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CIL Viability Study

WALSALL METROPOLITAN BOROUGH COUNCIL

December 2015

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Executive Summary

Scope

The Community Infrastructure Levy (CIL) is a discretionary tariff introduced by the 2008 Planning Act which local authorities can charge on each net additional sq m of development. CIL is the mechanism for securing funding for local infrastructure projects.

DTZ (now incorporated as part of Cushman and Wakefield) was appointed by Walsall Council to develop the viability evidence base for CIL in Walsall, to undertake comprehensive analysis of development viability and to ensure that any rates of CIL that are set for the Borough would not make development unviable.

The National Planning Policy Framework states that local plans should be deliverable and set with an understanding of local economic and market conditions. Viability testing is a useful tool capable of assisting with the development of local plan policies – including CIL.

In accordance with Government Planning Practice Guidance, DTZ's viability model involves the analysis of a selection of hypothetical development schemes. Residential and commercial schemes have been selected to reflect the wide range of circumstances in which development is anticipated to come forward across the Borough of Walsall. We prepared and consulted on the assumptions used in the viability appraisals. The residual site value for each development scheme has then been benchmarked against a site threshold value to determine the "headroom" for CIL – that is the maximum amount development can withstand in terms of a CIL payment.

Results of Viability Testing

The results of the viability testing demonstrates that at baseline costs for residential development of less than 40 units with a net developable area of 0.3 - 1 hectare, there is headroom for CIL in high and mid value areas, from £426 per sq m in Value Area 1 to £122 per sq m in VA 3. However none of the archetypes tested have headroom for CIL in lower value areas in Walsall. The development of apartments has no headroom for CIL in current market conditions. Larger residential schemes of 40 units or more have increased headroom for a CIL across all value areas in Walsall from £515 per sq m in Value Area 1 to £77 per sq m in Value Area 5.

Increasing residential development build costs by 12.5% per sq m to account for particularly high level of site abnormals lowers the headroom for CIL across all value areas. However the results show that there is still headroom for CIL in value areas 1, 2 and 3 across all residential archetypes with the exception of high density flatted developments. There is no headroom in Value areas 4 and 5 across all of the residential archetypes tested. For housing schemes of less than 15 units the amount available for CIL ranges from £349 in Value Area 1 to £84 in Value Area 3. For housing schemes of more than 15 units but less than 40 units the amount available for CIL ranges from £260 per sq m to £0 per sq m. Housing development greater than 40 units shows headroom for CIL ranging from £374 to £91 per sq in the high to mid value areas.

The results of the commercial viability testing demonstrate that there is only headroom for CIL on certain types of retail development and on the delivery of care homes (at baseline costs).

Retail warehousing and superstores are able to withstand CIL in all the town centre typologies tested across Walsall to significantly high levels. At baseline costs, the headroom for CIL on retail warehouses ranged from £214 - £476 per sq m. Increasing build costs to account for site abnormals reduces the CIL headroom, but still generates a CIL headroom range of £128 - £388 per sq m. At baseline costs, superstores can withstand a CIL tariff of £295 - £542 per sq m. Increasing build costs to account for abnormals reduces this range to £172 - £419 per sq m.

At baseline costs, there is headroom to charge CIL on care home developments up to £68 per sq m, however if an allowance of 12.5% cost uplift is included to account for high site abnormals, this results in no headroom being available for CIL.

Recommended CIL Rates

In setting CIL, caution is required to ensure that the rates are not done so at a level that would undermine the delivery of development. DTZ has applied a number of additional benchmarks to inform our recommendations for appropriate CIL rates in Walsall. This has involved testing CIL as a percentage of:

- Total development costs;
- Gross Development Value, and;
- Residual land value

We have adjusted the CIL rates to take into consideration these additional performance benchmarks and recommend the following CIL rates for Walsall:

Table 1: Recommended CIL rates

	Residential (£ per sq m)			Commercial (£ per sq m)
	Below 15 units (Scheme 8)	**Above 15 units & below 40 units (Schemes 1 and 3)**	**Above 40 units (Schemes 4-7)**	
Housing developments				
Value Area 1	£100	£100	£100	
Value Area 2	£75	£50	£75	
Value Area 3	£50	£25	£50	
Value Area 4	£0	£0	£0	
Value Area 5	£0	£0	£0	
Retail warehousing				
Town Centre				£100
Edge of Town Centre				£100
District Centre				£75
Edge of District Centre				£75
Out of Centre				£100
Superstore (over 2000 sq m)				
Town Centre				£100
Edge of Town Centre				£100
District Centre				£100
Edge of District Centre				£100
Out of Centre				£100
All other uses		0	0	0

Subject to the approval of officers and members as required to the proposed charging rates, it is recommended that the Council proceed with the preparation of a Preliminary Draft Charging Schedule taking into consideration the potential to provide an instalments policy and payments in kind to further facilitate the delivery of development across the Metropolitan Borough of Walsall.

1.0 Introduction

2.1 Purpose of report

DTZ, now incorporated under the brand name Cushman and Wakefield, was appointed by Walsall Council in 2014 to produce viability evidence in support of the Community Infrastructure Levy (CIL). The findings of this work were documented in a wider Local Plan evidence base report in 2015. This document reproduces the viability evidence contained within the earlier report and provides further background information in support of the Council's CIL proposals.

2.2 CIL background and approach

CIL is a tariff imposed on development through the planning process to raise funds for local infrastructure projects. Brought into effect by the 2008 Planning Act and subsequent series of Regulations, CIL is discretionary for local authorities who must decide whether or not they wish to adopt CIL. If they do, they must formulate a charging schedule which responds to the individual needs of their areas, taking into account the infrastructure funding needs arising from the delivery of their Local Plan.

A key element of the evidence base informing CIL is an economic viability study. The Government Regulations make it clear that CIL must be supported by robust evidence that the charges proposed would not put at risk the delivery of development of the area. This study therefore addresses the need to assess development viability of the Walsall area and specifically the ability of various development types to withstand a CIL charge.

Our approach has involved five key stages:

- Market and viability evidence collection and review
- Viability methodology and assumptions base
- Consultation with landowner and developer sector
- Viability modelling to identify potential for 'CIL headroom'
- CIL policy development

This report is structured in ten sections. Following this introduction, Section 2 sets out the background to CIL, the regulations governing CIL and recent changes to the regulations. We then explain the approach to viability testing, both in terms of national guidance and the methodology used by DTZ in Section 3. Section 4 details our approach to selecting site value thresholds in Walsall and how we have used fixed site values to determine the headroom for CIL. We then detail the assumptions used in our residential development appraisals and the results of the residential viability testing in Section 5. The viability assumptions and results of our viability testing for the commercial archetypes (retail, office, industrial and other commercial sectors) are presented in Sections 6 - 9. Finally, in Section 10 we detail our recommendations for a CIL charging schedule in Walsall.

2.0 Community Infrastructure Levy

2.3 Background

Community Infrastructure Levy (CIL) is a discretionary tariff introduced by the 2008 Planning Act which local authorities in England and Wales can charge on each net additional sq. m of new floor space (above a minimum scheme of 100 sq. m gross internal area). CIL is the mechanism for securing funding for local infrastructure projects. It is discretionary for local authorities however from April 2015 it will replace that part of the existing S106 agreements that are used for pooled developer contributions.

CIL was brought into effect by the 2010 CIL regulations which have been subsequently updated in 2011, 2012, 2013 and finally in 2014. The updates have been the response to criticism that the levy is too inflexible and have generally sought to make it more practical to implement. The following paragraphs summarise the key elements of CIL.

2.4 Liability for CIL

The Levy is generally payable on new development over 100 sq. m. However, there are some kinds of development which do not pay the levy. This includes (but is not exclusive to) development of less than 100 sq m; houses, flats, residential annexes and residential extensions which are built by "self-builders", vacant buildings brought back into the same use and social housing.

Landowners are ultimately liable to pay the Levy although anyone can take responsibility for paying the levy such as a developer or planning applicant. 'Charging authorities' are district and metropolitan district councils who are responsible for determining the charging levels and collecting the levy.

Liability for payment is generally triggered by the grant of planning permission (although some forms of development not requiring planning permission such as Permitted Development or Local Development Orders are also required to pay the levy). Payment is due at the point of commencement of development although charging authorities are able to establish policies for payment by instalments and also where planning applications are phased each phase can be treated as a separate chargeable development.

2.5 Rate setting

The proposed CIL charging rates must be set out in a Charging Schedule and expressed as pounds per sq. m, applied to the gross internal floor space of the net additional development liable for the levy.

Charging Authorities have autonomy to set their own charging rates however they are required to do so with regard to viability. The regulations state that they should set rates at a level which do not threaten the ability to develop viably the sites and scale of development identified in their Local Plan and should strike an appropriate 'balance' between the desirability of funding infrastructure from the levy and the potential impact on viability.

CIL should be set based on a 'Relevant Plan' and with regard to the infrastructure requirements of the growth proposed within that Plan. Further, Charging Authorities are required to demonstrate that there is a funding gap (between the total anticipated costs of infrastructure and funding sources available) that necessitates CIL.

Differential rates may be set in relation to:

- Geographical zones within the charging authority's boundaries

- Types of development; and / or
- Scales of development.

However, any such differentials must be justified according to viability evidence (and not, for instance, based on assisting planning policy objectives).

2.6 Process for Rate setting

The process for adopting a CIL Charging Schedule is as follows:

- the charging authority prepares its evidence base in order to determine its draft levy rates and collaborates with neighbouring/overlapping authorities (and other stakeholders)
- the charging authority prepares a preliminary draft charging schedule and publishes this for consultation
- consultation process takes place
- the charging authority prepares and publishes a draft charging schedule
- period of further representations based on the published draft
- an independent person (the “examiner”) examines the charging schedule in public
- the examiner’s recommendations are published
- the charging authority considers the examiner’s recommendations
- the charging authority approves the charging schedule

2.7 Collecting the Levy

The charging authority calculates the CIL payment that is due and is responsible for ensuring that payment is made. The process is as follows:

- Planning applicants are required to complete ‘Additional CIL Information Form’ with their application documents
- Where development is permitted other than through grant of planning permission, the Charging Authority issues a ‘Notice of Chargeable Development’
- Applicant submits ‘Assumption of Liability Form’ confirming identify of land or developer assuming liability for payment
- Collecting Authority submits a ‘Liability Notice’ to the applicant which sets out the charge due and payment procedure
- Applicant submits a ‘Commencement Notice’ confirming when it is expected development will commence
- Collecting Authority then issues a ‘Demand Notice’ setting out the payment due dates
- Collecting Authority must issue receipt to acknowledge payments

The CIL charges will become due for payment from the point at which the chargeable development commences.

A Charging Authority may allow payment instalments but to do so must produce and publish a payment instalments policy. Where planning permissions are phased, each phase can be treated as a separate chargeable development and therefore payment timescales be reflected by the commencement of each phase (as well as instalments within each phase).

2.8 Spending the Levy

CIL can be used to fund a wide range of infrastructure including transport, schools, flood defences, health facilities, play areas, parks, recreation and other community facilities. It should be used on new infrastructure and not to remedy pre-existing deficiencies unless those deficiencies will be made more severe by the development.

Charging Authorities are required to allocate at least 15% of the levy to spend on priorities agreed with the local community in areas where the development is taking place. This percentage increases to 25% in instances where communities have produced a Neighbourhood Plan.

Charging Authorities may also pass money to bodies outside their area to deliver infrastructure that will benefit the development of the area. For Walsall, this could enable an arrangement with neighbouring authorities to pool a portion of levy receipts to pay for strategic cross border infrastructure.

2.9 CIL and other Planning Obligations

CIL replaces that part of S106 agreements that have historically been used for pooling contributions from several developments (e.g. school places). However S106 remains in place for non-pooled contributions that are considered necessary to make development acceptable in planning terms. In addition, Section 278 agreements will remain in place and will allow local authorities to continue to pool contributions for highway projects.

Charging Authorities must avoid 'double dipping' where multiple contributions are secured from a single development for the same infrastructure item through both CIL and S106/278. They are required to publish a Regulation 123 list to accompany the Charging Schedule making clear what items will be funded by CIL to ensure that no such duplication takes place.

2.10 Relief

As stated above there are a number of forms of development that are exempt from paying the Levy including affordable homes and charitable developments. In addition, the Government Regulations allow for exceptional circumstances under which a development that is liable to pay CIL could be exempt from paying the charge. The exceptional circumstances are:

- A section 106 agreement must exist on the planning permission permitting the chargeable development and
- The charging authority must consider that paying the full levy would have an unacceptable impact on the development's economic viability and
- The relief must not constitute a notifiable state aid

The third requirement is the most restricting of the three and in practice is likely to significantly limit the quantity of cases in which exceptional circumstances can be deployed. The local authority is also required to publicise the fact that it is proposing to offer exceptional circumstances relief.

3.0 Viability Methodology

3.1 Guidance on Viability Testing of CIL

The National Planning Policy Framework (NPPF) states that local plans should be deliverable and that development sites identified in local plans "*should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened*".

Local Plans should be set with an understanding of local economic and market conditions so that they are realistically deliverable. In this regard, viability assessments are useful tools capable of assisting with the development of local plan policies – including CIL.

National Guidance is clear that assessing the viability of local plans does not require the individual testing of every development site. Site typologies may be used to determine area wide viability at a policy level. Viability assessments should therefore reflect the range of different development typologies (both residential and commercial) which are likely to come forward.

At the heart of assessing viability is land or site value. There are various approaches to determining land value which will be outlined in more detail below; however NPPF guidance states that in all cases, land value should reflect emerging policy requirements and planning obligations, provide a competitive return to willing developers and landowners, be informed by comparable, market based evidence.

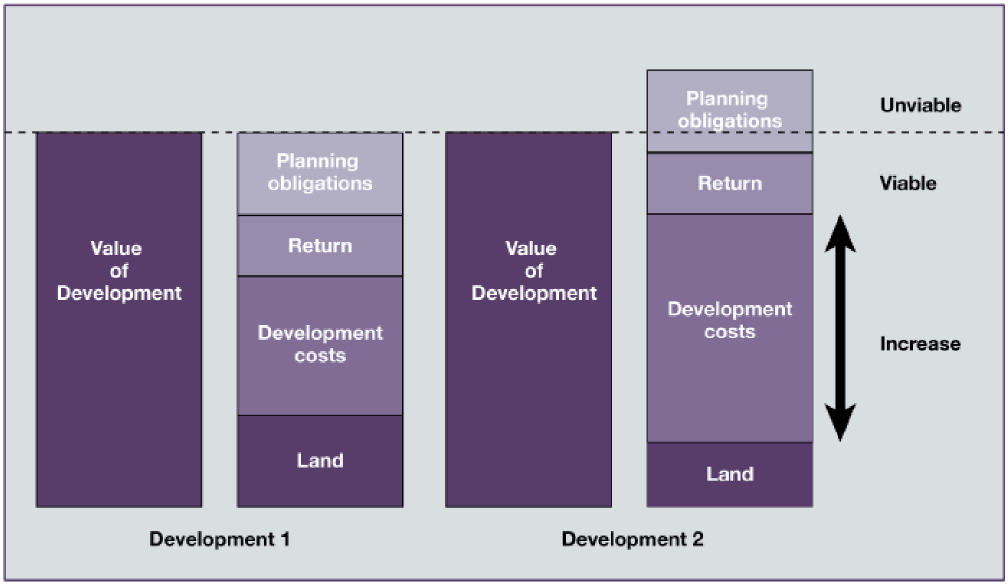
Paragraph 015 Reference ID 10-015-220140306 of the NPPF states that viability should consider "*competitive returns to a willing landowner and willing developer to enable development to be deliverable*". A competitive return is defined as "*the price at which a reasonable landowner would be willing to sell their land for development.*" Those options may include the current use value of the land or its value for a realistic alternative use that is in line with the local planning policy.

There are various approaches to undertaking viability testing such as those set out in HCA and BNP Paribas work for PAS. We have used the approach set out in the RICS guidance document Financial Viability in Planning (2012):

"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" (para 2.1)

This is illustrated in figure 3.1 below which compares two developments. Development 1 demonstrates a viable development whereby the land value, development costs, planning obligations and developers return are equal to the value of development. Development 2 has increased development costs which put downward pressure on the land value capable of being achieved and renders the development unviable as the developers return and planning obligations remain constant.

Figure 3.1: Comparative development viability



Source: RICS Financial Viability in Planning Guidance Note (1st Edition, 2012)

3.2 DTZ Viability Methodology

DTZ's viability model involves the analysis of a selection of hypothetical development schemes to reflect the wide range of circumstances in which development is anticipated to come forward across the Borough of Walsall. This includes both residential and commercial developments.

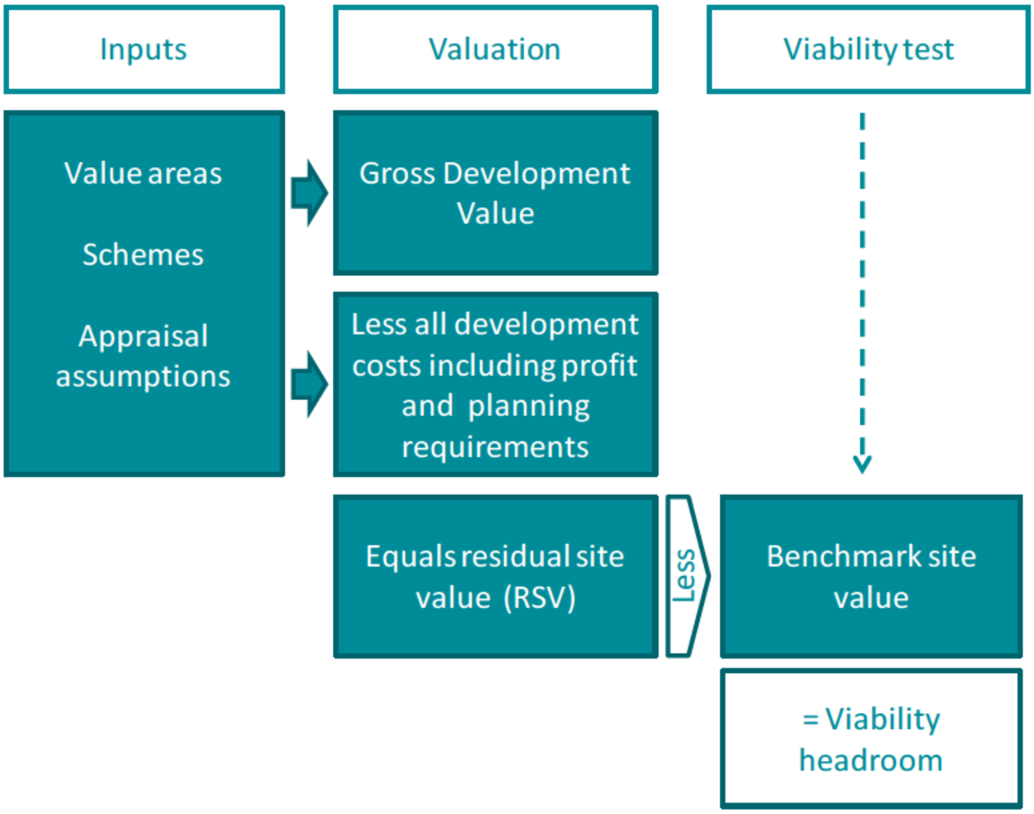
DTZ has developed a spreadsheet based economic viability model that allows a large number of development sites to be tested, including sensitivity testing of key variables.

This approach is used for area wide viability assessment and involves the following key steps:

- Determination of value areas, scheme and viability assumptions
- A residual appraisal is then carried out subtracting all anticipated development costs from the scheme's Net Development Value to arrive at a residual site value
- The residual site value is then benchmarked against a site value threshold to determine the 'headroom' available for CIL/other planning requirements

Figure 3.2 (overleaf) summarises DTZ's approach to area wide viability testing.

Figure 3.2: DTZ approach to area wide viability testing



We consulted on the assumptions used to inform the area wide viability testing in November / December 2014 through a workshop and survey of developers and landowner, property and planning agents. A copy of the questionnaire survey is provided at Appendix 1, and a summary of the responses to the survey is provided at Appendix 2.

The consultation was used to test and refine the approach and assumptions behind the viability evidence. The assumptions used in our viability testing are therefore endorsed by those landowners and developers who participated in the consultation.

A list of those invited to participate in the consultation is provided at Appendix 7.

4.0 Approach to Site Value Thresholds

4.1 Guidance

The selection of site value thresholds in area wide studies is problematic due to the wide range of hypothetical schemes being tested and the lack of adequate evidence of what minimum level land owners are willing to release their land for.

The RICS guidance note Financial Viability in Planning 2012 defines site value as follows:

"*Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan*."

It also states that when undertaking Local Plan or CIL (area-wide) viability testing, a second assumption needs to be applied to the above:

"*Site Value (as defined above) may need to be further adjusted to reflect the emerging policy / CIL charging level. The level of the adjustment assumes that site delivery would not be prejudiced. Where an adjustment is made, the practitioner should set out their professional opinion underlying the assumptions adopted. These include, as a minimum, comments on the state of the market and delivery targets as at the date of assessment*."

The Local Housing Delivery Group: Viability Testing Local Plans advice for planning practitioners (July 2012), states that viability studies should incorporate a threshold land value based on 'a premium over current use values and credible alternative use values'. It also highlights the limitations of using market values for policy-making viability evidence recognising that historic market values do not take into account the impact of future policy on land prices.

Whilst there appears to be an inconsistency in the recommendations of the two guidance documents, both effectively recommend that site value thresholds for area wide viability studies should be set somewhere between existing use/credible alternative use and market values assuming planning permission without planning obligations.

National Planning Policy Guidance states that land or site value should:

- Reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;
- Provide a competitive return to willing developers and land owners (including equity resulting from those building their own homes); and
- Be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.

4.2 Evidence of market values for residential land in Walsall

Recent transactional evidence is limited in Walsall due to limited activity and difficulties accessing relevant data and as a result the evidence is somewhat anecdotal. Discussions with local developers and agents indicates that residential net land values vary from approximately £494,200 per ha (£200,000 per acre) to £988,400 per ha (£400,000 per acre). Retail land values can typically range from between £1.235m per ha (£500,000 per acre) to £2.47m (£1million per acre) although smaller local centre land values are generally significantly less. Employment land for industrial or office schemes tends to be in the region of £741,330 per hectare (net) (£300,000 per acre) and £494,200 per hectare (net) (£200,000 per acre) respectively.

There is some evidence of a distinction between site values achieved on previously developed brownfield sites and Greenfield land. A CLG Research Paper produced by Turner Morum in 2011 indicated that typical minimum prices for Greenfield land across the country were £370,000 per ha (£150,000 per acre), although this figure is quoted on a gross basis and the report concludes that for typical gross / net ratios, this would equate to £494,200-£741,000 per ha (£200,000 to £300,000 per acre).

4.3 Fixed site values

The following site value thresholds have been used for benchmarking the headroom for CIL in the model:

Table 4.1: Residential

	£ per ha	£ per acre
Value area 1	£988,400	£400,000
Value area 2	£864,850	£350,000
Value area 3	£741,300	£300,000
Value area 4	£617,750	£250,000
Value area 5	£494,200	£200,000

Table 4.2: Commercial

	£ per ha	£ per acre
Retail		
Town centre	£1,853,250	£750,000
Edge of town centre	£1,853,250	£750,000
District centre	£1,235,500	£500,000
Edge of District Centre	£1,235,500	£500,000
Local centre	£617,750	£250,000
Out of centre	£1,853,250	£750,000
Industrial		
	£741,300	£300,000
Office		
	£494,200	£200,000
Other commercial		
	£494,200	£200,000

These site value benchmarks were tested through consultation with agents and land owners at a consultation event in December 2014. It should be noted that these benchmarks represent the price paid for a serviced site free from abnormal development costs.

4.4 Ensuring a suitable balance – the viability Buffer

Government guidelines state that CIL rates should be reasonable, given the available evidence. However it should be noted that there is no requirement for a proposed CIL rate to exactly mirror the evidence. For example it would not be appropriate to set a charge right at the margins of viability. At Paragraph 019 Reference ID: 25-019-20140612, the guidance specifies that "*there is room for some pragmatism. It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust*". Case Law indicates that a 25-30% discount from the CIL headroom is suitable viability buffer. Needless to say, a charging authority should be able to explain its approach and rationale to the setting of CIL.

5.0 Residential Viability Testing

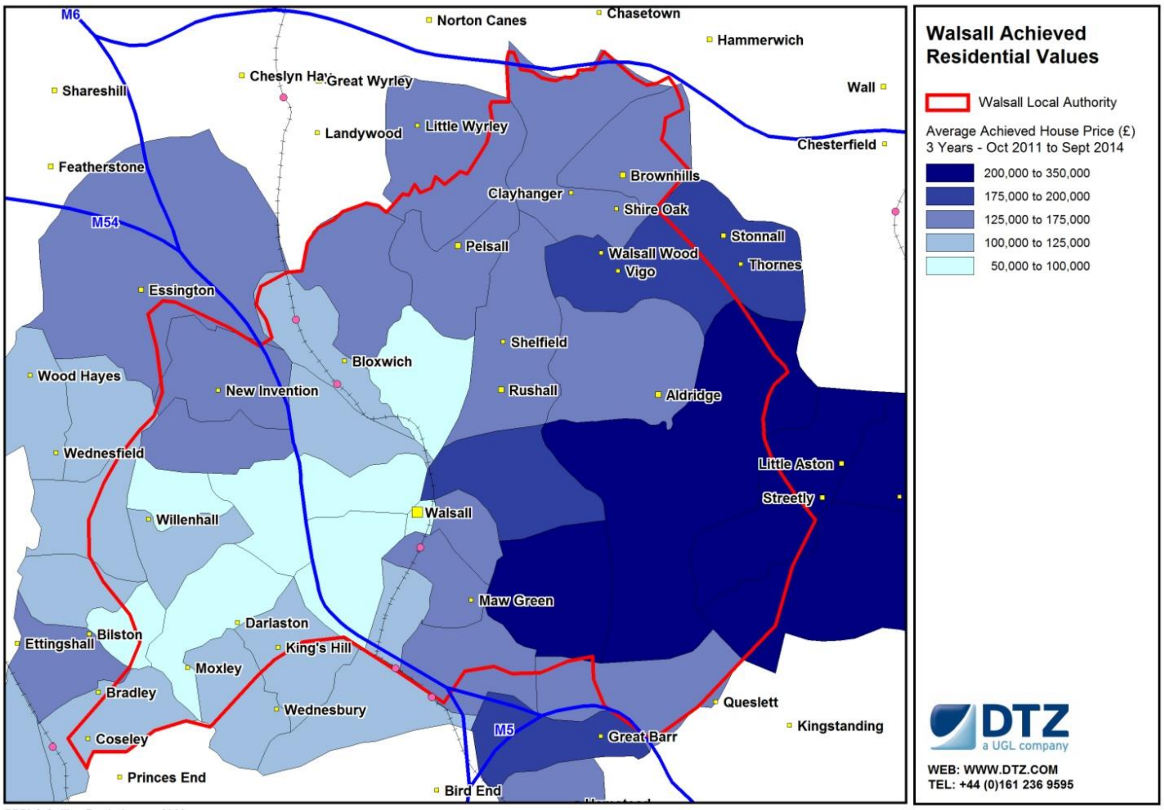
5.1 Value areas and site selection

Five differential value bands have been selected as geographical zones for viability testing of CIL on residential development:

- HV1 - £200,000 to £350,000 average house price band
- HV2 - £175,000 to £200,000 average house price band
- HV3 - £125,000 to £175,000 average house price band
- HV4 - £100,000 to £125,000 average house price band
- HV5 - £50,000 to £100,000 average house price band

These zones are based on average achieved house prices as recorded by HM Land Registry for all postcode sectors in Walsall over the three year period October 2011 to September 2014.

Figure 5.1: Walsall Achieved Residential Values



PBBI © Collins Bartholomew 2009

5.2 Scheme Selection

Based on our experience and our analysis of the development which is most likely to come forward across Walsall, the following eight residential schemes have been developed as identified in Table 5.1 below. It should be noted that during the course of our analysis we developed an additional scheme (Scheme 8) in order to test the development viability of housing developments which have less than 15 units and are therefore not subject to affordable housing provision.

All of the residential schemes are based on an average density of 35 units per hectare (with the exception of Scheme 2 which is a flatted scheme of 1 and 2 bed homes and as such has a development density of 60 units per hectare).

The residential archetypes tested vary in terms of site size, housing mix and have a built floor area ranging from 3,109 sq m per hectare (13,545 sq ft per acre) to 3,235 sq m per hectare (14,903 sq ft per acre).

Table 5.1: Residential Archetypes

	Developable area				Housing mix %					
	Net developable area (Ha)	(acres)	Development density (DPH)	No units	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house
Scheme 1	0.50	1.24	35	18	0%	0%	20%	50%	25%	5%
Scheme 2	0.50	1.24	60	30	50%	50%	0%	0%	0%	0%
Scheme 3	1.00	2.47	35	35	0%	0%	20%	50%	25%	5%
Scheme 4	1.20	3.00	35	42	0%	0%	20%	50%	25%	5%
Scheme 5	2.50	6.18	35	88	0%	0%	20%	50%	25%	5%
Scheme 6	5.00	12.36	35	175	5%	5%	20%	40%	25%	5%
Scheme 7	10	24.71	35	350	0%	0%	20%	50%	25%	5%
Scheme 8	0.30	0.74	35	11	0%	0%	20%	50%	25%	5%

5.3 Unit Sizes

The following unit sizes have been used in each of the seven residential schemes. These are based on our local market knowledge and consultation with local and national house builders:

Table 5.2: House Size

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

5.4 Sales Values

Blended capital revenues (net of incentives) are used in the development viability model on the basis of £ per sq m. These revenues are based on our assessment of the current market. The sales revenue assumptions, which are based on consultation with local residential agents and a review of new schemes transacted/on the market in the local area, are presented in Table 5.3 below:

Table 5.3: Sales Values

	Current net sales values assumptions	
	£psm	£psf
Value band 1	2,583	£240
Value band 2	2,314	£215
Value band 3	2,099	£195
Value band 4	1,884	£175
Value band 5	1,776	£165

5.5 Build costs

The following build costs for flats and houses are based on BCIS and adjusted taking into account advice from our regional residential team in line with what the market is currently delivering in the area. The costs include a 12% uplift for external site works. A higher cost for schemes of less than 40 units has been applied to reflect the higher costs normally encountered by local house-builders in contrast the large scale schemes where a combination of economies of scale and volume housebuilder based delivery generally results in a lower build cost.

Table 5.4: Residential Build Costs

	Build cost (£)		Plus 12% uplift for external works (£)	
	£psm	£psf	£psm	£psf
Schemes less than 40 units				
Houses	914.93	85.00	1,024.72	95.20
Flats	1,022.57	95.00	1,145.28	106.40
Schemes greater than 40 units				
Houses	807.29	75.00	904.17	84.00
Flats	968.75	90.00	1,085.00	100.80

5.6 Phasing Assumptions

The following phasing assumptions for all the residential development schemes have been applied. Sales rates allow for multiple outlets on larger scale sites of 10 ha.

Table 5.5: Phasing assumptions

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

5.7 Other Development Costs

The following development assumptions are used in our viability testing and are based on our knowledge and experience of the residential property market:

Table 5.6: Other Development Costs

Other development costs	
Sensitivity for abnormals	12.5% uplift on build costs
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	17.7% blended rate (applied to all units)

Our experience indicates a range of 17-20% on revenue as offering a competitive return for the majority of house builders with often a lower level of profit being acceptable for smaller house builders. Our approach is to apply a blended rate to reflect the different risk profile of market and affordable homes respectively. The blended rate is 17.7% of total revenue which is based on 20% on revenue for market units and 6% for affordable, on the basis that affordable units will be transferred to a registered provider on a pre-sale arrangement at a pre-determined price.

A site specific S106 allowance of £500 per dwelling has been made based on evidence provided by Walsall Council.

This is based on the fact that the Council expects on-site S106 requirements to be largely restricted to highways improvements; and the Council's evidence shows previous S106 highways requirements at average approximately £500 per unit. Therefore, based on the local evidence of historic S106 contributions over the last 5 years, the Council consider setting the S106 allowance at £500 per unit is appropriate.

Table 5.7: Section 106 Contributions

Section 106 Contributions	
Site specific highway improvements	£500 per unit
Air quality mitigation measures	
Public art	
Site specific flood mitigation / resilience measures	

In respect of site abnormal development costs, the site value benchmarks applied assumed a serviced site free from abnormals and therefore the price effectively allows some tolerance for abnormal development costs; that is to say, where sites are sold with the need for abnormals, the price any rational developer would pay for that site would be less than if it were free from such abnormal costs. In addition to this we have modelled a sensitivity for an additional level of abnormal site costs of 12.5% uplift on build costs.

5.8 Policy Standards

For the purposes of CIL viability testing, the following assumptions have been applied relating to the stated policy standards in the Black Country Core Strategy Policy HOU3:

Table 5.8: Policy Standards

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 +	Affordable Rent - 60% of OMV

5.9 Results

Table 5.9 illustrates the results of the residential development appraisals at baseline costs (i.e. excluding the uplift for abnormal site works) for Schemes 1-3 (above 15 and less than 40 units) and the additional scheme 8 (less than 15 units) in each of the five value areas across Walsall.

The table highlights the amount available for CIL which represents the difference between the residual site value and the site value threshold converted into a sq m figure based on the floor area that would be liable to pay CIL.

Scheme 2 has no headroom for CIL in each of the value areas and as such it is excluded from the average amount available for CIL, as to include it would skew the average results. Scheme 2 is a flatted scheme and since the market is currently focused on entirely on houses as opposed to flats we consider it reasonable to exclude the flatted typology from our analysis. Scheme 8 is also excluded from the average as it needs to be assessed separately as it does not include affordable housing.

The amount available for CIL for Scheme 8 is therefore shown in Table 5.9 in the box shaded grey.

Table 5.9: Housing viability results at baseline costs - Schemes of less than 15 units (Scheme 8) and schemes of more than 15 and less than 40 units (Schemes 1 and 3)

	Scheme	Value Area	Site Size (ha)	Residual site value	Site value per ha	Benchmark Site Value (£ per ha)	Benchmark actual	Amount available for CIL (all schemes) (per sq m)	Amount available for CIL (excluding schemes 2 and 8 (per sq m)
less than 40 units	1	1	0 5	£1,031,884	£2,063,767.48	£988,400	£494,200	£427.62	
	2	1	0 5	£487,108	£974,216	£988,400	£494,200	-£5	
	3	1	1	£2,054,546	£2,054,546	£988,400	£988,400	£424	
	8	1	0 3	£760,301	£2,534,336.67	£988,400	£296,520	£479	
							Average	**£331**	**£426**
	1	2	0 5	£749,734	£1,499,468	£864,850	£432,425	£252	
	2	2	0 5	£221,644	£443,288	£864,850	£432,425	-£160	
	3	2	1	£1,492,447	£1,492,447	£864,850	£864,850	£250	
	8	2	0 3	£576,310	£1,921,033	£864,850	£259,455	£327	
							Average	**£167**	**£251**
	1	3	0 5	£524,224	£1,048,448	£741,300	£370,650	£122	
	2	3	0 5	£10,110	£20,220	£741,300	£370,650	-£274	
	3	3	1	£1,049,439	£1,049,439	£741,300	£741,300	£123	
	8	3	0 3	£429,253	£1,430,843	£741,300	£222,390	£213	
							Average	**£46**	**£122**
	1	4	0 5	£298,714	£597,428	£617,750	£308,875	-£8	
	2	4	0 5	-£207,307	-£414,614	£617,750	£308,875	-£393	
	3	4	1	£603,617	£603,617	£617,750	£617,750	-£6	
	8	4	0 3	£282,196	£940,653	£617,750	£185,325	£100	
							Average	**£0**	**£0**
	1	5	0 5	£185,435	£370,869	£494,200	£247,100	-£49	
	2	5	0 5	-£316,912	-£633,824	£494,200	£247,100	-£429	
	3	5	1	£379,669	£379,669	£494,200	£494,200	-£46	
	8	5	0 3	£208,326	£694,420	£494,200	£148,260	£62	
							Average	**£0**	**£0**

The results demonstrate that there is headroom for a CIL on residential development for Schemes 1, 3 and 8 in high and mid value areas (1, 2 and 3). These range from £479 in Value Area 1 to £100 in Value Area 4 for schemes of less than 15 units. For schemes of between 15 and 40 units, the amount available for CIL ranges from £428 in Value Area 1 and £123 in Value Area 3.

Table 5.10 illustrates the results of the residential development appraisals at baseline costs for Schemes 4-7 (40 units or more) in each of the five value areas across Walsall. As can be seen, there is increased headroom for a CIL on larger residential development schemes in Value Area 1 (£518 per sq m) reducing to £77 per sq m in Value Area 5. This greater headroom than on the small schemes is driven entirely by the lower build cost associated with larger sites.

Table 5.10: Residential results at baseline costs, schemes of more than 40 units

	Scheme	Value Area	Site Size (ha)	Residual site value	Site value per ha	Benchmark Site Value £ per ha	Benchmark actual	Amount available for CIL (per sq m)
more than 40 units	4	1	1.2	£2,790,741	£2,325,618	£988,400	£1,186,080	£566.92
	5	1	2.5	£5,818,704	£2,327,482	£988,400	£2,471,000	£545
	6	1	5	£10,224,612	£2,044,922	£988,400	£4,942,000	£451
	7	1	10	£21,872,627	£2,187,263	£988,400	£9,884,000	£496
							Average	**£515**
	4	2	1.2	£2,138,723	£1,782,269	£864,850	£1,037,820	£389
	5	2	2.5	£4,488,465	£1,795,386	£864,850	£2,162,125	£379
	6	2	5	£7,832,953	£1,566,591	£864,850	£4,324,250	£299
	7	2	10	£16,900,148	£1,690,015	£864,850	£8,648,500	£341
							Average	**£352**
	4	3	1.2	£1,617,404	£1,347,837	£741,300	£889,560	£257
	5	3	2.5	£3,424,425	£1,369,770	£741,300	£1,853,250	£256
	6	3	5	£5,905,548	£1,181,110	£741,300	£3,706,500	£188
	7	3	10	£12,884,736	£1,288,474	£741,300	£7,413,000	£226
							Average	**£232**
	4	4	1.2	£1,099,802	£916,502	£617,750	£741,300	£127
	5	4	2.5	£2,356,197	£942,479	£617,750	£1,544,375	£132
	6	4	5	£3,984,694	£796,939	£617,750	£3,088,750	£76
	7	4	10	£8,895,250	£889,525	£617,750	£6,177,500	£112
							Average	**£112**
	4	5	1.2	£838,676	£698,897	£494,200	£593,040	£87
	5	5	2.5	£1,823,757	£729,503	£494,200	£1,235,500	£96
	6	5	5	£3,011,149	£602,230	£494,200	£2,471,000	£46
	7	5	10	£6,882,873	£688,287	£494,200	£4,942,000	£80
							Average	**£77**

Tables 5.11 and 5.12 illustrate the impact of increasing the build costs of residential development by 12.5% to account for a particularly high level of site abnormal costs. As previously stated, the results of residential schemes of less than 15 units are presented alongside schemes of between 15 and 40 units and residential schemes greater than 40 units.

Table 5.11: Residential results with uplift for abnormals - Schemes of less than 15 units (Scheme 8) and schemes of more than 15 units and less than 40 units (Schemes 1 and 3)

	Scheme	Value Area	Site Size (ha)	Residual site value	Site value per ha	Benchmark Site Value £ per ha	Benchmark actual	Amount available for CIL (all schemes) (£ per sq m)	Amount available for CIL (excluding schemes 2 and 8) (£ per sq m)
less than 40 units	1	1	0.5	£823,237	£1,646,473	£988,400	£494,200	£262	
	2	1	0.5	£231,279	£462,558	£988,400	£494,200	-£200	
	3	1	1	£1,639,056	£1,639,056	£988,400	£988,400	£259	
	8	1	0.3	£635,113	£2,117,043	£988,400	£296,520	£349	
							Average	£167	**£260**
	1	2	0.5	£541,087	£1,082,174	£864,850	£432,425	£86	
	2	2	0.5	-£34,048	-£68,096	£864,850	£432,425	-£355	
	3	2	1	£1,084,434	£1,084,434	£864,850	£864,850	£87	
	8	2	0.3	£451,121	£1,503,737	£864,850	£259,455	£198	
							Average	£0	**£87**
	1	3	0.5	£315,577	£631,154	£741,300	£370,650	-£44	
	2	3	0.5	-£252,262	-£504,524	£741,300	£370,650	-£474	
	3	3	1	£638,612	£638,612	£741,300	£741,300	-£41	
	8	3	0.3	£304,065	£1,013,550	£741,300	£222,390	£84	
							Average	£0	**£0**
	1	4	0.5	£90,067	£180,134	£617,750	£308,875	-£174	
	2	4	0.5	-£470,456	-£940,912	£617,750	£308,875	-£593	
	3	4	1	£190,585	£190,585	£617,750	£617,750	-£170	
	8	4	0.3	£157,008	£523,360	£617,750	£185,325	-£29	
							Average	£0	**£0**
	1	5	0.5	-£23,602	-£47,204	£494,200	£247,100	-£215	
	2	5	0.5	-£580,061	-£1,160,122	£494,200	£247,100	-£629	
	3	5	1	-£33,707	-£33,707	£494,200	£494,200	-£210	
	8	5	0.3	£83,138	£277,127	£494,200	£148,260	-£67	
							Average	£0	**£0**

As can be seen from the Tables 5.11 and 5.12, increasing build costs by 12.5% lowers the headroom for CIL across all value areas.

Table 5.11 demonstrates that Value Area 1 can withstand a CIL tariff of up to £349 per sq m for housing developments of less than 15 units and £262 per sq m for housing developments of between 15 and 40 units. Value Area 2 can withstand a CIL tariff of up to £198 per sq m (housing development of less than 15 units) and £87 per sq m for schemes of more than 15 and less than 40 units.

Value Area 3 can withstand a CIL tariff of £84 per sq m for housing schemes of less than 15 units but there is no headroom for CIL in value areas 3 for schemes of between 15 and 40 units and no CIL headroom in value areas 4 and 5 across all residential archetypes of schemes.

As previously stated, the flatted Scheme 2 has been removed from the "Average amount available for CIL" calculation as this development is unviable and the negative result skews the averages.

The table below demonstrates that increasing build costs by 12.5% per sq m for residential development greater than 40 units, also decreases the headroom for CIL. There is still headroom for CIL in value areas 1, 2 and 3 ranging from £91 to £374 per sq m; but no headroom in value areas 4 and 5 across all of the residential archetypes.

Table 5.12: Residential results with uplift for abnormals, schemes of more than 40 units

	Scheme	Value Area	Site Size (ha)	Residual site value	Site value per ha	Benchmark Site Value £ per ha	Benchmark actual	Amount available for CIL (per sq m)
more than 40 units	4	1	1.2	£2,359,429	£1,966,190.83	£988,400	£1,186,080	£415
	5	1	2.5	£4,953,934	£1,981,574	£988,400	£2,471,000	£404
	6	1	5	£8,639,738	£1,727,948	£988,400	£4,942,000	£316
	7	1	10	£18,651,906	£1,865,191	£988,400	£9,884,000	£362
							Average	**£374**
	4	2	1.2	£1,707,544	£1,422,953	£864,850	£1,037,820	£237
	5	2	2.5	£3,627,629	£1,451,052	£864,850	£2,162,125	£239
	6	2	5	£6,229,128	£1,245,826	£864,850	£4,324,250	£163
	7	2	10	£13,669,368	£1,366,937	£864,850	£8,648,500	£208
							Average	**£211**
	4	3	1.2	£1,191,513	£992,928	£741,300	£889,560	£107
	5	3	2.5	£2,554,073	£1,021,629	£741,300	£1,853,250	£114
	6	3	5	£4,308,447	£861,689	£741,300	£3,706,500	£51
	7	3	10	£9,642,829	£964,283	£741,300	£7,413,000	£92
							Average	**£91**
	4	4	1.2	£668,509	£557,091	£617,750	£741,300	-£26
	5	4	2.5	£1,487,047	£594,819	£617,750	£1,544,375	-£9
	6	4	5	£2,368,625	£473,725	£617,750	£3,088,750	-£61
	7	4	10	£5,611,715	£561,172	£617,750	£6,177,500	-£23
							Average	**£0**
	4	5	1.2	£405,791	£338,159	£494,200	£593,040	-£66
	5	5	2.5	£951,558	£380,623	£494,200	£1,235,500	-£46
	6	5	5	£1,400,980	£280,196	£494,200	£2,471,000	-£91
	7	5	10	£3,557,468	£355,747	£494,200	£4,942,000	-£57
							Average	**£0**

In summary therefore, the results demonstrate that the ability of development to withstand CIL varies depending on the site size, the location and the level of site development costs encountered. For small sites, the results demonstrate that at baseline costs there is headroom for CIL in high and mid value areas (1, 2 and 3). However none of the archetypes tested have headroom for CIL in lower value areas in Walsall (4 and 5). The development of flats (Scheme 2) has no headroom for CIL in current market conditions. Larger residential schemes of 40 units or more (Schemes 4-7 at baseline costs) have headroom for a CIL across all value areas in Walsall from £515 per sq m in Value Area 1 to £77 per sq m in Value Area 5.

Increasing residential development build costs by 12.5% per sq m lowers the headroom for CIL across all value areas, however development in Value Areas 1, 2 and 3 can withstand a CIL levy for housing developments of under 15 units and in Value Areas 1 and 2 for housing development of between 15 and 40 units. Sites with more than 40 units are similarly affected by an increase in build costs. There is headroom for CIL in value areas 1, 2 and 3 ranging from £91 to £374 per sq m; but no headroom in value areas 4 and 5 across all of the residential archetypes tested.

6.0 Retail viability testing

6.1 Scheme Selection

Five hypothetical schemes ('archetypes') have been selected for viability testing based on our experience of the typical retail development likely to come forward across the Walsall administrative area.

Details of the archetypes, floor areas and site coverage are shown in the table below.

Table 6.1: Retail Archetypes

Retail archetypes		Gross Internal Areas		Net Internal Areas		Site area	
1. Town Centre (Walsall)		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	Superstore	5,000	53,820	n/a	n/a	2.00	4.94
Scheme 4	Supermarket (Medium)	1,500	16,146	n/a	n/a	0.60	1.48
Scheme 5	Convenience store	400	4,306	n/a	n/a	0.16	0.40
2. Edge of Town Centre							
Scheme 2	Retail warehousing (bulky goods)	3,000	32,292	n/a	n/a	0.75	1.85
Scheme 3	Superstore	5,000	53,820	n/a	n/a	2.00	4.94
Scheme 4	Supermarket (Medium)	1,500	16,146	n/a	n/a	0.60	1.48
Scheme 5	Convenience store	400	4,306	n/a	n/a	0.16	0.40
3. District Centre (Aldridge, Bloxwich, Brownhills, Darlaston, Willenhall)							
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	Superstore	5,000	53,820	n/a	n/a	2.00	4.94
Scheme 4	Supermarket (Medium)	1,500	16,146	n/a	n/a	0.60	1.48
Scheme 5	Convenience store	400	4,306	n/a	n/a	0.16	0.40
4. Edge of District Centre							
Scheme 2	Retail warehousing (bulky goods)	3,000	32,292	n/a	n/a	0.75	1.85
Scheme 3	Superstore	5,000	53,820	n/a	n/a	2.00	4.94
Scheme 4	Supermarket (Medium)	1,500	16,146	n/a	n/a	0.60	1.48
Scheme 5	Convenience store	400	4,306	n/a	n/a	0.16	0.40
5. Local Centres (eg Caldmore, Pelsall, Streetly, Lazy Hill, Pleck, Leamore, Blakenhall)							
Scheme 5	Convenience store	400	4,306	n/a	n/a	0.16	0.40
6. Out of Centre							
Scheme 2	Retail warehousing (bulky goods)	3,000	32,292	n/a	n/a	0.75	1.85
Scheme 3	Superstore	5,000	53,820	n/a	n/a	2.00	4.94
Scheme 4	Supermarket (Medium)	1,500	16,146	n/a	n/a	0.60	1.48
Scheme 5	Convenience store	400	4,306	n/a	n/a	0.16	0.40

These archetypes have been tested in the following locations in accordance with the town centre hierarchy set out in the Walsall Unitary Development Plan.

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

6.2 Retail Sales Value

The table below highlights the variations in rental value and yield dependent on the location of new retail development in Walsall and the occupier incentives used in our appraisals. We have assessed retail transactions in the local area and made adjustments as appropriate to reflect current market conditions and area wide archetypes and also following consultation with regional retail agents.

Table 6.2: Retail Sales Values

Retail archetypes		Rental value (£)			
1. Town Centre (Walsall)		**Sq m**	**Sq ft**	**Yield**	**Rent free (months)**
Scheme 1	Shopping Centre	215.29	20.00	8.50%	18
Scheme 2	Retail warehousing	215.29	20.00	7.50%	18
Scheme 3	Superstore	177.61	16.50	5.50%	6
Scheme 4	Supermarket (Medium)	150.70	14.00	5.50%	6
Scheme 5	Convenience store	161.46	15.00	5.50%	6
2. Edge of Town Centre					
Scheme 2	Retail warehousing	215.29	20.00	7.50%	18
Scheme 3	Superstore	177.61	16.50	5.50%	6
Scheme 4	Supermarket (Medium)	134.55	12.50	5.50%	6
Scheme 5	Convenience store	112.00	10.40	5.50%	6
3. District Centre (Aldridge, Bloxwich, Brownhills, Darlaston, Willenhall)					
Scheme 1	Shopping Centre	193.76	18.00	9.00%	18
Scheme 2	Retail warehousing (bulky goods)	161.46	15.00	7.50%	18
Scheme 3	Superstore	177.61	16.50	5.50%	6
Scheme 4	Supermarket (Medium)	134.55	12.50	5.50%	6
Scheme 5	Convenience store	112.00	10.40	5.50%	6
4. Edge of District Centre					
Scheme 2	Retail warehousing (bulky goods)	161.46	15.00	7.50%	18
Scheme 3	Superstore	177.61	16.50	5.50%	6
Scheme 4	Supermarket (Medium)	134.55	12.50	5.50%	6
Scheme 5	Convenience store	112.00	10.40	5.50%	6
5. Local Centres (eg Caldmore, Pelsall, Darlaston Green, Streetly, Lazy Hill, Pleck, Leamore, Blakenhall)					
Scheme 5	Convenience store	112.00	10.40	5.50%	6
6. Out of Centre					
Scheme 2	Retail warehousing (bulky goods)	215.29	20.00	7.50%	18
Scheme 3	Superstore	177.61	16.50	5.50%	6
Scheme 4	Supermarket (Medium)	134.55	12.50	5.50%	6
Scheme 5	Convenience store	112.00	10.40	5.50%	6

6.3 Development Cost and Phasing Assumptions

The following build costs have been used which are based on BCIS costs (rebased for the West Midlands):

Table 6.3: Retail Build Costs

		Build cost (£)		Build cost inc. 15% uplift for external works	
		Sq m	Sq ft	Sq m	Sq ft
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	Superstore	819.00	76.09	941.85	87.50
Scheme 4	Supermarket (Medium)	1,311.00	121.80	1507.65	140.07
Scheme 5	Convenience store	1,052.00	97.73	1209.80	112.39

Retail developments have been phased as shown in the table below which is based on our knowledge of typical requirements for 'standard' schemes in the retail sector.

Table 6.4: Retail Phasing Assumptions

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

The following industry standard assumptions have also been applied. These costs include a site specific S106 allowance of £30 per sq m based on a review of retail S106s provided by the Council. Such costs would typically be expected to cover items such as junction/highway/public transport improvements. A higher rate of professional fees of 13% has been allowed for to reflect the additional costs often associated with complex retail development schemes. Similarly, developer's profit of 20% on cost has been applied which is at the upper end of the typical range however is considered sensible given the market and site conditions within Walsall which increase the risk profile of developments.

Table 6.5: Other Development Costs

Other development costs	
Sensitivity for abnormals (% uplift in build costs)	12.5%
Site specific S106 costs	£30 per sq m
Professional fees as % of construction costs	13%
Contingencies on construction costs	5%
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)	20%

6.4 Retail results

The table below illustrates the results for retail development in Walsall based on the above development assumptions. It highlights that that there is only headroom for CIL on retail warehousing and superstores, which is able to withstand CIL in all the town centre typologies tested across Walsall to significantly high levels.

Table 6.6: Retail Results 20% Profit on Cost – baseline costs

20% Profit on cost - baseline costs						
Scheme		Site Size (ha)	Site value	Site value per ha	Site value threshold (actual)	Headroom for CIL (per sq m)
Town Centre	Shopping Centre	1.25	-£402,056	-£321,644.97	£2,316,563	£0
District Centre	Shopping Centre	1.25	-£1,197,068	-£957,654	£1,544,375	£0
Town Centre	Retail Warehousing	0.75	£2,817,032	£3,756,043	£1,389,938	**£476**
Edge of Town Centre	Retail Warehousing	0.75	£2,817,032	£3,756,043	£1,389,938	**£476**
District Centre	Retail Warehousing	0.75	£1,569,329	£2,092,438	£926,625	**£214**
Edge of District Centre	Retail Warehousing	0.75	£1,569,329	£2,092,438	£926,625	**£214**
Out of Centre	Retail Warehousing	0.75	£2,817,032	£3,756,043	£1,389,938	**£476**
Town Centre	Superstore	2.00	£5,181,426	£2,590,713	£3,706,500	**£295**
Edge of Town Centre	Superstore	2.00	£5,181,426	£2,590,713	£3,706,500	**£295**
District Centre	Superstore	2.00	£5,181,426	£2,590,713	£2,471,000	**£542**
Edge of District Centre	Superstore	2.00	£5,181,426	£2,590,713	£2,471,000	**£542**
Out of Centre	Superstore	2.00	£5,181,426	£2,590,713	£3,706,500	**£295**
Town Centre	Supermarket (Medium)	0.60	£194,220	£323,700	£1,111,950	£0
Edge of Town Centre	Supermarket (Medium)	0.60	-£87,945	-£146,576	£1,111,950	£0
District Centre	Supermarket (Medium)	0.60	-£87,945	-£146,576	£741,300	£0
Edge of District Centre	Supermarket (Medium)	0.60	-£45,507	-£75,846	£741,300	£0
Out of Centre	Supermarket (Medium)	0.60	-£45,507	-£75,846	£1,111,950	£0
Town Centre	Convenience store	0.16	£227,065	£1,419,156	£296,520	£0
Edge of Town Centre	Convenience store	0.16	-£1,637	-£10,233	£296,520	£0
District Centre	Convenience store	0.16	-£1,637	-£10,233	£197,680	£0
Edge of District Centre	Convenience store	0.16	-£1,637	-£10,233	£197,680	£0
Local Centre	Convenience store	0.16	-£1,637	-£10,233	£98,840	£0
Out of Centre	Convenience store	0.16	-£1,637	-£10,233	£296,520	£0

The table below highlights the impact of including an uplift of 12.5% to take into account site abnormals. This lowers the headroom for CIL for retail warehousing and superstores, but there remains capacity for CIL for these retail archetypes.

Table 6.7: Retail Results 20% Profit on Cost – 12.5% uplift in costs for abnormals

20% Profit on cost - 12.5% uplift in build costs for abnormals						
Scheme		Site Size (ha)	Site value	Site value per ha	Site value threshold (actual)	Headroom for CIL (per sq m)
Town Centre	Shopping Centre	1.25	-£1,057,165	-£845,732	£2,316,563	£0
District Centre	Shopping Centre	1.25	-£1,861,067	-£1,488,854	£1,544,375	£0
Town Centre	Retail Warehousing	0.75	£2,554,433	£3,405,911	£1,389,938	**£388**
Edge of Town Centre	Retail Warehousing	0.75	£2,554,433	£3,405,911	£1,389,938	**£388**
District Centre	Retail Warehousing	0.75	£1,311,432	£1,748,576	£926,625	**£128**
Edge of District Centre	Retail Warehousing	0.75	£1,311,432	£1,748,576	£926,625	**£128**
Out of Centre	Retail Warehousing	0.75	£2,554,433	£3,405,911	£1,389,938	**£388**
Town Centre	Superstore	2.00	£4,566,156	£2,283,078	£3,706,500	**£172**
Edge of Town Centre	Superstore	2.00	£4,566,156	£2,283,078	£3,706,500	**£172**
District Centre	Superstore	2.00	£4,566,156	£2,283,078	£2,471,000	**£419**
Edge of District Centre	Superstore	2.00	£4,566,156	£2,283,078	£2,471,000	**£419**
Out of Centre	Superstore	2.00	£4,566,156	£2,283,078	£3,706,500	**£172**
Town Centre	Supermarket (Medium)	0.60	-£104,857	-£174,761	£1,111,950	£0
Edge of Town Centre	Supermarket (Medium)	0.60	-£393,873	-£656,454	£1,111,950	£0
District Centre	Supermarket (Medium)	0.60	-£393,873	-£656,454	£741,300	£0
Edge of District Centre	Supermarket (Medium)	0.60	-£352,143	-£586,904	£741,300	£0
Out of Centre	Supermarket (Medium)	0.60	-£352,143	-£586,904	£1,111,950	£0
Town Centre	Convenience store	0.16	£163,491	£1,021,816	£296,520	£0
Edge of Town Centre	Convenience store	0.16	-£67,532	-£422,077	£296,520	£0
District Centre	Convenience store	0.16	-£67,532	-£422,077	£197,680	£0
Edge of District Centre	Convenience store	0.16	-£67,532	-£422,077	£197,680	£0
Local Centre	Convenience store	0.16	-£67,532	-£422,077	£98,840	£0
Out of Centre	Convenience store	0.16	-£67,532	-£422,077	£296,520	£0

These results indicate that certain types of retail development are able to withstand CIL however there are many retail classifications that cannot. The retail sector is typically subject to high level of site abnormal development costs in view of the focus on town and city centre sites and the sensitivity of the results to abnormal site costs is an important factor in interpreting the appropriate level of CIL to charge.

7.0 Office viability testing

7.1 Scheme Selection

Two hypothetical schemes ('archetypes') have been selected for viability testing of CIL based on the speculative office development that may come forward across Walsall. Details of the archetypes, floor area and site coverage are provided below:

Table 7.1: Office Scheme Selection

		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

7.2 Value Assumptions

The following rental value, investment yield and occupier incentive assumptions have been used based on our experience of local market conditions and comparable evidence which has been adjusted to reflect current market conditions.

Table 7.2: Office development values

		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

7.3 Build cost, development costs and phasing assumptions

The following build costs are based on BCIS (rebased for the West Midlands). An uplift of 15% is included to take into account of external site works.

Table 7.3: Office Scheme Build Costs

		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

The following assumptions are also included consistent with all commercial schemes tested in this report:

Table 7.4: Office Scheme – Other development costs

Other development costs	
Sensitivity for abnormals (% uplift on build costs)	12.5%
Site specific S106 costs	£0
Professional fees as % of construction costs	12.5%
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)	20%

The following phasing assumptions have been applied relating to timescales for delivery:

Table 7.5: Office Scheme Phasing Assumptions

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

7.4 Office Results

Tables 7.6 and 7.7 highlight the results of office development viability at 15% profit on cost and 20% profit on cost respectively. We have also included an allowance of a 12.5 % uplift in build costs per sq m for site abnormals.

Table 7.6: Office development viability results at 15% profit on cost

15% profit on cost				
Scheme	**Site Size (ha)**	**Site value**	**Site value per ha**	**Sum available for policy standards**
Office - town centre over two floors	0.38	-£3,450,146	-£9,079,333	**£0**
Office - out of town over two floors	0.38	-£2,397,390	-£6,308,922	**£0**
12.5% uplift in build costs for abnormals				
Office - town centre over two floors	0.38	-£4,190,911	-£11,028,713	**£0**
Office - out of town over two floors	0.38	-£3,005,873	-£7,910,193	**£0**

Table 7.7: Office development viability results at 20% profit on cost

Scheme	Site Size (ha)	Site value	Site value per ha	Sum available for policy standards
20% profit on cost				
Office - town centre over two floors	0.38	-£3,553,940	-£9,352,474	**£0**
Office - out of town over two floors	0.38	-£2,500,702	-£6,580,795	**£0**
12.5% uplift in build costs for abnormals				
Office - town centre over two floors	0.38	-£4,292,619	-£11,296,367	**£0**
Office - out of town over two floors	0.38	-£3,108,475	-£8,180,198	**£0**

The results demonstrate a lack of headroom for CIL and more generally, viability as a whole, for the office sector in Walsall at the current time. Whilst we would expect that there will be circumstances where office schemes can be brought forward as a result of a single major occupier requirement, at the current time the above analysis is considered to accurately represent the challenges facing the office development market locally and therefore conclude that it would not be sensible to introduce CIL on this property typology at the current time.

8.0 Industrial Viability Testing

8.1 Scheme Selection

Three hypothetical schemes have been selected for viability testing of CIL based on the type of industrial development that is likely to come forward across the District.

The archetypes test small, medium and large industrial / warehouse schemes, ranging from 2,500 sq m (26,910 sq ft) to 10,000 sq m (107,639 sq ft) and their respective site coverage:

Table 8.1: Industrial Archetypes

		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

8.2 Value and Phasing Assumptions

The following rental values, investment yields and occupier incentives are used in our appraisals which are in line with local market conditions.

Table 8.2: Industrial Development Value Assumptions

		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

The following phasing assumptions have been used for the three industrial schemes which is based on our experience of building these types of industrial units:

Table 8.3: Industrial Development Value Assumptions

Phasing assumptions (development delivered in a single phase)	
Lead in	6 months
Construction period	12 months
Sale	On practical completion

8.3 Build cost and development cost assumptions

The following build costs are based on BCIS (rebased for the West Midlands). An allowance of 15% for external site works is included:

Table 8.4: Industrial Development Build Costs

		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	954.50	88.68
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

The following market assumptions are used in our development appraisals which reflect standard market allowances in development appraials:

Table 8.5: Industrial Development – Other Development Costs

Other development costs	
Sensitivity for abnormals (% uplift on build costs)	12.5%
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)	20%

It is understood that owner occupier led industrial development would require a different approach to viability testing in terms of yields and profit levels. Our development appraisals assume that industrial units are developed on a speculative basis.

8.4 Industrial results

Tables 8.6 and 8.7 below highlight the results of industrial development viability at 15% profit on cost and 20% profit on cost respectively. We have also included an allowance of a 12.5% uplift in build costs per sq m for site abnormals. The results demonstrate that there is no headroom for CIL on speculative industrial development in Walsall at the current time.

Table 8.6: Industrial Development Viability Results

15% profit on cost					
Scheme	**Site Size (ha)**	**Site value**	**Site value per ha**	**Site value threshold (actual)**	**Sum available for policy standards**
Small industrial / warehouse	0.63	-£757,025	-£1,201,628	£467,019	**£0**
Medium industrial / warehouse	1.25	£550,625	£440,500	£926,625	**£0**
Large industrial / warehouse	2.5	£1,081,834	£432,734	£1,853,250	**£0**
12.5% uplift in build costs for abnormals					
Small industrial / warehouse	0.63	-£1,074,045	-£1,704,834	£467,019	**£0**
Medium industrial / warehouse	1.25	£218,753	£175,003	£926,625	**£0**
Large industrial / warehouse	2.5	£463,147	£185,259	£1,853,250	**£0**

20% profit on cost					
Scheme	Site Size (ha)	Site value	Site value per ha	20% Profit on Cost	Sum available for policy standards
Small industrial / warehouse	0.63	-£831,136	-£1,319,264	£467,019	**£0**
Medium industrial / warehouse	1.25	£418,049	£334,440	£926,625	**£0**
Large industrial / warehouse	2.5	£832,411	£332,965	£1,853,250	**£0**
12.5% uplift in build costs for abnormals					
Small industrial / warehouse	0.63	-£1,148,332	-£1,822,750	£467,019	**£0**
Medium industrial / warehouse	1.25	£86,606	£69,285	£926,625	**£0**
Large industrial / warehouse	2.5	£217,441	£86,977	£1,853,250	**£0**

9.0 Other commercial sectors viability testing

The following other commercial sectors have been tested in order to determine whether they are able to support any level of CIL rates in Walsall.

9.1 Scheme selection

The table below details the floor areas and site area of each archetype.

Table 9.1: Development Archetypes

			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

9.2 Value and phasing assumptions

We have used rental values and investment yields in line with those achieved in the West Midlands and have made the necessary adjustments to reflect location and development size.

Table 9.2: Development Values

			Rental values (£)		Yield	Incentives
			Sq m	Sq ft	%	Months
Scheme 1	Cinema	Leisure park cinema	£129.17	£12.00	7.00%	6
Scheme 2	Hotel	60 bed budget	£161.46	£15.00	6.50%	6
Scheme 3	Restaurant	Leisure park restaurant	£161.46	£15.00	6.50%	12
Scheme 4	Care home	60 bed care home	£429.05	£39.86	6.50%	6

The following phasing assumptions have been used which typically reflect build periods in these sectors:

Table 9.3: Development Phasing Assumptions

			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

9.3 Build costs, other development cost assumptions and phasing

The following build costs have been applied. These are based on BCIS costs (rebased for the West Midlands) and include an uplift of 15% to take into account external works.

Table 9.4: Development Build Costs

			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

The following market assumptions are used in our development appraisals:

Table 9.5: Other Development Costs

Other development costs	
Sensitivity for abnormals (% uplift on build costs)	12.5%
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)	20%

9.4 Other Commercial Sectors results

Table 9.6 illustrates that there is no headroom for CIL on the development of cinemas in Walsall.

Table 9.6: Cinema Development Viability Results

Baseline Cinema					
Scheme	Site Size (ha)	Site value	Site value per ha	Site value threshold (actual)	CIL headroom (per sq m)
Leisure park cinema	1.5	-£495,664	-£330,443	£741,300	£0
12.5% uplift in build costs for abnormals					
Scheme	Site Size (ha)	Site value	Site value per ha	Site value threshold (actual)	CIL headroom (per sq m)
Leisure park cinema	1.5	-£1,556,507	-£1,037,671	£741,300	£0

Table 9.7 illustrates that there is no headroom for CIL on the hotel development typology.

Table 9.7: Hotel Development Viability Results

Baseline Hotel					
Scheme	Site Size (ha)	Site value	Site value per ha	Site value threshold (actual)	CIL headroom (per sq m)
60 bed budget hotel	0.45	-£530,281	-£1,178,402	£222,390	£0
12.5% uplift in build costs for abnormals					
Scheme	Site Size (ha)	Site value	Site value per ha	Site value threshold (actual)	
60 bed budget hotel	0.45	£901,578	£2,003,507	£222,390	£0

Table 9.8 illustrates that there is no headroom for CIL on the restaurant development typology.

Table 9.8: Restaurant Development Viability Results

Baseline Restaurant					
Scheme	Site Size (ha)	Site value	Site value per ha	Site value threshold (actual)	CIL headroom (per sq m)
Leisure park restaurant	0.16	-£97,455	-£609,093	£296,520	**£0**
12.5% uplift in build costs for abnormals					
Scheme	Site Size (ha)	Site value	Site value per ha	Site value threshold (actual)	CIL headroom (per sq m)
Leisure park restaurant	0.16	-£197,303	-£1,233,142	£296,520	**£0**

Table 9.9 illustrates that at baseline costs, there is headroom to charge CIL on care home developments, however if an allowance of 12.5% cost uplift is included to account for site abnormals, this results in no headroom being available for CIL. A site value threshold of £988,400 per ha has been applied to this assessment reflecting the higher value residential benchmark which could be considered appropriate to the types of location in which such developments may be brought forward.

Table 9.9: Care Home Development Viability Results

Baseline Care Home					
Scheme	Site Size (ha)	Site value	Site value per ha	Site value threshold (actual)	CIL headroom (per sq m)
60 bed care home	0.65	£817,282	£1,257,356	£642,460	**£68**
12.5% uplift in build costs for abnormals					
Scheme	Site Size (ha)	Site value	Site value per ha	Site value threshold (actual)	CIL headroom (per sq m)
60 bed care home	0.65	£439,056	£675,471	£642,460	**£0**

10.0 CIL charging recommendations

10.1 Maximum CIL headroom

The evidence presented above demonstrates the diversity of viability across Walsall Metropolitan Borough with only the residential and retail development categories considered generally able to be withstand a Community Infrastructure Levy at the current time. The viability of imposing CIL on residential development is limited to high and mid value areas. The varied results are due to different levels of strength in property markets across the district as reflected in the rent/capital values achievable combined with differences in construction and other development costs for the various property types tested. The impact of particularly high level of site abnormal costs and other planning standards (including affordable housing at 25% and site specific S106 costs) is also a factor that limits the 'headroom' for a CIL tariff.

Table 10.1 summarises the findings, presenting the average CIL headroom for each use and location expressed in terms of £ per sq m. The 'headroom' is the difference between the residual site value and the benchmark site value for each scheme, divided by the floor area that would be liable for CIL. The figures presented include the base scenarios and those with an additional uplift for abnormal site development costs (in brackets).

Table 10.1: Maximum CIL headroom (figures presented brackets represent headroom with abnormal cost uplift sensitivity)

	Residential (£ per sq m)			Commercial (£ per sq m)
	Below 15 units (Scheme 8)	Above 15 units & below 40 units (Schemes 1 and 3)	Above 40 units (Schemes 4-7)	
Housing developments				
Value Area 1	£479 (£349)	£426 (£260)	£515 (£374)	
Value Area 2	£327 (£198)	£251 (£87)	£352 (£211)	
Value Area 3	£213 (£84)	£122 (0)	£232 (£91)	
Value Area 4	£100 (0)	£0	£112 (0)	
Value Area 5	£62 (0)	£0	£77 (0)	
Retail warehousing				
Town Centre				£476 (£388)
Edge of Town Centre				£476 (£388)
District Centre				£214 (£128)
Edge of District Centre				£214 (£128)
Out of Centre				£476 (£388)
Superstore (over 2000 sq m)				
Town Centre				£295 (£172)
Edge of Town Centre				£295 (£172)
District Centre				£542 (£419)
Edge of District Centre				£542 (£419)
Out of Centre				£295 (£172)
All other uses		0	0	0

10.2 Viability Proofing – accounting for the ‘buffer’

Caution is required to ensure that the rates that are set for CIL are not done so at a level that would undermine the delivery of development. CIL is intended to be generally non-negotiable once set and therefore there is a risk that if not set at an appropriate level the effect could be either to depress other planning obligation requirements or in a worst case scenario prevent land from coming forward for development.

It is important to emphasise that the analysis contained in this report is predicated on ‘area wide viability’ and that broad brush assumptions have had to be made, intended to reflect ‘typical’ and average circumstances. The development market is in reality heterogeneous and there is potential for wide variation in many of the inputs to a viability appraisal including the price of land, the developer’s return and site development costs among other factors.

There is also the potential for variation in both market conditions and construction costs arising from changes to building regulations (including the anticipated Zero Carbon requirement from 2016) which will influence changes in viability headroom for CIL. Although the market is generally on an upswing, local and sector based changes could cause viability to be destabilised on certain types of sites and uses.

Government guidance makes it clear that CIL rates should not be set right at the margins of viability. At Paragraph 019 Reference ID: 25-019-20140612), the guidance specifies that “*there is room for some pragmatism*. *It would be appropriate to ensure that a ‘buffer’ or margin is included, so that the levy rate is able to support development when economic circumstances adjust*”. Evidence from recent CIL examinations indicates that a minimum discount of 25-30% from the maximum CIL viability is considered reasonable to demonstrate that the ‘balance’ has been struck.

There is also evidence of CIL rates being benchmarked in terms of a percentage of development costs as a means of sense checking viability. A cautious approach would be to ensure that CIL should approximate to the following benchmarks as a **further** test of viability:

- 5% of total development costs
- 5% of Gross Development Value
- 10-15% of residual land value

5% of total development costs is within the parameters of a developer’s typical contingency (where applied) and therefore not considered likely to undermine delivery in the majority of cases. At less than 5% of Gross Development Value, it represents a very small portion of the total income of a development project and similarly if CIL represents a relatively modest proportion of residual site value it is considered unlikely to prevent land from being brought forward for development.

Therefore, through first assessing the viability of CIL against the site value benchmarks to determine a reasonable ‘headroom’ and then providing a secondary check through the above performance indicators we consider that CIL can be robustly viability proofed.

Looking at the above percentage benchmarks as they relate to maximum CIL headroom figures, the table below demonstrates that at the maximum headroom most of these benchmarks are exceeded, indicating that they could be placing viability at risk. The maximum headroom figures shown in the table relate to the averages of schemes above 40 units in size.

Table 10.2 Maximum CIL Headroom expressed as a percentage of cost, GDV and land value (figures presented in brackets represent headroom with abnormal cost uplift sensitivity)

	Maximum CIL headroom	CIL as a percentage of average:		
Residential		Development Costs	GDV	Residual Land value
Value Area 1	£515 (£374)	14.66%	12.06%	47.41%
Value Area 2	£352 (£211)	9.24%	7.60%	36.73%
Value Area 3	£232 (£91)	4.39%	3.61%	22.47%
Value Area 4	£112 (0)	n/a	n/a	n/a
Value Area 5	£77 (0)	n/a	n/a	n/a
Retail warehousing				
Town Centre	£476 (£388)	19.42%	16.17%	45.59%
Edge of Town Centre	£476 (£388)	19.42%	16.17%	45.59%
District Centre	£214 (£128)	8.55%	7.13%	29.34%
Edge of District Centre	£214 (£128)	8.55%	7.13%	29.34%
Out of Centre	£476 (£388)	19.42%	7.13%	45.59%
Superstore (over 2000 sq m)				
Town Centre	£295 (£172)	6.97%	5.81%	18.83%
Edge of Town Centre	£295 (£172)	6.97%	5.81%	18.83%
District Centre	£542 (£419)	17.00%	5.81%	45.88%
Edge of District Centre	£542 (£419)	17.00%	5.81%	45.88%
Out of Centre	£295 (£172)	6.97%	5.81%	18.83%

10.3 Recommended CIL rates

Taking into account this analysis, we have adjusted the CIL rates and re run the above analysis to fit with the additional performance benchmarks. The recommended CIL rates, presented in Table 10.3 overleaf include a range of £0 to £100 per sq m on housing development depending on location and scheme size, and rates of £75-£100 per sq m on retail warehousing and superstores.

Table 10.3: Recommended CIL rates

	Residential (£ per sq m)			Commercial (£ per sq m)
	Below 15 units (Scheme 8)	Above 15 units & below 40 units (Schemes 1 and 3)	Above 40 units (Schemes 4-7)	
Housing developments				
Value Area 1	£100	£100	£100	
Value Area 2	£75	£50	£75	
Value Area 3	£50	£25	£50	
Value Area 4	£0	£0	£0	
Value Area 5	£0	£0	£0	
Retail warehousing				
Town Centre				£100
Edge of Town Centre				£100
District Centre				£75
Edge of District Centre				£75
Out of Centre				£100
Superstore (over 2000 sq m)				
Town Centre				£100
Edge of Town Centre				£100
District Centre				£100
Edge of District Centre				£100
Out of Centre				£100
All other uses		0	0	0

Table 10.4 overleaf displays the proposed CIL rates benchmarked as a percentage of development costs, Gross Development Value and Residual Land Value. It also shows the effective discount that the levels represent from the total headroom figure.

The residential CIL rates are in the range of 2.4% to 4% of total development costs, 2% to 3.5% of GDV and 12.5% to 13% of residual land value. The discount from the total headroom ranges from 87% in Value Area 3 to 73% in Value Area 1. The commercial CIL rates range from 4%-5% of total development cost, from 3.4% to 4.2% of GDV, and 10% to 17% of residual land value. Although the £75 psm retail warehouse CIL rate in District and Edge of Centre locations marginally exceeds the 15% residual land value benchmark identified earlier in this chapter, this is only marginally so and because the proposed rate is at a level that is over 40% discount from the maximum headroom figure, is considered to be reasonable and not realistically likely to put development at risk.

There is some scope for small variations to the proposed rates in accordance with the stated viability benchmarks and DTZ would welcome dialogue with officers in order to validate the proposed rates. However we are of the view that the recommended rates are sufficiently robust to avoid putting the delivery of development at risk and also to withstand challenge through the examination process.

Table 10.4 Recommended CIL rates with viability buffer benchmarks (benchmarks based on schemes of 40 units plus)

	Recommended CIL rates	CIL as a percentage of average:			Percentage discount from maximum CIL headroom
Residential		Total development cost	GDV	Residual Land value	
Value Area 1	£100	3.91%	3.23%	12.73%	73.26%
Value Area 2	£75	3.29%	2.70%	13.14%	79.95%
Value Area 3	£50	2.41%	1.99%	12.53%	86.63%
Value Area 4	£0	n/a	n/a	n/a	n/a
Value Area 5	£0	n/a	n/a	n/a	n/a
Retail warehousing					
Town Centre	£100	5.00%	4.17%	11.74%	74.23%
Edge of Town Centre	£100	5.00%	4.17%	11.74%	74.23%
District Centre	£75	5.00%	4.17%	17.16%	41.41%
Edge of District Centre	£75	5.00%	4.17%	17.16%	41.41%
Out of Centre	£100	5.00%	4.17%	11.74%	74.23%
Superstore (over 2000 sq m)					
Town Centre	£100	4.06%	3.38%	10.95%	41.86%
Edge of Town Centre	£100	4.06%	3.38%	10.95%	41.86%
District Centre	£100	4.06%	3.38%	10.95%	76.13%
Edge of District Centre	£100	4.06%	3.38%	10.95%	76.13%
Out of Centre	£100	4.06%	3.38%	10.95%	41.86%
All other uses	£0	n/a	n/a	n/a	n/a

10.4 The case for a nominal charge rate in low value areas

As illustrated in the viability results set out in this report, there remain a number locations and sectors on which CIL is not considered to be realistically viable in typical circumstances. Therefore it follows that a zero tariff should be set to reflect these results. However, we are aware of some local authorities seeking to set a nominal CIL charge in such locations on the premise that it is unlikely to put delivery at risk. Leeds City Council is one such local authority which has recently had its charging schedule adopted including a nominal rate of £5 per sq m in locations and for uses which were indicated to be unviable in the supporting viability studies. In view of the very small proportion of development costs, Gross Development Value and Residual Land Value that such a tariff would represent, we believe there is a case that it would be unlikely to put delivery at risk. However, it is not possible to substantiate this in economic viability terms. It is therefore a matter for the Council to consider in terms of balancing the desirability of maximising funding for infrastructure against viability.

10.5 CIL Revenue Scenarios

We have analysed the revenue that could be generated from housing developments across Walsall over the Local Plan period. The housing sites are those provided to DTZ by Walsall Council and include all sites that are considered for inclusion in the Local Plan. We have assumed an average size of a property of 84 sq m, and applied the applicable CIL rates bearing in mind the site size/anticipated yield in respect of dwelling numbers based on the schedule provided to us. This is illustrated in Table 10.4 below.

Tariff A assumes a CIL charging strategy in accordance with Table 10.3 above. Tariff B assumes a CIL strategy in line with Table 10.3 above for Value Areas 1-3 above and the addition of a flat rate of £5 per sq m for Value Areas 4 and 5.

Table 10.4 Projected CIL revenues

Projected Revenue Proposed CIL Charging Tariff A	Projected Revenue Proposed CIL Charging Tariff B
£ 4,486,125	£ 5,586,315

The results show relatively modest levels of CIL revenue however as market conditions improve it may be possible to set higher CIL rates which would generate a higher level of CIL revenue through the Local Plan period.

10.6 Collecting the CIL Levy

The CIL Charging Authority is responsible for collecting the levy (with the exception of London Boroughs). Once the charging schedule has been determined, the Council will need to determine how the levy will be payable.

CIL charges become due on commencement of development as defined by Section 56 (4) of the Town and Country Planning Act 1990. Charging Authorities are at liberty to set their own payment terms, including the option of paying CIL in instalments. However, Government Regulations (69B) specify that the payment terms must be published in an instalments policy which should be available on the Council's website and also at the Councils principal office.

Instalment policies can assist with development viability and delivery by improving the cash flow of a development (as the CIL payment is not paid upfront). Paragraph: 055 – Reference ID: 25-055-20140612 of the Regulations state "*Willingness to allow an instalments policy can be a material consideration in assessing the viability of proposed levy rates. The authority has the freedom to decide the number of payments, the amount and the time due. The authority may revise or withdraw the policy when appropriate"*.

Where a Local Authority has no instalment policy in place, payment is due 60 days after development commences.

There are also provisions in the Regulations at Paragraph: 056 – Reference ID 25-056-20140612 enabling local authorities to accept a planning application which has been subdivided into phases for the purposes of the levy. This will be extremely useful for large scale developments which are likely to be brought forward in a number of phases. The Regulations are helpful in that they allow for detailed and outline permissions to be treated as phased developments of the levy. This will assist with the viability and deliverability of a development as it enables each phase of a development to be separately chargeable for CIL in line with an instalment policy that may be in force.

In order to facilitate the viability and deliverability of development coming forward across Walsall, we recommend that the Council offers the payment of CIL in instalments as a matter of course. This will make it easier for developers to pay the charge as receipts from new development can be used to pay the Levy.

We recommend the following instalments policy for Walsall:

Table 10.5 Potential instalments policy for Walsall

Instalment Provisions					
Less than £100,000			**More than £100,000**		
Instalment	Amount Due	Due Date	Instalment	Amount Due	Due Date
1	50%	6 months*	1	25%	6 months*
2	50%	12 months*	2	25%	12 months*
			3	25%	18 months*
			4	25%	24 months*

* Payable on the anniversary of the commencement of development

10.7 Payments in kind

There may be circumstances where a charging authority or developer has a preference for a payment in kind to be made to satisfy the CIL liability.

Paragraph: 061 Reference ID: 25-061-20140612 of the Regulations makes provisions for a charging authority to enter into an agreement with a developer to receive land or infrastructure as payment.

Where a charging authority wishes to accept such payments in kind, the conditions of such payments must be set out in detail in a policy document. The document should set out that the local authority will accept infrastructure or land payments and include a list of the type of infrastructure that would be considered acceptable as a payment in kind. This list may include/or comprise the infrastructure requirements identified on the Council's Regulation 123 list.

Where a levy is to be paid as land or infrastructure, a land or infrastructure agreement must be entered into before development commences. This must include the information specified in Regulation 73A.

10.8 Monitoring and review

It should be noted that the property market is heterogeneous and market conditions change over time. The variation or introduction of Government or Local Policy may also impact on the deliverability and viability of development. The Council can monitor CIL through the Local Plan Annual Monitoring Review. In the event of significant changes in circumstances, it is good practice that the Council updates the viability modelling to ensure that the CIL charging schedule is reflective of market conditions.

10.9 Summary

Subject to the approval of officers and members as required to the proposed charging rates, it is recommended that the Council proceed with the preparation of a Preliminary Draft Charging Schedule. It is recommended that the charging zones (for residential development only) are constructed to accord with the value areas set out in this report, but amended to align with fixed boundaries (e.g. roads, rivers) to ensure clarity in boundaries for implementation.

It is recommended that the Council develop a suitably flexible instalments policy to allow for the timing of payments to be aligned with typical cash-flow timescales. However it should be noted that phased payments can also be deployed where a planning application is divided into more than a single phase.

Provision for ‘Payments in Kind’ may also be deployed through the Charging Schedule which would enable contributions of land and/or infrastructure to be made subject to a number of conditions in accordance with the 2014 updated CIL regulations. These clauses will improve the flexibility with which CIL can be implemented.

Appendix 1 – Developer questionnaire

1 Introduction

Community Infrastructure Levy (CIL) is a discretionary tariff introduced by the 2008 Planning Act which local authorities can charge on each net additional sq m of development (above a minimum scheme of 100 sq m). CIL is the mechanism for securing funding for local infrastructure projects.

DTZ is appointed by Walsall Council to develop the viability evidence base for Community Infrastructure Levy (CIL) in Walsall, in particular to undertake comprehensive cost analysis of development viability and to ensure that any rates of CIL that are set for the Borough would not make development unviable.

As part of the viability evidence that DTZ is producing we are consulting on the approach and viability assumptions that are being used. This document therefore outlines the details of our approach and assumptions and seeks comments/feedback.

In parallel to this work on CIL, DTZ is also undertaking viability work to deliver the Site Allocation Document and the Town Centre Area Action Plan.

We would be grateful if you could review this paper and provide your responses in the boxes provided and return the questionnaire no later than **Friday 5 December 2014**, via post or email to:

Stephanie Hiscott
DTZ
St Paul's House
23 Park Square South
Leeds
LS1 2ND
Stephanie.hiscott@dtz.com
0113 246 1161

As you are aware, the Council is hosting a Stakeholder event at St Paul's, Upper Room, The Crossing, Darwall Street, Walsall this **Friday 28 November between 11.30 – 13.30**. The event will give you the opportunity to discuss the emerging work and give us your comments, so that we are able to take this into consideration in the development of the viability evidence base for CIL.

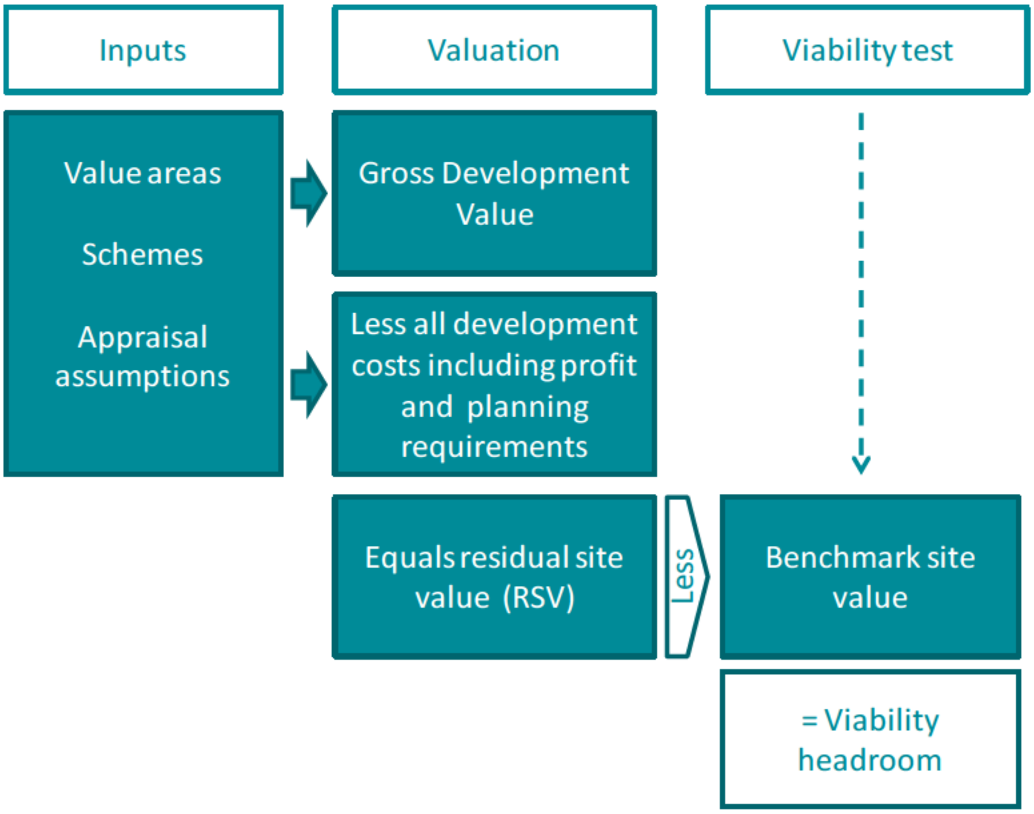
2 Approach to viability

There are various approaches to viability such as those set out in HCA and BNP Paribas work for PAS. We propose to use the approach set out in the RICS guidance document *Financial Viability in Planning* (2012):

"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" (para 2.1)

DTZ's viability model involves the analysis of a selection of hypothetical development schemes to reflect the wide range of circumstances in which development is anticipated to come forward across the Borough of Walsall. DTZ has developed a spreadsheet based economic viability model that allows a large number of development sites to be tested, including sensitivity testing of key variables. The model is as follows:

- Determination of value areas, scheme and viability assumptions
- A residual appraisal is then carried out subtracting all anticipated development costs from the scheme's Net Development Value to arrive at a residual site value
- The residual site value is then benchmarked against a site value threshold to determine the 'headroom' available for CIL/other planning requirements



Question 2.1 Do you agree with the viability testing methodology listed above?

YES ☐ NO ☐

If you have answered no to the above please detail your comments below:

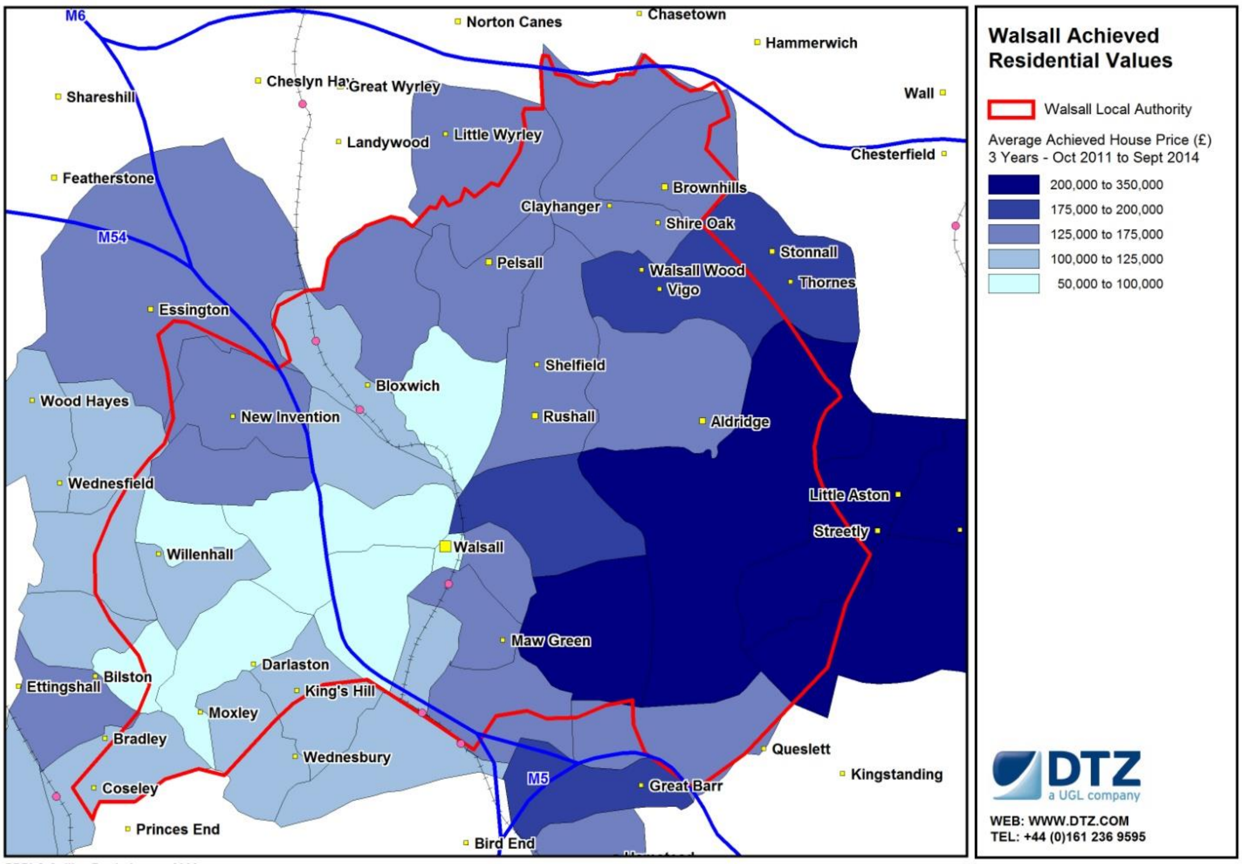
3 Residential Development Assumptions

Value areas and site selection

Five differential value bands have been selected as geographical zones for viability testing of CIL on residential development:

- HV1 - £200,000 to £350,000 average house price band
- HV2 - £175,000 to £200,000 average house price band
- HV3 - £125,000 to £175,000 average house price band
- HV4 - £100,000 to £125,000 average house price band
- HV5 - £50,000 to £100,000 average house price band

These zones are based on average achieved house prices for all postcode sectors in Walsall over the 3 year period October 2011 to September 2014.



PBBI © Collins Bartholomew 2009

3.1 Do the above value areas adequately cover the range of market areas currently in the Borough?

YES ☐ NO ☐

The following schemes will be tested on the range of site sizes, mix and densities set out below:

	Developable area				Housing mix %						Built floor area			
	Net developable area (Ha)	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

3.2 Does the selection of site sizes, dwelling mixes and densities reflect an appropriate range for the Borough?

YES ☐ NO ☐

If you have answered no to either 3.1 or 3.2 above or have any general comments, please respond below. If you consider there are other market areas not considered which you feel should be incorporated in this study, please state them.

Unit sizes

The following unit sizes are proposed for inclusion:

House type	Size (sq m)	(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

3.3 Do you agree with our size assumptions in the above table?

YES ☐ NO ☐

If you have answered no to question 3.3, please could you provide your views on what dwelling sizes should be assumed for the assessment.

House type	Size (sq m)	(Sq ft)
1 bed flat		
2 bed flat		
2 bed house		
3 bed house		
4 bed house		
5 bed house		

Sales values

Capital revenues (net of incentives) are used in the model on the basis of £ per sq m. 'Current sales values' will form the base viability testing for CIL testing purposes. The sales revenue assumptions are as follows:

	Current sales values assumptions	
	£psm	£psf
Value band 1	2,422	£225
Value band 2	2,260	£210
Value band 3	1,991	£185
Value band 4	1,776	£165
Value band 5	1,668	£155

3.4 Do you agree with the sales value assumptions?

YES ☐ NO ☐

If you have answered no to question 3.4, please provide your views on current sales values.

	Current Sales Values Assumptions	
	£ per sq m	£ per sq ft
Value band 1		
Value band 2		
Value band 3		
Value band 4		
Value band 5		

<u>Build costs</u>

Build costs for flats and houses are based on BCIS with an added 12% for external works.

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

3.5 Do you agree with our cost assumptions?

YES ☐ NO ☐

If you have answered no to question 3.5 or have any general comments, please expand below.

	Build cost		Plus 12% uplift for external works	
	£psm	£psf	£psm	£psf
Schemes less than 40 units				
Houses				
Flats				
Schemes more than 40 units				
Houses				
Flats				

Other development costs

Other development costs	
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)

3.6 Please detail below whether you agree and disagree with the assumptions proposed and whether any other consideration should be taken.

Policy standards

For the purposes of CIL viability testing, the following assumptions have been applied relating to the stated policy standards in the Black Country Core Strategy Policy HOU3:

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%

3.7 Please detail below where you agree and disagree with the assumptions proposed and whether any other consideration should be taken.

4 Retail Development Assumptions

Scheme selection

Five hypothetical schemes ('archetypes') have been selected for viability testing. Below are the details of the archetypes, floor area and site coverage.

These archetypes will be tested in the following locations in accordance with the town centre hierarchy set out in the Walsall UDP:

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

Variations to the appraisal assumptions will be applied based on market research of each location.

In considering the floor area, the following definitions are applied:

Gross Floorspace is defined as "*The area of a building measured to the internal face of the perimeter walls at each floor level[1]".*

Net Floorspace is defined as "*The internal floor area of the shop unit used for selling and displaying goods and services. It comprises the floor area to which customers have access, counter space, checkout space, window and other display space, fitting rooms and space immediately behind counters.*

Lobbies, staircases, cloakrooms and other amenity rooms are excluded. It is measured from the internal faces of walls and partition[2].

		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

[1] Royal Institute of Chartered Surveyors, Code of Measuring Practice.

[2] The Unit for Retail Planning Information Ltd Information Brief 85/7. Note, this is different from net sales floorspace

4.1 Do the above hypothetical schemes adequately cover the necessary range of retail development likely to come forward in Walsall?

YES ☐ NO ☐

Sales values

Below are our base values which will feed in to the appraisals:

		Rental value (£)			
		Sq m	Sq ft	Yield	Rent free (months)
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

4.2. Do you agree with these value assumptions?

YES ☐ NO ☐

If not, please state alternative figures:

		Rental value (£)			
		Sq m	Sq ft	Yield %	Rent free (months)
Scheme 1	Shopping centre				
Scheme 2	Retail warehousing (bulky goods)				
Scheme 3	Supermarket large				
Scheme 4	Supermarket mid				
Scheme 5	Supermarket small				

Development cost and phasing assumptions

The following build and development cost assumptions will be used:

		Build cost (£)		Build cost inc. 15% uplift for external works	
		Sq m	Sq ft	Sq m	Sq ft
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

Other development costs	
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%

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

4.3 Do you agree with the development cost and phasing assumptions?

YES ☐ NO ☐

If not, please explain below stating any suggested alternative assumptions:

5 Office Development Assumptions

Two hypothetical schemes ('archetypes') have been selected for viability testing of CIL. Below are the details of the archetypes, floor area and site coverage.

Scheme selection

		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

5.1 Do you agree with the scheme assumptions?

YES ☐ NO ☐

Value and phasing assumptions

		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

5.2 Do you agree with the sales value and phasing assumptions?

YES ☐ NO ☐

Build cost, development costs and phasing 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

5.3 Do you agree with the development cost and phasing assumptions?

YES ☐ NO ☐

If you have answered no to questions 5.1 or 5.2, or have any general comments, please expand below.

6 Industrial

Based on experience of other Local Authorities viability studies and CIL Charging Schedules along with preliminary viability testing of CIL in the Black Country, it is unlikely that industrial development will be able to support any level of CIL rates in Walsall. We would appreciate your views on this and would still like to ask you a few questions.

Three hypothetical schemes have been selected for viability testing of CIL. Illustrated below are the names of the archetypes, approximate size and site coverage

Scheme selection

		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

6.1 Do you agree with the scheme assumptions?

YES ☐ NO ☐

Value and phasing assumptions

		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

Phasing assumptions (development delivered in a single phase)	
Lead in	6 months
Construction period	12 months
Sale	On practical completion

6.2 Do you agree with the sales value and phasing assumptions?

YES ☐ NO ☐

Build cost and development cost 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	
Allowance 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%

6.3 Do you agree with the build cost and other development cost assumptions?

YES ☐ NO ☐

6.4 Do you agree that industrial development is unlikely to be able to support any level of CIL rates?

YES ☐ NO ☐

If you have answered no to any of the above questions, please expand below.

7 Other Commercial Sectors

The following other commercial sectors will be tested in order to determine whether they are able to support any level of CIL rates in Walsall.

Scheme selection

			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

7.1 Do you agree with these scheme assumptions?

YES ☐ NO ☐

If you have answered no to question 7.1, please expand below.

Build costs, other development cost assumptions and phasing

			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 development costs	
Allowance 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

7.2 Do you agree with the build cost, other development cost and phasing assumptions?

YES ☐ NO ☐

If you have answered no to question 7.2, please expand below.

We would welcome your views on appropriate rental values, yields and incentives for these commercial sectors

			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				

Please use the box below to provide any other comments you wish to make on assumptions and viability.

The above questions do not cover all of the assumptions made in the viability model. Through this consultation we are looking to establish the parameters and principles that are considered during the modelling, and allow the opportunity for feedback and amendment prior to the commencement of modelling, in order to make the process as robust and transparent as possible.

In order to keep an accurate record of respondents, please complete the details below. We will not attribute your name, the name of your organisation or the details of any responses above without your express permission.

Many thanks for your comments which are greatly appreciated.

Name:

Position:

Company:

Address:

Postcode:

Contact Telephone:

Email Address:

May we contact you further in relation to the CIL viability work for Walsall?

YES ☐ NO ☐

Would you be interested in participating in any future viability and deliverability work for Walsall?

YES ☐ NO ☐

Please return your responses by **Friday 5 December 2014 to:**

Stephanie Hiscott of DTZ

By post: DTZ, St Pauls House, 23 Park Square South, Leeds, LS1 2ND

Or by email: **stephanie.hiscott@dtz.com**

Appendix 2 – Feedback from developer consultation

General Comments

- Challenge is that there are different characteristics and it is impossible to cater for every eventuality
- Walsall has entrenched abnormal cost issues because of historic mining and industrial uses

- Can charging zones be constructed to recognise geographical concentrations of brownfield land hence enabling viability appraisals which drive the CIL tariffs in these areas to reflect the higher abnormal costs associated? Yes
- One way of looking at it is to assume that abnormal development costs are simply deducted from land value; but even then there may be cases where the level of abnormals reduces the land value below the level that is necessary to incentivise land owners to sell
- Office and industrial schemes not likely to be viable at prevailing rental / capital values
- Generally agree with the assumptions proposed
- Extremely limited new build office market in Walsall
- There is a growing manufacturing industry locally and businesses do require expansion space. Whilst this is likely to drive demand, the pipeline employment sites have significant viability issues.

Land Values

Residential

- Mark Weller (LSH) indicated he has recently valued a scheme in Willenhall which indicated a gross land value of £600-£650k per acre (exclusive of abnormals, affordable housing and S106)
- Likely to reduce down to circa £300-350k net per acre
- Differences in land values are not all that significant because of the balancing effect of planning obligations – higher value areas include Pelsall, Willenhall
- Some areas likely to achieve lower land values but risk is that land owner will not bring forward
- Consider £200-250k per acre as a minimum land value, rising to £350k-£400k per acre Borough wide
- Richard Hodson (Persimmon Homes and Charles Church) indicated that built floor areas could be higher (15,000 – 16,000 sq ft per acre) and that 3 bed houses vary between 700 – 100 sq ft in size in their developments. However he is generally happy with the residential assumptions used in the paper.

Commercial

- Retail – range of £500k to £1m okay, although more secondary locations could be less e.g. £250k per acre
- Retail – Council has had negotiation with supermarket operator in an edge of centre location with figures of £800-900k per acre discussed.
- Office – recent deal between Council and College in town centre site circa £200k per acre – this accords with general perspective for employment land

Appendix 3 – Stakeholders invited to participate in workshop and questionnaire survey on CIL viability assumptions

Developers

Abacus Developments	KWB
Accord Housing	Lambert Smith Hampton
Aecom	Lamonts
AEW UK	Leisure Automatics Properties
Aldridge Prime Ltd	London and Cambridge Properties
Amber Infrastructure	Lovell Partnerships Ltd
Andrew Dixon	LPC Living

Ashmore Properties Ltd	Lynx Euro Management
Ashtenne	Manor Hospital
Atkins	Mar City
Auriga Estates	MarCity Developments
Barratt Homes	Marstons
Barratt West Midlands	Mercian Housing Association Ltd
Bartlett Property	Michael Tromans
Bellway Homes Ltd	Morris Homes (West Midlands) Ltd
Bellway Homes, West Midlands	Morrison Construction
Benoy	Mott MacDonald
Bericote	Mountcity Investments Limited
Bond Wolfe	National Grid
Boston Fieldgate	Nattrass Giles
Bouygues Development	Niken Construction
Bovis Homes Ltd	Northern Trust Company Ltd
British Land Company PLC	NRS
British Waterways	Nurton Developments
Bulleys	Office Agents Society
Bullock Construction Ltd	O-Gen UK Ltd
Bulstrode Investments	Opus Land
Burley Browne	Parkhill Estates Ltd
Cala Homes (Midlands) Ltd	Pennycuick Collins
Caldmore Area Housing Association	Persimmon Homes
Cameron Homes Ltd	Persimmons Homes (West Midlands) Ltd
Caparo	Peter Clarke
Capita Symonds	Phoenix Beard
CaterQuotes Ltd	Plot Design Solutions
CBRE	Prince Warnes Properties
Centro	Priority Sites
Chetwynd Developments	Project Delivery Team Ltd
Chivers Commercial	Prologis
Church Lukas	Quod
Clarke Associates	Redrow Homes Ltd
Colliers CRE	Residential Developments Agent Society
Cooke Rudling	Revelan UK
Co-op	RICS
Cordwell Property	Robertson Brown Ltd
Countryside Properties Plc	Sainsbury's
CP Bigwood	Sanctuary Housing
Cranford Developments	Savills
Curry and Partners	Serco
Cushman & Wakefield	Shaylor Developments
Darby Keye	Shedkm
Darlaston Builders Merchants	Shop Agents Society
David Wilson Estates Land and Planning	Silk Plant Associates
David Wilson Partnership	SMC Corstorphine & Wright
Davis Langdon	Spring Urban Regeneration
Dorchester Land	Springhill Enterprises
Dowley Turner	SQW
Drolinvestments	St Francis Group
DTZ	ST Modwen
DVS	Status Associates Ltd
DWF	Stonebridge Homes
EC Harris	Streamline Construction Ltd
eTDE Contracting	Strutt & Parker
Firstplan	Tesco
Fraser Wood	The Accord Group
Freeth Cartwright	The British Land Corporation Ltd

Friel Homes LTD	The Retail Group
G Purchase Construction	Thomas Lister Chartered Surveyors
Galliford Try	Thomas Vale Construction
Gazeley	Threadneedle Property Investments
George Wimpey Midland Ltd	Topland Group
GH Stafford	Total Property Solutions (TPS)
Godwin Developments	Trebor Developments
Golby Aboyne	Tribal Consulting
Goold Estates	TSR Surveyors
Gora Developments	Upward Developments
GVA Grimley	Urban Splash
H&H Holman Properties Ltd	Utopia Clubs Ltd
Hansteen	Vail Williams
Harris Lamb	Vinci Construction
HBJ Gateley Wareing	Walsall College
HCA	Walsall Hospital NHS Trust
Henry Boot	Wardell Armstrong
idplanning	Watmos Community Homes
Ikon	West Bromwich Albion Football Club
Industrial Agency Society (Shedshifters)	West Midlands Police
Invested	West Register (Realisations) Ltd
Jessup Developments	Western Trading
JLL	WHG
JMP	William Davis Ltd
Jon Flowith and Partners	Williams Associates
Jones Lang LaSalle	Wilmott Dixon
JPE Aggregates	Woolley Pritchard
Kendrick Homes Ltd	WSP Development and Transportation
KGA Chartered Surveyors	WYG Environment
Kier Property	
King Sturge	
Kingston Commercial Property	
Kingswood Homes	
Knight Frank	
KR Hardy	

Landowners

A Till	
B Grant	
Mr Jessup	Jessup Developments
C Wright	CaterQuotes Ltd
D Gault	
D Rajania	Walsall College
H Dabbs	
R Arnold	
J Jultla	Darlaston Builders Merchants
J Till	
P Holme	H&H Holman Properties limited
M Reed	British Land Company plc
M Smith	Leisure Automatics Properties
M Lord	Drol Investments
N Winsley	AEW UK
P Stafford	GH Stafford
P Khosla	
A Hill	
R McIsaac	AEW UK
R Kirby	Manor Hospital
R Smith	

P Kharabanda	
S Pope	Topland Group
S Buckley	HCA
S Singh	Western Trading
S Parkes	
L Yates	
Mr & Mrs Wollam	
Mr & Mrs Yates	
J Wilkes	
B Thomas	
H White	

Appendix 4 – Appraisal Worked Examples

Residential

Scheme 8, Value Area 3							
Scheme details							
Value band	3						
Site size (ha)	0.3						
Units	11						
Market units	11						
Affordable	0						
Total Sq m	1679						
Sq m of market units subject to CIL payment	969						
Apportionment of units to size bands							
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market units			2	5	3	1	**11**
Affordable units							**0**
Sales value per unit	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	
Market (£2099 psm)	£0	£0	£146,930	£184,712	£232,989	£272,870	
Affordable (60% of MV)	£0	£0	£88,158	£110,827	£139,793	£163,722	
Revenue	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market revenue	£0	£0	£308,553	£969,738	£611,596	£143,257	**£2,033,144**
Affordable revenue	£0	£0	£0	£0	£0	£0	**£0**
Total GDV	£0	£0	£308,553	£969,738	£611,596	£143,257	**£2,033,144**
Costs							
Build cost and abnormals	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Per unit (£1153 psm)	£0	£0	£80,719	£101,475	£127,997	£149,907	
Build cost	0	0	169510.11	532746.06	335993.25	78701.12	**£1,116,951**
Professional fees (6% of build cost and abnormals)							**£67,017**
Contingencies (5% of build cost and abnormals)							**£55,848**
Sales, marketing and legals (3.5% on market revenue)							**£71,160**
Residual S106 (£500 per unit)							**£5,250**
Finance (6.5%, taken from model)							**£35,352**
Profit (17.7% of GDV)							**£359,866**
Subtotal costs							**£1,711,444**
Residual							
Residual (GDV less costs)							**£321,700**
Less purchaser's costs							**£304,065**
Benchmark land value per ha							**£741,300**
Benchmark land value							**£222,390**
Headroom for CIL							**£81,675**
Max CIL per sq m							**£84**

Scheme 3, Value Area 2							
Scheme details							
Value band	2						
Site size (ha)	1						
Units	35						
Market units	27						
Affordable	8						
Total Sq m	3229						
Sq m of market units subject to CIL payment	2515	714					
Apportionment of units to size bands							
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market units			5	14	7	2	**27**
Affordable units			2	4	2	0	**8**
Sales value per unit	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	
Market (£2314 psm)	£0	£0	£161,980	£203,632	£256,854	£300,820	
Affordable (60% of MV)	£0	£0	£97,188	£122,179	£154,112	£180,492	
Revenue	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market revenue	£0	£0	£809,900	£2,749,032	£1,733,765	£526,435	**£5,819,132**
Affordable revenue	£0	£0	£194,376	£488,717	£308,225	£0	**£991,318**
Total GDV	£0	£0	£1,004,276	£3,237,749	£2,041,989	£526,435	**£6,810,449**
Costs							
Build cost and abnormals	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Per unit (£1153.13psm)	£72,142	£90,962	£80,719	£101,475	£127,997	£149,907	
Build cost	0	0	565033.7	1775820.2	1119977.5	262337.1	**£3,723,168**
Professional fees (6% of build cost and abnormals)							**£223,390**
Contingencies (5% of build cost and abnormals)							**£186,158**
Sales, marketing and legals (3.5% on market revenue)							**£203,670**
Residual S106 (£500 per unit)							**£17,500**
Finance (6.5%, taken from model)							**£106,931**
Profit (17.7% of GDV)							**£1,202,301**
Subtotal costs							**£5,663,118**
Residual							
Residual (GDV less costs)							**£1,147,331**
Less purchaser's costs							**£1,084,434**
Benchmark land value per ha							**£864,850**
Benchmark land value							**£864,850**
Headroom for CIL							**£219,584**
Max CIL per sq m							**£88**

Scheme 1, Value Area 1							
Scheme details							
Value band	1						
Site size (ha)	0.5						
Units	18						
Market units	14						
Affordable	4						
Total Sq m	1614						
Sq m of market units subject to CIL payment	1257						
Apportionment of units to size bands							
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market units			3	7	3	1	**14**
Affordable units			1	2	1	0	**4**
Sales value per unit	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	
Market (£2583 psm)	£106,444	£134,212	£180,810	£227,304	£286,713	£335,790	
Affordable (60% of MV)	£63,866	£80,527	£108,486	£136,382	£172,028	£201,474	
Revenue	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market revenue	£0	£0	£452,025	£1,534,302	£967,656	£293,816	**£3,247,800**
Affordable revenue	£0	£0	£108,486	£272,765	£172,028	£0	**£553,279**
Total GDV	£0	£0	£560,511	£1,807,067	£1,139,684	£293,816	**£3,801,078**
Costs							
Build cost and abnormals	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Per unit (£1153.13psm)	£0	£0	£80,719	£101,475	£127,997	£149,907	
Build cost	0	0	£282,517	£887,910	£559,989	£131,169	**£1,861,584**
Professional fees (6% of build cost and abnormals)							**£111,695**
Contingencies (5% of build cost and abnormals)							**£93,079**
Sales, marketing and legals (3.5% on market revenue)							**£113,673**
Residual S106 (£500 per unit)							**£8,750**
Finance (6.5%, taken from model)							**£68,522**
Profit (17.7% of GDV)							**£672,791**
Subtotal costs							**£2,930,094**
Residual							
Residual (GDV less costs)							**£870,984**
Less purchaser's costs							**£823,236**
Benchmark land value per ha							**£988,400**
Benchmark land value							**£494,200**
Headroom for CIL							**£329,036**
Max CIL per sq m							**£262**

Scheme 4, Value Area 1							
Scheme details							
Value band	1						
Site size (ha)	1.2						
Units	42						
Market units	31						
Affordable	11						
Total Sq m	3875						
Sq m of market units subject to CIL payment	2832						
Apportionment of units to size bands							
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market units			6	16	8	1	**31**
Affordable units			2	5	3	1	**11**
Sales value per unit	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	
Market (£2583 psm)	£106,444	£134,212	£180,810	£227,304	£286,713	£335,790	
Affordable (60% of MV)	£63,866	£80,527	£108,486	£136,382	£172,028	£201,474	
Revenue	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market revenue	£0	£0	£1,157,184	£3,636,864	£2,150,348	£369,369	**£7,313,765**
Affordable revenue	£0	£0	£216,972	£681,912	£516,083	£201,474	**£1,616,441**
Total GDV	£0	£0	£1,374,156	£4,318,776	£2,666,431	£570,843	**£8,930,206**
Costs							
Build cost and abnormals	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Per unit (£1153.13psm)	£0	£0	£71,190	£89,496	£112,887	£132,210	
Build cost	0	0	597996	1879416	1185313.5	277641	**£3,940,367**
Professional fees (6% of build cost and abnormals)							**£236,422**
Contingencies (5% of build cost and abnormals)							**£197,018**
Sales, marketing and legals (3.5% on market revenue)							**£255,982**
Residual S106 (£500 per unit)							**£21,000**
Finance (6.5%, taken from model)							**£202,468**
Profit (17.7% of GDV)							**£1,580,646**
Subtotal costs							**£6,433,903**
Residual							
Residual (GDV less costs)							**£2,496,303**
Less purchaser's costs							**£2,359,455**
Benchmark land value per ha							**£988,400**
Benchmark land value							**£1,186,080**
Headroom for CIL							**£1,173,375**
Max CIL per sq m							**£415**

Scheme 5, Value Area 2								
Scheme details								
Value band	2							
Site size (ha)	2.5							
Units	88							
Market units	67							
Affordable	21							
Total Sq m	8072							
Sq m of market units subject to CIL payment	6139							
Apportionment of units to size bands								
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house		**Total**
Market units			14	33	17	3		**67**
Affordable units			4	11	5	1		**21**
	46	58	70	88	111	130		
	0	0	945	2882	1873.125	438.75		
Sales value per unit	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house		
Market (£2314 psm)	£106,444	£134,212	£161,980	£203,632	£256,854	£300,820		
Affordable (60% of MV)	£63,866	£80,527	£97,188	£122,179	£154,112	£180,492		
Revenue	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house		**Total**
Market revenue	£0	£0	£2,186,730	£6,668,948	£4,334,411	£1,015,268		**£14,205,357**
Affordable revenue	£0	£0	£388,752	£1,343,971	£770,562	£180,492		**£2,683,777**
Total GDV	£0	£0	£2,575,482	£8,012,919	£5,104,973	£1,195,760		**£16,889,134**
Costs								
Build cost and abnormals	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house		**Total**
Per unit (£1153.13psm)	£0	£0	£71,190	£89,496	£112,887	£132,210		
Build cost	0	0	£1,245,825	£3,915,450	£2,469,403	£578,419		**£8,209,097**
Professional fees (6% of build cost and abnormals)								**£492,546**
Contingencies (5% of build cost and abnormals)								**£410,455**
Sales, marketing and legals (3.5% on market revenue)								**£497,187**
Residual S106 (£500 per unit)								**£43,750**
Finance (6.5%, taken from model)								**£416,684**
Profit (17.7% of GDV)								**£2,981,383**
Subtotal costs								**£13,051,102**
Residual								
Residual (GDV less costs)								**£3,838,032**
Less purchaser's costs								**£3,627,629**
Benchmark land value per ha								**£864,850**
Benchmark land value								**£2,162,125**
Headroom for CIL								**£1,465,504**
Max CIL per sq m								**£239**

Scheme 6, Value Area 3

Scheme details							
Value band	3						
Site size (ha)	5						
Units	175						
Market units	131						
Affordable	44						
Total Sq m	15514						
Sq m of market units subject to CIL payment	11716						
Apportionment of units to size bands							
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market units	7	7	26	52	33	7	**131**
Affordable units	2	2	9	18	11	2	**44**
Sales value per unit	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	
Market (£2099 psm)	£111,037	£140,003	£146,930	£184,712	£232,989	£272,870	
Affordable (60% of MV)	£66,622	£84,002	£88,158	£110,827	£139,793	£163,722	
Revenue	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market revenue	£749,500	£945,022	£3,820,180	£9,605,024	£7,630,390	£1,841,873	**£24,591,989**
Affordable revenue	£133,245	£168,004	£793,422	£1,994,890	£1,537,727	£327,444	**£4,954,731**
Total GDV	£882,745	£1,113,026	£4,613,602	£11,599,914	£9,168,117	£2,169,317	**£29,546,720**
Costs							
Build cost and abnormals	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Per unit	£74,257	£93,628	£71,190	£89,496	£112,887	£132,210	
Build cost	649746.3	819245.3555	£2,491,650	£6,264,720	£4,938,806	£1,156,838	**£16,321,005**
Professional fees (6% of build cost and abnormals)							**£979,260**
Contingencies (5% of build cost and abnormals)							**£816,050**
Sales, marketing and legals (3.5% on market revenue)							**£860,720**
Residual S106 (£500 per unit)							**£87,500**
Finance (6.5%, taken from model)							**£699,032**
Profit (17.7% of GDV)							**£5,229,770**
Subtotal costs							**£24,993,337**
Residual							
Residual (GDV less costs)							**£4,553,383**
Less purchaser's costs							**£4,303,765**
Benchmark land value per ha							**£741,300**
Benchmark land value							**£3,706,500**
Headroom for CIL							**£597,265**
Max CIL per sq m							**£51**

Scheme 7, Value Area 3							
Scheme details							
Value band	3						
Site size (ha)	10						
Units	350						
Market units	262						
Affordable	88						
Total Sq m	32288						
Sq m of market units subject to CIL payment	24194						
Apportionment of units to size bands							
	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market units			52	131	66	14	**262**
Affordable units			18	44	22	4	**88**
Sales value per unit	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	
Market (£2099 psm)	£111,037	£140,003	£146,930	£184,712	£232,989	£272,870	
Affordable (60% of MV)	£66,622	£84,002	£88,158	£110,827	£139,793	£163,722	
Revenue	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Market revenue	£0	£0	£7,640,360	£24,197,272	£15,260,780	£3,683,745	**£50,782,157**
Affordable revenue	£0	£0	£1,586,844	£4,876,397	£3,075,455	£654,888	**£10,193,584**
Total GDV	£0	£0	£9,227,204	£29,073,669	£18,336,234	£4,338,633	**£60,975,740**
Costs							
Build cost and abnormals	1 bed flat	2 bed flat	2 bed house	3 bed house	4 bed house	5 bed house	**Total**
Per unit	£0	£0	£71,190	£89,496	£112,887	£132,210	
Build cost	0	0	£4,983,300	£15,661,800	£9,877,613	£2,313,675	**£32,836,388**
Professional fees (6% of build cost and abnormals)							**£1,970,183**
Contingencies (5% of build cost and abnormals)							**£1,641,819**
Sales, marketing and legals (3.5% on market revenue)							**£1,777,375**
Residual S106 (£500 per unit)							**£175,000**
Finance (6.5%, taken from model)							**£1,575,244**
Profit (17.7% of GDV)							**£10,797,617**
Subtotal costs							**£50,773,627**
Residual							
Residual (GDV less costs)							**£10,202,114**
Less purchaser's costs							**£9,642,829**
Benchmark land value per ha							**£741,300**
Benchmark land value							**£7,413,000**
Headroom for CIL							**£2,229,829**
Max CIL per sq m							**£92**

Retail

Retail warehouse	
Size (m2 GIA)	3000
Net site area (Ha)	0.75
Cost scenario	With uplift for abnormals
Value scenario	Edge of centre
Rent assumption (psm)	£161
Rent free (years)	1.5
Land value (per ha)	£1,235,500
Rent psm	£161
Yield	7.50%
Capital value psm	£2,153
Rent free (years)	1.5
Rent free £ psm	£242.19
Cap value less rent free	£1,911
Less purchaser's costs	£1,800
Net Development Value	**£5,399,383.86**
Costs	£2,220,075
Professional fees 13%	£288,610
Contingencies 5%	£111,004
Letting	£72,657
Sale	£67,492
S106	£90,000
Finance (from model)	£261,709
Profit (from model)	£900,342
Subtotal cost	**£4,011,889**
Residual	£1,387,495
Residual less purchaser's costs	£1,311,432
Allowance for land value	
Per ha	£1,235,500
Actual	£926,625
Balance available for CIL	£384,807
Max CIL headroom per sq m	**£128**

Superstore	
Size (m2 GIA)	5000
Net site area (Ha)	2
Cost scenario	With uplift for abnormals
Value scenario	Town Centre
Rent assumption (psm)	£178
Rent free (years)	0.5
Land value (per ha)	£1,853,250
Rent psm	£178
Yield	5.50%
Capital value psm	£3,229
Rent free (years)	0.5
Rent free £ psm	£88.81
Cap value less rent free	£3,140
Less purchaser's costs	£2,958
Net Development Value	**£14,791,603**
Costs	£5,297,900
Professional fees 13%	£688,727
Contingencies 5%	£264,895
Letting	£133,208
Sale	£184,895
S106	£150,000
Finance (from model)	£774,325
Profit (from model)	£2,466,660
Subtotal cost	**£9,960,610**
Residual	£4,830,993
Residual less purchaser's costs	£4,566,156
Allowance for land value	
Per ha	£1,853,250
Actual	£3,706,500
Balance available for CIL	£859,656
Max CIL headroom per sq m	**£172**