1.1 I am responding to these two Additional Documents (AD1 and AD3) together, as the issues they concern are very much related. I have responded separately to Additional Document AD8, and would recommend that that response (to AD8) is read first, as it is pertinent to what follows in this document.

SSDC's Amended Appraisals (Appendix 1 and Appendix 2) and Commentary

1.2 SSDC's comments in **para 2.3 of AD1** betray what may be a fundamental misunderstanding (or difference of opinion) concerning land values. Most practitioners agree that land values have to be assessed and compared on the basis of net developable site area, rather than gross site area – not least because the ratio between net developable and gross areas varies from one site to the next. Accordingly, the viability assessments I have carried out refer to a net developable area of 20 hectares, based on the assumption (originally set out in **Table 4.14.1** of BNP Paribas' May 2013 Viability Study – **ED7 and 8**) of a density of 40 dwellings per hectare on larger sites.

1.3 It appears from SSDC's comments in para 2.3, and the "residual land values per ha" calculated in **Tables 2, 3, 4 and 5 in AD1**, that SSDC may be calculating land values and housing density on a different basis, related to gross site areas. The "whole 42.25 ha site" mentioned in those Tables happens to be the gross area of the Keyford site. The Up Mudford SUE is larger (51.4 ha gross) but has been allocated 765 new homes (as opposed to 800 at Keyford) in the Local Plan. These facts alone emphasise the importance of working with net developable, not gross, areas where viability is concerned.

1.4 This means that all the "residual land values per ha" in Tables 2, 3, 4 and 5 of AD1 should be roughly doubled in order to make sense of them. It also means that several results described as a "shortfall against target land value" in SSDC's Tables are not "shortfalls" at all; but I am afraid I do not have the time/resource to recalculate them all.

1.5 In the light of this, I am not entirely sure what to make of SSDC's reference (in **para 2.2**) to "the Benchmark Land Value attributed in the Viability Study of £495,000 per ha (£200,000 per acre)." BNP Paribas' Viability Studies in May 2013 (**ED7 and 8**) and July 2015 (**ED9 and 10**) make only general reference to a range of Benchmark Land Values between £100,000 and £300,000 per acre – the former study (at para 4.34 on pages 22 and 23) is more specific than the latter, but the same range of values appears to have been used in the July 2015 Report (Tables 3.1.1 to 3.1.5). Para 4.35 on page 23 of the 2013 Report (**ED 7**) draws attention to a need for owners "to adjust their expectations to accommodate allowances for infrastructure".

1.6 A benchmark land value of £200,000 per net developable acre (rather than gross acre) might be said to be supported by the evidence in **Table 1 of AD3**, where negotiated settlements have been reached by the District Valuer at "residual values per developable acre" of £172,000 and £175,000 for the two larger sites of broadly comparable size to the proposed Yeovil SUEs. The addition of £25,000 per acre for the purposes of establishing "viability" for CIL would provide an appropriate "buffer" or "cushion".

1.7 On that basis, and also taking account of the new conclusion I have reached on s.106 and other opening-up costs (**please see Response to AD8**), I have prepared a revised "generic" appraisal of the 800-dwelling Yeovil SUE's, which is attached as **Appendix A**. This is based on all the same inputs as my previous appraisal (**Appendix D** to my main Statement for the Examination in July) save for

a) **Site Value** – which has been changed to £10m (the equivalent of £500,000 per hectare), and

b) **s.106 and opening-up costs** – which allowance has been increased to £15,000 per dwelling, in line with the comments I have made in response to AD8.

There is a resultant change to Finance Costs, and to the contingency sum under Construction Costs, both arising from the increased allowance (now £12m) for opening-up costs. Amounts shown for SDLT and other acquisition costs are also affected by the change in Site Value. Apart from these, all other figures in this revised appraisal are the same as in my previous Appendix D.

1.8 This revised appraisal shows a blended profit margin from the development of 18% on GDV – in excess of the target margin of 17% adopted by SSDC in their amended/corrected appraisals (and referred to in the fifth bullet point under **para 2.6 in AD1**) – and again demonstrates that, in my opinion, it is "viable" for the Yeovil SUE's to pay a CIL charge of £40 per sqm.

1.9 In their response (in **Table 1 of AD1**) to **Issue (c)** from para 1.6 of my Hearing Statement, SSDC emphasise the way that they have used the 17% blended profit margin as a "target input". To aid comparison, I have therefore re-run my revised appraisal at Appendix A, using a 17% target margin, to see what site value that would produce. The result is at **Appendix B**, and shows a residual site value of nearly £11m, which is equivalent to almost £550,000 per ha (£221,780 per acre).

1.10 The conclusion I draw from this further work is that **it is still viable for the Yeovil SUE's to pay a CIL charge of £40 per sqm**. Although the residual site value is reduced in both the scenarios at Appendix A and Appendix B, this is a natural (and reasonable) consequence of my updated view on s.106 and opening-up costs. I consider the returns shown for landowner and developer in these scenarios to be "competitive" (in the context of para 173 of the NPPF), and do not believe that a CIL charge of £40 per sqm will put the development/realisation of the Yeovil SUE's at risk.

1.11 I do not wish to dwell in detail on SSDC's responses in Table 1 of AD1. The issues/questions that I raised have at least been largely answered indirectly by SSDC's amended/corrected appraisals. But I believe it is worth noting on SSDC's response to **issue (b)** that paragraphs 6.26 and 6.35 in the Local Plan[1] do refer to "a minimum of 30% affordable housing to achieve the garden town aspirations of the Council for the Urban Extensions". In this context, and in the context of the evidence in **Table 1 of AD3** (showing that two current developments on urban extension sites are providing 20% affordable housing), the results in **Table 2 of AD1** (which suggest that the new urban extensions will not achieve "target land value" even with no affordable housing and a £0 rate of CIL) stand out as somewhat strange. I believe the comments I have made in paras 1.2 – 1.4 above could direct one to the correct answer.

1.12 Turning then to other detail in SSDC's amended/corrected appraisals (their **Appendices 1 and 2**), I am not entirely sure why SSDC has chosen to use values and costs that are now at least 12 months out of date, when more up to date costs and values are available. I stand by the primary costs and values that I have used in my appraisals, and I disagree that the appraisals in Appendix 1 and Appendix 2 provide "an up-to-date assessment of viability", as SSDC claims in **Table 1 of AD1 – issue (g)**.

1.13 Marketing costs have been corrected to 3% of the private housing GDV, but disposal fees in the new appraisals at Appendix 1 and Appendix 2 are still erroneously calculated on total GDV. The difference (increased cost) amounts to £228,840. In my opinion, it is more appropriate to apply

[1] I now realise that the Local Plan is not listed as an Examination Document, so please see the relevant extract attached as **Appendix D**.

the breakdown of these costs in the way shown in my appraisals, as this more closely reflects the reality of how these costs arise.

1.14 I have more significant concerns about the sum shown for Finance Costs in SSDC's appraisals. The sums concerned (approaching £3.2m) broadly equate to total finance costs in BNP Paribas' May 2013 appraisal of the much larger SUE – please see **Appendix A to my Hearing Statement**, or the relevant Appendix in document **ED8**. It makes me wonder what assumptions SSDC have made concerning the development programme in these latest appraisals. The difference in interest rates (6% in my appraisals and 7% in SSDC's) cannot alone explain the fact that their Finance Costs are roughly double mine[2].

1.15 Whether or not it is possible to clarify this detail with SSDC, I attach (**Appendix C**) a copy of the Cashflow behind my Development Appraisal at Appendix A, to illustrate that the assumptions I have made are reasonable, and broadly in line with those made by BNP Paribas at para 4.19 on page 20 of **ED7**. I have adopted a 3-month pre-commencement period, which I consider can be justified in place of 6 months, following a land payment for the first phase of the development. Sales of the 520 private/open market homes are spread over a period of 6 years – a rate of less than 90 homes per annum, which ought to be achievable with more than one outlet (i.e. more than one housebuilder on site at any given time); and which is appropriate if these sites are to make a meaningful contribution to SSDC's 5-year land supply. General build costs have been spread in an S-curve, but I have "front-loaded" the distribution of s.106/opening-up costs, by applying a declining cost scale to them.

1.16 Given the concerns I have raised in the preceding paragraphs of this Response, and in my main Hearing Statements, about the accuracy and reliability of SSDC's viability appraisals, I question whether the latest "amended/corrected appraisals" can be regarded as sufficiently robust (and up to date) to form the basis for determining whether it is viable for the Yeovil SUE's to support a CIL charging rate of £40 per sqm. Incidentally, it has never been my contention that the same costs and values could necessarily be applied to other SUE's (e.g. Chard). I raise this because there is a possible inference in **para 3.2 of AD3** that whatever is applied to Yeovil should also be applied at Chard. I would not agree that that is a necessary consequence of applying a charging rate of £40 per sqm to the Yeovil SUE's. I believe my evidence and viability appraisals clearly show that there need be no conflict between a £40 per sqm CIL charge on the Yeovil SUE's and the achievement of all appropriate s.106 obligations and general infrastructure requirements to make these developments "sustainable". Whilst SSDC have agreed substantial concessions on affordable housing for the Lufton and Wyndham Park sites – and through paras 6.26 and 6.35 in the Local Plan[3] offer room to accept "a minimum of 30% affordable housing" on the new SUE's – thus providing the Council, in effect, with a further viability "buffer" – my appraisals support the full 35% affordable housing requirement.

1.17 Some criticism was made (or implied) at the Hearing by other respondents, over my evidence on current house prices/values, although no alternative evidence has been formally offered to the Examination, or substantiated, as far as I am aware. As I have said earlier in this Response document, I stand by the values I have used in my appraisals, which are supported by more recent evidence than any others have produced. Outline planning applications for both Yeovil

[2] The total difference between SSDC's appraisals and mine, arising from the points raised in paras 1.13 and 1.14 above, is greater than the CIL liability shown in my appraisals (e.g. Appendix A)

[3] Please see Appendix D

SUE's were lodged with SSDC many months ago (Up Mudford in 2014 and Keyford in February 2015), yet neither site promoter has offered real evidence on viability to the Examination.

1.18 On the issue of Gross Development Value, it may be worth noting from **Table 1 in AD3** that the District Valuer's assessments for the Lufton and Wyndham Park sites show a higher gross value per dwelling than SSDC or I have assumed in the Yeovil SUE appraisals (please see table below).

	Lufton	Wyndham Park	AB re SUEs	SSDC re SUEs
GDV	£124,000,000	£157,000,000	£126,168,720	£121,804,775
Housing Nos.	696	846	800	800
Average/unit	£178,161	£185,579	£157,711	£152,256

The difference is no doubt due in part to the difference in the proportion of affordable housing that SSDC have conceded on the Lufton and Wyndham Park schemes; but this emphasises my view that SSDC are under-estimating Gross Development Value in their SUE appraisals. Both the Planning Practice Guidance and the Harman Report recommend the use of current costs and values, which is what I have sought to provide. The Agusta Park development, referred to in Appendix C with my main Hearing Statement, is part of the Lufton site.

Concluding Comments

1.19 I believe the evidence I have offered to this Examination provides the proof that development of the Yeovil SUE's is "viable" with a CIL charge of £40 per sqm, and that neither development will be put at risk by such a charge. The same evidence shows that essential infrastructure and appropriate s.106 obligations can also be accommodated (in a financial sense) alongside such a charge.

1.20 I referred to CIL Regulations 58A to 59F at the Examination Hearing, which were introduced (by Regulation 8 of the 2013 Regulations) as a result of the Localism Act 2011. The purpose behind Regulations 58A to 59F is made clear in the DCLG publication entitled "A Plain English Guide to the Localism Act" (November 2011)[4]. At page 13, this reads as follows:

The Localism Act will change the [community infrastructure] levy to make it more flexible. It allows some of the money raised to be spent on things other than infrastructure. It will give local authorities greater freedom in setting the rate that developers should pay. And crucially, the Act gives the Government the power to require that some of the money raised from the levy go directly to the neighbourhoods where development takes place. This will help ensure that the people who say 'yes' to new development feel the benefit of that decision." [my underlining]

1.21 This is an existing commitment/power[5] – and it is also one that has been recently endorsed by the new Prime Minister, in the Public Statement that I referred to at the Examination Hearing. I attach a copy of that Statement[6], in which I have highlighted in yellow the relevant parts.

1.22 In the light of this, and on behalf of Mudford and East Coker Parish Councils, I invite the CIL Examiner to recommend that SSDC adopt a charging rate of £40 per sqm on new residential development in the Yeovil SUE's.

24th August 2016 Andrew Burrows MA FRICS

[4] Please see Appendix E
[5] Please also see PPG paragraphs 071 to 078 : ID 25-071-20140612 to 25-078-20140612
[6] Please see Appendix F