Rother District Council
Community Infrastructure Levy

Addendum - Further viability advice and clarification for Rother District Council

On behalf of **Rother District Council**

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1.1 The need for additional advice

1.1.1 In line with new planning guidance regarding affordable housing and section 106 thresholds, consultation responses and further assessments requested by Rother District Council to include two new scenarios into the viability analysis, Peter Brett Associates (PBA) have been asked to undertake further testing to account for these changes and to clarify policy position and recommendations.

1.1.2 It is intended that this addendum is read in conjunction to the original PBA CIL report (Rother District Council Community Infrastructure Levy Economic Viability Assessment, July 2014) as same approach has been taken to the viability assessment. Many of the assumptions used in testing are also the same, and where different, this will be highlighted.

1.1.3 The remainder of the document is separated into six sections:

- The testing of two new scenarios in terms of potential for contributions to Community Infrastructure Levy (CIL): Blackfriars and North Bexhill
- Implication of the new affordable housing and s106 threshold guidance
- Further analysis of extra care and residential homes viability.
- Lifetime homes
- Clarifications and further guidance in respect of the retail scenarios
- Final recommendations

2 Testing two new scenarios

2.1.1 To ensure the viability testing fully covers the range of development likely to come forward through the plan period, the council have requested that PBA consider two more scenarios - North Bexhill and Blackfriars.

North Bexhill

2.1.2 North Bexhill is identified as a broad location within Rother in which development could potentially be located within the plan period. The SHLAA highlights the capacity for between 300 and 575 houses, and we have tested this site at the minimum amount of units suggested, 300.

2.1.3 Many of the assumptions used are identical to those set out in the original report, however assumptions relevant to this site include:

- **Sales Values:** House prices in this area most closely resemble that of North East Bexhill (House: £2,424 and Flats: £2,143) and have therefore been used here.
- **Land Values:** We have tested these at £700,000 the same as North East Bexhill as this appeared most representative of the area.
- **Gross and Net Area:** Based on the assumption of 300 dwellings we have assumed a gross area of 12 hectare of which 7.9 hectares is developable using similar assumptions for the other scenarios as set out in the original report. This gives a density of 38 dwellings per hectare which we consider representative of this location.

2.1.4 We have tested the scheme at zero affordable housing and again with the affordable housing advised in the Core Strategy for North Bexhill (30%). The results are set out in Table 2.1 below:

Table 2.1 North Bexhill headroom

Settlement	Anticipated number of dwellings	Potential maximum CIL (headroom £p sq. m)
North Bexhill with no affordable housing	300	£285
North Bexhill with 30% affordable housing	300	£137

2.1.5 The result of the testing shows that the CIL liable amount is in line with the findings from other typologies within North Bexhill as set out in the EVA July 2014 study i.e. 'Typology 1: 1000 at North East Bexhill' and 'Typology 2: 100 at North East Bexhill'. The findings suggest that this scenario would remain viable at the 30% affordable housing rate that is required by the adopted Rother Local Plan Core Strategy 2014. Furthermore, the suggested rate of £100 per sq. m CIL rate for strategic sites would also be achievable.

Blackfriars

2.1.6 Blackfriars is a site listed in the 2013 SHLAA as being both suitable and developable, and broadly compliant with core strategy policy. Based on the most recent (at the time of the 2013 SHLAA) the proposed number of dwellings is likely to be 245 units.

2.1.7 As with North Bexhill, many of the assumptions are the same as the original report, however particularly relevant to this scenario are:

- **Sales Values:** House prices in this area most closely resemble that of Battle (House: £3,074 and Flats: £2,620) and have therefore been used for this scenario.
- **Land Values:** The same land values as we have tested for other sites in Battle, of £1,000,000, have been used here.
- **Gross and Net Area:** Analysis of the planning history for this site suggests that the gross area is 15.06 hectares of which the net developable area is 5.6 hectares. Based on 245 dwellings this indicates 44 dwellings per hectare.

2.1.8 We have tested the scheme at zero affordable housing and again with the affordable housing advised in the Core Strategy for Battle of 35%. Table 2.2 below shows that:

Table 2.2 Blackfriars headroom

Settlement	Anticipated number of dwellings	Potential maximum CIL (headroom £p sq. m)
Blackfriars with no affordable housing	245	£682
Blackfriars with 35% affordable housing	245	£646

2.1.9 Similar to other scenarios in Battle, the result of testing the Blackfriars scenario indicates that with or without affordable housing the site is still considered particularly viable. Furthermore, the scenario appeared to have sufficient headroom in order to accommodate the £240 CIL levy suggested in the previous report.

Additional costs at Blackfriars

2.1.10 The council have indicated to PBA that there may be additional costs incurred by the development that are over and above typical development costs that have been accounted for within the model. These costs included the construction of a new road and challenging ground conditions. It is of course for these eventualities that a conservative approach to costs and values is used and a buffer put in place to allow for variances in costs and in the market.

2.1.11 To illustrate this point, when the proposed CIL rate of £240 per sq. m of liable development is inputted into the model it can be seen that the residual land value for Blackfriars will be £11.2m, which is £5.6m above the threshold/benchmark land value of £5.6m. Whilst no formal costs have been identified for these abnormals, it is not anticipated that the abnormal costs would be anything near £5.6m, for example a figure around £1.9m have been suggested for the road.

2.1.12 Therefore it is considered that the viability evidence supports the Zone 1 Battle and Rural North and West of £240 should be applied to Blackfriars and not the strategic sites rate previously applied.

3 Implication of recent changes to affordable housing, s106 guidance and stamp duty

3.1 Context

3.1.1 In December 2014, the government changed their approach on affordable housing and s106 thresholds. Where originally local authorities were able to seek affordable housing and s106 contributions on all schemes, the government has proposed a threshold of 10 homes, or 5 homes in designated rural areas. Effectively this means that schemes of 10 units and less (or which have a maximum combined floorspace of 1,000 square metres) or of 5 or less in designated rural areas, are now exempt from contributing to affordable housing or tariff based s106 infrastructure requirements.

3.1.2 In terms of Rother this central government change has a number of implications, which affect both the approach to affordable housing and also the approach to CIL. The adopted Core Strategy seeks affordable housing (policy LHN2) from:

- In Bexhill and Hastings Fringe – 30% on sites of 15 or more dwellings
- In Rye – 30% on sites of 10 or more dwellings
- In Battle – 35% on sites of 10 or more
- In rural areas
  - 40% on sites of 5 dwellings or more
  - 40% (as an equivalent commuted sum) on sites of less than 5 dwellings

3.1.3 On this basis, with the exception of Bexhill and Hastings Fringe, the policy approach may have to be amended, if it is considered that guidance set out in the National Planning Practice Guidance (NPPG) carries more weight than a recently adopted and evidenced local plan. If this is accepted, in Rye and Battle the threshold will need to be changed to 11 dwellings. In the rural areas the policy for fewer than 5 dwellings contributions will have to be removed and a new policy seeking offsite commuted sums for schemes of 6-10 dwelling in designated rural areas implemented.

3.1.4 The CIL rates were tested in respect of the affordable housing policy (LHN2) set out in the Core Strategy. The change to threshold set out by Central Government in the NPPG will have an impact on the viability testing which supports the proposed CIL rates.

3.2 Impact on the existing evidence base that informed the Preliminary Draft Charging Schedule (PDCS)

3.2.1 The Council have requested PBA to test the impact of the changes to thresholds for affordable housing on CIL rates. The original PBA report, published in July 2014 tested a range of scenarios which helped the Council come to a view on an appropriate set of CIL rates. The changes to the affordable housing threshold do effect a number of these scenarios:

- **Scenario 5** – 10 dwellings at East Bexhill with 30% affordable housing
- **Scenario 16** – 10 dwellings at Westfield/Camber with 40% affordable housing
- **Scenario 20** – 10 dwellings at Ticehurst/Staplecross/Beckley/Four Oaks/Crowhurst/Iden with 40% affordable housing

3.2.2 In order to robustly test these scenarios it is considered appropriate to test both 10 unit schemes (which are now exempt from affordable housing) with the revised zero percentage of affordable housing and an 11 unit scheme which will be liable for affordable housing, so the Council can be informed regarding the effect of the changes.

3.2.3 To take into account the impact of an additional unit in the 11 dwelling schemes, the gross and net site areas have been amended accordingly. Any assumptions that are based on the number of dwellings or site sizes will change, however all other assumptions have remained the same.

Table 3.1 Headroom for revised scenarios

Typology	Potential maximum CIL headroom	Proposed rates in the PDCS
Scenario 5 - 10 at East Bexhill	£208	£100
Scenario 16 - 10 at Westfield/ Camber	£370	£160
Scenario 20 - 10 at Ticehurst/ Staplecross/ Beckley/ Four Oaks/ Crowhurst/ Iden	£813	£240
Scenario 5a - 11 at East Bexhill	£78	£100
Scenario 16a - 11 at Westfield/ Camber	£185	£160
Scenario 20a - 11 at Ticehurst/ Staplecross/ Beckley/ Four Oaks/ Crowhurst/ Iden	£722	£240

3.2.4 Our testing indicates that removing the affordable housing requirement at 10 units improves viability considerably and the proposed CIL rate set out in the PDCS is still achievable.

3.2.5 In terms of testing the 11 unit schemes, the revised scenarios are still viable with the proposed CIL rates set out in the PDCS for Scenarios 16a and 20a. Scenario 5a - 11 dwellings at East Bexhill is not viable at the PDCS rate of £100. However, nor was it viable at 10 dwellings with the required 30% affordable housing rate when tested previously in the PBA July 2014 report. Therefore following the revised testing it is considered that the evidence that informed the PDCS has not changed significantly in light of the new guidance.

3.3 Further consideration of proposed CIL rate for Bexhill

3.3.1 It was a Council decision when agreeing the PDCS for consultation that decided to set the rate at £100psqm for East Bexhill and £200psqm for West Bexhill. Following further consultation and discussion it has been agreed that as well as looking geographically there is also a clear distinction between brownfield development which is most likely to occur in the East and greenfield development which is most likely to come forward in West (according to the SHLAA). Whilst evidence (as set out in the this addendum report and the EVA 2014 report) supports both options it is considered that the greenfield/brownfield approach is less complex as it negates the need to set out boundaries between areas within Bexhill.

3.3.2 It the updated data presented in this report (reflecting the changes to affordable housing as set out in section 3) is used then the results are as follows:

Table 3.2 Brownfield / greenfield in Bexhill

Typology	Potential maximum CIL headroom
Greenfield	
250 at West Bexhill	£610
20 at West Bexhill	£573
Brownfield	
10 at East Bexhill	£208
30 at East Bexhill	£75
11 at East Bexhill	£78
5 at East Bexhill	-£52
1 at East Bexhill	£41

3.3.3 It is clear from these results that there is a substantial difference between greenfield and brownfield sites within Bexhill. This suggests that it would be appropriate to set out a different CIL charge for these two different types of development.

3.3.4 In setting the charge the council need to consider an appropriate buffer and the effect of setting a charge on delivery. In terms of the greenfield development whilst there is substantial scope for a charge, these sites tend to be larger and therefore make an important contribution to the Plan's delivery, relative to the brownfield sites. Therefore given the relative high headroom, it is recommended that the council set a substantial buffer and set a charge around £200 p sq.m. In terms of the brownfield developments it is a less clear cut as there is a range of values – the council have advised that the majority of sites are likely to be 10 dwellings or more and therefore it makes sense to look to these values in particular in setting an appropriate CIL rate. As affordable housing is required on sites over 10 dwellings it is considered appropriate to look at the typologies for 11 dwellings and 30 dwellings. Given that the council will need a buffer and should not set a CIL rate at the margins of viability it is considered that a rate of around £60 p. sq. m would be appropriate.

3.3.5 The Council will need to decide as to whether to continue its position of splitting geographically or amend for the Draft Charging Schedule stage to split by type.

3.4 Impact on approach to commuted sums in designated rural areas

3.4.1 As set out above the Council could choose to implement a revised policy in designated rural areas to seek financial contributions (commuted sums) for residential schemes of 6 -10 dwellings. In PBA's July 2014 report there were no scenarios where this policy would apply as sites were either under the threshold of 5 or less dwellings or were tested with full onsite affordable housing for the 2 rural scenarios of 10 dwellings.

3.4.2 In order for the Council to come to a view of the impact of the threshold change in designated rural areas, further testing has been undertaken.

3.4.3 The level of the contribution that developers should make for off-site affordable housing is derived from calculating the opportunity cost of on-site affordable housing provision to the developer. The opportunity cost value is taken from the residual value of land with no affordable housing minus the residual value of land with the proposed rate of affordable housing on site. The difference is then divided by the number of on-site permitted units (including both open market and affordable units) to provide a per affordable housing unit opportunity cost.

3.4.4 To assess the capacity of different types of residential development to pay an affordable housing contribution a sample of two of the potential sites where this could happen are shown in Table 3.3. Since CIL would be liable on open market units, an assumed CIL charge based on the recommendations set out in the PDCS is also applied since this will place a cost on development that would normally come off the purchase land value.

Table 3.3 Potential commuted sums including CIL contribution

Site/Typology	Dwellings	Affordable housing	Residual land value		Opportunity cost of AH	Equivalent value
			With no AH	With AH	(difference in RV)	Per unit
Scenario 16 - 10 at Westfield/Camber	10	40%	£514,463	£343,665	£ 170,799	£ 17,080
Scenario 20 - 10 at Ticehurst/ Staplecross/ Beckley/ Four Oaks/ Crowhurst/ Iden	10	40%	£924,339	£676,655	£ 247,684	£ 24,768

3.4.5 Various methods are available to determine affordable housing contributions. Without prejudice to any commuted sum methodology the Council may subsequently use for this, the above provides an example of the type of commuted sum that could be achieved. This is a guide, but it is considered that commuted sums should be calculated on a site by site basis to account the variances in development costs, including different CIL rates, rather than using a set figure.

3.4.6 In terms of impact on viability, as this method uses an equivalence approach, the viability of development will broadly remain unchanged as to whether it is onsite or off site and therefore the site will have similar head rooms, once the CIL has been taken into account. Therefore the tone of the evidence that supports the DCS will remain unchanged in respect of implementation of financial contributions in designated rural areas.

3.5 Stamp duty

3.5.1 Following the announcement on affordable housing and s106 thresholds there was also a change announced in respect of stamp duty. The reform of residential property stamp duty means that rates apply only to that part of the property price that falls within each band as follows:

- 0% paid for the first £125,000
- 2% on the portion up to £250,000
- 5% up to £925,000
- 10% up to £1.5m

- 12% on anything above that

3.5.2 In terms of this viability work it only really applies to scenarios where there is potential to buy residential property and redevelop to provide more units on site. There are only a small number of scenarios (i.e. smaller brownfield sites) where this has potential to have any impact. However where we have tested the impact of changed stamp duty rates else where the impact has been minimal albeit with a very slight improvement to viability. Therefore on this basis it is not considered necessary to undertake further testing at this time.

4 Further analysis of housing for older people

4.1.1 The final part of this report re-tests a number of assumptions regarding the impact of CIL on retirement dwellings, namely **Retirement homes** and **Extra care** schemes. Although these were tested in the previous report, further research into the assumptions used for these schemes warrant the need for further analysis.

4.1.2 It is also worth noting that as part of the original PBA non-residential report we had also tested care homes. It is our view that the assumptions are not sufficiently different to the original market and that these uses are still likely to be particularly unviable in the current market. Therefore, care homes schemes shall not be tested again below.

4.2 Defining housing for older people

4.2.1 In terms of viability testing we consider three types of retirement schemes as defined below:

Retirement homes – also known as sheltered housing, these are defined as groups of dwellings, often flats and bungalows, that provide independent, self-contained homes. We consider that in addition to this, there will likely be some element of communal facilities, such as a lounge or warden. A service charge will be in place to cover the normal ongoing costs but also incur additional costs to upkeep communal facilities as described.

Extra care – also known as assisted living by the private sector. It is provided across a range of tenures (owner occupied, rented, shared ownership/equity). This is housing with care whereby people live independently in their own flats but have access to 24 hour care and support. These are defined as schemes designed for an elderly population that may require further assistance with certain aspects of their day to day life. Arrangements for care provision vary between care provided according to eligible assessed need by the local authority and people purchasing privately who may not have such a high level of need which is on site and is purchased according to need. For private sector developments the care facilities are normally part of a care package with additional fees to pay for the service and facilities, which are on top of normal service charges and the cost of purchasing the property. The schemes will often have their own staff and may provide one or more meals per day. We consider these as schemes that will likely have a greater proportion of communal space than retirement homes and a likely to be built to standards likely to suit an older population, i.e. wheelchair access, better designed bathroom facilities.

Care homes – residential or nursing homes where 24 hour personal care and/or nursing care are provided together with all meals. People occupy under a licence arrangement.

4.3 Assumptions for further testing

4.3.1 The assumptions used for Retirement homes and Extra care are as summarised below, with all other assumptions not listed below remaining the same as the original report.

- **Scheme sizes -** We have tested a Retirement home scheme based on similar schemes and an Extra care scheme based on a gross area of 0.5 hectares.

  The Retirement scheme is based on a total of 60 dwellings and the Extra care scheme is tested at 50 dwellings. This provides a figure of approximately 120 dwellings per hectare for Retirement homes and 100 dwellings per hectare for Extra care homes, which are in line with the Three Dragons and Retirement Housing Groups' briefing note[1] regarding appropriate densities.

- **Size of units -** In terms of net internal area of the units, we have used sizes of 60 for Retirement homes and 71 for Extra care schemes. This is again informed by Three Dragon's guidance regarding appropriate sizes for 1 and 2 bed properties and based on a 60:40 split between the two.

  We have assumed that Retirement homes and Extra care schemes have an allocation of floorspace considered as non-chargeable functions and communal space. Again, we have followed Three Dragons guidance of 20% for Retirement properties and 35% for Extra care schemes. We have therefore assumed that the net floorspace per unit for Retirement properties is 72 square metres and 96 square metres for Extra care units.

- **Build Costs** - In terms of build costs we have used figures supplied by BCIS as per the original report. We have used a figure of £1,129 per sq. m for retirement properties and £1,171 for extra care. These figures reflect the 9% and 13% uplift on costs on 1-2 story flats as set out in Three Dragons guidance.

  Sales value per square metre – To test the viability of retirement homes and extracare homes we have analysed schemes from various developments within or around Rother District which are summarised in Table 4.1. In terms of retirement housing (as opposed to extra care/assisted living), it can be seen that the minimum prices, which tend to be for one bedroom flats, range between £175,000-£230,000.

  Three Dragons guidance suggests that, as a guide, sales prices for 1 bed retirement homes should be in the region of 75% of the price of existing three bed semi-detached properties in that location, with 2 bed retirement properties equal to the full value of a three bed semi-detached house.

  Land registry data reveals that the average value of semi-detached housing in Rother in the last three years is approximately £233,000. Applying the same 60:40 weighting between 1 bed and 2 bed dwellings to Three Dragons guidance, this suggests that retirement housing should be considered in the region of 85% of the total value, which in this case is £198,050. This equates to a sales per square metre value of £3,301 in Rother. We believe that a sales value per property of £198,050 is an appropriate figure and in line with the values set out in the examples in Table 4.1.

  In terms of Extra care properties, we have again followed Three Dragons guidance and have applied a 25% uplift on Retirement homes to calculate a value for Extra care schemes. We have therefore based our calculations on a sales value of £247,600, which equates to a per square metre value of £3,487, due to the slightly larger property sizes of 71sq.m used for extra care accommodation as discussed previously. Again, although comparable data is much more limited for Extra care (referred to in the table as Assisted living) it can be considered that the assumed amount of £247,600 is also representative of development likely in this area.

Table 4.1: Sales values for retirement properties currently on the market (as of Dec 2014)

Scheme	Type	Company	Min	Max	Location
Ridgeway Court	Retirement Living	McCarthy and Stone	£175,000	£190,950	Mutton Hall Hill, Heathfield, East Sussex,

[1] "A briefing note on viability prepared for Retirement Housing Group by Three Dragons", *Three Dragons*, May 2013.

Scheme	Type	Company	Min	Max	Location
Martello Court	Retirement Living	McCarthy and Stone	£200,950	£218,950	3-17 Jevington Gardens, Eastbourne
Holmes Place	Retirement Living	McCarthy and Stone	£236,950	£353,950	Crowborough Hill, Crowborough
1 bed Corbett Court	Assisted Living	McCarthy and Stone	£215,950	£337,950	The Brow, Burgess Hill
2 bed Corbett Court	Assisted Living	McCarthy and Stone	£302,950	£317,950	The Brow, Burgess Hill
Eadhelm Court	Retirement Living	McCarthy and Stone	£227,950	£246,950	Penlee Close, Edenbridge
Cambridge Lodge	Retirement Living	Churchill	£262,500	£349,950	Southey Road, Worthing, West Sussex

Source: McCarthy and Stone Website, Churchill Retirement Website

- **Land Values** – We have tested the both Retirement homes and Extracare homes using the highest land values in the district of £1,000,000.
- **Greenfield and Brownfield** – To test differences between brownfield and greenfield sites we have assumed an extra cost of £200,000 per net hectare for brownfield development. This would include payments for remediation and demolition etc.

4.4 Testing results

4.4.1 We have tested the retirement and extra care schemes with different land uses to determine the difference in viability from greenfield and brownfield sites. The results of the are summarised in the below table:

Table 4.2: Retirement homes maximum headroom at various affordable housing provision

Retirement Homes	0% AH	10% AH	20% AH	30% AH	40% AH
Retirement homes (Greenfield)	£433	£415	£392	£363	£324
Retirement homes (Brownfield)	£408	£386	£360	£326	£281

4.4.2 Table 4.2 identifies that Retirement homes are viable on both greenfield sites and brownfield sites with a range of affordable housing. Decisions on an appropriate level of affordable housing should be determined on an individual site basis as and when applications are submitted, subject to viability. However, our viability testing concludes that the headroom is sufficient enough for the provision of a substantial amount of CIL at even the highest affordable housing options. Given the difference in viability between Brownfield and Greenfield sites the council may wish to implement differing CIL rates between these two types.

Table 4.3: Extra Care maximum headroom at various affordable housing provision

Extra Care	0% AH	10% AH	20% AH	30% AH	40% AH
Extracare (Greenfield)	£279	£248	£209	£158	£91
Extracare (Brownfield)	£256	£222	£180	£125	£53

4.4.3 Table 4.3 indicates that Extra care schemes, although considerably less viable than retirement homes, are still able to provide some degree of CIL contribution. The PBA July 2014 report recommended that Extra care schemes could accommodate a £250 per square metre CIL charge, which may need to be reconsidered, as our testing shows this is only marginally feasible at the lowest proportions of affordable housing.

4.5 Recommendations in relation to housing for older people

4.5.1 There is continual debate and uncertainty in respect of whether differing formats of housing for older people are considered as standard housing and thus a C3 use or more akin to care provision which is clearly a C2 use. This consideration makes a difference to the viability assessment as if they are C3 uses they will have an affordable housing requirement but if C2 then there is no affordable housing requirement. For the purposes of making a recommendation and clarity we consider:

- It is assumed that both retirement homes and extra care housing as defined in para 4.2.1 are C3 uses
- For the purposes of setting CIL, policy LHN2 as set out in the adopted Rother Core Strategy, 2014, should be used.
- There appears a distinction between greenfield and brownfield development that the Council may wish to consider in their charging schedule.
- There is a difference in the viability between retirement and extra care living and therefore these uses should be treated separately.
- In terms of retirement living it is consider that in viability terms the headrooms are within similar ranges to those identified for general housing, therefore in meeting the guidance to set out a simple approach to charging zones it is considered that retirement living is considered in the same terms and general housing in respect of affordable housing and CIL.
- As the future location of extra care housing are unknown and the viability assessment uses average values and costs across the district, the council may want to take a precautionary approach and set their CIL rate at the higher affordable housing requirement at 40%

4.5.2 Therefore in taking this approach it is recommended that the Council seek the following CIL as set out in Table 4.4:

Table 4.4 Recommended CIL rate for older person accommodation

Older person accommodation type (as defined in paragraph 4.2.1)	Recommended CIL
Care homes (C2 use)	District wide - £0
Retirement homes	As general housing
Extra care living	Greenfield - £45 Brownfield - £25

4.5.3 Please note that we have shown the rates for care homes and have partly discussed care homes within this report for comparison and clarity with the other models of residential accommodation for older people. However, our testing has remained unchanged as to that which is set out in our original EVA study from July 2014. This is because, similar to now, the original report considered that the market for care homes remains weak, particularly due to notably higher build costs and weaker returns than many other developments. Further details regarding the viability of this use can be found in the EVA study from July 2014.

5 Lifetime Homes

5.1.1 Rother District Council have also asked PBA to provide advice regarding the consequences of implementing a Lifetimes homes standard within their plan. The lifetime homes standard includes a checklist of design guides or features that intend to improve or enhance accessibility and inclusivity for wider sections of the population. Since its inception a number of studies have set out to estimate the cost with the majority suggesting a figure of approximately £500 per dwelling. It is acknowledged that the lifetimes homes approach is being reviewed by the government, however the council wanted to make sure that current thinking would not put at risk viability and the proposed CIL rates.

5.1.2 Table 5.1 indicates that the lifetime homes cost has very little impact in terms of overall viability and therefore the proposed CIL rates will not put at risk delivery of development even if lifetime homes approaches are required in the future:

Table 5.1: Impact of Lifetime homes

	Headroom (as advised)	Headroom Lifetime homes	Difference
1000 at North East Bexhill	£116	£108	£8
100 at North East Bexhill	£141	£133	£8
250 at West Bexhill	£610	£602	£8
20 at West Bexhill	£573	£565	£8
10 at East Bexhill	£208	£202	£6
30 at East Bexhill	£75	£67	£8
5 at East Bexhill	-£52	-£57	£6
1 at East Bexhill	£41	£37	£4
50 at Hastings Fringe	£189	£181	£8
100 at Battle	£590	£582	£9
25 at Battle	£744	£735	£9
5 at Battle	£430	£425	£6
1 at Battle	£580	£576	£4
5 at Rye	£351	£345	£6
1 at Rye	£504	£500	£4
10 at Westfield/Camber	£370	£364	£6
50 at Hurst Green / Peasmarsh/ Netherfield/ Fairlight	£254	£245	£9
30 at Catsfield /Flimwell	£337	£328	£9
20 at Robertsbridge/ Northiam/ Broad Oak/ Burwash	£754	£745	£9
10 at Ticehurst/ Staplecross/ Beckley/ Four Oaks/ Crowhurst/ /Iden	£813	£808	£6
20 at Sedlescombe/ Etchingham	£790	£780	£9
1 at Rural	£527	£523	£4

6 Retail rates clarification

6.1.1 Comments have been received during the consultation period in respect to the retail rates and wanting more clarity. Therefore we set out below where the key information can be found and offer further explanation as appropriate.

Typologies

6.1.2 In terms of the retail scenarios 5 scenarios have been tested and these are set out in Table 5.1 in the EVA (Economic Viability Assessment). For ease we repeat them below with an additional description so it is clear what has been tested:

- 1 – Town centre comparison. A development of 300 sq. m to come forward for comparison uses in town centres within Rother. The council have aspirations to support in centre developments of additional comparison retail space, so it was considered important to test this type of use.

- 2 – Town centre convenience. A metro or local convenience store of 400 sq. m and as above located within a town centre.

- 3 – Out of town centre large comparison (this would include edge of centre sites) – a development of 1,000 sq. m of comparison floorspace of the type seen in retail parks – whilst the Council does not necessarily support further retail warehouse type development it is recognised that schemes may come forward in the future and that the right CIL framework should be in place to ensure that, if viable, this type of development contributes to the general infrastructure requirements of Rother.

- 4 – Out of town centre large convenience (this would include edge of centre sites) – this is essentially a supermarket of 2,500 sq. m. Whilst it is acknowledged that the store would sell comparison goods the testing assumes that it is predominantly a convenience store with over 50% of the store dedicated to that use.

- 5- Out of town centre local convenience (this would include edge of centre sites) – a small local convenience store of 250 sq. m floorspace. An increasingly popular type of development and whilst they often utilise existing floorspace through change of use, there may be circumstances where these types of stores come forward as additional floorspace and therefore it is appropriate to test this kind of use.

6.1.3 It should be noted that when considering an appropriate range of scenarios to test it was discussed with the council as to what types of developments were promoted and supported in the plan and therefore needed to be tested to ensure they were not put at risk of delivery. This was the focus for the testing and it is considered that the testing represents this sufficiently. There is no requirement to test every conceivable type of development and the CIL guidance is clear that the approach to CIL work should be proportionate and reasonable in scale – Figure 3.1 in the EVA illustrates the level of anticipated floorspace by broad uses – it is clear from this that the focus should be on residential development. However, further retail scenarios have been included to reflect what may come forward through market demand, again it is considered that these are a reasonable reflection, based on past experience in Rother and PBAs experience elsewhere.

Assumptions

6.1.4 The assumptions used for the retail scenarios are clearly set out in the EVA. In summary:

- Values – set out in Table 5.1 of the EVA. These show rents and yields and are sourced from reviewing property databases such as Focus, EGi and consultation with local agents. Where there is insufficient information locally to be considered robust, comparative data has been sourced regionally or nationally.

- Site coverage – set out in table 5.2 of the EVA. This shows the density of development on a site and is based on our own experience of submitting planning applications and undertaking similar work and in discussion with the council

- Developer profit – set out in paragraph 5.1.5 of the EVA

- Build costs – As set in paragraph 5.1.6 the build costs are sourced from BCIS, which is a standard source for strategic modelling as is required in setting CIL rates and there is no alternative evidence to suggest that other costs should be used.

- Developer contribution – it is not easy to attribute a suitable level of s106 as the mitigating measures are not known for the generic scenarios, as these will be site specific and only be known in detail at a planning application staged. However by using our own experience and in consultation with the council figures have been inputted into the model. It should also be noted that a buffer has been used which will also help in providing comfort that the CIL has not been set at the margin of viability and that there is scope for further or changed costs or changes in values that may arise from a detailed proposal. It is therefore assumed that in centre locations s106 is likely to be minimal for the types of scenarios tested, so a zero assumption is used. In terms of the out of centres proposals a figure of £100 per sq. m is used for out of centre comparison, £150 per sq. m for out of centre supermarket and £50 per sq. m for out of centre local convenience.

- Finance, sales, professional fees and purchase costs are all clearly set out in paragraph 5.1.7 – 5.1.13 in the EVA. These are all based on standard assumptions and have been accepted elsewhere as suitable for this type of assessment.

- Threshold/benchmark land values – as set out in paragraphs 5.1.14 – 5.1.17 of the EVA the setting of an appropriate figure where there is such limited evidence of transactions requires a pragmatic approach. The threshold/ benchmarks used in the assessments are based on the limited available evidence, judgement and experience and in speaking to agents. The figures used are £950,000 per hectare for town centre comparison and out of centre local convenience, £1,500,000 ph for in centre convenience, £1,600,000 ph for out of centre comparison and £2,100,000 ph for out of centre supermarkets. No distinction has been made between as to whether out of centre development is brownfield or greenfield, as whatever the existing use there will still be a landowner expectation that retail development will command a higher rate and thus the existing use value becomes less important.

6.1.5 Although it is considered that there is sufficient information to illustrate the viability evidence the summary assessments for the retail scenarios are shown in Appendix A of this addendum.

7 Recommendations and potential CIL receipts

7.1.1 To bring the work set out in the addendum together it is considered appropriate to set out all the proposed CIL rates, including both those that have been amended and those that are the same as the EVA July report.

Table 6.1 Residential potential gross CIL receipts

Policy position	Recommendations
CIL	The residential CIL should be set according to the value areas and the Plan policy requirements including affordable housing: Greenfield Bexhill – £200 per sq. m CIL Brownfield Bexhill - £60 per sq. m CIL Strategic Allocations (not Blackfriars) - £100 per sq. m CIL Battle and rural north and west (including Blackfriars) - £240 per sq. m CIL Rye, Hasting Fringe Rural areas and settlements - £160 per sq. m CIL On non-residential development CIL should be set at: In centre convenience - £100 per sq. m CIL Out of centre convenience - £120 per sq. m CIL Out of centre comparison - £250 per sq. m CIL Greenfield extra care housing - £45 per sq. m CIL Brownfield extra care housing - £25 per sq. m CIL Retirement housing - £as above for general housing All other forms of liable floorspace - £0 per sq. m CIL

* Classed as Use class C3 rather than C2

7.1.2 The other major consideration in setting an appropriate CIL rate is to consider the councils current delivery and whether a staged approach should be taken to setting CIL within a transition phase whilst the local market adjust to having to pay a development contribution that has not previously been sought. This is especially true for smaller sites where not even s106 would have been sought in the past.

7.1.3 The council have a duty to be informed by the evidence and not necessarily follow it and whilst PBA are confident that its assumptions and approach are robust the council need to consider as to whether they need to take a more conservative approach in setting the levy for the first time in this area.

7.1.4 The conclusion of the EVA provided a forecast of the likely CIL receipts that Rother District Council could expect given the Plan's housing target at the recommended CIL rate.

7.1.5 In light of the changes to affordable housing guidance as discussed in this report, and considering the CIL rates recommended above we have estimated that the following gross[2] development contributions could potentially be provided:

Table 6.2 Residential potential gross CIL receipts

Value area	AH Contribution	Dwellings liable for CIL (Open Housing Dwelllings)	CIL rate	CIL receipt*
Battle	(35% over 10 dwellings)	291	£240	£5,936,400
Villages (Zone 1)	(40% over 10 dwellings)	565	£240	£11,526,000
Bexhill - brownfield	(30% over 10 dwellings)	141	£60	£719,100
Bexhill - greenfield	(30% over 10 dwellings)	321	£200	£5,457,000
Rye	(35% over 10 dwellings)	117	£160	£1,591,200
Villages (Zone 2)	(40% over 10 dwellings)	148	£160	£2,012,800
NE Bexhill, North Bexhill Strategic Site	(30% over 10 dwellings)	1126	£100	£9,571,000

*CIL receipts are based on average property being 85 sq.m.

7.1.6 This shows gross CIL receipts of c£36.8m, equivalent to approximately £2.8m per year over 13 years to 2028. In practice, the actual sum may be less. No allowance is made for further sites (other than as set out) gaining permission before the CIL is introduced, nor for self-build homes (which are exempt from CIL). Conversely, no allowance has been made for CIL receipts from non-residential development, as this has a high degree of uncertainty.

[2] Values provided in Table 6.2 refer to the *gross* CIL amount and does not take into account any proportion of the CIL re-allocated to local parishes or town councils.

Appendix A Retail assessments

1: Town Centre Retail - Comparison

ITEM							
Net Site Area	0.03	**Residual value** £1,191,340.38	**per ha**				
1.0	**Development Value**						
		No. of units	**Size sq.m**	**Rent**	**Yield**	**Value per unit**	**Capital Value**
1.1	1: Town Centre Retail - Comparis	1	285	155	9.00%	£490,833	£490,833.33
						Rent free period	**Adjusted for rent free**
					No. of months	3	£480,372
							4.75%
	Total development value						**£457,554**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site value (residual land value)						£35,126
			Less Purchaser Costs				1.75%
							£35,740.21
2.2	**Build Costs**						
		No. of units	**Size sq.m**	**Cost per sq.m**			**Total Costs**
2.2.1	1: Town Centre Retail - Comparis	1	300	£885			£265,500
							£265,500
2.3	**Externals**						
2.3.1	external works as a percentage of build costs		10.0%				£26,550
							£26,550
2.4	**Professional Fees**						
2.4.1	as percentage of build costs & externals		10%				£29,205
							£29,205
2.5	**Total construction costs**						**£321,255**
3.0	**Contingency**						
3.1.1	as a percentage of total construction costs		4%				£12,850.20
							£12,850
	TOTAL DEVELOPMENT COSTS (including land payment)						**£369,845**
4.0	**Developers' Profit**						
4.1	as percentage of total development costs		Rate 20%				£73,969
							£73,969
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£443,814**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£13,740
5.00	**Finance Costs**		APR 7.00%			PCM 0.565%	-£13,740
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£457,554

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	2: Town Centre Retail - Convenience						
ITEM							
Net Site Area	0.04	Residual value £2,889,866.87	per ha				
1.0	Development Value						
		No. of units	Size sq.m	Rent	Yield	Value per unit	Capital Value
1.1	2: Town Centre Retail - Convenie	1	380	180	7.5%	£912,000	£912,000
						Rent free period	Adjusted for rent free
					No. of months	3	£895,659
							5.75%
	Total development value						£844,159
2.0	Development Cost						
2.1	Site Acquisition						
2.1.1	Site value (residual land value)						£125,001
			Less Purchaser Costs				2.75%
							£128,439
2.2	Build Costs						
		No. of units	Size sq.m	Cost per sq.m			Total Costs
2.2.1	2: Town Centre Retail - Convenie	1	400	£1,100			£440,000
							£440,000
2.3	Externals						
2.3.1	external works as a percentage of build costs		10.0%				£44,000
							£44,000
2.4	Professional Fees						
2.4.1	as percentage of build costs & externals		10%				£48,400
							£48,400
2.5	Total construction costs						£532,400
3.0	Contingency						
3.1.1	as a percentage of total construction costs		4%				£21,296.00
							£21,296
	TOTAL DEVELOPMENT COSTS (including land payment)						£682,135
4.0	Developers' Profit						
4.1	as percentage of total development costs		Rate 20%				£136,427
							£136,427
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£818,561
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£25,597
5.00	Finance Costs		APR 7.00%			PCM 0.565%	-£27,855
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£846,416

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3: Out of Centre Retail - Comparison

ITEM							
Net Site Area	0.25	**Residual value** £3,438,461.11 **per ha**					
1.0	**Development Value**						
		No. of units	**Size sq.m**	**Rent**	**Yield**	**Value per unit**	**Capital Value**
1.1	3: Out of Centre Retail - Compari	1	950	165	7.0%	£2,239,286	£2,239,286
						Rent free period	**Adjusted for rent free**
					No. of months	3	£2,201,727.49
							5.75%
	Total development value						**£2,110,526.79**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site value (residual land value)						£812,875
			Less Purchaser Costs				5.75%
							£859,615.28
2.2	**Build Costs**						
		No. of units	**Size sq.m**	**Cost per sq.m**			**Total Costs**
2.2.1	3: Out of Centre Retail - Compari	1	1,000	£620			£620,000
							£620,000
2.3	**Externals**						
2.3.1	external works as a percentage of build costs		10.0%				£62,000
							£62,000
2.4	**Professional Fees**						
2.4.1	as percentage of build costs & externals		10%				£68,200
							£68,200
2.5	**Total construction costs**						**£750,200**
3.0	**Contingency**						
3.1.1	as a percentage of total construction costs		4%				£30,008.00
							£30,008
	TOTAL DEVELOPMENT COSTS (including land payment)						**£1,639,823**
4.0	**Developers' Profit**						
4.1	as percentage of total development costs		Rate 20%				£327,965
							£327,965
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£1,967,788**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£142,739
5.00	**Finance Costs**		APR 7.00%			PCM 0.565%	-£107,340
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£2,075,128

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	4: Out of Centre Retail - Large Convenience						
ITEM							
Net Site Area	0.63	**Residual value** £3,333,503.58	**per ha**				
1.0	**Development Value**						
		No. of units	**Size sq.m**	**Rent**	**Yield**	**Value per unit**	**Capital Value**
1.1	4: Out of Centre Retail - Large Co	1	2375	£190	5.5%	£8,204,545	£8,204,545
						Rent free period	**Adjusted for rent free**
					No. of months	3	8,095,458
							5.75%
	Total development value						**£7,629,969**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site value (residual land value)						£1,970,156
			Less Purchaser Costs				5.75%
							£2,083,440
2.2	**Build Costs**						
		No. of units	**Size sq.m**	**Cost per sq.m**			**Total Costs**
2.2.1	4: Out of Centre Retail - Large Co	1	2,500	£1,265			£3,162,500
							£3,162,500
2.3	**Externals**						
2.3.1	external works as a percentage of build costs		10.0%				£316,250
							£316,250
2.4	**Professional Fees**						
2.4.1	as percentage of build costs & externals		10%				£347,875
							£347,875
2.5	**Total construction costs**						**£3,826,625**
3.0	**Contingency**						
3.1.1	as a percentage of total construction costs		4%				£153,065.00
							£153,065
	TOTAL DEVELOPMENT COSTS (including land payment)						**£6,063,130**
4.0	**Developers' Profit**						
			Rate				
4.1	as percentage of total development costs		20%				£1,212,626
							£1,212,626
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£7,275,756**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£354,213
5.00	**Finance Costs**		APR			PCM	
			7.00%			0.565%	-£354,213
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£7,629,969

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	5: Out of Centre Retail - Local Convenience						
ITEM							
Net Site Area	0.03	**Residual value** £2,863,210.21 **per ha**					
1.0	**Development Value**						
		No. of units	**Size sq.m**	**Rent**	**Yield**	**Value per unit**	**Capital Value**
1.1	5: Out of Centre Retail - Local Cc	1	238	180	7.5%	£570,000	£570,000
						Rent free period	**Adjusted for rent free**
					No. of months	3	559,787
							5.75%
	Total development value						**£527,599**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site value (residual land value)						£78,166
			Less Purchaser Costs				1.75%
							£79,534
2.2	**Build Costs**						
		No. of units	**Size sq.m**	**Cost per sq.m**			**Total Costs**
2.2.1	5: Out of Centre Retail - Local Cc	1	250	£1,100			£275,000
							£275,000
2.3	**Externals**						
2.3.1	external works as a percentage of build costs		10.0%				£27,500
							£27,500
2.4	**Professional Fees**						
2.4.1	as percentage of build costs & externals		10%				£30,250
							£30,250
2.5	**Total construction costs**						**£332,750**
3.0	**Contingency**						
3.1.1	as a percentage of total construction costs		4%				£13,310.00
							£13,310
	TOTAL DEVELOPMENT COSTS (including land payment)						**£425,594**
4.0	**Developers' Profit**						
			Rate				
4.1	as percentage of total development costs		20%				£85,119
							£85,119
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£510,712**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£16,887
5.00	**Finance Costs**		APR			PCM	
			7.00%			0.565%	-£16,887
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£527,599

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Zone	Net site area	Floorspace	Residual value		Benchmark		Cost of S.106	CIL Headroom
	Ha	GIA sqm	Per Ha	£/sqm	Per Ha	£/sqm	£/sqm	£/sqm
1: Town Centre Retail - Comparison	0.03	300.00	1,191,340.38	119.13	£950,000	£95	£0	£24
2: Town Centre Retail - Convenience	0.04	400.00	2,889,866.87	321.10	£1,500,000	£167	£0	£154
3: Out of Centre Retail - Comparison	0.25	1,000.00	3,438,461.11	859.62	£1,600,000	£400	£100	£360
4: Out of Centre Retail - Large Convenience	0.63	2,500.00	3,333,503.58	833.38	£2,100,000	£525	£150	£158
5: Out of Centre Retail - Local Convenience	0.03	250.00	2,863,210.21	318.13	£950,000	£106	£50	£163