Rother District Council
Community Infrastructure Levy

Economic Viability Assessment

On behalf of **Rother District Council**

Project Ref: 29225/001 | Rev: AA | Date: July 2014

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Document Control Sheet

Project Name: **Rother District Council CIL**
Project Ref: **CIL Viability**
Report Title: **Economic Viability Assessment**
Doc Ref: **Final Report**
Date: **July 2014**

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Revision	Date	Description	Prepared	Reviewed	Approved
01	10/01/14	Draft Report	MF	RP	JB
02	06/14	Final Report	MF	RP	JB
03	07/14	Revised Final Report	MF	RP	JB

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1 Introduction

1.1.1 Peter Brett Associates were commissioned to undertake an Economic Viability Assessment to provide evidence and advice to support the introduction of a Community Infrastructure Levy in Rother District.

1.1.2 Our objective in this study is to help inform the decisions by locally elected members about the risk and balance between the policy aspirations of achieving sustainable development and the realities of economic viability. In making their decision on the balance, members are seeking guidance on the maximum level of CIL, and the recommended level of CIL

1.1.3 These are complex issues and the only way to make the decision properly is to explicitly understand the trade-offs being made between those choices. We proceed by understanding total available development contributions, and then 'sharing out' the resulting viability pot between competing priorities.

1.1.4 This report is prepared within the context of the council's position and consultation in 2013 and the information available at this time. The report and the accompanying appraisals have been prepared in line with RICS valuation guidance. However, it is first and foremost a supporting document to inform the drafting of the CIL evidence base and planning policy, in particular policy concerned with the planning, funding and delivery of infrastructure needed to support delivery of the plan.

1.1.5 As per Professional Standards 1 of the RICS Valuation Standards – Global and UK Edition1, the advice expressly given in the preparation for, or during the course of negotiations or possible litigation does not form part of a formal "Red Book" valuation and should not be relied upon as such. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report for such purposes.

1.1.6 The objectives of this report are to use the available evidence to assess what level of CIL is appropriate within the Rother District and that is broadly viable in terms of delivering the plans and policies set out in its strategy. The stages of the study are to:

- Review the policy and legislative context;
- Review the types of development likely to come forward during the plan period;
- Consider the evidence relating to the costs and values of different residential and non-residential development in Rother District and establish assumptions to inform both residential and non-residential viability appraisals;
- Provide evidence for the council in developing their Community Infrastructure Levy (CIL) Charging Schedule;
- In providing this evidence undertake a series of viability tests on the hypothetical development typologies and consider whether there is sufficient value to support policies including those on affordable housing and CIL; and
- Test the strategic site options and consider whether there is sufficient viability to fund the identified infrastructure package and affordable housing.

[1] RICS (January 2014) Valuation – Professional Standards, PS1 Compliance with standards and practice statements where a written valuation is provided

2 Study context and viability

2.1.1 The basis of viability testing in this Report is through a series of generic site appraisals, using the residual value (RV) approach. This needs to take account of a wide variety of inter-related factors which are explored below, which include various items of planning obligations and community gain expected to be delivered through the operation of the planning system.

2.1.2 The key question is whether a suggested level of Community Infrastructure Levy (CIL), combined with other planning obligations, including affordable housing and other policy requirements will inhibit development generally, and conversely, what level of CIL, and continuing contributions through S.106 Agreements, can be delivered whilst maintaining economic viability?

2.1.3 It is important that policy relating to planning obligations is realistic and credible, taking into account the local housing and commercial market, the economics of development, including price, supply, demand, need and profit issues. Whilst this report is set within the known planning and economic context at the time of production, it will be important to update its assumptions and findings when there are significant changes to the market and economy or changes to the type of growth sought in the district.

2.1.4 It is also of note that the importance of maintaining plan viability is a central theme of national planning policy and guidance in recent years. We explore this context in the following section.

2.2 Defining viability: the Harman Report

2.2.1 The cross industry and CLG supported ‘Viability Testing Local Plans’ (June 2012) provides detailed guidance regarding viability testing and in particular provides practical advice for planning practitioners on developing viable Local Plans which limits delivery risk. This guidance forms the basis to our approach in this report.

2.2.2 The Harman Report usefully defines viability. 'Viability Testing Local Plans' (Local housing Delivery Group, June 2012), states that:

“An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs, and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place, and generates a land value sufficient to persuade the land owner to sell the land for the development proposed.”

2.3 National Planning Policy Framework

2.3.1 The NPPF reflects the Harman report, both in its approach to the concept of viability, and its concern to ensure that cumulative effects of policy do not combine to render plans unviable (para. 173):

“The costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.”

2.4 Community Infrastructure Levy requirements

2.4.1 The Community Infrastructure Levy (CIL) is a planning charge that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to help pay for infrastructure that is needed to support planned development. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the Council, the draft schedule has to be tested by an independent examiner.

2.4.2 The requirements which a CIL charging schedule has to meet are set out in:

- The Planning Act 2008 as amended by the Localism Act 2011.
- The CIL Regulations 2010[2], as amended in 2011[3] , 2012[4], 2013[5] and 2014[6].
- The CIL Guidance which was updated in February 2014.[7]

2.4.3 The 2014 Regulations have altered key aspects of setting the charge for authorities who publish a Draft Charging Schedule for consultation. The key points from these various documents are summarised below.

2.5 Striking the appropriate balance

2.5.1 The revised Regulation 14 requires that a charging authority 'strike an appropriate balance' between:

a. The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and

b. The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.5.2 By itself, this statement is not easy to interpret. The guidance explains its meaning. A key feature of the 2014 Regulations is to give legal effect to the requirement in this guidance for an authority to 'show and explain…' their approach at examination. This explanation is important and worth quoting at length:

'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area. .

As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened.' [8]

2.5.3 In other words, the 'appropriate balance' is the level of CIL which the authority judges will not threaten the viability of the bulk of development in its area. If the CIL charging rate is above this appropriate level, there could be less development because CIL could make too many

[2] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf
[3] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf
[4] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf
[5] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf
[6] http://www.legislation.gov.uk/uksi/2014/385/pdfs/uksi_20140385_en.pdf
[7] DCLG (February 2014) Community Infrastructure Levy Guidance
[8] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2)

potential developments unviable. Conversely, if the charging rates are below the appropriate level, then the delivery targets set out in the Local Plan may also be difficult to achieve if there is not sufficient funding available to support required infrastructure.

2.5.4 Achieving an appropriate balance is a matter of judgement. It is not surprising, therefore, that charging authorities are allowed some discretion in this matter. This has been reduced by the 2014 Regulations, but remains. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

'must strike an appropriate balance…' i.e. it is recognised there is no one perfect balance;

'Charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.'

'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence …… There is room for some pragmatism.' [9]

2.5.5 Thus the guidance sets the delivery of development firmly in within the context of implementing the Local Plan. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the guidance. For example, in guiding examiners, the guidance makes it clear that the independent examiner should establish that:

'…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole…..'[10]

2.5.6 This also makes the point that viability is not simply a site specific issue but one for the plan as a whole.

2.5.7 The focus is on seeking to ensure that the CIL rate does not threaten the ability to develop viably the sites and scale of development identified in the Local Plan. Accordingly, when considering evidence the guidance requires that charging authorities should:

'*use an area based approach, involving a broad test of viability across their area', supplemented by sampling '…an appropriate range of types of sites across its area…' with the focus '...on strategic sites on which the relevant Plan relies and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).* [11]

2.5.8 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable (some schemes will be unviable with or without CIL). The levy may put some schemes, however, in aiming to strike an appropriate balance overall, the charging authority should avoid threatening the ability to develop viably the sites and scale of development identified in the Local Plan.

Keeping clear of the ceiling

2.5.9 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

[9] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)
[10] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:5:5)
[11] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

'…..if the evidence pointed to setting a charge right at the margins of viability………It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust.'[12]

2.5.10 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

- Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base.

A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

Varying the charge

2.5.11 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, by scale of development (GIA of buildings or number of units) or a combination of these three factors. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[13] As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.5.12 The guidance also points out that charging authorities should avoid '*undue complexity*' when setting differential rates, and *'….it is likely to be harder to ensure that more complex patterns of differential rates are state aid compliant.'* [14]

2.5.13 Moreover, generally speaking, '*Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development'*; otherwise the CIL may fall foul of state aid rules.[15]

2.5.14 It is worth noting, however, that the guidance gives an example which makes it clear that a strategic site can be regarded as a separate charging zone: *'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.'* [16]

Supporting evidence

2.5.15 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedule[17]. The guidance expands on this, explaining that the available data *'is unlikely to be fully comprehensive'*.[18]

2.5.16 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and cost analysing types of development that will not have

[12] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

[13] The Regulations allow differentiation by "uses of development". "Development" is specially defined for CIL to include only 'buildings', it does not have the wider 'land use' meaning from TCPA 1990, except where the reference is to development of the area.

[14] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:6)

[15] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2.2.2.6)

[16] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:6)

[17] Planning Act 2008 section 211 (7A)

[18] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Local Plan.

Chargeable floorspace

2.5.17 CIL will be payable on 'most buildings that people normally use'[19]. It will be levied on the net additional floorspace created by any given development scheme[20]. Any new build that replaces existing floorspace that has been in recent use on the same site will be exempt from CIL, even if the new floorspace belongs to a higher-value use than the old.

What the examiner will be seeking

2.5.18 According to statutory guidance, 'the independent examiner should check that:

- The charging authority has complied with the requirements set out in legislation
- The charging authority's draft charging schedule is supported by background documents containing appropriate available evidence
- The proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority's area; and
- Evidence has been provided that shows the proposed rate would not threaten delivery of the relevant Plan as a whole.'[21]

CIL, S106, S278 and the regulation 123 infrastructure list

2.5.19 The purpose of CIL is to enable the charging authority to carry out a wide range of infrastructure projects. CIL is not expected to pay for all infrastructure requirements but could make a significant contribution. However, development specific planning obligations (commonly known as S106) to make development acceptable will continue with the introduction of CIL. In order to ensure that planning obligations and CIL operate in a complementary way, CIL Regulations 122 and 123 place limits on the use of planning obligations.

2.5.20 Some developers have expressed concerns about 'double dipping' (i.e. being charged twice for the same infrastructure by requiring to pay CIL and S106). To overcome this concern, it is imperative that charging authorities are clear about the authorities' infrastructure needs and what developers will be expected to pay for and through which route. The guidance expands this further in explaining how the regulation 123 list should be scripted to account for generic projects and specific named projects (see section 2:6:2:2 of the 2014 CIL guidance).

2.5.21 The guidance states that '*it is good practice for charging authorities to also publish their draft (regulation 123) infrastructure lists and proposed policy for the scaling back of S106 agreements*.'[22] This list now forms part of the 'appropriate available evidence' for consideration at the CIL examination.

2.5.22 The guidance identifies the need to assess past evidence on developer contributions, stating '*as background evidence, the charging authority should also provide information about the*

[19] DCLG (November 2010) *Community Infrastructure Levy – An Overview* (para 37)
[20] DCLG (November 2010) *Community Infrastructure Levy – An Overview* (para 38)
[21] DCLG (April 2013) *Community Infrastructure Levy Guidance* (para 9)
[22] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:3)

amount of funding collected in recent years through section 106 agreements, and information on the extent to which affordable housing and other targets have been met'.[23]

2.5.23 Similarly, there are restrictions on using section 278 highway agreements to fund infrastructure that is also including in the CIL infrastructure list[24]. This is done by placing a limit on the use of planning conditions and obligations to enter into section 278 agreements to provide items that appear on the charging authority's Regulation 123 infrastructure list. Note these restrictions do not apply to highway agreements drawn up the Highway Agency.

Policy requirements

2.5.24 More broadly, the CIL guidance states that '*Charging authorities should consider relevant national planning policy when drafting their charging schedules. This includes the National Planning Policy Framework (NPPF)*'[25]. Where consideration of development viability is concerned, the CIL guidance draws specific attention to paragraphs 173 to 177 of the NPPF [26] and to paragraphs 162 and 177 of the NPPF[27] in relation to infrastructure planning.

2.5.25 The only policy requirements which refer directly to CIL in the NPPF are set out at paragraph 175 of the NPPF, covering, firstly, working up CIL alongside the plan making where practical; and secondly placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place. Since April 2013[28] this policy requirement has been complemented with a legal duty on charging authorities to pass a specified proportion of CIL receipts to local councils, to spend it on behalf of the neighbourhood if there is no local council for the area where development takes place. Whilst important considerations, these two points are outside the immediate remit of this study.

CIL Summary

2.5.26 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule should:

'Aim to strike what appears to the charging authority to be an appropriate balance' between the need to fund infrastructure and the impact of CIL'; and

'Not threaten delivery of the relevant plan as a whole'.

2.5.27 As explained in statutory guidance, this means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that, in the judgment of the local authority, the net outcome of these two impacts should be positive. This judgment is at the core of the charge-setting process.

2.5.28 Legislation and guidance also set out that:

- Authorities should avoid setting charges up to the margin of viability for the bulk of sites;
- CIL charging rates may vary across geographical zones and building uses (and from January 2014 by scale). But there are restrictions on this differential charging. It must be

[23] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:3)
[24] See section 2.6.5 of the DCLG (February 2014) *Community Infrastructure Levy Guidance*
[25] DCLG (February 2014) Community Infrastructure Levy Guidance (Section 2:2:1)
[26] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Sections 2:2 and 2:2:1)
[27] DCLG (February 2014) Community Infrastructure Levy Guidance (Section 2:2:2:1)
[28] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf

justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.

- Charging rates should be informed by 'appropriate available evidence', which need not be 'fully comprehensive or exhaustive';

- While charging rates should be consistent with the evidence, they are not required to 'mirror' the evidence. In this and other ways, charging authorities have discretion in setting charging rates.

2.5.29 In our analysis and recommendations below, we aim both to meet these legal and statutory guidance requirements and to maximise achievement of the Council's own priorities, using the discretion that the legislation and guidance allow.

3 Context and method

3.1 Introduction

3.1.1 This chapter considers the type and likely locations for growth which are expected to come forward in the future, in order to inform the CIL viability work and any recommended charging schedule. The purpose here is two-fold. Firstly, it is to ensure that any recommended CIL charge applies to those developments most likely to come forward in the future. Secondly, it is to understand the main elements of Local Plan delivery, so that any recommended CIL charge avoids putting the delivery of the Plan at risk.

3.1.2 One way of understanding what types of development are going to be important in delivering against the statutory CIL Regulations' requirement to deliver the main elements of the Local Plan is by seeking to get some sense of scale of the floorspace expected to be produced over the plan period. In identifying future plans for development in the district we have referred to the:

- Proposed Submission Core Strategy (incorporating Focused Amendments) – July 2012
- Schedule of Main Modifications to the Core Strategy – August 2013
- Hastings and Rother Strategic Housing Market Assessment Update: Housing Needs Assessment – June 2013

3.2 Future development type

3.2.1 Very roughly to scale, Figure 3.1 below looks at growth over the 2011-28 period. This shows that the main thrust of Rother's strategy is very much around residential and employment growth, with retail space also being important. This is a broad estimate of the scale based on the remaining new dwellings required to meet the target of at least 5,700 homes in the Core Strategy and an assumption for a typical average sized dwelling. The employment floorspace is an estimate based on an identified future requirement in the Core Strategy. The retail floorspace is referred to in the Core Strategy. The other land uses such as leisure facilities are present; and whilst important, they nonetheless represent a very much smaller part of the Local Plan delivery.

Figure 3.1Potential liable floorspace

3.2.2 The land uses which are likely to account for the largest quantum of development, and hence are critical to the delivery of the Core Strategy, comprise:

- Residential
- Light industrial and warehousing space
- Offices
- Retail
- Leisure and recreation
- Public services and community facilities.

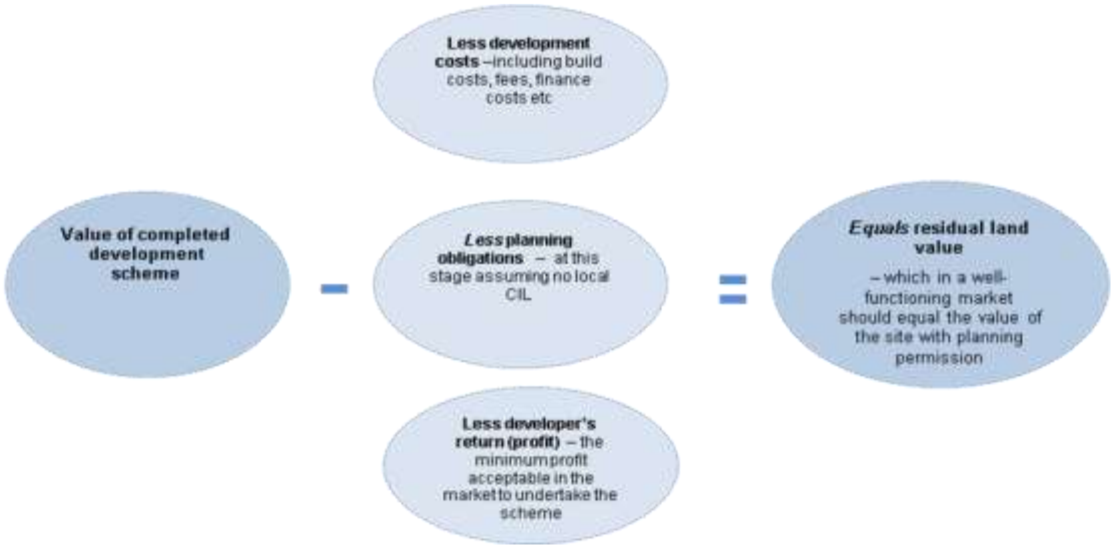
3.2.3 In our viability assessments and the resulting recommendations, we have focussed on these types of development, aiming to ensure that they remain broadly viable after the CIL charge is levied.

3.3 Development appraisal

3.3.1 Viability assessment is at the core of the charge-setting process. The purpose of the assessment is to identify charging rates at which the bulk of the development proposed in the development plan is financially viable, in order to ensure that the CIL does not put at risk the overall development planned for the area.

3.3.2 Our viability assessments are based on development appraisals of hypothetical schemes, using the residual valuation method. This approach is in line with accepted practice and as recommended by RICS guidance[29] and the Harman report.[30] Residual valuation is applied to different land uses and where relevant to different parts of the district, aiming to show typical values for each. It is based on the formula presented in **Figure 3.2**.

Figure 3.2 Method diagram – value of completed development scheme



[29] RICS (2012), *Financial Viability in Planning, RICS First Edition Guidance Note*

[30] Local Housing Delivery Group Chaired by Sir John Harman (2012) *Viability Testing Local Plans*

3.3.3 For each of the hypothetical schemes tested, we use this formula to estimate typical residual land values, which is what the site should be worth once it has full planning permission. The residual value calculation requires a wide range of inputs, or assumptions, including the costs of development and the required developer's return.

3.3.4 The arithmetic of residual appraisal is straightforward (we use a bespoke spreadsheet models for the appraisals). However, the inputs to the calculation are hard to determine for a specific site (as demonstrated by the complexity of many S106 agreements and negotiations). The difficulties grow when making calculations that represent a typical or average site – which is what we need to do for estimating appropriate CIL charges. Therefore our viability assessments are necessarily broad approximations, subject to a margin of uncertainty. This includes the approach to developer contributions, strategic infrastructure and opening up costs whereby judgements will need to be made as to as to the types of costs and where they are considered within the model.

4 Residential typologies and assumptions

4.1 Typologies

4.1.1 We have identified a set of development typologies for Rother. These have been informed by draft versions of the Plan, the SHLAA and consultation with officers and a 'sense check' with the development industry. Whilst these broadly follow the types of sites likely to be identified in the Plan as a source of future housing supple they are not intended to represent any fully detailed planning applications for actual future developments. The selected typologies are purely for modelling viability and their inclusion does not necessarily mean that they will be included within future versions of the Plan. Likely development scenarios have been grouped in areas where values and costs are broadly similar – this is to reduce the number of potential scenarios and overall complexity – these groupings do not necessarily have any geographical similarities.

4.1.2 The notional residential sites tested are set out in **Table 4.1**.

Table 4.1 Residential Notional Sites for Viability Testing

ID	Nominal location	Site type	Dwelling Capacity
1	North East Bexhill	Greenfield	1000
2	Bexhill	Greenfield	100
3	West Bexhill	Greenfield	250
4	West Bexhill	Greenfield	20
5	East Bexhill	Brownfield	10
6	East Bexhill	Brownfield	30
7	East Bexhill	Brownfield	5
8	East Bexhill	Brownfield	1
9	Hastings Fringe	Greenfield	50
10	Battle	Greenfield	100
11	Battle	Brownfield	25
12	Battle	Brownfield	5
13	Battle	Brownfield	1
14	Rye	Brownfield	5
15	Rye	Brownfield	1
16	Westfield/Camber	Greenfield	10
17	Hurst Green/Peasmarsh/Netherfield/Fairlight	Greenfield	50
18	Catsfield/Flimwell	Greenfield	30
19	Robertsbridge/Northiam/Broad Oak/Burwash	Greenfield	20
20	Ticehurst/Staplecross/Beckley/Four Oaks/ Crowhurst//Iden	Greenfield	10

ID	Nominal location	Site type	Dwelling Capacity
21	Sedlescombe/Etchingham	Greenfield	20
22	Rural	Greenfield	1
23	60 units at district wide	Retirement Development (No care)	60 units

4.1.3 We have allowed for a set of residential viability tests to cover notional developments of different sizes, locations, densities and mixes, greenfield/brownfield as well affordable housing. The different modelled typologies have also been used to assess different density and location factors.

4.1.4 To provide a robust evidence base, it was important that we modelled this broad cross section of development types. In our viability assessments and the resulting recommendations, we have focussed on these types of development, aiming to ensure that they remain broadly viable after any policy requirements, including affordable housing, is applied.

4.2 Assumptions

Reviewing the Existing Viability Evidence (Value and Costs)

4.2.1 The modelling uses local values and costs to test what level of contributions can be achieved without risking viability, as well as testing variable affordable housing requirements.

4.2.2 A number of generic assumptions are required in the viability appraisal process in order to identify residual site values along with any headroom potential to meet community gain. This includes the site area, the total number of dwellings with details of mix and tenure, to derive floorspace assumptions. Average sales values and build costs are then applied. A merged mix of affordable and open market housing, based on a range of affordable housing proportions of residential floorspace has been used, with input from locally active RPs. The principal variable factors are explored below.

4.2.3 We use a range of information sources in setting benchmark land values and getting intelligent inputs to our residual value modelling. The regulations require Charging Authorities to use “appropriate available evidence” in setting their CIL Charge.

4.2.4 We source residential revenues and other viability variables from a range of sources, including:

- Generic websites, such as the RightMove, Zoopla and the Land Registry
- Direct research with developers (including Registered Providers of affordable housing), and agents operating in the area.
- Information on land and property values has been taken from industry standard sources including the EGi, CoStar (Focus) and Property Week databases.

4.2.5 The sources we used for typical development costs are:

- BCIS and Spons cost data sources, adjusted to the location and current price values
- Internet sources, including Estates Gazette, which have the great advantage of showing the typical buildings used for the calculation.

- We also use management consultants' studies, quality press reports (FT.com is an excellent source) and industry sector specialist studies.

- We use existing information available to the council, such as housing land evidence and previous viability reports.

4.2.6 These figures allow for increasingly stringent Building Regulations, which add to construction costs. For costs such as external works, fees, finance and developers' margins, we used high-level approximations. These represent the average over a range of scheme types.

4.2.7 Where relevant, we also distinguish between different parts of Rother, to ensure that we have the right evidence to inform any proposal for geographic differentials in the levy rate or other policy costs. We need to distinguish circumstances where particular types of site are prone to different economic circumstances that affect viability. This includes, for instance, the additional costs associated with large greenfield urban extensions, where the site specific infrastructure costs required to open up the site for development can be significantly greater than for smaller sites or brownfield sites with higher existing use value, based on commercial values as opposed to agricultural value.

Threshold land values

4.2.8 To assess viability, the residual value generated by a scheme is compared with a threshold land value, which reflects 'a competitive return for a landowner' (as stated in Harman). The threshold land value is important in our calculations of the residual balance to pay for other policy and infrastructure costs to support a sustainable development. The difference between the threshold land value and the residual land value represents the amount of money available to contribute to affordable housing policy, S106/278 contributions or CIL.

4.2.9 The approach considers both a top down review of current market values for residential uses (i.e. value of a ready site with a residential permission and no opening/abnormal costs) and bottom up consideration existing use / alternative use values before securing planning permission and mitigation of any opening/abnormal costs.In collecting evidence on residential land values, a distinction has been made for sites that might reflect these extra over site development costs from those which are clean or 'oven-ready' residential sites.

4.2.10 Account has been taken of current and future policy requirements. This approach is in line with the Harman report and recent CIL examination reports which accept that authorities should work on the basis of future policy and its effects on land values and well as ensuring a reasonable return to a willing landowner and developer.

4.2.11 We have examined a cross section of residential land comparable i.e. sites that are similar to the scenarios. These comparable transactions generally relate to both clean greenfield sites and urban, brownfield sites, which were fully serviced with roads and major utilities to the site boundary. To arrive at the threshold land value a review of recent viability evidence of sites on currently on the market, viability appraisal submissions, published data on land values and discussions with various stakeholders are all undertaken. But it is important to appreciate that assumptions on threshold land values can only be broad approximations, subject to a wide margin of uncertainty. We take account of this uncertainty in drawing conclusions and recommendations from our analysis..

4.2.12 The nearest published data for land values from the VOA are for Medway towns which shows that in 2011 clean residential land value with planning permission was selling for £1.4M/Ha and Southampton with values of £1.7M/Ha .

4.2.13 As stated these figures from VOA represent clean residential sites. These figures need to be adjusted for the benchmark land values to take into account policy and site development costs. These potentially include affordable housing requirements, strategic infrastructure and utilities (including opening up and site development costs). These costs will be accounted for through the appraisals and may be comprised of S106/278, CIL and/or general site development costs.

4.2.14 Within neighbouring Wealden, where the average property price is around 15%-20% higher than in Rother for new properties the following bottom up residential land values (i.e excluding any site opening up costs) were used:

- Between £900,000 and £1,650,000 per ha, depending on location.

4.2.15 At the workshop it was considered by the development industry that Wealden land values with a proportionate reduction in accordance with house price difference was an appropriate proxy to use for Rother.

4.2.16 On the basis of the workshop and our own further consultation for the purposes of this report we have therefore used the following:

- Bexhill Urban extension - £700,000
- Bexhill/Hastings Fringe greenfield sites - £725,000
- West Bexhill - £850,000
- East Bexhill - £700,000
- Battle - £1,000,000
- Rye - £1,000,000
- Rural settlements and area - £1,000,000 – £1,300,000 (level depends on value area/location)

Floorspace and mix

4.2.17 This is modified to reflect the location and site characteristics of each generic site, and the housing market in the nominal location. Town centres and coastal areas with views around Rother are more likely to accommodate town houses with some flats, whilst greenfield urban extensions have a much higher proportion of family dwellings, and reflect the entire range of market demand.

4.2.18 Each generic site appraisal makes reasoned assumptions about the type of dwellings and density that would be appropriate for the location and size of the site, and sets out a summary, detailing the assumptions made about the total number of dwellings, the mix of types, and the resultant floor areas, informed by different dwelling sizes favoured by private developers, and Registered Providers (RPs) of affordable housing.

4.2.19 It should be noted that Welfare Reforms, effective from April 2013, will also influence property mix because tenants may not be eligible for Housing Benefit where they live in a property which is technically bigger than they require. From April 2013, if a resident of council accommodation or other social housing is assessed as having at least 1 extra bedroom in their house, their Housing Benefit could be reduced by 14% if they have 1 extra bedroom or 25% if they have 2 or more extra bedrooms

4.2.20 While many Registered Providers have preferred to develop properties with a minimum of 2 bedrooms prior to the Welfare Reforms, as they offer greater flexibility of use (singles, couples, small families), they are now having to rethink their development strategies so as not to potentially create difficulties for customers and are thus looking to provide more 1 bedroom property types for singles/couples. The need for smaller one bedroom units is therefore likely to increase in the future, and yet, RP are already struggling to provide these units due to the higher costs and lower rental values. Consideration may be needed about proactive measures to encourage the delivery of smaller one bedroom units in suitable locations.

Sales Value for Open Market Housing

4.2.21 In order to arrive at a gross development value, assumptions need to be made about sales turnover values. These have been sourced from an assessment of the housing market based on discussions with local developers and agents about their current experience, and generic websites such as the RightMove and Zoopla. We use revenues for new properties because it is from these figures that current and future land values are derived.

4.2.22 To help understand the local market we compare average house sales for all properties in Rother and neighbouring authorities and on the sub-regional basis. As can be seen in Table 4.2 Rother's values are similar to the average for East Sussex and are significantly higher both Eastbourne and Hastings – however they fall short of the values achieved in Lewes and Wealden which are between 10-15% higher.

Table 4.2 Average Sales values (all housing stock) in Rother (and other areas for comparison)

Area	Average price	Quarter change (third quarter 2013)	Annual
Wealden	£289,701	3.5%	-1.9%
Lewes	£280,369	-1.5%	-0.4%
Rother	**£252,283**	**2.3%**	**-0.2%**
East Sussex	*£244,700*	*1.9%*	*-1.8%*
Eastbourne	£197,078	-1.7%	1.5%
Hastings	£173,596	1.3%	3.2%

Land Registry 2013

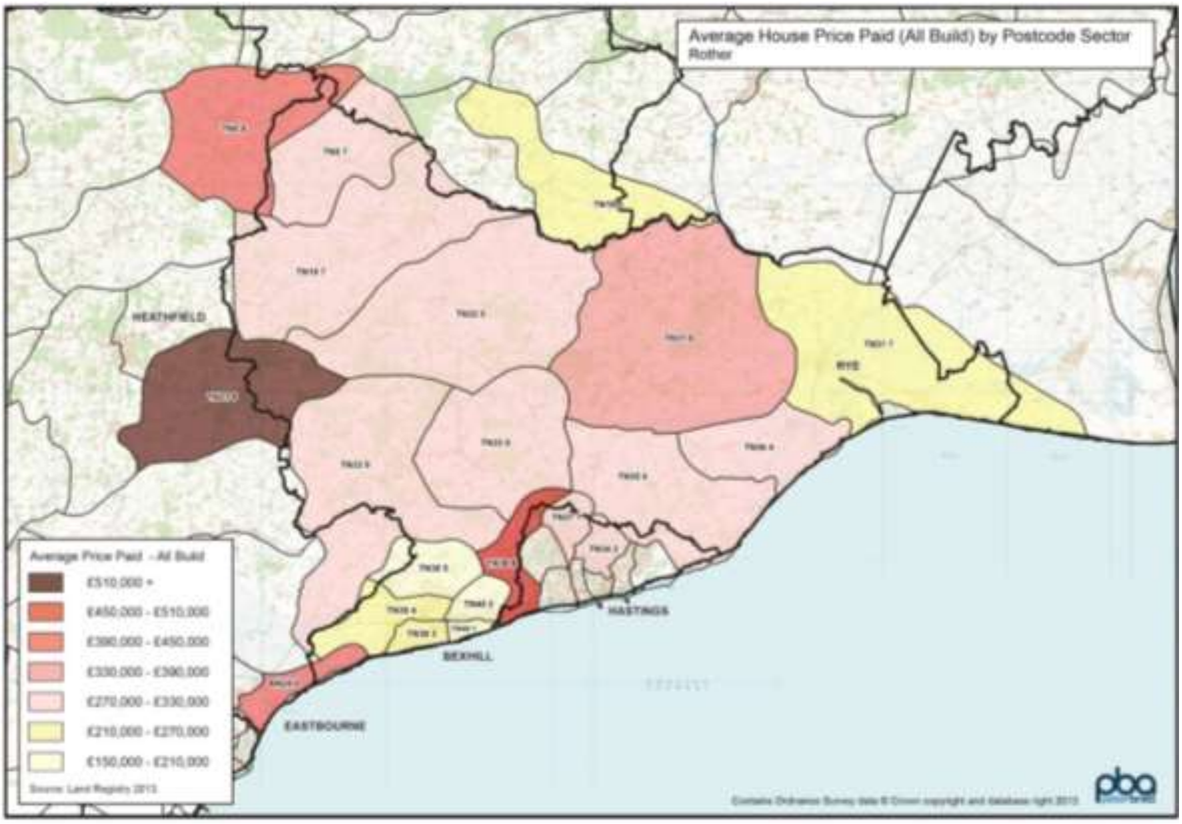
4.2.23 Analysis of the new and existing stock transactions in and around Rother published by Land Registry is shown in Table 4.3. This shows a wide variety of values ranging from just over £200,000 in Bexhill to over £300,000 at Robertsbridge. The values are generally highest in rural areas and smaller towns with Bexhill the lowest. The number of new builds is only 97, so it is important to also look at existing stock to understand values in Rother.

Table 4.3 Land Registry analysis for Rother and surrounds (Existing stock and new build 2010-2013, 2619 transactions)

Location	Average price existing stock	Average price new stock	Combined average
Battle	£295,861	£410,833	£303,914
Bexhill-On-Sea	£201,721	£198,764	£201,648
Etchingham	£318,676	£480,000	£319,966
Hastings	£292,581	£235,828	£289,264
Robertsbridge	£319,350	No transactions	£319,350
Rye	£295,770	£275,873	£294,229
Winchelsea	£291,549	£200,000	£290,162

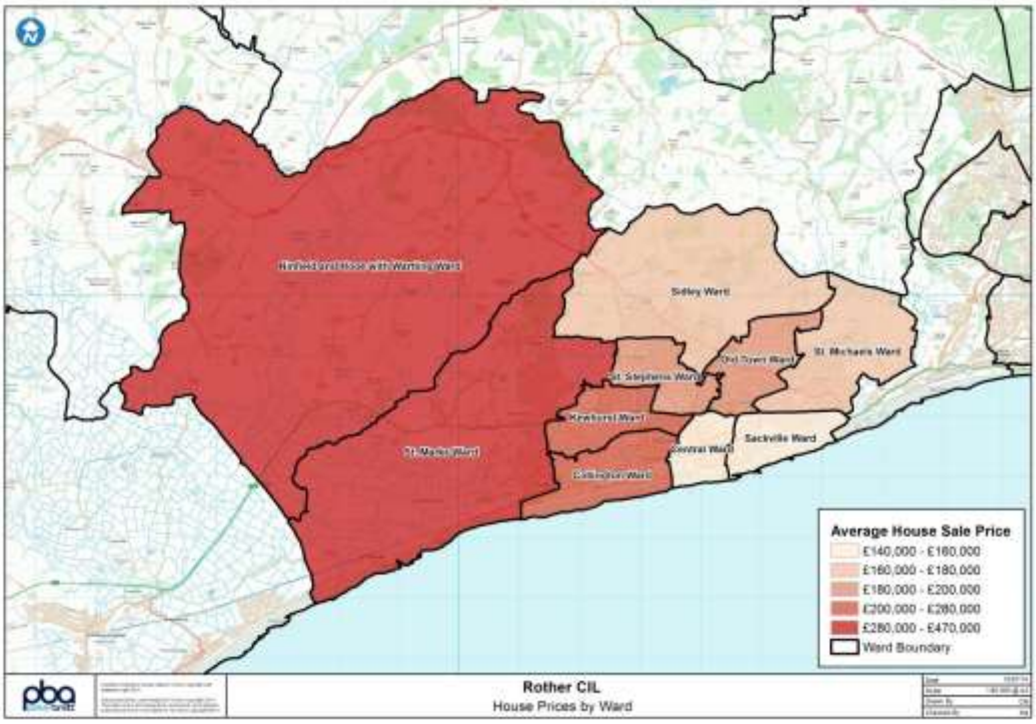
4.2.24 Figure 4.1 usefully illustrates average house price paid for all build on a postcode area, with broad areas of future residential growth also shown. The darker the colour the higher the average prices. These are set out in bands so some areas could be at the top of their respective band and others at the bottom, therefore it is just a guide. The development strategy for Rother is a dispersed pattern of growth; however the majority is concentrated in Bexhill – which is the lowest value area in the district. Whilst there is logic in locating development where the best returns are found and therefore the most scope for development contributions, it does not necessarily follow that these areas are suitable on planning grounds.

Figure 4.1 Average price paid (all transactions, Land Registry 2010-2013).



4.2.25 Following further consultation it was considered appropriate to undertake more detailed analysis within Bexhill as feedback suggests that there are distinct markets present. Figure 4.2 shows this further analysis.

Figure 4.2 Average price paid in Bexhill (all transactions, Land Registry 2010-2014).



4.2.26 In Table 4.4 is a selection of schemes currently, or soon to be, on the market (as of October/November 2013). These were sourced from the surveys, from discussions with developers, from local newspapers, developer's websites, and generic websites such as RightMove.

4.2.27 As a guide, open market advertised sales prices per sqm for new homes currently on the market vary from the lowest at just under £2,096 in Bexhill to around £3,600 in Rye.

Table 4.4 Sample of New house on market (Winter 2013/14)

Developer	Development	Location	House/ Flat	Beds	GIA (sq. m)	Price (£)	£ per sq.m
Barratt	Ambers Rise	Bexhill	House	3	108	£246,995	£2,287
Barratt	Ambers Rise	Bexhill	House	4	113	£269,995	£2,389
Barratt	Ambers Rise	Bexhill	House	3	70	£216,995	£3,115
Barratt	Ambers Rise	Bexhill	House	3	97	£246,995	£2,556
Barratt	Ambers Rise	Bexhill	House	3	108	£246,995	£2,269
Barratt	Ambers Rise	Bexhill	House	4	119	£249,995	£2,096
Barratt	Ambers Rise	Bexhill	House	3	90	£279,995	£3,104
Ward Homes	White Sand	Rye	Flat	2	66	£164,995	£2,508
Ward	White Sand	Rye	House	2	78	£169,995	£2,189

Developer	Development	Location	House/ Flat	Beds	GIA (sq. m)	Price (£)	£ per sq.m
Homes							
Ward Homes	White Sand	Rye	House	2	55	£199,995	£3,622
Ward Homes	White Sand	Rye	House	3	109	£249,995	£2,296
Ward Homes	White Sand	Rye	House	3	72	£249,995	£3,460
Local	4 Bedroomed Detached	Broad Oak	House	4	167	£425,000	£2545
Aron Corp	Valley Park	Rye	House	2	70	£205,000	£2929
Aron Corp	Valley Park	Rye	House	3	88	£250,000	£2841
Aron Corp	Valley Park	Rye	House	4	102	£315,000	£3088
Local	Quayside	Rye	House	3	92	£320,000	£3467

4.2.28 From this data, feedback received at the workshops/consultation with development industry and analysis of past sales values, using Land Registry data, we have analysed the market and arrived at the following sales values which we will use in the plan wide viability assessment:

- NE Bexhill & Hastings Fringe £2,424/m2 (House) £2,143/m2 (Flat)
- East Bexhill £2,249/m2 (H) £1,852/m2 (F)
- West Bexhill £2,940/m2 (H) £2,309/m2 (F)
- Battle £3,074/m2 (H) £2,620/m2 (F)
- Rye £2,970/m2 (H) £2,369/m2 (F)
- Westfield/Camber £2,770/m2 (H) £2,079/m2 (F)
- Hurst Green/Peasmarsh /Netherfield/Fairlight £2,712/m2 (H) £2,410/m2 (F)
- Catsfield/Flimwell £3,283/m2 (H) £1,147/m2 (F)
- Robertsbridge/Northium/ Broad Oak/Burwash £3,404/m2 (H) £2,654 (F)
- Ticehurst/Staplecross/Beckley /Four Oaks/ Crowhurst//Iden £3,689/m2 (H) £1,284 (F)
- Sedlescombe/Etchingham £3,403/m2 (H) £3,065 (F)

- Rural

  (Excluding settlements above) £3,210/m2 (H) £2,107 (F)

- District wide (Retirement) £3,079/m2

Sales Value for Affordable Housing

4.2.29 Registered Providers of Social Housing (RPs) - housing associations and other qualified providers - have historically had access to funds from the Government 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 through the operation of S.106 agreements. Whilst grant funding is still available through the HCA, the extent of this funding in terms of the amount and the length of time it will be available is uncertain. For this reason we take a conservative approach to our assessments and assume that grant will not be available on developer-led sites that deliver affordable housing through S.106.

4.2.30 The value of affordable housing dwellings is normally derived by assessing the value of the net rental income over a 25-35 year timeframe. Allowances for key management and maintenance costs are deducted from the gross rental income and this net rental income can then either be capitalised using an appropriate yield taking into account the strength of the income or its value can be calculated over a 25-35 year timeframe using a discounted cashflow/net present value methodology. While individual RP will have individual assumptions depending on their relative business plans, there is often reasonable consistency when the capitalised value of the affordable housing is compared to the full open market value of an equivalent property.

4.2.31 In consultation with the Rother's housing officers and the registered providers we have assumed a blended average of intermediate and affordable rented accommodation (i.e. a typical breakdown of affordable housing into rented and shared ownership) as follows:

Table 4.5 Affordable housing values as a proportion of market values

Tenure	% Market Value
Affordable rent	55
Intermediate market (shared ownership)	65

Build Costs

4.2.32 Residential build costs are based upon industry data from the Build Cost Information Service (BCIS) which is published by the Royal Institution of Chartered Surveyors (RICS). The data is published by RICS on a quarterly basis. BCIS offers a range of prices dependent on the final specification.

4.2.33 The following build costs used are derived from recent data of actual prices in the marketplace. As early as 2009, the market across the UK was building at around Code for Sustainable Homes Level 3 to 4 for private and Level 4 for affordable housing.

4.2.34 Costs may alter in future. In particular, there may be national policy change regarding building standards. The final effect of these changes on viability is difficult to foresee. While we have reviewed research on cost impacts of sustainable homes, we note that past forecasts of price changes (such as that predicted in the original Cyril Sweett work) have never affected costs to the extent forecast. When these future requirements come into force, they will impact on both development costs and land values. We have not incorporated these possible impacts into our calculations, because this appraisal is based on current market conditions, not forecasts of potential future change. Our approach to incorporating these (and other) potential but unknown costs is to set a wide margin for error that will cover variations in factors such as build costs, site conditions, and timing.

- Flats - £1036/m^2
- Houses - £914/m^2

4.2.35 Volume and regional house builders are able to operate within this figure comfortably, especially given that they are likely to achieve significant economies of scale in the purchase of materials and the use of labour. Many smaller developers of houses are unable to attain these economies, so their construction costs may be higher; as this type of developer will be prevalent in Rother given the type of sites likely to come forward we have made an allowance and used a higher build costs for smaller developments (threshold of 10 dwellings) as follows:

- Houses - £1143/m2

4.2.36 We have opted on the side of caution in our assumptions, with the addition of a 5% contingency on development costs.

4.2.37 In addition to the build cost, which relate just the building cost of the dwelling we also make an allowance for externals. Plot externals relate to costs for internal access roads, hard and soft landscaping. This will vary from site to site, but we have allowed for this at the following rate:

- 10% - Build Cost

4.2.38 Please see below on how strategic infrastructure, site development costs and development contributions are considered.

Other finance costs

4.2.39 **Profit** - 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.

4.2.40 A developer's return is based upon their attitude to risk. A developer's attitude to risk will depend on many factors that include but not exclusive to, development type (e.g. Greenfield, Brownfield, refurbishment, new build etc), development proposal (uses, mix and quantum), credit worthiness of developer, and current market conditions.

4.2.41 The Harman Report states that "residential developer margin expressed as a percentage of GDV - should be the default methodology" and E.2.3.8.1 of the RICS Financial viability in planning report states "The residential sector seeks a return on the GDV".

4.2.42 We have applied a rate that is acceptable to both developers and financial institutions in the current market. The developer return is a Gross Margin and therefore includes overheads. The developer return is calculated as a percentage of Gross Development Value at the following rate:

- Developers return on market housing - 20% GDV
- Developers return on affordable housing - 6% GDV

4.2.43 **Professional fees -** these relate to the costs incurred to bring the development forward and cover items such as; surveys, architects, quantity surveyors, etc. Professional fees are based on accepted industry standards and are calculated as a percentage of build costs at

- Professional fees – 12% build costs

4.2.44 **Sale costs** - Sale costs relate to the costs incurred for disposing the completed residential units, including legal, agents and marketing fees. These are based on industry accepted scales at the following rates:

- Sale costs – 3% GDV

4.2.45 **Finance costs** - When testing for development viability it is common practice to assume development is 100% debt financed (Viability Testing Local Plans - Advice for planning practitioners and RICS Financial viability in planning guidance note GN94/2012). In addition, allowances have been made for financing costs of land purchase.

4.2.46 Within our cashflow we reflect phased purchases, completion rates and sales revenues, based on a finance rate market interest, as follows:

- Finance costs – 7% Development Costs

4.2.47 **Stamp duty** - Stamp Duty Land Tax (SDLT) is generally payable on the purchase or transfer of property or land in the UK where the amount paid is above a certain threshold. The SDLT rates are by Treasury, the following rates current rates have been applied:

- Up to £125,000 - 0.00%
- £125,000 to £250,000 -1.00%
- £250,000 to £500,000 - 3.00%
- £500,000 to £1,000,000 - 4.00%
- £1,000,000 to £2,000,000 - 5.00%
- Over £2,000,000 - 7.00%

4.2.48 **Fees on land purchase** - In addition to SDLT the purchaser of land will incur professional fees relating to the purchase. Fees associated with the land purchase are based upon the following industry standards:

- Surveyor - 1.00%
- Legals - 0.75%

Other development costs

4.2.49 The next stage in the consideration of land value and variables is an examination of development costs, beyond those accounted for in the overall build costs. These could include Community Infrastructure Levy, S106 requirements and site opening up costs. We have modelled varying levels for all these potential additional costs.

4.2.50 We have already included 10% uplift on BCIS build costs (as discussed above in 4.2.40 for external works (local roads, pavements etc). However, it is widely accepted, including within 'Viability Testing Local Plans' that larger scale schemes have additional costs that do not apply to smaller developments. These costs could be accounted for through general development cost, S106/278 and CIL. Also, new development has a cumulative impact on infrastructure such as highways and often creates a need for additional or improved community services and facilities without which the development could have an adverse effect upon amenity, safety, or the environment. Planning contributions are an important way of providing the physical, economic and social infrastructure required to facilitate development and support the creation of sustainable communities.

4.2.51 We therefore also make an allowance for opening up works such as utilities, land preparation and spine roads as well as meeting wider strategic planning requirements. There will be different levels of development costs according to the type and characteristics of each site. As these are generic appraisals we have taken an average figure based on size of site. Opening up costs vary between £100K and £250K/Ha increasing as schemes get bigger. We therefore assume an opening cost of £100K/Ha for sites with 100 to 499 units and £250k/ha for UEs of 500 to 1,000 units. We have also made a further allowance of £1,000 per dwelling for S106/278 costs to allow for further items of mitigating infrastructure not included within the general opening up and site development costs and which would apply to all sites, rather than just the larger sites. The output of this work also sets out a potential CIL return which will also be used to contribute to infrastructure provision.

4.2.52 One of the most significant items of community gain sought from residential development sites is affordable housing. This will be tested at policy levels (as shown in the Submission Plan) to enable the Council to understand the balance between affordable housing and infrastructure provision.

4.3 Residential development viability analysis

4.3.1 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 potential CIL.

4.3.2 Each generic site has been subjected to a detailed appraisal, complete with cashflow analysis. Table 4.6 summarises each of these generic residential development appraisals.

4.3.3 The theoretical maximum CIL charge per square metre for each development is therefore shown in the far right column of the following summary table. As we explain below, though, we do not recommend that this theoretical maximum be directly translated into a CIL Charge.

Table 4.6 Summary of generic site viability assessments

ID	Generic Site	Type of site	Dwelling Capacity	CIL liable £psq m.
1	North East Bexhill	Greenfield	1000	£116
2	Bexhill	Greenfield	100	£141
3	West Bexhill	Greenfield	250	£610
4	West Bexhill	Greenfield	20	£573

ID	Generic Site	Type of site	Dwelling Capacity	CIL liable £psq m.
5	East Bexhill	Brownfield	10	£83
6	East Bexhill	Brownfield	30	£75
7	East Bexhill	Brownfield	5	£-52
8	East Bexhill	Brownfield	1	£41
9	Hastings Fringe	Greenfield	50	£189
10	Battle	Greenfield	100	£590
11	Battle	Brownfield	25	£744
12	Battle	Brownfield	5	£430
13	Battle	Brownfield	1	£580
14	Rye	Brownfield	5	£351
15	Rye	Brownfield	1	£504
16	Westfield/Camber	Greenfield	10	£180
17	Hurst Green/Peasmarsh/Netherfield/Fairlight	Greenfield	50	£254
18	Catsfield/Flimwell	Greenfield	30	£337
19	Robertsbridge/Northiam/Broad Oak/Burwash	Greenfield	20	£754
20	Ticehurst/Staplecross/Beckley/Four Oaks/ Crowhurst//Iden	Greenfield	10	£715
21	Sedlescombe/Etchingham	Greenfield	20	£790
22	Rural	Greenfield	1	£527
23	60 units at district wide	Retirement Development (No care)	60 units	£479

4.3.4 All the hypothetical sites assessed were shown to be viable, apart from the small brownfield site in East Bexhill. This viability allows for the principal policy requirements, such as affordable housing. However, viability does vary across the district, so we need to consider whether the authority should introduce charging zones.

4.3.5 Although CIL is based on current costs and values some sensitivity analysis has been undertaken to illustrate to the Council what the testing would show if values and costs were to increase, which is the most likely scenario in the current economic environment. CIL rates should not be based on the analysis but it will help the Council consider when it may be appropriate to review the CIL charge should values and costs rise in the future.

4.3.6 The results are shown in Appendix D, where it can be seen that if just values rise by 10% then viability is significantly changed and the council should reconsider their CIL charge. If values and build costs both rise by 10%, which is the more likely scenario then the difference is not as acute, but the Council may still want to review their charge.

Residential viability zones

4.3.7 As previously stated CIL Regulations (Regulation 13) allow the charging authority to introduce charge variations by geographical zone within its area, by land use, or both. All differences in rates need to be justified by reference to the economic viability of development. Setting up a CIL which levies different amounts on development in different places increases the complexity of evidence required, and may be contested at examination. However, it will be worthwhile if the additional complexity generates significant additional revenues for the delivery of infrastructure and therefore growth.

Principles

4.3.8 Identifying different charging zones for CIL has inherent difficulties. One reason for this is that house prices are an imperfect indicator; we are not necessarily comparing like with like. Even within a given type of dwelling, such as terraced houses, there will be variations in, say, quality or size which will impact on price.

4.3.9 Another problem is that even a split that is correct 'on average' may produce anomalies when applied to individual houses – especially around the zone boundaries. Even between areas with very different average prices, the prices of similar houses in different areas may considerably overlap.

4.3.10 A further problem with setting charging area boundaries is that they depend on how the boundaries are defined, as well as the reality of actual house prices. Boundaries drawn in a different place might alter the average price of an area within the boundary, even with no change in individual house prices.

4.3.11 To avoid these statistical and boundary problems, it is considered that a robust set of differential charging zones should ideally meet two conditions:

i. The zones should be separated by substantial and clear-cut price differences; and

ii. They should also be separated by substantial and clear-cut geographical boundaries – for example with zones defined as individual settlements or groups of settlements, as urban or rural parts of the authority. We certainly should avoid any charging boundaries which might bisect a strategic site or development area.

4.3.12 It will be for the local authority to determine an appropriate zone, however this dececion should be based on the viability evidence within this report.

Method

4.3.13 Setting zones requires the marshalling of an 'appropriate available evidence' available from a range of sources in order to advise on the best way forward. The following steps were taken:

- First step was to look at home prices. Sales prices of homes are a good proxy for viability. Land Registry data has been used to do this.
- Secondly, consultation with the Council on the distribution of development
- Thirdly, testing of this through formal development appraisals.

House prices

4.3.14 In advising on charging zones, the first step was to look at residential sales prices. **Figure 4.1 and 4.2** in the preceding section, shows average sales prices of all homes over a three year period. It is worth noting that specific schemes in areas of low delivery may well skew the results. We have considered this issue when presenting the data.

4.3.15 We have presented the data on maps because it allows us to understand the broad contours of residential prices in the Rother area. Sales prices are a reasonable, though imperfect, proxy for development viability, so the maps provides us with a broad idea of which areas would tend to have more viable housing developments, other things being equal.

4.3.16 It is worth noting that new homes are typically more expensive than second hand homes, although it does depend on the type of new dwellings being delivered, but the prices mapped include both second hand and new homes. We used data on both new and second hand homes because, firstly, datasets on sales values for new homes only would be very much smaller (and so more unstable), and secondly, because at this stage it is the differentials between areas that we are seeking to identify, not the absolute price levels. There were therefore good reasons to look at both new and second hand data, and no compelling reasons to avoid it.

4.3.17 The maps show that prices do vary across the district, especially between the various settlements. In broad terms it can be seen that there are three broad areas:

- The highest values are achieved in the rural peripheral areas of the district, especially those to the north and west
- The lowest values around Bexhill, Rye and coastal south
- The rural areas are middle in terms of values in comparison the rest of the district

4.3.18 It is also apparent that within Bexhill there is a clear distinction between values in the east of the town and those in the west.

4.3.19 **Figure 4.1** also shows that the average price range in the highest value post code area (£510,000 plus) is around a maximum of 3.4 times more expensive than the lowest price band (£150,000-£210,000). This is a wider spread than in some other areas where we have looked at CIL Charges. However, Rother District's geographical price differentials are narrower than in some other areas we have tested. Amongst the most polarised was the London Borough of Merton, where average semi-detached house prices near Wimbledon Common were around seven times higher than those in the least wealthy areas of the borough.

4.3.20 On balance, this spread of prices; in particular the difference between those in Bexhill and the rural areas suggests that it might be worthwhile to create more than one charging band.

Distribution

4.3.21 It is also important to analyse how development is distributed before coming to a decision. If all development was going in a single price area, making geographical distinctions in the charging schedule would not be necessary.

4.3.22 Understanding the patterns of development is therefore the next stage in our analysis. If the broad future housing supply is considered in relation to the average price bands the scope for separate charging bands for residential development can be better understood. This is shown in **Table 4.7**.

4.3.23 As can be seen Rother's housing supply is dispersed across the district in a range of settlements from villages to the larger towns such as Bexhill. The dispersal has no geographic pattern in terms of specific areas accommodating most of the growth with the exception of Bexhill and the two towns of Battle and Rye. It is also worth noting that within Bexhill, based on the SHLAA and policy provisions that beyond the strategic sites, most of the development is likely to come forward on greenfield sites in the west and to a lesser extent brownfield sites in the East.

Table 4.7 Distribution of development

Settlement	Anticipated number of dwellings	Potential maximum CIL (headroom £p sq m.)
Bexhill and Hastings Fringe	2000	£-52-£610
Battle	400	£580-£744
Rye	200	£351-£504
Villages	900	£180-£790
Robertsbridge	*147*	*£754*
Ticehurst	*87*	*£715*
Hurst Green	*75*	*£254*
Northiam	*72*	*£754*
Broad Oak	*50*	*£754*
Peasmarsh	*50*	*£254*
Netherfield	*48*	*£254*
Catsfield	*47*	*£337*
Westfield	*40*	*£180*
Burwash	*35*	*£754*
Sedlescombe	*35*	*£790*
Etchingham	*30*	*£790*
Staplecross	*25*	*£715*
Camber	*20*	*£180*
Fairlight Cove	*27*	*£254*
Beckley/Four Oaks	*20*	*£715*
Crowhurst	*20*	*£715*
Flimwell	*43*	*£337*
Iden	*12*	*£715*

Testing

4.3.24 **Table 4.7** above also shows the potential CIL ceiling by area. As can be seen, like values, there are substantial variations between individual settlements and within the larger settlements. There are however some discernable patterns:

- Bexhill is sufficiently different from all other areas to suggest a separate charging zone and that further division is required within the town between the West Bexhill where headrooms ranges from £573 to £610 and in East Bexhill where headroom is much lower and ranges from -£53 to £84.

- Battle shows as amongst the highest potential for CIL and is similar to the surrounding rural settlements to the north and west and therefore suggests a charging zone to include that all of that area – the CIL headroom ranges from £337 to £790

- Hastings Fringe, Rye and the surrounding settlements, especially those on the south coast are significantly lower than the Battle area and again suggest that a separate charging zone for this area would be justified – the CIL headroom is £180 to £254

- The Core Strategy identifies a strategic site at North East Bexhill and the Council considers that two further sites at Battle and Bexhill could also be considered as strategic in nature. Whilst the further site at Bexhill and the one at Battle has not been specifically tested, the Council may want to take a similar approach to North East Bexhill and separately identify them within the charging schedule

4.3.25 Our testing has focused on areas where the local authority has planned for growth which is on a settlement basis and therefore in showing these value areas it is recommended that settlement or parish boundaries could be used as a proxy to show boundaries as long as they are defined and the value areas don't cross strategic sites. There will always be areas or types of development that do not neatly fit a value area as these are generic studies, however as long as the majority of development is not put at risk and the Council can broadly still achieve Plan objectives then then the approach is acceptable.

Conclusions on setting residential zones

4.3.26 Our assessment on the potential for identifying charging zones clearly suggests that setting a separate charge for Bexhill is appropriate. In identifying a suitable level of levy, the Council will need to consider whether a further division should be made for the strategic site (and other potential strategic sites), given its importance to Plan strategy and its difference to other types of development likely to come forward in Bexhill. Also the Council should be minded in setting a CIL as to the importance of smaller sites to housing delivery. Whilst the viability suggests that sites around 5 dwellings are not as viable, development mix has a big effect on smaller sites so a flexible approach to mix can overcome viability issues on individual sites once CIL is in place.

4.3.27 It is also clear from the evidence that the Council may want to consider further charging zones for the Battle and Rural west and north areas and the Rye and rural and coastal areas to the south and east.

4.3.28 In setting the charge consideration needs to made as to whether the charge is payable for the majority of development and will therefore not put delivery of the Plans' housing targets at risk.

4.4 Recommending a residential CIL charge

4.4.1 The summary table discussed above indicates that CIL charges of a given amount may be capable of being sustained in the area. However, we are likely to recommend that the charge is set well under this point. The principal reasons for this are that:

- Development is unavoidably uncertain and generic assessments of viability, as undertaken here, have a significant margin of error;

- Costs and values are likely to fluctuate over time and vary between different sites, which could make the charge unsustainable without a contingency margin; and

- Site-specific issues will adversely affect costs or values in some cases. In particular, some sites developments may involve significant abnormal costs.

4.4.2 It is conceivable that a simple, arithmetical approach could be used to take us from the 'overage' that the summary table suggests is available for CIL, to a recommended CIL Charge. For example, it would be possible to set a CIL at a percentage of the overage indicated in the viability testing and to mechanically apply this deflator. However, we prefer to use our professional judgement based on experience (including recent CIL Examinations) and make recommendations for the LPA to consider.

4.4.3 This judgement needs to take into account that development in Rother has been limited in recent years and therefore whilst values in some areas do suggest a higher charge is viable, we would caution setting it too high because of the risk of delivery in the Plan. Also it is apparent through our discussions that a large proportion of development is likely to be built by smaller local builders without the cost saving benefits that a large volume house builder has – therefore again a cautious approach is recommended to limit impact on deliverability.

4.4.4 Therefore we suggest that the charges are not set at the limit and include a buffer. The following charges recommended to be adopted are based on complying with the Core Strategy policy on affordable housing. The propose zones have been made in discussion with the Council and they have suggested the boundaries as shown in the proposed Charging Zone areas in Figure 4.3 and Figure 4.4. In terms of the Strategic Allocations please refer to the SHLAA for zone areas (N. Bexhill - p2 SHLAA 2013, Blackfriars - p15 SHLAA 2013) and NE Bexhill SPD (figure 1).

Table 4.8 Rother proposed residential CIL charging rates

Charging zone	Charging area	Levy (£ per sq.m)
1	Battle and Rural North and West	£240
2	Rye and Rural East	£160
3a	East Bexhill	£40
3b	West Bexhill	£200
4	Strategic Allocations	£100

4.4.5 It should be noted that whilst these are recommendations based on our interpretation of the viability results and our experience of undertaking such work, the Council may take an alternative approach. The Council is not bounded by the results and are only required to be informed by the evidence and can choose an alternative interpretation of the information.

Figure 4.3 Proposed Residential Charging Zone boundaries - Rother

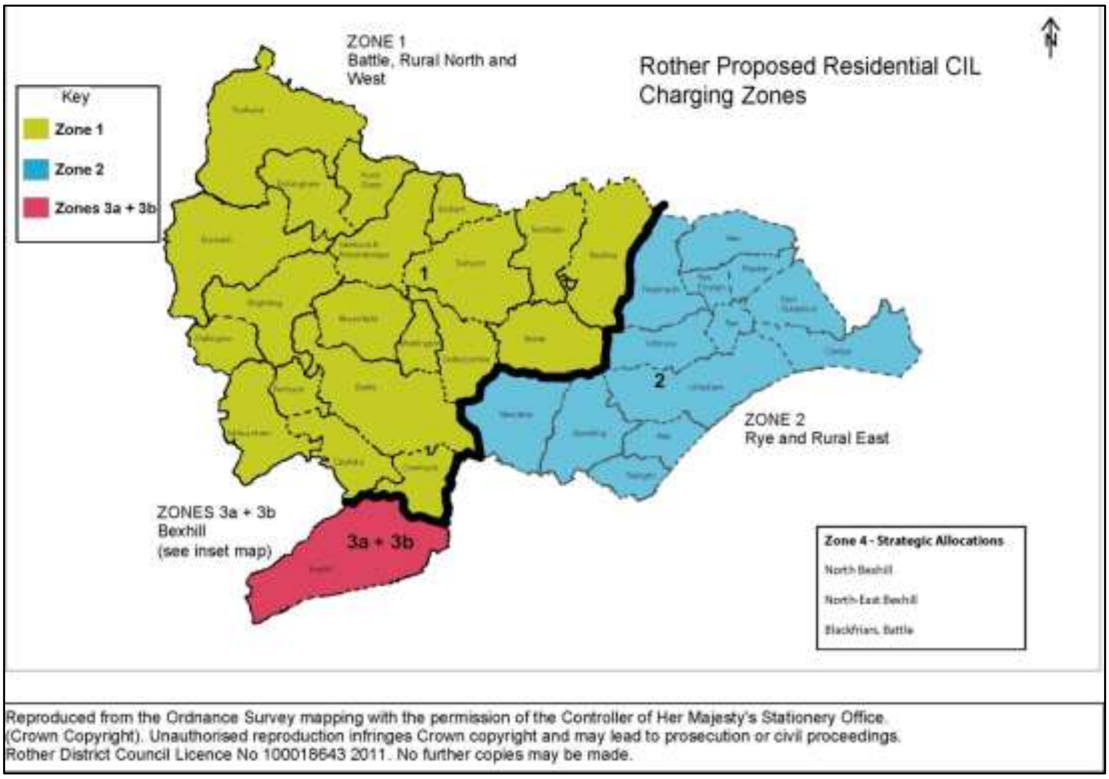
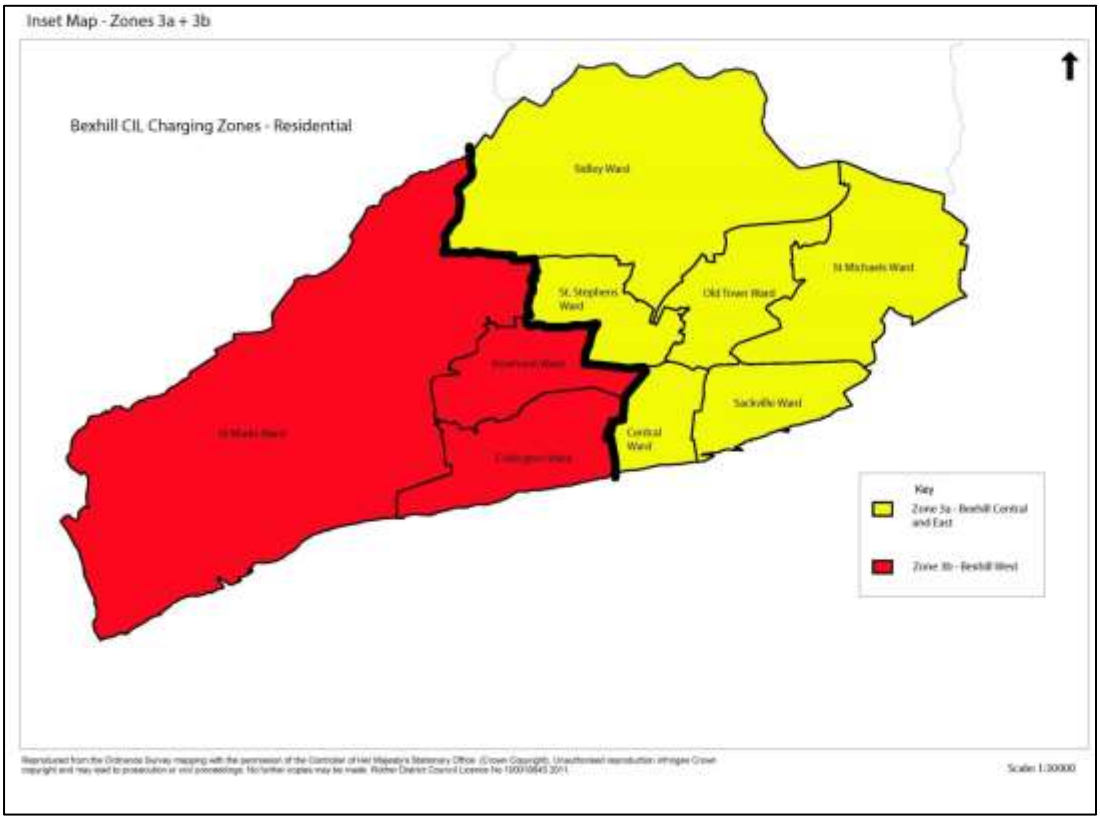


Figure 4.4 Proposed Residential Charging Zone boundaries - Bexhill



5 Non residential typologies and assumptions

5.1.1 The testing has been conducted on a hypothetical typical site basis. Viability testing on a typical basis has been adopted since it is impossible for this study to consider viability on a site-specific basis at this stage, given that there is currently insufficient data on site-specific costs and values, as site details have yet to be established. Such detail will evolve over the plan period. Site-specific testing would be considering detail on purely speculative / assumed scenarios, producing results that would be of little use for a study for strategic consideration.

Establishing gross development value (GDV)

5.1.2 In establishing the GDV for non-residential uses, a similar approach has been taken too residential, so we do not repeat the process here. However, 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.

5.1.3 The following table illustrates the values established for a variety of non-residential uses, expressed in square metres (sqm) of net rentable floorspace.

Table 5.1 Non-residential uses – rent and yields

Use	Rent	Yield
1: Town Centre Retail - Comparison	£155	9.00%
2: Town Centre Retail - Convenience	£180	7.50%
3: Out of Centre Retail - Comparison	£165	7.00%
4: Out of Centre Retail - Large Convenience	£190	5.50%
5: Out of Centre Retail - Local Convenience	£180	7.50%
6: Office 2/3 storey - district wide	£100	7.50%
7: B2/B8 Industry/Warehousing	£80	8.75%
8: Hotels - (district wide)	£135	6.00%
9: Care home	£130	7.00%
10: Extra care	£275	7.00%

Source: PBA research

Site coverage

5.1.4 It is important to consider the density of development proposed. The following table sets out the assumed site coverage ratios for each development type.

Table 5.2 Non-residential uses – site coverage ratios

Use	Coverage
1: Town Centre Retail - Comparison	100%
2: Town Centre Retail - Convenience	90%
3: Out of Centre Retail - Comparison	40%
4: Out of Centre Retail - Large Convenience	40%

5: Out of Centre Retail - Local Convenience	90%
6: Office 2/3 storey - district wide	150%
7: B2/B8 Industry/Warehousing	40%
8: Hotels - (district wide)	80%
9: Care home	85%
10: Extra care	80%

Developer profit

5.1.5 The developer's profit is the expected and reasonable level of return a private developer can expect to achieve from a development scheme. This figure is based a 20% profit margin of the total development cost of the development.

Build costs

5.1.6 Build cost inputs have been established from the RICS Build Cost Information Service (BCIS) at values set at the time of this study (current build cost values). The build costs are entered at a pound per square metre rate at the following values shown in the following table. The build costs adopted are based on the BCIS median values, indexed separately to Rother prices. An allowance of 10% of build costs is also made for external works such as car parking and landscaping.

Table 5.3 Non-residential uses – build costs

Use	Build cost per Sq.m
1: Town Centre Retail - Comparison	£885
2: Town Centre Retail - Convenience	£1,100
3: Out of Centre Retail - Comparison	£620
4: Out of Centre Retail - Large Convenience	£1,265
5: Out of Centre Retail - Local Convenience	£1,100
6: Office 2/3 storey - district wide	£1,275
7: B2/B8 Industry/Warehousing	£630
8: Hotels - (district wide)	£1,449
9: Care home	£1,205
10: Extra care	£1,455

Sources: BCIS

Professional fees, overheads

5.1.7 This input incorporates all professional fees associated with the build, including: architect fees, planner fees, surveyor fees, project manager fees. The professional fees variable is set at a rate of 12% of build cost.

5.1.8 This variable has been applied to the valuation appraisal as a percentage of the total construction cost. This figure is established from discussions with both regional and national developers as well as in house knowledge and experience of industry standards.

Development contributions other than CIL

5.1.9 We have assumed for the purposes of testing that most development will still be expected to make s106/s278 etc contributions to mitigate direct impacts of the development. These will often centre on highways improvements but could also relate to design and access. We have used a combination of looking at past agreements made with the council and utilising our knowledge of undertaking similar studies elsewhere. Clearly as these types of agreement are specific to individual developments we have had to take a pragmatic approach in our generic appraisals. We have basically assumed that higher impact and trip generating uses such as supermarkets will generally be expected to contribute the highest amounts, which are borne out when analysing past agreements. Smaller amounts have been attributed to the other uses as impact is often less significant and ability to pay i.e. viability often limits the level sought.

Finance

5.1.10 A finance rate has been incorporated into the viability testing to reflect the value of money and the cost of reasonable developer borrowing for the delivery of development. This is applied to the valuation appraisal as a percentage of the build cost at the rate of 7.5% of total development costs (inc build costs, external works, professional fees, sales and marketing)

Sales costs

5.1.11 This variable is based on the average cost of legals and marketing for development, incorporating agent fees, 'on site' sales costs and general marketing/advertising costs. The rate of 3% of GDV is applied to the valuation appraisal as a percentage of the GDV and is established from discussions with developers and agents.

Professional fees on land purchase

5.1.12 This input represents the fees associated with the lands purchase and are based upon the following industry standards: Surveyor – 1%; Legals – 0.75% of residual land value.

5.1.13 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost against the residual land value at the standard variable rates set out by HMRC (0 – 4%).

Land for non-residential uses

5.1.14 After systematically removing the various costs and variables detailed above, the result is the residual land value. In order to ascertain the level of likelihood towards delivery and the level of risk associated with development viability, the resulting residual land values are measured against a benchmark value which reflects a value range that a landowner would reasonably be expected to sell/release their land for development.

5.1.15 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.

5.1.16 From discussions with agents active in the commercial sector, we have concluded that there have been very few sales of commercial or employment land in the district over the past 5 years, largely arising from the moribund state of the commercial market caused by the recession. Land values established before 2007 provide evidence of a range of land values for employment uses between £400k and £800k/ha. There is planning policy resistance to changes of use to residential from employment uses where there is a demonstrable employment demand and a solid resistance from landowners to sell for lower than the established pre-2007 value. There is no evidence to suggest therefore that a lower value should be attributed to brownfield sites as an EUV in the viability appraisals.

5.1.17 We have therefore concluded that a benchmark figure towards the lower end of the range of £430,000/ha is appropriate as a starting point. The benchmark is then adjusted on the basis of location and different uplifts applied according to use. So for example a town site will be at the upper end of the existing use value as it will already have a comparatively high value and if the potential use is retail then it will also have a higher uplift value as expectation on return will be higher.

5.2 Non-residential development viability analysis

5.2.1 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 residual value per square metres after values and costs, including land have been calculated.

5.2.2 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.

B-class uses

5.2.3 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.

5.2.4 As the economy recovers this situation may improve but for the purposes of setting a CIL we need to consider the current market. Importantly this viability assessment relates to speculative build for rent – we do expect that there will be development to accommodate specific users, and this will based on the profitability of the occupier's core business activities rather than the market values of the development. We have tested offices, warehouses and industrial uses on a district wide basis as there was little variance in costs or values across different locations.

Table 5.4 B-class development

Use	Office	Industrial and warehouse
Residual value per sqm (inc. allowance for EUV + uplift)	-£728	-£302

Retail uses

5.2.5 A range of retail scenarios have been tested. These centred on either town centre development (those identified in Policy EC7 of the Submission Core Strategy) or out of centre developments which have been identified as supermarkets, convenience stores and comparison retail stores. As there was limited data on values for each of the towns we have assessed viability on the basis of a combined average value across the three main centres. It was considered that these represent the most likely scenarios to come forward over the plan period and also allowed the testing of the type of development envisaged in the Plan.

5.2.6 Superstores, supermarkets and local convenience – large scale and small scale convenience retail continues to be one of the best performing sectors in the UK, although we are aware that even this sector is seeing reduced profits at the time of writing. Leases to the main supermarket operators (often with fixed uplifts) command a premium 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 Rother we believe there is scope for a significant CIL charge for out of town centre development without affecting viability.

5.2.7 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.

5.2.8 The appraisal summary shown in table 5.5 is for all out of centre development. Whilst it can be seen that these different types of out of town centre provision have different levels of viability there is in sufficient evidence to set a size threshold for different types of shopping, therefore it is considered that all types of convenience retail development outside the town centres in Rother should attract a charge that will be viable for all identified types of retail development. The authority could choose to set a separate charge for out of centre comparison retail development or it could choose to take a more simple approach and set a charge for all out of centre retail development. As the provision of very small scale local convenience or comparison retailing as you may find in smaller settlements is likely to either be under the 100 sqm CIL threshold or not critical to delivery of the plans objectives it is considered that setting CIL for all out of centre retail development around that level would not significantly impact on the delivery of the Plan.

5.2.9 Although we have not specifically tested out of centre A2-A5 uses it is considered that most of these developments will either be under 100 sqm or utilise existing floorspace and therefore would not be liable in most circumstances. If larger proposals do come forward which are liable for an out of centre charge then they will be competing with other out of centre development and will attract similar values. Whilst there may be a limited number of larger proposals over the plan period, these have not been identified in the plan and therefore if they are not viable with a CIL charge deliverability of the Plan is not put at risk.

Table 5.5 Out of centre retail uses

Use	Supermarket	Small / local convenience retail	Retail warehouse
Residual value per sqm (inc. allowance for EUV + uplift)	£158	£163	£360

5.2.10 Town centre - we have tested town centre retail in the main centres, combining values achieved in Bexhill, Rye and Battle as these are the main focus for future growth. In terms of what constitutes a 'centre', Policy EC7 set out the settlement hierarchy and it is advised that any CIL charge relates to town centres as defined on the proposals map.

5.2.11 We consider that on a strategic level in Rother there is little difference between A1-A5 units. However it can be seen from the results that there is a difference between small scale convenience provision and comparison and other uses. Both show positive viability although comparison is marginal. Potentially the authority could consider a very small or zero charge for comparison and other retail uses and levy a higher charge on convenience development. However the authority may want to consider that the importance of delivering convenience provision within their centres as set out in their Plan strategy might justify setting a low or zero charge for convenience floorspace within their town centres.

Table 5.6 Rother centres residual analysis

Use	Town centre convenience	Town centre comparison
Residual value per sqm (inc. allowance for EUV + uplift)	£151	£24

5.2.12 We therefore recommend that if the Council is minded to set separate charges for retail development, values of £100 psm (town centre convenience), £120 psm (out of centre convenience) and £250 psm (out of town comparison) could be achieved without hindering delivery of levels of development proposed within the plan.

Hotel development

5.2.13 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. However feedback from the workshop suggested that it was more likely for higher end hotels would be delivered in this district.

5.2.14 Our viability model is therefore based on a higher spec hotel development with respective values and costs higher than would be used for a budget hotel. As can be seen in Table 5.7, hotel development in Rother does not realise sufficient residual value to warrant a positive levy charge.

Table 5.7 Hotel viability levy

Use	Hotels
Residual value per sqm (inc. allowance for EUV + uplift)	-£244

Care homes and extra care

5.2.15 We have tested the viability of the care sector. 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 Rother.

5.2.16 In terms of extra care housing (or extra care or assisted living as it is sometimes referred to), like care homes, there has been considerable investment in the past and the market seems to be picking up again. However it should be noted that general retirement housing is not included within this definition of extra care housing and that the standard residential rates will apply to these types of developments.

5.2.17 There is potential to charge a levy, however it should also be noted that we have tested a notional level of S106 which does not include affordable housing. At this stage it is not clear as to whether the council will be seeking affordable housing from this type of development. This decision will have an impact on the ability to levy a charge.

Table 5.9 Care homes viability

Use	Care homes	Extra care
Residual value per sqm (inc. allowance for EUV + uplift)	-£306	£498

Other non-residential development

5.2.18 In addition to the development considered above there are other non-residential uses that we have considered. PAS guidance suggests that there needs to be evidence that community uses are not able to support CIL charges. Our view is that it would not be helpful to set a CIL for the type of facilities that will be paid for by CIL (amongst other sources).

5.2.19 Our approach to this issue is that the commercial values for community uses are £0 but there are build costs of around £1,800 per sqm plus the range of other development costs; with a net negative residual value. Therefore we recommend a £0 CIL for these uses.

5.3 Summary and sensitivity testing on non-residential development

5.3.1 The following figure illustrates the levels of value in our tested schemes when all costs have been subtracted from the values. As can be seen positive values exist for all convenience and out of town centre comparison retail development and for extra care living housing.

Retail development

5.3.2 We therefore recommend that if the Council is minded to set separate charges for retail development, values of £100 psm (town centre convenience), £120 psm (out of centre convenience) and £250 psm (out of town comparison) could be achieved without hindering delivery of levels of development proposed within the plan.

Assisted living/extra care

5.3.3 As the viability of setting a charge on assisted living / extra care housing has not included affordable housing the council will need to decide as to whether to set a low level or if less risk adverse and if not considered impacting on the plan delivery, including that of affordable housing potential then a higher charge could be set up to £500 per sqm.

5.3.4 It is advised that at whatever the authority chooses as an appropriate charge that a buffer is included, so as not to set the charge at the ceiling of viability as advised in the guidance.

Other non-residential development

5.3.5 It is suggested that a zero charge applies to all the other forms of non-residential development. All other tested uses show negative values, although, it is important to note that this does not mean that these uses will never come forward in Rother. Bespoke schemes with identified end users and land owners willing to sell at lower prices will enable development to come forward in the future.

Figure 5.1 Scope for CIL

6 Recommendations

6.1 Viability findings

6.1.1 The emerging Core Strategy indicates that the housing supply is dependent on the delivery of a mix of brownfield sites, small greenfield sites and strategic greenfield sites. This has shaped the viability assumptions for the urban and greenfield sites.

6.1.2 An important study finding is that Rother has very distinct value areas, ranging from low value areas along the coast and higher values achieved in the rural areas to the north and west, as well as a variance within Bexhill. Thus it is considered, based on the evidence, that there are effectively four value zones and the strategic site(s). This was further agreed by the stakeholder consultations and supported by the research on sales values.

6.1.3 The relatively high values achieved in Rother means that viability of development is not a major concern. Although it is noted that delivery has not been substantial in recent times possibly due to the nature of available sites – generally small brownfield sites that are developed by local builders and developers.

6.2 Study recommendations

6.2.1 The viability appraisal findings demonstrate that policy trade-off decisions are required between the need to deliver infrastructure to support the delivery of growth and meeting the affordable housing need if the delivery of the Local Plan overall is to remain viable. These decisions will be informed in part by the requirement to meet housing need, infrastructure need and political priorities.

6.2.2 The CIL charge recommendation options are set out in table 6.1.

Table 6.1 Recommendations

Policy position	Recommendations
CIL	<u>The residential CIL should be set according to the value areas and the Plan policy requirements including affordable housing:</u> West Bexhill – £200 per sqm CIL East Bexhill - £40 per sqm CIL Strategic Allocation - £100 per sqm CIL Battle and rural north and west - £240 per sqm CIL Rye, Hasting Fringe Rural areas and settlements - £160 per sqm CIL <u>On non-residential development CIL should be set at:</u> In centre convenience - £100 per sqm CIL Out of centre convenience - £120 per sqm CIL

	Out of centre comparison - £250 per sqm CIL Assisted living/extra care housing - £250 per sqm CIL (if no affordable housing) All other forms of liable floorspace - £0 per sqm CIL

6.2.3 If CIL is collected on the recommended rates – then on the basis of Plan's housing targets and an average house size of 100 sqm per dwelling, the following affordable housing numbers and CIL receipts could potentially be provided:

Table 6.2 Residential potential CIL receipts

Value area	Dwellings	Dwellings minus affordable housing	CIL rate	CIL receipt	Minimum development contributions (CIL receipt plus S106/278@£1,000 per dwelling)
Bexhill	600	420 (30%)	£40 - £200	£1.68m – £8.4	£2.1m - £8.8m
Bexhill Strategic sites	1,950	1365 (30%)	£100	£13.65m	£15m
Hastings Fringe	50	35 (30%)	£160	£0.56m	£0.6m
Battle	160	104 (35%)	£240	£2.5m	£2.6m
Rye	120	78 (35%)	£160	£1.25m	£1.3m
Villages	900	540 (40%)	£160-£240	£8.64m - £12.96m	£9.5m - £13.9m
Total	**3,780**	**2,542**		**£32.06m – £36.38m**	**£31.1m - £42.2m**

Appendix A Development industry workshop notes

Meeting Title:	Rother Viability Workshop
Attendees:	
Mark Felgate (MF)	PBA
Mike Bodkin (MB)	PBA
Norman Kwan (NK)	Rother DC
Kieran O'Leary	RDC
Jeff Pyrah	RDC
Richard Wilson	RDC
Graham Burgess	RDC
	Sea Change Sussex
	Millwood Designer Homes
	Park Lane Homes
	McIntyre Development
	Steed Construction Ltd
	RPC Land and New Homes
	Amicus Horizon
	Planning Bureau
	Orbit Housing Group
	Hastoe
	Batchellor Monkhouse
	Dyer and Hobbis
	Aspinall Verdi
	Judith Norris
	Building Design Services
Date of Meeting:	8th November 2013

Item	Subject
1.	NK introduced the workshop and the PBA team

2.	MB set out the purpose of the workshop and an overview of the Community Infrastructure Levy providing a summary of its aims and objectives, setting it how it operates, and relationship with s106. Please see presentation slides for details. *Post meeting note – if you want further information about CIL please go to the following pages where there are useful summaries and guidance or please feel free to ask the team.* *https://www.gov.uk/government/policies/giving-communities-more-power-in-planning-local-development/supporting-pages/community-infrastructure-levy* *http://www.pas.gov.uk/3-community-infrastructure-levy-cil*
3.	MF invited comment and questions on CIL. There was discussion around rural development and what impact CIL would have – in particular questions were asked around what type of development would be liable, whether development would be tested for viability and whether the authority would set separate charges for certain types of development. MF and MB explained that development would only be liable where for non residential uses or residential extensions the development was over 100sqm net and that there is interaction with people therefore buildings such as barns or stables would not be liable for a charge. MF and MB also explained that the guidance and regulations require the viability and CIL setting to be considered in terms of not putting at risk delivery of the plan as a whole and that we are only looking at the majority of development in terms of testing and setting of CIL. Therefore in floorspace terms clearly residential development makes up nearly all the floorspace likely to come forward in Rother, with employment, and retail making up much of the rest. There was also a question about whether agricultural or forestry worker dwellings would be liable for a CIL charge. MF and MB responded that they would find out. *Post meeting note – a bit of a lengthy response but this confirms the position: Market homes which are simply tied to use by agricultural workers or business owners by means of a condition etc. would not qualify for any relief, but certain social housing products would, as long as they meet the Reg 49 tests.* *Reg 49 sets out the definition of what qualifies for CIL social housing relief. It includes only shared ownership and rented accommodation where housing must be let by a private registered provider of social housing, a registered social landlord (within the meaning of Part 1 of the Housing Act 1996) or a local housing authority.* *The implications of this will be discussed between the local authority and the consultant team.*
4.	MF described the market conditions and how Rother ranks amongst it neighbours. The market areas within Rother were also discussed with MF suggested that there were some distinctions between the towns and the villages and rural areas and even more distinction between some of the villages but with no clear geographic pattern of specific market areas.
5.	MF described the non residential scenarios that would be tested and the assumptions to be used in respect of values and costs. The scenarios presented were agreed although it was suggested that hotels should be tested.
6.	MF described the residential scenarios to be used and explained that these were derived from what the proposed Plan has set out and the SHLAA sites. It was questioned whether past supply should also be used to guide the types of scenarios and in particular it was suggested that in the past a lot of smaller brownfield sites of 1-5 dwellings have come forward. MF and NK explained that there was some allowance in

	the testing for these types of sites in the towns but in going forward most of the supply would be on the allocated sites that will come forward through the SHLAA process. However it was acknowledged that a further scenario for a small development in the rural area of 1 dwelling should be tested.
7.	MF described the residential assumptions in terms of values and costs. There was some feedback on this as described below but as MF expressed at the time further feedback on the values and costs would be appreciated from the development industry. There was a discussion regarding the type of developers involved in Rother and the impacts this might have on development costs and in particular build costs. It was suggested that the majority of development both past and in the future will be undertaken by small local or regional builders and that the larger builders are unlikely to be involved – therefore the viability testing should reflect the different approaches to build costs, financing and overheads. MF agreed that this needs to be looked at in more detail and would be discussing this point with the Council further. There was no consensus on land values or the use of benchmarks, however it was suggested that values attained in Wealden could be appropriate to use in Rother if they are adjusted downwards in proportion to house price difference. A question was asked in respect of Council Tax changes that were brought in April 2013 which mean that local authorities can now set their own rules in terms of empty properties including new builds awaiting a buyer. NK agreed to look at Rother's position and MF agreed to look at any viability implications. *Post meeting note- Rother's policy for empty property (including new builds) is as follows:* *From 1 April 2013, this will change to a 100% discount for a maximum period of 1 month, after which full Council Tax becomes payable. Therefore if on the 1 April 2013, your property has had more than one calendar month exemption, you will be liable for the full Council Tax charge.*
8.	MF and NK thanked everybody for attending and explained that the presentation slides and notes of the meeting would be sent out as quickly as possible and that further comments would be invited.

Appendix B Assumptions summary

Source	ID	Notes
Consultation with client		This mix of schemes was selected in discussion with the client group, making use of their local

Ref	Typology	Settlement	Land type	Gross area (ha)	Net area (ha)	Total	dwph	G&T pitches	B-space (sqm)
1	1000 at North East Bexhill	North East Bexhill	Greenfield	50.00	25.00	1,000	40	0	-
2	100 at North East Bexhill	Bexhill/Hasting Fringe GF	Greenfield	4.10	2.71	100	37	0	-
3	250 at West Bexhill	West Bexhill	Greenfield	9.20	6.07	250	41	0	-
4	20 at West Bexhill	West Bexhill	Greenfield	0.66	0.53	20	38	0	-
5	10 at East Bexhill	East Bexhill	Brownfield	0.25	0.25	10	40	0	-
6	30 at East Bexhill	East Bexhill	Brownfield	0.93	0.74	30	40	0	-
7	5 at East Bexhill	East Bexhill	Brownfield	0.13	0.13	5	40	0	-
8	1 at East Bexhill	East Bexhill	Brownfield	0.03	0.03	1	40	0	-
9	50 at Hastings Fringe	Bexhill/Hasting Fringe GF	Greenfield	2.10	1.39	50	36	0	-
10	100 at Battle	Battle	Greenfield	4.20	2.77	100	36	0	-
11	25 at Battle	Battle	Brownfield	0.63	0.50	25	50	0	-
12	5 at Battle	Battle	Brownfield	0.13	0.13	5	40	0	-
13	1 at Battle	Battle	Brownfield	0.03	0.03	1	40	0	-
14	5 at Rye	Rye	Brownfield	0.13	0.13	5	40	0	-
15	1 at Rye	Rye	Brownfield	0.03	0.03	1	40	0	-
16	10 at Westfield/Camber	Westfield/Camber	Greenfield	0.33	0.33	10	30	0	-
17	50 at Hurst Green/Peasmarsh/Netherfield/Fairlight	Hurst Green/Peasmarsh/Netherfi	Greenfield	2.10	1.39	50	36	0	-
18	30 at Catsfield/Flimwell	Catsfield/Flimwell	Greenfield	1.25	1.00	30	30	0	-
19	20 at Robertsbridge/Northiam/Broad Oak/Burwash	Robertsbridge/Northium/Broad Oa	Greenfield	0.66	0.53	20	38	0	-
20	10 at Ticehurst/Staplecross/Beckley/Four Oaks/ Crowh	Ticehurst/Staplecross/Beckley/F	Greenfield	0.33	0.33	10	30	0	-
21	20 at Sedlescombe/Etchingham	Sedlescombe/Etchingham	Greenfield	0.66	0.53	20	38	0	-
22	1 at Rural	Rural	Greenfield	0.03	0.03	1	30	0	-
23	60 units at District wide	District wide	Retirement Development (I	2.50	1.65	60	36	0	-
	Averages				**57%**		**39**		

Based in LD Urban Capacity Study Guidance

Gross to Net Ratio	**Site area (ha)**	**Developable ratio**
<	0.40	100%
<	2.00	80%
<	35.00	66%
>=	35.00	50%

Assumed — What

		OM dwelling type (%)				AH dwelling type (%)			
Ref	*Typology*	1-2 bed Flats	2-3 bed Terraced	3-4 bed Semi-detached	4-5 bed Detached	1-2 bed Flats	2-3 bed Terraced	3-4 bed Semi-detached	4-5 bed Detached
		10%	***40%***	***25%***	***25%***	***20%***	***40%***	***40%***	***0%***
1	1000 at North East Bexhill	10%	40%	25%	25%	20%	40%	40%	0%
2	100 at North East Bexhill	10%	40%	25%	25%	20%	40%	40%	0%
3	250 at West Bexhill	10%	40%	25%	25%	20%	40%	40%	0%
4	20 at West Bexhill	10%	40%	25%	25%	20%	40%	40%	0%
5	10 at East Bexhill	10%	40%	25%	25%	20%	40%	40%	0%
6	30 at East Bexhill	10%	40%	25%	25%	20%	40%	40%	0%
7	5 at East Bexhill	10%	40%	25%	25%	20%	40%	40%	0%
8	1 at East Bexhill	0%	0%	0%	100%	20%	40%	40%	0%
9	50 at Hastings Fringe	10%	40%	25%	25%	20%	40%	40%	0%
10	100 at Battle	10%	40%	25%	25%	20%	40%	40%	0%
11	25 at Battle	10%	40%	25%	25%	20%	40%	40%	0%
12	5 at Battle	10%	40%	25%	25%	20%	40%	40%	0%
13	1 at Battle	0%	0%	0%	100%	20%	40%	40%	0%
14	5 at Rye	10%	40%	25%	25%	20%	40%	40%	0%
15	1 at Rye	0%	0%	0%	100%	20%	40%	40%	0%
16	10 at Westfield/Camber	10%	40%	25%	25%	20%	40%	40%	0%
17	50 at Hurst Green/Peasmarsh/Netherfield/Fairlight	10%	40%	25%	25%	20%	40%	40%	0%
18	30 at Catsfield/Flimwell	10%	40%	25%	25%	20%	40%	40%	0%
19	20 at Robertsbridge/Northiam/Broad Oak/Burwash	10%	40%	25%	25%	20%	40%	40%	0%
20	10 at Ticehurst/Staplecross/Beckley/Four Oaks/ Crowhurst//Iden	10%	40%	25%	25%	20%	40%	40%	0%
21	20 at Sedlescombe/Etchingham	10%	40%	25%	25%	20%	40%	40%	0%
22	1 at Rural	0%	0%	0%	100%	20%	40%	40%	0%
23	60 units at District wide	10%	40%	25%	25%	20%	40%	40%	0%

Residential floorspace is based upon industry standards of new build schemes. Two floor areas are displayed for flatted schemes: The Gross Internal Area (GIA) is used to calculate build costs and Net Internal Area (NIA) is applied to calculate the sales revenue. For the small housing sites (up to 5 units) larger dwellings are delivered in the borough, with medium and larger sites delivering more 'standard' unit sizes, we have

Private		
Private sale	Flats (NIA)	55 sq m
Private sale	Flats (GIA)	65 sq m
Private sale	Terraced	70 sq.m
Private sale	Semi-detached	80 sq.m
Private sale	Detached	120 sq m
Affordable units		
Social rent	Flats (NIA)	55 sq m
Social rent	Flats (GIA)	65 sq m
Social rent	Terraced	70 sq.m
Social rent	Semi-detached	80 sq m
Social rent	Detached	120 sq m
Affordable rent	Flats (NIA)	55 sq m
Affordable rent	Flats (GIA)	65 sq m
Affordable rent	Terraced	70 sq m
Affordable rent	Semi-detached	80 sq m
Affordable rent	Detached	120 sq m
Intermediate	Flats (NIA)	55 sq m
Intermediate	Flats (GIA)	65 sq m
Intermediate	Terraced	70 sq m
Intermediate	Semi-detached	80 sq m
Intermediate	Detached	120 sq m

Rother District Council targets a mix of affordable housing based on location. The core strategy intends this to be 30% in Bexhill and Hastings Fringe (on schemes of 15 dwellings or more), 35% in Battle (on schemes 10 dwellings or more) and 40% in Rural Areas. The policy also states an overall balance of 65% social rented and 35% for intermediate affordable tenures.

				Type		Affordable tenure split		
				Private	Affordable	Social rent	Affordable rent	Intermediate
Ref	*Typology*			*60%*	*40%*	*0%*	*65%*	*35%*
1	1000 at North East Bexhill	1,000	Units	70%	30%	0%	65%	35%
2	100 at North East Bexhill	100	Units	70%	30%	0%	65%	35%
3	250 at West Bexhill	250	Units	70%	30%	0%	65%	35%
4	20 at West Bexhill	20	Units	70%	30%	0%	65%	35%
5	10 at East Bexhill	10	Units	70%	30%	0%	65%	35%
6	30 at East Bexhill	30	Units	70%	30%	0%	65%	35%
7	5 at East Bexhill	5	Units	100%	0%	0%	65%	35%
8	1 at East Bexhill	1	Units	100%	0%	0%	65%	35%
9	50 at Hastings Fringe	50	Units	70%	30%	0%	65%	35%
10	100 at Battle	100	Units	65%	35%	0%	65%	35%
11	25 at Battle	25	Units	65%	35%	0%	65%	35%
12	5 at Battle	5	Units	100%	0%	0%	65%	35%
13	1 at Battle	1	Units	100%	0%	0%	65%	35%
14	5 at Rye	5	Units	100%	0%	0%	65%	35%
15	1 at Rye	1	Units	100%	0%	0%	65%	35%
16	10 at Westfield/Camber	10	Units	60%	40%	0%	65%	35%
17	50 at Hurst Green/Peasmarsh/Netherfield/Fairlight	50	Units	60%	40%	0%	65%	35%
18	30 at Catsfield/Flimwell	30	Units	60%	40%	0%	65%	35%
19	20 at Robertsbridge/Northiam/Broad Oak/Burwash	20	Units	60%	40%	0%	65%	35%
20	10 at Ticehurst/Staplecross/Beckley/Four Oaks/ Crowh	10	Units	60%	40%	0%	65%	35%
21	20 at Sedlescombe/Etchingham	20	Units	60%	40%	0%	65%	35%
22	1 at Rural	1	Units	100%	0%	0%	65%	35%
23	60 units at District wide	60	Units	65%	35%	0%	65%	35%

	Apply?	
S.106 Obligations	Yes	£1,000 per unit

Calculate Results

Assumption	Source	Notes
Construction Costs		
Build costs	BCIS Quarterly Review of Building Prices online version accessed March 2013. Prices adjusted for Rother.	Residential build costs are based upon industry data from the Build Cost Information Service (BCIS) which is published by the Royal Institution of Chartered Surveyors (RICS). The data is published by RICS on a quarterly basis. BCIS offers a range of prices dependent on the final specification. The following build costs used are derived from recent data of actual prices in the marketplace. As early as 2009, the market across the UK was building at round Code for Sustainable Homes Level 3 for private and Level 4 for affordable housing. **Private** — Small housebuilder / Large house builder Flats – £1,140 / £1,140 sqm — Median cost Houses (general estate) – £1,257 / £1,005 sqm — Median cost **Affordable** Flats – £1,140 / £1,140 sqm — Median cost Houses (general estate) – £1,257 / £1,005 sqm — Median cost Costs may alter in future. In particular, there may be national policy change regarding Code for Sustainable Homes building standards. The final effect of these changes on viability is difficult to foresee. While we have reviewed current Government research on cost impacts of CSH we note that past forecasts of price changes (such as that predicted in the original Cyril Sweet work) have never affected costs to the extent forecast. When these future requirements come into force, they will impact on both development costs and land values. We have not incorporated these possible impacts into our calculations, because this appraisal is based on current market conditions, not forecasts of potential future change. Our approach to incorporating these (and other) potential but unknown costs is to set a wide margin for error that will cover variations in factors such as build costs, site conditions, and timing.
Plot external	Industry standards	Plot externals relate to costs for internal access roads, hard and soft landscaping. This will vary from site to site, but we have allowed for this at the following rate: 10% Build cost
Site opening up costs	Industry standards	SI is treated as an add on to the adopted benchmark land value so that the benchmark land value is sufficiently below the market rate for clean residential land. Generally, SI costs vary between £100k and £350k/ha increasing as schemes get bigger (say 500 - 10,000 units). We would therefore use £350k/ha for UEs of 500+, £100k for units between 100 - 499 units and £0k/ha for small sites of very few dwellings. £0 per ha — Less than 99 dwellings 100 — £100,000 per ha — 100 - 499 dwellings — £2,564 500 — £250,000 per ha — More than 500 dwellings — £6,410
Professional fees	Industry standards	Professional fees relate to the costs incurred to bring the development forward and cover items such as; surveys, architects, quantity surveyors, etc. Professional fees are based on accepted industry standards and are calculated as a percentage of build costs at 12% Build cost
Contingency	Industry standards	Contingency is based upon the risk associated with each site and has been calculated as a percentage of build costs at 5% Build cost
Sale costs	Industry standards	Sale costs relate to the costs incurred for disposing the completed residential units, including legal, agents and marketing fees. These are based on industry accepted scales at the following rates: 3% Gross Development Value
Finance costs	Industry standards	When testing for development viability it is common practice to assume development is 100% debt financed (Viability Testing Local Plans - Advice for planning practitioners and RICS Financial viability in planning guidance note GN94/2012. Within our cashflow we used a finance rate based upon market rates of interest as follows: 7% Development costs
Professional fees on land purchase	Industry standards	In addition to SDLT the purchaser of land will incur professional fees relating to the purchase. Fees associated with the land purchase are based upon the following industry standards: Surveyor - 1.00% Legals - 0.75%
Stamp duty on land purchase	HMRC	Stamp Duty Land Tax (SDLT) is generally payable on the purchase or transfer of property or land in the UK where the amount paid is above a certain threshold. The SDLT rates are by Treasury, the following rates current rates have been applied: <= £150,000 0.00% > £150,000 1.00% > £250,000 3.00% > £500,000 4.00%
Profit		
Developer's return	Industry standards	A developer's return is based upon their attitude to risk. A developer's attitude to risk will depend on many factors that include but not exclusive to, development type (e.g. Greenfield, Brownfield, refurbishment, new build etc), development proposal (uses, mix and quantum), credit worthiness of developer, and current market conditions. The Harmen Report states that "residential developer margin expressed as a percentage of GDV - should be the default methodology" and E.2.3.8.1 of the RICS Financial viability in planning report states "The residential sector seeks a return on the GDV". We have applied a rate that is acceptable to both developers and financial institutions in the current market. The developer return is a Gross Margin and therefore includes overheads. The developer return is calculated as a percentage of Gross Development Value at the following rate: Developer return on market housing — 20% Gross development value Return on affordable housing — 6% Gross development value A lower margin has been applied to the affordable units as these represent less development risk as the end user is known at point of construction. This approach is also typical with industry standards. The Homes and Community Agency (HCA) state 'Conventional practice is to allow for developer's margin at a lower rate for affordable housing developed as part of a Section 106 agreement, as the risks are low relative to development of open market housing. The user manual for the Economic Appraisal Tool states that a typical figure may be in the region of 6% of affordable housing value on a nil grant basis'.

Revenue

Sales value of completed scheme	Land Registry/Rightmove Brochures	Property values are derived from different sources, depending on land use. For housing, Land Registry and Rightmove data forms a basis for analysis. This provides a full record of all individual transactions. Values used are as			
				House	**Flats**
		Private sale	North East Bexhill	£2,424	£2,143 sqm
		Private sale	West Bexhill	£2,940	£2,309 sqm
		Private sale	East Bexhill	£2,249	£1,852 sqm
		Private sale	Bexhill/Hasting Fringe GF	£2,424	£2,143 sqm
		Private sale	Battle	£3,074	£2,620 sqm
		Private sale	Rye	£2,970	£2,369 sqm
		Private sale	Westfield/Camber	£2,770	£2,079 sqm
		Private sale	Hurst Green/Peasmarsh/Netherfield/Fairlight	£2,712	£2,410 sqm
		Private sale	Catsfield/Flimwell	£3,283	£1,147 sqm
		Private sale	Robertsbridge/Northium/Broad Oak/Burwash	£3,404	£2,654 sqm
		Private sale	Ticehurst/Staplecross/Beckley/Four Oaks/	£3,689	£1,284 sqm
		Private sale	Sedlescombe/Etchingham	£3,403	£3,065 sqm
		Private sale	Rural	£3,210	£2,107 sqm
		Private sale	District wide	£2,945	£2,173 sqm
Affordable housing (Section 106)	Industry standards	The current percentage requirement for affordable housing is X% on sites with X+ new dwellings. The impact of residential tenure can affect the impact of this policy, and we have assumed a blended average of intermediate and affordable rented accommodation as follows:			
		Transfer value		***40%***	
		Social rent	North East Bexhill	£970	£857 sqm
		Social rent	West Bexhill	£1,176	£924 sqm
		Social rent	East Bexhill	£900	£741 sqm
		Social rent	Bexhill/Hasting Fringe GF	£970	£857 sqm
		Social rent	Battle	£1,230	£1,048 sqm
		Social rent	Rye	£1,188	£948 sqm
		Social rent	Westfield/Camber	£1,108	£832 sqm
		Social rent	Hurst Green/Peasmarsh/Netherfield/Fairlight	£1,085	£964 sqm
		Social rent	Catsfield/Flimwell	£1,313	£459 sqm
		Social rent	Robertsbridge/Northium/Broad Oak/Burwash	£1,362	£1,062 sqm
		Social rent	Ticehurst/Staplecross/Beckley/Four Oaks/ Crowhurst//Iden	£1,476	£514 sqm
		Social rent	Sedlescombe/Etchingham	£1,361	£1,226 sqm
		Social rent	Rural	£1,284	£843 sqm
		Social rent	District wide	£1,178	£869 sqm
		Transfer value		***55%***	
		Affordable rent	North East Bexhill	£1,333	£1,179 sqm
		Affordable rent	West Bexhill	£1,617	£1,270 sqm
		Affordable rent	East Bexhill	£1,237	£1,019 sqm
		Affordable rent	Bexhill/Hasting Fringe GF	£1,333	£1,179 sqm
		Affordable rent	Battle	£1,691	£1,441 sqm
		Affordable rent	Rye	£1,634	£1,303 sqm
		Affordable rent	Westfield/Camber	£1,524	£1,143 sqm
		Affordable rent	Hurst Green/Peasmarsh/Netherfield	£1,492	£1,326 sqm
		Affordable rent	Catsfield/Flimwell	£1,806	£631 sqm
		Affordable rent	Robertsbridge/Northium/Broad Oak/Burwash	£1,872	£1,460 sqm
		Affordable rent	Ticehurst/Staplecross/Beckley/Four Oaks/	£2,029	£706 sqm
		Affordable rent	Sedlescombe/Etchingham	£1,872	£1,686 sqm
		Affordable rent	Rural	£1,766	£1,159 sqm
		Affordable rent	District wide	£1,620	£1,195 sqm
		Transfer value		***65%***	
		Intermediate	North East Bexhill	£1,576	£1,393 sqm
		Intermediate	West Bexhill	£1,911	£1,501 sqm
		Intermediate	East Bexhill	£1,462	£1,204 sqm
		Intermediate	Bexhill/Hasting Fringe GF	£1,576	£1,393 sqm
		Intermediate	Battle	£1,998	£1,703 sqm
		Intermediate	Rye	£1,931	£1,540 sqm
		Intermediate	Westfield/Camber	£1,801	£1,351 sqm
		Intermediate	Green/Peasmarsh/Netherfield/Fairlight	£1,763	£1,567 sqm
		Intermediate	Catsfield/Flimwell	£2,134	£746 sqm
		Intermediate	Robertsbridge/Northium/Broad Oak/Burwash	£2,213	£1,725 sqm
		Intermediate	Ticehurst/Staplecross/Beckley/Four Oaks/	£2,398	£835 sqm
		Intermediate	Sedlescombe/Etchingham	£2,212	£1,992 sqm
		Intermediate	Rural	£2,087	£1,369 sqm
		Intermediate	District wide	£1,914	£1,412 sqm

Time-scales

Build rate units/per annum	Industry standards	House builders typical build to sale. Therefore build rates are determined by market conditions of how many units can be sold on a monthly basis as developers do not want to be holding onto stock as this impacts their cashflow.		
		Construction Start	**Building growth rate**	**Sales delay (days)**
		1/1/14	0.65	187

Benchmark land value per ha

Residential land values	Land Registry & UK Land Directory website	It is important to appreciate that assumptions on benchmark land values can only be broad approximations, subject to a wide margin of uncertainty. We take account of this uncertainty in drawing conclusions and recommendations from our analysis. We have examined a cross section of residential land comparables across Rother. These comparable recent transactions generally relate to urban, brownfield sites, which were fully serviced with roads and major utilities to the site boundary. In collecting evidence on residential land values, we aimed to distinguish between sites that deliver flats and housing sites - this is due to development densities, and sites values that might reflect extra costs for opening up and planning permission from those which are clean residential sites. The figure we use reflect a fairly clean residential site (although it may not yet be permitted)		
		Residential values	North East Bexhill	£700,000 per ha
		Residential values	West Bexhill	£850,000 per ha
		Residential values	East Bexhill	£700,000 per ha
		Residential values	Bexhill/Hasting Fringe GF	£725,000 per ha
		Residential values	Battle	£1,000,000 per ha
		Residential values	Rye	£1,000,000 per ha
		Residential values	Westfield/Camber	£1,000,000 per ha
		Residential values	Hurst Green/Peasmarsh/Netherfield/Fairlight	£1,000,000 per ha
		Residential values	Catsfield/Flimwell	£1,300,000 per ha
		Residential values	Robertsbridge/Northium/Broad Oak/Burwash	£1,300,000 per ha
		Residential values	Ticehurst/Staplecross/Beckley/Four Oaks/ Crowhurst//Iden	£1,300,000 per ha
		Residential values	Sedlescombe/Etchingham	£1,300,000 per ha
		Residential values	Rural	£1,300,000 per ha
		Residential values	District wide	£1,000,000 per ha

Appendix C Sample appraisal

50 at Bexhill	Bexhill/Hasting F		50	Units			
ITEM							
			Residual Value				
Net Site Area	1.39		£1,128,767 per ha				
	Units	Private	Affordable		Intermediate	Shared ownership	
Yield	50	35.00	15.00		9.75	5.25	
1.0	**Development Value**						
1.1	**Private units**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		Flats (NIA)	3.50	55	193	£2,143	£412,528
		Terraced	14.00	70	980	£2,424	£2,375,520
		Semi-detached	8.75	80	700	£2,424	£1,696,800
		Detached	8.75	120	1,050	£2,424	£2,545,200
			35.0		2,923		
1.3	**Affordable rent**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		Flats (NIA)	1.95	55	107	£1,179	£126,410
		Terraced	3.90	70	273	£1,333	£363,964
		Semi-detached	3.90	80	312	£1,333	£415,958
		Detached	0.00	120	0	£1,333	£0
			9.8		692		
1.3	**Intermediate**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		Flats (NIA)	1.05	55	58	£1,393	£80,443
		Terraced	2.10	70	147	£1,576	£231,613
		Semi-detached	2.10	80	168	£1,576	£264,701
		Detached	0.00	120	0	£1,576	£0
			5.3		373		
	Gross Development value						**£8,513,137**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site value (residual land value)						£1,564,471
				Purchaser Costs			5.75%
							1,654,428
2.3	**Build Costs**						
2.3.1	**Private units**		**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
		Flats (GIA)	3.50	65	228	£1,036	£235,690
		Terraced	14.00	70	980	£914	£895,720
		Semi-detached	8.75	80	700	£914	£639,800
		Detached	8.75	120	1,050	£914	£959,700
			35		2,958		
2.3.2	**Affordable units**		**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
		Flats (GIA)	3.00	65	195	£1,036	£202,020
		Terraced	6.00	70	420	£914	£383,880
		Semi-detached	6.00	80	480	£914	£438,720
		Detached	0.00	120	0	£914	£0
			15		1,095		
			50.00				**£3,755,530**
2.4	**Construction Costs**						
2.4.1	External works as a percentage of build costs			10%			£375,553.00
2.4.2	Site abnormals			£0	per ha		£0
							£375,553
2.5	**Professional Fees**						
2.5.1	as percentage of build costs and construction costs			12%			£495,730
							£495,730
2.6	**Contingency**						
2.6.1	as percentage of build costs and construction costs			5%			£206,554.15
							£206,554
2.7	**Developer contributions**						
2.7.1	S.106/278 Obligations			£1,000	per unit		£50,000
							£50,000
2.8	**Sale cost**						
2.8.1	as percentage of GDV			3.00%			£255,394
							£255,394
	TOTAL DEVELOPMENT COSTS (including land)						**£6,793,189**
3.0	**Developers' Profit**						
				Rate			
3.1	Private units			20%	Gross development value		£1,406,010
3.2	Affordable units			6%	Gross development value		£88,985
							£1,494,995
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£8,288,184**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£224,953
4.0	**Finance Costs**						
				APR		PCM	
4.1	Finance			7.00%		0.565%	-£224,953
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						**£8,513,137**

This appraisal has been prepared by Peter Brett Associates for Rother District Council. The appraisal has been prepared in line with the RICS valuation guidance. The purpose of the appraisal is to inform the Council about the impact of planning policy has on viability at a strategic level. This appraisal is not a formal 'Red Book' (RICS Valuation – Professional Standards January 2014) valuation and should not be relied upon as such.

Appendix D Sensitivity analysis

To help the council decide as to where they may wish to set there CIL rates we have also undertaken some sensitivity testing in terms of changes to values and costs. This analysis should not be used as a basis for the Charge as this should be based on current cost and current value.

The sensitivity analysis will also help the council in thinking about suitable trigger points whereby a review of the CIL is required – for example if the economy worsens and retail values drop by 10% then it may be appropriate to lower or drop the charge. Or alternatively if the economy recovers there may be scope to charge CIL on more uses in the future.

The first tests are on the residential development, where the most likely scenario is for a rise in values and potentially a rise in values and costs.

Table D.1 below shows the results of testing if values of residential units were to rise by 10%. There is a significant difference in the results suggesting that this would potentially trigger a review should the market increase at this rate and all other inputs remain the same.

Table D.1 Increase of 10% in values

ID	Generic Site	Type of site	Dwelling Capacity	CIL liable £psm
1	North East Bexhill	Greenfield	1000	£325
2	Bexhill	Greenfield	100	£349
3	West Bexhill	Greenfield	250	£861
4	West Bexhill	Greenfield	20	£825
5	East Bexhill	Brownfield	10	£271
6	East Bexhill	Brownfield	30	£268
7	East Bexhill	Brownfield	5	£109
8	East Bexhill	Brownfield	1	£205
9	Hastings Fringe	Greenfield	50	£398
10	Battle	Greenfield	100	£867
11	Battle	Brownfield	25	£1,022
12	Battle	Brownfield	5	£643
13	Battle	Brownfield	1	£805
14	Rye	Brownfield	5	£556
15	Rye	Brownfield	1	£721
16	Westfield/Camber	Greenfield	10	£434
17	Hurst Green/Peasmarsh/Netherfield/Fairlight	Greenfield	50	£514
18	Catsfield/Flimwell	Greenfield	30	£637
19	Robertsbridge/Northiam/Broad Oak/Burwash	Greenfield	20	£1,077

ID	Generic Site	Type of site	Dwelling Capacity	CIL liable £psm
20	Ticehurst/Staplecross/Beckley/Four Oaks/ Crowhurst//Iden	Greenfield	10	£1,051
21	Sedlescombe/Etchingham	Greenfield	20	£1,116
22	Rural	Greenfield	1	£761
23	60 units at district wide	Retirement Development (No care)	60 units	£744

Table D.2 below shows the results of testing if values of residential units were to rise by 10% and build costs were to rise also by 10%. There is a difference in the results, albeit not as significant. Should this happen then the Council may still want to review the rates, although further testing on other changes in assumptions would also be required.

Table D.2 shows the results if values and build costs increase by 10%

ID	Generic Site	Type of site	Dwelling Capacity	CIL liable £psm
1	North East Bexhill	Greenfield	1000	£171
2	Bexhill	Greenfield	100	£195
3	West Bexhill	Greenfield	250	£707
4	West Bexhill	Greenfield	20	£670
5	East Bexhill	Brownfield	10	£123
6	East Bexhill	Brownfield	30	£113
7	East Bexhill	Brownfield	5	-£35
8	East Bexhill	Brownfield	1	£60
9	Hastings Fringe	Greenfield	50	£244
10	Battle	Greenfield	100	£702
11	Battle	Brownfield	25	£856
12	Battle	Brownfield	5	£504
13	Battle	Brownfield	1	£660
14	Rye	Brownfield	5	£416
15	Rye	Brownfield	1	£577
16	Westfield/Camber	Greenfield	10	£265
17	Hurst Green/Peasmarsh/Netherfield/Fairlight	Greenfield	50	£336
18	Catsfield/Flimwell	Greenfield	30	£459
19	Robertsbridge/Northiam/Broad Oak/Burwash	Greenfield	20	£899

ID	Generic Site	Type of site	Dwelling Capacity	CIL liable £psm
20	Ticehurst/Staplecross/Beckley/Four Oaks/ Crowhurst//Iden	Greenfield	10	£873
21	Sedlescombe/Etchingham	Greenfield	20	£938
22	Rural	Greenfield	1	£617
23	60 units at district wide	Retirement Development (No care)	60 units	£578

In terms of non residential, we consider this market is still more volatile and therefore we have illustrated what will happen with both a fall and a rise in values. Figure D.1 shows what will happen if there is depreciation in the values of minus 10%. As can be seen all but out of centre comparison and extra care housing are shown as negative. Therefore if in or out of centre convenience retail is an important part of the plan's delivery strategy and the council is risk adverse, this sensitivity test would suggest that in the current climate whereby there is potential for values to drop, setting a lower charge may be appropriate.

Figure D.1 Non-residential sensitivity analysis – minus 10% on values

However if the council has a more optimistic view of the market and believes that values will rise, Figure D.2 indicates that extra care and all retail development including in centre comparison has a potential to have a levy. Other uses such as employment and hotels continue to be negative.

Figure D.2 Non-residential sensitivity analysis – plus 10% on values