



**Adur District Council
Whole Plan &
Community Infrastructure Levy
Viability Assessment**

January 2017



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Executive Summary

1.1 The Whole Plan Viability Study provides an appraisal of the viability of the Adur Local Plan in terms of the impact of its policies on the economic viability of development proposed to be delivered by the Plan. The study considers policies that might affect the cost and value of development (e.g. Affordable Housing and Design and Construction Standards) as well as the potential to accommodate Community Infrastructure Levy Charges.

Study Area

1.2 The study area covers the part of Adur District Council that is covered by the Local Plan (ie excluding the part of the District within the South Downs National Park). The assessment first considers the existence of economic sub-market areas for residential and commercial development within the boundary to determine if the application of differential cost and value assumptions would be appropriate to the study.

Methodology

1.3 The Whole Plan Viability Study seeks to assess whether the development proposed by the Local Plan can be delivered in an economically viable way taking account of all the cost impacts of the policies proposed by the plan. The study also includes an assessment of the ability of different categories of development within the Local Plan area to make infrastructure contributions via a Community Infrastructure Levy (having taken account of the cost impacts of Affordable Housing delivery and other relevant policies) although further work with regards to CIL may be carried out in the future. In essence the study assesses the costs and value of development making allowance for a competitive return to both landowners and developers as required by the NPPF. If there is any additional return beyond these reasonable allowances then this is the margin available to make CIL contributions.

1.4 The study involves a comprehensive assessment of market values for all categories of development in Adur District, together with an assessment of any sub-markets that might exist with differential areas of similar value. In the event that such sub-markets do exist they will be used to guide the formation of Charging Zones in the event that the Authority wishes to adopt a Differential Rate CIL system.

1.5 The study firstly tests mixed residential and commercial development scenarios considered relevant and likely to emerge in the study area to assess the potential impacts of the proposed Local Plan policies on these developments. Key Strategic sites are then tested to determine if they are deliverable taking account of policy impacts and site specific S106 contributions, abnormal development costs and the potential impact of CIL. In the event CIL is not viable in any of the strategic sites, recommendations in respect of separate CIL zoning will be made.

1.6 The viability appraisal considers two principal land value benchmarks from which development is likely to emerge – greenfield and brownfield and also considers market land transactional evidence as a sense check to the benchmarking exercise.

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1.7 The CIL section of the study determines the maximum potential rates of CIL (per sqm) that could be applied without threatening the overall economic viability of development. This assessment will be applied to every category of development in any differential Charging Zone that might emerge over the plan period. Where a category or location of development is shown to be unviable, a zero CIL rate will be recommended.

1.8 For residential assessment, the study factors in the Affordable Housing targets proposed by the Local Plan to determine if they are deliverable and to assess the balance with CIL.

1.9 This study also includes a preliminary high level assessment of the Shoreham Harbour Regeneration area which is allocated as a 'broad location' for development within both the Adur Local Plan and the Brighton & Hove City Plan (Part One). A Joint Area Action Plan (JAAP) is currently being produced for the harbour and a separate whole plan viability assessment will be subsequently carried out to underpin the JAAP. The regeneration plans are being promoted by a partnership of the local authorities (Adur, Brighton & Hove, West Sussex County Council) and the Shoreham Port Authority and will require a significant amount of public funding from various sources to support the viable delivery of the proposals over the next 15 years. This study has only considered only the harbour's strategic development areas that fall within Adur District namely Western Harbour Arm and Southwick Waterfront.

Key Findings – Residential Viability Assessment

1.10 The Adur Local Plan sets out the strategy to deliver housing over the plan period. The residential viability testing illustrated that, in general terms, housing development proposed in locations in the Adur Local Plan are viable and can accommodate significant CIL charges whilst maintaining the Council's Affordable Housing aspirations. The assessment of residential land and property values indicated that the Authority did not possess clear residential sub-markets that might warrant differential value assumptions being made in the Whole Plan Viability Assessment or a differential rate approach to CIL based on geographical zones. The Shoreham Harbour regeneration area broad location, being on a complex brownfield site, is not considered appropriate to justify a separate CIL Charging Zone in its entirety at this stage. Based on the testing that has been undertaken it is recommended that a separate nil charge CIL zone would be appropriate for the Shoreham Harbour strategic development areas (Western Harbour Arm and Southwick Waterfront). The assessment has provided further information about the funding gap for the harbour which will be used to access further public funding sources through the JAAP process.

1.11 The study considered five different residential development scenarios to reflect the type of residential that might emerge over the plan period. These included mixed residential (apartments, 2, 3, 4 and 5 bed housing), various scales of mixed housing development and low rise apartments.

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1.12 The study tested the policy target of 30% Affordable Housing delivery but assessed the impact of different affordable housing tenure mixes and the introduction of starter homes, to establish the appropriate balance between Affordable Housing targets and economically viable rates of CIL.

Residential Viability Appraisal					
30 % Affordable Housing - Alternative Tenure Mix Options					
Maximum CIL Rates Per Sq Metre					
Affordable Housing Proportion	Mixed Residential Development	Medium Scale Development	Small Scale	Family Housing	Apartments
75% Social/Affordable Rent 25% Intermediate					
Greenfield	£397	£396	£412	£359	£194
Brownfield	£267	£261	£270	£233	£128
50% Social/Affordable Rent 50% Intermediate					
Greenfield	£461	£470	£480	£431	£278
Brownfield	£331	£335	£337	£305	£212
67% Starter Homes 33% Affordable Rent					
Greenfield	£525	£543	£545	£499	£387
Brownfield	£383	£395	£390	£361	£315

1.13 The results of the viability testing clearly demonstrate that Affordable Housing delivery at the Council's policy target of 30% enables delivery of residential development proposed by the Plan and still permits a significant viability margin for CIL (with the exception of the Western Harbour Arm and New Monks Farm).

1.14 The housing testing showed that all forms of residential development are capable of yielding significant levels of CIL. Greenfield development demonstrated viable CIL rate potential of £359-£545 per sqm dependent on affordable housing/starter home mix. Brownfield rates varied from £233-£395 per sqm. Apartment development demonstrated less viability but still significant viability margins at £194-387 per sqm for greenfield and £128-315 per sqm for brownfield development.

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Key Findings – Commercial CIL Assessment

1.15 The assessment of commercial land and property values indicated that the Authority could be treated as a single sub-market area for Whole Plan assessment and as a single Charging Zone for CIL purposes. The viability appraisals also illustrated that many categories of commercial development are not viable in current market circumstances in the Adur Local Plan area including the two strategic development areas within the Shoreham Harbour regeneration area, which is evident by the lack of activity in these sectors.

Maximum Commercial CIL Rates per sqm					
Charging Zone/Base Land Value	Industrial (B1b B1c B2 B8)	Office (B1a)	Food Supermarket (A1)	General Retail (A1-A5)	Hotel (C1)
Districtwide					
Greenfield	-£147	-£646	£508	£215	-£935
Brownfield	-£213	-£700	£406	£165	-£992
Charging Zone/Base Land Value	Residential Institution (C2)	Community (D1)	Leisure (D2)	Agricultural	Sui Generis
Districtwide					
Greenfield	-£1,264	-1972	-539	-£497	Car sales -£345
Brownfield	-£1,307	-2021	-641		Vehicle Repairs -£794

1.16 Food supermarket retail and general retail were assessed to be viable and capable of accommodating CIL in both greenfield and brownfield development scenarios. Food supermarket retail indicated potential rates of £406-£508 per sqm and general retail of £165-£215 per sqm for general greenfield and brownfield scenarios.

1.17 It should be stressed that whilst the generic appraisals showed that general employment development (ie B1, B2 and B8 Industrial, Office and Distribution) is not viable based on the test assumptions, this does not mean that this type of development is not deliverable. For consistency a full developer's profit allowance was included in all the commercial appraisals. In reality many employment developments are undertaken direct by the operators. If the development profit allowance is removed from the calculations, then employment development would be viable and deliverable.

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1.18 With respect to CIL, all other forms of non-residential development illustrated negative viability and it is recommended that these categories should be zero rated.

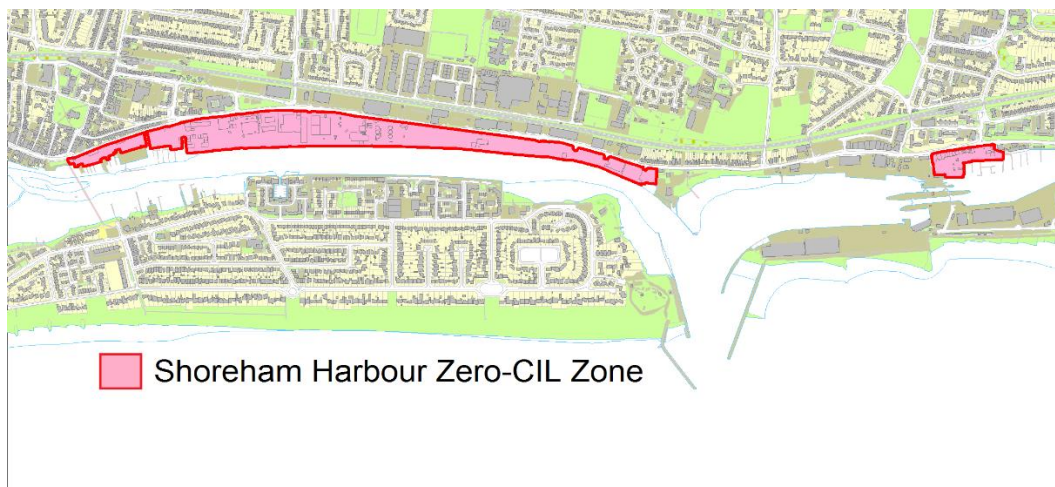
Key Findings – Strategic Sites

1.19 The delivery of the strategic sites is key to the delivery of the overall development strategy in Adur. As such the impact of the site specific infrastructure requirements of these sites outlined in the Local Plan was tested by individual viability appraisals.

1.20 The appraisals demonstrated that the mixed residential and employment site at New Monks Farm is broadly deliverable based on delivery of 600 dwellings taking account of full plan policy impacts. However the very significant level of abnormal site development costs at over £20 million; reduce viability to a marginal negative level at -£4.5 Million (against an overall development value of £150 Million). It is considered this would enable Affordable Housing and S106 Infrastructure Contributions to be delivered but there is insufficient additional margin to accommodate any significant residential CIL charges.

1.21 The West Sompting Site demonstrated positive viability including the ability to meet full policy impacts, affordable housing targets, S106 Infrastructure contributions and CIL at the proposed rate of £150sqm.

1.22 The Western Harbour Arm strategic development areas were not found to be viable if the proposed districtwide residential CIL charge of £150 per sqm was applied. This was primarily due to the significant abnormal development costs associated with decontamination and flood protection of £11.3 Million. (taking into account funding already secured) and Infrastructure Contributions of £10.6 Million required to support delivery of the proposed development. It is concluded that a Zero CIL rate for all forms of development within the Shoreham Harbour strategic development areas (Western Harbour Arm and Southwick Waterfront as illustrated on the plan below) would be most appropriate to promote overall deliverability taking account of the full policy requirements of the Local Plan. The remainder of the Shoreham Harbour regeneration area in Adur would be treated the same as the rest of the Local Plan area in terms of CIL charges.



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Conclusions

1.22 The study demonstrates that most of the development proposed by the Local Plan is viable and deliverable taking account of the cost impacts of the policies proposed by the plan and the requirements for viability assessment set out in the NPPF. It is further considered that significant additional margin exists, beyond a competitive return to the landowner and developer to accommodate CIL charges in most areas of the District with the exception of the two strategic development areas within the Shoreham Harbour regeneration area..

1.23 In terms of CIL, it is recommended that there are insufficient variations in residential value to justify a differential zone approach to setting residential CIL rates across the Adur Local Plan area, with the exception of the strategic development areas at Shoreham Harbour and New Monks Farm. Adur has a mixed greenfield and brownfield delivery strategy and as such it is considered the brownfield results should guide rate setting (as the CIL Regulations do not allow for differential rates to be set based on existing use).

1.24 Taking account of the viability results, the generic nature of the tests, a reasonable buffer to allow for additional site specific abnormal costs we would recommend a districtwide residential CIL rate of £150 per sqm for residential development. This is well within both the greenfield and brownfield viability margins taking account of the incoming requirements to accommodate Starter Homes as part of the overall delivery of Affordable Housing but but also takes account of the delivery of development on the strategic sites. We recommend a zero residential CIL rate within the Shoreham Harbour strategic development areas and New Monks Farm based on the site specific viability appraisals.

Residential CIL	
Districtwide Residential	£150sqm
Shoreham Harbour (strategic development areas only)	£0sqm
New Monks Farm Strategic Site	£0sqm

1.25 It is similarly recommended that a single zone approach is taken to setting commercial CIL rates. Food supermarket and general retail viability is significantly different but in view of the difficulties in separately defining supermarkets (as explained later in the report) for the purpose of charging CIL it is recommended a single rate is adopted to take account of the viability of both categories. Taking account of the factors expressed in para 7.9 a retail CIL rate of £100 per sqm is recommended. In view of the wider viability issues identified within the Shoreham Harbour Regeneration Areas, it is considered that any specific retail viability is offset by the viability challenges of residential and other commercial uses and the overall approach should be to zero rate the strategic development areas for CIL.

Districtwide	
Retail A1-A5	£100sqm
All Other Non Residential Uses	£0sqm

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Shoreham Harbour (strategic development areas only)

£0sqm

CIL Revenue Potential

1.26 In order to estimate residential CIL over the plan period it is estimated that approximately 1187 dwellings would be liable for CIL charges. Assuming 30% of these are exempt as affordable Housing, the projected CIL liable floorspace 831 x 90sqm = 74,790sqm

1.27 Adur District Council has estimated that approximately 13,700 sqm of comparison retail floorspace may be liable for CIL over the plan period. The revenue projections are set out in the table below.

Charging Zone	Category	CIL Rate	Eligible Floorspace	CIL Revenue
Districtwide	Residential Housing	£150	74790	£11,218,500
Districtwide	Retail	£100	13,700	£1,370,000
			Total	£12,588,500

1.28 In conclusion, it is considered that, with the exception of the Western Harbour Arm Strategic Site and New Monks Farm, all of the residential sites tested are viable and deliverable across the entire plan period. The Western Harbour Arm Strategic Site development areas demonstrated negative residential viability based on current assumptions but if the development profit allowance were reduced as economic and lending conditions improve and concessions on Affordable Housing are made, this regeneration area is capable of being delivered in an economically viable way.

1.29 In conclusion, the assessment of residential and commercial development within the Adur Local Plan area has been undertaken with due regard to the requirements of the NPPF and the best practice advice contained in 'Viability Testing Local Plans'. It is considered that the vast majority of sites are viable across the entire plan period. The delivery of a few of the brownfield sites may require landowners to be realistic about value reductions to take account of abnormal development costs and the Western Harbour Arm may need to progress in an improving economic climate when sale values have improved or marginal reductions in developer return are accepted to make the whole scheme deliverable. Nevertheless the viability assessment illustrates that the planning policies proposed by the plan are realistic; would not have an unduly adverse impact on the economic viability of development and that the overall delivery strategy of the Plan is sound.

1.30 It should be noted that this study should be seen as a strategic overview of plan level viability rather than as any specific interpretation of Adur District Council policy on the viability of any individual site or application of planning policy to affordable housing, CIL or

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developer contributions. Similarly the conclusions and recommendations in the report do not necessarily reflect the policy position of Adur District Council.

2 Introduction

2.1 The purpose of the study is to assess the overall viability of the Adur Local Plan by assessing the economic viability of development being promoted by the Plan.

2.2 In order to provide a robust assessment, the study first uses generic development typologies to consider the cost and value impacts of the proposed plan policies and determine whether any additional viability margin exists to accommodate a Community Infrastructure Levy. The study then goes on to assess the viability of the key strategic sites which are key to the overall development strategy. The individual strategic site assessments take account of policies in the plan, affordable housing requirements, the potential Community Infrastructure Levy and site specific constraints to determine whether the proposed sites are viable and deliverable in the plan period.

The NPPF and Relevant Guidance

2.3 The National Planning Policy Framework 2012 introduces a new focus on viability assessment in considering appropriate Development Plan policy. Paras 173-177 provide guidance on ‘Ensuring Viability and Deliverability’ in plan making. They state :-

“173. Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

174. Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.....

177. It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up. For this reason, infrastructure and development policies should be planned at the same time, in the Local Plan. Any affordable housing or local standards requirements that may be applied to development should be assessed at the plan-making stage, where possible, and kept under review.”

2 Introduction

2.4 In response to the NPPF, the Local Housing Delivery Group, a cross industry group of residential property stakeholders including the House Builders Federation, Homes and Communities Agency and Local Government Association, has published more specific guidance entitled 'Viability Testing Local Plans' in June 2012.

2.5 The guidance states as an underlying principle, that :-

"An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered."

2.6 The guidance recommends the following stages be completed in testing Local Plan viability:-

- 1) Review Evidence Base and align existing assessment evidence
- 2) Establish Appraisal Methodology and Assumptions (including threshold land values, site and development typologies, costs of policy requirements and allowance for changes over time)
- 3) Evidence Collation and Viability Modelling (including development costs and revenues, land values, developers profit allowance)
- 4) Viability Testing and Appraisal
- 5) Review of Outputs

2.7 The guidance is not prescriptive about the use of particular financial assessment models but advises that a residual appraisal approach which tests the ability of development to yield a margin beyond all the test factors to determine viability or otherwise is widely used and accepted. The guidance sets out the key elements of viability appraisal and the factors that need to be considered to ensure robust assessment.

2.8 The current study adheres to the principles of the NPPF and 'Viability Testing Local Plans and sets out its methodology and assumptions in the following sections.

3 Methodology

The Process

There are a number of key stages to Viability Assessment which may be set out as follows.

1) Evidence Base – Land & Property Valuation Study

3.1 Establish an area wide evidence base of land and property values for development in each sub-market area. The evidence base relies on the area wide valuation study undertaken by Heb Surveyors in February 2016 (Appendix 1);

2) Evidence Base – Construction Cost Study

3.2 Establish an area wide evidence base of construction costs for each category of development relevant to the local area. The study will also indicate construction rates for professional fees, warranties, statutory fees and construction contingencies. The evidence base relies on the Construction Cost Study by Gleeds undertaken in February 2016 (Appendix 2) In addition specific advice on reasonable allowances for abnormal site constraints was obtained from Gleeds and is outlined in the report.

3) Identification of Sub Market Areas

3.3 The Heb Valuation Evidence considered the existence of potential sub-markets within the study area which might inform the application of differential value assumptions in the Whole Plan testing or inform the creation of differential Charging Zones as part of the progression of a Community Infrastructure Levy.

4) Policy Impact Assessment

3.4 The study will establish the policies proposed by the plan that have a direct impact on the cost of development and apportion appropriate allowances based on advice from cost consultants, Gleeds, to be factored in the viability assessment. Typically cost impacts will include National Housing Standards, local sustainable construction requirements (e.g. renewable energy), BREEAM standards, Biodiversity and Flood Protection.

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5) Viability Appraisal – Whole Plan Assessment & Generic CIL Tests

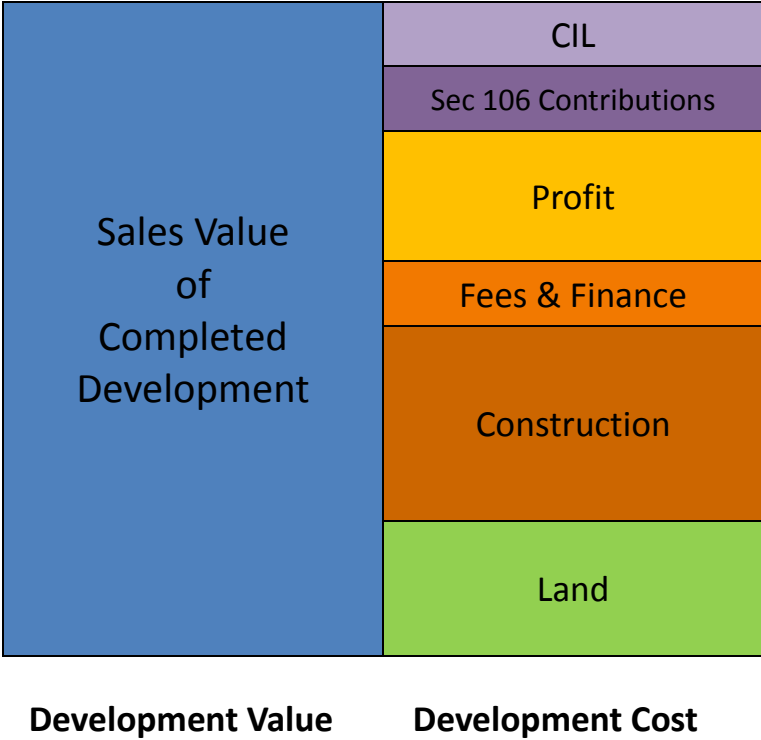
3.5 The study employs a bespoke model to assess Local Plan viability in accordance with best practice guidance (eg Local Housing Delivery group – Viability Testing Local Plans and the RICS – Financial Viability in Planning). The initial generic tests will be based on a series of development typologies to reflect the type of development likely to emerge over the plan period. The purpose of these tests is two-fold – it will firstly assess cumulative impact of the policies proposed by the plan to determine whether the overall development strategy is deliverable. Secondly the model will identify the level of additional margin, beyond a reasonable return for the landowner and developer, which may be available for the introduction of CIL.

6) Strategic Site Appraisal

3.6 Strategic Sites are often the key to the delivery of the Authority’s overall development strategy. Strategic Sites will usually have significant infrastructure and mitigation requirements that may go beyond standard policy assumptions. It is therefore important to undertake site specific appraisals on any sites that are key to the delivery of the Plan. The study uses a separate model to test strategic sites that allows for all the specific variables in terms of residential and commercial development, affordable housing, S106 requirements, site specific servicing, mitigation and abnormal costs to be factored in. The tests also enable the draft CIL charges to be applied to determine if they are viable in the context of actual site delivery. Where the burden of site specific infrastructure or servicing cost is very significant it may be that the tests indicate that reduced or zero CIL rates may be appropriate for individual strategic sites as recognised by the CIL Guidance.

3 Methodology

The Development Equation



3.7 The appraisal model is illustrated by the above diagram and summarises the ‘Development Equation’. On one side of the equation is the development value ie the sales value which will be determined by the market at any particular time. The variable element of the value in residential development appraisal will be determined by the proportion and mix of affordable housing applied to the scheme. Appropriate discounts for the relevant type of affordable housing will need to factored into this part of the appraisal.

3.8 On the other side of the equation, the development cost includes the ‘fixed elements’ ie construction, fees, finance and developers profit. Developers profit is usually fixed as a minimum % return on gross development value generally set by the lending institution at the time. The flexible elements are the cost of land and the amount of developer contribution (CIL and Planning Obligations) sought by the Local Authority.

3.9 Economic viability is assessed using an industry standard Residual Model approach. The model subtracts the Land Value and the Fixed Development Costs from the Development Value

3 Methodology

to determine the viability or otherwise of the development and any additional margin available for CIL.

3 Methodology

Viability Assessment Model

3.10 The NCS model is based on standard development appraisal methodology, comparing development value to development cost. The model factors in a reasonable return for the landowner with the established threshold value, a reasonable profit return to the developer and the assessed cost impacts of proposed planning policies to determine if there is a positive or negative residual output. Provided the margin is positive (ie Zero or above) then the development being assessed is deemed viable. The principles of the model are illustrated below.

Development Value (Based on Floor Area) Eg 10 x 3 Bed 100sqm Houses x £2,200per sqm	£2,200,000
Development Costs	
Land Value	£400,000
Construction Costs	£870,000
Abnormal Construction Costs (Optional)	£100,000
Professional Fees (% Costs)	£90,000
Legal Fees (% Value)	£30,000
Statutory Fees (% Costs)	£30,000
Sales & Marketing Fees (% Value)	£40,000
Contingencies (% Costs)	£50,000
Section 106 Contributions/Policy Impact Cost Assumptions/CIL (Strategic Site Testing Only)	£90,000
Finance Costs (% Costs)	£100,000
Developers Profit (% Return on GDV)	£350,000
Total Costs	£2,175,000
Output	
Viability Margin	£50,000
Potential CIL Rate (CIL Appraisal only)	£50 sqm

3.11 The model will calculate the gross margin available for developer contributions. The maximum rate of CIL that could be levied without rendering the development economically unviable is calculated by dividing the gross margin by the floorspace of the development being assessed.

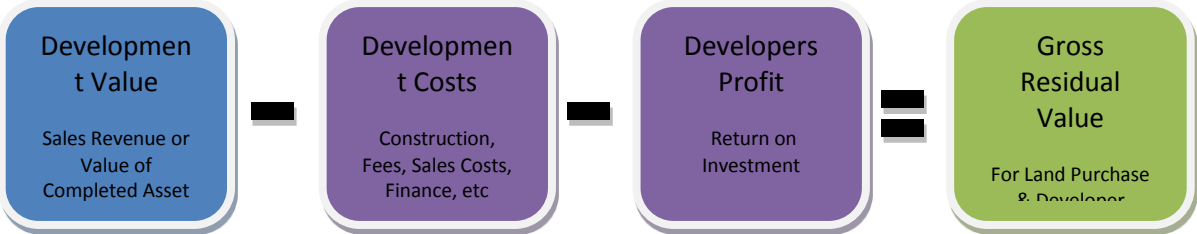
3.12 It is important to note that the model applies % proportions and further % tenure splits to the housing scenarios to reflect affordable housing discounts which will generate fractional unit numbers. The model automatically rounds to the nearest whole number and therefore some results appear to attribute value proportions to houses which do not register in the appraisal. The fractional distribution of affordable housing discounts is considered to represent the most accurate illustration of the impact of affordable housing policy on viability.

3 Methodology

Land Value Assumptions

3.13 It is generally accepted that developer contributions (Affordable Housing, CIL and S106), will be extracted from the residual land value (ie the margin between development value and development cost including a reasonable allowance for developers profit). Within this gross residual value will be a base land value (ie the minimum amount a landowner will accept to release a site) and a remaining margin for contributions.

Stage 1 – Residual Valuation



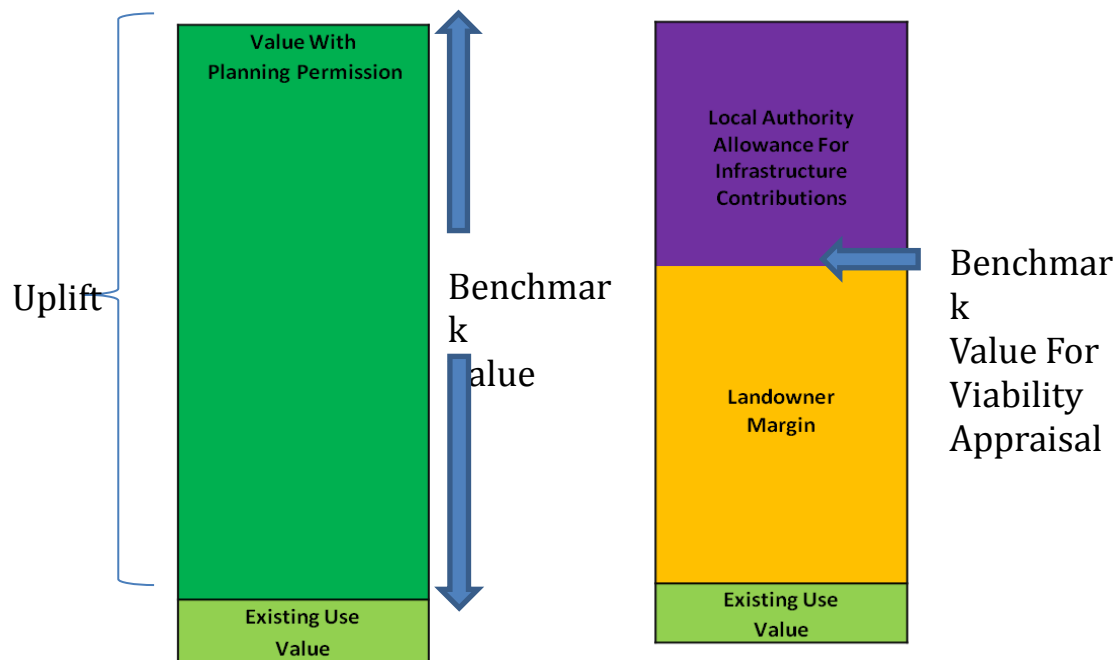
3.14 The approach to assessing the land element of the gross residual value is therefore the key to the robustness of any viability appraisal. There is no single method of establishing threshold land values for the purpose of viability assessment in planning but the NPPF and emerging best practice guidance does provide a clear steer on the appropriate approach.

Stage 2 – Establishing Base Land Value



3 Methodology

Land Value Benchmarking (Threshold Land Values)



3.15 The above diagram illustrates the principles involved in establishing a robust benchmark for land value. Land will have an existing use value (EUV) based on its market value. This is generally established by comparable evidence of the type of land being assessed (eg agricultural value for greenfield sites or perhaps industrial value for brownfield sites may be regarded as reasonable existing use value starting points and may be easily established from comparable market evidence)

3.16 The Alternative Use Value is established by assessing the gross residual value between development value and development cost after a reasonable allowance for development profit, assuming planning permission has been granted. The gross residual value does not make allowance for the impact of development plan policies on development cost and therefore represents the maximum potential value of land that landowners may aspire to.

3.17 In order to establish a benchmark land value for the purpose of CIL viability appraisal, it must be recognised that Local Authorities will have a reasonable expectation that, in granting planning permission, the resultant development will yield contributions towards infrastructure and affordable housing. The cost of these contributions will increase the development cost and therefore reduce the residual value available to pay for the land.

3.18 The appropriate benchmark value will therefore lie somewhere between existing use value and gross residual value based on alternative planning permission. This will of course vary significantly dependent on the category of development being assessed..

3 Methodology

3.19 The key part of this process is establishing the point on this scale that balances a reasonable return to the landowner beyond existing use value and a reasonable margin to allow for infrastructure and affordable housing contributions to the Local Authority.

Benchmarking and Threshold Land Value Guidance

3.20 Benchmarking is an approach which the Homes and Communities Agency refer to in 'Investment and Planning Obligations: Responding to the Downturn'. This guide states: *"a viable development will support a residual land value at a level sufficiently above the site's existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner"*.

3.21 The NPPF has introduced a more stringent focus on viability in planning considerations. In particular para 173 states:-

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

3.22 The NPPF recognises that, in assessing viability, unless a realistic return is allowed to a landowner to incentivise release of land, development sites are not going to be released and growth will be stifled. The most recent practical advice in establishing benchmark thresholds at which landowners will release land was produced by the Local Housing Delivery Group (comprising, inter alia, the Local Government Association, the Homes and Communities Agency and the House Builders Federation) in June 2012 in response to the NPPF. 'Viability Testing Local Plans' states:-

"Another key feature of a model and its assumptions that requires early discussion will be the Threshold Land Value that is used to determine the viability of a type of site. This Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development, before payment of taxes (such as capital gains tax)".

Different approaches to Threshold Land Value are currently used within models, including consideration of:

- *Current use value with or without a premium.*
- *Apportioned percentages of uplift from current use value to residual value.*
- *Proportion of the development value.*
- *Comparison with other similar sites (market value).*

We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values. The precise figure that should be used as an appropriate premium above current use value should be determined locally. But it is important that there is evidence that it represents a sufficient premium to persuade landowners to sell".

3 Methodology

NCS Approach to Land Value Benchmarking (Threshold Land Values)

3.23 NCS has given careful consideration to how the Threshold Land Value (ie the premium over existing use value) should be established.

3.24 We have concluded that adopting a fixed % over existing value is inappropriate because the premium is tied solely to existing value – which will often be very low - rather than balancing the reasonable return aspirations of the landowner to pursue a return based on alternative use as required by the NPPF. Landowners are generally aware of what their land is worth with the benefit of planning permission. Therefore a fixed % uplift over existing use value will not generally be reflective of market conditions and may not be a realistic method of establishing threshold land value.

3.25 We believe that the uplift in value resulting from planning permission should effectively be shared between the landowner (as a reasonable return to incentivise the release of land) and the Local Authority (as a margin to enable infrastructure and affordable housing contributions). The % share of the uplift will vary dependent on the particular approach of each Authority but based on our experience the landowner will expect a minimum of 50% of the uplift in order for sites to be released. Generally, if a landowner believes the Local Authority is gaining greater benefit than he is unlikely to release the site and will wait for a change in planning policy. We therefore consider that a 50:50 split is a reasonable benchmark and will generate base land values that are fair to both landowners and the Local Authority.

The Shinfield Appeal Decision Wokingham (APP/X0360/A/12/2179141) in January 2013 has provided clear support for this approach to establishing a ‘reasonable return the landowner’ under the requirements of the NPPF. The case revolved around the level of affordable housing and developer contributions that could be reasonably required and in turn the decision hinged on the land value allowed to the applicant as a ‘reasonable return’ to incentivise release of the site. The Inspector held that the appropriate approach to establishing the benchmark or threshold land value would be to split the uplift in value resulting from planning permission for the Alternative Use - 50:50 between landowner and the community.

The Threshold Land Value is established as follows:-

Existing Use Value + % Share Of Uplift from Planning Permission = Threshold Land Value

3.26 The resultant threshold values are then checked against market comparable evidence of land transactions in the Authority’s area by our valuation team to ensure they are realistic. We believe this is a robust approach which is demonstrably fair to landowners and more importantly an approach which has been accepted at CIL and Local Plan Examinations we have undertaken.

3 Methodology

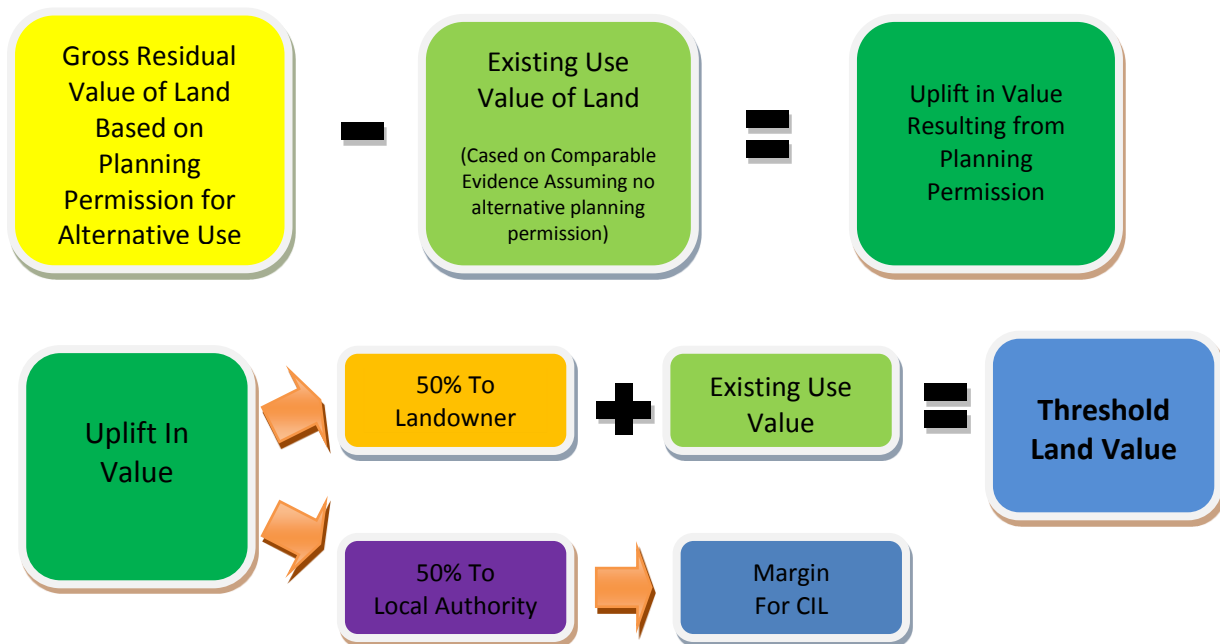
Worked Example Illustrating % over Existing Use vs % Share of Uplift

3.27 A landowner owns a 1 Hectare field at the edge of a settlement. The land is proposed to be allocated for residential development. Agricultural value is £20,000 per Ha. Residential land is being sold in this area for £1,000,000 per Ha. For the purposes of CIL viability assessment what should this Greenfield site be valued at?

Using Fixed % over EUV the land would be valued at £24,000 (£20,000 + 20%)

Using % Share of Uplift in Value the land would be valued at £510,000 (£20,000 + 50% of the uplift between £20,000 and £1,000,000) – realising a market return for the landowner but reserving a substantial proportion of the uplift for infrastructure contribution.

Benchmarking Based on % Share of Uplift in Land Value



3 Methodology

Brownfield and Greenfield Land Value Benchmarks

3.28 In order to represent the likely range of benchmark scenarios that might emerge in the plan period for the appraisal it will be necessary to test alternative threshold land value scenarios. A greenfield scenario will represent the best case for CIL as it represents the highest uplift in value resulting from planning permission. The greenfield existing use is based on agricultural value

3.29 The median brownfield position recognises that existing commercial sites will have an established value. The existing use value is based on a low value brownfield use (industrial). The viability testing firstly assesses the gross residual value (the maximum potential value of land based on total development value less development cost with no allowance for affordable housing, sec 106 contributions or planning policy cost impacts). This is then used to apportion the share of the potential uplift in value to the greenfield and brownfield benchmarks. This is considered to represent a reasonable scope of land value scenarios in that change from a high value use (e.g. retail) to a low value use (e.g. industrial) is unlikely.

3.30 Actual market evidence will not always be available for all categories of development. In these circumstances the valuation team make reasoned assumptions.

Residential

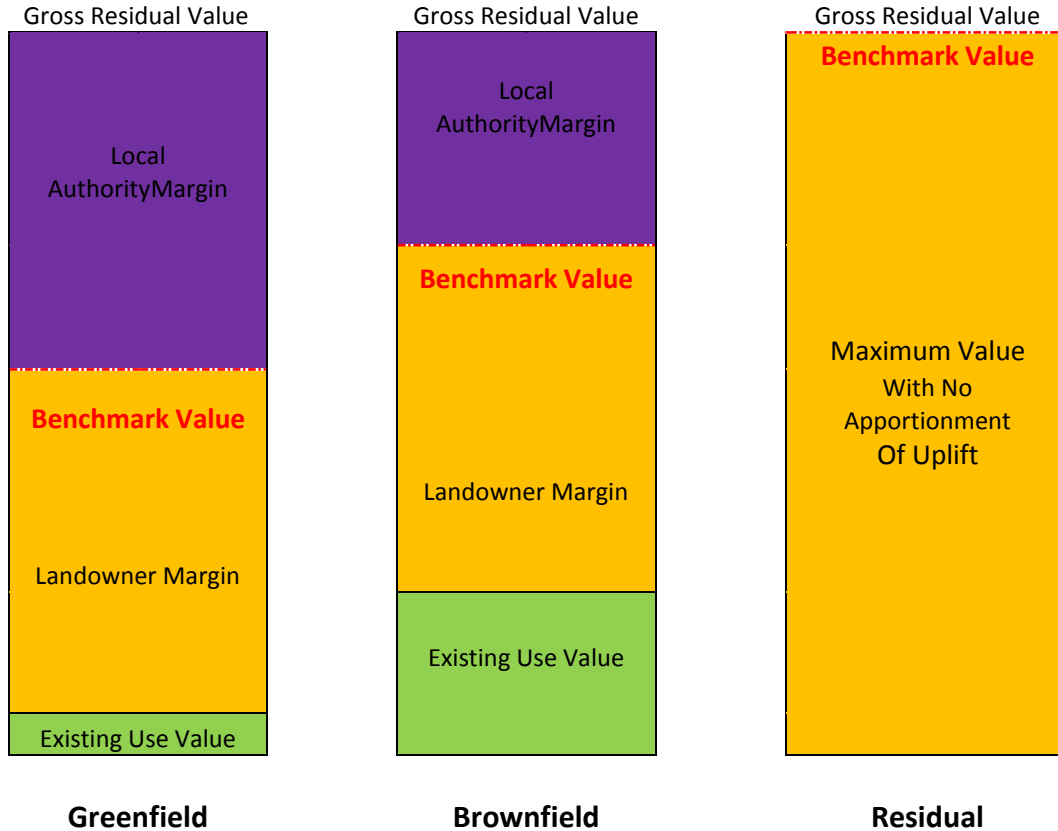
Benchmark 1	Greenfield	Agricultural – Residential (Maximum CIL Potential)
Benchmark 2	Brownfield	Industrial – Residential

Commercial

Benchmark 1	Greenfield	Agricultural – Proposed Use (Maximum CIL Potential)
Benchmark 2	Brownfield	Industrial – Proposed Use

3.31 The viability study assumes that affordable housing land has limited value as development costs form a very high proportion of the ultimate discounted sale value of the property. The appraisals apply a 30% proportion of the relevant market plot value to the affordable housing plots.

3 Methodology



3.32 The above diagram illustrates the concept of Benchmark Land Value. The level of existing use value for the three benchmarks is illustrated by the green shading. The uplift in value from existing use value to proposed use value is illustrated by the blue and gold shading. The gold shading represents the proportion of the uplift allowed to the landowner for profit. The blue shading represents the allowance of the uplift for developer contributions to the Local Authority. The Residual Value assumes maximum value with planning permission with no allowance for planning policy cost impacts. This benchmark is used solely to generate the brownfield and greenfield threshold values.

3.33 Whilst brownfield land evaluation with a higher benchmark land value will necessarily indicate that less viability margin exists for CIL, it should be acknowledged that brownfield sites will often contain existing buildings which may be used to claim CIL relief in calculating the net CIL liability. This should be taken into account in setting CIL rates.

3.34 The 'Market Comparable' land values will normally represent the highest land value assumptions of the three assessed benchmarks as they cannot make allowance for the introduction of the new policy that is being assessed and which will have subsequent impact on value, once adopted.

4 Viability Appraisal Assumptions

Development Categories

4.1 In order to ensure that the study is sufficiently comprehensive to inform a Differential Rate CIL system, all categories of development in the Use Classes Order will be considered, including a relevant sample of Sui Generis uses to reflect typical developments in the Adur Local plan area, as follows :-

Residential (C3) - Based on varying residential development scenarios and factoring in the affordable housing requirements of the Authority. Land values are assessed based on house type plots. Sales values are assessed on per sqm rates.

Commercial - The following categories are considered. Land Values and Gross Development Values are assessed on sqm basis.

Industry (B1(b)B1(c), B2, B8)
Offices (B1a)
Food Supermarket Retail (A1)
General Retail (A1, A2, A3)
Hotels (C1)
Residential Institutions (C2)
Institutional and Community (D1)
Leisure (D2)
Agricultural
Sui Generis - Vehicle Sales
Sui Generis – Car Repairs

Sub Market Areas and Potential Charging Zones

4.2 The valuation study considered evidence of residential land and property values across the Adur District and concluded that there were not sufficient distinctions between sales prices to justify testing based on differential sub-market areas.

4.3 The commercial valuation study (Appendix 1) considered the values of commercial and other non-residential land and property. It also concluded that there were not sufficient distinctions between sales prices to justify testing based on differential sub-market areas.

4 Viability Appraisal Assumptions

Affordable Housing

4.4 A series of residential viability tests have been undertaken, reflecting affordable housing delivery at the policy level of 30%. The following extract from a sample residential viability appraisal model illustrates how affordable housing is factored into the residential valuation assessment. The relevant variables (eg unit numbers, types, sizes, affordable proportion, tenure mix etc) are inputted into the appropriate cells. The model will then calculate the overall value of the development taking account of the relevant affordable unit discounts.

DEVELOPMENT SCENARIO	Mixed Residential Development				Apartments	10
BASE LAND VALUE SCENARIO	Greenfield to Residential				2 bed houses	20
DEVELOPMENT LOCATION	Urban Zone 1				3 Bed houses	40
DEVELOPMENT DETAILS	100	Total Units			4 bed houses	20
Affordable Proportion	30%	30	Affordable Units		5 bed house	10
Affordable Mix	30%	Intermediate	40%	Social Rent	Affordable Rent	
Development Floorspace	6489	Sqm Market Housing	2,163	30%	Sqm Affordable Housing	
Development Value						
Market Houses						
7	Apartments	65	sqm	2000	£ per sqm	£910,000
14	2 bed houses	70	sqm	2200	£ per sqm	£2,156,000
28	3 Bed houses	88	sqm	2200	£ per sqm	£5,420,800
14	4 bed houses	115	sqm	2200	£ per sqm	£3,542,000
7	5 bed house	140	sqm	2200	£ per sqm	£2,156,000
Intermediate Houses						
		60%	Market Value			
3	Apartments	65	Sqm	1200	£ per sqm	£210,600
5	2 Bed house	70	Sqm	1320	£ per sqm	£415,800
2	3 Bed House	88	Sqm	1320	£ per sqm	£209,088
Social Rent Houses						
		40%	Market Value			
4	Apartments	65	sqm	800	£ per sqm	£187,200
6	2 Bed house	70	sqm	880	£ per sqm	£369,600
2	3 Bed House	88	sqm	880	£ per sqm	£185,856
Affordable Rent Houses						
		50%	Market Value			
3	Apartments	65	sqm	1000	£ per sqm	£175,500
5	2 Bed house	70	sqm	1100	£ per sqm	£346,500
2	3 Bed House	88	sqm	1100	£ per sqm	£174,240
100	Total Units					
Development Value						£16,459,184

It is important to note that the model applies % proportions and further % tenure splits to the housing scenarios which will generate fractional unit numbers. The model automatically rounds to the nearest whole number and therefore some results appear to attribute value proportions to houses which do not register in the appraisal. The fractional distribution of affordable housing discounts is considered to represent the most accurate illustration of the impact of affordable housing policy on viability.

4 Viability Appraisal Assumptions

4.5 The following Affordable Housing Assumptions have been agreed for the purpose of the residential viability appraisals. Three alternative tests have been undertaken based on the policy target of 30% delivery but with alternative tenure mixes (Intermediate, Social Rent and Affordable Rent), including the proposed introduction of 20% Starter Homes as set out in the Government’s technical consultation ‘Starter Homes Regulations’ March 2016. Finally the assumed transfer values in terms of % of open market value are set out for each tenure type. The transfer value equates to the assumed price paid by the registered housing provider to the developer (or market purchaser in the case of starter homes) and is assessed as a discounted proportion of the open market value of the property in relation to the type of affordable housing.

Affordable Housing					
Charging Zone	Tenure Mix %				
Districtwide	Overall Delivery	Intermediate	Social Rent	Affordable Rent	Starter Home
Test One	30%	25%	35%	40%	
Test Two	30%	50%	25%	25%	
Test Three	30%			33%	67%
Transfer Values		70%	40%	50%	80%

4.6 The affordable assumptions were applied to all residential scenario testing. For the smaller unit number tests the proportional and tenure splits result in fractions of unit numbers. In these cases the discounts may be considered to equate to the impact of off-site contributions.

Development Density

4.7 Density is an important factor in determining gross development value and land value. Density assumptions for commercial development will be specific to the development category. For instance the floorplate for industrial development is generally around 50% of the site area to take account of external servicing, storage and parking, Offices will vary significantly dependent on location, town centre offices may take up 100% of the site area whereas out of town locations where car parking is a primary consideration, the floorplate may be only 25% of the site area. Food retailing generally has high car parking requirements and large site areas compared to floorplates.

The land : floorplate assumptions for commercial development are as follows:-

- Industrial 2:1
- Offices 2:1
- General Retail 2:1 (shopping parades, local centres etc)

4 Viability Appraisal Assumptions

Food retail 3:1

Leisure 3:1
Hotels 2:1
Residential Institutions 1.5:1
Community Uses 1.5:1
Other Uses 2:1

4.8 Residential densities vary significantly dependent on house type mix and location. Mixed housing developments may vary from 10-50 dwellings per Hectare. Town Centre apartment schemes may reach densities of over 150 units per Hectare. We generate plot values for residential viability assessment related to specific house types. The plot values allow for standard open space requirements per Hectare. In particular densities for developments coming forward closer to the town centre within the Shoreham Harbour regeneration area may in reality be higher than the 100dph. The density assumptions for the specific assessments in the Shoreham Harbour Regeneration area are set out in Section 6.of the report.

4.9 The density assumptions for house types related to plot values are as follows :-

Apartment 100 units per Ha
2 Bed House 40 units per Ha
3 Bed House 35 units per Ha
4 Bed House 25 units per Ha
5 Bed House 20 units per Ha

The strategic site testing densities varied from the generic tests, particularly at Shoreham Harbour where high rise apartment development is likely to lead to densities well in excess of 100 units per Ha.

House Types and Mix

4.10 The study uses the following standard house types as the basis for valuation and viability testing as unit types that are generally reflective of market circumstances in Adur.

Apartment 66 sqm
2 Bed House 77 sqm
3 Bed House 93 sqm
4 Bed House 120 sqm
5 Bed House 150 sqm

4.11 Housing values and costs are based on the same gross internal area. However apartments will contain circulation space (stairwells, lifts, access corridors) which will incur construction cost but which is not directly valued. We make an additional construction cost allowance of 15% to reflect the difference between gross and net floorspace.

4 Viability Appraisal Assumptions

Residential Development Scenarios

4.12 The study tests a series of residential development scenarios to reflect general types of development that are likely to emerge over the plan period.

4.13 For residential development, five scenarios were considered. The list does not attempt to cover every possible development in all the sub-market areas but an overview of residential development in the plan period.

1. Mixed Housing (Apt, 2, 3, 4 & 5 Bed Housing)	100 Units
2. Medium Scale Housing (2& 3 Bed Housing)	10 Units
3. Small Scale Housing (3 Bed Housing)	2 Units
4. Family Housing (Apts, 2,3 & 4 Bed Housing)	80 Units
5. Apartments	50 Units

4.13 The individual Strategic Site assessments all tested mixed residential development using a mix considered to represent the type of residential development likely to emerge over the plan period. These assumptions are set out in Section 6.

Commercial Development Scenarios

4.14 The CIL appraisal tests all forms of commercial development broken down into use class order categories. For completeness the appraisal includes a sample of sui generis uses. A typical form of development that might emerge during the plan period is tested within each use class.

4.15 The density assumptions for commercial development will be specific to the development category. For instance the floorplate for industrial development is generally around 50% of the site area to take account of external servicing, storage and parking. Offices will vary significantly dependent on location, town centre offices may take up 100% of the site area whereas out of town locations where car parking is a primary consideration, the floorplate may be only 25% of the site area. Food retailing generally has high car parking requirements and large site areas compared to floorplates.

4.16 The viability model also makes allowance for net:gross floorspace. In many forms of commercial development such as industrial and retail, generally the entire internal floorspace is deemed lettable and therefore values per sqm and construction costs per sqm apply to the same area. However in some commercial categories (eg offices) some spaces are not considered lettable (corridors, stairwells, lifts etc) and therefore the values and costs must be applied differentially. The net:gross floorspace ratio enables this adjustment to be taken into account.

4 Viability Appraisal Assumptions

4.17 The table below illustrates the commercial category and development sample testing as well as the density assumptions and net:gross floorspace ratio for each category.

Commercial Development Sample Typology					
Unit Size & Land Plot Ratio					
		Unit Size	Plot Ratio	Gross:Net	Sample
		Sqm	%		
Industrial	B1b B1c B2 B8	1000	200%	1.0	Factory Unit
Office	B1a	1000	200%	1.2	Office Building
Food Retail	A1	3000	300%	1.0	Supermarket
General Retail	A 1 A2 A3	300	150%	1.0	Roadside Retail Unit
Residential Inst	C2	4000	150%	1.2	Care Facility
Hotels	C3	3000	200%	1.2	Mid Range Hotel
Community	D1	200	150%	1.0	Community Centre
Leisure	D2	2500	300%	1.0	Bowling Alley
Agricultural		500	200%	1.0	Farm Store
Sui Generis	Car Sales	1000	200%	1.0	Car Showroom
Sui Generis	Vehicle Repairs	300	200%	1.0	Repair Garage

Code for Sustainable Homes

4.18 It is acknowledged that the Code for Sustainable Homes are being replaced by changes to the Building Regulations based on the National Housing Standards. The latest government guidance is that forthcoming Building Regulation changes will not impose standards beyond an equivalent of CoSH 4 and the cost rates adopted in the study reflect this. The Commercial Viability assessments are based on BREEAM 'Excellent' construction rates. (Adur Local Plan Policy 19 seeks a minimum of BREEAM 'very good' standard).

Construction Costs

4.19 The construction rates will reflect allowances for external works, drainage, servicing preliminaries and contractor's overhead and profit. The viability assessment will include a 5% allowance for construction contingencies.

4.20 The following residential construction rates are adopted in the study to reflect National Housing Standards, Category 2 Dwellings and the water and space standards of Adur District Council. Whilst the Code for Sustainable Homes standards have been withdrawn, the cost parameters that inform them remain a useful guide to the cost implications of the National Housing standards and are considered within the study.

4 Viability Appraisal Assumptions

Residential Construction Cost Sqm		
Low Rise Apartments	1226	sqm
High Rise Apartments	1711	sqm
2 bed houses	1097	sqm
3 Bed houses	1097	sqm
4 bed houses	1097	sqm
5 bed house	1097	sqm

NB £20sqm added for Optional Accessible and Adaptable Dwelling Standards

Commercial Construction Cost Sqm	
668	Factory Unit
1525	Office Building
1372	Supermarket
938	Roadside Retail Unit
1462	Care Facility
2065	Mid Range Hotel
2281	Community Centre
1093	Bowling Alley
574	Farm Store
1307	Car Showroom
1164	Repair Garage

Abnormal Construction Costs

4.21 Most development will involve some degree of exceptional or 'abnormal' construction cost. Brownfield development may have a range of issues to deal with to bring a site into a 'developable' state such as demolition, contamination, utilities diversion etc. Whole Plan and CIL Viability Assessment is based on generic tests and it would be unrealistic to make assumptions over average abnormal costs to cover such a wide range of scenarios. It is considered better to bear the unknown costs of development in mind when setting CIL rates and not fix rates at the absolute margin of viability. Nevertheless, for the assessment of the Strategic Sites, where there is specific evidence of abnormal site constraint costs, these have been factored into the study. The abnormal assumptions are set out in the Strategic Site appraisal section.

Policy Cost Impacts & Planning Obligation Contributions

4.22 The study seeks to review Whole Plan Viability and therefore firstly assesses the potential cost impacts of the proposed policies in the plan to determine appropriate cost assumptions in the viability assessments. The following table provides a summary of the policy impacts that have been considered'

Policy number/ name	Cost implications?	Comments
1 Presumption in Favour of Sustainable Development	No abnormal costs	
2 Spatial Strategy	No costs	Viability of strategic sites/ infrastructure to be addressed elsewhere

4 Viability Appraisal Assumptions

3 Housing provision		The housing mix and typologies reflect the policy and development that is likely to emerge over the plan period
4 Planning for Economic Growth		The commercial development appraisals use typologies that reflect the policy and development that is likely to emerge over the plan period
9 Lancing	No abnormal costs	
10 Sompting	No abnormal costs	
11 Shoreham-by-Sea	No costs other than traffic mitigation	
12 Southwick and Fishersgate	No abnormal costs	
13 Countryside and Coast	No abnormal costs	
14 Local Green Gaps	No cost implications	
15 Quality of the Built Environment and Public Realm	No costs	
16 Strategic Approach to Historic Environment	No abnormal costs	
17 Historic Environment	No costs	
19 Sustainable Design		The National Housing Standards (Equivalent of outgoing Code for Sustainable Homes Code 4) adopted in the residential viability appraisals and BREEAM 'Very Good' standards in the commercial appraisals is considered to cover the cost impacts of this policy (inc residential water efficiency standards of no more than 110 lpd and commercial water efficiency to BREEAM 'Very Good')
20 Decentralised and Renewable Energy		The precise cost is difficult to quantify but a full allowance of £500 per dwelling has been made based on a 'worst case' assumption by Gleeds
21 Housing Mix and Quality	Potential costs issues	The house type sizes used in the study reflect the policy on minimum national space standards. The construction cost rates adopted are considered to cover the costs of the policy and the adoption of accessible/adaptable dwellings standards
22 Affordable Housing	Costs associated.	The impact of Affordable Housing delivery is factored into all the residential viability assessments based on the policy and the authority's preferred tenure mix.
23 Density	No abnormal costs	
24 Gypsies and Travellers	No abnormal costs	
25 Safeguarding Gypsy & Traveller sites	No abnormal costs.	

4 Viability Appraisal Assumptions

26 Protecting and Enhancing Existing Employment Sites and Premises.	No abnormal costs	
27 Visitor Economy	No abnormal costs	
28 Retail, Town Centres and Local Parades.	No abnormal costs	
29 Transport and Connectivity	Implementation of area-wide behaviour change programme will have cost	The specific costs are factored into the Strategic Site appraisals
30 Delivering Infrastructure		This policy addresses the mechanisms for s106/ CIL delivery rather than specific infrastructure requirements. These will be derived from other sources including other policies in this plan, and CIL (if and when developed and implemented). Allowances for S106 costs are made in the appraisals and the potential for CIL is a principal output of the study
31 Green Infrastructure	Falls within the construction cost allowances	Strategic site policies have specific Green Infrastructure requirements that are factored into the appraisals
32 Biodiversity	Presume no abnormal costs unless specific mitigation measures are required	
33 Open Space, recreation and leisure	Falls within the construction cost allowances	
34 Planning for Sustainable Communities	No abnormal costs	
35 Pollution and Contamination	No abnormal costs	Assume that assessments and investigations form part of normal costs.
36 Water Quality and protection	No abnormal costs	
37 Flood Risk and Sustainable Drainage	Potential costs	Site specific costs are factored into the strategic site appraisals
38 Telecommunications	No abnormal costs.	
Accessibilty Standards		The optional higher requirement M4(2) accessible and adaptable dwelling standard has been made

4.23 CIL is likely to replace some if not all planning obligation contributions if progressed and implemented by Adur District Council. The purpose of the study is to test the maximum margin available for CIL that is available from various types of development. CIL, once adopted, will represent the first 'slice' of tax on development. Planning Obligations may be used to top up contributions on a site specific basis subject to viability appraisal at planning application stage.

4 Viability Appraisal Assumptions

Nevertheless the CIL Guidance 2014 (contained in the National Planning Practice Guidance) indicates that Authorities should demonstrate that the development plan is deliverable by funding infrastructure through a mixture of CIL and planning obligation contributions in the event that the Authority does not intend to completely replace planning obligations with CIL.

4.24 Costs have been factored into the viability appraisals to reflect the impact of relevant development plan policy and the residual use of planning obligations for site specific mitigation. Based on historic evidence of planning obligation contributions over the last four years (excluding Affordable Housing which is factored in separately) the following cost allowances have been adopted in the study:-

Residual Planning Obligations for site specific mitigation	£700 per dwelling £20 per sqm commercial
Decentralised/Stand Alone & Renewable Energy Allowance	£500 per dwelling
Accessible and Adaptable Dwellings Standards M4(2)	Additional £20sqm

Historical evidence demonstrates that over the last 4 years £284,838 of planning obligation contributions have been collected from delivery of 407 dwellings at an average of £700 per dwelling (excluding Affordable Housing) and £14 per sqm for commercial development. If Adur progress the adoption of CIL, it is likely to replace a significant part of this funding requirement in the future (i.e. once CIL is adopted and Section 106 pooling restrictions are in place). Despite this, for the purpose of the appraisal a full ongoing S106 allowance of £700 per dwelling has been made. For commercial development it is accepted that commercial contributions have not been secured at significant levels in the past and a full allowance has been made plus £5 per sqm for Air Quality mitigation measures. The figure has been rounded up to £20sqm.

Developers Profit

4.25 Developers profit is generally fixed as a % return on gross development value or return on the cost of development to reflect the developer's risk. In current market conditions, and based on the minimum lending conditions of the financial institutions, a 20% return on GDV is used in the generic residential viability appraisals to reflect speculative risk. A 17.5% return is applied to commercial development in recognition that most development will be pre-let or pre-sold with a reduced level of risk

4.26 It is acknowledged that development profit will vary in relation to prevailing economic conditions and will generally reduce as conditions improve, generally remaining within a 15-20% range. In considering long term strategic site development this may need to be considered.

4 Viability Appraisal Assumptions

Property Sales Values

4.27 The sale value of the development category will be determined by the market at any particular time and will be influenced by a variety of locational, supply and demand factors as well as the availability of finance.

4.28 The study uses up to date comparable evidence to give an accurate representation of the market circumstances on which the CIL system will be based. The methodology relies primarily on current market research rather than published data tables which may often be out of date (see Valuation Report – Appendix 1).

Sales Values		Sales Value £sqm				
Charging Zone		Apartment	2 Bed	3 Bed	4 Bed	5 Bed
Districtwide		3500	3350	3300	3300	3300
Shoreham Harbour		3650	3600	3550	3550	3550

Commercial Sales Values Sqm			Charging Zones
			Area Wide
Industrial			915
Office			1850
Food Retail	A1		3500
General Retail	A1-A5		2000
Residential Inst			800
Hotels			2400
Community			1000
Leisure			1100
Agricultural			300
Sui Generis	Car Sales		1800
Sui Generis	Vehicle Repairs		915

Land Value Allowances - Residential

4.29 Following the land value benchmarking ‘uplift split’ methodology set out in Section 3 the following greenfield and brownfield existing residential land use value assumptions are applied to the study. The gross residual value (the maximum potential value of land assuming planning permission but with no planning policy, affordable housing sec 106 or CIL cost impacts). An example for Mixed Housing is illustrated in the table below.

4 Viability Appraisal Assumptions

Land Value	£22000	Existing Greenfield (agricultural) Per Ha Brownfield (equivalent general commercial) Per Ha Gross Residual Residential Value per Ha	Uplift	50%
	£620,000			
	£3,883,722			

4.30 50% of the uplift in value between existing use and the gross residual value of alternative use with planning permission is applied to generate benchmarked land values per Ha. These land values are then divided by the assumed unit type densities to generate the individual greenfield and brownfield plot values to be applied to the appraisals.

EUV	+	50% of Uplift in Value	=	Threshold Land Value	
Greenfield	£22,000	+	50% (£3,883,722 - £22,000)	=	£1,952,861 per Ha
Brownfield	£620,000	+	50% (£3,883,722 - £620,000)	=	£1,407,533 per Ha

Density Assumptions	Apt	2 Bed	3 Bed	4 Bed	5 Bed
	100	40	35	25	20
LAND VALUES (Plot Values)					
	Apt	2 Bed	3 Bed	4 Bed	5 Bed
Greenfield	19529	48822	55796	78114	97643
Brownfield	22519	56297	64339	90074	112593

4.31 The complete set of gross residual residential values for all the residential tests from which the benchmarked threshold land value allowances were derived, is set out in the table below.

Gross Residual Land Value per Ha	Zone 1
Mixed Residential	3883722
Medium Scale Development	3916612
Small Scale	3960367
Family Housing	4078049
Apartments	6261233

Land Value Allowances - Commercial

4.32 The approach to commercial land value allowances is the same in principle. Obviously there will be a broad spectrum of residual land values dependent on the commercial use. A number of residual land calculations for commercial categories actually demonstrate negative values – which is clearly unrealistic for the purpose of viability appraisal. Therefore where residual values are less than market comparable evidence the market comparable is used as the minimum gross residual figure.

4 Viability Appraisal Assumptions

4.33 The following provides an example threshold land value allowances food supermarket retail

	EUV	+	50% of Uplift in Value	=	Threshold Land Value
Greenfield	£20,000	+	50% (£3,583,579 - £20,000)	=	£1,801,790 per Ha
Brownfield	£457,000	+	50% (£3,583,579 - £457,000)	=	£2,020,290 per Ha

4.34 The greenfield and brownfield land value threshold allowances are all set out within the commercial viability appraisals but in summary the gross residual values on which they are based may be summarised as follows :-

Commercial Residual Land Values	Area Wide
Industrial Land Values per Ha	
Residual Land Value per Ha	620000
Office Land Values per Ha	
Residual Land Value per Ha	620000
Food Retail Land Values per Ha	
Residual Land Value per Ha < 3000sqm	3922085
General Retail Land Values per Ha	
Residual Land Value per Ha	3199321
Residential Institution Land Values per Ha	
Residual Land Value per Ha	620000
Hotel Land Values per Ha	
Residual Land Value per Ha	800000
Community Use Land Values per Ha	
Residual Land Value per Ha	620000
Leisure Land Values per Ha	
Residual Land Value per Ha	740000
Agricultural Land Values per Ha	
Comparable Land Value per Ha	22000

4 Viability Appraisal Assumptions

Fees, Finance and Other Cost Allowances

4.35 The following 'industry standard' fee and cost allowances are applied to the appraisals.

Residential Development Cost Assumptions				
Professional Fees			8.0%	Construction Cost
Legal Fees			0.5%	GDV
Statutory Fees			1.1%	Construction Cost
Sales/Marketing Costs			2.0%	Market Units Value
Contingencies			5.0%	Construction Cost
Planning Obligations & De-Centralised Energy			1200	£ per Dwelling
			20	£ per sqm Commercial
Interest	5.0%	12	Month Construction	3-6 Mth Sales Void
Arrangement Fee	1.0%	Cost		

5 Viability Appraisal Results

5.1 The results of the Viability Testing are set out in the tables on the following pages. In order to inform the preferred position of the Council (and also as a sense check) a range of residential viability tests was undertaken based on the policy target of 30% Affordable Housing delivery but testing alternative tenure mix options as set out in para 4.5 for all of the residential development scenarios.

5.2 Any positive figures confirm that the category of development tested is economically viable in the context of Whole Plan viability and the impact of planning policies. The level of positive viability indicates the potential additional margin for CIL charges. The residential tables illustrate the potential CIL rates in £ per sqm for each tenure mix of affordable housing and starter home delivery. The commercial table illustrates the potential CIL rates across the whole Authority area.

5.3 Each category of development produces a greenfield and brownfield result in each test area. These results reflect the benchmark land value scenario. The first result assumes greenfield development which generally represents the highest uplift in value from current use and therefore will produce the highest potential CIL Rate. The second result assumes that development will emerge from low value brownfield land.

Residential Viability Appraisal						
30 % Affordable Housing - Alternative Tenure Mix Options						
Maximum CIL Rates Per Sq Metre						
Affordable Housing Proportion	Mixed Residential Development	Medium Scale Development	Small Scale	Family Housing	Apartments	
75% Social/Affordable Rent 25% Intermediate	Greenfield	£397	£396	£412	£359	£194
	Brownfield	£267	£261	£270	£233	£128
50% Social/Affordable Rent 50% Intermediate	Greenfield	£461	£470	£480	£431	£278
	Brownfield	£331	£335	£337	£305	£212
67% Starter Homes 33% Affordable Rent	Greenfield	£525	£543	£545	£499	£387
	Brownfield	£383	£395	£390	£361	£315

5 Viability Appraisal Results

5.4 It should be recognised that the CIL Rates that have emerged from the study are maximum potential rates, based on optimum development conditions. The viability tests are necessarily generic and do not factor in site specific abnormal costs that may be encountered on many development sites. The tests produce maximum contributions for infrastructure and therefore ultimate CIL charges may need to allow for additional unforeseen costs and site specific abnormals.

5.5 The residential typology testing demonstrated that all residential development is economically viable and deliverable taking account of all policy impacts of the Local Plan and that significant additional margins exist to accommodate residential CIL charges. Additional testing of Strategic Sites has been undertaken with site specific assumptions set out in Section 6.

Maximum Commercial CIL Rates per sqm					
Charging Zone/Base Land Value	Industrial (B1b B1c B2 B8)	Office (B1a)	Food Supermarket (A1)	General Retail (A1-A5)	Hotel (C1)
Districtwide					
Greenfield	-£147	-£646	£508	£215	-£935
Brownfield	-£213	-£700	£406	£165	-£992
Charging Zone/Base Land Value	Residential Institution (C2)	Community (D1)	Leisure (D2)	Agricultural	Sui Generis
Districtwide					
Greenfield	-£1,264	-1972	-539	-£464	Car sales -£345
Brownfield	-£1,307	-2021	-641		Vehicle Repairs -£794

5.6 The initial testing demonstrated that, of the commercial uses assessed, only retail development could viably accommodate CIL charges. The positive viability results are highlighted in light blue. It should be stressed that the negative viability results do not necessarily indicate that the relevant category of development is not viable or deliverable in terms of Local Plan development strategy. For instance, employment development is often led direct by owner occupiers who will not require a 'developers profit' allowance or be driven by other factors in determining an appropriate location for business operation.

5 Viability Appraisal Results

6 Strategic Site Viability Appraisals

6.1 The study has undertaken specific Viability Appraisals of the strategic sites proposed by the Local Plan which are considered key to the delivery of the overall development strategy in Adur, which may be summarised as follows :-

1. New Monks Farm 27Ha 600 Dwellings 10,000sqm B1/B2/B8
2. West Sompting 22Ha 480 Dwellings
3. Shoreham Harbour Western Harbour Arm 10.16 Ha 969 Dwellings 6500sqm B1a
2300sqm Food Retail 2712sqm other retail
4. Shoreham Harbour Southwick Waterfront 1.11Ha 4000sqm B1
5. Shoreham Airport 3.5Ha 15000sqm B1/B2/B8

Housing Type & Mix

New Monks Farm						
Type	1BApt	2B Apt	2B Hse	3Bhse	4BHse	5B Hse
Size (sqm)	50	66	77	93	106	150
Numbers	87	61	177	215	43	17
Total Floorspace	4350	4026	13629	19995	4558	2550

West Sompting						
Type	Apt	2b Apt	2B Hse	3Bhse	4BHse	5B Hse
Size (sqm)	50	66	77	93	106	150
Numbers	22	22	218	144	74	0
Total Floorspace	1100	1452	16786	13392	7884	0

Shoreham Harbour Western Harbour Arm						
Type	1B Apt	2B Apt	3B Apt	2B Hse	3B Hse	4B Hse
Size (sqm)	50	65	86	65	93	97
Numbers	218	349	306	32	32	32
Total Floorspace	10,900	22,685	26,316	2,081	2,977	3,105

6 Strategic Site Viability Appraisals

Abnormal Development Costs

6.2 The site specific abnormal costs may be summarised as follows :-

New Monks Farm	
Roundabout Junction A27	£10,853,699
Access Roads site works	£3,031,802
Water Treatment System	£3,295,971
Interconnecting Pipework	Incl
Surface Water attenuation	£1,252,608
Traveller Site Costs	£1,265,040
Earth Bund	£310,000

Western Harbour Arm	
Flood Protection (Tidal Defences) **	£7,800,000
Land Remediation	£3,048,000
Decentralised Energy Allowance (£500 per unit)	£484,000

**NB Shoreham Harbour has secured approximately £4.7 Million towards the total cost of £12.5 Million for flood defence delivery reducing the appraisal allowance to £7.8 Million.

Shoreham Harbour Southwick Waterfront	
Land Remediation	£333,000

6.3 The study distinguishes between abnormal site development costs and infrastructure costs required to mitigate the impacts of development. Abnormal costs are considered to represent physical costs required to bring the sites into a developable state and therefore costs which should be deducted from the land value allowance. Infrastructure contribution costs are considered as policy impacts which should be paid for from the Local Authority's share of the uplift in land value resulting from planning permission.

6 Strategic Site Viability Appraisals

Land Value Allowances

6.4 The appraisals firstly assess the gross residual land value of each strategic site based on the proposed development and the cost and value assumptions used in the main Viability study. It includes deductions for site specific abnormal costs as outlined above. The land value allowances are then benchmarked in accordance with the methodology set out in Section 3 and may be summarised as follows :-

1. New Monks Farm	27Ha 600 Dwellings 2Ha 10,000sqm Employment	Benchmark £682,869 per Ha Benchmark £200,000 per Ha
2. West Sompting	22Ha 480 Dwellings	Benchmark £1,017,190 per Ha
3. Western Harbour Arm	10.16 Ha 969 Dwellings 6500sqm B1a 2300sqm Food Retail 2712sqm other retail (assumed to be at lower floor levels of apartment blocks – no additional land allowance)	Benchmark £1,235,471 per Ha
4. Southwick Waterfront	4000sqm B1	Benchmark £620,000 per Ha
5. Shoreham Airport	3.5Ha 15000sqm B1/B2/B8	Benchmark £200,000 per Ha

Planning Obligation and CIL Contribution Costs

6.5 The site specific abnormal and infrastructure costs associated with the development of the strategic sites have been assessed by the Council. The site specific planning obligation contribution costs may be summarised as follows:-

Planning Obligation Contributions					
	New Monks* Farm	West Sompting*	Western Harbour Arm	Southwick Waterfront	Shoreham Airport*
Transport & Travel Plan Contributions	£2,023,850	£2,298,426	£2,865,740	£1,050,091	£621,135
Education - Excluding Land Costs	£3,762,480	£3,069,312	£5,958,816	£0	£0
Public Open Space	£1,095,228	£658,548	£875,225	£0	£0
Country Park	£2,458,584	£0	£0	£0	£0
Healthcare	£277,000	£218,000	£476,000	£0	£0
Community	£173,303	£141,812	£214,053	£0	£0
Emergency services	£157,110	£125,688	£253,994	£0	£0
Total	£9,947,555	£6,511,786	£10,643,828	£1,051,091	£621,135

* Please note that infrastructure costs and other sources of funding are still being discussed and to be agreed by the relevant parties in relation to some specific infrastructure items for the strategic sites.

6 Strategic Site Viability Appraisals

6.6 The study also assumed that the following draft CIL rates would be charged where economically viable to do so. It should be noted that the rates have not been formally considered by Adur District Council and represent potential CIL rates based on the evidence and other factors set out in the report.

Draft CIL Rates	
Residential	£150sqm
Retail	£100sqm

Strategic Site Viability Appraisal Results

Strategic Site Viability Results					
	Planning Obligations	CIL	Residential Viability	Commercial Viability	Net Viability
New Monks Farm	£9,947,456	£0	£-4,518,456	£19,531	£-4,499,105
West Sompting	£5,836,715	£4,264,680	£8,174,068		£8,174,068
Western Harbour Arm	£10,643,828	£501,200	£-24,376,448	£3,005,743	£-21,370,705
Southwick Waterfront	£1,050,091	£0		£-1,942,761	£-1,942,761
Shoreham Airport	£621,135	£0		£-711,334	£-711,334

6.7 The above table summarises the results of the Strategic Site Appraisals and illustrate the level of developer contribution from S106 and CIL contributions anticipated from each site.

6.8 The New Monks Farm site which has very significant abnormal costs and planning obligation requirements demonstrated negative viability of -£4.5 Million. However in the context of a £150 Million development project this is not considered a significant threat to overall delivery of the scheme. The West Sompting Strategic Site was demonstrated to be viable with full policy impacts, affordable housing and planning obligation contributions and demonstrated an ability to accommodate CIL charges.

6.9 The negative viability of the residential element of the Shoreham Harbour scheme was offset to some extent by the positive viability of the commercial elements of the scheme. However it was also evident that the burden of site specific infrastructure and abnormal development cost rendered the application of the proposed CIL rates unviable overall and some relaxation to planning obligation contributions or affordable housing may also need to be considered to enable delivery of the scheme. The regeneration of the harbour has been supported in the past by Government funding and it is likely that additional funding would be necessary and this would have a significant impact on the net viability of individual sites when they come forward

6 Strategic Site Viability Appraisals

on the ground. This will be explored in further detail in the separate viability study that underpins the JAAP. This is considered further in the Conclusions.

7 Conclusions & CIL Rates

Residential Viability Assessment

7.1 The Adur Local Plan sets out the strategy to deliver housing over the plan period. The residential viability testing illustrated that, in general terms, housing development proposed by the Plan in all locations within the Adur Local Plan area of Adur District are viable and can accommodate significant CIL charges whilst maintaining the Council’s Affordable Housing aspirations. The assessment of residential land and property values indicated that the Authority did not possess clear residential sub-markets that might warrant differential value assumptions being made in the Whole Plan Viability Assessment or a differential rate approach to CIL based on geographical zones. However, the differential viability of the Shoreham Harbour broad location strategic development areas was considered significant enough to justify a separate zero rate CIL Charging Zone.

7.2 The study considered five different residential development scenarios to reflect the type of residential that might emerge over the plan period. These included mixed residential (apartments, 2, 3, 4 and 5 bed housing), various scales of mixed housing development and low rise apartments.

7.3 The study tested the policy target of 30% Affordable Housing delivery but assessed the impact of different affordable housing tenure mixes and the introduction of starter homes, to establish the appropriate balance between Affordable Housing targets and economically viable rates of CIL. The results are set out below.

Residential Viability Appraisal						
30 % Affordable Housing - Alternative Tenure Mix Options						
Maximum CIL Rates Per Sq Metre						
Affordable Housing Proportion	Mixed Residential Development	Medium Scale Development	Small Scale	Family Housing	Apartments	
75% Social/Affordable Rent 25% Intermediate	Greenfield	£397	£396	£412	£359	£194
	Brownfield	£267	£261	£270	£233	£128
50% Social/Affordable Rent 50% Intermediate	Greenfield	£461	£470	£480	£431	£278
	Brownfield	£331	£335	£337	£305	£212
67% Starter Homes 33% Affordable Rent	Greenfield	£525	£543	£545	£499	£387
	Brownfield	£383	£395	£390	£361	£315

7 Conclusions & CIL Rates

7.5 The mixed housing testing showed that all forms of residential development are capable of yielding significant levels of CIL. Greenfield development demonstrated viable CIL rate potential of £359-£545 per sqm dependent on affordable housing/starter home mix. Brownfield rates varied from £233-£395 per sqm. Apartment development demonstrated less viability but still significant viability margins at £194-387 per sqm for greenfield and £128-315 per sqm for brownfield development.

7.6 The results illustrate maximum potential CIL rates which could be applied without threatening the economic viability of development. The appraisals are necessarily generic tests which do not make allowance for site specific abnormal costs or other planning obligation contributions. As such we would recommend that CIL rates are set within the identified viability margins to take account of these unknown factors, setting the appropriate balance within the context of Adur District.

Commercial CIL Assessment

7.7 The assessment of commercial land and property values indicated that the Local Plan area could be treated as a single Charging Zone for CIL purposes. The viability appraisals also illustrated that many categories of commercial development are not viable in current market circumstances in Adur District, which is evident by the lack of activity in these sectors.

Maximum Commercial CIL Rates per sqm					
Charging Zone/Base Land Value	Industrial (B1b B1c B2 B8)	Office (B1a)	Food Supermarket (A1)	General Retail (A1-A5)	Hotel (C1)
Districtwide					
Greenfield	-£147	-£646	£508	£215	-£935
Brownfield	-£213	-£700	£406	£165	-£992
Charging Zone/Base Land Value	Residential Institution (C2)	Community (D1)	Leisure (D2)	Agricultural	Sui Generis
Districtwide					
Greenfield	-£1,264	-1972	-539	-£497	Car sales -£345
Brownfield	-£1,307	-2021	-641		Vehicle Repairs -£794

7 Conclusions & CIL Rates

7.8 Food supermarket retail and general retail were assessed to be viable and capable of accommodating CIL in both greenfield and brownfield development scenarios. Food supermarket retail indicated potential rates of £406-£508 per sqm and general retail of £165-£215 per sqm for general greenfield and brownfield scenarios.

7.9 We would recommend some caution in respect of food retail rates. Whilst the study has made a reasoned assessment of land values, transactional evidence is low due to lack of activity in the sector. We would recommend some caution in respect of food retail rates. As specific food retail projects emerge it is likely that landowners will expect significant premiums in order to release sites, which may reduce viability levels significantly and this should be taken into consideration in rate setting.

7.10 It should be stressed that whilst the generic appraisals showed that general employment development (ie B1, B2 and B8 Industrial, Office and Distribution) is not viable based on the test assumptions, this does not mean that this type of development is not deliverable. For consistency a full developer's profit allowance was included in all the commercial appraisals. In reality many employment developments are undertaken direct by the operators. If the development profit allowance is removed from the calculations, then employment development would be viable as well as deliverable.

7.11 All other forms of non-residential development illustrated negative viability and it is recommended that these categories should be zero rated. As with the residential appraisals, the results illustrate maximum potential CIL rates which could be applied without threatening the economic viability of development. The appraisals are necessarily generic tests which do not make allowance for site specific abnormal costs or other site specific planning obligation mitigation costs. As such we would recommend that CIL rates are set within the identified viability margins to take account of these unknown factors.

Strategic Site Appraisals

7.12 The delivery of the strategic sites is key to the delivery of the overall development strategy in Adur. As such the impact of the site specific infrastructure requirements of these sites outlined in the Local Plan was tested by individual viability appraisals.

7.13 The appraisals demonstrated that the mixed residential and employment site at New Monks Farm is broadly deliverable based on delivery of 600 dwellings taking account of full plan policy impacts. However the very significant level of abnormal site development costs at over £20Million reduce viability to a marginal negative level at -£4.5 Million (in context with an overall development value of £150 Million. It is considered that this would enable Affordable Housing and S106 Infrastructure Contributions to be delivered but there is insufficient additional margin to accommodate any significant CIL charges.

7 Conclusions & CIL Rates

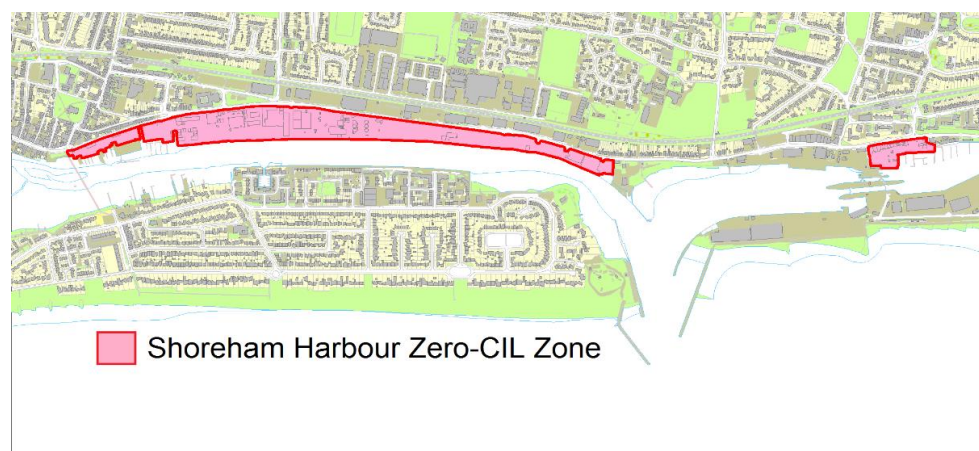
7.14 The high infrastructure costs of delivering the New Monks Farm development and the potential viability concerns with securing the early redevelopment of this site, prompted the Council to apply for Local Growth Funding (LGF - Round 3) to deliver the new roundabout junction on the A27. It is anticipated that an announcement on the bid will be forthcoming following the recent autumn statement which referred to the additional funding for infrastructure projects that would be awarded to LEPs.

7.15 The West Sompting Site demonstrated positive viability including the ability to meet full policy impacts, affordable housing targets, S106 Infrastructure contributions and CIL at the proposed rate of £150sqm.

7.16 The Western Harbour Arm strategic development areas were not found to be viable if the proposed districtwide residential CIL charge of £150 per sqm was applied. This was primarily due to the significant abnormal development costs associated with decontamination and flood protection of £11.3 Million and Infrastructure Contributions of £10.6 Million required to support delivery of the proposed development.

7.17 A separate viability assessment was undertaken without any CIL charges on either the residential or commercial elements of the scheme. If the development profit allowance is reduced to 17.5% at mid-point of the generally accepted range of 15-20%, Affordable Housing adjusted to accommodate Starter Homes and a further £3 Million of additional public funding is secured for flood defences (adding to the £8 Million secured to date) the overall residential and commercial scheme was demonstrated to be viable (the £6 Million deficit on the residential scheme being off-set by the £3 Million 'super-profit' on the commercial part of the scheme). The revised appraisal is illustrated at Appendix 4.

7.18 It was concluded that a Zero residential CIL rate for all forms of development within the Shoreham Harbour strategic development areas (namely Western Harbour Arm and Southwick Waterfront) as illustrated on the plan below would be appropriate to ensure deliverability taking account of the full policy requirements of the Local Plan.



7 Conclusions & CIL Rates

CIL Rate Recommendations

7.19 The study demonstrates that most of the development proposed by the Local Plan is viable and deliverable taking account of the cost impacts of the policies proposed by the plan and the requirements for viability assessment set out in the NPPF. It is further considered that significant additional margin exists, beyond a competitive return to the landowner and developer to accommodate CIL charges.

7.20 In terms of CIL, it is recommended that there are insufficient variations in residential value to justify a differential zone approach to setting residential CIL rates across the Adur Local Plan area, with the exception of the strategic development areas at Shoreham Harbour and New Monks Farm. Adur has a mixed greenfield and brownfield delivery strategy and as such it is considered the brownfield results should guide rate setting (as the CIL Regulations do not allow for differential rates to be set based on existing use).

7.21 Whilst the values of development were not considered to differ significantly within the strategic sites, the viability of residential development did differ significantly due to the impact of the site specific infrastructure and mitigation requirements at Shoreham Harbour.

7.22 Taking account of the viability results, the generic nature of the tests, a reasonable buffer to allow for additional site specific abnormal costs we would recommend a districtwide residential CIL rate of £150 per sqm for residential development. This is well within both the greenfield and brownfield viability margins taking account of the incoming starter home requirements as part of the overall delivery of Affordable Housing but also takes account of the delivery of development on the strategic sites. We recommend a zero residential CIL rate within the Shoreham Harbour strategic development areas and New Monks Farm based on the site specific viability appraisals.

Residential CIL	
Districtwide Residential	£150sqm
Western Harbour Arm Strategic Site	£0sqm
New Monks Farm Strategic Site	£0sqm

7.23 It is similarly recommended that a single zone approach is taken to setting commercial CIL rates. Food supermarket and general retail viability is significantly different but in view of the difficulties in separately defining supermarkets for the purpose of charging CIL it is recommended a single rate is adopted to take account of the viability of both categories. Taking account of the factors expressed in para 7.9 a retail CIL rate of £100 per sqm is recommended.

Districtwide	
Retail A1-A5	£100sqm
All Other Non Residential Uses	£0sqm

7 Conclusions & CIL Rates

CIL Revenue Potential

7.24 In order to estimate residential CIL over the plan period, the recommended CIL rate is applied to an average dwelling size of 90 sq metres. In Adur it is estimated that up to 1187 dwellings (excluding the 969 units proposed at Shoreham Harbour and 600 units at New Monks Farm) do not currently have planning permission and would therefore potentially be liable for CIL. Assuming 30% of these are exempt as affordable Housing, the projected CIL liable floorspace $831 \times 90\text{sqm} = 74,790\text{sqm}$

7.25 Adur District Council has estimated that approximately 13,700 sqm of comparison retail floorspace may be liable for CIL over the plan period. The revenue projections are set out in the table below.

Charging Zone	Category	CIL Rate	Eligible Floorspace	CIL Revenue
Districtwide	Residential Housing	£150	74,790	£11,218,500
Districtwide	Retail	£100	13,700	£1,370,000
			Total	£12,588,500

7.26 It should be noted that this study should be seen as a strategic overview of plan level viability rather than as any specific interpretation of Adur District Council policy on the viability of any individual site or application of planning policy to affordable housing, CIL or developer contributions. Similarly the conclusions and recommendations in the report do not necessarily reflect the policy position of the District Council or the Shoreham Harbour Regeneration Partnership.

7.27 The study is a strategic assessment of Whole Plan and CIL viability and as such is not intended to represent a detailed viability assessment of every individual site. The study applies the general assumptions in terms of affordable housing, planning policy costs impacts and identified site mitigation factors based on generic allowances. It is anticipated that more detailed mitigation cost and viability information may be required at planning application stage to determine the appropriate level of affordable housing and planning obligation contributions where viability issues are raised. The purpose of the study is to determine whether the development strategy proposed by the Plan is deliverable given the policy cost impacts of the Plan.

7.28 In conclusion, the assessment of residential and commercial development within the Adur Local Plan area has been undertaken with due regard to the requirements of the NPPF and the

7 Conclusions & CIL Rates

best practice advice contained in 'Viability Testing Local Plans'. It is considered that the vast majority of sites are viable across the entire plan period.

7.29 The delivery of a few of the brownfield sites may require landowners to be realistic about value reductions to take account of abnormal development costs. Nevertheless the viability assessment illustrates that the planning policies proposed by the plan are realistic; would not have an unduly adverse impact on the economic viability of development and that the overall delivery strategy of the Plan is sound.

7.30 It should be noted that this study should be seen as a strategic overview of plan level viability rather than as any specific interpretation of Adur District Council policy on the viability of any individual site or application of planning policy to affordable housing, CIL or developer contributions. Similarly the conclusions and recommendations in the report do not necessarily reflect the policy position of Adur District Council.

Valuation Study

Construction Cost Study

Strategic Site Assessments

Shoreham Harbour Viability Assessment

Sensitivity Test

Development Profit 17.5%

Affordable Housing 20% Starter Homes 10% Affordable Rent

Reduced Flood Defence Costs



Nationwide CIL Service