate (Shared Ownership)	30%
Intermediate (Discount Market Sale)	10%

Resi floor area analysis

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Private Floor area	120,635	20,106	20,106	20,106	20,106	20,106	20,106
Affordable Floor Area	80,423	13,404	13,404	13,404	13,404		13,404
Rented (50% Social rent and 50% Affordable Rent)	48,254	8,042	8,042	8,042	8,042	8,042	8,042
Shared ownership	24,127	4,021	4,021	4,021	4,021	4,021	4,021
Discount Market Sale	8,042	1,340	1,340	1,340	1,340	1,340	1,340

Self-Build units

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
No plots	69	12	12	12	12	12	12

Health provision

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Gross floorarea (sq m)	670	-		670	-	-	-
Net floorarea (sq m)	549	-		549	-	-	-

Neighbourhood / Local Centre

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Gross floorarea (sq m)	1,683	-	-	1,683	-	-	-
Net floorarea (sq m)	1,380	-	-	1,380	-	-	-

Care Homes

Phase 3

National Care Standards requirements			
135	sq ft of useable floorspace, excluding ensuite		
38	sq ft of space for en-suite		
42	sq ft of communal space, excluding circulation		
50	rooms	6,750	floor area of rooms
		1,900	en-suite bathrooms
		2,100	communal space
		10,750	sq ft NIA
0.15	Circulation	1,612.50	sqft
		12,362.50	sqft GIA
		1,149	**sqm GIA**

Extra-Care / Flexi Care

	Phase 3				Affordable Housing	
	1 Bed 2p flat	2 bed 4p flat	Total	Private	Rented (50% Social rent and 50% Affordable Rent)	Intermediate (Shared Ownership)
Size (sq m)	**50**	**70**				
Percentage split	50%	50%		60%		
Total Floor area (sq m) NIA	1,550	2,170	3,720	2,232	893	595
Total Floor area (sq m) GIA @60% Gross to Net assumption	**2,583**	**3,617**	**6,200**	**3,720**		

Special Needs Supported Living Units

	Phase 3
	1 Bed 2p flat
Size (sq m)	**50**
Percentage split	100%
Total Floor area (sq m) (Net)	400
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	**533**

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Travellers Pitches in Ha	-	-	-	30.00	-	-	-

Timescales

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Pre-constuction (months)	55	9	9	9	9	9	10
Construction (months)	167	28	28	28	28	28	28
Private Resi Sales (months)	167	28	28	28	28	28	28
Extra Care Units	14	0	0	14	0	0	0

	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
No Private units less self build units	1339	223	223	223	223	223	223

Revenue

Standard Residential	**Capital value £ per sq m**
Private Housing	£ 5,705
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,477
Shared Ownership	£ 3,579
Discount Market Sale (80% of Market Value)	£ 4,564

	Value per plot (assuming 4 bed house)
Self build plots	£ 400,000

	Capital value
Special needs supported living units	£1,477

Care Home

Beds (Affordable)	30	£471	per week		90%	occupancy	£661,452
Beds (Pvt)	20	£800	per week		90%	occupancy	£748,800
					30%	of income	£423,075.74
Standard profit margin (EBITDA)					10%	yield	£4,230,757
Capitalise EBITDA							-£634,614
Deduct		15%	for income shortfall to maturity				
Gross Adjusted turnkey value of Home							***£3,596,144***

Extra Care Housing	**Capital value £ per sq m**
Private	£ 6,997
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,665
Shared Ownership	£ 4,349

	Rent per sq m	Yield	Rent Free & Void (months)
Commercial	£237	6.50%	18

Costs

Residual S106

	unit of measure	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Standard residential per unit	£ 1,150	£ 2,645,000	£ 440,833	£ 440,833	£ 440,833	£ 440,833	£ 440,833	£ 440,833
Commercial per sq m	£ 20	£ 33,659	£ -	£ -	£ 33,659	£ -	£ -	£ -
Care Home per sq m	£ 20	£ 22,970	£ -	£ -	£ 22,970	£ -	£ -	£ -
Extra Care / Flexicare units per unit	£ 1,150	£ 71,300	£ -	£ -	£ 71,300	£ -	£ -	£ -
Special needs supported living per unit	£ 1,150	£ 23,000	£ -	£ -	£ 23,000	£ -	£ -	£ -
TOTAL			**£ 440,833**	**£ 440,833**	**£ 591,762**	**£ 440,833**	**£ 440,833**	**£ 440,833**

CIL

	£ pr sq m	Total Floor area	Total	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Resi	£ 150	120,635	18,095,195	£ 3,015,866	£ 3,015,866	£ 3,015,866	£ 3,015,866	£ 3,015,866	£ 3,015,866
Care Home	£ 245	£ 1,149	£ 281,384	£ -	£ -	£ 281,384	£ -	£ -	£ -
All other uses (Extra Care and special needs supported living units)	£ 20	£ 4,253	£ 85,067	£ -	£ -	£ 85,067	£ -	£ -	£ -
All other uses (Commercial)	£ 20	£ 1,683	£ 33,659	£ -	£ -	£ 33,659	£ -	£ -	£ -
Total				**£ 3,015,866**	**£ 3,015,866**	**£ 3,415,975**	**£ 3,015,866**	**£ 3,015,866**	**£ 3,015,866**

S106 Infrastructure Costs

	Total costs
Transport	£ 25,300,000
Education (1 x 3FE Primary School @ £7.5 m & 1 x 6-8FE Secondary School @ £35m)	£ 43,930,000
Community Facilities (£1,000 per unit)	£ 2,300,000

	Per unit cost	Total costs
Strategic open space / green infrastructure	£ 2,000	£ 4,600,000
Local open space / play space / green infrastructure	£ 1,000	£ 2,300,000

	Per unit cost	Total costs	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Phase 6
Site opening up costs Standard Resi	£ 20,000	£ 46,000,000	£ 7,666,667	£ 7,666,667	£ 7,666,667	£ 7,666,667	£ 7,666,667	£ 7,666,667
Site opening up costs Other Residential uses	£ 10,000	£ 1,200,000	£ 400,000.00	£ 400,000.00	£ 400,000.00	£ -	£ -	£ -
			£ 8,066,667	£ 8,066,667	£ 8,066,667	£ 7,666,667	£ 7,666,667	£ 7,666,667

Build costs

	Base per sq m	Externals per sq m	Lifetime homes (£3,200 per unit)	10% Accessable homes @ £26,000 per house and £11,000 per flatted unit	SUDS @ £2,500 per unit	Sustainability @ £5,000 per unit	Total
Resi	£ 1,124	£ 169	£ 37	£ 30	£ 29	£ 57	**£ 1,445**
Commercial	£ 2,026	£ 203	£ -	£ -	£ -	£ -	**£ 2,229**
Health	£ 2,270	£ 227					**£ 2,497**
Care Home	£ 1,621	£ 146	£ -	£ -	£ -	£ -	**£ 1,768**
Extra care / flexicare	£ 1,736	£ 260	£ 26	£ 9	£ 20	£ 40	**£ 2,092**
Special needs supported living	£ 1,736	£ 260	£ 120	£ 41	£ 94	£ 188	**£ 2,439**

Contingency on build costs	5%

Traveller's pitches	No pitches	Cost
Info from Dacorum BC 5 pitches = 0.5 Ha Each travellers pitch estimated to cost £242,000	30	£ 7,260,000

Profit

Private/Market Resi on GDV	20%
Affordable Resi on GDV	6%
Commercial on GDV	15%

Marketing /agency and legal fees

Resi Sales agent and marketing on GDV	3.00%
Resi Sales legal fees on GDV	0.50%

Commercial Letting fee on rent pa	10.00%
Commercial Letting Legal fee on rent pa	5.00%
Commercial Sales fee on GDV	1.00%
Commercial Legal fee on GDV	0.50%

Professional fees	10%
Finance	7.00%

Appraisal Outcome

Residual Land Value @ 40% AH	**£ 81,038,000**
Benchmark Land Value Greenfield	£ 36,149,000
Appraisal outcome (Surplus/ Deficit)	**£ 44,889,000**

Appendix 2 - Argus appraisal summary

Licensed Copy

Development Appraisal

Park Street Garden Village

40% AH

Report Date: 26 June 2019

APPRAISAL SUMMARY	**LICENSED COPY**

Park Street Garden Village
40% AH

Summary Appraisal for Merged Phases 1 2 3 4 5 6

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Rate m²**	**Unit Price**	**Gross Sales**
Private Residential	1	20,106.00	5,705.00	114,704,730	114,704,730
Affordable Housing - Rented	1	8,042.00	1,477.00	11,878,034	11,878,034
Affordable Housing - SO	1	4,021.00	3,579.00	14,391,159	14,391,159
Affordable Housing - DMR	1	1,340.00	3,564.00	4,775,760	4,775,760
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Private Residential	1	20,106.00	5,705.00	114,704,730	114,704,730
Affordable Housing - Rented	1	8,042.00	1,477.00	11,878,034	11,878,034
Affordable Housing - SO	1	4,021.00	3,579.00	14,391,159	14,391,159
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Affordable Housing - Rented	1	8,042.00	1,477.00	11,878,034	11,878,034
Affordable Housing - SO	1	4,021.00	3,579.00	14,391,159	14,391,159
Affordable Housing - DMR	1	1,340.00	3,564.00	4,775,760	4,775,760
Care Home	1	0.00	0.00	3,596,144	3,596,144
Special Needs Supported Living	1	400.00	1,665.00	666,000	666,000
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Extra/Flexi Care Housing - Private	1	2,232.00	6,997.00	15,617,304	15,617,304
Extra/Flexi Care Housing - Aff Rented	1	893.00	1,665.00	1,486,845	1,486,845
Extra/Flexi Care Housing - Aff SO	1	595.00	4,349.00	2,587,655	2,587,655
Private Residential	1	20,106.00	5,705.00	114,704,730	114,704,730
Affordable Housing - Rented	1	8,042.00	1,477.00	11,878,034	11,878,034
Affordable Housing - SO	1	4,021.00	3,579.00	14,391,159	14,391,159
Affordable Housing - DMR	1	1,340.00	3,564.00	4,775,760	4,775,760
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Private Residential	1	20,106.00	5,705.00	114,704,730	114,704,730
Affordable Housing - Rented	1	8,042.00	1,477.00	11,878,034	11,878,034

APPRAISAL SUMMARY	LICENSED COPY

Park Street Garden Village
40% AH

Affordable Housing - SO	1	4,021.00	3,579.00	14,391,159	14,391,159
Affordable Housing - DMR	1	1,340.00	3,564.00	4,775,760	4,775,760
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Private Residential	1	20,106.00	5,705.00	114,704,730	114,704,730
Affordable Housing - Rented	1	8,042.00	1,477.00	11,878,034	11,878,034
Affordable Housing - SO	1	4,021.00	3,579.00	14,391,159	14,391,159
Affordable Housing - DMR	1	1,340.00	3,564.00	4,775,760	4,775,760
Self Build Plots	12	0.00	0.00	400,000	4,800,000
Totals	**101**	**205,174.00**			**927,252,046**

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Neighbourhood / Local Centre	1	1,380.00	237.00	327,060	327,060	327,060
Health Provision	1	549.00		0	0	
Totals	**2**	**1,929.00**			**327,060**	**327,060**

Investment Valuation

Neighbourhood / Local Centre

Market Rent	327,060	YP @	6.5000%	15.3846	
(1yr 6mths Rent Free)		PV 1yr 6mths @	6.5000%	0.9099	4,578,146
					4,578,146

GROSS DEVELOPMENT VALUE			**931,830,192**
Purchaser's Costs	6.80%	(555,852)	
			(555,852)
NET DEVELOPMENT VALUE			**931,274,341**
NET REALISATION			**931,274,341**

OUTLAY

ACQUISITION COSTS

APPRAISAL SUMMARY — LICENSED COPY

Park Street Garden Village
40% AH

Residualised Price			81,037,987	
Stamp Duty		5.00%	4,051,899	
Agent Fee		1.00%	810,380	
Legal Fee		0.80%	648,304	
				86,548,570

CONSTRUCTION COSTS

Construction	**Units**	**Unit Amount**	**Cost**
Travellers Pitches	30 un	242,000	7,260,000

	m²	**Rate m²**	**Cost**
Neighbourhood / Local Centre	1,682.93 m²	2,229.00 pm²	3,751,244
Health Provision	669.51 m²	2,497.00 pm²	1,671,772
Private Residential	20,106.00 m²	1,445.00 pm²	29,053,170
Affordable Housing - Rented	8,042.00 m²	1,445.00 pm²	11,620,690
Affordable Housing - SO	4,021.00 m²	1,445.00 pm²	5,810,345
Affordable Housing - DMR	1,340.00 m²	1,445.00 pm²	1,936,300
Private Residential	20,106.00 m²	1,445.00 pm²	29,053,170
Affordable Housing - Rented	8,042.00 m²	1,445.00 pm²	11,620,690
Affordable Housing - SO	4,021.00 m²	1,445.00 pm²	5,810,345
Affordable Housing - DMR	1,340.00 m²	1,445.00 pm²	1,936,300
Private Residential	20,106.00 m²	1,445.00 pm²	29,053,170
Affordable Housing - Rented	8,042.00 m²	1,445.00 pm²	11,620,690
Affordable Housing - SO	4,021.00 m²	1,445.00 pm²	5,810,345
Affordable Housing - DMR	1,340.00 m²	1,445.00 pm²	1,936,300
Care Home	1,149.00 m²	1,768.00 pm²	2,031,432
Special Needs Supported Living	533.33 m²	2,173.00 pm²	1,158,933
Extra/Flexi Care Housing - Private	3,720.00 m²	2,114.00 pm²	7,864,080
Extra/Flexi Care Housing - Aff Rented	1,488.33 m²	2,114.00 pm²	3,146,337
Extra/Flexi Care Housing - Aff SO	991.67 m²	2,114.00 pm²	2,096,383
Private Residential	20,106.00 m²	1,445.00 pm²	29,053,170
Affordable Housing - Rented	8,042.00 m²	1,445.00 pm²	11,620,690
Affordable Housing - SO	4,021.00 m²	1,445.00 pm²	5,810,345
Affordable Housing - DMR	1,340.00 m²	1,445.00 pm²	1,936,300
Private Residential	20,106.00 m²	1,445.00 pm²	29,053,170

APPRAISAL SUMMARY				LICENSED COPY

Park Street Garden Village
40% AH

Affordable Housing - Rented	8,042.00 m²	1,445.00 pm²	11,620,690	
Affordable Housing - SO	4,021.00 m²	1,445.00 pm²	5,810,345	
Affordable Housing - DMR	1,340.00 m²	1,445.00 pm²	1,936,300	
Private Residential	20,106.00 m²	1,445.00 pm²	29,053,170	
Affordable Housing - Rented	8,042.00 m²	1,445.00 pm²	11,620,690	
Affordable Housing - SO	4,021.00 m²	1,445.00 pm²	5,810,345	
Affordable Housing - DMR	1,340.00 m²	1,445.00 pm²	1,936,300	
Totals	**211,288.77 m²**		**312,243,211**	**319,503,211**
Contingency		5.00%	16,090,161	
Site opening up costs			47,200,002	
Strategic Open Space			4,600,000	
Local open/play space green infrast			2,300,000	
S106			2,795,927	
CIL			18,495,305	
Transport			25,300,000	
Education			43,930,000	
Community Facilities			2,300,000	
				163,011,395
PROFESSIONAL FEES				
Professional fees		10.00%	38,509,337	
				38,509,337
DISPOSAL FEES				
Resi Sales Agent and Marketing Fee		3.00%	21,115,371	
Commercial Sales Agent Fee		1.00%	650,730	
Sales Legal Fee		0.50%	4,656,372	
				26,422,472
Additional Costs				
Resi Private Profit		20.00%	23,896,098	
Resi & Extr Care Aff, Sp Nds Profit		6.00%	1,576,152	
Resi Private Profit		20.00%	23,896,098	
Resi & Extr Care Aff, Sp Nds Profit		6.00%	1,576,152	

APPRAISAL SUMMARY			LICENSED COPY

Park Street Garden Village
40% AH

Resi Private Profit	20.00%	27,019,559	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,860,582	
Commercial Profit	15.00%	1,226,144	
Resi Private Profit	20.00%	23,896,098	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,576,152	
Resi Private Profit	20.00%	23,896,098	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,576,152	
Resi Private Profit	20.00%	23,896,098	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,576,152	
			157,467,532
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			139,811,968
TOTAL COSTS			**931,274,486**
PROFIT			
			(145)
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
Development Yield% (on Rent)	0.04%		
Equivalent Yield% (Nominal)	6.50%		
Equivalent Yield% (True)	6.77%		
IRR	6.96%		
Rent Cover	0 yrs 0 mths		
Profit Erosion (finance rate 7.000%)	N/A		

BNP PARIBAS REAL ESTATE

Real Estate
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world

St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing: West of Chiswell Green

Prepared for

St Albans City and District Council

November 2018

Contents

Appendices

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1 Introduction

The National Planning Practice Guidance on Viability 2019 ('NPPG') identifies at paragraph 003 that, *"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."* However, it goes on to identify that the *"in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."* This is reiterated in paragraph 005 which sets out that, "*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."*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the West of Chiswell Green strategic development site as allocated in the St Albans City and District Local Plan 2020-2036 Publication Draft 2018 ('LPPD'). This work follows the St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study ('CIL&LPVS') report dated November 2017, which tested the ability of a range of development types throughout the City and District to yield contributions to infrastructure requirements through the Community Infrastructure Levy ('CIL') along with the planning policy requirements of the emerging St Albans City and District Local Plan Draft and other key local policies and guidance as well as national policies.

This report has been prepared with the particular purpose of testing the cumulative impact of the Council's emerging requirements on the identified strategic development site including affordable housing, on-site Section 106 obligations, the Council's proposed CIL charges and on-site infrastructure and sustainability measures. This is in line with the requirements of the National Planning Policy Framework 2018 ('NPPF'), the NPPG and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that have been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council's CIL Charging Schedule and emerging local plan policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of strategic site

The Council's LPPD sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period the Council has identified a number of Strategic Development Sites ('strategic sites'). Given the importance of these strategic sites to the local growth strategy the Council has instructed BNP Paribas Real Estate to consider their viability in detail as well as their potential to contribute to infrastructure through CIL.

The Council has provided information to BNP Paribas Real Estate as to the assumptions for the development of the strategic development envisaged at West of Chiswell Green as set out in Policy S6 x - West of Chiswell Green Broad Location. Table 2.1 sets out these assumptions including; the gross and net site areas, the number of residential units and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at West of Chiswell Green

Element considered	Site specifications
Site Size Gross Net	 15.2 Ha 9.1 Ha
Number of residential units (Density circa 40 units per Ha) Estimated Self Build units @ 3%	365 11
Health provision (provided on site assumed to be NIA)	87 square metres

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with that adopted in the CIL&LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the proposed development on the West of Chiswell Green strategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the proposed development on the West of Chiswell Green strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value. If a development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the benchmark, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Table 3.2.1 based on the mix adopted for Typology 14 in the CIL&LPVS on the basis that this is a reasonable assumption to test in a viability assessment, but understandably does not preclude other unit mixes. The size of units adopted in the study have been informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1: Unit mix

Unit type	2 Bed 4p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House
Unit size[1]	**79 sq m**	**93 sq m**	**115 sq m**	**125 sq m**
% tested in Scheme	36%	56%	4%	4%

3.2.2 Private/market residential sales values

We have adopted an average private/market residential sales value of £5,705 per sq m in our appraisal. This corresponds with the sales values adopted in the CIL&LPVS, which were based on research using sources including the Land Registry online database, Rightmove online database, our understanding of viability of live schemes in the District and discussions with active local agents.

3.2.3 Affordable housing

We understand that the LPPD Policy S6 x identifies that development will be required to deliver a minimum of 40% affordable housing in accordance with Policy L3. Policy L3 (Provision of and Financial Contributions towards Affordable Housing) sets out that the Council will seek a minimum of 40% affordable homes as a proportion of the overall dwelling numbers on the site or an equivalent land area, on schemes of 10 (net) or more homes, unless it is clearly demonstrated that this is not economically viable. In such circumstances the Council will seek to negotiate the affordable housing provision at a level which allows the scheme to be viable. In addition the Council will seek 60% of the affordable housing as 'Affordable Housing for Rent' of which 30% is to be at social rents and the 30% is to be provided as "Affordable Rent" at a maximum of 80% of market rent. The remaining 40% affordable housing is to be provided as "Subsidised Home Ownership" including Shared Ownership, Starter Homes and Discounted Market Sales. Further, the policy identifies that at least 75% of such provision must be through Registered Providers to seek to secure the subsidy in perpetuity.

We note that the Council's saved Local Plan Policy 7a (Affordable Housing in Towns and Specified settlements) identifies that the Council will normally seek to negotiate an element of affordable housing on sites of over 0.4Ha and on sites of under this size where 15 or more dwellings are proposed based on site and marketing conditions and local housing need. We note that the Council's Affordable Housing Supplementary planning Guidance ('SPG') identifies that "the percentage of affordable housing required will normally be 35%" and that "The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented."

The Council have requested that we base our assessments on the higher emerging policy target of 40% with a tenure split provision of 60% Rented units (split 30% social rent and 30% Affordable Rent) and 40% as Subsidised Home Ownership units (split 30% shared ownership units and 10% Discount Market Sale).

As set out in the CIL&LPVS, we have used our bespoke model to value the affordable rented housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2017 - 2018 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP's) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt. Our appraisals assume that the Affordable Rent units are let at 80% or market rent, but which do not exceed Local Housing Allowance ('LHA') rates, so that they are affordable to households subject to the Universal Credit. Our calculations have identified that this to equate to an average capital value of £1,477 per square metre for such units.

[1] In line with the Government's "Technical housing standards nationally described space standard" published in March 2015.

We have appraised the intermediate shared ownership units, assuming that Registered Providers ('RPs') will sell 30% initial equity stakes at market and charge a rent of 2.75% on the retained equity. A 10% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 5%. We have assessed the capital value for such units to equate to £3,579 per square metre.

With respect to the Discount Market Sale units, we have appraised these units at 80% of the open market/private unit values. This equates to an average capital value of £4,564 per square metre.

3.2.4 Self-build plots

Policy S6 x identifies that 3% of homes are to be provided as self-build housing. Given this, we have undertaken an assessment of the value of a serviced plot of land for a 4 bed self-build house (on the basis that this would be a reasonable average size of plot between 3 and 5 bed homes). This assessment has identified an average serviced plot value of £400,000, which we have adopted in our appraisal of the 11 self-build pots on the strategic site.

3.2.5 Base build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services ('BCIS'), which is based on tenders for actual schemes adjusted to reflect local circumstances in St Albans District. The base build costs used in our appraisals are set out in Table 3.2.5 below, these are in line with the costs adopted in the CIL&LPVS.

Table 3.2.5 Base build costs adopted in appraisal

Use	Base build costs per square metre
Residential houses	£ 1,124
Health	£ 2,270

In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the health use). The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and pavements/driveways/parking works within the site.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the CIL&LPVS we have also allowed for extra over costs associated with policy requirements. We summarise these costs below, which we have incorporated within our appraisals.

- Sustainable homes: £5,000 per unit;
- SUDs: £2,500 per residential unit;
- Lifetime Homes: £3,200 per unit; and
- Accessible units: £26,000 per house (10% of units only).

We have also included an allowance of £20,000 per standard residential unit for infrastructure costs. In our experience greenfield sites such as West of Chiswell Green are likely to require significant development of infrastructure such as servicing and roads etc. to open up the site for development.

3.2.6 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

3.2.7 Development finance

In line with the CIL&LPVS, our appraisal assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.8 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and on the discount market sales affordable housing units.

We have included a 1% sales agent allowance on the self-build plots.

A 0.5% sales legal fee on GDV has been applied for all uses.

3.2.9 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value.

3.2.10 CIL and Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information as to the likely level of these costs including the apportionment of costs of delivering such infrastructure on existing sites in the District and high level knowledge of the likely specific costs being worked up at present. Given this these costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.10 below.

Table 3.2.10: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£2,737,500	1 x 2 FE Primary (assumes £7.5m per primary school)
Community Facilities	£365,000	Based on £1,000 per unit
Green infrastructure: Local open/play Space/Green Infrastructure	£365,000	Based on £1,000 per unit
Transport Infrastructure	£1,095,000	Allows for: - Local highway - on & off site - Sustainable travel - public transport; - Sustainable travel - walking + cycling on & off site
Total	**£4,562,500**	

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above. In line with the assumptions in the CIL&LPVS we have assumed £1,150 per unit.

With respect to the delivery of open space, there are a number of allowances included in this assessment. Integral open/play space and non-strategic open space is accounted for through the allowance for external works on base build costs and a further £1,000 per residential unit allowance in the S106 contributions.

We have calculated the CIL liability of the proposed development based on the proposed CIL charges set out in the CIL&LPVS i.e. £150 per square metre for residential floorspace. Details of the calculation of the CIL liability are set out in Appendix 1.

3.2.11 Profit

As identified in the CIL&LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 20% on Gross Development Value (GDV) for private housing units, self-build plots and discount market rent affordable housing; and
- 6% on GDV for affordable rent and shared ownership affordable housing.

3.2.12 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in one phase of circa 365 units. We have assumed that the sales rate will be 4 units per month, which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' deliver of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.12 below.

Table 3.2.12: Development timescales

Phase	Timings 1
Pre-construction (months)	9
Construction (months)	53
Residential Sales (months)	53

The sales rates are applied to the private housing only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the health provision, given their smaller scale of development we have allowed for a 24 month construction phase.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at West of Chiswell Green as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate benchmark land value ('BLV') identified in the CIL&LPVS, which in this instance is the Greenfield value of £370,000 per Ha, in order to determine whether this might be sufficient for the site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – West of Chiswell Green

Scenario appraised	Residual land value	BLV (based on £370,000 per Ha	Viable/ Unviable
40% AH & CIL	£30,729,000	£5,624,000	**Viable**

The appraisal scenario tested for West of Chiswell Green identifies that the proposed scheme is viable against the BLV of £370,000 per hectare when delivering 40% Affordable Housing, the proposed CIL charge and other policy requirements.

5 Conclusions and Recommendations

This testing demonstrates that the West of Chiswell Green strategic site is viable and deliverable having regard to both the Council's planning policy requirements (including affordable housing and development specified in Policy S6 x and the proposed Community Infrastructure Levy charging rates set out in BNPPRE's November 2017 CIL&LPVS.

In light of the above we recommend that the Council considers applying its CIL charges as proposed to the West of Chiswell Green strategic site.

Appendix 1 - Working assumptions adopted in appraisal

Name of site	West of Chiswell Green

Site Size (Gross) Ha	15.2
Site Size (Net) Ha	9.1
Total No Standard Residential units	365
Self build plots (3%)	11
Total units less self build (97%)	354
Care Home rooms	-
Extra Care / flexicare units	-
Special needs supporting living units	-
Traveller & Gypsy Pitches	-
No Phases	1

Unit mix Based on Typology 14

Site type	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total
Size (sq m)	50	70	86	108	79	93	115	125	
Percentage split	0%	0%	0%	0%	36%	56%	4%	4%	
Total Floor area (sq m)	-	-	-	-	10,068	18,436	1,628	1,770	31,902

Affordable Housing Analysis

Percentage	40%
Rented (50% Social rent and 50% Affordable Rent)	60%
Intermediate (Shared Ownership)	30%
Intermediate (Discount Market Sale)	10%

Resi floor area analysis

	Total	Phase 1
Private Floor area	19,141	19,141
Affordable Floor Area	12,761	12,761
Rented (50% Social rent and 50% Affordable Rent)	7,657	7,657
Shared ownership	3,828	3,828
Discount Market Sale	1,276	1,276

Self-Build units

	Total	Phase 1
No plots	11	11

Health provision

	Total	Phase 1
Gross floorarea (sq m)	106	-
Net floorarea (sq m)	87	-

Neighbourhood / Local Centre

	Total	Phase 1
Gross floorarea (sq m)	-	-
Net floorarea (sq m)	-	-

Care Homes

National Care Standards requirements

135	sq ft of useable floorspace, excluding ensuite		
38	sq ft of space for en-suite		
42	sq ft of communal space, excluding circulation		
-	rooms	-	floor area of rooms
		-	en-suite bathrooms
		-	communal space
		-	sq ft NIA
0.15	Circulation	-	sqft
		-	sqft GIA
		-	**sqm GIA**

Extra-Care / Flexi Care

	1 Bed 2p flat	2 bed 4p flat	Total	Private	Affordable Housing Rented (50% Social rent and 50% Affordable Rent)	Intermediate (Shared Ownership)
Size (sq m)	50	70				
Percentage split	50%	50%		60%		
Total Floor area (sq m) NIA	-	-	-	-	-	-
Total Floor area (sq m) GIA @60% Gross to Net assumption	-	-	-	-		

Special Needs Supported Living Units	
	1 Bed 2p flat
Size (sq m)	50
Percentage split	100%
Total Floor area (sq m) (Net)	-
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	-

	Total	Phase 1	Phase 2
Travellers Pitches in Ha	-	-	-

Timescales

	Total	Phase 1
Pre-constuction (months)	9	9
Construction (months)	53	53
Private Resi Sales (months)	53	53
Extra Care Units	0	0

	Total	Phase 1
No Private units less self build units	212	212

Revenue

Standard Residential	Capital value £ per sq m
Private Housing	£ 5,705
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,477
Shared Ownership	£ 3,579
Discount Market Sale (80% of Market Value)	£ 4,564

	Value per plot (assuming 4 bed house)
Self build plots	£ 400,000

	Capital value
Special needs supported living units	N/A

Care Home

Beds (Affordable)	0	£471	per week		90%	occupancy	£0
Beds (Pvt)	0	£800	per week		90%	occupancy	£0
					30%	of income	£0.00
Standard profit margin (EBITDA)					10%	yield	£0
Capitalise EBITDA							£0
Deduct	15%	for income shorfall to maturity					£0
Gross Adjusted turnkey value of Home							***£0***

Extra Care Housing	Capital value £ per sq m
Private	N/A
Affordable Rented (50% Social Rent 50% Affordable Rent)	N/A
Shared Ownership	N/A

	Rent per sq m	Yield	Rent Free & Void (months)
Commercial	N/A	N/A	N/A

Costs

Residual S106

	unit of measure	Total	Phase 1
Standard residential per unit	£ 1,150	£ 419,750	£ 419,750
Commercial per sq m	£ 20	£ -	£ -
Care Home per sq m	£ 20	£ -	£ -
Extra Care / Flexicare units per unit	£ 1,150	£ -	£ -
Special needs supported living per unit	£ 1,150	£ -	£ -
TOTAL			**£ 419,750**

CIL

	£ pr sq m	Total Floor area	Total	Phase 1
Resi	£ 150	19,141	2,871,223	£ 2,871,223
Care Home	£ 245	£ -	£ -	£ -
All other uses (Extra Care and special needs supported living units)	£ 20	£ -	£ -	£ -
All other uses (Commercial)	£ 20	£ -	£ -	£ -
Total				**£ 2,871,223**

S106 Infrastructure Costs

	Total costs
Transport	£ 1,095,000
Education (1 x 3FE Primary School @ £7.5 m & 1 x 6-8FE Secondary School @ £35m)	£ 2,737,500
Community Facilities (£1,000 per unit)	£ 365,000

	Per unit cost	Total costs
Strategic open space / green infrastructure	£ -	£ -
Local open space / play space / green infrastructure	£ 1,000	£ 365,000

	Per unit cost	Total costs	Phase 1
Site opening up costs Standard Resi	£ 20,000	£ 7,300,000	£ 7,300,000
Site opening up costs Other Residential uses	£ 10,000	£ -	£ -
			£ 7,300,000

Build costs

	Base per sq m	Externals per sq m	Lifetime homes (£3,200 per unit)	Accessable homes @ £26,000 per house and £11,000 per flatted unit	SUDS @ £2,500 per unit	Sustainability @ £5,000 per unit	Total
Resi	£ 1,124	£ 169	£ 37	£ 30	£ 29	£ 57	**£ 1,445**
Commercial	N/A	N/A	£ -	£ -	£ -	£ -	**N/A**
Health	£ 2,270	£ 227					**£ 2,497**
Care Home	£ 1,621	£ 146	£ -	£ -	£ -	£ -	**N/A**
Extra care / flexicare	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Special needs supported living	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**

Contingency on build costs	5%

Traveller's pitches	No pitches	Cost
Info from Dacorum BC 5 pitches = 0.5 Ha Each travellers pitch estimated to cost £242,000	-	£ -

Profit	
Private/Market Resi on GDV	20%
Affordable Resi on GDV	6%
Commercial on GDV	15%

Marketing /agency and legal fees	
Resi Sales agent and marketing on GDV	3.00%
Resi Sales legal fees on GDV	0.50%

Commercial Letting fee on rent pa	10.00%
Commercial Letting Legal fee on rent pa	5.00%
Commercial Sales fee on GDV	1.00%
Commercial Legal fee on GDV	0.50%

Professional fees	10%
Finance	7.00%

Appraisal Outcome

Residual Land Value @ 40% AH	**£ 30,729,000**
Benchmark Land Value Greenfield	£ 5,624,000
Appraisal outcome (Surplus/ Deficit)	**£ 25,105,000**

Appendix 2 - Argus appraisal summary

BNP Paribas Real Estate

Development Appraisal

West of Chiswell Green

40% AH

Report Date: 16 November 2018

APPRAISAL SUMMARY — BNP PARIBAS REAL ESTATE

West of Chiswell Green
40% AH

Summary Appraisal for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Rate m²**	**Unit Price**	**Gross Sales**
Private Residential	1	19,141.00	5,705.00	109,199,405	109,199,405
Affordable Housing - Rented	1	7,657.00	1,477.00	11,309,389	11,309,389
Affordable Housing - SO	1	3,828.00	3,579.00	13,700,412	13,700,412
Affordable Housing - DMR	1	1,276.00	3,564.00	4,547,664	4,547,664
Self Build Plots	11	0.00	0.00	400,000	4,400,000
Totals	**15**	**31,902.00**			**143,156,870**

NET REALISATION				**143,156,870**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			30,729,186	
Stamp Duty		5.00%	1,536,459	
Agent Fee		1.00%	307,292	
Legal Fee		0.80%	245,833	
				32,818,771
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Health Provision	106.10 m²	2,497.00 pm²	264,926	
Private Residential	19,141.00 m²	1,445.00 pm²	27,658,745	
Affordable Housing - Rented	7,657.00 m²	1,445.00 pm²	11,064,365	
Affordable Housing - SO	3,828.00 m²	1,445.00 pm²	5,531,460	
Affordable Housing - DMR	1,276.00 m²	1,445.00 pm²	1,843,820	
Totals	**32,008.10 m²**		**46,363,316**	**46,363,316**
Contingency		5.00%	2,336,416	

West of Chiswell Green
40% AH

Site opening up costs		7,300,000	
Local open/play space green infrast		365,000	
S106		419,750	
CIL		2,871,223	
Transport		1,095,000	
Education		2,737,500	
Community Facilities		365,000	
			17,489,889
PROFESSIONAL FEES			
Professional fees	10.00%	5,636,473	
			5,636,473
DISPOSAL FEES			
Resi Sales Agent and Marketing Fee	3.00%	3,275,982	
Commercial Sales Agent Fee	1.00%	89,477	
Sales Legal Fee	0.50%	715,784	
			4,081,243
Additional Costs			
Resi Private Profit	20.00%	22,749,414	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,500,588	
			24,250,002
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		10,444,781	
Construction		2,072,397	
Total Finance Cost			12,517,178
TOTAL COSTS			**143,156,871**
PROFIT			
			(1)

Performance Measures

APPRAISAL SUMMARY	**BNP PARIBAS REAL ESTATE**

West of Chiswell Green
40% AH

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
IRR	7.14%
Profit Erosion (finance rate 7.000%)	N/A

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study

Strategic Site Testing: West of London Colney

Prepared for

St Albans City and District Council

November 2018

Contents

Appendices

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1 Introduction

The National Planning Practice Guidance on Viability 2019 ('NPPG') identifies at paragraph 003 that, *"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."* However, it goes on to identify that the *"in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."* This is reiterated in paragraph 005 which sets out that, "*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."*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the West of London Colney strategic development site as allocated in the St Albans City and District Local Plan 2020-2036 Publication Draft 2018 ('LPPD'). This work follows the St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study ('CIL&LPVS') report dated November 2017, which tested the ability of a range of development types throughout the City and District to yield contributions to infrastructure requirements through the Community Infrastructure Levy ('CIL') along with the planning policy requirements of the emerging St Albans City and District Local Plan Draft and other key local policies and guidance as well as national policies.

This report has been prepared with the particular purpose of testing the cumulative impact of the Council's emerging requirements on the identified strategic development site including affordable housing, on-site Section 106 obligations, the Council's proposed CIL charges and on-site infrastructure and sustainability measures. This is in line with the requirements of the National Planning Policy Framework 2018 ('NPPF'), the NPPG and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that have been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council's CIL Charging Schedule and emerging local plan policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of strategic site

The Council's LPPD sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period the Council has identified a number of Strategic Development Sites ('strategic sites'). Given the importance of these strategic sites to the local growth strategy the Council has instructed BNP Paribas Real Estate to consider their viability in detail as well as their potential to contribute to infrastructure through CIL.

The Council has provided information to BNP Paribas Real Estate as to the assumptions for the development of the strategic development envisaged at West of London Colney as set out in Policy S6 ix - West of London Colney Broad Location. Table 2.1 sets out these assumptions including; the gross and net site areas, the number of residential units and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at West of London Colney

Element considered	Site specifications
Site Size Gross Net	 13.8 Ha 11 Ha
Number of residential units (Density circa 40 units per Ha) Estimated Self Build units @ 3%	440 13
Specialist housing **Extra care / flexicare (units)** **Other – special needs supported living**	 50 10
Health provision (provided on site assumed to be NIA)	105 square metres

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with that adopted in the CIL&LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the proposed development on the West of London Colney strategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements and CIL) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the proposed development on the West of London Colney strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value. If a development generates a RLV that is higher than the benchmark it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the benchmark, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Table 3.2.1 based on the mix adopted for Typology 14 in the CIL&LPVS on the basis that this is a reasonable assumption to test in a viability assessment, but understandably does not preclude other unit mixes. The size of units adopted in the study have been informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1: Unit mix

Unit type	2 Bed 4p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House
Unit size[1]	**79 sq m**	**93 sq m**	**115 sq m**	**125 sq m**
% tested in Scheme	36%	56%	4%	4%

3.2.2 Private/market residential sales values

We have adopted an average private/market residential sales value of £5,705 per sq m in our appraisal. This corresponds with the sales values adopted in the CIL&LPVS, which were based on research using sources including the Land Registry online database, Rightmove online database, our understanding of viability of live schemes in the District and discussions with active local agents.

3.2.3 Affordable housing

We understand that the LPPD Policy S6 ix identifies that development will be required to deliver a minimum of 40% affordable housing in accordance with Policy L3. Policy L3 (Provision of and Financial Contributions towards Affordable Housing) sets out that the Council will seek a minimum of 40% affordable homes as a proportion of the overall dwelling numbers on the site or an equivalent land area, on schemes of 10 (net) or more homes, unless it is clearly demonstrated that this is not economically viable. In such circumstances the Council will seek to negotiate the affordable housing provision at a level which allows the scheme to be viable. In addition the Council will seek 60% of the affordable housing as 'Affordable Housing for Rent' of which 30% is to be at social rents and the 30% is to be provided as "Affordable Rent" at a maximum of 80% of market rent. The remaining 40% affordable housing is to be provided as "Subsidised Home Ownership" including Shared Ownership, Starter Homes and Discounted Market Sales. Further, the policy identifies that at least 75% of such provision must be through Registered Providers to seek to secure the subsidy in perpetuity.

We note that the Council's saved Local Plan Policy 7a (Affordable Housing in Towns and Specified settlements) identifies that the Council will normally seek to negotiate an element of affordable housing on sites of over 0.4Ha and on sites of under this size where 15 or more dwellings are proposed based on site and marketing conditions and local housing need. We note that the Council's Affordable Housing Supplementary planning Guidance ('SPG') identifies that "the percentage of affordable housing required will normally be 35%" and that "The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented."

The Council have requested that we base our assessments on the higher emerging policy target of 40% with a tenure split provision of 60% Rented units (split 30% social rent and 30% Affordable Rent) and 40% as Subsidised Home Ownership units (split 30% shared ownership units and 10% Discount Market Sale).

As set out in the CIL&LPVS, we have used our bespoke model to value the affordable rented housing, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2017 - 2018 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP's) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt. Our appraisals assume that the Affordable Rent units are let at 80% or market rent, but which do not exceed Local Housing Allowance ('LHA') rates, so that they are affordable to households subject to the Universal Credit. Our calculations have identified that this to equate to an average capital value of £1,477 per square metre for such units.

[1] In line with the Government's "Technical housing standards nationally described space standard" published in March 2015.

We have appraised the intermediate shared ownership units, assuming that Registered Providers ('RPs') will sell 30% initial equity stakes at market and charge a rent of 2.75% on the retained equity. A 10% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 5%. We have assessed the capital value for such units to equate to £3,579 per square metre.

With respect to the Discount Market Sale units, we have appraised these units at 80% of the open market/private unit values. This equates to an average capital value of £4,564 per square metre.

3.2.4 Self-build plots

Policy S6 ix identifies that 3% of homes are to be provided as self-build housing. Given this, we have undertaken an assessment of the value of a serviced plot of land for a 4 bed self-build house (on the basis that this would be a reasonable average size of plot between 3 and 5 bed homes). This assessment has identified an average serviced plot value of £400,000, which we have adopted in our appraisal of the 13 self-build pots on the strategic site.

3.2.5 Extra care / flexicare units

Policy S6 ix sets out a requirement for at least one 50+ home Flexi-care scheme. The CIL&LPVS identified that Extra Care Housing (C3 Use) can be precisely defined (and differentiated from other types of residential institutions) by reason of some specific characteristics, as set out in the RTPI Good Practice Note. The Royal Town Planning Institute defines Extra Care Housing as, 'purpose-built accommodation in which varying amounts of care and support can be offered and where some services are shared'. People who live in Extra Care Housing have their own self-contained homes, their own front doors and a legal right to occupy the property. It comes in many built forms, including blocks of flats, bungalow estates and retirement villages. It is a popular choice among older people because it can sometimes provide an alternative to a care home.   In addition to the communal facilities often found in retirement housing Extra Care often includes a restaurant or dining room, health & fitness facilities, hobby rooms and even computer rooms. Domestic support and personal care are available, usually provided by on-site staff.

As with retirement housing it is recognised that Extra Care developments have different viability considerations to standard residential dwellings. These arise due to a significant gross to net ratio for such developments due to the need for more communal facilities as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience such units also achieve premium value.

In line with our assumptions adopted in the CIL&LPVS for such developments we have assumed that the 50 extra care units identified on the strategic site will be provided as 50% one and 50% two bedroom apartments. We have also allowed for a gross to net floorspace ratio of 60% and a higher average sales value reflecting £6,997 per square metre (£650 per square foot).

In line with the requirements of Policy S6 ix we have allowed for 40% of these units to be delivered as affordable housing with 60% provided as rented units (50% social rent and 50% affordable rent) and 40% as shared ownership.

3.2.6 Special needs supported living units

Policy S6 ix identifies that 10 special needs supported living units are be required to be provided as part of the development of the West of London Colney strategic site. We have assumed that these units would all be provided as a block of one bedroom apartments. Given the nature of such development we have valued these as affordable rented units, at a capital value of £1,665 per sq m. This is higher than the average value of the standard affordable rented units in the scheme as these units are all one bed units.

3.2.7 Base build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services ('BCIS'), which is based on tenders for actual schemes adjusted to reflect local circumstances in St Albans District. The base build costs used in our appraisals are set out in Table 3.2.7 below, these are in line with the costs adopted in the CIL&LPVS.

Table 3.2.7 Base build costs adopted in appraisal

Use	Base build costs per square metre
Residential houses	£ 1,124
Health	£ 2,270
Extra care / flexicare apartments	£ 1,736
Special needs supported living apartments	£ 1,736

In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the health use). The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and pavements/driveways/parking works within the site.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the CIL&LPVS we have also allowed for extra over costs associated with policy requirements. We summarise these costs below, which we have incorporated within our appraisals.

- Sustainable homes: £5,000 per unit;
- SUDs: £2,500 per residential unit;
- Lifetime Homes: £3,200 per unit; and
- Accessible units: £26,000 per house and £11,000 on apartments (10% of units only).

We have also included an allowance of £20,000 per standard residential unit and £10,000 per unit for all other specialist residential units for infrastructure costs. In our experience greenfield sites such as West of London Colney are likely to require significant development of infrastructure such as servicing and roads etc. to open up the site for development.

3.2.8 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

3.2.9 Development finance

In line with the CIL&LPVS, our appraisal assumes that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.10 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and the private extra care units and on the discount market sales affordable housing units.

We have included a 1% sales agent allowance on the self-build plots.

A 0.5% sales legal fee on GDV has been applied for all uses.

3.2.11 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value.

3.2.12 CIL and Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information as to the likely level of these costs including the apportionment of costs of delivering such infrastructure on existing sites in the District and high level knowledge of the likely specific costs being worked up at present. Given this these costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.12 below.

Table 3.2.12: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£8,404,000	1 x 2 FE Primary (assumes £7.5m per primary school) 1 X 6-8 FE Secondary (assumes £35m per secondary school)
Community Facilities	£440,000	Based on £1,000 per unit
Green infrastructure: Local open/play Space/Green Infrastructure	£440,000	Based on £1,000 per unit
Transport Infrastructure	£1,320,000	Allows for: - Local highway - on & off site - Sustainable travel - public transport; - Sustainable travel - walking + cycling on & off site
Total	**£10,604,000**	

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above. In line with the assumptions in the CIL&LPVS we have assumed £1,150 per unit and £20 per square metre for non-residential uses.

With respect to the delivery of open space, there are a number of allowances included in this assessment. Integral open/play space and non-strategic open space is accounted for through the allowance for external works on base build costs and a further £1,000 per residential unit allowance in the S106 contributions.

We have calculated the CIL liability of the proposed development based on the proposed CIL charges set out in the CIL&LPVS. These include £150 per square metre for residential floorspace and £20 per square metre for extra care, special needs supported living and commercial floorspace. Details of the calculation of the CIL liability are set out in Appendix 1.

3.2.13 Profit

As identified in the CIL&LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 20% on Gross Development Value (GDV) for private housing units, private extra care units, self-build plots and discount market rent affordable housing; and
- 6% on GDV for affordable rent and shared ownership affordable housing and extra care units and special needs supported living units.

3.2.14 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in two phases of circa 220 units each. We have assumed that the sales rate will be 4 units per month, which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' deliver of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.14 below.

Table 3.2.14: Development timescales

Phase	Total	Phase 1	Phase 2
Pre-construction (months)	18	9	9
Construction (months)	64	32	32
Residential Sales (months)	64	32	32
Extra Care Units	10	0	10

The sales rates are applied to the private housing and extra care unit only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the delivery of the extra care/flexicare, special needs supported living units and health provision we have included these within Phase 2 of the development. Given their smaller scale of development we have allowed for a 24 month construction phase for each use.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at West of London Colney as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate benchmark land value ('BLV') identified in the CIL&LPVS, which in this instance is the Greenfield value of £370,000 per Ha, in order to determine whether this might be sufficient for the site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – West of London Colney

Scenario appraised	Residual land value	BLV (based on £370,000 per Ha	Viable/ Unviable
40% AH & CIL	£29,445,000	£5,106,000	**Viable**

The appraisal scenario tested for West of London Colney identifies that the proposed scheme is viable against the BLV of £370,000 per hectare when delivering 40% Affordable Housing, the proposed CIL charge and other policy requirements.

5 Conclusions and Recommendations

This testing demonstrates that the West of London Colney strategic site is viable and deliverable having regard to both the Council's planning policy requirements (including affordable housing and development specified in Policy S6 ix and the proposed Community Infrastructure Levy charging rates set out in BNPPRE's November 2017 CIL&LPVS.

In light of the above we recommend that the Council considers applying its CIL charges as proposed to the West of London Colney strategic site.

Appendix 1 - Working assumptions adopted in appraisal

Name of site	West of London Colney

Site Size (Gross) Ha	13.8
Site Size (Net) Ha	11.0
Total No Standard Residential units	440
Self build plots (3%)	13
Total units less self build (97%)	427
Care Home rooms	-
Extra Care / flexicare units	50
Special needs supporting living units	10
Traveller & Gypsy Pitches	-
No Phases	2

Unit mix Based on Typology 14

Site type	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total
Size (sq m)	50	70	86	108	79	93	115	125	
Percentage split	0%	0%	0%	0%	36%	56%	4%	4%	
Total Floor area (sq m)	-	-	-	-	12,144	22,238	1,964	2,135	38,481

Affordable Housing Analysis

Percentage	40%
Rented (50% Social rent and 50% Affordable Rent)	60%
Intermediate (Shared Ownership)	30%
Intermediate (Discount Market Sale)	10%

Resi floor area analysis

	Total	Phase 1	Phase 2
Private Floor area	23,089	11,544	11,544
Affordable Floor Area	15,392	7,696	7,696
Rented (50% Social rent and 50% Affordable Rent)	9,235	4,618	4,618
Shared ownership	4,618	2,309	2,309
Discount Market Sale	1,539	770	770

Self-Build units

	Total	Phase 1	Phase 2
No plots	13	7	6

Health provision

	Total	Phase 1	Phase 2
Gross floorarea (sq m)	128	-	128.05
Net floorarea (sq m)	105	-	105.00

Neighbourhood / Local Centre

	Total	Phase 1	Phase 2
Gross floorarea (sq m)	-	-	-
Net floorarea (sq m)	-	-	-

Care Homes — Phase 2

National Care Standards requirements			
135	sq ft of useable floorspace, excluding ensuite		
38	sq ft of space for en-suite		
42	sq ft of communal space, excluding circulation		
-	rooms	-	floor area of rooms
		-	en-suite bathrooms
		-	communal space
		-	sq ft NIA
0.15	Circulation	-	sqft
		-	sqft GIA
		-	**sqm GIA**

Extra-Care / Flexi Care — Phase 2

	1 Bed 2p flat	2 bed 4p flat	Total	Private	Affordable Housing: Rented (50% Social rent and 50% Affordable Rent)	Affordable Housing: Intermediate (Shared Ownership)
Size (sq m)	50	70				
Percentage split	50%	50%		60%		
Total Floor area (sq m) NIA	1,250	1,750	3,000	1,800	720	480
Total Floor area (sq m) GIA @60% Gross to Net assumption	2,083	2,917	5,000	3,000		

Special Needs Supported Living Units	Phase 2
	1 Bed 2p flat
Size (sq m)	50
Percentage split	100%
Total Floor area (sq m) (Net)	500
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	667

	Total	Phase 1	Phase 2
Travellers Pitches in Ha	-	-	-

Timescales

	Total	Phase 1	Phase 2
Pre-constuction (months)	18	9	9
Construction (months)	64	32	32
Private Resi Sales (months)	64	32	32
Extra Care Units	10	0	10

	Total	Phase 1	Phase 2
No Private units less self build units	256	128	128

Revenue

Standard Residential	Capital value £ per sq m
Private Housing	£ 5,705
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,477
Shared Ownership	£ 3,579
Discount Market Sale (80% of Market Value)	£ 4,564

	Value per plot (assuming 4 bed house)
Self build plots	£ 400,000

	Capital value
Special needs supported living units	£1,477

Care Home

Beds (Affordable)	0	£471	per week		90%	occupancy	£0
Beds (Pvt)	0	£800	per week		90%	occupancy	£0
					30%	of income	£0.00
Standard profit margin (EBITDA)					10%	yield	£0
Capitalise EBITDA							£0
Deduct	15%	for income shorfall to maturity					£0
Gross Adjusted turnkey value of Home							***£0***

Extra Care Housing	Capital value £ per sq m
Private	£ 6,997
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 1,665
Shared Ownership	£ 4,349

	Rent per sq m	Yield	Rent Free & Void (months)
Commercial	£237	6.50%	18

Costs

Residual S106

	unit of measure	Total	Phase 1	Phase 2
Standard residential per unit	£ 1,150	£ 506,000	£ 253,000	£ 253,000
Commercial per sq m	£ 20	£ -	£ -	£ -
Care Home per sq m	£ 20	£ -	£ -	£ -
Extra Care / Flexicare units per unit	£ 1,150	£ 57,500	£ -	£ 57,500
Special needs supported living per unit	£ 1,150	£ 11,500	£ -	£ 11,500
TOTAL			**£ 253,000**	**£ 322,000**

CIL

	£ pr sq m	Total Floor area	Total	Phase 1	Phase 2
Resi	£ 150	23,089	3,463,312	£ 1,731,656	£ 1,731,656
Care Home	£ 245	£ -	£ -	£ -	£ -
All other uses (Extra Care and special needs supported living units)	£ 20	£ 3,667	£ 73,333	£ -	£ 73,333
All other uses (Commercial)	£ 20	£ -	£ -	£ -	£ -
Total				**£ 1,731,656**	**£ 1,804,989**

S106 Infrastructure Costs

	Total costs
Transport	£ 1,320,000
Education (1 x 3FE Primary School @ £7.5 m & 1 x 6-8FE Secondary School @ £35m)	£ 8,404,000
Community Facilities (£1,000 per unit)	£ 440,000

	Per unit cost	Total costs
Strategic open space / green infrastructure	£ -	£ -
Local open space / play space / green infrastructure	£ 1,000	£ 440,000

	Per unit cost	Total costs	Phase 1	Phase 2
Site opening up costs Standard Resi	£ 20,000	£ 8,800,000	£ 4,400,000	£ 4,400,000
Site opening up costs Other Residential uses	£ 10,000	£ 600,000	£ 300,000	£ 300,000
			£ 4,700,000	£ 4,700,000

Build costs

	Base per sq m	Externals per sq m	Lifetime homes (£3,200 per unit)	Accessable homes @ £26,000 per house and £11,000 per flatted unit	SUDS @ £2,500 per unit	Sustainability @ £5,000 per unit	Total
Resi	£ 1,124	£ 169	£ 37	£ 30	£ 29	£ 57	**£ 1,445**
Commercial	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Health	£ 2,270	£ 227					**£ 2,497**
Care Home	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Extra care / flexicare	£ 1,736	£ 260	£ 32	£ 11	£ 25	£ 50	**£ 2,114**
Special needs supported living	£ 1,736	£ 260	£ 48	£ 17	£ 38	£ 75	**£ 2,173**

Contingency on build costs	5%

Traveller's pitches	No pitches	Cost
Info from Dacorum BC 5 pitches = 0.5 Ha Each travellers pitch estimated to cost £242,000	-	£ -

Profit

Private/Market Resi on GDV	20%
Affordable Resi on GDV	6%
Commercial on GDV	15%

Marketing /agency and legal fees

Resi Sales agent and marketing on GDV	3.00%
Resi Sales legal fees on GDV	0.50%

Commercial Letting fee on rent pa	10.00%
Commercial Letting Legal fee on rent pa	5.00%
Commercial Sales fee on GDV	1.00%
Commercial Legal fee on GDV	0.50%

Professional fees	10%
Finance	7.00%

Appraisal Outcome

Residual Land Value @ 40% AH	**£ 29,445,000**
Benchmark Land Value Greenfield	£ 5,106,000
Appraisal outcome (Surplus/ Deficit)	**£ 24,339,000**

Appendix 2 - Argus appraisal summary

BNP Paribas Real Estate

Development Appraisal

West of London Colney

40% AH

Report Date: 16 November 2018

West of London Colney
40% AH

Summary Appraisal for Merged Phases 1 2

Currency in £

REVENUE

Sales Valuation	Units	m²	Rate m²	Unit Price	Gross Sales
Private Residential	1	11,544.00	5,705.00	65,858,520	65,858,520
Affordable Housing - Rented	1	4,618.00	1,477.00	6,820,786	6,820,786
Affordable Housing - SO	1	2,309.00	3,579.00	8,263,911	8,263,911
Affordable Housing - DMR	1	770.00	3,564.00	2,744,280	2,744,280
Self Build Plots	7	0.00	0.00	400,000	2,800,000
Private Residential	1	11,544.00	5,705.00	65,858,520	65,858,520
Affordable Housing - Rented	1	4,618.00	1,477.00	6,820,786	6,820,786
Affordable Housing - SO	1	2,309.00	3,579.00	8,263,911	8,263,911
Affordable Housing - DMR	1	770.00	3,564.00	2,744,280	2,744,280
Special Needs Supported Living	1	500.00	1,665.00	832,500	832,500
Self Build Plots	6	0.00	0.00	400,000	2,400,000
Extra/Flexi Care Housing - Private	1	1,800.00	6,997.00	12,594,600	12,594,600
Extra/Flexi Care Housing - Aff Rented	1	720.00	1,665.00	1,198,800	1,198,800
Extra/Flexi Care Housing - Aff SO	1	480.00	4,349.00	2,087,520	2,087,520
Totals	**25**	**41,982.00**			**189,288,414**

NET REALISATION			**189,288,414**
OUTLAY			
ACQUISITION COSTS			
Residualised Price		29,445,363	
Stamp Duty	5.00%	1,472,268	
Agent Fee	1.00%	294,454	
Legal Fee	0.80%	235,563	
			31,447,648

CONSTRUCTION COSTS

West of London Colney
40% AH

Construction	**m²**	**Rate m²**	**Cost**	
Health Provision	128.05 m²	2,497.00 pm²	319,738	
Private Residential	11,544.00 m²	1,445.00 pm²	16,681,080	
Affordable Housing - Rented	4,618.00 m²	1,445.00 pm²	6,673,010	
Affordable Housing - SO	2,309.00 m²	1,445.00 pm²	3,336,505	
Affordable Housing - DMR	770.00 m²	1,445.00 pm²	1,112,650	
Private Residential	11,544.00 m²	1,445.00 pm²	16,681,080	
Affordable Housing - Rented	4,618.00 m²	1,445.00 pm²	6,673,010	
Affordable Housing - SO	2,309.00 m²	1,445.00 pm²	3,336,505	
Affordable Housing - DMR	770.00 m²	1,445.00 pm²	1,112,650	
Special Needs Supported Living	666.67 m²	2,173.00 pm²	1,448,667	
Extra/Flexi Care Housing - Private	3,000.00 m²	2,114.00 pm²	6,342,000	
Extra/Flexi Care Housing - Aff Rented	1,200.00 m²	2,114.00 pm²	2,536,800	
Extra/Flexi Care Housing - Aff SO	800.00 m²	2,114.00 pm²	1,691,200	
Totals	**44,276.72 m²**		**67,944,894**	**67,944,894**
Contingency		5.00%	3,419,245	
Site opening up costs			9,400,000	
Local open/play space green infrast			440,000	
S106			575,000	
CIL			3,536,645	
Transport			1,320,000	
Education			8,404,000	
Community Facilities			440,000	
				27,534,890
PROFESSIONAL FEES				
Professional fees		10.00%	8,120,414	
				8,120,414
DISPOSAL FEES				
Resi Sales Agent and Marketing Fee		3.00%	4,329,349	
Commercial Sales Agent Fee		1.00%	106,886	
Sales Legal Fee		0.50%	946,442	
				5,382,677

West of London Colney
40% AH

Additional Costs			
Resi Private Profit	20.00%	13,720,560	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	905,082	
Resi Private Profit	20.00%	16,239,480	
Resi & Extr Care Aff, Sp Nds Profit	6.00%	1,152,211	
			32,017,333
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Total Finance Cost			16,840,560
TOTAL COSTS			**189,288,415**
PROFIT			
			(1)
Performance Measures			
Profit on Cost%	0.00%		
Profit on GDV%	0.00%		
Profit on NDV%	0.00%		
IRR	6.92%		
Profit Erosion (finance rate 7.000%)	N/A		