DRAFT for Consultation (Redacted)

Viability Report

Selby Local Plan and CIL Viability Report

Selby District Council

January 2021

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ES 2 The primary aim of the commission is to produce an up-to-date viability assessment, which will form a robust and sound evidence base for the new Local Plan to be adopted and the current CIL charging schedule to be updated. The new Local Plan will cover a 20 year period to the year 2040, it will be a combined strategy, policies and allocations document and will replace the existing saved policies in the 2005 Selby District Local Plan and the strategic policies in the 2013 Core Strategy. The Community Infrastructure Levy (CIL) charging schedule has been in place since January 2016. The Council currently charges CIL on private market houses (not apartments), supermarkets and retail warehouses.

ES 3 The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors; however, the exact consequences of the Covid-19 outbreak are unknown and we are faced with an unprecedented set of circumstances on which to base a judgement.

ES 4 There is therefore a higher degree of uncertainty than would normally be the case. We have conducted our market research based on the existing available evidence and our assumptions are based on a 'business as normal' approach. Our appraisals herein include sensitivity analysis on values. This is to provide some futureproofing to the study. The assumptions used may be subject to change and we recommend that the conclusions of this report are kept under review.

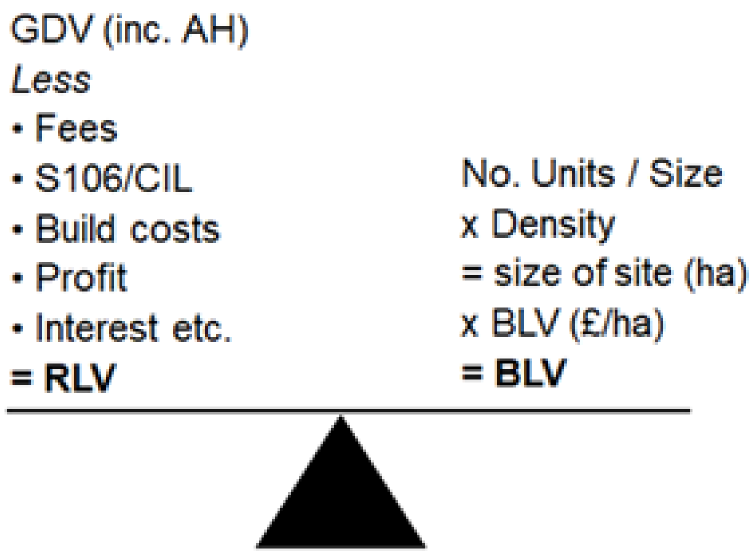
ES 5 We have reviewed the July 2020 draft of the emerging Selby Local Plan in order to test the cumulative impact of these policies in the context of the Local Plan.

ES 6 We have carried out a review of the market for new build residential sales and development land values in Selby (see Appendices 3 and 4 respectively). We have also carried out a review of the commercial property market for commercial and retail uses (Appendix 8 and 9)

ES 7 Our financial viability appraisal has been carried out having regard to the various statutory requirements comprising primary legislation, planning policy, statutory regulations and guidance.

ES 8 Our general approach is illustrated on the diagram below (Figure ES.1). This is explained in more detail in Section 4 – Viability Assessment Method.

Figure ES.1 – Balance between RLV and BLV



Source: AspinallVerdi © Copyright

ES 9 We have carried out residual appraisals to establish the Residual Land Value (RLV). This is a traditional model having regard to: the gross development value (GDV) of the scheme; including Affordable Housing; and deducting all costs; including CIL; to arrive at the RLV. A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

ES 10 We have had regard to the cumulative impact of the Local Plan policies. The impact of each of the policies (either direct or indirect) is set out on the policies matrix (at Appendix 1).

ES 11 This is then compared to the Benchmark Land Value (BLV). The BLV is the price at which a landowner will be willing to sell their land for development and is derived from benchmark Market Values and Existing Use Values (EUV), the size of the hypothetical scheme and the development density assumption.

ES 12 The RLV less BLV results in an appraisal 'balance' which should be interpreted as follows:

- If the 'balance' is positive, then the proposal / policy is viable. We describe this as being 'viable for plan making purposes' herein.
- If the 'balance' is negative, then the proposal / policy is 'not viable for plan making purposes' and the CIL and/or Affordable Housing policy should be reviewed.

ES 13 In addition to the RLV appraisals and BLV analysis, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of viability and to appreciate the sensitivity of the appraisals to key variables such as: Affordable Housing %; infrastructure costs; density; BLV and profit; and, to consider the impact of rising construction costs. This is to de-emphasise the BLV in each typology and help consider viability 'in-the-round' i.e. in the context of sales values, development costs, contingency, developer's profit which make up the appraisal inputs.

ES 14 ***It is important to note that the BLV's contained herein are for 'high-level' plan viability purposes and the appraisals should be read in the context of the BLV sensitivity table (contained within the appraisals). It is important to emphasise that the adoption of a particular BLV £ in the base-case appraisal typologies in no way implies that this figure can be used by applicants to negotiate site specific planning applications. Where sites have obvious abnormal costs (e.g. sloping topography or limited access etc.) these costs should be deducted from the value of the land. The land value for site specific viability appraisals should be thoroughly evidenced having regard to the existing use value of the site in accordance with the PPG. This report is for plan-making purposes and is 'without prejudice' to future site-specific planning applications***.

ES 15 Our detailed assumptions and results are set out in sections 5 - 9 of this report together with our detailed appraisals which are appended. In summary we make the following recommendations:

Strategic Sites

ES 16 We have appraised 7 strategic sites allowing for 20% affordable housing and £0.00 psm CIL.

ES 17 We have included within the appraisal the significant costs of site specific S106 and infrastructure costs for each strategic site. These assumptions are set out in the Strategic Site Assumptions at Appendix 6 (which are based on stakeholder consultation and the Council's IDP).

ES 18 Based on the viability results, we recommend that:

- Eggborough West and Church Fenton provide the lowest viability and delivery risk.
- Burn Airfield and Cross Hills provide medium-high level of viability and delivery risk
- Heronby and Escrick Urban Extension provide the highest viability and delivery risk

Residential Typologies

ES 19 We have appraised a wide range of district wide residential typologies ranging between 8-units and 300 units, this includes rural exception sites, designated rural areas and older persons housing.

ES 20 We recommend the following affordable housing rates:

- High Value Area: 20% affordable housing
- Low Value Area – Greenfield – 10%
- Low Value Area – Brownfield – 5%
- Extra Care / Sheltered Housing – 0%

ES 21 The above rates are viable when CIL is set at £0 psm. We would therefore recommend that for the Local Plan to come forward at the above levels of affordable housing, CIL should be removed.

Commercial and Retail Typologies

ES 22 The commercial appraisals demonstrated that commercial development is unviable within the district, we therefore recommend that CIL remains at £0 psm for commercial uses.

ES 23 The retail typologies are viable, however, in this current climate development viability is challenging for most commercial schemes including retail. We consider that retaining CIL on retail uses is likely to contribute only marginally to the overall infrastructure funding and site-specific mitigation can always be achieved through S106. We would not therefore recommend retaining CIL on retail (should CIL be withdrawn for residential uses).

1 Introduction

1.1 AspinallVerdi has been appointed by Selby District Council (SDC, the Council, the Local Planning Authority (LPA) as the context requires) to provide a Financial Viability Assessment (FVA) in respect of the Council's Draft Local Plan and CIL Charging Schedule.

1.2 The primary aim of the commission is to produce an up-to-date viability assessment, which will form a robust and sound evidence base for the new Local Plan to be adopted and the current CIL charging schedule to be updated. The new Local Plan will cover a 20-year period to the year 2040, it will be a combined strategy, policies and allocations document and will replace the existing saved policies in the 2005 Selby District Local Plan and the strategic policies in the 2013 Core Strategy. The Community Infrastructure Levy (CIL) charging schedule has been in place since January 2016. The Council currently charges CIL on private market houses (not apartments), supermarkets and retail warehouses.

1.3 In carrying out our review of the Local Plan, we have had regard to the cumulative impact on development of the Local Plan policies. The objectives of the commission are:

- To provide an assessment including the cumulative impact of the proposed policy requirements on the viability of development across a range of site typologies and locations in order to satisfy the tests of viability and deliverability set out in the NPPF (National Planning Practice Guidance).
- To advise on affordable housing and CIL in the context of the emerging Plan in accordance with the Community Infrastructure Levy (CIL) regulations 2010 (as amended).
- Ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.
- Set viable policy requirements that take account of affordable housing and infrastructure needs.
- Allocate sites and set polices for sites, such as affordable housing requirements, which are deliverable, without the need for further viability assessment at the decision making stage.
- Develop typologies for certain types of sites to determine viability at the plan making stage.
- Review the existing CIL charging schedule and recommend any changes that may be required.

RICS Practice Statement

1.4 Our FVA has been carried out in accordance with the RICS Financial Viability in Planning: Conduct and Reporting Practice Statement (1st Edition, May 2019).

1.5 Our FVA has also been carried out in accordance with the RICS Financial Viability in Planning guidance (1st Edition, August 2012) having regard to the 2018/19 revisions to the National Planning Policy Framework (NPPF, Last updated 19 June 2019) and the Planning Practice Guidance (PPG, Last updated 1 September 2019). The RICS FVIP guidance is currently under review by an industry-wide steering group led by the RICS.

Objectivity, Impartiality and Reasonableness

1.6 We have carried out our review in collaboration with the Council as the Local Planning Authority (LPA) and in consultation with industry (Registered Providers, developers and landowners). At all times we have acted with objectivity, impartially and without interference when carrying out our viability assessment and review.

1.7 At all stages of the viability process, we have advocated reasonable, transparent and appropriate engagement between the parties.

Conflicts of Interest

1.8 We confirm that we have no conflict of interest in providing this advice and we have acted independently and impartially.

Local Plan Reviewed

1.9 We have reviewed the July 2020 draft of the emerging Selby Local Plan in order to test the cumulative impact of these policies in the context of the Local Plan.

Corona Virus Uncertainty

1.10 The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors; however, the exact consequences of the Covid-19 outbreak are unknown and we are faced with an unprecedented set of circumstances on which to base a judgement.

1.11 There is therefore a higher degree of uncertainty than would normally be the case. We have conducted our market research based on the existing available evidence and our assumptions are based on a ‘business as normal’ approach. Our appraisals herein include sensitivity analysis on values. This is to provide some futureproofing to the study. The assumptions used may be subject to change and we recommend that the conclusions of this report are kept under review.

1.12 The remainder of this report is structured as follows:

Section:	Contents:
Section 2 - National Planning Context	This section sets out the statutory requirements for the Local Plan and CIL viability including the NPPF, CIL Regulations and PPG website.
Section 3 - Local Planning Context	This section sets out the details of the existing evidence base and the Local Plan policies which will have a direct impact on viability. The assumptions we have made to mitigate such policies are set out in the following sections.
Section 5 – Viability Assessment Methodology	This section describes our generic methodology for appraising the viability of development which is based on the residual approach as required by guidance and best practice.
Sections 5 – Residential Assumptions	We set out the development typologies that are to be tested as part of the study and summarise the cost and value assumptions made in the financial appraisals. This section references separate papers on the residential market and land values which are appended to this report.
Section 6 – Older Persons Housing	This section sets out the typologies tested and the key value and cost assumptions.
Section 7 – Residential Viability Results	We present the findings of our financial appraisals for the District wide residential typologies (general needs and older persons).
Section 8 – Strategic Sites	We analyse the viability and delivery of the potential strategic sites.
Section 9 – Retail and Commercial Uses	We set out the assumptions used and the results of our viability testing in respect of retail and commercial typologies.
Section 10 - Conclusions and Recommendations	Finally, we make our recommendations in respect of the Local Plan including affordable housing, CIL and other planning policy costs.

2 National Policy Context

2.1 Our financial viability appraisal has been carried out having regard to the various statutory requirements comprising primary legislation, planning policy, statutory regulations and guidance.

2.2 We set out some observations below on the new NPPF (Last updated 19 June 2019) and updated Viability PPG (Last updated 1 September 2019) and Community Infrastructure Levy PPG (Last updated 16 November 2020).

National Planning Policy Framework

2.3 The NPPF confirms the Government's planning policies for England and how these should be applied and provides a framework within which locally-prepared plans for housing and other development can be produced[1].

2.4 It confirms the primacy of the development plan in determining planning applications. It confirms that the NPPF must be taken into account in preparing the development plan, and is a material consideration in planning decisions[2].

2.5 It is important to note that within the new NPPF, paragraph 173 of the old NPPF has been deleted. The old paragraph 173 referred to viability and required *'competitive returns to a willing land owner and willing developer to enable the development to be deliverable'.*

2.6 The new NPPF refers increasingly to *deliverability* rather than *viability* as follows:

Development Contributions

2.7 Paragraph 34 states:

Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the ***deliverability*** *of the plan.*

Planning Conditions and Obligations

2.8 Paragraph 57 states:

Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the

[1] National Planning Policy Framework, February 2019, para 1
[2] National Planning Policy Framework, February 2019, para 2

application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

2.9 We understand that the Government's objective is to reduce the delays to delivery of new housing due to the site-specific viability process that was created as a result of the previous paragraph 173. Once a new Local Plan is adopted no site-specific viability assessment should be required (except in exceptional circumstances) and developers should factor into their land buying decisions the cost of planning obligations (including affordable housing).

2.10 The NPPF restates the tests for planning obligations which are set out under the CIL Regulations 2010[3], as follows:

a) necessary to make the development acceptable in planning terms;
b) directly related to the development; and
c) fairly and reasonably related in scale and kind to the development.

2.11 Notwithstanding the latest changes to the CIL Regulations (2019) which do away with the requirements for a Regulation 123 list of infrastructure, these tests ensure that Local Authorities cannot charge S106 or CIL twice ('double-dip') for the same infrastructure (as this would not be fair and reasonable).

Planning Practice Guidance for Viability

2.12 The Planning Practice Guidance for Viability was first published in March 2014 and substantially updated at the same time as the NPPF in July 2018. This has subsequently been updated again in February 2019, May 2019 and latterly 1 September 2019. Below we summarise some key aspects of the PPG for this study.

2.13 The PPG paragraph 001 confirms that for viability and plan making:

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

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant

[3] Set out in Regulation 122(2) of the Community Infrastructure Levy Regulations 2010

policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types or location of site or types of development.[4]

2.14 The PPG therefore confirms that Local Authorities can set different levels of CIL and/or affordable housing by greenfield or brownfield typologies.

Deliverability

2.15 The PPG addresses the question, *'how should plan makers and site promoters ensure that policy requirements for contributions from development are deliverable?'* It confirms that (paragraph 002):

It is the responsibility of site promoters to engage in plan making, taking into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan. Landowners and site purchasers should consider this when agreeing land transactions.[5]

2.16 In this respect we have previously carried out a stakeholder workshop to consult with industry (Registered Providers, developers and landowners) in respect of the cost, value and BLV assumptions of the site allocations and we have consulted privately on a one-to-one basis with land owners and site promotors of Key Large / Strategic Sites.

Strategic Sites

2.17 Paragraph 005 of the PPG refers specifically to strategic sites:

It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.[6]

2.18 And, paragraph 006:

[4] Paragraph: 001 Reference ID: 10-001-20190509, Revision date: 09 05 2019
[5] Paragraph: 002 Reference ID: 10-002-20190509, Revision date: 09 05 2019
[6] Paragraph: 005 Reference ID: 10-005-20180724, Revision date: 24 07 2018

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

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

Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.[7]

2.19 In this respect we have carried out detailed consultation and engagement on a one-to-one basis with landowners, site promotors and developers of potential Key Large / Strategic Site allocations. This is to establish, not only their viability, but also their deliverability in terms of development over the new Local Plan period.

Standardised Inputs

2.20 Paragraph 006 reconfirms the guidance at paragraph 002. The RLV price paid for the site at the point of planning consent must be on a policy compliant basis.

2.21 The PPG also sets out standardised inputs to viability assessment. See also our detailed methodology and approach in section 4 in this respect.

2.22 Paragraph 010 of the PPG describes the principles for carrying out a viability assessment. It stated that, *'viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it'* […] '*in plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*'[8]

[7] Paragraph: 006 Reference ID: 10-006-20190509, Revision date: 09 05 2019
[8] Paragraph: 010 Reference ID: 10-010-20180724, Revision date: 24 07 2018

2.23 The PPG describes how the gross development value and costs should be defined for the purposes of viability assessment (Paragraphs 011 and 012).

2.24 Specifically, the PPG describes how land value should be defined for the purposes of viability assessment. In this respect the *'benchmark land value should be established on the basis of the* ***existing use value (EUV) of the land, plus a premium*** *for the landowner*.' (Paragraph 013)[9]

2.25 However, it is important to note that a paragraph 014 the PPG confirms that, '*market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners'*. And, '*this evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time*.' And, '*in plan making, the landowner premium should be tested and balanced against emerging policies'*.[10]

2.26 It is important that viability assessments are set within the context of the real estate market and that the BLV is not set too low so as to give a false impression of viability. Market evidence is important in this context but we note that the PPG paragraphs 2, 4, 14 and 18 all state that the actual price cannot be used as a reason not to accord with plan policies.

2.27 The PPG defines EUV as follows:

(Paragraph 015) '[…] *EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types*.[11]

2.28 The PPG also defines the premium to the landowner:

(Paragraph 016) *'The premium (or the 'plus' in EUV+) […] is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.*

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the ***best available evidence informed by cross sector***

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[9] Paragraph: 013 Reference ID: 10-013-20180724, Revision date: 24 07 2018
[10] Paragraph: 014 Reference ID: 10-014-20190509, Revision date: 09 05 2019
[11] Paragraph: 015 Reference ID: 10-015-20190509, Revision date: 09 05 2019

collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check *to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. […] Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).*[12] (our emphasis).

2.29 This is what we have done – see our commentary below in Section 4 in respect of our detailed methodology and also our separate Land Value Review paper (Appendix 4).

2.30 Paragraph 017 of the PPG refers to alternative use value (AUV) for establishing benchmark land values. This is more at the decision-making stage as our site typologies herein are all for broadly defined uses.

2.31 Finally, the PPG also defines developer's return / profit for the purposes of viability assessment:

'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.'[13]

2.32 In this respect we have provided sensitivities on the profit margin.

Planning Practice Guidance for CIL

2.33 There is a separate section of the PPG for CIL (Community Infrastructure Levy). The key guidance for our viability assessment is set out below. The CIL PPG guidance was first published in June 2014 and last updated in November 2020. The PPG is intended to provide clarity on the CIL Statutory Regulations which were first introduced in April 2010 and amended in February 2011, November 2012, April 2013, February 2014, and March 2015[14]. The Regulations have never been consolidated.

2.34 The PPG requires that '*charging authorities should think strategically in their use of the levy to ensure that key infrastructure priorities are delivered to facilitate growth and the economic benefit of the wider area'*.[15] Also, '*when deciding the levy rates, an authority must strike an* ***appropriate***

[12] Paragraph: 016 Reference ID: 10-016-20190509, Revision date: 09 05 2019
[13] Paragraph: 018 Reference ID: 10-018-20190509, Revision date: 09 05 2019
[14] https://www.local.gov.uk/pas/pas-topics/infrastructure/cil-regulations-and-dclg-documents
[15] Paragraph: 012 Reference ID: 25-012-20190901, Revision date: 01 09 2019

***balance** between additional investment to support development and the potential effect on the viability of developments.*.[16] (our emphasis)

2.35 In this respect, CIL **Regulation 14** requires that -

A charging authority must strike what appears to the charging authority to be an *appropriate balance* between —

(a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and

(b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.[17]

2.36 Paragraph 019 of the CIL guidance state that, '*a charging authority should be able to explain how their proposed levy rate or rates will contribute towards new infrastructure to support development across their area. Charging authorities will need to summarise their economic viability assessment. Viability assessments should be **proportionate, simple, transparent** and publicly available in accordance with the viability guidance… This evidence should … [show] the potential effects of the proposed levy rate or rates on the economic viability of development across the authority's area'*[18] – hence this report.

2.37 Paragraph 020 states that, *'a charging authority must use '**appropriate available evidence'** (as defined in the section 211(7A) of the Planning Act 2008) to inform the preparation of their draft charging schedule. It is recognised that the available data is **unlikely to be fully comprehensive.** Charging authorities need to demonstrate that their proposed levy rate or rates are informed by **'appropriate available'** evidence and consistent with that evidence across their area as a whole*. [19] (our emphasis)

'In addition, a charging authority should directly sample an appropriate range of types of sites across its area, in line with planning practice guidance on viability. This will require support from local developers'[20].

*'Charging authorities that decide to set **differential rates** may need to undertake more fine-grained sampling, on a higher proportion of total sites, to help them to estimate the boundaries*

[16] Paragraph: 010 Reference ID: 25-010-20190901, Revision date: 01 09 2019
[17] The Community Infrastructure Levy Regulations 2010, 6 April 2010 under section 222(2)(b) of the Planning Act 2008 Regulation 14
[18] Paragraph: 019 Reference ID: 25-019-20190901, Revision date: 01 09 2019
[19] Paragraph: 020 Reference ID: 25-020-20190901, Revision date: 01 09 2019
[20] Paragraph: 020 Reference ID: 25-020-20190901, Revision date: 01 09 2019

for their differential rates. Fine-grained sampling is also likely to be necessary where they wish to differentiate between categories or scales of intended use.' [21] (our emphasis)

'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be ***appropriate to ensure that a 'buffer' or margin is included****, so that the levy rate is able to support development when economic circumstances adjust'*. [22] (our emphasis)

2.38 Paragraph 022 confirms that, '*the regulations allow charging authorities to apply* ***differential rates*** *in a flexible way, to help ensure the viability of development is not put at risk'*. And, *'differential rates should not be used as a means to deliver policy objectives'*.

'*Differential rates may be appropriate in relation to -*

- *geographical zones within the charging authority's boundary*
- ***types*** *of development; and/or*
- *scales of development'*. [23] (our emphasis)

2.39 It is important to note that the CIL Regulations refer to 'use' here rather than 'type' of development. Regulation 13 states that –

A charging authority may set differential rates—

> *(a) for different zones in which development would be situated [2010 Regulations];*
>
> *(b) by reference to different intended* ***uses*** *of development [2010 Regulations];*
>
> *(c) by reference to the intended gross internal area of development [2014 Regulations];*
>
> *(d) by reference to the intended number of dwellings or units to be constructed or provided under a planning permission [2014 Regulations].*[24]

2.40 This is important, because development on brownfield land could be considered a 'type' of development, but it is not a 'use'. Paragraph: 023 Reference ID: 25-023-20190901[25] refers to *'How can rates be set by type of use?'* This states that, '*the definition of "use" for this purpose is not tied to the classes of development in the Town and Country Planning Act (Use Classes) Order 1987'.*

[21] Paragraph: 020 Reference ID: 25-020-20190901, Revision date: 01 09 2019
[22] Paragraph: 020 Reference ID: 25-020-20190901, Revision date: 01 09 2019
[23] Paragraph: 022 Reference ID: 25-022-20190901, Revision date: 01 09 2019
[24] The Community Infrastructure Levy Regulations 2010 and (Amendment) Regulations 2014
[25] Revision date: 01 09 2019

2.41 Given the increasing emphasis in the NPPF and PPF on certainty in respect of policy obligations; innovation in respect of best practice[26]; and the wisdom of bringing Local Plan and CIL viability reviews into synchronisation, we have long advocated differentiating CIL (and affordable housing targets) by greenfield and brownfield (previously developed land) typologies based on the evidence (herein).

2.42 This has now been further clarified in PPG CIL paragraph 025[27] which states that, '*the uplift in land value that development creates is affected by the existing use of land and proposed use. For example, viability may be different if high value uses are created on land in an existing low value area compared to the creation of lower value uses or development on land already in a higher value area. Charging authorities can take these factors into account in the evidence used to set differential levy rates, in order to optimise the funding received through the levy'*.

2.43 This, together with PPG Viability paragraph 001, therefore confirms that CIL and affordable housing can be differentiated by greenfield and brownfield existing site typologies. This should make the process of planning and development (land value capture) much simpler and more efficient.

2.44 PPG Paragraph 022 goes on, '*a charging authority that plans to set differential rates should seek to* ***avoid undue complexity.*** *Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development. Charging authorities may wish to consider how any differential rates appropriately reflect the viability of the size, type and tenure of housing needed for different groups in the community, including accessible and adaptable housing, as set out in the National Planning Policy Framework. Charging authorities should consider the views of developers at an early stage'*. [28] (our emphasis)

'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area. The same principle should apply where the evidence shows similarly low viability for particular types and/or scales of development'. [29]

2.45 We have carried out separate appraisals of the strategic sites (see Section 8). However, the working assumption is that these sites will mitigate their own harm through S106 and not contribute through CIL (£0 psm zone(s)). This is to ensure that there is no 'double-dipping' of contributions.

[26] See http://www.aspinallverdi.co.uk/blog/2013/cil5-the-impact-of-cil-on-brownfield-v-greenfield-sites
[27] Paragraph: 025 Reference ID: 25-025-20190901, Revision date: 01 09 2019
[28] Paragraph: 022 Reference ID: 25-022-20190901, Revision date: 01 09 2019
[29] Paragraph: 022 Reference ID: 25-022-20190901, Revision date: 01 09 2019

Planning for the Future and Changes to the Current Planning System

2.46 The Government has published two consultations on proposed changes to the planning system in England:

- Changes to the Current Planning System sets out short-term measures to tweak the current planning system, and
- The Planning for the Future White Paper setting out longer term reforms requiring primary legislation.

2.47 The Changes to the Current Planning System document sets out proposals for changes to the standard method for assessing housing numbers in strategic plans; delivering First Homes; and supporting SME developers.

2.48 The Planning for the Future White Paper describes far reaching proposals for: creating a system of 'zoning' (growth areas; renewal areas; and protected areas); design codes aimed at improving design quality; and updating the S106/CIL regime for infrastructure contributions.

Changes to the Current Planning System – First Delivering First Homes

2.49 The government's proposal is that:

- a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes;
- this will be secured through S106 planning obligations as currently;
- in accordance with paragraph 62 of the National Planning Policy Framework (NPPF), this is expected to be delivered onsite; unless off-site provision or an appropriate financial contribution in lieu can be robustly justified[30]; and the agreed approach contributes to the objective of creating mixed and balanced communities
- the minimum discount for First Homes should be 30% from market price;
- Local authorities will have discretion to increase the discount to 40% or 50% (to be evidenced in the Local Plan making process);
- where discounts of more than 30% are applied to First Homes, the requirement for a minimum of 25% of units onsite to be First Homes will remain in place;
- in line with other affordable housing tenures, First Homes would be exempt from CIL.

2.50 In order to make the transition it is necessary to define the criteria for policy compliance, under which a development is assumed to be viable. The government proposes that, under the new

[30] This is to be in accordance with paragraph 62 of the NPPF. Paragraph 62 states that: Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:
a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and
b) the agreed approach contributes to the objective of creating mixed and balanced communities.

system, a policy compliant planning application should seek to capture the same amount of value as would be captured under the Local Authority's up-to-date published policy.

2.51 It is proposed that a policy compliant application will have a minimum of 25% of affordable housing units onsite as First Homes. For the remaining 75% of affordable housing, there are two broad options:

- Option 1: Where a local authority has a policy on affordable housing tenure mix, that policy should be followed, but with First Homes delivering a minimum of 25% of the affordable housing products. First Homes should replace as a priority, other affordable home-ownership products, prioritising the replacement of those tenures which secure the smallest discount from market price. Then:
    - Where this replaces all home ownership products - any rental products are then delivered in the same ratio as set out in the local plan policy. For instance, if a local plan policy requires an affordable housing mix of 20% shared ownership units, 40% affordable rent units and 40% social rent units, a compliant application would deliver an affordable housing tenure mix of 25% First Homes; 37.5% affordable rent and 37.5% social rent.
    - Where this does not replace all home ownership products - the remainder of the home ownership tenures are delivered, and the rental tenure mix is delivered in line with the proportions set out in the local authority plan policy. For instance, if a local plan policy requires 80% of units to be shared ownership and 20% to be social rent, a policy compliant application would deliver 25% First Homes units, 55% shared ownership and 20% social rent.
- Option 2: A local authority and developer can negotiate the tenure mix for the remaining 75% of units.

2.52 In terms of the level of discount for First Homes, the proposal is that the minimum discount should be 30% from market price. Local authorities will have discretion to increase the discount to 40% or 50%. This would need to be evidenced in the local plan making process. Furthermore, where discounts of more than 30% are applied to First Homes, the requirement for a minimum of 25% of units onsite to be First Homes will remain in place.

2.53 The consultation on these proposals has recently closed and, at the time of writing, we are currently awaiting implementation. Government has subsequently published its Summary of responses to the consultation and the Government's response – First Homes, Getting you on the ladder April 2021[31] and our approach accords with the Government's proposals for First Homes.

[31] The proposal is that: First Home, properties must be marketed and sold at a discount of at least 30% below market value; Local Planning Authorities will therefore be able to require a higher minimum discount of either 40% or 50% on First Homes built in their local area, provided they are able to evidence the need for and viability; First Homes will be delivered as a proportion of section

2.54 For the purposes of our viability assessment, we have ignored the proposed reforms as it was too early to take them into account, but this is to be kept under review. At the next stage (Reg 19) we will update our appraisals to include First Homes.

2.55 We have however, included typologies for Rural Exception Sites which delivery entry level housing. For these typologies we have assumed that the entry level housing are 30% discount market sale in line with the First Homes proposals.

Changes to the Current Planning System – Supporting SME Developers

2.56 As part of the Covid-19 recovery plan, Government is proposing to reduce the burden of S106 contributions on SMEs for more sites for a time-limited period.

2.57 Currently, national policy is that affordable housing contributions should not be sought for developments of fewer than 10 units (small sites), with the exception of schemes of 6 or more dwellings in designated rural areas.

2.58 Government is proposing to increase this threshold to 50 units. Government itself recognises that this could inflate land prices in the longer term, and are proposing that the higher threshold is implemented for a time-limited period of 18 months only.

2.59 We do not agree with this proposal (to increase the small site threshold) as the problem with small sites is not that they are less viable than large sites (all sites are appraised by the residual land value methodology).

2.60 The problem with small sites is that it is harder to implement S106 affordable housing due to smaller numbers and the divisibility of units. For example, in a scheme of 10 units, 20% affordable housing is 2 units. A Registered Provider (RP) may not be found to take only 2 units in the particular location. For example, in a scheme of 7 units and 20% affordable housing, the requirement is 1.4 units. This leads to further complication about the 0.4 unit.

2.61 We are concerned that the policy will just lead to problems when it is removed and are concerned that the time period will therefore be extended and the affordable housing lost.

2.62 The solution is not to exempt all small sites below a particular threshold from S106. The solution is to allow a more efficient mechanism for delivery. We recommend that S106 affordable housing (and other contributions) on small sites is via commuted sum and/or (the new) infrastructure levy. This creates certainty for the SME developer who can make his/her contributions off-site and deliver 100% market housing on small sites.

106 affordable housing contributions. This will ensure the continued delivery of homes of different tenures; a minimum of 25% of all affordable housing units secured through developer contributions under section 106 should be First Homes; the continued delivery of other tenures of affordable housing in the current market climate [Government] will consult [further] on the technical detail of the implementation of this part of the policy.

2.63 For the purposes of this viability assessment, we have appraised typologies above and below the current 10-unit threshold. This will need to be kept under review in case government does increase the threshold.

Planning for the Future White Paper – Infrastructure Levy

2.64 The Planning for the Future White Paper is based around five propositions:

- Streamlining the planning process with more democracy taking place more effectively at the plan-making stage;
- Take a radical, digital-first approach to modernise the planning process - moving from a process based on documents to a process driven by data;
- To bring a new focus on design and sustainability – planning for beautiful and sustainable places;
- To improve infrastructure delivery and ensure developers play their part, through reform of developer contributions.
- To ensure more land is available for the homes and development people and communities need, and to support renewal of our town and city centres.

2.65 Government's proposals are to:

- reform the Community Infrastructure Levy (CIL) and the current system of planning obligation as a nationally set, value-based flat rate charge (the 'Infrastructure Levy'). The aim is for the new Levy to raise more revenue than under the current system of developer contributions, and deliver at least as much – if not more – on-site affordable housing as at present. The reform is to capture a greater share of the uplift in land value that comes with development.
- be more ambitious for affordable housing provided through planning gain, and ensure that the new Infrastructure Levy allows local planning authorities to secure more on-site housing provision.
- give local authorities greater powers to determine how developer contributions are used, including by expanding the scope of the Levy to cover affordable housing provision. Ensuring that S106 affordable housing is kept at least at current levels, and that it is still delivered on-site to ensure that new development continues to support mixed communities. Local authorities will have the flexibility to use this funding to support both existing communities as well as new communities [for example, garden communities].
- seek to extend the scope of the consolidated Infrastructure Levy and remove exemptions from it to capture changes of use through permitted development rights, so that additional homes delivered through this route bring with them support for new infrastructure.

2.66 The Government states that it wants to bring forward reforms to make sure that developer contributions are: fair, transparent and consistent/simplified – which are consistent themes from previous reforms. Interestingly, this time the Government also says that they want contributions to be 'buoyant'. This is 'so that when prices go up, the benefits are shared fairly between developers and the local community, and when prices go down there is no need to re-negotiate agreements'.

2.67 The consultation has closed and we anticipate that MHCLG will need an extended period to work through the feedback and come up with workable proposals. Equally, they could decide to not reform CIL/S106 as fundamentally.

2.68 Whilst the Government is rightfully seeking to 'build back better' after Covid-19, some of these proposed changes could lead to delays as plan-makers transition to the new regime and landowners wait for policy to crystallise. For those actively involved in setting policy and negotiation of S106 agreements, careful consideration will need to be given to the implications on land value, profit and planning policy requirements.

2.69 For the purposes of our viability assessment, we have ignored the proposed reforms as it is too early to take them into account but they will need to be kept under review.

3 Local Policy Context

3.1 This section sets out the local policy context for our viability assessment.

3.2 Selby District Council has a number of adopted policy documents that form the Development Plan for the District these are:

- Selby District Core Strategy Local Plan (2013)
- Selby District Local Plan (2005)

3.3 These Local Plans will be replaced by the emerging Local Plan to 2040. We have reviewed the July 2020 draft Local Plan. A detailed policies matrix of has been prepared and is provided in Appendix 1.

3.4 The policies matrix identifies the policies which have a direct, indirect or no impact on viability. Where necessary, it sets out the assumption we have made to mitigate the policy and identifies the source of this assumption.

3.5 We have also provided a Red / Amber / Green rating of the policies to identify the policies which have a greater impact on development viability. We identify in the table below (Table 3.1), the key draft policies which have a direct impact on viability and have a red or amber rating. These are the policies that will be the focus of our recommendations later in this report. Please refer to the detailed policies matrix at Appendix 1 to see our comments made in relation to these policies.

Table 3.1 - Key Policies Directly Impacting on Viability

Policy Ref	Policy Name	Specific Requirements	Where does this Impact in the Viability Appraisal	RAG Rating of Cost/Value Assumptions £
Preferred Approach SG10	Mitigating and Adapting to Climate Change	All new development proposals will be expected to support appropriate measures to mitigate and adapt to climate change in order to protect health and well-being and ensure the future resilience of communities and infrastructure to climate change impacts and meet national and local targets on net zero carbon emissions including the aim for the York and North Yorkshire area to become the first negative carbon sub region.	Development Costs	High
Preferred Approach IC1	Infrastructure Delivery (Strategic Policy)	Developments are required to demonstrate capacity within infrastructure and provide additional or improved infrastructure as necessary.	Development Costs	High
Preferred Approach IC2	Provision of New Infrastructure	Infrastructure to be provided in accordance with site allocation policies	Strategic Site Development Costs	High
Preferred Approach IC6	Parking and Highway Safety	Developments will provide safe access, adequate parking in accordance with NYCC standards, electric vehicle charging points on residential developments	Development Costs	High
Preferred Approach HG3	Creating the Right Type of Homes	A wide range of housing types/sizes. NDSS compliance. All M4 (2). in 35dph in the three major settlements; min 30 dph in tier 1&2 and new settlement, and min 20dph in smaller villages	Typologies Matrix	High
Preferred Approach HG4	Affordable Housing	25% affordable homes on sites with 11 dwellings or with site areas greater than 0.5 ha In designated rural areas a commuted sum will be sought on proposed developments of between 6-10 dwellings if on-site provision is not viable	Typologies Matrix	High
Preferred Approach HG5	Rural Housing Exception Sites	Affordable Housing will be permitted outside of development limits as an exception to normal policy if relevant criteria is met.	Typologies Matrix	High
Preferred Approach HG8	Older Persons and Specialist Housing	Where developments fall within use class C3, affordable housing will be required in accordance with policy HQP6.	Development Typologies	High
Preferred Approach SG12	Proposals which affect the Historic Environment	Harm to a designated heritage asset or archaeological sites of national importance will be only supported when clearly outweighed by the public benefits of the proposal. Substantial harm or total loss of such assets will be permitted only in exceptional circumstance. Proposals which would remove, harm or undermine the significance of a non-designated heritage asset will be permitted only where benefits are considered sufficient to outweigh harm	Development Values and Land Values	Medium
Preferred Approach IC5	Sustainable Transport	Qualitative sustainable transport criteria that will be supported	Development Costs / S278	Medium
Preferred Approach HG1	Meeting Local Housing Needs	Sets out strategies and numerical goals for housing needs	Typologies Matrix	Medium
Preferred Approach HG14	Provision of Recreation and Open Space	Developments over 10 dwellings should provide open space at a rate of 60 sqm per dwelling	Development costs, net: gross site area	Medium
Preferred Approach NE9	Pollution and Contaminated Land (Strategic Policy)	Remedial and preventative measures need to be in place	Development Costs	Medium

Source: AspinallVerdi (210311 Selby DC_Policies Matrix_v3)

Adjacent Authority Policies

3.7 The property market for development is a continuum across boundaries within North Yorkshire and beyond. It is therefore relevant to consider the Affordable Housing targets and CIL requirements in surrounding authorities/districts. That said, every local jurisdiction has unique economic circumstances and geography which could result in different FVA evidence. For example, Leeds is the centre of the City Region and is a core city and Selby is a more rural area which is also part of the York functional economic area.

3.8 Table 3.2 summarises the approach taken in adjacent authorities to affordable housing policy and Community Infrastructure Levy (CIL).

Table 3.2 - Adjacent Authorities Policies

Authority	Affordable Housing Policy	Residential CIL £ psm	Retail and Commercial CIL £ psm
Leeds Local Plan Adopted 2019 CIL adopted 2015	7 – 35% (adopted 2019)	£5 - £90	Supermarkets - £110 - £175 Comparison retail outside of city centre - £35 - £55 Office in city centre £35 All other uses - £5
Harrogate Local Plan Adopted 2020 CIL adopted 2020	30% - 40%	£0 - £60	Distribution - £20 psm Retail shops - £0 psm - £120 psm Supermarkets - £120 psm Retail warehouses - £120 psm
York Local Plan currently under examination CIL not adopted	8% - 30% (emerging policy)	N/A	N/A
East Riding Local Plan adopted in 2016, emerging local plan is currently being developed CIL charging schedule drafted in 2017 but never adopted.	5% - 25%	N/A	N/A
Doncaster Local Plan currently under examination CIL not adopted	15-23% (emerging policy)	N/A	N/A
Wakefield Local Plan currently under examination CIL adopted in 2016	0% - 30% (emerging policy)	£0 - £55	Retail Warehouse - £89 Large Supermarket - £103

3.9 The above table demonstrates that overall, there are a wide variety of requirements, with some authorities requiring 0% affordable housing in lower value areas up to a maximum of a 40% requirement in the higher value zone in Harrogate. Even within districts, affordable housing policies usually contain a wide range, for example Wakefield ranges from a 0% - 30% affordable housing requirement.

3.10 Only half of the neighbouring authorities have adopted CIL. Where CIL is adopted, most authorities include a £0 psm or £5 psm rate for the lower value areas, with the higher value area requiring payments of between £55-90 psm.

3.11 In higher value districts such as Leeds and Harrogate extensive CIL charges are also in place for retail and commercial units.

4 Viability Assessment Method

4.1 In this section of the report, we set out our methodology to establish the viability of the various land uses and development typologies described in the following sections.

4.2 Cross-reference should be made back to the Viability PPG guidance in section 2 and specifically the guidance in respect of EUV, premium and profit.

4.3 We also set out the professional guidance that we have had regard to in undertaking the financial viability appraisals and some important principles of land economics.

The Harman Report (June 2012)

4.4 The Harman report 'Viability Testing Local Plans'[32] was prepared in June 2012 for the purposes of the 2012 NPPF. Many of the themes within the Harman Report have been incorporated into the 2018/19 PPG Viability guidance and are equally relevant for CIL viability testing.

4.5 Our FVA is consistent with both the Harman report and the PPG.

4.6 The Harman report refers to the concept of 'Threshold Land Value' (TLV). Harman states that the *'Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development.'*[33] While this is an accurate description of the important value concept, we adopt the Benchmark Land Value terminology throughout this report in-line with the terminology in the PPG.

4.7 Harman recommends that '*the Threshold Land Value is based on a premium over current use values and 'credible' alternative use values'.* However, the report accepts that *'alternative use values are most likely to be relevant in cases where the Local Plan is reliant on sites coming forward in areas (such as town and city centres) where there is competition for land among a range of alternative uses.'*[34]

4.8 The Harman report does not state what the premium over existing use value should be, but states that this should be 'determined locally' – but then goes on to state that *'there is evidence that it represents a sufficient premium to persuade landowners to sell'*[35].

4.9 The guidance further recognises that in certain circumstances, particularly in areas where landowners have '*long investment horizons'* (e.g. family trusts, The Crown, Oxbridge Colleges,

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32 Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report)
33 Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 28
34 Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29
35 Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29

Financial Institutions), '*the premium will be higher than in those areas where key landowners are more minded to sell'*[36]. An example of this is in relation to large urban extensions where a prospective seller is potentially making a once in a lifetime decision over whether to sell an asset. In this scenario the uplift on current use value will invariably be significantly higher than those in an urban context. In reconciling such issues, Harman stresses the importance of using local market evidence as a means of providing a sense check.

RICS Guidance

4.10 The RICS guidance on Financial Viability in Planning[37] was published after the Harman report in August 2012 and is more 'market facing' in its approach. The guidance is currently in the process of review following the decision in the Parkhurst Road Limited v Secretary of State for Communities and Local Government and The Council of the London Borough of Islington High Court case (see below)[38]. However, this case was more about the application of the guidance rather than the guidance itself.

4.11 The RICS Guidance defines 'site value', whether this is an input into a scheme specific appraisal or as a [land value] benchmark, as follows -

> *Site value should equate to the **market value** subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan*[39] *(Box 7).* (our emphasis)

4.12 The guidance also advocates that any assessment of site value will need to consider prospective planning obligations and recommends that a second assumption be applied to the aforementioned definition of site value, when undertaking Local Plan or CIL (area wide) viability testing. This is set out below -

> *Site value (as defined above) may need to be further **adjusted to reflect the emerging policy / CIL charging level.** The level of the adjustment assumes that site delivery would not be prejudiced. Where an adjustment is made, the practitioner should set out their professional opinion underlying the assumptions adopted*… (Box 8) (our emphasis)

4.13 This is to make an allowance for emerging (greater) obligations for e.g. infrastructure and affordable housing which, assuming that developers' profit is fixed (see below), has to come out of land value.

[36] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30

[37] RICS Professional Guidance England (August 2012) Financial viability in planning, 1st edition guidance note GN 94/2012

[38] Parkhurst Road Ltd v Secretary of State for Communities And Local Government & Anor [2018] EWHC 991 (Admin) on BAILII

[39] This includes all Local Plan policies relevant to the site and development proposed

Guidance on Premiums/Land Value Adjustments

4.14 The PPG requires the existing use value plus premium approach to land value. However, there is no specific guidance on the premium. One therefore one has to 'triangulate' the BLV based on evidence.

4.15 A number of reports have commented upon the critical issue of land value, as set out below. These inform the relationship between the 'premium' and 'hope value' in the context of market value. The PPG is explicit that hope value should be disregarded for the purposes or arriving at the EUV[40]. However, hope value is a fundamental part of the market mechanism and therefore is relevant in the context of the premium.

HCA Transparent Viability Assumptions (August 2010)

4.16 In terms of the EUV + premium approach, the Homes and Communities Agency (now Homes England) (in August 2010) published a consultation paper on transparent assumptions for Area Wide Viability Modelling[41].

4.17 This notes that, '*typically, this gap or premium will be expressed as a percentage over EUV for previously developed land and as a multiple of agricultural value for greenfield land'*[42].

4.18 It also notes that benchmarks and evidence from planning appeals tend to be in a range of '***10% to 30% above EUV in urban areas****. For greenfield land, benchmarks tend to be in a range of* ***10 to 20 times agricultural value'***[43].

Mayor of London CIL (Jan 2012)

4.19 The impact on land value of future planning policy requirements e.g. CIL [or revised Affordable Housing targets] was contemplated in the Examiner's report to the Mayor of London CIL (January 2012)[44].

4.20 Paragraph 32 of the Examiner's report states:

> *the price paid for development land may be reduced. As with profit levels there may be cries that this is unrealistic, but* ***a reduction in development land value is an inherent part of the CIL concept****. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the*

[40] Paragraph: 015 Reference ID: 10-015-20190509, Revision date: 09 05 2019
[41] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version
[42] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version para 3.3
[43] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version para 3.5
[44] Holland, K (27 January 2012) Report on the Examination of the Draft Mayoral Community Infrastructure Levy Charging Schedule, The Planning Inspectorate, PINS/K5030/429/3

prospect of raising funds for infrastructure would be forever receding into the future… (our emphasis)

Greater Norwich CIL (Dec 2012)

4.21 The Greater Norwich Development Partnership's CIL Examiner's report adds to this -

> *Bearing in mind that the cost of* ***CIL needs to largely come out of the land value****, it is necessary to establish a threshold land value i.e. the value at which a typical willing landowner is likely to release land for development. Based on market experience in the Norwich area the Councils' viability work assumed that* ***a landowner would expect to receive at least 75% of the benchmark value****. Obviously what individual land owners will accept for their land is very variable and often depends on their financial circumstances. However, in the absence of any contrary evidence* ***it is reasonable to see a 25% reduction in benchmark values as the maximum*** *that should be used in calculating a threshold land value[45].* (our emphasis)

Sandwell CIL (Dec 2014)

4.22 Furthermore, the Examiner's report for the Sandwell CIL states -

> *The TLV is calculated in the VAs [Viability Assessments] as being* ***75% of market land values*** *for each typology. According to the CA, this way of calculating TLVs is based on the conclusions of Examiners in the Mayor of London CIL Report January 2012 and the Greater Norwich Development Partnership CIL Report December 2012.* ***This methodology was uncontested.***[46]

4.23 These all support a 'policy' adjustment from 'Market Value' to allow for emerging policy within the premium. However, the above decisions and precedents are now quite historic.

4.24 Greater emphasis is now being placed on the existing use value (EUV) + premium approach to planning viability to break the circularity of ever-increasing land values. This circularity is described in detail in the research report by the University of Reading, 'Viability and the Planning System: The Relationship between Financial Viability Testing, Land Values and Affordable Housing in London' (January 2017) and the policy response considered in the new Mayor of London SPD 'Homes for Londoners' (August 2017).

[45] Report to the Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council, by Keith Holland BA (Hons) Dip TP, MRTPI ARICS, 4 December 2012, File Ref: PINS/G2625/429/6 – paragraph 9

[46] Report to Sandwell Metropolitan Borough Council by Diana Fitzsimons MA MSc FRICS MRTPI an Examiner appointed by the Council, 16 December 2014, File Ref: PINS/G4620/429/9 - paragraph 16

4.25 Due to ever increasing land values (partly driven by developers negotiating a reduction in policy obligations on grounds of 'viability') we are finding that the range between existing use value (EUV) and 'Market Values' and especially asking prices is getting larger. Therefore (say) 20 x EUV and (say) 25% reduction from 'Market Value' may not 'meet in the middle' and it is therefore a matter of professional judgement what the BLV should be (based on the evidence).

Parkhurst Road v SSCLG & LBI (2018)

4.26 The High Court case between Parkhurst Road Limited (Claimant) and Secretary of State for Communities and Local Government and The Council of the London Borough of Islington (Defendant/s)[47] addresses the issue of land valuation and the circularity of land values which are not appraised on a policy compliant basis.

4.27 In this case it was common ground that the existing use was redundant and so the existing use value ("EUV") was "negligible". There was no alternative form of development which could generate a higher value for an alternative use ("AUV") than the development proposed by Parkhurst. The site did not suffer from abnormal constraints or costs. LBI contended that there was considerable "headroom" in the valuation of such a site enabling it to provide a substantial amount of affordable housing in accordance with policy requirements. Furthermore, that the achievement of that objective was being frustrated by Parkhurt's use of a 'greatly inflated' BLV for the site which failed properly to reflect those requirements (paragraph 22).

4.28 Mr Justice Holgate dismissed the challenge and agreed with LBI that what is to be regarded as comparable market evidence, or a "market norm", should "reflect policy requirements" in order to avoid the "circularity" problem (paragraph 39).

4.29 In an unusual postscript to the judgement, Mr Justice Holgate said that this might be an "opportune" time for the RICS to consider revisiting the 2012 guidance note, Financial viability in Planning, "in order to address any misunderstandings about market valuation concepts and techniques" (paragraph 147). Hence, the RICS' current review of this document.

Land Value Capture report (Sept 2018)

4.30 The House of Commons - Housing, Communities and Local Government Committee has published a report into the principles of land values capture. This defines land value capture, the scope for capturing additional land value and the lessons learned from past attempts to capture uplifts in land value. It reviews improving existing mechanisms, potential legislative reforms and alternative approaches to land value capture.

[47] Case No: CO/3528/2017

4.31 Paragraph 109 of the report states […] the extent to which the 'no-scheme' principle would reduce value "very much depends on the circumstances". For land in the middle of the countryside, which would not otherwise receive planning permission for housing, the entire development value could be attributed to the scheme. However, […] most work was undertaken within constrained urban areas—such as town extensions and redevelopments—where the hope value was much higher.

4.32 Hence it is important to consider the policy context for infrastructure and investment when considering land values. For example, where existing agricultural land in the green belt is being considered for housing allocations, the entire uplift in value is attributable to the policy decision (without which there can be no development).

Brownfield / Greenfield Land Economics

4.33 CIL has its roots in the perceived windfall profit arising from the release of greenfield land by the planning system to accommodate new residential sites and urban extensions[48]. However, lessons from previous attempts to tax betterment[49] show that this is particularly difficult to achieve effectively without stymieing development. It is even harder to apply the concept to brownfield redevelopment schemes with all attendant costs and risks. The difference between greenfield and brownfield scheme economics is usually important to understand for affordable housing targets; plan viability and CIL rate setting.

4.34 The timing of redevelopment and regeneration of brownfield land particularly is determined by the relationship between the value of the site in its current [low value] use ("Existing Use Value") and the value of the site in its redeveloped [higher value] use – less the costs of redevelopment. Any planning gain which impacts on these costs will have an effect on the timing of redevelopment. This is relevant to consider when setting the 'appropriate balance'.

4.35 Fundamentally, CIL (and together with S106 etc.) is a form of 'tax' on development as a contribution to infrastructure. By definition, any differential rate of CIL/S106 will have a distorting effect on the pattern of land uses. The question as to how this will distort the market will depend upon how the CIL (and/or S106) is applied.

4.36 Also, consideration must be given to the 'incidence' of the tax i.e. who ultimately is responsible for paying it i.e. the developer out of profit, or the landowner out of price (or a bit from each).

4.37 This is particularly relevant in the context of brownfield sites in the town centres and built up areas. Any CIL on brownfield redevelopment sites will impact on the timing and rate of redevelopment. This will have a direct effect on economic development, jobs and growth.

[48] See Barker Review (2004) and Housing Green Paper (2007)

[49] the 2007 Planning Gain Supplement, 1947 'Development Charge', 1967 'Betterment Levy' and the 1973 'Development Gains Tax' have all ended in repeal

4.38 In the brownfield context redevelopment takes place at a point in time when buildings are economically obsolete (as opposed to physically obsolete). Over time the existing use value of buildings falls as the operating costs increase, depreciation kicks in and the rent falls by comparison with modern equivalent buildings. In contrast the value of the next best alternative use of the site increases over time due to development pressure in the urban context (assuming there is general economic growth in the economy). Physical obsolescence occurs when the decreasing existing use value crosses the rising alternative use value.

4.39 However, this is not the trigger for redevelopment. Redevelopment requires costs to be incurred on site demolition, clearance, remediation, and new build construction costs. These costs have to be deducted from the alternative use value 'curve'. The effect is to extend the time period to achieve the point where redevelopment is viable.

4.40 This is absolutely fundamental for the viability and redevelopment of brownfield sites. Any tariff, tax or obligation which increases the costs of redevelopment will depress the net alternative use value and simply extend the timescale to when the alternative use value exceeds the existing use value to precipitate redevelopment.

4.41 Contrast this with the situation for development on greenfield land. Greenfield sites are constrained by the planning designation. Once a site is 'released' for development there is significant step-up in development value – which makes the development economics much more accommodating than brownfield redevelopment. There is much more scope to capture development gain, without postponing the timing of development.

4.42 That said, there are some other important considerations to take into account when assessing the viability of greenfield sites. This is discussed in the Harman Report[50].

4.43 The existing use value may be only very modest for agricultural use and on the face of it the landowner stands to make a substantial windfall to residential land values. However, there will be a lower benchmark (Benchmark Land Value) where the land owner will simply not sell. This is particularly the case where a landowner *'is potentially making a once in a lifetime decision over whether to sell an asset that may have been in the family, trust or institution's ownership for many generations.'*[51] Accordingly, the 'windfall' over the existing use value will have to be a sufficient incentive to release the land and forgo the future investment returns.

4.44 Another very important consideration is the promotional cost of strategic greenfield sites. For example, in larger scale urban extension sites such as the Strategic Sites (e.g. Burn Airfield etc) identified as emerging site allocations, there will be significant investment in time and resources

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[50] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) pp 29-31

[51] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30

required to promote these sites through the development plan process. The benchmark land value therefore needs to take into account of the often-substantial planning promotion costs, option fees etc. and the return required by the promoters of such sites. *'This should be borne in mind when considering the [benchmark] land value adopted for large sites and, in turn, the risks to delivery of adopting too low a [benchmark] that does not adequately and reasonably reflect the economics of site promotion…'* [52]

4.45 This difference between the development 'gain' in the context of a greenfield windfall site and the slow-burn redevelopment of brownfield sites is absolutely fundamental to the success of any regime to capture development gain such as CIL. It is also key to the 'incidence' of the tax i.e. whether the developer or the land owner carries the burden of the tax.

4.46 In the case of Selby there are a number of housing sites coming forward which are both greenfield and brownfield sites and therefore we have appraised both greenfield and brownfield scheme typologies.

Land Economics Summary

4.47 A very important aspect when considering area-wide viability is an appreciation of how the property market for development land works in practice.

4.48 Developers have to secure sites and premises in a competitive environment and therefore have to equal or exceed the landowners' aspirations as to value for the landowner to sell. From the developers' perspective, this price has to be agreed often many years before commencement of the development. The developer has to subsume all the risk of: ground conditions; obtaining planning permission; funding the development; finding a tenant/occupier; increases in constructions costs; and changes to the economy and market demand etc. This is a significant amount of work for the developer to manage; but this is the role of the developer and to do so the developer is entitled to a normal developer's profit.

4.49 The developer will appraise all of the above costs and risks to arrive at their view of the residual site value of a particular site.

4.50 To mitigate some of these risks developers and landowners often agree to share some of these risks by entering into arrangements such as: Market Value options based on a planning outcome; 'subject to planning' land purchases; promotion agreements; and / or overage agreements whereby the developer shares any 'super-profit' over the normal benchmark.

4.51 From the landowners' perspective, they will have a preconceived concept of the value or worth of their site. This could be fairly straight-forward to value, for example, in the case of greenfield

[52] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 31

agricultural land which is subject to per hectare benchmarks. However, in the case of brownfield sites, the existing use value could be a lot more subjective depending upon: the previous use of the property; the condition of the premises; contamination; and/or any income from temporary lets, car parking and advertising hoardings etc. Also, whilst (say) a former manufacturing building could have been state-of-the-art when it was first purchased by the landowner, in a redevelopment context it might now be the subject of depreciation and obsolescence which the landowner finds difficult to reconcile. Accordingly, the existing use value is much more subjective in a brownfield context.

Hope Value

4.52 Furthermore, where there is a possibility of development the landowner will often have regard to 'hope value'. Hope value is the *element of* market value of a property in excess of the existing use value, reflecting the prospect of some more valuable future use or development. It takes account of the uncertain nature or extent of such prospects, including the time which would elapse before one could expect planning permission to be obtained or any relevant constraints overcome, so as to enable the more valuable use to be implemented. Therefore, in a rising market, landowners may often have high aspirations of value beyond that which the developer can justify in terms of risk and in a falling market the land owner my simply 'do nothing' and not sell in the prospect of a better market returning in the future. The actual amount paid in any particular transaction is the purchase price and this crystallises the value for the landowner.

4.53 Note that hope value is represented in the EUV premium and can never be in excess of policy compliant market value (RLV), given RICS guidance on the valuation of development sites (see page 23 above).

4.54 Hence land 'value' and 'price' are two very different concepts which need to be understood fully when formulating planning policy and CIL. The incidence of any S106 tariff or CIL to a certain extent depends on this relationship and the individual circumstances. For example, a farmer with a long-term greenfield site might have limited 'value' aspirations for agricultural land – but huge 'price' aspirations for residential development. Whereas an existing factory owner has a much higher value in terms of sunk costs and investment into the existing use and the tipping point between this and redevelopment is much more marginal.

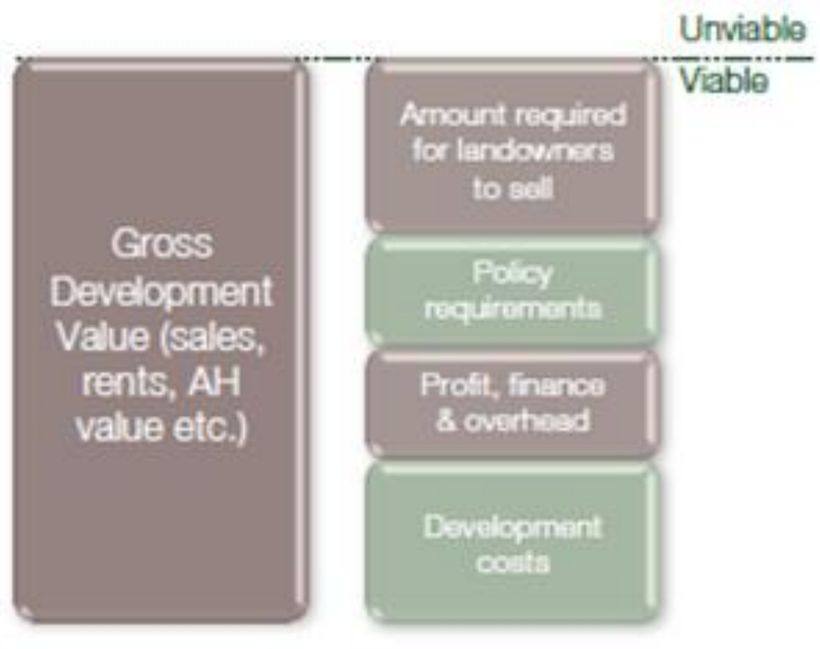
4.55 Detailed research and analysis in respect of land values (Benchmark Land Values) are set out within the Land Market paper appended (see Appendix 4 – Land Market Review).

Viability Modelling Best Practice

4.56 The general principle is that CIL/planning obligations including affordable housing (etc.) will be levied on the increase in land value resulting from the grant of planning permission. However, there are fundamental differences between the land economics and every development scheme is different. Therefore, in order to derive the potential CIL/planning obligations and understand the 'appropriate balance' it is important to understand the micro-economic principles which underpin the viability analysis.

4.57 The uplift in value is calculated using a RLV appraisal. Figure 4.1 below, illustrates the principles of a RLV appraisal.

Figure 4.1 - Elements Required for a Viability Assessment



Source: Local Housing Delivery Group, 2012[53]

4.58 Our specific appraisals for each for the land uses and typologies are set out in the relevant section below.

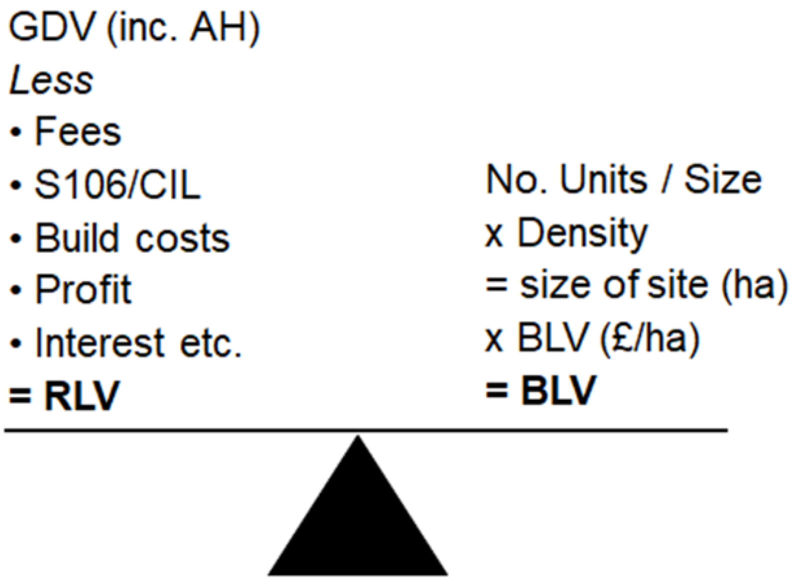
4.59 A scheme is viable if the Gross Development Value (GDV) of the scheme is greater than the total of all the costs of development including land acquisition, planning obligations and profit. Conversely, if the GDV is less than the total costs of development (including land, S106s and profit) the scheme will be unviable.

4.60 However, in order to advise on the ability of the proposed uses/scheme to support affordable housing and CIL/planning obligations we have benchmarked the residual land values (RLV) from the viability analysis against existing or alternative land use relevant to the particular typology –

[53] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 25

the Benchmark Land Value (BLV). This is illustrated in Figure 4.2 - Balance between RLV and BLV below.

Figure 4.2 - Balance between RLV and BLV



Source: AspinallVerdi © Copyright

How to Interpret the Viability Appraisals

4.61 In development terms, the price of a site is determined by assessment of the residual land value (RLV). This is the gross development of the site (GDV) less ALL costs including planning policy requirements and developers' profit. If the RLV is positive the scheme is viable. If the RLV is negative the scheme is not viable.

4.62 Part of the skill of a developer is to identify sites that are in a lower value economic uses and purchase / option these sites to (re)develop them into a higher value uses. The landowner has a choice - to sell the site or not to sell their site, depending on their individual circumstances. Historically (pre credit-crunch and the 2012 NPPF) this would be left to 'the market' and there would be no role for planning in this mechanism.

4.63 A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

4.64 However, planning policy in England has become increasingly detached from the development process of real estate. Since the credit crunch and the 2012 NPPF planning policy has sought to intervene in the land market by requiring that at [an often 'arbitrary'] 'threshold' or 'benchmark' land value (BLV) is achieved as a 'return to the landowner'. This left Local Authorities 'open' to negotiations to reduce affordable housing and other contributions on viability grounds which sets up a powerful force of escalating land values (which is prejudicial to delivery in the long term). The NPPF/PPG 2018/19 is seeking to redress this.

4.65 In planning viability terms, for a scheme to come forward for development the RLV for a particular scheme has to exceed the landowner's BLV.

4.66 In Development Management terms every scheme will be different (RLV) and every landowner's motivations will be different (BLV).

4.67 For Plan Making purposes it is important to benchmark the RLV's from the viability analysis against existing or alternative land use relevant to the particular typology – the Benchmark Land Value – see Figure 4.2 above.

4.68 The results of the appraisals should therefore be interpreted as follows:

- If the 'balance' is positive (RLV > BLV), then the CIL/policy is viable. We describe this as being 'viable for plan making purposes herein'.
- If the 'balance' is negative (RLV < BLV), then the CIL/policy is 'not viable for plan making purposes' and the CIL rates/planning obligations and/or affordable housing targets should be reviewed.

4.69 Thirdly, if the RLV is positive, but the appraisal is not viable due to the BLV assumed – we refer to this as being 'marginal'.

4.70 This is illustrated in the following boxes of our hypothetical appraisals (appended) – see Figure 4.3. In this case the RLV at £2.324m is some £780,500 higher than the assumed BLV of £1.544m meaning the balance is positive/in surplus.

Figure 4.3 - Example Hypothetical Appraisal Results

RESIDUAL LAND VALUE (RLV)							
Residual Land Value (gross)							2,652,581
SDLT			2,652,581	@	(slabbed)		(122,129)
Acquisition Agent fees			2,652,581	@	1.0%		(26,526)
Acquisition Legal fees			2,652,581	@	0.5%		(13,263)
Interest on Land			2,652,581	@	6.25%		(165,786)
Residual Land Value							**2,324,877**
RLV analysis:	23,249	£ per plot	743,961	£ per ha	301,077	£ per acre	
BENCHMARK LAND VALUE (BLV)							
Residential Density			32.0	dph			
Site Area (Net)			3.13	ha	7.72	acres	
Density analysis:			3,330	sqm/ha	14,506	sqft/ac	
Benchmark Land Value (Net)	15,444	£ per plot	494,200	£ per ha	200,000	£ per acre	**1,544,375**
BALANCE							
Surplus/(Deficit)			**249,761**	£ per ha	**101,077**	£ per acre	**780,502**

Source: AspinallVerdi

Sensitivity Analysis

4.71 In addition to the above, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of the viability (and particularly the viability buffer); the sensitivity of the appraisals to key variables such as planning obligations, affordable housing, BLV and profit; and to consider the impact of rising construction costs. An example of a sensitivity appraisal and how they are interpreted is shown below. Similar sensitivity tables are attached to each of our hypothetical appraisals (appended).

Figure 4.4 - Example Affordable Housing v CIL Sensitivity Analysis

TABLE 1		Affordable Housing - % on site 30%						
Balance (RLV - BLV)	780,502	5%	10%	15%	20%	25%	30%	35%
	0	3,143,074	2,747,702	2,352,077	1,955,830	1,559,091	1,161,675	763,400
	10	3,042,228	2,651,924	2,261,164	1,870,024	1,478,323	1,085,877	692,502
	20	2,941,129	2,555,801	2,170,207	1,784,024	1,397,289	1,009,863	621,529
	30	2,839,743	2,459,538	2,078,832	1,697,730	1,316,051	933,612	550,227
	40	2,738,132	2,362,890	1,987,367	1,611,294	1,234,607	857,212	478,814
CIL £psm	50	2,636,198	2,266,140	1,895,529	1,524,507	1,152,892	780,502	407,151
50.00	60	2,534,073	2,168,958	1,803,547	1,437,633	1,071,036	703,715	335,292
	70	2,431,584	2,071,718	1,711,244	1,350,345	988,838	626,540	263,267
	80	2,328,941	1,973,996	1,618,740	1,262,991	906,567	549,284	190,956
	90	2,225,888	1,876,220	1,525,969	1,175,235	823,879	471,718	118,555
	100	2,122,726	1,777,992	1,432,934	1,087,368	741,114	393,985	45,798
	110	2,019,102	1,679,663	1,339,693	999,168	658,007	316,026	(27,065)
	120	1,915,417	1,580,937	1,246,120	910,782	574,740	237,812	(100,190)
	130	1,811,212	1,482,046	1,152,407	822,135	491,213	159,458	(173,379)
	140	1,706,948	1,382,821	1,058,288	733,221	407,438	80,754	(246,876)
	150	1,602,210	1,283,360	964,093	644,125	323,488	2,003	(320,397)
	160	1,497,352	1,183,633	869,428	554,678	239,198	(77,055)	(394,265)
	170	1,392,084	1,083,594	774,675	465,131	154,822	(156,204)	(468,133)
	180	1,286,624	983,361	679,531	375,142	70,152	(235,622)	(542,366)
	190	1,180,822	882,738	584,211	285,141	(14,651)	(315,173)	(616,608)
	200	1,074,751	781,997	488,585	194,745	(99,708)	(394,957)	(691,186)
	210	968,414	680,780	392,833	104,288	(184,941)	(474,910)	(765,804)
	220	861,724	579,529	296,723	13,477	(270,391)	(555,066)	(840,732)
	230	754,848	477,851	200,531	(77,438)	(356,055)	(635,424)	(915,728)
	240	647,672	376,087	103,934	(168,669)	(441,905)	(715,958)	(991,012)
	250	540,254	273,941	7,295	(260,045)	(528,003)	(796,723)	(1,066,388)

Source: AspinallVerdi This sensitivity table shows the balance (RLV – BLV) for different combinations of Affordable Housing (AH %) across the columns and different amounts of CIL (£ psm) down the rows. Thus:

- You should be able to find the appraisal balance by looking up the base case AH% (e.g. 30%) and the base case CIL (e.g.£50 psm).
- Higher % levels of CIL will reduce the 'balance' and if the balance is negative the scheme is 'not viable' for Plan Making purposes (note that it may still be viable in absolute RLV terms and viable in Plan Making terms depending on other sensitivities (e.g. BLV, Profit (see below)).
- Lower % levels of CIL will increase the 'balance' and if the balance is positive then the scheme is viable in Plan Making terms
- Similarly, higher levels of AH (%) will reduce the 'balance'
- And, lower levels of AH (%) will increase the 'balance'.

4.72 We have carried out the following sensitivity analysis herein (see appraisals):

- Table 1 CIL v Affordable Housing
- Table 2 Site Specific S106 v Affordable Housing
- Table 3 Profit v Affordable Housing
- Table 4 BLV v Affordable Housing
- Table 5 Density v Affordable Housing
- Table 6 Build Costs v Affordable Housing
- Table 7 Market Value v Affordable Housing

BLV Caveats

4.73 It is important to note that the BLV's contained herein are for 'high-level' plan/CIL viability purposes and the appraisals should be read in the context of the BLV sensitivity table (contained within the appraisals). The BLV's included herein are generic and include healthy premiums to provide a viability buffer for plan making purposes.

4.74 In the majority of circumstances, we would expect the RLV of a scheme on a policy compliant basis to be greater than the EUV (and also the BLV including premium) herein and therefore viable.

4.75 However, there may be site specific circumstances (e.g. brownfield sites or sites with particularly challenging demolition, contamination or other constraints) which result in a RLV which is less than the BLV herein. It is important to emphasise that the adoption of a particular BLV £ in the base-case appraisal typologies in no way implies that this figure can be used by applicants to negotiate site specific planning applications where these constraints exist. In these circumstances, the site-specific BLV should be thoroughly evidenced having regard to the EUV of the site in accordance with the PPG. This report is for plan-making purposes and is without prejudice to future site-specific planning applications.

5 Residential Assumptions

5.1 The residential section of the report sets out our assumptions in relation to the costs and values for the residential typologies to be appraised.

5.2 This section primarily deals with the rationale behind the costs assumed within our residential typologies (see Appendix 2 – Typologies matrix).

5.3 In terms of values, we append our residential market paper which reviews the existing evidence base and provides a detailed residential market analysis setting out how we have arrived at our assumptions. This report provides a summary of the findings within this research paper (Appendix 3).

Residential Existing Evidence Base

5.4 This section summarises the evidence base, property market context, development monitoring and viability for residential (including the Strategic Sites).

5.5 We have reviewed the existing evidence to identify mix and density assumptions used. More detail on residential value and land value assumptions used in the existing evidence base is outlined in the Residential Market Report at Appendix 3 and the Land Value Paper at Appendix 4. We have reviewed the following studies:

- DTZ Economic Viability Appraisal 2009 and Affordable Housing Small Sites Threshold Testing 2010
- PBA CIL Viability Study(s), 2013 and 2014
- GL Hearn, Strategic Housing Market Assessment (SHMA), 2015
- Strategic Housing Land Availability Assessment, (SHLAA) 2020
- CPV Viability Case Study(s), 2017
- AspinallVerdi, Reviewing Affordable Housing Targets - Initial Strategic Advice, January 2018
- AspinallVerdi, Selby District Council Local Plan (Site Allocations) Viability Assessment, October 2018

DTZ Economic Viability Appraisal 2009 and Affordable Housing Small Sites Threshold Testing 2010

5.6 DTZ was commissioned in June 2009 by Selby District Council (SDC) to examine the likely impact of a range of potential affordable housing percentages and tenure splits on development viability across a range of market scenarios. This was followed up by a report that specifically tested the viability of small sites. In both of these reports the following property sizes were adopted:

Table 5.1 - DTZ property size assumptions

Unit Type	Area sq ft	Area sqm
1 Bed Flat	500	46
2 Bed Flat	650	60
2 Bed TH/SD House	700	65
3 Bed TH/SD House	950	88
Bed TH/SD House	1100	102
5 Bed TH/SD House	1450	135
2 Bed Bungalow	700	65
3 Bed D House	1000	93
4 Bed D House	1250	116
5 Bed D House	1500	139

Source: DTZ, 2009

PBA CIL Viability Study(s), 2013 and 2014

5.7 Peter Brett Associates (PBA) was commissioned by the Selby District Council to provide specialist services for the development and preparation of a Community Infrastructure Levy (CIL) Viability Assessment. PBA prepared two reports as follows:

- Community Infrastructure Levy Economic Viability Assessment, September 2013, and
- Selby Community Infrastructure Levy Addendum Report, April 2014

5.8 These reports provide the evidence base for the current CIL Charging Schedule.

5.9 The following assumptions were adopted:

Table 5.2 - PBA Adopted Assumptions

Assumption	2013 Study	2014 Addendum
Density	Low value – 40 dph Medium Value – 36 dph High value – 32 dh	Low value – 40 dph Medium Value – 35 dph High value – 30 dh
Unit sizes	Low value – 100 sqm Medium Value – 110 sqm High value – 125 sqm Terraced – 80 sqm Semi-detached – 100 sqm Detached – 120 sqm	Low value – 100 sqm Medium Value – 110 sqm High value – 125 sqm Affordable – 80 sqm
S106 costs	£500 per unit	£500 per unit for 0.25ha and 1ha scenarios £2,500 per unit for 5ha scenarios

5.10 Source: PBA, 2013 and 2014

5.11 The S106 contributions were based on current developer contributions with costs for items expected to be delivered through CIL stripped out.

GL Hearn, Strategic Housing Market Assessment (SHMA), 2015

5.12 The SHMA concludes that an appropriate mix of affordable and market homes for the plan period (2014 – 2037) is as follows.

Table 5.3 - Recommended Housing Mix in Selby

	1-bed	2-bed	3-bed	4+ bed
Market	5%	35%	45%	15%
Affordable	30%	40%	25%	5%

Source: GL Hearn, SHMA, 2015

5.13 The SHMA concluded a need for a 20%/80% split of affordable housing provision between intermediate and social/affordable rented provision would be appropriate.

Strategic Housing Land Availability Assessment, (SHLAA) Methodology Paper, 2020

5.14 We have reviewed the SHLAA in order to identify what assumptions were used within the study. Table 5.4 below identifies the net developable area ratios that were used for the differing sizes of sites. Larger sites tend to have more of their area used for non-housing uses and infrastructure and this is generally why the rates lower as the site size gets larger.

Table 5.4 - Net Developable Area Ratios

Site Size Bracket (ha)	Net developable area ratios (%)
Up to 1	100
1 to 5	85
5 to 10	80
More than 10	65

Source: SHLAA Methodology Paper, 2020

5.15 Table 5.5 below identifies the densities used across the settlement hierarchy. These were based on recent completions and permissions as well as masterplans submitted by developers.

Table 5.5 - Densities

Settlement Hierarchy	Densities (dph)
Principal Town (Selby) Brownfield (more than 50% PDL area)	50
Principal Town (Selby) Greenfield (50% or less PDL area)	35
Local Service Centres	35
Designated Service Villages	30
Secondary Village	20
Countryside	20

Source: SHLAA Methodology Paper, 2020

5.16 The study identified that the only consistent correlation within recent completions and permission in terms of density is when the schemes were grouped by type of settlement. Note that Selby has different density assumptions for brownfield and greenfield sites.

CPV Viability Case Study(s), 2017

5.17 CP Viability Ltd (CPV) was instructed by Selby District Council to undertake individual viability assessment of a sample of schemes across the District. We have been provided with two reports:

- Viability testing of 11 residential development sites in Selby District, May 2017
- Viability testing of 12 residential development sites in Selby District, October 2017

5.18 We understand that these appraisals have been prepared to 'sense-check' the current policy requirements including affordable housing and CIL.

5.19 Unit sizes were based on the scheme's planning permission where available. We summarise the adopted unit sizes in the table below.

Table 5.6 - Property Unit Sizes

Property Type	Median (sqm)	Median (sqft)
2 bed properties	73	786
3 bed properties	85	915
4 bed properties	136	1,464
5 bed properties	153	1,650

Source: CPV, 2017

AspinallVerdi, Reviewing Affordable Housing Targets - Initial Strategic Advice, January 2018

5.20 AspinallVerdi were been appointed by Selby District Council (SDC) to provide a 'high-level' review of the District's affordable housing targets and provide **initial strategic advice** in respect of the delivery/implementation of the policy target.

5.21 We analysed housing monitoring data and conducted telephone surveys of a small sample of developers and Registered Providers.

5.22 We concluded that:

- The 40% target was probably too high as it was not being achieved. A decrease in affordable housing delivery coincided with the introduction of CIL
- Developers were probably paying too much for land, note that this predated the updates to the NPPF and PPG which now provide a stronger framework to prevent issues of spiralling land values.
- Affordable Housing was not being delivered on brownfield land, we therefore recommended that CIL and/or affordable housing was reduced on brownfield land to reflect the higher EUV / costs to delivering housing on brownfield land.
- There were spatial variations in housing delivery which may reflect that the CIL charging zone did not correspond with housing market areas.

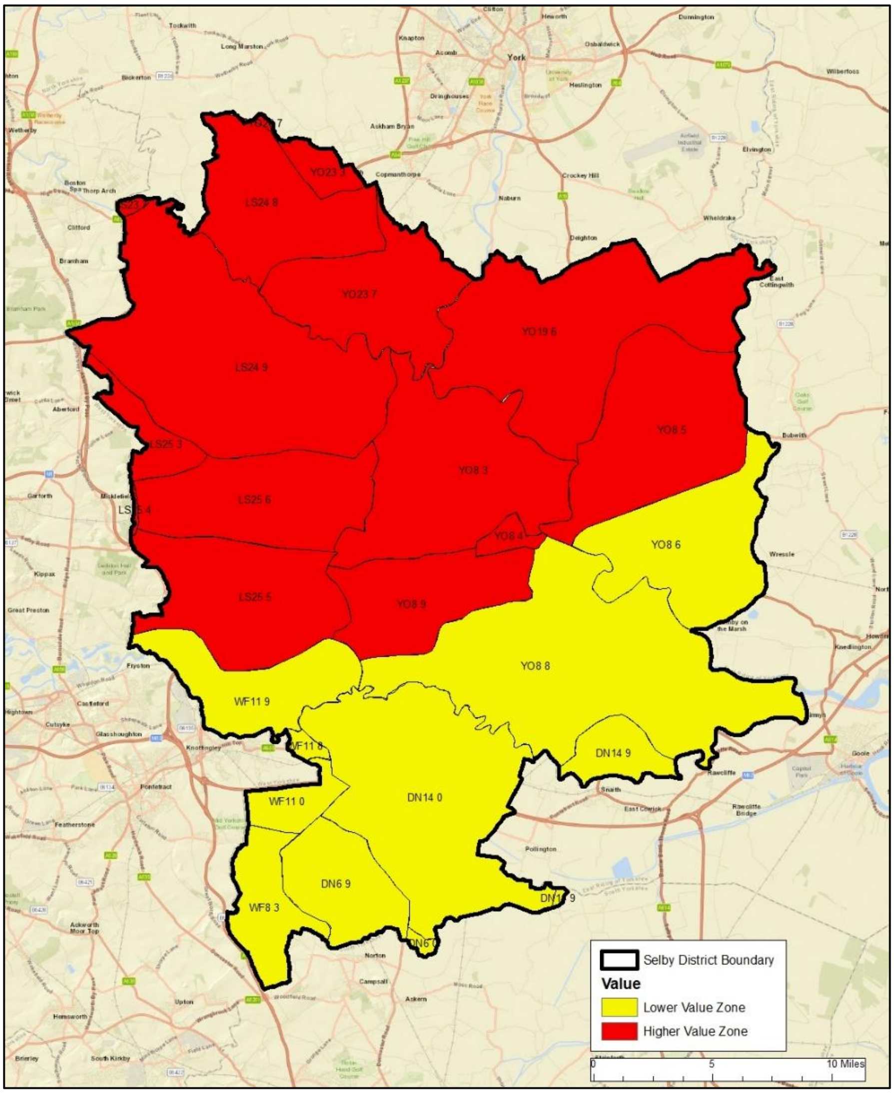
AspinallVerdi, Selby District Council Local Plan (Site Allocations) Viability Assessment, October 2018

5.23 In 2018 we were commissioned to provide economic viability advice in respect of the cumulative impact of the Local Plan Policies and the emerging Site Allocations Plan on development. As part of this commission we reviewed the residential housing market.

5.24 Based on extensive market research, we adopted a 2-value zone approach, which is similar to PBA's original recommendations. The evidence suggested that the division between the high and low value zones had shifted south slightly and roughly encompasses the Selby North, South and West Wards, the Hambleton Ward and part of the Brayton and Hemingbrough Wards.

5.25 Figure 5.4 below shows our housing value zones.

Figure 5.1 - AspinallVerdi Housing Value Zones (July 2018)



Source: AspinallVerdi (July 2018)

5.26 Table 5.10 sets out our absolute value (£) assumptions for each property type across the different value areas.

Table 5.7 - Residential Value Assumptions (£ psm)

Dwelling Type	Floor Areas	Higher Value Zone	Lower Value Zone
1 bed Flat	49	£2,959	£2,551
2 bed Flat	63	£2,937	£2,540
1 bed House	70	£2,929	£2,571
2 bed House	73	£2,945	£2,534
3 bed House	85	£2,941	£2,588
4 bed House	136	£3,015	£2,169
5 bed House	153	£2,941	£2,124

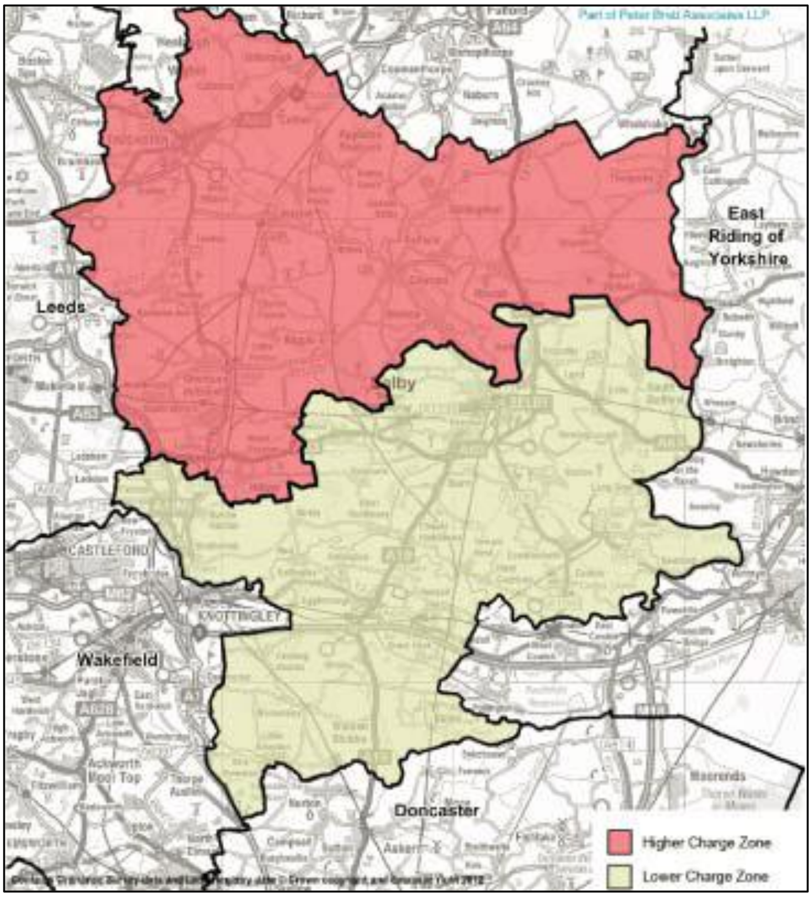
Source: AspinallVerdi (July 2018)

Housing Market Value Zones

5.27 Peter Brett Associates (PBA) was commissioned by Selby District Council to provide specialist services for the development and preparation of a Community Infrastructure Levy (CIL) Viability Assessment.

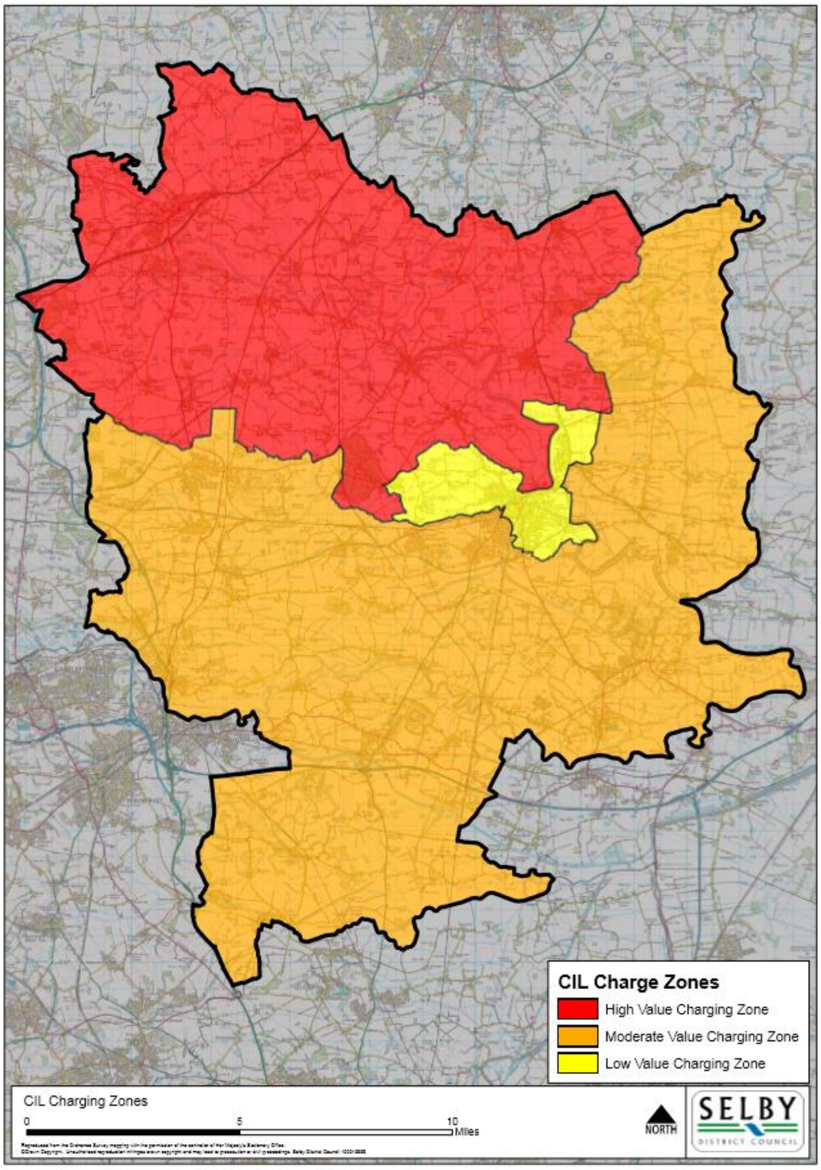
5.28 Figure 5.2 - PBA Recommended CIL Charging Zone Map below shows the recommended CIL charging zones. We note that the CIL charging schedule eventually adopted in 2016 (Figure 5.3) varied from PBA's recommendations.

Figure 5.2 - PBA Recommended CIL Charging Zone Map



Source: PBA CIL Addendum Report, April 2014

Figure 5.3 - Adopted CIL Charging Zone Map



Source: SDC CIL Charging Zone Map, 2016

5.29 We include the CIL charging schedule in Table 5.8 below which is based on the areas shown in Figure 5.3 above.

Table 5.8 - SDC Residential CIL Charging Schedule

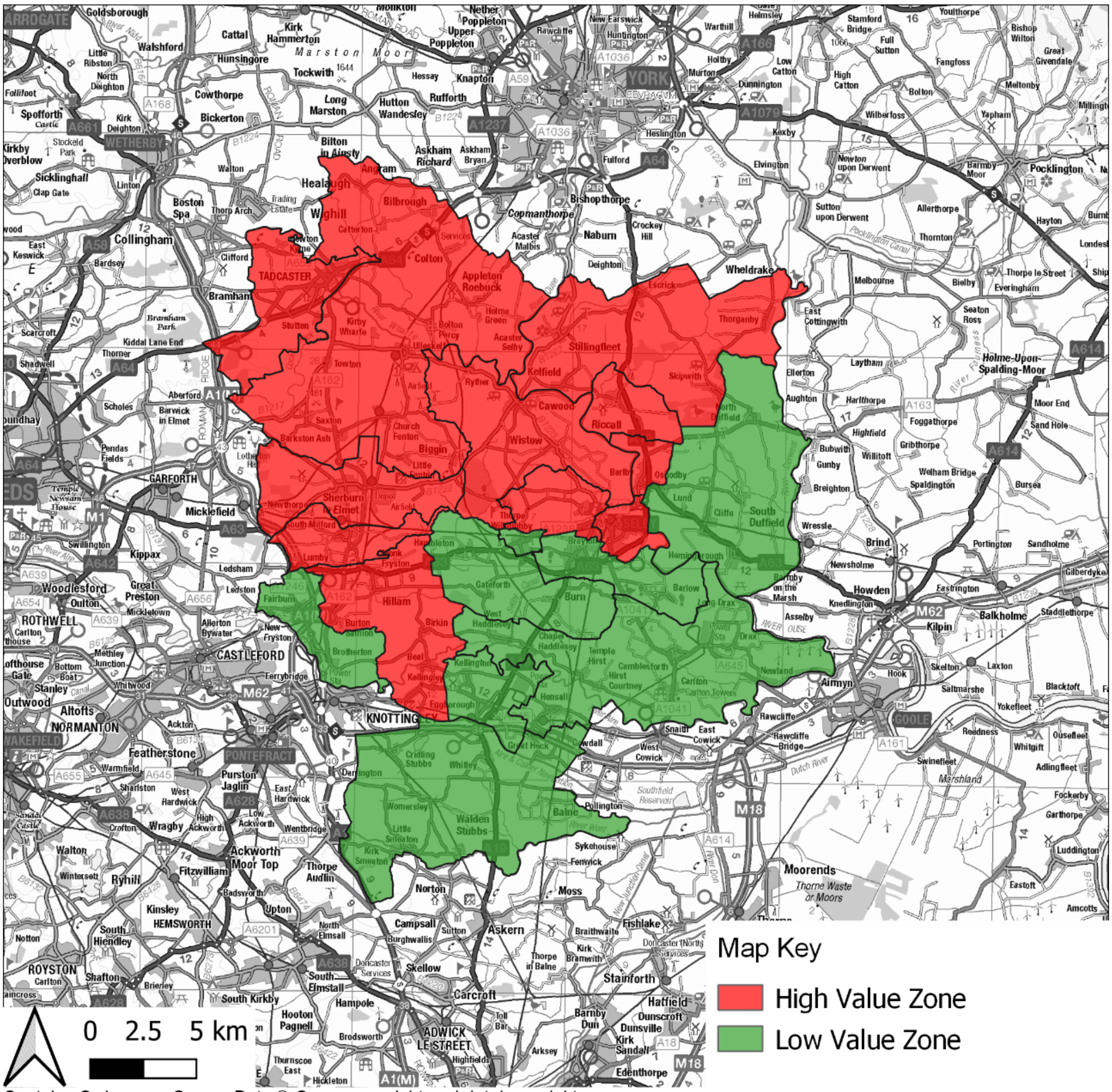
Use	Proposed CIL Charge per sq. m.
Private Market Houses (excl. apartments)	
Low value areas	£10
Moderate value areas	£35
High value areas	£50

Source: SDC CIL Charging Schedule, 2016

5.30 Based on our extensive market research, AspinallVerdi have adopted a 2-value zone approach, which is similar to PBA's original recommendations. In 2018 we reviewed evidence which suggests that the division between the high and low value zones has shifted south slightly, current evidence suggests that this division has continued to move southwards and now is now roughly on line with the A63.

5.31 Figure 5.4 below shows our housing value zones.

Figure 5.4 - AspinallVerdi Housing Value Zones, 2020



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Residential Typology Assumptions

5.32 The detailed typologies are set out in the matrix appended (see Appendix 2) There are a number of assumptions within the matrix which are evidenced below.

5.33 The typologies have been derived by our analysis of the site allocations, the HEDNA and consideration of the policies. These have been confirmed with the Council.

Number of Units

5.34 We have analysed the proposed site allocations to formulate the typologies by size, greenfield / brownfield and location, taking into consideration the housing market areas. The full typologies matrix is included in Appendix 2.

5.35 In summary we have appraised:

- Seven strategic sites in Selby – typologies SSB - SSG
- A range of sites between 8 and 300 units, including rural exception sites, in the high value zone (Selby) – typologies A-N
- A range of sites between 8 and 30 units, including rural exception sites, in the lower value zone – typologies O – AB
- Sheltered Housing and Extra-Care scheme (see Section 6 below) in the high value zone – typologies AC – AF

Mix

5.36 We have used the appropriate mix based on the HEDNA in accordance with Policy HQP2.

5.37 This varies depending on the size of the scheme and by tenure type. There is a degree of engineering to ensure the scheme mix is realistic based on the density and number of units within the respective typologies. The mix has been approved by the Council.

5.38 Please see the typologies matrix for the specific mix assumed for each typology (Appendix 2).

Unit Size Assumptions

5.39 We have based our unit size assumptions on our residential market research (Appendix 3) having regard to nationally described space standards.

Table 5.9 - AspinallVerdi Applied Unit Sizes

Dwelling Type	Floor Areas
1 bed Flat	50
2 bed Flat	60
1 bed House	60
2 bed House	70
3 bed House	90
4 bed House	120
5 bed House	145

Residential Value Assumptions

5.40 The residential market paper appended (Appendix 3) provides the background to the market housing value assumptions presented below.

5.41 Below we set out our market assumptions having regard to the following (for more detail see the residential market report in Appendix 3):

- our housing market zones;
- new build (achieved and asking) market evidence; and
- floor area assumptions.

5.42 Table 5.10 sets out our absolute value (£) assumptions for each property type across the different value areas.

Table 5.10 - Residential Value Assumptions (£ psm)

Dwelling Type	Floor Areas	Higher Value Zone	Lower Value Zone
1 bed Flat	50	£155,000	£135,000
2 bed Flat	60	£170,000	£150,000
1 bed House	60	£185,000	£165,000
2 bed House	70	£200,000	£175,000
3 bed House	90	£250,000	£225,000
4 bed House	120	£325,000	£295,000
5 bed House	145	£385,000	£350,000

5.43 Table 5.11 sets out our values £ psm assumptions for each property type across the value areas.

Table 5.11 - Residential Value Assumptions (£ psm)

Dwelling Type	Floor Areas	Higher Value Zone	Lower Value Zone
1 bed Flat	50	£3,100	£2,700
2 bed Flat	60	£2,833	£2,500
1 bed House	60	£3,083	£2,750
2 bed House	70	£2,857	£2,500
3 bed House	90	£2,778	£2,500
4 bed House	120	£2,708	£2,458
5 bed House	145	£2,655	£2,414

Affordable Housing Transfer Values

5.44 We have based our transfer values on information provided by Selby District Council. In April 2020 the Council asked registered providers active within the Selby District to provide their typical transfer values. We analysed the information provided and adjusted the values based on the unit areas adopted within our appraisals. More detail is provided within the residential market paper in Appendix 3. Our transfer value assumptions are summarised in the table below.

Table 5.12 - AVL Transfer Value Assumptions

House Type	Floor Area (sqm)	Social Rent	Affordable Rent	Shared Ownership
1 bed Flat	50	£52,000	£55,250	£71,200
2 bed Flat	60	£56,215	£55,985	£80,954
1 bed House	60	£48,880	£62,838	£80,018
2 bed House	70	£57,027	£73,311	£93,354
3 bed House	90	£83,541	£107,160	£132,810
4 bed House	120	£114,960	£196,920	£192,780
5 bed House	145	£138,910	£237,945	£232,943

Residential Cost Assumptions

5.45 The development costs applied within our appraisals are evidenced (where necessary) and set out below.

Initial Payments

5.46 Table 5.13 below shows the 'up-front' costs prior-to or at start-on-site.

Table 5.13 - Residential Appraisals Initial Cost Assumptions

Item	Comment
Planning Application Professional Fees and Reports	Allowance for typology, generally 5 times statutory planning fees (x3 for larger sites). This is based on feedback received at previous stakeholder workshops.
Statutory Planning Fees	Based on national formula
CIL	This is the CIL rate (£ psm) and an input to the CIL sensitivity tables. Notwithstanding the fact that SDC currently has an adopted CIL Charging Schedule we have assumed £0 psm CIL in the baseline appraisal assumptions. We have then shown the impact of various levels of CIL in the sensitivity tables. This is because the Council has instructed us to take an 'affordable housing first' to ensure that this is deliverable including the relevant site-specific S106s (see below), as priority over CIL.
Site-Specific S106/S278 and Strategic Infrastructure	Site Specific Allowance for typology – note that this is in addition to external works costs (see below). The appraisals include an allowance of between £100 and £14,600 per dwelling depending on size and type of development. This is based on S106 monitoring data provided by the Council. It includes waste collection and monitoring fee; education etc. Further detail can be found in the Typologies Matrix in appendix 2. We have consulted with land owners, site promoters and developers of the strategic sites who have provided some information in regards to S106 and infrastructure costs, where none have been provided, we have used average figures.

Construction Costs

5.47 Table 5.14 below summarises our build cost assumptions.

Table 5.14 - Build Cost Assumptions

Item	Cost	Comments
Demolition / Site Clearance	£50,000 per acre	For brownfield typologies we have made an allowance for site clearance / demolition
Estate Housing	£997 – 1,131 psm	Selby (5 years) Lower – Median BCIS depending on scale. The lower quartile was adopted for schemes over 50 units as volume house builders are likely to deliver these schemes at a lower rate due to economies of scale.
Flats 3-5 Storey	£1,112 – 1,255 psm	Lower – Median BCIS depending on scale
EV Charging Points	+£1,000 per house and +£10,000 per 4 flats.	This reflects the Climate Change Policy
Net Biodiversity Costs	£231 per unit – brownfield £1,212 per unit - greenfield	Reflects policy EN3b - cost taken from Biodiversity Net Gain and Local Nature Recovery Strategies, 2019
M4(2) Category 2 – Accessible and Adaptable housing	+£521 per unit	M4(2) Category 2 – Accessible and Adaptable housing Based on DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157 (all units).
M4(3) Category 3 - Wheelchair Adaptable dwellings	+£10,111 per unit	M4(3) Category 3 - Wheelchair Adaptable dwellings Based on DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157 (all units).
External Works	15%	The Harman report states, '[external works] are likely to vary significantly from site to site. The planning authority should include appropriate average levels for each type of site unless more specific information is available. Local developers should provide information to assist in this area where they can, taking into account commercial sensitivity.' For the purposes of our appraisal, we have used 15% for external works, which we consider is a more than sufficient enough allowance for a plan-

Item	Cost	Comments
		wide study (given we have also included 3% contingency).
Contingency	3% of the above construction costs	Higher contingencies are sometimes included in site specific appraisals, but these are generally for specific abnormal costs or ground conditions which are not part of a high-level plan wide viability assessment.

Other Cost Assumptions

Table 5.15 - Other Cost Assumptions

5.48 Table 5.15 below summarises all the other costs which have factored into the appraisals.

Item	Cost	Comments
Professional Fees	6.5%	Based on the average of FVA evidence.
Disposal Costs	3% (Marketing & Disposal) 1% (Sale Agents) 0.25% (Sales Legal Fees – market housing) £10,000 (Sales Legal Fees – affordable housing)	Note that the marketing and promotion costs have to be considered 'in-the-round' with the sales values and gross profit (where developers have internal sales functions).
Finance Costs	6.5% interest rate	Based on the average of FVA evidence.

Profit Assumptions

5.49 For the purposes of this viability appraisal, we have assumed a baseline profit of 20% to the private housing (open market sales (OMS) values) and 6% profit to the on-site affordable housing (where applicable). These were in line with the recommended profit margins for Plan viability in the PPG.

5.50 It is important to note that it is good practice for policy obligations not to be set right up to the margins of viability. However, in certain circumstances developers will agree lower profit margins in order to secure planning permission and generate turnover. The sensitivity analyses within the appendices show the 'balance' (i.e. RLV – TLV) for developer's profit from 15% on private housing to 20%. This clearly shows the significant impact of profit on viability (especially for larger schemes) [54].

5.51 It is important to note that the revised PPG (2019) refers to a return [profit] of 15-20% as being appropriate[55]. We have therefore built in additional 'buffer' by adopting a margin at the top end of the range.

Residential Land Value Assumptions

5.52 The Land Value Paper (Appendix 4) sets out our approach and analysis of the land market in Selby District. Our threshold land value (TLV) assumptions are set out on the next page.

[54] Note that the final PPG (2019) now refers to profit of 15-20% which 'may be considered a suitable return to developers in order to establish viability of plan polices' which is consistent with our sensitivity analysis.
[55] Paragraph: 018 Reference ID: 10-018-20190509

Table 5.16 - Benchmark Land Value Assumptions

Typology	Location	Greenfield / Brownfield	EUV -					Uplift Multiplier	BLV -	
			(per acre) (gross) (rounded)	(per ha) (gross) (rounded)	Net: Gross (%)	(per acre) (net)	(per ha) (net)	x [X] x [Y]%	(per acre) (net developable) (rounded)	(per ha) (net developable) (rounded)
Residential	Higher Value Area	Greenfield	£9,000	£22,200	75%	£12,000	£29,600	20.8	£250,000	£617,800
Residential	Lower Value Area	Greenfield	£8,500	£21,000	75%	£11,333	£28,000	15.9	£180,000	£444,800
Residential	Higher Value Area	Brownfield*	£250,000	£617,800	100%	£250,000	£617,800	20%	£300,000	£741,300
Residential	Lower Value Area	Brownfield*	£200,000	£494,200	100%	£200,000	£494,200	15%	£230,000	£568,300

** The Brownfield evidence is subject to a wide variance due to the wide range of existing uses for brownfield sites

The BLVs in the above table are for ‘high-level’ plan viability purposes and should be read in the context of the viability report and specifically the context and caveats therein.

The adoption of a particular BLV (£) in the base-case appraisal typologies in no way implies that this figure can be used by applicants to negotiate site specific planning applications.

6 Older Persons Housing

6.1 This section sets out our specific assumptions and appraisal results in respect of older persons housing where these are different to the general needs housing in section 4.

Typology Assumptions

6.2 Table 6.1 outlines our typology assumptions for older persons housing. Note that our typologies are based on Selby (as a proxy for District-wide schemes) and on brownfield sites. The typologies appraised are generic typologies.

Table 6.1 – Older Persons Housing Typology Assumptions

	Age Restricted / Sheltered Housing	Assisted Living / Extra-Care Housing
No. of units	55	60
Development Density (dph)	125	100
1 Bed unit size (sqm)	50	60
2 Bed unit size (sqm)	75	80
Non-chargeable communal space (net-to-gross)	75%	65%

6.3 We have appraised flatted typologies for both Sheltered Housing and Extra-Care.

Value Assumptions

6.4 We are unaware of any new-build older persons housing currently being marketed or in the pipeline.

6.5 We have taken into consideration the new build asking price data for general needs housing and the ‘rules of thumb’ assumptions from the Retirement Housing Group to derive our market value assumptions for older persons housing. These are set out below.

6.6 Based on the market research above we have adopted the following values:

Table 6.2 - Retirement Living / Sheltered Housing Value Assumptions

No. of Beds	Unit Size (sqm)	Unit Price (£)	Price (£ psm)
1-Bed	50	£190,000	£3,800
2-Bed	75	£250,000	£3,333

6.7 Based on the above values, we have applied a 25% premium to establish a value for the extra-care housing.

Table 6.3 - Extra Care Housing Value Assumptions

No. of Beds	Unit Size (sqm)	Unit Price (£)	Price (£ psm)
1-Bed	60	£237,500	£3,958
2-Bed	80	£312,500	£3,906

Cost Assumptions

6.8 The table below outlines the cost assumptions (where different from C3 housing):

Table 6.4 - Older Persons Housing Construction Cost Assumptions

Typologies	Build Cost	Comments
Sheltered Housing	£1,542 psm	Median BCIS. This is the median BCIS rate rebased for Selby (and maximum age of result set to 5 years)
Extra Care Housing	+4%	Based on Retirement Housing Group Viability Base Data evidence[56].
External Works	+10%	Typical flatted schemes generally have less external areas (e.g. less car parking). This is consistent with the higher development density assumptions.

6.9 The other cost assumptions are the same as for the residential appraisals above.

[56] RHG Retirement Housing Group, Retirement Housing Viability Base Data (April 2013) / Briefing Paper for CIL Practitioners Retirement Housing and the Community Infrastructure Levy (June 2013) by Churchill Retirement Living and McCarthy and Stone

Land Values

6.10 For the purpose of the older persons housing appraisals, we have included the appropriate brownfield or greenfield BLV from above (see Section 4). We have used the High Value BLV as this typology is based upon a Selby allocation.

6.11 Please see the important note on the application of BLVs under the Land Value assumptions in Section 4.

7 Residential Viability Results

7.1 We set out below the results of our viability appraisals. For ease of reference, the results are set out by market area and follow our typologies matrix. Where necessary, we provide comment on any nuances in the results.

7.2 The residential appraisals are appended in full at Appendix 5. These include a summary table at the end of each batch of appraisals (by grouping as described below).

7.3 Note that in the discussion below we have rounded the values for ease of interpretation.

Typologies A:F High Value Area - Brownfield

7.4 We have appraised 6 x brownfield typologies within the high value area ranging from 8 units to 300 units.

7.5 **All of these schemes are all viable for plan making purposes including 20% affordable housing, £0 CIL and S106 costs that range between £7,300 per unit and £14,600 per unit, with the exception of the 50-unit typologies which is 'marginally viable' albeit by a very small margin/sensitivity**.

7.6 The 8-unit scheme and large schemes of 100+ units all provided RLVs of over £385,000 per acre and therefore provide a significant surplus over the BLV of £300,000 per acre. The 8-unit scheme provided the highest RLV of £519,000 per acre which provides a surplus of £219,000 per acre over the BLV of £200,000 per acre. This scheme is the most viable due to the lack of affordable housing on small sites.

7.7 The 25-unit scheme provides a RLV of £334,000 per acre which provides a healthy surplus of £34,000 per acre over the BLV.

7.8 The 50-unit scheme is marginally viable as the RLV is positive at £292,000, however, it provides a small deficit of £8,000 per acre. The scheme becomes viable with minor adjustments such as reducing the BLV to £290,000, reducing profit to 19%, increasing density to 35 dph, reducing build costs by 2%, or increasing market values by 2%. When considered in the round, we consider there to be enough scope within the assumptions for schemes of this nature to be viable.

7.9 The 25 and 50-unit schemes are less viable compared to the large schemes of 100 units+ due to the use of higher build costs. It is assumed that smaller schemes will be delivered by local house builders who build at a higher cost compared to the national house builders who are attracted to larger schemes. The 50-unit scheme is less viable compared to the 25-unit scheme due to higher S106 costs.

7.10 Our appraisals included £0 psm CIL. Due to the small viability buffer present within the 50-unit scheme, we do not recommend charging any CIL on brownfield schemes in the higher value area.

Typologies G:N High Value Area - Greenfield

7.11 We have appraised 8 x greenfield typologies within the high value area ranging from 8 units to 300 units. This includes designated rural area and rural exception site typologies.

7.12 **These schemes are all viable including 20% affordable housing, £0 CIL and S106 costs that range between £100 per unit and £14,600 per unit**.

7.13 We have tested 3 x 8-unit typologies; a standard 8-unit scheme with 0% affordable housing, a designated rural area (DRA) scheme with 20% affordable housing and a rural exception site (RES) with 100% affordable housing. The RES typology is assumed to be an entry level exception site, we have therefore tested this typology for 100% First Homes. We have found all of these schemes to be viable.

7.14 The standard 8-unit scheme has the highest RLV at £450,000 per acre which provides a £200,000 per acre surplus over the BLV of £250,000 per acre. This is due to the absence of affordable housing.

7.15 The DRA typology provided a RLV of £252,000 per acre and the RES typology provided a RLV of £198,000 per acre. In RES areas, housing is only permitted in exceptional circumstances, land owners' expectations will therefore be significantly lower. For the RES we adopted a lower BLV of £10,000 per plot which equates to £81,000 per acre. The RES typology therefore has a significant surplus of £119,000 per acre.

7.16 We also tested typologies with 25, 50, 100, 200, and 300 units at 20% affordable housing. The RLV of these schemes varied between £256,000 per acre (50-units) and £350,000 per acre (300-units). These typologies all provide a surplus over the BLV of £250,000 per acre.

7.17 Viability varies due to variances in S106 cost and build cost assumptions. The 50-unit scheme has higher S106 cost assumptions compared to the 25-unit scheme. The 100+ unit schemes have even higher S106 costs, however the lower build costs have a bigger positive impact on viability, therefore the 100+ unit schemes produce the highest surplus.

7.18 Our appraisals included £0 psm CIL.

Typologies O:T Low Value Area - Brownfield

7.19 We have appraised 6 x brownfield typologies within the low value area ranging from 8 units to 300 units.

7.20 **These typologies are all marginal with 20% affordable housing, £0 CIL, and S106 cost of between £7,300 per unit and £14,600 per unit, with the exception of the 8-units scheme (Typology O).**

7.21 The 8-unit scheme is viable as this typology is under the affordable housing threshold and therefore includes 0% affordable housing. This typology produces a RLV of £232,000 per acre. This is £2,000 per acre above the BLV of £230,000 per acre.

7.22 The remaining schemes are considered to be marginally viable as the RLVs are positive and vary between £75,000 per acre (50 units) and £178,000 per acre (300 units), however they are below the BLV of £230,000 per acre.

7.23 The sensitivity tables show that the 100+ unit schemes are viable with 10% affordable housing; however, this level of affordable housing is not viable on the 25 and 50-unit typologies. The sensitivity tables show that the 25 and 50-unit typologies also become viable at **5%** affordable housing if combined with other adjustments such as profit reduced to 17%, BLV reduced to £170,000, or density increased to 38 dph.

7.24 Viability varies due to variances in S106 cost and build cost assumptions. The 50-unit scheme has higher S106 cost assumptions compared to the 25-unit scheme. The 100+ unit schemes have even higher S106 costs, however the lower build costs have a bigger positive impact on viability, therefore the 100+ unit schemes produce the highest RLV.

7.25 Our appraisals included £0 psm CIL. Due to the marginal viability on these schemes, we do not recommend charging any CIL on brownfield schemes in the low value area.

Typologies U:AB Lower Value Area - Greenfield

7.26 We have appraised 8 x greenfield typologies within the lower value area ranging from 8 units to 300 units. This includes designated rural area and rural exception site typologies.

7.27 **The standard 8-unit typology including 0% affordable housing, £0 CIL and £10,000 per unit S106 costs is viable. The 8-unit RES scheme is viable with 100% affordable housing, £100 per unit S106 costs and £0 CIL. The 8-unit DRA scheme and typologies with between 25 and 100 units are marginal with 20% affordable housing, £0 CIL and S106 costs of between £100 and £14,600 per unit. The 200- and 300-unit typologies are viable with 20% affordable housing, £0 CIL and S106 costs of £14,600 per unit.**

7.28 The RES typology is assumed to be an entry level exception site, we have therefore tested this typology for 100% First Homes. In RES areas, housing is only permitted in exceptional circumstances, land owners' expectations will therefore be significantly lower. For the RES we adopted a lower BLV of £10,000 per plot which equates to £81,000 per acre. The RES typology had a RLV of £84,000 per acre which provides a surplus of £3,000 per acre.

7.29 The 8-unit DRA scheme provides a RLV of £140,000 per acre. This is below the BLV of £180,000. The sensitivities show that the scheme becomes viable with an affordable housing contribution of 10%. The standard 8-unit scheme has the highest RLV at £240,000 per acre which provides a £60,000 per acre surplus over the BLV of £180,000 per acre.

7.30 We also tested typologies with 25, 50, 100, 200, and 300 units at 20% affordable housing. The RLV of these schemes varied between £84,000 per acre (50-units) and £187,000 per acre (300-units). Only the 200 and 300-unit typologies have a RLV that exceeds the BLV. The remaining typologies are marginally viable. Viability varies due to variances in S106 cost and build cost assumptions. The 50-unit scheme has higher S106 cost assumptions compared to the 25-unit scheme. The 100+ unit schemes have even higher S106 costs, however the lower build costs have a bigger positive impact on viability, therefore the 100+ unit schemes produce the highest RLV.

7.31 The sensitivity tests show that the 25, and 100-unit typologies become viable with an affordable housing rate of **10%**. The 50-unit typology becomes viable at 10% affordable housing if S106 costs are reduced to £8,000 per unit, profit reduced to 18%, the BLV reduced to £150,000 per acre, build costs reduce by 2% or market values increase by 2%.

7.32 Our appraisals included £0 psm CIL. Due to the smaller viability buffer and some marginal appraisals, we do not recommend charging any CIL on greenfield schemes in the lower value area (over and above site-specific S106).

Typologies AC:AF High Value Zone - Older Persons Housing

7.33 We have tested an Age Restricted / Sheltered Housing typology and an Extra Care / Supported Living typology in both a greenfield and brownfield site. It is assumed that these typologies will predominantly be delivered in the high value area.

7.34 **All of these typologies are unviable with 20% affordable housing, £0 CIL, and £100 per unit S106 costs.**

7.35 These typologies produce negative land values and are therefore unviable. The RLV are all less than - £1.25m (per acre) and have significant deficits. The greenfield schemes become viable if affordable housing is reduced to **10%** on the age restricted / sheltered housing typology and **5%** on the extra care / supported living typology. The brownfield schemes remain unviable even when affordable housing is reduced to **0%.**

8 Key Large Sites / Strategic Sites

8.1 We have carried out detailed analysis of 7x strategic sites. These are potential site allocations which, by virtue of their size, would have a significant impact on the overall housing numbers in the Plan if they were unable to be delivered.

8.2 **Please note that this section contains commercially sensitive information and have been redacted [with an XXX] for public consultation**.

8.3 We have appraised the following strategic sites:

- SSB - 1,270 units - Cross Hills
- SSC - 1,400 units - Eggborough West (Lower value zone)
- SSD - 2,800 units - Church Fenton
- SSE - 3,000 units - Burn Airfield
- SSF - 3,250 units - Heronby
- SSG - 650 units - Escrick Urban Extension

Strategic Sites Market Engagement

8.4 We have prepared (i) a detailed strategic site questionnaire to establish BLV, profit etc. and (ii) an infrastructure/S106 cost assumptions spreadsheet proforma (to capture the social and economic infrastructure required to mitigate the site).

8.5 In terms of (i) we have prepared a bespoke strategic site questionnaire in MS Word to gather data from each of the site promotors and landowners/developers. This includes fields for:

- Land assembly / BLV
- Financial Viability and Funding
- Planning Policy and Consents
- Delivery Mechanism etc.

8.6 We have also (ii), developed a strategic sites appraisal assumptions template in Excel. This sets out:

- the land budget, housing trajectory (per annum, per phase etc);
- the quantum of site opening up infrastructure required;
- site specific S106 assumptions.

8.7 We have held a series of one-to-one workshop meetings with the strategic site promotors, developers and landowners for each of the sites to review the draft site proformas. We have then provided an opportunity for the site proformas to be updated/finalised.

8.8 This section sets out below our observations in respect of the viability and deliverability of each of the site.

8.9 We refer you to the site delivery proformas contained at Appendix 6.

8.10 We particularly draw your attention to the responses in respect of questions 18-24 and 51-58. Given the government's agenda that Local Plans are viable and deliverable (NPPF Paras 57 and 34) it is very important that the Council has confirmation that the land is deliverable. This requires the Council to have an understanding of specific baseline land values.

8.11 Sites which are unable to confirm either the EUV + premium or the minimum land value (in the case of options/promotion agreements etc.) should be considered less favourably than sites which have confirmed these figures (all other things being equal). This is because there is more uncertainty about the deliverability of the sites (irrespective of the viability position).

8.12 This is not to say that these are the values that the landowner expects to achieve in the future (where policy compliant residual land values could be higher than current expectations).

8.13 We have provided a summary of the viability results and then set out for each of the sites comments in respect of strengths / opportunities and weaknesses / constraints.

Strategic Site Assumptions

8.14 We have been provided with S106 and infrastructure costs and BLVs for most of the strategic sites by the relevant site promoters, land owners or developers. Where S106/infrastructure information is lacking, we have made our own assumptions based on the evidence provided on similar sites.

8.15 We have received completed S106/infrastructure pro-formas from the following sites and have included their total S106/infrastructure costs on a per unit basis:

- Cross Hills - £XXXX per unit
- Eggborough West - £XXXX per unit
- Church Fenton - £XXXX per unit
- Burn Airfield - £XXXX per unit

8.16 Escrick Urban Extension provided costs for a bypass (circa £XXXX m) but no other S106 /infrastructure costs. This site is most similar in size to another potential strategic site[57]. We therefore adopted S106/infrastructure costs on a per unit basis benchmarked against this similar site. We have assumed a total of £XXXX per unit.

[57] This site has subsequently been withdrawn from the analysis.

8.17 Heronby provided no S106/infrastructure costs. We therefore adopted an average between Church Fenton and Burn Airfield as these schemes are of a similar size. Note however that these are brownfield schemes and therefore may not provide an accurate reflection of costs on a greenfield site. We have assumed £XXXX per unit.

8.18 We have been provided with BLVs from the following sites:

- Eggborough West - £XXXX per acre
- Cross Hills - £XXXX per acre

8.19 Church Fenton provided an EUV of £XXXX per gross acre. Based on a gross area of 238.87 acres and a net area of 197.68 acres we calculate this to be £XXXX per acre on a net basis.

8.20 Burn Airfield did not provide and minimum land value information, given that this site is most similar in type to Church Fenton which is also an airfield we have adopted a BLV of £XXXX per acre.

8.21 Neither of the sites in Escrick provided any minimum land value information, we therefore adopted the land value used in the district wide study. For the higher value area this is £XXXX per acre.

8.22 It is important to note that high level working S106 and infrastructure cost assumptions are not necessarily limiting to our analysis, as we appreciate that some sites have been promoted for a longer period of time than other sites. Sites which are in the early stages of development and promotion are understandably likely to have less information available. However, infrastructure cost risk has to be counter-balanced by evidence that there is an appreciation by the landowner/promotor that they have to bear this cost out of land value. Where there is limited infrastructure cost information and limited information on land value aspirations, this is the highest risk to the delivery of the Local Plan.

Strategic Site Viability Results

8.23 The strategic sites have positive RLVs, however Cross Hills and Escrick Urban Extension also have high S106/infrastructure costs and therefore their RLVs are lower than their BLVs. These schemes are therefore considered to be marginally viable in plan making terms. Note that for the Escrick Urban Extension this is based on our BLV, it may be the case that the land owner is willing to accept a lower land value, however this has not been confirmed.

8.24 Cross Hills has a RLV of £XXXX per acre, this is significantly lower than the BLV of £XXXX

8.25 Burn Airfield is also marginally viable as it provides a RLV of £XXXX per acre which is below the BLV of £XXXX per acre. Note that this BLV is based off of the information provided on other airfields within Selby (Church Fenton). The land owner may be willing to accept a lower land value in this instance, however this has not been confirmed.

8.26 We were provided with limited information for the Escrick Urban Extension scheme. We have been provided with costs for a bypass which is estimated to cost £XXXX m. We have assumed S106/infrastructure costs of £XXXX per unit based on a similar site. This scheme provides a RLV of £XXXX per acre. We were not provided with a BLV for this scheme, we have therefore benchmarked the RLV against our district wide BLV of £XXXX per acre. Escrick Urban Extension therefore provides a deficit of £XXXX per acre.

8.27 The remaining strategic sites are all viable including 20% affordable housing and S106/infrastructure costs that range between £XXXX per acre and £XXXX per acre.

8.28 Church Fenton produced the highest RLV and surplus above BLV. This scheme produced a RLV of £XXXX per acre, which is £XXXX per acre higher than EUV of £XXXX per acre that the site promoters/landowner quoted within their pro-forma. Note that the site promoters/land owners at this scheme provided a EUV figure for the airfield and stated that they were willing to accept a policy compliant market value for the site. We have assumed the existing use value at this scheme to be the minimum land value the land owner will accept and the BLV for this scheme. This scheme included £XXXX per unit S106/infrastructure costs.

8.29 Eggborough produced the second highest surplus at £XXXX per acre. This scheme produced a RLV of £XXXX per acre which is higher than the site promoter's / land owner BLV of £XXXX per acre. This scheme included the lowest S106/infrastructure costs of £XXXX per unit as no significant infrastructure (e.g. by-pass) is required. Note that the S106 costs for the larger sites (100+ units) in the district wide studies was £XXXX per unit. The S106/infrastructure costs at the Eggborough scheme may therefore have been underestimated. Note that the Eggborough site is situated in the lower value zone.

8.30 We have not been provided with any S106/infrastructure costs or BLV information for Heronby. For the S106/infrastructure costs we have assumed an average figure from the two larger strategic sites of Church Fenton and Burn Airfield. Note that these are both brownfield sites, this may therefore not be an accurate reflection of S106/infrastructure costs at a greenfield site. We have assumed S106/infrastructure costs of £XXXX per unit. This appraisal produces a RLV of £XXXX per acre. We have assumed a BLV of £XXXX per acre in accordance with the district wide typologies. This scheme therefore provides a surplus of £XXXX per acre.

S106 and Infrastructure Cover

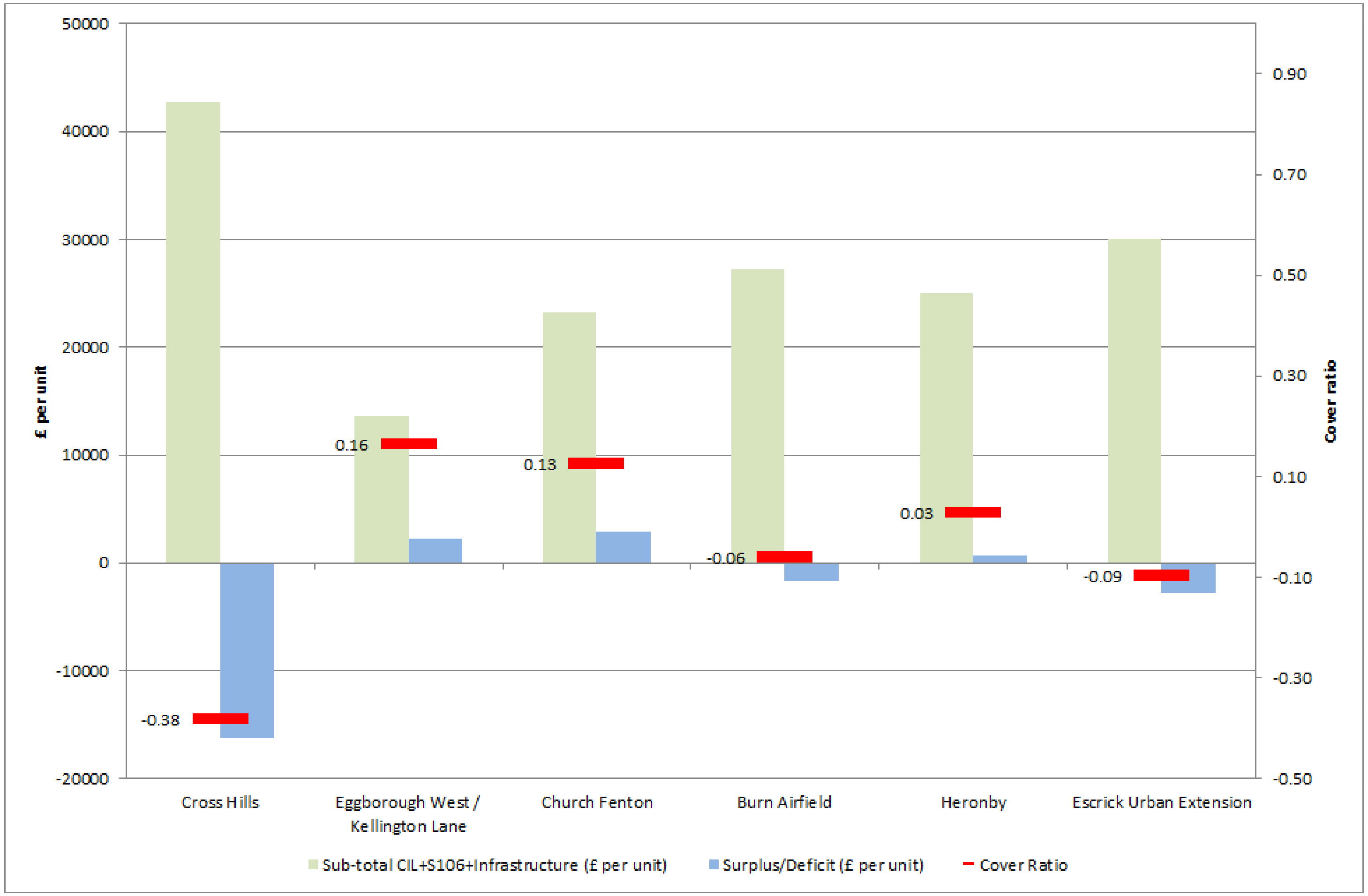
8.31 In order to 'de-risk' delivery of the Local Plan from the Council's position it is important to understand the buffer / surplus / margin between the RLV and the BLV (i.e. RLV – BLV) compared to the scale of the S106 and strategic infrastructure required to deliver the strategic sites.

8.32 Thus, sites with a low BLV (and therefore a large margin between the RLV and the BLV) have a greater ability to deliver should infrastructure and/or S106 costs increase.

8.33 Conversely, sites with a high BLV (and therefore a smaller margin between the RLV and the BLV) have a lesser ability to withstand increases in infrastructure/S106 costs.

8.34 In order to compare the schemes, we have calculated the ratio (cover) between the development surplus (£ per plot) (i.e. RLV – BLV) (A) and the total cost of S106 and strategic infrastructure (£ per unit) (B). The cover ratio is (B/A). This is illustrated on the following chart (Figure 8.1 overleaf).

Figure 8.1 - S106 and Infrastructure Cover



Source: 210108 Selby Residential Typologies SSA_SSF_v2

8.35 The above chart shows the total cost of (A) S106 + strategic infrastructure (£ per unit) and compares this to the (B) development surplus (i.e. RLV – BLV) (£ per unit/plot). The ratio of (B) to (A) is the amount of 'cover' that the scheme has in terms of the viability buffer between the risk of cost increases on infrastructure and S106 and the RLV becoming reduced to a level below which the site cannot be delivered.

8.36 This chart is relevant because it compares the amount of contingency or 'cover' that there is in the development surplus (RLV – BLV) of the scheme over and above the cost of the S106 (including CIL where relevant) and Strategic Infrastructure.

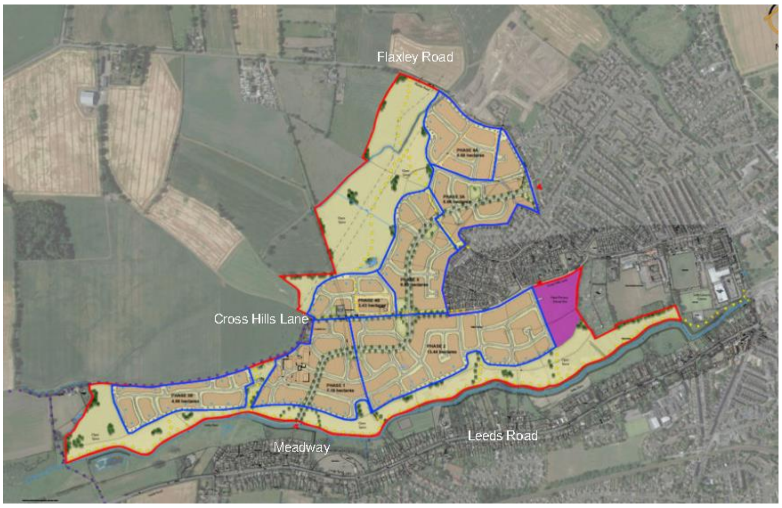
8.37 We make the following observations:

- None of the strategic sites have a particularly strong infrastructure cover, therefore their viability should be kept under review
- Church Fenton and Eggborough West have the highest cover ratio, this is due to their relatively low S106/infrastructure costs
- Burn Airfield and Heronby are more marginal, and increases in costs would make these sites unviable
- Cross Hills has the lowest cover, these sites have the largest costs.

Viability and Delivery Analysis

8.38 We set out below our comments in respect of strengths / opportunities and weaknesses / constraints for each of the strategic sites. It is important to note that this is not definitive, and the LPA will have additional criteria for site allocations. The comments below are limited to viability and deliverability aspects.

B) Cross Hills, Selby

Masterplan	
Strengths / Opportunities	• Sustainable location on the urban edge of Selby. • Access exists via neighbouring settlements (7.5m carriageway) which was designed for future extension. Pedestrian link can also be created via existing leisure centre. The development therefore can easily be integrated into the existing area. • Site promoters have been transparent about minimum land value within phase 1 which is for £XXXX per net residential hectare (£XXXX per acre). However elsewhere, the site promoters have also stated that they expect a land value of £XXXX per acre for the net residential area.
Weaknesses / Constraints	• Flood risks provide a constraint on development; however, this has been designed into the masterplan. • Requires delivery of dam crossing as part of the development. • 9 x land owners, therefore land assembly is more complex, agreements / discussions are in place however some landowners are unlikely to agree to equalisation - Hallam Land are less willing to be involved in masterplan and equalisation as they consider themselves to be the last phase of the development. • Possible ransom strip at south-western access point, however this is limited due to alternate access. Fixed sum has already been agreed with landowners. • Pig farm exists on site which will be costly to relocate. • Appraisal is marginally viable, whilst the RLV is positive, it remains significantly lower than the BLV. The sensitivities show

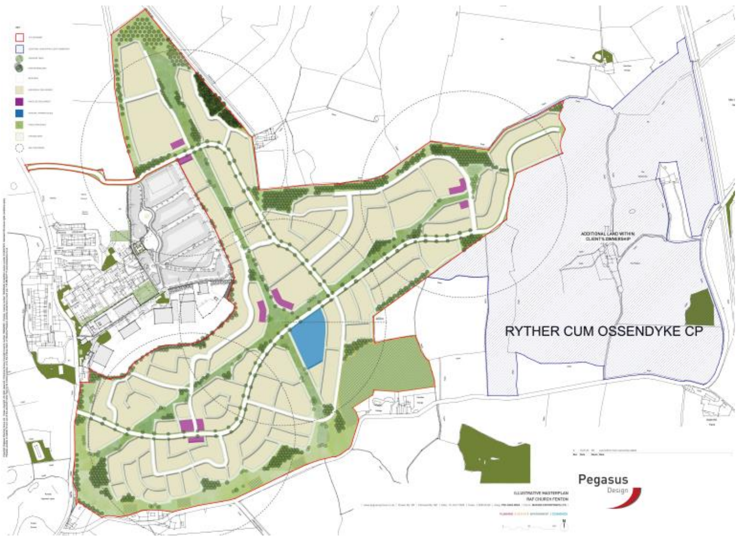
	that the scheme remains marginal even if affordable housing is reduced to 0%.
RAG Rating	Current allocation, but multiple landowners and viability (BLV) challenges to be overcome. Sustainable location on urban edge of Selby.

C) Eggborough West

Masterplan	
Strengths / Opportunities	• Land predominantly under one land ownership (2 acres under different land owner), however discussions are underway and this land does not present any ransom issues. • Site promoter has confirmed their minimum land value of £XXXX per net acre. • The site is currently served by two main roads and being located on the edge of an existing settlement allows connections to be made into existing infrastructure through the early parts of the development of the site. • The site promoter has considered delivery mechanisms and has engaged with developers and identified interest in the site. Based on feedback they believe there is scope for 2 x developers to deliver houses simultaneously with a third housebuilder could start delivering after the site has become established. • Site promoter experienced in low carbon technology so there is potential to deliver carbon neutral and low carbon technologies at this site. • Appraisals show that there is a viability buffer of £XXXX per acre. Which is small, however, the infrastructure costs are also expected to be low which reduces risk. Note that this includes

	20% affordable housing which is higher than our district wide recommendations for the lower value area. • The site is close to Whitley Bridge railway station and has good motorway access to the M62. • The scheme could also provide an opportunity to enhance the town centre services. • We understand that the site is not in the Green Belt.
Weaknesses / Constraints	• High EUV of £XXXX per acre, EUV is grade 3 agriculture and currently intensively used. • There are limited site constraints which can be accommodated into the masterplan, these include flood risk and overhead pylons. There are a number of deep ditches on site which will allow surface water attenuation to be delivered for low cost. The pylons have been designed as open space within the masterplan. • Costs are high level benchmarks and therefore lack certainty. Total S106/infrastructure costs are estimated to be £XXXX which is less than the S106 assumptions within our district wide assessment of £XXXX. The estimated S106/infrastructure costs may have therefore been under-estimated. The site promoter admits to the S106 costs being uncertain at this stage.
RAG Rating	The policy compliant RLV is viable. The landowner has been transparent about their land value requirements, which de-risks the delivery.

D) Church Fenton

Masterplan	

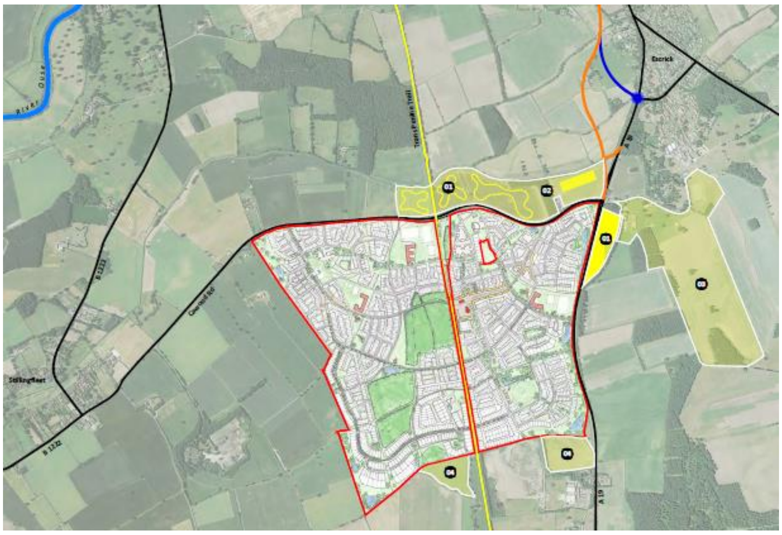
Strengths / Opportunities	• The site is a former RAF airfield. It is not in the Green Belt. • The site has the highest development surplus compared to other strategic sites of £XXXX per acre. • Adjacent to creative / digital / media uses within create Yorkshire and close to the Sherburn employment area. • Single ownership, therefore no third-party land issues. The site was acquired from the MOD in 2014. • The site is close to Church Fenton railway station. • Heritage led (e.g. 'fighter pens'), local community therefore benefit from greater access to heritage. • There is a requirement for a new primary school which has been allowed for on-site. • The existing service road and runs are to be reused as part of the masterplan. • Additional land available for further development or green space provision. The scheme could similarly be a smaller scheme (initially), however the whole of the airfield would still need to be closed and this would skew the land value requirements. • Initial highway work identifies that 425 homes can be delivered without need for highway, this aids early delivery within the plan period and provides up-front financial receipts that will help to fund S106 and infrastructure requirements. Additional highways constraints have been identified at 925 units and 2,000 units. • Land owner has confirmed EUV of £XXXX per gross acre and that they are 'happy to accept market value at the time of disposal taking into account of appropriate planning and abnormal costs'. We calculate this to be circa £XXXX per acre on a net basis. • There is an existing clawback clause in the freehold that the Ministry of Defence will receive 30% of any uplift in value. • Site promoter has considered delivery mechanisms and intends to deliver the development via JV with landowner. Discussions have also been held with a number of national developers who have indicated a desire to be involved.
Weaknesses / Constraints	• Part of the site is located within a flood zone 2, however only commercial uses will be located within this area.
RAG Rating	Provides the highest surplus compared to the other strategic sites and highest infrastructure cover ratio, therefore provides the lowest delivery risk.

E) Burn Airfield

Masterplan	None provided
Strengths / Opportunities	• This is a larger site with opportunity for up to 3,000 units. • Site is predominantly in ownership of Selby District Council, however the 'front' of the site controlled by CEG. CEG has approached SDC to work jointly on promoting the site (but this is still at early stages). • CEG has a hybrid promotion agreement with 2 landowners for the land at the front. This allows CEG to become the master-developer to draw-down land and deliver infrastructure to add value to the land sale. • CEG envisage a similar agreement with SDC which will allow for collaboration and land equalisation. This is still to be negotiated. There is an opportunity to create a Land Pooling Trust for the equalisation. • The public sector therefore has a greater degree of 'control' over the delivery of the site. There is a degree of flexibility in the level and timing of the landowners' return compared to private landowners, which offers a viability 'cushion' to mitigate risks of cost increases and/or value reductions over time. • As District Council is the landowner, there is an opportunity to deliver a policy compliant scheme and/or create an exemplar in terms of design standards. • The scheme would provide two x 2 Form Entry schools. • The scheme is at early stage and more due diligence work is currently being commissioned by SDC.
Weaknesses / Constraints	• SDC acquired the site from Homes England. The Council has not disclosed the purchase price and we understand that it needs to recover this investment in order for the site to come forward. • The residual value at this site is £XXXX per acre. There is a viability deficit of £XXXX per acre, however the BLV used in the assessment is based on the EUV at Church Fenton based on the assumption that as they are both airfields they should have similar EUVs. • The BLV has not been confirmed by the landowner, therefore this RLV may be an acceptable return and the site may be able come forward with this land value. However, as this has not been confirmed, there is therefore a high degree of risk at this site.

	• The site is located in flood zone 3. It benefits from formal flood defences, however the flood risk assessment has indicated that the scale of this development is limited. Flood risk area can be designed as public open space. • CEG could be a potential ransom strip to the Council, however they have stated that is not their intention.
RAG Rating	This should be a deliverable site given that the majority is in public ownership. However, the Council has not been transparent in respect of its land value aspirations and an agreement is still to be reached with CEG. This therefore cannot be higher than amber rated.

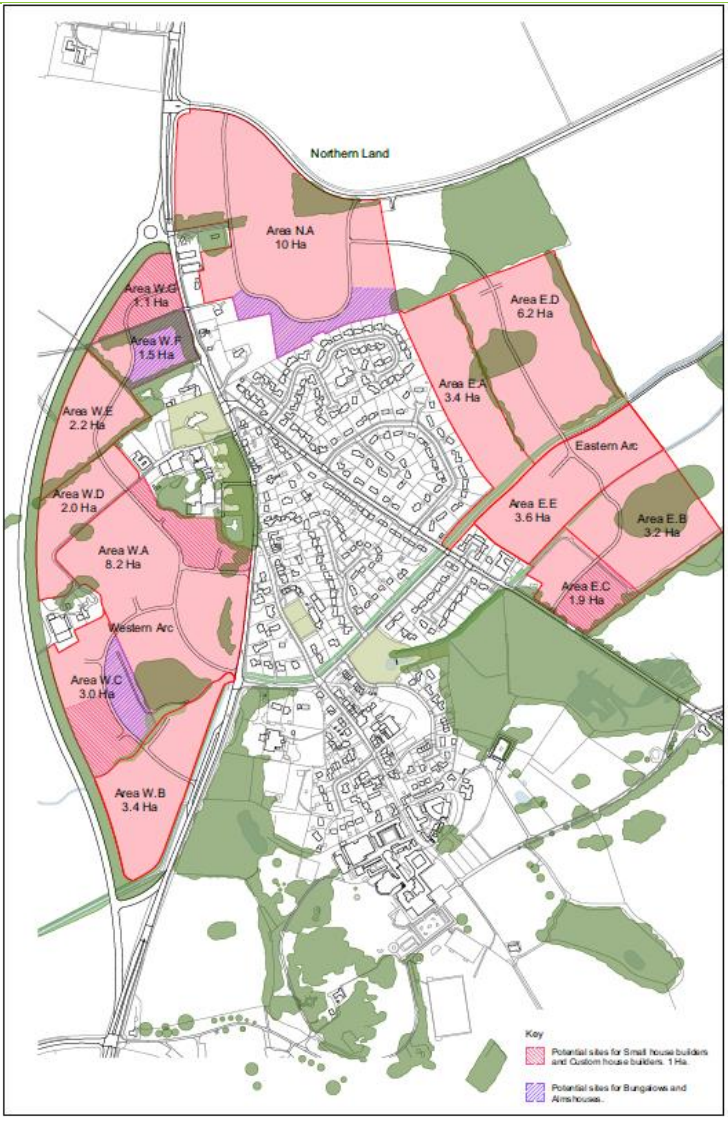
F) Heronby

Masterplan	
Strengths / Opportunities	• The site is in single ownership (part of the Escrick Park Estate). The Estate would be master-developers working with house-builders. The Estate has limited track record in this role and has brought in Turnberry consultants. • The landowner has engaged Turnberry consultants to develop the masterplan and we understand that work is ongoing in this respect. • Opportunity to design a completely new community in a high value area to the south of York off the A19. • There is potential for up to 3,250 units. • The scheme would include its own new secondary school together with two x 2 Form Entry primary schools. • There is potential to create a new village centre. • The site is not in the Green Belt nor is it in the flood zone.

	• There are no known abnormal costs. This is a greenfield site. • There is a Sustrans route which severs the site, but this is an opportunity for sustainable transport.
Weaknesses / Constraints	• There are electricity pylons which cross the site. The masterplan will be designed around them and use the land beneath as open space, but the landowner is exploring opportunities to underground them. • This site is at a very early stage of the master-planning / initial feasibility process, there are therefore a greater number of unknowns compared to the other sites. • The EUV at this site, as stated by the landowner, is £XXXX per acre for the agricultural land and £XXXX per acre for the woodland. • The landowner has not confirmed the Premium required at this stage. This is within their gift to do so. • No S106/infrastructure costs have been provided, therefore there is a high level of uncertainty at this stage.
RAG Rating	This could be a deliverable, garden village site. However, it is limited in terms of rail infrastructure. It is also high risk because the S106/infrastructure costs are unknown at this early stage and the landowner has not confirmed a willingness/understanding to fund the S106/infrastructure through land value capture[58].

[58] Since our analysis, more information on the master plan has been published by the site promotors. See - Heronby

G) Escrick Urban Extension

<table>
<tr><td>Masterplan</td><td>
</td></tr>
<tr><td>Strengths / Opportunities</td><td>

- Predominantly in one land ownership, Escrick Park Estates. Escrick Park Estates are also promoting the New Community above.
- The proposals are in two sections to the west and east of the existing settlement. The western section includes a new by-pass around Escrick.
- There are two additional landowners required for the western section which includes the proposed new by-pass.
- The Estate also has extensive land to provide off-site mitigation, e.g. biodiversity, recreational open space, flooding attenuation if required.
- There is an opportunity to deliver properties appropriate for older persons – there is demand in the village for bungalows.

</td></tr>
</table>

	• The scheme would help to support existing shops and services in the existing village centre. • There is an opportunity to deliver a larger scheme by extension using a third parcel of land to the north in York City Council area.
Weaknesses / Constraints	• Requires bypass however little work done to date on the feasibility of the bypass. This is estimate that this would cost [£XXXX] million. • Currently in Green Belt and therefore would require exceptional circumstances. • Site promoter has not provided any land value information. This is in their gift and landowners. • Only minimal cost information has been provided. They have not completed the S106/infrastructure spreadsheet. • High level costs of the by-pass have been provided (£XXXX - £XXXX million). We have based the remaining S106/infrastructure costs on a similar scheme. • Based on S106/infrastructure costs of £XXXX per unit, this development provides a RLV of £XXXX per acre. As the site promoter have not confirmed minimum or expected land values at the development, we have adopted the BLV used within our district wide study of £XXXX per acre. This scheme is therefore considered to be marginal in terms of viability. There is no certainty that the land owner will be willing to release the site for this land value.
RAG Rating	This could potentially provide a deliverable and sustainable extension(s) to the existing settlement. However, there is limited information in respect of costs/due-diligence and the landowner has not confirmed a willingness/understanding to fund the S106/infrastructure through land value capture.

RAG Rating Summary

Cross Hills	Current allocation, but multiple landowners and viability (BLV) challenges to be overcome. Sustainable location on urban edge of Selby.
Eggborough West	The policy compliant RLV is viable. The landowner has been transparent about their land value requirements, which de-risks the delivery.
Church Fenton	Provides the highest surplus compared to the other strategic sites and highest infrastructure cover ratio, therefore provides the lowest delivery risk.
Burn Airfield	This should be a deliverable site given that the majority is in public ownership. However, the Council has not been transparent in respect of its land value aspirations and an agreement is still to be reached with CEG. This therefore cannot be higher than amber rated.
Heronby	This could be a deliverable, garden village site. However, it is limited in terms of rail infrastructure. It is also high risk because the S106/infrastructure costs are unknown at this early stage and the landowner has not confirmed a willingness/understanding to fund the S106/infrastructure through land value capture.
Escrick Urban Extension	This could potentially provide a deliverable and sustainable extension(s) to the existing settlement. However, there is limited information in respect of costs/due-diligence and the landowner has not confirmed a willingness/understanding to fund the S106/infrastructure through land value capture.

9 Retail and Commercial Uses

9.1 In this section we set out our commercial and retail typology assumptions and the viability results.

Commercial Value assumptions

9.2 For the purpose of our viability assessment, we have applied the following assumptions. Our full commercial market report is included in Appendix 8

Table 9.1 - Office and Industrial Value Assumptions

Development Type	Rent £ psf (£ psm)	Yield	Rent Free/ Void Period (months)
Business Park Office	£13.50 (£145.31)	8.50%	6
Factory/Distribution Warehouse	£6.00 (£64.58)	6.25%	3

9.3 We have appraised both the factory and distribution warehouse assumptions using the same rent and yield given the scarcity of comparable lettings and investment sales evidence in this location. We have capitalised our opinion of market rent at an appropriate yield reflecting the length of unexpired lease term, tenant covenant strength and other factors an investor is likely to consider in seeking a sufficient return for a property of this type.

Retail Value assumptions

9.4 For the purpose of our viability assessment, we have applied the following assumptions. Our full commercial market report is included in Appendix 9.

Table 9.2 - Retail Value Assumptions

Typology	Rent £ psf (£ psm)	Yield (%)	Rent Free/ Void Period (months)
Retail warehouses	£15.00 (£161.46)	7.00%	12
Supermarket / Convenience Retail	£18.00 (£193.75)	4.00%	18

9.5 We have appraised both the retail warehouse and supermarket/convenience retail assumptions using appropriate rents and yields following research from a wider area given the scarcity of comparable lettings and investment sales evidence in this location. We have capitalised our opinion of market rent at an appropriate yield reflecting the length of unexpired lease term, tenant covenant strength and other factors an investor is likely to consider in seeking a sufficient return for a property of this type.

Commercial and Retail Cost Assumptions

9.6 The commercial and retail development costs are described below.

9.7 These are the 'up-front' costs prior-to or at start-on-site. These costs are set out in Table 6.14 below.

Item	**Assumption**
Planning Application Professional Fees and reports	Allowance for typology
Statutory Planning Fees	Based on national formula
CIL	We have adopted a baseline assumption of £0 psm on the office and industrial typologies and £110 psm (supermarkets / convenience retail) and £60 psf (retail warehousing)
Construction Costs	Median BCIS rebased to Selby: £720 - £1,719 depending on typology
External Works	15%
Site Clearance and Demolition	£50,000 per acre on brownfield land
Contingency	5%
Professional Fees	6.5%
Disposal Fees	Letting agent and legal fees at 10% and 5% respectively. 1% investment sale agent, 0.5% investment legal costs, 0.5% marketing and promotion.
Interest	6.25%

Profit Assumptions

9.8 For the purpose of this CIL viability study we have assumed a profit on cost of 15% for the commercial and retail typologies.

Land Value Assumptions

9.9 We have reviewed the development land market for values in Selby. Our land market paper containing our full analysis is included in Appendix 4.

9.10 For the purpose of our CIL study we have adopted the following land values:

- Greenfield: £200,000 per acre
- Brownfield: £250,000 per acre

Commercial and Retail Typology Assumptions

9.11 We have adopted commercial development typologies for office, factory and warehouse developments on brownfield and greenfield sites.

9.12 We have adopted retail development typologies for small and large supermarkets, and retail warehouses on both greenfield and brownfield land.

9.13 The full typologies are set out in the typologies matrix at Appendix 2.

Commercial Viability Results

9.14 We set out below a summary and results of our viability appraisals.

9.15 Detailed viability appraisals and sensitivity tables are appended (Appendix 10).

9.16 The Appraisals show that all of the typologies are unviable as they all produce negative residual land values. RLVs vary from -£349,000 per acre (greenfield distribution warehouse) to -£7,916,000 per acre (brownfield office). The office typologies have a significant deficit, this is because the NDV on a £ psm basis (£1,548 psm) is less than the construction costs on a £ psm basis (£1,719 psm).

9.17 We therefore recommend that CIL is not charged on commercial typologies.

Retail Viability Results

9.18 We set out below a summary and results of our viability appraisals.

9.19 Detailed viability appraisals and sensitivity tables are appended (Appendix 10).

9.20 The Appraisals show that all typologies are viable including £110 psm CIL for both the supermarket and convenience retail typologies and £60 CIL for the Retail Warehouse typologies.

9.21 RLVs range between £939,000 per acre (brownfield retail warehouse) and £1,320,000 per acre (both greenfield small and large supermarket typologies). They therefore provide a significant surplus over the BLV.

9.22 Our scheme typology appraisals for retail uses are all viable. However, in this current climate development sentiment is challenging for most commercial schemes including retail. Expanding the levy on development would only make this more difficult. This is especially the case for speculative development (e.g. retail warehouses). Supermarket development is considered more likely to be deliverable (evidenced by the recent Lidl and Aldi schemes), but there is a limit to retail capacity and there are no current requirements in the pipeline. We therefore consider that retaining CIL on retail uses is likely to contribute only marginally to the overall infrastructure funding and site-specific mitigation can always be achieved through S106. We would not therefore recommend retain CIL on retail (should CIL be withdrawn anyway for residential uses).

10 Conclusions and Recommendations

10.1 This section sets out our conclusions and recommendations.

10.2 Based on our appraisals we recommend the following affordable housing rates:

- High Value Area: 20% affordable housing
- Low Value Area – Greenfield – 10%
- Low Value Area – Brownfield – 5%
- Extra Care / Sheltered Housing – 0%

10.3 The above rates are viable when CIL is set at £0 psm. We would therefore recommend that for the Local Plan to come forward at the above levels of affordable housing, CIL should be removed.

10.4 In terms of the strategic sites. We recommend that Eggborough West and Church Fenton have the lowest viability and delivery risks. The site promoters/land owners at these sites have been been transparent regarding land values, there is therefore a greater degree of certainty regarding their viability. Cross Hills provides a positive RLV, however this is quite small at £XXXX per acre. It is unlikely that this scheme could come forward at this RLV.

10.5 Burn airfield have not provided BLV information, there is therefore a high level of uncertainty regarding whether this scheme can come forward with policy compliant levels of affordable housing.

10.6 Both of the Escrick sites have not fully engaged in this process as they have provided neither land value information or S106/infrastructure cost information, these sites therefore provide the greatest risk in terms of viability and delivery.

10.7 The commercial appraisals demonstrated that commercial development is unviable within the district, we therefore recommend that CIL remains at £0 psm for commercial uses.

10.8 The retail typologies are viable, however, in this current climate development sentiment is challenging for most commercial schemes including retail. We consider that retaining CIL on retail uses is likely to contribute only marginally to the overall infrastructure funding and site-specific mitigation can always be achieved through S106. We would not therefore recommend retain CIL on retail (should CIL be withdrawn anyway for residential uses).

Appendix 1 – Policies Matrix

Appendix 2 – Typologies Matrix

Appendix 3 – Residential Market Paper

Appendix 4 – Land Value Report (Redacted)

Appendix 5 – District Wide Residential Appraisals

Appendix 6 – Strategic Site S106/Infrastructure Proformas (Excluded from Redacted Version)

Appendix 7 – Strategic Site Appraisals (Excluded from Redacted Version)

Appendix 8 – Commercial Market Report

Appendix 9 – Retail Market Report

Appendix 10 – Commercial and Retail Appraisals

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