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Brighton & Hove Combined Policy Viability Study

Prepared for

Brighton & Hove City Council

September 2013

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1 Executive Summary

1.1 This report tests the ability of a range of development types throughout the Brighton & Hove City Council's (the 'City Council's') area to viably meet the emerging planning policy requirements of the Brighton & Hove City Plan Part One, alongside the adopted policies identified as not being superseded in the Brighton & Hove Local Plan (July 2005), Supplementary Planning Guidance/Documents and other pertinent local guidance as well as national policies. The study tests the cumulative impact of the City Council's requirements, in line with the requirements of the National Planning Policy Framework ('NPPF') and the Local Housing Delivery Group guidance '*Viability Testing Local Plans: Advice for planning practitioners*' (June 2012).

Methodology

1.2 The study methodology compares the residual land values of a range of development typologies on sites throughout the City Council to their value in current use (plus a premium), herein after referred to as 'benchmark land value'. If a development incorporating the City Council's policy requirements generates a higher residual land value than the benchmark land value, then it can be judged that the City Council's requirements will not adversely impact on viability.

1.3 The study utilises the residual land value method of calculating the value of each development typology. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements, Section 106 contributions[1] and developer's profit). The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

1.4 The housing and commercial property markets are inherently cyclical and the City Council is testing its proposed City Plan Part One policies at a time when the market is recovering after a severe recession. Residential values in East Sussex have recovered to a degree but still remain circa 12.11% below the 2008 peak levels.[2] Forecasts for future house price growth indicate continuing growth in the 'mainstream' UK and South East England markets. We have allowed for this by running a sensitivity analysis which varies the base sales values and build costs, with values increasing by 10% and costs by 5%. This analysis is indicative only, but is intended to assist the City Council in understanding the ability of developments to absorb its requirements both in today's terms but also in the future.

Key findings

1.5 The key findings of the study are as follows:

- The results of this study are reflective of current market conditions, which are likely to improve over the medium term. It is therefore important that the City Council keeps the viability situation under review so that any potential levels of CIL proposed to be charged and other policy requirements can be made and adjusted to reflect any future changes.

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[1] And any potential future Community Infrastructure Levy ('CIL').
[2] As identified from the Land Registry's online House Price Index database (http://www.landregistry.gov.uk/public/house-prices-and-sales/search-the-index)

- Some development typologies tested were unviable in certain circumstances due to market factors, rather than the impact of the City Council's proposed policy requirements and standards. These schemes are identified in the appraisals as being unviable at 0% affordable housing and base build costs and are generally located in market areas 5, 6 and 7. These schemes will not come forward until changes in market conditions i.e. an improvement in sales values by comparison to build costs. In this regard their current unviable status should not be taken as an indication that the City Council's requirements cannot be accommodated.

- In most cases i.e. where schemes show viability, schemes can accommodate the City Council's affordable housing requirement (Policy CP 20: Affordable Housing) at a level between 10% to 40% (without grant) and between 20%-40% in the higher value areas.

- When the cumulative effect of affordable housing and Section 106 is tested on developments, some schemes are able to accommodate less affordable housing in certain scenarios. It is noted however, that the Council's flexible approach to seeking only the essential Section 106 contributions towards infrastructure, particularly in the current economic climate (shown by the recessionary measures Section 106 appraisals) assists with both development viability end ensuring the provision of the most vital infrastructure.

- The study highlights that a flexible approach to costs affecting commercial developments, particularly where there is a large requirement for the provision of office space in developments is essential, as at current costs and values such developments are identified as being largely unviable. However, we note that policy requirements relating to commercial floorspace are applied flexibly across the City, as recognised by the Council's flexible approach to the application of sustainability requirements (BREEAM) in policy CP8: Sustainable Buildings, which although sets target for attaining higher levels of sustainability is subject to viability and feasibility.

- Notwithstanding this, it should be noted that the results of this viability exercise, which identify certain commercial development as not viable, do not mean that sites will not be developed within the City for these uses. Viability is only one of many factors which affect whether a site is developed, for example, with regard to owner occupiers who may wish to locate in Brighton & Hove. Alternatively, an existing occupier looking to re-locate may wish to develop their own premises by reference to their own cost benefit analysis, which will bear little relationship to the residual land value calculations that a speculative landlord developer may undertake.

- The City Council's flexible approach to sustainability requirements in residential developments (also set out in Policy CP8) is identified by the results of this study as being vital to allow the City Council to appropriately balance the need for affordable housing, Section 106 infrastructure contributions and carbon reduction.

- It should be noted however, that the results of our appraisals suggest that achieving zero carbon by standards by 2016 in accordance with government requirements on all sites in the City is ambitious and will require a reduction in costs in comparison to today's estimates. However, costs associated with delivering sustainable development have been demonstrated to have reduced over the last few years and following future research into the technology to deliver higher levels of sustainability are expected to reduce further. This position is clearly demonstrated by the

2013 update work undertaken on such costs by Element Energy and David Langdon and previous studies undertaken on behalf of the CLG[3].

- This study demonstrates that the City Council's flexible approach to applying its sustainability, affordable housing and Section 106 contributions requirements, will ensure an appropriate balance between delivering affordable housing, sustainability objectives, necessary infrastructure and the need for landowners and developers to achieve competitive returns, as required by the NPPF. Maintaining this approach will lighten the 'scale of obligations and policy burdens' (para 174 of the NPPF) to ensure that sites are, as far as if possible, able to be developed viably and thus facilitate the growth envisaged by the City Council's plans throughout the economic cycle without jeopardising the delivery of the City Plan Part One.

[3] Reports produced on behalf of the CLG in relation to costs of CSH include: 'Cost of building housing to the code for sustainable homes standard: updated cost review' prepared by Element Energy and Davis Langdon (August 2011); 'Code for Sustainable Homes: A Cost Review' prepared by Cyril Sweet (March 2010); and 'Cost Analysis of The Code for Sustainable Homes' by Cyril Sweet (July 2008)

2 Introduction

2.1 This study has been commissioned to contribute towards an evidence base to inform the City Council's submission City Plan Part One. The aim of the study is to assess the viability of the City Council's proposed planning policies and standards, alongside the Brighton & Hove Local Plan (July 2005) polices not to be superseded by the City Plan and other pertinent local guidance and national policies.

2.2 In terms of methodology, we adopted standard residual valuation approaches to test the impact on viability of the City Council's policies. However, due to the extent and range of financial variables involved in residual valuations, they can only ever serve as a guide. Individual site characteristics (which are unique), mean that conclusions must always be tempered by a level of flexibility in application of policy requirements on a site by site basis. It is therefore essential that affordable housing requirements reflect site-specific viability.

2.3 In light of the above we would highlight that the purpose of this viability study is to support the City Council's emerging policies through Examination in Public by providing evidence to show that the requirements set out within the NPPF are met. That is, that the policy requirements for development set out within the plan do not threaten the ability of the sites and scale of that development to be developed viably.

2.4 As an area wide study this assessment makes overall judgements as to viability in the jurisdiction of Brighton & Hove City Council and does not account for individual site circumstances and in this regard should not be relied upon for individual site applications.

2.5 This is recognised within Section 2 of the Local Housing Delivery Group guidance, which identifies the Purpose and role of viability assessments within plan-making. This identifies that: *"The role of the test is not to give a precise answer as to the viability of every development likely to take place during the plan period. No assessment could realistically provide this level of detail. Some site-specific tests are still likely to be required at the development management stage. Rather, it is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan."*

National Policy Context

The National Planning Policy Framework

2.6 Since the City Council adopted its Local Plan in July 2005, the old suite of national planning policy statements and planning policy guidance has been replaced by a single document – the National Planning Policy Framework ('NPPF').

2.7 The NPPF provides more in-depth guidance on viability of development than Planning Policy Statement 3, which limited its attention to requiring local planning authorities to test the viability of their affordable housing targets. The NPPF requires that local planning authorities have regard to the impact on viability of the *cumulative effect* of all their planning requirements on viability. Paragraph 173 of the NPPF requires that local planning authorities give careful attention "*to viability and costs in plan-making and decision-taking*". The NPPF requires that "*the sites and the* *scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened*". After taking account of policy requirements, land values should be sufficient to "*provide competitive returns to a willing landowner and willing developer*".

2.8 The meaning of a "*competitive return*" has been the subject of considerable debate over the past year. For the purposes of testing the viability of a Local Plan, the Local Housing Delivery Group[4] has concluded that the current use value of a site (or a credible alternative use value) plus an appropriate uplift, represents a competitive return to a landowner. Some members of the RICS consider that a competitive return is determined by market value[5], although there is no consensus around this view.

Section 106 contributions and the Community Infrastructure Levy

2.9 Brighton & Hove has an ambitious regeneration programme and along with planned growth within the City, infrastructure investment will be required to accommodate new development.

2.10 Currently the City Council requires developments to pay Section 106 contributions for such infrastructure, however, from April 2014[6] or the adoption of a Community Infrastructure Levy Charging Schedule, whichever is the earliest, the City Council will be required to scale back the amount of Section 106 contributions sought on sites to site specific mitigation measures only. The CIL regulations have three important repercussions for Section 106 obligations:

- making the test for the use of Section 106 obligations statutory (R122);
- ensuring that there is no overlap in the use of CIL and Section 106 (R123); and
- limiting the use of 'pooled' Section 106 obligations post April 2014[6] (R123).

2.11 The City Council is still undecided as to whether or not they will adopt CIL and are at the early stages of considering this route to securing pooled contributions. Given this position, for the purpose of the study an allowance towards Section 106 contributions has been included in the assessment based on historic contributions secured on developments within the City, and are not scaled back to reflect the changes to Section 106 sought from April 2014[6].

Local Policy context

2.12 The study takes into account the Brighton & Hove Local Plan policies not to be superseded by the City Plan Part One; guidance provided in the City Council's adopted Supplementary Planning Guidance and Documents; Planning Advice notes and the emerging policies and standards set out in the submission version of the City Plan Part One, which include *inter alia* an affordable housing requirement; sustainability; open space; and developer contributions towards infrastructure.

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[4] Viability Testing Local Plans: Advice for planning practitioners, June 2012

[5] RICS Guidance Note: Financial Viability in Planning, August 2012

[6] This date may change to April 2015, based on the Consultation on Community Infrastructure Levy further reforms document published in April 2013.

Adopted and emerging policies – policy sifting

2.13 BNP Paribas Real Estate and the City Council have undertaken a sifting exercise of the aforementioned documents to identify which policies might have cost implications for developments.

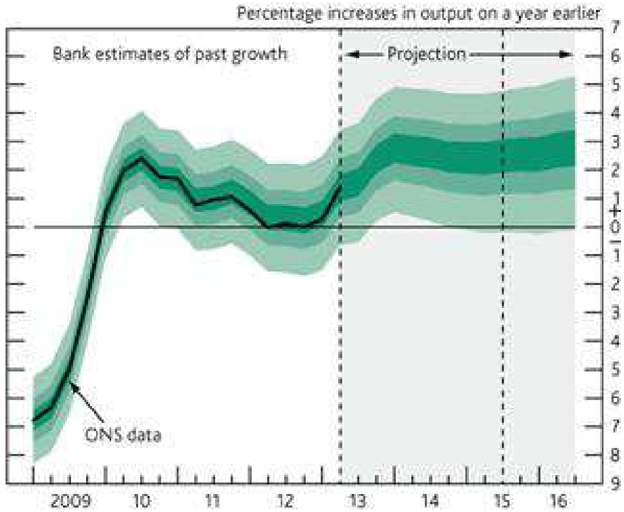
2.14 A full list of the policies analysed in the policy sifting exercise and commentary as to implications for costs for each policy is provided at **Appendix 1**.

2.15 The scoping of policies set out in Appendix 1 treats requirements for good design/layout and for necessary infrastructure as essential elements of any development, which should be factored into normal development costs. This study tests the viability of the cumulative impact of the existing and emerging policies. It therefore focuses on additional costs, where the emerging policies set requirements that exceed Building Regulations or what might otherwise be considered to be acceptable in planning terms. The main added costs relate to sustainable design standards and the likely Section 106 requirements including affordable housing.

Economic and housing market context

2.16 The historic highs achieved in the UK housing market by mid 2007 followed a prolonged period of real house price growth. However, a period of 'readjustment' began in the second half of 2007, triggered initially by rising interest rates and the emergence of the US sub prime lending problems in the last quarter of 2007. The subsequent reduction in inter-bank lending led to a general "credit crunch" including a tightening of mortgage availability. The real crisis of confidence, however, followed the collapse of Lehman Brothers in September 2008, which forced the government and the Bank of England to intervene in the market to relieve a liquidity crisis.

2.17 The combination of successive shocks to consumer confidence and the difficulties in obtaining finance led to a sharp reduction in transactions and a significant correction in house prices in the UK, which fell to a level some 21% lower than at their peak in August 2007 according to the Halifax House Price Index. Consequently, residential land values fell by some 50% from peak levels. One element of government intervention involved successive interest rate cuts and as the cost of servicing many people's mortgages is linked to the base rate, this financial burden has progressively eased for those still in employment. This, together with a return to economic growth early 2010 (see August 2013 Bank of England GDP fan chart below, showing the range of the Bank's predictions for GDP growth to 2016) has meant that consumer confidence has started to improve to some extent.



Source: Bank of England

2.18 Throughout the first half of 2010 there were some tentative indications that improved consumer confidence was feeding through into more positive interest from potential house purchasers. Against the background of a much reduced supply of new housing, this would lead one to expect some recovery in prices. However, this brief resurgence abated with figures falling and then fluctuating in 2011 and 2012, with the Halifax House Price Indices showing a fall of 0.6% in the year to March 2012. The Halifax attributed some of recovery during that period to first time buyers seeking to purchase prior to the reintroduction of Stamp Duty from 1 April 2012. The signs of improvement in the housing market towards the end of 2012 have continued in 2013 and both The Halifax and Nationwide have report positively in their July 2013 Housing Price Index updates. They both refer to signs of an upturn in the housing market, identifying July 2013 as having the "strongest rate of annual growth since 2010".

2.19 The Halifax report identifies that prices in the three months to July are 2.1% higher than in the previous three months, and prices in the three months to July were 4.6% higher than in the same three months a year earlier. This was higher than June's 3.7% increase and is the highest annual rate since August 2010 (4.6%), which is 'the strongest figure in this measure of the underlying trend for three years.' Prices are also identified as being 1.3% higher than in the same period in January 2012, marking the first annual rise for 27 months. They appear to be more optimistic than Nationwide in their view of the market, identifying that, *"Signs of improvement in the economy, underlined by the recent evidence of a rise in gross domestic product in Quarter 2 and increases in employment, appear to have boosted consumer confidence. Greater confidence is likely to have underpinned the increase in housing demand."*

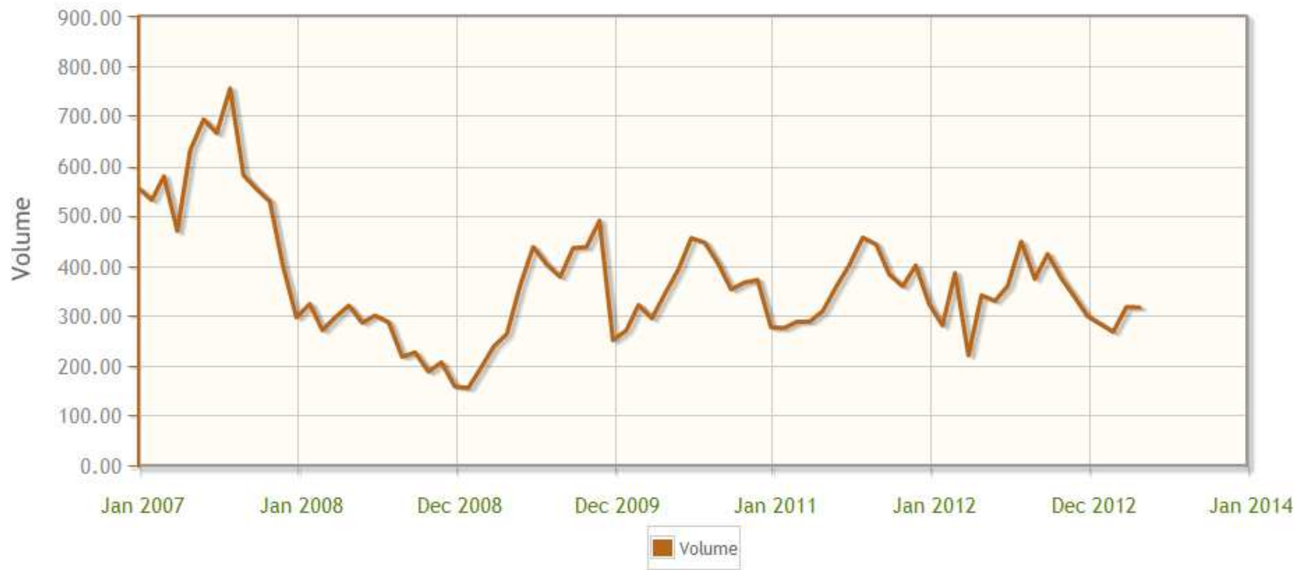
2.20 Nationwide, although positive, is more cautious in its outlook, reporting a modest increase in market activity and growth qualified by still being muted by comparison to historic standards. The annual rate of house price growth is identified as having increased to 3.9% in July 2013, however, this figure is identified as having been boosted by a low base for comparison, as prices declined by 2.6% in July 2012. Further, it is reported *that "House prices are currently around 12% higher than the lows seen in the midst of the financial crisis, though they are still around 10% below the all time highs recorded in late 2007."* They too consider *that "Signs of a modest improvement in wider economic conditions and further modest gains in employment are likely to be lifting buyer sentiment."*

2.21 Both Halifax and Nationwide refer to the improvement in the availability and a reduction in the cost of credit as a result of official schemes, such as the Funding for Lending Scheme and the Help to Buy equity loan scheme. These are identified as sources which may be boosting demand.

2.22 The outlook for the UK economy and house prices is identified by Martin Ellis, (the housing economist at Halifax) as being *"expected to continue to rise gradually through this year with only modest economic growth and still falling real earnings constraining housing demand and activity."*

Figure 2.22.1: Average house prices in Brighton & Hove

Figure 2.22.2: Sales volumes in Brighton & Hove



Source: Land Registry

2.23 According to Land Registry data, residential sales values in Brighton & Hove have almost recovered to the peak of the market values since the lowest point in the cycle in May 2009. Prices fell by 19.3% in Brighton & Hove from the peak of the market, November 2007, to May 2009. In the year following this (to August 2010) prices recovered by circa 14.4%, but values fell again by 2.7% between August 2010 to March 2011. This appears to have been a turning point, as values were seen to increase by 6.4% in the 20 months from March 2011 to November 2012. From this point the market appears to be more stable with smaller fluctuations in values i.e. no more than 2.2%. In July 2013, sales values in Brighton & Hove were only 1.32% lower than the November 2007 peak value.

2.24 The future trajectory of house prices is currently uncertain, although Savills' current prediction is that values are expected to increase over the next five years. Medium term predictions are that house prices for properties in the mainstream South East England markets will grow by 24% over the period between 2013 to 2017[7] inclusive. This is compared to a UK average of 18.1% cumulative growth over the same period.

Development context

2.25 Brighton & Hove is a tightly constrained, compact City situated between the South Downs National Park and the Sea. Developments in Brighton & Hove range from small in-fill sites to larger greenfield and regeneration schemes. There are variations in residential sales values between different parts of the City, with areas closer to the centre of Brighton and the waterfront generally perceived to be more desirable and therefore achieve higher values, whereas areas away from the central areas and the waterfront including East Brighton, Whitehawk, the Bristol Estate, Woodingdean, Portslade, Hangleton and Moulsecoomb are perceived to be less desirable.

2.26 The most recent Employment Land Study Review (ELSR) (published in December 2012)[8] identifies that 'the City has performed well in economic terms in recent years, proving relatively resilient through the recession and recording above average job growth over the last 15 years. A declining industrial sector in employment terms has been offset by steady office job growth. However, Brighton & Hove has historically underperformed in attracting inward investment, and faces challenges to maintaining high economic activity such as high levels of outcommuting and pockets of deprivation across the City. A number of ambitious local economic strategies and initiatives suggest that a step change is needed in order for the City to achieve its true economic potential and secure necessary investment.'

2.27 We understand from the September 2013 Promis Report[9] that no office space was completed during 2012 in Brighton. The main evidence relating to office space for the City Plan is the ELSR and council monitoring. The low in 2012 contrasts with the recent peak in completions of 210,000 square foot in 2011. More historically, in the ten years to the end 2004, the highest level recorded was 92,000 square foot in 2004. This position is confirmed by the ELSR, which identifies at para 3.11, that the level of development peaked in the reporting year (2011/12) i.e. gross completions were more than three times higher than the annual average over the last 12

[7] Savills Research: Residential Property Focus,Q3 2013 (July 2013)
[8] Employment Land Study Review undertaken by Nathaniel Lichfield & Partners on behalf of the City Council (published in December 2012)
[9] PMA Brighton PROMIS Office Report, created 18 September 2013

years. It goes on to clarify that circa 90% of the office completions in that year related to Phase 1 of the American Express headquarters site, and therefore completions elsewhere in the City were very modest by comparison. Across the twelve year period to 2012 as a whole, the net development rate is identified as having been significantly lower, at just over 7,170 square metres, per annum, reflecting losses of B-class space through redevelopment to other uses.

2.28 The Promis Report identifies that most of the recent development in Brighton has been fairly small in nature and over the last ten years most of the development has been in units of under 50,000 square foot. Three of the largest developments have been City Park 1, 2 and 3. The scheme, built in two phases, totals just under 200,000 square foot and is occupied by Legal & General and Lloyds Banking Group.

2.29 The impact of these development trends in Brighton, coupled with demolitions and changes of use, are that over the twelve years to the end of2012, office stock in Brighton has increased by 8% (as reported in the ELSR, para 3.3, from published VOA data). The Promis Report identifies that there is currently 0.9 million square foot of office space in Brighton's development pipeline, of which the ELR identifies that circa 21,110 square metres has planning permission, with the remaining109,300 square metres being at more preliminary stages (ELSR para 3.18).

2.30 The Promis Report sets out that by location, 60% of the space planned is within the town centre, and 40% out of town. The Report also highlights that in the Brighton market, circa 31% of the space developed since the end of 2007 has been speculative, with 69% being pre-let or purpose built.

2.31 The City's retail centres are performing relatively well given the current economic climate. The September 2013 Retail Promis Report[10] identifies that, Brighton's retail offer is very extensive for a city of its size, reflecting the importance of visitor spending in boosting the pool of available spend within the catchment area. This is reflected in the relatively high level of demand and the low vacancy rate (May 2013 survey) for units for a City of its size and status. The Brighton and Hove Retail Study Update 2011[11] reported a vacancy rate of 6.8%, which is identified as being 'comfortably below the national average' of 12.92% by over 6%. Given this position there is a large amount of retail development planned in the City.

2.32 The Promis Report identifies that there are many retail schemes in the pipeline. Such schemes include but are not limited to:

- the redevelopment of part of Brighton Centre (conference and concert hall) to provide a mixed use retail, hotel, leisure and residential development and understand that that the City Council is keen to include an extension to Churchill Square shopping centre in this scheme. Any extension is being viewed on a medium to long-term basis.

- part of the Western Road frontage of Churchill Square (three existing units plus part of the Bhs store) is being redeveloped to provide a new flagship store for Top Shop due to open in early 2014.

[10] PMA Brighton PROMIS Retail Report, created 18 September 2013

[11] Brighton & hove Retail Study Update prepared by CBRE on behalf of the City Council, published in September 2011

- a planning application has also been submitted for the regeneration of the Brighton Square area in the heart of The Lanes and the Centurion Development proposes to refurbish the 1960s Brighton Square development with a mix of uses including retail, bars/restaurants, residential and a boutique hotel. The owners of the former Hannington department store goods yard are proposing to create a new Lane connecting with Meeting House Lane; this is to involve the redevelopment of several retail properties in the Brighton Place area and would provide a new link between North Street and The Lanes, as well as a small gain in retail floorspace, residential and office uses.

- there is also a substantial redevelopment scheme planned at Sackville Trading Estate in Hove, for which an application to extend the initial consent was approved in March 2013. This development could include a superstore, retail warehousing, restaurants and services, plus offices and residential.

- in the west of the area, Metric Properties acquired the PC World store on Old Shoreham Road in Hove in 2011. An application to build a new 9,000 square foot non-food A1 unit adjacent to PC World was approved in June 2012, superseding an earlier consent. The Promis Report identifies that this new unit is to be occupied by Hobbycraft.

- there has been a longstanding proposal for additional leisure development at Brighton Marina, in the south-west corner of the site. The Promis Report identifies that in June 2013 a non-material amendment relating to the existing RNLI building, which lies on part of the site, was granted and owners, X-Leisure, are reported as suggesting that work on the residential element of the scheme could start as early as September 2013.

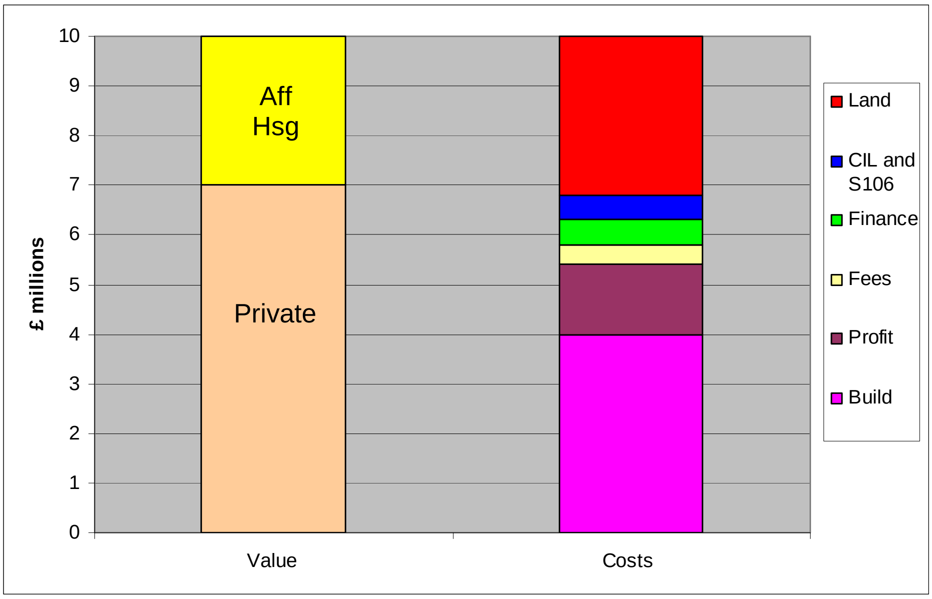
- with respect to development within the City, we understand that ASDA plans to extend its store on Crowhurst Road in Brighton to circa 150,000 square foot.

3 Methodology and appraisal inputs

3.1 Our methodology follows standard development appraisal conventions, using locally-based sites and assumptions that reflect local market circumstances and emerging planning policy requirements. The study is therefore specific to Brighton & Hove and reflects the City Council's planning policy requirements.

Approach to testing development viability

3.2 Appraisal models can be summarised via the following diagram. The total scheme value is calculated, as represented by the left hand bar. This includes the sales receipts from the private housing and the payment from a Registered Provider ('RP') for the completed affordable housing units. For a commercial scheme, scheme value equates to the capital value of the rental income. The model then deducts the build costs, fees, interest, Section 106 contributions and developer's profit. A 'residual' amount is left after all these costs are deducted – this is the land value that the Developer would pay to the landowner. The residual land value is represented by the red portion of the right hand bar in the diagram.



3.3 The Residual Land Value is normally a key variable in determining whether a scheme will proceed. If a proposal generates sufficient positive land value (in excess of existing use value, discussed later), it will be implemented. If not, the proposal will not go ahead, unless there are alternative funding sources to bridge the 'gap'.

3.4 Ultimately, the landowner will make a decision on implementing a project on the basis of return and the potential for market change, and whether alternative developments might yield a higher value. The landowner's 'bottom line' will be achieving a residual land value that sufficiently exceeds 'existing use value[12]' or another appropriate benchmark to make development worthwhile. The margin above existing use value may be considerably different on individual sites, where there might be particular

[12] For the purposes of this report, existing use value is defined as the value of the site in its existing use, assuming that it remains in that use. We are not referring to the RICS Valuation Standards definition of 'Existing Use Value'.

reasons why the premium to the landowner should be lower or higher than other sites.

3.5 Clearly, however, landowners have expectations of the value of their land which often exceed the value of the current use. Section 106 contributions and CIL (if and when the City Council adopt a Charging Schedule), will be a cost to the scheme and will impact on the residual land value. Ultimately, if landowners' expectations are not met, they will not voluntarily sell their land and (unless a Local Authority is prepared to use its compulsory purchase powers) some may simply hold on to their sites, in the hope that policy may change at some future point with reduced requirements. It is within the scope of those expectations that developers have to formulate their offers for sites. The task of formulating an offer for a site is complicated further still during buoyant land markets, where developers have to compete with other developers to secure a site, often speculating on increases in value.

Viability benchmark

3.6 The NPPF does not prescribe any particular methodology for assessing the viability of developments in their areas for testing local plan policies. The Local Housing Delivery Group published guidance in June 2012[13] which provides guidance on testing viability of local plan policies. The guidance notes that "*consideration of an appropriate Threshold Land Value [or viability benchmark] needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy*". The RICS Guidance Note 'Viability in Planning' (August 2012) which advocates market value as a benchmark for testing viability, is therefore not applicable to a test of planning policy.

3.7 In light of the weaknesses in the market value approach, the Local Housing Delivery Group guidance recommends that benchmark land value "*is based on a premium over current use values*" with the "*precise figure that should be used as an appropriate premium above current use value [being] determined locally*". The guidance considers that this approach "*is in line with reference in the NPPF to take account of a "competitive return" to a willing land owner*".

3.8 The recent examination on the Mayor of London's CIL charging schedule considered the issue of an appropriate land value benchmark. The Mayor had adopted current use value, while certain objectors suggested that 'Market Value' was a more appropriate benchmark. The Examiner concluded that:

"The market value approach…. while offering certainty on the price paid for a development site, suffers from being based on prices agreed in an historic policy context." (para 8) and that "*I don't believe that the EUV approach can be accurately described as fundamentally flawed or that this examination should be adjourned to allow work based on the market approach to be done*" (para 9).

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[13] Viability Testing Local Plans: Advice for planning practitioners, Local Housing Delivery Group, Chaired by Sir John Harman, June 2012.

3.9 In his concluding remark, the Examiner points out that

"the price paid for development land may be reduced [so that CIL may be accommodated]. *As with profit levels there may be cries that this is unrealistic, but* ***a reduction in development land value is an inherent part of the CIL concept****. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the prospect of raising funds for infrastructure would be forever receding into the future. In any event in some instances it may be possible for contracts and options to be re-negotiated in the light of the changed circumstances arising from the imposition of CIL charges.* (para 32 – emphasis added).

4 Development appraisals

4.1 We have appraised 19 development typologies, reflecting both the range of sales values/capital values and also sizes/types of development and densities of development across the City. The City Council have reviewed historic planning applications and have based the appraisal typologies on a range of actual developments within the City. These typologies are therefore reflective of developments that have been consented/delivered as well as those expected to come forward in the Brighton & Hove area in future. Details of the schemes appraised are provided below in table 4.1.1 below.

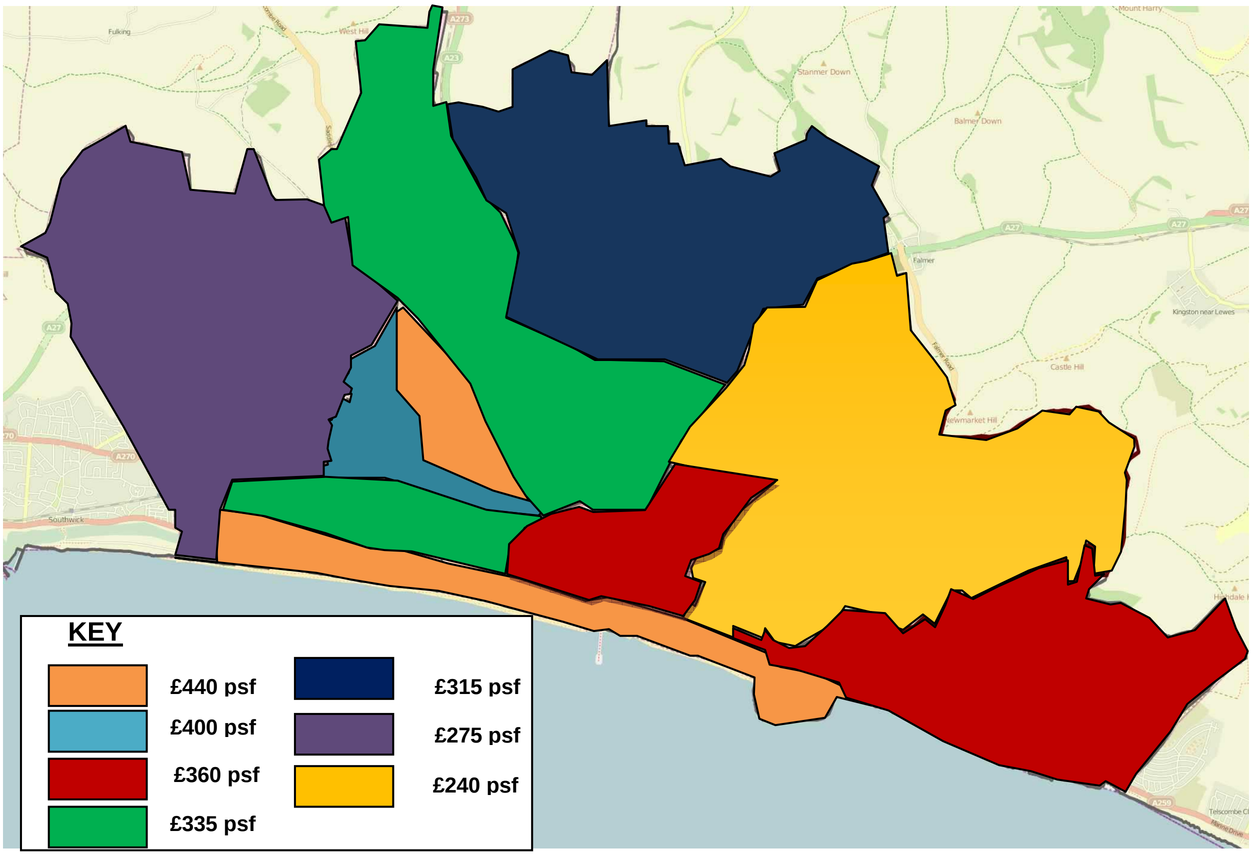
Table 4.1.1: Development typologies

	No. Resi units	Description of Development	Net dev area (ha)	Dev density (units per ha)
1	3	Houses	0.026	115
2	4	Houses	0.089	45
3	4	Flats	0.022	182
4	7	Flats	0.012	583
5	7	Flats	0.068	103
6	10	Houses	0.20	50
7	11	Flats	0.11	100
8	14	Flats	0.18	78
9	20	Houses	0.40	50
10	24	Flats	0.06	400
11	30	Flats	0.16	188
12	31	Flats & houses	0.62	50
13	49	Flats	0.15	327
14	250	Flats	5.00	50
15	50	Flats and houses and 1,394 sq m of Office	0.38	132
16	125	Flats and Student accommodation (442 rooms / 12,427 sq m)	0.903	138
17	200	Flats and 3,000 sq m Office	0.59	339
18	700	Flats & houses and 25,000 sq m office	18.00	38
19	1,000	Flats & Houses, 5,000 sq m retail and 3,500 sq m leisure and community facilities.	8.80	113

Residential sales values

4.2 Residential values in the area reflect national trends in recent years but do of course vary between different sub-markets. We have considered comparable evidence of transacted properties in the area as well as properties on the market to establish appropriate values for testing purposes. This exercise indicates that developments in the City will attract average sales values ranging from circa £3,229 per square metre (£300 per square foot) to £1,938 per square metre (£180 per square foot). In general higher values are achieved along the central seafront, Shirley Drive, Hove Park and Denmark Villas areas with lower values achieved in the east of the City (East Brighton, Whitehawk, Bristol Estate, Woodingdean and Moulsecoombareas). The market areas are illustrated in Figure 4.2.1 below.

Figure 4.2.1: Average sales values In Brighton & Hove



4.3 We have applied the following average sales values in our appraisals, reflecting the range above (see Table 4.3.1).

Table 4.3.1: Average sales values adopted in Brighton & Hove appraisals

Area	Ave values £s per square metre	Ave values £s per square foot
1- Central Waterfront & Shirley Drive area	£4,736	£440
2- Hove Park & Denmark Villas area	£4,306	£400
3- Central Brighton, Hanover, Elm Grove, Kemp Town, Saltdean, Rottingdean, Ovingdean	£3,875	£360
4- Wish, Westborne, Aldrington & Central Hove , Withdean, Preston Park, Hanover	£3,605	£335
5- Patcham, Stanmer & Coldean, Hollingbury	£3,390	£315
6- Portslade, Portslade by sea, Mile Oak, Hangleton	£2,960	£275
7- East Brighton, Whitehawk, Bristol Estate Woodingdean, Moulsecoomb	£2,583	£240

4.4 As noted earlier in the report, Savills predict that sales values will increase over the medium term. Whilst this predicted growth cannot be guaranteed, we have run sensitivity analysis assuming growth in sales values of 10%, accompanied by cost inflation of 5%[14]. This sensitivity analysis provides the City Council with an indication of the impact of changes in values and costs on scheme viability.

Commercial revenue

4.5 We have derived out inputs for the commercial uses in this study from research on deals for commercial floorspace in the City using electronic databases such as EGi and Focus as well as having discussions with local agents and BNP Paribas Real Estate's experience on developments viability in the City. Our research indicates that a range of rents are currently being achieved across the City.

[14] Our appraisals do not, however, include any inflation on existing use values, as commercial floorspace is not expected to increase in value over the next four to five years. This is due to general weakness in the economy and a surplus of office space in the City Council's area.

4.6 Prime office rents in the City (Central Brighton) have seen significant growth over the first half of 2013, off the back of a recent spate of lettings. Headline rents have risen to £23 per square foot at mid-13, reflecting not only transactional evidence at the newly refurbished Sovereign House but also the fact the prime availability within the city centre is becoming particularly limited. Other areas in the City are identified as achieving between £12 and £15 per square foot.

4.7 The September 2013 Brighton Office Promis Report identifies that, 'following several years of relatively healthy demand, boosted by a handful of uncharacteristic pre-let deals in 2009-10, take up plummeted in 2011 to record lows. Occupier caution stumbled over into 2012 with demand remaining poor and annual take up far below the five year average. The two largest deals agreed in 2012 were actually Public Sector deals involving the university – Into University Partnership let 21,000 square foot at One Gloucester Place in Q2, followed by the University of Brighton taking 11,900 square foot at Cavendish House in Q4. Small-unit take up - where demand is primarily focused - particularly struggled. Letting activity has been similarly sluggish in 2013 to date, although a slight improvement in take up within the smaller size bands has put annual take up for the year so far already above that seen in 2012. This activity has been focused at Sovereign House, which following a minor refurbishment has seen the building reach around 50% occupancy. The City and Guilds London Institute (12,000 square foot), Groundsure (7,000 square foot) and the OSTC (8,500 square foot) have all taken space in Q1 and Q2 2013, highlighting that there is still reasonable demand for good quality stock.

4.8 The yields applied are based on advice from local agents and research undertaken in the South East and East Sussex area as well as our understanding of the current commercial property market in the UK. We understand that in line with the trend seen across the UK, prime office yields in Brighton have fallen over the first half of 2013 to now stand at circa 7.25%.

4.9 In addition we understand from the ELSR that vacant office space in Brighton & Hove City Council's area remain low at 9%, compared to national and regional rates for offices. Vacancy levels for 'Grade A' office accommodation are even lower, at around 2%, reflecting very limited availability of this type of space across the City[15]. The Promis Office Report identifies that the vacancy information for mid-2013 is not yet available, however that Stiles Harold Williams estimated availability in Brighton to have been circa 385,000 square foot at the end of 2012 (Q4), which was less than that reported in Q3 2012.

4.10 The 2012 Employment Land Study Review identifies that 'demand for office space in the City remains strong – particularly for small units in Central Brighton and the station/Queen's Road area – despite a shortage of good quality, modern office space, with the majority of current stock comprising refurbished older buildings that are not suited to current business needs. Alongside funding/viability issues in the current market, this lack of supply could constrain future office based activity in the City. In this regard, new build office developments are likely to attract a premium rent above second hand rents. However, such development is likely to be relatively modest in the short term given the current economic climate.

[15] Brighton & Hove Employment Land Study Review 2012 paragraphs 3.6-3.8

4.11 For the purposes of this study, we have assumed that top grade office space would be provided for typology 15. Therefore it would be likely to achieve the top end of the range of rents identified and we have adopted a rent of £20 per square foot and a yield of 7.5%, allowing for a 24 month rent free/void period. We had adopted rents of £12.50 and £15 per square foot for Typologies 17 and 18 respectively at a yield of 8% allowing for rent free/void periods of 24 months.

4.12 We understand prime retail rents in Central Brighton are between £150 to £215 per square foot Zone A in Churchill Square (£60 - £100 per square foot overall); between £90 to £180 per square foot Zone A in Western Road (between £30 to £40 per square foot overall); between £30 to £35 per square foot overall in East street and North Street and circa £20 to £25 per square foot overall elsewhere in the City.

4.13 With regard to yields, once again based advice from local agents and research undertaken in the South East and East Sussex area as well as our understanding of the current commercial property market in the UK we understand that prime retail yields in the City are circa 5%.

4.14 We have adopted a cautious approach to retail rents in the study (£25 per square foot for Typology 19) on the basis that such rents are location specific. We have capitalised this at a yield of 7% allowing for a 24 month rent free/void period.

4.15 With respect to the community facilities and leisure uses in Typology 19, we have adopted a rent of £12.50 per square foot capitalised at a yield of 8% with a 24 month rent free/void period.

4.16 We have undertaken research into student accommodation within the City and understand that rents achievable are in the region of £135 - £145 per week on a 51 week let. We have allowed for a rent of £140 per room with an occupancy rate of 95% within our assessment. The gross area allowed for per room is circa 28 square metres, which allows for the necessary communal space in such developments. We have adopted a yield of 6.5% on this space in line with our experience on such schemes both in the City and similar markets.

Housing mix

4.17 The Policies in the submission City Plan Part One (CP19 ‘Housing Mix’, SA6 ‘Housing Density’ CP14 ‘Sustainable Neighbourhoods’) do not specify a housing mix for private housing which the City Council will seek. The policies do however seek to ensure that developments will deliver an appropriate mix of housing to meet the identified local housing needs. In addition, the supporting text to Policy CP19 ‘Housing Mix’ identifies at para 4.210 the demographic analysis of the demand/need for homes in the City over the Plan Period to be as follows:

	1 bed	2 bed	3 bed	4 Bed +
Market and Affordable Housing	24%	34%	31%	11%
Greatest demand identified for Market Housing		35%	36%	
Greatest demand identified for Affordable Housing	46%	33%		

4.18 Policy CP20 'Affordable Housing' does however provide details of the City Council's preferred affordable housing unit size mix, which will be sought to be achieved across the City, as follows:

	1 bed	2 bed	3 bed +
Affordable Housing	30%	45%	25%

4.19 Tables 4.19.1 below summarises the housing mix adopted for the purpose of this assessment. These have been arrived at based on a combination of the emerging City Plan Part One position and past completions in the City.

Table 4.19.1: Unit Mix (across all tenures taken together)

Site type	1 Bed flat	2 bed flat	3 bed flat	2 bed house	3 bed house	4 bed house
Unit size	*45 sqm*	*60 sqm*	*70 sqm*	*83 sqm*	*96 sqm*	*113 sqm*
1	-	-	-	100%	-	-
2	-	-	-	100%	-	-
3	50%	50%	-	-	-	-
4	71%	14%	14%	-	-	-
5	43%	57%	-	-	-	-
6				40%	30%	30%
7	45%	55%	-	-	-	-
8	45%	55%	-	-	-	-
9	-	-	-	35%	35%	30%
10	40%	60%	-	-	-	-
11	50%	40%	10%	-	-	-
12	13%	16%	-	-	39%	32%
13	39%	55%	6%	-	-	-
14	30%	45%	25%	-	-	-
15	4%	8%	-	52%	36%	-
16	47%	53%	-	-	-	-
17	30%	45%	25%	-	-	-
18	21%	21%	7%	14%	29%	7%
19	25%	35%	30%		5%	5%

4.20 With respect to the size of units adopted in the study, these have been informed by the Homes and Communities Agency (HCA) Standards.

Affordable housing tenure and values

4.21 The City Council's City Plan Part One's Policy CP20 'Affordable Housing' identifies that the City Council will require the provision of affordable housing on all sites of 5 or more dwellings (net) and will negotiate to achieve the following affordable housing targets:

- 40% onsite affordable housing provision on sites of 15 or more (net) dwellings;
- 30% onsite affordable housing provision on sites of between 10 and 14 (net) dwellings or as an equivalent financial contribution;
- 20% affordable housing as an equivalent financial contribution on sites of between 5 and 9 (net) dwellings.

4.22 The Policy goes on to identify that these targets may be applied more flexibly where the City Council considers this to be justified. Further, in assessing the appropriate level and type of affordable housing provision, consideration will be given to amongst other things:

- local need in respect of the mix of dwelling types and sizes including the city's need to provide more family-sized affordable housing;
- the costs relating to the development; in particular the financial viability of developing the site (using an approved viability model);
- the extent to which the provision of affordable housing would prejudice the realisation of other planning objectives; and
- the need to achieve a successful housing development

4.23 Policy CP20 also requires affordable housing to incorporate a mix of tenures. The exact tenure split on each site is however identified as a matter for negotiation, which should be informed by up to date assessments of local housing need and individual site and/or neighbourhood characteristics. We understand that the Council's Developer Contributions Technical Guidance on the main types of contributions identifies the City Council's starting position for tenure mix to be 55% rented and 45% intermediate housing.

4.24 Although the City Council is keen to ensure that social rented accommodation is still provided wherever possible in order to meet local needs, they have accepted the concept of Affordable Rent in the City. It is appreciated that Affordable Rent is now a key part of funding for new affordable housing and social rented accommodation is more expensive to provide given the current economic position and loss of grant. Given this position this study tests the rented element of the affordable housing as Affordable Rent.

4.25 We have modelled affordable rent units based on 80% of market rents for the rented element of our appraisals, as long as these do not exceed the Local Housing Allowance levels (1 April 2013 to 31 March 2014). These are shown in the table below:

Table 4.25.1: Summary of 80% of private rents, Local Housing allowance levels and rate adopted in study

Value Areas		1 Bed	2 Bed	3 Bed	4 Bed
	Local Housing Allowance (per week)	***£150***	***£188.68***	***£219.23***	***£323.08***
1-2	80% Market Rent (per week) **Rent adopted in study (per week)**	£134 **£134**	£184 **£184**	£268 **£219.23**	£332 **£323.08**
3-7	80% Market Rent (per week) **Rent adopted in study (per week)**	£128 **£128**	£170 **£170**	£212 **£212**	£270 **£270**

4.26 The CLG/HCA '*2011-2015 Affordable Homes Programme – Framework'* (February 2011) document clearly states that RSLs will not receive grant funding for any affordable housing provided through planning obligations. We have therefore assumed that schemes will not receive grant funding.

4.27 For shared ownership units, we have assumed that RSLs will sell 30% initial equity stakes and charge a rent of 2.75% on the retained equity. A 10% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 6%.

Build costs

4.28 We have sourced build costs for the residential schemes from the RICS Building Cost Information Service (BCIS), which is based on tenders for actual schemes[16]. However, adjustments to the base costs are necessary to reflect other factors which are not included in BCIS. In addition to the build costs outlined below, our appraisals include a contingency of 5% of build costs. Our approach is set out in the following paragraphs.

4.29 **Houses:** we have used the mean average BCIS 'Estate housing – generally' cost, adjusted for Brighton[17], which is currently £944 per square metre. In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works.

4.30 **Flats:** we have used the mean average BCIS 'Flats – generally' cost, adjusted for Brighton, which is currently £1,084 per square metre for the lower density schemes in the City. For the higher density schemes (typologies 4,10, 13 and 17) we have used the mean BCIS 'Flats – 6+ storeys' adjusted for Brighton, which is currently £1,381 per square metre. In addition to these base costs, we have included an allowance which equates to an additional 15% of the base cost for external works. Our appraisals assume a gross to net ratio of between 75% and 85% for flats, depending on the density of the scheme.

4.31 On the large greenfield site typologies (typology 18), we have included an allowance of £10,000 per residential unit for infrastructure costs as such sites are likely to require the development of such infrastructure to open up the sites for development.

4.32 Our appraisals incorporate an allowance of £600 per residential unit reflecting the CLG research on the costs of meeting Lifetime Homes standards.

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[16] We understand that such schemes in the City are likely to be CSH level 3.

[17] The BCIS database provides costs for Brighton and for Hove separately. We have adopted the higher value of the two areas, which relates to Brighton.

4.33 The costs of making units wheelchair accessible is broadly neutral and is more of a design and unit size issue. The 10% wheelchair requirement will be accommodated within schemes by varying unit sizes to accommodate the additional floorspace required for turning circles.

4.34 Our appraisals also allow for a cost of £750 per residential unit to allow for SuDs reflecting the middle point of the range identified (i.e. £500-£1000 per unit) in the August 2011 CLG Study '*Code for Sustainable Homes: Updated Cost Review'*.

4.35 Element Energy and Davis Langdon undertook research into the costs of building to the Code for the Department of Communities and Local Government in 2010/11 which was published in August 2011[18]. Changes over the past 2–3 years, in particular revisions to Building Regulations and significant reductions in the price of photovoltaics, mean it is now timely to reassess the costs of building to the Code. As such, the City Council along with a number of other local authorities, commissioned Element Energy and Davis Langdon to undertake an update assessment to their previous work.

4.36 Based on the findings of Element Energy and Davis Langdon's update work, we have included an allowance of 4% above the base BICS costs in our assessment to meet Code for Sustainable Homes (CSH) level 4. An additional 12% of base build costs is included as an allowance across all housing tenures for meeting CSH level 5. When testing CSH level 6, an additional 28% is added to the base build costs.

4.37 **Student accommodation:** we have used the mean average BCIS 'Students' residences, halls of residence etc', adjusted for Brighton, which is currently £1,423 per square metre. In addition to this base cost, we have included an allowance which equates to an additional 10% of the base cost for external works.

4.38 **Offices:** we have used the mean average BCIS 'Air-conditioned Offices - 6+ storey' cost, adjusted for Brighton, which is currently £1,764 per square metre for typology 15. With respect to typologies 17 and 18 we have adopted the mean average BCIS 'Air-conditioned offices - Generally' adjusted for Brighton, which is currently £1,474 per square metre. In addition to the base costs, we have included an allowance which equates to an additional 10% of the base cost for external works.

4.39 **Retail:** we have used the mean average BCIS 'Shopping Centres' cost, adjusted for Brighton, which is currently £1,006 per square metre. In addition to this base cost, we have included an allowance which equates to an additional 10% of the base cost for external works.

4.40 In addition, we have included an allowance of 10% over and above the identified BCIS base build costs for student accommodation, offices and retail uses as set out above to allow for BREEAM excellent.

Professional fees

4.41 In addition to base build costs, schemes will incur professional fees covering design, valuation highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate a 10% allowance, which is at the middle to higher end of the range for most schemes.

[18] CLG study 'Code for Sustainable Homes: Updated Cost Review' by Element Energy and Davis Langdon published August 2011.

Development finance

4.42 Our appraisals assume that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

Marketing costs

4.43 Our appraisals incorporate an allowance of 3% for marketing costs, which we consider to be an appropriate allowance for this area.

Commercial disposal costs

4.44 In line with market practice our appraisals included allowances for fees such as Letting Agents (10% of rent), Sales Agents (1% of capital value) and Legal fees (0.75% of capital value). We have also allowed for purchasers costs at 5.8% of capital value.

Section 106 costs

4.45 In response to the economic downturn, in 2010 the City Council introduced a range of temporary 'recession' relief measures that prioritised and allowed for a flexible approach to planning and reductions in certain types of Section 106 planning obligations where issues of viability were raised. This approach was considered necessary to assist with the need to enable appropriate development during the current difficult economic climate. These temporary measures provide flexibility whilst continuing to secure contributions towards necessary infrastructure to enable development to be acceptable and proceed. This has been renewed annually and remains in place (last renewed January 2013).

4.46 The current recession relief measures include:

- Free of charge pre-application advice service;
- Deferring or allowing for phased payment of contributions on major schemes, or deferred of payment of contributions or provision of infrastructure to a later date in the development or on occupation of the development;
- Reduction in the type and level of contributions being sought by suspending requirements for financial contributions to sustainable building and nature conservation;
- Waiving "indexation" on financial contributions so that infrastructure payments due are not updated to current prices;
- Changing the threshold level at which sustainable transport contributions are sought so that a lesser percentage of developments would be liable; and
- Suspending seeking financial contributions towards Sustainable Buildings and Nature Conservation measures. Contributions will instead focus on securing best quality development design.

4.47 The City Council has advised that Section 106 receipts for applications approved within the City in recent years with the recessionary measures in place are circa £5,500 per residential unit, whilst the full Section 106 contributions would be circa £7,500 per unit. We have accordingly tested both of these average figures within our appraisals.

Development and sales periods

4.48 Development and sales periods vary between type of scheme. However, our sales periods are based on an assumption of a sales rate of 3 units per month, with an element of off-plan sales reflected in the timing of receipts. This is reflective of current market conditions, whereas in improved markets, a sales rate of 6 units or more per month might be expected.

Developer's profit

4.49 Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. In 2007, profit levels were at around 13 – 15% of development value. However, following the impact of the credit crunch and the collapse in interbank lending and the various government bailouts of the banking sector, profit margins have increased. On this basis we have adopted an allowance of 20% in our appraisals. It is important to emphasise that the level of minimum profit is not necessarily determined by developers (although they will have their own view and the Boards of the major housebuilders will set targets for minimum profit).

4.50 The views of the banks which fund development are more important; if the banks decline an application by a developer to borrow to fund a development, it is very unlikely to proceed, as developers rarely carry sufficient cash to fund it themselves. Consequently, future movements in profit levels will largely be determined by the attitudes of the banks towards development proposals.

4.51 The near collapse of the global banking system in the final quarter of 2008 is resulting in a much tighter regulatory system, with UK banks having to take a much more cautious approach to all lending. In this context, and against the backdrop of the current sovereign debt crisis in the Eurozone, the banks may not allow profit levels to decrease much lower than their current level of 20% of scheme value.

4.52 Our assumed return on the affordable housing GDV is 6%. A lower return on the affordable housing is appropriate as there is very limited sales risk on these units for the developer; there is often a pre-sale of the units to an RSL prior to commencement. Any risk associated with take up of intermediate housing is borne by the acquiring RSL, not by the developer. A reduced profit level on the affordable housing reflects the GLA 'Development Control Toolkit' guidance and Homes and Communities Agency's guidelines in its Economic Appraisal Tool.

Exceptional costs

4.53 Exceptional costs can be an issue for development viability on previously developed land. Exceptional costs relate to works that are 'atypical', such as remediation of sites in former industrial use and that are over and above standard build costs. However, for the purposes of this exercise, it is not possible to provide a reliable estimate of what exceptional costs would be, in the absence of detailed site investigation. Our analysis therefore excludes exceptional costs, as to apply a blanket allowance would generate misleading results. An 'average' level of allowance for certain costs (e.g. piling on sites with abnormal ground conditions) is already reflected in BCIS data, as such costs are frequently encountered on sites that form the basis of the BCIS data sample. In addition, our appraisals include a contingency which will mitigate the impact of exceptional costs.

4.54 It is expected however, that when purchasing previously developed sites developers will have undertaken reasonable levels of due diligence and would therefore have reflected obvious remediation costs/suitable contingencies into their purchase price.

Benchmark land values

4.55 Benchmark land values, based on the existing use value or alternative use value of sites are key considerations in the assessment of development economics for testing planning policies and tariffs. Clearly, there is a point where the Residual Land Value (what the landowner receives from a developer) that results from a scheme may be less than the land's existing use value. Existing use values can vary significantly, depending on the demand for the type of building relative to other areas. Similarly, subject to planning permission, the potential development site may be capable of being used in different ways – as a hotel rather than residential for example; or at least a different mix of uses. Existing use value or alternative use value are effectively the 'bottom line' in a financial sense and therefore a key factor in this study.

4.56 We have arrived at a broad judgement on the likely range of benchmark land values. On previously developed sites, the calculations assume that the landowner has made a judgement that the current use does not yield an optimum use of the site; for example, it has fewer storeys than neighbouring buildings; or there is a general lack of demand for the type of space, resulting in low rentals, high yields and high vacancies (or in some cases no occupation at all over a lengthy period). We would not expect a building which makes optimum use of a site and that is attracting a reasonable rent to come forward for development, as residual value may not exceed current use value in these circumstances.

4.57 In considering the value of sites in existing commercial use, it is necessary to understand the concept of 'yields'. Yields form the basis of the calculation of a building's capital value, based on the net rental income that it generates. Yields are used to calculate the capital value of any building type which is rented, including both commercial and residential uses. Yields are used to calculate the number of times that the annual rental income will be multiplied to arrive at a capital value. Yields reflect the confidence of a potential purchaser of a building in the income stream (i.e. the rent) that the occupant will pay. They also reflect the quality of the building and its location, as well as general demand for property of that type. The lower the covenant strength of the occupier (or potential occupiers if the building is currently vacant), and the poorer the location of the building, the greater the risk that the tenant may not pay the rent. If this risk is perceived as being high, the yield will be high, resulting in a lower number of years rent purchased (i.e. a lower capital value).

4.58 Over the past four years, yields for commercial property have 'moved out' (i.e. increased), signalling lower confidence in the ability of existing tenants to pay their rent and in future demand for commercial space. This has the effect of depressing the capital value of commercial space. However, as the economy recovers, we would expect yields to improve (i.e. decrease), which will result in increased capital values. Consequently, current use values might increase, increasing the base value of sites that might come forward, which may have implications for landowners' decisions on releasing sites for alternative uses.

4.59 Redevelopment proposals that generate residual land values below current use values are unlikely to be delivered. While any such thresholds are only a guide in 'normal' development circumstances, it does not imply that individual landowners, in particular financial circumstances, will not bring sites forward at a lower return or indeed require a higher return. If proven current use value justifies a higher benchmark than those assumed, then appropriate adjustments may be necessary. As such, current use values should be regarded as benchmarks rather than definitive fixed variables on a site by site basis.

4.60 The four benchmark land values used in this study have been selected to provide a broad indication of likely land values across the City, but it is important to recognise that other site uses and values may exist on the ground. There can never be a single threshold land value at which we can say definitively that land will come forward for development, especially in urban areas.

4.61 It is also necessary to recognise that a landowner will require an additional incentive to release the site for development[19]. The premium above current use value would be reflective of specific site circumstances (the primary factors being the occupancy level and strength of demand from alternative occupiers). For policy testing purposes it is not possible to reflect the circumstances of each individual site, so a blanket assumption of a 20% premium has been adopted to reflect the 'average' situation

4.62 **Benchmark land value 1:** This benchmark assumes secondary office space on a hectare of land, with 40% site coverage and 3 storeys. The rent assumed is based on lettings of second hand offices in the City at £9.00 per square foot. We have assumed a £50 per square foot allowance for refurbishment and a letting void of three years. The capital value of the building would be £2.275 million, to which we have added a 20% premium, resulting in a benchmark of £2.73 million per Ha.

4.63 **Benchmark Land Value 2**: We have included a risk-adjusted Valuation Office Agency ('VOA') 'residential land value' based on the land value identified for Reading as one of our benchmarks[20]. This data reflects *the value of land with planning consent for residential use with appropriate servicing* and thus an over generous benchmark against which to test developments which do not have planning permission. Valuers would typically deduct an allowance for risk from the value of sites without consent. We have therefore adjusted the average residential land value of £3.128 million per hectare to £2.19 million per hectare to account for planning risk. Recognising that the VOA undertook its most recent study when Social Housing Grant was available for most sites, we have adjusted the land value to account for the reduction in grant availability resulting from the October 2010 *Comprehensive Spending Review*[21]. This results in a further reduction of £0.675 million per hectare (based on a 30 unit scheme, with 40% affordable equating to 12 units at £90,000 grant per unit). The resulting *serviced* land value benchmark is £1.11 million per Ha.

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[19] This approach is therefore consistent with the National Planning Policy Framework, which indicates that development should provide "competitive returns" to landowners. A 20% return above current use value is a competitive return when compared to other forms of investment.

[20] The VOA now publishes a limited number of land value benchmarks in each region.

[21] It should also be noted that the Homes and Communities Agency's *Affordable Homes Programme 2011-2015 – Framework* document also explicitly states that affordable housing delivered through Section 106 obligations will not receive grant.

4.64 **Benchmark Land Value 3**: This benchmark assumes lower value secondary industrial/warehousing space on a hectare of land, with 60% site coverage and 1 storey. The rent assumed is based on lettings of second hand industrial floorspace in the City at £4.50 per square foot. We have assumed a £28 per square foot allowance for refurbishment and a letting void of three years. The capital value of the building would be £685,000, to which we have added a 20% premium, resulting in a benchmark of £822,000 per Ha.

4.65 **Benchmark Land Value 4**: This benchmark assumes a community building, which could include buildings owned by the City Council and other public sector bodies, and community/charity groups. We have assumed site coverage of 50% across a hectare of land, with a single storey building. The rent assumed is based on our estimate of £2.00 per square foot. We have assumed a £10 per square foot allowance for refurbishment and a letting void of one year. The capital value of the building would be £440,000, to which we have added a 20% premium, resulting in a benchmark of £528,000 per Ha.

4.66 It is worth noting that Benchmark Land Value 4 is also equivalent to a land value for greenfield sites, as it considered to be within the range identified by research undertaken for the Department for Communities and Local Government[22].

4.67 We would caution against reliance on land sales as evidence of minimum land value thresholds, particularly in light of the comments on this data in Examiner's report on the Mayor of London's CIL[23], which indicates that owners will need to adjust their expectations to accommodate allowances for infrastructure.

Consultation with stakeholders

4.68 In line with the Local Housing Delivery Group Guidance the City Council has sought a collaborative approach at an early stage of the viability testing.

4.69 The Guidance identifies at Part 2 that, *'In working collaboratively through the assessment process, it is important the planning authority seeks engagement with the range of bodies with an interest in plan policies and their impact on deliverability, including neighbouring authorities under the Duty to Cooperate.'* Further the Guidance also sets out that, *'Where developers engage in this collaborative process, it will aid the work if they are able to share as fully as possible their own appraisals and practices, recognising that there will be commercial constraints on this.'*

4.70 The City Council and BNP Paribas Real Estate undertook informal consultation with key stakeholders at an early stage of preparing the local plan viability work supporting the Council's submission City Plan Part One document. This was undertaken to open a dialogue regarding development viability across the Borough in relation to the aforementioned plan, which have already undergone consultation, and with respect to the potential future Community Infrastructure Levy Charging Schedule.

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[22] CLG '*Cumulative impacts of regulations on house builders and landowners Research paper*' 2011

[23] Para 32: *"the price paid for development land may be reduced…. a reduction in development land value is an inherent part of the CIL concept…. in some instances it may be possible for contracts and options to be re-negotiated in the light of the changed circumstances arising from the imposition of CIL charges."*

4.71 The key stakeholders invited to attend were identified by the City Council through their existing databases and understanding of development in the Borough and included developers, landowners, active agents, Registered Providers (RPs) and infrastructure providers etc.

4.72 This informal consultation took the form of a workshop (held on 8 August 2013 at the City Council's Offices) at which BNP Paribas Real Estate provided an introduction to the viability work being undertaken and presented our proposed methodology for the study and the proposed appraisal inputs to the stakeholders. During the workshop we sought the Stakeholders comments on both elements and there was a general endorsement of the approach and inputs identified in the presentation. Both BNP Paribas Real Estate and the City Council welcomed any further local information and evidence that the attendees might have to assist with the study.

4.73 Following the workshop, the presentation was emailed to all attendees and invitees (i.e. including those invited but who were unable to attend). In the covering email BNP Paribas Real Estate confirmed that both us and the City Council would be appreciative of any comments regarding the approach and proposed appraisal inputs for the Local Plan Testing Viability Study and evidence to support any proposed amendments to the appraisal inputs, to be received within three weeks of the information being sent out.

4.74 Two responses were received to the City Council's consultation, one of which was received from an agent for a local landowner prior to the presentation (letter dated 19 July 2013) and another from a local agent who identified that they act for a wide range of investors and developers. No evidence or further commentary on the proposed methodology or appraisal inputs was provided in these responses. It is worth noting that comments made to this consultation were predominantly made with respect to the potential charging and spending of CIL in the City.

5 Appraisal outputs

5.1 The full outputs from our appraisals of various developments are attached as appendices 2, 3, 4 and 5. We have appraised 19 development typologies, reflecting different densities and types of development in the Brighton & Hove area. Each appraisal incorporates (where relevant) the City Council's requirement for affordable housing, tested at different levels.

5.2 Within each Appendix, the 19 development typologies are appraised separately. For each site, where relevant, the results of the following analyses are provided:

- 0% affordable housing;
  - Base values and cost (recessionary measures Section 106);
  - Base values and cost (full Section 106);
  - Values +10% and cost +5% (recessionary measures Section 106);and
  - Values +10% and cost +5% (full Section 106).
- 10% affordable housing 55% Affordable Rent and 45% intermediate;
  - Base values and cost (recessionary measures Section 106);
  - Base values and cost (full Section 106);
  - Values +10% and cost +5% (recessionary measures Section 106);and
  - Values +10% and cost +5% (full Section 106).
- 20% affordable housing 55% Affordable Rent and 45% intermediate;
  - Base values and cost (recessionary measures Section 106);
  - Base values and cost (full Section 106);
  - Values +10% and cost +5% (recessionary measures Section 106);and
  - Values +10% and cost +5% (full Section 106).
- 30% affordable housing 55% Affordable Rent and 45% intermediate;
  - Base values and cost (recessionary measures Section 106);
  - Base values and cost (full Section 106);
  - Values +10% and cost +5% (recessionary measures Section 106);and
  - Values +10% and cost +5% (full Section 106).
- 40% affordable housing 55% Affordable Rent and 45% intermediate;
  - Base values and cost (recessionary measures Section 106);
  - Base values and cost (full Section 106);
  - Values +10% and cost +5% (recessionary measures Section 106);and
  - Values +10% and cost +5% (full Section 106).

5.3 Viability has been tested at these five levels of affordable housing, although it should be noted that if a scheme is shown to be viable, a greater level of affordable housing might be deliverable within the 'interval' that has been tested. For example, if a scheme is shown to be viable with 20% affordable housing, but not with 30% affordable housing the actual level of affordable housing that could be provided will fall between 21 and 29%. Likewise if a scheme is viable at 30% and unviable with 40%, the scheme will be able to provide between 31 and 39%. Schemes that are viable at 40% affordable housing could potentially provide a higher level of affordable housing.

5.4 Each page of the Appendix shows the residual land value generated by the scheme (based on the particular combination of affordable housing percentage, sales values and costs), in the grey boxes, and compares this to each of the four benchmark land values, in the yellow boxes.

- Green shading in the results indicates that scheme is viable (where the residual land value is higher than the benchmark land value)**,**

- Red shading indicates that the scheme is unviable (where the residual land value is lower than the benchmark Land Value).

5.5 The appendices test the cumulative impact of the City Council's requirements. The first set of results indicate the residual values of schemes with no Section 106 contributions and no affordable housing or sustainability requirements. These policy requirements are added incrementally as shown in the table below.

CSH level 3 & BREEAM Very Good (RICS BCIS Build costs)	**CSH level 3 & BREEAM Very Good & S106 contributions** (£5,500 per residential unit for recessionary measures / £7,500 per unit for full S106 requirement)	**CSH level 3 & BREEAM Very Good, S106 & lifetime homes** (£600 per residential unit	**CSH level 3 & BREEAM Very Good, S106, lifetime homes and SuDs** (£750 per residential unit)	**CSH level 4,** (4% over and above RICS BCIS Build costs) **& BREEAM Excellent** (10% over and above RICS BCIS Build costs) **S106 contributions, lifetime homes & SuDs**	**CSH level 5** (12% over and above RICS BCIS Build costs) **& BREEAM Excellent** (10% over and above RICS BCIS Build costs), **S106 contributions, lifetime homes & SuDs**	**CSH level 6** (28% over and above RICS BCIS Build costs) **& BREEAM Excellent** (10% over and above RICS BCIS Build costs), **S106 contributions, lifetime homes & SuDs**

5.6 An example of the layout and costs used to present the appraisal outputs in this study is provided overleaf. The underlying assumptions on value growth and cost growth (if any) for each set of results are stated at the top of each page in the appendices.

5.7 In the example overleaf, this particular development typology located in area 3 (Central Brighton, Hanover, Elm Grove, Kemp Town, Saltdean, Rottingdean, Ovingdean) could currently viably absorb the requirements for up to CSH level 4, lifetime homes the Section 106 requirements, SuDs alongside affordable housing of between 20% and 30% with the rented element provided as affordable rent. If a higher CSH level was required, the development typology would be unviable even with 100% private housing.

BRIGHTON & HOVE CITY COUNCIL
LOCAL PLAN VIABILITY TESTING

Site typology 10

Sales value inflation 0%
Build cost inflation 0%

Site location: Area 3

S106 Scenario: Recessionary

No Units	24
Site Area	0.06 Ha

Residual land values:

NB all appraisals allowance for residual S106 items (site mitigation only)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£574,684	£443,690	£424,803	£409,693	£308,173	£105,133	-£305,869
10% affordable housing (55:45)	£506,294	£376,476	£357,589	£342,479	£240,959	£37,918	-£374,183
20% affordable housing (55:45)	£437,903	£309,261	£290,374	£275,265	£173,744	-£29,775	-£442,497
30% affordable housing (55:45)	£369,513	£242,048	£223,161	£208,050	£106,531	-£98,089	-£510,810
40% affordable housing (55:45)	£301,123	£174,833	£155,946	£140,837	£39,316	-£166,401	-£579,124

Residual Land values compared to benchmark land values
Benchmark 1 - offices (higher)

£2,730,000

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£410,884	£279,890	£261,003	£245,893	£144,373	-£58,667	-£469,669
10% affordable housing (55:45)	£342,494	£212,676	£193,789	£178,679	£77,159	-£125,882	-£537,983
20% affordable housing (55:45)	£274,103	£145,461	£126,574	£111,465	£9,944	-£193,575	-£606,297
30% affordable housing (55:45)	£205,713	£78,248	£59,361	£44,250	-£57,269	-£261,889	-£674,610
40% affordable housing (55:45)	£137,323	£11,033	-£7,854	-£22,963	-£124,484	-£330,201	-£742,924

6 Assessment of the results

6.1 This section should be read in conjunction with the full results attached at Appendix 2. In these results, the residual land values are calculated for scenarios with sales values and capital values reflective of market conditions across the City with the current recessionary Section 106 contribution requirement[24]. These RLVs are then compared to a range of benchmark land values.

6.2 Development value is finite and in areas where development is primarily sourced from previously developed sites it is rarely enhanced through the adoption of new policy requirements. This is because existing use values are to a degree relatively high prior to development. In contrast, areas which have previously undeveloped land clearly have greater scope to secure an uplift in land value through the planning process. In setting its policy requirements, the City Council will need to prioritise its requirements due to finite development value.

6.3 It should be noted that with any potential future CIL adopted, which would operate as a fixed charge, the City Council would need to consider the impact on two key factors. Firstly, the need to strike a balance between maximising revenue to invest in infrastructure which will help to support development and growth on the one hand and the need to *minimise* the impact upon development viability on the other. CLG guidance stresses the need to minimise the impact of a CIL upon the delivery of the relevant development plan Secondly, as a CIL would effectively take a 'top-slice' of development value, there would be a potential impact on the percentage or tenure mix of affordable housing that could be secured. This would be a change from the current system of negotiated financial contributions, where the planning authority can weigh the need for contributions against the requirement that schemes need to contribute towards affordable housing provision.

6.4 In assessing the results, it is important to clearly distinguish between two scenarios; namely, schemes that are unviable *regardless of the City Council's policy requirements* and schemes that are viable *prior* to the imposition of policy requirements. If a scheme is unviable before policy requirements, it is unlikely to come forward and planning requirements would not be a factor that comes into play in the developer's/landowner's decision making. The unviable schemes will only become viable following an increase in values or a reduction in costs.

Analysis of results

6.5 The first set of tables summarises the viability of small schemes with houses tested (i.e. less than 10 units) compared to the offices benchmark (Table 6.5.1) and the community use owned by the City Council/public sector/greenfield benchmark (Table 6.5.2) across the different value areas. Although this type of development would not be required to provide on-site affordable housing the City Council would seek to negotiate with developers on a site by site basis to obtain a financial contribution to fund off-site provision.

[24] The base position for this study is taken as being the recessionary Section 106 contributions measures as this is the level of S106 contributions currently sought by the Council in response to the current economic climate.

Table 6.5.1: Viability of developments – development typology 2 (4 houses) – using office benchmark land value

Area 1 - Central Waterfront & Shirley Drive area

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£505,300	£472,155	£468,915	£466,325	£452,556	£425,019	£369,946
10% affordable housing (55:45)	£477,023	£444,364	£441,125	£438,533	£424,765	£397,228	£342,155
20% affordable housing (55:45)	£448,745	£416,572	£413,334	£410,742	£396,974	£369,437	£314,364
30% affordable housing (55:45)	£420,468	£388,781	£385,543	£382,951	£369,183	£341,647	£286,572
40% affordable housing (55:45)	£392,190	£360,990	£357,752	£355,160	£341,392	£313,856	£258,782

Area 2- Hove Park & Denmark Villas area

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£401,281	£369,924	£366,685	£364,094	£350,325	£322,789	£267,716
10% affordable housing (55:45)	£379,746	£348,760	£345,520	£342,930	£329,160	£301,624	£246,551
20% affordable housing (55:45)	£358,211	£327,595	£324,355	£321,764	£307,995	£280,459	£225,386
30% affordable housing (55:45)	£336,675	£306,430	£303,190	£300,599	£286,831	£259,294	£204,221
40% affordable housing (55:45)	£315,140	£285,265	£282,025	£279,434	£265,666	£238,129	£183,056

Area 3 - Central Brighton, Hanover, Elm Grove, Kemp Town, Saltdean, Rottingdean, Ovingdean

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£297,261	£267,694	£264,454	£261,863	£248,095	£220,558	£165,485
10% affordable housing (55:45)	£277,997	£248,760	£245,521	£242,930	£229,161	£201,625	£146,551
20% affordable housing (55:45)	£258,732	£229,826	£226,588	£223,996	£210,228	£182,692	£127,617
30% affordable housing (55:45)	£239,467	£210,893	£207,654	£205,063	£191,295	£163,757	£108,684
40% affordable housing (55:45)	£220,202	£191,960	£188,720	£186,129	£172,361	£144,824	£89,751

Area 4 - Wish, Westborne, Aldrington & Central Hove, Withdean, Preston Park, Hanover

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£232,249	£203,800	£200,560	£197,969	£184,201	£156,664	£101,591
10% affordable housing (55:45)	£217,198	£189,008	£185,768	£183,177	£169,408	£141,872	£86,799
20% affordable housing (55:45)	£202,147	£174,215	£170,976	£168,384	£154,616	£127,080	£72,007
30% affordable housing (55:45)	£187,095	£159,423	£156,184	£153,593	£139,824	£112,287	£57,214
40% affordable housing (55:45)	£172,045	£144,631	£141,391	£138,801	£125,033	£97,495	£42,422

Area 5 - Patcham, Stanmer & Coldean, Hollingbury

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£180,239	£152,684	£149,446	£146,854	£133,086	£105,548	£50,475
10% affordable housing (55:45)	£168,559	£141,205	£137,966	£135,375	£121,607	£94,070	£38,996
20% affordable housing (55:45)	£156,879	£129,726	£126,487	£123,896	£110,127	£82,591	£27,517
30% affordable housing (55:45)	£145,199	£118,246	£115,008	£112,416	£98,648	£71,112	£16,038
40% affordable housing (55:45)	£133,519	£106,768	£103,529	£100,937	£87,169	£59,632	£4,559

Area 6 - Portslade, Portslade by sea, Mile Oak, Hangleton

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£76,219	£50,454	£47,214	£44,624	£30,855	£3,318	-£51,755
10% affordable housing (55:45)	£71,281	£45,600	£42,362	£39,770	£26,002	-£1,534	-£56,609
20% affordable housing (55:45)	£66,343	£40,748	£37,509	£34,917	£21,149	-£6,388	-£61,461
30% affordable housing (55:45)	£61,406	£35,895	£32,655	£30,065	£16,296	-£11,241	-£66,314
40% affordable housing (55:45)	£56,468	£31,042	£27,803	£25,212	£11,443	-£16,093	-£71,167

Area 7 - Woodingdean and Moulsecoomb

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£14,798	-£38,998	-£42,237	-£44,829	-£58,597	-£86,134	-£141,207
10% affordable housing (55:45)	-£13,836	-£38,053	-£41,293	-£43,884	-£57,652	-£85,189	-£140,262
20% affordable housing (55:45)	-£12,875	-£37,108	-£40,348	-£42,938	-£56,706	-£84,244	-£139,317
30% affordable housing (55:45)	-£11,913	-£36,163	-£39,402	-£41,993	-£55,762	-£83,299	-£138,372
40% affordable housing (55:45)	-£10,952	-£35,219	-£38,457	-£41,049	-£54,817	-£82,353	-£137,427

Table 6.5.2: Viability of developments – development typology 2 (4 houses) – using City Council / public sector / greenfield benchmark land value

Area 1 - Central Waterfront & Shirley Drive area

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£701,278	£668,133	£664,893	£662,303	£648,534	£620,997	£565,924
10% affordable housing (55:45)	£673,001	£640,342	£637,103	£634,511	£620,743	£593,206	£538,133
20% affordable housing (55:45)	£644,723	£612,550	£609,312	£606,720	£592,952	£565,415	£510,342
30% affordable housing (55:45)	£616,446	£584,759	£581,521	£578,929	£565,161	£537,625	£482,550
40% affordable housing (55:45)	£588,168	£556,968	£553,730	£551,138	£537,370	£509,834	£454,760

Area 2- Hove Park & Denmark Villas area

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£597,259	£565,902	£562,663	£560,072	£546,303	£518,767	£463,694
10% affordable housing (55:45)	£575,724	£544,738	£541,498	£538,908	£525,138	£497,602	£442,529
20% affordable housing (55:45)	£554,189	£523,573	£520,333	£517,742	£503,973	£476,437	£421,364
30% affordable housing (55:45)	£532,653	£502,408	£499,168	£496,577	£482,809	£455,272	£400,199
40% affordable housing (55:45)	£511,118	£481,243	£478,003	£475,412	£461,644	£434,107	£379,034

Area 3 - Central Brighton, Hanover, Elm Grove, Kemp Town, Saltdean, Rottingdean, Ovingdean

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£493,239	£463,672	£460,432	£457,841	£444,073	£416,536	£361,463
10% affordable housing (55:45)	£473,975	£444,738	£441,499	£438,908	£425,139	£397,603	£342,529
20% affordable housing (55:45)	£454,710	£425,804	£422,566	£419,974	£406,206	£378,670	£323,595
30% affordable housing (55:45)	£435,445	£406,871	£403,632	£401,041	£387,273	£359,735	£304,662
40% affordable housing (55:45)	£416,180	£387,938	£384,698	£382,107	£368,339	£340,802	£285,729

Area 4 - Wish, Westborne, Aldrington & Central Hove, Withdean, Preston Park, Hanover

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£428,227	£399,778	£396,538	£393,947	£380,179	£352,642	£297,569
10% affordable housing (55:45)	£413,176	£384,986	£381,746	£379,155	£365,386	£337,850	£282,777
20% affordable housing (55:45)	£398,125	£370,193	£366,954	£364,362	£350,594	£323,058	£267,985
30% affordable housing (55:45)	£383,073	£355,401	£352,162	£349,571	£335,802	£308,265	£253,192
40% affordable housing (55:45)	£368,023	£340,609	£337,369	£334,779	£321,011	£293,473	£238,400

Area 5 - Patcham, Stanmer & Coldean, Hollingbury

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£376,217	£348,662	£345,424	£342,832	£329,064	£301,526	£246,453
10% affordable housing (55:45)	£364,537	£337,183	£333,944	£331,353	£317,585	£290,048	£234,974
20% affordable housing (55:45)	£352,857	£325,704	£322,465	£319,874	£306,105	£278,569	£223,495
30% affordable housing (55:45)	£341,177	£314,224	£310,986	£308,394	£294,626	£267,090	£212,016
40% affordable housing (55:45)	£329,497	£302,746	£299,507	£296,915	£283,147	£255,610	£200,537

Area 6 - Portslade, Portslade by sea, Mile Oak, Hangleton

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£272,197	£246,432	£243,192	£240,602	£226,833	£199,296	£144,223
10% affordable housing (55:45)	£267,259	£241,578	£238,340	£235,748	£221,980	£194,444	£139,369
20% affordable housing (55:45)	£262,321	£236,726	£233,487	£230,895	£217,127	£189,590	£134,517
30% affordable housing (55:45)	£257,384	£231,873	£228,633	£226,043	£212,274	£184,737	£129,664
40% affordable housing (55:45)	£252,446	£227,020	£223,781	£221,190	£207,421	£179,885	£124,811

Area 7 - East Brighton, Whitehawk, Bristol Estate Woodingdean, Moulsecoomb

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£181,180	£156,980	£153,741	£151,149	£137,381	£109,844	£54,771
10% affordable housing (55:45)	£182,142	£157,925	£154,685	£152,094	£138,326	£110,789	£55,716
20% affordable housing (55:45)	£183,103	£158,870	£155,630	£153,040	£139,272	£111,734	£56,661
30% affordable housing (55:45)	£184,065	£159,815	£156,576	£153,985	£140,216	£112,679	£57,606
40% affordable housing (55:45)	£185,026	£160,759	£157,521	£154,929	£141,161	£113,625	£58,551

6.6 Tables 6.6.1 and 6.6.2 compare the viability of Development Typology 8, a low density wholly flatted scheme (14 flats at 78 units per hectare (uph)) and Development Typology 10, a high density wholly flatted scheme (24 flats at 400 uph)). We set out the results in the tables below from all of the market value areas identified against the office benchmark and the low value warehouses and industrial use benchmark. Given the scale of the development there would be a requirement for the provision of on-site affordable housing, sought at the policy level of 40%.

Table 6.6.1: Viability of developments – Development Typology 8 (14 flats at 78 uph) and Development Typology 10 (24 flats at 400 uph) – using office benchmark land value

Area 1 - Central Waterfront & Shirley Drive area

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£820,209	£728,061	£717,194	£708,370	£667,626	£586,141	£423,168
10% affordable housing (55:45)	£759,241	£668,143	£657,290	£648,607	£608,521	£527,219	£364,247
20% affordable housing (55:45)	£698,273	£608,223	£597,371	£588,689	£548,601	£468,298	£305,327
30% affordable housing (55:45)	£637,305	£548,304	£537,451	£528,770	£488,682	£408,508	£246,405
40% affordable housing (55:45)	£576,338	£488,385	£477,533	£468,850	£428,763	£348,588	£187,484

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£1,181,004	£1,036,765	£1,017,877	£1,002,767	£901,247	£698,207	£292,126
10% affordable housing (55:45)	£1,080,335	£937,828	£918,940	£903,830	£802,311	£599,270	£193,190
20% affordable housing (55:45)	£979,313	£838,890	£820,003	£804,893	£703,373	£500,333	£94,252
30% affordable housing (55:45)	£878,009	£739,953	£721,066	£705,956	£604,436	£401,395	-£4,685
40% affordable housing (55:45)	£776,704	£641,016	£622,128	£607,019	£505,499	£302,459	-£103,622

Area 2- Hove Park & Denmark Villas area

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£597,990	£508,526	£497,497	£488,673	£447,929	£366,444	£203,471
10% affordable housing (55:45)	£551,818	£463,717	£452,687	£443,863	£403,119	£321,634	£158,662
20% affordable housing (55:45)	£505,156	£418,427	£407,575	£398,893	£358,310	£276,825	£113,852
30% affordable housing (55:45)	£458,494	£372,568	£361,716	£353,033	£312,946	£232,015	£69,043
40% affordable housing (55:45)	£411,832	£326,708	£315,855	£307,174	£267,086	£186,912	£24,233

Typology 10 (24 flats 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£795,943	£658,328	£639,440	£624,330	£522,810	£319,770	-£86,310
10% affordable housing (55:45)	£719,897	£583,588	£564,700	£549,591	£448,070	£245,031	-£161,049
20% affordable housing (55:45)	£643,849	£508,849	£489,961	£474,851	£373,331	£170,292	-£236,966
30% affordable housing (55:45)	£567,802	£434,110	£415,222	£400,112	£298,592	£95,552	-£312,928
40% affordable housing (55:45)	£491,755	£359,371	£340,483	£325,373	£223,853	£20,813	-£388,890

Area 3 - Central Brighton, Hanover, Elm Grove, Kemp Town, Saltdean, Rottingdean, Ovingdean

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£374,448	£288,829	£277,800	£268,976	£228,232	£146,747	-£16,226
10% affordable housing (55:45)	£333,443	£248,530	£237,500	£228,676	£187,933	£106,447	-£56,526
20% affordable housing (55:45)	£292,438	£208,230	£197,200	£188,376	£147,633	£66,147	-£96,825
30% affordable housing (55:45)	£250,845	£167,930	£156,900	£148,077	£107,333	£25,848	-£137,125
40% affordable housing (55:45)	£208,876	£127,243	£116,391	£107,709	£67,034	-£14,452	-£177,425

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£410,884	£279,890	£261,003	£245,893	£144,373	-£58,667	-£469,669
10% affordable housing (55:45)	£342,494	£212,676	£193,789	£178,679	£77,159	-£125,882	-£537,983
20% affordable housing (55:45)	£274,103	£145,461	£126,574	£111,465	£9,944	-£193,575	-£606,297
30% affordable housing (55:45)	£205,713	£78,248	£59,361	£44,250	-£57,269	-£261,889	-£674,610
40% affordable housing (55:45)	£137,323	£11,033	-£7,854	-£22,963	-£124,484	-£330,201	-£742,924

Area 4 - Wish, Westborne, Aldrington & Central Hove, Withdean, Preston Park, Hanover

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£234,734	£151,519	£140,489	£131,665	£90,922	£9,436	-£153,537
10% affordable housing (55:45)	£202,703	£120,039	£109,008	£100,184	£59,441	-£22,045	-£185,016
20% affordable housing (55:45)	£170,672	£88,558	£77,528	£68,705	£27,961	-£53,524	-£216,497
30% affordable housing (55:45)	£138,642	£57,079	£46,049	£37,224	-£3,518	-£85,005	-£247,977
40% affordable housing (55:45)	£106,060	£25,598	£14,568	£5,744	-£34,999	-£116,485	-£279,458

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£170,222	£43,367	£24,479	£9,370	-£92,151	-£297,340	-£710,061
10% affordable housing (55:45)	£117,219	-£8,723	-£27,610	-£42,721	-£144,240	-£350,282	-£763,003
20% affordable housing (55:45)	£64,218	-£60,814	-£79,701	-£94,811	-£196,863	-£403,224	-£815,947
30% affordable housing (55:45)	£11,215	-£112,905	-£131,792	-£146,901	-£249,806	-£456,167	-£868,889
40% affordable housing (55:45)	-£41,786	-£165,014	-£184,211	-£199,568	-£302,749	-£509,109	-£921,831

Area 5 - Patcham, Stanmer & Coldean, Hollingbury

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£122,964	£41,670	£30,640	£21,817	-£18,927	-£100,413	-£263,385
10% affordable housing (55:45)	£98,112	£17,246	£6,216	-£2,608	-£43,351	-£124,838	-£287,809
20% affordable housing (55:45)	£73,260	-£7,179	-£18,209	-£27,033	-£67,776	-£149,262	-£312,234
30% affordable housing (55:45)	£48,408	-£31,603	-£42,633	-£51,457	-£92,200	-£173,686	-£336,659
40% affordable housing (55:45)	£23,557	-£56,027	-£67,057	-£75,882	-£116,624	-£198,111	-£361,083

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£22,308	-£145,851	-£164,754	-£180,111	-£283,292	-£489,653	-£902,374
10% affordable housing (55:45)	-£62,999	-£186,204	-£205,400	-£220,757	-£323,937	-£530,298	-£943,021
20% affordable housing (55:45)	-£103,691	-£226,849	-£246,045	-£261,403	-£364,583	-£570,944	-£983,666
30% affordable housing (55:45)	-£144,383	-£267,495	-£286,691	-£302,048	-£405,229	-£611,590	-£1,024,311
40% affordable housing (55:45)	-£185,422	-£308,141	-£327,337	-£342,694	-£445,874	-£652,235	-£1,064,958

Area 6 - Portslade, Portslade by sea, Mile Oak, Hangleton

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£100,578	-£178,027	-£189,057	-£197,881	-£238,624	-£320,111	-£483,082
10% affordable housing (55:45)	-£111,072	-£188,340	-£199,370	-£208,194	-£248,937	-£330,424	-£493,428
20% affordable housing (55:45)	-£121,565	-£198,653	-£209,683	-£218,507	-£259,250	-£340,737	-£503,910
30% affordable housing (55:45)	-£132,059	-£208,966	-£219,997	-£228,820	-£269,563	-£351,050	-£514,391
40% affordable housing (55:45)	-£142,553	-£219,279	-£230,310	-£239,133	-£279,877	-£361,363	-£524,873

Typology 10 (24 flats in at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£411,352	-£530,184	-£549,380	-£564,738	-£667,918	-£874,279	-£1,287,001
10% affordable housing (55:45)	-£427,684	-£546,237	-£565,433	-£580,789	-£683,971	-£890,332	-£1,303,053
20% affordable housing (55:45)	-£444,018	-£562,289	-£581,485	-£596,842	-£700,022	-£906,383	-£1,319,106
30% affordable housing (55:45)	-£460,350	-£578,340	-£597,537	-£612,894	-£716,074	-£922,435	-£1,335,157
40% affordable housing (55:45)	-£476,683	-£594,393	-£613,589	-£628,945	-£732,127	-£938,488	-£1,351,209

Area 7 - East Brighton, Whitehawk, Bristol Estate Woodingdean, Moulsecoomb

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£296,177	-£370,262	-£381,291	-£390,116	-£430,859	-£512,687	-£678,325
10% affordable housing (55:45)	-£294,108	-£368,228	-£379,258	-£388,081	-£428,825	-£510,620	-£676,257
20% affordable housing (55:45)	-£292,037	-£366,193	-£377,223	-£386,047	-£426,790	-£508,552	-£674,190
30% affordable housing (55:45)	-£289,967	-£364,158	-£375,189	-£384,013	-£424,756	-£506,485	-£672,123
40% affordable housing (55:45)	-£287,898	-£362,125	-£373,155	-£381,978	-£422,722	-£504,418	-£670,055

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£753,790	-£866,733	-£885,929	-£901,286	-£1,004,466	-£1,210,827	-£1,623,550
10% affordable housing (55:45)	-£748,226	-£861,265	-£880,461	-£895,819	-£998,999	-£1,205,360	-£1,618,082
20% affordable housing (55:45)	-£742,664	-£855,798	-£874,994	-£890,351	-£993,531	-£1,199,893	-£1,612,615
30% affordable housing (55:45)	-£737,100	-£850,331	-£869,527	-£884,884	-£988,064	-£1,194,425	-£1,607,147
40% affordable housing (55:45)	-£731,537	-£844,863	-£864,059	-£879,417	-£982,597	-£1,188,958	-£1,601,680

Table 6.6.2: Viability of developments – Development Typology 8 (14 flats at 78 uph) and *Typology 10 (24 flats at 400 uph)* – using industrial/warehouse benchmark land value

Area 1 - Central Waterfront & Shirley Drive area

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£1,152,849	£1,060,701	£1,049,834	£1,041,010	£1,000,266	£918,781	£755,808
10% affordable housing (55:45)	£1,091,881	£1,000,783	£989,930	£981,247	£941,161	£859,859	£696,887
20% affordable housing (55:45)	£1,030,913	£940,863	£930,011	£921,329	£881,241	£800,938	£637,967
30% affordable housing (55:45)	£969,945	£880,944	£870,091	£861,410	£821,322	£741,148	£579,045
40% affordable housing (55:45)	£908,978	£821,025	£810,173	£801,490	£761,403	£681,228	£520,124

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£1,291,884	£1,147,645	£1,128,757	£1,113,647	£1,012,127	£809,087	£403,006
10% affordable housing (55:45)	£1,191,215	£1,048,708	£1,029,820	£1,014,710	£913,191	£710,150	£304,070
20% affordable housing (55:45)	£1,090,193	£949,770	£930,883	£915,773	£814,253	£611,213	£205,132
30% affordable housing (55:45)	£988,889	£850,833	£831,946	£816,836	£715,316	£512,275	£106,195
40% affordable housing (55:45)	£887,584	£751,896	£733,008	£717,899	£616,379	£413,339	£7,258

Area 2- Hove Park & Denmark Villas area

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£930,630	£841,166	£830,137	£821,313	£780,569	£699,084	£536,111
10% affordable housing (55:45)	£884,458	£796,357	£785,327	£776,503	£735,759	£654,274	£491,302
20% affordable housing (55:45)	£837,796	£751,067	£740,215	£731,533	£690,950	£609,465	£446,492
30% affordable housing (55:45)	£791,134	£705,208	£694,356	£685,673	£645,586	£564,655	£401,683
40% affordable housing (55:45)	£744,472	£659,348	£648,495	£639,814	£599,726	£519,552	£356,873

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£906,823	£769,208	£750,320	£735,210	£633,690	£430,650	£24,570
10% affordable housing (55:45)	£830,777	£694,468	£675,580	£660,471	£558,950	£355,911	-£50,169
20% affordable housing (55:45)	£754,729	£619,729	£600,841	£585,731	£484,211	£281,172	-£126,086
30% affordable housing (55:45)	£678,682	£544,990	£526,102	£510,992	£409,472	£206,432	-£202,048
40% affordable housing (55:45)	£602,635	£470,251	£451,363	£436,253	£334,733	£131,693	-£278,010

Area 3 - Central Brighton, Hanover, Elm Grove, Kemp Town, Saltdean, Rottingdean, Ovingdean

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£707,088	£621,469	£610,440	£601,616	£560,872	£479,387	£316,414
10% affordable housing (55:45)	£666,083	£581,170	£570,140	£561,316	£520,573	£439,087	£276,114
20% affordable housing (55:45)	£625,078	£540,870	£529,840	£521,016	£480,273	£398,787	£235,815
30% affordable housing (55:45)	£583,485	£500,570	£489,540	£480,717	£439,973	£358,488	£195,515
40% affordable housing (55:45)	£541,516	£459,883	£449,031	£440,349	£399,674	£318,188	£155,215

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£521,764	£390,770	£371,883	£356,773	£255,253	£52,213	-£358,789
10% affordable housing (55:45)	£453,374	£323,556	£304,669	£289,559	£188,039	-£15,002	-£427,103
20% affordable housing (55:45)	£384,983	£256,341	£237,454	£222,345	£120,824	-£82,695	-£495,417
30% affordable housing (55:45)	£316,593	£189,128	£170,241	£155,130	£53,611	-£151,009	-£563,730
40% affordable housing (55:45)	£248,203	£121,913	£103,026	£87,917	-£13,604	-£219,321	-£632,044

Area 4 - Wish, Westborne, Aldrington & Central Hove, Withdean, Preston Park, Hanover

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£567,374	£484,159	£473,129	£464,305	£423,562	£342,076	£179,103
10% affordable housing (55:45)	£535,343	£452,679	£441,648	£432,824	£392,081	£310,595	£147,624
20% affordable housing (55:45)	£503,312	£421,198	£410,168	£401,345	£360,601	£279,116	£116,143
30% affordable housing (55:45)	£471,282	£389,719	£378,689	£369,864	£329,122	£247,635	£84,663
40% affordable housing (55:45)	£438,700	£358,238	£347,208	£338,384	£297,641	£216,155	£53,182

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£281,102	£154,247	£135,359	£120,250	£18,729	-£186,460	-£599,181
10% affordable housing (55:45)	£228,099	£102,157	£83,270	£68,159	-£33,360	-£239,402	-£652,123
20% affordable housing (55:45)	£175,098	£50,066	£31,179	£16,069	-£85,983	-£292,344	-£705,067
30% affordable housing (55:45)	£122,095	-£2,025	-£20,912	-£36,021	-£138,926	-£345,287	-£758,009
40% affordable housing (55:45)	£69,094	-£54,134	-£73,331	-£88,688	-£191,869	-£398,229	-£810,951

Area 5 - Patcham, Stanmer & Coldean, Hollingbury

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£455,604	£374,310	£363,280	£354,457	£313,713	£232,227	£69,255
10% affordable housing (55:45)	£430,752	£349,886	£338,856	£330,032	£289,289	£207,802	£44,831
20% affordable housing (55:45)	£405,900	£325,461	£314,431	£305,607	£264,864	£183,378	£20,406
30% affordable housing (55:45)	£381,048	£301,037	£290,007	£281,183	£240,440	£158,954	-£4,019
40% affordable housing (55:45)	£356,197	£276,613	£265,583	£256,758	£216,016	£134,529	-£28,443

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£88,572	-£34,971	-£53,874	-£69,231	-£172,412	-£378,773	-£791,494
10% affordable housing (55:45)	£47,881	-£75,324	-£94,520	-£109,877	-£213,057	-£419,418	-£832,141
20% affordable housing (55:45)	£7,189	-£115,969	-£135,165	-£150,523	-£253,703	-£460,064	-£872,786
30% affordable housing (55:45)	-£33,503	-£156,615	-£175,811	-£191,168	-£294,349	-£500,710	-£913,431
40% affordable housing (55:45)	-£74,542	-£197,261	-£216,457	-£231,814	-£334,994	-£541,355	-£954,078

Area 6 - Portslade, Portslade by sea, Mile Oak, Hangleton

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£232,062	£154,613	£143,583	£134,759	£94,016	£12,529	-£150,442
10% affordable housing (55:45)	£221,568	£144,300	£133,270	£124,446	£83,703	£2,216	-£160,788
20% affordable housing (55:45)	£211,075	£133,987	£122,957	£114,133	£73,390	-£8,097	-£171,270
30% affordable housing (55:45)	£200,581	£123,674	£112,643	£103,820	£63,077	-£18,410	-£181,751
40% affordable housing (55:45)	£190,087	£113,361	£102,330	£93,507	£52,763	-£28,723	-£192,233

Typology 10 (24 flats at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£300,472	-£419,304	-£438,500	-£453,858	-£557,038	-£763,399	-£1,176,121
10% affordable housing (55:45)	-£316,804	-£435,357	-£454,553	-£469,909	-£573,091	-£779,452	-£1,192,173
20% affordable housing (55:45)	-£333,138	-£451,409	-£470,605	-£485,962	-£589,142	-£795,503	-£1,208,226
30% affordable housing (55:45)	-£349,470	-£467,460	-£486,657	-£502,014	-£605,194	-£811,555	-£1,224,277
40% affordable housing (55:45)	-£365,803	-£483,513	-£502,709	-£518,065	-£621,247	-£827,608	-£1,240,329

Area 7 - East Brighton, Whitehawk, Bristol Estate Woodingdean, Moulsecoomb

Typology 8 - (14 flats at 78 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£36,463	-£37,622	-£48,651	-£57,476	-£98,219	-£180,047	-£345,685
10% affordable housing (55:45)	£38,532	-£35,588	-£46,618	-£55,441	-£96,185	-£177,980	-£343,617
20% affordable housing (55:45)	£40,603	-£33,553	-£44,583	-£53,407	-£94,150	-£175,912	-£341,550
30% affordable housing (55:45)	£42,673	-£31,518	-£42,549	-£51,373	-£92,116	-£173,845	-£339,483
40% affordable housing (55:45)	£44,742	-£29,485	-£40,515	-£49,338	-£90,082	-£171,778	-£337,415

Typology 10 (24 flats in at 400 uph)

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£642,910	-£755,853	-£775,049	-£790,406	-£893,586	-£1,099,947	-£1,512,670
10% affordable housing (55:45)	-£637,346	-£750,385	-£769,581	-£784,939	-£888,119	-£1,094,480	-£1,507,202
20% affordable housing (55:45)	-£631,784	-£744,918	-£764,114	-£779,471	-£882,651	-£1,089,013	-£1,501,735
30% affordable housing (55:45)	-£626,220	-£739,451	-£758,647	-£774,004	-£877,184	-£1,083,545	-£1,496,267
40% affordable housing (55:45)	-£620,657	-£733,983	-£753,179	-£768,537	-£871,717	-£1,078,078	-£1,490,800

6.7 In general, the results identify viability to be more challenging in the lower value parts of Brighton and Hove, notably value areas 5, 6 and 7 which lie further from the central areas and the waterfront where higher residential sales values are achieved. The results also demonstrate viability to be challenging on the higher benchmark land values in some areas and development scenarios.

6.8 The development typologies comprising houses or a mix which includes a larger proportion of houses incur lower build costs than a flatted development. Housing developments also benefit from being entirely saleable floorspace whereas only a proportion of flatted developments will be counted as saleable floorspace due to the need to provide communal areas, stair cores, corridors etc. In this regard our assessment identifies housing developments in all areas, with the exception of the lowest value are (area 7) and against the highest value benchmark to be viable (See Table 6.5.1). Therefore we consider that schemes comprising houses are likely to be able to viably absorb the required Section 106 financial contribution and provide on-site affordable housing along with other policy requirements for such developments.

6.9 When this position is compared to Tables 6.6.1 (compared to office use benchmark) and 6.6.2 (compared to industrial/warehouse use benchmark), which comprise wholly flatted schemes, the results, as expected, indicate that flatted developments are in general less viable, particularly in the lower value areas. It is likely that such schemes will only come forward from the lower value sites, particularly in the lower value areas, where some viability is demonstrated.

6.10 The results for the denser residential schemes in Brighton and Hove (Development typologies 4, 10, 13, 17 - see tables 6.6.1 and 6.6.2 for the results of Development Typology 10) are identified as being more unviable than less dense flatted schemes (see results for Typology 8). This is as a result of the increased build costs and reduced efficiency (i.e. gross to net ratio) associated with taller/denser developments (as seen with the comparison between wholly flatted and housing schemes). In this regard, higher density development is likely to only come forward in the higher value areas of the City.

6.11 It is apparent from the above results that viability is challenging in the three lowest value areas (5, 6 and 7), whilst the picture improves in the higher value areas where schemes are likely to be able to provide policy levels of affordable housing, Section 106 contributions and up to CSH level 5.

6.12 Given the current economic climate the City Council has implemented a recessionary measures approach to their required Section 106 contributions, whereby they only seek to secure what they have identified to be the priority contributions towards infrastructure. Table 6.12.1 compares the viability of Development Typology 13 (49 flats) with recessionary and full S106 across the market value areas against the industrial/warehouse benchmark. It also includes the results of the appraisals assuming growth with Full S106 requirements to provide an indication of viability of the full Section 106 requirements once the market improves. Given the scale of the development there would be a requirement for the provision of on-site affordable housing, sought at the policy level of 40%.

Table 6.12.1: Viability of developments – Development Typology 13 (49 flats in Brighton & Hove) with Recessionary and Full S106 at base values and Full S106 with growth – industrial/warehousing benchmark land value

Area 1 - Central Waterfront & Shirley Drive area

Recessionary S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£2,626,411	£2,335,951	£2,298,052	£2,267,734	£2,061,237	£1,648,244	£810,383
10% affordable housing (55:45)	£2,420,056	£2,133,144	£2,095,245	£2,064,927	£1,858,430	£1,445,437	£607,005
20% affordable housing (55:45)	£2,213,699	£1,930,337	£1,892,439	£1,862,120	£1,655,624	£1,242,630	£403,627
30% affordable housing (55:45)	£2,007,343	£1,727,530	£1,689,632	£1,659,313	£1,452,817	£1,039,746	£200,250
40% affordable housing (55:45)	£1,800,986	£1,524,723	£1,486,825	£1,456,505	£1,250,009	£836,368	-£3,128

Full S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£2,626,411	£2,247,583	£2,209,684	£2,179,366	£1,972,869	£1,559,876	£720,570
10% affordable housing (55:45)	£2,420,056	£2,044,776	£2,006,877	£1,976,559	£1,770,062	£1,356,687	£517,192
20% affordable housing (55:45)	£2,213,699	£1,841,969	£1,804,070	£1,773,751	£1,567,254	£1,153,310	£313,814
30% affordable housing (55:45)	£2,007,343	£1,639,162	£1,601,264	£1,570,944	£1,364,448	£949,933	£110,436
40% affordable housing (55:45)	£1,800,986	£1,436,354	£1,398,457	£1,368,137	£1,161,641	£746,555	-£92,941

Full S106 assuming growth in sales values and build costs

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£3,192,959	£2,804,387	£2,764,594	£2,732,759	£2,515,937	£2,082,294	£1,206,832
10% affordable housing (55:45)	£2,900,144	£2,516,608	£2,476,815	£2,444,980	£2,228,158	£1,794,515	£917,365
20% affordable housing (55:45)	£2,607,329	£2,228,829	£2,189,036	£2,157,201	£1,940,379	£1,506,736	£627,898
30% affordable housing (55:45)	£2,314,514	£1,941,050	£1,901,257	£1,869,422	£1,652,600	£1,218,957	£338,432
40% affordable housing (55:45)	£2,021,698	£1,653,270	£1,613,478	£1,581,643	£1,364,821	£930,435	£48,964

Area 2- Hove Park & Denmark Villas area

Recessionary S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£1,840,419	£1,563,478	£1,525,579	£1,495,261	£1,286,997	£867,250	£27,753
10% affordable housing (55:45)	£1,684,416	£1,410,157	£1,372,259	£1,341,939	£1,133,667	£713,919	-£125,577
20% affordable housing (55:45)	£1,528,411	£1,256,835	£1,218,938	£1,188,619	£980,338	£560,589	-£281,305
30% affordable housing (55:45)	£1,372,407	£1,103,515	£1,065,616	£1,035,298	£827,007	£407,259	-£437,142
40% affordable housing (55:45)	£1,216,403	£950,194	£912,295	£881,977	£673,677	£253,928	-£592,980

Full S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£1,840,419	£1,475,110	£1,437,211	£1,406,892	£1,197,184	£777,436	-£62,060
10% affordable housing (55:45)	£1,684,416	£1,321,788	£1,283,891	£1,253,571	£1,043,854	£624,105	-£216,749
20% affordable housing (55:45)	£1,528,411	£1,168,467	£1,130,569	£1,100,250	£890,524	£470,776	-£372,587
30% affordable housing (55:45)	£1,372,407	£1,015,146	£977,248	£946,930	£737,193	£317,446	-£528,425
40% affordable housing (55:45)	£1,216,403	£861,826	£823,927	£793,608	£583,863	£164,115	-£684,263

Full S106 assuming growth in sales values and build costs

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£2,328,369	£1,954,666	£1,914,873	£1,883,038	£1,666,217	£1,227,410	£345,939
10% affordable housing (55:45)	£2,093,766	£1,724,097	£1,684,305	£1,652,470	£1,435,649	£995,818	£114,347
20% affordable housing (55:45)	£1,859,161	£1,493,530	£1,453,736	£1,421,901	£1,204,959	£764,224	-£117,247
30% affordable housing (55:45)	£1,624,558	£1,262,961	£1,223,167	£1,191,333	£973,367	£532,631	-£352,381
40% affordable housing (55:45)	£1,389,955	£1,032,393	£992,600	£960,765	£741,773	£301,038	-£587,763

Area 3 - Central Brighton, Hanover, Elm Grove, Kemp Town, Saltdean, Rottingdean, Ovingdean

Recessionary S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£1,050,912	£783,575	£745,056	£714,242	£504,368	£84,620	-£765,058
10% affordable housing (55:45)	£910,745	£645,818	£607,300	£576,485	£366,611	-£53,137	-£905,068
20% affordable housing (55:45)	£770,577	£508,061	£469,543	£438,728	£228,854	-£191,852	-£1,045,078
30% affordable housing (55:45)	£630,409	£370,304	£331,786	£300,971	£91,097	-£331,862	-£1,185,089
40% affordable housing (55:45)	£490,241	£232,547	£194,029	£163,214	-£46,660	-£471,872	-£1,325,098

Full S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£1,050,912	£693,761	£655,243	£624,428	£414,555	-£5,193	-£856,341
10% affordable housing (55:45)	£910,745	£556,004	£517,486	£486,671	£276,797	-£143,125	-£996,350
20% affordable housing (55:45)	£770,577	£418,247	£379,729	£348,914	£139,040	-£283,135	-£1,136,361
30% affordable housing (55:45)	£630,409	£280,490	£241,973	£211,158	£1,284	-£423,144	-£1,276,370
40% affordable housing (55:45)	£490,241	£142,734	£104,215	£73,401	-£136,542	-£563,155	-£1,416,381

Full S106 assuming growth in sales values and build costs

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£1,463,778	£1,100,421	£1,059,976	£1,027,621	£807,254	£366,518	-£521,211
10% affordable housing (55:45)	£1,252,852	£892,227	£851,783	£819,427	£599,059	£158,324	-£732,810
20% affordable housing (55:45)	£1,041,015	£684,033	£643,590	£611,234	£390,866	-£49,869	-£944,409
30% affordable housing (55:45)	£829,178	£475,840	£435,395	£403,040	£182,673	-£260,120	-£1,156,007
40% affordable housing (55:45)	£617,341	£267,646	£227,202	£194,847	-£25,521	-£471,719	-£1,367,606

Area 4 - Wish, Westborne, Aldrington & Central Hove, Withdean, Preston Park, Hanover

Recessionary S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£553,209	£294,432	£255,913	£225,099	£15,225	-£408,976	-£1,262,202
10% affordable housing (55:45)	£444,868	£187,955	£149,436	£118,621	-£91,252	-£517,195	-£1,370,421
20% affordable housing (55:45)	£336,528	£81,477	£42,959	£12,144	-£198,800	-£625,413	-£1,478,639
30% affordable housing (55:45)	£228,187	-£25,001	-£63,519	-£94,333	-£307,018	-£733,631	-£1,586,858
40% affordable housing (55:45)	£119,847	-£131,478	-£170,612	-£201,931	-£415,237	-£841,850	-£1,695,076

Full S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£553,209	£204,618	£166,099	£135,285	-£74,589	-£500,258	-£1,353,484
10% affordable housing (55:45)	£444,868	£98,141	£59,622	£28,807	-£181,864	-£608,477	-£1,461,703
20% affordable housing (55:45)	£336,528	-£8,337	-£46,855	-£77,670	-£290,082	-£716,695	-£1,569,922
30% affordable housing (55:45)	£228,187	-£114,814	-£153,676	-£184,995	-£398,301	-£824,914	-£1,678,140
40% affordable housing (55:45)	£119,847	-£222,746	-£261,895	-£293,213	-£506,520	-£933,133	-£1,786,359

Full S106 assuming growth in sales values and build costs

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£917,214	£562,363	£521,919	£489,563	£269,195	-£172,181	-£1,068,069
10% affordable housing (55:45)	£742,181	£390,340	£349,897	£317,541	£97,173	-£347,018	-£1,242,905
20% affordable housing (55:45)	£567,149	£218,318	£177,873	£145,518	-£74,849	-£521,854	-£1,417,741
30% affordable housing (55:45)	£392,116	£46,296	£5,851	-£26,504	-£248,745	-£696,689	-£1,592,577
40% affordable housing (55:45)	£217,083	-£125,727	-£166,725	-£199,610	-£423,581	-£871,525	-£1,767,412

Area 5 - Patcham, Stanmer & Coldean, Hollingbury

Recessionary S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£155,046	-£96,884	-£135,452	-£166,771	-£380,077	-£806,690	-£1,659,917
10% affordable housing (55:45)	£72,168	-£179,090	-£218,238	-£249,556	-£462,863	-£889,476	-£1,742,702
20% affordable housing (55:45)	-£10,711	-£261,875	-£301,023	-£332,342	-£545,649	-£972,262	-£1,825,488
30% affordable housing (55:45)	-£93,590	-£344,661	-£383,809	-£415,128	-£628,434	-£1,055,047	-£1,908,273
40% affordable housing (55:45)	-£177,192	-£427,446	-£466,595	-£497,914	-£711,220	-£1,137,833	-£1,991,059

Full S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£155,046	-£187,587	-£226,735	-£258,053	-£471,360	-£897,973	-£1,751,199
10% affordable housing (55:45)	£72,168	-£270,373	-£309,520	-£340,839	-£554,145	-£980,758	-£1,833,984
20% affordable housing (55:45)	-£10,711	-£353,158	-£392,306	-£423,625	-£636,931	-£1,063,544	-£1,916,770
30% affordable housing (55:45)	-£93,590	-£435,943	-£475,092	-£506,411	-£719,717	-£1,146,330	-£1,999,556
40% affordable housing (55:45)	-£177,192	-£518,729	-£557,878	-£589,196	-£802,503	-£1,229,116	-£2,082,342

Full S106 assuming growth in sales values and build costs

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£479,235	£131,917	£91,472	£59,117	-£161,724	-£609,668	-£1,505,555
10% affordable housing (55:45)	£333,646	-£11,169	-£51,613	-£83,969	-£307,150	-£755,094	-£1,650,981
20% affordable housing (55:45)	£188,056	-£154,613	-£195,719	-£228,603	-£452,575	-£900,519	-£1,796,407
30% affordable housing (55:45)	£42,466	-£300,039	-£341,145	-£374,029	-£598,001	-£1,045,945	-£1,941,832
40% affordable housing (55:45)	-£103,122	-£445,465	-£486,571	-£519,455	-£743,427	-£1,191,371	-£2,087,258

Area 6 - Portslade, Portslade by sea, Mile Oak, Hangleton

Recessionary S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£649,604	-£891,734	-£930,881	-£962,200	-£1,175,507	-£1,602,120	-£2,455,346
10% affordable housing (55:45)	-£682,082	-£923,653	-£962,801	-£994,120	-£1,207,426	-£1,634,039	-£2,487,266
20% affordable housing (55:45)	-£714,561	-£955,573	-£994,721	-£1,026,039	-£1,239,346	-£1,665,959	-£2,519,185
30% affordable housing (55:45)	-£747,038	-£987,493	-£1,026,640	-£1,057,959	-£1,271,266	-£1,697,879	-£2,551,104
40% affordable housing (55:45)	-£779,516	-£1,019,412	-£1,058,560	-£1,089,879	-£1,303,185	-£1,729,798	-£2,583,024

Full S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£649,604	-£983,016	-£1,022,164	-£1,053,483	-£1,266,789	-£1,693,402	-£2,546,628
10% affordable housing (55:45)	-£682,082	-£1,014,936	-£1,054,084	-£1,085,402	-£1,298,709	-£1,725,322	-£2,578,548
20% affordable housing (55:45)	-£714,561	-£1,046,855	-£1,086,003	-£1,117,322	-£1,330,629	-£1,757,242	-£2,610,467
30% affordable housing (55:45)	-£747,038	-£1,078,774	-£1,117,923	-£1,149,242	-£1,362,548	-£1,789,161	-£2,642,387
40% affordable housing (55:45)	-£779,516	-£1,110,694	-£1,149,843	-£1,181,161	-£1,394,468	-£1,821,081	-£2,674,307

Full S106 assuming growth in sales values and build costs

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£401,047	-£738,734	-£779,840	-£812,724	-£1,036,696	-£1,484,640	-£2,380,528
10% affordable housing (55:45)	-£489,168	-£825,340	-£866,446	-£899,330	-£1,123,302	-£1,571,245	-£2,467,133
20% affordable housing (55:45)	-£577,290	-£911,945	-£953,051	-£985,936	-£1,209,908	-£1,657,851	-£2,553,738
30% affordable housing (55:45)	-£665,410	-£998,551	-£1,039,656	-£1,072,541	-£1,296,513	-£1,744,457	-£2,640,344
40% affordable housing (55:45)	-£753,531	-£1,085,157	-£1,126,262	-£1,159,146	-£1,383,118	-£1,831,061	-£2,726,950

Area 7 - East Brighton, Whitehawk, Bristol Estate Woodingdean, Moulsecoomb

Recessionary S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£1,357,785	-£1,587,734	-£1,626,883	-£1,658,202	-£1,871,508	-£2,298,121	-£3,151,347
10% affordable housing (55:45)	-£1,344,976	-£1,575,146	-£1,614,294	-£1,645,613	-£1,858,919	-£2,285,532	-£3,138,759
20% affordable housing (55:45)	-£1,332,168	-£1,562,558	-£1,601,706	-£1,633,025	-£1,846,331	-£2,272,944	-£3,126,170
30% affordable housing (55:45)	-£1,319,359	-£1,549,969	-£1,589,118	-£1,620,437	-£1,833,743	-£2,260,356	-£3,113,582
40% affordable housing (55:45)	-£1,306,550	-£1,537,382	-£1,576,530	-£1,607,848	-£1,821,155	-£2,247,768	-£3,100,994

Full S106

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£1,357,785	-£1,679,017	-£1,718,165	-£1,749,484	-£1,962,791	-£2,389,404	-£3,242,630
10% affordable housing (55:45)	-£1,344,976	-£1,666,429	-£1,705,577	-£1,736,895	-£1,950,202	-£2,376,815	-£3,230,042
20% affordable housing (55:45)	-£1,332,168	-£1,653,840	-£1,692,989	-£1,724,307	-£1,937,614	-£2,364,227	-£3,217,453
30% affordable housing (55:45)	-£1,319,359	-£1,641,252	-£1,680,401	-£1,711,719	-£1,925,026	-£2,351,639	-£3,204,865
40% affordable housing (55:45)	-£1,306,550	-£1,628,664	-£1,667,813	-£1,699,130	-£1,912,437	-£2,339,051	-£3,192,277

Full S106 assuming growth in sales values and build costs

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£1,180,046	-£1,504,335	-£1,545,441	-£1,578,326	-£1,802,297	-£2,250,241	-£3,146,128
10% affordable housing (55:45)	-£1,215,799	-£1,539,473	-£1,580,579	-£1,613,463	-£1,837,435	-£2,285,379	-£3,181,266
20% affordable housing (55:45)	-£1,251,551	-£1,574,610	-£1,615,716	-£1,648,601	-£1,872,572	-£2,320,516	-£3,216,403
30% affordable housing (55:45)	-£1,287,304	-£1,609,748	-£1,650,854	-£1,683,738	-£1,907,710	-£2,355,654	-£3,251,541
40% affordable housing (55:45)	-£1,323,056	-£1,644,885	-£1,685,991	-£1,718,876	-£1,942,848	-£2,390,791	-£3,286,678

6.13 The results from Tables 6.12.1 demonstrate that viability becomes more challenging in the current economic climate when the larger Section 106 requirement is applied. Therefore, the recessionary measures adopted by the City Council assist them in achieving their priority contributions along with other policy requirements within their local plan.

6.14 We note that on some of the schemes within the lower value areas, viability is improved as more affordable housing is introduced in to the scheme. For example, the results for Development Typology 11 market value area 7 in Table 6.14.1. This shows a positive residual land value for 30 and 40% affordable housing where as 0% - 20% are identified as being unviable. This is due the provision of affordable housing being more viable than private housing in the lowest value area as a result of the reduced profit on the affordable housing of 6% in contrast to the 20% profit applied to the private units.

Table 6.14.1: Viability of developments – Development Typology 11 (30 flats in Brighton & Hove) with Recessionary S106 (market value area 7) – using City Council / public sector / greenfield benchmark land value

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£124,464	-£30,346	-£53,929	-£72,794	-£166,997	-£355,785	-£733,358
10% affordable housing (55:45)	£135,008	-£19,984	-£43,566	-£62,433	-£156,465	-£345,252	-£722,826
20% affordable housing (55:45)	£145,552	-£9,621	-£33,204	-£52,070	-£145,933	-£334,720	-£712,294
30% affordable housing (55:45)	£156,095	£741	-£22,841	-£41,708	-£135,402	-£324,188	-£701,762
40% affordable housing (55:45)	£166,639	£11,104	-£12,479	-£31,345	-£124,869	-£313,656	-£691,231

6.15 It is also evident from the results of our appraisals that delivering CSH level 6 is challenging and in most cases unviable. It is however noted that the technology and methods to deliver such sustainability measures is still being researched and developed. This is position is clearly identified in the Element Energy and David Langdon 2013 update report, which identifies lower extra over costs than those reported in their 2011 study undertaken for CLG. In this regard, the extra over costs, over and above base build costs, associated with delivering the higher levels of CSH is widely acknowledged as likely to reduce in the future as new technology and methods of attaining such code levels are discovered.

6.16 The appraisals of schemes incorporating a significant amount of commercial development and office space in particular (see appraisals for Development Typologies 17, 18 and 19) are identified as having a significant impact upon viability. Our assessments identify that viability is particularly challenging in all but the highest value areas and particularly when measured against the higher benchmark land values. The reason for this as a result of the cost of developing such uses being considerably greater than the return likely to be achieved given the current rents and yields achievable on such space.

6.17 It is worth noting however, that although the results of this viability exercise which identify certain commercial development as not viable, do not mean that sites will not be developed within the City for these uses as viability is only one of many factors which affect whether a site is developed. For example with regards to owner occupiers who may wish to locate in Brighton & Hove. Alternatively, an existing occupier looking to re-locate may wish to develop their own premises by reference to their own cost benefit analysis, which will bear little relationship to the residual land value calculations that a speculative landlord developer may undertake.

6.18 Development Typology 18 incorporates the most significant amount of commercial development. The site comprises 25,000 square metres of office space as well as 700 residential units and understandably given the current economic climate, viability is identified as being challenging for the speculative development of such a scheme (see Table 6.18.1 and 6.18.2 below). However, it is important to note that this was the only large Greenfield site tested within the viability assessment, and in this regard the site carries an additional requirement for infrastructure costs to open up the site for development, which has had a further impact upon the viability of the scheme by comparison to the other four development typologies including commercial uses tested. In this regard it is acknowledged that the viability of large greenfield developments are likely to be challenging, particularly when required to provide a large amount of commercial floorspace. Notwithstanding this, we consider that the viability of such schemes could be substantially improved through the careful consideration of the phasing of the development and securing pre-lets for commercial space in a phase prior to its delivery.

Table 6.18.1: Viability of developments – development typology 18 (700 houses and flats in Brighton & Hove & 25,000 sq m office space (market value area 1) - against low value industrial/warehouse benchmark

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	-£7,136,982	-£9,857,747	-£10,244,187	-£10,553,338	-£15,802,993	-£19,399,818	-£26,864,302
10% affordable housing (55:45)	-£8,334,278	-£11,011,355	-£11,391,575	-£11,695,753	-£16,880,654	-£20,432,940	-£27,855,679
20% affordable housing (55:45)	-£9,577,081	-£12,202,655	-£12,576,758	-£12,876,040	-£17,976,186	-£21,486,895	-£28,847,055
30% affordable housing (55:45)	-£10,888,787	-£13,444,968	-£13,809,792	-£14,104,258	-£19,100,128	-£22,555,740	-£29,841,078
40% affordable housing (55:45)	-£12,288,764	-£14,762,796	-£15,118,386	-£15,403,452	-£20,265,285	-£23,650,112	-£30,842,799

Table 6.18.2: Viability of developments – development typology 18 (700 houses and flats in Brighton & Hove & 25,000 sq m office space market value area 1) - against community site/greenfield land

	CSH level 3	CSH LEVEL 3 AND S106	CSH LEVEL 3, S106 AND LH	CSH LEVEL 3, S106, LH AND SuDs	CSH LEVEL 4, S106, LH AND SuDs	CSH LEVEL 5, S106, LH AND SuDs	CSH LEVEL 6, LH, S106 AND SuDs
0% affordable housing	£9,501,018	£6,780,253	£6,393,813	£6,084,662	£835,007	-£2,761,818	-£10,226,302
10% affordable housing (55:45)	£8,303,722	£5,626,645	£5,246,425	£4,942,247	-£242,654	-£3,794,940	-£11,217,679
20% affordable housing (55:45)	£7,060,919	£4,435,345	£4,061,242	£3,761,960	-£1,338,186	-£4,848,895	-£12,209,055
30% affordable housing (55:45)	£5,749,213	£3,193,032	£2,828,208	£2,533,742	-£2,462,128	-£5,917,740	-£13,203,078
40% affordable housing (55:45)	£4,349,236	£1,875,204	£1,519,614	£1,234,548	-£3,627,285	-£7,012,112	-£14,204,799

Sensitivity analysis on values and costs

6.19 As noted in Section 5, we carried out further analyses which consider the impact of increases in sales values of 10%, accompanied by an increase in build costs of 5%. This data is illustrative only, as the future housing market trajectory is very uncertain given the economic outlook. However, if such increases were to occur, the tables contained within Appendices 4 and 5 show the results in terms of the levels of policy requirements including Section 106 and affordable housing that could be viably provided. It is noted however, that these results provide a useful indication of the likely position for the Councils' charging their Full Section 106 contributions requirement given an improvement in the market. It is also worth noting that given the predicted improvement in the market, there may be potential for developer's return/profits to reduce in future, to the levels seen during the peak of the market, which would further improve viability

6.20 The sensitivity appraisals indicate that such an increase in sales values and build costs would result in an improvement in viability. This is particularly noticeable in the lower density schemes at the mid and higher values and when compared to the lower benchmarks, which identify an ability to provide affordable housing in combination with Section 106 contributions and other policy requirements. It is also identified that the higher density residential schemes identify an element of viability in the highest value area when measured against the lowest benchmark. Over the life of the Local Plan, additional growth is likely, leading to a further improvement in the viability position.

7 Conclusions and recommendations

7.1 The NPPF states that the cumulative impact of local planning authority standards and policies "*should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle*". This report and its supporting appendices test this proposition within the City of Brighton & Hove.

7.2 We have tested the impact of the City Council's affordable housing policies and other requirements (sustainability, Lifetime Homes, SuDs and Section 106). The results generated by these appraisals indicate that although many developments could viably provide all or a large majority of the policy requirements, in order to ensure the delivery of the required growth in the City, particularly in the lower value areas, the City Council needs to apply their policies flexibly. In this regard we consider that the City Council's flexible approach to the application of their policies identified as having with cost implications will assist in the delivery of the City Council's local plan.

7.3 In considering the outputs of the appraisals, it is important to recognise that some developments will be unviable *regardless* of the City Council's requirements. In these cases, the value of the existing building will be higher than a redevelopment opportunity over the medium term. However, this situation should not be taken as an indication of the viability (or otherwise) of the City Council's policies and requirements. In these situations, there will be little pressure from owners to redevelop and they might re-consider the situation when values change over time.

7.4 Viability of development in value areas 5, 6 and 7, which are located away from the central areas and the premium waterfront area, are identified as being more challenging. The City Council will need to continue to apply policies which add costs to development flexibly in order to allow development to come forward, particularly once the market improves.

7.5 Viability of sites with large requirements for commercial development, particularly office development, are identified as being particularly challenging and in many cases unviable at current rents and yields. This position is reflected by the limited amount of office space being developed across the City in the last few years. However, we note that policy requirements which carry cost implications relating to commercial floorspace are applied flexibly across the City, (in particular Policy CP8: Sustainable Buildings, which relates to BREEAM sustainability requirements), which is identified as being subject to viability and feasibility.

7.6 As previously identified, however, it is worth noting that although the results of this viability exercise identify certain commercial development as not viable, it does not mean that sites will not be developed within the City for these uses. Viability is only one of many factors which affect whether a site is developed. For example, an existing occupier looking to re-locate may wish to develop their own premises by reference to their own cost benefit analysis, which will bear little relationship to the residual land value calculations that a speculative landlord developer may undertake.

7.7 Across the City housing schemes are identified as being the most viable form of development. For such schemes in many parts of the City are identified as being able to support full policy levels of affordable housing across all benchmark land values. It is evident that flatted schemes however, are less viable given their increased build costs, particularly those which are of higher density. Consequently such development in the low value areas are identified as being more challenging. In this regard we support the City Council's approach to seeking contributions and the delivery of onsite affordable housing in Policy CP20: Affordable Housing, flexibly, as we understand is the current practice i.e. subject to viability on a case by case basis where, the City Council considers to be justified. The results of this study have identified that this approach will assist in ensuring that the majority of developments will be able to come forward over the economic cycle.

7.8 With respect to the cost implications of Policy CP8: Sustainable buildings (i.e. the requirement for homes to be built to Lifetime Homes Standard), and Policy CP11: Flood Risk (i.e. the costs associated with providing SuDs on sites) it is identified in our appraisals that these do have a cumulative impact on the viability of development, particularly in the lower value areas of the City. However, we note that these policies are applied flexibly i.e. subject to viability, to allow for the deliverability of developments.

7.9 Section 106 contributions provide funding for infrastructure that supports development within Brighton & Hove. When Section 106 and the City Council's sustainability requirements are incorporated, the levels of affordable housing reduce to accommodate these requirements in some cases. Moreover, the full S106 requirement in appraisals demonstrate that viability is worsened when there is a larger requirement for S106, and therefore the recessionary measures allow the council to achieve S106 requirements in their local plan. However, based on the assessment it is unlikely that the requirement for Section 106 contributions at the levels tested will put the overall development of the area at serious risk. Our full results give the City Council an indication of where 'tipping points' might lie for different schemes and should assist the City Council in achieving an appropriate balance.

7.10 The appraisal results indicate that achieving CSH levels 4 and 5 is possible in a number of cases, and particularly in the higher value parts of the City. However, it is identified that such sustainability levels may be challenging particularly on certain types of development in the lower value areas, where the Council's flexible approach to Policy CP8: Sustainable Buildings, (i.e where policy requirements are subject to feasibility and viability), will allow the City Council to achieve a suitable balance in developments coming forward across the City and over the lifetime of their Plan. Achieving zero carbon standards by 2016 (i.e. CSH level 6) in accordance with government requirements is identified as being viable in the higher value areas on the lower values sites, however, currently on higher value sites and in lower value areas it is identified as ambitious. It should be noted however, that the extra over costs associated with building to higher standards of sustainability is expected to reduce in future by comparison to the current day estimates due to further research into technologies to deliver this. This is clearly demonstrated by the recent update work undertaken by Element Energy and Davis Langdon on behalf of the Council, which has once again demonstrated this trend[25].

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[25] The trend of reduction in the extra over costs associated with the delivery of higher levels of CSH has been demonstrated in the CLG reports on the Cost of building housing to the CSH's standards:

- 'Cost of building housing to the code for sustainable homes standard: updated cost review' prepared by Element Energy and Davis Langdon (August 2011);
- 'Code for Sustainable Homes: A Cost Review' prepared by Cyril Sweet (March 2010); and
- 'Cost Analysis of The Code for Sustainable Homes' by Cyril Sweet (July 2008)

7.11 The NPPF identifies at para 173 that, '*Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable*.' On the basis of the results of this study, BNP Paribas Real Estate considers that the policies in the submission City Plan Part One build in an appropriate level of flexibility where the policies have cost implications. This will allow the City Council to strike a balance between achieving its sustainability objectives, including meeting needs for affordable housing and ensuring that developments generate competitive returns to willing landowners and willing developers. Effectively the inclusion of further flexibility such as the requirements of policies being 'subject to viability and feasibility' will lighten the *'scale of obligations and policy burdens'* (para 174 of the NPPF) to ensure that sites are, as far as possible, able to be developed viably.

7.12 This study demonstrates that the flexible approach to applying the affordable housing and sustainability policy requirements will ensure that these objectives are balanced appropriately to facilitate the growth envisaged by the City Council's plans throughout the economic cycle.

Appendix 1 - Policy sifting exercise and commentary

Appendix 2 - Base appraisal results (at current costs and values with recessionary measures S106)

Appendix 3 - Base appraisal results (at current costs and values with full S106)

Appendix 4 - Growth appraisal results (reflecting 10% growth in values and 5% growth in costs and recessionary measures S106)

Appendix 5 - Growth appraisal results (reflecting 10% growth in values and 5% growth in costs and full S106)