

# Walsall Council Community Infrastructure Levy Stakeholder Event

28 November 2014



# Agenda

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- Welcome and Introduction 11.30 – 11.40
- CIL, proposed viability approach and assumptions 11.40 – 12.00
- Question and answer session 12.00 – 12.10
- Break / Refreshments 12.10 – 12.25
- Discussion (working lunch)  
Break out groups 12.25 – 13.15
- Feedback summary 13.15 – 13.30
- Close 13.30

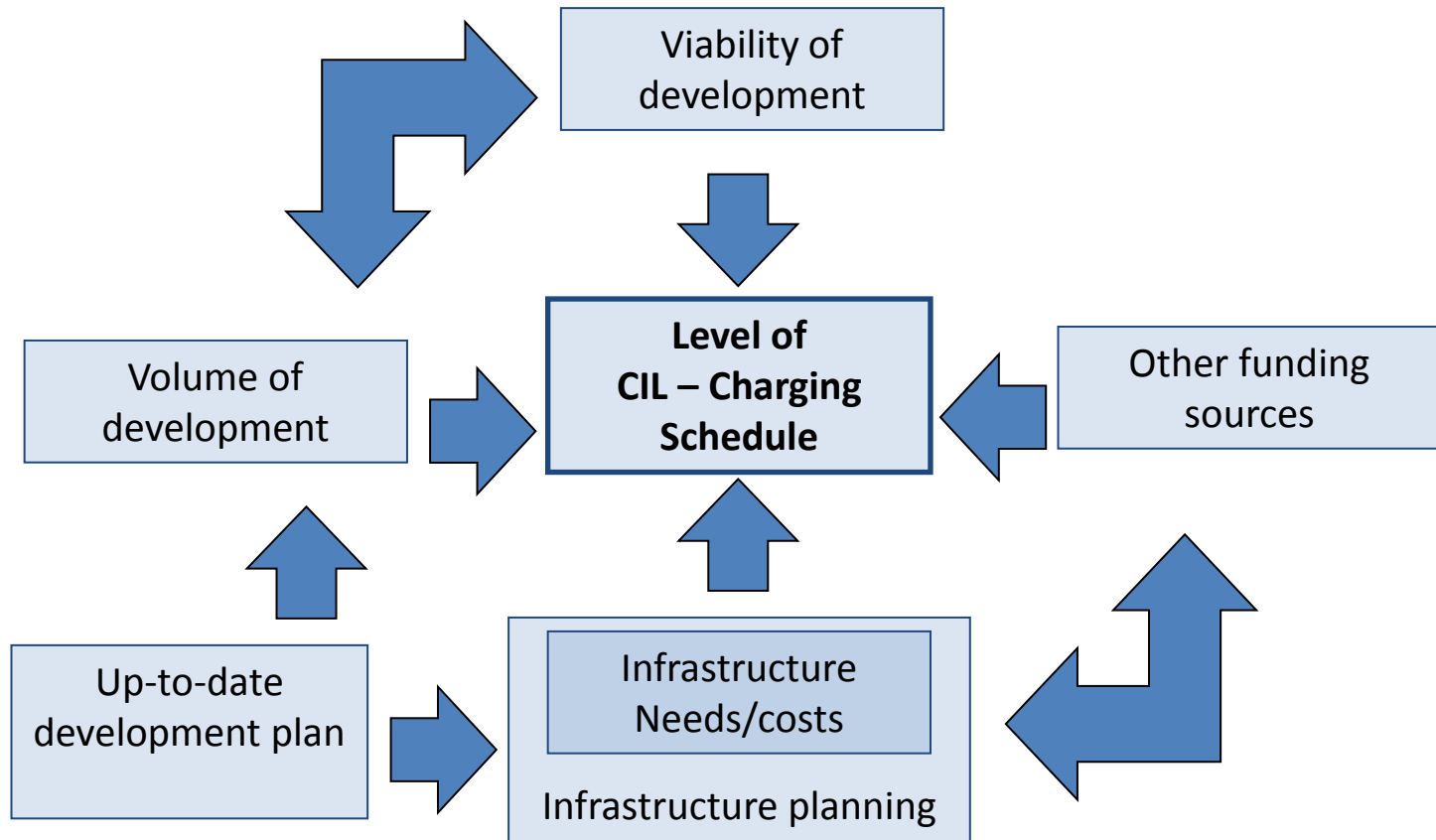
## Definition and Regulatory Context

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- Tariff on development to pay for infrastructure needs of area set by local authorities
- Legislated in 2008 Planning Act, brought into effect by Regulations in April 2010, updated since.
- Replaces part of, but not all of s106
- Applies to every sq m of new floor space
- Liable from point of securing planning permission
- Payable on commencement of construction
- Minimum threshold for charge is 100 sq m GIA or 1 residential unit
- Rates must be set at a level that does not put at risk viability/deliverability of development and must be based on robust viability evidence
- Discretionary / non compulsory

# Process for setting CIL

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## Local Context

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- Walsall Council currently preparing CIL Infrastructure Delivery Plan
- Dudley Council CIL – submitted Draft Charging Schedule to the Planning Inspectorate for Public Examination in September 2014
- Sandwell Council CIL - submitted Draft Charging Schedule to the Planning Inspectorate for Public Examination in July 2014
- Lichfield, Tamworth, Cannock Chase CIL joint viability report - December 2012.
- Lichfield Draft Charging Schedule - March 2014
- Cannock Chase Draft Charging Schedule - August 2014
- Tamworth Council Preliminary Draft Charging Schedule - October 2014

# What is a Viability Test?

## Paragraph 2.1:

“ An objective financial viability test of the ability of a development project to meet its costs including the costs of planning obligations, while ensuring an appropriate site value for the land owner and market risk adjusted return to the developer in delivering the project”.

## Paragraph 173 of the NPPF states

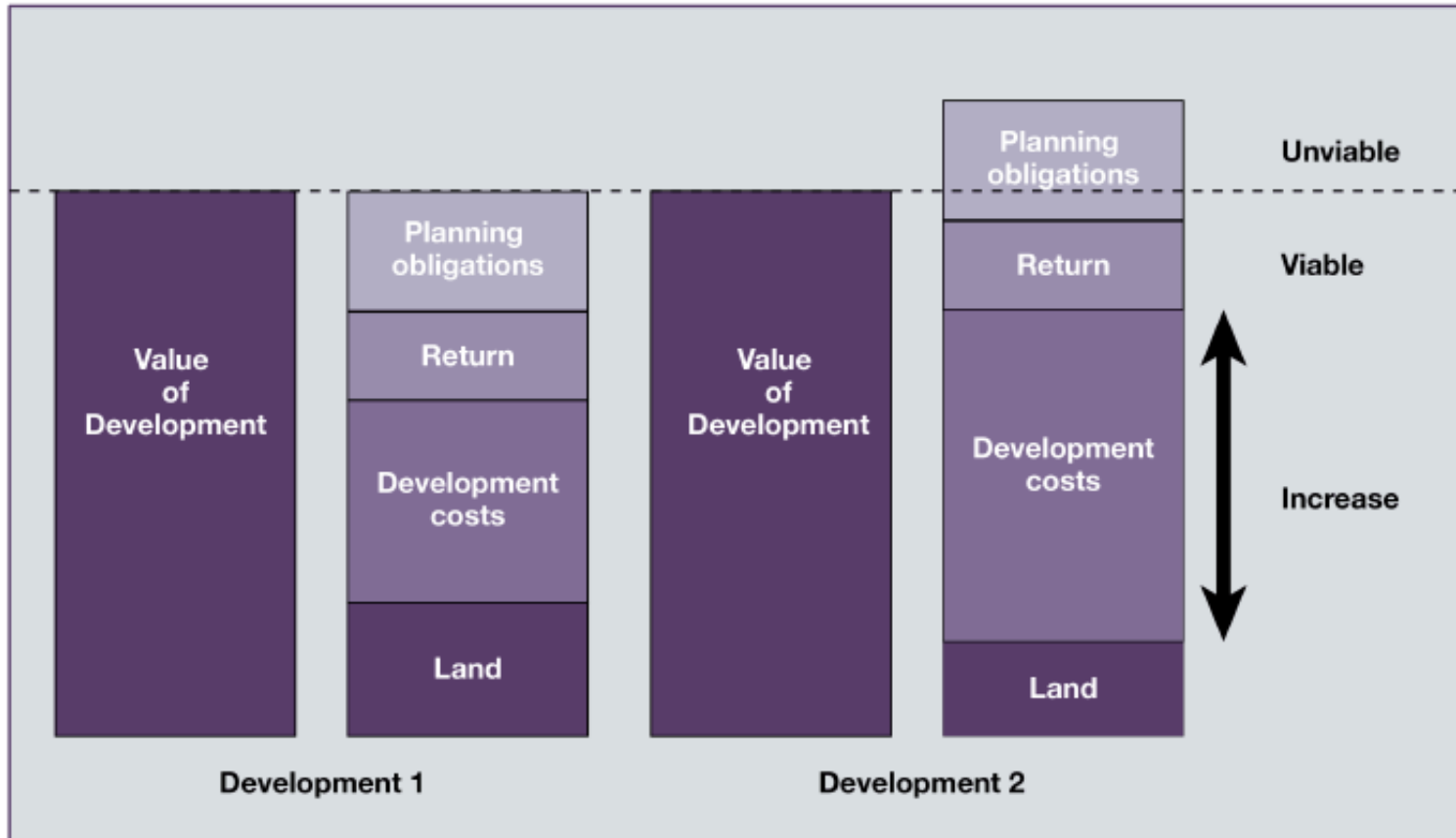
“ ...provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable...”

## A requirement of Paragraph 015 of the NPPG for:

“ A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development”.



# What are the Components of a Viability Test?



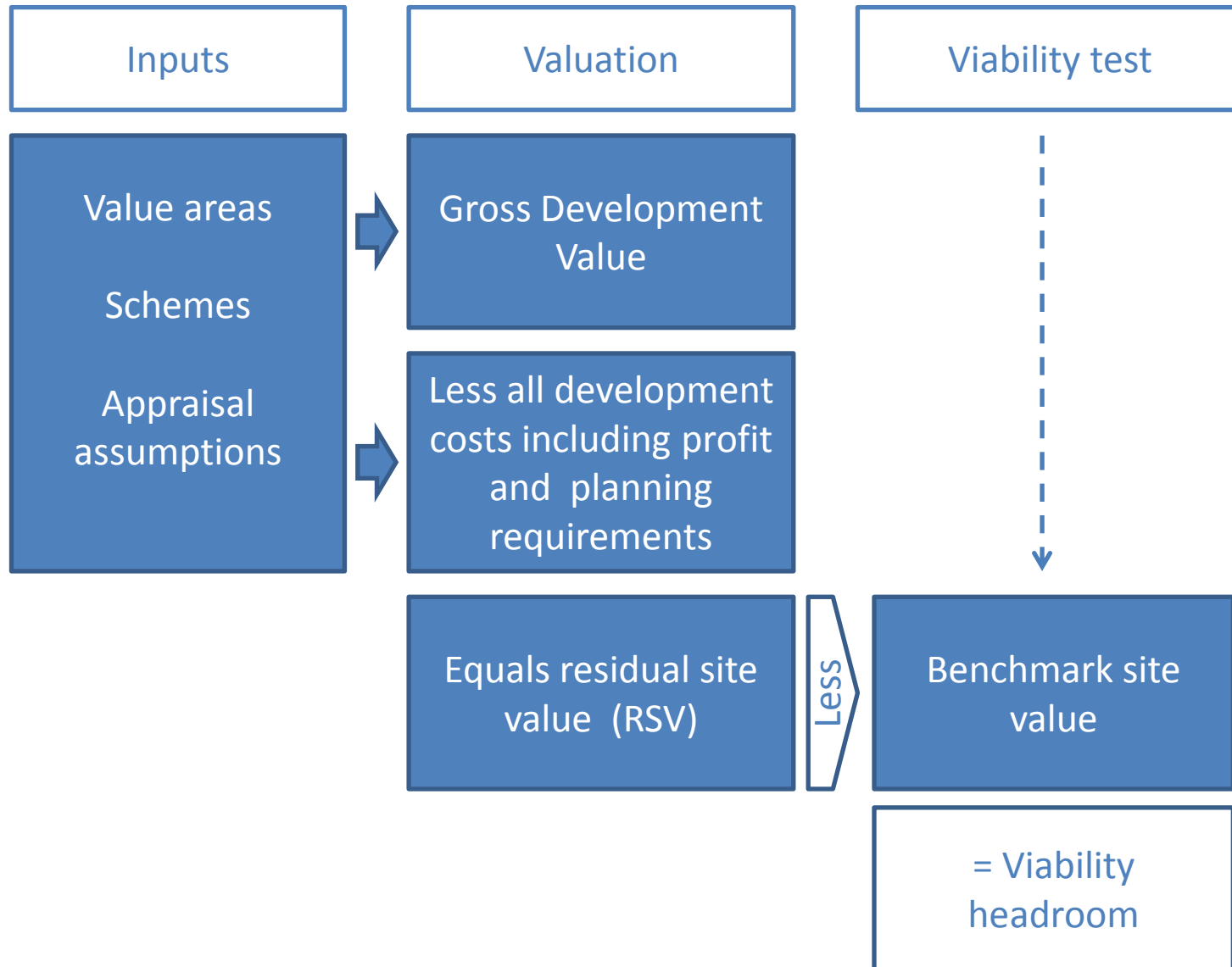
## Amended CIL Guidance – NPPG 2014

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- Need to show an ‘appropriate balance’
- Area-based approach
- No particular valuation method advised
- ‘appropriate available evidence’
- Sample an appropriate range of types of sites across its area
- Viability buffer
- All development costs including abnormals

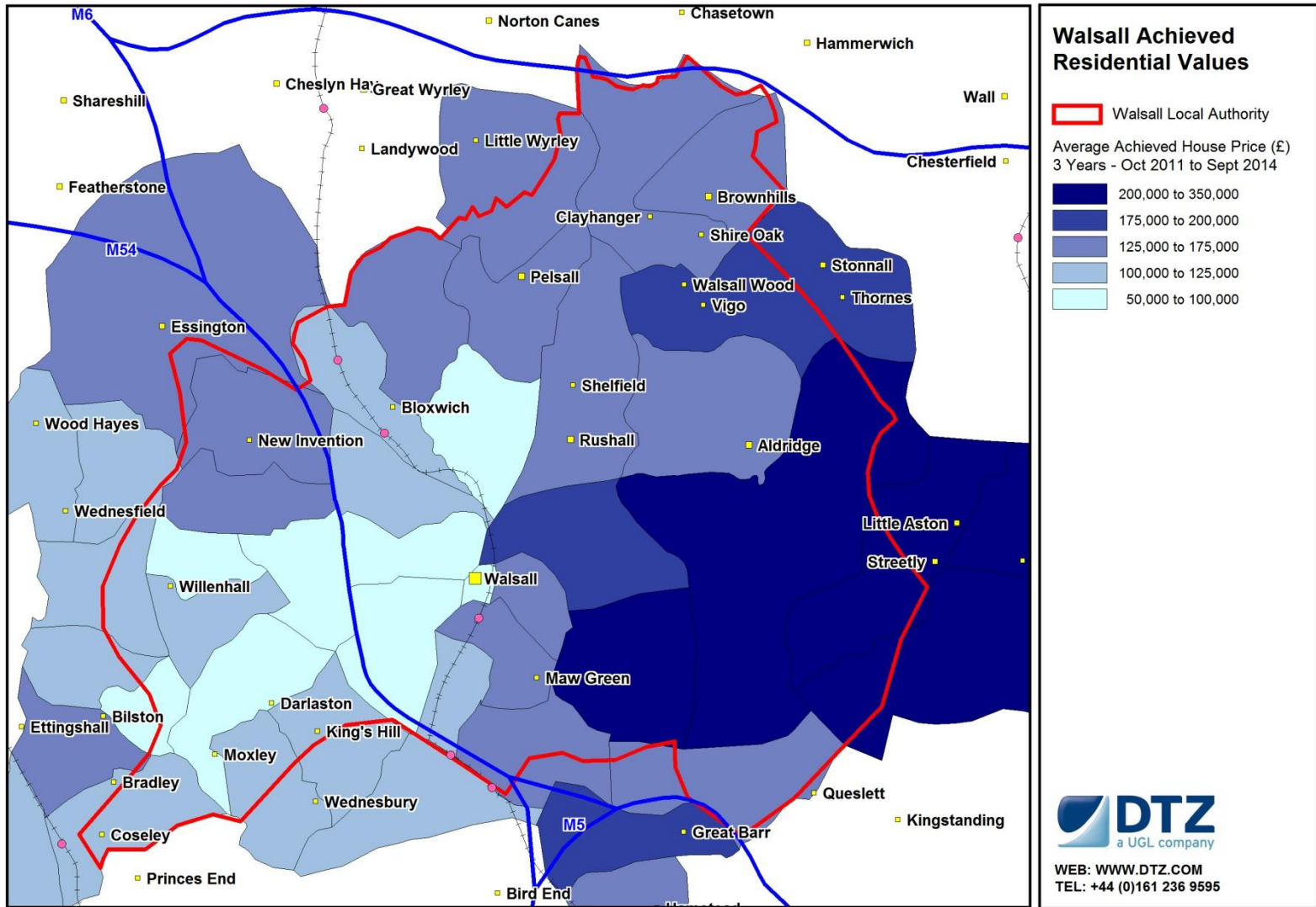


# DTZ Viability Testing Methodology



# Residential Viability Assumptions

# Value Areas



# Residential development appraisal assumptions

	Developable area			Housing mix %							Built floor area			
	Net developable area (Ha)	Development acres	Development density (DPH)	No units	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	Sq m	Sq ft	Sq m per ha	Sq ft per acre
Scheme 1	0.50	1.24	35	18	0%	0%	20%	50%	25%	5%	1,618	17,413	3,235	14,093
Scheme 2	0.50	1.24	60	30	50%	50%	0%	0%	0%	0%	2,299	24,750	4,599	19,960
Scheme 3	1.00	2.47	35	35	0%	0%	20%	50%	25%	5%	3,235	34,825	3,235	14,093
Scheme 4	1.20	3.00	35	42	0%	0%	20%	50%	25%	5%	3,882	41,790	3,235	13,930
Scheme 5	2.50	6.18	35	88	0%	0%	20%	50%	25%	5%	8,088	87,063	3,235	14,093
Scheme 6	5.00	12.36	35	175	5%	5%	20%	40%	25%	5%	15,547	167,344	3,109	13,545
Scheme 7	10	24.71	35	350	0%	0%	20%	50%	25%	5%	32,354	348,250	3,235	14,093

## Sales value and sales rate assumptions

House type	Size (sq m)	Size (Sq ft)
1 bed flat	46	500
2 bed flat	58	625
2 bed house	70	750
3 bed house	88	950
4 bed house	111	1200
5 bed house	130	1400

Current net sales values assumptions		
	£psm	£psf
Value band 1 (£200,000 - £350,000)	2,422	£225
Value band 2 (£175,000 - £200,000)	2,260	£210
Value band 3 (£125,000 - £175,000)	1,991	£185
Value band 4 (£100,000 - £125,000)	1,776	£165
Value band 5 (£50,000 - £100,000)	1,668	£155

Phasing assumptions	
Lead in	3 months
Construction / sales	Sales staggered 6 months after construction start
Sales rates	40 per annum per outlet

## Development cost assumptions

	Build cost		Plus 12% uplift for	
	£psm	£psf	£psm	£psf
<b>Schemes less than 40 units</b>				
Houses	£915	£85	£1,025	£95
Flats	£1,023	£95	£1,145	£106
<b>Schemes greater than 40 units</b>				
Houses	£807	£75	£904	£84
Flats	£969	£90	£1,085	£101

<b>Other development costs</b>	
Sensitivity for abnormals	10% uplift on build costs
Site specific section 106	£1,000 per unit
Professional fees (inc planning)	6% on construction costs
Contingencies	5% on construction costs
Marketing, sales agent and legal fees	3.5% of sales revenue
Purchaser's costs	5.8% on purchase price
Finance	6.5% on negative balance
Developer's profit	20% on market units 6% on affordable (blended rate to be determined)

## Planning policy standards and obligations

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Affordable housing	% of all units	Threshold	% of Open Market Value
25% of new housing developments should be affordable (100% of which affordable rent). Onsite/Offsite contribution payable.	25%	15 units +	Social Rented - 40% Affordable Rent - 50%

Section 106 Contributions	
Site specific highway improvements	£1,000 per unit
Air quality mitigation measures	
Public Art	
Site specific flood mitigation / resilience measures	

# Commercial Viability Assumptions



## Office development appraisal assumptions

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		Floor area (GIA)		Floor area (NIA)		Site area	
		Sq m	Sq ft	Sq m	Sq ft	Ha	Acres
Scheme 1	Town centre, over two floors	3,000	32,292	2,550	27,448	0.38	0.93
Scheme 2	Out of town, over two floors	3,000	32,292	2,550	27,448	0.38	0.93

		Rental value (£)		Yield	Rent free
		Sq m	Sq ft	%	(months)
Scheme 1	Town centre, over two floors	129.17	12.00	8.75%	30
Scheme 2	Out of town, over two floors	129.17	12.00	8.75%	30

## Office development appraisal assumptions

		Build cost (£)		Build cost inc. 15% uplift for external works	
		Sq m	Sq ft	Sq m	Sq ft
Scheme 1	Town centre, over two floors	1,571.53	146.00	1,807.26	167.90
Scheme 2	Out of town, over two floors	1,291.67	120.00	1,485.42	138.00

Other development costs	
Sensitivity for abnormals (% uplift on build costs)	10%
Site specific S106 costs	£0
Professional fees as % of construction costs	12.5%
Contingencies on construction costs	3%
Letting costs (% of rental value)	15%
Letting legal costs (% of rental value)	5%
Investment sale (% of Net Development Value)	1%
Investment sale legal costs (% of NDV)	0.25%
Purchaser's costs (% on purchase price)	5.80%
Finance on negative balance	6.75%
Developer profit (% on cost)	15%

Phasing assumptions	
Lead in	6 months
Construction period	12 months
Sale	On practical completion

## Industrial development appraisal assumptions

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		Floor area (GIA)		Floor area (NIA)		Site area	
		Sq m	Sq ft	Sq m	Sq ft	Ha	Acres
Scheme 1	Small industrial /warehouse	2,500	26,910	2,500	26,910	0.71	1.77
Scheme 2	Medium industrial / warehouse	5,000	53,820	5,000	53,820	1.43	3.53
Scheme 3	Large industrial /warehouse	10,000	107,639	10,000	107,639	2.86	7.06

		Rental value (£)		Yield	Rent free
		Sq m	Sq ft	%	(months)
Scheme 1	Small industrial / warehouse	61.89	5.75	6.75%	6
Scheme 2	Medium industrial / warehouse	59.20	5.50	6.75%	6
Scheme 3	Large industrial / warehouse	56.51	5.25	6.75%	9

## Industrial development appraisal assumptions

		Build cost (£)		Build cost inc. 15% uplift for external works	
		Sq m	Sq ft	Sq m	Sq ft
Scheme 1	Small industrial / warehouse	830.00	77.11	807.29	75.00
Scheme 2	Medium industrial / warehouse	458.00	42.55	526.70	48.93
Scheme 3	Large industrial / warehouse	426.00	39.58	489.90	45.51

### Other development costs

Sensitivity for abnormals (% uplift on build costs)	10%
Site specific S106 costs	£0
Professional fees as % of construction costs	10%
Contingencies on construction costs	3%
Letting costs (% of rental value)	15%
Letting legal costs (% of rental value)	5%
Investment sale (% of Net Development Value)	1%
Investment sale legal costs (% of NDV)	0.25%
Purchaser's costs (% on purchase price)	5.80%
Finance on negative balance	6.75%
Developer profit (% on cost)	15%

### Phasing assumptions (development delivered in a single phase)

Lead in	6 months
Construction period	12 months
Sale	On practical completion

## Retail development appraisal assumptions

- Town Centre
- Edge of Town Centre
- District Centre
- Edge of District Centre
- Local Centre
- Out of Centre

		Gross Internal Areas		Net Internal Areas		Site area	
		Sq m	Sq ft	Sq m	Sq ft	Ha	Acres
Scheme 1	Shopping centre	5,000	53,820	3,500	37,674	1.25	3.09
Scheme 2	Retail warehousing (bulky goods)	3,000	32,292	n/a	n/a	0.75	1.85
Scheme 3	Supermarket large	5,000	53,820	n/a	n/a	2.00	4.94
Scheme 4	Supermarket mid	1,500	16,146	n/a	n/a	0.60	1.48
Scheme 5	Supermarket small	400	4,306	n/a	n/a	0.16	0.40

		Rental value (£)			
		Sq m	Sq ft	Yield	Rent free
Scheme 1	Shopping centre	221.00	20.53	9.00%	18
Scheme 2	Retail warehousing (bulky goods)	215.29	20.00	7.50%	18
Scheme 3	Supermarket large	177.61	16.50	5.50%	6
Scheme 4	Supermarket mid	112.00	10.40	5.50%	6
Scheme 5	Supermarket small	112.00	10.40	5.50%	6

## Retail development appraisal assumptions

		<b>Build cost inc. 15% uplift for external works</b>			
		<b>Build cost (£)</b>			
		<b>Sq m</b>	<b>Sq ft</b>	<b>Sq m</b>	<b>Sq ft</b>
Scheme 1	Shopping centre	852.00	79.15	979.80	91.03
Scheme 2	Retail warehousing (bulky goods)	572.00	53.14	657.80	61.11
Scheme 3	Supermarket large	819.00	76.09	941.85	87.50
Scheme 4	Supermarket mid	1,311.00	121.80	1507.65	140.07
Scheme 5	Supermarket small	1,052.00	97.73	1209.80	112.39

<b>Other development costs</b>	
Sensitivity for abnormals (% uplift in build costs)	10%
Site specific S106 costs	£30 per sq m
Professional fees as % of construction costs	10%
Contingencies on construction costs	3%
Letting costs (% of rental value)	10%
Letting legal costs (% of rental value)	5%
Investment sale (% of Net Development Value)	1%
Investment sale legal costs (% of NDV)	0.25%
Purchaser's costs (% on purchase price)	5.80%
Finance on negative balance	6.75%
Developer profit (% on cost)	15%

<b>Phasing assumptions</b>	
Lead in	6 months
Construction period (retail warehousing and supermarket)	12 months
Construction period (others)	18 months
Sale	On practical completion

## Other commercial sectors - development appraisal assumptions

			Floor area (GIA)		Floor area (NIA)		Site area	
			Sq m	Sq ft	Sq m	Sq ft	Ha	Acres
Scheme 1	Cinema	Leisure park cinema	6,000	64,583	6,000	64,583	1.50	3.71
Scheme 2	Hotel	60 bed budget	1,800	19,375	1,350	14,531	0.45	1.11
Scheme 3	Restaurant	Leisure park restaurant	400	4,306	400	4,306	0.16	0.40
Scheme 4	Care home	60 bed care home	2,586	27,835	840	9,042	0.65	1.60

			Rental values (£)		Yield	Incentives
			Sq m	Sq ft	%	Months
Scheme 1	Cinema	Leisure park cinema				
Scheme 2	Hotel	60 bed budget				
Scheme 3	Restaurant	Leisure park restaurant				
Scheme 4	Care home	60 bed care home				

			Build cost (£)		Build cost inc. 15% uplift for external works	
			Sq m	Sq ft	Sq m	Sq ft
Scheme 1	Cinema	Leisure park cinema	1,183.00	109.90	1360.45	126.39
Scheme 2	Hotel	60 bed budget	1,373.00	127.56	1579.95	146.78
Scheme 3	Restaurant	Leisure park restaurant	1,661.00	154.31	1910.15	177.46
Scheme 4	Care home	60 bed care home	1,022.00	94.95	1175.30	109.19

## Other commercial sectors - development appraisal assumptions

Other development costs	
Sensitivity for abnormals (% uplift on build costs)	10%
Site specific S106 costs	£0
Professional fees as % of construction costs	10%
Contingencies on construction costs	3%
Letting costs (% of rental value)	10%
Letting legal costs (% of rental value)	5%
Investment sale (% of Net Development Value)	1%
Investment sale legal costs (% of NDV)	0.25%
Purchaser's costs (% on purchase price)	5.80%
Finance on negative balance	6.75%
Developer profit (% on cost)	15%

Phasing assumptions			
Scheme 1	Cinema	Leisure park cinema	6 months lead in, 12 months build, sell on PC
Scheme 2	Hotel	60 bed budget	6 months lead in, 12 months build, sell on PC
Scheme 3	Restaurant	Leisure park restaurant	6 months lead in, 12 months build, sell on PC
Scheme 4	Care home	60 bed care home	6 months lead in, 18 months build, sell on PC



# Community Infrastructure Levy Stakeholder Event Refreshment Break





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# Community Infrastructure Levy Stakeholder Event Discussion / Break Out Groups



maintaining today  
creating tomorrow



# Community Infrastructure Levy Stakeholder Event Feedback Summary





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Thank you for participating today

Further information:

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