2.1 I do not consider that a zero charge for the two Yeovil SUEs is justified. Based on my own analysis, as set out below, I consider that a charge of £40 psm is viable.

2.2 Prior to the end of the consultation period on the latest modifications to the Draft Charging Schedule, I prepared a generic Draft Appraisal for the Yeovil SUEs, and sent this to SSDC. A copy of my letter email to SSDC's Assistant Director (Economy) and its attachments is at Appendix B. At this stage I had started, but not completed, a review of house price data (particularly from current new development sites in Yeovil); so I stressed that this was a Preliminary Appraisal that could be subject to change in certain areas. I have included this Preliminary Appraisal with my statement for the Examination for three main reasons:

a) to demonstrate transparency, and to give the Examiner as complete a picture of my evidence as I reasonably can;

b) to acknowledge and to emphasise that such assessments involve an iterative process; and

c) to draw attention to points made in that initial representation in a way that hopefully avoids unnecessary repetition.

2.3 I have now completed a review of Yeovil house prices, updating the evidence contained in BNP Paribas's Addendum report a year ago in the key area of current development sites. I have looked particularly at data available from the current developments at Brimsmore and Agusta Park, which I consider to best represent the likely selling prices on the two Yeovil SUEs, given the emphasis on development quality, landscaping/greenspace and sustainability, set out in the local plan (paragraph 6.32 et seq).

2.4 The evidence from Brimsmore and Agusta Park is summarised at Appendix C. It indicates that average values in excess of £2,400 are achievable on both sites, compared with the estimates in section 2.1.1 of BNP Paribas's 2015 Report of £216 psf (£2,325 psm) at Brimsmore and £205 psf (£2,206 psm) for Agusta Park.

2.5 Based on this evidence, I have revisited the Preliminary Appraisal I made in June, and attach an Update at Appendix D. Gross revenue from the sale of open market housing is now based on an average £2,400 per sqm, which is shown to be achievable on the two current sites, and which (if anything) I would expect to be exceeded on the SUEs. Both SUEs have a good outlook across, and ready access to, open countryside, as the Examiner will see from site inspections.

2.6 I have not altered SSDC's 2015 estimates for the value of affordable housing, but I would make the point that the advent of "starter homes" selling at up to 80% of open market value is likely to increase the gross revenue from affordable housing. As the implementation of this provision in the new Housing and Planning Act has yet to be formally defined, I have taken a conservative or cautious view in sticking with the 2015 figures.

2.7 I wish to add some further explanation to the approach I have taken on construction costs. There should be no doubt – indeed, it is acknowledged in section 3.2 of BNP Paribas's Update Addendum Report in 2015 – that lower build costs are achievable on larger/strategic housing sites. Not only has this been my experience over many years, including the more recent years in which Viability has taken a higher profile in Spatial Planning and Development Management decisions; it is also borne out in work I am currently doing on 6 Strategic Development Areas in South Wales. In that work, I have received submissions from national housebuilders citing "plot costs" of £66 psf (£710 psm) for open market houses and between £70-£75 psf (say £800 psm) for affordable homes. Building costs are cheaper in South Wales than in Somerset – the BCIS

database ascribes a location index of 94 to Swansea, compared with 99 for Yeovil (please see Appendix E and Appendix F).

2.8 Adjusting the above figures for the change in location (using a factor of 99/94), I arrive at "plot costs" of £750 psm for open market houses and £845 psm for affordable homes in Yeovil. Adding 15% to these figures for "external costs" brings me to total construction costs (including site preliminaries but excluding fees) of £865 psm and £970 psm respectively. It is against these figures that I consider the allowance of £1,097 psm made in SSDC's 2015 and 2016 Appraisals to be unduly pessimistic. In adopting a flat rate of £1,000 psm for both types of housing tenure in my appraisal at Appendix D, I consider that I have taken an appropriately cautious approach, as recommended in the Harman report, not working to the margins of viability.

2.9 £1,000 psm equates to a "plot cost" of £870 psm plus 15% for "externals". It can be noted that £870 psm is very similar to the BCIS lower quartile for Yeovil (please see Appendix F. The distribution charts for the data at Appendix F show a strong concentration of results within the total sample between the lower and upper quartiles. Neither quartile is "out on a limb" as it were. It is entirely logical that construction costs on larger sites would fall around the lower quartile, and that those on smaller/medium-sized sites would lie predominantly between the median and upper quartile; and this has been borne out in my experience over a number of years. As I said in my email on 23rd June though, it is a common error in "high level" Economic Viability Studies (used as supporting evidence for CIL and local plans/core strategy documents) to effectively ignore the economies of scale and similar savings that can – and regularly are – achieved on larger/strategic housing sites. The same error is less seldom applied in site-specific appraisals (relating to Development Management decisions), which I have seen causing some confusion for Planning Committee Members as well as the general public. This does not paint a very credible picture of the art (or science) of development economics.

2.10 It may be worth noting, in passing, that the volume housebuilders do not normally contribute data to BCIS. Were they to do so, it would have an impact on the median and quartile figures.

2.11 I have no further comments to make on other development costs, save that I have included an allowance for CIL at £40 psm in my Updated Appraisal at Appendix D. One neighbouring local authority (Sedgemoor District Council) with an appropriately aspirational but realistic approach, adopted a CIL charging rate of £40 psm for urban residential sites (including strategic sites on the urban edge) in 2014. This was based on an assumed average new build house price of £1,800 psm (25% below the levels now being achieved in Yeovil), although assumptions on build costs were proportionately lower too.

2.12 I have set Site Value for the Yeovil SUEs at £617,500 per net hectare – broadly equivalent to £250,000 per acre – and consider that that level of site value would constitute a competitive return to the landowners of both sites.

2.13 The Developer's Profit in this Updated Appraisal is now showing a blended margin of nearly 20% on total GDV – 24.5% on Cost. I stand by the comments made in my email on 23rd June that a blended margin of 17% on GDV could be considered to be a competitive return to a developer in this instance, based on market evidence and experience elsewhere. I regard the extra margin that arises from my Updated Appraisal as an additional "cushion" (in the sense that that term is used in the Harman Report), justifying the adoption of a CIL charging rate of £40 psm on these SUEs.

2.14 The Viability Studies and Appraisals carried out for SSDC make no reference to the employment uses, neighbourhood centres and other community facilities that are described in the local plan policies for the two Yeovil SUEs. I acknowledge that there is currently insufficient detail on the likely composition of those uses and facilities to make a reliable assessment of their financial contribution/impact on the viability of each development. I have assumed, as I imagine SSDC may have done, that the overall financial contribution of these elements will be largely neutral on both sites. The point is worth raising though, as this aspect of the local plan policies should serve to create an identity for both SUEs, supporting and enhancing residential values in both locations.

2.15 My Updated Appraisal is again supported by a Sensitivity Analysis (Appendix G) showing how the developer's profit margin would vary with incremental changes in Gross Development Value and Build Costs. Observing that at no point in this table does the development show a loss, I conclude that this appraisal represents an appropriately balanced assessment of viability

2.16 The percentages shown down the right hand margin of Appendix D show what various cost items represent as a proportion of Gross Development Value. It is worth noting again that the total quantum of CIL in my Updated Appraisal is still a relatively small proportion (1.37%) of GDV. The comment made in my email of 23rd June, that this level of CIL is most unlikely to prevent or delay the development of the Yeovil SUEs, still stands; particularly in the light of the additional "cushion" in developer's profit that I have referred to in paragraph 2.13 above.

2.17 The approach that I have taken in this Updated Appraisal is deliberately generic, "high level" and appropriately cautious in the context of CIL. I would expect more site-specific appraisals, which may be appropriate in a different context when more detailed planning proposals are available, to show a stronger residual land value and/or profit margin. That point needs to be made in the context of ongoing s.106 negotiations on the current outline planning applications for both SUEs.