HEREFORDSHIRE COUNCIL

Residential and Non-residential Community Infrastructure Levy Viability Final Report

Three Dragons

March 2016

This report is not a formal land valuation or scheme appraisal. It has been prepared using the Three Dragons toolkit and non-residential model and is based on district level data supplied by Herefordshire Council, consultation and quoted published data sources. The toolkit provides a review of the development economics of illustrative schemes and the results depend on the data inputs provided. This analysis should not be used for individual scheme appraisal.

No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

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EXECUTIVE SUMMARY

1. This Viability Study provides the Council with evidence to assist it in drawing up a revised Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule (PDCS) for both residential and non-residential uses. The evidence has been prepared in consultation with the development industry and has followed the relevant regulations and guidance as well as being in line with the National Planning Policy Framework. This assessment also takes into account the policies in the adopted 2015 Local Plan and its supporting evidence base.

2. This viability study follows viability work undertaken in 2013 to inform the original PDCS and in 2014 to viability test the then draft Local Plan.

Residential uses

3. Herefordshire can be divided into market value areas with noticeable differences in average house prices, while development costs do not vary across the County in the same way. This has important implications for CIL rates and the study identified that it is appropriate to have a series of CIL rates across Herefordshire.

4. The testing undertaken uses a standard residual value approach, where the total value less all development and policy costs (including planning obligations) is compared to a land value benchmark. The scheme is said to be viable if the residual value exceeds the benchmark. Note that the benchmark land value is an estimate of the lowest value that a landowner may accept, and does not preclude the possibility that some schemes may have enough value to pay more for land.

5. For residential development, three types of testing were undertaken and the results are brought together in the study conclusions. The first set of tests used a notional 1 ha tile with different densities of development, in the different market areas. These tests provide a picture of the underlying viability of residential development. The second set of tests was a series of case studies that reflect the sites in the strategic land allocation studies for Hereford and for the rest of the County, as well as some smaller sites. The case studies highlight where a certain type of site has different viability characteristics compared with the average (as shown in the 1ha tiles). The third set of tests covers a set of strategic sites case studies. These are representative of the strategic sites identified in the Local Plan and include costs specifically associated with this type of large scale development.

6. A number of Local Plan and Supplementary Planning Document (SPD) policies have an impact on the costs of development and these include:

   - Affordable housing, with 40%, 35% and 25% required in different parts of Herefordshire, but only for developments of 11 or more houses.
   - Water efficiency development standards.
   - Green space standards, which have an impact on the land budgets and other costs for the larger sites.

- A requirement for some local mitigation to be delivered through s106/278 agreements. However, these will be significantly scaled-back with CIL in place and the testing undertaken reflects this. S106 obligations are only required for developments of six or more dwellings.
- Policies relating to the strategic sites, which result in additional costs that need to be taken into account in assessing the viability of these large-scale sites e.g. provision of a primary school.

7. Since the viability testing in 2013 and 2014 there have been changes in the values and costs for residential development, which have had an impact on viability. In particular:

- There has been a significant increase in build costs (c. 14% for houses), partly mitigated by a lower cost of finance and reduced marketing fees. There is evidence that single dwellings in particular have higher build costs;
- Market values have increased by around 9% since 2013, but increases are not uniform across Herefordshire or all types of property;
- Strategic sites are now expected to deliver much of their own infrastructure requirements through s106 and costs developed though the Council's infrastructure planning have been included within the strategic site viability testing.

8. In setting CIL rates, guidance has been introduced since the earlier viability studies which requires the use of a viability 'buffer' and this has an impact on the level of CIL that can be sought.

9. The viability testing shows that the rates proposed in the 2013 CIL Preliminary Draft Charging Schedule (PDCS) should be amended. In particular, strategic sites should have separate CIL rates to allow them to provide the necessary site specific infrastructure and there can be different rates for smaller developments with no affordable housing obligations.

10. The 1 ha tile testing shows that the market areas of Ledbury, Ross & Rural Hinterland; Bromyard; Northern Rural; Hereford, are able to support a CIL at all development densities tested. Hereford Hinterland; Kington & West Herefordshire; and Leominster only produce a positive value at 30 dph. In the cases of Bromyard, Hereford Hinterland and Leominster, some sites are on the cusp of viability.

11. The smaller case study testing shows that single dwellings anywhere in Herefordshire are unable to support a CIL (because of the higher build costs associated with this scale of development) and also that sheltered accommodation is unable to support a CIL. In addition, smaller case studies also show that the development of sites with 2-10 dwellings are more viable than larger sites because they do not have to provide affordable housing, and therefore can support higher levels of CIL.

12. The viability of the strategic sites varies according to the market value area, the amount of site specific infrastructure that each is expected to provide and the site type. Hereford Urban Village and the Leominster Urban Extension are not able to support a CIL but the other Hereford strategic sites, along with the Bromyard, Ledbury and Ross strategic sites, are able to support a CIL. However, even where the strategic sites CIL is possible, the level that can be supported is generally less than the CIL for smaller scale development in the surrounding area.

Non-residential development

13. The viability testing has included non-residential uses likely to come forward under the new Local Plan. These are:

- Retail
- Offices
- Industrial
- Warehouse
- Hotels
- Mixed leisure
- Care homes

14. The analysis shows that only out of centre comparison retail and small convenience retail (under the 280 sq m Sunday trading threshold) uses are able to support a CIL.

Summary of proposed CIL rates

15. The table below sets out the recommended CIL rates per sq m for residential and non-residential uses.

Recommended CIL rates summary		**£/sq m**
General residential development of 11 dwellings or more		£100
Except	• Bromyard	£50
	• Kington & West Herefordshire; and Leominster	£20
	• Hereford Hinterlands	£0
General residential development of fewer than 11 dwellings		£110
Except	• Ledbury, Ross and Rural Hinterlands; and Hereford	£200
	• Leominster	£80
	• Single dwellings	£0
Residential development on strategic sites		
HD2 Hereford City Centre Urban Village		£0
Hereford strategic sites (HD4, HD5 and HD6)		£35
LO2 Southern extension		£0
LB2 North of viaduct		£30
BY2 Hardwick Bank		£50

Recommended CIL rates summary	**£/sq m**
RW2 Hildersley	£150
Small convenience retail (less than 280 sq m trading area)	£10
Out of centre comparison retail (retail warehouse)	£50
Other non-residential uses	£0

1 INTRODUCTION

1.1 The viability evidence provided in this report is to assist Herefordshire Council prepare a Community Infrastructure Levy (CIL) charging schedule for residential and non-residential uses. This report follows 2014 viability work undertaken to inform the Local Plan (Examined in Public and now adopted) and 2013 viability work to inform the 2013 CIL Preliminary Draft Charging Schedule (PDCS - published for consultation March-April 2013). The PDCS proposed the following CIL rates:

Table 1.1 Draft Charging Schedule 2013 CIL rates

Type of development	**Recommended Charge Rate (£ per square metre) 2013**
Residential Zone 1 (Leominster greenfield urban extension)	£0
Residential Zone 2 (Hereford Northern & Southern Rural Hinterlands; and Leominster)	£50
Residential Zone 3 (Hereford; and Kington & West Herefordshire)	£100
Residential Zone 4 (Ledbury, Ross & Rural Hinterlands; and Northern Rural)	£140
Residential Institutions (C2)	£0
Town Centre Comparison retail (A1)	£90
Out of Centre Comparison retail (A1)	£125
Small convenience retail (up to 280 sqm) (A1)	£80
Large convenience retail (over 280 sqm)	£120
Hotel (C1)	£25
Light Industrial (B1)	£0
Office (B1)	£0
General Industrial (B2)	£0
Storage and Distribution (B8)	£0
Leisure	£0

1.2 These earlier viability studies included consultation with the development industry active in the County (including developer workshop, individual interviews and consultation representations) and the information has been incorporated within this 2016 work.

1.3 The viability testing for this report has been designed to assess:

- The amount of CIL that residential and non-residential development can afford.
- Whether there are differences in viability across Herefordshire or between different types of development that are sufficient to justify different CIL rates.

1.4 The research which has been drawn on for the analysis includes:

- A review of the types of sites planned for development in the Local Plan.
- A review of the policies in the Local Plan and central government guidance that may have implications for development viability.
- A review of recent developer contributions with Council officers.

- Council infrastructure planning to determine the infrastructure requirements for strategic sites, along with costs and timing.
- Desk research to form initial views on the values and costs of residential and non-residential development in Herefordshire and how these vary across the County.
- Consultation with the development industry active in the County through
    - A workshop in December 2014 (a note of the workshop discussions is shown at Annex 2).
    - Three Dragons subsequently contacted some workshop participants to explore specific points raised at the workshop.
    - Face to face interviews with estate agents covering different areas in Herefordshire in November 2015, to refine the estimates of house prices used in the modelling
- Three Dragons undertook interviews with Registered Providers in November and December 2015 to refine estimates of costs and values of affordable housing in the County.
- With agreement of the Council to the assumptions used, operation of the Three Dragons residential and non-residential viability models to undertake the viability testing set out in this report.

2 CONTEXT FOR THE ANALYSIS

National Policy Context

2.1 The National Planning Policy Framework (NPPF) paragraph 173 sets out how Government expects viability to be considered in planning:

2.2 *'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable*.'[1]

2.3 Planning Practice Guidance[2] (PPG) provides further detail about how the NPPF should be used. PPG contains general principles for understanding viability (which are relevant to CIL viability) as well as specific CIL viability guidance[3]. It also notes that there is a range of sector-led guidance available[4]. In order to understand viability, a realistic understanding of the costs and the value of development is required and direct engagement with development sector may be helpful[5]. Evidence should be proportionate to ensure plans are underpinned by a broad understanding of viability, with further detail where viability may be marginal or for strategic sites with high infrastructure requirements[6]. However not every site requires testing and site typologies may be used to determine policy[7]. For private rented sector, self build and older people's housing, the specific scheme format and projected sales rates (where appropriate) may be a factor in assessing viability[8].

2.4 PPG requires that a buffer should be allowed and that current costs and values should be used (except where known regulation/policy changes are to take place)[9]. On retail and commercial development, broad assessment of value in line with industry practice may be necessary[10]. Generally, values should be based on comparable, market information, using average figures and informed by specific local evidence[11]. For an area wide viability assessment, a broad assessment of costs is required, based on robust evidence which is reflective of local market

[1] DCLG, 2012, NPPF Para 173
[2] DCLG, Planning Practice Guidance
[3] PPG Paragraph: 003 Reference ID: 10-003-20140306
[4] PPG Paragraph: 002 Reference ID: 10-002-20140306
[5] PPG Paragraph: 004 Reference ID: 10-004-20140306
[6] PPG Paragraph: 005 Reference ID: 10-005-20140306
[7] PPG Paragraph: 006 Reference ID: 10-006-20140306
[8] PPG Paragraph: 018 Reference ID: 10-018-20150326
[9] PPG Paragraph: 008 Reference ID: 10-008-20140306
[10] PPG Paragraph: 012 Reference ID: 10-012-20140306
[11] PPG Paragraph: 012 Reference ID: 10-012-20140306

conditions. All development costs should be taken into account, including infrastructure and policy costs as well as the standard development costs[12].

2.5 Land values should reflect emerging policy requirements and planning obligations including any Community Infrastructure Levy charge, and provide a competitive return to willing developers and land owners. Where possible land values should be informed by comparable, market-based evidence but excluding transactions above the market norm[13]. Assumptions about brownfield land values should clearly reflect the levels of mitigation and investment required to bring sites back into use[14].

2.6 Developer returns should be proportionate to risk[15]. The return to the landowner will need to provide an incentive for the land owner to sell in comparison with the other options such as current use value or policy compliant alternative use value[16].

2.7 CIL is payable on development which creates net additional floor space, where the gross internal area of new build exceeds 100 square metres (this limit does not apply to new houses or flats)[17]. Self-build is exempt, along with social housing, charitable development, buildings into which people do not normally go and vacant buildings brought back into the same use[18].

2.8 CIL rates should be set so that they do not threaten the viability of the sites and scale of development identified in the Local Plan[19]. Instead an appropriate balance should be set between the desirability of funding infrastructure from the levy and the potential viability impact[20].

2.9 At examination the charging authority should also set out any known site-specific matters for which section 106 contributions may continue to be sought[21].

2.10 For the purposes of CIL, a charging authority should use an area-based approach, involving a broad test of viability across their area. This should use appropriate available evidence, recognising that the available data is unlikely to be fully comprehensive. A sample of site types should be used, with a focus on strategic sites. More fine grained sampling may be required where differential CIL rates are set. Rates should be reasonable and include a buffer, but there is no requirement for a proposed rate to exactly mirror the evidence[22].

2.11 Differential rates may be set in relation to geography, development type and/or scale. However undue complexity should be avoided and disproportionate impact avoided. The

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[12] PPG Paragraph: 013 Reference ID: 10-013-20140306
[13] PPG Paragraph: 014 Reference ID: 10-014-20140306
[14] PPG Paragraph: 025 Reference ID: 10-025-20140306
[15] PPG Paragraph: 015 Reference ID: 10-015-20140306
[16] PPG Paragraph: 015 Reference ID: 10-015-20140306
[17] PPG Paragraph: 002 Reference ID: 25-002-20140612
[18] PPG Paragraph: 003 Reference ID: 25-003-20140612
[19] PPG Paragraph: 008 Reference ID: 25-008-20140612
[20] PPG Paragraph: 009 Reference ID: 25-009-20140612
[21] PPG Paragraph: 017 Reference ID: 25-017-20140612
[22] PPG Paragraph: 019 Reference ID: 25-019-20140612

charging authority should consider a zero CIL rate for locations, strategic sites and specific development types with low, very low or zero viability (subject to state aid compliance)[23].

Other Guidance on Viability Testing for Residential Development

2.12 Guidance has been published to assist practitioners in undertaking viability studies for policy making purposes – "*Viability Testing Local Plans - Advice for planning practitioners*"[24]. The Foreword to the Advice for planning practitioners includes support from DCLG, the LGA, the HBF, PINS and POS. PINS and the POS[25] state that:

"*The Planning Inspectorate and Planning Officers Society welcome this advice on viability testing of Local Plans. The use of this approach will help enable local authorities to meet their obligations under NPPF when their plan is examined*."

2.13 The approach to viability testing adopted for this study follows the principles set out in the Advice. The Advice re-iterates that:

"The approach to assessing plan viability should recognise that it can only provide high level assurance."

2.14 The Advice also comments on how viability testing should deal with potential future changes in market conditions and other costs and values and, in line with PPG, states that:

"*The most straightforward way to assess plan policies for the first five years is to work on the basis of current costs and values*". (page 26)

But that:

"*The one exception to the use of current costs and current values should be recognition of significant national regulatory changes to be implemented……"(page 26)*

Local Plan Policies

2.15 The NPPF is clear that viability testing should take into account, '*…the costs of any requirements likely to be applied to development,…'* (Para 173). Therefore a planning policy review has been undertaken.

2.16 The Local Plan was examined and adopted in 2015; and sets out the overarching spatial strategy and development principles for the area, together with more detailed policies to help determine planning applications. The main elements of the Local Plan are:

- Strategic objectives for the area
- Overarching strategy for the location of new development
- Scale of new employment, housing and retail provision

[23] PPG Paragraph: 021 Reference ID: 25-021-20140612

[24] The guide was published in June 2012 and is the work of the Local Housing Delivery Group, chaired by Sir John Harman, which is a cross-industry group, supported by the Local Government Association and the Home Builders Federation.

[25] Acronyms for the following organisations - Department of Communities and Local Government, LGA Environment and Housing Board, Home Builders Federation, Planning Inspectorate, Planning Officers Society

- Identification of strategic scale development sites
- Extent of new infrastructure required
- Key environmental constraints and opportunities
- Set of detailed policies to guide consideration of new development proposals

2.17 The 2014 Viability Study undertook a detailed review of policies in the then draft Local Plan, and this has been refreshed to take account of changes made as part of the examination process. Detailed analysis of the policies is shown in the separate Annex 1. The key impacts on development viability relate to:

- Affordable Housing proportion and tenure (H1):
    - 35% in Hereford, Hereford Northern and Southern Hinterlands, and Kington and West Herefordshire housing value areas.
    - 40% in Ledbury, Ross and Rural Hinterlands; and Northern Rural housing value areas (which includes Bromyard).
    - 25% in Leominster.
- Discussion with Council Planning and Housing officers indicates that in most cases the affordable housing tenure mix will be 53% rent (50:50 split affordable rent and social rent) and 47% shared ownership; except Bromyard where it will be 24% rent (split 50:50 affordable rent and social rent) and 76% shared ownership.
- Delivering new homes (SS2) which refers to target net density of 30-50dph.
- Housing for older persons (H3). The viability testing includes sheltered housing and, in the non-residential section, care homes.
- Sustainable water management (SD3). Water efficiency development standards are included in the viability testing.
- Strategic site policies (HD2, HD4, HD5, HD6, BY2, LB2, LO2, RW2), which specify development characteristics and infrastructure.

2.18 In addition, there continues to be reliance on

- The Green Infrastructure Strategy[26], which sets out the requirements for green infrastructure on a per head of population basis. These requirements have been considered as part of the gross to net developable adjustments for larger sites.
- Planning Obligations SPD[27]implementation guidance, which was amended in 2009[28] to note that no s106 will be sought from developments of 5 or fewer dwellings.

[26] Herefordshire Council, 2010, Green Infrastructure Strategy
[27] Herefordshire Council, 2008, Planning Obligations SPD implementation guidance
[28] https://www.herefordshire.gov.uk/planning-and-building-control/planning-policy/supplementary-planning-documents/planning-obligations-supplementary-planning-document

Feedback from the Preliminary Draft Charging Schedules

2.19 Representations were received as part of the consultation on the Preliminary Draft Charging Schedule (PDCS). This viability study provides up to date evidence to inform a new PDCS, taking into account the representations received. The responses covered the following issues:

Infrastructure and site specific costs

- Query about how site specific infrastructure costs are being met by strategic sites and the relationship with the IDP.
- The need to recognise opening up costs for larger sites.
- Hereford City Centre strategic site issues with flooding, contamination, archaeology, infrastructure which requires diversion, and relocation of existing uses.
- Rates do not take into account abnormal costs on brownfield sites.

Residential site characteristics

- Concern about the viability of single dwelling developments and the impact on self-build.
- Questioned whether the strategic sites have been tested at the correct development density.
- Higher densities have not been modelled in locations such as Ledbury.
- 40dph is unrealistic in Herefordshire as the average density is 23 dwellings per gross ha.
- Affordable housing assumptions are unclear.
- Gross to net discounts should be applied to 1 ha tiles (80% net developable is proposed).

Residential values

- Ledbury houses prices over estimated and local agents not consulted.
- Bromyard should be in its own value area.
- Lack of evidence that houses prices are consistent in town, village and rural settings within value areas.

Residential development costs

- Marketing costs should be higher than 3% for residential development – 4% is expected (1.5% agent's fees, 2% marketing and 0.5% legal fees)
- Residual s106/278 allowance is inadequate to deal with infrastructure projects.
- Costs of developing to higher environmental standards need to be included.
- Local Plan policy cost implications needs to be included in the CIL viability testing.

Land values

- Land value benchmarks based on premium over existing uses is flawed.
- Ledbury land value benchmarks are too low for smaller plots.
- The effect of CIL will be to depress land values.

- RICS guidance emphasises use of market values for benchmark land values.
- Ledbury urban extension site has been an employment designation and therefore the benchmark land value should be higher.

Non-residential development

- Proposals for different rates between small and large convenience are outside regulations, and use of the Sunday Trading threshold is not explained. Not all convenience retailers have the same business model.
- Convenience retail case studies do not include units below the Sunday Trading Threshold or for the largest units.
- Site coverage should be 30% for larger supermarkets.
- Build costs for convenience retail are out of date.
- Large foodstore s106/278 costs would be higher – c. £1m combined.
- Development timescales should be extended.
- Developer profit for convenience retail should be 25%
- Some retail developments may combine comparison and convenience shopping.
- Town centre comparison viability varies across the County, and although there has been retail development in Hereford, there has been very little retail development in market towns in recent years.
- Locations for different retail rates need to me mapped clearly.
- S106/278 assumptions for retail development are inadequate.
- Further explanation required for out of centre retail benchmark land value.
- Concern that the use of budget hotels to determine hotel viability is incorrect. *(Holm Lacey historic house hotel – concedes that main investment is maintenance and renovation rather than expansion).* Also that core strategy requires 4-star hotel.
- Railway buildings should be considered separately.

Setting CIL Rates

- Concern that a buffer had not been used and that the charges are at the margins of viability; and that as a consequence affordable housing delivery may be affected.
- Rates proposed are higher than some other comparable areas.
- CIL rates will compromise design/quality of development by increasing development costs.
- Sensitivity testing needs to be included in the CIL viability testing.

Other

- Development industry workshop did not provide information from the development industry.
- Instalment scheme proposed does not allow enough time for receipts to accrue from completions and sales. Instalments steps are not sufficiently separated.

- Need to consider older persons housing separately.
- Rural exception schemes need to be considered specifically. Houses for essential rural workers need to be considered separately.

2.20 This 2016 Viability Study responds to these issues as follows:

Infrastructure and site specific costs

2.21 Herefordshire Council has undertaken further work on the type, cost and timing of the site specific infrastructure costs for the strategic sites. These have been included in the viability study. In addition, additional site servicing costs ('opening up costs') have been included for the strategic sites and for the larger of the smaller case study sites. These costs cover the provision of utilities, land profiling and local junctions etc., and are in addition to the external works allowance for all development.

2.22 Discussion with Herefordshire Council indicates that the main constraints associated with the Hereford City Centre strategic site (such as demolition/clearance, Link Road etc.) have been delivered through other funding sources. An allowance for the Canal Basin has been included in the viability testing.

2.23 Planning Practice Guidance suggests that abnormal cost on brownfield land should be reflected in the land value[29]. The viability testing therefore works on the basis that in most cases the negotiated price for land will reflect the cost of remediating constraints. Where there are individual circumstances where this is not possible (e.g. when the costs reduce the value of the site to its current use value) then either individual negotiations will need to take place on planning obligations or the site will come forward at a later date when values have risen sufficiently.

Residential site characteristics

2.24 More recent work by the FSB has indicated that small developments face higher build costs. Discussion with BCIS has confirmed that this primarily applies to single dwelling developments. Therefore, single dwellings used the BCIS 'one-off' costs and developments of 2 and 3 dwellings use a 5% premium over standard build costs.

2.25 The adopted local plan sets out the densities for the strategic sites and the testing uses these. Other development densities have been agreed with Herefordshire Council and the viability testing uses a range of densities between 25dph and 50dph in all of the value areas in the County.

2.26 The affordable housing dwelling mixes, tenure splits, rental/shared ownership values and costs have been agreed with the Council as representative of the affordable housing sought through s106. Housing Associations active in the area were interviewed in November/December 2015

[29] Paragraph: 025 Reference ID: 10-025-20140306

to confirm the rental/shared ownership values and costs. Details of the dwelling mixes, tenure splits, rental/shared ownership values and costs can be found in Annex 2 of this report.

2.27 The case studies and strategic site testing takes account of non-developable space on larger sites, taking into account the Councils open space standards. However, the nominal 1 ha tiles are intended to test the effects of different densities in different locations and therefore it is not appropriate to have different proportions of net developable areas as this would obscure the impact of density and location. Furthermore, the gross to net adjustments used in the testing are aligned to the assumptions made in the HELAA and the SHLAA, and these assume 100% developable up to 1 ha.

Residential values

2.28 It is recognised that Bromyard has different values from its surrounding area and therefore a new specific value zone has been used for the town. The house prices for all areas have been reviewed in November/December 2015 through the use of Land Registry price paid data for new build housing, cross checked against new build dwellings for sale (with an adjustment for asking to achieved) and then these values have been refined by discussion with estate agents[30] in Herefordshire.

2.29 There is no robust evidence that house prices vary between town, village and rural settings within value areas, or where the boundaries of any differences might be.

Development Costs

2.30 Marketing fees at 3% were discussed as part of the December 2014 workshop and were not considered to be incorrect at that time. We note that the housing market has strengthened nationally since the 2013 CIL viability study and that as a result fewer resources are generally needed to sell dwellings. We also note that the comments about marketing costs include reference to agents and legal costs and we have made separate allowance for these items (1.75%) and combined these are more than the 4% combined costs suggested in the rep.

2.31 The £2,000 per dwelling for post-CIL residual s106/278 costs have been confirmed by the Council has appropriate. The restrictions on pooling for s106 since April 2015 have resulted in the scaling back of s106.

2.32 Local Plan policies have been reviewed in Annex 1 and any with cost implications have been included within the viability testing.

Land Values

2.33 Guidance in the Harman report[31] clearly states that premium over existing use is the most appropriate method of setting a benchmark land value, and Planning Practice Guidance also refers to use of current and alternative use values[32], with market values of use as comparables

[30] Parrys, Butlers, The Property Shop, Hamilton Stiller, Goodwins, Kimberleys, Wrights, Flint & Cook, Russell, Baldwin & Bright, Jacksons, Watkins & Thomas.
[31] Local Housing Delivery Group, 2012 Viability Testing Local Plans
[32] Paragraph: 015 Reference ID: 10-015-20140306

but subservient to the requirement to 'reflect' (i.e. mirror) policy requirements[33]. It is important to note that the benchmarks represent the *lowest* price that land owners will release land for development, not the highest price (which is typically represented by unfiltered market values). Recent RICS research[34] highlights the issues with using market values to set land benchmarks – "*If market value is based on comparable evidence without proper adjustment to reflect policy compliant planning obligations, this introduces a circularity, which encourages developers to overpay for sites and try to recover some or all of this overpayment via reductions in planning obligations".*

2.34 The study uses different land value benchmarks for different size sites, with larger sale greenfield sites tested against lower benchmarks. These take account of the existing uses as well as the additional costs of developing large scale sites and the less favourable proportions of net developable land. Notwithstanding the reservations about use of market values discussed above, the study has included an assessment into the value of land using titles held by Land Registry. While the available data is very limited, there are indications that smaller sites have higher values/ha, although these were on average less than the benchmarks used in this study. No other evidence has been made available on different land values for different size sites. The land value benchmarks have recently been through examination as part of the Local Plan EiP process with no serious concerns raised. It is therefore considered that the benchmarks are suitable.

2.35 It is understood that a minority of the Ledbury strategic site (LB2) has had an employment allocation but this has not been implemented, hence the change to a housing site. Again, the land value benchmark has recently been through examination as part of the Local Plan EiP process and on advice from the Council it is therefore considered appropriate to continue to use the strategic greenfield benchmark land value for this site.

Non-residential viability testing

2.36 Current CIL regulations allow for differential rates between size. The Sunday Trading threshold is useful because it defines different retail uses in law.

2.37 It is recognised that different retailers have different models but the viability testing has to be blind to the likely occupier. Instead we use case studies which are representative of the current type of provision likely to come forward.

2.38 The original testing did use sites below the Sunday Trading threshold as the 300 sq m case study used has the *trading area* below the threshold, which is the important metric. In terms of the largest format stores (2,500 sq m+) we consider that the convenience retail market has structurally changed and that there is little or no enthusiasm to develop these scale stores at the current time.

2.39 We have assessed the site coverage area for some supermarkets in the area and have adjusted the coverage used to 35%.

[33] Paragraph: 014 Reference ID: 10-014-20140306

[34] RICS, 2015, Financial Viability Appraisal in Planning Decisions: Theory and Practice

2.40 Up to date build costs from BCIS have been used in these latest viability assessments.

2.41 We have reviewed the s106/278 charged by Herefordshire Council for non-residential development. Obligations for supermarkets was limited and varied between £116,000 and £275,000 (although one was an extension). We have therefore increased the s106 allowance to £175,000 for the 1,100 sq m supermarket case study (equivalent to £159/sq m).

2.42 We have reviewed and extended development periods/rent free periods for non-residential development.

2.43 20% developer margin was agreed at the December 2014 workshop and this is also accepted as suitable for non-residential development elsewhere in the country. Therefore, we have retained this level of return.

2.44 We are aware that most of the likely town centre retail development is likely to take place in Hereford. However, we have included a market towns town centre retail case study, although it seems unlikely that there will be much new build town centre retail in these locations.

2.45 Benchmark land values for out of centre retail are based upon the likely former industrial use of the site, with a premium to incentivise the change of use.

2.46 Budget hotels are tested because nationally this is model for the majority of hotel development outside London. As CIL is not payable on existing floorspace then conversion or re-use of historic properties as hotels is unlikely to generate any significant CIL liability.

2.47 Railway buildings are not specifically tested as they are not generally built speculatively. However, they considered in broad terms later on in the report when CIL rates are discussed.

Setting CIL rates

2.48 Since the original CIL viability study, CIL guidance has changed to explicitly require a buffer (although the level of buffer is not specified). In the discussion about potential CIL rates later in this report, buffers are included.

2.49 A comparison of the CIL rates with surrounding areas is included. However, the basis for comparison is limited as rates are based on viability which is affected by house prices, build costs and planning obligations, particularly the level and tenure of affordable housing.

2.50 There is no expectation that CIL will compromise quality, instead it is assumed that it will be a deduction from land values, in common with other planning obligations (and other development costs).

2.51 Current costs and values are used in the CIL testing, in line with the guidance.

Other

2.52 The two Development Industry workshops (July 2012 and December 2014) were well attended and productive. Notes (including a list of attendees) are included in the Annexes to this report. In addition, there has been specific recent consultation with estate agents about house prices and with housing associations about affordable housing values and costs (November/December 2015), which also provided information used in this study.

2.53 Older persons housing is specifically included as separate case studies in this viability assessments. Rural exception housing is not included as this is assessed on a case by case basis with no fixed target for the ratio between market and affordable housing. Houses for essential rural workers are considered as part of the discussion about setting CIL rates.

3. VIABILITY APPROACH AND KEY ASSUMPTIONS – RESIDENTIAL DEVELOPMENT

Principles and approach

3.1 The Advice for planning practitioners summarises viability as follows:

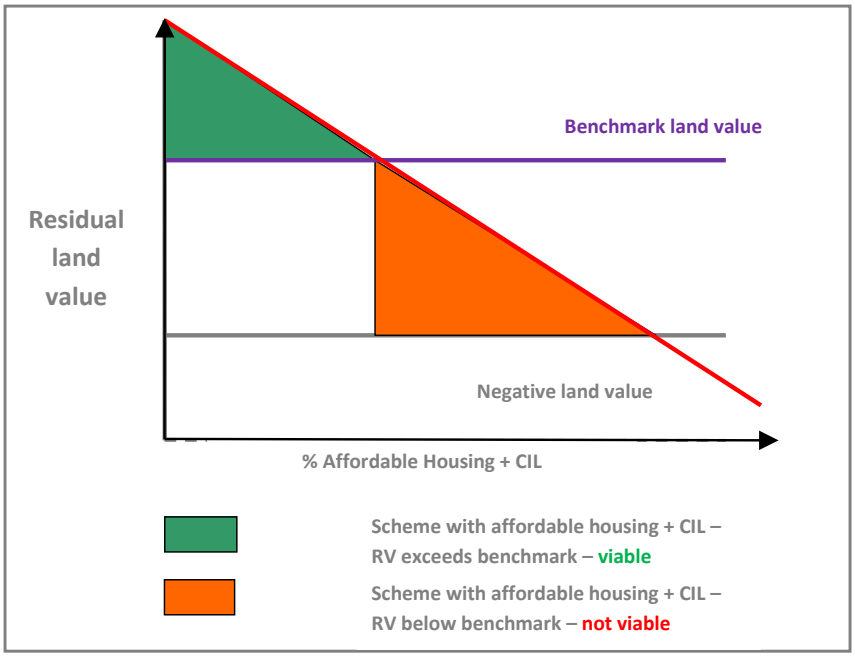
'*An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered*.' (page 14)

3.2 Reflecting this definition of viability, and as specifically recommended by the Advice for planning practitioners[35], we have adopted a residual value approach to our analysis. Residual value is the value of the completed development (known as the Gross Development Value or GDV) less the costs of undertaking the development. The residual value is then available to pay for the land. The value of the scheme includes both the value of the market housing and affordable housing. Scheme costs include the costs of building the development, plus professional fees, scheme finance and a return to the developer. Scheme costs also include planning obligations (including affordable housing, direct s106 costs and CIL) and the greater the planning obligations, the less will be the residual value. Details of the assumptions about values and costs are discussed later in this section and set out in full in Annex 3.

3.3 The residual value of a scheme is then compared with a benchmark land value. If the residual value is less than the benchmark value, then the scheme is unlikely to be brought forward for development and is considered unviable for testing purposes. If the residual value exceeds the benchmark, then it can be considered viable in terms of policy testing. Figure 3.1 below illustrates this relationship.

[35] See page 25 – "We recommend that the residual land value approach is taken when assessing the viability of plan-level policies and further advice is provided below on the considerations that should be given to the assumptions and inputs to a model of this type."

Figure 3-1: Relationship of residual value and benchmark land value



RV – residual value

Assumptions used in the testing

3.4 A full set of assumptions used in the testing is set out in Annex 3. This includes the market values for the sale housing. These are based on an analysis of Land Registry data for new house prices, cross checked against new housing currently for sale, and then refined through discussions with estate agents in different parts of Herefordshire[36].

3.5 The County is divided into seven value areas:

- Ledbury, Ross and Rural Hinterlands
- Northern Rural
- Hereford
- Kington and West Herefordshire
- Hereford Hinterland
- Leominster
- Bromyard

3.6 **These are illustrated in** Figure 3.2 below. Table 3.2 then sets out the indicative market values for new build properties we have used. Within all the value areas, there will be local variations in selling prices in relation to specific immediate circumstances.

[36] Parrys; Butlers; Property Shop; Hamilton Stiller; Goodwins; Kimberleys; Jacksons; Watkins & Thomas; Russell, Baldwin & Bright; Wrights; Flint & Cook

Figure 3-2: Herefordshire residential market value areas

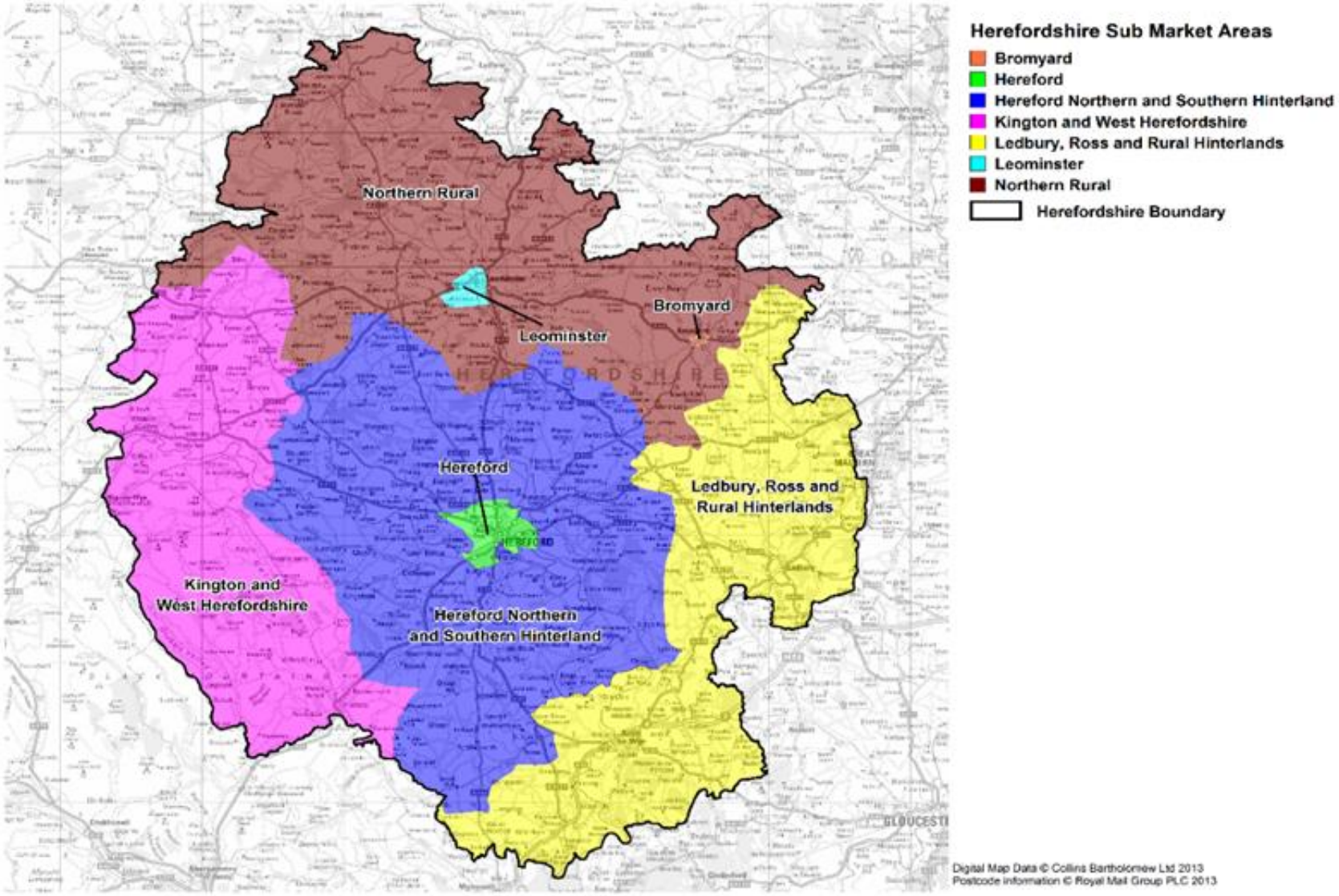


Figure 3-3: Market values used in testing

Type	Detached			Semi		Terrace			Flats	
Bedrooms	**5 bed**	**4 bed**	**3 bed**	**4 bed**	**3 bed**	**4 bed**	**3 bed**	**2 bed**	**2 bed**	**1 bed**
Sq m	145	124	103	97	93	97	84	70	61	50
Ledbury, Ross and Rural Hinterlands	£350,000	£315,000	£260,000	£240,000	£220,000	£215,000	£190,000	£165,000	£130,000	£100,000
Northern Rural	£325,000	£296,000	£250,000	£242,000	£220,000	£229,000	£200,000	£175,000	£140,000	£110,000
Hereford	£340,000	£290,000	£245,000	£235,000	£210,000	£215,000	£190,000	£155,000	£135,000	£115,000
Kington and West Herefordshire	£316,000	£285,000	£240,000	£208,000	£195,000	£207,000	£165,000	£150,000	£130,000	£105,000
Hereford Hinterland	£325,000	£275,000	£230,000	£210,000	£190,000	£170,000	£165,000	£150,000	£125,000	£105,000
Leominster	£280,000	£250,000	£230,000	£190,000	£170,000	£174,000	£158,000	£140,000	£115,000	£100,000
Bromyard	£290,000	£258,000	£230,000	£200,000	£180,000	£190,000	£165,000	£150,000	£105,000	£85,000

3.7 Small scale "one-off" developments (up to three dwellings) are also known to support higher values, related to the bespoke nature of this scale of development. While some one-off developments with special design and space standards will produce very high values, this viability assessment has sought to model dwellings that are similar to the types of dwellings that may also be built as part of larger developments. Based on experience, it has been assumed that these dwellings will command a 5% premium over their estate counterparts.

3.8 Other key assumptions used in the testing are:

- All of the testing includes policy compliant % affordable housing within the different value areas[37]. The affordable housing is modelled at 53% rent (50:50 split affordable rent and social rent) and 47% shared ownership[38]. Rental values and capitalisation have been checked with Registered Providers active in Herefordshire.
- Basic build costs are derived from Building Cost Information Service (BCIS) data, are adjusted to take into account the location factor for the County and include an allowance of 15% for external works. This equates to £424,000 per ha at 30 dph and £473,000/ha at 40 dph. Different costs are used for different dwelling types and by scale of development, acknowledging the higher build costs associated with very small developments. Single dwellings used the BCIS 'one-off' costs and developments of 2 and 3 dwellings used a 5% premium over standard build costs[39].
- Build costs are also adjusted to take account of the new security requirements forming Part Q of building regulations and the water efficiency standard required as part of the Local Plan policies.
- We assume development will still have to meet a residual s106 and s278 cost[40] and, on advice from the Council, we have used a figure of £2,000 per dwelling to cover on site provision for open space and local transport improvements. All education provision, other community provision, major open space and other transport improvements are assumed to be paid for by CIL or other public funding, except where it is specifically required to mitigate impacts from the large strategic sites. The costs of providing this infrastructure for strategic sites have been included within the specific case studies. Details of the costs are discussed in Section 7.

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[37] **35%** in Hereford, Hereford Northern and Southern Hinterlands, and Kington and West Herefordshire housing value areas.
40% in Ledbury, Ross and Rural Hinterlands; and Northern Rural housing value areas (which includes Bromyard).
25% in Leominster

[38] Except in Bromyard where the Council has advised the testing uses 24% rent (split 50:50 affordable rent and social rent) and 76% shared ownership

[39] Correspondence with BCIS has confirmed the it is single dwellings that are likely to have significantly increased build costs.

[40] Section 278 agreements allow developers to either pay for or undertake works relating to public highways. Typically this will relate to the works necessary to connect development to the highway network but it may also include offsite works. S278 may also include a bond to ensure works are undertaken.

- Strategic sites (400 or more dwellings) are assumed to incur additional costs of £200,000 per net hectare for opening up the sites and providing serviced parcels of land for development. These are in addition to the external works allowance of 15% of construction costs. The larger non-strategic case study sites used in the testing have an allowance £50,000 - £100,000 for opening up costs. Combining the external works for a 30dph scheme of £424,000/ha plus the £200,000/ha opening up costs would provide over £0.6m/ha in addition to the base build costs.

Land Value Benchmarks

3.9 The land value benchmark is an estimate of the lowest cost that a willing landowner would sell land for development. The concept of a benchmark land value attempts to balance two factors: a) land can only be worth what the highest value permissible development can afford to pay for it; and b) landowners will require some premium over the existing use value in order to incentivise a sale. Note that where development is able to pay more for land, then it is likely that transactions will be above the benchmark land value, particularly when different developers are competing for the same piece of land.

3.10 The range of land factors considered suggests that the benchmark land values forming the evidence base for the local plan examination remain valid. There is some recent evidence which supports them and it is clear that they have similarities with the range of benchmarks used in similar viability exercises in nearby authorities. However, there are also indications that land is transacted at higher values locally, although this does not necessarily constitute a benchmark for this type of viability exercise.

3.11 The land values forming the evidence base for the local plan examination centred on two site types – strategic sites and smaller, urban/edge of urban sites. Some of the case studies (which have been informed by the HELAA and the rural SHLAA) sit between these two typologies, which less favourable gross to net developable land budgets and a likelihood that some opening up/site servicing costs will be incurred. The examination of values in land titles suggests that on a per ha basis, the values decrease as the site size grows and therefore we have also utilised some intermediate land values for sites of 100 dwellings or more[41]. These are taken to be at a mid point between the urban site values and the strategic site values for the value area.

3.12 The benchmark land values used in the residential testing are therefore:

Type	**Location**	**£/gross ha**
All sites (excluding strategic urban extensions)	Hereford	£600,000
	Leominster/ Bromyard	£500,000

[41] This does not apply to the sheltered housing case studies as they tend to be higher density developments on smaller sites than general housing in Herefordshire.

Type	Location	£/gross ha
All sites (excluding strategic urban extensions)	Rest of Herefordshire	£800,000 - £1,000,000
Strategic greenfield urban extensions	Hereford/Rest of Herefordshire	£300,000
	Leominster/ Bromyard	£250,000
Intermediate land values for 100+ dwellings	Hereford	£450,000
	Leominster/ Bromyard	£375,000
	Rest of Herefordshire	£550,000
Industrial/office	Accessible	£350,000 - £560,000

3.13 The exception to this is for uses known to generate high values, where landowner expectations will require a premium to provide an incentive to sell. In particular, this will apply to convenience shops and out of centre comparison retail. In the absence of transaction evidence and based on experience elsewhere the testing has used the £0.8m/ha urban residential benchmark for small convenience shops, a benchmark land value of £2m per ha for out of centre comparison retail and £4m per ha for supermarkets, recognising that the latter two are well above the residential benchmark land value.

3.14 The benchmark land values used in the non-residential testing draw upon this discussion and are summarised in the non-residential section later in this report.

Testing undertaken

3.15 The viability testing undertaken is split into three types:

- Using a notional 1 ha development scheme with different densities of development. For each density tested, there is a different mix of dwelling types with more smaller dwellings (including flats) in the higher density schemes.
- A series of case studies that represent the types of development provided for in the new Local Plan, but which might be brought forward as windfall schemes or smaller allocations in due course. The case studies were informed by the Local Plan as well as reviews of the HELAA and SHLAA site databases, and the views of the development industry explored at the workshop. The case studies range in size from 1 dwelling to 120 dwellings in rural areas and from 1 dwelling to 600 dwellings in Hereford.
- Strategic sites testing, based on the sites identified in the Local Plan. Herefordshire Council has advised on the choice of sites to be tested as well as providing details of policy compliant land budgets and the costs of providing the site specific infrastructure. These infrastructure costs are in addition to the base build, costs, external works and opening up costs discussed above.

3.16 The 1 ha tile and case study/strategic sites testing are complementary. The 1 ha tiles provide a picture of the underlying viability of residential development and what this means for different densities of development and potential CIL, as well as the impact of providing a proportion of social rent within the affordable housing rented tenure. The case studies then highlight where site types differ in their viability compared with the average of the 1 ha tiles and this is then used to review the potential CIL rate. The testing for the strategic sites is then used to determine whether site specific CIL rates may be appropriate in response to the particular infrastructure and other costs for on these sites.

4 VIABILITY TESTING – NOTIONAL 1 HA TILE

Introduction

4.1 This section of the report sets out the viability assessments for the 1 ha notional tiles. These are used to explore the underlying viability trends across Herefordshire and arrive at a high level assessment of the amount of CIL that can be sustained at a policy compliant level of affordable housing. The findings are then used to refine the assumptions in the case study assessments later on in the report.

Types of tile tested

4.2 Twenty-eight notional 1 ha schemes were used, with each of the 7 market areas tested at 25 dph, 30 dph, 40 dph and 50 dph.

4.3 The mix of market and affordable dwellings for each is set out in Annex 3. The higher density schemes have a greater number of smaller units, whilst in the 25 dph scheme, 75% of the market units are assumed to be 3, 4 & 5 bed detached houses.

4.4 The level and mix of affordable housing modelled varies between market areas and is based upon the Local Plan as well as information provided by the council. The levels modelled are

- 40% affordable housing in Ledbury, Ross & Rural Hinterland; Bromyard; Northern Rural
- 35% affordable housing in Hereford; Hereford Hinterland; Kington & West Herefordshire
- 25% affordable housing in Leominster

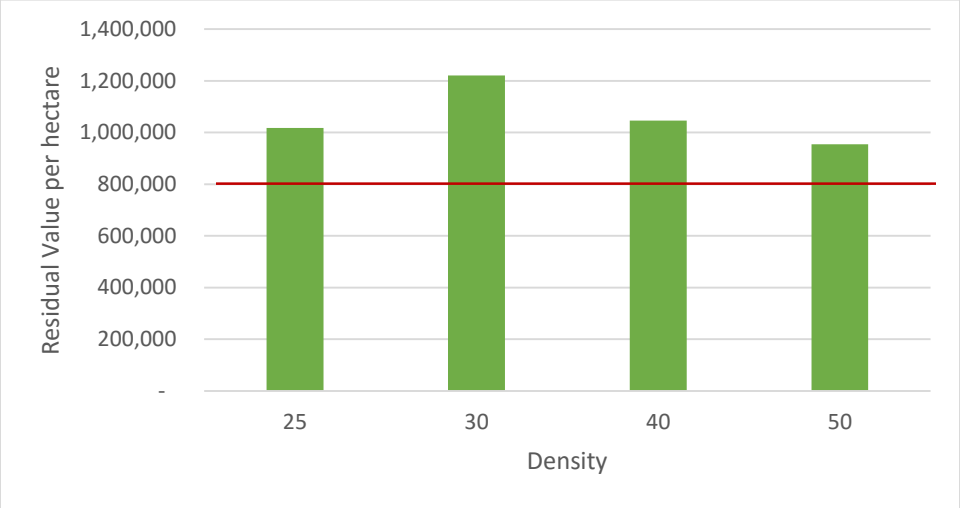
4.5 In all cases the rental to shared ownership split is 53/47, with the exception of Bromyard where it is 24/76. Rental tenure is split 50/50 between Social Rent and Affordable Rent for all market areas. All results for the testing of the 1 ha tiles (at all of the different densities and mixes of affordable housing) are set out in Annex 3.

4.6 Testing includes the £2,000/dwelling residual s106/278 but does not include CIL.

1 ha tile: Ledbury, Ross & Rural Hinterland results

4.7 The results presented below show the residual value of the 1 hectare scheme against the main benchmark land value of £0.8 million per hectare.

Figure 4-1: Ledbury, Ross & Rural Hinterlands – Notional 1 ha scheme at 25 dph 30 dph, 40 dph and 50 dph, with affordable housing at 40% - Residual value per hectare



Benchmark Land Value at £0.8m per hectare

4.8 Commentary:

- Residual values vary with the density of development: the highest residual values are achieved with the 30 dph scheme and the lowest values with the 50 dph scheme.
- All scenarios, as tested at 40% affordable housing, exceed the benchmark land value. At 50 dph, where residual values are lowest, the benchmark is exceeded by £154,000 and at 30 dph, where residual values are highest, it exceeded by £404,000.
- The results shown above do not allow for any CIL payment. The chart below shows the maximum amount of CIL that can be sought and the scheme remain viable.

Figure 4-2a: Ledbury Ross & Rural Hinterland - Maximum CIL rates for the notional 1 ha scheme at 40% affordable housing

Figure 4-2b: Ledbury, Ross & Rural Hinterland - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 40% - Table of results based on benchmark land value of £0.8m per hectare

Affordable Housing (40%)	25 dph	30 dph	40 dph	50 dph
Maximum CIL/ sq m	£125	£197	£116	£64

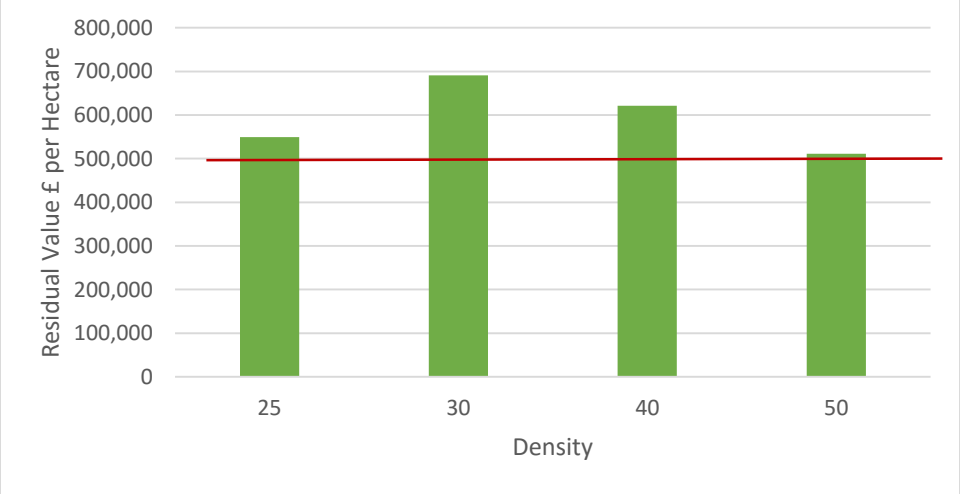
4.9 Commentary -

- The level of achievable CIL differs depending upon density.
- The highest maximum level of CIL that could be achievable at any one density is at 30 dph and would be £197 per sqm. Again this is not taking account of the need to avoid setting a CIL rate at the margins of viability and that a buffer should be used.

1 ha tile: Bromyard Results

4.10 The results presented below show residual values for Bromyard for the 1 hectare scheme against a benchmark land value of £0.5m per hectare. Affordable housing is 40%.

Figure 4-3: Bromyard – Notional 1 ha scheme at 25 dph 30 dph 40 dph and 50 dph, with affordable housing at 40% – Residual value per hectare



4.11 Commentary:

- The highest residual values are achieved with the 30 dph scheme and the lowest at 50 dph.

- All densities give a residual value that exceeds the benchmark land value, although in the cases of 20 dph and 50 dph the result is marginal.

Figure 4-4a: Bromyard - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 40%

Figure 4-4b: Bromyard - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 40% - Table of results based on main benchmark land value of £0.5m per hectare

Affordable Housing (40%)	25 dph	30 dph	40 dph	50 dph
Maximum CIL per sqm	£28	£93	£57	£5

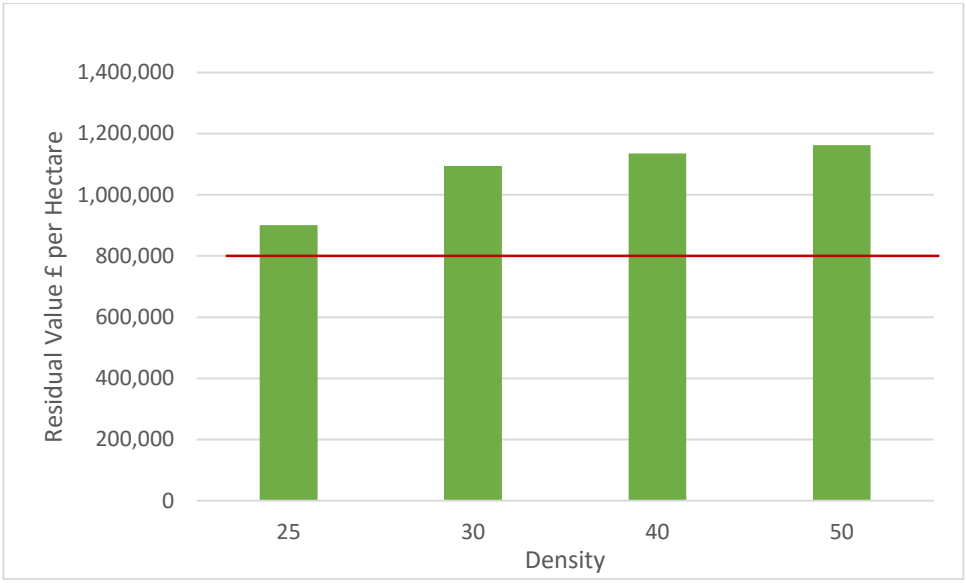
4.12 Commentary:

- Although all case studies show a positive maximum CIL rate for Bromyard, this is in some cases marginal.
- As a broad indicator, it is at 30 dph that demonstrates the maximum amount of CIL that could be charged which is £93 per sq m. This does not take into account the need to avoid setting a CIL rate that is at the margins of viability and with a 'buffer'.

1 ha tile: Northern Rural Results

4.13 The results below show residual values per hectare for a scheme in Northern Rural market area with 40% affordable housing against a benchmark land value of £0.8m.

Figure 4-5: Northern Rural – Notional 1 ha scheme at 25 dph 30 dph 40 dph and 50 dph, with affordable housing at 40% – Residual value per hectare



Commentary:

- A positive residual value against a benchmark land value of £0.8m is achieved at all densities tested.
- For the Northern Rural market area, the highest residual value reached in the testing is £1,162,000 at 50 dph and the lowest is £901,000 at 25 dph.

Figure 4-6a: Northern Rural - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 40%

Figure 4-6b: Northern Rural - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 40%

Affordable Housing (40%)	25 dph	30 dph	40 dph	50 dph
Maximum CIL per sqm	£58	£144	£158	£150

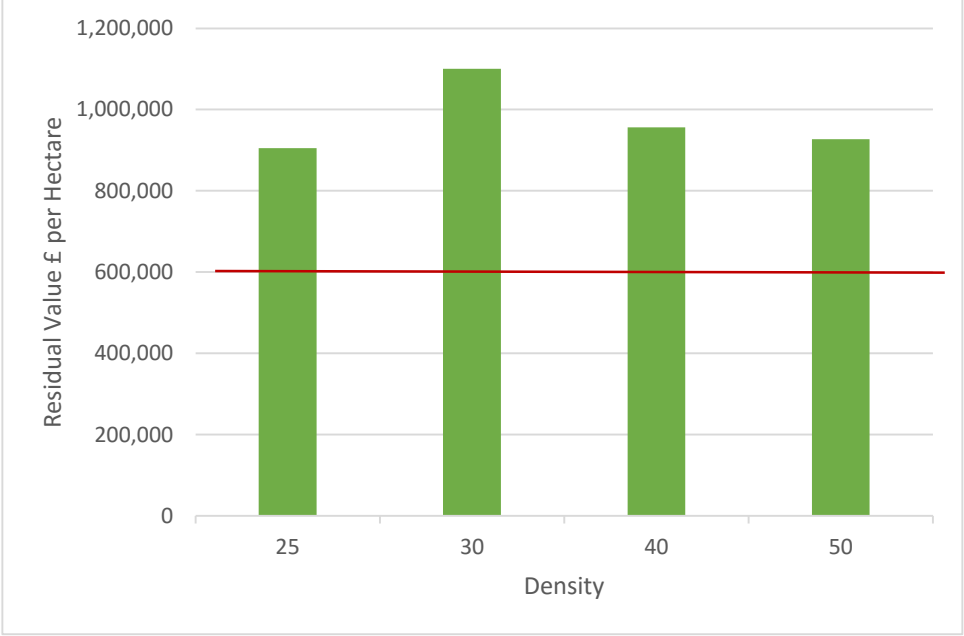
4.14 Commentary

- As a broad indicative average across the 4 development densities, a **maximum** CIL of around £150 per sqm is realistic when using the benchmark land value of £0.8m.
- For the Northern Rural Market area, the scheme at 40 dph achieves the highest maximum CIL rate of £158 per sqm. Schemes modelled at 50 and 40 dph give results that are close to this at £150 and £144 respectively.

1 ha tile: Hereford Results

4.15 The results below show residual values per hectare for a scheme in Hereford with 35% affordable housing against a benchmark land value of £0.6m.

Figure 4-7: Hereford – Notional 1 ha scheme at 25 dph 30 dph 40 dph and 50 dph, with affordable housing at 35% – Residual value per hectare



Commentary:

- For the 1 ha schemes modelled for the Hereford market area, a positive residual value against a benchmark land value of £0.6m is achieved at all densities tested.
- Results range from £305,000 to £476,000 above the benchmark.

- The highest residual value reached in the testing is £1,076,000 at 30 dph and the lowest is £905,000 at 25 dph.

Figure 4-8a: Hereford - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 35%

Figure 4-8b: Hereford - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 35%

Affordable Housing (35%)	25 dph	30 dph	40 dph	50 dph
Maximum CIL per sqm	£162	£215	£155	£125

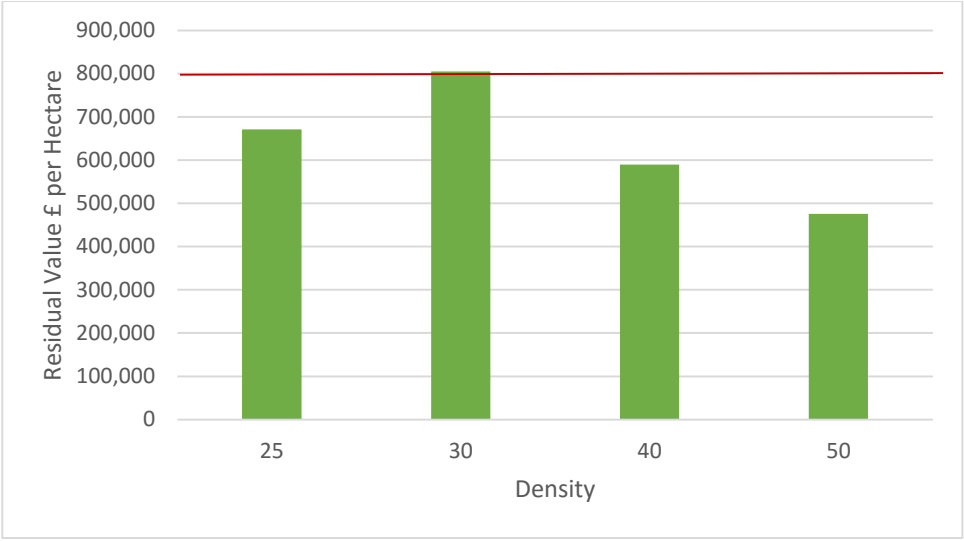
4.16 Commentary

- For the Hereford Market area, the scheme at 30 dph achieves the highest maximum CIL rate of £215 per sqm. Results at the other densities range from £125 to £162.
- These figures do not take into account the need to avoid setting a CIL rate that is at the margins of viability and with a 'buffer'.

1 ha tile: Hereford Hinterland Results

4.17 The results below show residual values per hectare for a scheme in the Hereford Hinterland market area with 35% affordable housing against a benchmark land value of £0.8m.

Figure 4-9: Hereford Hinterland – Notional 1 ha scheme at 25 dph 30 dph 40 dph and 50 dph, with affordable housing at 35% – Residual value per hectare



4.18 Commentary:

- Although all the 1 ha schemes modelled for the Hereford Hinterland market area produce a positive residual value, only the scheme at 30dph remains positive against the benchmark land value of £0.8m.
- The lowest residual value is found at a density of 50 dph and is -£324,000 below the benchmark land value. At 40 dph and 25 dph the notional schemes are still not viable, at -£210,000 and -£129,000 respectively.
- The highest residual value reached in the testing is £805,000 at 30 dph, which is £5,000 above the benchmark.

Figure 4-10a: Hereford Hinterland- Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 35%

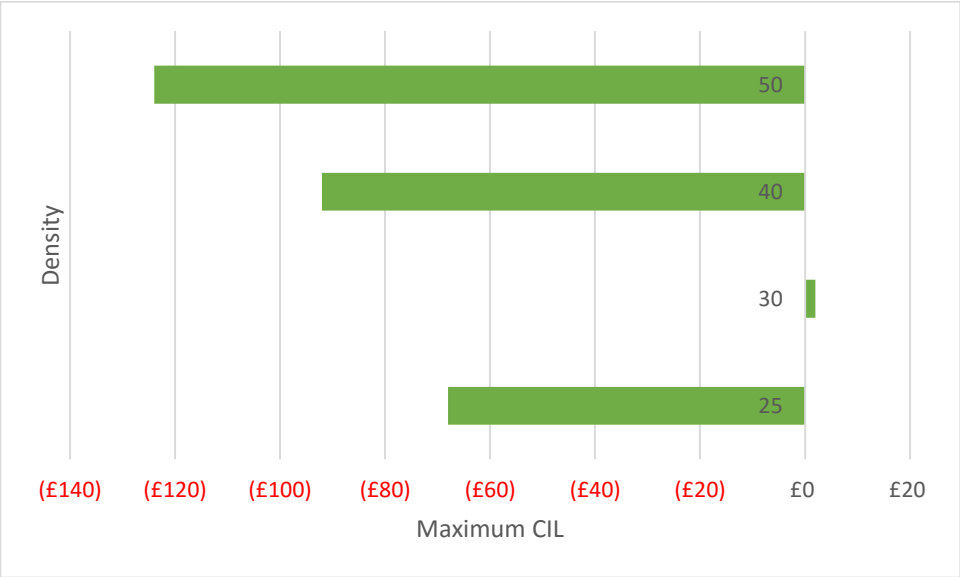


Figure 4-10b: Hereford Hinterland- Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 35%

Affordable Housing (35%)	25 dph	30 dph	40 dph	50 dph
Maximum CIL per sqm	-£68	£2	-£92	-£124

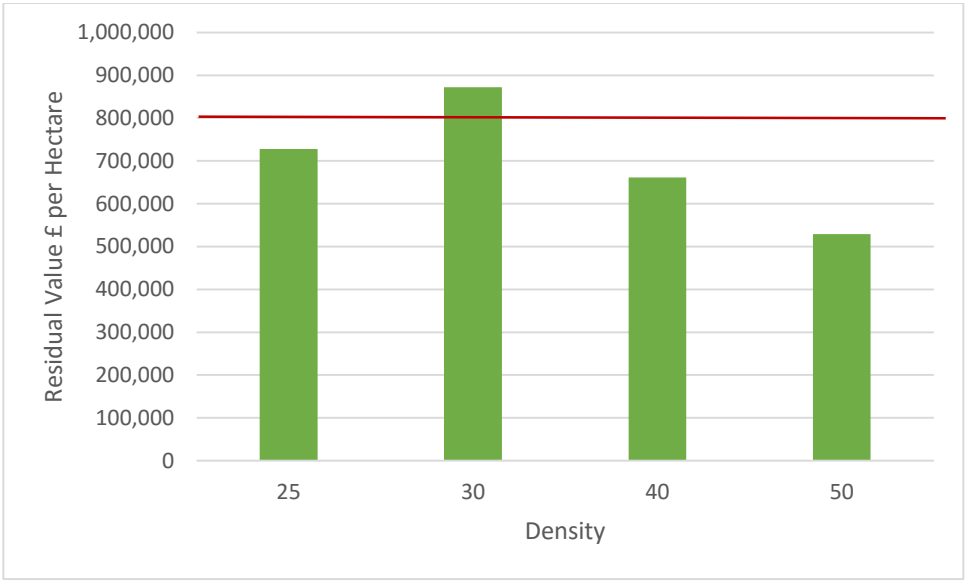
4.19 Commentary

- For the Hereford Hinterland Market area, the scheme at 30 dph achieves the highest maximum CIL rate of £2 per sqm. Results at the other densities are all negative and range from -£68 to -£124.
- The lowest CIL rate is -£124 at 50 dph and would suggest that, if taking only these 1 ha schemes into account, a CIL rate could not be set for the Hereford Hinterland market area.
- Nor do these figures take into account the need to avoid setting a CIL rate that is at the margins of viability and with a 'buffer'.

1 ha tile: Kington & West Herefordshire Results

4.20 The results below show residual values per hectare for a scheme in the Kington & West Herefordshire market area with 35% affordable housing against a benchmark land value of £0.8m.

Figure 4-11: Kington & West Herefordshire – Notional 1 ha scheme at 25 dph 30 dph 40 dph and 50 dph, with affordable housing at 35% – Residual value per hectare



4.21 Commentary:

- Although all the 1 ha schemes modelled for the Kington & West Herefordshire market area produce a positive residual value, only the scheme at 30dph remains positive against the benchmark land value of £0.8m.
- The lowest residual value is found at a density of 50 dph and is -£271,000 below the benchmark and value. At 40 dph and 25 dph the notional schemes are still not viable, at -£139,000 and -£72,000 respectively.
- The highest residual value reached in the testing is £872,000 at 30 dph, which is £72,000 above the benchmark.

Figure 4-12a: Kington & West Herefordshire - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 35%

Figure 4-12b: Kington & West Herefordshire - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 35%

Affordable Housing (35%)	25 dph	30 dph	40 dph	50 dph
Maximum CIL per sqm	-£38	£32	-£61	-£104

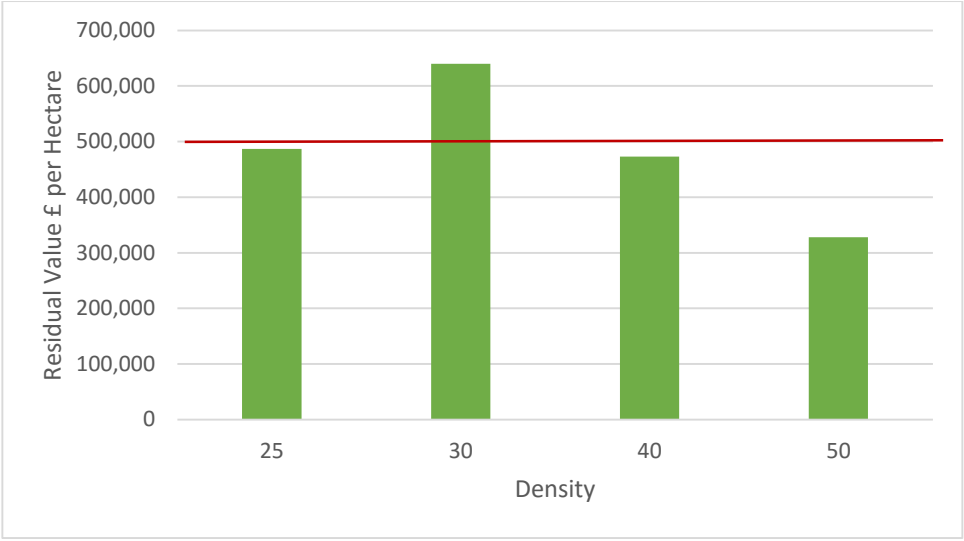
4.22 Commentary

- For the Kington & West Herefordshire Market area, the scheme at 30 dph achieves the highest maximum CIL rate of £32 per sqm. Results at the other densities are all negative and range from -£38 to -£104.
- The lowest CIL rate is -£104 at 50 dph and would suggest that, if taking only these 1 ha schemes into account, a low CIL rate may be set for the Kington & West Herefordshire market area.
- Nor do these figures take into account the need to avoid setting a CIL rate that is at the margins of viability and with a 'buffer'.

1 ha tile: Leominster Results

4.23 The results below show residual values per hectare for a scheme in the Leominster market area with 25% affordable housing against a benchmark land value of £0.5m.

Figure 4-13: Leominster – Notional 1 ha scheme at 25 dph 30 dph 40 dph and 50 dph, with affordable housing at 25% – Residual value per hectare



4.24 Commentary:

- Although all the 1 ha schemes modelled for the Leominster market area produce a positive residual value, only the scheme at 30dph remains positive against the benchmark land value of £0.5m.
- The lowest residual value is found at a density of 50 dph and is -£172,000 below the benchmark and value. At 40 dph and 25 dph the notional schemes are still not viable, at -£27,000 and -£13,000 respectively when taking the benchmark into account.
- The highest residual value reached in the testing is £640,000 at 30 dph, which is £140,000 above the benchmark.

Figure 4-14a: Leominster - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 25%

Figure 4-14b: Leominster - Maximum CIL rates per sqm for the notional 1 ha scheme at affordable housing of 25%

Affordable Housing (25%)	25 dph	30 dph	40 dph	50 dph
Maximum CIL per sqm	-£6	£55	-£10	-£57

4.25 Commentary

- For the Leominster Market area, the scheme at 30 dph achieves the highest maximum CIL rate of £55 per sqm. Results at the other densities are all negative and range from -£6 to -£57.
- The lowest CIL rate is -£57 at 50 dph and would suggest that, if taking only these 1 ha schemes into account, a low CIL rate may be set for the Leominster market area.
- Nor do these figures take into account the need to avoid setting a CIL rate that is at the margins of viability and with a 'buffer'.

1 ha tile: All Market Areas

4.26 The figure below shows comparison of the remaining residual values after taking off respective benchmark land values. This encompasses all market areas at all 4 densities tested.

Figure 4-15: Residual Value after deduction of benchmark land value – all areas and all densities

4.27 Commentary:

- Figure 4.15 above demonstrates the variations between both market areas and densities.
- Ledbury, Ross & Rural Hinterland; Bromyard; Northern Rural; Hereford, are viable at all four densities tested, taking into account an affordable housing level which is commensurate with the Local Plan. However, Bromyard is marginal at the higher and lower densities.
- Hereford Hinterland; Kington & West Herefordshire; Leominster, are only viable at a density of 30dph. However, in the case of Hereford Hinterland, even this is at the margins of viability.
- At 25 dph, 40 dph, and 50 dph, only 4 out of the 7 market areas are viable against respective benchmark land values.

Figure 4-16: Maximum CIL rates per sqm for the notional 1 ha scheme for all Market Areas and all Densities

	25 dph	30 dph	40 dph	50 dph
Ledbury Ross & Rural Hinterland	£125	£197	£116	£64
Bromyard	£28	£93	£57	£5
Northern Rural	£58	£144	£158	£150
Hereford	£162	£215	£155	£125
Hereford Hinterland	-£68	£2	-£92	-£124
Kington & West Herefordshire	-£38	£32	-£61	-£104
Leominster	-£6	£55	-£10	-£57

(Coloured cells show highest CIL rate achieved per market area)

4.28 Commentary:

- **These maximum CIL rates do not take account of the need to set a buffer and ensure that CIL is not set at the margins of viability. They do however demonstrate how CIL could impact on site viability across the district on a range of notional schemes.**
- The market areas of Ledbury, Ross & Rural Hinterland; Bromyard; Northern Rural; Hereford, produce a positive CIL rate at all densities. Hereford Hinterland; Kington & West Herefordshire; Leominster, only produce a positive value at 30 dph. In the cases of Bromyard, Hereford Hinterland and Leominster, some sites are on the cusp of viability, producing a CIL rate which is only just positive or only just negative.
- As a broad indication, in the three most viable areas (Ledbury, Ross & Rural Hinterlands, Northern Rural and Hereford) a CIL of c£150-£200/sq m could be supported as a theoretical maximum, Bromyard might support a maximum of £90/sq m and the remainder £0-£55/sq m.

4.29 The table below sets out the potential CIL rates for 30dph development with a 30% buffer.

Figure 4-17: Maximum CIL rates and CIL rates with a buffer per sqm for the notional 1 ha scheme

	Theoretical maximum CIL	CIL with 30% buffer
Ledbury Ross & Rural Hinterland	£197	£138
Bromyard	£93	£65
Northern Rural	£144	£100
Hereford	£215	£150
Hereford Hinterland	£2	£2
Kington & West Herefordshire	£32	£23
Leominster	£55	£38

5 RESIDENTIAL VIABILITY TESTING – HEREFORD SMALLER CASE STUDY SITES

Introduction

5.1 The viability assessments use a number of case study sites which reflect typical sites likely to be brought forward in Hereford. The case studies were derived in consultation with the Council and the case studies in this section draw on information in the HELAA.

5.2 The case studies in the remainder of the County are discussed in the next chapter of the report. The large scale strategic sites are tested separately and discussed later in this report.

5.3 Figure 5.1 below sets out the case study sites used for testing in Hereford.

Figure 5-1: Hereford case study sites

Case Study	Type	Total Dwellings	Density (dph)	Site size net ha	Site size gross ha	Dwelling Mix	S106/278 per dwg	Opening up costs	Benchmark Land Value/ha	Delivery
H1	Small peripheral site - single dwelling	1	30	0.03	0.03	4bd	£0		£600,000	Yr 1
H2	Higher density small urban site - single dwelling	1	50	0.02	0.02	3bd	£0		£600,000	Yr 1
H3	Small peripheral site - 2 dwellings	2	30	0.07	0.07	2x3bd	£0		£600,000	Yr 1
H4	Higher density small urban site - 2 dwellings	2	50	0.04	0.04	2x3bs	£0		£600,000	Yr 1
H5	Small peripheral site - 3 dwellings	3	30	0.10	0.10	3x4bd	£0		£600,000	Yr 1
H6	Higher density small urban site - 3 dwellings	3	50	0.06	0.06	3x3bt	£0		£600,000	Yr 1
H7	Small peripheral site - 4 dwellings	4	30	0.13	0.13	2x3bd, 2x4bd	£0		£600,000	Yr 1
H8	Higher density small urban site - 4 dwellings	5	50	0.10	0.10	5x3bt	£0		£600,000	Yr 1
H9	HELAA site – 10 dwellings	10	40	0.25	0.25	40 dph mix	£2,000		£600,000	Yr 1
H10	HELAA site – 15 dwellings	15	40	0.38	0.38	40 dph mix	£2,000		£600,000	Y1
H11	HELAA peripheral site – 40 dwellings	40	30	1.33	1.60	30 dph mix	£2,000		£600,000	1 yr to first completion then 30pa
H12	HELAA peripheral site – 70 dwellings	70	30	2.33	2.79	30 dph mix	£4,650	£50,000 /net ha	£600,000	1 yr to first completion then 30pa
H13	HELAA site – 120 dwellings	120	40	3.00	3.79	40 dph mix	£2,000	£100,000 /net ha	£450,000	1 yr to first completion then 40 pa
H14	Higher density HELAA site – 120 dwellings	120	50	2.40	3.19	50 dph mix	£2,000		£450,000	1 yr to first completion then 45pa
H15	HELAA peripheral site – 250 dwellings	250	30	8.33	9.97	30 dph mix	£2,000	£150,000 /net ha	£450,000	1 yr to first completion then 70pa
H16	HELAA peripheral site – 650 dwellings	600	30	20.00	23.93	30 dph mix	£2,000	£200,000 /net ha	£300,000	1 yr to first completion then 70pa

Case Study	Type	Total Dwellings	Density (dph)	Site size net ha	Site size gross ha	Dwelling Mix	S106/278 per dwg	Opening up costs	Benchmark Land Value/ha	Delivery
H17	Sheltered Housing Scheme	100	125	0.80	0.80	50x1bf and 50x2bf	£2,000	£100,000 for voids	£600,000	Build over 3 yrs; 18 months to first completion; full occupancy by end of year 5.

5.4 There are various cost and value differences around the smallest case studies and therefore the case study testing is undertaken either side of the differences. These differences have been discussed in more detail in section 3 and are summarised as:

- Higher build costs for single dwellings, using BCIS 'one off development' build costs.
- 5% build cost premium for 2 and 3 dwelling developments.
- 5% 'exclusivity' premium for 1-3 dwellings.

5.5 Further detail about the profile of these case studies can be found in Annex 6.

5.6 The viability tests have been undertaken at 35% affordable housing, but only where the site contains more than 10 dwellings, with the exception of the second sheltered scheme which is tested at both 35% affordable housing and 0%. Where affordable tenure is included it is split 53% rented and 47% shared ownership and the rental units are 50/50 Affordable Rent/Social Rent. It is assumed that if provision is not made on site (e.g. smaller sites) then a commuted sum to the equivalent value is provided for provision elsewhere.

5.7 Case studies of 5 or fewer dwellings will not be liable for s106 and so the base residual £2,000 s106/278 is only included for developments of six dwellings or more.

5.8 Residual values from the case studies are compared to the benchmark land values discussed in chapter 3. The smaller case studies are compared to the standard Hereford benchmark of £0.6m per gross hectare, while the larger sites (above 100 dwellings) are compared to the intermediate benchmark; and the largest site is compared to the strategic greenfield land benchmark. If the residual land value from a scheme is above the appropriate benchmark land value, then the scheme is considered viable and able to proceed. A full set of results for the case studies, across all market areas, is found in Annex 7.

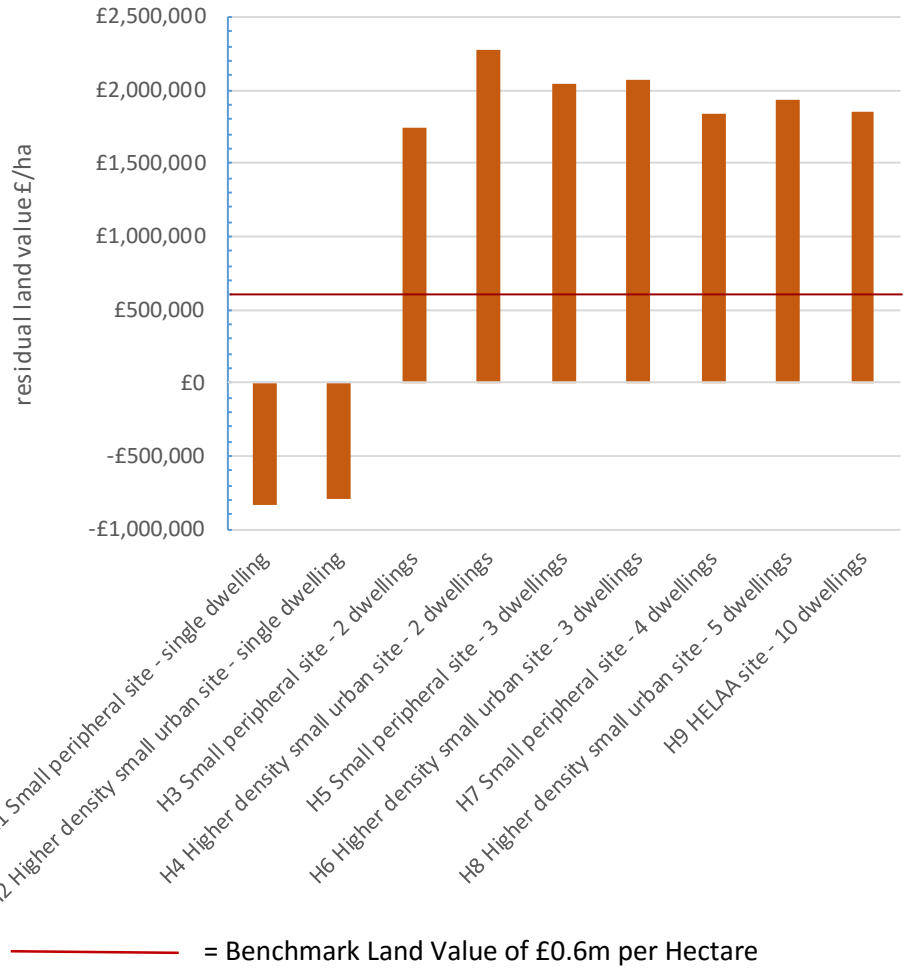
5.9 The Hereford discussion below is split into smaller case studies (numbered H1-H9) of 10 dwellings or fewer and medium case studies (H10-H17) of 40 – 600 dwellings. Case studies which are assumed to take longer than a year to delivered use a discounted cash flow.

Hereford case study findings

Smaller Case Studies – Case Studies H1 – H9

5.10 The case study testing includes a number of smaller schemes in order to explore the viability implications of the higher build costs often associated with smaller sites. Figure 5.2 below illustrates the residual value per hectare for the smaller case study schemes.

Figure 5-2: Viability of small Hereford schemes



5.11 All of the smaller case studies achieve a positive residual value with the exception of the single dwelling schemes (which have significantly higher build costs).

5.12 Thus, with the exception of case studies H1 and H2 (both single dwelling schemes), all of the Hereford case studies are viable against the benchmark land value of £0.6m/ha with viability headroom to support a CIL. The viability of these smaller schemes is assisted by the lack of affordable housing requirement.

Implications for CIL for smaller sites

5.13 The viability testing considers the opportunities to charge CIL at a range of locations and densities. In considering these theoretical maximum rates, it should be noted that the guidance suggests "*Charging authorities should avoid setting a charge right up to the maximum of economic viability across the vast majority of sites in their area*"[42].

[42]DCLG, 2012, Community Infrastructure Levy Guidance para 30

5.14 The analysis indicates that, with the exception of case studies H1 and H2 (single dwelling), the case study sites have the capacity to pay significant CIL. For the seven schemes above 1 dwelling, the theoretical maximum CIL rate varies from approximately £312 per sq m to £392 per sq m.

Figure 5-3 Summary of smaller sites case studies

Case study	Residual value/ha	Benchmark land value	Theoretical maximum CIL rate
H1: Small peripheral site – single dwelling	**-£833,333**	£600,000	**-£347**
H2: Higher density small urban site – single dwelling	**-£800,000**	£600,000	**-£275**
H3: Small peripheral site - 2 dwellings	£1,742,857	£600,000	**£392**
H4: Higher density small urban site - 2 dwellings	£2,275,000	£600,000	**£360**
H5: Small peripheral site - 3 dwellings	£2,040,000	£600,000	**£387**
H6: Higher density small urban site - 3 dwellings	£2,066,667	£600,000	**£349**
H7: Small peripheral site - 4 dwellings	£1,838,462	£600,000	**£356**
H8: Higher density small urban site - 5 dwellings	£1,940,000	£600,000	**£319**
H9: HELAA site - 10 dwellings	£1,848,000	£600,000	**£312**

Medium Case Studies (case studies H11 – H17)

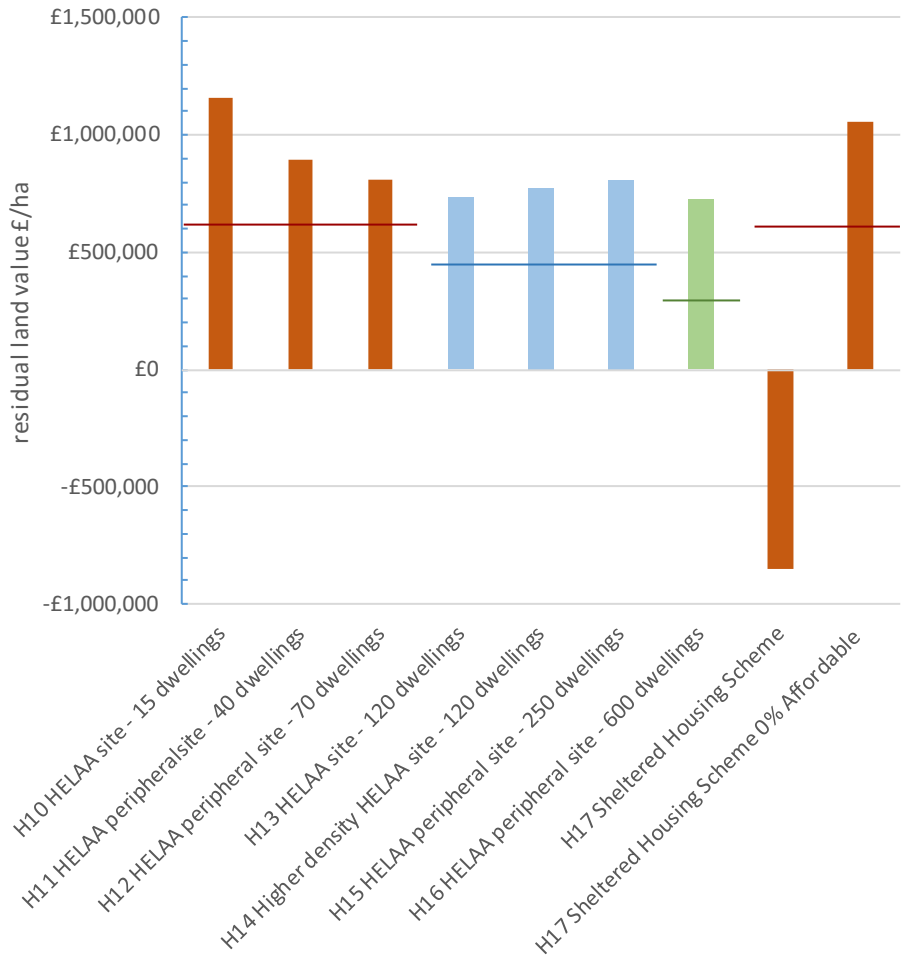
5.15 The medium case studies are intermediate sized schemes of between 10 and 600 dwellings and include a range of mixed developments and a sheltered scheme. These schemes are indicative of the sorts of medium sized sites in the HELAA and which are likely to be developed in Hereford. All are tested at 35% affordable housing, although the sheltered scheme is also tested a nil affordable housing.

5.16 Where appropriate, the schemes include an allowances for site clearance and/or opening up costs.

5.17 Case study H17 is sheltered accommodation. This case study has been prepared in accordance with the RHG guidance relating to values and the relatively high proportion of common/circulation space, as well as specific build costs.

5.18 Figure 5.4 below illustrates the residual value per hectare for these medium case studies.

Figure 5-4: Viability of Hereford medium case studies



5.19 All of the case studies tested achieve a positive residual value with the exception of the sheltered housing scheme. The sheltered scheme has also been tested at 0% affordable housing, which does then produce a positive residual value.

5.20 With the exception of the sheltered scheme, all of the case studies exceed their respective land value benchmarks.

Implications for CIL for medium case studies

5.21 The viability testing has considered the opportunities to charge CIL for a range of medium sized developments.

5.22 With the exception of the sheltered scheme with affordable housing (but not the sheltered scheme without) all of the medium case studies are able to support CIL and the results are shown in figure 5.5 below. Case studies H11 -H16 are able to support a maximum theoretical CIL between £56 per sq m and £190 per sq m and case study H17 (sheltered) is able to support a maximum CIL of £45 when no affordable housing is applied (bearing in mind the guidance suggests that the rate charged should not be at these theoretical maximums).

5.23 Overall it can be seen that of these general housing medium case studies, most can support a CIL of well over £100/sq m (the 70 dwelling site is the exception).

5.24 Sheltered accommodation cannot support a CIL unless it has no affordable housing. In practice it is likely that the priority would be to use any viability headroom to provide some affordable housing rather than seek other planning obligations.

Figure 5.5: Summary of Hereford residual values and theoretical maximum CIL rates

Case study	Affordable housing	Residual value/ha	Benchmark land value	Theoretical maximum CIL rate per sq m
H10 HELAA site - 15 dwellings	35%	£1,160,526	£600,000	**£219**
H11: HELAA peripheral site - 40 dwellings	35%	£891,301	£600,000	**£131**
H12: HELAA peripheral site - 70 dwellings	35%	£808,780	£600,000	**£94**
H13: HELAA site - 120 dwellings	35%	£728,712	£450,000	**£122**
H14: Higher density HELAA site - 120 dwellings	35%	£773,941	£450,000	**£124**
H15: HELAA peripheral site - 250 dwellings	35%	£812,655	£450,000	**£163**
H16: HELAA peripheral site - 600 dwellings	35%	£721,940	£300,000	**£190**
H17: Sheltered Housing Scheme (with affordable housing)	35%	-£853,653	£600,000	**-£221**
H17 Sheltered Housing Scheme (without affordable housing)	0%	£1,053,104	£600,000	**£45**

Summary

5.25 The majority of case study schemes tested are viable and able to support a CIL. The schemes that are not clearly viable and which are unable to support a CIL are:

- The single dwelling on both the urban and the urban periphery sites
- The sheltered scheme with affordable housing.

5.26 The smaller case studies of 2 – 15 dwellings are the most viable because of the 0% affordable housing and produce the highest theoretical maximum CIL values of between £312 - £392 per

sq m. The medium case studies are less viable because they are providing 35% affordable housing and are able to support theoretical maximum CIL values of £94 - £219 per sq m.

5.27 It is likely that single dwelling developments will come forward as self-build schemes, which would be exempt from CIL.

5.28 The table below summarises the potential CIL rates that may be applied to developments of 2-10 dwellings (no affordable housing) and larger schemes. The table columns note the theoretical maximum CIL and then suggest how this may be adjusted to include a buffer as required by guidance. This process includes a certain amount of judgement in grouping together the adjusted CIL rates in order to reduce the complexity of the charging schedule and it would be possible to come to other views.

Table 5-6 Summary CIL rates for Hereford case studies

Location/scale	Theoretical Maximum CIL/sq m	CIL with buffer/sq m - rounded	Notes on CIL rates with buffer
Hereford 2-10 dwellings	£312-£392	£200	All case studies can support this rate.
Hereford 11+ dwellings	£94-£219	£100	One case study is marginally not able to support this rate.
Single dwellings in Hereford		£0	No CIL can be supported.
Sheltered housing in Hereford		£0	

6 RESIDENTIAL VIABILITY ANALYSIS – RURAL CASE STUDY SITES

Introduction

6.1 Following the discussion of the case study sites in Hereford in the previous chapter, this chapter discusses the case studies in the rural rest of the district. These are drawn from an analysis of the rural SHLAA plus some smaller sites. The table below sets out the case study sites used for testing in the rural areas. Each case study is tested in each value area, except Hereford, which has its own specific case studies already discussed; and for sheltered housing which is just tested in Ledbury, Ross and the Rural Hinterlands. Further detail about the profile of the case studies can be found in Annex 6.

6.2 The viability tests for the rural schemes use an affordable housing level that corresponds with the levels given in the Local Plan and these vary between market value area. In all cases the affordable housing is split 53% rental and 47% shared ownership, except Bromyard where the split is 24%/76%. All rented units are split 50/50 between Affordable Rent and Social Rent. Again, it is assumed that if provision is not made on site then a commuted sum to the equivalent value is provided for provision elsewhere. Case studies of 10 dwellings or less are modelled 0% affordable housing.

6.3 As part of the SHLAA review it was apparent that some rural sites require local access mitigation in order to be acceptable in planning terms, particularly relating to provision of pedestrian footpaths to connect the site to other parts of the settlement. Discussions have been held with Herefordshire Council officers in order to understand the potential costs and implications. As a general principle, mitigation costs would normally become apparent as part of due diligence and would form part of the land value negotiations. However, there may be cases where the mitigation costs extend beyond can be accommodated in the land negotiations and therefore a sensitivity test has been included in the testing. A figure of £2,650/dwelling (equivalent to c. 10m of footpath) has been added to the standard £2,000 base residual s106/278 costs to represent the additional cost required to release the land for development. This could also be considered as a minor contamination mitigation cost on brownfield sites. These additional costs have been applied to two of the case studies (6 dwellings and 20 dwellings).

6.4 Residual values from the case studies are compared to the relevant benchmark land value for the market value area. If the residual land value from a scheme is above the benchmark land value, then the scheme is considered viable and able to proceed. Some schemes are also compared to a higher, sensitivity, benchmark land value as well.

Figure 6-1: Rural case study sites

Case Study	Type	Total Dwellings	Density (dph)	Site size net ha	Site size gross ha	Dwelling Mix	S106/278 per dwg	Opening up costs	Benchmark Land Value/ha	Delivery
1	Small rural site - single dwelling	1	30	0.03	0.03	4bd	£0		£800,000	Yr 1
2	Small rural site - 2 dwellings	2	30	0.07	0.07	2x3bd	£0		£800,000	Yr 1
3	Small rural site - 3 dwellings	3	30	0.10	0.10	3x4bd	£0		£800,000	Yr 1
4	Small rural site - 4 dwellings	5	30	0.17	0.17	2x3bd, 3x4bd	£0		£800,000	Yr 1
5	SHLAA site – 6 dwellings	6	30	0.20	0.20	30 dph mix	£2,000		£800,000	Yr 1
6	SHLAA site – 6 dwellings with access issues	6	30	0.20	0.20	30 dph mix	£4,650		£800,000	Yr 1
7	SHLAA site – low density 6 dwellings	6	25	0.24	0.24	25 dph mix	£2,000		£800,000	Yr 1
8	SHLAA site – 10 dwellings	10	30	0.33	0.33	30 dph mix	£2,000		£800,000	1 yr to first completion then 10pa
9	SHLAA site – 20 dwellings	20	30	0.67	0.67	30 dph mix	£2,000		£800,000	1 yr to first completion then 20pa
10	SHLAA site – 20 dwellings with access issues	20	30	0.67	0.67	30 dph mix	£4,650		£800,000	1 yr to first completion then 20pa
11	SHLAA site – 55 dwellings	55	30	1.83	2.04	30 dph mix	£2,000	£50,000 /net ha	£800,000	1 yr to first completion then 30 in yr 1 and 25 in yr2
12	SHLAA site – 120 dwellings	120	30	4.00	5.00	30 dph mix	£2,000	£100,000 /net ha	£375,000-£550,000	1 yr to first completion then 30pa
13	Sheltered Housing Scheme	100	125	0.80	0.80	50x1bf and 50x2bf	£2,000	£100,000 for voids	£600,000	Build over 3 yrs; 18 months to first completion; full occupancy by end of year 5.

Rural Case Study Findings

6.5 The tables below illustrate the residual value per hectare and its implications for CIL charging in all of the rural market value areas outside Hereford. Each value area is considered separately.

Bromyard

Figure 6-2 Bromyard Small Sites

Case Study Ref	Type	HMA	% AH	Residual Value per ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
1	Small rural site, 1 dwelling	Bromyard	0%	-£1,700,000	£500,000	-£2,200,000	-£532
2	Small rural site, 2 dwellings	Bromyard	0%	£1,414,286	£500,000	£914,286	£314
3	Small rural site, 3 dwellings	Bromyard	0%	£1,270,000	£500,000	£770,000	£207
4	Small rural site, 4 dwellings	Bromyard	0%	£1,023,529	£500,000	£523,529	£197
5	SHLAA site, 6 dwellings	Bromyard	0%	£1,085,000	£500,000	£585,000	£171
6	SHLAA site, 6 dwellings with access issues	Bromyard	0%	£1,010,000	£500,000	£510,000	£149
7	SHLAA site, low density 6 dwellings	Bromyard	0%	£858,333	£500,000	£358,333	£124
8	SHLAA site, 8 dwellings	Bromyard	0%	£1,072,697	£500,000	£572,697	£166
9	SHLAA site, 20 dwellings	Bromyard	40%	£708,372	£500,000	£208,372	£102
10	SHLAA site, 20 dwellings with access issues	Bromyard	40%	£644,019	£500,000	£144,019	£71
11	SHLAA site, 55 dwellings	Bromyard	40%	£575,760	£500,000	£75,760	£37
12	SHLAA site, 120 dwellings	Bromyard	40%	£496,105	£375,000	£121,105	£59

Commentary

6.6 The single dwelling case study is unviable and unable to support a CIL. The other case studies with 0% affordable housing are able to support a theoretical maximum CIL of at least £124/sq m, with the majority able to support considerably more. Many of the smaller case studies exceed the £1m/ha upper sensitivity benchmark.

6.7 The larger sites are also viable and able to support a CIL. With the exception of the 55 dwelling site, the minimum that can be supported is £59/sq m and the maximum is £102/sq m.

Hereford Hinterland Case Study Findings

Figure 6-3 Hereford Hinterland Small Sites

Case Study Ref	Type	HMA	% AH	Residual Value per ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
1	Small rural site, 1 dwelling	Hereford Hinterland	0%	-£1,233,333	£800,000	-£2,033,333	-£492
2	Small rural site, 2 dwellings	Hereford Hinterland	0%	£1,414,286	£800,000	£614,286	£211
3	Small rural site, 3 dwellings	Hereford Hinterland	0%	£1,680,000	£800,000	£880,000	£237
4	Small rural site, 4 dwellings	Hereford Hinterland	0%	£1,170,588	£800,000	£370,588	£139
5	SHLAA site, 6 dwellings	Hereford Hinterland	0%	£1,355,000	£800,000	£555,000	£163
6	SHLAA site, 6 dwellings with access issues	Hereford Hinterland	0%	£1,280,000	£800,000	£480,000	£141
7	SHLAA site, low density 6 dwellings	Hereford Hinterland	0%	£1,129,167	£800,000	£329,167	£113
8	SHLAA site, 8 dwellings	Hereford Hinterland	0%	£1,344,379	£800,000	£544,379	£158
9	SHLAA site, 20 dwellings	Hereford Hinterland	35%	£821,549	£800,000	£21,549	£10
10	SHLAA site, 20 dwellings with access issues	Hereford Hinterland	35%	£750,557	£800,000	-£49,443	-£22
11	SHLAA site, 55 dwellings	Hereford Hinterland	35%	£672,000	£800,000	-£128,000	-£58
12	SHLAA site, 120 dwellings	Hereford Hinterland	35%	£572,238	£550,000	£22,238	£10

Commentary

6.8 The single dwelling case study is unviable and unable to support a CIL. The other case studies with 0% affordable housing are able to support a theoretical maximum CIL of at least £113/sq m, with the majority able to support considerably more.

6.9 The larger sites are less viable and not all are able to support a CIL (although they do show a positive residual value). The two larger sites that are viable (case study 9 with 20 dwellings and case study 12 with 120 dwellings) are only able to support a CIL of £10/sq m.

Kington & West Herefordshire Case Study Findings

Figure 6-4 Kington & West Herefordshire Small Sites

Case Study Ref	Type	HMA	% AH	Residual Value per ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
1	Small rural site, 1 dwelling	Kington and West Herefordshire	0%	-£1,000,000	£800,000	-£1,800,000	-£435
2	Small rural site, 2 dwellings	Kington and West Herefordshire	0%	£1,642,857	£800,000	£842,857	£289
3	Small rural site, 3 dwellings	Kington and West Herefordshire	0%	£1,910,000	£800,000	£1,110,000	£298
4	Small rural site, 4 dwellings	Kington and West Herefordshire	0%	£1,352,941	£800,000	£552,941	£208
5	SHLAA site, 6 dwellings	Kington and West Herefordshire	0%	£1,460,000	£800,000	£660,000	£193
6	SHLAA site, 6 dwellings with access issues	Kington and West Herefordshire	0%	£1,380,000	£800,000	£580,000	£170
7	SHLAA site, low density 6 dwellings	Kington and West Herefordshire	0%	£1,216,667	£800,000	£416,667	£144
8	SHLAA site, 8 dwellings	Kington and West Herefordshire	0%	£1,441,852	£800,000	£641,852	£186
9	SHLAA site, 20 dwellings	Kington and West Herefordshire	35%	£883,330	£800,000	£83,330	£38
10	SHLAA site, 20 dwellings with access issues	Kington and West Herefordshire	35%	£812,339	£800,000	£12,339	£6
11	SHLAA site, 55 dwellings	Kington and West Herefordshire	35%	£727,101	£800,000	-£72,899	-£33
12	SHLAA site, 120 dwellings	Kington and West Herefordshire	35%	£619,422	£550,000	£69,422	£31

Commentary

6.10 Many of the smaller case studies exceed the £1m/ha upper sensitivity benchmark.The single dwelling case study is unviable and unable to support a CIL. The other case studies with 0% affordable housing are able to support a theoretical maximum CIL of at least £170/sq m, up to £289/sq m.

6.11 The larger sites are less viable and not all are able to support a CIL (although they do show a positive residual value). The two larger sites that are most viable (case study 9 with 20 dwellings and case study 12 with 120 dwellings) are able to support a CIL of £31-£38/sq m, and case study 10 (20 dwellings but higher access costs) is able to support a CIL of £6/sq m.

Ledbury Ross & Rural Hinterlands Case Study Findings

Figure 6-5 Ledbury Ross & Rural Hinterlands Small Sites

Case Study Ref	Type	HMA	% AH	Residual Value per ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
1	Small rural site, 1 dwelling	Ledbury, Ross and Rural Hinterlands	0%	-£166,667	£800,000	-£966,667	-£234
2	Small rural site, 2 dwellings	Ledbury, Ross and Rural Hinterlands	0%	£1,764,857	£800,000	£964,857	£331
3	Small rural site, 3 dwellings	Ledbury, Ross and Rural Hinterlands	0%	£2,570,000	£800,000	£1,770,000	£476
4	Small rural site, 4 dwellings	Ledbury, Ross and Rural Hinterlands	0%	£1,752,941	£800,000	£952,941	£358
5	SHLAA site, 6 dwellings	Ledbury, Ross and Rural Hinterlands	0%	£2,040,000	£800,000	£1,240,000	£363
6	SHLAA site, 6 dwellings with access issues	Ledbury, Ross and Rural Hinterlands	0%	£1,965,000	£800,000	£1,165,000	£341
7	SHLAA site, low density 6 dwellings	Ledbury, Ross and Rural Hinterlands	0%	£1,725,000	£800,000	£925,000	£319
8	SHLAA site, 8 dwellings	Ledbury, Ross and Rural Hinterlands	0%	£1,966,797	£800,000	£1,166,797	£338
9	SHLAA site, 20 dwellings	Ledbury, Ross and Rural Hinterlands	40%	£1,185,742	£800,000	£385,742	£189
10	SHLAA site, 20 dwellings with access issues	Ledbury, Ross and Rural Hinterlands	40%	£1,114,751	£800,000	£314,751	£154
11	SHLAA site, 55 dwellings	Ledbury, Ross and Rural Hinterlands	40%	£994,325	£800,000	£194,325	£95
12	SHLAA site, 120 dwellings	Ledbury, Ross and Rural Hinterlands	40%	£853,245	£550,000	£303,245	£148

Commentary

6.12 The single dwelling case study is unviable and unable to support a CIL. The other case studies with 0% affordable housing are able to support a theoretical maximum CIL of at least £319/sq m, up to £476/sq m.

6.13 The larger sites are also viable and able to support a theoretical maximum CIL of between £95sq m to £189/sq m.

Northern Rural Case Study Findings

Figure 6-6 Northern Rural Small Sites

Case Study Ref	Type	HMA	% AH	Residual Value per ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
1	Small rural site, 1 dwelling	Northern Rural	0%	-£666,667	£800,000	-£1,466,667	-£355
2	Small rural site, 2 dwellings	Northern Rural	0%	£1,857,143	£800,000	£1,057,143	£363
3	Small rural site, 3 dwellings	Northern Rural	0%	£2,180,000	£800,000	£1,380,000	£371
4	Small rural site, 4 dwellings	Northern Rural	0%	£1,500,000	£800,000	£700,000	£263
5	SHLAA site, 6 dwellings	Northern Rural	0%	£1,755,000	£800,000	£955,000	£280
6	SHLAA site, 6 dwellings with access issues	Northern Rural	0%	£1,675,000	£800,000	£875,000	£256
7	SHLAA site, low density 6 dwellings	Northern Rural	0%	£1,475,000	£800,000	£675,000	£233
8	SHLAA site, 8 dwellings	Northern Rural	0%	£1,706,127	£800,000	£906,127	£263
9	SHLAA site, 20 dwellings	Northern Rural	40%	£1,067,721	£800,000	£267,721	£131
10	SHLAA site, 20 dwellings with access issues	Northern Rural	40%	£996,730	£800,000	£196,730	£97
11	SHLAA site, 55 dwellings	Northern Rural	40%	£889,074	£800,000	£89,074	£43
12	SHLAA site, 120 dwellings	Northern Rural	40%	£763,108	£550,000	£213,108	£104

Commentary

6.14 The single dwelling case study is unviable and unable to support a CIL. The other case studies with 0% affordable housing are able to support a theoretical maximum CIL of at least £233/sq m, up to £371/sq m.

6.15 The larger sites are also viable and able to support a theoretical maximum CIL of about £100/sq m, with the exception of case study 11 with 55 dwellings which is able to support a maximum CIL of £43/sq m.

Leominster Case Study Findings

Figure 6-7 Leominster Small Sites

Case Study Ref	Type	HMA	% AH	Residual Value per ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
1	Small rural site, 1 dwelling	Leominster	0%	-£1,900,000	£500,000	-£2,400,000	-£581
2	Small rural site, 2 dwellings	Leominster	0%	£1,414,286	£500,000	£914,286	£314
3	Small rural site, 3 dwellings	Leominster	0%	£1,110,000	£500,000	£610,000	£164
4	Small rural site, 4 dwellings	Leominster	0%	£952,941	£500,000	£452,941	£170
5	SHLAA site, 6 dwellings	Leominster	0%	£945,000	£500,000	£445,000	£130
6	SHLAA site, 6 dwellings with access issues	Leominster	0%	£865,000	£500,000	£365,000	£107
7	SHLAA site, low density 6 dwellings	Leominster	0%	£720,833	£500,000	£220,833	£76
8	SHLAA site, 8 dwellings	Leominster	0%	£943,079	£500,000	£443,079	£128
9	SHLAA site, 20 dwellings	Leominster	25%	£680,761	£500,000	£180,761	£71
10	SHLAA site, 20 dwellings with access issues	Leominster	25%	£609,030	£500,000	£109,030	£43
11	SHLAA site, 55 dwellings	Leominster	25%	£574,386	£500,000	£74,386	£29
12	SHLAA site, 120 dwellings	Leominster	25%	£474,684	£375,000	£99,684	£39

Commentary

6.16 The single dwelling case study is unviable and unable to support a CIL. The other case studies with 0% affordable housing are able to support a theoretical maximum CIL of at least £76/sq m, with the majority able to support considerably more.

6.17 The larger sites are also viable and able to support a theoretical maximum CIL of about £40/sq m or more, with the exception of case study 11 with 55 dwellings which is able to support a maximum CIL of £29/sq m.

Sheltered Housing for Older Persons

6.18 The testing has included sheltered housing for older persons. This has been undertaken in the Ledbury, Ross and Rural Hinterlands value area as this is a likely location for this type of housing.

Figure 6-8 Sheltered Housing

Case Study Ref	Type	HMA	% AH	Residual Value per ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
1	Sheltered Housing Scheme 100 dwellings	Ledbury Ross and Rural Hinterlands	40%	-£584,863	£800,000	-£1,384,863	-£228
2	Sheltered Housing Scheme 100 dwellings	Ledbury Ross and Rural Hinterlands	0%	£1,713,363	£800,000	£913,363	£90

Commentary

6.19 At the target 40% affordable housing the sheltered accommodation is not viable and is unable to support a CIL. If the sheltered accommodation is modelled at 0% affordable housing it is viable, which is a similar situation to the sheltered housing testing undertaken as part of the Hereford case studies discussed in the previous section.

Summary

6.20 The types of schemes anticipated to come forward in the rural areas show a mix of viability and ability to support a CIL:

- None of the single dwelling case studies are able to support a CIL, which is due to the high build costs discussed earlier.
- The smaller case studies with no affordable housing are more viable than the larger case studies, some of which also have less favourable gross to net developable sites.
- The case studies in Ledbury, Ross and the Rural Hinterlands are the most viable, followed by Northern Rural.
- The cost of additional access requirements for some of the case studies makes a small difference to the overall viability.
- With the exception of the 1 dwelling scheme, all of the smaller case studies (of 8 dwellings and below) allow for CIL.
- Of the larger case studies, the 55 dwelling scheme is the least viable. This is as a result of the combination of opening up costs, gross to net developable and the build period, whilst being compared to the same benchmark land value as smaller scale development with fewer costs. It is likely that in practice the land value will flex to accommodate the scheme characteristics although there may be instances where the proportion of affordable housing needs to be negotiated.

- The sheltered scheme in Ledbury, Ross & Rural Hinterland market area is only able to support CIL when modelled without affordable housing. As it is likely that some affordable housing will be sought as the first priority in these schemes no CIL is possible.

6.21 The table below summarises the potential CIL rates that may be applied to developments of 2-10 dwellings (no affordable housing) and larger schemes. The table columns note the theoretical maximum CIL and then suggest how this may be adjusted to include a buffer as required by guidance. This process includes a certain amount of judgement in grouping together the adjusted CIL rates in order to reduce the complexity of the charging schedule and it would be possible to come to other views.

Table 6-9 Summary CIL rates for rural case studies

Location/scale	Theoretical Maximum CIL/sq m	CIL with buffer/sq m - rounded	Notes on CIL rates with buffer
Bromyard 2-10 dwellings	£124-£314	£110	All case studies can support this rate.
Bromyard 11+ dwellings	£37-£102	£50	Only one case study is not able to support this rate.
Hereford Hinterland 2-10 dwellings	£113-£237	£110	All case studies can support this rate.
Hereford Hinterland 11+ dwellings	-£58-£10	£0	No CIL can be supported.
Kington & West Herefordshire 2-10 dwellings	£170-£289	£110	All case studies can support this rate.
Kington & West Herefordshire 11+ dwellings	-£33-£38	£20	Some larger sites will not be viable with this CIL rate.
Ledbury Ross & Rural Hinterlands 2-10 dwellings	£319-£476	£200	All case studies can support this rate.
Ledbury Ross & Rural Hinterlands 11+ dwellings	£95-£154	£100	Only one case study is not able to support this rate.
Northern Rural 2-10 dwellings	£233-£371	£110	All case studies can support this rate.
Northern Rural 11+ dwellings	£43-131	£100	Only one case study is not able to support this rate.
Leominster 2-10 dwellings	£76-£314	£80	All case studies can support this rate.
Leominster 11+ dwellings	£29-£71	£20	All case studies can support this rate.
Single dwellings anywhere in rural Herefordshire		£0	No CIL can be supported.
Sheltered housing in rural Herefordshire		£0	

7 STRATEGIC SITE CASE STUDIES

Introduction

7.1 Much of the housing proposed under the new Local Plan will be on strategic sites. Four of these are in or around Hereford, with further sites in Leominster, Ledbury, Ross and Bromyard. Of these strategic sites it is understood that one of the Hereford sites (Holmer West) is in the planning process and may be consented before CIL is adopted; and progress has also been made on the Hereford Urban Village in terms of site clearance etc., which has reduced costs and risks sine the last CIL viability testing was undertaken.

7.2 The strategic sites will take some years to build out with revenues and costs occurring at different stages. The modeling therefore uses a discounted cash flow for the strategic sites, which takes account of the credit and debit balances as well as the time cost of money[43].

Benchmark Land Value

7.3 The strategic sites are tested against the £0.3m/gross ha benchmark land value, except in Leominster and Bromyard where values are lower and a £0.25m/gross ha is used; and for the Hereford Urban Village as it is an urban previously developed set of sites. The strategic greenfield benchmarks take account of the low proportion of net developable land as well as the infrastructure and servicing costs associated with strategic sites.

Site Characteristics

7.4 The new Local Plan has specific requirements for each of these sites and it is anticipated that there will be requirements for site-specific infrastructure. This infrastructure will be at a cost to development, either as part of the development process or through s106/278. The Council has worked estimate the timing and costs of provision and these have been included within the viability testing. These specific costs are in addition to an allowance for 'opening-up', where £200,000 per net ha has been allowed for site servicing etc. This is in addition to the standard allowance for external works and for the residual s106/278 allowance of £1,500 per dwelling for local play etc.

7.5 The strategic sites will also provide greenspace and land for other uses, and the Council has provided a policy-compliant land budget for each site. All of the strategic sites have between 70% -80% net developable area. The relationship between gross site area and net developable has remained unchanged from the Local Plan evidence base.

7.6 The timing of the housing delivery on these sites has an impact on viability. Delivery rates have been taken from the Updated Housing Land Supply Statement produced in 2015 by the Council as part of the Local Plan evidence base[44]. For some sites this will mean more than one developer providing houses at any one time.

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[43] Using the 3.5% Treasury rate

[44] https://www.herefordshire.gov.uk/media/3967111/five_year_land_supply_document.pdf

7.7 The largest strategic site in Herefordshire is in Leominster, with 1,500 dwellings and the proposed urban extension has been tested using Leominster market values. However, experience elsewhere shows that with large-scale sites, as the scheme is developed and a new community is established, selling prices can be higher than those within the existing town. The market value area immediately surrounding Leominster has higher values which could also influence the selling prices achieved for Leominster LO2. Leominster LO2 scheme has therefore also been tested with selling prices 10% higher than Leominster town values as a sensitivity test. This approach mirrors the viability study undertaken as part of the Local Plan evidence base.

7.8 Table 7.1 summarises the infrastructure requirements, land budgets and delivery rates for the five strategic site case studies, as provided by the Council.

Table 7.1 Strategic Site Characteristics

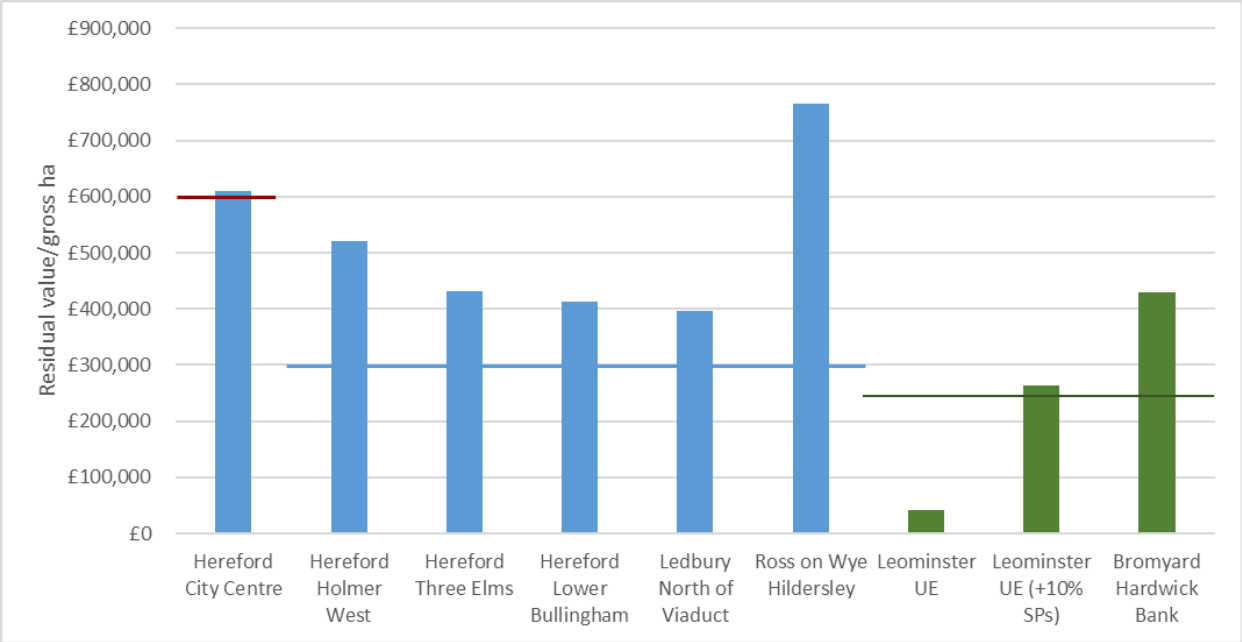
Site	Total dwellings	% AH	Density dph	Net site size ha	Gross site size ha	Net to gross	Housing Delivery Yr 0 = pre-delivery preparation. Yr 1 = 1st year of delivery	Benchmark land value/gross ha	Opening up costs/net ha	Residual s106/278 per dwg	Site specific infrastructure Yr 0 = pre-delivery preparation. Yr 1 = 1st year of delivery
HD2 Hereford City Centre Urban Village	800	35%	50	16.00	21.92	73%	70 pa	£600,000		£2,000	£0.6m (£750/dwg) • £0.1m primary school capacity in year 4 • £0.5m canal basin in year 8
HD4 Hereford Holmer West	500	35%	35	14.29	19.05	75%	20 in Yr 1, 55 in Yr 2, 85 pa thereafter.	£300,000	£200,000	£2,000	£1.16m (£2,320/dwg) • £0.54m allotments in line with development • £0.62m greenspace in line with development
HD5 Hereford Three Elms	1,000	35%	35	28.57	40.81	70%	100 pa starting in Yr 1.	£300,000	£200,000	£2,000	£6.0m (£6,000/dwg) • £3.0m primary school in Yr 4 • £3.0m primary school in Yr 7
HD 6 Hereford Lower Bullingham	1,000	35%	35	28.57	40.81	70%	100 pa starting in Yr 1.	£300,000	£200,000	£2,000	£6.7m (£6,700/dwg) • £3.7m primary school in Yr 4 • £0.75 m secondary school capacity in Yr 3 • £0.75 m secondary school capacity in Yr 5 • £1.5m country park in line with development
BY2 Bromyard Hardwick Bank	250	40%	35	7.14	8.93	80%	30in Yr 1, 45pa thereafter.	£250,000	£150,000	£2,000	£0.36m (£1,440/dwg) • £0.36m in line with development

Site	**Total dwellings**	**% AH**	**Density dph**	**Net site size ha**	**Gross site size ha**	**Net to gross**	**Housing Delivery Yr 0 = pre-delivery preparation. Yr 1 = 1st year of delivery**	**Benchmark land value/gross ha**	**Opening up costs/net ha**	**Residual s106/278 per dwg**	**Site specific infrastructure Yr 0 = pre-delivery preparation. Yr 1 = 1st year of delivery**
LB2 Ledbury North of the Viaduct	625	40%	40	15.63	21.12	74%	60 in Yr1, 90 pa thereafter.	£300,000	£200,000	£2,000	£5.3m (£8,480/dwg) • £3.7m primary school in Yr 4 • £1.6 m greenspace in line with development
LO2 Leominster UE	1,500	25%	35	42.85	61.21	70%	85 in Yr 1, 100 pa thereafter.	£250,000	£200,000	£2,000	£20.65m (£13,767/dwg) • £6.0m primary school in Yr 1 • £12.0m Southern Link Road in Yr 16 (end of development • £2.65m greenspace in line with development
RW2 Ross on Wye Hildersley	200	40%	35	5.71	7.14	80%	50 pa	£300,000	£150,000	£2,000	£0.472m (£2,360/dwg) • £0.25m secondary school capacity in Yr 3 • £0.222m greenspace in line with development

Strategic Sites Viability Findings

7.9 Figure 7.1 illustrates the residual value of the strategic sites and the respective benchmark land values.

Figure 7.1 Strategic Sites Residual Value/gross ha



Commentary

7.10 Taking the infrastructure/s106 and opening up costs into account:

- HD2 Hereford Urban Village is viable but there is little headroom to support a CIL.
- The other three Hereford strategic sites (HD3, HD5 and HD6) are all viable and there is some headroom to support a CIL
- The Ledbury and Ross sites strategic are viable and there is some headroom to support a CIL
- The Leominster Urban Extension is not viable under current prices (partly due to the cost of the infrastructure required) but under the higher values scenario it is viable but with little opportunity for a CIL.
- The Bromyard strategic site is viable and able to support a CIL.

Figure 7.2 Theoretical Maximum CIL rate for the Strategic Sites

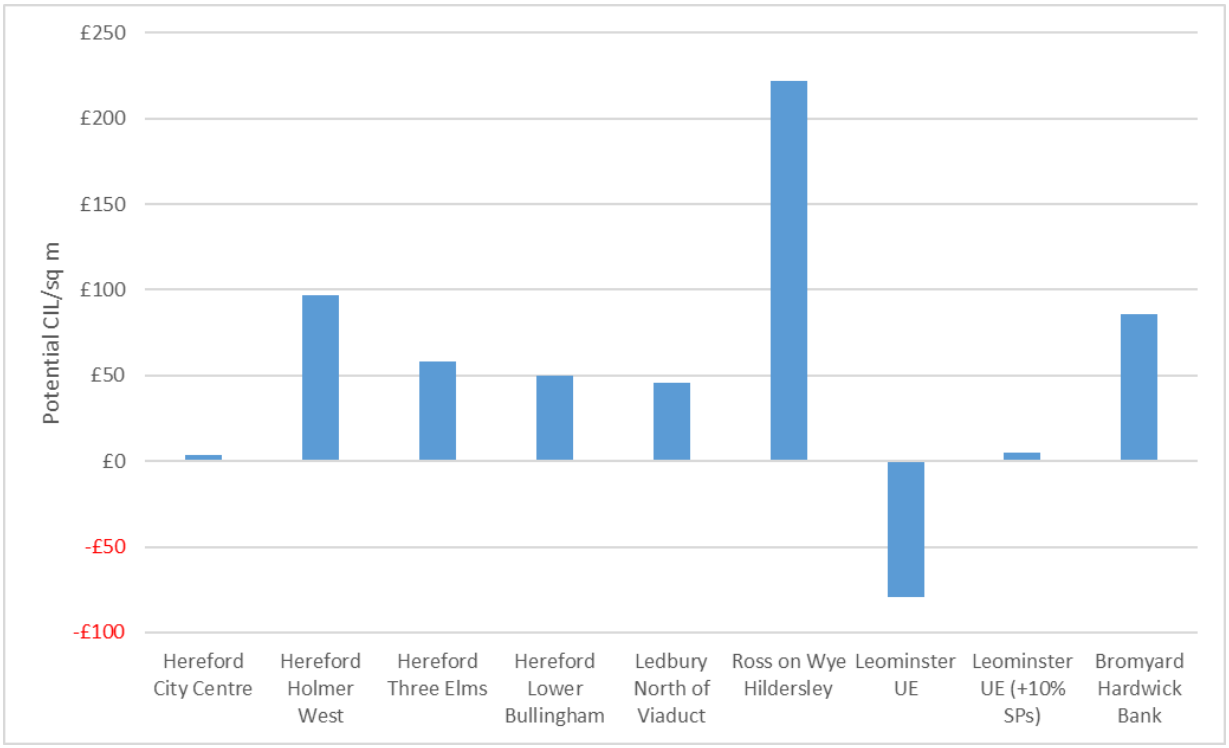


Figure 7-3: Summary of strategic site residual values and theoretical maximum CIL rates

Case study	Residual value/ha	Benchmark land value	Theoretical maximum CIL rate
Hereford Urban Village	£610,000	£600,000	**£4**
Hereford Holmer West	£520,000	£300,000	**£97**
Hereford Three Elms	£432,000	£300,000	**£58**
Hereford Lower Bullingham	£413,000	£300,000	**£50**
Ledbury North of Viaduct	£397,000	£300,000	**£46**
Ross on Wye Hildersley	£766,000	£300,000	**£222**
Leominster UE	£43,000	£250,000	**-£79**
Leominster UE (+10% SPs)	£263,000	£250,000	**£5**
Bromyard Hardwick Bank	£430,000	£250,000	**£86**

Implications for CIL Rates

7.11 It is reasonable to take a cautious approach to setting a CIL rate for the strategic sites as they are important for the delivery of the Local Plan and it is possible that further costs may legitimately be borne by these sites as plans progress. The table below notes the theoretical maximum CIL and then suggest how this may be adjusted to include a buffer as required by guidance. This process includes a certain amount of judgement in grouping together the adjusted CIL rates in order to reduce the complexity of the charging schedule.

Figure 7-4: Summary of strategic site theoretical maximum and adjusted CIL rates

Case study	Theoretical maximum CIL rate	CIL with buffer/sq m - rounded	Buffer %	Notes on CIL rates with buffer
Hereford City Centre Urban Village	**£4**	£0	n/a	No CIL can be supported
Hereford Holmer West	**£97**	£35	64%	May be consented before CIL adopted
Hereford Three Elms	**£58**	£35	40%	
Hereford Lower Bullingham	**£50**	£35	30%	
Ledbury North of Viaduct	**£46**	£30	34%	
Ross on Wye Hildersley	**£222**	£150	32%	
Leominster UE	**-£79**	£0	n/a	No CIL can be supported
Leominster UE (+10% SPs)	**£5**	£0		No CIL can be supported
Bromyard Hardwick Bank	**£86**	£50	42%	

8 RESIDENTIAL VIABILITY CONCLUSIONS

Introduction

8.1 The 2013 PDCS proposed residential CIL rates as follows:

Table 8.1 Draft Charging Schedule 2013 CIL rates

Type of development	Recommended Charge Rate (£ per square metre)
Residential Zone 1 (Leominster greenfield urban extension)	£0
Residential Zone 2 (Hereford Northern & Southern Rural Hinterlands; and Leominster)	£50
Residential Zone 3 (Hereford; and Kington & West Herefordshire)	£100
Residential Zone 4 (Ledbury, Ross & Rural Hinterlands; and Northern Rural)	£140
Residential Institutions (C2)	£0

8.2 Since that time both values and costs have changed and there has been a different approach to providing site specific infrastructure on strategic sites. This provides more detail for the testing of development on these types of locations.

Implications for Residential CIL Rates

8.3 The testing of 1 ha tiles, case studies and strategic sites suggests that the rates proposed in 2013 will need to be amended.

8.4 The testing of 1 ha tiles suggested that at 30dph development in all the value areas is viable but there is no opportunity to support a CIL in Hereford Hinterlands, and a relatively low CIL is possible in Leominster and Kington & West Herefordshire.

Figure 8-2 Maximum CIL rates and CIL rates with a buffer per sq m for the notional 1 ha scheme

1 ha tiles at 30 dph	CIL with 30% buffer
Ledbury Ross & Rural Hinterland	£138
Bromyard	£65
Northern Rural	£100
Hereford	£150
Hereford Hinterland	£2
Kington & West Herefordshire	£23
Leominster	£38

8.5 The Hereford and rest of Herefordshire small case studies testing added further detail by indicating that smaller sites with no affordable housing obligations were able to support higher levels of CIL; that single dwellings were not able to support CIL and that sheltered

accommodation was not able to support CIL. It also showed that the larger generic case studies varied in viability and that of these, the rural 55 dwelling scheme is the least viable[45].

Table 8-3 Summary CIL rates for Hereford and rest of Herefordshire smaller case studies

Location/scale	CIL with buffer/sq m - rounded
Hereford 2-10 dwellings	£200
Hereford 11+ dwellings	£100
Single dwellings in Hereford	£0
Sheltered housing in Hereford	£0
Bromyard 2-10 dwellings	£110
Bromyard 11+ dwellings	£50
Hereford Hinterland 2-10 dwellings	£110
Hereford Hinterland 11+ dwellings	£0
Kington & West Herefordshire 2-10 dwellings	£110
Kington & West Herefordshire 11+ dwellings	£20
Ledbury Ross & Rural Hinterlands 2-10 dwellings	£200
Ledbury Ross & Rural Hinterlands 11+ dwellings	£100
Northern Rural 2-10 dwellings	£110
Northern Rural 11+ dwellings	£100
Leominster 2-10 dwellings	£80
Leominster 11+ dwellings	£20
Single dwellings anywhere in rural Herefordshire	£0
Sheltered housing in rural Herefordshire	£0

8.6 The testing of the strategic sites shows that some are not able to support a CIL and most are only able to support a lower CIL than the rest of their surrounding areas.

[45] This is as a result of the combination of opening up costs, gross to net developable and the build period, whilst being compared to the same benchmark land value as smaller scale development with fewer costs. It is likely that in practice the land value will flex to accommodate the scheme characteristics although there may be instances where the proportion of affordable housing needs to be negotiated.

Figure 8-4: Summary of strategic site theoretical maximum and adjusted CIL rates

Case study	CIL with buffer/sq m - rounded
Hereford Urban Village	£0
Hereford Holmer West	£35
Hereford Three Elms	£35
Hereford Lower Bullingham	£35
Ledbury North of Viaduct	£30
Ross on Wye Hildersley	£150
Leominster UE	£0
Leominster UE (+10% SPs)	£0
Bromyard Hardwick Bank	£50

Proposed residential CIL rates

8.7 Taking these findings into account the following residential CIL rates are recommended. These ensure that the majority of the 30 dph 1 ha tiles and the smaller case studies remain viable, and that all the strategic sites are viable.

Figure 8-5: Summary of recommended residential CIL rates

Recommended CIL rates summary		**£/sq m**
General residential development of 11 dwellings or more		£100
Except	• Bromyard	£50
	• Kington & West Herefordshire; and Leominster	£20
	• Hereford Hinterlands	£0
General residential development of fewer than 11 dwellings		£110
Except	• Ledbury, Ross and Rural Hinterlands; and Hereford	£200
	• Leominster	£80
	• Single dwellings	£0
Residential development on strategic sites		
HD2 Hereford City Centre Urban Village		£0
Hereford strategic sites (HD4, HD5 and HD6)		£35
LO2 Southern extension		£0
LB2 North of viaduct		£30
BY2 Hardwick Bank		£50
RW2 Hildersley		£150

Neighbouring Authorities

8.8 Regard might also be given to neighbouring CIL rates, although this should be undertaken with caution as planning policies (especially affordable housing) as well as local values will have an impact; and not all these rates have been through examination.

Figure 8-6: Summary of neighbouring residential CIL rates

Location	Status	Residential rates £/sq m
Shropshire	Adopted	£80, £40
Monmouthshire	PDCS	£110, £60, £0
Malvern Hills	PDCS	£40, £0
Wychavon	PDCS	£40, £0
Tewkesbury	PDCS	£500, £130, £110, £90, £50 and £40
Worcester	PDCS	£0
Gloucester	PDCS	£0
Caerphilly	Adopted	£40, £25, £0
Stratford-on-Avon	DCS	£150, £145, £50
Solihull	DCS	£150, £75, £0
Dudley	Adopted	£100, £75, £50, £20, £0

8.9 In this context the general rate of £100/sq m for sites with affordable housing (£50 in Bromyard and £20 in Kington & West Herefordshire and Leominster and £0 in the Hereford Hinterlands) are broadly in the range of neighbouring area rates, with the notable exception of Malvern Hills and Worcester, which have £0 or relatively low proposed CIL rates.

Monitoring and review

8.10 The analysis in this report has used current values and costs, as promoted in the guidance. However both can change over time and it is important that the Council keeps values and costs under review. We recommend that the main build costs and market and rental values are monitored regularly (at least annually) using published sources and that the development industry is consulted on these and other changes that can affect viability (e.g. interest rates and developer returns). A sustained change in the key variables should trigger a review of CIL and/or the affordable housing policy. In any case, the Council should consider a regular review of CIL (say in 3 to 5 years' time) but noting that a review does not have to lead to a revised rate.

9. NON-RESIDENTIAL

Introduction

9.1 The non-residential viability testing covers the following uses:

- Retail
- Offices
- Industrial
- Warehouse
- Hotels
- Mixed leisure
- Care homes

9.2 These uses have been tested through the following case studies, which have been developed in discussion with Herefordshire Council officers to be representative of the types of development likely to come forward under the new Local Plan.

9.3 Values have been based on transactions listed by Co-Star Suite (lettings and investments). Where possible these have been Herefordshire specific transactions (comparison retail, office and industrial/warehouse) but for some uses data had been drawn from analogous developments in other areas (convenience retail, care homes, leisure) in order to broaden the base for the estimates used here. Build costs have been drawn from BCIS.

9.4 These uses were discussed at the non-residential development industry workshop in 2014. Values have been derived from evidence subsequently reviewed, including discussion with Herefordshire Council Estates and Rotherwas Enterprise Zone. BCIS costs have been updated to February 2016.

9.5 It is notable that BCIS build costs have increased significantly for non-residential development and this has had some impact on viability. For example, in the 2014 viability testing the build costs for supermarkets was £1,163/sq m, which has now risen to £1,356/sq m; and out of centre retail warehousing build costs have risen from £526/sq m to £627/sq m. Other uses such as industrial and warehouse have also seen build costs rise by 40%-59%, albeit from a lower base.

Retail

9.6 Retail case studies include convenience and comparison, in and out of town centre.

9.7 In addition to the opening of the Old Market shopping centre in Hereford, recent activity includes the sale of Brook Park retail centre in January 2015.

9.8 In the past leases to the main supermarket operators have commanded a premium with investment institutions. Although there are some small regional variations on values, they are reasonably standard across the country with investors focusing primarily on the strength of the operator covenant and security of income. As a result, it is reasonable to use a broad geographical evidence base for convenience retail.

9.9 There has been a structural change in convenience retailing in recent years with an end to the expansion of the largest format convenience retailing and more emphasis on smaller supermarket formats (as used by both discount and premium convenience operators) and greater provision of small format stores, often within the Sunday trading threshold (280 sq m display floor area), also often in existing floorspace. These changes reflect the alterations in shopping habits.

- **Town Centre Comparison Retail** - The case study is a two storey development of 800 sq m, which may be split into two or more units within Hereford town centre[46]. It is assumed that the potential locations for development are likely to be already built sites and so the land values used have been existing use values for lower density less valuable schemes.
- **Out of Centre Comparison Retail/Retail Warehouse** - The case study is a development of retail warehouse multiple units totalling 6,000 sq m over one storey, located on a new or existing retail park (such as those at Brook Park or Newtown Road)[47].
- **Small Convenience Retail** - A development of 300 sq m (which fits within the Sunday trading threshold[48]of maximum 280 sq m floor area for serving customers). This may be in a variety of locations including the proposed urban extensions (some of which provide for local centres)[49].
- **Supermarket** – A development of 1,100 sq m in an out of town centre location or as part of one of the urban extensions. Superstores/supermarkets are defined as shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit[50]. This store format is used by a variety of operators and currently is more likely to come forward than some of the larger scale schemes seen in the past.

Offices

9.10 Office case studies include business park and town centre.

- **Town centre offices** – the case study is a four storey development of 2,000 sq m which may be split into two or more units, located in Hereford city centre.
- **Out of Centre Offices** – the case study is a two storey development of 1,500 sq m which may be split into two or more units. In line with the Local Plan it is expected that this may

[46] In terms of what constitutes a retail 'centre', Herefordshire Council has undertaken separate work as part of the Local Plan process identifying town centre boundaries on a functional basis, and these could be used as suitable boundaries for a charging schedule.

[47] Retail warehouses are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering for mainly car-borne customers. This definition was suggested as part of the Wycombe CIL examination report December 2012

[48] Sunday Trading Act 1994

[49] New small convenience retail may take place in town centre locations although this is often in existing premises and therefore exempt from CIL.

[50] This definition builds upon a Competition Commission investigation into supermarkets (Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom, 2000, Competition Commission – section 4), and was also suggested as part of the Wycombe CIL examination report December 2012.

take place on one of the existing employment locations such as Rotherwas, or possibly in employment allocations in one of the market towns (although the rental transactions indicate most activity is in and around the city.

Industrial and Warehouse

9.11 We have tested two schemes which cover these types of development. The evidence from recent industrial/warehouse lettings do not indicate any clear difference in values between Hereford and the main market towns.

- **Smaller industrial/warehouse** – 1,600 sq m over one storey on an existing or new business park (such as Rotherwas or on one of the market town employment allocations).
- **Larger warehouse/industrial**– 5,000 sq m over one storey on an existing or new business park (such as Rotherwas or on one of the market town employment).

9.12 While some forms of this development can be larger still such as logistics centres (with some local examples), Herefordshire is not a focus for this type of activity and none is specifically proposed in the Local Plan.

Hotels

9.13 Nationally, there has been significant growth in the provision of budget hotels[51], with relatively few full service hotels outside the major conurbations. The most likely hotel development in Herefordshire is a budget hotel and the testing has used a budget hotel development of 70 rooms over two storeys (total 2,450 sq m), in an out of centre location.

Mixed Leisure

9.14 The mixed leisure case study is a 3,800 sq m development with cinema and other leisure uses, in an out of centre location.

Care Homes

9.15 There has been significant private sector investment in care homes in the past, fuelled by investment funds seeking new returns. However, there have been concerns about the occupancy rates and the ability to sustain prices.

9.16 The care home case study is a 3000, sq m 60 bedroom development in an out of centre location.

Land values for non-residential development

9.17 The approach taken for non-residential benchmark land values is based on existing use values with a premium as appropriate. This takes into account the likely location for this development and whether it is likely to have a cleared site or an existing occupied use. The available

[51] The British Hospitality Association Trends and Developments Report 2012 indicates that budget hotels are defined as a property without an extensive food and beverage operation, with limited en-suite and in-room facilities (limited availability of such items as hair dryers, toiletries, etc.), low staffing and service levels and a price markedly below that of a full service hotel.

information on land values is discussed in section 3. Based on this discussion we have used industrial values for offices, industrial;/warehouse, leisure, care homes and budget hotels. Some non-residential uses have traditionally generated higher values and it is appropriate to use higher benchmarks. Experience elsewhere suggests that supermarkets in Herefordshire are tested against £2m/ha and retail warehouses are tested against £1m/ha. Small convenience stores are tested against the £0.6m/ha Hereford residential benchmark.

9.18 For town centre retail development, it is reasonable to expect that any site will be occupied by another user. Therefore, the benchmark land value will be the existing use value and there will be demolition costs etc. Town centre retail viability therefore uses the costs of making the site available (EUV plus demolition and transaction costs) as the benchmark rather than any per ha equivalent. For the purposes of calculating an EUV it has been assumed that the current use of the site has approximately half the floor area with a lower rental value and a higher yield.

Local Plan policy viability implications

9.19 Section 2 of this report considers the Local Plan policies and their viability implications. This highlighted that non-residential development in excess of 1,000 sq m should meet BREEAM 3 credits for water efficiency. This aims to reduce the consumption of potable water for sanitary use in new buildings from all sources through the use of water efficient components and water recycling systems.

9.20 A review of costs associated with BREEAM[52] notes that there can be significant variances, although when the standards are built in from an early part of the design process the uplift is lower. Generally, the evidence suggests an uplift in building costs is between 1.5% and 2.5% for BREEAM Excellent. Herefordshire Council standards relate to sustainable water only, and no evidence has been uncovered as to what proportion of the total expected uplift in costs might be attributed to this aspect. An allowance has been made of 2% of base build costs to meet this water efficiency standard, which is a generous estimate.

9.21 Based on discussion with Herefordshire Council allowances have been made in the viability testing for s106/s278 obligations that may remain post CIL. These obligations have been included as costs to development in the viability testing.

Non-residential values

9.22 Non-residential values in Herefordshire have been estimated based on lease and sale transaction data drawn from Focus Suite. Where there has been a reasonable number of local transactions (such as comparison shops, offices and offices) the estimates have been able to rely on a specific local perspective. For some uses such as supermarkets, care homes and leisure the data has had to be drawn from further afield.

Non-residential costs and values

9.23 The tables below summarise the values and costs used in the viability testing.

[52] Target Zero, RICS, Price of Sustainable Schools, EC Harris, BRE/Cyril Sweett, Bristol City Council

Figure 9-1: Non-residential values and costs

	Out of centre offices	Town centre offices	Industrial/ warehouse units	Warehouse/ industrial units
Floorspace sq m	1,500	2,000	1,600	5,000
Storeys	2	4	1	1
Site coverage	40%	75%	40%	40%
Rent/sq m	£97	£107	£50	£48
Yield	6.50%	7.00%	7.00%	7.00%
Purchaser costs % GDV	5.80	5.80	5.80	5.80
Build costs/sq m including water efficiency	£1,153	£1,416	£930	£576
External works % of base build costs	10%	10%	10%	10%
Professional fees	12.00%	12.00%	12.00%	12.00%
Sales and letting costs % of GDV	3%	3%	3%	3%
Allowance for s106 (not covered by CIL)	£20,000	£0	£20,000	£50,000
Finance costs	5.0%	5.0%	5.0%	5.0%
Build and void period (months)	46	50	20	32
Developer return % GDV	20%	20%	20%	20%
SDLT & agent fees/sq m (if viable)	£0	£0	£0	£0

	Town centre comparison shops Hereford	Town centre comparison shops Market Towns	Out of centre comparison shops	Small convenience store	Supermarket
Floorspace sqm	800	800	6,000	300	1,100
Storeys	2	2	1	1	1
Site coverage	80%	80%	40%	40%	40%
Rent/sqm	£185	£140	£135	£170	£145
Yield	7.60%	7.60%	7.00%	7.50%	5.50%
Purchaser costs % GDV	5.80	5.80	5.80	5.80	5.80
Build costs/sqm including water efficiency	£1,017	£1,017	£629	£1,081	£1,383
External works % of base build costs	10%	10%	10%	10%	10%
Professional fees	12.00%	12.00%	12.00%	12.00%	12.00%
Sales and letting costs % of GDV	3%	3%	3%	3%	3%
Allowance for s106 (not covered by CIL)	£0	£0	£500,000	£0	£100,000
Finance costs	5.0%	5.0%	5.0%	5.0%	5.0%
Build and void period (months)	24	24	26	6	20
Developer return % GDV	20%	20%	20%	20%	20%
SDLT & agent fees/sqm (if viable)	£6	£0	£23	£4	£0

	Budget hotel	**Care home**
Floorspace sqm	2,450	3,000
Storeys	3	2
Site coverage	50%	40%
Capital value per room	£55,000	£118,000
Purchaser costs % GDV	5.80	5.80
Build costs/sqm including water efficiency	£1,010	£1,344
External works % of base build costs	10%	10%
Professional fees	12.00%	12.00%
Sales and letting costs % of GDV	3%	3%
Allowance for s106 (not covered by CIL)	£10,000	£75,000
Finance costs	5.0%	5.0%
Build and void period (months)	16	12
Developer return % GDV	20%	20%
SDLT & agent fees/sqm (if viable)	£0	£0

	Leisure development
Floorspace sqm	3,800
Storeys	2
Site coverage	80%
Rent/sqm	£102
Yield	8.50%
Purchaser costs % GDV	5.80
Build costs/sqm including water efficiency	£1,221
External works % of base build costs	10%
Professional fees	12.00%
Sales and letting costs % of GDV	3%
Allowance for s106 (not covered by CIL)	£20,000
Finance costs	5.0%
Build and void period (months)	12
Developer return % GDV	20%
SDLT & agent fees/sqm (if viable)	£0

Summary viability assessments

9.24 The tables below summarise the results from the detailed assessments for each non-residential development type. They provide the following information

- Net value per square metre.
- Net costs per square metre - including an allowance for land cost and s106 to deal with site specific issues (e.g. On-site highways, travel plan etc. to make development acceptable).
- Residual value per sq m (i.e. Value less costs).
- The land value benchmark for that use - presented £s per sq m of development to take into account differences in site coverage and the number of storeys for the notional developments.
- The viability headroom and maximum potential for CIL.

9.25 It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant. However, there will also be development that is undertaken for specific commercial operators, either as owners or pre-lets. In these circumstances the economics of the development relate to the profitability of the enterprise accommodated within the buildings rather than the market value of the buildings.

B Class Uses – Offices, industrial and warehouses

9.26 The viability assessments indicate that all of these B class uses produce a negative residual value, and that it makes no difference in outcome between the costs from BCIS or those provided at the workshop. There is no possibility of charging CIL. The lack of viability for B class uses is common across many areas of the country.

Figure 9-2: Offices

	Out of centre offices	Town centre offices
Value per sq m	£1,340	£1,373
Costs per sq m	£2,035	£2,449
Residual per sq m	-£695	-£1,077
Land benchmark per sq m	£67	£18
Viability 'headroom' per sq m – theoretical maximum CIL	-£761	-£1,094

Table 9-3 Industrial and Warehouses

	Smaller Industrial/ warehouse units	Larger Warehouse/ industrial units
Value per sq m	£641	£616
Costs per sq m	£1,417	£966
Residual per sq m	-£776	-£350
Land benchmark per sq m	£134	£134
Viability 'headroom' per sq m – theoretical maximum CIL	-£909	-£483

Retail uses

9.27 The viability of retail development will depend primarily on occupier demand and the type of retail being promoted. For this reason we have tested different types of retail provision.

9.28 **Supermarkets and local convenience** – convenience retailing is defined as the provision of everyday essential items, including food, drinks, newspapers/magazines and confectionery; and within this larger stores provide the range required for weekly shops and smaller stores provide more of a 'top-up' function.

9.29 Small convenience stores are able to support a small CIL, with a theoretical maximum of £22/sq m.

Figure 9-4: Convenience retail

	Small convenience store	Supermarket
Value per sq m	£2,035	£2,367
Costs per sq m	£1,863	£2,494
Residual per sq m	£172	-£127
Land benchmark per sq m	£150	£500
Viability 'headroom' per sq m – theoretical maximum CIL	£22	-£627

9.30 **Town centre comparison retail** –we have tested town centre retail in Hereford and in the market towns, and in none of them is the viability strong enough to support a CIL. In Hereford the case study does produce a positive residual value but this is insufficient to meet the assumed existing use value benchmark (assumed to be lower value retail).

9.31 **Retail warehouse** – The development does produce a positive residual value, and is able to support a theoretical maximum CIL of £106/sq m.

Figure 9-5: Town centre comparison retail

	Hereford City Centre Comparison Retail	Market Town Comparison Retail	Retail Warehouse
Value per sq m	£2,186	£1,654	£1,732
Costs per sq m	£1,891	£1,763	£1,375
Residual per sq m	£295	-£109	£356
Land benchmark per sq m	£1,082	£848	£250
Viability 'headroom' per sq m – theoretical maximum CIL	-£788	-£958	£106

Other Uses

9.32 The other uses tested include hotels, mixed leisure developments and care homes.

9.33 **Hotels** –budget hotels were tested. Under the BCIS costs development is viable and able to support a CIL. However, using the higher locally derived build costs suggest that it is not viable.

9.34 **Mixed leisure** – the mixed leisure scheme is not viable and is unable to support a CIL

9.35 **Care homes** – the care home case study scheme tested here is not viable and is unable to support a CIL.

Figure 9-6: Other uses

	Budget hotel	Leisure development	Care home
Value per sq m	£1,485	£1,078	£2,231
Costs per sq m	£1,677	£1,847	£2,280
Residual per sq m	-£192	-£769	-£49
Land benchmark per sq m	£36	£33	£67
Viability 'headroom' per sq m – theoretical maximum CIL	-£228	-£803	-£116

Sensitivity

9.36 It is likely that costs and values will change in the future and a set of sensitivity tests have been run to determine at what point viability changes. This indicates that:

- A 10% increase in values would see the viability become stronger but the only change in viability is care homes, which become viable.
- A 15% increase in values would further improve viability again but no other uses have become viable at this stage.

- A 20% increase in values would further improve viability again, and budget hotels also become viable.
- A 5% increase in costs reduces viability and only the retail warehousing remains marginally viable.
- A 10% increase in costs would see all non-residential development unviable.
- A 5% decrease in costs would see viability strengthen but no other uses become viable at this stage.

Other Uses

9.37 The viability testing has been based on the development expected to come forward and discussions with the development industry. It is acknowledged that there are other uses that could arise and it is recommended that the following approach is taken:

- A2 Financial and Professional Services – treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- A3 Restaurants and Cafes – again treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- A4 Drinking Establishments - again treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- A5 Hot Food Takeaways - again treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- Selling and/or displaying motor vehicles - sales of vehicles are likely to occupy the same sorts of premises and locations as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.
- Retail warehouse clubs – these retail uses are likely to be in the same type of premises as the out of town A1 retail uses and covering the same purchase or rental costs.
- Nightclubs – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs.
- Scrapyards – there may be new scrapyard/recycling uses in the future, particularly if the prices of metals and other materials rise. These are likely to occupy the same sorts of premises as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.
- Taxi businesses – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore, they are covered by this viability assessment.

- Amusement centres – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore, they are covered by this viability assessment.

9.38 For community facilities that are ultimately paid for by the public sector such as community centres, health centres, hospitals and schools there is a relatively simple approach. The commercial values for community uses are £0 but there are build costs of around £2,400 to £2,900 per sq m[53] plus the range of other development costs; with a net negative residual value. Therefore, we recommend a £0 CIL for these uses.

Summary and Ability to Support a CIL Charge

9.39 The graph below summarises the viability 'headroom' for each of the non-residential uses tested.

9.40 When considering the graph below it should be noted that, while the testing suggests that some types of development are not viable, developments of these types may still be brought forward for individual occupiers to meet their specific requirements.

[53] Based on BCIS September 2013 – Hospitals, Community Centres, Schools and Libraries

Figure 9-7 Theoretical Maximum CIL rate/sq m

9.41 The only two uses that are able to demonstrate enough viability to support a CIL are small convenience stores (under the Sunday trading threshold) and out of centre comparison retail. CIL guidance requires a buffer to be used when setting CIL rates and we have illustrated the potential CIL rates with a 50% buffer. This buffer is higher than the buffer used for residential development because the smaller number of transactions used to base the non-residential values leads to a greater variance in values. We also note that the BCIS build costs have been more volatile than those for residential development, which is again likely to result from a smaller number of examples.

Figure 9-8 Recommended CIL rates with buffers

Use	Theoretical maximum CIL /sq m	CIL with 50% buffer /sq m
Small convenience retail	£22	£10
Out of centre comparison retail	£106	£50

ANNEX 1 - LOCAL PLAN POLICY VIABILITY IMPLICATIONS

Policy	Implications for viability testing
SS1 - Presumption in favour of sustainable development	No implications for viability testing.
SS2 - Delivering new homes	Refers to target net density of 30-50dph, which is used in the residential viability testing.
SS3 - Releasing land for residential development	No implications for viability testing.
SS4 - Movement and transportation	No implications for viability testing.
SS5 - Employment provision	Locations of proposed employment growth considered in non-residential viability testing.
SS6 - Environmental quality and local distinctiveness	No implications for viability testing.
SS7 - Addressing climate change	Refers to water efficiency, which is included in the viability testing.
HD1 - Hereford	No implications for viability testing.
HD2 - Hereford city centre	Used to inform case study viability testing, including the infrastructure requirements that the urban village is expected to provide.
HD3 - Hereford movement	No implications for viability testing.
HD4 - Northern urban expansion (Holmer West)	Used to inform case study viability testing, including the infrastructure requirements that the development is expected to provide.
HD5 - Western urban expansion (Three Elms)	Used to inform case study viability testing, including the infrastructure requirements that the development is expected to provide.
HD6 - Southern urban expansion (Lower Bullingham)	Used to inform case study viability testing, including the infrastructure requirements that the development is expected to provide.
HD7 - Hereford employment provision	No implications for viability testing.
BY1 - Development in Bromyard	No implications for viability testing.
BY2 - Land at Hardwick Bank	Used to inform case study viability testing, including the infrastructure requirements that the development is expected to provide.
KG1 - Development in Kington	No implications for viability testing.
LB1 - Development in Ledbury	No implications for viability testing.
LB2 - Land north of the viaduct	Used to inform case study viability testing, including the infrastructure requirements that the development is expected to provide.
LO1 - Development in Leominster	No implications for viability testing.
LO2 - Leominster urban expansion	Used to inform case study viability testing, including the infrastructure requirements that the development is expected to provide.

Policy	Implications for viability testing
RW1 - Development in Ross on Wye	No implications for viability testing.
RW2 - Land at Hildersley	Used to inform case study viability testing, including the infrastructure requirements that the development is expected to provide.
RA1 - Rural housing distribution	No implications for viability testing.
RA2 - Housing in settlements outside Hereford and the market towns	No implications for viability testing.
RA3 - Herefordshire's countryside	No implications for viability testing.
RA4 - Agricultural, forestry and rural enterprise dwellings	No implications for viability testing.
RA5 - Re-use of rural buildings	No implications for viability testing.
RA6 - Rural economy	No implications for viability testing.
H1 - Affordable housing - thresholds and targets	Refers to affordable housing requirement threshold of over 10 dwellings and 1. a target of 35% affordable housing provision on sites in the Hereford, Hereford Northern and Southern Hinterlands, and Kington and West Herefordshire housing value areas; 2. a target of 40% affordable housing provision on sites in the Ledbury, Ross and Rural Hinterlands; and Northern Rural housing value areas (which includes Bromyard); 3. a target of 25% affordable housing provision on sites in the Leominster housing value area These requirements are included in the viability testing
H2 - Rural exception sites	Proportion of market housing to subsidise affordable housing determined on a case by case basis so no implications for viability testing.
H3 - Ensuring an appropriate range and mix of housing	Housing for older persons is included as part of the viability testing.
H4 - Traveller sites	Assumed to be funded separately so no implications for viability testing.
SC1 - Social and community facilities	To be provided through CIL so no implications for viability testing.
OS1 - Requirement for open space, sport and recreation facilities	Considered as part of case study gross site area.
OS2 - Meeting open space, sport and recreation needs	Considered as part of case study gross site area.
OS3 - Loss of open space, sport and recreation facilities	Considered as part of case study gross site area.
MT1 - Traffic management, highway safety and promoting active travel	Considered as part of case study gross site area.

Policy	Implications for viability testing
E1 - Employment provision	Locations of proposed employment growth considered in non-residential viability testing.
E2 - Redevelopment of existing employment land and buildings	No implications for viability testing.
E3 - Homeworking	No implications for viability testing.
E4 - Tourism	No implications for viability testing.
E5 - Town centres	Locations of proposed retail development considered in non-residential viability testing.
E6 - Primary shopping areas and primary and secondary shopping frontages	No implications for viability testing.
LD1 - Landscape and townscape	No implications for viability testing.
LD2 - Biodiversity and geodiversity	No implications for viability testing.
LD3 - Green infrastructure	No implications for viability testing.
LD4 - Historic environment and heritage assets	No implications for viability testing.
SD1 - Sustainable design and energy efficiency	No implications for viability testing.
SD2 - Renewable and low carbon energy	No implications for viability testing.
SD3 - Sustainable water management and water resources	Water efficiency costs included in viability testing.
SD4 - Waste water treatment and river water quality	No implications for viability testing.
ID1 - Infrastructure delivery	Site specific infrastructure requirements included in the viability testing for strategic sites.

ANNEX 2 - DEVELOPMENT INDUSTRY WORKSHOPS

Hereford CIL – Development Industry Workshop Residential viability testing

3rd December 2014 – The Royal National College for the Blind, Hereford

Andrew Ashcroft (AA)	Herefordshire Council (HC)
Kevin Singleton (KS)	Herefordshire Council
Dominic Houston (DH)	Three Dragons
Lin Cousins (LC)	Three Dragons

Development industry attendance

Border Oak
Carter Jonas LLP
Collins Design and Build Ltd
Commissioning Officer (Housing Development)
Flint and Cook
Forttiss Living
Foxley Tagg Planning Ltd
Hereford Housing Ltd
Hook Mason
J. J. Rann and Associates
Jamieson Associates
John Phipps Architectural Ltd
Marches Conservation
Mosaic Estates
Paul Smith Associates
PDA Planning / Peter Draper Associates
RCA Regeneration Ltd
Savills (L&P) Ltd
Stephen Potter Architectural & Building Services Ltd
WM Housing Group

Introduction

AA welcomed everyone to the workshop and explained its context. AA provided an update on the position with Local Plan – examination hearings expected to start on Feb 10th 2015 (8 days of sitting). Inspector to identity issues for discussion in next few days.

Work on CIL lagging behind the Local Plan by about 4 to 6 months. HC has assessed initial results on the Preliminary Draft Charging Schedule (PDCS) and are seeking views of industry on this and the revised R123 list already published. On viability – HC is seeking views of the industry on what has changed since last looked at viability issues (spring of this year).

HC recognises the differences in types of development in the county and need to ask whether there are very different viabilities across these development types. End of this workshop want to have explored all the viability issues and built up consensus as far as is possible.

DH explained the purpose of the workshop. DH assured everyone that any views expressed would remain confidential and the notes (which will be included in the final report from Three Dragons) will only indicate the organisations present. Notes of the workshop will be circulated for further comment.

Discussion

Workshop agreed that names of organisations present could be included in the workshop notes (and final report) but noting that individual names would not be shown.

CIL principles

DH explained the principles by which CIL operated.

Discussion
Questions raised about very recent DCLG announcement introducing a threshold of 10 dwellings for collecting s106 contributions from schemes. Noted that a LA could ask for contributions from sites of 5 to 10 dwellings if opted for this in defined 'rural areas'. LC commented that this was a very recent announcement and would need further investigation and council would be considering how it wanted to respond. LC pointed out that there had been no new announcement on the use of CIL.

Testing approach

DH explained approach to testing and use of residual values which are compared with a set of benchmark land values.

Discussion
Workshop accepted this approach as basis for testing.

Benchmark land values

Following was presented to the workshop (Note: the labelling of the table has been revised to add to clarity of the areas identified – see map below for areas used in the table).

Type	Location	£/gross ha	Notes
All sites (excluding strategic urban extensions)	Hereford	£600,000	Based on 30% over EUV + agents survey
	Leominster/ Bromyard	£500,000	
All sites (excluding strategic urban extensions)	Rest of Herefordshire	£800,000 - £1,000,000	Based on agents' survey
Strategic greenfield urban extensions	Hereford/Rest of Herefordshire	£300,000	12-15 x agricultural + agents survey
	Leominster/ Bromyard	£250,000	
Industrial/office	Accessible	£350,000 - £560,000	VOA + agents survey

DH explained the source of the benchmarks being proposed – including a previous survey of local industry experts. DH emphasised that the benchmark should not be the maximum that might be paid for land but a realistic view of the level of payment that would being land forward for development (even if some land owners would not trade at this price)

Discussion

Participants emphasised the importance of identifying appropriate benchmark values for testing.

There was an offer of evidence re land values for self build sites which were said to attract much higher values than shown in the above table.

Questions were raised about how different land value areas are defined and what is contained within each area – noting that there is a wide variety of land values across the county.

Values for small sites were said to be too low. Small sites, in this context, are for 5 to 10 dwellings. It was considered that small sites for self-build were often at high prices.

Three Dragons were asked to review the land values assumed for Kington and its environs. LC offered attendees opportunity to provide evidence of any area which were considered to have lower values generally (said to be more like the Shropshire market).

Workshop commented that values for greenfield sites are low but it became clear that comparison was being made with net developable area. It was stated that expectation of value for greenfield sites is nearer £500k per net acre (which included s106 requirements and affordable housing contribution.)

DH explained that Three Dragons would be reviewing land value data from various sources, including Land Registry, and called for any evidence from the workshop.

Schemes and sizes for testing

DH explained that the testing proposed will include:

- 1 ha schemes at 25dph, 30 dph, 35 dph, 40dph and 50 dph
- Small schemes from 1 to 30 dwellings
- Larger schemes from 200 to 1,500 dwellings based on the strategic allocations

Proposed dwelling sizes were presented as shown in the table below:

House type description	Affordable sq m	Market sq m
1 Bed Flat	50	50
2 Bed Flat	67	61
2 Bed Terrace	75	70
3 Bed Terrace	84	84
4 bed terrace/ semi	100	97
3 Bed Semi	85	90
3 Bed Detached	85	110
4 Bed Detached	100	135

House type description	Affordable sq m	Market sq m
5 Bed Detached	125	150

Discussion

Development densities were said to be reducing – 20 dph gross as being typical of today. The emphasis is for family housing. One figure quoted was an average of 1100 to 1200 sq ft (c100 sq m to 110 sq m) across all dwellings (market and affordable) in one large scheme.

Flats are of no interest in general market – but bungalows are coming back in. 3 storey houses are not in developers' plans.

But the 5 bed 'mainstream' market units may be larger than put forward by Three Dragons. While 5 bed in smaller (self build) schemes – said to be nearer 200 sq m

Typical current space standards for market housing were said to be nearer:

2 bed terrace – 65 sqm

3 bed terrace - 75 sq m

4 bed detached – 115 sq m

Dwelling sizes shown are realistic for AH

DH explained that the testing will need to reflect emerging national space standards, as set out below.

Table 1 - Minimum gross internal floor areas and storage (m^2)

number of bedrooms	number of bedspaces	1 storey dwellings	2 storey dwellings	3 storey dwellings	built-in storage
studio	1p	39 (37)*			1.0
1b	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4.0
	8p	125	132	138	

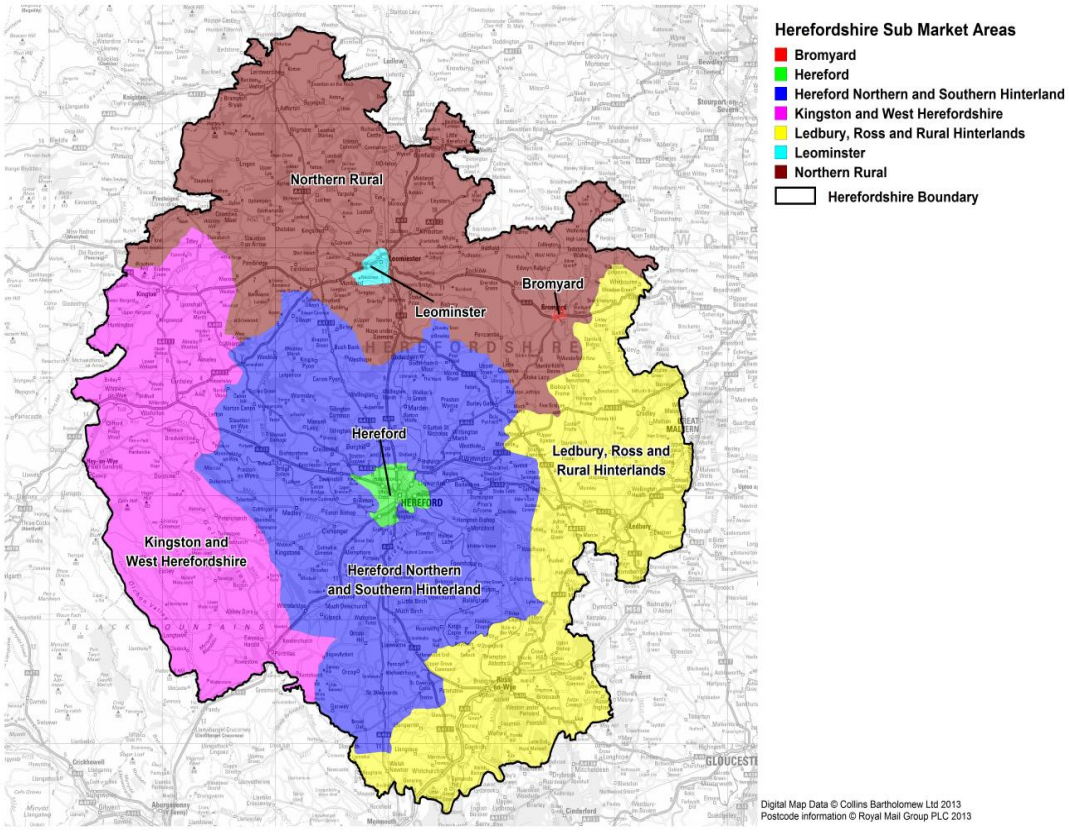
Notes:

1. GIAs for one storey dwellings include enough space for one bathroom and one additional WC (or shower room) in dwellings with 5 or more bedspaces. *Where a studio has a shower room instead of a bathroom, the floor area may be reduced from $39m^2$ to $37m^2$, as shown bracketed.
2. GIAs for two and three storey dwellings include enough space for one bathroom and one additional WC (or shower room).
3. Built-in storage areas are included within the overall GIA and include an allowance of $0.5m^2$ for fixed services or equipment such as a hot water cylinder, boiler or heat exchanger.

Source: Nationally Described Space Standard – technical requirements Consultation draft September 2014

Market values

It was explained that Herefordshire had been split into value areas to reflect the difference in new build house prices as follows (with market values shown in the next table):


Herefordshire Sub Market Areas
Bromyard
Hereford
Hereford Northern and Southern Hinterland
Kingston and West Herefordshire
Ledbury, Ross and Rural Hinterlands
Leominster
Northern Rural
Herefordshire Boundary
Northern Rural
Bromyard
Leominster
Hereford
Ledbury, Ross and Rural Hinterlands
Kingston and West Herefordshire
Hereford Northern and Southern Hinterland
HEREFORDSHIRE
Digital Map Data © Collins Bartholomew Ltd 2013
Postcode information © Royal Mail Group PLC 2013

	Detached			Semi-detached		Terrace			Flats	
	5 Bed	**4 Bed**	**3 Bed**	**4 Bed**	**3 Bed**	**4 Bed**	**3 Bed**	**2 Bed**	**2 Bed**	**1 Bed**
Ledbury, Ross and Rural Hinterlands	£433,000	£370,000	£329,000	£240,000	£219,000	£224,000	£209,000	£183,000	£162,000	£115,000
Northern Rural	£360,000	£344,000	£323,000	£245,000	£224,000	£219,000	£214,000	£188,000	£167,000	£120,000
Hereford	£370,000	£318,000	£261,000	£219,000	£198,000	£224,000	£193,000	£156,000	£151,000	£115,000
Kington and West Herefordshire	£360,000	£313,000	£282,000	£214,000	£193,000	£209,000	£188,000	£156,000	£146,000	£104,000
Hereford Hinterland	£355,000	£308,000	£276,000	£209,000	£188,000	£203,000	£183,000	£156,000	£141,000	£99,000
Leominster	£303,000	£261,000	£235,000	£193,000	£167,000	£177,000	£162,000	£141,000	£115,000	£89,000
Bromyard	£292,000	£271,000	£230,000	£219,000	£193,000	£203,000	£177,000	£151,000	£120,000	£94,000

Discussion
Value areas – workshop considered that an area around Kington was different from other parts of Herefordshire and more akin to the Shropshire market. Attendees invited to define this area so that Three Dragons could investigate further.

Although Leominster values are some of lowest in Herefordshire (at £210 to £230 per sq ft) one person commented that values will still be above those of Bromyard.

Values for Hereford about right per sq m but it was noted that the Crest Nicholson site in Hereford is currently selling at c £270k for a 4 bed detached dwelling

Three Dragons agreed to review market value evidence. The values shown in this note are those shown at the workshop – a further note on revised values will be circulated asap.

Other development costs

Other development costs were presented:

Type	Cost	
Flats (1-2 storeys)	£1,142	sq m includes 15% for external works
Flats (3-5 storeys)	£1,193	sq m includes 15% for external works
Houses	£996	sq m includes 15% for external works
Professional fees	12%	of build costs
Finance	6%	of development costs
Marketing fees	3%	of GDV
Developer return	20%	of GDV
Contractor return	6%	of build costs
Residual s106	£2,000 tbc	Per dwelling for travel plans/ immediate site access /children's play

Type	Cost	
Strategic infrastructure costs	£100,000 / £200,000	net ha for larger sites
Affordable Housing	25%, 35% and 40%	For different HMAs in Herefordshire 53% social rent and 47% shared ownership
Code 5 water	£1,000	per dwelling
Net to gross developable	100% 65%-80%	Smaller sites Larger sites
Agents and legal	1.75%	

Discussion
Costs are higher for developers of smaller sites (say up to 50 dwellings)

It was proposed that the testing by Three Dragons should add 10% to build costs for sites of 1-10 dwelling and 5% for 11 to 50 dwellings.

Where smaller sites include provision for SUDs – 100% net/gross areas may not be reliable but will depend on details of acceptable SUDs solution.

Prof fees – 10% average, 12% on smaller sites, 8% on larger sites

Marketing fees – 6% for older person housing

Affordable housing

The following assumptions for modelling affordable housing were presented:

For rental properties.

Management and maintenance	£900
Voids/bad debts	3.00%
Repairs reserve	£500
Capitalisation	6.00%

For shared ownership

Share size	40%
Rental charge	2.75%
Capitalisation	6.00%

Weekly rents	Social Rent
1 bed flat	£72
2 bed flat	£93
2 bed house	£93
3 bed house	£100
4 bed house	£106

Discussion

Noted that the council requires social renting on all s106 schemes (but is not the case on non s106 sites, where affordable rents apply)

Social rents look a little low.

RPs will provide further detailed feedback.

Questions raised by workshop about care facilities provided in larger schemes – how will these be modelled. LC said Three Dragons will give this further consideration and ensure included in the modelling.

Non-residential viability testing

The discussion about the non-residential testing assumptions was with those organisations attending the workshop which were involved with non-residential development:

- Jamieson Associates
- John Phipps Architectural Ltd
- Stephen Potter Architectural & Building Services Ltd
- Collins Design and Build Ltd

Types of Non-residential Development

The range of uses to be tested was discussed:

- Retail – in town and edge of town
- Offices
- Industrial
- Warehouse
- Hotels
- Health and fitness
- Care homes (Extra Care and Sheltered picked up as separate category in residential)

Discussion

No missing uses were identified.

Values

Rents and yields were discussed:

Type	Rent/sq m	Yield
Out of centre offices	£97	6.50%
Town centre offices	£107	7.00%
Industrial units	£50	7.00%
Warehouse units	£48	7.00%
Town centre comparison shops	£164	7.60%
Retail warehouse	£135	7.50%
Small convenience store	£165	6.50%

Type	Rent/sq m	Yield
Supermarket	£175	5.50%
Full service hotel	£126	7.50%
Budget hotel	£109	6.00%
Leisure development	£102	8.50%
Care home	£140	7.75%

Discussion
Office, industrial and warehouse values were considered to be suitable.

Build costs

Build costs were discussed. These were drawn from BCIS and include a 10% allowance for external works and £20/sq m to meet Council water standards.

Type	Cost/sq m
Out of centre offices	£1,223
Town centre offices	£1,528
Industrial units	£708
Warehouse units	£530
Town centre comparison shops	£961
Retail warehouse	£650
Small convenience store	£1,183
Supermarket	£1,469
Full service hotel	£1,583

Budget hotel	£1,058
Leisure development	£1,366
Care home	£1,330

Discussion

The discussion indicated that these were suitable except for care homes, where it was suggested that a rate in the order of £90,000/bedroom construction costs would be more suitable.

Other development costs

Other development costs were also discussed:

Professional fees	12% of build costs
Marketing fees	3% of GDV
Finance	6% of development cost
Developer return	20% of development cost
Purchaser costs	5%
Acquisition costs	Varies – c 2.0% + SDLT
Void periods	Varies

S106/278 on some developments

Discussion

No alternative suggestions were made.

ANNEX 3 - RESIDENTIAL MODELLING ASSUMPTIONS

Herefordshire CIL Viability Testing Assumptions

Market Values

Type	**Detached**			**Semi**		**Terrace**			**Flats**	
Bedrooms	**5 bed**	**4 bed**	**3 bed**	**4 bed**	**3 bed**	**4 bed**	**3 bed**	**2 bed**	**2 bed**	**1 bed**
Sq m	*145*	*124*	*103*	*97*	*93*	*97*	*84*	*70*	*61*	*50*
Ledbury, Ross and Rural Hinterlands	£350,000	£315,000	£260,000	£240,000	£220,000	£215,000	£190,000	£165,000	£130,000	£100,000
Northern Rural	£325,000	£296,000	£250,000	£242,000	£220,000	£229,000	£200,000	£175,000	*£140,000*	*£110,000*
Hereford	£340,000	£290,000	£245,000	£235,000	£210,000	£215,000	£190,000	£155,000	£135,000	£115,000
Kington and West Herefordshire	£316,000	£285,000	£240,000	£208,000	£195,000	£207,000	£165,000	£150,000	*£130,000*	*£105,000*
Hereford Hinterland	£325,000	£275,000	£230,000	£210,000	£190,000	£170,000	£165,000	£150,000	*£125,000*	*£105,000*
Leominster	£280,000	£250,000	£230,000	£190,000	£170,000	£174,000	£158,000	£140,000	£115,000	£100,000
Bromyard	£290,000	£258,000	£230,000	£200,000	£180,000	£190,000	£165,000	£150,000	£105,000	£85,000

Sheltered Housing - for 1 bed flats, allow 3 bed semi SP x 75%, for 2 bed flats allow 3 bed semi SP. Also allow ground rent at £250/dwg capitalised at 5%

Dwelling Sizes

House type description	Affordable sq m	Market sq m
1 Bed Flat	50	50
2 Bed Flat	61	61
2 Bed Terrace	70	70
3 Bed Terrace	84	84
4 bed terrace/ semi	106	97
3 Bed Semi	84	93
3 Bed Detached	84	102
4 Bed Detached	100	124
5 Bed Detached	125	145

Add 10% circulation for 1 and 2 bed flats.

For sheltered housing,

1 bed flat 50 sq m

2 bed flat 75 sq m

Add 30% common area/ circulation space for sheltered housing.

Workshop –

- 2 bed terrace – 65 sq m
- 3 bed terrace - 75 sq m
- 4 bed detached – 115 sq m

However:

- Min size for 2bt is 70 sq m (nat space stds).
- Min size for 3bt is 84 sq m (nat space stds).
- Have adjusted 4 bd and 5bd down in response to workshop comments. Have not taken 4bd down to 115 as review of dwellings for sale shows there are also larger 4bd @ c135 sq m as well as some at 200 sq m+.

Dwelling mix

Market dwellings	**25dph**	**30 dph**	**40 dph**	**50 dph**
House type	**%s**	**%s**	**%s**	**%s**
1 bed flat				5%
2 bed flat			5%	15%
2 bed terrace house		5%	25%	25%
3 bed terrace house		5%	25%	35%
4 bed terrace house				
3 bed semi-det house	25%	10%	20%	10%
3 bed detached house	20%	30%	15%	5%
4 bed detached house	35%	30%	10%	5%
5 bed detached house	20%	20%		

Dwelling mix revised as original had too little coverage/ha

Affordable housing

House type description	**Social Rent pw**	Affordable rent pw
1 bedroom flat	£73	£86
2 bedroom flat	£95	£104
2 bedroom terrace	£95	£104
3 bedroom terrace	£107	£112
4 bedroom terrace	£116	£142

HCC 30/10/15

Affordable Housing dwelling mix

For social rent -

1 bed flat 30%
2 bed terr 40%
3 bed semi 25%
4 bed terr 5%

For shared ownership

2 bed terr 50%
3 bed terr 50%

For rental properties.

Management and maintenance £900
Voids/bad debts 3.00%
Repairs reserve £500

Capitalisation	5.00%
For shared ownership	
Share size	40%
Rental charge	2.75%
Capitalisation	5.00%

Service charges – flats (Affordable Rented only)	£12
Service charges – houses (Affordable Rented only)	£6

Other development costs

Type	Cost	
Flats (1-2 storeys)	£1,237	sq m includes 15% for external works
Flats (3-5 storeys)	£1,328	sq m includes 15% for external works
Houses	£1,080	sq m includes 15% for external works
One-off housing	£1,788	sq m includes 15% for external works – single dwellings
Sheltered housing	£1,348	Sq m, inc 15% for ext works. Based on RHG assumptions – 1- 2 storey flat build cost plus 9%
Professional fees	12% on smaller sites (1-10 dwgs) 10% on medium sites (11-100 dwgs) 8% on large sites (101+ dwgs)	of build costs
Finance	5%	of development costs
Marketing fees	3% 6%	of GDV of GDV for sheltered housing
Developer return	20%	of GDV
Contractor return	6%	of build costs
Residual s106	£2,000 tbc	Per dwelling for travel plans/ immediate site access /children's play

Type	Cost	
Strategic infrastructure costs	£100,000 / £200,000	net ha for larger sites
Affordable Housing Threshold	Over 10 dwellings	
Affordable Housing	**35%** in Hereford, Hereford Northern and Southern Hinterlands, and Kington and West Herefordshire housing value areas. **40%** in Ledbury, Ross and Rural Hinterlands; and Northern Rural housing value areas (which includes Bromyard). **25%** in Leominster	53% rent (50:50 split affordable rent and social rent) and 47% shared ownership **Except** Bromyard – 24% rent (split 50:50 affordable rent and social rent) and 76% shared ownership
Water efficiency	£9	per dwelling
Part Q Security	£320	Per dwelling
Allowance for Voids	£100,000	For sheltered housing only
Net to gross developable	100% 65%-80%	Smaller sites Larger sites
Agents and legal	1.75%	

Discounted Cash Flow

Annual debit interest rate 5%

Annual credit interest rate 2%
Annual discount rate 3.5%

Benchmark Land Value

Type	Location	£/gross ha	Notes
All sites (excluding strategic urban extensions)	Hereford	£600,000	Based on 30% over EUV + agents survey
	Leominster/ Bromyard	£500,000	
All sites (excluding strategic urban extensions)	Rest of Herefordshire	£800,000 - £1,000,000	Based on agents' survey
Strategic greenfield urban extensions	Hereford/Rest of Herefordshire	£300,000	12-15 x agricultural + agents survey
	Leominster/ Bromyard	£250,000	
Intermediate land values for 100+ dwellings	Hereford	£450,000	Mid-point between strategic and standard benchmarks. Reflects gradations seen in land titles
	Leominster/ Bromyard	£375,000	
	Rest of Herefordshire	£550,000	
Industrial/office	Accessible	£350,000 - £560,000	VOA + agents survey

Updated 16th February 2016

ANNEX 4 - BENCHMARK LAND VALUE

Land Value Benchmarks

3.17 The land value benchmark is an estimate of the lowest cost that a willing landowner would sell land for development. The concept of a benchmark land value attempts to balance two factors: a) land can only be worth what the highest value permissible development can afford to pay for it; and b) landowners will require some premium over the existing use value in order to incentivise a sale. Note that where development is able to pay more for land, then it is likely that transactions will be above the benchmark land value, particularly when different developers are competing for the same piece of land. Establishing suitable land value benchmarks is an important part of any viability testing and the Advice for planning practitioners[54] sets out a preferred approach in the following extract from page 29:

"We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values (noting the exceptions below…….)."

3.18 The exceptions referred to in the Advice for planning practitioners reflect the significant differences in the types of current use found within settlements and on greenfield land adjoining settlements. The exceptions are summarised as:

- Larger scale sites for urban extensions on greenfield land where the uplift on current use value (agricultural land) sought by the landowner will be significantly higher than in an urban context.
- Edge-of-settlement greenfield sites, where landowners' required returns will be more like those for sites within the settlement.

3.19 Advice for planning practitioners states that reference to market values can still provide a useful 'sense check' on the benchmark values that are being used for testing, but it is not recommended that these are used as the basis for the input to a model. This is an important concept and explains why the land value benchmark used to test plan policies (and CIL rates) can be **less** than the value at which land is being traded in the market. This point was highlighted in the London Mayoral CIL examiner's report[55]:

> Finally 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 prospect of raising funds for infrastructure would be forever receding into the future. In any event in some instances it may be possible for contracts and options to be re-negotiated in the light of the changed circumstances arising from the imposition of CIL charges.

3.20 In addition to the guidance advocating the use of premium over existing use value (particularly the Local Housing Delivery Group, 2012), recent RICS research[56] highlights the

[54] Local Housing Delivery Group, 2012, Viability Testing Local Plans
[55] Report to The Mayor of London, by Keith Holland January 2012
[56] RICS, 2015, Financial Viability Appraisal in Planning Decisions: Theory and Practice

issues with using market values to set land benchmarks – "*If market value is based on comparable evidence without proper adjustment to reflect policy compliant planning obligations, this introduces a circularity, which encourages developers to overpay for sites and try to recover some or all of this overpayment via reductions in planning obligations".* Furthermore, there are tangible differences between the types of appraisals supporting market values and those used for area wide viability appraisals such as this CIL study. These differences further highlight the issues with using market value comparables to set benchmarks:

Appraisal Input	**Area-wide viability study**	**Developer appraisal to inform land purchase**
Sales values	Current day	Potentially inflated to take into account of market rises
Build costs	Current day full BCIS cost	Value engineered
Profit	Full target applied	Competitive and not necessarily at target level
Planning requirements	Applied in full	Potentially squeezed
Site costs	Extensive	None/limited
Development Programme	Lengthy	Short

3.21 Therefore the basis for establishing the land values is a rounded view including the benchmarks established as part of the local plan process, published reports on land values, consultation with the development industry and a review of the sale price information available from Land Registry.

3.22 Annex 1 (Transparent Viability Assumptions) to the Homes and Communities Agency guidance for its Area Wide Viability Model published in August 2010 states that in relation to the required premium above existing use value (EUV):

"*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".* (page 9)[57]

3.23 Another report in 2011 undertaken for the Department for Communities and Local Government[58] suggested that a premium of 25% over existing use value was required to bring forward industrial land for redevelopment. The premium for greenfield land was said to be higher, recognising that while the existing use value base is low, the costs normally associated with realising new development on unserviced greenfield land are considerable.

3.24 For residential land, current use value is taken as industrial land for urban sites and agricultural land for strategic sites/urban extensions, with appropriate uplifts applied. Sites are taken as being suitable for development but not necessarily consented.

[57] Homes and Communities Agency, 2010, Annex 1 (Transparent Viability Assumptions)
[58] Turner Morum, 2011, Cumulative impacts of regulations on house builders and landowners

3.25 The benchmarks refer to sites suitable for development i.e. not constrained by abnormal conditions such as contamination from previous uses or archeological or topographical constraints etc. Where these abnormal constraints can reasonably be judged to form part of any due diligence we have assumed that they will feature in any negotiations about purchasing the land and the price adjusted accordingly. It is of course possible that in some circumstances the costs of dealing with the constraints is greater than any uplift in value from the new use. In these situations, it may be best that either the site remains in its existing use or that if it is strategically important, third party funding is sought to assist redevelopment.

Implications for Benchmark Land Values in Herefordshire

3.26 The key factors to be taken into consideration are:

- The land values used for the 2014 Whole Plan Viability Study, which were examined in 2015 as part of the Local Plan EiP.
- The land values used for the 2013 CIL Viability Study
- Published research reports on land values
- Benchmark land value discussion at the development industry workshops in 2015
- Evidence from transactions, where available.

Local Plan Viability

3.27 The Local Plan was examined in 2015 and has now been adopted. The evidence base for this plan included the 2014 Local Plan Viability Study. The discussion at the public examination and subsequent feedback from the inspector did not suggest any serious concerns with the benchmark land values used, which were:

Type	**Location**	**£/gross ha**	**Notes**
All sites (excluding strategic urban extensions)	Hereford	£600,000	Based on 30% over EUV + agents survey
	Leominster/ Bromyard	£500,000	
All sites (excluding strategic urban extensions)	Rest of Herefordshire	£800,000 - £1,000,000	Based on agents' survey
Strategic greenfield urban extensions	Hereford/Rest of Herefordshire	£300,000	12-15 x agricultural + agents survey
	Leominster/ Bromyard	£250,000	
Industrial/office	Accessible	£350,000 - £560,000	VOA + agents survey

3.28 These values were based upon uplifts from existing uses, with the uplifts reflecting the guidance in Viability Testing Local Plans[59], and were confirmed using a survey of agents active in Herefordshire. The benchmarks were also discussed at a development industry workshop undertaken in 2012 as part of the CIL viability work.

Published research reports on land values

3.29 DCLG has published estimates of residential land values for policy purposes, with an estimate of £1.5m/ha[60] for residential development land in Herefordshire. Note that this value is a nominal figure for market housing development only (i.e. the cost of providing affordable housing is not included) without any s106/278 or CIL; and that the development costs are lower than the standard costs used here (e.g. the DCLG estimates use lower quartile build costs and lower developer return). The DCLG report also estimated that agricultural land in the West Midlands was £24,000/ha and that industrial land in the West Midlands was £0.5m/ha.

3.30 It is possible to adjust the DCLG residential land estimate by applying the costs of policy compliant affordable housing and s106. We have done this exercise for Hereford as this is where the majority of development is planned to take place. The costs of providing policy compliant 35% affordable housing is estimated by testing 1 ha schemes at 30 dph both with the affordable housing and then with no affordable housing. This takes into account the opportunity cost of not providing market housing as well as the specific costs of providing the affordable housing. Through this process it is estimated that the average cost is £64,000 per affordable dwelling. If this is combined with a 'typical' s106/278 cost of £9,000/dwelling, then this gives a revised land value estimate of £0.56m/ha. We are aware that the DCLG estimates also use a lower developer return of 17.5% and this is equivalent to £190,00/ha compared to the 20% return used in this study. If this is applied to the land values this gives a value of £0.37m/ha, which is below the benchmarks used here.

3.31 CIL/affordable housing viability assessments have been undertaken in surrounding locations and these use residual value viability assessments with benchmark land value estimates. Some of these have variations by location/site typology. The table below illustrates the range of benchmarks used. When considering these benchmarks, it is important to note that land value benchmarks will be affected by different affordable housing policies, s106 requirements and house prices in the various authorities.

Table 3.1 Benchmark Land Values in surrounding authorities

Location	CIL status	Date	Benchmark 1 £/ha	Benchmark 2 £/ha	Benchmark 3 £/ha
Shropshire	Adopted	2012	£1,300,000	£885,000	£490,000
Monmouthshire	PDCS	2014		£650,000	
Powys	n/a	2014	£600,000	£300,000	£230,000

[59] Idid http://www.pas.gov.uk/c/document_library/get_file?uuid=90fc2589-685a-441f-be9c-1874de4f20b9&groupId=332612

[60] DCLG, 2015, Land estimates for policy appraisal

Malvern Hills	PDCS	2015	£420,000	£360,000	£330,000
Forest of Dean	2008 Affordable Housing Viability		£620,000	£185,000	

3.32 Research published by Savills suggests that development land has increased in value in recent years, although this is most apparent in London[61], and that in the short term there has been little change[62]. Demand is flattening as housebuilders have enough consented land for their needs, with on average the listed housebuilders have 5.3 years' worth of land to build out at existing build rates.

3.33 Research published by Knight Frank in 2015[63] states that development land prices are also moderating, reflecting the increased costs of development, with a sharp rise in the cost of materials and labour in recent years. The research showed an increase in value to late 2013 followed by a fall in value of development land in 2015.

3.34 Colliers estimates that industrial land in Gloucester may be worth £0.56m/ha in 2015[64], and £0.62m/ha in Stafford. These values are stated to apply to sites of over 4ha in prime locations.

Development industry feedback

3.35 Benchmark land values were discussed during the 2012 and 2014 development industry workshops. In 2012 the feedback stated:

- Agriculture is relatively profitable in Herefordshire and there will be landowners who do not want to sell.
- For greenfield sites there will need to be an uplift of more than 10 times agriculture values; and this could be up to £400,000/ha.
- For brownfield sites EUV plus 20% may not be enough to release land.
- For open market houses land values may be £550,000 to £600,000/ha.

3.36 Telephone interviews with agents undertaken after the 2012 workshop provided further information:

- Industrial land in Leominster might be £310,000/ha-£370,000/ha (net developable)
- Industrial land in Hereford might be £310,000/ha - £445,000/ha
- Serviced residential plots can fetch £80,000 to £120,000 each.

3.37 In 2014 the feedback stated:

- Values for small sites especially self-build are likely to be high.
- Greenfield land for policy compliant housing may be £1.2m/net developable ha.

[61] http://pdf.euro.savills.co.uk/uk/residential---other/market-in-minutes-development-land-september-2015.pdf
[62] http://pdf.euro.savills.co.uk/uk/residential---other/market-in-minutes-uk-residential-development-land-november-2015.pdf
[63] http://content.knightfrank.com/research/955/documents/en/developmentopportunities2015-3368.pdf
[64] http://www.colliers.com/en-gb/uk/insights/industrial-rents-map

Evidence from transactions

3.38 With the assistance of Herefordshire Council, land titles have been obtained for locations suitable for development (such as allocated sites and SHLAA sites). This provides information on land valuations and sales.

3.39 48 titles with some financial information were obtained, and these indicate:

- Large sites (over 10ha) had the lowest values, equivalent to £32,000/ha on average. While some of these titles may represent agricultural values there are some which are clearly above agricultural vales and it is logical to assume that future development is planned. This includes for example 12 ha on the outskirts of Hereford at £62,000/ha, and 21 ha in Leominster at £47,000/ha. All of the other large sites had lower values/ha than this.
- As sites get smaller the value increases. Sites of between 2-10 ha had an average value of £180,000/ha, although within this there are some considerable variations – for example 3 ha in Ledbury at £890,000/ha and 4 ha in Leominster at £22,000/ha. Sites of 1-2 ha had an average value of £363,000/ha and sites of less than 1 ha had an average value of £734,000/ha.
- The highest values were £3.4m/ha for 1.56 ha in Ledbury and £1.2m/ha for 0.06ha in Hereford.
- There are some variations between locations, with suggestions that Hereford and Ledbury having higher values and Bromyard and Leominster having lower values. However, the variation within the different locations makes it difficult to form a clear view of the scale of any location differences.

3.40 CoStar Suite provides some further land sale information:

- The land value associated with the Old Livestock Market redevelopment in Hereford was £18m/ha
- 7.5 ha of industrial land sold for £93,000/ha in Malvern
- 1 ha of industrial land for £306,500/ha in Eardisley
- 0.8ha industrial land for sale at £150,000/ha in Leominster
- 0.8ha industrial land for sale at £123,000/ha in Leominster
- 0.2ha industrial land for sale at £363,000/ha in Leominster
- 0.056 ha industrial land and building for sale at £1.7m/ha in Bromyard

Benchmark land value summary

3.41 The range of land factors considered suggests that the benchmark land values forming the evidence base for the local plan examination remain valid. There is some recent evidence which supports them and it is clear that they have similarities with the range of benchmarks used in similar viability exercises in nearby authorities. However, there are also indications that land is transacted at higher values locally, although this does not necessarily constitute a benchmark for this type of viability exercise.

3.42 The land values forming the evidence base for the local plan examination centred on two site types – strategic sites and smaller, urban/edge of urban sites. Some of the case studies (which have been informed by the HELAA and the rural SHLAA) sit between these two typologies, which less favourable gross to net developable land budgets and a likelihood that some opening up/site servicing costs will be incurred. The examination of values in land titles suggests that on a per ha basis, the values decrease as the site size grows and therefore we have also utilised some intermediate land values for sites of 100 dwellings or more. These are taken to be at a mid point between the urban site values and the strategic site values for the value area.

3.43 The benchmark land values used in the residential testing are therefore:

Type	**Location**	**£/gross ha**
All sites (excluding strategic urban extensions)	Hereford	£600,000
	Leominster/ Bromyard	£500,000
All sites (excluding strategic urban extensions)	Rest of Herefordshire	£800,000 - £1,000,000
Strategic greenfield urban extensions	Hereford/Rest of Herefordshire	£300,000
	Leominster/ Bromyard	£250,000
Intermediate land values for 100+ dwellings	Hereford	£450,000
	Leominster/ Bromyard	£375,000
	Rest of Herefordshire	£550,000
Industrial/office	Accessible	£350,000 - £560,000

3.44 The exception to this is for uses known to generate high values, where landowner expectations will require a premium to provide an incentive to sell. In particular, this will apply to convenience shops and out of centre comparison retail. In the absence of transaction evidence and based on experience elsewhere the testing has used the £0.8m/ha urban residential benchmark for small convenience shops, a benchmark land value of £2m per ha for out of centre comparison retail and £4m per ha for supermarkets, recognising that the latter two are well above the residential benchmark land value.

3.45 The benchmark land values used in the non-residential testing draw upon this discussion and are summarised in the non-residential section later in this report.

ANNEX 5 - 1HA RESIDUAL VALUES

Housing Market Area	DPH	Market %	Affordable %	Rental / Shared Ownership	Social Rent / Affordable Rent	**Total Mkt Sq m**	**Residual Value**		Main Benchmark		RV less main benchmark		**Main Benchmark Max CIL (£/sq m)**
Ledbury, Ross, Rural Hinterland	25	60%	40%	53 / 47	50 / 50	**1,741**	**£1,017,000**		£800,000		217,000		**£125**
Bromyard	25	60%	40%	24 / 76	50 / 50	**1,741**	**£549,000**		£500,000		49,000		**£28**
Northern Rural	25	60%	40%	53 / 47	50 / 50	**1,741**	**£901,000**		£800,000		101,000		**£58**
Hereford	25	65%	35%	53 / 47	50 / 50	**1,886**	**£905,000**		£600,000		305,000		**£162**
Hereford Hinterland	25	65%	35%	53 / 47	50 / 50	**1,886**	**£671,000**		£800,000		-129,000		**-£68**
Kington and West Herefordshire	25	65%	35%	53 / 47	50 / 50	**1,886**	**£728,000**		£800,000		-72,000		**-£38**
Leominster	25	75%	25%	53 / 47	50 / 50	**2,176**	**£487,000**		£500,000		-13,000		**-£6**
Ledbury, Ross, Rural Hinterland	30	60%	40%	53 / 47	50 / 50	**2,048**	**£1,204,000**		£800,000		404,000		**£197**
Bromyard	30	60%	40%	24 / 76	50 / 50	**2,048**	**£691,000**		£500,000		191,000		**£93**
Northern Rural	30	60%	40%	53 / 47	50 / 50	**2,048**	**£1,094,000**		£800,000		294,000		**£144**
Hereford	30	65%	35%	53 / 47	50 / 50	**2,219**	**£1,076,000**		£600,000		476,000		**£215**
Hereford Hinterland	30	65%	35%	53 / 47	50 / 50	**2,219**	**£805,000**		£800,000		5,000		**£2**
Kington and West Herefordshire	30	65%	35%	53 / 47	50 / 50	**2,219**	**£872,000**		£800,000		72,000		**£32**
Leominster	30	75%	25%	53 / 47	50 / 50	**2,561**	**£640,000**		£500,000		140,000		**£55**
Ledbury, Ross, Rural Hinterland	40	60%	40%	53 / 47	50 / 50	**2,116**	**£1,046,000**		£800,000		246,000		**£116**

Housing Market Area	DPH	Market %	Affordable %	Rental / Shared Ownership	Social Rent / Affordable Rent	**Total Mkt Sq m**	**Residual Value**	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
Bromyard	40	60%	40%	24 / 76	50 / 50	**2,116**	**£621,000**	£500,000	121,000	**£57**
Northern Rural	40	60%	40%	53 / 47	50 / 50	**2,116**	**£1,135,000**	£800,000	335,000	**£158**
Hereford	40	65%	35%	53 / 47	50 / 50	**2,292**	**£956,000**	£600,000	356,000	**£155**
Hereford Hinterland	40	65%	35%	53 / 47	50 / 50	**2,292**	**£590,000**	£800,000	-210,000	**-£92**
Kington and West Herefordshire	40	65%	35%	53 / 47	50 / 50	**2,292**	**£661,000**	£800,000	-139,000	**-£61**
Leominster	40	75%	25%	53 / 47	50 / 50	**2,645**	**£473,000**	£500,000	-27,000	**-£10**
Ledbury, Ross, Rural Hinterland	50	60%	40%	53 / 47	50 / 50	**2,409**	**£954,000**	£800,000	154,000	**£64**
Bromyard	50	60%	40%	24 / 76	50 / 50	**2,409**	**£511,000**	£500,000	11,000	**£5**
Northern Rural	50	60%	40%	53 / 47	50 / 50	**2,409**	**£1,162,000**	£800,000	362,000	**£150**
Hereford	50	65%	35%	53 / 47	50 / 50	**2,610**	**£927,000**	£600,000	327,000	**£125**
Hereford Hinterland	50	65%	35%	53 / 47	50 / 50	**2,610**	**£476,000**	£800,000	-324,000	**-£124**
Kington and West Herefordshire	50	65%	35%	53 / 47	50 / 50	**2,610**	**£529,000**	£800,000	-271,000	**-£104**
Leominster	50	75%	25%	53 / 47	50 / 50	**3,011**	**£328,000**	£500,000	-172,000	**-£57**

ANNEX 6 - CASE STUDY CHARACTERISTICS

Case Study	Type	Total Dwellings	Density (dph)	Site size net ha	Site size gross ha	Dwelling Mix	S106/278 per dwg	Opening up costs	Benchmark Land Value/ha	Delivery	Notes
1	Small peripheral site - single dwelling	1	30	0.03	0.03	4bd	£0		£600,000	Yr 1	BCIS 0ne-off development costs; +5% in value; no s106 or AH
2	Higher density small urban site - single dwelling	1	50	0.02	0.02	3bd	£0		£600,000	Yr 1	BCIS 0ne-off development costs; +5% in value; no s106 or AH
3	Small peripheral site - 2 dwellings	2	30	0.07	0.07	2x3bd	£0		£600,000	Yr 1	+5% development costs, +5% in value; no s106 or AH
4	Higher density small urban site - 2 dwellings	2	50	0.04	0.04	2x3bs	£0		£600,000	Yr 1	+5% development costs, +5% in value; no s106 or AH
5	Small peripheral site - 3 dwellings	3	30	0.10	0.10	3x4bd	£0		£600,000	Yr 1	+5% development costs, +5% in value; no s106 or AH
6	Higher density small urban site - 3 dwellings	3	50	0.06	0.06	3x3bt	£0		£600,000	Yr 1	+5% development costs, +5% in value; no s106 or AH
7	Small peripheral site - 4 dwellings	4	30	0.13	0.13	2x3bd, 2x4bd	£0		£600,000	Yr 1	No s106 or AH
8	Higher density small urban site - 4 dwellings	5	50	0.10	0.10	5x3bt	£0		£600,000	Yr 1	No s106 or AH
9	HELAA site – 10 dwellings	10	40	0.25	0.25	40 dph mix	£2,000		£600,000	Yr 1	No AH
10	HELAA site – 15 dwellings	15	40	0.38	0.38	40 dph mix	£2,000		£600,000	Y1	Includes AH & s106
11	HELAA peripheral site – 40 dwellings	40	30	1.33	1.60	30 dph mix	£2,000		£600,000	1 yr to first completion then 30pa	Includes AH & s106
12	HELAA peripheral site – 70 dwellings	70	30	2.33	2.79	30 dph mix	£4,650	£50,000 /net ha	£600,000	1 yr to first completion then 30pa	Gross to net adjustment to incorporate greenspace requirement
13	HELAA site – 120 dwellings	120	40	3.00	3.79	40 dph mix	£2,000	£100,000 /net ha	£600,000/ £450,000	1 yr to first completion then 40 pa	Gross to net adjustment to incorporate greenspace requirement

Case Study	Type	Total Dwellings	Density (dph)	Site size net ha	Site size gross ha	Dwelling Mix	S106/278 per dwg	Opening up costs	Benchmark Land Value/ha	Delivery	Notes
14	Higher density HELAA site – 120 dwellings	120	50	2.40	3.19	50 dph mix	£2,000		£600,000/ £450,000	1 yr to first completion then 45pa	Gross to net adjustment to incorporate greenspace requirement. Serviced urban site.
15	HELAA peripheral site – 250 dwellings	250	30	8.33	9.97	30 dph mix	£2,000	£150,000 /net ha	£600,000/ £450,000	1 yr to first completion then 70pa	Gross to net adjustment to incorporate greenspace requirement. Two developers on site.
16	HELAA peripheral site – 650 dwellings	600	30	20.00	23.93	30 dph mix	£2,000	£200,000 /net ha	£600,000/ £450,000	1 yr to first completion then 70pa	Gross to net adjustment to incorporate greenspace requirement. Strategic greenfield benchmark land value. Two developers on site.

Case Study	Type	Total Dwellings	Density (dph)	Site size net ha	Site size gross ha	Dwelling Mix	S106/278 per dwg	Opening up costs	Benchmark Land Value/ha	Delivery	Notes
1	Small rural site - single dwelling	1	30	0.03	0.03	4bd	£0		£800,000 - £1,000,000	Yr 1	BCIS 0ne-off development costs; +5% in value; no s106 or AH
2	Small rural site - 2 dwellings	2	30	0.07	0.07	2x3bd	£0		£800,000 - £1,000,000	Yr 1	+5% development costs, +5% in value; no s106 or AH
3	Small rural site - 3 dwellings	3	30	0.10	0.10	3x4bd	£0		£800,000 - £1,000,000	Yr 1	+5% development costs, +5% in value; no s106 or AH
4	Small rural site - 4 dwellings	5	30	0.17	0.17	2x3bd, 3x4bd	£0		£800,000 - £1,000,000	Yr 1	No s106 or AH
5	SHLAA site – 6 dwellings	6	30	0.20	0.20	30 dph mix	£2,000		£800,000 - £1,000,000	Yr 1	No AH

Case Study	Type	Total Dwellings	Density (dph)	Site size net ha	Site size gross ha	Dwelling Mix	S106/278 per dwg	Opening up costs	Benchmark Land Value/ha	Delivery	Notes
6	SHLAA site – 6 dwellings with access issues	6	30	0.20	0.20	30 dph mix	£4,650		£800,000 - £1,000,000	Yr 1	Includes allowance for additional s106/278 access costs; no AH
7	SHLAA site – low density 6 dwellings	6	25	0.24	0.24	25 dph mix	£2,000		£800,000 - £1,000,000	Yr 1	Lower density; no AH
8	SHLAA site – 10 dwellings	10	30	0.33	0.33	30 dph mix	£2,000		£800,000 - £1,000,000	1 yr to first completion then 10pa	No AH
9	SHLAA site – 20 dwellings	20	30	0.67	0.67	30 dph mix	£2,000		£800,000 - £1,000,000	1 yr to first completion then 20pa	Includes AH & s106
10	SHLAA site – 20 dwellings with access issues	20	30	0.67	0.67	30 dph mix	£4,650		£800,000 - £1,000,000	1 yr to first completion then 20pa	Includes allowance for additional s106/278 access costs
11	SHLAA site – 55 dwellings	55	30	1.83	2.04	30 dph mix	£2,000	£50,000 /net ha	£800,000 - £1,000,000	1 yr to first completion then 30 in yr 1 and 25 in yr2	Gross to net adjustment to incorporate greenspace requirement
12	SHLAA site – 120 dwellings	120	30	4.00	5.00	30 dph mix	£2,000	£100,000 /net ha	£800,000 - £1,000,000/ £375,000-£550,000	1 yr to first completion then 30pa	Gross to net adjustment to incorporate greenspace requirement

Site	Total dwellings	% AH	Density dph	Net site size ha	Gross site size ha	Net to gross	Housing Delivery Yr 0 = pre-delivery preparation. Yr 1 = 1st year of delivery	Benchmark land value/gross ha	Opening up costs/net ha	Residual s106/278 per dwg	Site specific infrastructure Yr 0 = pre-delivery preparation. Yr 1 = 1st year of delivery
HD2 Hereford City Centre	800	35%	50	16.00	21.92	73%	70 pa	£600,000		£2,000	£0.6m (£750/dwg) • £0.1m primary school capacity in year 4 • £0.5m canal basin in year 8
HD4 Hereford Holmer West	500	35%	35	14.29	19.05	75%	20 in Yr 1, 55 in Yr 2, 85 pa thereafter.	£300,000	£200,000	£2,000	£1.16m (£2,320/dwg) • £0.54m allotments in line with development • £0.62m greenspace in line with development

Site	Total dwellings	% AH	Density dph	Net site size ha	Gross site size ha	Net to gross	Housing Delivery Yr 0 = pre-delivery preparation. Yr 1 = 1st year of delivery	Benchmark land value/gross ha	Opening up costs/net ha	Residual s106/278 per dwg	Site specific infrastructure Yr 0 = pre-delivery preparation. Yr 1 = 1st year of delivery
HD5 Hereford Three Elms	1,000	35%	35	28.57	40.81	70%	100 pa starting in Yr 1.	£300,000	£200,000	£2,000	£6.0m (£6,000/dwg) • £3.0m primary school in Yr 4 • £3.0m primary school in Yr 7
HD 6 Hereford Lower Bullingham	1,000	35%	35	28.57	40.81	70%	100 pa starting in Yr 1.	£300,000	£200,000	£2,000	£6.7m (£6,700/dwg) • £3.7m primary school in Yr 4 • £0.75 m secondary school capacity in Yr 3 • £0.75 m secondary school capacity in Yr 5 • £1.5m country park in line with development
BY2 Bromyard Hardwick Bank	250	40%	35	7.14	8.93	80%	30in Yr 1, 45pa thereafter.	£250,000	£150,000	£2,000	£0.36m (£1,440/dwg) • £0.36m in line with development
LB2 Ledbury North of the Viaduct	625	40%	40	15.63	21.12	74%	60 in Yr1, 90 pa thereafter.	£300,000	£200,000	£2,000	£5.3m (£8,480/dwg) • £3.7m primary school in Yr 4 • £1.6 m greenspace in line with development
LO2 Leominster UE	1,500	25%	35	42.85	61.21	70%	85 in Yr 1, 100 pa thereafter.	£250,000	£200,000	£2,000	£20.65m (£13,767/dwg) • £6.0m primary school in Yr 1 • £12.0m Southern Link Road in Yr 16 (end of development • £2.65m greenspace in line with development
RW2 Ross on Wye Hildersley	200	40%	35	5.71	7.14	80%	50 pa	£300,000	£150,000	£2,000	£0.472m (£2,360/dwg) • £0.25m secondary school capacity in Yr 3 • £0.222m greenspace in line with development

ANNEX 7 - CASE STUDY RESIDUAL VALUES

Case Study Ref	Type	HMA	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
H1	Small peripheral site - single dwelling	Hereford	0%	124.0	-25,000	-£833,333	£600,000	-1,433,333	**-£347**
H2	Higher density small urban site - single dwelling	Hereford	0%	102.0	-16,000	-£800,000	£600,000	-1,400,000	**-£275**
H3	Small peripheral site - 2 dwellings	Hereford	0%	204.0	122,000	£1,742,857	£600,000	1,142,857	**£392**
H4	Higher density small urban site - 2 dwellings	Hereford	0%	186.0	91,000	£2,275,000	£600,000	1,675,000	**£360**
H5	Small peripheral site - 3 dwellings	Hereford	0%	372.0	204,000	£2,040,000	£600,000	1,440,000	**£387**
H6	Higher density small urban site - 3 dwellings	Hereford	0%	252.0	124,000	£2,066,667	£600,000	1,466,667	**£349**
H7	Small peripheral site - 4 dwellings	Hereford	0%	452.0	239,000	£1,838,462	£600,000	1,238,462	**£356**
H8	Higher density small urban site - 5 dwellings	Hereford	0%	420.0	194,000	£1,940,000	£600,000	1,340,000	**£319**
H9	HELAA site - 10 dwellings	Hereford	0%	999.0	462,000	£1,848,000	£600,000	1,248,000	**£312**
H10	HELAA site - 15 dwellings	Hereford	35%	974.1	441,000	£1,160,526	£600,000	560,526	**£219**
H11	HELAA peripheralsite - 40 dwellings	Hereford	35%	2,958.8	1,426,081	£891,301	£600,000	291,301	**£131**
H12	HELAA peripheral site - 70 dwellings	Hereford	35%	5,177.9	2,256,497	£808,780	£600,000	208,780	**£94**
H13	HELAA site - 120 dwellings	Hereford	35%	6,875.7	2,761,817	£728,712	£450,000	278,712	**£122**
H14	Higher density HELAA site - 120 dwellings	Hereford	35%	6,263.4	2,468,872	£773,941	£450,000	323,941	**£124**
H15	HELAA peripheral site - 250 dwellings	Hereford	35%	18,492.5	8,102,168	£812,655	£450,000	362,655	**£163**
H16	HELAA peripheral site - 600 dwellings	Hereford	35%	44,382.0	17,276,024	£721,940	£300,000	421,940	**£190**
H17	Sheltered Housing Scheme	Hereford	35%	5,265.0	-682,922	-£853,653	£600,000	-1,453,653	**-£221**

Case Study Ref	Type	HMA	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
H17	Sheltered Housing Scheme 0% Affordable	Hereford	0%	8,100.0	842,483	£1,053,104	£600,000	453,104	**£45**

Case Study Ref	Type	HMA	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
1	Small rural site, 1 dwelling	Hereford Northern and Southern Hinterland	0%	124.0	-£37,000	-£1,233,333	£800,000	-£2,033,333	-£492
1	Small rural site, 1 dwelling	Kington and West Herefordshire	0%	124.0	-£30,000	-£1,000,000	£800,000	-£1,800,000	-£435
1	Small rural site, 1 dwelling	Ledbury Ross and Rural Hinterlands	0%	124.0	-£5,000	-£166,667	£800,000	-£966,667	-£234
1	Small rural site, 1 dwelling	Northern Rural	0%	124.0	-£20,000	-£666,667	£800,000	-£1,466,667	-£355
1	Small rural site, 1 dwelling	Leominster	0%	124.0	-£57,000	-£1,900,000	£500,000	-£2,400,000	-£581
1	Small rural site, 1 dwelling	Bromyard	0%	124.0	-£51,000	-£1,700,000	£500,000	-£2,200,000	-£532
2	Small rural site, 2 dwellings	Hereford Northern and Southern Hinterland	0%	204.0	£99,000	£1,414,286	£800,000	£614,286	£211
2	Small rural site, 2 dwellings	Kington and West Herefordshire	0%	204.0	£115,000	£1,642,857	£800,000	£842,857	£289
2	Small rural site, 2 dwellings	Ledbury Ross and Rural Hinterlands	0%	204.0	£145,000	£1,764,857	£800,000	£964,857	£331

Case Study Ref	Type	HMA	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
2	Small rural site, 2 dwellings	Northern Rural	0%	204.0	£130,000	£1,857,143	£800,000	£1,057,143	£363
2	Small rural site, 2 dwellings	Leominster	0%	204.0	£99,000	£1,414,286	£500,000	£914,286	£314
2	Small rural site, 2 dwellings	Bromyard	0%	204.0	£99,000	£1,414,286	£500,000	£914,286	£314
3	Small rural site, 3 dwellings	Hereford Northern and Southern Hinterland	0%	372.0	£168,000	£1,680,000	£800,000	£880,000	£237
3	Small rural site, 3 dwellings	Kington and West Herefordshire	0%	372.0	£191,000	£1,910,000	£800,000	£1,110,000	£298
3	Small rural site, 3 dwellings	Ledbury Ross and Rural Hinterlands	0%	372.0	£257,000	£2,570,000	£800,000	£1,770,000	£476
3	Small rural site, 3 dwellings	Northern Rural	0%	372.0	£218,000	£2,180,000	£800,000	£1,380,000	£371
3	Small rural site, 3 dwellings	Leominster	0%	372.0	£111,000	£1,110,000	£500,000	£610,000	£164
3	Small rural site, 3 dwellings	Bromyard	0%	372.0	£127,000	£1,270,000	£500,000	£770,000	£207
4	Small rural site, 4 dwellings	Hereford Northern and Southern Hinterland	0%	452.0	£199,000	£1,170,588	£800,000	£370,588	£139
4	Small rural site, 4 dwellings	Kington and West Herefordshire	0%	452.0	£230,000	£1,352,941	£800,000	£552,941	£208
4	Small rural site, 4 dwellings	Ledbury Ross and Rural Hinterlands	0%	452.0	£298,000	£1,752,941	£800,000	£952,941	£358

Case Study Ref	Type	HMA	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
4	Small rural site, 4 dwellings	Northern Rural	0%	452.0	£255,000	£1,500,000	£800,000	£700,000	£263
4	Small rural site, 4 dwellings	Leominster	0%	452.0	£162,000	£952,941	£500,000	£452,941	£170
4	Small rural site, 4 dwellings	Bromyard	0%	452.0	£174,000	£1,023,529	£500,000	£523,529	£197
5	SHLAA site, 6 dwellings	Hereford Northern and Southern Hinterland	0%	682.8	£271,000	£1,355,000	£800,000	£555,000	£163
5	SHLAA site, 6 dwellings	Kington and West Herefordshire	0%	682.8	£292,000	£1,460,000	£800,000	£660,000	£193
5	SHLAA site, 6 dwellings	Ledbury Ross and Rural Hinterlands	0%	682.8	£408,000	£2,040,000	£800,000	£1,240,000	£363
5	SHLAA site, 6 dwellings	Northern Rural	0%	682.8	£351,000	£1,755,000	£800,000	£955,000	£280
5	SHLAA site, 6 dwellings	Leominster	0%	682.8	£189,000	£945,000	£500,000	£445,000	£130
5	SHLAA site, 6 dwellings	Bromyard	0%	682.8	£217,000	£1,085,000	£500,000	£585,000	£171
6	SHLAA site, 6 dwellings with access issues	Hereford Northern and Southern Hinterland	0%	682.8	£256,000	£1,280,000	£800,000	£480,000	£141
6	SHLAA site, 6 dwellings with access issues	Kington and West Herefordshire	0%	682.8	£276,000	£1,380,000	£800,000	£580,000	£170
6	SHLAA site, 6 dwellings with access issues	Ledbury Ross and Rural Hinterlands	0%	682.8	£393,000	£1,965,000	£800,000	£1,165,000	£341

Case Study Ref	Type	HMA	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
6	SHLAA site, 6 dwellings with access issues	Northern Rural	0%	682.8	£335,000	£1,675,000	£800,000	£875,000	£256
6	SHLAA site, 6 dwellings with access issues	Leominster	0%	682.8	£173,000	£865,000	£500,000	£365,000	£107
6	SHLAA site, 6 dwellings with access issues	Bromyard	0%	682.8	£202,000	£1,010,000	£500,000	£510,000	£149
7	SHLAA site, low density 6 dwellings	Hereford Northern and Southern Hinterland	0%	696.3	£271,000	£1,129,167	£800,000	£329,167	£113
7	SHLAA site, low density 6 dwellings	Kington and West Herefordshire	0%	696.3	£292,000	£1,216,667	£800,000	£416,667	£144
7	SHLAA site, low density 6 dwellings	Ledbury Ross and Rural Hinterlands	0%	696.3	£414,000	£1,725,000	£800,000	£925,000	£319
7	SHLAA site, low density 6 dwellings	Northern Rural	0%	696.3	£354,000	£1,475,000	£800,000	£675,000	£233
7	SHLAA site, low density 6 dwellings	Leominster	0%	696.3	£173,000	£720,833	£500,000	£220,833	£76
7	SHLAA site, low density 6 dwellings	Bromyard	0%	696.3	£206,000	£858,333	£500,000	£358,333	£124
8	SHLAA site, 8 dwellings	Hereford Northern and Southern Hinterland	0%	1,138.0	£443,645	£1,344,379	£800,000	£544,379	£158
8	SHLAA site, 8 dwellings	Kington and West Herefordshire	0%	1,138.0	£475,811	£1,441,852	£800,000	£641,852	£186
8	SHLAA site, 8 dwellings	Ledbury Ross and Rural Hinterlands	0%	1,138.0	£649,043	£1,966,797	£800,000	£1,166,797	£338

Case Study Ref	Type	HMA	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
8	SHLAA site, 8 dwellings	Northern Rural	0%	1,138.0	£563,022	£1,706,127	£800,000	£906,127	£263
8	SHLAA site, 8 dwellings	Leominster	0%	1,138.0	£311,216	£943,079	£500,000	£443,079	£128
8	SHLAA site, 8 dwellings	Bromyard	0%	1,138.0	£353,990	£1,072,697	£500,000	£572,697	£166
9	SHLAA site, 20 dwellings	Hereford Northern and Southern Hinterland	35%	1,479.4	£550,438	£821,549	£800,000	£21,549	£10
9	SHLAA site, 20 dwellings	Kington and West Herefordshire	35%	1,479.4	£591,831	£883,330	£800,000	£83,330	£38
9	SHLAA site, 20 dwellings	Ledbury Ross and Rural Hinterlands	40%	1,365.6	£794,447	£1,185,742	£800,000	£385,742	£189
9	SHLAA site, 20 dwellings	Northern Rural	40%	1,365.6	£715,373	£1,067,721	£800,000	£267,721	£131
9	SHLAA site, 20 dwellings	Leominster	25%	1,707.0	£456,110	£680,761	£500,000	£180,761	£71
9	SHLAA site, 20 dwellings	Bromyard	40%	1,365.6	£474,609	£708,372	£500,000	£208,372	£102
10	SHLAA site, 20 dwellings with access issues	Hereford Northern and Southern Hinterland	35%	1,479.4	£502,873	£750,557	£800,000	-£49,443	-£22
10	SHLAA site, 20 dwellings with access issues	Kington and West Herefordshire	35%	1,479.4	£544,267	£812,339	£800,000	£12,339	£6
10	SHLAA site, 20 dwellings with access issues	Ledbury Ross and Rural Hinterlands	40%	1,365.6	£746,883	£1,114,751	£800,000	£314,751	£154

Case Study Ref	Type	HMA	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
10	SHLAA site, 20 dwellings with access issues	Northern Rural	40%	1,365.6	£667,809	£996,730	£800,000	£196,730	£97
10	SHLAA site, 20 dwellings with access issues	Leominster	25%	1,707.0	£408,050	£609,030	£500,000	£109,030	£43
10	SHLAA site, 20 dwellings with access issues	Bromyard	40%	1,365.6	£431,493	£644,019	£500,000	£144,019	£71
11	SHLAA site, 55 dwellings	Hereford Northern and Southern Hinterland	35%	4,068.4	£1,366,401	£672,000	£800,000	-£128,000	-£58
11	SHLAA site, 55 dwellings	Kington and West Herefordshire	35%	4,068.4	£1,478,438	£727,101	£800,000	-£72,899	-£33
11	SHLAA site, 55 dwellings	Ledbury Ross and Rural Hinterlands	40%	3,755.4	£2,021,795	£994,325	£800,000	£194,325	£95
11	SHLAA site, 55 dwellings	Northern Rural	40%	3,755.4	£1,807,783	£889,074	£800,000	£89,074	£43
11	SHLAA site, 55 dwellings	Leominster	25%	4,694.3	£1,167,919	£574,386	£500,000	£74,386	£29
11	SHLAA site, 55 dwellings	Bromyard	40%	3,755.4	£1,170,713	£575,760	£500,000	£75,760	£37
12	SHLAA site, 120 dwellings	Hereford Northern and Southern Hinterland	35%	8,876.4	£2,861,190	£572,238	£550,000	£22,238	£10
12	SHLAA site, 120 dwellings	Kington and West Herefordshire	35%	8,876.4	£3,097,109	£619,422	£550,000	£69,422	£31
12	SHLAA site, 120 dwellings	Ledbury Ross and Rural Hinterlands	40%	8,193.6	£4,266,227	£853,245	£550,000	£303,245	£148

Case Study Ref	Type	HMA	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
12	SHLAA site, 120 dwellings	Northern Rural	40%	8,193.6	£3,815,538	£763,108	£550,000	£213,108	£104
12	SHLAA site, 120 dwellings	Leominster	25%	10,242.0	£2,373,419	£474,684	£375,000	£99,684	£39
12	SHLAA site, 120 dwellings	Bromyard	40%	8,193.6	£2,480,524	£496,105	£375,000	£121,105	£59
12	Sheltered Housing Scheme	Ledbury Ross and Rural Hinterlands	40%	4,860.0	-£467,890	-£584,863	£800,000	-£1,384,863	-£228
12	Sheltered Housing Scheme	Ledbury Ross and Rural Hinterlands	0%	8,100.0	£1,370,690	£1,713,363	£800,000	£913,363	£90

Case Study Ref	Site	HMA	Total dwgs	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
HD2	Hereford City Centre	Hereford	800	35%	41,756	13,371,786	£610,027	£600,000	£10,026.73	**£4**
HD3	Hereford Holmer West	Hereford	500	35%	32,468	9,912,981	£520,366	£300,000	£220,366.46	**£97**
HD5	Hereford Three Elms	Hereford	1,000	35%	64,935	17,611,786	£431,556	£300,000	£131,555.65	**£58**
HD6	Hereford Lower Bullingham	Hereford	1,000	35%	64,935	16,863,449	£413,219	£300,000	£113,218.55	**£50**
LB2	Ledbury North of Viaduct	Ledbury Ross & Rural Hinterland	625	40%	33,056	8,376,603	£396,619	£300,000	£96,619.46	**£46**
RW2	Ross on Wye Hildersley	Ledbury Ross &	200	40%	11,988	5,467,521	£765,759	£300,000	£465,759.24	**£222**

Case Study Ref	Site	HMA	Total dwgs	% AH	Total market sq m	RV	RV / gross ha	Main Benchmark	RV less main benchmark	**Main Benchmark Max CIL (£/sq m)**
		Rural Hinterland								
LO2	Leominster UE	Leominster	1,500	25%	112,388	2,604,727	£42,554	£250,000	-£207,446.05	**-£79**
LO2	Leominster UE (+10% SPs)	Leominster	1,500	25%	112,388	16,118,901	£263,338	£250,000	£13,337.71	**£5**
BY2	Bromyard Hardwick Bank	Bromyard	250	40%	14,985	3,836,377	£429,605	£250,000	£179,605.49	**£86**

ANNEX 8 - NON-RESIDENTIAL VIABILITY TESTS

Non-residential Viability Assessment Model

Office development of two storeys out of town (a/c multiple units) - BCIS costs

Size of unit (GIA)	1500	sq m	
Ratio of GEA to GIA	100.0%		
GEA	1500	sq m	
NIA as % of GIA	95%		
NIA	1425	sq m	
Floors	2		
Site coverage	40%		
Site area	0.19	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£97	
Rent premium			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 97	
Annual rent for assesment (total) - NIA			£ 138,225	
Yield			6.50%	
(Yield times rent)			**£ 2,126,538**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 2,009,961**
SCHEME COSTS				
Build costs	£ 1,130	per sq m	£ 1,695,000	
Additional build costs	£ -	per sq m	£ -	
Water efficiency	2.00%	of base build costs	£ 33,900	
External costs	10%	of base build costs	£ 169,500	
Total construction costs				***£ 1,898,400***
Professional fees	12.00%	of construction costs	£ 227,808	
Sales and lettings costs	3%	of GDV	£ 60,299	
S106 costs (not covered by CIL)			£ 20,000	
Total 'other costs'				***£ 308,107***
Finance costs	5.0%	Interest rate		
Build period	10	Months		
Finance costs for 100% of construction and other costs			£ 91,938	
Void finance/rent free period (in months)	36	Months	£ 330,976	
Total finance costs				***£ 422,914***
Developer return	20%	Scheme value		***£ 401,992***
Total scheme costs				**£ 3,031,413**
RESIDUAL VALUE				
Gross residual value				-£ 1,021,452
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 1,041,881
	Equivalent per hectare			-£ 5,556,699
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 534,000
Equivalent benchmark land value for site				£ 100,125
Potential for CIL for the scheme				-£ 1,142,006
Potential per sq m				NONE

Non-residential Viability Assessment Model

Office development of four storeys town centre (a/c) - BCIS costs

Size of unit (GIA)	2000	sq m
Ratio of GEA to GIA	100.0%	
GEA	2000	sq m
NIA as % of GIA	95%	
NIA	1900	sq m
Floors	4	
Site coverage	75%	
Site area	0.07	Hectares

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£107	
Rent premium			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 107	
Annual rent for assesment (total) - NIA			£ 203,300	
Yield			7.00%	
(Yield times rent)			**£ 2,904,286**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 2,745,072**
SCHEME COSTS				
Build costs	£ 1,388	per sq m	£ 2,776,000	
Additional build costs	£ -	per sq m	£ -	
Water efficiency	2.00%	of base build costs	£ 55,520	
External costs	10%	of base build costs	£ 277,600	
Total construction costs				***£ 3,109,120***
Professional fees	12.00%	of construction costs	£ 373,094	
Sales and lettings costs	3%	of GDV	£ 82,352	
S106 costs (not covered by CIL)			£ -	
Total 'other costs'				***£ 455,447***
Finance costs	5.0%	Interest rate		
Build period	14	Months		
Finance costs for 100% of construction and other costs			£ 207,933	
Void finance/rent free period (in months)	36	Months	£ 534,685	
Total finance costs				***£ 742,618***
Developer return	20%	Scheme value		***£ 549,014***
Total scheme costs				**£ 4,856,199**
RESIDUAL VALUE				
Gross residual value				-£ 2,111,127
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 2,153,350
	Equivalent per hectare			-£ 32,300,248
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 534,000
Equivalent benchmark land value for site				£ 35,600
Potential for CIL for the scheme				-£ 2,188,950
Potential per sq m				NONE

Non-residential Viability Assessment Model

Four industrial/warehouse units in a block of 1,600 sqm edge of town - BCIS

Size of unit (GIA)	1600	sq m	
Ratio of GEA to GIA	100.0%		
GEA	1600	sq m	
NIA as % of GIA	95%		
NIA	1520	sq m	
Floors	1		
Site coverage	40%		
Site area	0.40	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£50	
Rent premium			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 50	
Annual rent for assesment (total) - NIA			£ 76,000	
Yield			7.00%	
(Yield times rent)			**£ 1,085,714**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 1,026,195**
SCHEME COSTS				
Build costs	£ 912	per sq m	£ 1,459,200	
Additional build costs	£ -	per sq m	£ -	
Water efficiency	2.00%	of base build costs	£ 29,184	
External costs	10%	of base build costs	£ 145,920	
Total construction costs				***£ 1,634,304***
Professional fees	12.00%	of construction costs	£ 196,116	
Sales and lettings costs	3%	of GDV	£ 30,786	
S106 costs (not covered by CIL)			£ 20,000	
Total 'other costs'				***£ 246,902***
Finance costs	5.0%	Interest rate		
Build period	8	Months		
Finance costs for 100% of construction and other costs			£ 62,707	
Void finance/rent free period (in months)	12	Months	£ 94,060	
Total finance costs				***£ 156,767***
Developer return	20%	Scheme value		***£ 205,239***
Total scheme costs				**£ 2,243,213**
RESIDUAL VALUE				
Gross residual value				-£ 1,217,018
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 1,241,358
	Equivalent per hectare			-£ 3,103,395
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 534,000
Equivalent benchmark land value for site				£ 213,600
Potential for CIL for the scheme				-£ 1,454,958
Potential per sq m				NONE

Non-residential Viability Assessment Model

Warehouse/industrial unit of 5,000 sqm edge of town, accessible location

Size of unit (GIA)	5000	sq m
Ratio of GEA to GIA	100.0%	
GEA	5000	sq m
NIA as % of GIA	95%	
NIA	4750	sq m
Floors	1	
Site coverage	40%	
Site area	1.25	Hectares

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE			
Headline annual rent (in £s per sq m)		£48	
Rent premium		0%	
Headline annual rent (in £s per sq m) with BREEAM premium		£ 48	
Annual rent for assesment (total) - NIA		£ 228,000	
Yield		7.00%	
(Yield times rent)		**£ 3,257,143**	
Less purchaser costs	5.80 % of yield x rent		
Gross Development Value			**£ 3,078,585**
SCHEME COSTS			
Build costs	£ 565 per sq m	£ 2,825,000	
Additional build costs	£ - per sq m	£ -	
Water efficiency	2.00% of base build costs	£ 56,500	
External costs	10% of base build costs	£ 282,500	
Total construction costs			***£ 3,164,000***
Professional fees	12.00% of construction costs	£ 379,680	
Sales and lettings costs	3% of GDV	£ 92,358	
S106 costs (not covered by CIL)		£ 50,000	
Total 'other costs'			***£ 522,038***
Finance costs	5.0% Interest rate		
Build period	8 Months		
Finance costs for 100% of construction and other costs		£ 122,868	
Void finance/rent free period (in months)	24 Months	£ 368,604	
Total finance costs			***£ 491,472***
Developer return	20% Scheme value		***£ 615,717***
Total scheme costs			**£ 4,793,226**
RESIDUAL VALUE			
Gross residual value			-£ 1,714,641
Less purchaser costs	0.00 % Stamp duty land tax		£ -
	2.00 % Agent/legal purchase fees		£ -
Residual value	For the scheme		-£ 1,748,934
	Equivalent per hectare		-£ 1,399,147
	Not viable		
Potential for CIL			
Benchmark land value (per hectare)			£ 534,000
Equivalent benchmark land value for site			£ 667,500
Potential for CIL for the scheme			-£ 2,416,434
Potential per sq m			NONE

Non-residential Viability Assessment Model

Town centre comparison retail 800 sqm

Size of unit (GIA)	800	sq m	
Ratio of GEA to GIA	100.0%		
GEA	800	sq m	
NIA as % of GIA	95%		
NIA	760	sq m	
Floors	2		
Site coverage	80%		
Site area	0.05	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£185	
Rent premium			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 185	
Annual rent for assesment (total) - NIA			£ 140,600	
Yield			7.60%	
(Yield times rent)			**£ 1,850,000**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 1,748,582**
SCHEME COSTS				
Build costs	£ 997	per sq m	£ 797,600	
Additional build costs	£ -	per sq m	£ -	
Water efficiency	2.00%	of base build costs	£ 15,952	
External costs	10%	of base build costs	£ 79,760	
Total construction costs				***£ 893,312***
Professional fees	12.00%	of construction costs	£ 107,197	
Sales and lettings costs	3%	of GDV	£ 52,457	
S106 costs (not covered by CIL)			£ -	
Total 'other costs'				***£ 159,655***
Finance costs	5.0%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 52,648	
Void finance/rent free period (in months)	12	Months	£ 52,648	
Total finance costs				***£ 105,297***
Developer return	20%	Scheme value		***£ 349,716***
Total scheme costs				**£ 1,507,980**
RESIDUAL VALUE				
Gross residual value				£ 240,602
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ 4,812
Residual value	For the scheme			£ 235,884
	Equivalent per hectare			£ 4,717,690
		Go to next stage		
Potential for CIL				
Benchmark land value (per hectare)				£ 17,319,160
Equivalent benchmark land value for site				£ 865,958
Potential for CIL for the scheme				-£ 630,074
Potential per sq m				NONE

Non-residential Viability Assessment Model

Town centre comparison retail 800 sqm

Size of unit (GIA)	800	sq m	
Ratio of GEA to GIA	100.0%		
GEA	800	sq m	
NIA as % of GIA	95%		
NIA	760	sq m	
Floors	2		
Site coverage	80%		
Site area	0.05	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£140	
Rent premium			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 140	
Annual rent for assesment (total) - NIA			£ 106,400	
Yield			7.60%	
(Yield times rent)			**£ 1,400,000**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 1,323,251**
SCHEME COSTS				
Build costs	£ 997	per sq m	£ 797,600	
Additional build costs	£ -	per sq m	£ -	
Water efficiency	2.00%	of base build costs	£ 15,952	
External costs	10%	of base build costs	£ 79,760	
Total construction costs				***£ 893,312***
Professional fees	12.00%	of construction costs	£ 107,197	
Sales and lettings costs	3%	of GDV	£ 39,698	
S106 costs (not covered by CIL)			£ -	
Total 'other costs'				***£ 146,895***
Finance costs	5.0%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 52,010	
Void finance/rent free period (in months)	12	Months	£ 52,010	
Total finance costs				***£ 104,021***
Developer return	20%	Scheme value		***£ 264,650***
Total scheme costs				**£ 1,408,878**
RESIDUAL VALUE				
Gross residual value				-£ 85,627
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 87,339
	Equivalent per hectare			-£ 1,746,782
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 13,575,624
Equivalent benchmark land value for site				£ 678,781
Potential for CIL for the scheme				-£ 766,120
Potential per sq m				NONE

Non-residential Viability Assessment Model

Out of centre comparison retail multiple units totalling 6,000 sqm - BCIS costs

Size of unit (GIA)	6000	sq m	
Ratio of GEA to GIA	100.0%		
GEA	6000	sq m	
NIA as % of GIA	95%		
NIA	5700	sq m	
Floors	1		
Site coverage	40%		
Site area	1.50	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£135	
Rent premium			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 135	
Annual rent for assesment (total) - NIA			£ 769,500	
Yield			7.00%	
(Yield times rent)			**£ 10,992,857**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 10,390,224**
SCHEME COSTS				
Build costs	£617	per sq m	£ 3,702,000	
Additional build costs	£ -	per sq m	£ -	
Water efficiency	2.00%	of base build costs	£ 74,040	
External costs	10%	of base build costs	£ 370,200	
Total construction costs				***£ 4,146,240***
Professional fees	12.00%	of construction costs	£ 497,549	
Sales and lettings costs	3%	of GDV	£ 311,707	
S106 costs (not covered by CIL)			£ 500,000	
Total 'other costs'				***£ 1,309,256***
Finance costs	5.0%	Interest rate		
Build period	14	Months		
Finance costs for 100% of construction and other costs			£ 318,237	
Void finance/rent free period (in months)	12	Months	£ 272,775	
Total finance costs				***£ 591,012***
Developer return	20%	Scheme value		***£ 2,078,045***
Total scheme costs				**£ 8,124,552**
RESIDUAL VALUE				
Gross residual value				£ 2,265,672
Less purchaser costs	4.00	% Stamp duty land tax		£ 90,627
	2.00	% Agent/legal purchase fees		£ 45,313
Residual value	For the scheme			£ 2,137,426
	Equivalent per hectare			£ 1,424,951
		Go to next stage		
Potential for CIL				
Benchmark land value (per hectare)				£ 1,000,000
Equivalent benchmark land value for site				£ 1,500,000
Potential for CIL for the scheme				£ 637,426
Potential per sq m				£ 106

Non-residential Viability Assessment Model

Small Convenience Store 300 sqm

Size of unit (GIA)	300	sq m				
Ratio of GEA to GIA	100.0%					User input cells
GEA	300	sq m				Produced by model
NIA as % of GIA	95%					Key results
NIA	285	sq m		GEA		*Gross external area*
Floors	1			GIA		*Gross internal area*
Site coverage	40%			NIA		*Net internal area*
Site area	0.08	Hectares				

SCHEME REVENUE					
Headline annual rent (in £s per sq m)			£170		
Rent premium			0%		
Headline annual rent (in £s per sq m) with BREEAM premium			£ 170		
Annual rent for assesment (total) - NIA			£ 48,450		
Yield			7.50%		
(Yield times rent)			**£ 646,000**		
Less purchaser costs	5.80	% of yield x rent			
Gross Development Value				**£**	**610,586**
SCHEME COSTS					
Build costs	£ 1,081	per sq m	£ 324,300		
Additional build costs	£ -	per sq m	£ -		
Water efficiency	2.00%	of base build costs	£ 6,486		
External costs	10%	of base build costs	£ 32,430		
Total construction costs				***£***	***363,216***
Professional fees	12.00%	of construction costs	£ 43,586		
Sales and lettings costs	3%	of GDV	£ 18,318		
S106 costs (not covered by CIL)			£ -		
Total 'other costs'				***£***	***61,904***
Finance costs	5.0%	Interest rate			
Build period	6	Months			
Finance costs for 100% of construction and other costs			£ 10,628		
Void finance/rent free period (in months)	0	Months	£ -		
Total finance costs				***£***	***10,628***
Developer return	20%	Scheme value		***£***	***122,117***
Total scheme costs				**£**	**557,865**
RESIDUAL VALUE					
Gross residual value				£	52,721
Less purchaser costs	0.00	% Stamp duty land tax		£	-
	2.00	% Agent/legal purchase fees		£	1,054
Residual value	For the scheme			£	51,688
	Equivalent per hectare			£	689,168
		Go to next stage			
Potential for CIL					
Benchmark land value (per hectare)				£	600,000
Equivalent benchmark land value for site				£	45,000
Potential for CIL for the scheme				£	6,688
Potential per sq m				£	22

Non-residential Viability Assessment Model

Supermarket of 1,100 sqm

Size of unit (GIA)	1100	sq m	
Ratio of GEA to GIA	100.0%		
GEA	1100	sq m	
NIA as % of GIA	95%		
NIA	1045	sq m	
Floors	1		
Site coverage	40%		
Site area	0.28	Hectares	

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£145	
Rent premium			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 145	
Annual rent for assesment (total) - NIA			£ 151,525	
Yield			5.50%	
(Yield times rent)			**£ 2,755,000**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 2,603,970**
SCHEME COSTS				
Build costs	£ 1,356	per sq m	£ 1,491,600	
Additional build costs	£ -	per sq m	£ -	
Water efficiency	2.00%	of base build costs	£ 29,832	
External costs	10%	of base build costs	£ 149,160	
Total construction costs				***£ 1,670,592***
Professional fees	12.00%	of construction costs	£ 200,471	
Sales and lettings costs	3%	of GDV	£ 78,119	
S106 costs (not covered by CIL)			£ 100,000	
Total 'other costs'				***£ 378,590***
Finance costs	5.0%	Interest rate		
Build period	8	Months		
Finance costs for 100% of construction and other costs			£ 68,306	
Void finance/rent free period (in months)	12	Months	£ 102,459	
Total finance costs				***£ 170,765***
Developer return	20%	Scheme value		***£ 520,794***
Total scheme costs				**£ 2,740,741**
RESIDUAL VALUE				
Gross residual value				-£ 136,772
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 139,507
	Equivalent per hectare			-£ 507,298
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 2,000,000
Equivalent benchmark land value for site				£ 550,000
Potential for CIL for the scheme				-£ 689,507
Potential per sq m				NONE

Non-residential Viability Assessment Model

70 bedroom budget hotel out of town - BCIS costs

Size of unit (GIA)	2450	sq m			
Ratio of GEA to GIA	100.0%				User input cells
GEA	2450	sq m			Produced by model
NIA as % of GIA	95%				Key results
NIA	2327.5	sq m	GEA		*Gross external area*
Floors	3		GIA		*Gross internal area*
Site coverage	50%		NIA		*Net internal area*
Site area	0.16	Hectares			

SCHEME REVENUE				
Capital value per room			£ 55,000	
Rooms			70	
Gross capital value			**£ 3,850,000**	
Less purchaser costs	5.80	% of gross capital value		
Gross Development Value				**£ 3,638,941**
SCHEME COSTS				
Build costs	£ 990	per sq m	£ 2,425,500	
Additional build costs	£ -	per sq m	£ -	
Water efficiency	2.00%	of base build costs	£ 48,510	
External costs	10%	of base build costs	£ 242,550	
Total construction costs				***£ 2,716,560***
Professional fees	12.00%	of construction costs	£ 325,987	
Sales and lettings costs	3%	of GDV	£ 109,168	
S106 costs (not covered by CIL)			£ 10,000	
Total 'other costs'				***£ 445,155***
Finance costs	5.0%	Interest rate		
Build period	10	Months		
Finance costs for 100% of construction and other costs			£ 131,738	
Void finance/rent free period (in months)	6	Months	£ 79,043	
Total finance costs				***£ 210,781***
Developer return	20%	Scheme value		***£ 727,788***
Total scheme costs				**£ 4,100,285**
RESIDUAL VALUE				
Gross residual value				-£ 461,343
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 470,570
	Equivalent per hectare			-£ 2,881,042
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 534,000
Equivalent benchmark land value for site				£ 87,220
Potential for CIL for the scheme				-£ 557,790
Potential per sq m				NONE

Non-residential Viability Assessment Model

Edge of centre mixed leisure development

Size of unit (GIA)	3800	sq m			
Ratio of GEA to GIA	100.0%				User input cells
GEA	3800	sq m			Produced by model
NIA as % of GIA	95%				Key results
NIA	3610	sq m	GEA		*Gross external area*
Floors	2		GIA		*Gross internal area*
Site coverage	80%		NIA		*Net internal area*
Site area	0.24	Hectares			

SCHEME REVENUE				
Headline annual rent (in £s per sq m)			£102	
Rent premium			0%	
Headline annual rent (in £s per sq m) with BREEAM premium			£ 102	
Annual rent for assesment (total) - NIA			£ 368,220	
Yield			8.50%	
(Yield times rent)			**£ 4,332,000**	
Less purchaser costs	5.80	% of yield x rent		
Gross Development Value				**£ 4,094,518**
SCHEME COSTS				
Build costs	£ 1,197	per sq m	£ 4,548,600	
Additional build costs	£ -	per sq m	£ -	
Water efficiency	2.00%	of base build costs	£ 90,972	
External costs	10%	of base build costs	£ 454,860	
Total construction costs				***£ 5,094,432***
Professional fees	12.00%	of construction costs	£ 611,332	
Sales and lettings costs	3%	of GDV	£ 122,836	
S106 costs (not covered by CIL)			£ 20,000	
Total 'other costs'				***£ 754,167***
Finance costs	5.0%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 292,430	
Void finance/rent free period (in months)	0	Months	£ -	
Total finance costs				***£ 292,430***
Developer return	20%	Scheme value		***£ 818,904***
Total scheme costs				**£ 6,959,933**
RESIDUAL VALUE				
Gross residual value				-£ 2,865,415
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 2,922,723
	Equivalent per hectare			-£ 12,306,203
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 534,000
Equivalent benchmark land value for site				£ 126,825
Potential for CIL for the scheme				-£ 3,049,548
Potential per sq m				NONE

Non-residential Viability Assessment Model

Care home 60 bedrooms

Size of unit (GIA)	3000	sq m
Ratio of GEA to GIA	100.0%	
GEA	3000	sq m
NIA as % of GIA	95%	
NIA	2850	sq m
Floors	2	
Site coverage	40%	
Site area	0.38	Hectares

	User input cells
	Produced by model
	Key results
GEA	*Gross external area*
GIA	*Gross internal area*
NIA	*Net internal area*

SCHEME REVENUE				
Capital value per room			£ 118,000	
Rooms			60	
Gross capital value			**£ 7,080,000**	
Less purchaser costs	5.80	% of gross capital value		
Gross Development Value				**£ 6,691,871**
SCHEME COSTS				
Build costs	£ 1,318	per sq m	£ 3,954,000	
Additional build costs	£ -	per sq m	£ -	
Water efficiency	2.00%	of base build costs	£ 79,080	
External costs	10%	of base build costs	£ 395,400	
Total construction costs				***£ 4,428,480***
Professional fees	12.00%	of construction costs	£ 531,418	
Sales and lettings costs	3%	of GDV	£ 200,756	
S106 costs (not covered by CIL)			£ 75,000	
Total 'other costs'				***£ 807,174***
Finance costs	5.0%	Interest rate		
Build period	12	Months		
Finance costs for 100% of construction and other costs			£ 261,783	
Void finance/rent free period (in months)	0	Months	£ -	
Total finance costs				***£ 261,783***
Developer return	20%	Scheme value		***£ 1,338,374***
Total scheme costs				**£ 6,835,811**
RESIDUAL VALUE				
Gross residual value				-£ 143,939
Less purchaser costs	0.00	% Stamp duty land tax		£ -
	2.00	% Agent/legal purchase fees		£ -
Residual value	For the scheme			-£ 146,818
	Equivalent per hectare			-£ 391,515
		Not viable		
Potential for CIL				
Benchmark land value (per hectare)				£ 534,000
Equivalent benchmark land value for site				£ 200,250
Potential for CIL for the scheme				-£ 347,068
Potential per sq m				NONE