Maidstone Borough Council

Local Plan Viability Testing

Economic Viability Study

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Executive summary

This report has been prepared to provide evidence on the viability of development in Maidstone and delivery of policies and proposal in the emerging development plan. It has been informed by policy within the Framework, guidance on viability, including the Harman and RICs reports as well as the legislative context, set out in particular, in the CIL regulations.

At the time of publication, the council is preparing further policies and land allocations, which it proposes to consult on as part of a full local plan consultation in the autumn of 2013. Undoubtedly some of these policies will have a bearing on the cumulative viability of the plan and this will need to be considered before the plan is submitted to the Secretary of State.

If the recommendations for policy change, including that of affordable housing, are taken forward in conjunction with work on the new sites and their infrastructure requirements a deliverable plan can be achieved. It is necessary, however, to properly identify within the council's existing infrastructure delivery plan the infrastructure requirements for new development and their respective funding sources.

Policy review

The draft policies set out in the 2011 and 2012 consultation documents have been assessed to determine whether they have a cost implication and the impacts of these costs could have on delivery. Broadly, three types of policies have been identified:

- Policies that do not have a particular bearing on development costs
- Policies that have cost implications for certain categories of development across the borough
- Policies that apply to specific strategic sites

Policies that have a cost implication include those on sustainability standards, affordable housing and infrastructure. These have all been considered within the viability testing and where necessary, an amendment has been suggested to reflect any viability concerns.

Policies on strategic sites, whilst containing some requirements which would be associated with general development costs, also include a number of items which will require further evidence as to their need, form and potential cost to development. The infrastructure delivery plan already identifies need and cost, but as the plan develops so too will the form and detail of the specific infrastructure items. It is this further detail that is necessary to demonstrate deliverable policies.

Residential assessment

Assessments were undertaken on 12 different types of residential site, varying in size, location and existing use – it was considered that these provide a representative sample of development likely to come forward over the plan period.

Development costs and values were derived from research and consultation with the local development industry. The assessment concluded that all the residential typologies could realise a S106 and CIL contribution, including affordable housing. The recommended balance of affordable housing and CIL is set out below, however, the council could potentially vary this based on its own strategic considerations.

Zone and/or use	Affordable housing	Maximum CIL charge per m²
Residential		
Maidstone urban area (as defined by settlement boundary)	20% (above 10 or more threshold)	£35
Maidstone urban extensions	25%	£84
Rural areas, including villages	40%	£105

Non residential development

The non residential assessments followed a similar format to the residential assumptions. As there are a wide range of potential non residential uses a pragmatic approach was taken in terms of testing whereby typologies were identified on the basis of what was likely to come forward in Maidstone and what could be potentially generate chargeable floorspace – this resulted in the testing of 15 types of development.

As the development of most of these uses are sensitive to the general state of the wider economy it was not surprising that the results of the assessment showed little scope to levy a charge, as the majority were seeing limited or negative residual land values. That's not to say that no development will come forward, as there is always potential for unforeseen bespoke sites coming forward, but in general on speculative terms the market is subdued and any further cost to development, such as the levy, would not assist with growth. The exception to this subdued market is in retail uses outside of the town centre, which have continued to perform and generate positive returns. The viability assessments indicated that CIL could potentially be realised up to £189m^2 for out of town centre retail development.

1 Introduction

1.1.1 Peter Brett Associates were commissioned to undertake an Economic Viability Assessment of proposals to be brought forward through the Plan process by Maidstone Borough Council.

1.1.2 Our objective in this study is to help inform the decisions by locally elected members about the risk and balance between the policy aspirations of achieving sustainable development and the realities of economic viability. In making their decision on the balance, members are seeking guidance on:

- The maximum level of CIL, and the recommended level of CIL
- The recommended level of affordable housing in policy that will work with the recommended CIL level; and
- The cumulative viability implications of these and other policy costs.

1.1.3 These factors need to be taken into account in order to ensure that development in Maidstone Borough remains deliverable and viable.

1.1.4 These are complex questions, and the only way to make the decision properly is to explicitly understand the trade-offs being made between those choices. We proceed by understanding total available development contributions, and then 'sharing out' the resulting viability pot between competing priorities.

1.1.5 This report is prepared within the context of the Council's position and consultation in 2012 and the information available at this time. It is understood that there is potential for further growth than previously anticipated and more information on strategic sites. Therefore it is recommended that this report is revised at an appropriate time in advance of any Examination to update assumptions and provide further testing if necessary.

1.1.6 This report and the accompanying appraisals have been prepared in line with RICS valuation guidance. However, it is first and foremost a supporting document to inform the drafting of the CIL evidence base and planning policy, in particular policy concerned with the planning, funding and delivery of infrastructure needed to support delivery of the plan.

1.1.7 As per Valuation Standards 1 of the RICS Valuation Standards – Global and UK Edition, the advice expressly given in the preparation for, or during the course of, negotiations or possible litigation does not form part of a formal "Red Book" valuation and should not be relied upon as such. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report for such purposes.

1.1.8 The objectives of this report are to use the available evidence to assess whether Maidstone's Local Plan (as consulted upon in 2011 and 2012) is broadly viable in terms of delivering the plans and policies set out in its strategy. The stages of the study are to:

- Establish the policy context in terms of the draft policies with the Maidstone Proposed Local Plan and establish the likely implications of policy on development viability to ensure policies are fully considered within the viability assessment.

- Review the types of development likely to come forward during the plan period, use this as a basis to generate some hypothetical development typologies;
- Consider the evidence relating to the costs and values of different residential and non-residential development in Maidstone and establish assumptions to inform both residential and non-residential viability appraisals; and
- Provide evidence for the council in setting their affordable housing policies
- Provide evidence for the council in developing their Community Infrastructure Levy (CIL) Charging Schedule
- In providing this evidence undertake a series of viability tests on the hypothetical development typologies and consider whether there is sufficient value to support policies including those on affordable housing and CIL.

2 Study context and viability

2.1.1 The basis of viability testing in this Report is through a series of generic site appraisals, using the residual value (RV) approach. This needs to take account of a wide variety of inter-related factors which are explored below, which include various items of planning obligations and community gain expected to be delivered through the operation of the planning system.

2.1.2 The key question is whether a suggested level of Community Infrastructure Levy (CIL), combined with other planning obligations, including affordable housing and other policy requirements will inhibit development generally, and conversely, what level of CIL, and continuing contributions through S.106 Agreements, can be delivered whilst maintaining economic viability?

2.1.3 It is important that policy relating to planning obligations is realistic and credible, taking into account the local housing and commercial market, the economics of development, including price, supply, demand, need and profit issues. Whilst this report is set within the known planning and economic context at the time of production, it will be important to update its assumptions and findings when there are significant changes to the market and economy or changes to the type of growth sought in the borough.

2.1.4 It is also of note that the importance of maintaining plan viability is a central theme of national planning policy and guidance in recent years. We explore this context in the following section.

2.2 Defining viability: the Harman Report

2.2.1 The cross industry and CLG supported 'Viability Testing Local Plans' (June 2012) provides detailed guidance regarding viability testing and in particular provides practical advice for planning practitioners on developing viable Local Plans which limits delivery risk. This guidance forms the basis to our approach in this report.

2.2.2 The Harman Report usefully defines viability. 'Viability Testing Local Plans' (Local housing Delivery Group, June 2012), states 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.'

2.3 National Planning Policy Framework

2.3.1 The NPPF reflects the Harman report, both in its approach to the concept of viability, and its concern to ensure that cumulative effects of policy do not combine to render plans unviable (para. 173):

'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'.

2.4 Community Infrastructure Levy requirements

Finding the balance

2.4.1 Regulation 14 requires that a charging authority 'aim to strike what appears to the charging authority to be an appropriate balance' between

- The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and
- The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.4.2 By itself, this statement is not easy to interpret. The statutory guidance explains its meaning. This explanation is important and worth quoting at length:

'By providing additional infrastructure to support development of an area, the levy is expected to have a positive economic effect on development across an area. In deciding the rate(s) of the levy for inclusion in its draft charging schedule, a key consideration is the balance between securing additional investment for infrastructure to support development and the potential economic effect of imposing the levy upon development across their area. The Community Infrastructure Levy regulations place this balance of considerations at the centre of the charge-setting process. In meeting the requirements of regulation 14(1), charging authorities should show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant Plan and support the development of their area. As set out in the National Planning Policy Framework in England, the ability to develop viably the sites and the scale of development identified in the Local Plan should not be threatened'.

2.4.3 In other words, the 'appropriate balance' is the level of CIL which the authority judges will maximise the quantum of development in the area. If the CIL charging rate is above this appropriate level, there will be less development than there could be, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be less than it could be, because it will be constrained by insufficient infrastructure.

2.4.4 The above quote from the statutory Guidance sets the development of the area firmly in the context of delivering the Local Plan. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the Guidance. For example, in guiding examiners, the Guidance makes it clear that the independent examiner should establish that:

'.....evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole.'

2.4.5 Common sense suggests that an appropriate balance is not easy to find, and must be a matter of judgment as much as rigorous calculation. It is not surprising, therefore, that charging authorities are allowed discretion in this matter. This is set out in the legislation and guidance. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlinings highlight the discretion):

'must <u>aim</u> to strike what <u>appears to the charging authority</u> to be <u>an</u> appropriate balance…'

2.4.6 The statutory guidance says

'The legislation… requires a charging authority to use appropriate available evidence to 'inform the draft charging schedule'. A charging authority's proposed levy rate (or rates) should be reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence… there is room for some pragmatism.'[1]

2.4.7 Regulation 14 effectively recognises that the introduction of CIL may put some potential development sites at risk. The focus is on seeking to ensure development envisaged by the Local Plan can be delivered. Accordingly, when considering evidence the guidance requires that charging authorities should 'use an area based approach, which involves a broad test of viability across their area', supplemented by sampling '…an appropriate range of sites across its area…' with the focus '...in particular on strategic sites on which the relevant Plan relies…'[2]

2.4.8 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable. The levy may put some schemes at risk in this way, so long as, in aiming strike an appropriate balance overall it avoids threatening the ability to develop viably the sites and scale of development identified in the Local Plan.

Keeping clear of the ceiling

2.4.9 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

'Charging authorities should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area. Charging authorities should show, using appropriate available evidence, including existing published data, that their proposed charging rates will contribute positively towards and not threaten delivery of the relevant Plan as a whole at the time of charge setting and throughout the economic cycle..' [3]

2.4.10 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

[1] DCLG (December 2012) *Community Infrastructure Levy Guidance* (para 28)
[2] DCLG (December 2012) *Community Infrastructure Levy Guidance* (Paras 23 and 27)
[3] DCLG (December 2012) *Community Infrastructure Levy Guidance* (Para 30)

- Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base.
- A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

Varying the charge

2.4.11 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, or both. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use'.[4] As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.4.12 The guidance also points out that there are benefits in keeping a single rate, because that is simpler, and charging authorities should avoid *'undue complexity'*. [5]

2.4.13 Moreover, generally speaking, it would not be appropriate to seek to differentiate in ways that impact disproportionately on particular sectors, or specialist forms of development, [6]otherwise the CIL may fall foul of State Aid rules.

2.4.14 It is worth noting, however, that the guidance is clear that 'In some cases, charging authorities could treat a major strategic site as a separate geographical zone where it is supported by robust evidence on economic viability.' [7]

Supporting evidence

2.4.15 The legislation requires a charging authority to use 'appropriate available evidence'[8] to inform their charging schedules. The statutory guidance expands on this, explaining that the available data 'is unlikely to be fully comprehensive or exhaustive[9]'.

2.4.16 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and effort analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Local Plan. This suggests that the viability calculations may leave aside geographical areas and types of development which are expected to see little or no development over the plan period.

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[4] The Regulations allow differentiation by "uses of development". "Development" is specially defined for CIL to include only 'buildings', it does not have the wider 'land use' meaning from TCPA 1990, except where the reference is to development of the area, in which case it does have the wider definition. See S 209(1) of PA 2008, Reg 2(2), and Reg 6.
[5] DCLG (December 2012) *Community Infrastructure Levy Guidance* (Para 37)
[6] DCLG (December 2012) *Community Infrastructure Levy Guidance* (Para 37)
[7] DCLG (December 2012) *Community Infrastructure Levy Guidance* (Para 34)
[8] Section 211 (7A) of the Planning Act 2008
[9] Section (December 2012) *Community Infrastructure Levy Guidance* (Para25)

Chargeable floorspace

2.4.17 CIL will be payable on 'most buildings that people normally use[10]'. It will be levied on the net additional floorspace created by any given development scheme[11]. Any new build that replaces existing floorspace that has been in recent use on the same site will be exempt from CIL, even if the new floorspace belongs to a higher-value use than the old.

What the examiner will be seeking

2.4.18 According to statutory guidance, 'the independent examiner should check that:

- The charging authority has complied with the requirements set out in legislation
- The charging authority's draft charging schedule is supported by background documents containing appropriate available evidence
- The proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority's area; and
- Evidence has been provided that shows the proposed rate would not threaten delivery of the relevant Plan as a whole.' [12]

Policy requirements

2.4.19 Above, we have dealt with legal and statutory guidance requirements which are specific to CIL. More broadly, the CIL Guidance says that charging authorities 'should consider relevant national planning policy (including the NPPF in England) when drawing up their charging schedules'. In addition, where consideration of development viability is concerned, the CIL Guidance draws specific attention to paragraphs 173 to 177 of the NPPF.

2.4.20 The only policy requirements which relate directly to CIL are set out at paragraph 175 of the NPPF, covering, firstly, working up CIL alongside the plan making where practical; and secondly placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place).

CIL Summary

2.4.21 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule should:

'Aim to strike what appears to the charging authority to be an appropriate balance' between the need to fund infrastructure and the impact of CIL'; and

'Not threaten delivery of the relevant plan as a whole'.

2.4.22 As explained in statutory guidance, this means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making

[10] DCLG (Nov 2010) *Community Infrastructure Levy – An Overview* (paragraph 37)
[11] DCLG (Nov 2010) *Community Infrastructure Levy – An Overview* (paragraph 38)
[12] DCLG (December 2012) *Community Infrastructure Levy Guidance* (Para 9)

certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that, in the judgment of the local authority, the net outcome of these two impacts should be positive. This judgment is at the core of the charge-setting process.

2.4.23 Legislation and guidance also set out that:

- Authorities should avoid setting charges up to the margin of viability for the bulk of sites;
- CIL charging rates may vary across geographical zones and building uses (and only across these two factors). But there are restrictions on this differential charging. It must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by 'appropriate available evidence', which need not be 'fully comprehensive or exhaustive';
- While charging rates should be consistent with the evidence, they are not required to 'mirror' the evidence. In this and other ways, charging authorities have discretion in setting charging rates.

2.4.24 In our analysis and recommendations below, we aim both to meet these legal and statutory guidance requirements and to maximise achievement of the Council's own priorities, using the discretion that the legislation and guidance allow.

2.5 Affordable Housing

2.5.1 The current planning policies that relate specifically to affordable housing are contained within the Affordable Housing Development Plan Document (adopted 2006). Policy AH1 in the DPD replaces policy H24 of the Maidstone Borough-Wide Local Plan (2000). Policy AH1 states that:

"On housing sites or mixed-use development sites of 15 units or more, or 0.5 hectare or greater:

a. The council will seek to negotiate that a minimum of 40% of the total number of dwellings to be provided shall be affordable housing to meet the identified housing need, unless the council is satisfied of the exceptional circumstances that demonstrate that only a lesser proportion can be provided. The council may seek to negotiate an affordable housing provision of more than 40% on allocated greenfield sites.

b. Not less than 24% of the total number of dwellings to be provided shall be affordable rented housing to meet the identified housing need, unless the council is satisfied of the exceptional circumstances that demonstrate that only a lesser proportion can be provided. the balance of the total number of affordable dwellings secured shall provide for shared ownership, shared equity or discounted market rent properties.

c. Suitable controls, including legal agreements and planning conditions, will be used to secure affordable housing through a registered social landlord or other appropriate housing providers to ensure that the dwellings remain genuinely available to meet the needs of those who are unable to afford a property on the open market.

d. Affordable housing will be integrated with market housing and proposals for integration must be approved by the borough council. This should be shown at the time of the submission of any application. In exceptional circumstances where affordable housing cannot be provided on-site, the borough council will accept appropriate off-site provision, through alternative serviced sites provided by the developer or through the purchase of suitable existing market accommodation provided by the developer."

2.5.2 This policy was adopted in 2006, therefore it is appropriate to reconsider the policy to help inform the latest stage in Plan making, especially given the variety of influences from a changing market, development costs and values; together with the introduction in 2011 of the Homes and Communities Agency's latest Affordable Housing Programme, including the affordable rent regime and the relationships between these and other factors. This update therefore serves the purpose of checking the scope and options still suitable for affordable housing policy in viability terms, ensuring that the proposed policy is robust, and its evidence base on this aspect is kept up to date.

2.5.3 The proportion and type of affordable housing is one of the key determinants of residential viability. The dual effect of the imposition of both CIL and the affordable housing requirement could render some models unviable, or if it is on the borderline of viability, we refer to the concept of marginal viability. It is important that the council's policies do not deter development through unduly reducing the supply of land brought forward for residential development more widely. Any policy must balance delivery of affordable housing and planning obligations with maintaining sufficient incentive for landowners to release land – allowing developers to promote and bring forward schemes.

2.6 Approach to Governance

2.6.1 Although not part of this commission the council should start to think about the governance of CIL. It could be considered that setting the CIL is the easy part: the hard part will be thinking about deciding which infrastructure providers and projects get CIL funding.

2.6.2 There are tensions pulling CIL funding three ways. Local neighbourhoods are expected by the Government to get a *"meaningful proportion"* of CIL funding to spend at local level. This meaningful proportion is set at 15% where there is no neighbourhood plan and 25% where these are in place; and for Maidstone there will be competing priorities between the district and county (as well as competition between departments within the councils).. Then there are a range of other stakeholders – from PCTs, Highways Agency and emergency services, all of whom will want their slice of funding.

2.6.3 CIL Regulation 123 requires LPAs to specify a list of infrastructure projects intended to be funded from CIL. It restricts the use of planning obligations for infrastructure that will be funded in whole or in part by the CIL, to ensure no duplication between the two types of developer contributions.

2.6.4 Although Charging Authorities will not be examined on these issues, it would be a very good idea for stakeholders to agree a common protocol about how these issues be dealt with once the CIL money starts flowing in. Although strictly speaking not within the remit of the examination, the examination at Newark and Sherwood saw a two-hour debate about how CIL funding would be shared out. The examiner's report devotes a number of pages to the issue that are worth reviewing. By contrast, Shropshire has taken a "place plan" approach which sticks closely to very local priorities. Spending profiles are reviewed annually, and these choices provide a basis for an annual revision of the Regulation 123 list.

2.6.5 It is clear that there will be a number of different approaches to the governance of CIL funding as rates emerge around the country. Early discussions on principles will be valuable before the money arrives. That way, discussions can be usefully kept quite abstract, rather than turning into a zero-sum argument about which agency gets the limited funding available.

2.6.6 The NPPF stresses the need to ensure that the cumulative policies and standards set out in a Local Plan do not render so much development unviable that the plan's housing and other development requirements cannot be delivered. Whilst the viability of a plan should not be an overriding factor in the setting of plan policy, plans that do not take account of this are at risk of failing to be found sound when examined.

2.7 Consultation

2.7.1 In our experience, local agents and developers are always happy to explain where the market is at, what is going on, and why. The consultation with the development industry has helped to make our assumptions more robust, and these discussions also help us see where potential concerns may arise, so that the council can be better prepared to address concerns.

2.7.2 The key data discussed includes:

- Estimated market values of completed development;
- Existing use and open market land values;
- Basic build cost;
- External works (% of build cost);
- Professional fees (% of build cost);
- Marketing & sales costs (% of development value);
- Typical S106 costs;
- Finance costs (typical prevailing rates);
- Developer's margin (% of revenue);
- The density and mix of development.

2.7.3 We worked with the council to set up a Stakeholder meeting for the development industry active in the District. This took place on 15th August 2012, and in addition to the consultants, and Council officers, was attended by developers and agents. A copy of the meeting note can be found in **Appendix 4**.

2.7.4 We also consulted separately with Registered Providers (RPs) of affordable housing operating in the Maidstone area to gather more detailed information about revenue and costs for affordable housing to assist in the analysis. This was supplemented by discussions with the council.

3 Review of emerging Maidstone Borough policy

3.1 Scoping the Local Plan

3.1.1 In order to be able to identify the full implications of local policies on development viability, a scoping exercise has been undertaken to include "a thorough consideration of the potential policy requirements within the emerging Local Plan" (Viability Testing Local Plans, June 2012).

3.1.2 At the time of undertaking, Maidstone Borough Council was preparing a Core Strategy to set out the strategic policy framework for the borough until 2026. Peter Brett Associates have therefore assessed the Core Strategy policies that were consulted on in the Maidstone Core Strategy Public Participation Consultation 2011 and the Core Strategy Strategic Site Allocations Public Consultation 2012.

3.1.3 The Maidstone Borough Council Cabinet decided on 13 March 2013 to incorporate the policies of the 2011 and 2012 consultations (including post-consultation amendments) into the Maidstone Borough Local Plan – intended as a single document, running from 2011 until 2031. The Core Strategy will not be completed as planned and further policies intended for separate local plan documents will be incorporated into the Maidstone Borough Local Plan.

3.1.4 What this means is that there will be further planning policies, which will be included in the local plan, but that have not yet been written and therefore cannot currently be assessed. When the local plan has been written in full, a full plan viability check will be required. This should be completed at a time during the preparation process where it is possible to make changes if they are assessed as necessary.Maidstone Borough Council is currently preparing a Core Strategy which will set out the planning framework for the Borough up to 2026. At this stage a full draft plan has yet to be prepared. However, in 2011 the council consulted on a document entitled "Maidstone Core Strategy Public Participation Consultation 2011" and in 2012, the council consulted on a document entitled "Core Strategy Strategic Site Allocations Public Consultation 2012".

3.1.5 We have assessed the draft policies that have been written as part of the former Core Strategy work, to identify those which may have a cost implication and hence an impact on viability. Whilst the final draft plan for publication may include revisions to the draft policies contained within these documents, it is important to review the potential implications on plan viability of draft policies at this stage, so that the results can inform and fine tune the final plan policies.

3.1.6 Each policy in the 2011 and 2012 consultation documents has been assessed, firstly, to determine whether there is likely to be a cost implication over and above that required by the market to deliver the defined development. For those policies where there will be or could be a cost implication, a broad assessment of the nature of that cost has been undertaken, including whether the cost is likely to be Maidstone-wide or site specific, whether costs are related to specific timescales or apply for the entire life of the plan and whether costs are likely to be incurred directly by the developer through on site or off site development, or via financial contributions made by the developer to other agencies or developers towards wider schemes within Maidstone. Table 3.1 sets out the results of the scoping exercise.

Table 3.1 Policy scoping

Plan policy	Does the policy have a cost implication? Yes/No	Application to all development, specific forms of development or specific sites?	Time defined?	Nature of costs
CS1 Borough Wide Strategy	**No***			
CS2 Maidstone Town Centre	**No**			
CS3 Maidstone Urban Area	**No**			
CS4 Rural Service Centres	**No**			
CS5 Countryside	**No**			
CS6 Sustainable Design and Development	**Yes**	All development	Yes	On site build costs defined by relevant Code for Sustainable Homes and BREEAM standards On or off site energy requirements
CS7 Sustainable Transport	**Possible**	All development	Depends upon the Integrated Transport Strategy	On site and off site strategic transport infrastructure linked to development of Integrated Transport Strategy
CS8 Economic Development	**No**			
CS9 Housing Mix	**Yes**	All housing and mixed use development	No	Need to assume a typical housing mix in viability testing, based on developer requirements and SHMA.
CS10 Affordable Housing	**Yes**	All housing and mixed use development	No	On or off site costs dependant upon thresholds, proportions, tenure splits Normal build costs associated with HCA and Lifetime Homes standards Off site contributions to meet Gypsy pitch needs to 2016
CS11 Local Needs Housing	**No**			
CS12 Gypsy and Traveller Accommodation	**Yes**	All housing and mixed use development	Yes	Off site contributions to meet Gypsy pitch needs to 2016

CS13 Natural Assets	**Yes**	All development	No	On and/or off site costs associated with ecological evaluations, long term maintenance of natural assets, contributions to the improvement of accessibility to natural space
CS14 Infrastructure Delivery	**Yes**	All development	No	On and/or off site costs associated with general infrastructure requirements, CIL requirements
NPPF1 - Presumption in favour of sustainable development	**No**			
SS1 - Strategic housing location to the north west of the urban area	**Yes**	Specific site	No	Off site: Contributions towards highway junction improvements Contributions towards a circular bus route
SS1a - Bridge Nursery	**Yes**	Specific site	Yes for Code standards	On site: Affordable housing Code for Sustainable Homes Noise attenuation measures Off site: Provision of new pedestrian and cycle links and enhancement of existing pedestrian link Contributions to education, health, open space and community facilities

SS1b - East of Hermitage Lane	**Yes**	Specific site	Yes for Code standards	On site: Affordable housing Code for Sustainable Homes Land or contributions for primary education Provision of community and health facilities Off site: Provision of new pedestrian and cycle links and new pedestrian footpath Contributions to education, health, open space and community facilities Contribution to pedestrian footpath Contribution towards increasing size of railway car park
SS1c - West of Hermitage Lane	**Yes**	Specific site	Yes for Code standards	On site: Affordable housing Code for Sustainable Homes Off site: Enhancement of lane Pedestrian and cycle links Contributions to education, health, open space and community facilities Contribution to new cycle lane Contribution towards increasing size of railway car park
SS2 - Strategic allocation in south east Maidstone	**Yes**	Specific site	No	Off site: Contributions to: the provision of a bus lane improvement of highway junction a pedestrian and cycle crossing the provision of land or funding for a primary school, or suitable enhancements to existing primary schools

SS2a - Langley Park	**Yes**	Specific site	Yes for Code standards	On site: Affordable housing Code for Sustainable Homes Shopping facilities Community facilities Open space Off site: Highway junction improvements A pedestrian and cycle crossing Contributions to education, health
SS2b - North of Sutton Road	**Yes**	Specific site	Yes for Code standards	On site: Affordable housing Code for Sustainable Homes Off site: Pedestrian and cycle links and crossing Contributions to social and community infrastructure, health and open spaces.
SS2c - North of Bicknor Wood	**Yes**	Specific site	Yes for Code standards Access and woodland belt required in advance of development	On site: Affordable housing Code for Sustainable Homes Woodland belt Off site: Pedestrian and cycle links Contributions to widening road and providing footway Contributions to social and community infrastructure, health and education.
SS4 - Newnham Park	**Yes**	Specific site	No	On site: Creation of a parkland nature reserve A bus interchange Off site: Highway junction and road improvements Subsidised shuttle service and improved bus links
CS1 additional text	**No**			

*NOTE: The Policies in this section reflect a combination of the policies as consulted on in 2011 and 2012. These policies will now be included as part of a single Maidstone Borough Local Plan, with among others, more allocations and land designations.

3.2 Policy requirements

3.2.1 In broad terms, there are three types of development policy contained within the emerging Maidstone Local Plan. These are:

- Policies that do not have a particular bearing on development costs;
- Policies that have cost implications for certain categories of development across Maidstone Borough as a whole or certain areas within it;
- Policies that apply to specific strategic sites, setting out the requirements and 'performance specification' from those developments only.

Policies that do not have a particular bearing on development costs

3.2.2 Policies CS1-CS5 and CS8 are broad strategic policies which seek to establish overall objectives, development levels and to put in place a strategy for development distribution between settlements and specific areas within settlements. These policies do not have a direct bearing on development costs, although it is important for local plans to set out realistic and deliverable development strategies reflecting evidence of need, market demand and wider deliverability factors including the availability, achievability and suitability of land supply to meet development targets.

3.2.3 Policy CS9 requires developers to have regard to the Strategic Housing Market Assessment (SHMA) when determining the housing mix on sites. Whilst the mix of house types and tenures for any housing scheme is fundamental to defining the potential revenue for the scheme and likely build costs, the policy does not go beyond national policy which expects market housing to be provided reflecting local demand in terms of size, type, tenure and range of housing (NPPF, para. 50).

3.2.4 Policy NPPF1 is a reiteration of national policy regarding the presumption in favour of sustainable development. Whilst the policy requires development to improve "the economic, social and environmental conditions of the area", the policy is not explicit about the nature or extent of any development costs which may need to be incurred in order to do so.

3.2.5 Policy CS11 relates to a specific form of development which involves, by definition, policy restrictions placed upon the supply of housing relating to occupancy criteria. This does not apply to general market provision.

Policies that have cost implications for certain categories of development

3.2.6 Policy CS6 sets out time related sustainable design standards to be met in new residential and non-residential developments and requirements for developments above a size threshold relating to the delivery of a proportion of energy from low carbon and renewable resources.

3.2.7 These standards are currently in advance of normal building regulation or other legislative requirements and therefore for development seeking to receive planning permission prior to any changes to legal requirements, will incur additional costs above normal build costs. Later sections of this report set out the specific costs viability assessments will need to take account of.

3.2.8 Policy CS10 and CS12 introduce policy requirements which seek to secure from housing development a specific locally defined contribution towards affordable and Gypsy pitch needs which is beyond normal market requirements.

3.2.9 The proportion and type of affordable housing is one of the key determinants of residential viability. Typically affordable sales values are @40-50% of open market sales values and therefore increasing or reducing the proportion of affordable housing on any scheme will have a significant impact on sales revenues and, by implication, residual values. The viability appraisals set out in this report explore the implications of meeting policy CS10 on a range of sites and the impact achieved by varying the proportion of affordable housing secured.

3.2.10 Requiring developers of market housing to contribute towards the provision of affordable Gypsy pitches is a relatively new approach for local plans, although provided for in national policy. Whilst initially part of our assessment of policies it is understood that Policy CS10 has been deleted and will not be continued in future versions of the Plan.

3.2.11 Policies CS7 and CS13 relate to specific forms of enabling infrastructure which the Plan identifies as essential for development sites to meet. In particular, Policy CS7 requires development to deliver necessary transport infrastructure in a timely manner. The policy does not explicitly define what this may be, although there is an implicit link between this likely requirement and strategic transport infrastructure to be identified in the Integrated Transport Strategy. Policy CS13 refers to contributions towards on and/or off site green infrastructure, including the long term maintenance of natural assets associated with the development, improving accessibility of natural green space and the creation of a wider network of new links between green spaces.

3.2.12 Policy CS14 is the key policy which requires development to deliver essential infrastructure and sets out a delivery framework, involving the identification of site specific contributions through subsequent development plan documents and securing contributions through planning agreements and, in the case of strategic infrastructure, the Community Infrastructure Levy to be set out in the Charging Schedule.

3.2.13 None of these infrastructure policies are explicit about the levels of infrastructure required. The adopted Core Strategy will be accompanied by an Infrastructure Delivery Plan setting out the location and phasing of the supporting infrastructure required to support the overall strategy.

Policies that apply to specific strategic sites

3.2.14 Policies SS1, SS2 and SS4 set out the specific policy requirements for strategic sites to be allocated in the Core Strategy.

3.2.15 The development of the primary land use in each case, namely market housing, retail and medical facilities, together with the provision of highway access to each site and on site landscaping are related specifically to the development of the market scheme and are therefore policy requirements not identified as having any additional costs implications.

3.2.16 However, the on-site provision of affordable housing, the meeting of design standards, provision of open space and community facilities are identified as having cost implications. In addition, the policies require a number of off-site highway improvements and contributions other off-site transport infrastructure and contributions to off-site education, health, open space and community facilities.

3.2.17 The exact nature of these infrastructure requirements are to be identified in detailed development briefs yet to be produced. In some cases, the policies identify that requirements depend upon confirmation of needs.

3.3 Policy flexibility

3.3.1 Whilst the emerging Core Strategy contains specific policy requirements which will have an impact on a scheme's viability it is important to stress that the emerging plan contains policy wording which ensures that the plan can respond flexibly to changing economic circumstances and individual site circumstances.

3.3.2 Specifically, policies CS10 (affordable housing) and CS14 (infrastructure delivery) allow for policy requirements to be varied if it can be demonstrated that they will affect scheme viability.

4 Development Typologies

4.1.1 We have identified a set of development typologies for Maidstone. These are standard generic models, which have been informed by real situations, but are not intended to represent any actual future developments. The selected typologies are purely for modelling viability and will not necessarily be included within future versions of the Plan.

4.2 Residential

4.2.1 The notional residential sites tested are set out in **Table 5.1**.

Table 5.1: Residential Notional Sites for Viability Testing

	Generic Site	Nominal Location	Dwelling Capacity
1	**North West Maidstone**		
1a	Bridge Nursery	Maidstone	165 dwellings
1b	East of Hermitage Lane	Maidstone	415 dwellings
1c	West of Hermitage Lane	Maidstone	300 dwellings
2	**South East Maidstone**		
2a	Langley Park	Maidstone	600 dwellings
2b	North of Sutton Road	Maidstone	285 dwellings
2c	North of Bicknor Wood	Maidstone	190 dwellings
3	Urban PDL sites		
3a	Large town centre redevelopment	Maidstone	100 dwellings
3b	Small urban infill	Maidstone	5 dwellings
4	**Rural service centres**		
4a	Rural Service Centre	Rural	100 dwellings
4b	Rural Service Centre	Rural	200 dwellings
5	Village greenfield	Rural	20 dwellings
6	Small villages sites	Rural	1-4 dwellings

4.2.2 These models have been completed using local values and costs to test what level of contributions can be achieved without risking viability, as well as testing variable affordable housing requirements. These different applications have also been used to assess different density and location factors.

4.2.3 We have allowed for a set of residential viability tests to cover notional developments of different sizes, locations, densities and mixes, greenfield/brownfield as well affordable housing. In order to provide a robust evidence base it was important that we modelled this broad cross section of development types.

4.3 Non Residential

4.3.1 Based on our understanding of Maidstone, previous experience and the authority's future development plans we have identified some 'typical' development typologies. These have been informed by real situations, but are not intended to represent any actual developments.

4.3.2 Whilst many developments may share the same use class, they are not necessarily the same use in terms of Section 13 of the CIL Regulations. Therefore we have tested a range of non-residential typologies within the same use class, as per the CIL regulations.

4.3.3 We have developed a clear process for considering retail, where large format out of centre convenience retail continues to be one of the best-performing investment markets. The sector is characterised by strong yields and high land values. Hence it should be able to support high levels of development contributions. In contrast, high street retail is generally much weaker with less potential to contribute. If all retail is merged into one category, total receipts may be much less than they could be. On the other hand, if retail is split for CIL purposes, we need to ensure that the split is based on robust evidence; otherwise the split may be set aside by the examiner, as happened recently in Newark and Sherwood.

Retail uses (A1)

4.3.4 We have based our A1 assumptions on four retail typologies:

- Superstore and supermarkets – out of town centre/urban extension development of gross 3,500 m^2 with a site coverage of 40%;
- Retail warehouses – out of town centre development of six retail warehouses totalling 10,000 m^2 gross with a site coverage of 40%;
- Town centre retail in Maidstone – Maidstone's Local Plan sets out the town centre boundary (Core, secondary and tertiary areas) which represents a reasonable delineation between in and out of centre areas in functional terms. As the highest value area, it is considered that if town centre development in this location is not viable then it won't be viable in other centres; and
- Local convenience retail – all locations, size of 280 m^2 with site coverage of 80%.

4.3.5 In determining these convenience orientated typologies it is understood that the council has not planned for any in centre supermarkets or superstores and therefore we have not specifically tested this use – however it is understood that there is ongoing interest in out of town centre locations and therefore we have tested these locations. If an in centre convenience development does occur then the charge will be on the basis of the in town centre appraised scheme.

Other Retail 'A' uses (A2 – A5)

4.3.6 Whilst other 'A' uses are differentiated in terms of the use class order it is considered for the purposes of this work that as town centre uses they will generally compete for similar space as retail units and therefore occupy the same sorts of premises. On that basis it is not necessary to consider these individually for testing purposes as a reasonable approach needs to be taken. Therefore any recommendations relating to town centre retail will also apply to all these types of uses as well.

4.3.7 It should also be noted that many of these uses are unlikely to exceed 100 m^2 flooorspace and therefore would not be eligible for a CIL charge.

B1 Business Offices

4.3.8 We have used two B1 Office typologies:

- In town – 800 m^2 with building foot print site coverage of 90% (development over 5 floors); and
- Edge of town development of gross 2,000 m^2 building foot print site coverage of 40% (development over two floors).

4.3.9 The non-office B1 uses are covered by the B2/B8 uses discussed below.

B2 General Industrial

4.3.10 We have used two B2 general industrial typologies:

- Edge of town industrial units of gross 1,500 $m^2$with site coverage of 40%. May include subdivisions into smaller workshop units; and
- Edge of town industrial unit of gross 5,000 m^2 with site coverage of 40%.

B8 Storage/Distribution

4.3.11 As per B2 General Industrial, in practice the activity will have the same types of premises and similar values as the larger B2 typology; i.e. warehouse of gross 5,000 m^2 with site coverage of 40%.

C1 Hotels

4.3.12 60 bedroom hotel of gross 2,000 m^2 on two floors on an edge of town site with 80% site coverage.

Care Homes and Extra Care Living

4.3.13 In addition to residential development it is appropriate in Maidstone to also test different types of specific accommodation for the older population. To this end two models have been tested – Care Homes and extra care living accommodation. This follows consultation at the workshop where it was requested that we test extra care living.

4.3.14 The former provides a residential setting where a number of older people live, usually in single rooms, and have access to on-site care services – they will offer different levels of care from basic personal care assistance to fully qualified nursing medical care. We have tested a 40 unit scheme.

4.3.15 Our second model is extra care living, whereby you live independently in your own home, but it is located within the grounds of a communal facility which again can provide a range of services from personal care to medical care. We have tested a 50 unit scheme. It is considered that for the purposes of testing at a strategic level the scheme to be tested will be the basic facility which includes the individual units and basic communal facilities such as a common room. It is noted that varying degrees of medical and restaurant facilities can also form part of these schemes, however for the purposes of this study it is considered that these are cost neutral and that if they are provided then they are effectively paid for by the future residents on top of the basic purchase.

D2 Assembly and Leisure

4.3.16 Assembly and leisure also varies considerably but with common factors. We have tested two types of development which may come forward:

- A mixed leisure scheme to include facilities such as cinema, bowling, health and leisure complex, gambling and associated eating and drinking establishments; and
- A stand-alone commercial health and leisure facility.

Other uses

4.3.17 There are a range of other uses that we have considered, including community, social and Sui Generis such as theatres; hostels; scrap yards; petrol filling stations; shops selling and/or displaying motor vehicles; retail warehouse clubs; nightclubs; launderettes; taxi businesses; amusement centres; and casinos. The types of premises, value of uses and development costs for premises accommodating these types of activity will vary considerably; and this means that these uses cannot be treated in the same way as the other use classes.

4.3.18 Our approach to this issue has been to consider the types of premises and locations that may be used for the other and Sui Generis uses and assess whether the costs and value implications may have similarities with other uses. We have also considered the likely developments within the plan period as a guide to whether more detailed work might be useful. A number of these facilities may be delivered in the Borough:

- **Education, health and community** - We see this category as including, but not necessarily being limited to: schools, including free schools; community facilities, including community halls, community arts centres, and libraries; medical facilities; and emergency services facilities. A number of these facilities may be delivered in the District over the plan period and would potentially occupy net additional floorspace (thereby creating development which is liable for CIL).

- **Theatres** – very few new theatres are being developed in the UK and the exceptions – such as Chester – are in locations with large catchments, an existing foundation of extensive artistic activity and a local authority with the means and inclination to pay.

- **Hostels** providing no significant element of care – these are likely to be either charitable or public sector uses such as probation hostels, half-way houses, refuges, etc., or low cost visitor accommodation such as Youth Hostels. Our view is that the charitable uses are dependent upon public subsidy for development and operation, and therefore not viable in any commercial sense. Youth Hostels are operated on a social enterprise basis with small financial returns. Neither of these scenarios offers significant commercial viability.

- **Scrapyards** – there may be new scrapyard/recycling uses in Maidstone in the future, particularly if the prices of metals and other materials rise. Subject to consent these are likely to occupy the same sorts of premises as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.

- **Petrol filling stations** – we are aware that the recent new filling stations have generally been as part of larger supermarket developments, with independent filling stations closing. It seems unlikely that there will be significant new stand-alone filling station development.

- **Selling and/or displaying motor vehicles** - sales of vehicles are likely to occupy the same sorts of premises and locations as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.

- **Retail warehouse clubs** – these retail uses are likely to be in the same type of premises as the out of town A1 retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- **Nightclubs/Laundrettes/Taxi businesses/Amusement centres** – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- **Casinos** – The Casino Advisory Panel has advised the Government where the one regional, eight large and eight small casinos should be located and the locations have not included Maidstone Borough. While an existing hotel may add a small casino to its existing operation this will be part of the overall hotel viability.

5 Viability Assumptions

5.1 Reviewing the Existing Viability Evidence (Value and Costs)

5.1.1 Obtaining the data – we use a range of information sources in setting benchmark land values and getting intelligent inputs to our residual value modelling. The regulations require Charging Authorities to use *"appropriate available evidence"* in setting their CIL Charge. The sources we used are as follows.

- Internet sources. In order to keep costs down, we take advantage of free sources such as Estates Gazette, or Davis Langdon cost levels – which have the great advantage of showing the typical buildings used for the calculation. We also use management consultants' studies, quality press reports (FT.com is an excellent source) and industry sector specialist studies.

- We use existing information available to the council, such as SHLAA evidence and the Employment Land Review. There are good reasons to use this already existing information. It has great advantages of ensuring that there is no contradiction between different studies that could be used against the CIL charge at examination.

- BCIS and Spons cost sources are available to us.

- We source residential revenues and other viability variables from a range of sources, including generic websites, such as the Right Move, and Zoopla, in addition to the Land Registry, together with direct research with developers, (including Registered Providers of affordable housing), and agents operating in the area.

5.1.2 Information on land and property values has been taken from industry standard sources including the EGi, CoStar (Focus) and Property Week databases.

5.1.3 To estimate construction costs, as well as standard sources such as BCIS, we use data from cost consultants Davis Langdon. These figures allow for increasingly stringent Building Regulations, which add to construction costs. For costs such as external works, fees, finance and developers' margins, we used high-level approximations. These represent the average over a range of scheme types. Where relevant, we also distinguish between different parts of the Borough, to ensure that we have the right evidence to inform any proposal for geographic differentials in the levy rate.

5.1.4 Our view on this issue is that a simple Charging Schedule with few variations is preferable for examination and implementation. We need to distinguish circumstances where particular types of site are prone to different economic circumstances that affect viability. This includes, for instance, the additional costs associated with large greenfield urban extensions, where the site specific infrastructure costs required to open up the site for development are significantly greater than for smaller, brownfield sites. On the other hand, brownfield sites tend to have a much higher existing use value, based on commercial values as opposed to agricultural value. This can mean that large greenfield urban extensions, and in some circumstances, brownfield sites, may be unable to support the same affordable housing and/or CIL rate as other locations.

5.1.5 Residential

5.1.6 To assess viability, the residual value generated by a scheme is compared with a benchmark value, which reflects a competitive return for a landowner. For developments within existing urban areas, we have used alternative use value (illustrated by commercial use) plus 40%.

5.1.7 The owner of a brownfield site with an existing business would require a significant increase to the existing value of their site to persuade the owner to sell, particularly given taxation on capital gains, in addition to sale and possible relocation costs. For most sites, an uplift factor of around 1.4 will be required to enable delivery, depending on site characteristics and circumstances. This is evidenced from recent appraisals undertaken in association with planning applications in the Maidstone area over the past two years. In addition to achieving an acceptable uplift factor taking account of the existing use value, all sites should also exceed the opportunity cost of income that could be generated by an alternative use. Taking into account these considerations, for previously developed land we use a benchmark figure of £1,060,000 per hectare.

5.1.8 Greenfield urban extensions are often subject to option agreements, where the value is calculated at the time planning permission is granted, and where there is frequently a minimum value provision in the agreement. It is understood that the typical minimum land values in the area vary around £600k – £800k per net developable hectare and greenfield sites that achieve less than this are deemed not to be viable. For (large-scale) greenfield development we could also apply a multiplier of agricultural value. It has been suggested that 20-30 times agricultural value could also be an appropriate benchmark – using £20,500 per gross hectare as agricultural land value in Kent.

5.1.9 **Non-residential** – We take a similar approach to the residential testing in that we compare the residual value with that of an existing use value plus uplift. As previously described, sites in town centres will already have a high existing use value in comparison to say an agricultural field. They are normally generating income and therefore a reasonable approach needs to be taken in terms of both their existing value as often a going concern and the uplift required incentivising redevelopment. For town centre sites we look at local market data when property has exchanged and then apply an uplift factor of at least 1.4 to provide a realistic incentive. Our view on uplift is also within the context of the type of use proposed, high value uses such as supermarkets require a greater uplift as the landowner will know the greater value of these uses and therefore expect a higher price. A similar approach is taken to out of centre and edge or out of town sites, although clearly the existing use values will change according to location.

6 Residential Viability Assessments

6.1 Assumptions

6.1.1 A number of assumptions need to be made as part of the viability appraisal process in order to illustrate site value and its ability to meet community gain, and remain viable. This includes the site area, the total number of dwellings, with details of mix and tenure, in order to arrive at floorspace assumptions. Sales values and build costs are also summarised. A merged mix of affordable and open market housing, based on a range of affordable housing proportions of residential floorspace has been used, with input from locally active registered providers (RPs). The principal variable factors are explored below:

6.2 Dwelling Mix

6.2.1 The dwelling mix for each generic site is derived from information contained in the 2010 SHMA and through consultation with the development industry on recommended dwelling mix for both affordable and open market housing.

6.2.2 This is modified to reflect the location and site characteristics of each generic site, and the housing market in the nominal location. Town centre sites are more likely to accommodate town houses with some flats, whilst greenfield urban extensions have a much higher proportion of family dwellings, and reflect the entire range of market demand.

6.2.3 Each generic site appraisal makes reasoned assumptions about the type of dwellings and density that would be appropriate for the location and size of the site, and sets out a summary, detailing the assumptions made about the total number of dwellings, the mix of types, and the resultant floor areas, informed by different dwelling sizes favoured by private developers, and RPs of affordable housing. As a guide, a range of typical floorspace , for different dwelling types, applicable to both flats and houses, is set out in table 6.1.

Table 6.1: Typical floorspace by dwelling type

Dwelling Type	Typical Floorspace Range m^2
1-bed 2 person	45-65
2-bed 3-4 person	60-70
3-bed 5-6 person	75-90
4-bed 6-8 person	100-180
5-bed 8 plus person	185 plus

6.3 Coverage, or Saleable Floorspace

6.3.1 In order to establish housing land values, assumptions need to be made about the likely saleable floorspace of the dwellings, in order to generate an overall sales turnover. Until the onset of the recession, the vast majority of housing schemes ranged from around 4,000 m^2/ha for predominantly 2 - 2.5 storey development, and up to 4,600 - 5,500 m^2/ha for 2.5 - 4 storey scheme.

6.3.2 Since the recession, with market resistance to 3+ storey townhouses and flats, developers are reducing coverage to an average ranging from 3,000-3,700 m^2/ha. There is a diminishing return on the third storey in townhouses, since lower sale prices per m^2 are achieved, and there comes a point where a higher land value can be generated on traditional 2-storey dwellings.

6.3.3 Floorspace is also affected by the loss of land given over to other uses than residential. Housing needs to be serviced by roads for instance, and, for larger developments, land is required for public open space, strategic landscaping, community buildings, employment, and possibly schools.

6.3.4 The provision of such non-residential land uses have been taken into account in reaching net residential areas, and have been considered in the generic site viability appraisals. Evidently, the proportion of saleable floorspace per site has a major effect on sales turnover, and in turn, on land value, which is a consequence of the relationship between sales turnover and development costs, profit, and overhead. Total turnover is dramatically increased by greater coverage.

6.4 Sales Value for Open Market Housing

6.4.1 In order to arrive at a total sales turnover, assumptions need to be made about sales values. These have been sourced from an assessment of the housing market based on discussions with local developers and agents about their current experience, and generic websites such as the Right Move and Zoopla. We use revenues for new properties because it is from these figures that current and future land values are derived.

6.4.2 In comparison with other areas in Kent, house prices in Maidstone Borough are mid range and have shown comparably good annual increases in 2012. The highest values are found in Sevenoaks and Tonbridge Wells, which are both significantly higher than Maidstone (around £100,000) and the lowest in Thanet and Swale (around £50,000 lower). The table below illustrates these differences.

Table 6.2 Average New Sales values in Kent

Area	Average price	Annual change (2012)
Sevenoaks	£377,252	5.3%
Tunbridge Wells	£330,736	7.2%
Tonbridge and Malling	£281,547	-1.0%

Maidstone	£235,609	5.8%
Canterbury	£235,240	5.7%
Dartford	£229,102	11.6%
Ashford	£228,755	5.8%
Gravesham	£214,733	4.9%
Shepway	£209,870	8.9%
Dover	£190,287	-2.2%
Swale	£179,597	-2.1%
Thanet	£174,529	1.0%

6.4.3 As a guide, open market sales prices per m^2 for new homes, allowing for a reduction between asking price and achieved selling prices, vary from the lowest at around £2,600 in Maidstone to £3,000 in the villages and rural areas. The difference between Maidstone and the villages and rural areas was confirmed through feedback from the development industry which suggest that the villages and rural areas achieve around a 10-20% premium on values in Maidstone.

6.4.4 Values are also affected by the size of the site, reflecting return on capital employed across a period of time, the cost of financing a purchase compared with the time taken to receive all site sales value.

6.4.5 The helpful discussions with the development industry at the meeting on 15th August and subsequent consultation provided invaluable information about the various elements of the housing market, particularly about likely sales revenues.

6.4.6 Sales rates also have a major effect on the overall financing, and most volume housebuilder projects seek to achieve around 40-50 open market sales per year (down some 20% from 2007) in order to justify the land economics upon which the land purchase is based. On larger sites (of, say, 4+ developers), and allowing for affordable housing, this would result in some 200+ dwellings per annum being completed.

6.4.7 In **Table 6.3** set out below is a selection of schemes currently, or soon to be, on the market. These were sourced from the surveys, from discussions with developers, from local newspapers, developer's websites, and generic websites such as Right Move.

Table 6.3: Current/recent market schemes

Development& Developer	House Type	Floor Area (m^2)	Asking Price	Achieved Price (asking price- 5%)	Achievable £/ m^2
King Edward Road, Maidstone, agent/developer	1-bed flat	42	£85,000	£80,750	£1,923

Development& Developer	House Type	Floor Area (m^2)	Asking Price	Achieved Price (asking price- 5%)	Achievable £/ m^2
Prospect Place, Maidstone, Ward and Partners	1-bed flat	44	£100,000	£95,000	£2,159
Prospect Place, Maidstone, Ward and Partners	2-bed flat	56	£115,000	£109,250	£1,951
Watermill Grange, Loose Road, Loose, Maidstone, Taylor Wimpey	2- bed flat	65	£142,995	£135,845	£2,090
Sutton Road, Maidstone, Geering and Colyer	2-bed flat	64	£144,950	£137,703	£2,152
Laburnum House, Locks Meadow, Sherway Close, Headcorn, TN27,	2-bed flat	63	£179,995	£170,995	£2,714
Encore, Hastings Road, Maidstone, ME15, Crest Nicholson	3-bed townhouse	74	£217,000	£206,150	£2,786
Laburnum House, Locks Meadow, Sherway Close, Headcorn, TN27,	3-bed townhouse	107	£279,995	£265,995	£2,486
Parisfield, Headcorn Road, Staplehurst, TN12	2-bed semi	65	£235,000	£223,250	£3,435
Downsview, Wordsworth Road, Penenden Heath, Maidstone, ME14, RPC Land and New Homes	3-bed semi	90	£220,000	£209,000	£2,322
Marden, Kent, Radfords Estate Agents	3-bed semi	75	£222,500	£211,375	£2,818
Roundwell, Bearstead, Maidstone, Page and Wells	4-bed detached	120	£795,000	£755,250	£6,294
Sittingbourne Road, Maidstone, Page and Wells	4-bed detached	115	£395,000	£375,250	£3,263
Webbe Cottage, The Street, Detling, ME14	4-bed detached	115	£375,000	£356,250	£3,098
Sutton Road, Maidstone, Geering and Colyer	3-bed detached	79	£214,950	£204,203	£2,585
The Boatyard, Tovil, Maidstone, ME15	3-bed townhouse	75	£340,000	£323,000	£4,307
Barcham Green, Pickering Street, Loose, ME15 9RH, Bellway Homes Ltd.	4-bed semi	120	£290,000	£275,500	£2,296
The Poplars, Queens Road, Alington,. Maidstone, ME16, RPC Land and New Homes	5-bed detached	165	£575,000	£546,250	£3,311
West Street, Harrietsham	2-bed semi	65	£235,000	£223,250	£3,435
The Landway, Bearsted, Maidstone, Page and Wells	5-bed detached	185	£645,000	£612,750	£3,312

Development& Developer	House Type	Floor Area (m^2)	Asking Price	Achieved Price (asking price- 5%)	Achievable £/ m^2
Witching House, Westwood Grange, Ham Lane, Lenham, ME17, Jones Homes	5- bed detached	185	£540,000	£513,000	£2,773
Laburnum House, Locks Meadow, Sherway Close, Headcorn, TN27	4-bed semi	107	£324,995	£308,745	£2,885
Sutton Road, Maidstone, Geering and Colyer	4-bed town house	110	£249,950	£237,453	£2,159

6.5 Sales Value for Affordable Housing

6.5.1 Registered Providers of Social Housing (RPs) - housing associations and other qualified providers - have historically had access to funds from the Homes and Communities Agency in the form of subsidy from public funds, such as Social Housing Grant (SHG) to purchase land, and develop or purchase affordable housing, including units from developers through the operation of S.106 agreements. The most common delivery of affordable housing is that properties are built by the developer and transferred to the RP at a price below the full market value through the operation of S.106 agreements. The formal expectation since 2008 has been that grant will not be available on developer-led sites that deliver affordable housing through S.106. The gap between the full cost and the price paid to a developer represents the level of private subsidy (e.g. developer or landowner subsidy).

6.5.2 In the current economic climate, it is increasingly important to ensure that the most effective use is made of public funds. The HCA guideline has recently changed, and now RPs should only pay the capitalised net rental stream on S.106 sites. The net rent is the annual gross rent minus maintenance, voids and bad deb, a yield is then applied to provide a capitalised figure – the yield and the rate of return will be determined by the individual RP and will be dependant on their financial standing and attitude to risk. In addition, the new affordable rent tenure may have an impact upon revenues. Under this new system brought in by the HCA, RPs are able to charge up to 80% of gross market rents (inclusive of service charges). As a new system and with changes to the benefits system it is currently unclear as to what effect this may have on the local authorities ability to meet its identified need.

6.6 Dwelling mix

6.6.1 Our discussions with developers and agents sought views on the state of the housing market, land values in different parts of the district, sales vales, the types of development, or dwelling mix, targeted by developers on different sites, and sales rates. These discussions reveal the following open market housing mix that is generally sought by developers on new sites:

Table 6.4 Dwelling mix a

Dwelling Type	Market mix
1-bed	0%
2-bed	35%
3-bed	35%
4-bed	25%
5-bed	5%

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6.6.2 These findings differ from the council's SHMA, especially in relation to the smaller dwellings in that the SHMA recommended lower proportions of smaller dwellings (10% for 1and 2 bed) and more 3 bed properties (62%). This reflects the percentage change required to redress the balance in housing supply to reflect the identified needs at that time. However we consider that the consultation results provide a more up to date reflection of the actual current market and propose to use those figures for the purpose of testing viability. In terms of the blended mix, i.e. the mix of dwellings when affordable housing is included we have used the following as a basis for the testing:

Table 6.5 Dwelling mix b

Dwelling Type	Urban and village extensions*	Urban PDL large*	Urban PDL small**
1-bed	4%	8%	20%
2-bed	33%	29%	40%
3-bed	37%	38%	40%
4-bed	23%	22%	0%
5-bed	3%	3%	0%

*Typically over 100 dwellings **Typically 1-100 dwellings

6.6.3 Following discussions with RPs, the generic viability appraisals use revenues that equate to the level of capitalised rental and revenues for all affordable housing tenures, based on the tenure split in the SHMA. Local RPs have estimated this to be about 45% of the open market sales values, representing a rate that RPs can purchase from developers without the use of grant subsidy.

6.6.4 We have erred on the side of caution by assuming a 45% blended revenue from affordable floorspace. It may be that the overall revenue from affordable housing will consistently return above 45% of open market revenue, as a result of the new affordable rent tenure, and this should be the subject of future monitoring by the council in discussion with RPs.

6.6.5 Each site viability appraisal assumes that affordable housing will be provided on site at 0%, 25%, 30%, 35% and 40% of the total residential floor area, and within this policy a tenure profile applies, with a requirement of 75% Affordable Rent and a maximum of 25% Shared Ownership as advised by the RPs.

6.6.6 There is a range of possible ways to provide affordable accommodation, with or without grant. We have assumed, in line with the latest HCA Guidance, that no social housing grant be available to support the transfer and acquisition of affordable housing through their delivery by S.106 agreements from the private housing developers to housing associations.

6.7 Build Costs

6.7.1 The overall build costs, including on-site infrastructure, must be deducted from total turnover to give an interim land value. After research of the BCIS sources and consultation with the housebuilding industry operating locally, a range of all-in build costs including externals have been used. The normal range used in the viability appraisals is £1,000/ m^2, to include a 15% additional cost for external works (e.g. local roads, pavements, incidental landscaping).

6.7.2 Volume and regional housebuilders are able to operate within this figure comfortably, especially given that they are likely to achieve significant economies of scale in the purchase of materials and the use of labour. Many smaller developers are unable to attain these economies, so their construction costs may be higher; however, this can be compensated for by lower overheads, and this often enables smaller developers to acquire sites in competition. We have opted on the side of caution in our assumptions, with the addition of a 5% contingency.

6.7.3 Typically, a registered provider might have build costs above £1,000/ m^2. In order to compensate for these higher build costs, an RP will not require the profit levels sought by the private developers, typically 20% of gross turnover, and in addition, part of the building costs fees may be absorbed in the contractor's build cost. The generic site appraisals have reflected the likely build costs of each individual site, depending on its scale and characteristics. Much of the affordable housing delivered through S.106 agreements is actually built by the volume developers at their lower rates, and a build profit on affordable housing provision has been factored into the appraisals.

6.8 The Code for Sustainable Homes and changes to build costs

6.8.1 The government has previously committed to ensuring that all new-build homes are zero carbon from 2016. In the Budget 'Plan for Growth' of March 2011 the government updated the guidance on costs of implementing the code for sustainable homes in order to ensure that it remains viable to build new homes in the context of the recession.

6.8.2 From 2016, the revised definition of Zero Carbon now only meets Code for Sustainable Homes (CSH) Level 5, requiring that 100% of emissions from heating, lighting, and heating hot water need to be reduced or generated on site. The consequence for construction costs has yet to be fully assessed, but the new standards result in higher build costs, that could affect viability. The possible increased costs for implementing the Code have been estimated in a report by CLG "Code for Sustainable Homes, a Cost Review", March 2010, updated in August 2011.

6.8.3 The additional cost estimates for all the Code Levels vary depending on site type, location, and size. The updated report suggests that Level 3 can be achieved for an average additional cost of £900 - £1,000 per unit, Level 4 at £3,400 – £4,800 per unit and the scenarios modelled for Level 5 show average cost increases of £19,740. Strategic greenfield sites have higher costs at £1,400/unit for level 3, £4,800/unit for level 4 and £20,000/unit for level 5.

6.8.4 It should be noted that whilst there have been indications in the past that the building regs would be changed to reflect this position, a firm commitment has yet to be made regarding changing the building regs to reflect Level 5 by 2016. It should also be noted that the published guidance on testing local plan viability ("Viability Testing Local Plans"), referred to earlier in this report states that:

"The most straightforward way to assess plan policies for the first five years is to work on the basis of current costs and values"

6.8.5 However the guidance does also suggest:

"The one exception to the use of current costs and current values should be recognition of significant national regulatory changes to be implemented………"

6.8.6 As early as 2009, the market across the UK was building at round Code for Sustainable Homes Level 3 to 4 for private and Level 4 for social housing. The final effect of these changes on viability is difficult to foresee, especially the largely untested higher CSH. While we have reviewed current Government research on cost impacts of CSH we note that past forecasts of price changes (such as that predicted in the original Cyril Sweete work) have never affected costs to the extent forecast.

6.8.7 If these future requirements come into force, they will impact on both development costs and land values. We have not incorporated these possible impacts into our calculations, because CIL should deal with current market conditions, not forecasts of potential future change. Our approach to incorporating these (and other) potential but unknown costs is to set a margin for error that will cover variations in factors such as build costs, site conditions, and timing. Therefore whilst we consider that our cost data does include an allowance for code 3-4 to allow for some uncertainty and provide a buffer an allowance of an additional cost of £10 per m^2. has been included to account for changes to the Building Regulations which will be introduced during 2013. These changes incorporate the emission reduction elements of code level 4. Further changes may be introduced to Building Regulation over subsequent years but their scale and scope is unclear. If substantial additional costs were to be introduced in the next few years, the council will need to consider a review of either affordable housing targets and/or CIL. If, at the time of introduction of higher building standards, market values have strengthened, additional costs could be absorbed without needing to adjust policy. The council will need to keep this situation under review.

6.9 Developer's Profit and Professional Fees and Financing

6.9.1 All developers have a slightly different approach to levels of profit and overhead. Profits are derived from turnover across a number of sites, some of which may have been held long-term in land banks, and others acquired as a result of option agreements where price is established at a discount to Open Market Value (OMV). The most appropriate profit level is that which most developers currently assume when appraising sites for purchase for immediate development.

6.9.2 Our discussions with developers and agents reveal an acceptable profit margin of between 18% and 22% on turnover. In some cases, higher margins might be justified given the range of contingencies and higher risks associated with some sites. For the purposes of the generic viability assessments, we have used 20% as a reasonable mid-range. The views of those attending the meeting on 15th August 2012 considered a 20% profit margin to be reasonable.

6.9.3 Fees also need to be taken into account, including architects, engineers, planning, survey, project manager and insurances, which amount to 12% of the gross construction cost. In addition, allowances have been made for financing costs of construction, as well as land purchase, allowing for annual interest costs to be included for large schemes, reflecting phased purchase, completion rates, and sales revenues.

6.9.4 Allowances have also been made for Stamp Duty Land Tax, and legal costs, which have all been factored into the generic viability assessments, in addition to allowances for marketing fees.

6.9.5 For ease we summarise our assumptions set out above as follows:

Table 6.6 Assumptions summary

Assumption	Source	Rate
Build cost (including 15% externals)	BCIS	£1,000 per m^2
Contingency	Industry standard	5% construction cost
Building Reg change 2013	CLG 2011	£10 per m^2
Developer profit on market	Industry standard	20% market GDV
Developer profit on affordable construction	Industry standard	8% affordable GDV
Development cost finance	Industry standard	8% construction cost
Professional fees	Industry standard	12% construction cost
Sales cost legal	Industry standard	£500 per unit
Sales cost agent fees	Industry standard	1.25% market GDV
Sales costs marketing	Industry standard	£1,000 per unit
Stamp duty	HMRC	These are the current rates set by Treasury: up to £125,000 - 0.00% Over £125,000 to £250,000 - 1.00% Over £250,000 to £500,000 - 3.00% Over £500,000 to £1m - 4.00% Over £1 m to £2 m - 5.00% Over £2 m - 7.00%
Fees on land purchase	Industry standard	Surveyor – 1.00% Legals – 0.75%

6.10 Other development costs

6.10.1 The next stage in the consideration of land value and variables is an examination of development costs, beyond those accounted for in the overall build costs. These could include Community Infrastructure Levy, S106 requirements and site opening up costs. We have modelled varying levels for all these potential additional costs.

6.10.2 It is widely accepted, including within 'Viability Testing Local Plan' that larger scale schemes have additional costs that do not apply to smaller developments. We have already included

15% uplift on build costs (identified by BCIS) for external works (local roads, pavements etc). This approximates to around £12,000 per dwelling or £350,000 per hectare.

6.10.3 However we make a further allowance for the larger greenfield sites and urban sites that require other works such as remediation or demolition. There will be different levels of development costs according to the type and characteristics of each site. The approach taken is to reflect in each generic appraisal an amount that would typically be expected on the type of site being assessed, taking into account location, size, character, and whether the site is PDL or greenfield. In terms of opening costs on large greenfield sites we use as a starting point a figure of £150k per net hectare and consider that this includes site clearance, internal access and utility services. On brownfield sites in particular, there are often increased costs associated with demolition, remediation of contamination, and abnormal foundations.

6.10.4 New development has a cumulative impact on infrastructure such as highways and often creates a need for additional or improved community services and facilities without which the development could have an adverse effect upon amenity, safety, or the environment. Planning contributions are an important way of providing the physical, economic and social infrastructure required to facilitate development and support the creation of sustainable communities.

6.10.5 One of the most significant items of community gain sought from residential development sites is affordable housing, discussed previously. Other planning obligations, such as contributions towards transport and highways, education provision, and public open space, are part of the s106/CIL contribution which has been tested at a variety of different levels ranging from a combined amount of £0 per m^2 - £150 per m^2 or around £325,000 per hectare.

6.11 Future considerations

6.11.1 It should be noted the council is currently undertaking further work on infrastructure costs associated with the strategic sites. This will be largely determined by the location, conditions and size of the site. When further information is available, the opening up costs and the relationship with CIL and s106 may need to be revised.

7 Generic Residential Viability Appraisals

7.1.1 Each generic site has been subjected to a detailed appraisal, examples of which, including a cash flow analysis appears in **Appendix 1**. As previously discussed both CIL/S106 and affordable housing has been tested at varying rates.

7.1.2 In general the factor that usually makes the greatest difference to viability is the proportion of affordable dwellings, and therefore, open market dwellings. Build costs are relatively constant; all sites have an element of development costs, whilst profits and overheads are relatively similar. A lower proportion of affordable units and a correspondingly increased share of open market dwellings immediately adds turnover that translates directly to the bottom line land value and improved viability.

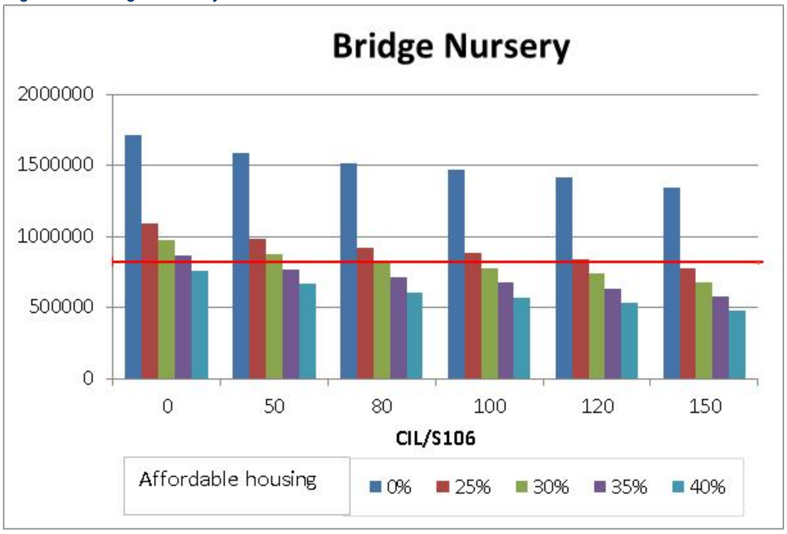
7.1.3 In each of the appraisal summaries, the horizontal redline in the chart indicates the benchmark. Residual values above that line are considered viable, around the line marginal and below the line not viable in the current circumstances and using the assumptions modelled.

North West Maidstone

7.1.4 The north west of Maidstone has been identified as a strategic location for housing growth. Three sites have been identified – Bridge Nursery, East of Hermitage Lane and West of Hermitage Lane.

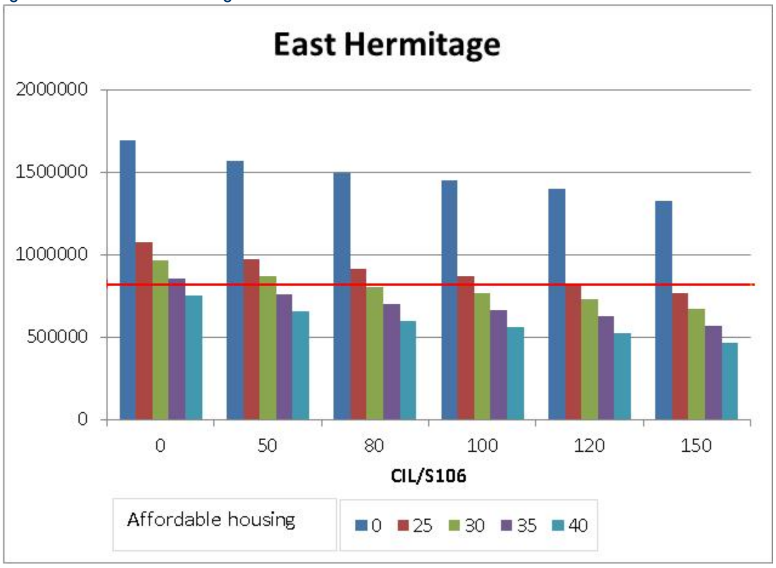
- **Bridge Nursery -** this is a small urban extension adjacent to residential areas. The council has indicated a capacity of 165 dwelling at 30 dph. Figure 7.1 indicates that that affordable housing is not achievable at 40%, even when CIL/s106 is set to zero. With affordable housing set at 25% then up to £120 per m^2 is achievable for CIL/S106.

Figure7.1 Bridge Nursery



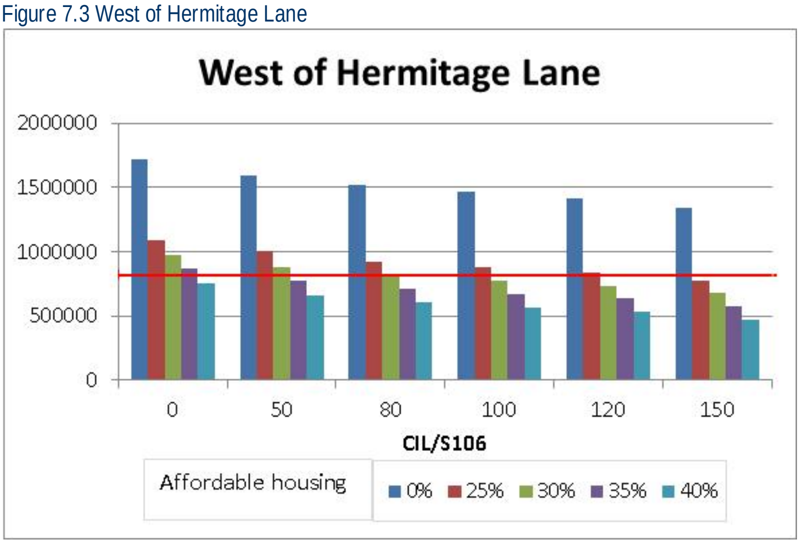
- **East of Hermitage Lane** – this is the largest of the North West sites, with provision of 415 dwellings at 30dph. The site is adjacent to existing residential areas. The appraisal results shown in Figure 7.2 indicate that affordable housing at 40% is not likely to be achieved on the site. A modest level of CIL/S106 of between £50 and £80 per m^2 would enable affordable housing at 30%.

Figure 7.2 East of Hermitage Lane



- **West of Hermitage Lane** – this site is located opposite Maidstone Hospital and adjacent to residential areas. It is anticipated that around 300 dwellings at around 30 dph will be provided. In common with the other North West Maidstone sites 40% affordable housing is not currently achievable. However a combined CIL/106 level of £120 per m^2 is achievable at 25% affordable housing.

Figure 7.3 West of Hermitage Lane



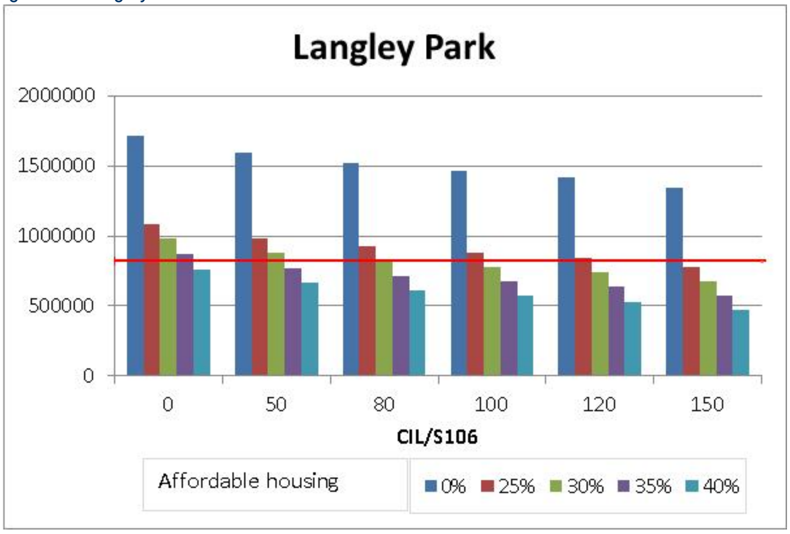
South East Maidstone

7.1.5 The south east of Maidstone has been identified as a strategic location for housing growth. Three sites have been identified – Langley Park, North of Sutton Road and North of Bicknor Wood.

- **Langley Park** - this is the largest of all the Maidstone urban extensions. It is expected that the site can provide around 600 dwellings at 30dpha. As can be seen in Figure 7.4

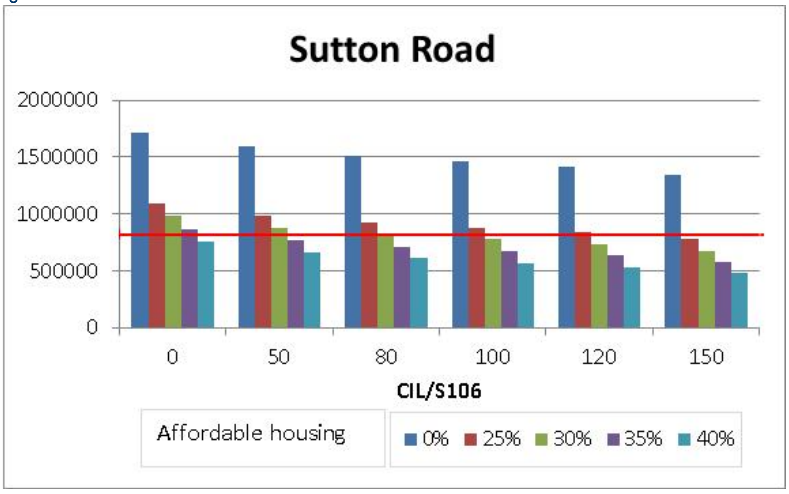
the maximum level of affordable housing would be 35%, however this would limit the ability to collect CIL/S106. The highest level of CIL/S106 is £120 per m^2 whilst still being able to provide affordable housing at 25%.

Figure7.4 Langley Park



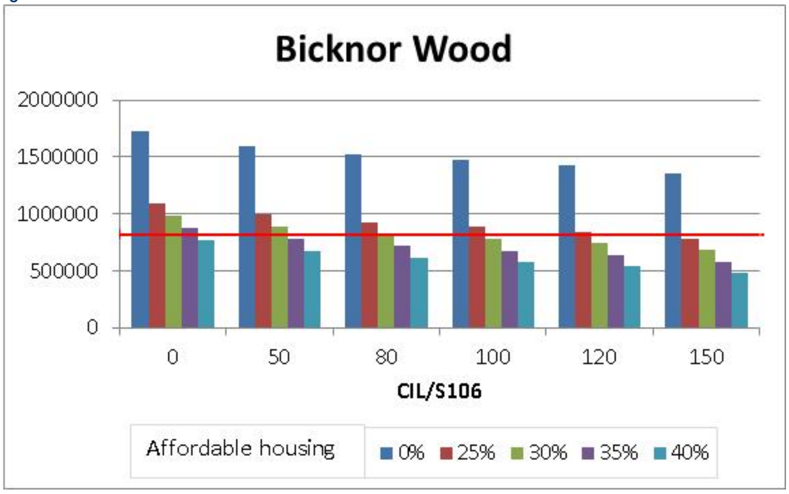
- **North of Sutton Road** - this site is adjacent to the urban fringe of Maidstone. It is anticipated that the site should realise around 285 dwellings at a density of 30 dph. In common with other sites around Maidstone it is unlikely that 40% affordable housing will be achieved in the current climate. The maximum level of affordable housing is likely to be 35% but this would not realise any CIL/S106.

Figure 7.5 North of Sutton Road



- **North of Bicknor Wood** - this is the smallest, in terms of housing provision of the sites promoted within the South East strategic area. Located to the north of the Sutton Road it is expected to accommodate around 190 dwelling at 30 dph. As can be seen in Figure 6.6 a combination of affordable housing at 30% and CIL/S106 can be achieved.

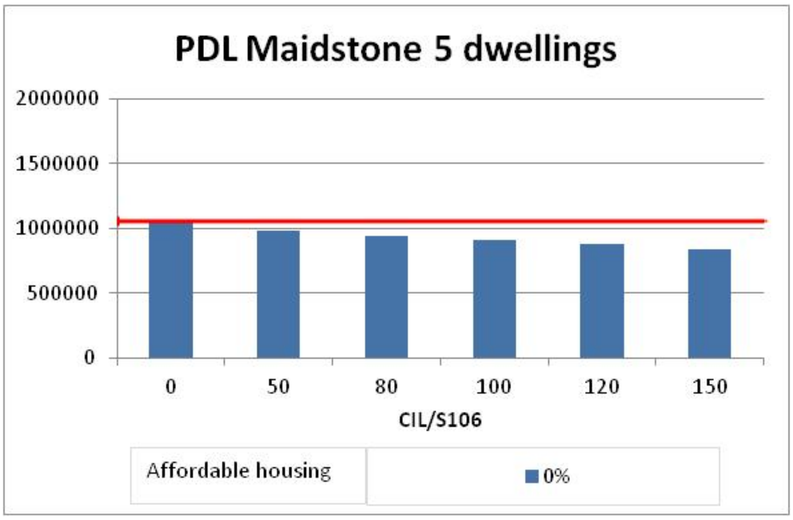
Figure 7.6 North of Bicknor Wood



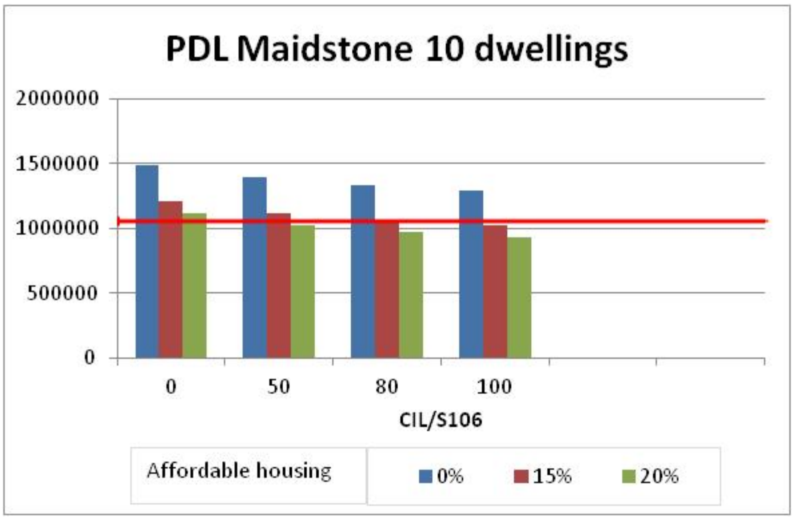
Maidstone previously developed land

7.1.6 There is potential for future supply of land to come forward from brownfield land development in Maidstone during the Plan period, therefore it is appropriate to test this potential source in order to determine as to whether it is viable to seek affordable housing on such sites and the impact of a levy. In consultation with the council we have tested three development types.

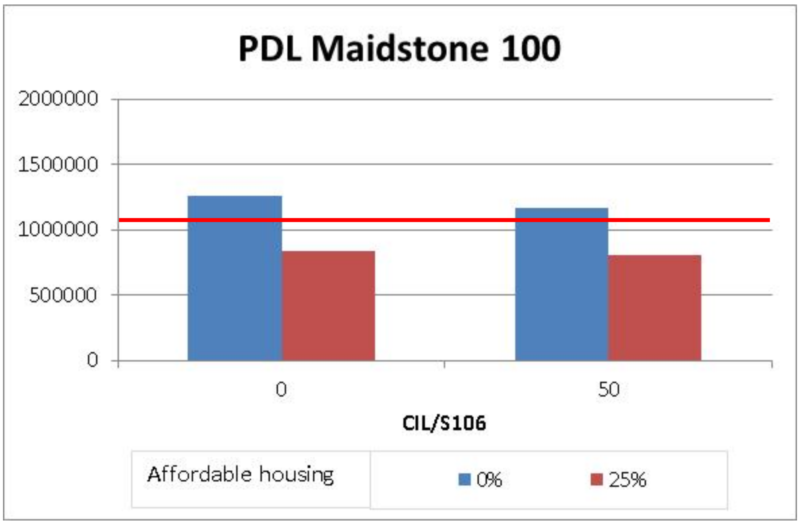
- Small infill of 5 dwellings at 50 dph on 0.1 hectares. The residual value of this site is around £1,000,000 with no affordable housing or CIL/S106. This is at the benchmark level for previously developed sites in Maidstone. If £150 per m^2 CIL/S106 is added the residual value drops to around £840,000. As affordable housing, even at a minimum rate of say 15% is a greater cost than the highest CIL/S106 rates tested, we have not fully tested as it is clear it will be significantly below the benchmark.



- Small infill of 10 dwellings at 50 dph on 0.2 hectares with some demolition. With no affordable housing or CIL/S106 the residual value is around £1.49m. A 20% affordable housing and a minimum CIL/S106 of £50 per m^2 development is viable, with a residual value above the benchmark. Therefore it is considered not viable to lower the threshold for affordable housing down to fewer than 10 dwellings on previously developed sites within Maidstone.



- Town centre redevelopment of 100 dwelling 'urban village' on a commercial site of 2.5 hectares at 40 dph. With no affordable housing or CIL/S106 then this type of development is viable with a residual value of £1.3m per hectare. However when affordable housing and CIL/S106 are added at a modest level of 25% affordable housing and £50 per m^2 for CIL/S106 then the residual drop below £1m at £806k per hectare.



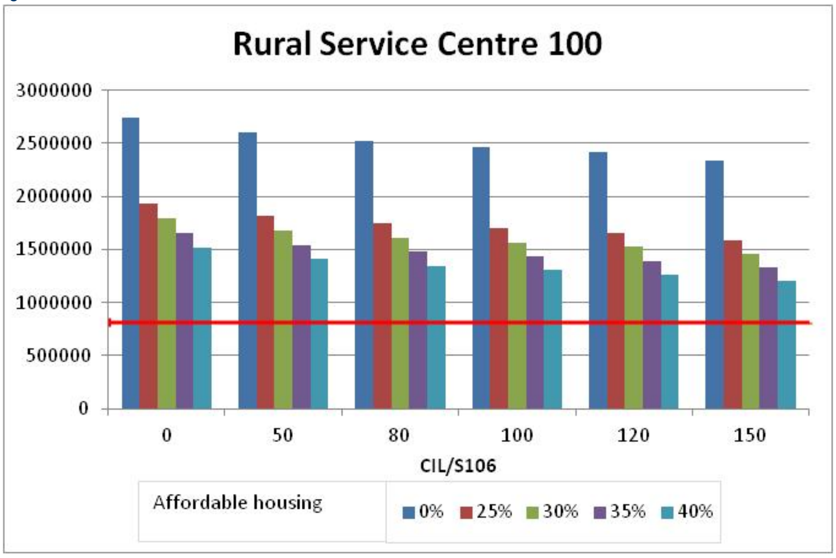
Villages and rural areas

7.1.7 Five villages have been identified as Rural Service Centres (RSC) - Harrietsham,Headcorn, Lenham, Marden, Staplehurst. The sites range in size from 110 dwellings to 315 dwellings. The council's current strategy is to direct development to the RCS, however, it is also currently updating its SHLAA and is considering rural sites. We have therefore tested a 20 dwelling scheme at 30 dph.

- **Rural Service Centre – a site of 100 dwellings** has been tested at 30dph. Figure 7.8 shows that a target of affordable housing at 40% is achievable even at the higher levels of CIL/S106.

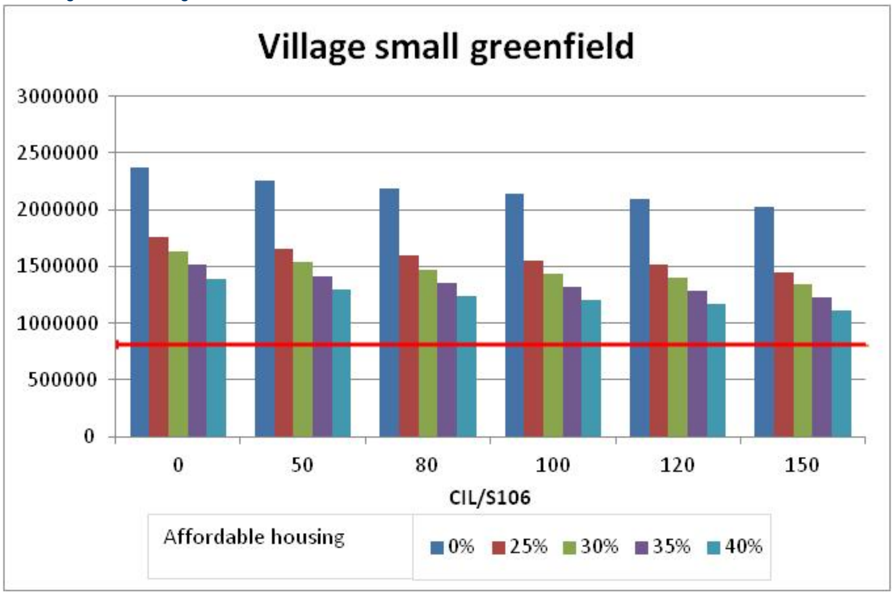
- **Rural Service Centre – a site of 200 dwellings** has been tested at 30dph – the results are similar to those of the site tested at 100 dwellings in that a 40% level of affordable housing and the higher levels of tested CIL/S106 can be achieved.

Figure 7.8 Rural Service Centre



- **Villages – a greenfield site of 20 dwellings** at the edge a village at 30 dph. As with the Rural Service Centres, there is sufficient scope to achieve 40% affordable housing and the highest levels of CIL/106 tested as shown in Figure 7.9

Figure 7.9 Village Greenfield



7.2 Further testing

7.2.1 The initial generic testing described above has been further refined to take into account that large developments have on going costs in terms of finance over the life of the scheme.

Therefore we have provided appraisals which include a cash flow analysis for a large greenfield site in the Maidstone area of 600 dwellings and a village extension of 100 dwellings. In both cases we have made a conservative estimate that the development will realise approximately 50 sales per year. For the purposes of testing we have used the optimum rates from the initial testing to guide assumptions on affordable housing and CIL/S106.

7.2.2 In addition within the same appraisal, following discussion with the council and registered providers we have also tested an alternative affordable housing mix of 50% Affordable Rent, 40% Shared Ownership and a new rental product (equivalent of 90% of market value) at 10%. This is a new approach that the council and registered providers are considering to help the local housing market and provision of more affordable opportunities for a greater number of people. We have tested this in the context of the viability testing but do not offer comment as to whether it is a workable concept.

7.2.3 The full appraisals can be found in Appendix 1 and are summarised below:

Table 7.1Summary of DCF appraisal

Scenario	Affordable housing assumption	CIL/S106 assumption	Residual value
300 dwelling urban extension at Maidstone	30%	£120 per m^2	£824,680
100 dwelling village extension	40%	£150 per m^2	£1,099,000

7.2.4 Based on the assumptions described above the 100 dwelling scheme on the edge of a village is viable with the highest tested level of affordable housing and CIL/S106. However for an urban extension with a reduced level of affordable housing and a lower CIL/S106 the residual value is more marginal against the benchmark.

7.3 Summary of findings from residential analyses and recommended approaches to affordable housing, CIL and S106

7.3.1 Officers and members have a relatively unconstrained choice about whether affordable housing or CIL is prioritised, and to what extent. Factors that should be borne in mind are that

- CIL is fixed, whereas affordable housing S106 is negotiable. In practice, this means that local authorities may choose to avoid setting a high CIL with a nil S106 charge, because such an approach will leave little flexibility to cope with individual site circumstances (given that CIL cannot be varied once set). Note, though, that the CIL has been set with a ‘buffer’ that should allow developers plenty of room to cope with difficult site conditions.
- There is no requirement for the CIL revenue to precisely match the infrastructure funding gap.
- There is no requirement for affordable housing delivery to deliver the affordable housing need identified in the SHMA.

7.3.2 The following table summarise the results of the viability testing in terms of different levels of affordable housing and potential for CIL/S106 contributions against the relevant benchmark land value for the main site types. For each tested level green is viable i.e. 20% above the benchmark, orange marginal i.e. above the benchmark but by less than 20%, or red which is not viable as it is below the benchmark.

Table 7.2 Viability summary zero affordable housing

Scenario	Viable					
	£0 CIL/S106	£50 per m^2	£80 per m^2	£100 per m^2	£120 per m^2	£150 m^2
Urban extension at Maidstone						
5 dwelling PDL development in Maidstone						
10 dwelling PDL development in Maidstone						
100 dwelling town centre development in Maidstone						
5 dwelling village development						
20 dwelling village development						
100 dwelling village extension						

Table 7.2 Viability summary 25% affordable housing

Scenario	Viable					
	£0 CIL/S106	£50 per m^2	£80 per m^2	£100 per m^2	£120 per m^2	£150 m^2
Urban extension at Maidstone						
5 dwelling PDL development in Maidstone						
10 dwelling PDL development in Maidstone						
100 dwelling town centre development in Maidstone						
5 dwellings village development						

20 dwelling village development						
100 dwelling village extension						

Table 7.3 Viability summary 40% affordable housing

Scenario	Viable					
	£0 CIL/S106	£50 per m^2	£80 per m^2	£100 per m^2	£120 per m^2	£150 m^2
Urban extension at Maidstone						
5 dwelling PDL development in Maidstone						
10 dwelling PDL development in Maidstone						
100 dwelling town centre development in Maidstone						
5 dwellings village development						
20 dwelling village development						
100 dwelling village extension						

Affordable housing

7.3.3 We suggest that the affordable housing policy might be altered. Current draft policy sets a uniform target at 40%, but allows smaller developments to avoid paying an affordable housing contribution. Based on the viability testing we make the following comments:

- Threshold – there are no viability reasons as to why the threshold for affordable housing cannot be lower than current policy, although the administration costs involved in drawing up S106 agreements should be considered. The threshold could be as low as 1 dwelling in rural areas, although you will need a policy on commuted sums as it is unlikely that you will be able to achieve affordable housing on site on small developments. However, within the urban area it is not viable to seek affordable housing below 10 dwellings.

- Percentage of affordable housing – there is a clear distinction between previously developed land, greenfield sites on the edge of Maidstone and the rural areas. The recommended levels below take into account an allowance for CIL/S106. It is suggested that affordable housing policy is set differently for these three distinct areas:

  - Previously developed land Maidstone: Affordable housing target of 20%

- Greenfield sites Maidstone: Affordable housing target 25%
- Villages and rural areas: Affordable housing target 40%

7.3.4 This is a better way of reflecting the underlying viability differences of development in the area, and aligns better with the viability evidence presented and the logic of the plan overall. This would see a lower level of affordable housing levied on sites in the central urban area, but a higher level of affordable housing levied on the more viable sites in the urban fringe, villages and the rural areas. The boundary for the policy would be the same as the boundary used for the CIL.

7.3.5 This is one approach and assumes the level of CIL/S106 is set as outlined in the section. Other policy combinations could be used, within the parameters of the viability advice.

Community Infrastructure Levy and Section 106

7.3.6 As described below an assumption has been made of a potential split between S106 and CIL. However as housing supply is reliant on the delivery of strategic urban extensions and there is potential for a greater level of growth than anticipated when undertaking the viability testing, it may be appropriate to reconsider these recommendations when more information is known. Therefore, whilst the emerging policies are considered deliverable, with the changes recommended in this report, caution is urged in using the recommended levels at this stage. Based on the viability testing the following should be considered:

- Charging areas – there are three distinct areas in terms of viability, namely urban Maidstone, edge of Maidstone and Rural/Villages. There are two options, either map all three areas as described, or map two areas of Maidstone (including the urban extensions) and rural (including the villages). The latter option is more simple but does mean that potentially redevelopment of previously developed land in Maidstone could be affected.

- Charging schedule – for each of the chargeable areas it is considered that on the basis of the affordable housing referred to above and the discussion about S106 below that the following charges could be levied:

  - Previously developed land Maidstone: Levy of £35 per m^2
  - Greenfield sites Maidstone: Levy of up to £84 per m^2
  - Villages and rural areas: Levy of £105 per m^2

Policy requirements

7.3.7 In respect of the emerging policies and in light of the assessment the following observations are made:

- Infrastructure – there are a number of infrastructure items identified in policy, however it is not clear at present what the anticipated source of funding is for each of these items i.e. CIL, S106 or public grant funding. The council needs to be clear as to where it anticipates funding to be sourced. At present for the purposes of these recommendations we have split the CIL and S106 costs 70/30 for all sites, although it maybe appropriate to use different ratios for the different types of sites.

The Borough Council in association with Kent County Council, other infrastructure providers and the promoters of the site need to undertake work to further establish the infrastructure requirements both on and off site to enable the delivery of the strategic sites. As these sites substantially contribute to the housing supply it is important that all parties are aware of the requirements and importantly how they are intended to be funded. This information will be required for both the Plan and CIL examination to demonstrate a robust approach.

- Sustainable design – it is recommended that the policy seeking higher than building regulation standards in terms of sustainable design is removed from the Plan. It is unlikely that building regs will be changed to incorporate the Code 5 equivalent requirements in the short to medium term because of viability issues. The effect of requiring higher standards through policy effectively wipes out around £600,000 per hectare from the residual value – this will effectively mean that the council won't be able to seek any affordable housing or S106 from greenfield sites in Maidstone.

8 Non-Residential Assessments

8.1 Non-Residential Assumptions

8.1.1 This section sets out the assumptions used for the non-residential viability testing work. The initial appraisals make no allowance for either CIL or S106 contributions to establish as to whether there is any scope to charge CIL.

8.2 Approach

8.2.1 The testing has been conducted on a hypothetical typical site basis. Viability testing on a typical/notional basis has been adopted since it is impossible for this study to consider viability on a site-specific basis at this stage, given that there is currently insufficient data on site-specific costs and values, as site details have yet to be established. Such detail will evolve over the plan period. Site-specific testing would be considering detail on purely speculative/assumed scenarios, producing results that would be of little use for a study for strategic consideration.

8.3 Establishing Gross Development Value (GDV)

8.3.1 In establishing the GDV for non-residential uses, a similar approach has been taken to residential, so we do not repeat the process here. However, given the significant variety in development types, this report has also considered historic comparable evidence for new values on both a local, regional and national level.

8.3.2 The following table illustrates the values established for a variety of non-residential uses, expressed in m^2 of net rentable floorspace.

Table 8.1: Non Residential Uses – Rent and Yields

Use	Rents	Yields
Superstore/supermarket	£200	5.5%
Retail warehousing	£140	6.7%
Town centre retail	£240	7.0%
Local convenience	£150	6.0%
B1 office town centre	£80	8.7%
B1 office out of centre	£200	9.1%
B2 industrial 1,500 m^2	£70	7.9%
B2 Industrial 5,000 m^2	£70	7.9%
B8 warehouse 5,000 m^2	£70	8.1%
Hotels	£135	6.0%
Assembly/leisure	£149	8.5%
Care homes	£128	6.1%
Extra Care Living (not based on Rental and Yield Model)	GDV = £3000 per m^2	
Health & fitness	£105	7.0%

Source: PBA research

8.4 Costs

8.4.1 Once a GDV has been established, the cost of development (including developer profit) is then deducted. For the purposes of viability testing, the following costs and variables are some of the key inputs used within the assessment:

- Developer profit;
- Build Costs;
- Professional Fees and Overheads;
- Finance;
- Marketing Fees;
- Legal Fees; and
- Land Stamp Duty Tax.

8.5 Site Coverage

8.5.1 As the viability testing in some circumstances is being undertaken on a 'per hectare' basis, it is important to consider the density of development proposed. The following table sets out the assumed site coverage ratios for each development type.

Table 8.2: Non Residential Uses – Site Coverage Ratios

Use	Coverage	Floors
Superstore/supermarket	40%	1
Retail warehousing	40%	1
Town centre retail	80%	1
Local convenience	80%	1
B1 office town centre	80%	3
B1 office out of centre	80%	2
B2 industrial 1,500 m^2	40%	1
B2 Industrial 5,000 m^2	40%	1
B8 warehouse 5,000 m^2	40%	1
Hotels	50%	3
Assembly/leisure	50%	2
Care homes/Extra Care	50%	2
Health & fitness	50%	2

8.6 Developer Profit

8.6.1 The developer's profit is the expected and reasonable level of return a private developer can expect to achieve from a development scheme. This figure is based a 20% profit margin of the total Gross Development Value (GDV) of the development.

8.7 Build Costs

8.7.1 Build cost inputs have been established from the RICS Build Cost Information Service (BCIS) at values set at the time of this study (current build cost values). The build costs are entered at a pound per m^2 rate at the following values shown in the following table. The build costs adopted are based on the BCIS mean values, indexed separately to Maidstone prices; and then amended following the development industry feedback at the meeting on 15th August and subsequent discussion. Also included is an allowance for external works.

Table 8.3: Non Residential Uses – Build Costs

Use	Build costs (pm^2)
Superstore/supermarket	£1,140
Retail warehousing	£600
Town centre retail	£980
Local convenience	£1,000
B1 office town centre	£1,440
B1 office out of centre	£1,240
B2 industrial 1,500 m^2	£696
B2 Industrial 5,000 m^2	£645
B8 warehouse 5,000 m^2	£630
Hotels	£1,080
Assembly/leisure	£1,140
Care homes	£1,100
Extra Care Living	£1,000
Health & fitness	£1,380

Sourced: PBA research, Spons Architects' and Builders' Price Book 2009 and BCIS

8.8 Professional Fees, Overheads

8.8.1 This input incorporates all professional fees associated with the build, including: architect fees, planner fees, surveyor fees, project manager fees. The professional fees variable is set at a rate of 12% of build cost.

8.8.2 This variable has been applied to the appraisal as a percentage of the total construction cost. This figure is established from discussions with both regional and national developers as well as in house knowledge and experience of industry standards.

8.9 Finance

8.9.1 A finance rate has been incorporated into the viability testing to reflect the value of money and the cost of reasonable developer borrowing for the delivery of development. This is applied to the appraisal as a percentage of the build cost at the rate of 7.5% of total development costs (inc build costs, external works, professional fees, sales and marketing).

8.10 Marketing Fees

8.10.1 This variable is based on the average cost of marketing for a major new build development site, incorporating agent fees, 'on site' sales costs and general marketing/advertising costs. The rate of 4% of GDV is applied to the appraisal as a percentage of the GDV and is established from discussions with developers and agents.

8.11 Acquisition Fees and Land Tax

8.11.1 This input represents the legal costs to a developer in the acquisition of land and the development process itself. The input is incorporated into the residual value as a percentage of the residual land value at the rate of 10% of RLV.

8.11.2 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual value as percentage cost against the residual land value at a rate of 4% (highest rate applicable is used for testing purposes).

8.12 Land for Non-residential Uses

8.12.1 After systematically removing the various costs and variables detailed above, the result is the residual land value. These are measured against a benchmark value which reflects a value range that a landowner would reasonably be expected to sell/release their land for development.

8.12.2 Establishing the existing use value (EUV) of land and in setting a benchmark at which a landowner is prepared to sell to enable a consideration of viability can be a complex process. There are a wide range of site specific variables which affect land sales (e.g. position of the landowner – are they requiring a quick sale or is it a long term land investment). However, for a strategic study, where the land values on future individual sites are unknown, a pragmatic approach is required.

8.12.3 From discussions with agents' active in the commercial sector, we have concluded that there have been very few sales of commercial or employment land in the district over the past 5 years, largely arising from the moribund state of the commercial market caused by the recession. Land values established before 2007 provide evidence of a wide range of land values for employment uses between £400k and £1m/ha dependant on location and site conditions/status. There is planning policy resistance to changes of use to residential from employment uses where there is a demonstrable employment demand and a solid resistance from landowners to sell for lower than the established pre-2007 value. There is no evidence to suggest therefore that a lower value should be attributed to brownfield sites as an EUV in the viability appraisals.

8.12.4 We have therefore concluded that a benchmark figure towards the lower end of the range of £500,000/ha is appropriate as a starting point. The benchmark is then adjusted on the basis of location and different uplifts applied according to use. So for example a town site will be at the upper end of the existing use value as it will already have a comparatively high value and if the potential use is retail then it will also have a higher uplift value as expectation on return will be higher.

8.13 Non Residential Development Analysis

8.13.1 This section sets out the assessment of non-residential development viability and also summarises the impact on viability of changes in values and costs, and how this might have an impact on the level of developer contribution. The tables below summarise the detailed assessments, and represent the net value per m^2, the net costs m^2 (including an allowance for land cost) and the balance between the two.

8.13.2 It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant. However there will also be development that is undertaken for specific commercial operators either as owners or pre-lets.

8.14 B-class Uses

8.14.1 In line with other areas of the country our analysis suggests that for commercial B-class development it is not currently viable to charge a CIL. Whilst there is variance for different types of B-space, essentially none of them generate sufficient value to justify a CIL charge.

8.14.2 As the economy recovers this situation may improve but for the purposes of setting a CIL we need to consider the current market. Importantly this viability assessment relates to speculative build for rent – we do expect that there will be development to accommodate specific users, and this will based on the profitability of the occupier's core business activities rather than the market values of the development.

Table 8.4: B-class Development

Use	Town Centre Office	Out of Town Office	Industrial 1,500 m^2	Industrial 5,000 m^2	B8 Warehouse
Values/ m^2	£823	£1,968	£793	£793	£774
Development costs/ m^2 (inc. EUV + uplift)	£1,817	£2,236	£1,250	£1,184	£1,559
Residual Value/ m^2 inc. allowance for EUV + uplift)	-£994	-£268	-£457	-£390	-£385

8.15 Retail Uses

8.15.1 The viability of retail development will depend primarily on the re-emergence of occupier demand and the type of retail use being promoted. For this reason we have tested different types of retail provision.

8.15.2 **Superstores, supermarkets and local convenience** – large scale and small scale convenience retail continues to be one of the best performing sectors in the UK, although we are aware that even this sector is seeing reduced profits at the time of writing. Leases to the main supermarket operators (often with fixed uplifts) command a premium with investment institutions. Although there are some small regional variations on yields, they remain generally strong with investors focussing primarily on the strength of the operator covenant and security of income. We would therefore suggest the evidence base for large out of town retail can be approached on a wider region or even national basis when justifying CIL charging. Following our appraisal on this basis in Maidstone we believe there is scope for a significant CIL charge for out of town centre development without affecting viability.

8.15.3 **Retail warehouse** – although this market has been relatively flat in recent times, especially in terms of new build, there may potentially be more activity in the future. Whilst values have dropped the relatively low build costs mean that there is still value in these types of developments when there is occupier demand.

8.15.4 The appraisal summary shown in table 5.5 is for all out of town centre development. Whilst it can be seen that these different types of out of town centre provision have different levels of viability it is not possible to set a size threshold for different types of shopping, therefore it is considered that all types of retail development outside the town centres in Maidstone should attract a charge that will be viable for all identified types of retail development. As the provision of small scale local convenience retailing is likely to either be under the 100 m^2 CIL threshold or not critical to delivery of the plans objectives it is considered that setting CIL for all out of centre retail development around that level would not significantly impact on the delivery of the Plan.

Table 8.5: Out of town centre retail uses

Use	Superstore	Supermarket	Small/Local Convenience Retail	Retail Warehouse
Values/ m^2	£3,256	£2,984	£2,238	£1,871
Development costs/ m^2 (inc. EUV + uplift)	£2,822	£2,724	£2,049	£1,594
Residual Value/ m^2 inc. allowance for EUV + uplift)	£434	£260	£189	£276

8.15.5 **Town centre** – we have tested town centre retail in the main centre of Maidstone as this is the focus for future growth. In terms of what constitutes 'town centre', the Local Plan identifies a core, secondary and tertiary area which represents a useful 'town centre boundary in functional terms as does the proposed boundary in the 2011 document. We also consider that on a strategic level in Maidstone there is little difference between A1-A5 units and whilst convenience units may attract higher values, in practical terms it will be difficult to set different CIL rates for just these types of uses as the evidence is limited to support such a distinction. The residual analysis shows that town centre retail is not currently able to support a CIL charge.

Table 8.6: Town Centre Residual Analysis

Use	Town Centre
Values/ m^2	£2,865
Development costs/ m^2 (inc. EUV + uplift)	£2,873
Residual Value/ m^2 inc. allowance for EUV + uplift)	-£8

8.16 Leisure Development

8.16.1 We have tested budget hotels, mixed leisure schemes and health clubs. Our high level appraisal of both these types of development shows that in the current market values are not sufficient to justify a CIL charge.

8.16.2 **Hotels** – the rapid expansion in the sector at the end of the last decade was in part fuelled by a preference for management contracts or franchise operations over traditional lease contracts. Outside London (which has shown remarkable resilience to the recession) hotel development is being strongly driven by the budget operators delivering new projects through traditional leasehold arrangements with institutional investors.

8.16.3 Our viability model is based on an out of city centre budget hotel scheme and in terms of Maidstone it can be seen that viability is marginal, if S106 costs are included it is unlikely there will be sufficient value realised to contribute to a levy.

Table 8.7: Hotel Viability Levy

Use	Hotels
Values/ m^2	£2,014
Development costs/ m^2 (inc. EUV + uplift)	£1,989
Residual Value/ m^2 inc. allowance for EUV + uplift)	£25

8.16.4 **Mixed Leisure and fitness** – a mixed leisure scheme to include facilities such as cinema, bowling, health and leisure complex, gambling and associated eating and drinking establishments. Our analysis shows that this sort of scheme is currently marginal in Maidstone to support a CIL charge. We have also tested a stand-alone commercial health and fitness facility and that is currently unlikely to be viable enough in Maidstone to support a CIL charge.

Table 8.8: Mixed Leisure CIL Charge

Use	Assembly/Leisure	Health & Fitness
Values/ m^2	£2,223	£1,343
Development costs/ m^2 (inc. EUV + uplift)	£2,160	£2,258
Residual Value/ m^2 inc. allowance for EUV + uplift)	£64	-£915

8.17 Care Homes and Extra Care Living

8.17.1 In addition to the uses above we have tested the viability of care homes. There has been significant private sector investment in care homes in the recent past, fuelled by investment funds seeking new returns. However, there have been concerns about the occupancy rates and the ability to sustain prices. The high level analysis suggests that care homes are unlikely to be viable in Maidstone.

8.17.2 In terms of extra care living, like care homes, there has been considerable investment in the past and the market seems to be picking up again. However, whilst these schemes attract values akin to residential development they are often developed on more challenging harder to deliver edge of town centre sites with greater construction cost and higher existing use values. Taking into account a potential for s106 contributions, whilst there is potential to charge a small levy, it will be marginal and it will not match residential development. It should also be noted that any levy is only likely to be viable with nil affordable housing.

Table 8.9: Care homes and extra care living Charge

Use	Care Homes	Extra Care Living – in town
Values/ m^2	£1,885	£1,979
Development costs/ m^2 (inc. EUV + uplift)	£1,960	£1,894
Residual Value/ m^2 (inc. allowance for EUV + uplift)	-£75	£85

8.18 Other Non-residential Development

8.18.1 In addition to the development considered above there are other non-residential uses that we have considered. PAS guidance suggests that there needs to be evidence that community uses are not able to support CIL charges.

8.18.2 A number of these facilities may be delivered in the Borough over the plan period. They fall into three broad categories, which may overlap:

- Some, like independent schools, will be provided by organisations which have charitable status. They would be exempt from CIL in any case
- Others, probably the largest category, will be developed, commissioned or subsidised by the public sector. These projects by definition do not deliver a financial return; rather, they make a loss, which is paid for by the public purse. In general they will not produce a commercial land value either, because the land they use will be in public ownership at the outset. Therefore in most cases that there will be not be an overage, on which CIL can be charged. In those instances where land for public facilities is purchased by the public sector provider in the open market, an overage may be generated; but we have no evidence on which to estimate this and we do not believe it to be significant.
- Thirdly, some facilities will be provided on a commercial basis. The main instance of this is primary care premises occupied by GPs. There is a commercial market for properties of this sort. We have analysed the price paid for completed investments across the country by specialist investors. We have found that the sites used are usually sourced on a preferential basis and the surplus land values they generate are not significant in most cases. It is possible that privately-funded BUPA-type health provision might be developed, but this is likely to be de minimis.

8.18.3 Therefore we conclude that the development of public service and community facilities should not be subject to CIL. Our view is that it would not be helpful to set a CIL for the type of facilities that will be paid for by CIL (amongst other sources).

8.19 Summary on Non-residential Development

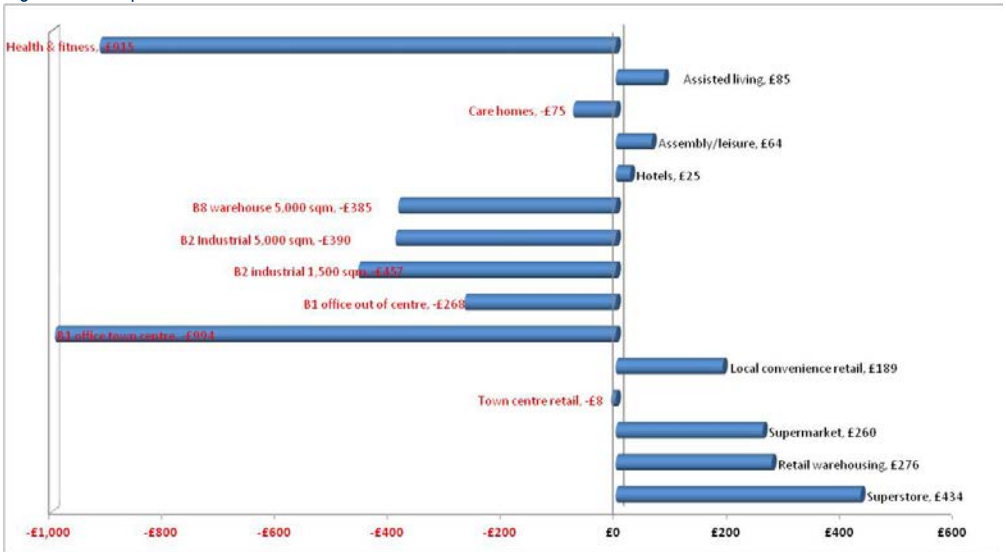
8.19.1 The following figure illustrates the levels of value in our tested schemes when all costs have been subtracted from the values. As can be seen positive values exist for all out of town centre retail development and for assisted living housing.

8.19.2 This suggests that if the council were minded to set a CIL charge on out of centre retail development a figure around £170 / m^2would be appropriate.

8.19.3 As the viability of setting a charge on assisted living/ extra care housing is more marginal the council will need to decide as to whether to set a zero or low level of say up to £25 / m^2 or if less risk adverse and if not considered impacting on the plan delivery including that of affordable housing potential then a higher charge could be set at the top of the scale of around £50-70 / m^2. If the council wants to pursue the DPD target of 40% affordable housing from these types of uses then the levy should be set at zero.

8.19.4 It is suggested that a zero charge applies to all the other forms of non residential development. All other tested uses show negative values, although, it is important to note that this does not mean that these uses will never come forward in Maidstone. Bespoke schemes with identified end users and land owners willing to sell at lower prices could enable development to come forward in the future.

Figure 8.1 Scope for CIL



9 The CIL Charging Schedule and affordable housing policy

9.1.1 In this section, we make recommendations on the content of a Preliminary Draft charging schedule and affordable housing policy. The residential CIL charges and affordable housing policy and boundaries recommended below are draft at this stage.

9.1.2 Further work will be required to establish infrastructure costs on strategic sites, especially any newly identified sites. Once broad costs have been established then the council will be in a position to determine funding and delivery mechanisms for any required infrastructure. The location of any newly identified sites may also need consideration in terms of values and in setting a CIL charge. It may be necessary to undertake some further viability tests of the main strategic sites to confirm this approach, confirm boundaries, and to confirm that the plan is deliverable.

9.2 Summary

9.2.1 Table 9.1 below summarises the recommended CIL charges and affordable housing policy.

Table 9.1 Recommended charging rates and affordable housing percentage for Maidstone Borough Council (£ per m^2)

Zone and/or use	Affordable housing	Maximum CIL charge per m^2
Residential		
Maidstone urban area (as defined by settlement boundary)	20% (above 10 or more threshold)	£35
Maidstone urban extensions	25%	£84
Rural areas, including villages	40%	£105
Assisted living/extra care Option 1	0%	£25
Assisted living/extra care Option 2	Any affordable housing requirement	£0
Retail outside of town centre (as defined in local plan as core, secondary and tertiary area)	N/A	£189
All other uses	N/A	£0

9.3 Is the Plan viable

9.3.1 The NPPF is clear that it is looking at plan deliverability and viability overall. It states:

‘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.’

pba peterbrett

'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.'

9.3.2 It is not necessary to prove that all funding for infrastructure has been identified. The NPPF states that standards and policies in Local Plans should 'facilitate development across the economic cycle,' suggesting it is reasonable for a Local Authority to put forward a case that viability is likely to improve over time; that CIL may be revised upwards; that some infrastructure requirements are not required immediately; and that mainstream funding levels may recover. However the authority will need to ensure that funding is identified to support infrastructure in relation to the five year supply of housing.

9.3.3 It is currently unclear as to what the likely infrastructure costs are at this stage in the Plan production, especially as it is likely that further sites may need to be considered to ensure housing needs are met. The authority will need to be able to clearly indicate a broad total infrastructure bill and test how that fits with the likely receipts from CIL and in terms of how infrastructure is funded. The authority will need to establish:

- Potential CIL revenue
- Known strategic infrastructure costs
- Funding gap
- Sources to meet funding gap e.g. on site provision through development, mainstream funding and New Homes Bonus.

9.3.4 If there is a large funding gap, it should be borne in mind that this plan runs until 2026. If there are likely to be some difficulties in cashflow for funding infrastructure provision particularly in the earlier part of the plan period there are options available. Any funding gap and cashflow problem could be narrowed, and cashflow problems addressed, by the following means.

- Focusing on the delivery of essential infrastructure items
- Re-prioritising the essential items. The council may need to prioritise both within theme areas (e.g. prioritising the most important transport projects) and also between theme areas (e.g. deciding to invest in open space, rather than transport, or vice versa). Properly, these decisions rest with elected representatives and their officers on the basis of good quality information about what is realistically possible.
- Delaying the dates by which infrastructure items are required.

9.3.5 There might be a role for a Delivery Framework. If this route was taken, the Delivery Framework would need to be a very practically orientated project plan document. The Delivery Framework could do the following:

- Identify tasks on the critical path, set dates for those issues to be resolved, and clarify delivery roles and responsibilities for different organisations and individuals;
- Focus on how any problems will be resolved - in a very head-on way;

- Define issues in time sequence. This would allow the focusing of resources on short term issues and a process of active planning for medium term issues. Longer-term problems (where it is clear that fundamental changes in funding regimes or market conditions are required) could be left for future work;

- Help the political process by clarifying decisions that need to be taken, when they need to be taken, and what the ramifications of choices are.

9.3.6 However, these options need to be carefully considered in respect of the council demonstrating it has a deliverable 5 year supply of housing development.

9.3.7 Therefore the Plan, with changes to the building standards and affordable housing policy as recommended, assuming the level of CIL and S106 receipts is sufficient to help deliver key strategic development, then the Plan is considered deliverable. However the authority will need to do further work to demonstrate the level of infrastructure required to support its existing proposed development and any new sites identified.

Appendix 1: Residential Viability Appraisals

Urban extension Maidstone

ITEM						
Site Area	10.00		£824,680 per ha			
Mix				Affordable Target		
		Private	Affordable	30%		
Yield	300	210	90			
1.0	**Development Value**					
1.1	**Private Units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	1 bed	0	50	0	£2,600	£0
	2 bed	74	63	4,631	£2,600	£12,039,300
	3 bed	74	85	6,248	£2,600	£16,243,500
	4 bed	53	130	6,825	£2,600	£17,745,000
	5 bed	11	190	1,995	£2,600	£5,187,000
		210		19698		
1.2	**Affordable units**	**No. of units**	**Size sq.m**			**Total Value**
	Affordable Blend	90		7,131		£9,541,482
		90		7131		
		300.00		**26829**		**£60,756,282**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site Value					£9,037,586
			Less Purchaser Costs			8.75%
						8,246,797
2.3	**Build Costs**					
2.3.1	**Private units**	**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	1 bed	0	50	0	£1,000	£0.00
	2 bed	74	63	4,631	£1,000	£4,630,500.00
	3 bed	74	85	6,248	£1,000	£6,247,500.00
	4 bed	53	130	6,825	£1,000	£6,825,000.00
	5 bed	11	190	1,995	£1,000	£1,995,000.00
		210		19698		
2.3.2	**Affordable units**	**No. of units**	**Size sq.m**		**Cost per sq.m**	**Total Costs**
	Affordable Blend	90		7,131	£1,000	£7,131,000.00
		90		7131		
		300.00				**£26,829,000**
2.4	**Externals**					
2.4.1	Site opening up costs	£150,000	per ha	No. of spaces		£1,500,000
2.4.2	Abnormal costs - changes to Bldg Regs	£10	per sqm			£268,290
						£1,768,290
2.5	**Professional Fees**					
2.5.1	as percentage of build costs		12%			£3,431,675
						£3,431,675
2.6	**Contingency**					
2.6.1	Based upon percentage of construction costs		5%			£1,341,450
						£1,341,450
2.7	**Developer contributions**					
2.7.1	S.106		£35	per sq m		£939,015
2.7.2	CIL		£85	per sq.m		£1,674,330
						£2,613,345
2.8	**Sale cost**					
2.8.1	Legals -		£500	per unit		£105,000
2.8.2	Sales agents fee -		1.25%			£640,185
2.8.3	Marketing cost -		£1,000	per unit		£210,000
						£955,185
	TOTAL DEVELOPMENT COSTS					**45,185,742**
3.0	**Developers' Profit**					
3.1	Based upon percentage of:		Rate			
	Market (GDV)		20%			£10,242,960
	Affordable (Build costs)		8%			£570,480
						£10,813,440
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**55,999,182**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					4,757,100
4.00	**Finance Costs**		APR		PCM	
			8.00%		0.643%	-6,533,392

Village extension

ITEM						
Site Area	3.30		£1,099,343 per ha			
Mix				Affordable Target		
		Private	Affordable	40%		
Yield	100	60	40			

1.0	**Development Value**					
1.1	**Private Units**	**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
	1 bed	0	50	0	£3,000	£0
	2 bed	21	63	1,323	£3,000	£3,969,000
	3 bed	21	85	1,785	£3,000	£5,355,000
	4 bed	15	130	1,950	£3,000	£5,850,000
	5 bed	3	190	570	£3,000	£1,710,000
		60		5628		
1.2	**Affordable units**	**No. of units**	**Size sq.m**			**Total Value**
	Affordable blend	40	0	3,166		£4,177,516
		40		3166		
		100.00		**8794**		**£21,061,516**
2.0	**Development Cost**					
2.1	**Site Acquisition**					
2.1.1	Site Value					£3,975,708
			Less Purchaser Costs			8.75%
						3,627,833
2.3	**Build Costs**					
2.3.1	**Private units**	**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
	1 bed	0	50	0	£1,000	£0.00
	2 bed	21	63	1,323	£1,000	£1,323,000.00
	3 bed	21	85	1,785	£1,000	£1,785,000.00
	4 bed	15	130	1,950	£1,000	£1,950,000.00
	5 bed	3	190	570	£1,000	£570,000.00
		60		5628		
2.3.2	**Affordable units**	**No. of units**	**Size sq.m**		**Cost per sq.m**	**Total Costs**
	Affordable blend	40		3,752	£1,000	£3,752,000.00
		40		3752		
		100.00				**£9,380,000**
2.4	**Externals**					
2.4.1	Site opening up costs	£150,000	per ha			£495,000
				No. of spaces		
2.4.2	Abnormal costs - changes to Bldg Regs	£10	per sqm			£87,940
						£582,940
2.5	**Professional Fees**					
2.5.1	as percentage of build costs		12%			£1,195,553
						£1,195,553
2.6	**Contingency**					
2.6.1	Based upon percentage of construction costs		5%			£469,000
						£469,000
2.7	**Developer contributions**					
2.7.1	S.106		£45	per sq.m		£395,730
2.7.2	CIL		£105	per sq.m		£590,940
						£986,670
2.8	**Sale cost**					
2.8.1	Legals -		£500	per unit		£30,000
2.8.2	Sales agents fee -		1.25%			£211,050
2.8.3	Marketing cost -		£1,000	per unit		£60,000
						£301,050
	TOTAL DEVELOPMENT COSTS					**16,543,046**
3.0	**Developers' Profit**					
3.1	Based upon percentage:		Rate			
	Market (GDV)		20%			£3,376,800
	Affordable (Build cost)		8%			£334,201
						£3,711,001
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]					**20,254,047**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]					807,469
4.00	**Finance Costs**		APR		PCM	
			8.00%		0.643%	-1,209,861

Appendix 2: Non-Residential Viability Appraisals

Maidstone - Residual Land Valuation
Retail - 3,500 sq. m Superstore

	Quantum/Value	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	3,500	GFA sqm	@	95.0%		
Rental value	3,325	GIFA sqm	@	£200	per sqm	
Investment yield	£665,000	p.a.	@	5.5%		
Gross Development Value						**£12,090,909**
Expresssed as GDV/sqm						£3,455
Less buyers' costs	*£12,090,909*		@	*-5.8%*		*-£696,436*
Net Receipts						**£11,394,473**
Expresssed as net receipts/sqm						£3,256
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	3,500	sqm	@	£1,140	per sqm	£3,990,000
External works (% of build cost)	£3,990,000		@	10.0%		£399,000
Project/design team fees (% of all construction)	£4,389,000		@	12.0%		£526,680
BREEAM costs	£3,990,000		@	2.0%		£79,800
Developer contributions (non-CIL)	3,500	sqm	@	£0	per sqm	£0
CIL contributions	3,500	sqm	@	£0		£0
Marketing & sales (% of GDV)	£12,090,909		@	4.0%		£483,636
Development costs finance (on half build costs)	1.00	years	@	7.5%		£205,467
Void finance (on total development costs)	0.00	years	@	8.5%		£0
Developers' profit (% of GDV)	£12,090,909		@	20.0%		£2,418,182
Development Costs						**£8,102,765**
Land value realised at sale	£3,291,708					
Less acquisition fees			@	*10.0%*		*£329,171*
Less land tax	*£3,291,708*		@	*4.0%*		*£131,668*
Total Costs						**£8,563,604**
Expresssed as total cost/sqm						£2,447
Residual Land Value for Site						**£2,830,869**
Number of floors	1					
Building footprint	3,500					
Development site coverage	40%					
Balance of site without direct development value	60%					
Expressed as site area without direct development value	5,250	sqm				
Total site land take	8,750	sqm		0.88	ha	
Residual Land Value per Hectare						**£3,235,278**
Assumed existing use value plus uplift per hectare	£1,500,000					
Site cost	0.88	ha				£1,312,500
Total development cost and site costs						**£9,876,104**
Expresssed as total cost and site costs/sqm						£2,822
Net residual value of development						**£1,518,369**
Net residual value per sqm of development						**£434**

Maidstone - Residual Land Valuation
Supermarket 1,100 sqm

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	1,100	GFA sqm	@	95.0%		
Rental value	1,045	GIFA sqm	@	£190	per sqm	
Investment yield	£198,550	p.a.	@	5.7%		
Gross Development Value						**£3,483,333**
Expresssed as GDV/sqm						£3,167
Less buyers' costs	*£3,483,333*		@	*-5.8%*		*-£200,640*
Net Receipts						**£3,282,693**
Expresssed as net receipts/sqm						£2,984
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	1,100	sqm	@	£1,140	per sqm	£1,254,000
External works (% of build cost)	£1,254,000		@	10.0%		£125,400
Project/design team fees (% of all construction)	£1,379,400		@	12.0%		£165,528
BREEAM costs	£1,254,000		@	2.0%		£25,080
Developer contributions (non-CIL)	1,100	sqm	@	£0	per sqm	£0
CIL contributions	1,100	sqm	@	£0		£0
Marketing & sales (% of GDV)	£3,483,333		@	4.0%		£139,333
Development costs finance (on half build costs)	1.00	years	@	7.5%		£64,100
Void finance (on total development costs)	0.00	years	@	8.5%		£0
Developers' profit (% of GDV)	£3,483,333		@	20.0%		£696,667
Development Costs						**£2,470,108**
Land value realised at sale	£812,585					
Less acquisition fees			@	*10.0%*		*£81,259*
Less land tax	*£812,585*		@	*4.0%*		*£32,503*
Total Costs						**£2,583,870**
Expresssed as total cost/sqm						£2,349
Residual Land Value for Site						**£698,823**
Number of floors	1					
Building footprint	1,100					
Development site coverage	40%					
Balance of site without direct development value	60%					
Expressed as site area without direct development value	1,650	sqm				
Total site land take	2,750	sqm		0.28	ha	
Residual Land Value per Hectare						**£2,541,175**
Assumed existing use value plus uplift per hectare	£1,500,000					
Site cost	0.28	ha				£412,500
Total development cost and site costs						**£2,996,370**
Expresssed as total cost and site costs/sqm						£2,724
Net residual value of development						**£286,323**
Net residual value per sqm of development						**£260**

Maidstone - Residual Land Valuation
Local Convenience Retail - 280 sq. m

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	280	GFA sqm	@	95.0%		
Rental value	266	GIFA sqm	@	£150	per sqm	
Investment yield	£39,900	p.a.	@	6.0%		
Gross Development Value						**£665,000**
Expresssed as GDV/sqm						£2,375
Less buyers' costs	*£665,000*		@	*-5.8%*		*-£38,304*
Net Receipts						**£626,696**
Expresssed as net receipts/sqm						£2,238
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	280	sqm	@	£1,000	per sqm	£280,000
External works (% of build cost)	£280,000		@	10.0%		£28,000
Project/design team fees (% of all construction)	£308,000		@	12.0%		£36,960
BREEAM costs	£280,000		@	2.0%		£5,600
Developer contributions (non-CIL)	280	sqm	@	£0	per sqm	£0
CIL contributions	280	sqm	@	£0		£0
Marketing & sales (% of GDV)	£665,000		@	4.0%		£26,600
Development costs finance (on half build costs)	1.00	years	@	7.5%		£14,144
Void finance (on total development costs)	0.00	years	@	8.5%		£0
Developers' profit (% of GDV)	£665,000		@	20.0%		£133,000
Development Costs						**£524,304**
Land value realised at sale	£102,393					
Less acquisition fees			@	*10.0%*		*£10,239*
Less land tax	*£102,393*		@	*4.0%*		*£4,096*
Total Costs						**£538,638**
Expresssed as total cost/sqm						£1,924
Residual Land Value for Site						**£88,058**
Number of floors	1					
Building footprint	280					
Development site coverage	80%					
Balance of site without direct development value	20%					
Expressed as site area without direct development value	70	sqm				
Total site land take	350	sqm		0.04	ha	
Residual Land Value per Hectare						**£2,515,930**
Assumed existing use value plus uplift per hectare	£1,000,000					
Site cost	0.04	ha				£35,000
Total development cost and site costs						**£573,638**
Expresssed as total cost and site costs/sqm						£2,049
Net residual value of development						**£53,058**
Net residual value per sqm of development						**£189**

Maidstone - Residual Land Valuation Retail - 10,000 sq. m Retail Warehouses - Scheme of 6 Units						
	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	10,000	GFA sqm	@	95.0%		
Rental value	9,500	GIFA sqm	@	£140	per sqm	
Investment yield	£1,330,000	p.a.	@	6.7%		
Gross Development Value						**£19,850,746**
Expresssed as GDV/sqm						£1,985
Less buyers' costs	*£19,850,746*		@	*-5.8%*		*-£1,143,403*
Net Receipts						**£18,707,343**
Expresssed as net receipts/sqm						£1,871
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	10,000	sqm	@	£600	per sqm	£6,000,000
External works (% of build cost)	£6,000,000		@	10.0%		£600,000
Project/design team fees (% of all construction)	£6,600,000		@	12.0%		£792,000
BREEAM costs	£6,000,000		@	2.0%		£120,000
Developer contributions (non-CIL)	10,000	sqm	@	£0	per sqm	£0
CIL contributions	10,000	sqm	@	£0		£0
Marketing & sales (% of GDV)	£19,850,746		@	4.0%		£794,030
Development costs finance (on half build costs)	1.00	years	@	7.5%		£311,476
Void finance (on total development costs)	0.00	years	@	8.5%		£0
Developers' profit (% of GDV)	£19,850,746		@	20.0%		£3,970,149
Development Costs						**£12,587,655**
Land value realised at sale	£6,119,688					
Less acquisition fees			@	*10.0%*		*£611,969*
Less land tax	*£6,119,688*		@	*4.0%*		*£244,788*
Total Costs						**£13,444,412**
Expresssed as total cost/sqm						£1,344
Residual Land Value for Site						**£5,262,932**
Number of floors	1					
Building footprint	10,000					
Development site coverage	40%					
Balance of site without direct development value	60%					
Expressed as site area without direct development value	15,000	sqm				
Total site land take	25,000	sqm		2.50	ha	
Residual Land Value per Hectare						**£2,105,173**
Assumed existing use value plus uplift per hectare	£1,000,000					
Site cost	2.50	ha				£2,500,000
Total development cost and site costs						**£15,944,412**
Expresssed as total cost and site costs/sqm						£1,594
Net residual value of development						**£2,762,932**
Net residual value per sqm of development						**£276**

Maidstone - Residual Land Valuation
Retail - 1000 sq. m Stratford Town Centre

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	1,000	GFA sqm	@	95.0%		
Rental value	950	GIFA sqm	@	£240	per sqm	
Investment yield	£228,000	p.a.	@	7.5%		
Gross Development Value						**£3,040,000**
Expresssed as GDV/sqm						£3,040
Less buyers' costs	*£3,040,000*		@	*-5.8%*		*-£175,104*
Net Receipts						**£2,864,896**
Expresssed as net receipts/sqm						£2,865
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	1,000	sqm	@	£1,200	per sqm	£1,200,000
External works (% of build cost)	£1,200,000		@	10.0%		£120,000
Project/design team fees (% of all construction)	£1,320,000		@	12.0%		£158,400
BREEAM costs	£1,200,000		@	2.0%		£24,000
Developer contributions (non-CIL)	1,000	sqm	@	£0	per sqm	£0
CIL contributions	1,000	sqm	@	£0		£0
Marketing & sales (% of GDV)	£3,040,000		@	4.0%		£121,600
Development costs finance (on half build costs)	1.00	years	@	7.5%		£60,900
Void finance (on total development costs)	0.00	years	@	8.5%		£0
Developers' profit (% of GDV)	£3,040,000		@	20.0%		£608,000
Development Costs						**£2,292,900**
Land value realised at sale	£571,996					
Less acquisition fees			@	*10.0%*		*£57,200*
Less land tax	*£571,996*		@	*4.0%*		*£22,880*
Total Costs						**£2,372,979**
Expresssed as total cost/sqm						£2,373
Residual Land Value for Site						**£491,917**
Number of floors	1					
Building footprint	1,000					
Development site coverage	80%					
Balance of site without direct development value	20%					
Expressed as site area without direct development value	250	sqm				
Total site land take	1,250	sqm		0.13	ha	
Residual Land Value per Hectare						**£3,935,332**
Assumed existing use value plus uplift per hectare	£4,000,000					
Site cost	0.13	ha				£500,000
Total development cost and site costs						**£2,872,979**
Expresssed as total cost and site costs/sqm						£2,873
Net residual value of development						**-£8,083**
Net residual value per sqm of development						**-£8**

Maidstone - Residual Land Valuation
Retail - 500 sq. m TBC Town Centre

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	500	GFA sqm	@	95.0%		
Rental value	475	GIFA sqm	@	£180	per sqm	
Investment yield	£85,500	p.a.	@	7.5%		
Gross Development Value						**£1,140,000**
Expresssed as GDV/sqm						£2,280
Less buyers' costs	*£1,140,000*		@	*-5.8%*		*-£65,664*
Net Receipts						**£1,074,336**
Expresssed as net receipts/sqm						£2,149
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	500	sqm	@	£1,200	per sqm	£600,000
External works (% of build cost)	£600,000		@	10.0%		£60,000
Project/design team fees (% of all construction)	£660,000		@	12.0%		£79,200
BREEAM costs	£600,000		@	2.0%		£12,000
Developer contributions (non-CIL)	500	sqm	@	£0	per sqm	£0
CIL contributions	500	sqm	@	£0		£0
Marketing & sales (% of GDV)	£1,140,000		@	4.0%		£45,600
Development costs finance (on half build costs)	1.00	years	@	7.5%		£29,880
Void finance (on total development costs)	0.00	years	@	8.5%		£0
Developers' profit (% of GDV)	£1,140,000		@	20.0%		£228,000
Development Costs						**£1,054,680**
Land value realised at sale	£19,656					
Less acquisition fees			@	*10.0%*		*£6,250*
Less land tax	*£19,656*		@	*4.0%*		*£2,500*
Total Costs						**£1,063,430**
Expresssed as total cost/sqm						£2,127
Residual Land Value for Site						**£10,906**
Number of floors	1					
Building footprint	500					
Development site coverage	80%					
Balance of site without direct development value	20%					
Expressed as site area without direct development value	125	sqm				
Total site land take	625	sqm		0.06	ha	
Residual Land Value per Hectare						**£174,496**
Assumed existing use value plus uplift per hectare	£1,000,000					
Site cost	0.06	ha				£62,500
Total development cost and site costs						**£1,125,930**
Expresssed as total cost and site costs/sqm						£2,252
Net residual value of development						**-£51,594**
Net residual value per sqm of development						**-£103**

Maidstone - Residual Land Valuation
Office - 800 sqm Town Centre B1

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	800	GFA sqm	@	95.0%		
Rental value	760	GIFA sqm	@	£80	per sqm	
Investment yield	£60,800	p.a.	@	8.7%		
Gross Development Value						**£698,851**
Expresssed as GDV/sqm						£874
Less buyers' costs	*£698,851*		@	*-5.8%*		*-£40,254*
Net Receipts						**£658,597**
Expresssed as net receipts/sqm						£823
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	800	sqm	@	£1,200	per sqm	£960,000
External works (% of build cost)	£960,000		@	10.0%		£96,000
Project/design team fees (% of all construction)	£1,056,000		@	12.0%		£126,720
BREEAM costs	£960,000		@	2.0%		£19,200
Developer contributions (non-CIL)	800	sqm	@	£0	per sqm	£0
CIL contributions	800	sqm	@	£0		£0
Marketing & sales (% of GDV)	£698,851		@	4.0%		£27,954
Development costs finance (on half build costs)	1.00	years	@	7.5%		£46,120
Void finance (on total development costs)	0.00	years	@	7.5%		£0
Developers' profit (% of GDV)	£698,851		@	20.0%		£139,770
Development Costs						**£1,415,764**
Land value realised at sale	-£757,168					
Less acquisition fees			@	*10.0%*		*£3,333*
Less land tax	*-£757,168*		@	*4.0%*		*£1,333*
Total Costs						**£1,420,431**
Expresssed as total cost/sqm						£1,776
Residual Land Value for Site						**-£761,834**
Number of floors	3					
Building footprint	267					
Development site coverage	80%					
Balance of site without direct development value	20%					
Expressed as site area without direct development value	67	sqm				
Total site land take	333	sqm		0.03	ha	
Residual Land Value per Hectare						**-£22,855,029**
Assumed existing use value plus uplift per hectare	£1,000,000					
Site cost	0.03	ha				£33,333
Total development cost and site costs						**£1,453,764**
Expresssed as total cost and site costs/sqm						£1,817
Net residual value of development						**-£795,168**
Net residual value per sqm of development						**-£994**

Maidstone - Residual Land Valuation
Office - 2000 sq. m Business Park B1

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	2,000	GFA sqm	@	95.0%		
Rental value	1,900	GIFA sqm	@	£200	per sqm	
Investment yield	£380,000	p.a.	@	9.1%		
Gross Development Value						**£4,175,824**
Expresssed as GDV/sqm						£2,088
Less buyers' costs	*£4,175,824*		@	*-5.8%*		*-£240,527*
Net Receipts						**£3,935,297**
Expresssed as net receipts/sqm						£1,968
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	2,000	sqm	@	£1,240	per sqm	£2,480,000
External works (% of build cost)	£2,480,000		@	10.0%		£248,000
Project/design team fees (% of all construction)	£2,728,000		@	12.0%		£327,360
BREEAM costs	£2,480,000		@	2.0%		£49,600
Developer contributions (non-CIL)	2,000	sqm	@	£0	per sqm	£0
CIL contributions	2,000	sqm	@	£0		£0
Marketing & sales (% of GDV)	£4,175,824		@	4.0%		£167,033
Development costs finance (on half build costs)	1.00	years	@	7.5%		£122,700
Void finance (on total development costs)	0.00	years	@	7.5%		£0
Developers' profit (% of GDV)	£4,175,824		@	20.0%		£835,165
Development Costs						**£4,229,858**
Land value realised at sale	-£294,561					
Less acquisition fees			@	*10.0%*		*£21,250*
Less land tax	*-£294,561*		@	*4.0%*		*£8,500*
Total Costs						**£4,259,608**
Expresssed as total cost/sqm						£2,130
Residual Land Value for Site						**-£324,311**
Number of floors	2					
Building footprint	1,000					
Development site coverage	40%					
Balance of site without direct development value	60%					
Expressed as site area without direct development value	1,500	sqm				
Total site land take	2,500	sqm		0.25	ha	
Residual Land Value per Hectare						**-£1,297,243**
Assumed existing use value plus uplift per hectare	£850,000					
Site cost	0.25	ha				£212,500
Total development cost and site costs						**£4,472,108**
Expresssed as total cost and site costs/sqm						£2,236
Net residual value of development						**-£536,811**
Net residual value per sqm of development						**-£268**

Maidstone - Residual Land Valuation
Industrial - 1500 sq. m B2 - Edge of Town

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	1,500	GFA sqm	@	95.0%		
Rental value	1,425	GIFA sqm	@	£70	per sqm	
Investment yield	£99,750	p.a.	@	7.9%		
Gross Development Value						**£1,262,658**
Expresssed as GDV/sqm						£842
Less buyers' costs	*£1,262,658*		@	*-5.8%*		*-£72,729*
Net Receipts						**£1,189,929**
Expresssed as net receipts/sqm						£793
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	1,500	sqm	@	£696	per sqm	£1,044,000
External works (% of build cost)	£1,044,000		@	10.0%		£104,400
Project/design team fees (% of all construction)	£1,148,400		@	12.0%		£137,808
BREEAM costs	£1,044,000		@	2.0%		£20,880
Developer contributions (non-CIL)	1,500	sqm	@	£0	per sqm	£0
CIL contributions	1,500	sqm	@	£0		£0
Marketing & sales (% of GDV)	£1,262,658		@	4.0%		£50,506
Development costs finance (on half build costs)	1.00	years	@	7.5%		£50,910
Void finance (on total development costs)	0.00	years	@	7.5%		£0
Developers' profit (% of GDV)	£1,262,658		@	20.0%		£252,532
Development Costs						**£1,661,036**
Land value realised at sale	-£471,107					
Less acquisition fees			@	*10.0%*		*£18,750*
Less land tax	*-£471,107*		@	*4.0%*		*£7,500*
Total Costs						**£1,687,286**
Expresssed as total cost/sqm						£1,125
Residual Land Value for Site						**-£497,357**
Number of floors	1					
Building footprint	1,500					
Development site coverage	40%					
Balance of site without direct development value	60%					
Expressed as site area without direct development value	2,250	sqm				
Total site land take	3,750	sqm		0.38	ha	
Residual Land Value per Hectare						**-£1,326,284**
Assumed existing use value plus uplift per hectare	£500,000					
Site cost	0.38	ha				£187,500
Total development cost and site costs						**£1,874,786**
Expresssed as total cost and site costs/sqm						£1,250
Net residual value of development						**-£684,857**
Net residual value per sqm of development						**-£457**

Maidstone - Residual Land Valuation
Industrial - 5,000 sq. m B2 - Edge of Town

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	5,000	GFA sqm	@	95.0%		
Rental value	4,750	GIFA sqm	@	£70	per sqm	
Investment yield	£332,500	p.a.	@	7.9%		
Gross Development Value						**£4,208,861**
Expresssed as GDV/sqm						£842
Less buyers' costs	*£4,208,861*		@	*-5.8%*		*-£242,430*
Net Receipts						**£3,966,430**
Expresssed as net receipts/sqm						£793
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	5,000	sqm	@	£645	per sqm	£3,225,000
External works (% of build cost)	£3,225,000		@	10.0%		£322,500
Project/design team fees (% of all construction)	£3,547,500		@	12.0%		£425,700
BREEAM costs	£3,225,000		@	2.0%		£64,500
Developer contributions (non-CIL)	5,000	sqm	@	£0	per sqm	£0
CIL contributions	5,000	sqm	@	£0		£0
Marketing & sales (% of GDV)	£4,208,861		@	4.0%		£168,354
Development costs finance (on half build costs)	1.00	years	@	7.5%		£157,727
Void finance (on total development costs)	0.00	years	@	7.5%		£0
Developers' profit (% of GDV)	£4,208,861		@	20.0%		£841,772
Development Costs						**£5,205,554**
Land value realised at sale	-£1,239,123					
Less acquisition fees			@	*10.0%*		*£62,500*
Less land tax	*-£1,239,123*		@	*4.0%*		*£25,000*
Total Costs						**£5,293,054**
Expresssed as total cost/sqm						£1,059
Residual Land Value for Site						**-£1,326,623**
Number of floors	1					
Building footprint	5,000					
Development site coverage	40%					
Balance of site without direct development value	60%					
Expressed as site area without direct development value	7,500	sqm				
Total site land take	12,500	sqm		1.25	ha	
Residual Land Value per Hectare						**-£1,061,299**
Assumed existing use value plus uplift per hectare	£500,000					
Site cost	1.25	ha				£625,000
Total development cost and site costs						**£5,918,054**
Expresssed as total cost and site costs/sqm						£1,184
Net residual value of development						**-£1,951,623**
Net residual value per sqm of development						**-£390**

Maidstone - Residual Land Valuation
Industrial - 5,000 sq. m B8 Storage/Distribution - Edge of Town

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	5,000	GFA sqm	@	95.0%		
Rental value	4,750	GIFA sqm	@	£70	per sqm	
Investment yield	£332,500	p.a.	@	8.1%		
Gross Development Value						**£4,104,938**
Expresssed as GDV/sqm						£821
Less buyers' costs	*£4,104,938*		@	*-5.8%*		*-£236,444*
Net Receipts						**£3,868,494**
Expresssed as net receipts/sqm						£774
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	5,000	sqm	@	£630	per sqm	£3,150,000
External works (% of build cost)	£3,150,000		@	10.0%		£315,000
Project/design team fees (% of all construction)	£3,465,000		@	12.0%		£415,800
BREEAM costs	£3,150,000		@	2.0%		£63,000
Developer contributions (non-CIL)	5,000	sqm	@	£0	per sqm	£0
CIL contributions	5,000	sqm	@	£0		£0
Marketing & sales (% of GDV)	£4,104,938		@	4.0%		£164,198
Development costs finance (on half build costs)	1.00	years	@	7.5%		£154,050
Void finance (on total development costs)	0.00	years	@	7.5%		£0
Developers' profit (% of GDV)	£4,104,938		@	20.0%		£820,988
Development Costs						**£5,083,035**
Land value realised at sale	-£1,214,541					
Less acquisition fees			@	*10.0%*		*£62,500*
Less land tax	*-£1,214,541*		@	*4.0%*		*£25,000*
Total Costs						**£5,170,535**
Expresssed as total cost/sqm						£1,034
Residual Land Value for Site						**-£1,302,041**
Number of floors	1					
Building footprint	5,000					
Development site coverage	40%					
Balance of site without direct development value	60%					
Expressed as site area without direct development value	7,500	sqm				
Total site land take	12,500	sqm		1.25	ha	
Residual Land Value per Hectare						**-£1,041,633**
Assumed existing use value plus uplift per hectare	£500,000					
Site cost	1.25	ha				£625,000
Total development cost and site costs						**£5,795,535**
Expresssed as total cost and site costs/sqm						£1,159
Net residual value of development						**-£1,927,041**
Net residual value per sqm of development						**-£385**

Maidstone - Residual Land Valuation Budget Hotel - 2000 sqm (60 bedrooms) - Edge of town						
	Quantum	**Unit**		**Rate**	**Unit**	**Total**
1. Development Value						
Floorspace	2,000	GFA sqm	@	95.0%		
Rental value	1,900	GIFA sqm	@	£135	per sqm	
Investment yield	£256,500	p.a.	@	6.0%		
Gross Development Value						**£4,275,000**
Expresssed as GDV/sqm						£2,138
Less buyers' costs	*£4,275,000*		@	*-5.8%*		*-£246,240*
Net Receipts						**£4,028,760**
Expresssed as net receipts/sqm						£2,014
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	2,000	sqm	@	£1,080	per sqm	£2,160,000
External works (% of build cost)	£2,160,000		@	10.0%		£216,000
Project/design team fees (% of all construction)	£2,376,000		@	12.0%		£285,120
BREEAM costs	£2,160,000		@	2.0%		£43,200
Developer contributions (non-CIL)	2,000	sqm	@	£0	per sqm	£0
CIL contributions	2,000	sqm	@	£0		£0
Marketing & sales (% of GDV)	£4,275,000		@	4.0%		£171,000
Development costs finance (on half build costs)	1.00	years	@	7.5%		£107,825
Void finance (on total development costs)	0.00	years	@	7.5%		£0
Developers' profit (% of GDV)	£4,275,000		@	20.0%		£855,000
Development Costs						**£3,838,145**
Land value realised at sale	£190,616					
Less acquisition fees			@	*10.0%*		*£19,062*
Less land tax	*£190,616*		@	*4.0%*		*£7,625*
Total Costs						**£3,864,831**
Expresssed as total cost/sqm						£1,932
Residual Land Value for Site						**£163,929**
Number of floors	3					
Building footprint	667					
Development site coverage	50%					
Balance of site without direct development value	50%					
Expressed as site area without direct development value	667	sqm				
Total site land take	1,333	sqm		0.13	ha	
Residual Land Value per Hectare						**£1,229,470**
Assumed existing use value plus uplift per hectare	£850,000					
Site cost	0.13	ha				£113,333
Total development cost and site costs						**£3,978,164**
Expresssed as total cost and site costs/sqm						£1,989
Net residual value of development						**£50,596**
Net residual value per sqm of development						**£25**

Maidstone - Residual Land Valuation Mixed Leisure Scheme 8,000 sqm - cinema/bowling						
	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	8,000	GFA sqm	@	95.0%		
Rental value	7,600	GIFA sqm	@	£149	per sqm	
Investment yield	£1,132,400	p.a.	@	6.0%		
Gross Development Value						**£18,873,333**
Expresssed as GDV/sqm						£2,359
Less buyers' costs	*£18,873,333*		@	*-5.8%*		*-£1,087,104*
Net Receipts						**£17,786,229**
Expresssed as net receipts/sqm						£2,223
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	8,000	sqm	@	£1,140	per sqm	£9,120,000
External works (% of build cost)	£9,120,000		@	10.0%		£912,000
Project/design team fees (% of all construction)	£10,032,000		@	12.0%		£1,203,840
BREEAM costs	£9,120,000		@	2.0%		£182,400
Developer contributions (non-CIL)	8,000	sqm	@	£0	per sqm	£0
CIL contributions	8,000	sqm	@	£0		£0
Marketing & sales (% of GDV)	£18,873,333		@	4.0%		£754,933
Development costs finance (on half build costs)	1.00	years	@	7.5%		£456,494
Void finance (on total development costs)	0.00	years	@	7.5%		£0
Developers' profit (% of GDV)	£18,873,333		@	20.0%		£3,774,667
Development Costs						**£16,404,334**
Land value realised at sale	£1,381,895					
Less acquisition fees			@	*10.0%*		*£138,190*
Less land tax	*£1,381,895*		@	*4.0%*		*£55,276*
Total Costs						**£16,597,799**
Expresssed as total cost/sqm						£2,075
Residual Land Value for Site						**£1,188,430**
Number of floors	2					
Building footprint	4,000					
Development site coverage	50%					
Balance of site without direct development value	50%					
Expressed as site area without direct development value	4,000	sqm				
Total site land take	8,000	sqm		0.80	ha	
Residual Land Value per Hectare						**£1,485,537**
Assumed existing use value plus uplift per hectare	£850,000					
Site cost	0.80	ha				£680,000
Total development cost and site costs						**£17,277,799**
Expresssed as total cost and site costs/sqm						£2,160
Net residual value of development						**£508,430**
Net residual value per sqm of development						**£64**

Maidstone - Residual Land Valuation
Residential Care Homes - 1,900 sqm (40 bedrooms) - Edge of town

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	1,900	GFA sqm	@	80.0%		
Rental value	1,520	GIFA sqm	@	£128	per sqm	
Investment yield	£194,074	p.a.	@	6.1%		
Gross Development Value						**£3,800,000**
Expresssed as GDV/sqm						£2,000
Less buyers' costs	*£3,800,000*		@	*-5.8%*		*-£218,880*
Net Receipts						**£3,581,120**
Expresssed as net receipts/sqm						£1,884.80
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	1,900	sqm	@	£1,100	per sqm	£2,090,000
External works (% of build cost)	£2,090,000		@	10.0%		£209,000
Project/design team fees (% of all construction)	£2,299,000		@	12.0%		£275,880
BREEAM costs	£2,090,000		@	0.0%		£0
Developer contributions (non-CIL)	1,900	sqm	@	£0	per sqm	£0
CIL contributions	1,900	sqm	@	£0		£0
Marketing & sales (% of GDV)	£3,800,000		@	4.0%		£152,000
Development costs finance (on half build costs)	1.00	years	@	7.5%		£102,258
Void finance (on total development costs)	0.00	years	@	7.5%		£0
Developers' profit (% of GDV)	£3,800,000		@	20.0%		£760,000
Development Costs						**£3,589,138**
Land value realised at sale	-£8,018					
Less acquisition fees			@	*10.0%*		*£11,875*
Less land tax	*-£8,018*		@	*4.0%*		*£4,750*
Total Costs						**£3,605,763**
Expresssed as total cost/sqm						£1,898
Residual Land Value for Site						**-£24,643**
Number of floors	2					
Building footprint	950					
Development site coverage	80%					
Balance of site without direct development value	20%					
Expressed as site area without direct development value	238	sqm				
Total site land take	1,188	sqm		0.12	ha	
Residual Land Value per Hectare						**-£207,520**
Assumed existing use value plus uplift per hectare	£1,000,000					
Site cost	0.12	ha				£118,750
Total development cost and site costs						**£3,724,513**
Expresssed as total cost and site costs/sqm						£1,960
Net residual value of development						**-£143,393**
Net residual value per sqm of development						**-£75**

Stratford on Avon - Residual Land Valuation
Assisted Living with no affordable housing - 5000 sqm (50 units) - Edge of town

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	4,500	GFA sqm	@	70.0%		
GDV	3,150	GIFA sqm	@	£3,000	per sqm	
Gross Development Value						**£9,450,000**
Expresssed as GDV/sqm						£2,100
Less buyers' costs	*£9,450,000*		@	*-5.8%*		*-£544,320*
Net Receipts						**£8,905,680**
Expresssed as net receipts/sqm						£1,979.04
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	4,500	sqm	@	£1,000	per sqm	£4,500,000
External works (% of build cost)	£4,500,000		@	10.0%		£450,000
Project/design team fees (% of all construction)	£4,950,000		@	12.0%		£594,000
BREEAM costs	£4,500,000		@	0.0%		£0
Developer contributions (non-CIL)	4,500	sqm	@	£0	per sqm	£0
CIL contributions	4,500	sqm	@	£0		£0
Marketing & sales (% of GDV)	£9,450,000		@	5.0%		£472,500
Development costs finance (on half build costs)	1.00	years	@	7.5%		£225,619
Void finance (on total development costs)	0.00	years	@	7.5%		£0
Developers' profit (% of GDV)	£9,450,000		@	20.0%		£1,890,000
Development Costs						**£8,132,119**
Land value realised at sale	£773,561					
Less acquisition fees			@	*10.0%*		*£77,356*
Less land tax	*£773,561*		@	*4.0%*		*£30,942*
Total Costs						**£8,240,417**
Expresssed as total cost/sqm						£1,831
Residual Land Value for Site						**£665,263**
Number of floors	2					
Building footprint	2,250					
Development site coverage	80%					
Balance of site without direct development value	20%					
Expressed as site area without direct development value	563	sqm				
Total site land take	2,813	sqm		0.28	ha	
Residual Land Value per Hectare						**£2,365,378**
Assumed existing use value plus uplift per hectare	£1,000,000					
Site cost	0.28	ha				£281,250
Total development cost and site costs						**£8,521,667**
Expresssed as total cost and site costs/sqm						£1,894
Net residual value of development						**£384,013**
Net residual value per sqm of development						**£85**

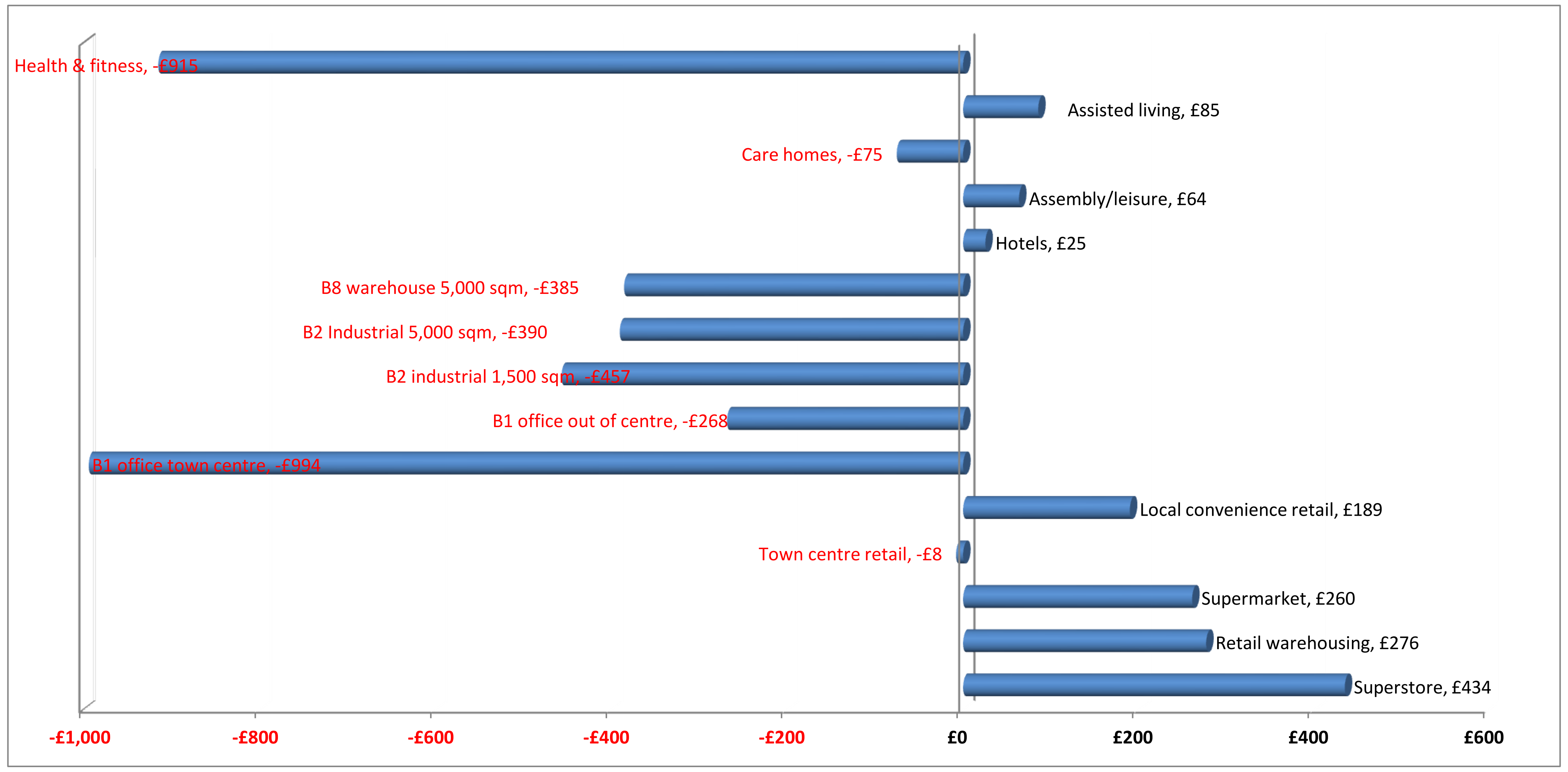
Maidstone - Residual Land Valuation
Health & Fitness - 4,000 sqm edge of town

	Quantum	Unit		Rate	Unit	Total
1. Development Value						
Floorspace	4,000	GFA sqm	@	95.0%		
Rental value	3,800	GIFA sqm	@	£105	per sqm	
Investment yield	£399,000	p.a.	@	7.0%		
Gross Development Value						**£5,700,000**
Expresssed as GDV/sqm						£1,425
Less buyers' costs	*£5,700,000*		@	*-5.8%*		*-£328,320*
Net Receipts						**£5,371,680**
Expresssed as net receipts/sqm						£1,343
2. Development Costs						
Building costs estimate (including contractors' prelims, OHs & profit)	4,000	sqm	@	£1,380	per sqm	£5,520,000
External works (% of build cost)	£5,520,000		@	10.0%		£552,000
Project/design team fees (% of all construction)	£6,072,000		@	12.0%		£728,640
BREEAM costs	£5,520,000		@	2.0%		£110,400
Developer contributions (non-CIL)	4,000	sqm	@	£0	per sqm	£0
CIL contributions	4,000	sqm	@	£0		£0
Marketing & sales (% of GDV)	£5,700,000		@	4.0%		£228,000
Development costs finance (on half build costs)	1.00	years	@	7.5%		£267,714
Void finance (on total development costs)	0.00	years	@	7.5%		£0
Developers' profit (% of GDV)	£5,700,000		@	20.0%		£1,140,000
Development Costs						**£8,546,754**
Land value realised at sale	-£3,175,074					
Less acquisition fees			@	*10.0%*		*£42,500*
Less land tax	*-£3,175,074*		@	*4.0%*		*£17,000*
Total Costs						**£8,606,254**
Expresssed as total cost/sqm						£2,152
Residual Land Value for Site						**-£3,234,574**
Number of floors	1					
Building footprint	4,000					
Development site coverage	80%					
Balance of site without direct development value	20%					
Expressed as site area without direct development value	1,000	sqm				
Total site land take	5,000	sqm		0.50	ha	
Residual Land Value per Hectare						**-£6,469,148**
Assumed existing use value plus uplift per hectare	£850,000					
Site cost	0.50	ha				£425,000
Total development cost and site costs						**£9,031,254**
Expresssed as total cost and site costs/sqm						£2,258
Net residual value of development						**-£3,659,574**
Net residual value per sqm of development						**-£915**

Maidstone - Non residential appraisals

	Residual value/sqm
Superstore	£434
Retail warehousing	£276
Supermarket	£260
Town centre retail	-£8
Local convenience retail	£189
B1 office town centre	-£994
B1 office out of centre	-£268
B2 industrial 1,500 sqm	-£457
B2 Industrial 5,000 sqm	-£390
B8 warehouse 5,000 sqm	-£385
Hotels	£25
Assembly/leisure	£64
Care homes	-£75
Assisted living	£85
Health & fitness	-£915

Values are net of development costs, allowance for S106 and less estimated land costs



Baseline	Superstore	Supermarket	Retail warehousing	Maidstone centre retail		Small/ local convenience retail	Town centre B1 office town centre	B1 office out of centre	B2 Industrial 1,500 sqm	B2 Industrial 5,000 sqm	B8 warehouse 5,000 sqm	Hotels	Assembly/leisure	Care homes	Assisted living	Health & fitness
Values/sqm	£3,256	£2,984	£1,871	£2,865	£2,149	£2,238	£823	£1,968	£793	£793	£774	£2,014	£2,223	£1,885	£1,979	£1,343
Development costs/sqm (inc. EUV + uplift)	£2,822	£2,724	£1,594	£2,873	£2,252	£2,049	£1,817	£2,236	£1,250	£1,184	£1,159	£1,989	£2,160	£1,960	£1,894	£2,258
Residual Value/sqm inc. allowance for EUV + uplift)	£434	£260	£276	-£8	-£103	£189	-£994	-£268	-£457	-£390	-£385	£25	£64	-£75	£85	-£915
Sensitivity: +10% on Values	Superstore	Supermarket	Retail warehousing	Maidstone centre retail	0	Small/ local convenience retail	Town centre B1 office town centre	B1 office out of centre	B2 Industrial 1,500 sqm	B2 Industrial 5,000 sqm	B8 warehouse 5,000 sqm	Hotels	Assembly/leisure	Care homes	Assisted living	Health & fitness
Values/sqm	£3,581	£3,283	£2,058	£3,151	£2,364	£2,462	£906	£2,164	£873	£873	£851	£2,216	£2,446	£2,073	£2,177	£1,477
Development costs/sqm (inc. EUV + uplift)	£2,822	£2,724	£1,594	£2,873	£2,252	£2,049	£1,817	£2,236	£1,250	£1,184	£1,159	£1,989	£2,160	£1,960	£1,894	£2,258
Residual Value/sqm inc. allowance for EUV + uplift)	£759	£559	£463	£278	£112	£413	-£912	-£72	-£377	-£311	-£308	£227	£286	£113	£283	-£781
Sensitivity: +20% on Values	Superstore	Supermarket	Retail warehousing	Maidstone centre retail	0	Small/ local convenience retail	Town centre B1 office town centre	B1 office out of centre	B2 Industrial 1,500 sqm	B2 Industrial 5,000 sqm	B8 warehouse 5,000 sqm	Hotels	Assembly/leisure	Care homes	Assisted living	Health & fitness
Values/sqm	£3,907	£3,581	£2,245	£3,438	£2,578	£2,686	£988	£2,361	£952	£952	£928	£2,417	£2,668	£2,262	£2,375	£1,612
Development costs/sqm (inc. EUV + uplift)	£2,822	£2,724	£1,594	£2,873	£2,252	£2,049	£1,817	£2,236	£1,250	£1,184	£1,159	£1,989	£2,160	£1,960	£1,894	£2,258
Residual Value/sqm inc. allowance for EUV + uplift)	£1,085	£857	£650	£565	£327	£637	-£829	£125	-£298	-£232	-£231	£428	£508	£301	£481	-£646
Sensitivity: -10% on Values	Superstore	Supermarket	Retail warehousing	Maidstone centre retail	0	Small/ local convenience retail	Town centre B1 office town centre	B1 office out of centre	B2 Industrial 1,500 sqm	B2 Industrial 5,000 sqm	B8 warehouse 5,000 sqm	Hotels	Assembly/leisure	Care homes	Assisted living	Health & fitness
Values/sqm	£2,960	£2,713	£1,701	£2,604	£1,953	£2,035	£748	£1,789	£721	£721	£703	£1,831	£2,021	£1,713	£1,799	£1,221
Development costs/sqm (inc. EUV + uplift)	£2,822	£2,724	£1,594	£2,873	£2,252	£2,049	£1,817	£2,236	£1,250	£1,184	£1,159	£1,989	£2,160	£1,960	£1,894	£2,258
Residual Value/sqm inc. allowance for EUV + uplift)	£138	-£11	£106	-£269	-£299	-£14	-£1,069	-£447	-£529	-£462	-£456	-£158	-£139	-£247	-£95	-£1,037
Sensitivity: +10% on Costs	Superstore	Supermarket	Retail warehousing	Maidstone centre retail	0	Small/ local convenience retail	Town centre B1 office town centre	B1 office out of centre	B2 Industrial 1,500 sqm	B2 Industrial 5,000 sqm	B8 warehouse 5,000 sqm	Hotels	Assembly/leisure	Care homes	Assisted living	Health & fitness
Values/sqm	£3,256	£2,984	£1,871	£2,865	£2,149	£2,238	£823	£1,968	£793	£793	£774	£2,014	£2,223	£1,885	£1,979	£1,343
Development costs/sqm (inc. EUV + uplift)	£3,104	£2,996	£1,754	£3,160	£2,477	£2,254	£1,999	£2,460	£1,375	£1,302	£1,275	£2,188	£2,376	£2,156	£2,083	£2,484
Residual Value/sqm inc. allowance for EUV + uplift)	£152	-£12	£117	-£295	-£328	-£15	-£1,176	-£492	-£582	-£509	-£501	-£174	-£152	-£271	-£104	-£1,141

Appendix 3: Glossary

Affordable Housing

Housing provided for sale, rent or shared equity at prices in perpetuity below the current market rate, which people in housing need are able to afford

Affordable Rent

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80 per cent of the local market rent (including service charges, where applicable).

Allocated

Land which has been identified for a specific use in the current Development Plan

Asset Management Plans

The means by which Service Providers such as water, energy and health authorities plan for future investment

Brownfield Land, Brownfield Site

Land or site that has been subject to previous development

Charging Authority

The charging authority is the local planning authority, although it may distribute the received levy to other infrastructure providers such as the county council in two tier authorities

Charging Schedule

The Charging Schedule sets out the charges the Charging Authority proposes to adopt for new development

Code for Sustainable Homes

The Code for Sustainable Homes is an environmental assessment method for rating and certifying the performance of new homes. It is a national standard for use in the design and construction of new homes with a view to encouraging continuous improvement in sustainable home building

Convenience Goods

Widely distributed and relatively inexpensive goods which are purchased frequently and with minimum of effort, such as newspapers and food items.

Comparison Goods

Household or personal items which are more expensive and are usually purchased after comparing alternative models/types/styles and price of the item (e.g. clothes, furniture, electrical appliances). Such goods generally are used for some time

Development

Defined in planning law as 'the carrying out of building, engineering, mining or other operations in, on, over, or under land, or the making of a material change of use of any building or land'

Development Brief

A document describing and leading the form and layout of development in a prescribed area

Green Infrastructure

Green spaces and interconnecting green corridors in urban areas, the countryside in and around towns and rural settlements, and in the wider countryside. It includes natural green spaces colonised by plants and animals and dominated by natural processes and man-made managed green spaces such as areas used for outdoor sport and recreation including public and private open space, allotments, urban parks and designed historic landscapes as well as their many interconnections like footpaths, cycleways, green corridors and waterways

Infrastructure

The network of services to which it is usual for most buildings or activities to be connected. It includes physical services serving the particular development (e.g. gas, electricity and water supply; telephones, sewerage) and also includes networks of roads, public transport routes, footpaths etc. as well as community facilities and green infrastructure

Intermediate Housing

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing. Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.

Local Transport Plan (LTP)

A five-year integrated transport strategy, prepared by local authorities in partnership with the community, seeking funding to help provide local transport projects. The plan sets out the resources predicted for delivery of the targets identified in the strategy

Low Carbon

To minimise carbon dioxide emissions from a human activity

New Homes Bonus

The New Homes Bonus is a government funding scheme to ensure that the economic benefits of growth are returned to the local area. It commenced in April 2011, and will match fund the additional council tax raised for new homes and properties brought back into use, with an additional amount for affordable homes, for the following six years

Planning Obligations

Legal agreements between a planning authority and a developer, or undertakings offered unilaterally by a developer to ensure that specific works are carried out, payments made or other actions undertaken which would otherwise be outside the scope of the planning permission. Often called Section 106 (S106) obligations or contributions. The term legal agreements may embrace S106.

Regional Growth Fund

The Regional Growth Fund (RGF) is a £1.4bn fund operating across England from 2011 to 2014. It supports projects and programmes that lever private sector investment creating economic growth and sustainable employment

Renewable Energy

Energy generated from sources which are non-finite or can be replenished. Includes solar power, wind energy, power generated from waste, biomass etc.

Section 106 (S106) Contributions

See Planning Obligations

Social Rent

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Use Classes and 'Use'

The Town and Country Planning (Use Classes) Order, 1987, a statutory order made under planning legislation, which groups land uses into different categories (called use classes). Change of within a use class and some changes between classes do not require planning permission. Please note that the definition of 'use' within the CIL regulations is meant in its

wider sense and not in terms of the use classes e.g. whilst a supermarket and a shop selling clothes are the same use in terms of the use class system i.e. A1 – they are clearly a different use in terms of the CIL regulations as a store selling only clothes is different from a store selling predominantly food.

Appendix 4: Developer workshop

Stakeholder meeting/developer workshop

Maidstone Borough Council
Swale Borough Council

The stakeholder workshop was held at Maidstone Town Hall on 15 August 2012. Figures discussed at the workshop were relevant at that time, using the best available information. The changing nature of the development industry and wider economic climate means that while these figures might still be the most appropriate and up to date, they have been subject to the possibility of change in the period since the workshop was held.

The viability study itself remains valid because of the way in which it was conducted. The viability scenarios tested are high level and cannot account for all eventualities. The Harman guidance 'Viability testing local plans' (June 2012) does not advocate setting policy requirements/CIL charges at the margins of viability, meaning that inbuilt allowances in the way that the evidence is compiled and interpreted will in most cases be able to accommodate changes in the underlying market.

It is also worth noting that there is no onus on the council to set policy that would make all developments viable. It is the council's responsibility to produce a deliverable plan, that is not impeded by viability considerations. This will be judged at an independent examination for both the local plan and for CIL.

Maidstone and Swale Core Strategy or Local Plan Viability Testing

Stakeholder Meeting

Maidstone Town Hall, Maidstone

10.00am-12.00pm, 15 August 2012

Attendees:

Alan Best	Swale Borough Council
John Boyd	JB Planning Associates
Nick Brandreth	Lambert and Foster
Peter Court	Peter Court Associates
Carlo Gurguilo	Swale Borough Council
Gill Harris	Swale Borough Council
Katherine Harvey	TGKP
Paul Lulham	Kent County Council
Andrew Minton	Bellway Homes
Graham Norton	Wealden Homes
David Pares	Sibley Pares Chartered Surveyors
Cheryl Parks	Maidstone Borough Council
Clayton Penny	Hallam Land Management
Kathy Putnam	Ward Homes / Barratt Developments
Paul Sharpe	Paul Sharpe Assocaites
Brian Sutherland	BDB Design
John Taylor	Page and Wells / Kent Chamber of Commerce
Davisd Thomas	Harrisons Chartered Surveyors
Alison Walker	Croudace Strategic
Joanna Webb	Taylor Wimpey
David Williams	The Planning Bureau
Jenny Zaluska	AmicusHorizen
Mike Bodkin	Peter Brett Associates
Nigel Clark	Peter Brett Associates
Mark Felgate	Peter Brett Associates
Mark Russell	Peter Brett Associates
Mark Russell	Peter Brett Associates

		Action
1.	**Welcome and introductions**	
1.1	CP from Maidstone Borough Council welcomed eveyone to the meeting. Maistone and Swale Borough Councils have appointed Peter Brett Associates to undertake viability testing of the emerging Core Strategies/Local Plans and as part of the research, to identify and test levels of Community Infrastructure Levy and affordable housing provision	

	to ensure that development proposed within the p lans will be deliverable and viable. NC from planning consultants Peter Brett Associates explained that the purpose of the meeting was to explain the objectives and methodology of the study to key stakeholders working within the residential and non-residential markets, to describe assumptions and invite feedback and to identify what CIL and other policies will mean for developers working within maidstone and Swale in the future. All attendees introduced themselves and who they represented.	
2.	**Local Plan Viability Testing**	
	NC agreed to send round the presentation to attendees so that stakeholders could comment in detail on the viability assumptions relating to values and costs. Extra care housing has different sales issues, build costs and revenue structures than general retirement housing. There are a number of schemes in the pipeline. It was agreed that DW would provide NC with details. It was requested that the residential models for testing should include conversions (e.g. office block to flats). It was agreed that this would be investigated. In response to specific questions: It was confirmed that the models would reflect the scale of actual strategic allocations. The models would explore variations in values and costs to understand the implications for viability. We will ask housing associations for a blended revenue value for affordable housing. There will be iterations to assess viability and to identify a CIL level. Assumptions will be made transparent in the final report.	NC DW
3.	**Residential variables**	
	NC circulated indicative figures for discussion: <u>Sales Turnover – (Market)</u> Maidstone £2300-£3300/sq/m £200 - £300/sq.ft), It was suggested that £300/sq.ft is not typical. It was agreed that £250-280 was about right.	

	Sittingbourne £1800 - £2200/sq.m, Sheppey £1800 - £2700/sq.m It was agreed that values varied on Sheppey – Minster levels are higher than Sheerness. Faversham levels are higher than Sittingbourne. <u>Sales Turnover – (Affordable)</u> about 45-50% of market revenues, policy proportion is 40% in Maidstone and 35% in Swale <u>Build costs</u> – no comments <u>Sales fees</u> – no comments <u>Fees & financing</u> – no comment <u>Financing land purchase</u> – no comment <u>Profit</u> - standard 18 - 20% of gross open market T/O, + 8% of AH build cost Some commented that due to current market some developers are prepared to cut profits down to 8%. Small builders are developing sites where large national builders are not. It was suggested that this may reflect the ability of some developers to cut build costs? Self build developments worked to different assumptions. It was recognised that values and costs would differ significantly at the margins, but it was agreed that for a strategic study values and costs should reflect the majority of the market at 20% <u>Affordable</u> – No comments <u>Abnormals & Planning Obligations</u> - estimate based on scheme size and constraints - large schemes c. £800k/ha Abnormals would include strategic flood alleviation, contributions to strategic roads, abnormal ground conditions, etc. <u>CIL</u> – start testing for resi @ £100/sq.m (£9.30/sq.ft), retail supermarkets £2500 - £3000/sq.m It was up to the local authority to define what infrastructure would be included within CIL (strategic) and what would not (site specific – S.106 agreement). It was agreed that the local authority would need to be clear to avoid double counting. <u>Existing Land value (EUV)</u> Agricultural values were discussed. £8-10k per acre was normal, but could increase where people wanted to protect land from development. <u>Options values</u> Minimum payment for options £200 per acre. Stakeholders stated that landowners insist on much higher levels as land in Maidstone is a scarce resource and recent policies have restricted the supply of greenfield sites.	
4.	**Viability model and strategic sites**	
	NC circulated an example viability appraisal of a strategic site for discussion. It was confirmed that PBA would welcome an input from stakeholders	NC

	working on behalf of strategic sites to ensure viability appraisals are realistic. NC confirmed PBA would contact developers. JB or PS (?) stated that he was acting on behalf of one of the strategic sites at Faversham and would welcome the opportunity to discuss the viability testing for that site. There was discussion on the potential deliverability issues caused by Gypsy and Traveller policy requirements. MR confirmed that the study would identify any specific deliverability issues caused by policy requirements. <u>Density</u> A stakeholder commented that for a greenfield site 35-40 dph would be appropriate but would seek 15 dph for upmarket dwellings if possible. <u>Coverage</u> A stakeholder commented that the market wants 3 and 4 bed properties on larger plots. Although this will lower coverage, there is a premium value from increasing plot size. <u>CIL</u> See below <u>Affordable housing</u> PBA will test different percentages and thresholds and make recommendations on policy which is deliverable.	NC/ JB or PS
5.	**CIL**	
	There was a general discussion of CIL and its potential implications. A number of questions were asked about its operation. The following responses were given: CIL might only be liable on certain types of uses, such as residential, but PBA will investigate all land uses, where there is likely to be future growth to identify what uses could bear the levy Once established, CIL is applicable to all schemes within that type of development. There may be a few exceptions but it is for the local authority to set out what those exceptions may be. It is not possible for an applicant to negotiate an exception. There was a query from NB about whether fruit packing warehouses and horticultural businesses may come within the remit of CIL. MF agreed to investigate. The level of CIL is based on what a type of development can afford, not based on the cost of infrastructure needed. The charging authority has to set out CIL related infrastructure on its 123 list. However, the authority could amend the list at any time.	MF

	The agreed level of CIL will apply until the charging authority wishes to change the level. The authority may decide to change it up or down depending upon the performance against targets and the state of the market. If the Council do wish to seek to amend the CIL then a full Examination process will be required. You can charge different CIL levels for different geographical areas within each district as long as the viability testing shows differences in viability across areas. However, the charging authority has to define the boundaries. Levels may vary considerably between adjoining authorities if there is evidence of different market values. Some authorities have set very low levels, as they are concerned that CIL should not restrict growth. However, if levels are set too low this risks not being able to deliver the required infrastructure. In order for core strategies/local plans to be demonstrably deliverable, authorities need to produce infrastructure delivery plans, showing how infrastructure will be paid for – by S.106, CIL or other public/private finance. CIL comes in after plan has been adopted. Maidstone – looking to develop a charging schedule by April 2014. The current timetable for submission of the Core Strategy is March 2014 and CIL cannot come in until the plan has been adopted. Consultation on the transport strategy and strategic sites is commencing 17 August 2012. Swale is in a similar position. There are likely to be changes to the CIL regulations in the autumn 2012 and further consultations. There are a number of areas where the operation of CIL in practice is unclear. For example, what happens if a developer pays CIL but the responsibility for delivering the required infrastructure essential for a development resides with the local authority? It is up to the charging authority to allow for a phasing of CIL payments. It was agreed that cash flow is critical to viability and paying for CIL in later stages of the development cycle is the preferred approach for stakeholders.	

6.	**Close**	
	NC thanked everyone for their comments and for attending. NC agreed to send out the presentation, notes of the meeting on 16 August 2012. Stakeholders should respond to the specific viability assumptions in the presentation and viability model circulated within 3 weeks, but as soon as reasonably practicable, to ensure these can be included within the study.	NC All