Date: 30 April 2018
Our ref: 13601/MS/DD/15794619v1

Dear Sir/Madam

Community Infrastructure Levy – Draft Charging Schedule

We write on behalf of our client, Landsec, who owns the western end of Brighton Marina. It’s land lies within the wider ‘Brighton Marina, Gas Works and Black Rock Area’ strategic site allocation in the Brighton & Hove City Plan Part 1 by virtue of Policy DA2. It’s landholdings at Brighton Marina is referred to as the Inner Harbour site within this policy.

As the owner of the largest strategic housing allocation in the City Plan, Landsec welcomes the opportunity to be involved in Brighton & Hove’s Community Infrastructure Levy (CIL) consultation. Landsec shares Brighton & Hove’s ambition to ensure that the infrastructure needs of the City are adequately met. Landsec acquired the Inner Harbour site at Brighton Marina in 2014 to add to its leisure portfolio. It remains committed to delivering the comprehensive regeneration of the Inner Harbour site to create a vibrant mixed-use destination for the City as envisaged by the City Plan Policy DA2.

Brighton Marina Inner Harbour

The Inner Harbour site at Brighton Marina is allocated for a minimum of 1,000 dwellings, which accounts for 7.6% of Brighton and Hove’s housing requirement for the 2010-2030 Plan period. In addition to housing delivery, it will deliver c. 5,000 sqm and 3,500 sqm of net additional retail and leisure/recreational uses. It is estimated the redevelopment of the site will deliver approximately 305 net new FTE jobs, which is in itself a significant economic benefit.

Landsec strongly supports the introduction of the nil “Strategic Sites rate” in the CIL consultation. The £0/sq.m levy proposed for Brighton Marina Inner Harbour is a welcome response to the significant enabling development and infrastructure costs associated with this site, which we explained in our previous representations (December 2017). A nil CIL rate for the Inner Harbour site will ensure that CIL does not threaten the viability and therefore delivery of housing on this important strategic site; an approach supported by the Community Infrastructure Levy Regulations (2010), National Planning Policy Framework (2012) and National Planning Practice Guidance.
Conclusion

We are grateful for the opportunity to comment on the Council’s emerging CIL Charging Schedule and trust the submitted information is useful. Should you have any questions in relation to the Brighton Marina, Inner Harbour site please do not hesitate to contact me.

Yours faithfully
Dear Sir / Madam

SUBMISSION OF REPRESENTATIONS BY ICG-LONGBOW TO BRIGHTON & HOVE CITY COUNCIL COMMUNITY INFRASTRUCTURE LEVY (CIL) DRAFT CHARGING SCHEDULE (PUBLISHED MARCH 2018)

On behalf of ICG-Longbow, we write to submit representations to the Brighton & Hove City Council CIL Draft Charging Schedule, which was published for consultation in March 2018.

ICG-Longbow has an interest in the Brighton Marina Outer Harbour site, and are currently in the process of reviewing development options for the site. The publication of the CIL Draft Charging Schedule (DCS) is of particular interest to our client, given the potential implications it may have on future development coming forward on the site, therefore we welcome the opportunity to provide representations.

Following a review of the CIL DCS, and the supporting documentation, ICG-Longbow are concerned that an appropriate balance has not been struck between the need to fund necessary infrastructure and the potential impacts on economic viability of development sites, particularly Brighton Marina Outer Harbour.

This letter sets out our concerns about the proposed CIL DCS in further detail.

National Planning Policy Framework (NPPF)

The NPPF sets out clear requirements to ensure the viability and delivery of sites. Paragraph 173 states that ‘Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision taking. Plans should be deliverable. Therefore, the sites and 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. To ensure viability, 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 landowner and willing developer to enable the development to be deliverable’.

In addition Paragraph 175 advises that “The Community Infrastructure Levy should support and incentivise new development, particularly by placing control over a meaningful proportion of the funds raised with the neighbourhoods where development takes place”.

National planning policy therefore provides clear advice for the formulation of CIL Charging Schedules that: planning policy should be deliverable; sites should not be subject to such a scale of obligations that their viability is threatened; and that CIL should support and incentivise development.

CIL is one of the main financial obligations of key strategic sites (such as Brighton Marina Outer Harbour), and therefore CIL charges have an impact on viability, which can affect the ability of a site to come forward a deliver the objectives of the development plan.

National Planning Policy Guidance (NPPG)

The NPPG provides guidance to Charging Authorities about preparing CIL Charging Schedules and consideration of viability.

Of particular relevance is NPPG Paragraph 008 (Reference ID: 25-008-20140612) which states that ‘charging authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan […] They will need to draw on the infrastructure planning evidence that underpins the development strategy for their area. Charging authorities should use that evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential impact upon the economic viability of development across their area’.

When setting a CIL Charge, the Council are allowed to apply differential rates in a flexible way to ensure that viability of a development is not put at risk. NPPG Paragraph 021 (Reference ID: 25-021-20140612) states that ‘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 […] A charging authority which choses to differentiate between classes of development, or by reference to different areas, should do so only where there is consistent economic viability evidence to justify this approach’.

Brighton Marina Outer Harbour Development

Planning permission was granted for the development of the Outer Harbour site in April 2006 (ref. BH2006/01124). The permission has been implemented and Phase 1 of the development has been completed. Phase 2 of the scheme has commenced, however there have been long running delays associated with the development, and as such Phases 2, 3, 4, 5 and 6 have not yet been developed.

The extant permission has been subject to various amendments since originally approved, and comprises the provision of 853 residential units (including affordable housing), Class A1, D1, D2 and B1 uses and associated car parking, cycle parking, new pedestrian, cycle and vehicle access routes, landscaping, amenity and other associated works.

The proposals involve significant infrastructure works to enable the creation of a new deck over Spending Beach to support new structure and buildings over the sea bed. Works on site to date include the development of a temporary cofferdam to facilitate the installation of foundations for Phase 2. There are significant abnormal costs associated with the development to ensure sufficient flood risk mitigation is provided, to ensure that wave energy is satisfactorily dissipated, and to avoid
interfering with navigation routes. In addition a number of Section 106 Agreement financial contributions have been secured in relation to the proposed development.

ICG-Longbow are currently exploring options to deliver the remaining phases of the scheme, and therefore it is crucial to ensure that development viability is not threatened as the next stages of the scheme are progressed.

**Brighton & Hove CIL Draft Charging Schedule Rates**

The Outer Harbour site is identified in the DCS as falling within Residential Zone 1, where proposals for housing will be subject to a CIL Levy of £175 per sqm. This is the highest residential charge proposed across the Charging Area.

The Outer Harbour site would also be subject to charges of £175 per sqm for purpose built student housing, £100 per sqm for large format retail warehousing and supermarkets, £50 per sqm for other shopping uses, and £50 per sqm for all other development uses.

Of particular note is that two sites (Brighton Marina Inner Harbour and King Alfred Leisure Centre/RNR Site) are proposed to have a nil CIL charge (£0 per sqm) for all uses.

**Representations to Brighton & Hove CIL Draft Charging Schedule**

**Brighton Marina Outer Harbour Strategic Site**

Following consultation on the Responses Preliminary Draft Charging (PDCS) in 2017, the Council proposed that Brighton Marina Inner Harbour was amended to have a nil CIL charge. Responses prepared by the Council following consultation comments received on the PDCS (PDCS Consultation Report 2017) states that ‘the proposed charging rate for the Brighton Marina Inner Harbour site area (boundaries as mapped in the City Plan), considered as strategic in terms of CIL guidance, has been amended between the proposed PDCS rate and the proposed DCS rate’.

However, in relation to the Outer Harbour site setting a nil charge was not deemed by the Council to be appropriate ‘sites in the vicinity of Brighton Marina Inner Harbour are not considered as strategic in terms of CIL guidance, however, and so further changes to the residential charging zones are not proposed’.

We consider that the Outer Harbour site is of key strategic importance to the delivery of the Council’s development plan. The Outer Harbour falls within Brighton & Hove City Plan Part One Development Area 2 (DA2) which covers the Brighton Marina, Gas Works and Black Rock area.

Although the Outer Harbour is not identified as a ‘strategic allocation’ within DA2, the site is identified within the policy as delivering nearly half of all of the residential units allocated within the Development Zone (853 residential units of the 1,938 units identified). The proposed housing at the Outer Harbour also includes a significant proportion of affordable housing. In addition the Outer Harbour planning permission delivers a significant quantum of non-residential uses, including retail, community uses and a health facility, all of which are identified in the City Plan Part One as being delivered within the Development Zone. In addition the development of the Outer Harbour site will deliver significant benefits towards local infrastructure, transport, open space and public realm.

The site therefore has considerable strategic importance in the delivery of housing (including affordable housing) in DA2 of City Plan Part One.

In addition, we note in the Brighton & Hove Strategic Housing Land Availability Assessment Update 2017 (SHLAA Update) sets out the Council’s five year housing land supply. Historically the Council
have struggled to meet their housing targets. Accordingly the Council’s housing target in the City Plan Part One is based on a ‘housing trajectory’ method which takes account of the lack of available housing sites in this constrained local authority area, as well as the weak housing market in the city and implications of the recession on the availability of development finance and funding for major development sites which have been delayed. The SHLAA Update indicates that the Council’s five year housing land supply (2017-2022) identifies a total supply of 4,482 homes (exactly a 5.0 year supply).

We note that the identified five year supply of housing in DA2 is reliant on the delivery of 244 residential units at the Outer Harbour site between 2017 and 2022. No other sites in DA2 are identified to deliver housing until after 2022. The Outer Harbour site is identified to deliver the second largest quantum of homes of any other sites identified within the five year housing land supply (Preston Barracks is identified to deliver 369 units).

As such the delivery of the Outer Harbour site is considered to be of particular strategic importance, not just to delivering a significant quantum of development within DA2, but also crucially to enabling the Council to meet its five year housing land supply.

**Inconsistency**

The Council have recognised in the PDCS Consultation Report 2017 that the Inner Harbour site is a strategic site and state that ‘given the Council’s knowledge of the [Inner Harbour] site, development area, longstanding proposals and discussions with development interests, as well as experience relating to the delivery of the outer harbour proposals, on review the Council considers that sufficient appropriate available evidence is already in place to support a nil-rating (£0/sqm) of the Inner Harbour Site. This revised proposal is to be reflected in the DCS, and is to be reflected in the DCS, and is consistent with the level of abnormal costs that to date have been shown to create a viability deficit. Accordingly the proposed charging rate for the Brighton Marina Inner Harbour site area (boundaries as mapped in the City Plan), considered as strategic in terms of CIL guidance, has been amended between the proposed PDCS rate and the proposed DCS rate’.

The Council have clearly identified the difficulties arising with the delivery of the Outer Harbour planning permission, and acknowledge that there are associated abnormal costs with development in this area. We consider that it is inconsistent to acknowledge the Outer Harbour site constraints, whilst not proposing a nil CIL charge at the site. The proposed nil CIL charge for the Inner Harbour site raises significant concerns to our client as this provides the adjacent site with an unfair advantage in terms of development viability. Both the Inner and Outer Harbour sites should be liable for a nil CIL charge to account for the significant infrastructure costs associated with development in this location.

Accordingly we request that the Council take development costs into account when setting its levy rates; as stated in NPPG Paragraph 020 (Reference ID: 25-020-20140612) this is of particular importance for development costs likely to be incurred on strategic sites.

**Implications of CIL on Delivery of Brighton Marina Outer Harbour**

Whilst the current planning permission for the Outer Harbour site was granted prior to the adoption of CIL (and therefore is not currently CIL liable), future applications on the site, including minor material amendment applications, are at risk from being liable for the highest CIL rates proposed in the Charging Area.

In order for our client to bring forward the remaining phases of the site, it may be deemed necessary to obtain new planning permissions. It is therefore essential that careful consideration is made to the viability of the scheme, and any future amendments, to ensure that the delivery of the strategic site is not threatened.
Conclusion

Overall ICG-Longbow are concerned that the CIL Draft Charging Schedule is not robust and the consequences of adopting the Charging Rates as set out within it have not been properly considered in light of the NPPF and NPPG. Our issues with the DCS are two-fold.

Firstly the DCS does not acknowledge the Outer Harbour site as being of strategic importance, however it is evident that the delivery of the Outer Harbour scheme is crucial to the delivery of housing (including affordable housing) in DA2 of the City Plan Part One, and well as the Council’s five year housing land supply.

Our second, and most fundamental concern, is that insufficient weight has been given to the implications of CIL on the viability of the Outer Harbour scheme, which we propose should be given a nil CIL charge, consistent with the neighbouring Inner Harbour scheme.

Accordingly we request that the Outer Harbour site is identified as a strategic site with a nil CIL (£0 per sqm) charge, and that the CIL Charging Schedule Map is updated to identify the Outer Harbour as a strategic site charging zone.

If required our Client is willing to progress separate discussions with the Council to confidentially provide additional viability information regarding the Outer Harbour site, to justify the proposed nil CIL charge.

We look forward to receiving confirmation of receipt of our comments and request that we are updated with any future changes to the CIL Draft Charging Schedule and duly notified about the CIL Examination.

Yours sincerely
Brighton and Hove City Council,  
Policy, Projects and Heritage Team,  
Hove Town Hall,  
Norton Road,  
BN3 3BQ  

BY E MAIL: PlanningPolicy@brighton-hove.gov.uk

Dear Madam/Sir,  

**DCS CONSULTATION**

a) **Introduction**

We are writing on behalf of St William Homes LLP ('St William') in response to the consultation on your Community Infrastructure Levy Draft Charging Schedule (DCS).

This follows our submission to your Preliminary Draft Charging Schedule consultation, dated 8 December 2017. We note your response (p.21 of the PDCS Consultation Report, March 2018) that “the consultee would be welcome to make any further comments on the approach taken, following publication of the DCS.” We are therefore submitting this letter to reiterate our position and provide some further evidence which the Local Authority may find useful in preparing any modifications to its Draft Charging Schedule.

Established in 2014, St William is a joint venture between the Berkeley Group and National Grid Property ('National Grid'). The partnership combines National Grid’s extensive portfolio of surplus brownfield sites across London and the South East with the Berkeley Group’s design expertise and proven track record of delivery to create high-quality residential and mixed-use developments.

St William has an interest in the former Gasworks site located off Boundary Road ('the Site') due to its relationship with National Grid who are the current majority land owner. The site is a Strategic Allocation in the adopted Brighton City Plan (2016).

St William is seeking to work positively with the Council throughout the charge setting, and subsequent implementation processes, to ensure that development in the City continues to be viable and deliverable.

St William welcomes the infrastructure planning work that the Council has undertaken and the positive approach the Council has taken in its plan allocations, provides a solid basis for delivering the homes, jobs and infrastructure that the City needs to grow. However, as reflected in our first submission in December, St William is still concerned that the proposed CIL charges do not strike the appropriate balance between the need for infrastructure and the viability of development as required by the CIL Guidance. In particular

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1 CIL Guidance: 25-008-20140612)
St William is concerned that the proposed rates threaten the ability to develop a site that has been identified in the relevant plan, which goes against the CIL Guidance (‘the Guidance’):

“Charging authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London).” (25-008-20140612) [Emphasis added]

St William is concerned that:

- The Council has not adequately considered the implications of CIL for Brighton Gasworks, as required by CIL Guidance. The Council is incorrect in its assertion that CIL does not need to reflect issues on individual sites. Where sites have been allocated, the Guidance requires that the delivery of these (whatever their scale) is not threatened by CIL (see quote above).
- Brownfield sites, which are critical to the delivery of the Local Plan given the constraints on land supply in and around Brighton, face significant abnormal costs which are not reflected in the generic appraisals undertaken by the Council and in particular on the setting of a charge for the Gasworks site;
- Where BHCC has recognised these challenges as a constraint (i.e. on the neighbouring Brighton Marina Site) it has given a nil-rating for CIL. In line with CIL guidance any differential charging in areas should be justified by consistent economic viability evidence. The Brighton Gasworks site is part of the same allocation as the Marina and also faces significant abnormal costs. To treat adjacent sites with similar viability issues differently risks conferring ‘selective advantage’ on one landowner and therefore State Aid compliance;
- The Council’s Infrastructure Delivery Plan suggests that there could be significant site-specific requirements for these sites which have not been factored into the Viability Study appraisals – and the Council is incorrect in its assertion that CIL is a “relatively small influence on overall development viability”.
- That the proposed boundaries of charging zones in the Plan are unduly complex and unclear, and in the case of Brighton Gasworks bisect the site.

It is therefore the view of St William that the site should be zero rated for CIL purposes. This will not inhibit the Council’s ability to secure infrastructure funding from the site, given potential relation of Regulation 123 of the CIL regulations, but will allow this to be balanced against provision of affordable housing and wider viability in the context of a site with significant abnormal development costs.

These matters are dealt with in detail in our submission of 8 December 2017, so have only been briefly summarised here. Where new detail or evidence is available this has also been set out below.

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2 p.19 of the PDCS Consultation Report, March 2018
b) Principles of Setting Rates for CIL

It is critical that the Council ensures that charges are not set at a level which puts at risk the sites and scale of development set out in the Local Plan. In order to meet this test the Council is required to prepare and publish viability evidence. This evidence should take an area-wide approach, but also, critically, it should consider strategic and brownfield sites. In considering the viability of these sites Councils need to ensure that all development costs are taken into account.

c) The Relevant Plan and the Gasworks Site

For the purposes of the Brighton CIL DCS the Local Plan is the Adopted Brighton City Plan (2016), Adopted Policies Map (2016) and the retained parts of the Local Plan (2005).

The former document, adopted in 2016, includes the Council’s development strategy (Chapter 2), development and special area policies, including strategic sites (Section 3) and a series of City Wide policies (Section 4), including policies on affordable housing (CP20). Paragraph 1.13 notes the very constrained nature of land supply in the City and Strategic Objective 9 confirms that it is essential to:

“Make full and efficient use of previously developed land in recognition of the environmental and physical constraints to development posed by the sea and the South Downs.”

Policy CP20 requires 40% on-site affordable housing provision on sites of 15 or more homes, subject to flexibility where the Council considers this to be justified.

Policy DA2 identifies the Brighton Marina, Gasworks and Black Rock area as a Development Area, including three Strategic Allocations, shown on the Plan below. The Gasworks site is the area within the boundary marked (2).
For the Gasworks site, it proposes 2,000 sqm of business floorspace and a minimum of 85 residential units. Part (e) states:

“Development proposals should undertake and submit to the Local Planning Authority evidence to support uses where possible land contamination and remediation may prohibit the delivery of the above uses and amounts.”

Supporting paragraph 3.16 states:

“In recognition of the current impact of the economic downturn on the deliverability of major schemes, it is important to allow for reasonable flexibility, in the short term to promote successful regeneration and enable viable schemes to be delivered.”

Although the site has a minimum allocation of 85 homes, it has the potential capacity to significantly exceed this subject to other planning policies being met. In an Authority with limited brownfield sites and tightly constrained by land with environmental designations, it is imperative that the Council maximises delivery from strategic sites. Therefore whilst the individual capacity of the site is currently identified as relatively low, it is still identified as a strategic allocation in the Plan and, consistent with CIL guidance, the Council should be seeking to ensure that it is viable when setting CIL.

Policy clearly recognises that these sites, and the Gasworks specifically, are likely to face viability issues and that the Council, through policies DA2 and CP20 will need to consider the elements of the proposals and balance of obligations carefully to ensure that it achieves its objectives whilst still ensuring that the capacity of the sites is maximised and that development can come forward viably.
The Local Plan is supported by an Infrastructure Delivery Plan, which has been updated (June 2017) as supporting evidence for the Council’s DCS. This includes a 50-page schedule which sets out the essential and important transport and community infrastructure requirements including those for specific site allocations.

There are therefore potentially significant on and off-site obligations for these sites that need to be considered in any assessment of their viability. In contrast to the Council’s view set out in the PDCS consultation responses, St William considers that, when taken together with other site abnormal costs, site specific requirements would be an obligation so abnormal or significant as to require a separate CIL rate, as has been found to be the case for the Marina site.

d) The Viability Assessment

Former Gasworks sites are unique in both use and character and have extremely high abnormal and technical costs, such as remediation, associated with development.

Brighton Gas Works is understood to have been in operation since at least 1818 and has seen significant site changes (demolitions and redevelopments) since then, which give rise to significant uncertainty and unpredictability about site and ground conditions, and their associated costs.

Early desk study and site investigation works on site were not able to identify the precise locations of the manufacturing plant, with attendant liquor and tar wells and constructions such as underground storage tanks which have occupied the site. Subsequent significant investigation works on site have identified a number of below ground structures and anomalies. Vehicle maintenance and associated car parking has been undertaken on the site central portion of the site for at least the last 40 years, with petrol and diesel tanks present until the mid-1990s.

Whilst these costs can vary considerably the experience of St William is that remediation, gasholder demolition and Pressure Reduction Station relocation costs are likely to be at least £6.4m in this instance. This excludes other abnormal costs such as those associated with levels, which vary considerably across the site, and other features of the site.

The implication of these circumstance elsewhere has been that Local Authorities have either had to consider lower or zero CIL rates for these sites, or accept that other planning obligations (particularly affordable housing) will have to be reduced.

The Council has published a Community Infrastructure Levy (CIL) Viability Study (August 2017) produced for them by Dixon Searle Partnership. This study makes clear at the outset that it has not attempted to undertake any site-specific viability assessments. Instead, the approach seeks to use “a range of appropriate site typologies reflecting the potential mix of sites likely to come forward.” The other limitations of the study include:

- It does not test the implications of all Local Plan policies but instead includes assumptions on affordable housing, energy and water, space standards and the access and use of buildings. For some appraisals it also includes a residual £3,000 per dwelling S106 contribution.

- It does not test a ‘mixed-use’ scenario, which is a policy requirement and does not provide (even in combination) an appropriate basis for the assessment of viability for this site.

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6 Notes and Limitations, paragraph 4
- The negative RLV for commercial uses clearly has implications for the site as a whole which are not reflected in rate setting.

- It does not consider the wider on and off-site infrastructure requirements that are suggested for the sites in DA2. These would again have a significant effect on viability as they could significantly exceed the £3,000 per dwelling assumption in the assessments as well as reducing developable site area.

Overall then the Study does not attempt to undertake any site-specific assessments, despite Government guidance that strategic sites and particularly brownfield sites with significant viability challenges should be included. The Brighton Gasworks site is a Strategic Allocation in the relevant plan with significant and acknowledged site-specific issues, and potentially significant planning obligations. The Viability Study does not demonstrate the impact of the proposed rates on the viability of this site.

The report is not clear on what assumptions (if any) have been assumed for site preparation and remediation in any of the scenarios. In practice, and as acknowledged in the City Plan, Gasworks sites can have significant demolition, remediation and site preparation costs. In addition, they can also have ongoing operational requirements requiring easements and non-developable zones which limit developable area.

The Council recognises in the adopted Plan the threat of abnormal costs to viability. For the adjacent Brighton Marina Site, the Council has stated that, “This revised proposal is to be reflected in the DCS, and is consistent with the level of abnormal costs that to date have been shown to create a viability deficit.” The proposed nil-rating for the Marina site shows that BHCC supports a lower CIL approach. It is the view of St William that clear evidence shows that the Gasworks site also faces significant abnormal costs and that the simplest way to deal with this fairly and consistent with State Aid rules is that the whole of the DA2 allocation (including the three site allocations) should be zero rated.

e) Potential Alternative Approach

St. William appreciates the Council’s need to fund and secure infrastructure to support the delivery of the Local Plan. It also acknowledges that Regulations 122 and 123 of the CIL regulations currently limit the Council’s ability to continue to secure some infrastructure contributions through Section 106 agreements. At the same time the Council’s own planning policies (DA2 and CP20) acknowledge, both generally and for the sites in the Brighton Marina, Gasworks and Black Rock area, that there are viability challenges and that the Council will need to operate flexibly to balance the need for contributions with on-site provision of infrastructure and affordable housing. The introduction of the proposed CIL charge will significantly reduce any such flexibility, as acknowledged in the Council’s own viability assessment.

We support the approach taken by the BHCC at the Marina Site. We think that it is appropriate that the site is nil-rated for CIL to reflect site costs. We do not think that, as an adjacent site with very similar, if not greater, challenges, it is appropriate for the gasworks site to have a different approach to CIL, and we are concerned that this could be regarded as selective assistance and therefore constitute State Aid.

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7 This is acknowledged in the report at paragraphs 2.36, 2.12.3 and 3.1.13

8 “State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union (EU).” https://www.gov.uk/guidance/state-aid
The CIL guidance states:

“In all cases, differential rates must not be set in such a way that they constitute a notifiable state aid under European Commission regulations (see State aid section for further information). One element of state aid is the conferring of a selective advantage to any ‘undertaking’. A charging authority which chooses to differentiate between classes of development, or by reference to different areas, should do so only where there is consistent economic viability evidence to justify this approach. It is the responsibility of each charging authority to ensure that their charging schedules are state aid compliant.”

A nil-rating would allow the Council to consider the balance of obligations from each site (including affordable housing and on and off-site infrastructure contributions) on a case by case basis ensuring that they are focused on the Council’s priorities and demonstrate that all sites in the DA2 zone had been treated equally and fairly.

The proposed removal of the pooling restriction in Regulation 123 in the Government’s recent consultation on developer contributions would allow the Council to consider the balance of obligations from each site (including affordable housing and on and off-site infrastructure contributions) on a case by case basis. St William would be happy to engage with the Council on how such an approach might operate based on experience on other strategic sites around the country.

f) Charging Zone Boundaries

In implementing CIL it is also important for the Council to ensure that the Charging Schedule is as simple as possible and does not cause unnecessary complication when assessing the CIL liability of strategic sites.

This would be resolved by setting a CIL rate for the DA2 strategic allocation as a whole. If this were not to be done St William is concerned that, in the specific case of the Brighton Gasworks site, the proposed boundaries of the charging zones set out in the Viability Study and the DCS are unduly complex, given that they bisect the site.

It is acknowledged that the Council wishes to use the DVS zones, consistent with its affordable housing contributions guidance, however experience elsewhere where large sites have been included in more than one charging zone, is that CIL implementation and calculation is very difficult. As the site does not have a direct sea frontage (unlike most of Zone 1) it suggested that (in the absence of a site or area specific charge including the Marina site, which would be preferable and for which we have provided supporting evidence above) the boundary should be re-drawn to include the whole site in Zone 2. This would make the Charging Zone boundary consistent with the Strategic Site Allocation in the Local Plan.

g) Conclusion

St William is pleased to have the opportunity to respond to the Council’s DCS. It is supportive of the positive approach that the Council has taken to Site Allocations and Infrastructure Planning, and appreciates the flexibility which has been built into planning policy to address site specific issues.

It is concerned however that the Viability Study informing the DCS does not reflect the issues facing sites like Brighton Gasworks and that, where strategic site viability has been considered, this has been applied inconsistently despite sites facing similar abnormal costs.
St William suggests that the Council might wish to consider an alternative approach which reflects these site-specific issues and allows them to continue to implement their policies flexibly. Such an approach is supported by the Government who are proposing to amend the CIL regulations to allow more flexibility for strategic sites. St William, and other Berkeley companies, have extensive experience of working with Local Authorities in such a way elsewhere and is keen to engage further with the Council to work through these issues before the modifications to the DCS are submitted.

In the meantime, please do not hesitate to contact me if you require further information.

Yours faithfully,
Dear Sir or Madam

BRIGHTON AND HOVE CITY COUNCIL: CIL DRAFT CHARGING SCHEDULE – MARCH 2018

I am writing on behalf of our mutual clients National Grid Property (NGP) and Southern Gas Networks (SGN) in order to make representations in relation to the above document. The representations are made in the context of the NGP and SGN landholdings in the Borough at the Former Gasworks site on Boundary Road.

The Council will be aware that NGP has formed a joint venture company with the Berkeley Group called St William Homes. St William has been established to lead regeneration of redundant gasworks sites in London and the south-east. The aforementioned site is currently under consideration by the joint venture, which has the ability to deliver a significant number of new homes and community benefits. St William has already submitted representations to the Preliminary Draft Charging Schedule (DCS) in December 2017 and will be making its own further representations to this version of the DCS.

These submissions have been produced with the St William representations in mind and NGP and SGN fully support the St William representations made to the Council.

As stated above, these submissions are made in the context of the NGP and SGN land ownership at Boundary Road.

It is noted that the newly proposed DCS provides a specific Strategic Sites rate for two sites; namely the Brighton Marina Inner Harbour and the King Alfred Leisure Centre/RNR site. This is a different approach taken to the first DCS produced at the end of 2017.

With a clear precedent now set for other specific strategic sites accommodating a £0 CIL rate, NGP and SGN are concerned that the proposed CIL charges relating to the Boundary Road site do not properly take into account the viability concerns of this Gasworks site.

The Council will recall that NGP and SGN has consistently made representations to other emerging planning policy documents including Part 1 of the City Plan and the Waste and Minerals Sites Plan setting out viability concerns relating to the delivery of this site in the context of the City Plan.
As pointed out by Quod on behalf St William, the CIL guidance is clear that Charging authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan.

The current Site Allocation, DA2 (Brighton Marina, Gas Works and Black Rock Area) has a minimum allocation of 85 homes. However, it is considered that the site has clear capacity to significantly exceed this number, particularly in a Local Authority area with an extremely limited number of brownfield sites and which is constrained by geographical and environmental features.

The Council should be looking to maximise delivery of new homes on this site, given the recognised shortfall in meeting its housing need. It is essential that the Council meets its own policy requirement to make full and efficient use of previously developed land.

With the above in mind and noting that this site faces a number of viability challenges to ensure that it achieves the policy requirements of making best use of a scarce brownfield resource, it is vitally important that the DCS does not adversely impact on the ability of this strategic site coming forward.

To conclude, the Council has acknowledged that the neighbouring site at Brighton Marina (which forms part of the same allocation under Policy DA2) should be zero rated for CIL purposes and NGP and SGN are of the view that given the abnormal costs associated with the development of the Gasworks site that this site should also be zero rated in the adopted Charging Schedule. Therefore, we would respectfully ask that this change is made prior to the final version of the CIL Charging Schedule being published.

I trust you find the attached comments to be clear. However, should you have any further questions or queries, please do not hesitate to contact me.

Yours sincerely
Summary
Representations are invited on this Draft Charging Schedule within a consultation period starting Wednesday 28 March 2018 (00.00 am) and ending Wednesday / 3 June 2018 (midnight). The charging area covers the administrative area of Brighton and Hove City Council excluding the South Downs National Park area. The charging authority and the collecting authority is Brighton & Hove City Council.

The Draft Charging Schedule and relevant evidence is published in accordance with regulation 16 of the Community Infrastructure Levy Regulations 2010 (as amended).

Representations:
You can view the Draft Charging Schedule and relevant evidence and respond online using the Consultation Portal: www.brihtonhove.gov.uk/DCSconsultation

If you wish to submit a written representation by email or by post, please use this form.

The Draft Charging Schedule and relevant evidence can be inspected and downloaded from www.brihton-hove.v.uk/content/contributions

If you are commenting on multiple sections of the Draft Charging Schedule and relevant evidence you will need to complete a separate copy of Part B of this form for each representation. This form may be scanned in and returned via email to Plannin Polic bri htonhove. ov.uk or sent to: Policy, Projects and Heritage Team; First Floor. Hove Town Hall. Norton Road BN3 3BQ

Accessibility If you would like further support in accessing this consultation please see our Accessibility Guidance. Paper copies or documents are available to inspect in our Customer Service Centres and all Brighton & Hove City Council Libraries during the consultation.

Guidance:
This form has four parts:

- Part A: Personal Details
- Part B: Your Representation(s)
- Part C: Request to be heard by the CIL Examiner
- Part D: Request to be notified in accordance with reg. 16(e)

Please use this response form as it will help the council to keep accurate and consistent records of all the comments on the Draft Charging Schedule, alternatively compete online at www.brihton-hove.ov.uk/DCSconsultation
Please use a separate copy of Part B (and Part C if required) of this form for each representation you wish to make about the Draft Charging Schedule. It is important that you include your name and address as anonymous forms cannot be accepted. If your address details change, please inform us in writing via email or letter. All representations should be received by midnight of the evening of Wednesday 13 June 2018.

You may withdraw your representation at any time; please inform us in writing via email or letter.

Part A: Personal Contact Details

Data Protection Notice: Personal Information given on this form will be used by Brighton & Hove City Council, the Examiner and the Programme Officer in connection with statutory functions of the CIL Regulations 2010 (as amended) to bring in a CIL Charging Schedule. It will not be used for any other purpose. Representations will not be treated as confidential and will be published on our website and in any subsequent statements; however, personal details such as address, phone number or email address will not be published on the website.

If you have any questions or concerns about how your personal data is to be used in this process, you can contact the Data Protection Team on data.protection@brighton-hove.gov.uk or 01273 295959

Please note that you must complete Part A as anonymous forms or those that do not contain an address cannot be accepted.

<table>
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<th>1. Your Details</th>
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<tr>
<td>Organisation (if applicable)</td>
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All comments must be received by Wednesday 13 June 2018 (midnight). Late representations will not be accepted.

Please email forms to PlanningPolicy@brighton-hove.gov.uk or post to: Policy, Projects and Heritage Team, First Floor, Hove Town Hall, Norton Road BN3 3BQ

Alternatively you may use the consultation portal to make representations.
Part B: Your Representation
Please use the space below to provide detailed comments (please use a separate section of Part B for each representation you make and attach extra sheets as necessary)

Please see enclosed letter

All comments must be received by Wednesday 13 June 2018 (midnight).
Late representations will not be accepted.
Please visit PlanningPolicy@brightonhove.gov.uk or post to:
Policy, Projects and Heritage Team, First Floor, Hove Town Hall, Norton Road BN3 3BQ
Alternatively you may use the consultation portal to make representations
Part C: Request to be heard by the CIL Examiner

Regulation 16 identifies that persons making representations may request the right to be heard by the CIL Examiner.

Do you wish to request the right to be heard by the CIL Examiner?

If you wish to request this right, please outline why you consider this to be necessary:

Yes – As a major investor within Brighton, as the owner of Churchill Square Shopping Centre, JTC wish their representations to be given full consideration by the examiner

Please note that it is for the Examiner to decide how the hearing is to be conducted.

Signed/typed: 

Dated: 13/06/2018

Please also see following page part D - requests to be notified in accordance with regulation 16 (below)

All comments must be received by Wednesday 13 June 2018 (midnight)
Late representations will not be accepted.
Please forms to PlanningPolicy@brightonhove.gov.uk or post to:
Policy, Projects and Heritage Team, First Floor, Hove Town Hall, Norton Road BN3 3BQ
Alternatively you may use the consultation portal to make representations
Our ref: GMB

Policy, Projects and Heritage Team
City Development and Regeneration
Brighton & Hove City Council

13 June 2018

Dear

Community Infrastructure Levy - Consultation on a Draft Charging Schedule

On behalf of our client, JTC Fund Solutions (Jersey) Limited ("JTC"), the owner of Churchill Square Shopping Centre, we hereby submit representations on the above consultation.

This follows our submission of representations on 8 December 2017 in respect of the Preliminary Draft Charging Schedule (PDCS).

JTC is currently working with the City Council in respect of the major development of 2 key development areas known as the Waterfront Project, which includes a mixed use retail led scheme at Churchill Square/Brighton Centre including an extension to the shopping centre (Central Site), and a major venue/conference centre at the Black Rock site (as a replacement for the existing Brighton Centre).

JTC has reviewed the Draft Charging Schedule (DCS) and associated documents and the likely implications of bringing forward these complex development proposals in the context of a CIL charging regime and the impact this could have on development viability and thus delivery of the project.

These representations are also put forward in the context of the challenges faced by the retail industry which is going through a major structural upheaval. Retail dynamics are changing rapidly with the combination of impact of online shopping, cost pressures, rising inflation and slowing wage growth, all impacting consumer confidence and dampening demand. Thus bringing forward complex retail schemes in this market is challenging and any additional imposed costs associated with new development will impact on delivery.

Within this context we have reviewed the DCS compared to the PDCS. We have also reviewed the representations made during the last consultation period.

Council’s Response to Representations on PDCS

We note that as a result of representations from student housing developers and the Brighton Marina owners, (Landsec and Brunswick Developments Group Plc), as well as the Brighton Marina Neighbourhood Forum, the Council has decided to make two key changes to the DCS. The student housing rate has been reduced, and the Marina and King Alfred sites have been nil rated for residential development.

It does not appear that any representations were submitted in respect of the King Alfred site, although we note that in the Council’s response to the representations submitted in respect of the Marina, as set out below, that the same argument about viability that has been put forward on the Marina has also been applied to the King Alfred site, hence the decision to make each £0 rated for residential development.
The consultation report in response to Brunswick states:

“As noted above the Council is satisfied on further review that it has the appropriate available evidence, based on existing information in order to inform an adjustment to the PDCS stage proposals so that the Brighton Marina Inner Harbour site area (boundaries as mapped in the City Plan), is considered as strategic in terms of CIL guidance, with the proposed DCS rate for this being £0/sq. m (see Table 1 of the DCS).

The Council notes that based on the same approach of reviewing existing viability information and Housing Investment Fund bidding details, the appropriate available information exists to support the same approach in respect of the proposed housing at the strategic King Alfred site.”

It is noted that whilst the Marina owners supplied detailed justification in respect of the impact on viability of a £175 CIL rate for residential at the Marina, no such evidence was provided for the King Alfred site (as no representations were submitted, or at least referred to in the Consultation Report). However in the response set out above reference is made to available “evidence” to justify the position on the King Alfred site – including existing viability information and Housing Investment Fund billing details. Yet this evidence does not appear to be in the public domain.

We note that no changes have been made to the retail rate, nor has the Council made any specific dispensations for the development of other key Development Areas, with the Council responding to SLI’s two key representations in relation to DA1 as follows:

**Council’s Response to JTC’s representations on PDCS**

**SLI Comment:** Applying £50 rate to retail in major development site creates issues of viability and threatens delivery.

**Council Response:** These comments on the application of charging rates for retail as proposed within the PDCS are noted and as with all other comments have been taken into account in further review of the evidence and proposals.

In this case, this further review work has extended to the preparation and review of additional test scenarios. Further appraisals have been carried out. This additional work is outlined in the CIL Viability Assessment Addendum (February 2018) and will be reflected subsequently the preparation of the DCS.

So the Council has ensured that due regard has been taken of the comments made here. Whilst there are many unknowns at this stage in regard to the Churchill Square shopping centre development / extension proposals, the additional tests have enabled the consideration of the viability of comprehensive shopping centre type development. Bearing in mind the necessarily high-level and assumption based nature of the exercise at this stage, for the purpose of CIL charge setting, the potential influence of a range of rental values and investment yields have been tested. The further review work is consistent with the CIL principles.

Taken together with the 2017 viability assessment and recommendations and now also acknowledging the consultation feedback, the Council is confident that the approach taken in the February 2018 Viability Study addendum which has taken into account these comments is appropriate.

A £50/sq. m CIL charging rate is considered likely to amount to a CIL liability (high-level estimate) of between approximately £1 and 2m, which represents only a very small proportion of the development value or cost considered likely to be relevant in this instance.

It is a fact that any cost has an impact on viability, and this could be described as adverse, because a cost translates to a negative impact when considered in isolation. In practice, a charge at such a level is likely to be only a very small factor in overall scheme viability and merely one of a wide range of influences on the overall scheme costs.

As the details are unknown, in common with all appraisals undertaken as part of the viability assessment, no allowance has been made for any existing floorspace that would have the effect of netting-off within the CIL liability calculation. Overall, there is no evidence to suggest that applying the ‘all other retail’ rate of £50/sq. m to the retail element of the Churchill Square development would unduly undermine its viability and therefore threaten the delivery of the Plan.
The proposed charging rate for city centre comparison retail has been clarified between the proposed PDCS and the proposed DCS as falling within the rate of 'other shopping units development' and is not considered to fall within the retail – larger format typology (see Table 1 of the DCS). Dealt with in this way, the £50/sq. m rate as proposed within the PDCS is considered to remain entirely relevant – for all retail outside the specified larger format types, including the Churchill Square proposals. This is considered an equitable and appropriate approach, robust and consistent with CIL principles.

It is considered that references to residential development or PBSA (purpose built student’s accommodation) within this area are not specifically relevant to policy DA1 in the local development plan and so would not be applicable in terms of strategic relevance of a CIL charge relating to the DA1 area. The conference centre element would in any event be subject to nil-rating within as per the PDCS rate for other development uses; to be carried forward to the DCS (See Table 1 of the DCS)

**SLI Comment:** Delivery of residential on complex city centre development site will be threatened by application of high CIL rate for residential.

**Council Response:** It is considered that references to residential development or PBSA within this area are not specifically relevant to policy DA1 in the local development plan and so would not be applicable in terms of strategic relevance of a CIL charge relating to the DA1 area. The conference centre would be subject to nil-rating within the proposed DCS rate (See Table 1 of the DCS). With the retail element addressed separately, the Council considers that there is no need to further reflect these comments through additional review work or changes to the CIL charging proposals.

**Changes proposed by DCS**

We set out below a summary of the updated DCS – including our notes on changes since the PDCS.

<table>
<thead>
<tr>
<th>Use</th>
<th>Location</th>
<th>Levy (£/sq. m)</th>
<th>GLH Notes</th>
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</thead>
<tbody>
<tr>
<td>Residential - applies to C3 and C2 use classes</td>
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<td>175</td>
<td>Unchanged (note: Brighton Centre/Churchill Square and Black Rock sites both included in Zone 1)</td>
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<tr>
<td></td>
<td>Zone 2</td>
<td>150</td>
<td>Unchanged</td>
</tr>
<tr>
<td></td>
<td>Zone 3</td>
<td>75</td>
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<td></td>
<td>Brighton Marina Inner Harbour; King Alfred Leisure Centre/RNR site</td>
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<td>New - previously these sites would have been subject to £175 rate.</td>
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<td>Reduced from £250</td>
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<tr>
<td>Purpose Built Student Housing</td>
<td>City Wide</td>
<td>100</td>
<td>Unchanged</td>
</tr>
<tr>
<td>Retail – Larger format – Retail warehousing / Supermarkets</td>
<td>City Wide</td>
<td>50</td>
<td>Unchanged</td>
</tr>
<tr>
<td>Other shopping units development</td>
<td>City Wide</td>
<td>50</td>
<td>Clarification provided that this will be applied to city centre comparison retail</td>
</tr>
<tr>
<td>All other development uses</td>
<td>City Wide</td>
<td>0</td>
<td>Unchanged</td>
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</tbody>
</table>
JTC Comments on the DCS

Policy Basis
As noted above our client is currently working with the Council to deliver the Waterfront Project, the basis for which is provided for in the adopted City Plan Part One in the strategic allocations of DA1 Brighton Centre and Churchill Square Area; and, DA2 Brighton Marina, Gas Works site and the Black Rock site.

The DA1 strategic allocation provides for the delivery of a new conference centre to benefit the City and the region and to sustain the tourism and service economy, positioning Brighton & Hove as one of Europe’s leading conference and meeting destinations. The extension of Churchill Square Shopping Centre and the provision of new leisure facilities will bring further economic benefits by the development of a significant new retail development in a sustainable location.

The DA2 strategic allocation identifies the Black Rock site for 7,000 sq. m of community leisure and recreation purposes. The site has been long identified as being appropriate for a major leisure and recreation development.

It is a clear policy requirement that the development of the DA1 strategic site (referred to as the Central Site) enables the delivery of a new conference centre for the City. Therefore there is an imperative to ensure that the development of the Central Site can proceed to deliver the overall Waterfront project. If the Central Site cannot proceed for any reason then the project as a whole will not be delivered, including a new conference centre.

These two sites that make up the Waterfront Project will deliver significant economic benefits for the City and the region. The unique relationship between these two key development sites makes them incomparable to other strategic sites identified within the City. This is a key consideration for the City Council in identifying appropriate CIL rates for developments that essentially enable the delivery of two key regeneration sites within the City which will deliver significant public benefits.

Unique Combined Development

The specific nature of the combined scheme and the interrelationship between the two sites which result in unique challenges faced by the delivery of a key strategic project are not captured in the generalised development scenarios upon which the CIL viability evidence is based, including the more recent addendum report prepared by Dixon Searle in February 2018.

Importantly the development of the Central site enables the delivery of the venue/conference centre scheme in financial terms and cross subsidises the delivery of public benefits delivered by the overall project. It therefore has to be viable. Further burdening the viability of the Central site by imposing the proposed CIL charges imposes a further cost on the development which will have a further impact and threaten the delivery of the project including the delivery of the venue/conference centre.

Neither the emerging scheme for the Central site or the Black Rock site is currently viable. Both sites face viability challenges. Public sector subsidy required to support the Waterfront project is already in excess of £100m. Any further costs burden imposed on either scheme will impact further on viability.

The Black Rock site has unique physical characteristics which place abnormal cost burdens on any development. These are further outlined below.

The Central Site is a complex city centre site which includes a functioning shopping centre, multiple levels and a seafront location with specific physical challenges. Making any scheme viable on this site is a challenge. The impact of the current retail climate is also a major factor on viability. We previously drew attention in our representations submitted in respect of the PDCS to the challenges faced by...
investors/developers in bringing forward significant retail led urban regeneration projects, such as the Central site development.

Since then the retail climate has significantly worsened with acute shifts in the retail sector, involving several operator failures and closures. The retail market is undergoing massive structural change and is under significant pressure from an oversupply of retail floorspace as well as threats from online shopping.

Delivering this project is thus challenging and is dependent on not only significant private sector investment but also public subsidy. The more burdens that are placed on the development of the Central site will severely impact on viability and thus delivery of the scheme and in turn the wider Waterfront Project.

The lack of viability is evidenced by the proposed public subsidy of the project which is justified on the basis of the clear public benefits that would flow from the combined regeneration projects, as follows.

LEP funding has been secured of £12.1m which is ring-fenced to the Waterfront project. The amount being raised by a TIFF is in the order of £50-70m which is based on net increase in business rates on the commercial elements of the Central site development. (Thus if the Central site development does not happen because it is not viable then the Council will not be able to raise the TIFF funding as there will be no business rates uplift). This sum will be directed towards meeting the venue/arena costs of £120m. Further the Council is intending to borrow against future income form the venue operator in the order of £20-30m.

In addition to the above public subsidy the land receipt for the Brighton Centre site (from JTC to the Council) forms an important part of the overall financial consideration and is determined by the viability of the Central site scheme. Thus the more cost burden placed on the development of the Central site, including CIL, the less value that will be available to fund the overall development of the venue/arena.

Black Rock

Delivering the complex development proposals that make up the Waterfront Project is challenging. Whilst the development of the Black Rock site for a major venue/conference centre would not be subject to CIL, the development of the site will also face considerable costs, many of which have been highlighted by the Marina owners in respect of the development of the Marina.

The financial viability of development of the Black Rock site needs to take into account that it starts from a point of significantly higher construction costs due to the site being made up land, essentially built on/above the beach and one which requires complex structural construction to deal with the extant sea level and coastal defences. In addition, like all seafront developments any scheme requires enhanced building specifications to cope with the extremely exposed location.

Central Site

The successful delivery of a venue/conference centre on the Black Rock site is predicated on bringing forward a viable scheme on the Central site in order to deliver the overall benefits of the project for the City. We have outlined the challenges faced by any development of the site above.

Any development of that site that includes retail and residential development (the latter would be a key value driver of any scheme) would be subject to CIL rates under the DCS of £50 and £175 respectively.

No detailed feasibility studies have been undertaken but an expansion of Churchill Square could deliver a scheme of between 20,000-45,000 sq. m of additional retail/leisure and catering floor space – depending on the mix of residential and retail uses.

New retail floorspace could be in the region of an additional 20-40,000 sq. m. Thus the CIL payment could range from £1-2m for the retail.
It is also assumed the Central Site can deliver 200-250 additional residential units, for which a CIL payment would be in the order of £1.5-2m.

The proposals are at an early stage and these figures are based on a broad estimate of the likely floorspace of the scheme, but provide an indication that the potential CIL payment for a development of the site that included residential could be in the order of £4m. The final figures may be higher than this.

Whilst the DA1 site is not specifically allocated for residential development, and the Council does not therefore consider it necessary to review the CIL rate for residential on this site, it is relevant that securing residential development as part of a retail-led retail scheme on this site would be a major benefit for the City, particularly as the Council has not been able to provide a 5 year housing supply and is reliant on further windfall sites being identified for residential development within the City.

Thus the delivery of a significant amount of residential development on the DA1 site would meet a wider strategic objective of the City Council. It would also be a key value driver for the site and assist in offsetting some of the abnormal costs associated with developing this complex site.

The Dixon Searle updated viability study suggests that the potential CIL payment for a generic retail development in the order of around 20,000 sq.m. net retail floorspace would constitute a small proportion of overall development costs and thus would not impact on overall viability of any scheme. As such the Council considered that a charge at such a level is likely to be only a very small factor in overall scheme viability and merely one of a wide range of influences on the overall scheme costs.

As noted above, the specific nature of the combined scheme and the interrelationship between the two sites which result in unique challenges faced by the delivery of a key strategic project are not captured in the generalised development scenarios upon which the CIL viability evidence is based.

**JCT Proposed Suggested Amendment to the DCS**

JCT remains concerned about the lack of recognition in the setting of CIL rates to the specific circumstances of the two sites that make up the Waterfront Project, as outlined above. JCT thus proposes the following further change to the DCS:

**In order to assist in the delivery of these two sites which will ultimately deliver significant economic benefits to the City JTC proposes that for strategic site DA1 any development on the site should be nil rated for CIL purposes.**

**Infrastructure Funding**

JCT understands that the Council may be concerned that by applying a nil CIL rate for the DA1 site would reduce the funds available for necessary infrastructure provision related to the Waterfront project within the city centre.

The key infrastructure impact of the Waterfront project will relate to transportation. Both developments will be required to mitigate immediate impacts of the respective developments via S106 contributions. This will not be affected by applying a nil CIL rate.

JCT is aware that the funding of key transportation projects that are related to the Waterfront project are being sought from other funding streams and are thus not reliant on CIL funding. As noted above LEP funding has been secured which will be allocated to new transport infrastructure. The Council is also in the process of applying for further funding via the Transforming Cities Fund. The Waterfront project is being promoted as the lever for the allocation of such funding as it is intended to be used to enable new waterfront infrastructure to maximise linkages between the two sites.

Thus it is not considered that applying a nil CIL rate on the Central Site will have a negative impact on the funds available for necessary infrastructure provision related to the Waterfront project.
Other Strategic Sites

The Council has given specific dispensation to the Marina and the King Alfred sites on the basis that applying the residential rate to these sites would render them unviable and thus threaten delivery of the strategically important development of these sites.

Similar considerations should apply to the development of the Waterfront Project sites, specifically the Central site recognising the significant costs of developing these complex sites, the interrelationship between the two developments, each of which faces unique burdens in terms of costs and in the case of the Central site, the current threatened retail and leisure markets, which will have a significant impact on viability and thus delivery of the whole Waterfront project.

JCT would request being kept up to date with the Council’s further considerations in respect of the proposed DCS and we confirm that JTC would like to participate in the forthcoming Examination into the DCS and be heard by the CIL Examiner.

Yours sincerely
Policy, Projects & Heritage Team  
Brighton & Hove City Council  
Hove Town Hall  
Norton Road  
Hove  
BN3 3BQ

11th June 2018

Dear Sir/Madam

Community Infrastructure Levy Draft Charging Schedule  
Brighton General Hospital  Elm Grove  Freshfield Road

We write on behalf of Rider Levett Bucknall in response to the current consultation for the CIL Draft Charging Schedule for Brighton & Hove. These representations specifically relate to the Brighton General Hospital site in Elm Grove which is allocated in both the 2005 Local Plan and the emerging City Plan Part 2 for mixed use redevelopment. Outline proposals for the site are currently being prepared on behalf of the Sussex Community NHS Foundation Trust and are subject to pre-application discussions with the City Council.

The response below should be read in conjunction with the enclosed assessment by Savills (UK) Limited which focusses on the economic impact of the proposed levy. The representations demonstrate that a levy cannot be justified in relation to the Elm Grove site and could jeopardise the future redevelopment of the hospital. We therefore request that the hospital site is given exemption status as proposed for the Brighton Marina Inner Harbour and the King Alfred/RNR sites.

Proposal Site

These representations relate to the Brighton General Hospital site which is bound by Elm Grove, Freshfield Road & Pankhurst Avenue. The site also includes the SECAmb Station which is located immediately adjacent to the west (see Site Location Plan 112592-IBI-WS-XX-PL-100-001).

The site covers 5.5 hectares and incorporates several large hospital buildings including the Arundel Building (Grade II listed), a number of infirmary buildings (Edburton, Dyke and Cuckmere) and several more recent buildings (Briggs and the Sussex Rehabilitation Centre). The complex also includes a number of smaller buildings, former stables and flint walls. The majority of the buildings are located within the curtilage of Arundel House and are therefore also listed.
The topography of the land slopes steeply from west to east and also from south to north.

Brighton & Hove Local Plan (2005)

The General Hospital is identified as a brownfield site suitable for redevelopment/conversion in the 2005 Local Plan. Policy HO1 allocates the site for the provision of 200 new residential units (of which 80% would be affordable).

Local Plan Policy HO25 seeks the provision of a new community centre as part of any residential development.

Brighton & Hove City Plan Part 2 (2018)

We understand that a consultation draft of the City Plan Part 2 is due to be published for consultation in July 2018. Draft Policy SSA1 identifies Brighton General Hospital for comprehensive mixed-use development including a new D1 health/care facility (10,000m² – 12,000m²), a minimum of 200 residential units and community facilities. The policy also requires development proposals to achieve the following:

- Achieve a high quality of design which preserves and where possible enhances the setting of the Grade II listed building and non-heritage assets;
- Create active frontages along Freshfield and Pankhurst Road;
- Maintain and improve existing greenspace including public realm and the provision of children’s playspace and/or multi use sports facility;
- Deliver sustainable transport infrastructure improvements;
- The developer will be required to enter into a training place agreement to secure training for local people.
Pre-Application Proposals

RLB and the NHS Trust have held a series of pre-application discussions with the City Council to assess development options for the site. The design proposals seek to achieve a comprehensive masterplan for a purpose-built health campus together with residential enabling development. The quantum of development proposed remains a matter for further review, however draft proposals currently include the following component parts:

- A new health hub with 10,462m² of D1 floorspace;
- 577 new residential units;
- The conversion of several listed buildings to preserve and enhance the heritage assets where appropriate;
- A comprehensive landscape masterplan for the whole site;
- A replacement children’s nursery;
- New children’s play space;
- Small additional commercial facilities including a café and community office space;

Draft CIL Charging Schedule (March 2018)

The General Hospital is located within Charging Zone 2 of the DCS and any new residential development would therefore be subject to a levy of £150 per m² if adopted.

The schedule includes two exception sites where no levy will be sought (Brighton Marina Inner Harbour and the King Alfred/RNR site). Both sites are allocated for redevelopment in the City Plan Part 1 including allowances for 1000 new residential units at the Marina and 400 units at the King Alfred site.

The Marina site has been listed as an exception to CIL charges due to the abnormal development costs associated with the required infrastructure (the underlying podium structure and sea defences in particular). The King Alfred Leisure Centre has been excluded due to marginal viability resulting from the need to deliver new sports facilities on the site.

Proposed CIL Exemption for Brighton General Hospital

On behalf of the NHS Trust we request that the General Hospital site is excluded from CIL requirements on the following basis:

1. Abnormal Development Costs

Any proposals for the hospital site will be subject to abnormal development costs associated with converting and enhancing several listed buildings to meet modern health or residential standards.

Due to the severe gradients across the site, a substantial degree of topographical levelling will be required in order to achieve the objectives of Policy SSA1 in City Plan Part 2.

Further abnormal costs associated with demolition and the remediation of land contaminants may be identified during the pre-application stages.

The hospital site should therefore be excluded from CIL charges on the same basis as the Marina Inner Harbour development.
2. **Delivery of the D1 Health Hub**

The proposed Health Hub (10,462m² of D1 floorspace) will not benefit from NHS investment funding. The quantum of residential development proposed is therefore required to achieve the land values necessary to deliver the Hub.

The hospital site should therefore be excluded from CIL charges on the same basis as the King Alfred/RNR site.

3. **Savills Viability Assessment**

The DSP Viability Appraisal does not include any modelling of sites of more than 200 or less than 700 dwellings. The General Hospital site has not therefore been tested as part of the CIL examination process.

The Savills assessment provides alternative modelling for both a 200 dwelling scheme and a 400 dwelling scheme without allowances for abnormal costs associated with demolition, conversion or site levelling. The appraisals demonstrate that neither typology can support the proposed levy of £150 per m² and the future redevelopment of the hospital site would therefore be jeopardised.

The assessment concludes that a levy of £0 per m² should be applied to the site to ensure the delivery of a significant number of dwellings across the plan period.

**Conclusion**

The Brighton General Hospital site has the potential to deliver a purpose-built health care facility together with a significant contribution towards housing supply for the city. Draft proposals seek to preserve and enhance the listed buildings where appropriate whilst improving the setting of the heritage assets with a landscaped masterplan.

However, delivering a mixed-use scheme to meet the requirements of Policy SSA1 in City Plan Part 2 without any central funding presents significant challenges. Abnormal costs associated with demolition, converting historic buildings and site levelling will jeopardise deliverability further.

The DSP Viability Appraisal has not tested the Brighton General Hospital site or any scheme between 200 and 700 dwellings. The viability testing carried out by Savills confirms that neither a 200 dwelling scheme or a 400 dwelling scheme could support a levy on the site without compromising the development.

We therefore request that the hospital site is excluded from any CIL requirements on the same basis as the Inner Harbour and King Alfred/RNR sites.

If it would be helpful to meet and discuss this consultation response together with the Savills assessment, please contact
Yours faithfully

Lewis & Co Planning
Brighton & Hove City Council Community Infrastructure Levy Draft Charging Schedule

Viability Appraisal on behalf of Rider Levett Bucknall in respect of Brighton General Hospital Site, Elm Grove, Freshfield Road
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Appendix 2 – Developer’s Profit
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Table 2.2 Proposed Levy DCS
Table 2.3 Summary of DSP Viability Assumptions
Table 2.4 Summary of Values Stated to have been adopted (Zone 1)
Table 2.5 Summary of Values Stated to have been adopted (Zone 2)
Table 2.6 Summary of Values Stated to have been adopted (Zone 3)
Table 2.7 Baseline Build Costs Adopted by DPS – Flatted Schemes
Table 2.8 Savills Evidence on Infrastructure / Site Works
Table 2.9 Results of Sensitively Testing on Alternative Assumptions 200 Dwelling Scheme
Table 2.10 Results of Sensitively Testing on Alternative Assumptions 400 Dwelling Scheme
Table 2.11 Results of 200 Dwelling Scheme CIL @ £0 per sq m
1. Introduction
1. Introduction

This representation has been prepared by Savills (UK) Limited (hereafter termed “Savills”) on behalf of Rider Levett Bucknall (RLB). It is made in respect of Brighton & Hove City Council (BHCC) Draft Charging Schedule (DCS) for the Community Infrastructure Levy (CIL). This representation specifically relates to Brighton General Hospital site, Elm Grove, Freshfield Road which has a draft allocation for a mixed use development including up to 200 dwellings and 10,000 – 12,000 sq m of D1 use. The site falls within Charging Zone 2 and residential development would therefore be liable for a charge of £150 per sq m.

This report analyses the development assumptions made by the Council’s appointed viability consultant, Dixon Searle Partnership (DSP) and explores the impact the proposed DCS will have to the General Hospital site. This report focusses on the economic impact of the proposed levy and should be read in conjunction with the Planning Statement prepared by Lewis and Co Planning.

Please note that the advice provided on values is informal and given purely as guidance. Our views on price are not intended as a formal valuation and should not be relied upon as such. They are given in the course of our estate agency role. Any advice in this report or the attached documents is not in accordance with RICS Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017, or any subsequent edition and neither Savills nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such.

The CIL Guidance contained within the Planning Practice Guidance (PPG) is clear on the narrow focus of the CIL examination process permitted by the Regulations:

“The Examiner should establish that:

- The charging authority has complied with the required procedures set out in part 11 of the Planning Act 2008 and the CIL Regulations;
- 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 (or rates) would not threaten delivery of the relevant Plan as a whole”

This representation explores whether BHCC has presented appropriate evidence, come to reasonable conclusions and is able to demonstrate that it “strikes an appropriate balance” in accordance with Regulation 14(1) of the CIL Regulations.

1 Paragraph 038, Reference ID 25-038-20140612, Planning Practice Guidance, revision date 12 June 2014
2. Viability Assessment: Brighton General Hospital
2. Viability Assessment

2.1. Background

DSP were commissioned by BHCC to produce a Viability Study\(^2\) for the Preliminary Draft Charging Schedule. The consultation closed on 10\(^{th}\) December 2017.

Since this time, a Draft Charging Schedule (DCS) has been produced, supported by an Addendum to the DSP Viability Appraisal. We collectively herein term these documents as the ‘DSP Viability Appraisal’. Consultation on the DCS closes on 13\(^{th}\) June 2018.

The DSP Viability Appraisal is a desk based study based on information provided by the Council and a number of viability assumptions made by DSP. The viability assessments are based on a series of residual valuation scenarios that model the gross development value achievable from different uses, in different areas within the City, and discounts development costs, including the cost of the proposed levy, interest costs and developer’s profit. The residual sum that is left is then compared on a price per Ha basis with varying Benchmark Land Values (BLV’s). Five BLV’s have been tested against three value tiers, being: ‘Higher Value’, ‘Base Value’ and ‘Lower Value’ across three Charging Zones within the Charging Area. We note that a viability buffer is then stated to have been incorporated within results by halving each result to reflect a 50% buffer.

A sample of development appraisals relevant to residential typologies have been provided by DSP at Appendix IIa of the DSP Viability Study. Whilst these summaries provide a headline of the assumptions used, the format in which they have been presented does not provide full transparency into the development assumptions relied upon to set the proposed levy. Savills have requested copies of the full appraisal but these have not been provided. As such there are a number of areas that require clarification. This representation is made on the basis of information we have been able to obtain through our analysis of the appraisal summaries and review of the commentary provided by DSP.

We set out a summary of the typologies tested by DSP at DCS stage:

---

\(^2\) Final Report, August 2017 DSP16472
Using the typologies and methodology stated above, the following CIL charges are proposed for development within City, which, at this stage, would result in a levy of £150 per sq m for C3 development at the Brighton General Hospital site:

### Table 2.2 Proposed Levy DCS

<table>
<thead>
<tr>
<th>Use</th>
<th>Location</th>
<th>Proposed Levy (£/sqm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Sites</td>
<td>Brighton Marina Inner Harbour, King Alfred Leisure Centre / RNR Site</td>
<td>£0</td>
</tr>
<tr>
<td>Residential – applies to C3 and C2 use classes</td>
<td>Zone 1</td>
<td>£175</td>
</tr>
<tr>
<td></td>
<td>Zone 2</td>
<td>£150</td>
</tr>
<tr>
<td></td>
<td>Zone 3</td>
<td>£75</td>
</tr>
<tr>
<td>Purpose Built Student Housing – City Wide</td>
<td>City wide</td>
<td>£175</td>
</tr>
<tr>
<td>Retail – Larger format – Retail warehousing/ Supermarkets</td>
<td>City wide</td>
<td>£100</td>
</tr>
<tr>
<td>Other shopping units development</td>
<td>City wide</td>
<td>£50</td>
</tr>
<tr>
<td>All other development uses</td>
<td>City wide</td>
<td>£0</td>
</tr>
</tbody>
</table>

A map showing a visual representation of the three Charging Zones can be seen below:
A summary of areas falling within each Zone is as follows:

- **Zone 3**: North Portslade, South Portslade, Hangleton B, Moulse.

This representation focuses on the development assumptions made by DSP for previously developed land for flatted schemes within Charging Zone 2. However, a number of our concerns relevant to Benchmark Land Values, revenue assumptions and development costs will be applicable across the entirety of generic modelling and should therefore be considered on this basis.

### 2.2. Summary of DSP Viability Assumptions & Areas of Concern

Savills have undertaken a detailed review of the economic viability assumptions made by DSP which have been relied upon by the Council in support of the DCS. We highlight the key assumptions below and provide a further analysis later in this report.
### Table 2.3 Summary of DSP Viability Assumptions

<table>
<thead>
<tr>
<th>Input</th>
<th>DSP Assumption</th>
<th>Savills Opinion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typologies</td>
<td>As per table 2.1 above.</td>
<td>Clarification as to how these sites were selected is required. We note that there is a significant gap between the largest typology at 700 dwellings and second largest typology of 100 dwellings.</td>
</tr>
<tr>
<td>Gross to Net Assumption</td>
<td>85% (excluding City Centre) and 50% on the 700 dwelling typology.</td>
<td>Disagree – a sliding scale is more appropriate for sites under 700 dwellings.</td>
</tr>
<tr>
<td>Housing Mix</td>
<td>Varying depending on typology size.</td>
<td>Clarification required as to what evidence base has been used to inform flatted typologies.</td>
</tr>
<tr>
<td>Dwelling Sizes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Studio</td>
<td>Affordable (sq m) N/A</td>
<td>Clarification required - An allowance of 15% to overall GIA should be made within modelling and costed to reflect circulation areas within flatted blocks. Values should be applied to net sales area and build costs to total GIA including communal areas.</td>
</tr>
<tr>
<td>1 Bedroom Flat</td>
<td>50 N/A</td>
<td></td>
</tr>
<tr>
<td>2 Bedroom Flat</td>
<td>70 N/A</td>
<td></td>
</tr>
<tr>
<td>3 Bedroom Flat</td>
<td>N/A 79 N/A</td>
<td></td>
</tr>
<tr>
<td>Density</td>
<td>Houses - 50 dph; Flats- 100 dph and 220 dph for 6 storey+; Mixed - 75 dph.</td>
<td>Agree in principle but this will vary on a site by site basis.</td>
</tr>
<tr>
<td>Viability Methodology</td>
<td>Existing Use Value + Premium = Benchmark Land Value;</td>
<td>Clarification required (further detail provided later in this report).</td>
</tr>
<tr>
<td></td>
<td>Residual Land Value – Benchmark Land Value = CIL Surplus (without buffer) (700 Dwelling Typology);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Residual Land Value (with CIL as fixed Cost) compared with BLV (remaining typologies).</td>
<td></td>
</tr>
<tr>
<td>Viability Buffer</td>
<td>A 50% viability buffer is stated to have been adopted across all modelling.</td>
<td>Agree in principle with the level of buffer although the buffer has been incorrectly applied (further detail provided later in this report).</td>
</tr>
</tbody>
</table>
### Benchmark Land Value

<table>
<thead>
<tr>
<th>Benchmark Land Value</th>
<th>BLV 2 - £1.5 m per Ha for Brownfield (net to gross unknown);</th>
<th>Disagree – (further detail provided later in this report).</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BLV 3 - £3.3 m per Ha for Brownfield (net to gross unknown);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLV 4 - £5 m per Ha for Brownfield (net to gross unknown);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BLV 5 - £10 m per Ha (net to gross unknown) land use unknown;</td>
<td></td>
</tr>
</tbody>
</table>

### Revenue

<table>
<thead>
<tr>
<th>Sales Values (Open Market)</th>
<th>Zone 1</th>
<th>Zone 2</th>
<th>Zone 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Value £ per sq m</td>
<td>£6,500</td>
<td>£5,500</td>
<td>£5,000</td>
</tr>
<tr>
<td>Base Value £ per sq m</td>
<td>£6,000</td>
<td>£5,000</td>
<td>£4,000</td>
</tr>
<tr>
<td>Lower Value £ per sq m</td>
<td>£5,500</td>
<td>£4,500</td>
<td>£3,500</td>
</tr>
</tbody>
</table>

Clarification required – (further detail provided later in this report).

<table>
<thead>
<tr>
<th>Sales Values (Affordable)</th>
<th>30 – 65% of OMV.</th>
</tr>
</thead>
</table>

Clarification required – (further detail provided later in this report).

### Development Costs

<table>
<thead>
<tr>
<th>Acquisition Costs</th>
<th>1.5% Agent's Fee; 0.75% Legal Fee; SDLT at HMRC rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree in principle.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Baseline Build Costs</th>
<th>£1,327 per sq m (estate housing) - £2,213 per sq m (detached one off)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarification required – (further detail provided later in this report).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Servicing and Infrastructure</th>
<th>500+ dwellings - £17,000 - £23,000 per dwelling.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree – (further detail provided later in this report).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Professional Fees and Contingency</th>
<th>10% of baseline costs has been made for professional fees; 5% of baseline costs has been made for contingency.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree in principle if based on revised build costs.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External Works</th>
<th>No allowance.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree – (further detail provided later in this report).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Abnormal Costs</th>
<th>No allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree – (further detail provided later in this report).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Finance Costs</th>
<th>6.5%.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further to recent increases to the BoE base rate, a 7% rate is considered more appropriate including exit, entry and monitoring fees.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Developer’s Profit</th>
<th>20% of Gross Development Value (GDV) for private dwellings; 5% of GDV allowance for affordable dwellings.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree – (further detail provided later in this report).</td>
<td></td>
</tr>
</tbody>
</table>
### Section 106 Obligations

<table>
<thead>
<tr>
<th>Onsite provision</th>
<th>5 - 9 dwellings: 20% and 0% as per Written Ministerial Statement; 10 – 14 dwellings: 30%; 15+ dwellings: 40% affordable housing;</th>
<th>Agree in principle.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenure Mix</td>
<td>55% Affordable Rent; 45% Shared Ownership.</td>
<td></td>
</tr>
<tr>
<td>Financial Contribution</td>
<td>£3,000 per dwelling across all typologies save as to the 700 dwelling scheme where a nil allowance has been modelled to benchmark the surplus that could be afforded to CIL and or S106.</td>
<td>Similarly to the Strategic Sites tested by DSP, The Brighton General Hospital site would need to be tested to benchmark the surplus that could be afforded to both CIL and Section 106.</td>
</tr>
<tr>
<td>Disposal Costs</td>
<td>Sales Agent Fee 3% of GDV; £750 per unit legal fees;</td>
<td>Agree in principle.</td>
</tr>
</tbody>
</table>

### Delivery Timescales

<table>
<thead>
<tr>
<th>Construction Program</th>
<th>1 – 100 dwellings: 6 – 28 months; 700 dwellings: 78 months.</th>
<th>Clarification required – (further detail provided later in this report).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Program</td>
<td>Unknown.</td>
<td></td>
</tr>
</tbody>
</table>

The key areas of concern at DCS stage relevant to the Brighton General Hospital site are summarised below:

- Typologies Tested;
- Benchmark Land Values;
- Viability Buffer;
- Baseline Build Costs;
- Infrastructure Costs;
- External Works & Abnormal Costs;
- Developer’s Profit.

We provide more detail on the above along with other relevant inputs in the proceeding paragraphs.

### 2.3. Typologies Tested

Of the 17 no. typologies tested by DSP, only one typology exceeds 100 dwellings. Consequently, there is a significant gap within the viability modelling for sites of more than 100 dwellings and less than 700 dwellings. The Brighton General Hospital site benefits from a draft allocation for up to 200 dwellings. Clarification is sought as to why this site has been omitted from generic and strategic modelling by DSP. Further to a full review of the development inputs adopted by DPS as set out below, Savills have undertaken site specific viability modelling for the Brighton General Hospital site. The results are included at Section 3 of this report.
2.4. Benchmark Land Values (BLV’s):

The following Brownfield BLV’s have been adopted by DSP:

- BLV 2 - £1.5m per Ha for Brownfield (net to gross unknown);
- BLV 3 - £3.3m per Ha for Brownfield (net to gross unknown);
- BLV 4 - £5m per Ha for Brownfield (net to gross unknown);
- BLV 5 - £10m per Ha (net to gross unknown) land use unknown.

BLV’s form a fundamental input within viability testing and as such it is vital that methodology and assumptions are clearly set out. From our review of the DSP Viability Appraisal and accompanying appendices, RLB have the following concerns:

- It is unclear how the Brownfield BLV’s ranging from £1,500,000 - £10,000,000 per Ha have been used to ‘set’ the proposed levy across each Charging Zone;
- No evidence has been provided to support both the Existing Use Values and Benchmark Land Values adopted by DSP;
- It is unclear if the values adopted are on a net or gross Ha basis;
- The methodology behind DSP’s calculation of BLV is unclear and as such it is unclear what land owner’s premium has been assumed.

For Brownfield land, an allowance of £1.5m - £10m per Ha has been made by DSP, assumed to reflect an acceptable land owner’s premium for previously developed land.

Details of 17 no. development sites currently on the market have been provided by DSP\(^3\). The majority is for Brownfield land with the benefit of planning permission. We note that some of the sites are being marketed with development potential only.

The evidence ranges from 0.004 – 5.26 Ha with asking prices between £237,643 - £42m per gross Ha. The weighted average is £15.96m per gross Ha. No transacted land evidence has been provided, despite sold details of several previously developed development sites within the Charging Area being available on local agents’ websites and databases such as Rightmove Commercial.

Of key concern is that the BLV’s adopted by DSP, fall far short of the weighted average of £15.96m per gross Ha, with the maximum BLV adopted by DSP being £10m per gross Ha, without any justification nor additional supporting evidence. In addition, and notwithstanding the fact the figures referenced are asking prices and may contain some buffer, they carry less weight than transacted evidence and as such the we consider that appropriate available supporting evidence has not been provided to support the BLV’s adopted.

It is also unclear where, geographically, DSP consider it appropriate to ‘adopt’ each BLV. For example, where within the Charging Area is £1.5m per Ha deemed appropriate as opposed to £10m per Ha. There is a considerable difference in the range of BLV’s considered by DPS and as such the choice of BLV will have a fundamental impact.

\(^3\) DSP Appendix III Market Values, Table 14a
to the surplus afforded to CIL. It is vital that assumptions as to value, whether that be sales or BLV’s, are clearly stated. Whilst a map based on previous work undertaken by the DVS has been provided to outline where the three value zones are, and thus where the Charging Zones fall are, no commentary, nor maps have been provided relevant to BLV. We would strongly urge that this is provided which will provide much needed clarity to all stakeholders.

Further, on the basis of the above, we urge that Table 14a of Appendix III is updated to include transacted land evidence including the full site addresses so that the corresponding Charging Zone can be identified with a supporting commentary outlining how each sale has been used to set the BLV’s adopted and what landowner’s premium has been applied in DSP’s calculation of BLV.

It is unclear what landowner’s premium has been assumed within modelling for previously developed land. Within the City, there is a shortage of available commercial land and as such we consider that a landowner of, for example, industrial land, would require a premium at the higher end of the range, owing to the difficulty and relocation costs including site acquisition to relocate to an alternative commercial premises. Clarification is required as to what premium has been assumed and what base / threshold land value this premium has been applied to for previously developed land.

In addition, it is unclear if the BLV’s are provided on a gross or net basis. Clarification is required as to this point.

2.5. Viability Buffer

Whilst we would welcome the inclusion of a 50% viability buffer, it is unclear why the buffer has not been applied to the lowest surplus in each and every typology across the three value areas. The commentary provided within the DSP report suggests that in fact the buffer has been applied to the maximum surplus. However, upon review of the residual land value result summaries as set out at Appendix IIa, it is unclear how the proposed buffer of 50% has been accounted for within modelling and thus it is argued that the proposed levy does not include a 50% buffer.

We would ask DSP to review the inputs in this report and their application of the buffer so that the 50% viability buffer is ‘set’ against the lowest residual surplus, in the lowest value to ensure that the proposed levy will not stall the delivery of a significant number of dwellings coming forward across the Charging Area.

We would highlight that using the lowest surplus to ‘set’ the viability buffer is an approach that has been found sound at Examination across the country and therefore reiterate that this approach is adopted by DSP.

2.6. Open Market Revenue

Like any Charging Area, new build sales values on a £ per sq m basis will vary depending on location, specification, size of the dwelling and the scale of development within which the dwellings sits. The Charging Area has been split into three geographical zones, 1 – 3, with Zone 1 being the higher value parts of the City and Zone 3 being the lowest. On behalf of RLB, Savills welcome the inclusion of different Charging Zones based on value as opposed to a blanket approach.

The following sales values have been stated to have been adopted for each Zone and are based on previous work undertaken by others:
We have undertaken a review of the sales data provided at Appendix III of the DSP Viability, the sample of appraisal provided within Appendix IIa and the DSP Viability commentary at 2.5.1 and note the following:

- The capital values for ‘higher’, ‘base’ and ‘lower’ stated to have been adopted within the report do not correctly correspond with the Higher (Zone 1), Medium (Zone 2) and Lower (Zone 3) value zones across the Charging Area on a capital value basis;
- The new build sales evidence provided by DSP has not be analysed in such a way that an easy comparison between Value Zones can be made.

The tables summarising the values per unit across the three value tier locations across each Zone provided at 2.5.9 of the DPS Viability Appraisal, as summarised in the tables above appear to incorrectly show capital values of £121,500 - £386,100 for Zone 3 ‘Low Value’ and a range of £108,000 - £343,200 for Zone 1 ‘Higher Value’. We ask that the DSP report is updated to show correct capital values for corresponding zones.

Despite new build sales evidence being provided, the data has been segregated by ward. It is therefore unclear how the evidence relates to each proposed Value Zone. In addition, it is unclear how many new build properties have transacted at the adopted price per sq m and if the quantum of sales is sufficient to support the value proposed for each zone. At DCS stage, Savills would expect to see supporting new build evidence for each Zone with a
commentary outlining how the evidence has been used to benchmark each value range within each Value Zone. We would therefore ask DSP to revise their evidence and provide the required commentary.

2.7. Affordable Housing Revenue

Affordable housing is a key component of CIL viability testing. It is therefore of paramount importance that the affordable housing assumptions are realistic and reflective of current market conditions.

Further to our review of the DSP Viability, we understand that the affordable values adopted range between 30-50% of market value. However, it is unclear what values on a price per sq m have been adopted for Shared Ownership and Affordable Rented tenures. Through our analysis of the floor areas and mix adopted and with regard to the GDV summary provided at Appendix IIa of the DSP Viability Appraisal, we understand that a blended value of £2,400 per sq m has been adopted for a flatted typology as a ‘base value’ within Zone 2. Clarification is sought as to this point.

With regard to methodology, it is unclear what approach has been adopted by DSP to arrive at the affordable housing values. We would ask DSP to confirm this point and we would suggest that either the RICS guidance note on the “Valuation of Land for Affordable Housing” is used or that DSP approaches a selection of local Registered Providers.

2.8. Construction and Sales Timescales

Construction and sales timescales, in addition to cash flow assumptions within modelling, will have a detrimental impact on the apparent viability of a development site, and is of particular relevance to larger sites where phasing is relevant.

A construction period of between 6 and 24 months has been assumed for typologies of between 1 – 100 dwellings. For the higher end of the range the timescales would reflect a delivery rate of 4 dwellings per month which is considered to be reasonable.

However, of concern is that there is no mention of the sales periods adopted for any of the typologies. We urge clarification as to this point.

2.9. Baseline Construction Costs

With reference to Appendix I of the DSP Viability, the following build costs are stated to be have adopted for larger flatted schemes:

Table 2.7 Baseline Build Costs Adopted by DPS – Flatted Schemes

<table>
<thead>
<tr>
<th>Development Type</th>
<th>Typology</th>
<th>BCIS Median (Brighton and Hove 2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flats 3 - 5 Storey</td>
<td>75 dwellings</td>
<td>£1,535</td>
</tr>
<tr>
<td>Flats 6+ Storeys</td>
<td>100 dwellings</td>
<td>£1,999</td>
</tr>
</tbody>
</table>

Our review of the DSP Viability Appraisal and Appendix I has the raised the following concerns:
- ‘Median’ BCIS figures have been adopted which goes against advice from BCIS who advocate that ‘mean’ data should be used to determine average build costs for estate housing;
- BCIS data has been applied to the net sales area instead of Gross Internal Area (GIA). As such, the construction of communal areas has not been reflected within modelling of flatted schemes. Similarly, the proposed CIL has been applied to the net sales areas of private dwellings, incorrectly excluding communal areas for wholly private floors. As a result, the overall, combined development cost adopted by DSP for flatted schemes does not represent the true cost of delivering such schemes.

DSP have relied upon median BCIS data within modelling. BCIS advise the use of the mean to determine an average build cost, i.e. the sum of the figures divided by the number of figures. This is on the basis the mean is likely to be more representative for all potential projects than the median. Utilising mean data, the BCIS average, rebased for Brighton, provides a rate of £1,659 per sq m and £2,096 for 3-5 storey and 6+ storey, respectively. This is some £97 - £124 per sq m higher than the figures adopted by DSP. We attach a copy of the BCIS extract at Appendix 1.

It is vital that the baseline build cost data accurately reflects current market sentiment and is reflective of the actual costs incurred by developers. This is important as the build cost data forms the basis of other development costs within the DSP Appraisal such as professional fees, finance and contingency.

We would therefore ask DSP to update all modelling to reflect mean data, as at Q2 2018. The impact to viability for larger typologies will be significant.

Of key concern is that our review of the build costs adopted for 3-5 storey flatted typologies shows that the BCIS data has been applied to the net sales area. As such, the cost of construction of communal areas within blocks have been omitted.

DSP have adopted floor areas of 50 sq m for one bedroom dwellings and 70 sq m for two bedroom dwellings. These areas, without an additional allowance for communal space, are too low to reflect the overall GIA of a flatted block of 3-5 storeys. To account for communal areas, the Nationally Described Space Standards recommend a GIA of 58 sq m per one bedroom dwelling and 79 sq m for a two bedroom dwelling within a building of 2 storeys. Broadly, this reflects an additional 15%. It is commonly accepted within the industry than an additionally allowance of 15% should be included to reflect the construction cost of communal areas. The impact to baseline construction costs and other associated development costs will be significant. We would therefore ask DSP to revise their opinion of GIA within modelling to ensure that full development costs are accounted for within modelling of flatted blocks.

We note that CIL has also been applied to the net sales area for private. As a result, the combined development cost for flatted schemes does not reflect an accurate picture of the sites overall viability.

2.10. Infrastructure Costs

On site infrastructure costs cover the provision of drainage, services and utilities, in essence, the infrastructure required to deliver a serviced housing parcel. Such costs will have a fundamental impact to the surplus afforded to CIL, as such it is vital that cost assumptions are supported with a robust evidence base, or in the absence of this, are based on available guidance. Our review has raised the following concerns:
- No evidence has been provided to support the infrastructure costs adopted;
- The allowance of £4,500 per dwelling for sites under 500 dwellings is an underestimation of the likely servicing costs;
- No allowance for externals works has been made;
- No allowance for abnormal costs has been made.

There is very little commentary within the DSP Viability Appraisal surrounding the cost allowances made for servicing and infrastructure, sometimes referred to as ‘site opening up costs’. From our review of Appendix I, we understand that an allowance of £4,500 per dwelling has been made with an allowance of £17,000 - £23,000 for typologies in excess of 500 dwellings.

In order to provide justification for an increase in site works, we have sought to obtain information on site works / infrastructure costs from a number of development sites across the Country. These are predominantly Greenfield large scale developments. Our evidence is for sites of 200 units or more and shows a range in infrastructure costs from £7,000 to £39,879 per plot, providing an overall average of £20,821 per plot. What is of interest is how significantly the infrastructure requirement varies, which is due to site specifics. Due to this variation, it is crucial that the assumption on infrastructure costs is not underestimated as this will have a significant impact on site viability and, if underestimated across the City, housing supply will be severely compromised.

We include below our nationwide evidence for infrastructure costs:

**Table 2.8 Savills Evidence on Infrastructure / Site Works**

<table>
<thead>
<tr>
<th>Number</th>
<th>Region</th>
<th>Local Authority</th>
<th>£ per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Scheme Enabling &amp; Abnormals</td>
</tr>
<tr>
<td>200 – 500 Dwellings</td>
<td></td>
<td></td>
<td>£22,302</td>
</tr>
<tr>
<td>1</td>
<td>SW</td>
<td>Exeter City Council</td>
<td>£16,738</td>
</tr>
<tr>
<td>2</td>
<td>SW</td>
<td>South Hams District Council</td>
<td>£25,823</td>
</tr>
<tr>
<td>3</td>
<td>WM</td>
<td>Wychavon</td>
<td>£17,571</td>
</tr>
<tr>
<td>4</td>
<td>SE</td>
<td>Basingstoke &amp; Deane</td>
<td>£30,743</td>
</tr>
<tr>
<td>5</td>
<td>EE</td>
<td>Babergh District Council</td>
<td>£7,000</td>
</tr>
<tr>
<td>6</td>
<td>WM</td>
<td>Stafford Borough Council</td>
<td>£17,630</td>
</tr>
<tr>
<td>7</td>
<td>SE</td>
<td>Hart District Council</td>
<td>£17,830</td>
</tr>
<tr>
<td>8</td>
<td>SE</td>
<td>Horsham District Council</td>
<td>£30,145</td>
</tr>
<tr>
<td>AVERAGE</td>
<td></td>
<td></td>
<td>£20,029</td>
</tr>
<tr>
<td>501 – 1,000 Dwellings</td>
<td></td>
<td></td>
<td>£23,888</td>
</tr>
</tbody>
</table>
On the basis of the above evidence, we would urge DSP to re-consider their allowance of only £4,500 per dwelling, or to provide evidence to support the rate adopted.

2.11. External Works

In addition to construction and infrastructure costs are the external costs associated with soft and hard landscaping, such as pathways, hedgerows, trees and planting and car parking provision. Of key concern is that no additional allowance has been made for external works.

External costs will vary from site to site and can usually only be accurately determined when the likely built form is known. However, given our industry experience, we would expect an allowance of approximately 10 – 15% to BCIS baseline build costs within modelling. We would therefore urge DSP to make an allowance for such costs which, for larger sites, will have a significant impact to the residual land value and surplus afforded to CIL.

2.12. Abnormal Costs

Abnormal costs capture the impact of additional development costs such as archaeological investigation, water diversion, ground remodelling and stabilisation and pumping stations, which may be required on both Brownfield and Greenfield sites.

For the Brighton General Hospital site, there is a vast amount of demolition work and potentially site levelling. DSP make no allowance for these works within the Viability Appraisal. We therefore urge that an appropriate allowance is modelled either within a combined cost per dwelling for infrastructure or as a standalone development cost.

2.13. Developer’s Contingency

Whilst a 5% contingency has been allowed within the generic modelling, it has been calculated against the sum of the construction costs. No contingency has been assumed for other development costs such as fees, servicing and infrastructure. We would strongly disagree with this approach and advocate that a 5% contingency is applied to wider development costs, inclusive of infrastructure.
2.14. Profit

DSP state that a range of between 17 – 20% of GDV for open market housing and 6% of GDV for the affordable has been adopted.

We would refer to the briefing note publication attached at Appendix 2, entitled ‘Developer Profit – Competitive Return to a Willing Developer’ which was produced in March 2017 by Savills, in conjunction with the Home Builders’ Federation.

The evidence in the publication indicates that the minimum profit level used within viability testing should be the minimum KPIs (the hurdle rates) indicating a Site Level Net Margin of 20% - 25% on GDV, blended across all tenures, subject to also achieving a minimum site level hurdle rate of 25% Return on Capital Employed (ROCE).

Brownfield development sites inherently carry more risk owing to the higher degree of risk associated with unknown costs such as remediation. As such developers will seek higher returns when purchasing such sites.

As a consequence of the above, we would advocate than a minimum allowance of between 20 – 25% of Gross Development Value is assumed for previously developed land including the Brighton General Hospital site. This range is reflective of the complexity of the project, scale and embedded sales risk.

2.15. Planning Promotion Costs

The cost of promoting a site through the planning process can be considerable, especially for sites in excess of 50 dwellings. We note that no allowance has been made for such costs within the modelling. Particularly for medium and larger sites, it is vital that the promotion costs accurately reflect the actual costs incurred associated with promoting a site through the planning process through to delivery. This will include professional planning consultancy fees, application fees and Appeal costs.

On this basis, we would ask DSP to adopt the figure recommended by the Harman Report (2012) which states professional fees can rise to 20% for more complex multi-phase sites.
3. Alternative Viability Modelling & Conclusion
3. Alternative Viability Modelling & Conclusion

3.1. Overview

There are a number of assumptions made within the DSP Viability Appraisal that cause concern and a number of areas require clarification. A key concern is that no viability modelling for sites of more than 200 and less than 700 dwellings has been undertaken by DSP. As such, the Brighton General Hospital site has not been tested as part of the CIL examination process.

On behalf of RLB and further to the concerns set out in this report, Savills have created a base appraisal to mirror the inputs made by DSP for a flatted scheme of 3-5 storeys delivered on previously developed land within Charging Zone 2. We have adopted the DSP inputs as summarised in Table 2.3 within Section 2 of this report.

We highlight that our base appraisal has been created for the purposes of general testing for the CIL examination process only. We have adopted the same methodology as DSP and have deducted development costs, including the cost of the proposed levy, interest costs and developer’s profit from the gross development value. The residual sum that is left is then compared on a price per Ha basis with a Benchmark Land Value (BLV). We have adopted the mid value sales Tier of £5,000 per sq m for Zone 2, in addition to the mid value BLV (£3,300,000 per Ha) adopted by DSP within our testing. We consider this to be reasonable for the purposes of this exercise. We would reiterate that it is unclear at this stage what Brownfield BLV’s DSP consider appropriate for previously developed land within Charging Zone 2, and thus for the Brighton General Hospital site.

Please note that the BLV and sales values we have chosen are the mid-point between the values adopted by DSP. Should values for the Brighton General Hospital site fall below these thresholds then the pressure of viability is further compounded.

The base appraisals include CIL at £150 per sq m. A copy of DSPs and Savills base appraisal is attached at Appendix 3. Having created the base appraisal, we have carried out alternative viability modelling for a 200 dwelling, 3-5 storey flatted scheme. This is deemed to reflect the likely development that may come forward at the Brighton General Hospital site. We have achieved this by increasing unit numbers but ensuring that the same housing mix, density, floor areas and values as DSP are adopted. A breakdown of the mix and GDV for these sites is also provided at Appendix 3. Owing to the significant gap within development modelling for larger schemes, we have also tested a flatted scheme of 400 dwellings. We acknowledge that for a flatted scheme of 400 units, 6+ storeys may be required. We have adjusted the density and baseline BCIS costs to align with DSP’s assumption for this type of development accordingly.

Having created the base appraisal for a 200 and 400 dwelling typology, we have undertaken alternative modelling to test the following areas:

- **Appraisal A: Floor Areas** – Mean BCIS data (rebased for Brighton Q2 2018 at £1,659 per sq m for 3-5 storeys and £2,096 per sq m for 6+ storeys) and CIL applied to GIA including communal areas;
• **Appraisal B: Site Preparations / Infrastructure Costs** – For the reasons set out in Section 2 of this report, we have tested the impact to viability when site preparation costs are increased. Whilst specific costs for the site are unknown at this stage, a significant amount of work is required to bring forward the development. This includes demolition, archaeology, re-routing of old and installation of new services and site levelling. With reference to the national evidence set out in Section 2 and from our experience in dealing with the redevelopment of Brownfield sites across the south, we consider an allowance of £20,000 per dwelling to be a more realistic figure to reflect site preparation costs, external works and abnormal costs. We have adopted this within our appraisal.

• **Appraisal C: Combined Appraisal** – As above for Appraisal A and B.

### 3.2. Alternative Viability Modelling Results

We have modelled the impact the alternative assumptions will have when compared against the adopted BLV of £3,300,000 per Ha which reflects the mid-point adopted by DSP for previously developed land. We have then tested the impact against the BLV having allowed for a 50% viability buffer (consistent with DSP’s buffer).

#### Table 2.9 Results of Sensitively Testing on Alternative Assumptions 200 Dwelling Scheme

<table>
<thead>
<tr>
<th></th>
<th>200 Dwellings</th>
<th>Charging Zone 2</th>
<th>CIL £150 per sq m</th>
<th>Sales Values £5,000 per sq m</th>
<th>Appraisal</th>
<th>Residual Land Value (RLV)</th>
<th>RLV £ per Ha</th>
<th>DSP BLV £ per Ha</th>
<th>Does RLV with CIL @ £150 per sq m exceed BLV (no buffer)</th>
<th>DSP BLV £ per Ha Brownfield with 50% viability buffer</th>
<th>Does RLV with CIL @ £150 per sq m exceed BLV with 50% Viability Buffer</th>
</tr>
</thead>
<tbody>
<tr>
<td>A- Base</td>
<td>£8,728,000</td>
<td>£4,364,000</td>
<td>£3,300,000</td>
<td>✔</td>
<td>£4,950,000</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B – Floor Areas</td>
<td>£3,668,109</td>
<td>£1,834,055</td>
<td>£3,300,000</td>
<td>X</td>
<td>£4,950,000</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C – Infrastructure</td>
<td>£3,150,283</td>
<td>£3,300,000</td>
<td>X</td>
<td>£4,950,000</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D – Combined</td>
<td>£1,240,545</td>
<td>£620,273</td>
<td>£3,300,000</td>
<td>X</td>
<td>£4,950,000</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We attached copies of our appraisals at Appendix 4. Table 2.9 above shows that when mean BCIS data is applied to the communal areas of a flatted block of 3-5 storeys comprising 200 dwellings, the RLV does not exceed the BLV before any viability buffer is applied. Similarly, when site preparation costs are increased from £4,500 per dwelling to £20,000 per dwelling, the RLV is some £150,000 per Ha lower than the BLV and some £1.79m below the BLV including a 50% viability buffer.

#### Table 2.10 Results of Sensitively Testing on Alternative Assumptions 400 Dwelling Scheme

<table>
<thead>
<tr>
<th></th>
<th>400 Dwellings</th>
<th>Charging Zone 2</th>
<th>CIL £150 per sq m</th>
<th>Sales Values £5,000 per sq m</th>
<th>Appraisal</th>
<th>Residual Land Value (RLV)</th>
<th>RLV £ per Ha</th>
<th>DSP BLV £ per Ha</th>
<th>Does RLV with CIL @ £150 per sq m exceed BLV (no buffer)</th>
<th>DSP BLV £ per Ha Brownfield with 50% viability buffer</th>
<th>Does RLV with CIL @ £150 per sq m exceed BLV with 50% Viability Buffer</th>
</tr>
</thead>
<tbody>
<tr>
<td>A- Base</td>
<td>£6,605,606</td>
<td>£3,633,083</td>
<td>£3,300,000</td>
<td>X</td>
<td>£4,950,000</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B – Floor Areas</td>
<td>Deficit</td>
<td>Deficit</td>
<td>£3,300,000</td>
<td>X</td>
<td>£4,950,000</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C – Infrastructure</td>
<td>£1,750,479</td>
<td>£962,763</td>
<td>£3,300,000</td>
<td>X</td>
<td>£4,950,000</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D – Combined</td>
<td>Deficit</td>
<td>Deficit</td>
<td>£3,300,000</td>
<td>X</td>
<td>£4,950,000</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
We attached copies of our appraisals at Appendix 5. Table 2.10 above shows that when mean BCIS data is applied to the communal areas of a flatted block of 6+ storeys comprising 400 dwellings, the RLV provides a deficit. In Appraisal D, when infrastructure costs are increased to £20,000 per dwellings alongside BCIS mean data being applied, the RLV provides a deficit.

3.3. Conclusion

Savills review of the DSP viability appraisal has identified a number of concerns and areas that require clarification:

- It is unclear how the Brownfield BLV’s ranging from £1,500,000 - £10,000,000 per Ha have been used to ‘set’ the proposed levy across each Charging Zone;
- No evidence has been provided to support both the Existing Use Values and Benchmark Land Values adopted by DSP;
- The methodology behind DSP’s calculation of BLV is unclear and as such it is unclear what land owner’s premium has been assumed;
- BCIS data has been applied to the net sales area instead of Gross Internal Area (GIA). As such, the construction of communal areas has not been reflected within modelling of flatted schemes. Similarly, the proposed CIL has been applied to the net sales areas of private dwellings, incorrectly excluding communal areas for wholly private floors. As a result, the overall, combined development cost adopted by DSP for flatted schemes does not represent the true cost of delivering such schemes.
- No evidence has been provided to support the infrastructure costs adopted. The allowance of £4,500 per dwelling for sites under 200+ dwellings is an underestimation of the likely servicing costs;
- No allowance for external works nor abnormal costs has been made;
- Whilst we would welcome the inclusion of a 50% viability buffer within the modelling, it is unclear why the buffer has not been applied to the lowest surplus in each and every typology across the three value areas.

Our alternative modelling demonstrates that a 200 dwelling flatted scheme would not support a levy of £150 per sq m should this type of development be promoted as part of the redevelopment of the Brighton General Hospital site.

Savills have consequently undertaken further sensitivity testing to see what levy the Brighton General Hospital site could yield on the basis of a 200 dwelling scheme. We have taken Appraisal D, which shows BCIS data correctly applied to the block GIA and infrastructure costs of £20,000 per dwelling, as a starting point. We have then reduced the CIL charge from £150 per sq m to £0 per sq m to test the impact. The results are set out overleaf:
A copy of our appraisal is attached at Appendix 6. Table 2.11 above shows that when the proposed levy is reduced to £0 per sq m, the RLV does not exceed the BLV. As such any increase to a £0 per sq m levy would jeopardise the future redevelopment of the Brighton General Hospital site. Going forward, site specific abnormal costs and site infrastructure costs for the site will be known and any reduction to the assumptions made will help close the viability gap when considered alongside other inputs. However, at this stage these costs are unknown and we have therefore relied upon the wider evidence base and our experience to inform our opinion of infrastructure costs.

Turning to a 400 dwelling typology, Table 2.10 demonstrates that a larger typology within Zone 2 would not be able to support the proposed levy of £150 per sq m. A residual deficit is generated when all of the alternative assumptions are combined in Appraisal D. As such, the CIL levy would need to be reduced to £0 per sq m to ensure that the DCS does not further compound the viability of delivering a 400 dwelling flatted block within Charging Zone 2.

The evidence in this report and supporting appraisals substantiates that a levy of £0 per sq m should be applied to the Brighton General Hospital site. We would therefore urge DSP and the Council to undertake a full review of the assumptions made and to consider the Brighton General Hospital site in isolation when setting the proposed DSC. We would ask that the recommended levy of £0 per sq m is applied to this site to ensure the delivery of a significant number of dwellings across the plan period.
Appendices
Appendix 1
RICS BCIS Extract – Brighton & Hove Q2 2018
### £/m² study

**Description:** Rate per m² gross internal floor area for the building Cost including prelims.

**Last updated:** 26-May-2018 12:20

<table>
<thead>
<tr>
<th>Building function</th>
<th>£/m² gross internal floor area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td><strong>New build</strong></td>
<td></td>
</tr>
<tr>
<td>816. Flats (apartments)</td>
<td></td>
</tr>
<tr>
<td>Generally (15)</td>
<td>1,680</td>
</tr>
<tr>
<td>1-2 storey (15)</td>
<td>1,595</td>
</tr>
<tr>
<td>3-5 storey (15)</td>
<td>1,659</td>
</tr>
<tr>
<td>6+ storey (15)</td>
<td>2,096</td>
</tr>
</tbody>
</table>

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Appendix 2
Developer’s Profit
Executive Summary

Residential Development Margin

Competitive Return to a Willing Developer
Executive Summary

The level of return required by a willing developer needs to have regard to the scale and complexity of the project in question, its cash efficiency, the scale of investment required and the embedded sales risk. Returns need to be set at a level which supports existing business models, stimulates new entrants into the housing market and which do not act as a barrier to entry to smaller less efficient companies. With no new entrants of scale into the housing market over the last 10 years, and SME’s in perpetual decline, the evidence would suggest that current returns are not adequate for the risks involved.

In all cases developer margin is essentially split into three components with Net Operating Margin, overheads and finance needing to be considered in order to derive a gross hurdle rate. This is more easily explained as follows:

![Figure 1 – Understanding Gross Margins](image)

Establishing the correct Site Level Net Margin for incorporation into residual land value calculations used during development viability discussions is key to ensuring the continuation of a robust and sustainable residential development industry.

Our analysis indicates that Operating Margin targets for housebuilders across the economic cycle are 15-20% on Gross Development Value (GDV). Overheads vary significantly (5% - 12%) depending on the scale and type of developer. For the purpose of our analysis we have used an average of 8% on GDV and, after adjusting for site specific finance the resultant suggests a Site Level Net Margin target of 20 – 25% of GDV. It should be noted that this does not take account of any exceptional items or planning costs associated with the promotion of strategic sites. Similarly it does not take in to account the cost of securing and promoting unsuccessful sites, which developers have to cover centrally. This figure could subsequently be higher for certain types and scale of development, such as high capital projects in London and provincial City Centres.
Also, in most cases, Return on Capital Employed (ROCE) is considered to be an equally important indicator, particularly on large capital intensive schemes. A target ROCE needs to be achieved alongside the Site Level Net Margin of 20-25% on GDV. This means that the minimum KPIs used within viability testing (the hurdle rates) should be a Site Level Net Margin of 20% - 25% on GDV, blended across all tenures, subject to also achieving a minimum site level hurdle rate of 25% Return on Capital Employed (ROCE).
Residential Development Margin
Competitive Return to a Willing Developer

Introduction

The Savills Community Infrastructure Levy (CIL) team has a national mandate from the Home Builders Federation (HBF) to prepare CIL representations, attend Examination Hearings and offer CIL consultancy advice across the country. Savills is the only consultancy firm to have a team of this scale solely focused on CIL advice; making the CIL team a market leader.

The CIL team has been involved with all stages of the CIL process (both pre- and post-implementation) offering advice to landowners, housebuilders, developers and local authorities. Since its inception, the CIL team has submitted over 250 separate representations and formed over 100 local housebuilder and developer consortiums.

We are therefore well placed to observe trends in the emerging viability work and subsequent CIL examinations.

Purpose

The purpose of this Briefing Note is to present evidence of what represents a competitive return to a willing developer, taking account of the Government’s policy priority to stimulate new entrants into the housing market, support the SME sector and to build one million homes during the course of this Parliament.

Please note that this report is based on research and publically available data compiled in the period January 2016 - February 2017.
Residential Development Margin
Competitive Return to a Willing Developer

Definitions

The following definitions will be referred to throughout the report:

<table>
<thead>
<tr>
<th>Description</th>
<th>Calculation</th>
<th>Target Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Development Value (GDV)</td>
<td>= Total Development Receipts (Turnover)</td>
<td>n/a</td>
</tr>
<tr>
<td>Operating Profit (£)</td>
<td>= Turnover less All Development Costs (Excl. Cost of Debt) - Overheads</td>
<td>n/a</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>= Operating Profit (as a % of GDV)</td>
<td>15% to 20%</td>
</tr>
<tr>
<td>Gross Profit (£)</td>
<td>= Operating Profit + Overheads</td>
<td>n/a</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>= Gross Profit (as a % of GDV)</td>
<td>23% to 28%</td>
</tr>
<tr>
<td>Site Level Net Margin (% of GDV)</td>
<td>= Minimum profit margin, or hurdle rate, required to allow the development to commence$^1$</td>
<td>20% to 25%</td>
</tr>
<tr>
<td>Return on Capital Employed (ROCE)</td>
<td>= Site Level Net Margin divided by annualised cumulative funds employed (including overheads)</td>
<td>Min. 25%</td>
</tr>
<tr>
<td>Overhead (%)</td>
<td>The level of overhead required by a home builder (of any size) to undertake residential development (NB: In addition to normal overheads many housing developers include the cost of directly employing design managers, buyers and surveyors within their cost of overheads).</td>
<td>5% to 12%</td>
</tr>
</tbody>
</table>

$^1$ It should be noted that this figure excludes finance costs. For the purpose of CIL and viability testing, industry practice is to use ARGUS Developer or similar modelling tools that include a developer margin separately to the finance rate. For the purpose of our analysis, we therefore make recommendations in relation to the net site margins as finance will be charged in addition.
Development Margin

Policy Background

1.1 The NPPF states that to ensure viability developments should provide competitive returns to a willing land owner and willing developer.

1.2 A competitive return to a developer is one that provides a sufficient return for the developer to continue a successful and resilient business through the economic cycle; taking account of the risk profile of the business and its development programme, within the current policy environment.

1.3 The Government has a strong housebuilding agenda. It started with the aspiration to deliver 1 million homes over the course of the Parliament. In the first year of Parliament the 189,000 new homes delivered fell just short of the 200,000 homes per year average required (Figure 2). Subsequently, Government ministers have stated that delivery of 225,000 to 275,000 homes per year is needed. To achieve this, continued expansion of the housebuilding sector is required. Expansion of output by Small and Medium-sized Enterprises (SMEs), including new entrants, is an essential part of the route to building more homes. The steep decline in output from SMEs since the 2008-09 downturn is still holding back housebuilding, as shown in Figure 4.

Figure 2 – Housebuilding and planning permissions in England

Source: DCLG, Glenigan (Please note that the total planning permissions figure includes those applications submitted by non-housebuilders (i.e. land promoters, Local Authority).

NPPF, Communities and Local Government. Para 173. March 2012
1.4 Expansion will require additional financial investment. A necessary condition of the financial investment required across both new entrants and existing developers is that developer margins and the return on capital employed are seen by those in the capital markets as being sufficiently robust and sustainable to justify that investment. In the case of quoted national housebuilders their finance is secured at a corporate level via capital markets. This enables them to secure competitive rates, as the majority of their business is undertaken by way of equity rather than debt. In contrast, SMEs secure finance on a project-by-project basis from third parties lenders at much higher rates (8-14%).

1.5 The most readily available market evidence of a competitive return is the return achieved for the shareholders of the quoted Plc housebuilders, noting that the Top 17 House Builders accounted for 66% of new home starts in Great Britain in 2016. The Operating Margins (based on Earnings or Profit before Interest and Tax) of the Plc housebuilders are shown in Figure 3 below.

**Figure 3 – Operating Margins of major housebuilders 1993 – 2016**

Source: Thomson Reuters

1.6 It should be noted that the analysis above refers to blended margins across the business, including:

- All types, size and risk profile of site;
- All tenures of housing, including market sale, market rent and affordable;
- The costs of securing and promoting unsuccessful sites; and
- Overheads.

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3 NHBC registrations as published in Housing Market Report, January 2017
1.7 A number of viability consultants argue that a different developer margin should be applied to private and affordable housing. However, it is increasingly common for developers to purchase land prior to securing an offer from Registered Providers who are subject to more market risk from the current affordable housing regime than in previous systems of funding. It should also be highlighted that even when a Registered Provider has been secured on a site, the developer is open to risk from planning, ground conditions, delays and abnormals. Developers will therefore review a site as a whole, adopting a blended development margin to reflect the risk of the project in its totality.

1.8 Since the economic downturn, the average level of Operating Margin achieved has been building back to 15% to 20% which was achieved during the 2000 to 2007 period, when sector output was approaching and then exceeding 200,000 additional homes per annum (Figure 4 and Figure 2). Only if margins are maintained at these percentages will the required levels of investment in housebuilding be made, enabling significant investment in new entrants and reinvestment amongst existing developers. The margin needs to be sufficiently high to protect, or at least cushion, investors from such downturn risks as evidenced during the 2008-2009 downturn.

**Figure 4 – Registrations by size of housebuilder compared to margin levels**

Source: Thomson Reuters and NHBC (NB: These reported figures are after the cost of Overheads has been deducted)
1.9 With the number of new entrants and SMEs in serious decline (as highlighted in Figure 4), this analysis highlights that existing and historic margins have been insufficient to stimulate a broader range of operators into the market. In order for the Government’s targets to increase housing supply and SME operators to be realised, the level of competitive returns secured needs to be reflective of the risk and lending requirements of this key part of the sector.

Providers of Finance & Capital

1.10 Shareholders in the quoted housebuilders are principally institutional investors - pension funds, insurance companies and private equity funds. They have a wide range of companies and sectors to choose from, including retail, house building, mining, transport, energy and telecommunications, all with different risk and return profiles. If shareholders’ hurdle rates are not achieved then they will invest in other sectors, reducing the development capacity of the house building sector.

1.11 In the case of SMEs the profile of their finance providers is different. Given the varying covenant strength of these companies (compared to national housebuilders) the requirements of lenders for development funding are much stricter. SMEs will therefore be required to demonstrate sufficient site level margins to cover the additional risk implied by their respective covenant strength. Acknowledgment of the additional overheads and finance costs incurred by SMEs needs, therefore, to be recognised.

Market Trends

1.12 The key measures are Site Level Net Margin and ROCE associated with a cashflow that is deliverable from a funder’s perspective. For a development to be viable, all of these measures need to meet acceptable target levels.

Gross vs. Net Margins

1.13 As illustrated in Figure 1, it is important to distinguish between site level margins and the Operating Margin reported in house builder accounts. This is discussed in the Harman Report, which suggests that:

“Overheads for house-building typically lie in the range of 5% - 10% of gross development value, with only the very largest developers operating near the lower end of the scale”4 (emphasis added)

1.14 JP Morgan’s analysis5 of Plc housebuilder performance for the financial years 2012 and 2013 indicates that the average overheads of the quoted housebuilders (the difference between Gross Margin and Earnings Before Interest and Tax) were 6.4% and 6.0% of revenue respectively, averaging 6.2%. However, it should be highlighted that SMEs are subject to higher overheads, within the range of 5-12% of GDV. This suggests that an average of 8% for overheads is more appropriate, which when applied to a target Operating Margin range of 15% to 20% of revenue derives, at a corporate level, a Gross Margin of 23% to 28% of GDV.

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4 Viability Testing Local Plans, Chaired by Sir John Harman, June 2012
5 UK Housebuilding, Europe Equity Research. J.P. Morgan. September 2013
1.15 In viability testing, if delivery is not to be constrained, operating margins should be set at a level which facilitates developers of all shapes and sizes; as opposed to a level which relies upon the efficiencies of scale achieved solely by the larger developers.

1.16 Both Operating Margin and Gross Margin are quoted before deduction of the cost of paying interest on debt, which at a corporate level has averaged 3-5% of GDV in recent years. Therefore the hurdle rate for Site Level Net Margin for larger housebuilders is 20-25% of GDV. For SMEs the hurdle rate will be higher (in the region of 25-30%) to reflect their higher project finance costs.

1.17 This is the basis of the developer margin hurdle rate that is applicable to site level development appraisals calculating the Residual Land Value (RLV), in which the cost of debt is included separately.

1.18 Around this average, there will be a range of site specific development risks and therefore a range of site level hurdle rates for developer margin. For example:

- Smaller, lower density, less constrained sites are inherently less capital intensive and represent a lower delivery risk than costlier larger sites and higher density sites. It therefore follows that smaller, lower density site’s hurdle rate will be below the corporate average. Although it should be noted that sales risk and delivery risk are inherently different. For example, a small site with low delivery risk can still represent a higher risk to the developer if in a high value location above the Help to Buy thresholds. In this case the site will require a higher hurdle rate to reflect the increased sales risk.

- In contrast, larger complex sites requiring up-front infrastructure delivery and protracted timescales will be above the corporate level average. This is particularly relevant for brownfield sites where the extent of abnormal costs (ground conditions and remediation) is largely unknown at the outset. Furthermore, on large sites there is significantly more sales risk, as there is greater uncertainty about the strength of market conditions over the life of the development, which is likely to include a market downturn. Such uncertainty both in terms of cost and timings increases the risk profile and therefore the hurdle rate required.

- The variance in sales rate also needs to be considered, with the relative strength of the market reflected in the risk profile of a site. It therefore follows that larger sites in weaker or over-supplied markets reflect a greater risk and subsequently require a higher hurdle rate than similar sites in stronger markets. Similarly, larger projects pose a greater sales risk as they are likely to be developed across a property cycle introducing more uncertainty.

1.19 The above is particularly relevant for large-scale development and regeneration areas, where large up-front costs hamper the developer’s ability to achieve the required ROCE, such that a higher margin is necessary to reflect the additional risk. In these instances, ROCE becomes the primary hurdle rate as highlighted by the Harman Report:

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6 Refer to footnote 1
Residential Development Margin
Competitive Return to a Willing Developer

“Developments of large flatted blocks on previously used land in urban areas with high cash requirements will demand significantly higher levels of profit to achieve an acceptable ROCE than developments of a more standard, less cash intensive nature on virgin ground. Likewise, projects with significant up-front infrastructure may also require higher levels of profit to generate an acceptable ROCE.”

1.20 The requirements for those investing in the sector will subsequently be a minimum hurdle rate of 25%. Although it is worth highlighting that our analysis is based on typical hurdle rates on sites across the Country. It does not therefore reflect the additional cost and risk associated with delivering sites in London. In this instance, different investment requirements may be sought, reflecting significantly higher minimum hurdle rates.

Appeal Precedent

1.21 For the reasons outlined above, development margin is a key point in viability discussions and will vary depending on a number of factors. This point has been acknowledged by a number of Inspectors at appeals, including the following:

Land at The Manor, Shinfield, Reading

“The appellants supported their calculations by providing letters and emails from six national housebuilders who set out their net profit margin targets for residential developments. The figures ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give it great weight. I conclude that the national housebuilders’ figures are to be preferred and that a figure of 20% of GDV, which is at the lower end of the range, is reasonable.”

Land at Lowfield Road, Rotherham

“The Council’s approach, set out in the DV’s report, is that a profit of around 17.5% is reasonable for a scheme of this nature, which equates (on a ‘blended basis’) to 16.47% on revenue. The DV has provided evidence to support this view, based on a range of sites – identified only in general terms. The return to a developer is inevitably going to vary considerably between one development and another, and will properly reflect the risk of a specific project. Reference has been made to a number of appeal decisions where varying levels of developer profit have been accepted. However these other decisions are of limited value, as much will depend on the individual circumstances of the particular site and development.

There are various ‘rules of thumb’ which are quoted when discussing developer profit, and these generally vary between 15% and 25%. However, in general, it is reasonable to assume that on more marginal sites,
profit expectations would be higher. In this case, the developer has been very clear about the slow sales and the reasons why the site has not been mothballed, as it otherwise might have been. This background tends to support a figure in the upper part of the ‘normal’ range.

In this case, recognising the approach of this appellant to the use of in-house professional expertise, the appellant’s proposed level of developer profit shown in the viability appraisal (22% - i.e. 15% profit and 7% overheads) is reasonable."¹¹

Land between Lydney Bypass and Highfield Road¹²

“The Council considered that due to the improving market a profit level of 17.5% would be reasonable. The Appellant on the other hand considered that 20% would be the minimum on which finance could be obtained. The amount required by a developer to undertake the development is a reflection of the anticipated risk. In this case the evidence indicates that the market is not an easy one within this part of the country. Although the Council considered that work had started on the site with the installation of the pumping station, I am not convinced that this would greatly reduce the risk element of the project. Whilst the greenfield site has an attractive position with enviable views it is not within a prime location on the edge of one of the major towns such as Gloucester or Cheltenham. Furthermore the scheme would be carried out over a relatively long time period and this would add to uncertainty in terms of future economic conditions.

Taking all of the above circumstances into account I consider that it is reasonable to adopt the Appellant’s figure of 20% of gross development value as the input for Developer’s profit in this case.”¹³

Land to the North and East of Lisvane, Lisvane, Cardiff¹⁴

“A blended developer profit of 20% is appropriate in this case, noting that two appeal decisions²⁹ (at Pinn Court Farm and Shinfield) where the blended rate of 18.8% and 20% on gross development value (GDV) were found to be acceptable. The attractiveness of the site to the market is acknowledged, but this is reflected in the high GDV which has been used, which in itself introduces an increased risk if that assumption proves to be overly optimistic. The DVS has assumed that site purchase would take place in staged payments - this is a crude approach that fails to establish the appropriate value at the time that the appraisal is undertaken. The rate suggested by the DVS is the same as that adopted in relation to the adjacent, recently approved Cefn Mably Road scheme. There are significant differences between that scheme and the appeal which is at outline stage and is much larger. These differences represent an appreciably greater risk for a developer.”¹⁵

¹¹ Paragraphs 31 - 34
¹² Ref: APP/P1615/Q/14/2215840 – dated 18th June 2014
¹³ Paragraphs 24 - 25
¹⁴ Ref: APP/Z6815/A/14/2224216 – dated 28th August 2015
¹⁵ Paragraph 51 (v), Pinn Court Farm ref: PP/U1105/A/13/2208393
Residential Development Margin
Competitive Return to a Willing Developer

Summary

The evidence in this paper indicates that the minimum margin used within viability testing for development sites should be a Site Level Net Margin\textsuperscript{16} of 20-25% on GDV, blended across all tenures, subject to achieving a minimum site ROCE of 25%, subject to consideration of the risk profile of the scheme. Those sites with a higher risk profile (i.e. longer term projects with significant upfront infrastructure costs and abnormals) will be at the upper end of this range, shorter term projects with less capital intensive infrastructure are likely to fall at the lower end.

The reference to ROCE is particularly important on large, capital intensive schemes. This needs to be achieved in addition to the Site Level Net Margin of 20-25% on GDV. Typically, the assessment of viability is undertaken using ARGUS Developer or a bespoke residual land value model. These include a developer margin and normally report on IRR not ROCE. In these cases the relevant hurdle rate for site specific appraisals is an Internal Rate of Return of at least 25%.

A number of viability consultants argue that a different developer margin should be applied to private and affordable housing. If this is the case, then the blended margin across all tenures should equate to the hurdle rate referred to above.

It is increasingly common for developers to purchase land prior to securing an offer from Registered Providers who themselves are subject to more market risk from the current affordable housing regime than in previous systems of funding. There is, therefore, a heightened risk associated with the affordable housing in addition to increased holding and finance costs. We would also highlight that the potential for the introduction of Starter Homes results in an additional level of risk for developers (these units being retained by the housebuilder as opposed to being sold to a Registered Provider). Receipts from Starter Homes are received later on in a project’s cashflow and, to reflect this increased risk, developers will subsequently require a higher return on these units compared to ‘traditional’ affordable housing.

\textsuperscript{16} Please note that this excludes finance, which will be included separately in viability appraisals.
Appendix 3
DSP and Savills Base Appraisal 75 Units (3-5 Storeys)
Zone 2 CIL £150 per sq m
<table>
<thead>
<tr>
<th>DEVELOPMENT TYPE</th>
<th>Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEVELOPMENT DESCRIPTION</td>
<td>75 Flats 40% AH VL2 @ CIL £150 (Zone 2)</td>
</tr>
<tr>
<td>DEVELOPMENT SIZE (TOTAL m²) - GIA</td>
<td>4,782</td>
</tr>
<tr>
<td>TOTAL NUMBER OF UNITS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>60%</td>
</tr>
<tr>
<td>PERCENTAGE BY TENURE</td>
<td></td>
</tr>
<tr>
<td>SITE SIZE (HA)</td>
<td>0.38</td>
</tr>
<tr>
<td>VALUE / AREA</td>
<td>2</td>
</tr>
<tr>
<td>REVENUE</td>
<td></td>
</tr>
<tr>
<td>Affordable Housing Revenue</td>
<td>£4,416,000</td>
</tr>
<tr>
<td>Open Market Housing Revenue</td>
<td>£14,710,000</td>
</tr>
<tr>
<td>Total Value of Scheme</td>
<td>£19,126,000</td>
</tr>
</tbody>
</table>

**RESIDENTIAL BUILDING, MARKETING & S106 COSTS**

Build Costs: £7,340,609
Fees, Contingencies, Planning Costs, Site Preparation / Survey Costs, Sustainable Design & Construction Costs, Building Regs Access Compliance etc.: £1,762,335

Total Build Costs: £9,102,944
Section 106 / CIL Costs: £666,300
Marketing Costs & Legal Fees: £630,030
Total s106 & Marketing Costs: £1,296,330
Finance on Build Costs: £675,953
TOTAL DEVELOPMENT COSTS: £11,075,226

**DEVELOPER’S RETURN FOR RISK AND PROFIT**

Open Market Housing Profit: £2,942,000
Affordable Housing Profit: £264,960
Total Operating Profit: £3,206,960

**GROSS RESIDUAL LAND VALUE**

£4,843,814

**FINANCE & ACQUISITION COSTS**

Arrangement Fee / Misc Fees (Surveyors etc), Agents Fees, Legal Fees, Stamp Duty, Interest etc.: £1,489,263
Total Finance & Acquisition Costs: £1,489,263

**NET RESIDUAL LAND VALUE**

£3,354,551 (ignores finance & acquisition)
Licensed Copy

Development Appraisal

75 Dwelling Scheme - Savills Base

Report Date: 31 May 2018
75 Dwelling Scheme - Savills Base

Summary Appraisal for Phase 1

Currency in £

REVENUE
Sales Valuation | Units | m² | Rate m² | Unit Price | Gross Sales
Open Market Dwellings | 45 | 2,942.00 | 5,000.00 | 326,889 | 14,710,000
Affordable Dwellings | 30 | 1,840.00 | 2,400.00 | 147,200 | 4,416,000
Totals | 75 | 4,782.00 | | 326,889 | 19,126,000

NET REALISATION 19,126,000

OUTLAY
ACQUISITION COSTS
Residualised Price | 3,405,203
Stamp Duty | 159,760
Agent Fee | 1.50% | 51,078
Legal Fee | 0.75% | 25,539
3,641,580

CONSTRUCTION COSTS
Construction | m² | Rate m² | Cost
Open Market Dwellings | 2,942.00 m² | 1,535.00 pm² | 4,515,970
Affordable Dwellings | 1,840.00 m² | 1,535.00 pm² | 2,824,400
Totals | 4,782.00 m² | 7,340,370 | 7,340,370
Section 106 | 75.00 un | 3,000.00 /un | 225,000
CIL Zone 2 | 2,942.00 m² | 150.00 pm² | 441,300
666,300

PROFESSIONAL FEES
Site Prep | 75.00 un | 4,500.00 /un | 337,500
Contingency | 5.00% | 367,018
Fees | 10.00% | 734,037
Sustainable Design | 2.00% | 146,807
Building Reg Compliance | 75.00 un | 2,359.63 /un | 176,972
1,762,335

DISPOSAL FEES
Legal Fee | 75.00 un | 750.00 /un | 56,250
Sales Agent Fee | 3.00% | 573,780
630,030

FINANCE
Debit Rate 6.50% Credit Rate 0.00% (Nominal)
Total Finance Cost | 1,879,868

TOTAL COSTS 15,920,483

PROFIT
3,205,517

Performance Measures
Profit on Cost% | 20.13%
Profit on GDV% | 16.76%
Profit on NDV% | 16.76%
IRR | 14.32%
Profit Erosion (finance rate 6.500%) | 2 yrs 10 mths

File: Appraisal\75 unit base.wcfx
ARGUS Developer Version: 6.00.008
Date: 31/05/2018
### Dixon Searle 75 Unit Model - Zone 2 Previously Developed Land (Flats 3-5 storey)

<table>
<thead>
<tr>
<th>Beds</th>
<th>Dwellings</th>
<th>%</th>
<th>GIA sq m</th>
<th>Sub Total NIA</th>
<th>Unit Size inc Communal</th>
<th>Sub Total GIA</th>
<th>V2</th>
<th>GDV V2</th>
<th>Sub Total</th>
<th>Blended Margin</th>
</tr>
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<tbody>
<tr>
<td>1 bed SO</td>
<td>6</td>
<td>20%</td>
<td>50</td>
<td>300</td>
<td>58.82</td>
<td>304</td>
<td>£2,800</td>
<td>£570,000</td>
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<tr>
<td>2 bed</td>
<td>8</td>
<td>27%</td>
<td>70</td>
<td>560</td>
<td>82.35</td>
<td>638</td>
<td>£2,800</td>
<td>£2,344,000</td>
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<tr>
<td>2 bed AR</td>
<td>7</td>
<td>23%</td>
<td>50</td>
<td>250</td>
<td>58.82</td>
<td>432</td>
<td>£2,800</td>
<td>£690,000</td>
<td>AH 6%</td>
<td></td>
</tr>
<tr>
<td>2 bed AR</td>
<td>9</td>
<td>30%</td>
<td>70</td>
<td>430</td>
<td>82.35</td>
<td>744</td>
<td>£2,800</td>
<td>£1,532,000</td>
<td>£2,942,000</td>
<td>£264,960</td>
</tr>
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</table>

**Total Profit**: £3,206,960

**Affordable Mix**: Tenure Mix
- Blended Margin: 16.77%
- 1 beds: 2 beds: SO: 47%
- AR: 53%

**Market Mix**: Build Costs: £7,340,609
- 1 beds: 2 beds: 3 beds: Rate: £1,535.05
- 31%: 51%: 18%

**Private NSA**: £1,840
- SO: £1,344,000 | AH 6%
- AR: £1,512,000 | £4,416,000

**Private GIA**: £2,196
- SO: £1,920,000 | AH 6%
- AR: £2,032,000 | £11,776,000

### Savills 200 Unit Model - Zone 2 Previously Developed Land (Flats 3-5 storey)

<table>
<thead>
<tr>
<th>Beds</th>
<th>Dwellings</th>
<th>%</th>
<th>GIA sq m</th>
<th>Sub Total NIA</th>
<th>Unit Size inc Communal</th>
<th>Sub Total GIA</th>
<th>V2</th>
<th>GDV V2</th>
<th>Sub Total</th>
<th>Blended Margin</th>
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<tbody>
<tr>
<td>1 bed SO</td>
<td>16</td>
<td>20%</td>
<td>50</td>
<td>800</td>
<td>58.82</td>
<td>941</td>
<td>£2,400</td>
<td>£1,920,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 bed SO</td>
<td>21</td>
<td>27%</td>
<td>70</td>
<td>1,493</td>
<td>82.35</td>
<td>1,757</td>
<td>£2,400</td>
<td>£3,584,000</td>
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<tr>
<td>1 bed AR</td>
<td>19</td>
<td>23%</td>
<td>50</td>
<td>933</td>
<td>58.82</td>
<td>1,098</td>
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<td>£2,240,000</td>
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<tr>
<td>2 bed AR</td>
<td>24</td>
<td>30%</td>
<td>70</td>
<td>1,680</td>
<td>82.35</td>
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<td>£2,400</td>
<td>£4,032,000</td>
<td>£11,776,000</td>
<td>£706,560</td>
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</table>

**Total Profit**: £8,551,893

**Affordable Mix**: Tenure Mix
- Blended Margin: 16.77%
- 1 beds: 2 beds: SO: 47%
- AR: 53%

**Market Mix**: Build Costs: £19,574,957
- 1 beds: 2 beds: 3 beds: Rate: £1,535.05
- 31%: 51%: 18%

**Private NSA**: £3,840
- SO: £3,840,000 | AH 6%
- AR: £7,168,000 | £23,552,000

**Private GIA**: £4,125
- SO: £4,125,000 | AH 6%
- AR: £8,064,000 | £23,552,000

### Savills 400 Unit Model - Zone 2 Previously Developed Land (Flats 6+ storey)

<table>
<thead>
<tr>
<th>Beds</th>
<th>Dwellings</th>
<th>%</th>
<th>GIA sq m</th>
<th>Sub Total NIA</th>
<th>Unit Size inc Communal</th>
<th>Sub Total GIA</th>
<th>V2</th>
<th>GDV V2</th>
<th>Sub Total</th>
<th>Blended Margin</th>
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<td>1 bed SO</td>
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<td>20%</td>
<td>50</td>
<td>1,600</td>
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<td>1,882</td>
<td>£2,400</td>
<td>£3,840,000</td>
<td></td>
<td></td>
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<tr>
<td>2 bed SO</td>
<td>43</td>
<td>27%</td>
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<td>2,987</td>
<td>82.35</td>
<td>3,514</td>
<td>£2,400</td>
<td>£7,168,000</td>
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</tr>
<tr>
<td>1 bed AR</td>
<td>37</td>
<td>23%</td>
<td>50</td>
<td>1,867</td>
<td>58.82</td>
<td>2,196</td>
<td>£2,400</td>
<td>£4,480,000</td>
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</tr>
<tr>
<td>2 bed AR</td>
<td>48</td>
<td>30%</td>
<td>70</td>
<td>3,160</td>
<td>82.35</td>
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<td>£8,064,000</td>
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</table>

**Total Profit**: £17,103,787

**Affordable Mix**: Tenure Mix
- Blended Margin: 16.77%
- 1 beds: 2 beds: SO: 47%
- AR: 53%

**Market Mix**: Build Costs: £50,982,496
- 1 beds: 2 beds: 3 beds: Rate: £1,999.00
- 31%: 51%: 18%

**Private NSA**: £4,710
- SO: £4,710,000 | AH 6%
- AR: £8,064,000 | £23,552,000

**Private GIA**: £5,773
- SO: £5,773,000 | AH 6%
- AR: £11,776,000 | £23,552,000

### Zone 2 @ £150 per sq m

<table>
<thead>
<tr>
<th>Total</th>
<th>Private</th>
<th>Affordable</th>
<th>Ha</th>
<th>0.75</th>
</tr>
</thead>
<tbody>
<tr>
<td>7%</td>
<td>45</td>
<td>30</td>
<td>100</td>
<td>50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Beds</th>
<th>Dwellings</th>
<th>%</th>
<th>GIA sq m</th>
<th>Sub Total NIA</th>
<th>Unit Size inc Communal</th>
<th>Sub Total GIA</th>
<th>V2</th>
<th>GDV V2</th>
<th>Sub Total</th>
<th>Blended Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bed SO</td>
<td>14</td>
<td>31%</td>
<td>50</td>
<td>700</td>
<td>58.82</td>
<td>304</td>
<td>£4,000</td>
<td>£45,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 bed</td>
<td>23</td>
<td>51%</td>
<td>70</td>
<td>1,400</td>
<td>82.35</td>
<td>1,894</td>
<td>£4,000</td>
<td>£80,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 bed</td>
<td>8</td>
<td>18%</td>
<td>70</td>
<td>630</td>
<td>92.94</td>
<td>784</td>
<td>£4,000</td>
<td>£14,300,000</td>
<td>£41,700,000</td>
<td>£2,942,000</td>
</tr>
</tbody>
</table>

**Total Profit**: £19,126,000

**Affordable Mix**: Tenure Mix
- Blended Margin: 16.77%
- 1 beds: 2 beds: SO: 47%
- AR: 53%

**Market Mix**: Build Costs: £45,000,000
- 1 beds: 2 beds: 3 beds: Rate: £1,999.00
- 31%: 51%: 18%

**Private NSA**: £15,691
- SO: £15,691,000 | AH 6%
- AR: £11,776,000 | £23,552,000

**Private GIA**: £15,691
- SO: £15,691,000 | AH 6%
- AR: £11,776,000 | £23,552,000 | £4,113,120
Appendix 4
Savills Alternative Appraisal 200 Units (3-5 Storeys)
Zone 2 CIL £150 per sq m
Licensed Copy

Development Appraisal

200 Dwelling Scheme - Savills Base

Report Date: 31 May 2018
# 200 Dwelling Scheme - Savills Base

## Summary Appraisal for Phase 1

Currency in £

### REVENUE

<table>
<thead>
<tr>
<th>Sales Valuation</th>
<th>Units</th>
<th>m²</th>
<th>Rate m²</th>
<th>Unit Price</th>
<th>Gross Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>120</td>
<td>7,845.33</td>
<td>5,000.00</td>
<td>326,889</td>
<td>39,226,667</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>80</td>
<td>4,906.67</td>
<td>2,400.00</td>
<td>147,200</td>
<td>11,776,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>200</strong></td>
<td><strong>12,752.00</strong></td>
<td></td>
<td><strong>51,002,667</strong></td>
<td></td>
</tr>
</tbody>
</table>

### NET REALISATION

51,002,667

### OUTLAY

#### ACQUISITION COSTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residualised Price</td>
<td>8,728,852</td>
</tr>
<tr>
<td>Stamp Duty</td>
<td>425,943</td>
</tr>
<tr>
<td>Agent Fee</td>
<td>1.50%</td>
</tr>
<tr>
<td>Legal Fee</td>
<td>0.75%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,351,194</td>
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</table>

#### CONSTRUCTION COSTS

<table>
<thead>
<tr>
<th>Construction</th>
<th>m²</th>
<th>Rate m²</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>7,845.33 m²</td>
<td>1,535.00 pm²</td>
<td>12,042,587</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>4,906.67 m²</td>
<td>1,535.00 pm²</td>
<td>7,531,733</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>12,752.00 m²</strong></td>
<td><strong>19,574,320</strong></td>
<td><strong>19,574,320</strong></td>
</tr>
</tbody>
</table>

| Section 106 | 200.00 un | 3,000.00 /un | 600,000 |
| CIL Zone 2   | 7,845.33 m² | 150.00 pm² | 1,176,800 |
| **Total**    |           |           | **1,776,800** |

#### PROFESSIONAL FEES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Prep</td>
<td>200.00 un</td>
</tr>
<tr>
<td>Contingency</td>
<td>5.00%</td>
</tr>
<tr>
<td>Fees</td>
<td>10.00%</td>
</tr>
<tr>
<td>Sustainable Design</td>
<td>2.00%</td>
</tr>
<tr>
<td>Building Reg Compliance</td>
<td>200.00 un</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### DISPOSAL FEES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Fee</td>
<td>200.00 un</td>
</tr>
<tr>
<td>Sales Agent Fee</td>
<td>3.00%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### FINANCE

Debit Rate 6.50% Credit Rate 0.00% (Nominal)

**Total Finance Cost** 5,372,676

### TOTAL COSTS

42,454,630

### PROFIT

8,548,037

#### Performance Measures

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit on Cost%</td>
<td>20.13%</td>
</tr>
<tr>
<td>Profit on GDV%</td>
<td>16.76%</td>
</tr>
<tr>
<td>Profit on NDV%</td>
<td>16.76%</td>
</tr>
<tr>
<td>IRR</td>
<td>11.94%</td>
</tr>
<tr>
<td>Profit Erosion</td>
<td>2 yrs 10 mths</td>
</tr>
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</table>

File: Appraisal\200 unit base.wcfx
ARGUS Developer Version: 6.00.008
Date: 31/05/2018
## REVENUE

<table>
<thead>
<tr>
<th>Sales Valuation</th>
<th>Units</th>
<th>m²</th>
<th>Rate m²</th>
<th>Unit Price</th>
<th>Gross Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>120</td>
<td>7,845.33</td>
<td>5,000.00</td>
<td>326,889</td>
<td>39,226,667</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>80</td>
<td>4,906.67</td>
<td>2,400.00</td>
<td>147,200</td>
<td>11,776,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>200</td>
<td>12,752.00</td>
<td></td>
<td></td>
<td>51,002,667</td>
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</tbody>
</table>

**NET REALISATION**

51,002,667

## OUTLAY

### ACQUISITION COSTS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residualised Price</td>
<td>3,668,109</td>
</tr>
<tr>
<td>Stamp Duty</td>
<td>172,905</td>
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<td>Agent Fee</td>
<td>55,022</td>
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<tr>
<td>Legal Fee</td>
<td>27,511</td>
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<td><strong>Total</strong></td>
<td>3,923,546</td>
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### CONSTRUCTION COSTS

<table>
<thead>
<tr>
<th>Construction</th>
<th>m²</th>
<th>Rate m²</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>9,229.00</td>
<td>1,659.00</td>
<td>15,310,911</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>5,772.00</td>
<td>1,659.00</td>
<td>9,575,748</td>
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<tr>
<td><strong>Totals</strong></td>
<td>15,001.00</td>
<td>24,886,659</td>
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</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 106</td>
<td>600,000</td>
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<tr>
<td>CIL Zone 2</td>
<td>1,384,350</td>
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<tr>
<td><strong>Total</strong></td>
<td>1,984,350</td>
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### PROFESSIONAL FEES

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<thead>
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<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Site Prep</td>
<td>900,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>1,244,333</td>
</tr>
<tr>
<td>Fees</td>
<td>2,488,666</td>
</tr>
<tr>
<td>Sustainable Design</td>
<td>497,733</td>
</tr>
<tr>
<td>Building Reg Compliance</td>
<td>471,926</td>
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<tr>
<td><strong>Total</strong></td>
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### DISPOSAL FEES

<table>
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<th>Amount</th>
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</thead>
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<tr>
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<tr>
<td>Sales Agent Fee</td>
<td>1,530,080</td>
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<tr>
<td><strong>Total</strong></td>
<td>1,680,080</td>
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</tbody>
</table>

### FINANCE

Debit Rate 6.50% Credit Rate 0.00% (Nominal)

### TOTAL COSTS

42,454,618

### PROFIT

8,548,048

### Performance Measures

<table>
<thead>
<tr>
<th>Description</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Profit on Cost%</td>
<td>20.13%</td>
</tr>
<tr>
<td>Profit on GDV%</td>
<td>16.76%</td>
</tr>
<tr>
<td>Profit on NDV%</td>
<td>16.76%</td>
</tr>
<tr>
<td>IRR</td>
<td>13.01%</td>
</tr>
<tr>
<td>Profit Erosion (finance rate 6.500%)</td>
<td>2 yrs 10 mths</td>
</tr>
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</table>
Licensed Copy

Development Appraisal

200 Dwelling Scheme - Savills Appraisal C

Report Date: 31 May 2018
Summary Appraisal for Phase 1

Currency in £

**REVENUE**

<table>
<thead>
<tr>
<th>Sales Valuation</th>
<th>Units</th>
<th>m²</th>
<th>Rate m²</th>
<th>Unit Price</th>
<th>Gross Sales</th>
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</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>120</td>
<td>7,845.33</td>
<td>5,000.00</td>
<td>326,889</td>
<td>39,226,667</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>80</td>
<td>4,906.67</td>
<td>2,400.00</td>
<td>147,200</td>
<td>11,776,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>200</strong></td>
<td><strong>12,752.00</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NET REALISATION**  51,002,667

**OUTLAY**

**ACQUISITION COSTS**

- Residualised Price 6,301,283
- Stamp Duty 304,564
- Agent Fee 1.50% 94,519
- Legal Fee 0.75% 47,260

**CONSTRUCTION COSTS**

<table>
<thead>
<tr>
<th>Construction</th>
<th>m²</th>
<th>Rate m²</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>7,845.33</td>
<td>1,535.00</td>
<td>12,042,587</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>4,906.67</td>
<td>1,535.00</td>
<td>7,531,733</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>12,752.00 m²</strong></td>
<td><strong>19,574,320</strong></td>
<td><strong>19,574,320</strong></td>
</tr>
</tbody>
</table>

- Section 106 200.00 un 3,000.00 /un 600,000
- CIL Zone 2 7,845.33 m² 150.00 pm² 1,176,800

**PROFESSIONAL FEES**

- Site Prep 200.00 un 20,000.00 /un 4,000,000
- Contingency 5.00% 978,716
- Fees 10.00% 1,957,432
- Sustainable Design 2.00% 391,486
- Building Reg Compliance 200.00 un 2,359.63 /un 471,926

**DISPOSAL FEES**

- Legal Fee 200.00 un 750.00 /un 150,000
- Sales Agent Fee 3.00% 1,530,080

**FINANCE**

- Debit Rate 6.50% Credit Rate 0.00% (Nominal)
- Total Finance Cost 4,876,235

**TOTAL COSTS**  42,454,621

**PROFIT**  8,548,046

**Performance Measures**

- Profit on Cost% 20.13%
- Profit on GDV% 16.76%
- Profit on NDV% 16.76%
- IRR 12.42%
- Profit Erosion (finance rate 6.500%) 2 yrs 10 mths
Licensed Copy

Development Appraisal

200 Dwelling Scheme - Savills Appraisal D

Report Date: 31 May 2018
200 Dwelling Scheme - Savills Appraisal D

Summary Appraisal for Phase 1

Currency in £

**REVENUE**

<table>
<thead>
<tr>
<th>Sales Valuation</th>
<th>Units</th>
<th>m²</th>
<th>Rate m²</th>
<th>Unit Price</th>
<th>Gross Sales</th>
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</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>120</td>
<td>7,845.33</td>
<td>5,000.00</td>
<td>326,889</td>
<td>39,226,667</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
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<td>4,906.67</td>
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<td>147,200</td>
<td>11,776,000</td>
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<tr>
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<td><strong>12,752.00</strong></td>
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<td><strong>51,002,667</strong></td>
</tr>
</tbody>
</table>

**NET REALISATION**

51,002,667

**OUTLAY**

**ACQUISITION COSTS**

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Residualised Price</td>
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<td></td>
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</tr>
<tr>
<td>Stamp Duty</td>
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<td>51,527</td>
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<td>Agent Fee</td>
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<td></td>
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<td>Legal Fee</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
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<td></td>
<td>1,319,984</td>
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**CONSTRUCTION COSTS**

<table>
<thead>
<tr>
<th>Construction</th>
<th>m²</th>
<th>Rate m²</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>9,229.00</td>
<td>1,659.00 pm²</td>
<td>15,310,911</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>5,772.00</td>
<td>1,659.00 pm²</td>
<td>9,575,748</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>15,001.00</td>
<td>24,886,659</td>
<td></td>
</tr>
</tbody>
</table>

Section 106

| 200.00 un | 3,000.00 /un | 600,000 |

CIL Zone 2

| 9,229.00 m² | 150.00 pm² | 1,384,350 |

1,984,350

**PROFESSIONAL FEES**

| Site Prep             | 200.00 un | 20,000.00 /un | 4,000,000 |
| Contingency          | 5.00%     | 1,244,333     |
| Fees                 | 10.00%    | 2,488,666     |
| Sustainable Design   | 2.00%     | 497,733       |
| Building Reg Compliance | 200.00 un | 2,359.63 /un | 471,926 |

8,702,658

**DISPOSAL FEES**

| Legal Fee             | 200.00 un | 750.00 /un | 150,000 |
| Sales Agent Fee       | 3.00%     | 1,530,080   |

1,680,080

**FINANCE**

Debit Rate 6.50% Credit Rate 0.00% (Nominal)

| Total Finance Cost    | 3,880,888 |

**TOTAL COSTS**

42,454,620

**PROFIT**

8,548,047

Performance Measures

| Profit on Cost%       | 20.13%     |
| Profit on GDV%        | 16.76%     |
| Profit on NDV%        | 16.76%     |
| IRR                   | 13.75%     |

Profit Erosion (finance rate 6.500%) 2 yrs 10 mths

File: Appraisal\200 unit APPRAISAL D COMBINED.wcfx
ARGUS Developer Version: 6.00.008
Date: 31/05/2018
Appendix 5

Savills Alternative Appraisal 400 Units (6+ Storeys)
Zone 2 CIL £150 per sq m
Licensed Copy

Development Appraisal

400 Dwelling Scheme - Savills Base

Report Date: 31 May 2018
### REVENUE

<table>
<thead>
<tr>
<th>Sales Valuation</th>
<th>Units</th>
<th>m²</th>
<th>Rate m²</th>
<th>Unit Price</th>
<th>Gross Sales</th>
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<tbody>
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**NET REALISATION**  
102,005,333

### OUTLAY

#### ACQUISITION COSTS

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<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
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<td></td>
</tr>
<tr>
<td>Stamp Duty</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Agent Fee</td>
<td>1.50%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Legal Fee</td>
<td>0.75%</td>
<td>49,542</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,074,013</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### CONSTRUCTION COSTS

<table>
<thead>
<tr>
<th>Construction</th>
<th>m²</th>
<th>Rate m²</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>15,690.67</td>
<td>1,999.00 pm²</td>
<td>31,365,643</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>9,813.33</td>
<td>1,999.00 pm²</td>
<td>19,616,853</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>25,504.00 m²</td>
<td><strong>50,982,496</strong></td>
<td><strong>50,982,496</strong></td>
</tr>
</tbody>
</table>

| Section 106           | 400.00 un | 3,000.00/un | 1,200,000 |
| CIL Zone 2            | 15,690.67 m² | 150.00 pm² | 2,353,600 |
| **Total**             |          |          | 3,553,600 |

#### PROFESSIONAL FEES

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Prep</td>
<td>400.00 un</td>
<td>4,500.00/un</td>
<td>1,800,000</td>
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</tr>
<tr>
<td>Contingency</td>
<td>5.00%</td>
<td>2,549,125</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees</td>
<td>10.00%</td>
<td>5,098,250</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainable Design</td>
<td>2.00%</td>
<td>1,019,650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Reg Compliance</td>
<td>400.00 un</td>
<td>2,359.63/un</td>
<td>943,852</td>
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<tr>
<td><strong>Total</strong></td>
<td>11,410,876</td>
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</table>

#### DISPOSAL FEES

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Fee</td>
<td>400.00 un</td>
<td>750.00/un</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td>Sales Agent Fee</td>
<td>3.00%</td>
<td>3,060,160</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,360,160</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

### FINANCE

- Debit Rate 6.50% Credit Rate 0.00% (Nominal)
- Total Finance Cost 8,528,092

### TOTAL COSTS

84,909,237

### PROFIT

17,096,096

### Performance Measures

- Profit on Cost% 20.13%
- Profit on GDV% 16.76%
- Profit on NDV% 16.76%
- IRR 13.16%
- Profit Erosion (finance rate 6.500%) 2 yrs 10 mths
Licensed Copy

Development Appraisal

400 Dwelling Scheme - Savills Appraisal B

Report Date: 31 May 2018
Summary Appraisal for Phase 1

Currency in £

REVENUE

<table>
<thead>
<tr>
<th>Sales Valuation</th>
<th>Units</th>
<th>m²</th>
<th>Rate m²</th>
<th>Unit Price</th>
<th>Gross Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>240</td>
<td>15,690.67</td>
<td>5,000.00</td>
<td>326,889</td>
<td>78,453,333</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>160</td>
<td>9,813.33</td>
<td>2,400.00</td>
<td>147,200</td>
<td>23,552,000</td>
</tr>
<tr>
<td>Totals</td>
<td>400</td>
<td>25,504.00</td>
<td></td>
<td></td>
<td>102,005,333</td>
</tr>
</tbody>
</table>

NET REALISATION

102,005,333

OUTLAY

ACQUISITION COSTS

Residualised Price (Negative land) (4,253,767)

CONSTRUCTION COSTS

<table>
<thead>
<tr>
<th>Construction</th>
<th>m²</th>
<th>Rate m²</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>18,459.61</td>
<td>2,069.00 pm²</td>
<td>38,192,933</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>11,545.00</td>
<td>2,069.00 pm²</td>
<td>23,886,605</td>
</tr>
<tr>
<td>Totals</td>
<td>30,004.61</td>
<td></td>
<td>62,079,538</td>
</tr>
</tbody>
</table>

Section 106

400.00 un | 3,000.00 /un | 1,200,000

CIL Zone 2

18,459.61 m² | 150.00 pm² | 2,768,942

PROFESSIONAL FEES

| Site Prep | 400.00 un | 4,500.00 /un | 1,800,000 |
| Contingency | 5.00% | 3,103,977 |
| Fees      | 10.00% | 6,207,954 |
| Sustainable Design | 2.00% | 1,241,591 |
| Building Reg Compliance | 400.00 un | 2,359.63 /un | 943,852 |

13,297,373

DISPOSAL FEES

| Legal Fee | 400.00 un | 750.00 /un | 300,000 |
| Sales Agent Fee | 3.00% | 3,060,160 |

3,360,160

FINANCE

Debit Rate 6.50% Credit Rate 0.00% (Nominal)

Total Finance Cost 6,457,000

TOTAL COSTS

84,909,246

PROFIT

17,096,087

Performance Measures

| Profit on Cost%      | 20.13% |
| Profit on GDV%       | 16.76% |
| Profit on NDV%       | 16.76% |
| IRR                  | 15.14% |
| Profit Erosion (finance rate 6.500%) | 2 yrs 10 mths |
400 Dwelling Scheme - Savills Appraisal C

Summary Appraisal for Phase 1

Currency in £

### REVENUE

<table>
<thead>
<tr>
<th>Sales Valuation</th>
<th>Units</th>
<th>m²</th>
<th>Rate m²</th>
<th>Unit Price</th>
<th>Gross Sales</th>
</tr>
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<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>240</td>
<td>15,690.67</td>
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<td>9,813.33</td>
<td>2,400.00</td>
<td>147,200</td>
<td>23,552,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>400</td>
<td><strong>25,504.00</strong></td>
<td></td>
<td></td>
<td><strong>102,005,333</strong></td>
</tr>
</tbody>
</table>

### NET REALISATION

**102,005,333**

### OUTLAY

#### ACQUISITION COSTS

- Residualised Price: 1,750,479
- Stamp Duty: 77,024
- Agent Fee: 1,50% 26,257
- Legal Fee: 0.75% 13,129

**1,866,888**

#### CONSTRUCTION COSTS

<table>
<thead>
<tr>
<th>Construction</th>
<th>m²</th>
<th>Rate m²</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>15,690.67</td>
<td>1,999.00 pm²</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>25,504.00</strong> m²</td>
<td></td>
<td><strong>50,982,496</strong></td>
</tr>
</tbody>
</table>

- Section 106: 400.00 un 3,000.00 /un 1,200,000
- CIL Zone 2: 15,690.67 m² 150.00 pm² 2,353,600

**3,553,600**

#### PROFESSIONAL FEES

- Site Prep: 400.00 un 20,000.00 /un 8,000,000
- Contingency: 5.00% 2,549,125
- Fees: 10.00% 5,098,250
- Sustainable Design: 2.00% 1,019,650
- Building Reg Compliance: 400.00 un 2,359.63 /un 943,852

**17,610,876**

#### DISPOSAL FEES

<table>
<thead>
<tr>
<th>Disposal Fees</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Fee</td>
<td>400.00 un</td>
<td>750.00 /un</td>
<td>300,000</td>
</tr>
<tr>
<td>Sales Agent Fee</td>
<td>3.00% 3,060,160</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**3,360,160**

### FINANCE

Debit Rate 6.50% Credit Rate 0.00% (Nominal)

**Total Finance Cost** 7,535,219

### TOTAL COSTS

**84,909,239**

### PROFIT

**17,096,094**

#### Performance Measures

- Profit on Cost%: 20.13%
- Profit on GDV%: 16.76%
- Profit on NDV%: 16.76%
- IRR: 13.95%
- Profit Erosion (finance rate 6.500%) 2 yrs 10 mths
Licensed Copy

Development Appraisal

400 Dwelling Scheme - Savills Appraisal B

Report Date: 31 May 2018
## Summary Appraisal for Phase 1

### Currency in £

### REVENUE

<table>
<thead>
<tr>
<th>Sales Valuation</th>
<th>Units</th>
<th>m²</th>
<th>Rate m²</th>
<th>Unit Price</th>
<th>Gross Sales</th>
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<td>9,813.33</td>
<td>2,400.00</td>
<td>147,200</td>
<td>23,552,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>400</strong></td>
<td><strong>25,504.00</strong></td>
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<td><strong>102,005,333</strong></td>
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</tbody>
</table>

### NET REALISATION

102,005,333

### OUTLAY

#### ACQUISITION COSTS

- Residualised Price (Negative land) (9,710,229)

#### CONSTRUCTION COSTS

<table>
<thead>
<tr>
<th>Construction</th>
<th>m²</th>
<th>Rate m²</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Market Dwellings</td>
<td>18,459.61</td>
<td>2,069.00</td>
<td>38,192,933</td>
</tr>
<tr>
<td>Affordable Dwellings</td>
<td>11,545.00</td>
<td>2,069.00</td>
<td>23,886,605</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>30,004.61</strong></td>
<td><strong>2,069.00</strong></td>
<td><strong>62,079,538</strong></td>
</tr>
</tbody>
</table>

| Section 106               | 400.00 un| 3,000.00 /un| 1,200,000   |
| CIL Zone 2                | 18,459.61| 150.00 pm²  | 2,768,942   |

| **3,968,942** |

#### PROFESSIONAL FEES

| Site Prep                 | 400.00 un| 20,000.00 /un| 8,000,000   |
| Contingency              |          | 5.00%       | 3,103,977   |
| Fees                     |          | 10.00%      | 6,207,954   |
| Sustainable Design       |          | 2.00%       | 1,241,591   |
| Building Reg Complience  | 400.00 un| 2,359.63 /un| 943,852     |

19,497,373

#### DISPOSAL FEES

| Legal Fee                | 400.00 un| 750.00 /un| 300,000     |
| Sales Agent Fee          |          | 3.00%      | 3,060,160   |

3,360,160

#### FINANCE

- Debit Rate 6.50% Credit Rate 0.00% (Nominal)
- Total Finance Cost 5,713,460

#### TOTAL COSTS

84,909,243

#### PROFIT

17,096,090

### Performance Measures

- Profit on Cost% 20.13%
- Profit on GDV% 16.76%
- Profit on NDV% 16.76%
- IRR 17.22%
- Profit Erosion (finance rate 6.500%) 2 yrs 10 mths
Appendix 6
Savills Alternative Appraisal 200 Units (3-5 Storeys)
Zone 2 CIL £0 per sq m
Savills (UK) Ltd

Development Appraisal

200 Dwelling Scheme - Savills Appraisal D CIL £0 per sq m

Report Date: 01 June 2018
Summary Appraisal for Phase 1

Currency in £

**REVENUE**

<table>
<thead>
<tr>
<th>Sales Valuation</th>
<th>Units</th>
<th>m²</th>
<th>Rate m²</th>
<th>Unit Price</th>
<th>Gross Sales</th>
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<td><strong>Totals</strong></td>
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<td><strong>51,002,667</strong></td>
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</tr>
</tbody>
</table>

**NET REALISATION**

51,002,667

**OUTLAY**

**ACQUISITION COSTS**

- Residualised Price: 2,531,314
- Stamp Duty: 116,066
- Agent Fee: 1.50% of 3,000,000 = 45,000
- Legal Fee: 0.75% of 3,000,000 = 22,500

Total Acquisition Costs: 2,704,334

**CONSTRUCTION COSTS**

<table>
<thead>
<tr>
<th>Construction</th>
<th>m²</th>
<th>Rate m²</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
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<td>9,229.00 m²</td>
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<tr>
<td>Affordable Dwellings</td>
<td>5,772.00 m²</td>
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<td><strong>Totals</strong></td>
<td><strong>15,001.00 m²</strong></td>
<td><strong>24,886,659</strong></td>
<td><strong>24,886,659</strong></td>
</tr>
</tbody>
</table>

Section 106: 200.00 un at 3,000.00 / un = 600,000

Total Construction Costs: 24,886,659 + 600,000 = 25,486,659

**PROFESSIONAL FEES**

- Site Prep: 200.00 un at 20,000.00 / un = 4,000,000
- Contingency: 5.00% of 8,702,658 = 435,133
- Sustainable Design: 2.00% of 8,702,658 = 174,533
- Building Reg Compliance: 200.00 un at 2,359.63 / un = 471,926

Total Professional Fees: 4,000,000 + 435,133 + 174,533 + 471,926 = 4,682,592

**DISPOSAL FEES**

- Legal Fee: 200.00 un at 750.00 / un = 150,000
- Sales Agent Fee: 3.00% of 16,80,080 = 504,024

Total Disposal Fees: 150,000 + 504,024 = 654,024

**FINANCE**

Debit Rate 6.50% Credit Rate 0.00% (Nominal)

Total Finance Cost: 3,880,888

**TOTAL COSTS**

42,454,620

**PROFIT**

8,548,047

Performance Measures

- Profit on Cost%: 20.13%
- Profit on GDV%: 16.76%
- Profit on NDV%: 16.76%
- IRR: 13.75%
- Profit Erosion (finance rate 6.500%) 2 yrs 10 mths