

South Somerset District Council

Community Infrastructure Levy Evidence Base

This report provides guidance for policy development and is not an independent scheme valuation for sites. It has been prepared using the data from quoted published data sources and from workshops and discussions with the development industry. The report provides a review of the development economics for different notional schemes rather than specific sites, and the results depend on the data inputs provided. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

Summary

1. Roger Tym & Partners with Baker Associates were commissioned by South Somerset District Council in May 2011 to undertake this Community Infrastructure Levy (CIL) viability study. This work has been undertaken using a combination of desk research and discussion with the development industry active in South Somerset through a workshop and individual consultation.
2. CIL is a levy that local authorities in England and Wales can choose to charge on new developments in their area in order to help pay for the infrastructure required. The introduction of CIL corresponds to changes in the way that Section 106 obligations can work and it is likely that most Local Authorities in England will choose to use CIL in order to continue using some of the value created by development to fund the infrastructure required.
3. This viability assessment is based upon our understanding of current values and costs, which may change in the future.

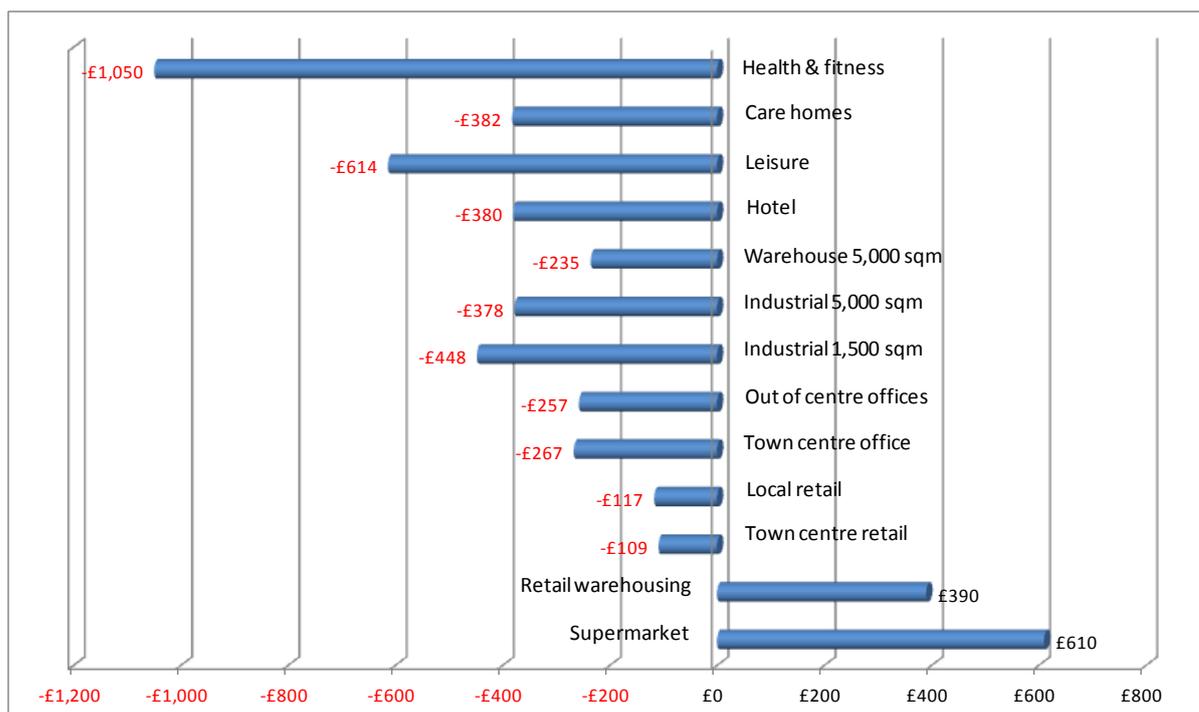
Residential Development Viability

4. The viability appraisals have demonstrated that with the 35% affordable housing CIL is deliverable at £100/sq.m for all sites except the generic urban extensions. The urban extensions have higher costs associated with opening up sites for development and this reduces viability. This situation is common in some form to most urban extensions and leaves two choices:
 - Maintain the target affordable housing proportion and set a different rate for CIL, either specifically for these locations or for the whole district. With a 35% affordable housing proportion then in order not to compromise viability the CIL rate for the urban extensions in Chard and Yeovil will have to be set at a lower rate of between £0 and £32 sqm respectively.
 - Set a standard CIL and reduce the proportion of affordable housing required from housing development within the urban extensions. If CIL is set at £100/sqm then in the Yeovil urban extension, the affordable proportion must reduce to 25% and at Chard it would need to reduce to 15%.
5. We recognise that for a variety of reasons (including the eco-town standards proposed for the Yeovil urban extension) that the provision of affordable housing is important. However the affordable housing requirement is one of the key factors affecting viability. If the Council does choose to implement a variable CIL for the locations with lower viability in order to support the delivery of affordable housing, it can also set a higher level of CIL outside the urban extensions, where values are higher. All the other locations outside the urban extensions could bear an increased level of CIL up to at least £150/sqm, and still remain viable.
6. Our recommendation is to set a residential CIL rate of £32sqm for the Yeovil urban extension and £0sqm for the Chard urban extension, and £150sqm for residential development elsewhere in the district.

Non-residential

7. Most of the non-residential uses tested through this study do not have enough viability to support a CIL of any sort. This includes B class uses as well as hotel, mixed leisure, care homes and health/fitness. However, larger format retail does demonstrate good positive viability. The graph below illustrates the residual development values, which include an allowance for a 'normal' S106 contribution and for land costs.

Non-residential residual value per sqm in South Somerset Summary



8. We recommend that non-residential development in South Somerset has a £0 CIL rate, with the exception of larger format retail (over 2,500sqm) which should attract £200sqm. This will include both convenience and comparison retailing over 2,500sqm and we have recommended one rate that should allow different types of large format retail to proceed without affecting viability. The reasons for this recommendation are:
- It is clear that there is not enough viability in most forms of non-residential development to support a levy.
 - Retail is able to support a levy, although only for larger format stores. The value evidence collected suggests the threshold is 2,500sqm and that a rate of £200-£300 could be supported depending on the type of retail.

CIL Funds Raised

9. Based on a simple analysis of the likely quantum of development and a hypothetical headline CIL charge of £150sqm for residential (except for Chard urban extension £0sqm and Yeovil urban extension £32sqm) and for £200sqm for retail over 2,500sqm, we believe that CIL might generate up to £3.1m in the first five years and £51.8m over the plan period.

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1 INTRODUCTION

Background

- 1.1 Roger Tym & Partners (RTP) and Baker Associates were commissioned to prepare three documents to provide South Somerset Council with an evidence base to support its planning policies on infrastructure and developer contributions:
- i The first document is the Report on Infrastructure Planning in South Somerset which sets out requirements, phasing, estimated costs and funding of infrastructure as at January 2012.
 - ii This is supported by a separate viability assessment - the subject of this report - which seeks to set out the implications of differing levels of viability for a variety of types of developments and locations, and how this might support a Community Infrastructure Levy (CIL).
 - iii Finally there is a separate paper setting out options regarding the CIL, its relationship with section 106 agreements and an assessment of current draft policy.
- 1.2 This viability assessment is based upon our understanding of current values and costs, which may change in the future.

CIL

- 1.3 CIL is a new levy that local authorities in England and Wales can choose to charge on new developments in their area. The introduction of CIL corresponds to changes in the way that Section 106 obligations can work and it is likely that most Local Authorities in England will choose to use CIL in order to continue using some of the value created by development to fund the infrastructure required.
- 1.4 The main points relating to CIL are:
- CIL applies to most new buildings and charges are based on the size and type of the new development. The exceptions are for non-residential development of less than 100 sqm, charitable uses or when there is no additional floorspace created. There is a mandatory exemption for social housing.
 - Charging authorities (in this case South Somerset) must produce a *charging schedule* which sets out the rate for their levy.
 - The levy is intended to encourage development by creating a balance between collecting revenue to fund infrastructure and ensuring that the rates are not so high that they put development across the area at serious risk. CIL Regulation 14 recognises that the introduction of CIL *may put some potential development sites at risk*.
 - These rates should be supported by evidence, such as the viability of new development and the area's infrastructure needs.
 - The charging authority can set one standard rate or it can set specific rates for different areas and types of development. Any differential rate must be justified by the viability of new development and differential CIL rates should seek to avoid undue complexity

- A charging authority is only required to use appropriate available evidence to 'inform the draft charging schedule'. A charging authority's proposed CIL should appear reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence.
- Charging authorities must consult their local communities – including local businesses and neighbouring authorities – regarding their proposed rates for their levy.
- The land owner is liable for the charge unless another party such as a developer has a material interest in the development.
- If the charging authority chooses it can adopt an exceptional circumstances policy to allow relief from the Levy. However there are state aid considerations that may arise from exemptions.
- While the charge becomes due when If the charging authority chooses it can adopt
- The charging authority can use up to 5% of CIL receipts to finance administrative expenses in connection with the Levy.

Infrastructure Required in South Somerset

- 1.5 Over the plan period it is estimated that there will be £466.5m of infrastructure required, of which £310.7m is a funding gap at the present time.

Table 1.1 South Somerset Infrastructure Costs and Funding (January 2012)

£s	Infrastructure costs	Identified Funding	Funding Gap
Physical Infrastructure	£55,766,344	£21,041,642	£34,724,702
Social & Community Infrastructure	£398,992,028	£134,744,919	£264,247,109
Green Infrastructure	£11,723,151	£29,116	£11,694,035
Total	£466,481,523	£155,815,677	£310,665,846

Source South Somerset IDP 2012

Objectives and Work Stages

- 1.6 The objectives of this report are to use the available evidence to assess the ability of different types of development to support a CIL. The stages of the study are to:
- i Consider the evidence relating to the costs and values of different residential and non-residential development in South Somerset; and consider whether there are differences in these values across different parts of the district
 - ii Review the types of development likely to come forward during the plan period, use this as a basis to generate some hypothetical development typologies
 - iii Undertake a series of viability tests on these hypothetical development typologies and consider whether there is value to support a CIL

2 WHAT GROWTH ARE WE TALKING ABOUT?

Introduction

- 2.1 This section summarises the growth anticipated in South Somerset over the span of the emerging LDF from 2013 to 2028. The plan period covers a target number of dwellings of around 16,000 although the detailed plans have the potential to accommodate a higher figure of up to 18,106 dwellings. Of these over 10,000 dwellings are currently without planning consent. The plan period also covers 172.5 ha of employment land, of which 109.86 are without current planning consent from 2006-2028. These figures have been derived from ongoing work undertaken in responding to representations on the draft Core Strategy and emerging further evidence. Whilst the eventual Core Strategy housing and employment provision may differ from these figures growth is expected to be of the same order of magnitude and will need to cover the full extent of potential infrastructure requirements for the Plan period.

Table 2.1 Planned growth

	Residential to 2028	Employment to 2028
Yeovil (Urban Area)	Completions - 1221 dwellings Existing commitments - 2,483 dwellings Allocations/residual – 2,396 dwellings Total = 6,100 dwellings	Completions - 3.89 ha Commitments & U/C – 26.72 ha Allocations, lapsed & CS – 14.23 ha Total = 45 ha Employment Land
Yeovil (Urban Extension)	Completions - 0 dwellings Existing commitments - 0 dwellings Allocations/residual – 2,500 dwellings Total = 2,500 dwellings	Completions - 0 ha Commitments & U/C - 0 ha Allocations, lapsed & CS – 11.5ha Total = 11.5 ha Employment Land
Chard	Completions - 370 dwellings Existing commitments - 151 dwellings Allocations/residual – 1,910 dwellings Total = 2,431 dwellings	Completions – 0.63 ha Commitments & U/C - 0.75 ha Allocations, lapsed & CS – 15.76ha Total = 17.5 ha Employment Land
Crewkerne	Completions - 190 dwellings Existing commitments - 186 dwellings Allocations/residual - 652 dwellings Total = 1,028 dwellings	Completions – 0.06 ha Commitments & U/C – 0.02 ha Allocations, lapsed & CS – 10.75 ha Total = 11 ha Employment Land
Ilminster	Completions - 132 dwellings Existing commitments - 67 dwellings Allocations/residual - 332 dwellings Total = 531 dwellings	Completions - 0.85 ha Commitments & U/C - 3.53 ha Allocations, lapsed & CS – 18.87 ha Total = 23.5 ha Employment Land
Wincanton	Completions - 238 dwellings Existing commitments - 454 dwellings Allocations/residual - 11 dwellings Total = 703 dwellings	Completions - 0.29 ha Commitments & U/C – 0.17 ha Allocations, lapsed & CS – 8.16 ha Total = 9.0 ha Employment Land
Somerton	Completions - 23 dwellings Existing commitments - 58 dwellings Allocations/residual - 319 dwellings	Completions – 1.91 ha Commitments & U/C - 0.0 ha Allocations, lapsed & CS – 3.0 ha

	Residential to 2028	Employment to 2028
	Total = 400 dwellings	Total = 5.0 ha Employment Land
Castle Cary and Ansford	Completions - 38 dwellings Existing commitments - 59 dwellings Allocations/residual - 303 dwellings Total = 400 dwellings	Completions - 9.26 ha Commitments & U/C - 0.0 ha Allocations, lapsed & CS – 3.93 ha Total = 13.5 ha Employment Land
Bruton	Completions - 91 dwellings Existing commitments - 22 dwellings Allocations/residual - 104 dwellings Total = 217 dwellings	Completions - 0.56 ha Commitments & U/C - 0 ha Allocations, lapsed & CS - 2 ha Total = 3.0 ha Employment Land
Ilchester	Completions - 0 dwellings Existing commitments - 0 dwellings Allocations/residual - 151 dwellings Total = 151 dwellings	Completions - 0.02 ha Commitments & U/C - 0.0 ha Allocations, lapsed & CS – 2.0 ha Total = 2.5 ha Employment Land
Langport/Huish Episcopi	Completions - 153 dwellings Existing commitments - 89 dwellings Allocations/residual - 158 dwellings Total = 400 dwellings	Completions – 0.44 ha Commitments & U/C - 0.0 ha Allocations, lapsed & CS – 3.0 ha Total = 3.5 ha Employment Land
Martock	Completions - 52 dwellings Existing commitments - 49 dwellings Allocations/residual - 145 dwellings Total = 246 dwellings	Completions – 0.11 ha Commitments & U/C - 0.21 ha Allocations, lapsed & CS – 4.47 ha Total = 5.0 ha Employment Land
Milborne Port	Completions - 126 dwellings Existing commitments - 66 dwellings Allocations/residual - 107 dwellings Total = 299 dwellings	Completions - 0.04 ha Commitments & U/C - 0 ha Allocations, lapsed & CS - 2 ha Total = 2.0 ha Employment Land
South Petherton	Completions - 103 dwellings Existing commitments - 48 dwellings Allocations/residual - 94 dwellings Total = 245 dwellings	Completions – 0.62 ha Commitments & U/C – 1.18 ha Allocations, lapsed & CS - 2 ha Total = 4.0 ha Employment Land
Stoke Sub Hamdon	Completions - 5 dwellings Existing commitments - 1 dwelling Allocations/residual - 49 dwellings Total = 55 dwellings	Completions - 0 ha Commitments & U/C - 0 ha Allocations, lapsed & CS - 2 ha Total = 2 ha Employment Land
Rural Settlements	Completions - 693 dwellings Existing commitments - 574 dwellings Allocations/residual - 1,133 dwellings Total = 2,400 dwellings	Completions – 6.22 ha Commitments & U/C – 2.64 ha Allocations, lapsed & CS - 6 ha Total = 14 ha Employment Land
TOTAL	Completions 2006 – 2010 = 3,435 All commitments at 2010 = 4,307 Allocations/residual to 2028 = 10,364 Total Dwellings = 18,106	Completions 2006 – 2010 = 23.7 ha All commitments at 2010 = 35.24 ha Allocations, lapsed & CS to 2028 = 109.86 ha Total Employment = 172.5 ha

2.2 An indicative housing trajectory has been developed as part of this study in discussion with South Somerset District Council.

Table 2.2 South Somerset Phasing

Core strategy target	Completions 2006-2011	Commitments and allocations/ residual	<i>Commitments only</i>	2011-2016	2016-2021	2021-2026	2026-2028+
16,000 to 18,106	3,435	14,671	4,307	3,859	4,062	4,129	2,621

2.3 Note that some of the consents relate to large scale developments that will start in the 2011-16. Taking this into account there will be an estimated 828 completions currently without consent 2011-16 and 8,258-10,364 over the plan period.

Residential

- 2.4 We have tested the ability to pay CIL by loading the CIL payment into viability appraisals, using a number of generic site models. The dwelling mix for each model reflects location and site characteristics, and the housing market in the nominal location. Town centre sites are more likely to accommodate flats, whilst greenfield urban extensions will have a wide range of family dwellings across the board to reflect the entire range of market demand.
- 2.5 We have made reasoned assumptions about the type of dwellings and density that would be appropriate for the location and size of the site, and each viability appraisal starts with a summary, detailing the assumptions made about the total number of dwellings, the mix of types, and the resultant floor areas. The dwelling mix for each generic site is derived from information contained in the SHMA on recommended dwelling mix for both affordable and open market housing.
- 2.6 A merged mix of affordable and open market housing, based on 35% provision of affordable units, has been used. However, where there is good reason to reach a different conclusion about total dwelling yield, for instance, because of site characteristics, or market indications as part of the housing market research undertaken, this is made clear within the detailed appraisals.
- 2.7 The house building industry generally still works in imperial rather than metric measurements, and rather than confuse the situation with a mixture of both, or use metric for the sake of convention, we have opted here to use imperial measurements, such as sq. ft. and acres. We have also made assumptions about the likely saleable floorspace of the dwellings (in order to generate an overall sales turnover). Until about 2008, the vast majority of housing schemes ranged from around 18,000 sq.ft/acre (sfa) for predominantly 2 - 2.5 storey development, and up to 20,000 - 24,000 sfa for 2.5 - 4 storey scheme.
- 2.8 Since the recession, with market resistance to 3+ storey townhouses and flats, developers are reducing coverage to an average ranging from 13-16,000 sfa. There is a diminishing return on the third storey in townhouses, since lower sale prices per sq.ft are achieved, and there comes a point where a higher land value can be generated on traditional 2-storey dwellings
- 2.9 Floorspace is also affected by the loss of land given over to other uses than residential. Housing needs to be serviced by roads for instance, and, for larger developments, land is required for public open space, strategic landscaping, community buildings, employment, and possibly schools. The Core Strategy requires that, subject to viability, the urban village

and urban extension at Yeovil are built to Eco-town standards, including 40% of the area given over to green space. These standards are reflected in the viability appraisals.

- 2.10 A CIL obligation is incurred when consent is granted and the requirement to pay will start when the consent is implemented (unless South Somerset utilises a payment schedule policy in which case it will be at some point after implementation). We are able to use phasing table 2.2 to estimate the number of dwellings that might receive consent after the adoption of CIL (currently programmed for March 2013) and will implement that consent within the first five years. We have used the uncommitted development above to estimate that within the first five years there may be 828 dwellings that may attract CIL.

Employment

- 2.11 The 2009 Employment Land Review for South Somerset provides an indication of the development that has occurred in recent years and the likely employment development in the future.
- 2.12 In employment terms, manufacturing remains a major employer and the Yeovil area is one of the most important aerospace engineering areas in Britain has meant that over the years high technology expertise and research and development skills have been a spin off, and it is this advanced engineering sector that is now a business priority sector. Innovation and product diversification by small business is viewed as a key growth area in the future. The Lynx contract, recently won by Agusta-Westland also means that engineering will continue to be a crucial feature of the Yeovil and South Somerset economy for many years. The public sector, construction and financial services sectors are also set to grow in employment terms in the future.
- 2.13 Consents granted have included B1 office and industrial use buildings (land off Bunford Lane, Yeovil) as well as the Lufton Key Site with 4.8 hectares of land to be used as an extension to a B1, B2 and B8 Business Park
- 2.14 Elsewhere in the district there has been the development of the Royal Canin pet food factory in Ansford & Castle Cary and the review of the employment land needs across the various settlements in South Somerset has indicated a need for space for traditional B1, B2 and B8 uses.

Retail

- 2.15 The draft core strategy cites the district's Retail Study shows that incomes and expenditure have grown strongly in South Somerset over the last 20 years with retail expenditure growing faster than incomes and a trend of increased mobility leading to larger centres being favoured over smaller ones with a corresponding loss of market share for the smaller centres in the District. This trend is re-enforced by the growing number of retailers especially convenience retailers requiring larger shop units to meet their shop format needs. Coffee shops, quality restaurants, bars and leisure opportunities are increasingly important in drawing people into a centre and keeping them longer and in encouraging return trips.

- 2.16 The Retail Capacity Study Update November 2010 sets out the quantum of convenience and comparison floorspace likely to be required over the plan period. These requirements can be adjusted to estimate the quantum of new floorspace to be delivered in each of the plan periods. We have estimated this delivery for the purposes of this study based upon the Retail Update and discussion with the District Council.

Table 2.3 Convenience Floorspace sqm sales area

	2011-2016	2016-21	2021-2026	2026-2028	Total
Convenience	1,085	1,161	1,359	815	4,421
Comparison	632	3,615	8,112	4,867	17,226
Total	1,717	4,776	9,471	5,683	21,647

- 2.17 Recent retail development in South Somerset has mainly been convenience retail, such as Lidl in Wincanton, Tesco in Ilminster, extensions to the Lidl, Morrisons and Asda in Yeovil, and Waitrose in Crewkerne. There is also outline consent for convenience retail in West Hendford, Yeovil, and convenience retail is also proposed for Chard town centre. However in terms of comparison retail, there is a proposal for a department store anchor in the Quedam Centre in Yeovil.

Development Typologies

- 2.18 Based on the earlier review of the recent and planned development in South Somerset we have identified a set of development typologies representative of likely future schemes. These have been informed by real situations, but are not intended to represent any actual developments.

Residential

- 2.19 The notional residential sites to be tested are

Table 2.4 Residential Notional Sites for Viability Testing

Generic Site	Nominal Location	Dwelling Capacity
Urban extension model	Yeovil	3,000
Urban extension model 2 - CIL reduced to £32/sq.m	Yeovil	3,000
Urban extension model	Chard	1,440
Urban extension model 2 - CIL removed	Chard	1,440
Urban extension model	Ilminster	300
PDL model	Yeovil	85
Greenfield model	Wincanton	60
PDL model	Crewkerne	30
Greenfield model	Somerton	20
PDL model	Chard	9
Greenfield model	Castle Cary	8
Greenfield garden model	Yeovil	4
Greenfield garden model	Milbourne Port	1

Non-residential

A1 Retail

2.20 We have based our A1 assumptions on three retail typologies:

- Supermarkets and large food stores – Edge of town/urban extension development of gross 2,500 sqm with a site coverage of 40%
- Retail warehouses – Edge of town development of six retail warehouses totalling 10,000 sqm gross with a site coverage of 40%
- Secondary centre shops – Town or secondary centre retail of 300 sqm gross with site coverage of 80%

2.21 We are aware that in policy terms retail development is planned to take place in the town centres, and the third typology relates to this. However it is possible that as growth happens retailers may seek to provide large format retail and through sequential testing this may be developed on edge of town sites.

A2 Financial and Professional Services

2.22 We have included this use within the A1 use class assessment above, on the basis that subject to consent these uses are likely to occupy the same sorts of premises as many A1 town centre uses and therefore the viability will be covered by the assessment of the viability of A1 town centre uses.

A3 Restaurants and Cafes

2.23 Again we have included this use within A1 town centre retail above, on the basis that subject to consent these uses are likely to occupy the same sorts of premises as many A1 town centre uses and therefore the viability will be covered by the assessment of the viability of A1 town centre uses.

A4 Drinking Establishments

2.24 Again we have included this use within A1 town centre retail above, on the basis that subject to consent and licensing these use are likely to occupy the same sorts of premises as many A1 town centre uses and therefore the viability will be covered by the assessment of the viability of A1 town centre uses.

A5 Hot Food Takeaways

2.25 Again we have included this use within A1 town centre retail above, on the basis that subject to consent these uses are likely to occupy the same sorts of premises as many A1 town centre uses and therefore the viability will be covered by the assessment of the viability of A1 town centre uses.

B1 Business Offices

2.26 We have used two B1 Office typologies:

- In town – 800 sqm with building foot print site coverage of 90% (development over 5 floors)

- Edge of town development of gross 2,000 sqm building foot print site coverage of 40% (development over two floors).

2.27 The non-office B1 uses are covered by the B2/B8 uses discussed below.

B2 General Industrial

2.28 We have used two B2 general industrial typologies:

- Edge of town industrial units of gross 1,500 sqm with site coverage of 40%. May include subdivisions into smaller workshop units.
- Edge of town industrial unit of gross 5,000 sqm with site coverage of 40%.

B8 Storage/distribution

2.29 As per B2 General Industrial as in practice the activity will have the same types of premises as the larger B2 typology; i.e. warehouse of gross 5,000 sqm with site coverage of 40%.

C1 Hotels

2.30 60 bedroom hotel of gross 2,800 sqm on two floors on an edge of town site with 80% site coverage.

D1 Non-residential Institutions

2.31 Non residential institutions will vary from public sector or charitable institutions such as health centres, Children's Centres, libraries and museums through to commercial uses such as private sector child care facilities. Many of these will be charitable or public sector uses which are not viable in any commercial sense and we have not sought to test these. We propose that the majority of other development falling into this category will be similar to town centre shops – in that they are 'selling' services such as childcare.

D2 Assembly and Leisure

2.32 Assembly and leisure also varies considerably but with common factors. We have tested two types of development which may come forward:

- A mixed leisure scheme to include facilities such as cinema, bowling, health and leisure complex, gambling and associated eating and drinking establishments.
- A stand alone commercial health and leisure facility.

Sui Generis

2.33 Sui Generis uses include theatres; houses in multiple occupation; hostels providing no significant element of care; scrap yards; petrol filling stations; shops selling and/or displaying motor vehicles; retail warehouse clubs; nightclubs; launderettes; taxi businesses; and amusement centres. The types of premises, value of uses and development costs for premises accommodating these types of activity will vary considerably; and this means that Sui Generis uses cannot be treated in the same way as the other use classes.

2.34 Our approach to this issue has been to consider the types of premises and locations that may be used for Sui Generis and assess whether the costs and value implications may have similarities with other uses. We have also considered the likely developments within the plan period as a guide to whether more detailed work might be useful.

- **Theatres** – very few new theatres are being developed in the UK and the exceptions – such as Chester – are in locations with large catchments, an existing foundation of extensive artistic activity and a local authority with the means and inclination to pay. We do not consider it likely that a new theatre will be developed in South Somerset during the plan period.
- **Hostels** providing no significant element of care – these are likely to be either charitable or public sector uses such as probation hostels, half-way houses, refuges etc., or low cost visitor accommodation such as Youth Hostels. Our view is that the charitable uses are dependent upon public subsidy for development and operation, and therefore not viable in any commercial sense. Youth Hostels are operated on a social enterprise basis with small financial returns. Neither of these scenarios offer significant commercial viability.
- **Scrapyards** – there may be new scrapyard/recycling uses in South Somerset in the future, particularly if the prices of metals and other materials rise. Subject to consent 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.
- **Petrol filling stations** – we are aware that the recent new filling stations have generally been as part of larger supermarket developments, with independent filling stations closing. It seems unlikely that here will be significant new stand-alone filling station development.
- **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. Therefore they are covered by this viability assessment.
- **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. Therefore they are covered by this viability assessment.
- **Launderettes** – 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.
- **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.

3 VALUES AND COSTS

Introduction

- 3.1 The residential and non-residential viability assessments are based around a clear understanding of the values from new development in South Somerset and the costs associated with bringing the development forward.
- 3.2 The information on values and costs has been drawn from published sources such as Land Registry, Valuation Office Agency, Building Cost Information Service, Focus Co-star, generic websites such as the Right Move, other web-based information on sale and rental prices and specific trade price articles about values and costs as well as through discussions with developers and agents. A review of this information was undertaken and then discussed with representatives of the development industry in June 2011¹. The discussions with the development industry provided invaluable information about the various elements of the market, particularly about likely sales revenues.
- 3.3 A further source of information was the work undertaken separately by Thomas Lister on behalf of South Somerset in order to assess the deliverability of the Chard Regeneration Framework prepared by LDA. Strategic infrastructure costs for urban extensions have also been sourced from Gardiner & Theobald's phased Cost Plan for the Chard Regeneration Plan. This included discussion of viability and this study was able to make use of the information collected in Chard.

Residential

- 3.4 A number of assumptions need to be made as part of the viability appraisal process in order to illustrate value. A site can be developed in a myriad of different ways, and the variables are so numerous that the valuation permutations are practically infinite. The principal variable factors are explored below:

Coverage, or saleable floorspace

- 3.5 The amount of saleable floorspace per site has a major effect on sales turnover, and in turn, on land value, which is a consequence of the relationship between sales turnover and development costs, profit, and overhead. Total turnover is dramatically increased by greater coverage. Each residential viability model makes assumptions about the kind of development anticipated on each model site, and the saleable floorspace that will be achieved.

¹ The list of attendees is set out in Appendix 1

Table 3.1 Typical Residential Floorspace

Dwelling type	Typical floorspace range sq.ft
1-bed 2 person	450 - 500
2-bed 3 person	650 - 700
2-bed 4 person	700 - 750
3-bed 5 person	800 - 850
3-bed 6 person	850 - 950
4-bed 6 person	1100 - 1250
4-bed 8 person	1300 - 1900
5-bed 8+ persons	2000+

Sales value for open market housing

- 3.6 The housing market analysis has considered all new developments currently on the market. This evidence has been used to establish a range of sales prices to be expected in each part of the District, that have been applied to each generic site appraisal, which consider different sales values for each site, based on the location and characteristics. Evidently, the higher the sales value, the greater the chance of achieving viability.
- 3.7 Sales values are also affected by the specification of the development. A high specification scheme, usually in a high demand location, can lead to premium sale prices. Selling prices for a top quality scheme may achieve up to £300/sq.ft, but to reach such high values, the construction costs will be commensurately higher, and this has been reflected in the Viability Appraisals. Open market sales values are also affected by the proportion of affordable housing on a site, as well as the juxtaposition of open market housing with affordable housing, particularly social rented units.
- 3.8 Values are also affected by the size of the site, reflecting return on capital employed across a period of time, the cost of financing a purchase compared with the time taken to receive all site sales value.
- 3.9 Future sales rates will also have a major effect on the overall financing, and most volume housebuilder projects will seek to achieve around 35-40 open market sales per year (down some 20% from 2007) in order to justify the land economics upon which the land purchase is based. On larger sites (of, say, 4+ developers), that will be identified through the development plan (of, say, 4+ developers), and allowing for affordable housing, this would result in some 200+ + dwellings per annum (dpa) being completed, allowing for affordable housing. For the largest urban extensions of 1000+ dwellings, with 5+ developers at any one time, this could result in some 260+ dpa. Each potential urban extension would need to be assessed individually if using this kind of estimation for housing trajectory purposes.
- 3.10 Based on the evidence review and refined through discussion with the development industry representatives, the following values have been used. In terms of achievable sales prices, open market revenues vary from around £200/sq.ft in Chard, £205/sq.ft in

Crewkerne, £210 - £220/sq.ft in Yeovil and Wincanton, £215/sq.ft in Ilminster, £230/sq.ft in Somerton and Castle Cary, and £235/sq.ft at Milborne Port.

Sales value for affordable housing

- 3.11 Registered Providers of Social Housing (RPs) - housing associations and other qualified providers - have access to funds from the Homes and Communities Agency in the form of subsidy from public funds, such as Social Housing Grant (SHG) to purchase land, and develop or purchase affordable housing, including units from developers through the operation of S.106 agreements. The most common delivery of affordable housing is that properties are built by the developer and transferred to the RP at a price below the full market value. The gap between the full cost and the price paid to a developer represents the level of private subsidy (e.g. developer or landowner subsidy).
- 3.12 In the current economic climate, it is increasingly important to ensure that the most effective use is made of public funds. The HCA guideline has recently changed, and now RPs should only pay the capitalised net rental stream on s106 sites. The generic viability appraisals use revenues that equate to this level of capitalised rental for all affordable housing tenures. We have estimated this to be about 50% of the open market sales values, representing a rate that RPs can purchase from developers without the use of grant subsidy. This proportion reflects the current research carried out by Thomas Lister for the Chard market assessment.
- 3.13 The new affordable tenure known as 'Affordable Rent' may have an impact upon revenues. Under this new system brought in by the HCA, RPs will be able to charge up to 80% of gross market rents (inclusive of service charges), in contrast to social rent at about 40% - 50%. In a study by DSP Housing and Development Consultants for Elmbridge Council in March 2011 it is concluded that the price likely to be received by a developer for completed units would be no lower with affordable rent than with social rent, and probably higher.
- 3.14 The affordable revenue is expressed as a proportion of open market value sales revenues. Each site is different, but a range of about 50% is usually achieved across a range of tenure mixes. The generic site appraisals are based on achieving 50% of open market sales revenues². It may be that the overall revenue from affordable housing will increase above 50% of open market revenue, and this should be the subject of future monitoring, following a period of operation of the new Affordable Rent tenure. The current South Somerset policy position of seeks 2/3 of affordable housing as social rent and 1/3 as intermediate (including affordable rent).
- 3.15 Each site viability appraisal assumes that affordable housing will be provided on site at 35% of the total dwellings, as sought through emerging Core Strategy policy, except small sites accommodating 1-5 dwellings, which are exempted through policy. Each qualifying site has been assessed as providing affordable housing through S.106 agreements.

² This approach is also used by cost consultants Thomas Lister, currently advising the Council on detailed development proposal viability for Chard.

- 3.16 There are a wide variety of possible ways to provide affordable accommodation, with or without grant. We have assumed, in line with the latest HCA Guidance, that no social housing grant will be available to support the transfer and acquisition of affordable housing through their delivery by S.106 agreements from the private housing developers to housing associations.
- 3.17 We are aware that South Somerset District Council has some funding which is intended to support the provision of affordable housing, particularly where developers are not able to provide the target 35% with 67% of these at social rent. However for the purposes of this viability assessment we have taken the view that this funding is exceptional top up funding rather than something that can be relied upon for the range of different developments in the District.

Build costs

- 3.18 The overall build costs, including on-site infrastructure, must be deducted from total turnover to give an interim land value. After consultation with the housebuilding industry operating locally a range of all-in build costs including externals have been used. We have also reflected evidence from three recent and current viability appraisals by the Valuation Office on behalf of the Council. All-in build costs in these cases varied between £72/sq.ft and £116/sq.ft for a one-off high value conversion scheme.
- 3.19 Volume and regional housebuilders usually build at an average of about £70 - £80/sq.ft all in, including normal infrastructure and externals, and the range reflects the ability of the volume housebuilders to achieve significant economies of scale in the purchase of materials and the use of labour. Many smaller developers are unable to attain these economies, so their construction costs will be higher; however, this can be compensated for by lower overheads, and this often enables smaller developers to acquire sites in competition.
- 3.20 Build costs for conversions are often as high as new build, particularly since they are in the main carried out in small schemes by individual developers without economies of scale. In addition, build costs for flats are generally higher than for traditional 2 or 3 storey developments, due to higher costs associated with circulation space, multi-storey construction, and extra facilities such as lifts. The Workshop on 27th June provided useful feedback on build costs, and as a result build costs have been adjusted to allow for contingencies.
- 3.21 Registered Providers of social housing also tend to specify higher build costs than the volume housebuilders. This is because they normally employ the main site contractor for the construction of affordable dwellings, who charge RPs a build profit. In this way, the volume builders build at cost, whereas the Housing Associations pay a profit element on top of build costs to the main contractor.
- 3.22 Typically, a Housing Association might have build costs of £85 - £110/sq.ft. In order to compensate for these higher build costs, an RP will not require the profit levels sought by the private developers, typically 15%-20% of gross turnover, and in addition, part of the building costs fees may be absorbed in the contractor's build cost. Much of the affordable housing delivered through S.106 agreements is actually built by the volume developers at

their lower rates, and a build profit on affordable housing provision has been factored into the appraisals.

- 3.23 The generic site appraisals have reflected the likely build costs of each individual site, taking £80/sq.ft as the normal all-in build costs with abnormal costs in addition. This increases up to £95/sq.ft for certain small sites which are likely to have a higher specification. Code 3 and 5 costs, including Eco-Town standards, are in addition, as explained below.

The Code for Sustainable Homes

- 3.24 The government is committed to ensuring that all new-build homes are zero carbon from 2016. However, in the Budget 'Plan for Growth' of March 2011 the government has retracted from emissions not covered by the Building Regulations, in order to ensure that it remains viable to build new homes in the context of the recession.
- 3.25 From 2016, the revised definition of Zero Carbon now only meets Code for Sustainable Homes (CSH) Level 5, requiring that 100% of emissions from heating, lighting, and heating hot water need to be reduced or generated on site. The consequence for construction costs has yet to be fully assessed, but the new standards will result in higher build costs, that could affect viability. The possible increased costs for implementing the Code have been estimated in a report by CLG "Code for Sustainable Homes, a Cost Review", March 2010.
- 3.26 The additional cost estimates for all the Code Levels vary depending on site type, location, and size. The report suggests that Level 3 can be achieved for no more than an additional £3-8,000 per home, whereas the scenarios modelled for Levels 4 and 5 show cost increases of between about £8,000 and £30,000. Accordingly, it is critical to allow additional costs for the extra CSH costs.
- 3.27 It is important to reflect the circumstances applying both today for sites coming up for development, and for sites that will be developed post-2016, to reflect Code 5 requirements. Accordingly, we have allowed for additional Code 3 costs at an average of £5/sq.ft to cover this extra cost, providing an additional £3,250 for a 2-bed house, and £6,500 for a typical detached unit. To achieve Code 5 for large urban extensions, the CLG's Cost Review sets the average extra-over cost at 31% above base build costs, so an additional £25/sq.ft has been added in these circumstances. The zero-carbon status implicit in Code 5 meets the exacting construction standards for an Eco-Town, which is required for the Yeovil urban extension. The other additional requirements for Eco-Town standards have all been reflected in the appraisals.

Developer's profit and professional fees and financing

- 3.28 All developers have a slightly different approach to levels of profit and overhead. Profits are derived from turnover across a number of sites, some of which may have been held long-term in land banks, and others acquired as a result of option agreements where price is established at a discount to Open Market Value (OMV). The most appropriate profit level is that which most developers currently assume when appraising sites for purchase for immediate development. This is an accurate reflection of the operation of the market for land and new homes for a study that is reflecting conditions in 2011.

- 3.29 Traditionally, benchmark developer profit for residential-led schemes has been around 15% on gross turnover, but as the property market boomed in the period 2000 - 2007 many developers were content to accept lower initial profits on the back of a rising market. However, in the current risk-averse market, investors and lenders (banks) are driving developers to seek higher profits and typically developers would now look to secure profit levels of around 20% of gross turnover, although to be successful in a competitive land buying market, developers often need to reduce this profit level. Thomas Lister suggests for Chard that about 15% is the current norm, so we have taken 18% to be a reasonable average for the generic viability appraisals, on the basis that the viability appraisal addresses development over a 20-year period, and this average figure of 18% is appropriate over the medium to long term.
- 3.30 Fees also need to be taken into account, including architects, engineers, planning, survey, project manager and insurances, which amount to 6.5% of the gross construction cost. In addition, allowances have been made for financing costs of construction, as well as land purchase, allowing for annual interest costs to be included for large schemes, reflecting phased purchase, completion rates, and sales revenues.
- 3.31 Allowances have also been made for Stamp Duty Land Tax, and legal costs, which have all been factored into the generic viability assessments, in addition to allowances for marketing fees.

Additional or 'abnormal' development costs

- 3.32 The next stage in the consideration of land valuation and variables is an examination of development costs, beyond those accounted for in the overall build costs. These will include physical items such as improvements to highway access, off-site highway improvements, additional drainage requirements, strategic landscaping, tree retention, increased costs associated with development on excessive gradients, costs of demolition, remediation of contamination, and abnormal foundations. These are sometimes referred to as 'opening up' costs.
- 3.33 There will be different levels of development costs according to the type and characteristics of each site. The approach taken is to reflect in each generic appraisal an amount that would typically be expected on the type of site being assessed, taking into account location, size, character, and whether the site is PDL or Greenfield. An allowance for demolition and remediation costs is included where this is evident, such as on generic PDL sites. We have allowed significant amounts for the provision of this infrastructure in the generic urban extension models, equating to about £200,000 - £250,000 per net developable acre. This is in addition to the CIL allowance.
- 3.34 In the case of the Chard urban extension model, the Council has commissioned cost consultants to provide a Phased Cost Plan for the Chard Regeneration Plan. These costs totalled £28.5m in Phases 1 – 4A to support 2000 units at a rate of £14,250/dwelling. These costs will allow for all highway, drainage, utility improvements, and open space, but not education, health, leisure, which is intended to be financed through CIL. We have used these actual costs as the base applied pro-rata to our viability model. The amount achieved

by the pro-rata application provides a total of £20.52m, or £228k/acre, which is a good ratification of the allowance we have used elsewhere.

Community gain

- 3.35 While the introduction of CIL has seen changes to the way that S106 will operate, there will still be a need to negotiate appropriate developer contributions to mitigate the impacts of development and ensure it is acceptable, subject to the obligations being necessary, direct and fair. Section 106 agreements will therefore exist alongside CIL as the principle way of achieving the on site requirements directly resulting from a proposed development.
- 3.36 The Council's approach to planning contributions is set out within the following proposed Core Strategy policies:
- SS6 Phasing and Cumulative Impact
 - SS7 Planning Obligation
 - SS8 Viability
 - HG4 Provision of Affordable Housing
 - TA1 Low Carbon Travel
 - TA3 Transport Impact of New Development
 - HW1 Provision of open space and outdoor playing space
 - HW2 Provision of Sports, Cultural and Community Facilities
 - Yeovil (YV2, YV4, YV5)
 - Chard (CV1, CV2, CV3, CV4)
- 3.37 All of the costs implicit in these policies have been taken into account in our assumptions for the level of CIL provision, the provision of affordable housing, additional development costs including the continuing requirement for S.106 agreements, as well as by including appropriate levels of non-developable areas within the viability models.
- 3.38 One of the most significant items of community gain sought from residential development sites is affordable housing, discussed previously. Other planning obligations, such as contributions towards education provision, and strategic off-site sport and leisure, are likely to be part of the CIL. However there will still need to be some site specific issues that will continue to be addressed through S106. We have therefore included an allowance, based upon an analysis of the S106 contributions negotiated by the District Council in the past³, as these will form a necessary cost to development in the future. This analysis indicates an average site specific S106 payment of £6,700.

³ The analysis reviewed past S106 developer contributions and identified what proportion might represent the 'strategic' infrastructure likely to be funded by CIL and what proportion would be directly site specific and continue to form part of S106 negotiations.

Non-residential

- 3.39 In establishing the GDV of a typical development in South Somerset, this study has conducted considerable market research through various data sources such as Focus and other published sources as well as discussions with local agents and developers. Given the significant variety in development types, this report has also considered historic comparable evidence for new values on both a local, regional and national level.
- 3.40 In general the markets are subdued at present. There have been limited transactions with deals at much lower prices than might have been obtained a few years ago at the height of the market. The current lack of new development also reflects low levels of occupier demand and a shortage of development finance. We have generally assumed that values will reach the highest levels obtainable in the current market which implies that finance will be available and that there is some confidence in occupier demand. To that extent, these assessments anticipate an improvement in market conditions. We believe this is justified because without it, very little development is likely to come forward in any event.
- 3.41 Table 5.1 illustrates the values established for a variety of non residential uses, expressed in square metres (sqm) of net rentable floorspace.

Table 3.1 Gross Development Values

Use	Value (per sqm)
Town Centre Office	£2,111
Business Park	£2,111
Warehouse B8	£980
Small Industrial B2	£887
Large Industrial B2	£887
Major Food Retail	£3,912
Retail warehouse	£2,918
Town Centre Retail	£2,275
Local Retail	£2,256
Hotel	£1,604
Mixed leisure scheme	£1,769
Health and fitness	£1,167
Care Homes	£2,100

Source: RTP research

Costs

- 3.42 We have based our build costs on BCIS data which has been adjusted to take into account build costs specific to South Somerset and feedback from consultation with the development industry. We have also used high level cost estimates for external works, fees, marketing, contingency, finance, acquisition and developer profit. Further detail is within appendix 2.

Existing Use Values

- 3.43 Establishing the existing use value (EUV) of land and in setting a benchmark at which a landowner is prepared to sell to enable a consideration of viability can be a complex process. There are a wide range of site specific variables which effect land sales (e.g. position of the landowner – are they requiring a quick sale or is it a long term land investment). However, for a strategic study, where the land values on future individual sites are unknown, a pragmatic approach is required. Therefore as a starting point for non residential development we have looked at Valuation Office Agency (VOA) data for agricultural land and serviced industrial land in areas in and around South Somerset as well as any available transaction or sale price data. From this we have concluded that a benchmark figure of £670,000 per hectare is appropriate as a starting point (VOA data for serviced industrial land). We have assumed that some higher value uses are likely to attract higher land prices as landowners will want to take advantage of the opportunity to capture some of the value – so land for uses such as major food retail is likely to be at least double the benchmark value. We are also aware that land values for lower viability uses do not fall to the extent that a residual valuation might suggest, at least in the short term.

4 RESIDENTIAL VIABILITY

Introduction

- 4.1 This section sets out the assessment of residential development viability and also summarises the impact on viability of changes in values and costs, and how this might have an impact on the level of developer contribution.

What is economic viability?

- 4.2 Viability, or a lack of viability, is a concept frequently referred to by developers and landowners in negotiating contributions towards the provision of community facilities. The argument put forward is that the overall burden of community gain items can reduce the actual value to the owner below that of its existing or alternative value, or to such a level as to render it 'unviable', or simply not profitable enough to make a sale worthwhile to the owner, taking account of taxation liability and relocation costs.
- 4.3 Viability has a central role in policy evolution and negotiations but there is little government guidance as to how viability negotiations are to be conducted or how local authorities are to make decisions based upon the outcome of a viability appraisal. PPS3 contains general references to delivery of planning gain 'where viable and practical' but provides no guidance as to the assessment of viability.
- 4.4 The government's established aim through planning is to ensure that enough land is identified and brought forward for development, but it recognises that in order to do so, residual land values must be high enough to encourage landowners to sell land. It therefore requires local authorities not to impose a burden of planning gain and affordable housing that is so great as to depress the land value below that which is sufficient to bring land forward.

RICS draft Guidance on Financial Viability in Planning

- 4.5 The RICS has commissioned a practice note on Financial Viability in Planning, and the HCA are engaged with the RICS work via membership of the project steering group. The draft Guidance is out for public consultation in July 2011 and is expected to be published early in 2012. The rationale of the suggested development appraisal process is to assess the residual land value that is likely to be generated by the proposed development and to compare it with a benchmark that represents the value required for the land to come forward for development. The HCA refer to this benchmark as threshold land value, which is the only logical and consistent means of measuring viability.
- 4.6 In parallel, the HCA and CLG are preparing guidance on the viability testing of local plans. This will consider the cumulative impact of policies, taking account of the range of plan policy requirements. The viability test will include both existing policies that the planning authority intends to maintain and new policy requirements that it is seeking to introduce. It is anticipated that this draft guidance will be published for consultation in the Spring of 2012.

- 4.7 The RICS has been aware for some time of the difficulties arising from the recession with developments whose S106 agreements are no longer supportable. Likewise there is recognition of the potential for similar difficulties arising with the upcoming CIL. Accordingly, the RICS is currently developing Guidance in this important area of practice.
- 4.8 The purpose is to develop an agreed approach to conducting viability appraisals and evaluating the capacity of developments to finance CIL and other planning obligations. The planning system increasingly requires the incorporation of tests for viability across a range of areas of spatial planning proposals. However, the private sector will continue to be relied upon to deliver the majority of residential and mixed use developments together with a substantial amount of necessary infrastructure.
- 4.9 There is no doubt that development for which there is no plausible business case, will not take place. A shared understanding of development viability between the public and private sectors is therefore crucial to emerging from the current downturn in development, and with the emphasis now on delivery of development, it is also an expertise for which there is increasing need.
- 4.10 The proposed RICS guidance will be formal professional guidance for Chartered Surveyors and will need to comply with these requirements. Its application is however much wider, and its success will be determined by the extent to which the Guidance is adopted within the planning and development field.
- 4.11 The Guidance will seek to satisfy the following requirements:
- Clearly define viability
 - Enable an objective evaluation of viability to be made
 - Set down the basic parameters within which issues of viability are to be considered
 - Establish the principles upon which these will be evaluated
 - Be applicable at all stages in the economic cycle
 - Be applicable to all scales of site
- 4.12 The expectation is that the guidance will become a valuable resource for local authority planners in preparing development policy, and in negotiations on planning applications. The recommended viability appraisal is defined as:
- “An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring where relevant an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project”
- 4.13 The HCA Good Practice Guidance “Investment and Planning Obligations - Responding to the Downturn (July 2009)” provides further thoughts on the approach to viability. It suggests the residual land value method of determining viability assumes that a viable development will support a residual land value at a level sufficiently above the site’s existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner”.

- 4.14 The critical question is what is a 'viable' land value? What should be reasonably expected by landowners as a residual value, once all costs have been deducted? The approach we have taken to this concept is that it is rational to assume that if a valuation is arrived at which is in reasonable excess of the current or alternative site value including its current or potential income, taking account of all sale and related costs, the landowner will be pursued by developers, and the site will be delivered through the operation of the market.
- 4.15 What is a 'reasonable excess' in practice? It must be a level sufficiently acceptable, given all the planning circumstances, to persuade the landowner to dispose to a developer. This must work both ways in a sale; for example, some landowners may be willing to sell at a given price, but cannot attract a purchaser, in which case the price is too high.
- 4.16 The definition of 'viability' for the purposes of this assessment is the attainment of a site value sufficiently in excess of the current site value that all stakeholders, including the purchaser and landowner, all acting reasonably and rationally, would accept, thus securing delivery of the proposed development.
- 4.17 Clearly, not all landowners will adhere to the same concept of reasonableness and rationality in defining viability. Studies of economic viability have taken two broad approaches. One relates to the acceptability of development land prices to existing / alternative non-residential use values ('the economic approach'). The other relates to acceptability to expectations based on residential land prices currently being achieved ('the psychological approach').
- 4.18 Where appropriate, we use three benchmarks to assess viability against the residual land value:
- Existing use value
 - Hope value
 - Minimum land values used in option agreements
- 4.19 The first is the simple comparison of relative land values, comparing the residual land value achieved on the assumption of a planning consent with the **existing use value**, (the 'economic' approach). If a value with consent is sufficiently in excess of the current site value, taking account of current and potential incomes, then the site can be considered to be viable in principle. The key difference in values is measured by an uplift factor. All generic site models are measured against this benchmark.
- 4.20 As an example, a typical small infill site of 0.5 acres suitable for about 8 dwellings, currently comprising of unused incidental open space, with a nominal open market value (OMV) of £10,000 without planning permission, might be worth say £250,000 with a residential consent, having allowed for all development costs and contributions.
- 4.21 The significant increase in value of £240,000 represents an uplift factor of 24, and would plainly demonstrate viability. The excess will vary in different circumstances, reflecting current use and taxation levels.
- 4.22 At the other end of the scale, the owner of a brownfield site with an existing use value of £400,000 that could be worth £440,000 with a residential permission would consider that the increase of £40,000 (or uplift factor of 1.1), insufficient to persuade the owner to sell,

particularly given taxation on capital gains, in addition to sale and possible relocation costs. For most sites, an uplift factor of more than 1.4, will be required to enable viability, depending on site characteristics and circumstances.

- 4.23 An uplift of 1.4 would normally be considered to be marginally viable, so a minimum uplift of 1.5 is required to establish viability, An example of this would be a site with an existing use value of £400,000, but with a residential permission the residual land value would be £600,000, an uplift of 1.5 (or 50%). An increase of £200,000 should prove sufficiently attractive, even after allowing for tax liabilities and possible relocation costs. However, as stated previously, not all landowners will adhere to the same concept of reasonableness and rationality in defining and accepting viability
- 4.24 In addition to achieving an acceptable uplift factor taking account of the existing use value, all sites must exceed the opportunity cost of income that could be generated by an alternative use. As an example a 2 acre brownfield site in an appropriate location (eg, close to a town centre) could theoretically accommodate about 100 cars for parking at £5 per day for say 40 weeks, or 200 days, which would generate an annual income of £100k.
- 4.25 At 50% capacity taking account of overall and fluctuating demand, as well as voids, 50 cars would generate £50k per year. The uplift value should take account of potential for such income, and the potential annual interest that would be generated by the sale which would be forgone if the site remains a car park. The uplift should significantly exceed the potential income of the alternative use over a number of years, otherwise the landowner will not be interested in selling.
- 4.26 A second benchmark test is against ‘**hope value**’. Sites adjacent to urban areas command a price on the open market in excess of agricultural value, because landowners and developers have the entirely reasonable hope that development might happen one day in the future. Agricultural value in South Somerset is about £8,000/acre. Where this is the existing use value for a site adjacent to a settlement, the residual value is set against the ‘hope value’ of about £20,000/acre.
- 4.27 The third benchmark is against **minimum land values** commonly found in option agreements. Potential greenfield urban extensions are often subject to option agreements, where the value is calculated at the time planning permission is granted, and where there is frequently a minimum value provision in the agreement. Currently, the typical minimum land value is about £100,000 per gross acre, (£200k/net acre), and sites that achieve less than this are deemed not to be viable. This market information is derived from option agreements negotiated in Somerset over the last 5 years, including in 2011. In times of market instability there may be occasions where viability is overturned because the minimum value is not reached because of falling revenues and fixed levels of contributions.
- 4.28 Each of the residential generic site typologies is tested against these benchmarks, where appropriate, and the viability conclusion is based on a combination of all the tests.
- 4.29 A clear conclusion has been reached for each generic site about viability. In order to inform these conclusions, a comparison has been made with the estimated current land value to give a ‘value added’ figure, or uplift factor to justify to the conclusion. As discussed earlier, an uplift factor of at least 1.5 is required to achieve viability. Each viability conclusion has to

be judged not only against the uplift factor, but also against the other benchmark of ‘hope’ value.

- 4.30 In viability testing, there are an almost infinite number of variables that could be modelled. The reduction of a particular cost will evidently increase profitability and viability. CIL has been tested at £100/sq.m for residential schemes, and where found to be unviable, either the CIL level, or the proportion of affordable housing, has been reduced until viability is reached. However, other variable factors can also be adjusted to accommodate a selected level of CIL.
- 4.31 For each generic site appraisal a conclusion is reached based on Level 3 build costs, with Level 5 in addition if appropriate.

Residential Viability Findings

- 4.32 The factor that makes the greatest difference to viability is the proportion of affordable dwellings, and therefore, open market dwellings. Build costs are relatively constant, all sites have an element of abnormal development costs, whilst profits and overheads are relatively similar. A lower proportion of affordable units and a correspondingly increased share of open market dwellings immediately adds turnover that translates directly to the bottom line land value and improved viability.
- 4.33 The viability appraisals have demonstrated that with the 35% affordable housing CIL is deliverable at £100/sqm to £150/sqm for all sites except the generic urban extensions. This is mainly because of the very high costs needed to open up the generic urban extension sites for development. The Yeovil generic urban extension at a notional 3,000 dwellings is not viable with CIL set at £100/sqm, so in Model 2, it is reduced until viability is reached, which is at £32/sq.m. Viability has been tested separately in respect of small sites of between 1-5 dwellings which currently do not provide affordable housing.
- 4.34 With sites of 1- 5 dwellings where £150/sqm CIL could be afforded but not in addition to the full affordable housing requirement of 35% (Fordham Research document “Strategic Housing Viability Assessment Update 2010), it has been demonstrated in further viability testing of such sites that an additional supplement towards affordable housing provision could be achieved which should be done under a planning obligation (section 106). This further viability testing of small sites is set out in ‘Small Sites Affordable Housing Financial Contributions Economic Viability Appraisal January 2012 (PBA/Baker Associates).

Table 4.1 Residential Viability with 35% affordable housing

Generic site	Nominal location	Dwelling capacity	Viability status
Urban extension model	Yeovil	3000	Red
Urban extension model 2 - CIL reduced to £32/sq.m	Yeovil	3000	Green
Urban extension model	Chard	1440	Red
Urban extension model 2 - CIL removed	Chard	1440	Red
Urban extension model	Ilminster	300	Green
PDL model	Yeovil	85	Green
Greenfield model	Wincanton	60	Green
PDL model	Crewkerne	30	Green
Greenfield model	Somerton	20	Green
PDL model	Chard	9	Green
Greenfield model	Castle Cary	8	Green
Greenfield garden model	Yeovil	4	Green
Greenfield garden model	Milbourne Port	1	Green

- 4.35 At the Yeovil UE, there is a choice to be made by the Council as to whether it retains 35% affordable housing and reduces CIL to about £32/sq.m, or whether instead it chooses to retain CIL at £100/sq.m and adjusts other cost variables, most obviously the proportion of affordable housing. If CIL is retained at £100/sq.m at Yeovil, the affordable proportion must reduce to 25% as shown on the model 2 generic viability appraisal conclusions.
- 4.36 The initial 'Chard' generic urban extension (UE) for 1,440 units is not viable with CIL set at £100/sq.m with affordable at 35%. In the alternative Model 2, where CIL is removed altogether, the site still fails to reach viability. Affordable housing must be reduced to 25% at the Chard UE to achieve viability. Alternatively, if the Council chose to retain CIL at £100/sq.m, the affordable housing proportion would need to reduce to 15%.
- 4.37 The other distinction the Council could consider if it chooses to implement a variable CIL is a higher level of CIL outside the urban extensions. All the other generic models could bear an increased level of CIL up to at least £150/sq.m, and still remain viable.

Conclusion

- 4.38 The Council's policies relating to Eco-towns standards require the provision of at least 30% affordable housing, so that will need to be taken into account in making choices. We also recognise that the Council will need to balance a wide range of priorities. However, our recommendation is to reduce the proportion of affordable housing in the urban extensions and maintain the same CIL rate. This will have the following benefits:
- There will be a simple and transparent Charging Schedule - as suggested by the guidance.

- This will help to maximise the amount of un-ring fenced funding available to the Council for infrastructure
- A degree of site by site negotiation on affordable housing will be maintained in a way that the uniform CIL process does not allow. This means that there will still be the option to negotiate more S106 if there are sites with higher viability in the urban extensions.

4.39 In addition a single CIL rate of £100/sqm could be recommended for all residential development across the district on the grounds that it maintains a simple and transparent charge across the district. It will allow a reasonable amount of viability headroom to take account of margins of error. Based on a typical 80sqm three-bed terraced house this would equate to a CIL charge of £8,000 per dwelling. This would apply in addition to the average £6,700 S106 cost excluding affordable housing (discussed in section 3). This S106 average payment is lower than the average in the past as some infrastructure will now be paid for by CIL.

4.40 However if the Council elects to maintain the 35% affordable housing proportion then in order not to further compromise viability the CIL rate for the urban extensions in Chard and Yeovil will have to be set at a lower rate of between £0 and £32 sqm respectively. The viability assessment indicates that outside the two generic urban extensions, and including sites of 1-5 dwellings, a £150 sqm CIL rate could be borne.

5 NON-RESIDENTIAL VIABILITY

Introduction

- 5.1 This section sets out the assessment of non-residential development viability and also summarises the impact on viability of changes in values and costs, and how this might have an impact on the level of developer contribution. The tables below summarise the detailed assessments, and represent the net value per sqm, the net costs per square metre (including an allowance for land cost and S106 to deal with site specific issues to make development acceptable) and the balance between the two.
- 5.2 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

- 5.3 In line with other areas of the country our analysis suggests that for commercial B-class development it is not currently viable to charge a CIL. Whilst there is variance for different types of B-space, essentially none of them generate sufficient value to justify a CIL charge.
- 5.4 As the economy recovers this situation may improve but for the purposes of setting a CIL we need to consider the current market. As noted earlier this viability assessment relates to speculative build for rent – however we do expect that there will be development to accommodate specific users based on the profitability of the occupier.

Table 5.1 Industrial Development Viability

	Small Industrial	Large Industrial
Net Development value/sqm	£836	£836
Net development costs/sqm (including land costs)	£1,284	£1,213
Residual value/sqm	-£448	-£378

Table 5.2 Warehouse Viability

Net Development value/sqm	£924
Net development costs/sqm (including land costs)	£1,159
Residual value/sqm	-£235

Table 5.3 Office Viability

	Town Centre	Out of Centre
Net Development value/sqm	£1,990	£1,990
Net development costs/sqm (including land costs)	£2,257	£2,247
Residual value/sqm	-£267	-£257

A-class uses

- 5.5 The viability of retail development will depend primarily on the re-emergence of occupier demand and the type of retail being promoted. For this reason we have tested different types of retail provision.
- 5.6 *Town centre and local retail* – We have tested town centre developments which could also be applied to all small retail developments under 500 sqm across the district. We also consider that on a strategic level in South Somerset there is little difference between A1-A5 units with the exception of larger supermarkets and food retail, which are considered separately. The residual analysis shows that this use is not currently able to support a CIL charge.

Table 5.4 Town centre and local retail viability

Net Development value/sqm	£2,144
Net development costs/sqm (including land costs)	£2,253
Residual value/sqm	-£109

- 5.7 *Retail warehouse* – although this market has been relatively flat in recent times, especially in terms of new build, there may potentially be more activity in the future. Whilst values have dropped the relatively low build costs mean that there is still value in these types of developments when there is occupier demand. Retail warehouse development could realise a levy of £200 per sqm and possibly more if the council believe the market will be strong in the near future.

Table 5.5 Retail Warehouse Viability

Net Development value/sqm	£2,750
Net development costs/sqm (including land costs)	£2,360
Residual value/sqm	£390

- 5.8 *Supermarket and large foodstores* - out-of-town convenience retail continues to be one of the best performing sectors in the UK. Leases to the main supermarket operators (often with fixed uplifts) command premium leases with investment institutions. Although there are some small regional variations on yields, they remain generally strong with investors focussing primarily on the strength of the operator covenant and security of income. We would therefore suggest the evidence base for large out of town retail can be approached on a wider region or even national basis when justifying CIL charging. Following our

appraisal on this basis in South Somerset we believe there is scope for a significant CIL charge – say £300/sqm - without affecting viability.

Table 5.6 Supermarket Viability

Net Development value/sqm	£3,686
Net development costs/sqm (including land costs)	£3,076
Residual value/sqm	£610

Leisure development

5.9 We have tested budget hotels, mixed leisure schemes and health clubs. Our high level appraisal of both these types of development shows that in the current market values are not sufficient to justify a CIL charge.

5.10 *Hotels* – The rapid expansion in the sector at the end of the last decade was in part fuelled by a preference for management contracts or franchise operations over traditional lease contracts. Outside London (which has shown remarkable resilience to the recession) hotel development is being strongly driven by the budget operators delivering new projects through traditional leasehold arrangements with institutional investors. Room demand for budget operators is also driven by business occupiers as well as leisure tourists. Therefore high occupancy in this sector is a more of a characteristic of major regional centres and transport routes rather than smaller market towns. The market for higher standard hotels remains difficult outside of the capital with the lack of access to finance curtailing development opportunities.

5.11 Our viability model is based on an out of town budget hotel scheme and in terms of South Somerset it can be seen that there is not sufficient value realised to contribute to a levy.

Table 5.7 Hotel Viability

Net Development value/sqm	£1,512
Net development costs/sqm (including land costs)	£1,892
Residual value/sqm	-£380

5.12 *Mixed Leisure* - A mixed leisure scheme to include facilities such as cinema, bowling, health and leisure complex, gambling and associated eating and drinking establishments. Our analysis shows that this sort of scheme is currently unlikely to be viable enough in South Somerset to support a CIL charge.

Table 5.8 Mixed Leisure Viability

Net Development value/sqm	£1,667
Net development costs/sqm (including land costs)	£2,281
Residual value/sqm	-£614

5.13 *Health and Fitness* - A stand alone commercial health and fitness facility is currently unlikely to be viable enough in South Somerset to support a CIL charge.

Table 5.9 Health & Fitness Viability

Net Development value/sqm	£1,100
Net development costs/sqm (including land costs)	£2,149
Residual value/sqm	-£1,050

Other uses

- 5.14 *Care Homes* - In addition to the uses above we have tested the viability of care homes. There has been significant private sector investment in care homes in the recent past, fuelled by investment funds seeking new returns. However there have been concerns about the occupancy rates and the ability to sustain prices. The high level analysis suggests that care homes are unlikely to be viable enough in South Somerset to support a CIL.

Table 5.10 Care Home Viability

Net Development value/sqm	£836
Net development costs/sqm (including land costs)	£1,284
Residual value/sqm	-£448

Sensitivity test

- 5.15 To assist the council in setting their CIL charge we have undertaken a simple series of sensitivity tests for each development type. These have simply increased and decreased the GDV/costs within our appraisals.
- 5.16 By increasing the values by 10% there is opportunity to set a higher rate for supermarket/food retail and retail warehouse type developments. In addition smaller and town centre retail viability improves to the extent that charging CIL might be considered. Other uses remain unable to support CIL. Increasing the values by 20% further increases the retail viability and office development viability improves to the extent that charging CIL might be considered. However for all other types of development whilst they become more viable even a 20% increase in values will not enable a levy to be charged.
- 5.17 The 10% decrease in values still allows some headroom for a charge to be set for supermarket and to a lesser extent, retail warehouse development.
- 5.18 We have also tested an increase in development costs – this could relate to a tightening of the construction industry, increase in building materials, higher design standards or environmental standards. An increase in costs of 10% still allows for a charge to be set for supermarket and to a lesser extent, retail warehouse development.

What non-residential CIL rate should be charged?

- 5.19 The basis for setting a CIL rate needs to take account of:
- Setting a rate that will not affect the viability of most development. As a rule of thumb this suggests that the viability 'headroom' needs to be at least 15% of the development

cost in order to be confident that viability will not be affected by additional costs of development⁴

- The guidance⁵ only requires a charging authority to use appropriate available evidence to '*inform*' the draft charging schedule'. A charging authority's proposed CIL rate (or rates) should appear reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence, for example, if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism.
- The need to raise funds to support the infrastructure necessary to support development in South Somerset – the Council have undertaken separate work identifying the infrastructure required
- The need to have a clear and simple approach that is understood by the Council and the development industry. In relation to this aspect the study team has received guidance⁶ that if possible there should not be different rates for different size developments of the same type, unless there is very strong evidence to suggest otherwise. Therefore the recommendation is that the same CIL rate should be used for all sizes of convenience retail (and all sizes of comparison etc.)

5.20 It is clear from the discussion above that unless there are very considerable improvements in values the B-class uses are not able to sustain a CIL charge, nor are hotels, leisure developments, health and fitness or care homes. Therefore we recommend a £0 CIL for these uses.

5.21 There are some options for A-class (retail) uses:

- Under the baseline scenario there is no apparent viability headroom for town centre and local retail. Imposing a CIL for these uses may risk some development although we suspect most town centre development will be redevelopment of existing floorspace (and therefore exempt from CIL).
- By comparison supermarkets and larger format comparison retail demonstrate strong viabilities, with 'headroom' values just at 20% and 16.5% of costs respectively. The development 'headroom' is just over £600/sqm for supermarkets and just under £400/sqm for large format comparison retail. It would be possible to impose a CIL of £300/sqm for supermarkets and £200 for large format comparison retail, both of which are around 50% of the theoretical maximum amount.

5.22 The text box below reviews some value evidence we have collected for retail development in South West England. This evidence allows the Council to form a view about the size threshold that might be used to charge a different CIL rate for different sized retail development.

⁴ This rule of thumb is an RTP guideline to take account of the fluctuations in values and development costs

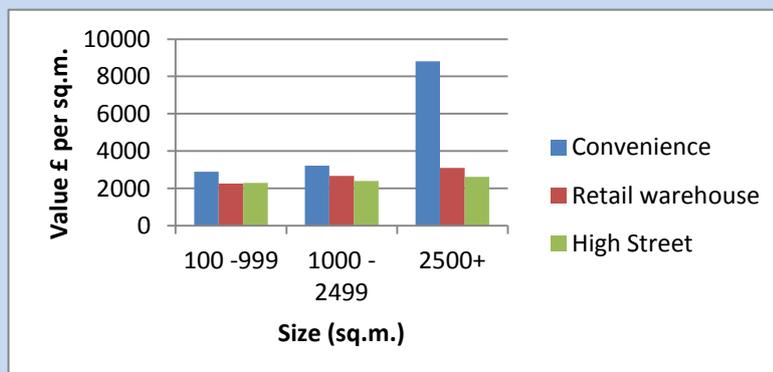
⁵ CLG, 2010, Charge Setting and Charging Schedule Procedures

⁶ Via the Planning Inspector who undertook the Redbridge CIL EIP

Evidence for Different CIL Rates for Retail

1. The recent inspector's report for the Newark & Sherwood CIL examination questioned the proposals to set different rates for retail below and above 500 sqm. The Inspector found this to be arbitrary with not enough viability evidence to support a variance.
2. Based on nearly 200 transactions in the South West over the period 2008-2011 we have analysed the published values for different sized stores for convenience (supermarkets), high street retail and retail warehouses/retail parks (comparison). Note that these are estimates of gross development value rather than the residual values which are discussed above.
3. The results of the analysis show that there is a distinction in terms of values of transaction between the retail use types and that values rises on the basis of size and type. The value of convenience transactions is above those for high street retail and retail warehousing which are both fairly similar.
4. Overall the gross values indicate that there is a very clear step in values for larger format (2,500sqm +) convenience retail, while retail warehouse values increase at a steadier rate. High street retail values see relatively little difference by size.

South West gross values for retail uses by size and type



5. Therefore whilst the Inspector was not convinced that Newark and Sherwood had provided sufficient evidence to justify setting different charges for retail uses we believe that we can demonstrate sufficient evidence to support a charging variance for different retail uses, should the Council wish to follow this course:
 - There is a clear threshold for convenience around 2,500 sqm
 - The threshold for comparison is more a matter for judgement but could either simply mirror the 2,500 for comparison retail or set an intermediate rate for 1,000 – 2,499 sqm as well
 - There is relatively little evidence for setting a size based threshold specifically for high street retail

5.23 This leaves a choice around:

- Setting a CIL rate that captures the bulk of development – probably supermarket and larger format retail rates of £300/sqm and £200/sqm respectively and accepting that this may pose a risk to smaller retail.
- Setting a £0 rate for convenience and comparison retail in order not to put retail development at risk.
- Setting a compromise low rate for convenience and comparison retail that gains some revenue to support infrastructure while presenting a lower risk to smaller and town centre retail.
- Setting a higher rate for larger format retail (over 2,500 sqm) and a £0 rate for smaller format retail (less than 2,500 sqm).

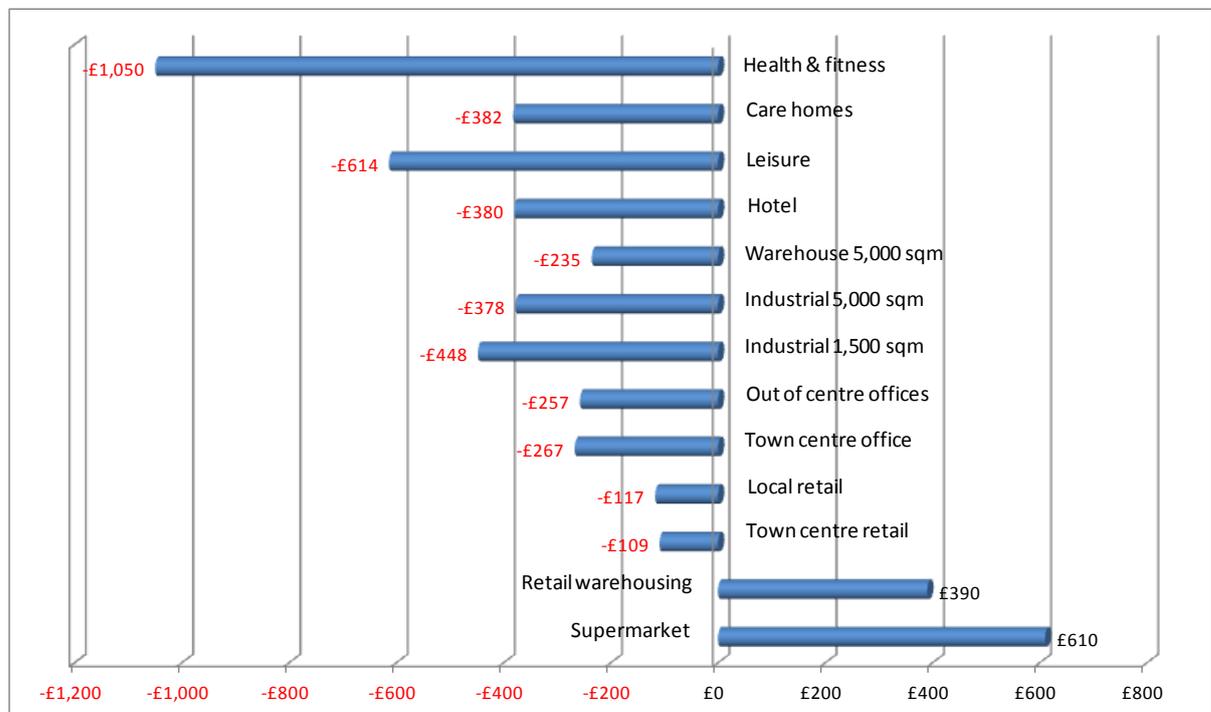
5.24 The Council may also wish to charge CIL upon extensions to stores, although we have not specifically tested this scenario.

Non-residential Summary

5.25 The viability assessment indicates that the non residential developments with the strongest viability are supermarkets and large format comparison retail. Both of these types of development are able to support a CIL of around £300 and £200/sqm respectively.

5.26 None of the other non-residential uses are suitable for a CIL without putting development at risk.

Figure 5.1 Non-residential residual value per sqm in South Somerset Summary



5.27 The guidance received suggests charging the same rate of CIL across all developments of the same use – but charging this level of CIL across all of the retail development is likely to

put some development at risk. We recommend charging a CIL for larger format retail (both convenience and comparison), set at a level that leaves headroom for changes in values; and a zero rate for smaller retail.

5.28 The sensitivity testing suggests that:

- A fall in values or an increase in costs of 10% will reduce the viability of supermarkets and large format comparison retail but they will still be able to support a CIL charge.
- It will take a rise in values of at least 20% before the town centre retail and smaller retail uses start to become viable, and potentially able to support CIL without risk of jeopardising development. A 20% increase in value also sees office development become viable but even then the headroom is small and offices may not be able to pay CIL

5.29 Even though the assessment suggests that the other types of non-residential development are not commercially viable in South Somerset, there may still be development. This will include premises being developed to pursue core business activities, as opposed to developing premises for rent or sale.

Table 5.11 Non-residential Viability and Potential CIL Summary

Type of Development	Residual Viability	Potential CIL
Supermarket	£610	£100-£300
Retail warehousing	£390	£100-£200
Town centre retail	-£109	£0 or £100 to fit with a standardised retail CIL
Secondary local retail	-£117	£0 or £100 to fit with a standardised retail CIL
B1 office town centre	-£267	£0
B1 office out of centre	-£257	£0
B2 industrial 1,500 sqm	-£448	£0
B2 Industrial 5,000 sqm	-£378	£0
B8 warehouse 5,000 sqm	-£235	£0
Hotels	-£380	£0
Assembly/leisure	-£614	£0
Care homes	-£382	£0
Health & fitness	-£1,050	£0

Non-residential Conclusions

5.30 Based on the discussion above we recommend that non-residential development in South Somerset has a £0 CIL rate, with the exception of some retail, which has the viability to support a CIL charge. We recommend that larger format retail of both convenience and comparison (over 2,500sqm) should attract a rate of £200sqm. The reasons for this recommendation are:

- It is clear that there is not enough viability in most forms of non-residential development to support a levy.
- Retail is able to support a levy, although only for larger format stores. The value evidence collected suggests the threshold is 2,500sqm.

6 WHAT FUNDS MIGHT BE RAISED BY CIL?

- 6.1 Based on a simple analysis of the likely quantum of development and a hypothetical headline CIL charge of £150sqm for residential (except for Chard and Yeovil urban extensions) and for £200sqm for retail over 2,500sqm, we believe that CIL might generate up to £3.1m in the first five years and £51.8m over the plan period.
- 6.2 This is based on the following assumptions:
- There will be 828 dwellings attracting CIL during 2011-16 (see section 2), less the 35% affordable housing achieved in the recent past across all development – net 538 dwellings. For the whole plan period there will be 10,364 dwellings attracting CIL, less 35% affordable⁷ – net 6,737 dwellings.
 - The average size dwelling is 80sqm (this is a typical size of a new three bed terraced house).
 - Of the 66,240sqm residential 2011-16, 8,000sqm is in the Yeovil urban extension and 27,920 in Chard urban extension.
 - CIL £0 for B class uses as well as hotels, assembly/leisure, care homes and health & fitness.
 - CIL £150sqm standard charge for residential development except in the Yeovil urban extension where it will be £32sqm and Chard urban extension where it will be £0sqm.
 - There will be 1,717sqm of retail developed during 2011-16 (see section 2). For the whole plan period there will be 21,647sqm of retail floorspace.
 - There will be a charge of £200sqm for large format retail (over 2,500 sqm) and £0sqm for smaller retail and other uses not identified above. The quantum of retail expected 2011-16 would place it under the threshold for CIL and we have assumed that 30% of the retail floorspace 2016-2028 (net 5,979 sqm) will attract CIL, with the balance replacing existing floorspace or falling below the size threshold.

Table 6.1 Potential CIL to 2016

Use	Total sqm to 2016 (x-AH 35%)	CIL rate/sqm	Total CIL
Yeovil UE residential	5,200	£32	£166,400
Chard UE residential	18,148	£0	£0
Other residential	19,708	£150	£2,956,200
Retail	0	£200	£0
Total			£3,122,600

⁷ Note that in the past the average affordable housing proportion achieved has been around 23%, although it is planned that this will increase.

Table 6.2 Potential CIL to 2028

Use	Total sqm to 2028 (x-AH 35%)	CIL rate/sqm	Total CIL
Yeovil UE residential	130,000	£32	£4,160,000
Chard UE residential	99,320	£0	£0
Other residential	309,608	£150	£46,441,200
Retail	5,979	£200	£1,195,800
Total			£51,797,000

APPENDIX 1

Notional Sites Residential Viability January 2012

nominal location - Yeovil	net site area acres	dwelling capacity			
urban extension model	190	3000			model variables
<p>Summary - Strategic site, emerging through Core Strategy. Proposal is for 3000 dwellings on 190 net acres (16/acre, 40 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 15% 1-bed, 33% 2-bed, 32% 3-bed, 17% 4-bed, 3% 5-bed. The market appraisal indicates that this mix produces a total of 2,675,000 sq.ft of floorspace. Sales values estimated at £210/sq.ft. New Build all-in costs estimated at £80/sq.ft all in, additional £25/sq.ft from 2016 for Zero Carbon</p>					
				total floorspace sq.ft	2,675,000
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	210
TURNOVER				build cost £/sq.ft	80
open market housing	1,738,750	210	365,137,500	total units	3,000
sales overhead 2% of OM T/O			7,302,750	qualifying units for CIL	1,950
net OM T/O			357,834,750	developer profit % of gross turnover	18
AH - 35% of total, 67% rent, 33% SO, with new AH rent product, based on RSL bid @ 50% of OMV	936,250	105	98,306,250	commercial sq.ft	
gross turnover T/O			456,141,000	net site area acres	190
total floorspace	2,675,000			gross area (estimate)	350
BUILD COSTS - ALL IN		£80/sq.ft		affordable %	35
all housing units - housebuild	2,675,000	65	173,875,000	open market %	65
externals	2,675,000	15	40,125,000	coverage sq.ft/net acre	14,078.947
additional Code 5 Zero Carbon costs @ £25/sq.ft from 2016		25	66,875,000		
developer's profit @ 18% of open market turnover			64,410,255		
developer's profit on affordable @ 6% of AH build cost			5,898,375		
TOTAL BUILD COSTS & PROFIT			351,183,630		
finance costs @ 6% of annual build cost x 4 years to allow for interest on sales revenues			4,815,000		
professional fees @ 6% of annual build cost x 4 years to allow for interest on sales revenues			5,617,500		
TOTAL BUILD COSTS, FEES & PROFIT			361,616,130		
additional development costs		£/sq.ft			
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	16,170,375	9.30			
strategic infrastructure - @ £250k/net acre, including S.106 costs - local highway improvements, PoS, etc.	47,500,000	250,000			
demolition/remediation estimate - £5/sq.ft		5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	63,670,375		63,670,375	overall CIL & other infrastructure costs/net acre	335,107
TOTAL BUILD COSTS & TADCs			425,286,505		
INTERIM LAND VALUE , ie, T/O minus TADCs			30,854,495		
finance costs derived from ILV, @ 6%, to arrive at Annual Nominal Purchase Price x 4 years	617,090	30,237,405			
actual finance costs (to avoid circular calc), @ 6% of Annual Nominal Purchase Price x 4 years		28,700,000	574,000	30,280,495	
legal fees 0.5% LV			143,500		
SDLT 5%			1,435,000		
NET LAND VALUE			28,701,995		
existing use value (EUV), agric land @ £7700k/acre (hope value 20k/gross acre)				VIABILITY TEST COMPARISONS	
value added by consent	7,700	2,695,000	26,006,995	Land value/net acre	151,063
uplift factor			10.65	Land value/gross acre	82,006
viability conclusion - Land value of £28.7m (£151k/net acre). Viability test against 1) uplift of £26m, x 10.65 from agric value, x 4 hope value. 2) against Option Agreement Minimum Land Values c. £200k/net acre = £38m. Achieved LV = £28.6m, or 151k/net acre, therefore c.£10m shortfall from Viability Tests. Conclusion - not viable					

nominal location - Chard	net site area acres	dwelling capacity			
urban extension model	90	1440		model variables	
<p>Summary - Strategic site, allocated in adopted plan. Proposal is for 1440 dwellings on 90 net acres (16/acre, 40 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 15% 1-bed, 33% 2-bed, 32% 3-bed, 17% 4-bed, 3% 5-bed. The market appraisal indicates that this mix produces a total of 1,284,000 sq.ft of floorspace. Sales values estimated at £200/sq.ft. New Build all-in costs estimated at £80/sq.ft all in, additional £25/sq.ft from 2016 for Zero Carbon</p>				total floorspace sq.ft	1,284,000
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	200
TURNOVER				build cost £/sq.ft	80
open market housing	834,600	200	166,920,000	total units	1,440
sales overhead 2% of OM T/O			3,338,400	qualifying units for CIL	936
net OM T/O			163,581,600	developer profit % of gross turnover	18
AH - 35% of total, 67% rent, 33% SO, with new AH rent product, based on RSL bid @ 50% of OMV	449,400	100	44,940,000	commercial sq.ft	
gross turnover T/O			208,521,600	net site area acres	90
total floorspace	1,284,000			gross area (estimate)	150
BUILD COSTS - ALL IN		£80/sq.ft		affordable %	35
all housing units - housebuild	1,284,000	65	83,460,000	open market %	65
externals	1,284,000	15	19,260,000	coverage sq.ft/net acre	14,266.667
additional Code 5 Zero Carbon costs @ £25/sq.ft from 2016		25	32,100,000		
developer's profit @ 18% of open market turnover			29,444,688		
developer's profit on affordable @ 6% of AH build cost			2,696,400		
TOTAL BUILD COSTS & PROFIT			166,961,088		
finance costs @ 6% of annual build cost x 4 years to allow for interest on sales revenues			2,311,200		
professional fees @ 6% of annual build cost x 4 years to allow for interest on sales revenues			2,696,400		
TOTAL BUILD COSTS, FEES & PROFIT			171,968,688		
additional development costs		£/sq.ft			
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	7,761,780	9.30			
strategic infrastructure - based pro-rata on actual costs identified by Gardiner & Theobald. These were £28.5m to support 2000 units @ £14k/dwelling. The costs will allow for all highway, drainage, utility improvements, PoS, etc, but not education, health, leisure, which will be financed from CIL, the site itself providing £7.7m towards CIL.	20,160,000	14,000			
demolition/remediation estimate - £5/sq.ft		5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	27,921,780		27,921,780	overall CIL & other infrastructure costs/net acre	310,242
TOTAL BUILD COSTS & TADCs			199,890,468		
INTERIM LAND VALUE , ie, T/O minus TADCs			8,631,132		
finance costs derived from ILV, @ 6%, to arrive at Annual Nominal Purchase Price x 4 years	172,623	8,458,509			
actual finance costs (to avoid circular calc), @ 6% of Annual Nominal Purchase Price x 4 years		10,200,000		8,631,132	
legal fees 0.5% LV			51,000		
SDLT 5%			510,000		
NET LAND VALUE			8,070,132		
existing use value (EUV), agric land @ £7700k/acre (hope value 20k/gross acre)	7,700	1,155,000		VIABILITY TEST COMPARISONS	
value added by consent			6,915,132	Land value/net acre	89,668
uplift factor			6.99	Land value/gross acre	53,801
<p>viability conclusion - Land value of £8.07m (£89.6k/net acre). Viability test against 1) uplift of £6.9m, x 7 from agric value, x 2.7 hope value. 2) against Option Agreement Minimum Land Values c. £200k/net acre = £18m. Achieved LV = £8m, or 89k/net acre, therefore c.£10m shortfall from Viability Tests. Conclusion - not viable</p>					

nominal location - Iminster	net site area acres	dwelling capacity			
urban extension model	19	300		model variables	
<p>Summary - Strategic site, emerging through Core Strategy. Proposal is for 300 dwellings on 19 net acres (16/acre, 40 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 15% 1-bed, 33% 2-bed, 32% 3-bed, 17% 4-bed, 3% 5-bed. The market appraisal indicates that this mix produces a total of 1,284,000 sq.ft of floorspace. Sales values estimated at £215/sq.ft. New Build all-in costs estimated at £80/sq.ft all in, additional £25/sq.ft from 2016 for Zero Carbon</p>				total floorspace sq.ft	267,500
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	215
TURNOVER				build cost £/sq.ft	80
open market housing	173,875	215	37,383,125	total units	300
sales overhead 2% of OM T/O			747,663	qualifying units for CIL	195
net OM T/O			36,635,463	developer profit % of gross turnover	18
AH - 35% of total, 67% rent, 33% SO with new AH rent product, based on RSL bid @ 50% of OMV	93,625	108	10,064,688	commercial sq.ft	
gross turnover T/O			46,700,150	net site area acres	19
total floorspace	267,500			gross area (estimate)	28
BUILD COSTS - ALL IN		£80/sq.ft		affordable %	35
all housing units - housebuild	267,500	65	17,387,500	open market %	65
externals	267,500	15	4,012,500	coverage sq.ft/net acre	14,079
additional Code 5 Zero Carbon costs @ £25/sq.ft from 2016 (50% of development)		25	3,343,750		
developer's profit @ 18% of open market turnover			6,594,383		
developer's profit on affordable @ 6% of AH build cost			603,881		
TOTAL BUILD COSTS & PROFIT			31,942,015		
finance costs @ 6% of annual build cost x 2 years to allow for interest on sales revenues			742,313		
professional fees @ 6% of annual build cost x 2 years to allow for interest on sales revenues			742,313		
TOTAL BUILD COSTS, FEES & PROFIT			33,426,640		
additional development costs		£/sq.ft			
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	1,617,038	9.3			
strategic infrastructure - @ £200k/net acre, including S.106 costs - including new road access @ £3m, other local improvements, PoS, etc.	4,180,000	220,000			
demolition/remediation estimate - £5/sq.ft		5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	5,797,038		5,797,038	overall CIL & other infrastructure costs/net acre	305,107
TOTAL BUILD COSTS & TADCs			39,223,677		
INTERIM LAND VALUE , ie, T/O minus TADCs			7,476,473		
finance costs derived from ILV, @ 6%,	224,294	7,252,179			
actual finance costs (to avoid circular calc), @ 6% of Annual Nominal Purchase Price x 2 years		6,890,000	206,700		
legal fees 0.5% LV			34,450		
SDLT 5%			344,500		
NET LAND VALUE			6,890,823		
existing use value (EUV), agric land @ £7700k/acre (hope value 20k/gross acre)	7,700	215,600		VIABILITY TEST COMPARISONS	
value added by consent			6,675,223	Land value/net acre	362,675
uplift factor			32	Land value/gross acre	246,101
<p>viability conclusion - Land value of £6.9m (£362k/net acre). Viability tests against 1) uplift of £6.7m, x 32 from agric value, x 12 hope value, 2) Option Agreement Minimum Land Values c. £200k/net acre = £3.8m. Achieved LV = £6.7m, or 362k/net acre, therefore above Viability Tests. Conclusion - viable with £100/sq.m CIL.</p>					

nominal location - Yeovil	net site area acres	dwelling capacity			
Previously-developed land model	5	85			model variables
<p>Summary - PDL windfall site. Proposal is for 85 dwellings on 5 net acres (17/acre, 42.5 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 15% 1-bed, 33% 2-bed, 32% 3-bed, 17% 4-bed, 3% 5-bed. The market appraisal indicates that this mix produces a total of 75,800 sq.ft of floorspace. Sales values estimated at £220/sq.ft. New Build all-in costs estimated at £80/sq.ft all in, additional £5/sq.ft for Code 3</p>					
				total floorspace sq.ft	75,800
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	220
TURNOVER				build cost £/sq.ft	80
open market housing	49,270	220	10,839,400	total units	85
sales overhead 2% of OM T/O			216,788	qualifying units for CIL	55
net OM T/O			10,622,612	developer profit % of gross turnover	18
AH - 35% of total, 67% rent, 33% SO, with new AH rent product, based on RSL bid @ 50% of OMV	26,530	110	2,918,300	demolition sq.ft	50,000
gross turnover T/O			13,540,912	net site area acres	5
total floorspace	75,800			gross area (estimate)	5.5
BUILD COSTS - ALL IN		£80/sq.ft		affordable %	35
all housing units - housebuild	75,800	65	4,927,000	open market %	65
externals	75,800	15	1,137,000	coverage sq.ft/net acre	15,160
additional Code 3 costs @ £5/sq.ft		5	189,500		
developer's profit @ 18% of open market turnover			1,912,070		
developer's profit on affordable @ 6% of AH build cost			175,098		
TOTAL BUILD COSTS & PROFIT			8,340,668		
finance costs @ 6% of build cost			375,210		
professional fees @ 6% of build cost			375,210		
TOTAL BUILD COSTS, FEES & PROFIT			9,091,088		
additional development costs		£/sq.ft			
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	458,211	9.30			
strategic infrastructure - local highway/access improvements, drainage, other S.106	750,000	150,000			
demolition/remediation estimate - £5/sq.ft	250,000	5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	1,458,211		1,458,211	overall CIL & other infrastructure costs/net acre	291,642
TOTAL BUILD COSTS & TADCs			10,549,299		
INTERIM LAND VALUE , ie. T/O minus TADCs			2,991,613		
finance costs derived from ILV, @ 6%, to arrive at Nominal Purchase Price	179,497	2,812,116			
actual finance costs (to avoid circular calc), @ 6% of Nominal Purchase Price		2,683,000	160,980	2,830,633	
legal fees 0.5% LV			13,415		
SDLT 5%			134,150		
NET LAND VALUE			2,683,068		
existing use value (EUV), serviced industrial land @ £280k/acre	280,000	1,540,000		VIABILITY TEST COMPARISONS	
value added by consent			1,143,068	Land value/net acre	536,614
uplift factor			1.74	Land value/gross acre	487,831
<p>viability conclusion - Land value of £2.68m (£536k/net acre). Viability tests against EUV = uplift of £1.14m = 1.74. Achieved LV = £2.68m, (536/net acre) passes Viability Tests with £100/sq.m CIL. Conclusion - viable with £100/sq.m CIL</p>					

nominal location - Wincanton	net site area acres	dwelling capacity			
Greenfield model	4.3	60			model variables
<p>Summary - Greenfield allocated site. Proposal is for 60 dwellings on 4.3 net acres (17/acre, 42.5 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 5% 1-bed, 35% 2-bed, 40% 3-bed, 15% 4-bed, 5% 5-bed. The market appraisal indicates that this mix produces a total of 56,600 sq.ft of floorspace. Sales values estimated at £220/sq.ft. New Build all-in costs estimated at £80/sq.ft all in, additional £5/sq.ft for Code 3</p>					
				total floorspace sq.ft	56,660
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	220
TURNOVER				build cost £/sq.ft	80
open market housing	36,829	220	8,102,380	total units	60
sales overhead 2% of OM T/O			162,048	qualifying units for CIL	39
net OM T/O			7,940,332	developer profit % of gross turnover	18
AH - 35% of total, 67% rent, 33% SO, with new AH rent product, based on RSL bid @ 50% of OMV	19,831	110	2,181,410	demolition sq.ft	
gross turnover T/O			10,121,742	net site area acres	4.3
total floorspace	56,660			gross area (estimate)	6
BUILD COSTS - ALL IN		£80/sq.ft		affordable %	35
all housing units - housebuild	56,660	65	3,682,900	open market %	65
externals	56,660	15	849,900	coverage sq.ft/net acre	13,177
additional Code 3 costs @ £5/sq.ft		5	141,650		
developer's profit @ 18% of open market turnover			1,429,260		
developer's profit on affordable @ 6% of AH build cost			130,885		
TOTAL BUILD COSTS & PROFIT			6,234,594		
finance costs @ 6.5% of build cost			280,467		
professional fees @ 6% of build cost			280,467		
TOTAL BUILD COSTS, FEES & PROFIT			6,795,528		
additional development costs		£/sq.ft			
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	342,510	9.30			
strategic infrastructure - local highway/access improvements, drainage, other S.106	645,000	150,000			
demolition/remediation estimate - £5/sq.ft		5	0		
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	987,510		987,510	overall CIL & other infrastructure costs/net acre	229,653
TOTAL BUILD COSTS & TADCs			7,783,038		
INTERIM LAND VALUE , ie, T/O minus TADCs			2,338,704		
finance costs derived from ILV, @ 6%, to arrive at Nominal Purchase Price	140,322	2,198,382			
actual finance costs (to avoid circular calc), @ 6% of Nominal Purchase Price		2,097,000	125,820	2,212,884	
legal fees 0.5% LV			10,485		
SDLT 5%			104,850		
NET LAND VALUE			2,097,549		
existing use value (EUV), agric land @ £7700k/acre (hope value 20k/gross acre)	7,700	46,200		VIABILITY TEST COMPARISONS	
value added by consent			2,051,349	Land value/net acre	487,802
uplift factor			45.40	Land value/gross acre	349,592
<p>viability conclusion - Land value of £2.097m (£487k/net acre). Viability tests against 1) uplift of £2.05m = x 45 from EUV, and 17 x hope value, and 2) well above (x 2.4) minimum land value in options of £200k/acre. Achieved LV = £2.097m, (487/net acre), passes Viability Tests with £100/sq.m CIL. Conclusion - viable with £100/sq.m CIL.</p>					

nominal location - Crewkerne	net site area acres	dwelling capacity			
Previously-developed land model	1.5	30		model variables	
Summary - PDL windfall site. Proposal is for 30 dwellings on 1.5 net acres (20/acre, 50 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect site characteristics, location, and both OM & AH: 15% 1-bed, 35% 2-bed, 40% 3-bed, 10% 4-bed, 0% 5-bed. The market appraisal indicates that this mix produces a total of 24,700 sq.ft of floorspace. Sales values estimated at £205/sq.ft. New Build all-in costs estimated at £80/sq.ft all in, additional £5/sq.ft for Code 3				total floorspace sq.ft	24,700
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	205
TURNOVER				build cost £/sq.ft	80
open market housing	16,055	205	3,291,275	total units	30
sales overhead 2% of OM T/O			65,826	qualifying units for CIL	20
net OM T/O			3,225,450	developer profit % of gross turnover	18
AH - 35% of total, 67% rent, 33% SO, with new AH rent product, based on RSL bid @ 50% of OMV	8,645	103	886,113	demolition sq.ft	20,000
gross turnover T/O			4,111,562	net site area acres	1.5
total floorspace	24,700			gross area (estimate)	1.8
BUILD COSTS - ALL IN		£80/sq.ft		affordable %	35
all housing units - housebuild	24,700	65	1,605,500	open market %	65
externals	24,700	15	370,500	coverage sq.ft/net acre	16,467
additional Code 3 costs @ £5/sq.ft		5	61,750		
developer's profit @ 18% of open market turnover			580,581		
developer's profit on affordable @ 6% of AH build cost			53,167		
TOTAL BUILD COSTS & PROFIT			2,671,498		
finance costs @ 6.5% of build cost			132,454		
professional fees @ 6.5% of build cost			132,454		
TOTAL BUILD COSTS, FEES & PROFIT			2,936,405		
additional development costs		£/sq.ft			
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	149,312	9.30			
strategic infrastructure - local highway/access improvements, drainage, other S.106	150,000	100,000			
demolition/remediation estimate - £5/sq.ft	100,000	5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	399,312		399,312	overall CIL & other infrastructure costs/net acre	266,208
TOTAL BUILD COSTS & TADCs			3,335,717		
INTERIM LAND VALUE , ie, T/O minus TADCs			775,845		
finance costs derived from ILV, @ 6.5%, to arrive at Nominal Purchase Price	50,430	725,415			
actual finance costs (to avoid circular calc), @ 6.5% of Nominal Purchase Price		705,000	45,825	730,020	
legal fees 0.5% LV			3,525		
SDLT 3%			21,150		
NET LAND VALUE			705,345		
existing use value (EUV), serviced industrial land @ £150k/acre	150,000	270,000		VIABILITY TEST COMPARISONS	
value added by consent			435,345	Land value/net acre	470,230
uplift factor			2.61	Land value/gross acre	391,859
viability conclusion - Land value of £705k (£470k/net acre). Viability test against 1) uplift of £435k = x 2.6 from EUV, and 2) well above (x 2.3) minimum land value in options of £200k/acre. Achieved LV = £705k, (470/net acre,) so passes Viability Tests with £100/sq.m CIL. Conclusion - viable with £100/sq.m CIL.					

nominal location - Somerton	net site area acres	dwelling capacity			
Greenfield model	1.5	20			model variables
Summary - Greenfield allocated site. Proposal is for 20 dwellings on 1.5 net acres (13/acre, 31 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect site characteristics, location, and both OM & AH: 5% 1-bed, 30% 2-bed, 40% 3-bed, 20% 4-bed, 5% 5-bed. The market appraisal indicates that this mix produces a total of 20,000 sq.ft of floorspace. Sales values estimated at £230/sq.ft. New Build all-in costs estimated at £80/sq.ft all in, additional £5/sq.ft for Code 3				total floorspace sq.ft	20,000
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	230
TURNOVER				build cost £/sq.ft	80
open market housing	13,000	230	2,990,000	total units	20
sales overhead 2% of OM T/O			59,800	qualifying units for CIL	13
net OM T/O			2,930,200	developer profit % of gross turnover	20
AH - 35% of total, 67% rent, 33% SO, with new AH rent product, based on RSL bid @ 50% of OMV	7,000	115	805,000	demolition sq.ft	
gross turnover T/O			3,735,200	net site area acres	1.5
total floorspace	20,000			gross area (estimate)	1.8
BUILD COSTS - ALL IN		£80/sq.ft		affordable %	35
all housing units - housebuild	20,000	65	1,300,000	open market %	65
externals	20,000	15	300,000	coverage sq.ft/net acre	13,333
additional Code 3 costs @ £5/sq.ft		5	50,000		
developer's profit @ 18% of open market turnover			586,040		
developer's profit on affordable @ 6% of AH build cost			48,300		
TOTAL BUILD COSTS & PROFIT			2,284,340		
finance costs @ 6.5% of build cost			107,250		
professional fees @ 6.5% of build cost			107,250		
TOTAL BUILD COSTS, FEES & PROFIT			2,498,840		
additional development costs		£/sq.ft			
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	120,900	9.30			
strategic infrastructure - local highway/access improvements, drainage, other S.106	150,000	100,000			
demolition/remediation estimate - £5/sq.ft	0	5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	270,900		270,900	overall CIL & other infrastructure costs/net acre	180,600
TOTAL BUILD COSTS & TADCs			2,769,740		
INTERIM LAND VALUE , ie, T/O minus TADCs			965,460		
finance costs derived from ILV, @ 6.5%, to arrive at Nominal Purchase Price	62,755	902,705			
actual finance costs (to avoid circular calc), @ 6.5% of Nominal Purchase Price		870,000	56,550	908,910	
legal fees 0.5% LV			4,350		
SDLT 4%			34,800		
NET LAND VALUE			869,760		
existing use value (EUV), agric land @ £7700k/acre (hope value 20k/gross acre)	7,700	13,860		VIABILITY TEST COMPARISONS	
value added by consent			855,900	Land value/net acre	579,840
uplift factor			62.75	Land value/gross acre	483,200
viability conclusion - Land value of £869k (£579k/net acre), Viability tests against 1) uplift of £856k = x 63 from EUV, and 2) well above (290%) minimum land value in options of £200k/acre. Achieved LV = £869k, (579/net acre), so passes Viability Tests with £100/sq.m CIL. Conclusion - viable with £100/sq.m CIL.					

nominal location - Chard	net site area acres	dwelling capacity			
Previously-developed land model	0.5	9		model variables	
Summary - PDL windfall site. Proposal is for 9 dwellings on 0.5 net acres (18/acre, 44 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect site characteristics, location, and both OM & AH: 0% 1-bed, 60% 2-bed, 40% 3-bed, 0% 4-bed, 0% 5-bed. The market appraisal indicates that this mix produces a total of 6,900 sq.ft of floorspace. Sales values estimated at £205/sq.ft. New Build all-in costs estimated at £80/sq.ft all in, additional £5/sq.ft for Code 3				total floorspace sq.ft	6,900
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	205
TURNOVER				build cost £/sq.ft	80
open market housing	4,485	205	919,425	total units	9
sales overhead 2% of OM T/O			18,389	qualifying units for CIL	6
net OM T/O			901,037	developer profit % of gross turnover	18
AH - 35% of total, 67% rent, 33% SO, with new AH rent product, based on RSL bid @ 50% of OMV	2,415	103	247,538	demolition sq.ft	5,000
gross turnover T/O			1,148,574	net site area acres	0.5
total floorspace	6,900			gross area (estimate)	0.5
BUILD COSTS - ALL IN		£80/sq.ft		affordable %	35
all housing units - housebuild	6,900	65	448,500	open market %	65
externals	6,900	15	103,500	coverage sq.ft/net acre	6,900
additional Code 3 costs @ £5/sq.ft		5	17,250		
developer's profit @ 18% of open market turnover			162,187		
developer's profit on affordable @ 6% of AH build cost			14,852		
TOTAL BUILD COSTS & PROFIT			746,289		
finance costs @ 6.5% of build cost			37,001		
professional fees @ 6.5% of build cost			37,001		
TOTAL BUILD COSTS, FEES & PROFIT			820,291		
additional development costs		£/sq.ft			
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	41,711	9.30			
strategic infrastructure - local highway/access improvements, drainage, other S.106	50,000	100,000			
demolition/remediation estimate - £5/sq.ft	25,000	5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	116,711		116,711	overall CIL & other infrastructure costs/net acre	233,421
TOTAL BUILD COSTS & TADCs			937,002		
INTERIM LAND VALUE , ie, T/O minus TADCs			211,572		
finance costs derived from ILV, @ 6.5%, to arrive at Nominal Purchase Price	13,752	197,820			
actual finance costs (to avoid circular calc), @ 6.5% of Nominal Purchase Price		196,000	12,740	198,832	
legal fees 0.5% LV			980		
SDLT 1%			1,960		
NET LAND VALUE			195,892		
existing use value (EUV), serviced industrial land @ £150k/acre	150,000	75,000		VIABILITY TEST COMPARISONS	
value added by consent			120,892	Land value/net acre	391,784
uplift factor			2.61	Land value/gross acre	391,784
Land value of £195k (£391k/net acre), Viability tests against 1) uplift of £120k = x 2.6 from EUV, and 2) above (+95%) minimum land value in options of £200k/acre. Achieved LV = £195k, (391/net acre,) so passes Viability Tests with £100/sq.m CIL. Conclusion - viable with £100/sq.m CIL.					

nominal location - Castle Cary		net site area acres	dwelling capacity			
Greenfield model		0.6	8		model variables	
Summary - Greenfield windfall site. Proposal is for 8 dwellings on 0.6 net acres (13/acre, 33 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect site characteristics, location, and both OM & AH: 0% 1-bed, 60% 2-bed, 40% 3-bed, 0% 4-bed, 0% 5-bed. The market appraisal indicates that this mix produces a total of 7,900 sq.ft of floorspace. Sales values estimated at £230/sq.ft. New Build all-in costs estimated at £90/sq.ft all in, additional £5/sq.ft for Code 3					total floorspace sq.ft	6,900
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft		230
TURNOVER				build cost £/sq.ft		90
open market housing	4,485	230	1,031,550	total units		8
sales overhead 2% of OM T/O			20,631	qualifying units for CIL		5
net OM T/O			1,010,919	developer profit % of gross turnover		18
AH - 35% of total, 67% rent, 33% SO, with new AH rent product, based on RSL bid @ 50% of OMV	2,415	115	277,725	demolition sq.ft		
gross turnover T/O			1,288,644	net site area acres		0.6
total floorspace	6,900			gross area (estimate)		0.6
BUILD COSTS - ALL IN		£90/sq.ft		affordable %		35
all housing units - housebuild	6,900	75	517,500	open market %		65
externals	6,900	15	103,500	coverage sq.ft/net acre		6,900
additional Code 3 costs @ £5/sq.ft		5	17,250			
developer's profit @ 18% of open market turnover			181,965			
developer's profit on affordable @ 6% of AH build cost			16,664			
TOTAL BUILD COSTS & PROFIT			836,879			
finance costs @ 6.5% of build cost			41,486			
professional fees @ 6.5% of build cost			41,486			
TOTAL BUILD COSTS, FEES & PROFIT			919,851			
additional development costs		£/sq.ft				
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	41,711	9.30				
strategic infrastructure - local highway/access improvements, drainage, other S.106	60,000	100,000				
demolition/remediation estimate - £5/sq.ft	0	5				
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	101,711		101,711	overall CIL & other infrastructure costs/net acre		169,518
TOTAL BUILD COSTS & TADCs			1,021,562			
INTERIM LAND VALUE , ie, T/O minus TADCs			267,082			
finance costs derived from ILV, @ 6.5%, to arrive at Nominal Purchase Price	17,360	249,722				
actual finance costs (to avoid circular calc), @ 6.5% of Nominal Purchase Price		242,800	15,782	251,300		
legal fees 0.5% LV			1,214			
SDLT 3%			7,284			
NET LAND VALUE			242,802			
existing use value (EUV), agric land @ £7700k/acre (hope value 20k/gross acre)	7,700	4,620		VIABILITY TEST COMPARISONS		
value added by consent			238,182	Land value/net acre		404,670
uplift factor			52.55	Land value/gross acre		404,670
viability conclusion - Land value of £242k (£404k/net acre), Viability tests against 1) uplift of 238k = x 52 from EUV, x 20 hope value, and 2) well above (x 2) minimum land value in options of £200k/acre. Achieved LV = £242k, (404/net acre), so passes Viability Tests with £100/sq.m CIL. Conclusion - viable with £100/sq.m CIL.						

nominal location - Yeovil	net site area acres	dwelling capacity			
Greenfield garden model	0.4	4			model variables
<p>Summary - Greenfield garden site. Proposal is for 4 dwellings on 0.4 net acres (10/acre, 25 dph) No affordable contribution. Likely market mix to reflect site characteristics, location, and both OM & AH: 0% 1-bed, 0% 2-bed, 50% 3-bed, 50% 4-bed, 0% 5-bed. The market appraisal indicates that this mix produces a total of 4,700 sq.ft of floorspace. Sales values estimated at £215/sq.ft. New Build all-in costs estimated at £90/sq.ft all in, additional £5/sq.ft for Code 3</p>					
				total floorspace sq.ft	4,700
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	215
TURNOVER				build cost £/sq.ft	90
open market housing	4,700	215	1,010,500	total units	4
sales overhead 2% of OM T/O			20,210	qualifying units for CIL	3
net OM T/O			990,290	developer profit % of gross turnover	18
no affordable housing contribution				demolition sq.ft	
gross turnover T/O			990,290	net site area acres	0.4
total floorspace	4,700			gross area (estimate)	0.4
BUILD COSTS - ALL IN		£90/sq.ft		affordable %	
all housing units - housebuild	4,700	75	352,500	open market %	100
externals	4,700	15	70,500	coverage sq.ft/net acre	6,900
additional Code 3 costs @ £5/sq.ft		5	11,750		
developer's profit @ 18% of open market turnover			178,252		
developer's profit on affordable @ 6% of AH build cost			0		
TOTAL BUILD COSTS & PROFIT			613,002		
finance costs @ 6.5% of build cost			28,259		
professional fees @ 6.5% of build cost			28,259		
TOTAL BUILD COSTS, FEES & PROFIT			669,520		
additional development costs		£/sq.ft			
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	43,710	9.30			
strategic infrastructure - local highway/access improvements, drainage, other S.106	40,000	100,000			
demolition/remediation estimate - £5/sq.ft	0	5			
TOTAL ADDITIONAL DEVELOPMENT COSTS (TADCs)	83,710		83,710	overall CIL & other infrastructure costs/net acre	209,275
TOTAL BUILD COSTS & TADCs			753,230		
INTERIM LAND VALUE , ie, T/O minus TADCs			237,060		
finance costs derived from ILV, @ 6.5%, to arrive at Nominal Purchase Price	15,409	221,651			
actual finance costs (to avoid circular calc), @ 6.5% of Nominal Purchase Price		219,500	14,268	222,793	
legal fees 0.5% LV			1,098		
SDLT 1%			2,195		
NET LAND VALUE			219,500		
existing use value (EUV), garden land @ £100k/acre	100,000	40,000		VIABILITY TEST COMPARISONS	
value added by consent			179,500	Land value/net acre	548,751
uplift factor			5.49	Land value/gross acre	548,751
<p>viability conclusion - Land value of £219k (£548k/net acre). Viability tests against 1) uplift of 180k = x 5.5 from EUV, and 2) well above (x 2.7) minimum land value in options of £200k/acre. Achieved LV = £219k, (£548/net acre.) so passes Viability Tests with £100/sq.m CIL. Conclusion - viable with £100/sq.m CIL.</p>					

nominal location - Milbourne Port	net site area acres	dwelling capacity			
Greenfield garden model	0.1	1			model variables
<p>Summary - Greenfield garden site. Proposal is for 1 dwelling on 0.1 net acres (10/acre, 25 dph). Likely market mix to reflect site characteristics, location, and both OM & AH: 0% 1-bed, 0% 2-bed, 0% 3-bed, 100% 4-bed, 0% 5-bed. The market appraisal indicates that this mix produces a total of 1,600 sq.ft of floorspace. Sales values estimated at £235/sq.ft. New Build all-in costs estimated at £95/sq.ft all in, additional £5/sq.ft for Code 3</p>					
				total floorspace sq.ft	1,600
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	235
TURNOVER				build cost £/sq.ft	95
open market housing	1,600	235	376,000	total units	1
sales overhead 2% of OM T/O			7,520	qualifying units for CIL	1
net OM T/O			368,480	developer profit % of gross turnover	18
No AH contribution.	0		0	demolition sq.ft	
gross turnover T/O			368,480	net site area acres	0.1
total floorspace	1,600			gross area (estimate)	0.1
BUILD COSTS - ALL IN		£95/sq.ft		affordable %	
all housing units - housebuild	1,600	80	128,000	open market %	100
externals	1,600	15	24,000	coverage sq.ft/net acre	6,900
additional Code 3 costs @ £5/sq.ft		5	4,000		
developer's profit @ 18% of open market turnover			66,326		
developer's profit on affordable @ 6% of AH build cost			0		
TOTAL BUILD COSTS & PROFIT			222,326		
finance costs @ 6.5% of build cost			10,140		
professional fees @ 6.5% of build cost			10,140		
TOTAL BUILD COSTS, FEES & PROFIT			242,606		
additional development costs		£/sq.ft			
Proposed CIL charge @ £100/sq.m (£9.30/sq.ft)	14,880	9.30			
strategic infrastructure - local highway/access improvements, drainage, other S.106	20,000	200,000			
demolition/remediation estimate - £5/sq.ft	0	5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	34,880		34,880	overall CIL & other infrastructure costs/net acre	348,800
TOTAL BUILD COSTS & TADCs			277,486		
INTERIM LAND VALUE , ie, T/O minus TADCs			90,994		
finance costs derived from ILV, @ 6.5%, to arrive at Nominal Purchase Price	5,915	85,079			
actual finance costs (to avoid circular calc), @ 6.5% of Nominal Purchase Price		85,000	5,525	85,469	
legal fees 0.5% LV			425		
SDLT 0%					
NET LAND VALUE			85,044		
existing use value (EUV), garden land @ £100k/acre	100,000	10,000		VIABILITY TEST COMPARISONS	
value added by consent			75,044	Land value/net acre	850,436
uplift factor			8.50	Land value/gross acre	850,436
<p>viability conclusion - Land value of £85k (£850k/net acre). Viability tests against 1) uplift of 75k = x 8.5 from EUV, and 2) well above (x 4.25) minimum land value in options of £200k/acre. Achieved LV = £85k, (850k/net acre,) so passes Viability Tests with £100/sq.m CIL. Conclusion - viable with £100/sq.m CIL.</p>					

nominal location - Yeovil	net site area acres	dwelling capacity				
urban extension model 2 - reduced CIL	190	3000			model variables	
<p>Summary - Strategic site, allocated in adopted plan. Proposal is for 3000 dwellings on 190 net acres (16/acre, 40 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 15% 1-bed, 33% 2-bed, 32% 3-bed, 17% 4-bed, 3% 5-bed. The market appraisal indicates that this mix produces a total of 2,675,000 sq.ft of floorspace. Sales values estimated at £210/sq.ft. New Build all-in costs estimated at £85/sq.ft all in, additional £25/sq.ft from 2016 for Zero Carbon</p>					total floorspace sq.ft	2,675,000
element	floorspace sq.ft	sales £/sq.ft	turnover	sales value £/sq.ft	210	
TURNOVER				build cost £/sq.ft	80	
open market housing	1,738,750	210	365,137,500	total units	3,000	
sales overhead 2% of OM T/O			7,302,750	qualifying units for CIL	1,950	
net OM T/O			357,834,750	developer profit % of gross turnover	18	
AH - 35% of total, 67% rent, 33% SO, with new AH rent product, based on RSL bid @ 50% of OMV	936,250	105	98,306,250	commercial sq.ft		
gross turnover T/O			456,141,000	net site area acres	190	
total floorspace	2,675,000			gross area (estimate)	350	
BUILD COSTS - ALL IN		£80/sq.ft		affordable %	35	
all housing units - housebuild	2,675,000	65	173,875,000	open market %	65	
externals	2,675,000	15	40,125,000	coverage sq.ft/net acre	14,078.947	
additional Code 5 Zero Carbon costs @ £25/sq.ft from 2016			66,875,000			
developer's profit @ 18% of open market turnover			64,410,255			
developer's profit on affordable @ 6% of AH build cost			5,898,375			
TOTAL BUILD COSTS & PROFIT			351,183,630			
finance costs @ 6% of annual build cost x 4 years to allow for interest on sales revenues			4,815,000			
professional fees @ 6% of annual build cost x 4 years to allow for interest on sales revenues			5,617,500			
TOTAL BUILD COSTS, FEES & PROFIT			361,616,130			
additional development costs		£/sq.ft				
Zero CIL charge	5,216,250	3.00				
strategic infrastructure - @ £250k/net acre, including S.106 costs - local highway improvements, PoS, etc.	47,500,000	250,000				
demolition/remediation estimate - £5/sq.ft		5				
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	52,716,250		52,716,250	overall CIL & other infrastructure costs/net acre	277,454	
TOTAL BUILD COSTS & TADCs			414,332,380			
INTERIM LAND VALUE , ie, T/O minus TADCs			41,808,620			
finance costs derived from ILV, @ 6%, to arrive at Annual Nominal Purchase Price x 4 years	836,172	40,972,448				
actual finance costs (to avoid circular calc), @ 6% of Annual Nominal Purchase Price x 4 years		38,100,000	762,000	41,046,620		
legal fees 0.5% LV			952,500			
SDLT 5%			1,905,000			
NET LAND VALUE			38,189,120			
existing use value (EUV), agric land @ £7700k/acre (hope value 20k/gross acre)	7,700	2,695,000		VIABILITY TEST COMPARISONS		
value added by consent			35,494,120	Land value/net acre	200,995	
uplift factor			14.17	Land value/gross acre	109,112	
<p>viability conclusion - CIL reduced to £3/sq.ft (£32/sq.m), Land value of £38.1m (£201k/net acre). Viability test against 1) uplift of £35.8m, x 14 from agric value, x 5.5 hope value. 2) against Option Agreement Minimum Land Values c. £200k/net acre = £38m. Achieved LV = £38.1m, or 201k/net acre, therefore just viable. Conclusion - just viable with £3/sq.ft (£32/sq.m) CIL. If CIL remains at £100/sq.m, affordable must reduce to 25%. Note - Eco-towns require at least 30% affordable (draft CS, para. 5.42)</p>						

nominal location - Chard	net site area acres	dwelling capacity			
urban extension model 2 - reduced CIL	90	1440			model variables
<p>Summary - Strategic site, allocated in adopted plan. Proposal is for 1440 dwellings on 90 net acres (16/acre, 40 dph) Affordable 35% of total, new affordable rent product up to 80% open market rent. Likely market mix to reflect both OM & AH: 15% 1-bed, 33% 2-bed, 32% 3-bed, 17% 4-bed, 3% 5-bed. The market appraisal indicates that this mix produces a total of 1,284,000 sq.ft of floorspace. Sales values estimated at £200/sq.ft. New Build all-in costs estimated at £80/sq.ft all in, additional £25/sq.ft from 2016 for Zero Carbon</p>					
					total floorspace sq.ft
					1,284,000
element	floorspace sq.ft	sales £/sq.ft	turnover		sales value £/sq.ft
TURNOVER					200
open market housing	834,600	200		166,920,000	build cost £/sq.ft
sales overhead 2% of OM T/O				3,338,400	total units
net OM T/O				163,581,600	1,440
AH - 35% of total, 67% rent, 33% SO, with new AH rent product, based on RSL bid @ 50% of OMV	449,400	100		44,940,000	qualifying units for CIL
gross turnover T/O				208,521,600	developer profit % of gross turnover
total floorspace	1,284,000				18
BUILD COSTS - ALL IN		£80/sq.ft			commercial sq.ft
all housing units - housebuild	1,284,000	65		83,460,000	net site area acres
externals	1,284,000	15		19,260,000	gross area (estimate)
additional Code 5 Zero Carbon costs @ £25/sq.ft from 2016		25		32,100,000	affordable %
developer's profit @ 18% of open market turnover				29,444,688	open market %
developer's profit on affordable @ 6% of AH build cost				2,696,400	coverage sq.ft/net acre
TOTAL BUILD COSTS & PROFIT				166,961,088	14,266.667
finance costs @ 6% of annual build cost x 4 years to allow for interest on sales revenues				2,311,200	
professional fees @ 6% of annual build cost x 4 years to allow for interest on sales revenues				2,696,400	
TOTAL BUILD COSTS, FEES & PROFIT				171,968,688	
additional development costs		£/sq.ft			
Proposed CIL charge @ ZERO	0				
strategic infrastructure - based pro-rata on actual costs identified by Gardiner & Theobald. These were £28.5m to support 2000 units @ £14.25k/dwelling. The costs will allow for all highway, drainage, utility improvements, PoS, etc, but not education, health, leisure, which will be financed from CIL, the site itself providing £7.7m towards CIL.	20,520,000	14,250			
demolition/remediation estimate - £5/sq.ft		5			
TOTAL ADDITIONAL DEVELOPMENT COSTS [TADCs]	20,520,000			20,520,000	overall CIL & other infrastructure costs/net acre
TOTAL BUILD COSTS & TADCs				192,488,688	228,000
INTERIM LAND VALUE , ie, T/O minus TADCs				16,032,912	
finance costs derived from ILV, @ 6%, to arrive at Annual Nominal Purchase Price x 4 years	320,658	15,712,254			
actual finance costs (to avoid circular calc), @ 6% of Annual Nominal Purchase Price x 4 years		15,200,000			16,032,912
legal fees 0.5% LV				76,000	
SDLT 5%				760,000	
NET LAND VALUE				15,196,912	
existing use value (EUUV), agric land @ £7700k/acre (hope value 20k/gross acre)	7,700	1,155,000			VIABILITY TEST COMPARISONS
value added by consent				14,041,912	Land value/net acre
uplift factor				13.16	Land value/gross acre
					168,855
					101,313
<p>viability conclusion - Land value of £15.2m (£168k/net acre). Viability test against 1) uplift of £14m, x 13 from agric value, x 5 hope value. 2) against Option Agreement Minimum Land Values c. £200k/net acre = £18m. Achieved LV = £15.2m, or 168k/net acre, a shortfall of £2.8m with no CIL. Conclusion - unviable even with no CIL. If CIL remains at £100/sq.m, affordable must be reduced to 15%</p>					

APPENDIX 2

Notional Sites Non-residential Viability January 2012

South Somerset - Residual Land Valuation

Retail - 2,500 sq. m Supermarket

	Quantum			Rate		Total
1. Development Value						
Floorspace	2,500	sq m	@	95.0%		
Rental Value	2,375	sq m	@	£210	per sq m	
Investment Yield	£498,750	p.a.	@	5.1%		
Gross Development Value						£9,779,412
Expressed as GDV/sqm						£3,912
Less buyers costs	£9,779,412		@	5.76%		£563,294
Net Receipts						£9,216,118
Expressed as Net Receipts/sqm						£3,686
2. Development Costs						
Construction Costs	2,500	sq m	@	£1,145	per sq m	£2,862,500
External Works (% of build cost)	£2,862,500		@	10.0%		£286,250
Professional Fees (% of all construction)	£3,148,750		@	12.0%		£377,850
Marketing & Sales (% of value)	£9,779,412		@	4.0%		£391,176
BREEAM cost implications	£2,862,500		@	0.0%		£0
Developer Contributions	2,500	sq m	@	£100	per sq m	£250,000
Development Costs Finance (on half build costs)	1.00	years	@	7.5%		£156,292
Void Finance (on total development costs)	0.00	years	@	7.5%		£0
Margin on GDV	£9,779,412		@	20.0%		£1,955,882
Development Costs						£6,279,950
Land Value Realised at Sale	£2,936,167					
Less						
Acquisition Fees	1.00	years	@	10.0%		£293,617
Less						
Land Tax			@	4.0%		£117,447
Total Costs						£6,691,014
Expressed as total cost/sqm						£2,676
Residual Land Value for site						£2,525,104
Number of floors	1					
Building footprint	2,500					
Development site coverage	40%					
Balance of site without direct development value	60%	3,750	sqm			
Total site land take		6,250	sqm	0.63	ha	
Residual land value per hectare						£4,040,166
Assumed existing use value plus uplift per hectare	£1,600,000					
Site cost						£1,000,000
Total development cost and site costs						£7,691,014
Expressed as total cost and site costs/sqm						£3,076
Net residual value of development						£1,525,104

South Somerset - Residual Land Valuation

Retail - 10,000 sq. m Retail Warehouses - Scheme of 6 Units

	Quantum		Rate		Total
1. Development Value					
Floorspace	10,000	sq m	@	95.0%	
Rental Value	9,500	sq m	@	£215	per sq m
Investment Yield	£2,042,500	p.a.	@	7.0%	
Gross Development Value					£29,178,571
Expressed as GDV/sqm					£2,918
Less buyers costs	£29,178,571		@	5.76%	£1,680,686
Net Receipts					£27,497,886
Expressed as Net Receipts/sqm					£2,750
2. Development Costs					
Construction Costs	10,000	sq m	@	£800	per sq m
External Works (% of build cost)	£8,000,000		@	10.0%	£800,000
Professional Fees (% of all construction)	£8,800,000		@	12.0%	£1,056,000
Marketing & Sales (% of value)	£29,178,571		@	4.0%	£1,167,143
BREEAM cost implications	£8,000,000		@	0.0%	£0
Developer Contributions	10,000	sq m	@	£100	per sq m
Development Costs Finance (on half build costs)	1.00	years	@	7.5%	£450,868
Void Finance (on total development costs)	0.00	years	@	7.5%	£0
Margin on GDV	£29,178,571		@	20.0%	£5,835,714
Development Costs					£18,309,725
Land Value Realised at Sale	£9,188,161				
Less					
Acquisition Fees	1.00	years	@	10.0%	£918,816
Less					
Land Tax			@	4.0%	£367,526
Total Costs					£19,596,068
Expressed as total cost/sqm					£1,960
Residual Land Value for site					£7,901,818
Number of floors	1				
Building footprint	10,000				
Development site coverage	40%				
Balance of site without direct development value	60%	15,000	sqm		
Total site land take		25,000	sqm	2.50	ha
Residual land value per hectare					£3,160,727
Assumed existing use value plus uplift per hectare	£1,600,000				
Site cost					£4,000,000
Total development cost and site costs					£23,596,068
Expressed as total cost and site costs/sqm					£2,360
Net residual value of development					£3,901,818

South Somerset - Residual Land Valuation

Retail - 1000 sq. m Town Centre

	Quantum		Rate	Total
1. Development Value				
Floorspace	1,000	sq m	@	95.0%
Rental Value	950	sq m	@	£170
Investment Yield	£161,500	p.a.	@	7.1%
Gross Development Value				£2,274,648
Expressed as GDV/sqm				£2,275
Less buyers costs	£2,274,648		@	5.76%
Net Receipts				£2,143,628
Expressed as Net Receipts/sqm				£2,144
2. Development Costs				
Construction Costs	1,000	sq m	@	£1,210
External Works (% of build cost)	£1,210,000		@	10.0%
Professional Fees (% of all construction)	£1,331,000		@	12.0%
Marketing & Sales (% of value)	£2,274,648		@	4.0%
BREEAM cost implications	£1,210,000		@	0.0%
Developer Contributions	1,000	sq m	@	£0
Development Costs Finance (on half build costs)	1.00	years	@	7.5%
Void Finance (on total development costs)	0.00	years	@	7.5%
Margin on GDV	£2,274,648		@	20.0%
Development Costs				£2,095,949
Land Value Realised at Sale	£47,679			
Less				
Acquisition Fees	1.00	years	@	10.0%
Less				
Land Tax			@	4.0%
Total Costs				£2,102,624
Expressed as total cost/sqm				£2,103
Residual Land Value for site				£41,004
Number of floors	1			
Building footprint	1,000			
Development site coverage	80%			
Balance of site without direct development value	20%	250	sqm	
Total site land take		1,250	sqm	0.13 ha
Residual land value per hectare				£328,029
Assumed existing use value plus uplift per hectare	£1,200,000			
Site cost				£150,000
Total development cost and site costs				£2,252,624
Expressed as total cost and site costs/sqm				£2,253
Net residual value of development				-£108,996

South Somerset - Residual Land Valuation

Local Retail - 280 sq. m

	Quantum		Rate		Total
1. Development Value					
Floorspace	280	sq m	@	95.0%	
Rental Value	266	sq m	@	£190	per sq m
Investment Yield	£50,540	p.a.	@	8.0%	
Gross Development Value					£631,750
Expressed as GDV/sqm					£2,256
Less buyers costs	£631,750		@	5.76%	£36,389
Net Receipts					£595,361
Expressed as Net Receipts/sqm					£2,126
2. Development Costs					
Construction Costs	280	sq m	@	£1,210	per sq m
External Works (% of build cost)	£338,800		@	10.0%	£33,880
Professional Fees (% of all construction)	£372,680		@	12.0%	£44,722
Marketing & Sales (% of value)	£631,750		@	4.0%	£25,270
BREEAM cost implications	£338,800		@	0.0%	£0
Developer Contributions	280	sq m	@	£50	per sq m
Development Costs Finance (on half build costs)	1.00	years	@	7.5%	£17,125
Void Finance (on total development costs)	0.00	years	@	7.5%	£0
Margin on GDV	£631,750		@	20.0%	£126,350
Development Costs					£600,147
Land Value Realised at Sale	-£4,786				
Less					
Acquisition Fees	1.00	years	@	10.0%	£0
Less					
Land Tax			@	4.0%	£0
Total Costs					£600,147
Expressed as total cost/sqm					£2,143
Residual Land Value for site					-£4,786
Number of floors	1				
Building footprint	280				
Development site coverage	80%				
Balance of site without direct development value	20%	70	sqm		
Total site land take		350	sqm	0.04	ha
Residual land value per hectare					-£136,731
Assumed existing use value plus uplift per hectare	£800,000				
Site cost					£28,000
Total development cost and site costs					£628,147
Expressed as total cost and site costs/sqm					£2,243
Net residual value of development					-£32,786

South Somerset - Residual Land Valuation

Office - 800 sq. m Town Centre B1

	Quantum		Rate		Total
1. Development Value					
Floorspace	800	sq m	@	95.0%	
Rental Value	760	sq m	@	£160	per sq m
Investment Yield	£121,600	p.a.	@	7.2%	
Gross Development Value					£1,688,889
Expressed as GDV/sqm					£2,111
Less buyers costs	£1,688,889		@	5.76%	£97,280
Net Receipts					£1,591,609
Expressed as Net Receipts/sqm					£1,990
2. Development Costs					
Construction Costs	800	sq m	@	£1,300	per sq m
External Works (% of build cost)	£1,040,000		@	10.0%	£104,000
Professional Fees (% of all construction)	£1,144,000		@	12.0%	£137,280
Marketing & Sales (% of value)	£1,688,889		@	4.0%	£67,556
BREEAM cost implications	£1,040,000		@	0.0%	£0
Developer Contributions	800	sq m	@	£50	per sq m
Development Costs Finance (on half build costs)	1.00	years	@	7.5%	£52,081
Void Finance (on total development costs)	0.00	years	@	7.5%	£0
Margin on GDV	£1,688,889		@	20.0%	£337,778
Development Costs					£1,778,695
Land Value Realised at Sale	-£187,086				
Less					
Acquisition Fees	1.00	years	@	10.0%	£0
Less					
Land Tax			@	4.0%	£0
Total Costs					£1,778,695
Expressed as total cost/sqm					£2,223
Residual Land Value for site					-£187,086
Number of floors	3				
Building footprint	267				
Development site coverage	80%				
Balance of site without direct development value	20%	67	sqm		
Total site land take		333	sqm	0.03	ha
Residual land value per hectare					
-£5,612,573					
Assumed existing use value plus uplift per hectare	£2,400,000				
Site cost					£80,000
Total development cost and site costs					£1,858,695
Expressed as total cost and site costs/sqm					£2,323
Net residual value of development					-£267,086

South Somerset - Residual Land Valuation Office - 2000 sq. m Business Park B1

	Quantum		Rate		Total
1. Development Value					
Floorspace	2,000	sq m	@	95.0%	
Rental Value	1,900	sq m	@	£160	per sq m
Investment Yield	£304,000	p.a.	@	7.2%	
Gross Development Value					£4,222,222
Expressed as GDV/sqm					£2,111
Less buyers costs	£4,222,222		@	5.76%	£243,200
Net Receipts					£3,979,022
Expressed as Net Receipts/sqm					£1,990
2. Development Costs					
Construction Costs	2,000	sq m	@	£1,250	per sq m
External Works (% of build cost)	£2,500,000		@	10.0%	£250,000
Professional Fees (% of all construction)	£2,750,000		@	12.0%	£330,000
Marketing & Sales (% of value)	£4,222,222		@	4.0%	£168,889
BREEAM cost implications	£2,500,000		@	0.0%	£0
Developer Contributions	2,000	sq m	@	£50	per sq m
Development Costs Finance (on half build costs)	1.00	years	@	7.5%	£125,583
Void Finance (on total development costs)	0.00	years	@	7.5%	£0
Margin on GDV	£4,222,222		@	20.0%	£844,444
Development Costs					£4,318,917
Land Value Realised at Sale	-£339,894				
Less					
Acquisition Fees	1.00	years	@	10.0%	£0
Less					
Land Tax			@	4.0%	£0
Total Costs					£4,318,917
Expressed as total cost/sqm					£2,159
Residual Land Value for site					-£339,894
Number of floors	2				
Building footprint	1,000				
Development site coverage	40%				
Balance of site without direct development value	60%	1,500	sqm		
Total site land take		2,500	sqm	0.25	ha
Residual land value per hectare					-£1,359,578
Assumed existing use value plus uplift per hectare	£700,000				
Site cost					£175,000
Total development cost and site costs					£4,493,917
Expressed as total cost and site costs/sqm					£2,247
Net residual value of development					-£514,894

South Somerset - Residual Land Valuation Industrial - 1500 sq. m B2 - Edge of Town

	Quantum		Rate		Total
1. Development Value					
Floorspace	1,500	sq m	@	95.0%	
Rental Value	1,425	sq m	@	£70	per sq m
Investment Yield	£99,750	p.a.	@	7.5%	
Gross Development Value					£1,330,000
Expressed as GDV/sqm					£887
Less buyers costs	£1,330,000		@	5.76%	£76,608
Net Receipts					£1,253,392
Expressed as Net Receipts/sqm					£836
2. Development Costs					
Construction Costs	1,500	sq m	@	£665	per sq m
External Works (% of build cost)	£997,500		@	10.0%	£99,750
Professional Fees (% of all construction)	£1,097,250		@	12.0%	£131,670
Marketing & Sales (% of value)	£1,330,000		@	4.0%	£53,200
BREEAM cost implications	£997,500		@	0.0%	£0
Developer Contributions	1,500	sq m	@	£50	per sq m
Development Costs Finance (on half build costs)	1.00	years	@	7.5%	£50,892
Void Finance (on total development costs)	0.00	years	@	7.5%	£0
Margin on GDV	£1,330,000		@	20.0%	£266,000
Development Costs					£1,674,012
Land Value Realised at Sale	-£420,620				
Less					
Acquisition Fees	1.00	years	@	10.0%	£0
Less					
Land Tax			@	4.0%	£0
Total Costs					£1,674,012
Expressed as total cost/sqm					£1,116
Residual Land Value for site					-£420,620
Number of floors	1				
Building footprint	1,500				
Development site coverage	40%				
Balance of site without direct development value	60%	2,250	sqm		
Total site land take		3,750	sqm	0.38	ha
Residual land value per hectare					
-£1,121,653					
Assumed existing use value plus uplift per hectare	£670,000				
Site cost					£251,250
Total development cost and site costs					£1,925,262
Expressed as total cost and site costs/sqm					£1,284
Net residual value of development					
-£671,870					

South Somerset - Residual Land Valuation Industrial - 5,000 sq. m B2 - Edge of Town

	Quantum		Rate		Total
1. Development Value					
Floorspace	5,000	sq m	@	95.0%	
Rental Value	4,750	sq m	@	£70	per sq m
Investment Yield	£332,500	p.a.	@	7.5%	
Gross Development Value					£4,433,333
Expressed as GDV/sqm					£887
Less buyers costs	£4,433,333		@	5.76%	£255,360
Net Receipts					£4,177,973
Expressed as Net Receipts/sqm					£836
2. Development Costs					
Construction Costs	5,000	sq m	@	£610	per sq m
External Works (% of build cost)	£3,050,000		@	10.0%	£305,000
Professional Fees (% of all construction)	£3,355,000		@	12.0%	£402,600
Marketing & Sales (% of value)	£4,433,333		@	4.0%	£177,333
BREEAM cost implications	£3,050,000		@	0.0%	£0
Developer Contributions	5,000	sq m	@	£50	per sq m
Development Costs Finance (on half build costs)	1.00	years	@	7.5%	£156,935
Void Finance (on total development costs)	0.00	years	@	7.5%	£0
Margin on GDV	£4,433,333		@	20.0%	£886,667
Development Costs					£5,228,535
Land Value Realised at Sale	-£1,050,562				
Less					
Acquisition Fees	1.00	years	@	10.0%	£0
Less					
Land Tax			@	4.0%	£0
Total Costs					£5,228,535
Expressed as total cost/sqm					£1,046
Residual Land Value for site					-£1,050,562
Number of floors	1				
Building footprint	5,000				
Development site coverage	40%				
Balance of site without direct development value	60%	7,500	sqm		
Total site land take		12,500	sqm	1.25	ha
Residual land value per hectare					-£840,449
Assumed existing use value plus uplift per hectare	£670,000				
Site cost					£837,500
Total development cost and site costs					£6,066,035
Expressed as total cost and site costs/sqm					£1,213
Net residual value of development					-£1,888,062

South Somerset - Residual Land Valuation

Industrial - 5,000 sq. m B8 Storage/Distribution - Edge of Town

	Quantum		Rate	Total
1. Development Value				
Floorspace	5,000	sq m	@	95.0%
Rental Value	4,750	sq m	@	£65
Investment Yield	£308,750	p.a.	@	6.3%
Gross Development Value				£4,900,794
Expressed as GDV/sqm				£980
Less buyers costs	£4,900,794		@	5.76%
Net Receipts				£4,618,508
Expressed as Net Receipts/sqm				£924
2. Development Costs				
Construction Costs	5,000	sq m	@	£550
External Works (% of build cost)	£2,750,000		@	10.0%
Professional Fees (% of all construction)	£3,025,000		@	12.0%
Marketing & Sales (% of value)	£4,900,794		@	4.0%
BREEAM cost implications	£2,750,000		@	0.0%
Developer Contributions	5,000	sq m	@	£50
Development Costs Finance (on half build costs)	1.00	years	@	7.5%
Void Finance (on total development costs)	0.00	years	@	7.5%
Margin on GDV	£4,900,794		@	20.0%
Development Costs				£4,957,967
Land Value Realised at Sale	-£339,459			
Less				
Acquisition Fees	1.00	years	@	10.0%
Less				
Land Tax			@	4.0%
Total Costs				£4,957,967
Expressed as total cost/sqm				£992
Residual Land Value for site				-£339,459
Number of floors	1			
Building footprint	5,000			
Development site coverage	40%			
Balance of site without direct development value	60%	7,500	sqm	
Total site land take		12,500	sqm	1.25 ha
Residual land value per hectare				-£271,567
Assumed existing use value plus uplift per hectare	£670,000			
Site cost				£837,500
Total development cost and site costs				£5,795,467
Expressed as total cost and site costs/sqm				£1,159
Net residual value of development				-£1,176,959

South Somerset - Residual Land Valuation

Budget Hotel - 2000 sqm (60 bedrooms) - Edge of town

	Quantum		Rate	Total
1. Development Value				
Floorspace	2,000	sq m	@	95.0%
Rental Value	1,900	sq m	@	£103
Investment Yield	£195,700	p.a.	@	6.1%
Gross Development Value				£3,208,197
Expressed as GDV/sqm				£1,604
Less buyers costs	£3,208,197		@	5.76%
Net Receipts				£3,023,405
Expressed as Net Receipts/sqm				£1,512
2. Development Costs				
Construction Costs	2,000	sq m	@	£1,100
External Works (% of build cost)	£2,200,000		@	10.0%
Professional Fees (% of all construction)	£2,420,000		@	12.0%
Marketing & Sales (% of value)	£3,208,197		@	4.0%
BREEAM cost implications	£2,200,000		@	0.0%
Developer Contributions	2,000	sq m	@	£50
Development Costs Finance (on half build costs)	1.00	years	@	7.5%
Void Finance (on total development costs)	0.00	years	@	7.5%
Margin on GDV	£3,208,197		@	20.0%
Development Costs				£3,690,570
Land Value Realised at Sale	-£667,165			
Less				
Acquisition Fees	1.00	years	@	10.0%
Less				
Land Tax			@	4.0%
Total Costs				£3,690,570
Expressed as total cost/sqm				£1,845
Residual Land Value for site				-£667,165
Number of floors	3			
Building footprint	667			
Development site coverage	50%			
Balance of site without direct development value	50%	667	sqm	
Total site land take		1,333	sqm	0.13 ha
Residual land value per hectare				-£5,003,737
Assumed existing use value plus uplift per hectare	£700,000			
Site cost				£93,333
Total development cost and site costs				£3,783,903
Expressed as total cost and site costs/sqm				£1,892
Net residual value of development				-£760,498

South Somerset - Residual Land Valuation

Mixed Leisure Scheme 8,000 sqm - cinema/bowling

	Quantum		Rate		Total
1. Development Value					
Floorspace	8,000	sq m	@	95.0%	
Rental Value	7,600	sq m	@	£149	per sq m
Investment Yield	£1,132,400	p.a.	@	8.0%	
Gross Development Value					£14,155,000
Expressed as GDV/sqm					£1,769
Less buyers costs	£14,155,000		@	5.76%	£815,328
Net Receipts					£13,339,672
Expressed as Net Receipts/sqm					£1,667
2. Development Costs					
Construction Costs	8,000	sq m	@	£1,355	per sq m £10,840,000
External Works (% of build cost)	£10,840,000		@	10.0%	£1,084,000
Professional Fees (% of all construction)	£11,924,000		@	12.0%	£1,430,880
Marketing & Sales (% of value)	£14,155,000		@	4.0%	£566,200
BREEAM cost implications	£10,840,000		@	0.0%	£0
Developer Contributions	8,000	sq m	@	£50	per sq m £400,000
Development Costs Finance (on half build costs)	1.00	years	@	7.5%	£537,041
Void Finance (on total development costs)	0.00	years	@	7.5%	£0
Margin on GDV	£14,155,000		@	20.0%	£2,831,000
Development Costs					£17,689,121
Land Value Realised at Sale	-£4,349,449				
Less					
Acquisition Fees	1.00	years	@	10.0%	£0
Less					
Land Tax			@	4.0%	£0
Total Costs					£17,689,121
Expressed as total cost/sqm					£2,211
Residual Land Value for site					-£4,349,449
Number of floors	2				
Building footprint	4,000				
Development site coverage	50%				
Balance of site without direct development value	50%	4,000	sqm		
Total site land take		8,000	sqm	0.80	ha
Residual land value per hectare					-£5,436,811
Assumed existing use value plus uplift per hectare	£700,000				
Site cost					£560,000
Total development cost and site costs					£18,249,121
Expressed as total cost and site costs/sqm					£2,281
Net residual value of development					-£4,909,449

South Somerset - Residual Land Valuation Care Homes - 1,900 sqm (40 bedrooms) - Edge of town

	Quantum			Rate		Total
1. Development Value						
Floorspace	1,900	sq m	@	95.0%		
Rental Value	1,805	sq m	@	£128	per sq m	
Investment Yield	£230,462	p.a.	@	6.1%		
Gross Development Value						£3,990,000
Expressed as GDV/sqm						£2,100
Less buyers costs	£3,990,000		@	5.76%		£229,824
Net Receipts						£3,760,176
Expressed as Net Receipts/sqm						£1,979
2. Development Costs						
Construction Costs	1,900	sq m	@	£1,316	per sq m	£2,500,400
External Works (% of build cost)	£2,500,400		@	10.0%		£250,040
Professional Fees (% of all construction)	£2,750,440		@	12.0%		£330,053
Marketing & Sales (% of value)	£3,990,000		@	4.0%		£159,600
BREEAM cost implications	£2,500,400		@	0.0%		£0
Developer Contributions	1,900	sq m	@	£50	per sq m	£95,000
Development Costs Finance (on half build costs)	1.00	years	@	7.5%		£125,066
Void Finance (on total development costs)	0.00	years	@	7.5%		£0
Margin on GDV	£3,990,000		@	20.0%		£798,000
Development Costs						£4,258,159
Land Value Realised at Sale	-£497,983					
Less						
Acquisition Fees	1.00	years	@	10.0%		£0
Less						
Land Tax			@	4.0%		£0
Total Costs						£4,258,159
Expressed as total cost/sqm						£2,241
Residual Land Value for site						-£497,983
Number of floors	2					
Building footprint	950					
Development site coverage	50%					
Balance of site without direct development value	50%	950	sqm			
Total site land take		1,900	sqm	0.19	ha	
Residual land value per hectare						-£2,620,962
Assumed existing use value plus uplift per hectare	£1,200,000					
Site cost						£228,000
Total development cost and site costs						£4,486,159
Expressed as total cost and site costs/sqm						£2,361
Net residual value of development						-£725,983

South Somerset - Residual Land Valuation Health & Fitness - 4,000 sqm

	Quantum		Rate	Total
1. Development Value				
Floorspace	4,000	sq m	@	95.0%
Rental Value	3,800	sq m	@	£86
Investment Yield	£326,800	p.a.	@	7.0%
Gross Development Value				£4,668,571
Expressed as GDV/sqm				£1,167
Less buyers costs	£4,668,571		@	5.76%
Net Receipts				£4,399,662
Expressed as Net Receipts/sqm				£1,100
2. Development Costs				
Construction Costs	4,000	sq m	@	£1,355
External Works (% of build cost)	£5,420,000		@	10.0%
Professional Fees (% of all construction)	£5,962,000		@	12.0%
Marketing & Sales (% of value)	£4,668,571		@	4.0%
BREEAM cost implications	£5,420,000		@	0.0%
Developer Contributions	4,000	sq m	@	£50
Development Costs Finance (on half build costs)	1.00	years	@	7.5%
Void Finance (on total development costs)	0.00	years	@	7.5%
Margin on GDV	£4,668,571		@	20.0%
Development Costs				£8,262,804
Land Value Realised at Sale	-£3,863,142			
Less				
Acquisition Fees	1.00	years	@	10.0%
Less				
Land Tax			@	4.0%
Total Costs				£8,262,804
Expressed as total cost/sqm				£2,066
Residual Land Value for site				-£3,863,142
Number of floors	1.0			
Building footprint	4,000			
Development site coverage	80%			
Balance of site without direct development value	20%	1,000	sqm	
Total site land take		5,000	sqm	0.50 ha
Residual land value per hectare				-£7,726,285
Assumed existing use value plus uplift per hectare	£670,000			
Site cost				£335,000
Total development cost and site costs				£8,597,804
Expressed as total cost and site costs/sqm				£2,149
Net residual value of development				-£4,198,142