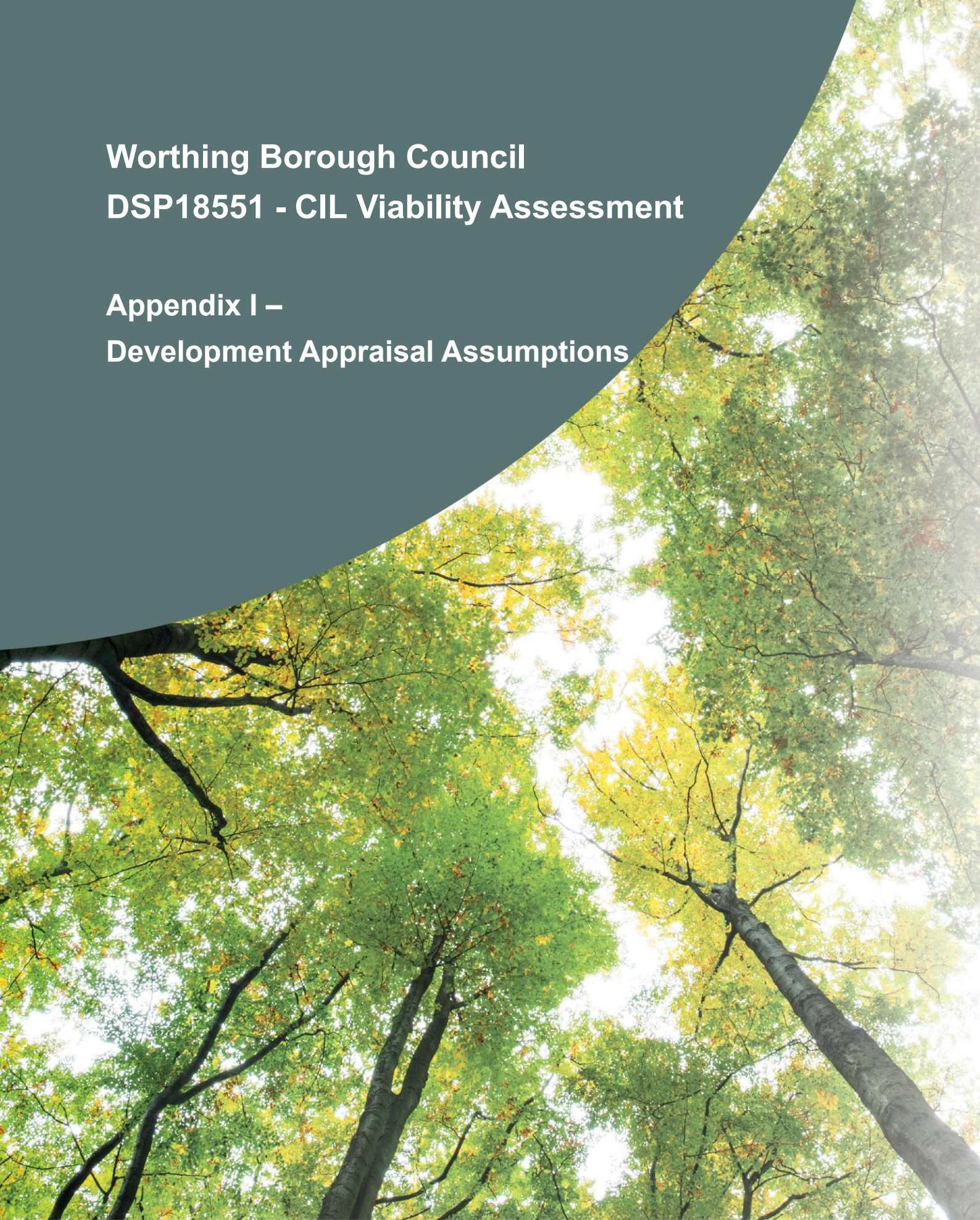


Worthing Borough Council DSP18551 - CIL Viability Assessment

Appendix I – Development Appraisal Assumptions



Worthing Borough Council- Appendix I - CIL Viability Assessment - Residential Assumptions (Sheet 1 of 2)

Scheme Size Appraised	Type	Site type	Density	Gross Land Area (ha)	Net Land Area (ha)	Build Period (Months) (6 month lead-in)	Sales Period (Units per month)
1	House	PDL (Residential Intensification - infill)	35	0.03	0.03	6	0.3
6	Houses	PDL (Residential Intensification - infill)	35	0.20	0.17	6	1
6	Flats (Town Centre)	PDL (Residential Intensification - infill)	75	0.08	0.08	6	1
10	Houses	PDL	35	0.33	0.29	9	1.11
11	Houses	PDL	35	0.36	0.31	9	1.22
15	Houses	PDL	35	0.49	0.43	12	1.25
15	Flats	PDL	100	0.15	0.15	12	1.25
25	Mixed	Greenfield / PDL	75	0.38	0.33	18	1.38
25	Flats	PDL	100	0.25	0.25	18	1.38
30	Apartments (Sheltered)	PDL	125	0.24	0.24	18	1.5
60	Apartments (Extra Care)	PDL	125	0.48	0.48	21	1.5
50	Mixed	Greenfield / PDL	75	0.77	0.67	18	2.77
75	Flats (3-5 Storey)	PDL	150	0.50	0.50	24	3.12
100	Mixed	Greenfield / PDL	55	2.09	1.82	24	4.16
100	Flats (6+ Storey)	PDL	220	0.45	0.45	24	4.16
450	Mixed	Greenfield	55	9.82	8.18	48	9.37

Additional Sensitivity Testing as follows:

75 Flats (3-5 Storey) with Basement Parking

100 Flats (6+ Storey) with Basement Parking

100 Flats (6+ Storey) with Basement Parking and additional/other communal areas up to 55%

Notes:

The above Scenarios have been tested at 0% AH (on sites of 1-9), 20% AH (on-site) on sites of 10-14), 30% AH (on-site) on sites of 15+ units. Assumes fully applied policy position - actual percentage will vary due to policy requirement. 10% to be Affordable Home Ownership (AHO) - to be considered as a potential sensitivity test.

Affordable Housing tenure split assumed as 75% Affordable Rented and 25% Intermediate (including 10% AHO where possible) - based on the latest SHMAA and as agreed with WBC.

Land Area Adjustment - 15% added (excluding flatted schemes) and 20% adjustment for large Greenfield site. Children / Play Space requirements are assumed to be included within the overall allowance for Site Works (see below).

General flatted scenarios assume communal areas of 15%

Sheltered scenarios assume communal areas of 25%

Extra Care scenarios assume communal areas of 35%

Unit Sizes (sq. m)*	Affordable	Private
1-bed flat	50	50
2-bed flat	70	70
2-bed house	79	79
3-bed house	93	100
4-bed house	112	130

*based on nationally described space standards

Dwelling mix principles - for building up assumptions based on the Worthing Housing Study (June 2015)

Type	Overall Mix	Market Housing	Affordable Housing
1-Beds	25%	15%	40-45%
2-Beds	35%	40%	25-30%
3-Beds	30%	35%	20-25%
4-Beds	10%	10%	5-10%

Note: All subject to 'best fit scenario'. Intermediate mix adjusted across 1 and 2-beds only

Value Levels - Worthing BC

Market Value (MV) - Private units	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8+
Property Type	<< Lowest end re-sale values		Typical new build values range				Upper-end new build / re-sale values (waterside / sea-view properties provide values greater than >VL8+)	
1-bed flat	£137,500	£150,000	£162,500	£175,000	£187,500	£200,000	£225,000	£250,000
2-bed flat	£192,500	£210,000	£227,500	£245,000	£262,500	£280,000	£315,000	£350,000
2-bed house	£217,250	£237,000	£256,750	£276,500	£296,250	£316,000	£355,500	£395,000
3-bed house	£275,000	£300,000	£325,000	£350,000	£375,000	£400,000	£450,000	£500,000
4-bed house	£357,500	£390,000	£422,500	£455,000	£487,500	£520,000	£585,000	£650,000
MV (£ / m²)	£2,750	£3,000	£3,250	£3,500	£3,750	£4,000	£4,500	£5,000

Sheltered / Extra Care tested from VL7 to VL9 at £4,500/sq. m. - £6,000/sq. m.

Indicative Localities of VLS

VL 1	£2,750	Lower End New Build Values							
VL 2	£3,000								
VL 3	£3,250	Typical New Build Values	Northbrook (CZ1) Heene (CZ1) Marine (CZ1) Tarring (CZ1)	Broadwater (CZ2)	Durrington (CZ1) Salvington (CZ1)	Castle (CZ2) Central (CZ1) Selden (CZ2)	Gaisford (CZ2)	Offington (CZ1) Goring (CZ1)	
VL 4	£3,500								
VL 5	£3,750								
VL 6	£4,500								
VL 7	£4,500	Upper End New Build Values							
VL 8	£5,000								

Key:-
 CZ1 = CIL Zone 1 @ £100/sq. m.
 (£122.39/sq. m. indexed)
 CZ2 = CIL Zone 2 @ £0/sq. m.

Affordable Housing Revenue Assumptions

Unit	Worthing	Market Size	Average AH Transfer Price Affordable Rent (LHA Cap)
	LHA Rate Cap		
1BF	£120.06	50	£98,353
2BF	£153.02	70	£125,355
2BH	£153.02	79	£125,355
3BH	£185.29	100	£151,793
4BH	£246.00	130	£201,530

Dixon Searle Partnership (2020)

Worthing Borough Council - Appendix I - CIL Viability Assessment - Residential Assumptions (Sheet 2 of 2)

Development / Policy Costs	Cost Allowance	Notes / variances
<u>RESIDENTIAL BUILDING, MARKETING & S106 COSTS</u>		
Build Costs Mixed Developments - generally (£/sq. m) ¹	£1,431	>10 units
Build Costs One-off Housing - detached (£/sq. m) ²	£2,105	1 unit only.
Build Costs One-off Housing - semi-detached (£/sq. m) ²	£1,611	1 unit only.
Build Costs One-off Housing - terraced (£/sq. m) ²	£1,492	1 unit only.
Build Costs Estate Housing - generally (£/sq. m) ²	£1,597	6 Houses only (increased by 14% based on FSB report)
Build Costs Estate Housing - generally (£/sq. m) ¹	£1,401	>10 units
Build Costs Flats - generally (£/sq. m) ¹	£1,630	>10 units
Build Costs Flats - generally (£/sq. m) ²	£1,552	6 Flats only (reduced by -5% based on FSB report)
Build Costs Flats - 3-5 Storey (£/sq. m) ¹	£1,617	>10 units
Build Costs Flats - 6+ Storey (£/sq. m) ¹	£1,992	>10 units
BCIS Costs Flats (Supported Housing) (£/sq. m) ¹	£1,741	Sheltered and Extra Care typologies only
External Works	10% (Flats) 7.5% (Extra Care) 15% (Houses)	added to build costs
Site Works	£300,000/net developable ha	
Contingencies (% of build cost)	5%	
Professional & Other Fees (% of build cost)	10%	
Sustainable Design / Construction Standards (% of build cost) ³	2%	Latest data suggests allowances in the range of 1% to 1.5% to meet building regulations
Propose CIL testing Rates £/m ²	£0 - £300/m ² tested at £25/m ² intervals including the adopted indexed rate of £122.39/m ²	Original adopted rate £100/m ² updated by the BCIS All-in TPI in accordance with Regulation 40 of the CIL Regulations 2010. DSP test overall range noted. SDNP excluded.
Water Efficiency Standards	125litres per person per day	based on the Housing Standards Review
Residual s.106 /non-CIL costs (£ per unit) - small scale PDL / Greenfield sites	£3,000	
Empty Property Costs (Sheltered / Extra Care only)	£2,000/unit (Sheltered) £5,000/unit (Extra Care)	
Marketing & Sales Costs (%of GDV)	3%	
Legal Fees on sale (£ per unit)	£750	
<u>DEVELOPER'S RETURN FOR RISK AND PROFIT</u>		
Open Market Housing Profit (% of GDV)	20%	Extra care assumes 17.5% on GDV
Affordable Housing Profit (% of GDV)	6%	
<u>FINANCE & ACQUISITION COSTS</u>		
Agents Fees (% of site value)	1.50%	
Legal Fees (% of site value)	0.75%	
Stamp Duty Land Tax (% of site value)	0% to 5%	HMRC scale
Finance Rate - Build (%)	6.5%	
Finance Rate - Land (%)	6.5%	

¹ Build cost taken as "Median" figure from BCIS for that build type unless otherwise stated - e.g. flats ; houses storey heights etc. and then rounded. Median figure gives a better figure than the Mean as it is not so influenced by rogue figures that can distort the mean on small sample sizes. The BCIS figure for Worthing has been used and averaged across both areas. Includes allowance for uplift to build costs based on BCIS / FSB research for sites of 10 or fewer dwellings. Externals added at 10% (Flats) 15% (Houses). Site works added separately.

²BCIS report for the Federation of Small Businesses - Housing development: the economics of small sites - the effect of project size on the cost of housing construction (August 2015)

³ The above costs are based on the DCLG Housing Standards Review Impact Assessment costings assuming equivalent CfSH L4 energy costs only base. Appraisals assume cost uplift in line with figures above assuming average cost uplift from each unit type (£1,932 per unit average, equating to the 2% assumed above).

Worthing Borough Council - Appendix I - Viability Assessment - Commercial Assumptions

Use Class / Type	Example Scheme Type	GIA (m²)	Site Coverage	Site Size (Ha)	Build Period (Months)*	Values Range - Annual Rents £ per sq. m			Build Cost (£ per sq. m)**	External works cost addition (%)	Total Build Cost (£/sq. m excl fees etc)	Notes:
						Low	Mid	High				
Large Retail	Large Supermarket - out of town	2500	35%	0.71	18	£225	£250	£275	£1,641	15%	£1,887	BCIS - Hypermarkets / Supermarkets - generally.
Large Retail	Retail warehouse	1000	40%	0.25	7	£250	£300	£350	£976	15%	£1,122	BCIS - Retail warehouses - up to 1,000 sq. m.
Town Centre Retail	Comparison shops (general/non shopping centre)	200	60%	0.03	6	£150	£190	£230	£1,361	50%	£2,042	BCIS - Shops - Generally
Small Retail	Convenience Store - various locations	300	75%	0.04	6	£100	£120	£140	£1,361	15%	£1,565	BCIS - Shops - Generally
Business - Offices - Town Centre	Office Building	500	200%	0.03	12	£140	£160	£180	£2,175	15%	£2,501	BCIS - Offices - 3-5 Storey; airconditioned
Business - Offices - Out of town centre /Business Park	Office Building	1000	40%	0.25	18	£120	£150	£180	£1,933	15%	£2,223	BCIS - Offices - 1-2 Storey; airconditioned
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	500	40%	0.13	6	£60	£80	£100	£1,555	15%	£1,788	BCIS - Advance factories / offices - mixed facilities (B1) - generally
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	2000	40%	0.50	12	£50	£65	£80	£1,155	15%	£1,328	BCIS - Advance factories / offices - mixed facilities (B1) - >2000
Hotel (budget)	Hotel - edge of town centre / edge of town (60-beds)	2100	50%	0.42	18	£150	£190	£230	£2,294	15%	£2,638	BCIS - Hotels
C2 - Residential Institution	Nursing Home (60-beds)	1900	60%	0.32	18	£150	£200	£250	£1,993	15%	£2,292	BCIS - Care Homes for the elderly

Development Costs	
BREAAM / other enhancements addition contingency (% of cost)	5%
Professional Fees (% of cost)	10%
Contingencies (% of cost)	5%
Planning / Building Regs etc / insurances (% of cost)	2.0%
Site survey / preparation costs / S106	Variable
Potential CIL - trial rates testing	at £25/sq. m intervals
Finance Costs	
Finance rate p.a. (including over lead-in and letting / sales period)	6.0%
Arrangement / other fees (% of cost)	2.0%
Marketing Costs	
Advertising Fees (% of annual income)	1%
Letting Fees (% of annual income)	10%
Purchaser's costs	5.75%
Developer Profit (% of GDV)	20%
Yields	Variable applicability sensitivity tested across range at 5.0% to 8.0%
Site Acquisition Costs	
Agents Fees (% of site value)	1.50%
Legal Fees (% of site value)	0.75%
Stamp Duty (% of value - HMRC scale)	0 to 5%

*BCIS Construction Duration Calculator

**BCIS Median - Location Factor for Worthing

Dixon Searle Partnership (2020)

Worthing Borough Council - Appendix I - CIL Viability Assessment - Policy Analysis based on the Adopted Core Strategy (2011)

Policy No. / Name	Cost / Other Impact for Viability Testing Purposes?	Type of Development Applicable	Addressed where applicable through specific study approach / assumptions - associated commentary	Cost / specific allowance within assumptions?
	Yes/No			
	Yes Yes (minor) No			
Policy 1 - West Durrington	Yes	Residential	A variety of residential scenarios have been modelled at an appropriate high level for the study purpose, also covering a range of values levels overall representing the variety relevant in different areas of the area, all in accordance with the Adopted Core Strategy. Affordable housing has also been included as set out in policy 10 whilst taking into account the revised NPPF (July 2018).	Reflected in selection of scheme scenarios, assumptions and interpretation of appraisal results - influence on recommendations. Range of specific allowances made for affordable housing.
Policy 2 - Areas of Change	Yes	Residential	See Policy 1 above	N/A
Policy 3 - Providing for a Diverse and Sustainable Economy	Yes	Commercial	A variety of commercial development scenarios of various types have been considered at an appropriate high level for the study purpose, covering a range of values representing the variety relevant in different areas and across different scheme/site types.	Reflected in values and costs assumptions used within high level commercial appraisal scenarios.
Policy 4 - Protecting Employment Opportunities	No	Commercial	More of a planning and land use implication than for viability consideration.	No particular additional assumptions that apply across the range of scheme types.
Policy 5 - The Visitor Economy	Yes (minor)	Commercial	More of a planning and land use implication than for viability consideration. However for completeness and noting policy context, tourist and leisure related development scenarios have been modelled at a high level and considered both within the main report text and result Appendices.	Reflected in the selection of commercial scheme scenarios, assumptions and interpretation of appraisal results.
Policy 6 - Retail	Yes	Commercial	See Policy 3 above	N/A
Policy 7 - Meeting Housing Need	Yes	Residential	A variety of residential scenarios have been modelled at an appropriate high level for the study purpose, also covering a range of values levels overall representing the variety relevant in different areas of the area, all in accordance with the Adopted Core Strategy. Affordable housing has also been included as set out in policy 10 whilst taking into account the revised NPPF (July 2018).	Reflected in selection of scheme scenarios, assumptions and interpretation of appraisal results - influence on recommendations. Range of specific allowances made for affordable housing.
Policy 8 - Getting the Right Mix of Homes	Yes	Residential	A variety of residential scenarios have been modelled, also covering a range of values levels overall representing the variety relevant in the different areas. The specific housing mix (flats/houses) will be informed by the latest SHMAA and agreed with AWC. Affordable housing has been tested in accordance with Policy 10 whilst taking into account the revised NPPF (July 2018).	Reflected in the dwelling mix adopted for both market and affordable housing across all residential scenarios tested.
Policy 9 - Existing Housing Stock	No	Residential	More of a planning and land use implication than for viability consideration.	No particular additional assumptions that apply across the range of scheme types.
Policy 10 - Affordable Housing	Yes	Residential	Affordable housing tested at 10% (commuted), 20% (commuted sum and on-site), 30% (on-site), including testing for AH threshold <10 dwellings - as set out in the Policy text whilst also in accordance with the revised NPPF (July 2018). Tenure split also tested as set out in the policy. Study investigates through matrix of testing against the current indexed CIL levels.	Reflected in the selection of scheme scenarios, range of AH % and tenure split %s tested together with the interpretation of appraisal results and their influence on CIL rates.
Policy 11 - Protecting and Enhancing Recreation and Community Uses	No	Residential	More of a planning and land use implication than for viability consideration.	No particular additional assumptions that apply across the range of scheme types.
Policy 12 - New Infrastructure	Yes	All Development	Considered through range of s.106/other cost assumptions (in addition to CIL). In practice a range of sites will trigger mitigation requirements (localised works or contributions) but those will vary sites will vary with the site-specific details.	DSP's view and experience is that say £3,000/dwelling forms an appropriate sum, effectively as a contingency, for such measures. It follows that for all tests at £3,000 per dwelling, the immediate/essential highways mitigation/s.278 works are assumed to be specifically allowed for. CIL tested at the current indexed rate in accordance with Regulation 30 of the CIL Regs.
Policy 13 - The Natural Environment and Landscape Character	Yes (minor)	All Development	Although more of a planning and land use implication than for viability consideration, an indirect cost implication may exist in relation to scale and form of development if permitted - more of a design, development management related consideration. The areas of the Borough within the South Downs National Park are excluded from this study - CIL collected in those areas by the SNP Authority.	Reflected in assumptions - assumed development appropriate as would be permitted under the range of development management criteria.
Policy 14 - Green Infrastructure	Yes (minor)	All Development	Generally within build costs and externals / Planning obligations cost assumption	No particular additional assumptions that apply across the range.
Policy 15 - Flood Risk and Sustainable Water Management	Yes (minor)	All Development	Allowed for within overall build costs and fees so far as normal works extent is concerned. However, could have a site specific impacts and as such would need to be treated as an abnormal costs in weighing-up the overall viability position on a the particular site.	No particular additional assumptions that apply across the range of scheme types.
Policy 16 - Built Environment and Design	Yes	All Development	Firstly in respect of the general nature and quality of development expected to come forward and be supportable through the usual planning application and development management process. Therefore reflected in the nature of the build and related costs assumptions.	Reflected in assumptions - assumed development appropriate as would be permitted under the range of development management criteria. Additional sustainability requirements included as part of build cost assumptions.
Policy 17 - Sustainable Construction	Yes	All Development	Allowed for within overall build costs and fees so far as normal works extent is concerned. However, could have a site specific impacts and as such would need to be treated as an abnormal costs in weighing-up the overall viability position on a the particular site.	Reflected in assumptions - assumed specific sustainability allowance equivalent to the former CFSH Level 4.
Policy 18 - Sustainable Energy	No	Commercial	N/A - more of a planning and land use implication than for viability consideration.	N/A
Policy 19 - Sustainable Travel	Yes	All Development	Considered through range of s.106/other cost assumptions (in addition to CIL). In practice a range of sites will trigger mitigation requirements (localised works or contributions) but those will vary sites will vary with the site-specific details.	DSP's view and experience is that say £3,000/dwelling forms an appropriate sum, effectively as a contingency, for such measures. It follows that for all tests at £3,000 per dwelling, the immediate/essential highways mitigation/s.278 works are assumed to be specifically allowed for. CIL tested at the current indexed rate in accordance with Regulation 30 of the CIL Regs.