Study into the economic viability of charging community infrastructure levy in Caerphilly, Merthyr & Rhondda Cynon Taf County Borough Councils

Completed on behalf of
Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf
County Borough Councils by District Valuer Services (DVS)

DVS Property Specialists for the Public Sector

Mae'r ddogfen hon ar gael yn Gymraeg / This document is also available in Welsh

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Executive Summary

Introduction

1.1

On 6 April 2014 the use of Section 106 agreements to secure infrastructure from planning applications will be severely restricted. The Planning Act 2008 makes provision for local planning Authorities to prepare and implement a Community Infrastructure Levy (CIL) that can provide those infrastructure elements, which can no longer be delivered using S106 agreements. CIL is payable on a '£'s per square metre' (of new development floor space) basis but may be charged at variable rates depending on different uses and zones within a local Authority area.

1.2

Caerphilly County Borough Council (Caerphilly CBC), Merthyr Tydfil County Borough Council (Merthyr Tydfil CBC) and Rhondda Cynon Taf County Borough Council (RCT CBC) are considering preparation of a CIL for their respective local Authority areas. As part of the work required for the CIL, the local Authorities have appointed District Valuer Services (DVS) to undertake an Economic Viability Study to serve as an evidence base that will inform and support emerging policies for each Council.

Building an evidence base

1.3

The commissioning local Authorities wish to consider the charging of CIL across a range of development uses (using the Use Class Order 1987 (Wales) (as amended) as the basis for defining land use) across the study area. To do this, the Councils have identified and detailed 69 (potential and actual) development sites within their Authority boundaries, which are an indicative sample of the future development types and locations that will deliver their required future growth and regeneration objectives.

1.4

This Study will investigate the market and development conditions relevant to these 69 sample development sites and undertake development viability testing to consider the levels of CIL that various development uses and locations might support. The Study will consider how changes in market conditions, development costs, density, development specifications and public sector requirements/funding impact upon the potential CIL value for each land use across the study area. This will be supported by individual scheme testing and wider sensitivity analysis.

What is development viability?

1.5

Development viability is essentially a straightforward exercise of establishing the anticipated income and costs incurred

during the course of a development and deducting the cost from the income to arrive at a single final residual value (i.e. either residual land value or residual profit), which can be benchmarked for the assessment of viability. Development appraisal models are many and varied but they are typically provided in the form of a residual valuation calculation, which is a simple equation usually expressed in one of two principle forms:

A) Gross Development Value less Development Costs (including land value)

= Residual Profit

OR

B) Gross Development Value less Development Costs (including profit requirement)

= Residual Land Value

Adopted approach to viability

1.6

In this Study planning obligations are included in the form of affordable housing on the residential sites, however, in accordance with ongoing UK Government Policy formation we have also tested these sites with nil provision of affordable housing, i.e. should affordable housing be deemed as included within CIL. The development costs also include a benchmark land value as a further cost within the appraisal. Since developer profit is also accommodated within the development costs the residual outputs generated by the appraisals within this Study represent the surplus (or deficit) available for CIL in each stated scenario. **Graphic 8** below shows the principles of how the residual amounts for CIL have been calculated in this Study.

GRAPHIC 8	
1	Scheme Revenue
	Less
2	Construction Cost
	Less
3	Land Cost
	Less
4	Cost of Affordable Housing Obligations
	Less
5	Developer Overheads, Finance Costs & Profit
	Equals
6	Residual Output for CIL

Conclusion

1.7

There are a number of factors that must be borne in mind when setting CIL for residential and commercial uses. Firstly, each Council will need to conduct their own research into what infrastructure and other related services will be funded by CIL and cost these items so as to have an understanding of their overall funding requirement. When done, this can be referenced against the projected future development within an Authority area to estimate the levels of CIL required on an area basis (£'s per square metre built).

1.8

The second question that each Authority needs to address in conjunction with infrastructure funding is the extent to which CIL will replace other planning obligations. As this question remains unresolved within the commissioning Authorities, it was decided that no allowance (beyond affordable housing on the residential sites) would be made for other planning obligations. Ultimately, it may well be that other planning obligations are substantially reduced by each of the Authorities but there is no way of knowing that at present. It is difficult to accurately factor this unknown s106 quantity into our CIL rate proposals, but this does present a reason for being more cautious in the rates proposed.

1.9

Another area to be determined by the respective Authorities is with regard to longevity and review pattern of any CIL charging scheme, which they decide to implement. Clearly, at present the UK and Wales are gradually getting their respective houses into order after the previous global financial collapse. However, the recovery remains fragile and could be quickly reversed if another external collapse (e.g. rapid spreading of a Eurozone financial contagion) were to occur. It also remains true that these uncertain times drive investors (whether professional or personal) towards surety, which exacerbates the gap between prime and secondary areas.

1.10

If Authorities were to only wish to put CIL charges in place with a short time frame (i.e. 2 years) before they were reviewed then more conservative rates of CIL should be adopted, especially in those less active local economic areas. Conversely, if a longer period of CIL is envisaged before review (i.e. 5 years+) then it may be reasonable to adopt slightly higher rates of CIL for some of the more valuable locations/uses. Both options have their merits, a shorter period to review (and lower CIL rates) would be more responsive and would be more supportive of marginally viable developments, whilst a longer period to review (and higher CIL rates) would place more sustained downward pressure on land values. Whatever the approach, given the continuing global macroeconomic picture, we believe it is important for the commissioning Authorities to consider putting in place flexible measures that provide for future review at stipulated intervals and/or in response to any pronounced market shifts.

1.11

At every stage within our viability testing we have endeavoured to adopt what we consider to be reasonable assumptions. Every development has its own specific attractions and challenges and trying to account for these over a wide Study area and range of uses presents its own tests. For this reason it was decided that exceptional development costs would not be included within the viability testing. Exceptional development costs are difficult to predict without a detailed site survey coupled with background research. Indeed, costs which might be deemed

"exceptional" on one development may be common place in another area. Trying to estimate how much of a general allowance should be made for (any exceptional development costs) within CIL charges is not something which can be easily done, so we have erred on the side of caution on considering our recommended CIL ranges.

1.12

Other uncertainties exist in setting reasonable rates for CIL. Broadly, these uncertainties revolve around changes within the property market (which we have factored into our sensitivity analysis) or development costs. The latter is more difficult to allow for because often costs are linked to the wider economy, so for example when the property market fell, so did construction costs. We therefore decided to undertake our sensitivity analysis on the basis that market shifts were relative to development costs. Some costs are driven by central government (such as higher environmental requirements) but we have included a generic allowance for this and even these items reduce in time as technology, process and volume drive those costs down. Land cost is perhaps the greatest risk, not because values cannot reduce but because some sites have very specific value drivers (i.e. existing use value), which are difficult to account for within a flat rate charge. The foregoing is another reason to take a more cautious view in respect of the final charging rates of CIL adopted.

1.13

Given that viability uncertainties and the potential for change exist (and will always exist) we would recommend that further consideration be given to what could, and what could not, constitute "exceptional circumstances" in which the published rate at which CIL is charged might be varied. It may be helpful to consider publishing such guidance, so as to avoid future stakeholder confusion and/or inappropriate/spurious viability contentions.

Recommendations

1.14

Having investigated both the local and national context to CIL with the commissioning Authorities, and having undertaken viability assessments of a wide range of development schemes across a broad geographical area and considered multiple Use Classes in connection with this Study, our recommendation is that due consideration is given to the proposed CIL charging zones and rates detailed in **Schedule 1** on opposite page.

1.15

In recommending the ranges of CIL contained within this Study, DVS has taken account of the additional costs that may affect a development site, planning obligations required in addition to the CIL charge, the potential for abnormal site development costs and additional costs arising from increasing building regulations and weighed these with possible future changes within both the construction and property markets.

Schedule 1

Ref.	Charging Zone - Residential (Affordable Housing delivered through Section 106)	DVS Suggested Range of CIL charge (Per Square metre *)	
		From:	To:
A	Higher Viability Zone	£25	£125
B	Mid Viability Zone	£10	£60
C	Lower Viability Zone	N/A	N/A

Ref.	Charging Zone - Residential (Affordable Housing funded by CIL)	DVS Suggested Range of CIL charge Per Square metre *)	
		From:	To:
D	Higher Viability Zone	£150	£250
E	Mid Viability Zone	£75	£125
F	Lower Viability Zone	£0	£75

Ref.	Charging Zone - Non Residential	DVS Suggested Range of CIL charge (Per Square metre*)	
		From:	To:
G	A1 Retail Development	£50	£300
H	B1 Office Development	N/A	N/A
I	B2-B8 Industrial Development	N/A	N/A
J	Care & Nursing Home Development	N/A	N/A
K	D1 (Primary Healthcare Development)	£0	£125
L	D2 Hotel Development	N/A	N/A
M	D2 Cinema Development	N/A	N/A
N	A3 Restaurants, Cafes & Drinking Establishments	£10	£40

* = Chargeable amount based on measurement to Gross Internal Area (GIA), as per RICS

2
Introduction
Background to Study Instructions

2.1

On 6 April 2014 the use of Section 106 agreements to secure infrastructure from planning applications will be severely restricted. The Planning Act 2008 makes provision for local planning Authorities to prepare and implement a Community Infrastructure Levy (CIL) that can provide those infrastructure elements that can no longer be delivered using S106 agreements. CIL is payable on a '£'s per square metre' (of new development floor space) basis but may be charged at variable rates depending on different uses and zones within a local Authority area.

2.2

Caerphilly County Borough Council (Caerphilly CBC), Merthyr Tydfil County Borough Council (Merthyr Tydfil CBC) and Rhondda Cynon Taf County Borough Council (RCT CBC) are considering preparation of a CIL for their respective local Authority areas. As part of the work required for the CIL, the local Authorities have appointed District Valuer Services (DVS) to undertake an Economic Viability Study to serve as an evidence base that will inform and support emerging policies for each Council.

2.3

The commissioning local Authorities each have adopted Local Development Plans (LDPs) and the CIL will directly assist in the delivery of the land use objectives as set out in these LDPs. CIL will be the mechanism for making direct contributions toward the provision of many of the LDP allocations and will be a significant tool for the delivery of the local Authorities' aspirations in terms of social and community infrastructure, and regeneration, for which there will be no alternative funding mechanism.

Building an evidence base

2.4

The commissioning local Authorities wish to consider the charging of CIL across a range of development uses across the study area (using the Use Class Order 1987 (Wales) (as amended) as the basis for defining land use). To do this, the Councils have identified and detailed 69 (potential and actual) development sites within their Authority boundaries, which are an indicative sample of the future development types and locations that will deliver their required future growth and regeneration objectives.

2.5

This Study will investigate the market and development conditions relevant to these 69 sample development sites and undertake development viability testing to consider the levels of CIL that various development uses and locations might support. The Study

will consider how changes in market conditions, development costs, density, development specifications and public sector requirements/funding impact upon the potential CIL value for each land use across the study area. This will be supported by individual scheme testing and wider sensitivity analysis.

2.6

The testing of a variety of sample sites and their identified development schemes will provide evidence of the development viability of CIL charges in a wide range of circumstances. This will allow the commissioning local Authorities to consider a range of options for potential CIL charging schedules.

What is development viability?

2.7

Development viability is an economic/financial assessment of whether a developer can reasonably bring forward a development scheme in current day (or foreseeable) circumstances. Some form of financial objective drives all developers. For private developers this will be a return for their investors, and ensuring any borrowing obligations are met. Even not-for-profit developers like Registered Social Landlords (RSLs) are driven to cover their costs and meet their own borrowing obligations.

2.8

Development viability is essentially a straightforward exercise of establishing the anticipated income and costs incurred during the course of a development and deducting the cost from the income to arrive at a single final residual value (i.e. either residual land value or residual profit), which can be benchmarked for the assessment of viability. Development appraisal models are many and varied but they are typically provided in the form of a residual valuation calculation, which is a simple equation usually expressed in one of two principle forms:

A) Gross Development Value less Development Costs (including land value)

= Residual Profit

OR

B) Gross Development Value less Development Costs (including profit requirement)

= Residual Land Value

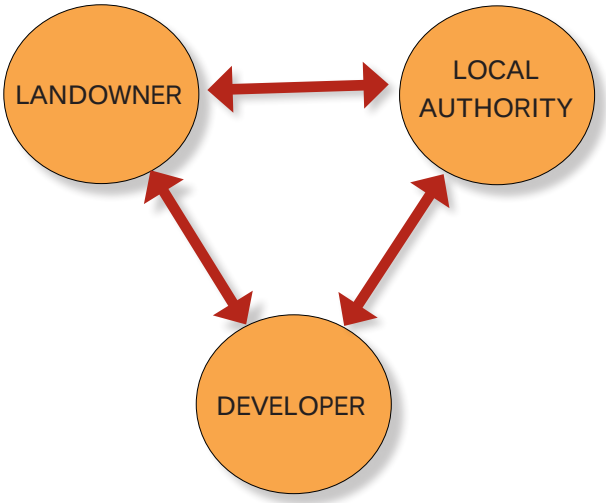
Method A) is typically adopted in "House builder" appraisals where the land cost is known and accepted, whilst Method B) is the more traditional method (and used as the default in some toolkits, i.e. the Three Dragons Development Appraisal Toolkit and the Homes & Communities Agency's Economic Appraisal Tool).

2.9

Once the inputs into a development appraisal model have been completed the final residual output will be tested against an established benchmark, often land value. For example, a developer may have purchased development land at the peak of the property market and the historic land cost (coupled with the, now anticipated, reduction in the end

sale values for the proposed units) may squeeze their residual development profit to such an extent that they now consider their intended development scheme as currently unviable. Development viability is now a common language that local Authorities, valuers, land owners and developers use to understand the other parties' challenges, concerns, needs and priorities. We view development viability as a triangle of forces interacting and competing with each other:

Figure 1:



2.10

On the first corner of the triangle is the landowner, who will require an incentive to personally develop or release the land for development. The second corner is the Local Authority (and wider community/ public sector), who determine whether development is permissible and what the development should deliver to the public and local community. Finally, we have the developer who (as we infer above) may also be the landowner by the time the viability assessment is made. Each party has their own needs and external forces influencing them.

2.11

In settled market conditions the balance between the three sides of the triangle should reach equilibrium. For example, the developer should purchase the land at a price that fully reflects the local Authority's stated planning obligations (and CIL, where applicable) and this should be an enhanced price over the land's existing use value and which suitably incentivises the landowner to sell. However, this equilibrium is regularly being buffeted by changes in the property market (and the finite nature of land itself). The latter point is further compounded by a land taxation system that rarely provides an incentive to sell. Indeed there can be substantial tax incentives for the acquisition and non-development of land. These external forces naturally create tension between the Local Authority and Developer points of the triangle.

Linking development viability with market evidence

2.12

Assessing the financial viability of a development can become a very theoretical exercise and if it does, it risks becoming removed from reality and consequently a less accurate measure. This is where comparable evidence comes into use, as it allows the valuer to ascertain whether the viability inputs (i.e. adopted land value, developer's profit allowance etc.) are reasonable. If the valuer has comprehensive experience and understanding of another comparable

development's viability then it is also possible to make more generic overall scheme comparisons, though careful attention is required.

2.13

There are, however, issues relating to the use of comparable development evidence, not least that this is often commercially sensitive and not within the wider public domain. Some evidence (such as house sales) can be fairly easily retrieved, but other evidence (such as the level of profit developers are prepared to work with in current market conditions) is usually only obtained if the valuer has been involved with the development appraisal process for comparable development schemes. Some evidence can also be anecdotally available but this must be treated with caution if it cannot be verified.

Report structure

2.14

Following on from this introductory section this Study is laid out as follows:

- **SECTION 3**
  a look at the background and context to CIL;
- **SECTION 4**
  a review of the local development market;
- **SECTION 5**
  our adopted testing methodology;
- **SECTION 6**
  Residential Testing results;
- **SECTION 7**
  Commercial Testing results;
- **SECTION 8**
  Conclusions;
- **SECTION 9**
  Recommendations

3
Context & Principles to Community Infrastructure Levy(CIL)

3.1
An understanding of the background of and context to CIL sets the scene for this Study, the viability testing and reported conclusions. The 2008 Planning Act provided the basis for charging (and spending) CIL and the enabling provisions then came into force through the 2010 Community Infrastructure Levy Regulations.

What developments could attract a charge under CIL?

3.2
The Levy will apply to new dwellings and to new development of buildings above 100 square metres or more. The revenue from CIL must be applied to infrastructure needed to support the future development of the area. The Levy is non-negotiable when a CIL Schedule has been adopted by a charging Authority and, other than for particular exemptions, is chargeable on all forms of development. The CIL Regulations set out where development is exempt from CIL charge, i.e.:

- New development below the threshold of 100 square metres;
- Social housing;
- Development if the owner of the land is a charitable institution and that the development will be used mainly for charitable purposes or not-for-profit charitable purpose;
- Authorities may offer relief in exceptional circumstances where the specific scheme cannot afford to pay it, but there are conditions.

3.3
One key benefit of CIL is its ability to fund strategic and sub-regional infrastructure that benefits more than one local Authority area (not easily achieved through the existing S106 and S278 planning obligation regimes). The UK Government proposes that local Authorities should have the freedom to work together to pool contributions from CIL to support and deliver essential infrastructure in support of local and regional development.

What infrastructure could CIL charges be used to fund?

3.4
The Planning Act 2008 (as updated by 2010 CIL Regulations) does not provide a specific definition of infrastructure that can be funded by CIL. The Regulations

do include a list of infrastructure that CIL can fund, but this is not exhaustive or exclusive and does not rule out other infrastructure. The list includes:

- roads and other transport facilities
- flood defences
- schools and other educational facilities
- medical facilities
- sporting and recreational facilities
- open spaces

The Department for Communities and Local Government has advised that the list of CIL funded infrastructure is not absolute and includes a wide definition in order to avoid having to update the CIL Regulations on a regular basis.

3.5

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3.6

The 2010 CIL Regulations provide for reform within the current system of developer contributions towards infrastructure, principally through S106 Agreements, so that the two regimes can operate alongside each other without the risk of double counting or under provision. After 6th April 2014 the CIL Regulations state that it will not be possible to pool developer contributions from more than five sites for any individual infrastructure project or type of infrastructure under Section 106 so it is important for Local Authorities to have planned for these changes.

Steps to setting up a CIL charging system

3.7

For a CIL/Tariff to be implemented the following are required:

a) A current adopted Local Development Plan for the area;

b) An up to date infrastructure needs assessment that establishes the requirements, timing and costs of transport and community infrastructure;

c) The results of a viability and impact assessment concerning the likely effects of charging CIL.

3.8

The points listed at a) and b) are matters that the relevant Local Planning Authority will address. Point c) confirms the necessity for this particular Study and the evidence base that it will provide.

Deciding upon and evidencing the rate(s) of CIL to be adopted

3.9

In deciding the rate of CIL to be adopted the UK Government advises that charging Authorities must aim "*to strike what appears to the charging Authority to be an appropriate balance between the desirability of funding infrastructure from CIL and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area*".

3.10

Further Government guidance explains that an appropriate evidence base should be used to inform the draft CIL charging schedule. It is suggested that it is likely charging Authorities will need to summarise evidence pertaining to economic viability in a document separate to the charging schedule, but that it is for charging Authorities to decide upon how to present such evidence.

3.11

Government advice to charging Authorities for the testing of viability is that this should be an area-based approach, which involves a broad test of viability across their area as the evidence base to underpin their charge. Charging Authorities are also advised to take a strategic view across their area and not focus on the potential implications of setting a CIL for individual development sites.

3.12

Charging Authorities are allowed to set differential CIL rates for different geographical zones in their area, but it has been made clear that this is on the proviso that those zones are defined by reference to the economic viability of development within them. Charging Authorities that plan to set differential CIL rates should seek to avoid undue complexity, so as to not frustrate or skew development within their areas and also because more complex patterns of differential rates are likely to be harder to ensure compliance with the rules on State aid.

Limits to viability testing and options

3.13

It is acknowledged by Government that the data available for economic viability testing is unlikely to be fully comprehensive or exhaustive and whilst a charging Authority's proposed CIL rates should appear reasonable in light of the available evidence, there is no requirement for a proposed rate to exactly mirror the evidence. As is noted within the Government guidance "*There is room for some pragmatism*".

3.14

The Governmental advice suggests that charging Authorities may want to directly sample a limited number of sites across their areas to supplement existing viability data. It is recommended that the selection criteria for the sites should prioritise those sites where the impact of CIL on economic viability is likely to be more significant and sites that will best inform the need (or not) for differential rates of CIL.

3.15

Government guidance also extends to the use of valuation models and methodologies available to charging Authorities to help them in preparing evidence on the potential effects of CIL on the economic viability of development across their area. This advice points out that charging Authorities may find it helpful in defending their CIL rates to use one of these models and methodologies, which is one of the reasons that the ARGUS model was used for this Study.

Other factors to consider in economic viability testing

3.16

As detailed in the introduction to this report the development viability assessment of a site needs to take account of all income and all cost. However, there is always potential for change within the economy and the viability of development, and this could impair the ability of developments to meet stated rates of CIL. For this reason charging Authorities are advised to avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area. Charging Authorities should also seek to illustrate, using appropriate available evidence that their proposed charging rates would be robust over time and could account for changes within property markets and land costs.

4
The Development Market

4.1

In the preceding sections we have outlined the use of development viability in building an evidence base to inform the possible charging of CIL and then noted the more important considerations in the setting of a rate(s) for CIL. In light of this it could be easy to fall into thinking that the setting of CIL is simply a theoretical exercise. This section explains the important development market context, which needs to be accounted for within this Study and the commissioning local Authorities' policy formation process.

The financial storm

4.2

Since early 2007 global economic market activity became much more volatile and the prolonged and sustained periods of global economic growth seen in many parts of the world (including the UK) were replaced with uncertainty and periods of recession. Notable events, such as the run on Northern Rock (September 2007) and the filing for bankruptcy by Lehman Brothers (September 2008), embodied the clear market downturns for many.

4.3

As prices fell and the "credit crunch" took hold, many in and around the property industry witnessed development immediately ceasing on numerous sites and staff and contractors being laid off.

The UK Government invested substantial sums in many UK banks to help avert a chaotic financial disintegration that helped cushion the market crash but saddled the UK taxpayer with unprecedented levels of debt, which coupled with the currently limited market confidence and growth will take many years to reduce to more sustainable levels.

The calm after the storm

4.4

The UK has been one of the many countries significantly affected by the global economic downturn and this has been visible in many areas; business, property markets, credit markets and stock market activity. The UK is currently still experiencing a prolonged and gradual realignment of its economy and markets, which is not unexpected within the context of economic cycles, although economic trends and cycles are not always easy to forecast - as many discovered at the start of this last downturn.

4.5

Today the development market remains in a more stable/static state. Whilst this is somewhat of a relief after the financial turbulence of recent years, it is not delivering the growth that the UK and other countries require to quickly get

back on their feet. Market uncertainty still exists and notable debt problems within the Eurozone (compounded by political self-interest and civil unrest) continue to cast a shadow over the UK.

4.6

Of course, this Study focuses on development within the three commissioning local Authority areas, however we have all seen how unsustainable lending in the American mortgage market triggered a wider global economic collapse, which combined with poorly regulated and negligent financial market practices had an enormous impact in other countries. Therefore, appreciating the bigger picture and understanding the importance of the global market to the UK and its regions is a key background to appreciating the development market.

The housing market - then and now

4.7

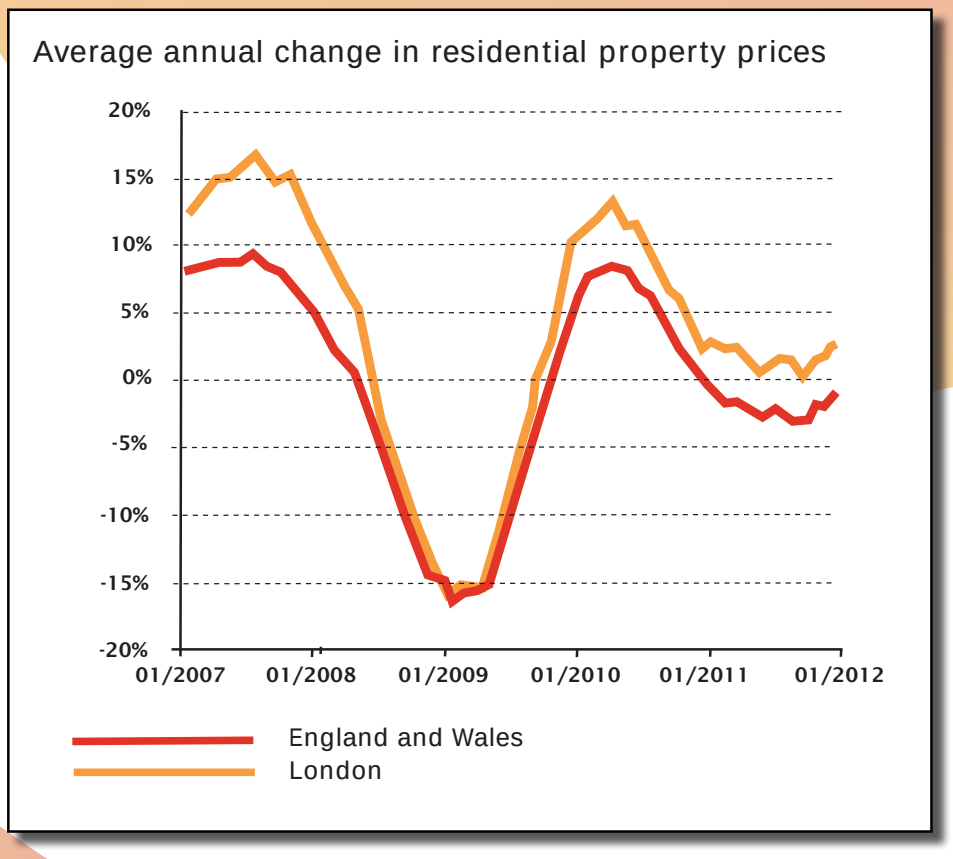
As can be seen in the **Graphic 1** below the housing market in Wales and England was still rising strongly at its peak in mid 2007 before plummeting to its to its lowest point of decline in early 2009. After the sustained downward price spiral the market decline then arrested and tangible positive price growth returned in early 2010 before again subsiding to more modest levels of growth where the market currently lies.

4.8

The changes in house prices are only part of the story, however. The simple economic law of supply and demand states that price (i.e. house prices) is

Graphic 1

Source:
Land Registry



a function of supply and demand. As **Graphic 2** below illustrates the number of house sales has significantly fallen since mid 2007 and has only recently made a limited recovery. This would suggest that more recent house price growth is more a function of supply than market demand.

4.9

House prices in Caerphilly and Rhondda Cynon Taf CBC areas have followed similar trends (from January 2007 to January 2012) to UK national price shifts, though with a less pronounced bounce back in 2010 (refer to Appendix A). Merthyr Tydfil CBC area has followed a similar overall pattern, though with far greater shifts in peaks and troughs across the period.

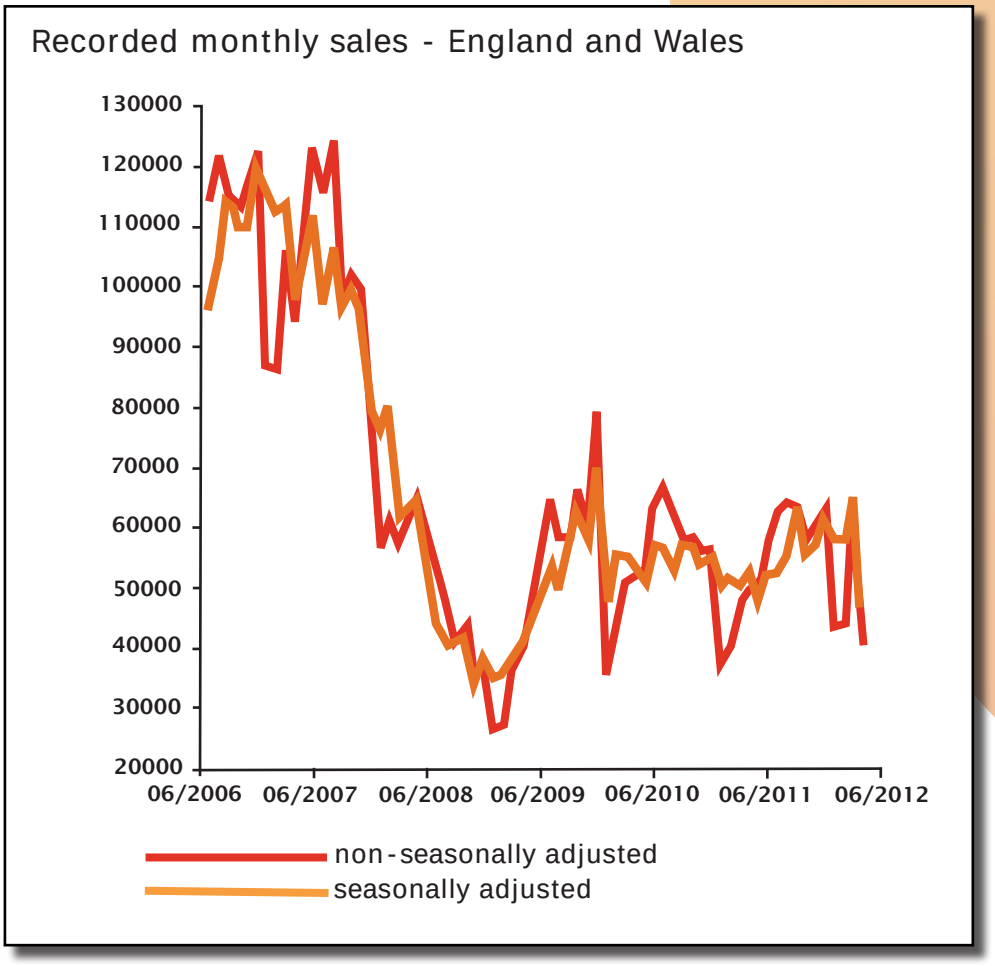
The housing market - locally

4.10

The local housing markets to the three local Authority areas can vary greatly across their respective geographies. Within Caerphilly CBC there are typically stronger values within the Caerphilly Basin area generally and property hotspots exist within the town and some of the smaller settlements near the M4. The Ebbw Vale area (from Risca to Newbridge) benefits from good highway links to the M4 and regenerated rail links to Cardiff and Newport. Popular locations exist in and around the central Caerphilly belt of Ystrad Mynach, Pontllanfraith and Blackwood but north of this up to the

Graphic 2

Source:
Land Registry



heads of the valley property values fall significantly.

4.11

The Borough of Merthyr Tydfil enjoys its strongest values around the renewing western areas to the town (along the A470 corridor) and the developing Merthyr town areas such as Penyard. Another area of improving values lies within Treharris and Trelewis to the south of the Authority, which enjoys good access to local hubs such as Merthyr Tydfil itself, Aberdare, Pontypridd and Ystrad Mynach as well as being only 11 miles or so from Junction 32 of the M4 and the outskirts of Cardiff. The central belt to the Borough is less developed valley area where the property market is less active and often less valuable at present.

4.12

The housing market to Rhondda Cynon Taf CBC broadly operates on a north-south divide, with the Southern areas benefiting from the M4 corridor effect and close proximity to Cardiff. There has been particular success in and around the Talbot Green and Llantrisant areas and further northwards, areas such as Church Village, Pontypridd and Tonyrefail remain popular, but beyond these the market emphasis noticeably shifts downwards on price. The Aberdare area remains an important centre within the north of RCT CBC, and though it is not quite so strategically placed as its larger neighbour of Merthyr Tydfil their mutual association and proximity can bring benefits to both areas.

4.13

For reference we produce a graph at **Appendix B** that shows the average house prices to the three local Authority areas since January 2007, which demonstrates the average price differences between the areas and shifts since the property peak. Unfortunately, this information is not readily available on a more detailed postal basis but the inclusion of the data and Cardiff price shifts, sets the scene for the local markets. It should also be noted that the main volume of the calculated sales averages will be from older and second hand homes, which in most cases will be less valuable than newly built homes. In our appraisals we have also had first reference to the first sales of newly built homes.

4.14

The respective Councils have each previously undertaken viability work that has investigated viability areas within their Authority boundaries and we reproduce the maps from this work at **Appendix C**. We view the market areas identified as a generally helpful guide, but believe that some more subtle area/town/village distinctions could easily merit the sub-market areas being further broken down. However, such additional distinctions might be more accurate but would give a more complex patchwork of value areas that could be at risk of more regular market shifts.

Graphic 3 - Mainstream Markets - five year forecast values 2012 - 2016

Source:Savills Research forecasts based on Nationwide actuals

	Change from peak to date	2012	2013	2014	2015	2016	5 years to 2016
UK	-9.5%	-2.0%	-0.5%	-1.0%	-2.0%	-4.5%	-6.0%
London	-2.9%	-0.5%	-1.0%	-5.0%	-6.0%	-6.5%	-19.1%
South East	-7.7%	-1.0%	-1.0%	-4.0%	-5.0%	-6.0%	-15.7%
South West	-8.0%	-1.5%	-0.5%	-2.5%	-3.5%	-5.0%	-10.3%
East	-9.1%	-1.0%	-1.0%	-3.5%	-4.5%	-5.5%	-14.1%
East Midlands	-10.3%	-1.5%	-0.5%	-2.0%	-3.0%	-5.0%	-9.2%
West Midlands	-10.6%	-2.0%	-1.0%	-0.0%	-0.0%	-3.5%	-0.4%
North East	-13.3%	-2.5%	-1.5%	-1.5%	-0.5%	-3.0%	-3.1%
North West	-14.0%	-2.0%	-1.0%	-1.0%	-0.0%	-3.5%	-0.6%
Yorks & Humber	-12.2%	-2.0%	-1.5%	-1.0%	-1.0%	-3.0%	-2.6%
Wales	-10.4%	-2.0%	-0.5%	-0.5%	-1.5%	-4.5%	-5.0%
Scotland	-9.6%	-4.0%	-0.0%	-0.0%	-0.5%	-2.0%	-1.6%

Annual house price growth key

below 0% | 0% to 2% | 2% to 4% | 4% to 6% | 6% to 8% | 8% and over

The housing market looking to the future

4.15

As illustrated in Savills most recent property market forecast (see **Graphic 3** below), outside of London, Wales as a whole was somewhere around the mid point of value losses (-10.4%, in a range of -7.7% to -14.0%) from the market peak to the end of 2011. Savills forecasts for the future housing market in Wales show a -2.0% drop in 2012 before giving way to a period of solid and sustained growth that results in a net overall house price growth of +5.0% over the five years from 2012 to 2016.

4.16

The forecasting of future house price trends is a popular activity. Many stakeholders are interested in reviewing and providing such speculation, and there can be significant differences amongst these forecasts. For example, Knight Frank has forecasted cumulative house price falls over the next 3 years of -9.3% to be followed by 4.4% year on year increases in Wales from 2016 to 2021. Whereas, Price-Waterhouse-Coopers (PWC) have forecasted annual year on year growth of 2% per annum until 2020 and the Centre for Economics and business Research (CEBR) have predicted a 14% increase in UK house prices by 2015.

4.17

Our views on future house price changes are similar to Savills and PWC insofar that we anticipate (on the basis of no further wider economic catastrophes) a slow but steady overall increase in values over the next 5 years (and beyond) as confidence gradually returns, the UK remains a safer haven for investors and the housing undersupply places upward pressure on prices. However, we would view the higher value Study areas of South Caerphilly, South RCT and Merthyr Town to have the best prospects for growth whilst some of the more remote valley areas could wait some time before achieving tangible price growth.

4.18

One of the characteristics of the current market realignment has been the tendency for buyers (whether private home buyers, investors or developers) to seek out the more secure prime market opportunities and avoid less certain or established market opportunities (unless there is a significant and discernible price incentive). This trend is something that we have observed within the market downturn and expect to continue until the UK economy and housing market enjoys a period of strong and sustained growth. Locally, we expect this trend to continue with important local centres like Caerphilly town, Merthyr town and Talbot Green/Llantrisant area on balance remaining most attractive to buyers and developers alike.

4.19

Much of the predictions for steady net house price growth are based upon an assumed eventual easing of the debt troubles within the Eurozone. Should this not occur then the repercussions of debt over-exposure could lead to another financial downturn, which would quickly spread to the property market as well. On the other hand, should the difficulties of tackling debt within the Eurozone be handled proficiently then it may be possible that property markets recover more quickly than expected, although this scenario seems less likely than the alternative.

4.20

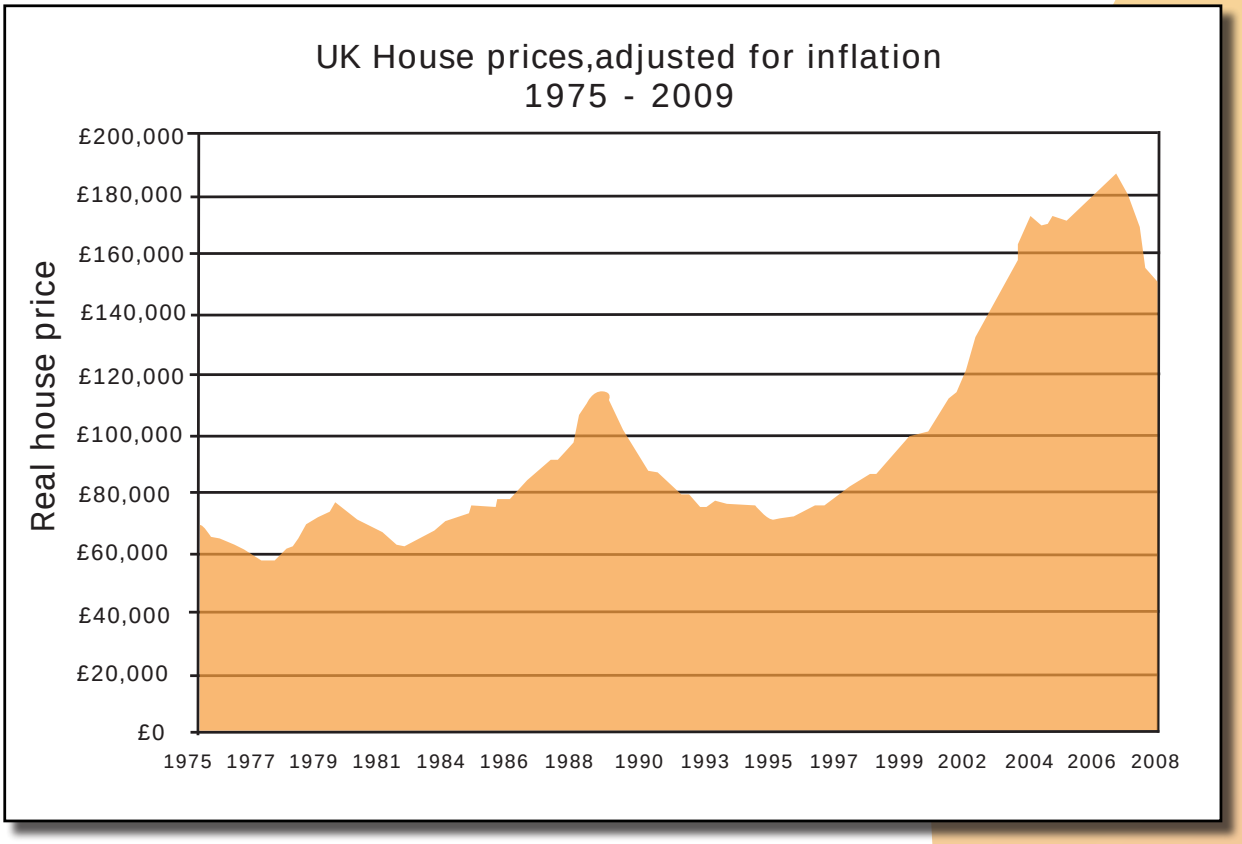
Some unsustainable lending and investing practices supported the last property market peak of 2007/08, and as such it will be some time before prices fully recover to such levels. **Graphic 4** below, illustrates that it was seven years after the last property market peak (in 1989) before the UK housing market started to experience sustained price growth again. The global scale of this economic downturn and widespread indebtedness of (generally “western”) banks and governments would suggest a longer period before a wider recovery to the previous market heights.

The commercial market - then & now

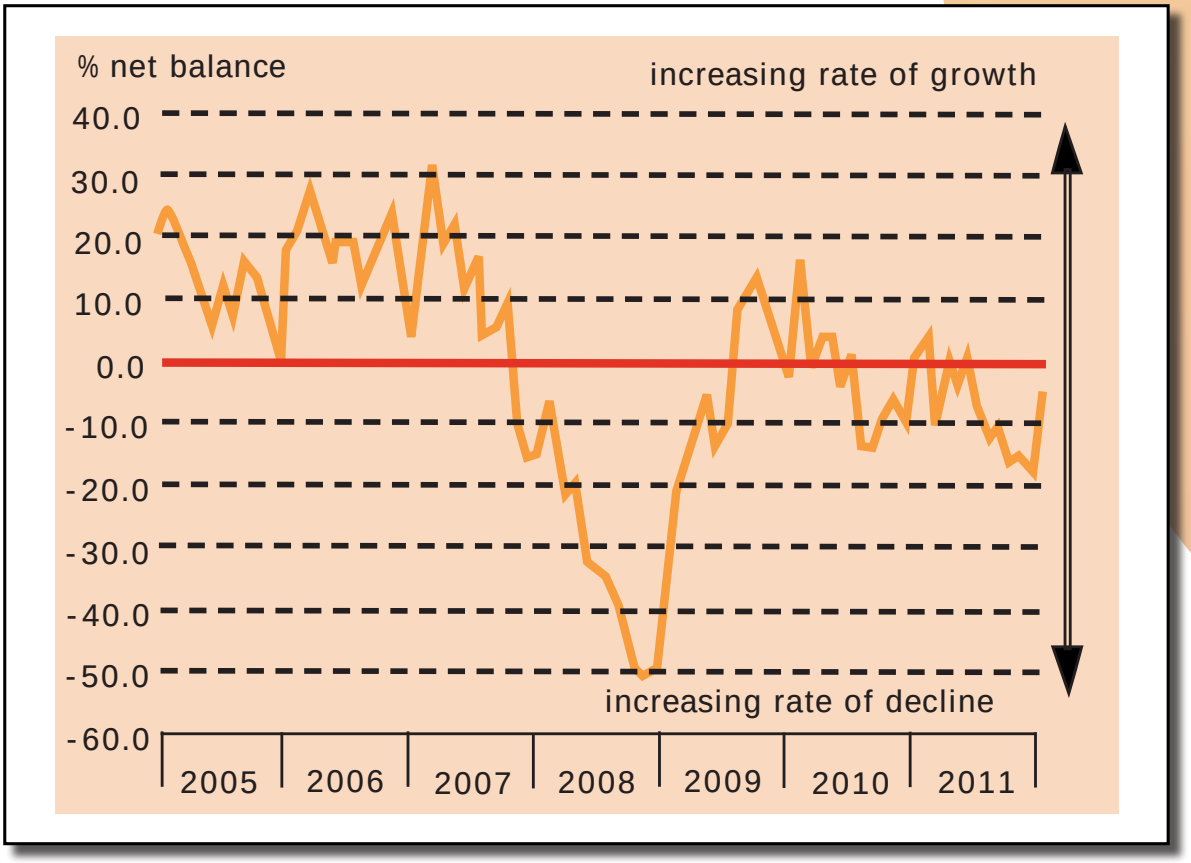
4.21

The levels of commercial development activity have also significantly reduced since the high of early 2007 and, as with the residential market, a market rebound peaked in early 2010 before another (less severe) fallback.

Graphic 4 - Source:Savills



Graphic 5 - Source:Savills



4.22

Unlike housing, the commercial market in general remains a more mixed picture, a fact illustrated by the wider spread between prime and secondary commercial market yields. **Graphic 6** identifies an increase in the difference between its narrowest point in late 2007/early 2008 (circa 150 basis points) to a spread similar to the early/mid 1990's (just under 400 basis points), a time when the UK was recovering from recession and the "Black Wednesday".

4.23

Within the commercial market, since the downturn, large food retailers have performed well and gone on an expansion drive whilst other retailers have had mixed success. Quoted headline rents for office space might appear stable, but even in the regional centre of Cardiff landlords have offered more and more generous inducements to tenants, which have obscured the overall market drop in rents, (although shifts in yields are more easily observed). B2 and B8 uses have been similarly affected though these remain less volatile. Again, as with the residential market, the increased spread in prime and secondary commercial investments illustrates that the market remains very selective and discerning.

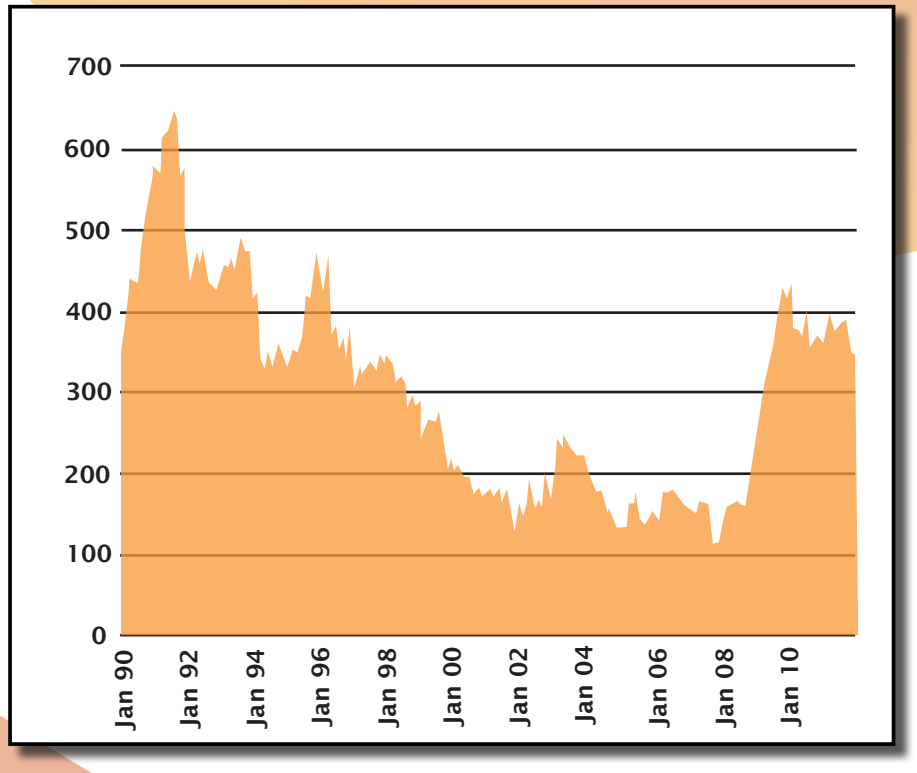
The commercial market - locally

4.24

As with the rest of Wales and the UK, the commercial market remains much polarised. As investors seek safer havens for their money they are naturally drawn towards more secure opportunities in prime areas or other options that are heavily discounted or have funding support from the public sector. These same market forces apply to occupiers and owner-occupiers, the latter of

Graphic 6

Source: Savills



whom will want to make the most of any equity they hold and will no doubt have difficultly securing finance.

4.25

The outcome of the drive towards prime or secured options is that opportunities within the M4 Corridor (e.g. the highly successful Talbot Green Retail Park), newly established value areas (e.g. Beddau way, Trecenydd), secured public sector presence (e.g. Rhydycar, Merthyr Tydfil) or publically funded schemes (e.g. Bargoed Town Centre) remain attractive to the market whilst secondary opportunities away from area hotspots and lacking public funding will continue to struggle in the current market. Commercial market activity continues away from area hotspots but generally where there is existing activity and synergies or where significant value discounts can attract local interest.

4.26

Retail use generally cuts across many of the market difficulties, and the main considerations here are the store accessibility to the catchment area and the strength and proximity of competition (whether high street or internet). The Talbot Green and Cyfarthfa Retail Parks are good examples of the great success edge of town retail can have within the Study area; however other locally focused high street retail is much more hard pressed in the current market. Supermarkets have until recently been relatively unaffected by the market downturn and have taken these wider market conditions as an opportunity to go on a significant expansion drive and this has been seen within the wider area.

4.27

The office market has wider potential within the M4 corridor area. However, prime office developments typically look for prime locations for the top occupiers and there is often great competition for these. Opportunities will arise for sought after locally focused developments in the larger Study Centres (i.e. Caerphilly, Llantrisant, Merthyr Tydfil etc.) but these will not become regional hubs unless being Government led. There is an oversupply of secondary office accommodation, so new office developments will have to be carefully focused in current market conditions.

4.28

Each of the commissioning local Authority areas retains elements of their industrial legacy and existing and potential future sites for B2-B8 use can be found within the Study areas. Again, transport links are critical for many of these uses so sites with good access to the M4 will be at an advantage. The Heads of the Valley road remains an important regional link road but wider market accessibility is behind the M4 corridor region.

The commercial market - looking ahead

4.29

The commercial market is very much tied to the wider UK and Global economies, and (even more so than the housing market) the future prospects for growth remain closely intertwined with these

forces. There is room for innovation and the UK's mostly favourable currency exchange rates do allow for some optimism, but if the Eurozone falls in on itself the immediate future becomes uncertain and difficult.

The outlook for developers & investors

4.30

Investors, who will be seeking a return on their capital employed and the risks taken, drive private sector developers. These investors may be shareholders in a Public Limited Company (PLC) operating in the house building or commercial development sector or, at the other end of the spectrum, a self-build owner-occupier. As the preceding paragraphs to this section have noted, the UK economy is more stable after the initial heavy falls. Continuing economic weakness and external fiscal threats persist however, casting uncertainty on the future path to recovery. In this context, many investors regard property as the safer or "least worst" option for their capital.

4.31

Whilst property may remain an attractive option to investors, development of property brings its own risks, which investors will seek to reflect within their return on their investment. A good example of this would be developer profit, where, at the peak of the market, developers were prepared to accept returns of below 15%, whereas now they seek returns in excess of 15%. The return sought has to include the investor's allowance for risk and so the more risky schemes (i.e. flatted developments) will necessitate the higher returns. As the market reverts to more stable conditions, developers and their investors can move from a policy of risk aversion to one of careful risk management. This will be reflected in the development schemes they can consider and the returns they seek.

4.32

The UK needs economic growth to help tackle substantial Government debt and some positive economic activity, such as land use development is clearly required. The UK Government has spoken of "rebalancing" the economy and again development will play an important role here. CIL will undoubtedly add some net cost to development (even after factoring into account reduced s106 requirements) so there will be a greater need for well-planned developments. If we are to remain in a period of relatively stable but slow growth over the next 5 years (as some commentators forecast) the market realignment will need to encompass the expectations of landowners and investors in development.

4.33

We continue to see cases where developers have bought land at high market prices and are now struggling with scheme viability. As the market realignment continues this is becoming less of a problem. Provided that developers, landowners and the public/communities continue to adjust their requirements and expectations in response to the realigning market, there

will be a positive future for developers. Some developers remain heavily indebted and their path to recovery will be longer but others are much better equipped to deal with the future market conditions.

4.34

The fact that the PLC house building and commercial developers saw their share prices decimated after the market highs cannot be ignored (See Appendix D for details of selected share price shifts, from peak to trough). Although these have been steadily recovering they still remain well below the market peak. That said, house builders are reporting an increased confidence now that they have significantly managed costs down (including land costs) and recognise that latent market demand and the significant under shooting of annual UK house building requirements will ultimately be addressed by the market.

4.35

Optimism amongst commercial developers is more guarded but they do see opportunities for significant value creation within prime market opportunities. Examples of this can be seen in Cardiff's Callaghan Square office development, Swansea's Leisure led Salubrious Place development on Wind Street, or even Newport's Celtic Business Park at the Corus Llanwern site. At some point a wider economic recovery will diversify this further into the secondary market tier.

5

Methodology and approach to Viability Testing

5.1

In the introduction to this Study the need for an evidence-base to inform CIL charging and the role that development viability would play within it was explained. The principal approach to building an empirically focused evidence base has been to undertake high level testing of the 69 development sites identified by the commissioning local Authorities. In practice, this has required the building of 69 individual development appraisal models that would test the economic viability of a range of conditions.

5.2

Choosing a mixture of 69 development sites goes well beyond the Government guidelines for "a few sites" supplemented by "fine-grained sampling". This was considered necessary as the Study area covers three separate local Authority areas, within which the sub-markets could vary significantly. The commissioning local Authorities were also conscious of comments made by CIL examiners in England that were critical of some English Councils not having tested a wider range of site uses and the three Councils wanted to avoid making the same mistake.

5.3

The Government has not placed any requirement on charging Authorities to "exactly mirror the evidence". That said, it is our view that a credible evidence base takes account of the approaches likely to be adopted by the market for development opportunities within the commissioning local Authorities. The Study also looks at actual development sites rather than notional creations. This adds further realism and weight to the testing. It is acknowledged that the level of details provided in respect of the sample development sites will not mirror the depth of information that a developer would have assembled at an advanced stage of their development proposals, but nonetheless using our accumulated experience in this field we have endeavoured to undertake as realistic and reasonable assessments as practicable in the circumstances. As actual future development sites have been used we have kept details of the sites anonymous to avoid possible prejudicing of future planning applications on these sites.

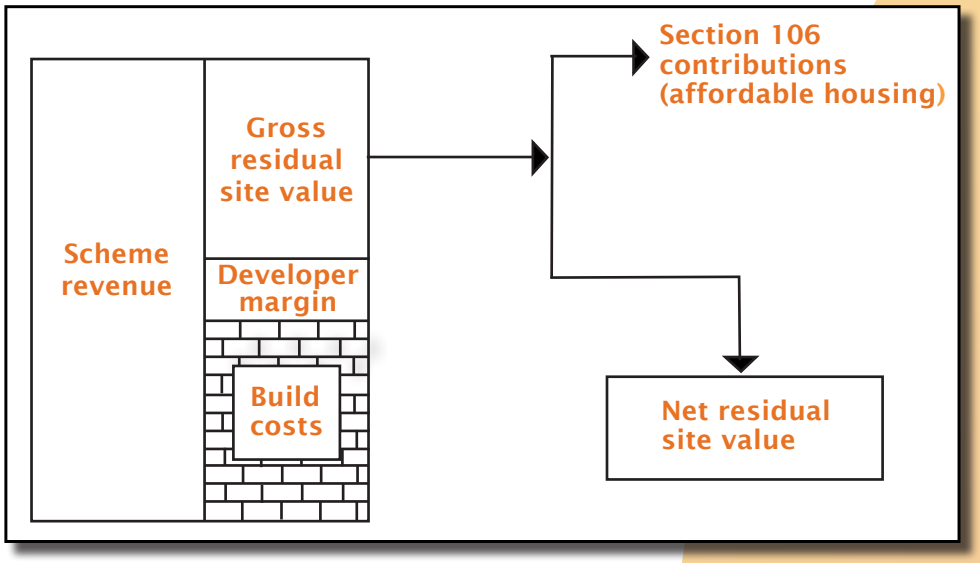
Adopted approach to Viability

5.4

Appendix E sets out details of literature providing guidance concerning the assessment of a development's economic viability. Were development more homogenous and less complex it would

Graphic 7

Source:
Three Dragons



be easier to draw comparisons between evidence of schemes that have advanced, and similar schemes that have yet to proceed. Unfortunately, development viability is not only site specific but also very scheme specific and the myriad of variables make simple comparison challenging.

5.5

As highlighted earlier within the report, viability practitioners will assess scheme income and deduct development cost to arrive at a residual value within their appraisal. How the practitioner configures the costs within the appraisal will be a matter for their professional judgement, but typically the costs will be arranged in a layout that leaves land value or developer profit as the residual output. An illustration of the former configuration can be seen in **Graphic 7**.

5.6

This is one representation of how an assessment of a development's economic viability can be arranged. In this Study planning obligations (shown as "Section 106 contributions" above) are included in the form of affordable housing on the residential sites. However, in accordance with ongoing UK Government Policy formation we have also tested these sites with nil provision of affordable housing, i.e. should affordable housing be deemed as included within CIL. The development costs also include a benchmark land value as a further cost within the appraisal. Since developer profit is also accommodated within the development costs the residual outputs generated by the appraisals within this Study represent the surplus (or deficit) available for CIL in each stated scenario. **Graphic 8** shows the principles of how the residual amounts for CIL have been calculated in this Study.

5.7

As mentioned within Section 3 of this report there are benefits perceived in using an established viability model. The ARGUS Developer™ software (Formerly CIRCLE Developer™) is an appraisal toolkit employed globally and regularly used by agents to developers and therefore

GRAPHIC 8	
1	Scheme Revenue
	Less
2	Construction Cost
	Less
3	Land Cost
	Less
4	Cost of Affordable Housing Obligations
	Less
5	Developer Overheads, Finance Costs & Profit
	Equals
6	Residual Output for CIL

carries a good deal of credibility within the development industry. There are other suitable alternative models but given that the development industry will be meeting the cost of any future CIL charges it is considered helpful to use a model that developers are likely to be familiar with and are more likely to be comfortable with.

The test sites

5.8

The 69 sites selected for this Study cover a range of geographical areas and use classes. Summary site information is set out at **Appendix F**. It should be noted that information has been generalised, as all sites are expected to be the subject of future development proposals that must not be prejudiced by the testing undertaken within this Study.

5.9

The commercial test sites cover a range of use classes, as recommended by CIL examiners in England. **Appendix G** provides summary details for these test sites.

Income & cost inputs to viability appraisals

5.10

Having identified the viability methodology and sample sites it is now appropriate to detail the income and cost inputs adopted within the Study appraisals.

Adopted approach to housing scheme revenues

5.11

In order to value the proposed housing schemes to be developed the comparable method of valuation was used, which had regard to actual sale values. On each residential sample the make up of the local housing stock was taken into consideration in determining the best mix of housing within the new development scheme to complement this, whilst achieving the best sale returns. To supplement this research consideration was also given to how the local site development might fit in within the market of other local and regional housing developments.

5.12

DVS has access to all data listing all sales within Wales (compiled from Stamp Duty Land Tax returns) and the corresponding property surveys (compiled through the assessment of local taxation), which allowed the analysis of sales in great

detail. This was extended by a review of the currently available new homes in the localities and developers' own projected sale values to verify the sales analysis. **The averaged open market housing sale values adopted for each site are detailed within the next report section.**

5.13

Many of the sample sites have a requirement for on-site affordable housing provision. The level of affordable housing for each site has been set in line with the affordable housing targets set out in each of the commissioning Authorities' adopted LDP. The requirement for affordable housing has been taken into account in undertaking the valuation assessments. For Caerphilly and Merthyr Tydfil CBCs this was quite straight-forward since they have fixed capital rates for their affordable homes. RCT CBC's affordable housing policy does not stipulate fixed capital values. Nonetheless there is clear policy guidance, which in conjunction with rental and capital information from the Council, allowed for straightforward calculation of equivalent capital values. Nil Social Housing Grant (SHG) support in respect of the affordable housing has been assumed in each case, in line with prevailing public funding austerity.

Adopted approach to commercial scheme revenues

5.14

A number of market led valuation methods were employed for the commercial development sites. An investment approach was adopted for the A1, A3, B1, B2-B8 & D1 uses, whereby a determined rental stream is capitalised using an established market yield. Site by site research was undertaken in respect of the likely rents and yields for completed hypothetical developments proposed on the sample sites. Some of the sites did not have prime comparable evidence in the near locality and this necessitated wider market research on those sites. Even where there was a good grouping of nearby rental evidence, it was typically necessary to extend the search area to ensure that there was a suitable evidence base of yields.

5.15

Due to the limited local evidence, a more wide ranging approach was adopted to valuing the hotel developments (Use Class C1), where the Hotel's earning potential was assessed to arrive at a rental level likely to be agreed under a typical management agreement for an established market operator. This rental value was referenced against acquired market intelligence (on a per bed basis) to ensure accuracy and then capitalised on the basis of an observed market yield to arrive at a capital value to an investor (investment method). This final capital value was again benchmarked against market evidence (on a per bed basis) to certify reasoned validity.

5.16

The Cinema sites (Use Class D2) were also assessed having regard to the development's earning potential to arrive at rental likely to be agreed under a

typical letting for an established market operator. This rental value was referenced against acquired market intelligence (on a per seat basis) to ensure accuracy and then capitalised on the basis of an observed market yield to arrive at a capital value to an investor (investment method). This final capital value was also benchmarked against market evidence (on a per seat basis) to certify reasoned validity.

5.17

A dual approach of assessing the deemed capital worth of a completed development's earnings (receipts method of valuation) referenced against the sales evidence of modern and purpose built facilities (Comparable method of valuation) was adopted for care and nursing homes (Use Class C2). **A full list of the adopted commercial values is detailed within the next section of the report.**

Development costs - normal construction

5.18

Based upon quantity surveyors advice and taking into account recent published RICS Building Cost Information Service (BCIS) data, a current base price per square metre construction costs for different forms of residential and commercial development in the Study area has been established. The BCIS's median average costs have been adopted for the purpose of the study and these have been adjusted to reflect the study areas locality. A construction contingency of 2.5% has also been included under this heading.

5.19

In addition to basic construction costs the UK Government put in place enhanced sustainability requirements for house builders under the Code for Sustainable Homes. In May 2008 ratings against the Code became a mandatory obligation and September 2010 saw compliance with the code become mandatory for new build dwellings for the public and private sector.

5.20

The Welsh Government has taken the decision to impose more stringent requirements under the Code for Sustainable Homes for new developments in Wales, and whilst this is undoubtedly a good thing for the environment it can place enhanced cost on developers working in Wales, which in turn might impact negatively on development viability. In England the requirement is for Code Level 3, whilst in Wales the new equivalent (reflecting changes to Part L of the building Regulations in 2006 to 2010) is for Level 3 + 1 credit ENE1 (Energy). Some of the evidence forming the BCIS construction rates will already reflect the additional requirements (or higher) however this is not easily measured.

5.21

Some of the larger house builders have undertaken their own investigations into the cost of the Code for Sustainable Homes, however since they do not publish (for reasons of commercial confidentiality) their own underlying construction costs it is not possible to establish a wider perspective on these assessments. To complicate matters further, the property

market downturn has led to significant wholesale reductions in construction costs, so any cost increases due to the Code for Sustainable Homes have often been exceeded by the general fall in construction costs. Indeed, evidence provided by one developer during the course of our research supports this. In light of the complex and conflicting effects of both the Code for Sustainable Homes and the construction market downturn we have opted to notionally increase the base allowance for external works to address the matter of the Code in respect of housing and the Building Research Establishment's Environmental Assessment Method (BREEAM) for commercial development, and this allowance is detailed in the following paragraph.

5.22

In addition to the core construction costs, an allowance has been made for the wider infrastructure and utilities required in the development of a site, and this is accounted for under the "external works" heading. The use of 15% on construction costs as a standard rate for this has been advised, but in cases where existing services (roads & utilities) are immediately available, or where the development is relatively modest and extensive infrastructure (i.e. estate roads etc.) is not needed in our opinion the rate could be reduced to 10%, in line with market intelligence. We decided that a single allowance would be made for external works and sustainability requirements and upon review it was agreed that a default rate of 17.5% would be adopted to reflect the additional sustainability requirements of the Welsh Government but with no separate allowance for abnormal development costs.

Development costs- Planning obligations

5.23

Should the commissioning Authorities adopt a CIL charging regime, they will need to amend their respective planning obligations to reflect the elements that will be included within CIL and those that may still be delivered through section 106. The Study brief already required residential testing with and without affordable housing delivered through s106, and it was subsequently agreed that the wider planning obligations (i.e. contributions to local education, leisure etc.) would be removed from the appraisals and therefore the residual testing results include an inherent allowance for these wider planning obligations. Consequently, those planning obligations, which might ultimately still be delivered through s106, need to be accounted for by adopting CIL rates below the testing results. This is another factor in support of not charging CIL "up to the margins of viability".

5.24

The respective Councils supplied details of the levels of affordable housing requirements for geographical areas within their county boroughs and we consulted with a local Housing Association to verify and harmonise

the approach to the valuation of these dwellings and the appropriate developer receipts. The appraisals assume that stated Policy requirements will be met, and that no Social Housing Grant is available on any test site.

Development costs Professional fees, letting & sale costs

5.25

In accordance with advice from the quantity surveyors and other market intelligence a standard 8% allowance for professional fees has been adopted. This has been reduced to 5% for developments where the construction designs are more straightforward and/or where a design and build package could be used.

5.26

For the sale of properties with vacant possession an agency cost of 2% (of value) has been adopted where significant marketing (possibly including a dedicated sales office) is required and 1% in other cases. For affordable housing the sales fee is reduced to 0.5% to reflect the reduced marketing requirement. In all instances an allowance of 1% for legal costs has been adopted.

5.27

For commercial developments due to be let, a letting agent's fee of 10% (first year's rent) and legal costs of 2.5% has been adopted. Rent-free inducements to tenants have also been applied where market intelligence suggests this would be required. For investors purchasing these let properties cost allowances for Stamp Duty Land Tax and agent and legal costs have been set at 0.75% for each

Development costs - Land & associated fees

5.28

Land value/cost is one of the most important and sometimes contentious inputs/outputs within a development appraisal. The land value adopted within a developer's appraisal may be an actual land acquisition cost, or their opinion of the land's current worth. The correct land value to be adopted within the appraisal should be one that allows for the developer to fulfil all of a Local Authority's planning obligations, and now CIL. This assessment can, however, become complicated by factors such as abnormal development costs (though these should be properly reflected in the residual land value), a higher existing use value or simply landowner price aspirations.

5.29

Where a site already enjoys a valuable (and active) existing use it is reasonable that the landowner be incentivised to release the land for development. Anecdotal evidence from other research has suggested that such an incentive may be in the form of an uplift in value in the order of 10-30%. In reality, however, the incentive will be very specific to the landowner. Alternative use value of the site is another consideration but generally if that value was higher and easily achievable (i.e. without time,money and risk associations) the prudent land-

owner would have already achieved this transition to the more valuable use There-fore, most land value benchmarks will have first reference to a site's existing use value.

5.30

Landowner price aspirations may be driven by any number of factors, whether a personal goal, an existing use, business objectives etc. These differing forces can lead to a variety of views, but where a sale becomes a real possibility most prudent landowners would seek a professional opinion or research the market themselves. Such undertakings may temper or inflame a landowner's price expectations.

5.31

We also have to recognise that in many instances landowners can be one or a small number of private individuals who are not personally in the business of developing sites themselves, and this can lead to an even wider variance in the behaviour of landowners. Where landowners can be persuaded to sell (and in some cases they will not sell under any circumstances, other than statutory acquirement) their decision may very well be based on whether the purchase price offered allows them to achieve personal goals, or whether it is what they would deem "a life changing sum".

5.32

Some development land agents may be keen to talk up the value of development land, and it is true to say that land sales can yield very large sums of money indeed. That said, because this information is often anecdotal or second hand a degree of caution has to be attached to it. This can be for many reasons such as a price being clean of abnormal costs yet to be deducted, the sale value reflecting existing infrastructure (i.e. "oven ready") or a significant difference between the net and gross development areas.

5.33

DVS has access to a substantial live database with all sales (including development sites) in Wales (Via Stamp Duty Land Tax returns) and the corresponding site plans, which affords the opportunity to confirm that some sales can devalue at very high sale values per acres, yet other sales return at less extravagant rates per acre when fully analysed. As land values paid by developers will at some stage have been referenced through a development appraisal, higher land values will be indicative of developers forecasting higher sale prices, lower development costs, lower profit or a combination of variances in these inputs.

5.34

In the introduction to this Study, the overarching opinions concerning the economic viability of development and its interaction with the triangle of landowner, developer and the public/ community sector were outlined. In the preceding paragraphs of the report some of the thoughts and drivers, which may influence landowners were highlighted. However, the value of a site cannot have

sole reference to the landowner, since the developer has to make a commercial return and the public/community sector needs to deliver strategic objectives (i.e. affordable homes, community facilities etc.) and provide the wider infrastructure that the new development will necessitate (i.e. increasing demand for school places, highway changes etc.). The land price has to reflect these drivers too, and since CIL will be a net overall cost addition it follows that land values will be reduced (unless the property market improves or developers find other cost efficiencies). As is noted in a number of technical viability documents current land value should be the residual amount after all other costs (including CIL) have been deducted from the scheme revenue.

5.35

The UK Government's acknowledgment that a proposed CIL rate does not have to "exactly mirror the evidence" is most salient to the question of land value because, predicting the actions of landowners can be challenging across a study of 69 sample sites. A pragmatic approach has therefore been adopted.

5.36

The view that has been adopted in the viability methodology is that each site must have a base benchmark value, which will reflect the site's existing use value. If the site is in active existing use a premium to the land benchmark as an inducement for sale has been applied, but if it is not in active use (i.e. derelict site, no business present, vacant etc.) a premium to the benchmark value has not been applied. However, in all cases where a more valuable, easily identified and immediately achievable alternative use exists, a premium to the value of the land benchmark cost (irrespective of whether or not an active business is present on site) has been applied. In quite a number of instances within this Study the premium over existing use value goes well beyond the anecdotal 10-30% uplift and more fully reflects a view towards the higher potential alternative use values.

5.37

The value of development land is very location specific (for example, the value of housing in some places can change significantly in a matter of a few hundred metres- if not less) and also very scheme specific. The commissioning local Authorities have provided the DVS with the highest value schemes for sites and these have been reviewed with the study group. However it should be noted that it is possible that a developer might unlock a more valuable scheme (for example, they may upgrade a housing development into a higher value product i.e. a bespoke "heritage collection").

5.38

In arriving at our assessment of the benchmark land values we recognise that (particularly with regard to some of the residential sites) in some cases landowners might anticipate higher receipts. The first point to reiterate is that where CIL is charged it will almost certainly universally place downward pressure upon land values, so some variance between landowner price

aspirations and market experience is to be expected. The second point to raise concerns the viability of higher land prices. If developers are ultimately able to consistently pay higher land prices this will only be as a result of their businesses assuming more optimistic value creation or achieving lower development costs.

5.39

In this Study, within each appraisal we have assumed development revenues and costs, which we believe can be reasonably anticipated. That said we have had 69 development sites to consider, whereas a developer would consider each individual development opportunity in great detail, sometimes working up their development proposals over a number of years. The full development value of land can only mature and come to fruition once a developer has completed extensive site, market and planning research and legally completed land sale values will therefore be indicative of this level of investigation and certainty.

5.40

The benchmark land values adopted within this Study are deemed reasonable in the context of the level of development detail and certainty present (in contrast to the level of detail and certainty a developer would have when agreeing the purchase of land ripe for imminent development). For each Study development site a lot of higher-level information is available, but nonetheless the depth of information and development certainty is more indicative of an earlier stage within the development cycle and we consequently believe that the benchmark land values should be reflective of this. Therefore, the benchmark land values used are in line with what we would expect of strategic land assemblies or land purchase option agreements that also require further progression through the development cycle before land can realise its final full potential value.

5.41

Where very significant "residualised" values are generated for CIL within our Study appraisals, it is fair to note that perhaps some of this surplus could be shared in some land value flexibility with the landowner. That said, Government guidance has already to some degree allowed for this in recommending that CIL should not be charged by Authorities "right up to the margin of economic viability".

5.42

Lastly, the value of any SDLT due and acquisition costs of 0.75% for agency and 0.75% for legal costs have been added to each adopted land cost benchmark within the appraisals.

Development costs - developer profit and internal overheads

5.43

Historically, the profit benchmark for developers was around 15% (on Gross Development Value for residential developments and Cost for commercial developments) but as the market improved we saw returns regularly falling below. However, when the economy and

property market fell (post 2007) we saw developer profit requirements shift up to 20% (and more where risk was greater i.e. flatted development). Latterly, as stability has returned to the market and developers have become more outwardly confident (if still more cautious in their decision making) a gradual easing of developer profit expectations has been observed. Therefore, a base allowance for developer return of 17.5% has been made, which is inclusive of developer internal overheads.

5.44

On the affordable housing we have adopted a contractor's return of 4.76% (equivalent to 5% return on development costs), which is in line with recent reports that have been received from Registered Social Landlords. A contractor return of 8% on costs for the health-care developments and 12% on care/nursing homes (all as per market intelligence) has been adopted.

Development costs- finance

5.45

In this Study the ARGUS model has been used to run development cash flows and a 6% debit interest rate and 5.2% credit interest rate for development finance has been adopted. Typically these 2 rates should mirror each other, as the development cash flow already allows for the drawing of developer profit and therefore any sales income should be used to offset borrowing costs on this or other development schemes i.e. the opportunity cost of scheme revenue matches the borrowing rate. However, because the Study included some smaller sites, a lower credit interest was adopted to allow for any hypothetical local/ regional developers who may only have one concurrent development and not be in a position to make their money work quite so hard for them. The development periods adopted within the cash flows were based on a combination of market intelligence and the BCIS construction duration calculator.

Appraisal output- "Residualised Price" (CIL)

5.46

Having input the anticipated scheme revenue and development costs for each site into the ARGUS appraisal model a "residualised price" for each site is generated, which is the surplus (or deficit) left for CIL. Perhaps somewhat confusing, the output from the ARGUS model shows the residual output just below the scheme revenue projection (under the heading 'Profit') rather than the bottom of the appraisal. A sample copy of a residential appraisal used within this Study is reproduced at **Appendix H** along with a sample copy of a commercial appraisal used within this Study at **Appendix I**. A full review of the results is undertaken in the next section.

6

Testing findings and options for Charging CIL for residential developments

6.1

This section explores the test results and considerations for charging CIL for the residential and commercial development sites assessed. The actual suggested rates of CIL, on a per square metre (psm) built basis, are detailed within the conclusion and recommendations to this report.

Viability testing of residential developments

6.2

The Study brief required the assessment of two rates of CIL for residential develop-ments. The first rate of CIL ("Scenario A") reflects the presence of affordable housing within the development appraisals as a retained section 106 requirement, in accordance with each Council's affordable housing policy. The Study brief also required the assessment of CIL rates where affordable housing is delivered through CIL itself and NOT section 106.

6.3

In order to clearly delineate between two sets of viability results for each affordable housing scenario in this section we first review the results under "Scenario A" (affordable housing delivered through s106) and then separately for "Scenario B" (affordable housing funded through CIL).

Residential test findings - "Scenario A" (Affordable housing included as a s106 requirement within development appraisals)

6.4

The first scenario requires the inclusion of affordable housing within each development's housing mix and therefore the residual levels of CIL generated are reflective and therefore net of affordable housing policy requirements. Consequently, if adopted, none of the CIL charges raised will need to be set aside for affordable housing delivery.

Pan-Authority residential CIL rate trends and possible CIL Charging Zones (Scenario A)

6.5

Looking at the results as a whole in **Appendix J**, it is clear that there are three fairly distinct sets of results which follow easily defined geographical areas. Firstly, there are a group of sites that we have included in a "Higher Viability Area" (coloured orange), where in four

cases their residually generated rates of CIL (£105 to £193 per square metre built) significantly exceed all other results elsewhere in the Study (all below £100 per square metre built). The Higher Viability Area includes 4 sites with residual rates of CIL (£33 to £56 per square metre built) more closely associated with the middle zone. These sites demonstrate a strong viability and are able to support the higher levels of affordable housing (20% in RCT & 40% in CCBC) without the support of Social Housing Grant.

6.6

As will be seen later within this section, the removal of affordable housing from all of the "Higher Viability Area" dramatically improves the residual CIL rates and reveals a closer viability relationship amongst the sites as the differences in percentage affordable housing contributions are "smoothed out". We reproduce a plan at **Appendix K**, which illustrates the suggested boundary lines to the belts of viability across all 3 commissioning Authorities and it will be noted that the "Higher Viability Area" (coloured light orange) follows a corridor to the southern regions to Caerphilly and RCT CBCs.

6.7

Moving down the viability results there is a large group of sites that residually produce rates of CIL in the range of £5 to £99 per square metre built based upon mid range affordable housing provisions of 5% to 25% within their housing mixes. These sites are included within the "Mid-range Viability Area" (coloured pink) in **Appendix J**. Referring to the proposed charging zones within the plan at **Appendix K** it will be observed that the "Mid-range Viability Area" is a defined belt to the middle of Caerphilly and Rhondda Cynon Taf CBC (which is just north of the "Higher Viability Area" within those same Authorities). Within Merthyr Tydfil CBC the picture is more interesting because to the south of Merthyr Tydfil CBC (and adjoining the Caerphilly "Mid-range Viability Area") lie sites whose viability correspond well with "Mid-range Viability Area" and testing results also show a separate area around Merthyr Tydfil itself also neatly sits within the "Mid-range Viability Area"

6.8

The final group of test results is for those sites that showed the lower levels of viability. Interestingly, these sites performed least well despite having the lowest overall affordable housing provisions (0-10%) included within their test appraisals, which would appear to indirectly reinforce the affordable housing policies in place within the Study area. The sites that fall within what we have defined as the "Lower Viability Area" (coloured light blue in **Appendix J**) all achieve baseline residual rates of CIL that range from -£54 to £3 per square metre.

6.9

As seen in the plan at **Appendix K** the "Lower Viability Area" (coloured light blue) generally forms the middle and upper geography to the Study area, with the exception of Merthyr Tydfil town area itself, which has shown much stronger

viability. There is one further area to the north west of Caerphilly town itself where our viability testing correlated most closely with the "Lower Viability Area", largely as a result of its more rural and less well connected status, and as such this area is included within the "Lower Viability Area".

Comments in respect of Caerphilly CBC CIL rates (Exclusive of Affordable housing)

6.10

The results of viability testing under Scenario A (Affordable housing as a requirement separate from and in addition to CIL) within Caerphilly CBC can be found at **Appendices L & M**. Both appendices list site-by-site summary appraisal information. Appendix L details the base residual rates of CIL generated for the residential sites, but with further sensitivity analysis showing the effects of changes within the housing market, whilst **Appendix M** details the base CIL rates with analysis showing the impact of shifts within developer profit.

6.11

Caerphilly CBC has set affordable housing targets (based on their previous affordable housing viability study), which vary across the geography of the Council. Within the southern Caerphilly Basin area the rate is for 40% affordable housing provision whilst this reduces to 0% in the northern Head of the Valleys area. Therefore, in theory, these variable rates of affordable housing should lead to greater harmony within Caerphilly CBC's CIL viability results.

6.12

The rates of CIL generated show a number of trends across the Caerphilly CBC area, but the results are not entirely uniform. Some of the lowest levels of viability are seen in the north of the county borough in **Site 3** (Base CIL rate of £3 per square metre built, despite the development scale extending to 250 dwellings) and **Site 8** (Base CIL rate of - £52 psm) sites, which is in spite of the less onerous affordable housing requirements (0%) in this area.

6.13

The central county area has a mixture of results across the 25% affordable housing area. **Site 2** (Base CIL rate of £24psm) and **Site 7** (Base CIL of £31 psm) sites show marginal viability though both of these are largely as a result of higher benchmark land values due to the existing uses. **Site 6** shows better viability (Base CIL rate of £36psm) but this is as a result of a lower benchmark land value and being a larger development (140dwellings).

6.14

The west and eastern central sites fall within the lower 10% affordable housing zone. The viability assessments result in base CIL rates of - £38 per square metre (**Site 4**) and £11 per square metre (**Site 1**) and £19 psm (**Site 12**). **Site 11** achieves a higher base CIL rate of £65 psm but this is the largest residential test site in Caerphilly CBC (270 dwellings) and significantly bigger than the other test

sites in this area. **Site 13** achieves the highest CIL residual (£99 psm) in this area but this is the most dense development scheme in the locality.

6.15

The southern most sites in the county borough generate interesting results. **Site 10** generates the strongest base CIL rate of £158 per square metre but this is largely by virtue of the fact that the site sits within the 10% affordable housing zone and the M4 corridor. The two south Caerphilly CBC **sites (5 & 9)** have contrasting viability. The first sample site in this area (Base CIL rate of £45 psm) suffers from a combination of the higher Benchmark land value (due to existing use considerations) and the 40% affordable housing target, whereas the second site benefits from a lower land benchmark and its larger scale (at 200 dwellings) to deliver a base CIL rate of £52 psm.

Comments in respect of Merthyr Tydfil CBC CIL rates (Exclusive of Affordable housing)

6.16

The results of viability testing under Scenario A (Affordable housing as a requirement separate from and in addition to CIL) within Merthyr Tydfil CBC can be found at **Appendices N & O**. Both appendices list site-by-site summary appraisal information. **Appendix N** details the base residual rates of CIL generated for the residential sites, but with further sensitivity analysis showing the effects of changes within the housing market, whilst **Appendix O** details the base CIL rates with analysis showing the impact of shifts within developer profit.

6.17

The Merthyr Town area has produced good levels of viability on the entire sample sites with residual CIL rates of £76 psm (**Site 19**), £56 psm (**Site 15**) and £22 psm (**Site 20**). The southern community area of Merthyr County (5% affordable housing zone) also produced some positive base CIL rates of £32 psm (**Site 14**) and £17psm (**Site 21**), but the remaining site (**Site 17**) was unable to quite match other end sale values which resulted in a lower base CIL rate of £5 psm.

6.18

Two sites were tested within the central belt of Merthyr CBC. The first site (**Site 18**) achieved a base CIL rate of -£4 psm The other central site (**Site 16**) was more remote rural in nature and even with 0% affordable housing and lower benchmark land values could not prevent a negative base CIL rate of -£16 psm.

Comments in respect of Rhondda Cynon Taf CBC CIL rates (Exclusive of Affordable housing)

6.19

The results of viability testing under Scenario A (Affordable housing as a requirement separate from and in addition to CIL) within Rhondda Cynon Taf CBC can be found at **Appendices P & Q**. Both appendices list site-by-site summary appraisal information. **Appendix P** details the base residual rates of CIL generated

TABLE 1

1 Charging Zone	2 Average BASE CIL rate across charging zone	3 Average BASE CIL rate across charging zone within subject Council	4 Highest CIL rate generated in BASE appraisal of subject Council	5 Highest CIL rate generated in subject Council with a 5% house price increase
Higher viability area – Caerphilly CBC	£96 per square metre	£85 per square metre	£158 per square metre	£216 per square metre
Higher viability - RCT	£96 per square metre	£102 per square metre	£193 per square metre	£251 per square metre
Mid-range viability area – Caerphilly CBC	£39 per square metre	£41 per square metre	£65 per square metre	£152 per square metre
Mid-range viability area – Caerphilly CBC	£39 per square metre	£35 per square metre	£76 per square metre	£127 per square metre
Mid-range viability area - RCT	£39 per square metre	£49 per square metre	£49 per square metre	£99 per square metre
Lower viability area – Caerphilly CBC	-£30 per square metre	-£29 per square metre	£3 per square metre	£45 per square metre
Lower viability area- Merthyr Tydfil CBC	-£30 per square metre	-£10 per square metre	-£4 per square metre	£44 per square metre
Lower viability area - RCT	-£30 per square metre	-£41 per square metre	-£21 per square metre	£25 per square metre

for the residential sites, but with further sensitivity analysis showing the effects of changes within the housing market, whilst **Appendix Q** details the base CIL rates with analysis showing the impact of shifts within developer profit.

6.20

Rhondda Cynon Taf CBC has set affordable housing targets (based on their previous affordable housing viability study), for their northern and southern strategic areas of 10% and 20% respectively.

6.21

The 4 northern strategic area sites all generate negative CIL rates of between -£21 psm and -£56 psm, in spite of the lower affordable provision and land values. The base CIL rates observed within the southern strategic areas are all positive and can be split into 2 belts, with the 4 southern most M4 corridor sites being most viable (Base CIL rates of £193 psm, £125 psm, £105 psm & £57 psm) and the 3 sites to the upper end of the southern area showing lower, but still good, rates of CIL (£49 psm, £38 psm & £56 psm).

Potential rates of CIL for residential charging zones- affordable housing delivered via s106

6.22

Table 1 illustrates the average and higher levels of baseline CIL rates generated plus one reference to the CIL higher rates achieved with a 5% relative increase in the housing market. We have included the 5% market increase column as this is a typical average net growth predicted across Wales in the next 5-year period.

6.23

The table lists the potential rates of CIL that can be charged under some specific scenarios. As will be noted, there are significant differences between the average rates and higher rates (Compare Columns 2 & 3 with Column 4 in the above table). Even a 5% relative improvement in the housing market significantly increases the CIL rate (see Columns 4 & 5 in the table).

Residential test findings- "Scenario B" (Affordable housing funded by CIL charges)

6.24

In the second set CIL assessments ("Scenario B") we remove the affordable housing normally required from the housing mixes of our development appraisals. In effect, the residual CIL rates generated under this second scenario should therefore also be used to contribute to the delivery of a Council's affordable housing requirements.

Pan-Authority residential CIL rate trends and possible CIL Charging Zones (Scenario B)

6.25

The summarised baseline results for the residential test sites with the affordable housing removed from the development appraisals (and therefore affordable housing is deemed to be funded by CIL) are tabulated within **Appendix R**. Because

the zoning exercise unconsciously followed similar areas to the affordable housing policy zones there is less relative shift in variances amongst each of the three proposed charging groups. For example, within the "Higher Viability Area" the results for **sites 5 and 9 simply** become more harmonious with the remaining 3 sites as their higher affordable housing contents (both 40% provision) are removed.

6.26

Whilst the removal of affordable housing content does lift the residual CIL rates for all sites (where it was included), because there was already a correlation between affordable content within the three viability groups this means that the overall viability range across the three groups widens. This can be illustrated when the highest and lowest CIL rates under Scenario A (affordable homes through s106) of £193 psm and minus £52 psm (see **Appendix J**), are compared with Scenario B's (affordable homes funded by CIL) highest and lowest CIL rates of £447 psm and minus £52 psm (see **Appendix R**). As a result there is no case for varying the proposed charging zones (see plan at **Appendix K**) between the two scenarios.

Comments in respect of Caerphilly CBC CIL rates (Inclusive of Affordable Housing)

6.27

The results of viability testing under Scenario B (Affordable housing is deemed to be funded through CIL, not s106) within Caerphilly CBC can be found at **Appendices S & T**. Both appendices list site-by-site summary appraisal information. **Appendix S** details the base residual rates of CIL generated for the residential sites, but with further sensitivity analysis showing the effects of changes within the housing market, whilst **Appendix T** details the base CIL rates with analysis showing the impact of shifts within developer profit.

6.28

When affordable housing is removed from the appraisals and replaced with equivalent open market housing, development viability improves on all sites (save for those which had no affordable provision in the first place). Because Caerphilly CBC has a relatively wide-ranging set of affordable housing zones the removal of these requirements is also quite wide-ranging. The most noticeable effect is to reveal just how relatively less viable the two heads of the valley sites are.

Comments in respect of Merthyr Tydfil CBC CIL rates (Inclusive of Affordable housing)

6.29

The results of viability testing under Scenario B (Affordable housing is deemed to be funded through CIL, not s106) within Merthyr Tydfil CBC can be found at **Appendices U & V**. Both appendices list site-by-site summary appraisal information. **Appendix U** details the base residual rates of CIL generated for the residential sites, but with further

TABLE 2

1 Charging Zone	2 Average BASE CIL rate across charging zone	3 Average BASE CIL rate across charging zone within subject Council	4 Highest CIL rate generated in BASE appraisal of subject Council	5 Highest CIL rate generated in subject Council with a 5% house price increase
Higher viability area – Caerphilly CBC	£326 per square metre	£344 per square metre	£355 per square metre	£421 per square metre
Higher viability - RCT	£326 per square metre	£315 per square metre	£447 per square metre	£515 per square metre
Mid-range viability area – Caerphilly CBC	£197 per square metre	£202 per square metre	£256 per square metre	£313 per square metre
Mid-range viability area – Merthyr Tydfil	£197 per square metre	£180 per square metre	£216 per square metre	£271 per square metre
Mid-range viability area - RCT	£197 per square metre	£269 per square metre	£269 per square metre	£330 per square metre
Lower viability area Caerphilly CBC	£74 per square metre	£18 per square metre	£104 per square metre	£154 per square metre
Lower viability area- Merthyr Tydfil CBC	£74 per square metre	£81 per square metre	£177 per square metre	£228 per square metre
Lower viability area RCT	£74 per square metre	£112 per square metre	£146 per square metre	£196 per square metre

sensitivity analysis showing the effects of changes within the housing market, whilst **Appendix V** details the base CIL rates with analysis showing the impact of shifts within developer profit.

6.30

Unlike Caerphilly CBC, Merthyr CBC has a relatively low and narrow band of affordable housing requirements (varying between 5% and 10%) so the removal of affordable housing has a less pronounced effect on the relative residual CIL rates. However, all sites (except **Site 16**) did show markedly improved base viability results that ranged from £145psm to £216psm.

Comments in respect of Rhondda Cynon Taf CBC residential CIL rates (Inclusive of Affordable housing)

6.31

The results of viability testing under Scenario B (Affordable housing is deemed to be funded through CIL, not s106) within Rhondda Cynon Taf County CBC can be found at **Appendices W & X**. Both appendices list site-by-site summary appraisal information. **Appendix W** details the base residual rates of CIL generated for the residential sites, but with further sensitivity analysis showing the effects of changes within the housing market, whilst **Appendix U** details the base CIL rates with analysis showing the impact of shifts within developer profit.

6.32

The removal of the affordable housing requirement results in all 4 of the northern strategic sites now generating positive base CIL rates that range £91 psm to £146 psm. The four most southern RCT sites produce base CIL rates of £330 psm, £316 psm, £219 psm and £447 psm, whilst the 3 remaining lower/mid-county sites have their base CIL rates uplifted to £223 psm, £261 psm and £269 psm respectively.

Potential rates of CIL for residential charging zones - affordable housing funded via CIL

6.33

Table 2 illustrates the average and higher levels of baseline CIL rates generated plus one reference to the CIL higher rates achieved with a 5% relative increase in the housing market. We have included the 5% market increase column as this is the growth predicted by Savills and other commentators across Wales in the next 5-year period.

6.34

The removal of affordable housing from the appraisal models significantly increases the CIL rates for all sites (save for those sites already with a 0% affordable provision) and thereby allowing the funding of affordable housing via the CIL that is generated. As before, there are significant differences between the average rates and higher rates (Compare Columns 2 & 3 with Column 4 in the previous table). A 5% relative improvement in the housing market again significantly increases the generated residual CIL rates (see Columns 4 & 5 in the previous table).

Accounting for the size of a development

6.35

Within our testing results the larger development schemes are, on the whole, generally more viable than the smaller sites. But this is not universally true. For example the largest development (500 units at **Site 1**) is not the most viable site. We have also tested 11 smaller sites across the 3 Authorities with between 10 and 25 dwellings and the majority (7 of 11 sites) of these sites produce positive CIL rates.

6.36

Variable CIL rates based on the size of development are not entirely clear-cut. However they do warrant consideration and headline trends can be seen within our summary base viability results at **Appendix J** (Affordable Housing delivered by s106) and **Appendix R** (Affordable Housing funded by CIL). As will be noted at **Appendix J & R**, the viability zones are most pertinent factor to the setting of CIL charging Rates.

6.37

Based on the viability results within this Study a case for variable CIL rates, based on numbers of dwellings, is not entirely straightforward. A higher rate might be justified for developments of 50 or more dwellings since only 3 of 14 developments (21.4%) within that bracket produce negative base rates of CIL, as opposed to 5 of 15 (33.3%) developments below 50 dwellings (not that much of a difference to base a variance upon). The danger with setting dwelling thresholds for CIL charging rates is that developers may look to only bring forward smaller sites, or take a "piecemeal" approach to larger sites. This is not in anyone's interests, so we would recommend a single rate of CIL for each residential charging zone.

6.38

The test samples provided did not include sites of less than 10 units so it is difficult to make recommendations here. We did however, test a number of sites of 10 units (or marginally bigger) in size and do not expect that viability would be significantly different below this number. There might be a case for differential treatment of developments below 5 dwellings but this would have to be on the basis of Council policy on new housing supply vis-à-vis smaller "windfall" sites, and not the viability results of this Study.

Potential CIL Charges for residential developments within the Study area.

6.39

Development viability is both specific to the particular development scheme and specific to the site. The former needs to be acknowledged when considering potential CIL charging rates, as it is possible for the same site to display a range of viability for different housing proposals. By standardising methodology and harmonising as many variables as possible across the Study we believe that the Study results closely reflect the impact

of development location and believe we have eliminated (as far as we practically can) the potential for development scheme make-ups unduly distorting the out-turning viability results

Considerations for the review of potential CIL rates for residential charging zones

6.40

The CIL regulations make it clear that CIL should not be charged "up to the margins of viability", and therefore CIL should not be charged at the maximum possible rates illustrated within the Study sensitivity analysis. In order to establish which results should be used, it is necessary to consider the market outlook and period over which the CIL charges are to be applied.

6.41

It is our understanding that the commissioning local Authorities are considering setting CIL charges for up to 5 years but possibly with some review mechanisms. Within 5 years time the property market could have increased by 5% in Wales, but this will not happen overnight so rates based on the current property market, but with a view to possible future market improvements, would be reasonable in our opinion.

6.42

The next consideration in setting CIL charges is whether these should be based on the average results or another approach. It is our view that average baseline results should be the starting point for charging but as some averages are based on small samples the final CIL rate should consider variance within the sample and wider averages across similar areas (i.e. averages within other similar Council areas).

6.43

We detail our conclusions and recommendations concerning the charging of CIL in respect of residential developments in **Sections 8 & 9**.

7

Testing findings and options for Charging CIL for Commercial developments

7.1

The results from the commercial viability testing are very specific to the development's end use and therefore we review the results here on a use-by-use basis. We have reproduced the generated test results for the average and higher levels of baseline CIL rates, plus one reference to the CIL higher rates achieved with a 10% relative increase on rent (but not yield) or capital value (in the case of care/nursing homes) in the commercial market. We have included the 10% market increase column because the commercial market has (in most sectors) been most negatively affected by the economic downturn and as such requires more significant market shifts for viability improvements.

7.2

Summaries of the commercial appraisal information, and results from sensitivity analysis, for all 3 Councils can be found at **Appendices Y & Z**. **Appendix Y** details the base residual rates of CIL generated for the commercial sites, but with further sensitivity analysis showing the impact of shifts within developer profit, whilst **Appendix Z** details the base CIL rates with analysis showing the effects of changes within the rental market (or capital market in the case of care homes).

7.3

Since commercial viability has proven to be very specific to end use (and some use classes only include a small sample of sites) we have tabulated each use class's viability results within the main body of this report rather than including separate appendices. These results are contained in the following paragraphs of the report.

Test outcomes for convenience and comparison retail uses

7.4

The results for conventional retail usage are listed in **Table 3** and almost all development schemes (save for the foodstores schemes on sites 4 & 25) generate very positive residual rates for CIL. The positive rates extend across each Authority area

7.5

Within the comparison retail results it is important to note that no adjustment has been made (to cost or value) to reflect the scale of these retail developments. Even the smaller retail schemes tested might prove to be too large for their immediate localities in current market conditions. This has been partly accounted for with higher yields but this could still be an under allowance in the current market.

TABLE 3

Site Ref	Site	Development area (GIA in square metres)	Base rate of CIL generated	CIL rate generated with a 10% increase in rental values
1	South CCBC- Edge of town comparison retail in Greenfield location	6,000	£457	£604
2	South CCBC- Edge of town comparison retail in Brownfield location	1,400	£397	£531
14	North MTCBC- town centre comparison retail with an active existing use in Brownfield location	4,100	£348	£470
15	North MTCBC - Edge of town comparison retail in brownfield location	8,000	£507	£649
24	North RCT- town centre comparison retail in Brownfield location	950	£243	£358
3	North CCBC- large food store on brownfield site in industrial location to edge of town	2,000	£40	£178
4	Central CCBC- large food store on brownfield site in industrial location to edge of village	900	-£293	-£173
25	Central RCT- large food store on brownfield site in edge of town location	2,000	-£76	£108
26	North RCT- large food store on brownfield site in edge of town location	8,500	£1,043	£1,249
27	South RCT- large food store on brownfield site in edge of town location	7,376	£1,221	£1,448
		Averages:	£389	£542

The potential variance between market demand and supply is something that needs to be accounted for when setting the rate of CIL in this sector, since the reduced volume of property transactions is only part of the bigger picture. We have greater confidence in the larger out-of-town schemes, which have proven more successful in maintaining demand over recent times and this might warrant a differential CIL rate for these (at say over 4,000 square metres, in line with sample sites).

7.6

The results for supermarket retail usage in the main generate positive baseline rates for CIL (with a couple of exceptions).

Looking at the results it would appear that there could be a case for split CIL rates between smaller and larger stores. On this sample of test results it is difficult to precisely ascertain where the split in rates should occur but, for context, the Valuation Office Agency's (VOA) Rating department splits food stores into those under 750 square metres, between 750 and 2,500 square metres and those over 2,500 square metres. As can be seen the two largest stores are significantly above the top of the VOA scale.

7.7

At this stage we would urge some caution concerning the CIL rates generated for supermarket retail as they reflect benchmark land costs that have been typically exceeded within the open market. Unlike the residential market, we expect these site values to remain at a higher level due to the specific catchment areas and services required by food stores (often leading to the pursuit of sites with existing use value considerations), combined with the continuing competition between supermarkets for these specific opportunities. In addition to this, the strongest values have been achieved on exceptionally large stores.

TABLE 4

Site	Development area (GIA in square metres)	Base rate of CIL generated	CIL rate generated with a 10% increase in rental values
South CCBC- Edge of town Offices in dedicated employment location	4,450	-£142	-£19
Central CCBC- Town centre Offices on Brownfield location in an active existing use	1,920	-£285	-£182
West CCBC- Offices on Greenfield site to edge of town location	37,500	-£668	-£603
North MTCBC- Offices to be built on Brownfield in edge of town location	8,500	-£122	£0
South RCT- Offices to be built on Brownfield site in dedicated employment location	34,453	-£254	-£154
Central RCT- Offices to be built on Brown-field site in dedicated employment location	20,000	-£651	-£592
North RCT- Offices to be built on Brownfield site in dedicated employment location	7,000	-£552	-£482
	Averages:	-£382	-£290

Test outcomes for B1 Office use

7.8

Listed in **Table 4** are the results for B1 Office use. As can be seen these results are all negative on the baseline assumptions and even with a 10% market increase in rentals only 2 sites approach anything like a viable status. We have no doubt that viable B1 Office development schemes do exist within specific locations and circumstances within the 3 Authorities, however, such circumstances would require significant alterations of Study assumptions, which on the information available could not be justified within the context of this Study. Having regard to the sample schemes tested, **CIL charges in respect of new B1 Offices uses within the 3 charging Authorities are not viable.**

Test outcomes for B2-B8 Industrial use

7.9

Listed below in **Table 5** are the results for B2-B8 Industrial use. The results below are all negative on the baseline

TABLE 5

Site	Development area (GIA in square metres)	Base rate of CIL generated	CIL rate generated with a 10% increase in rental values
North CCBC- Industrial/Storage in dedicated employment location	13,275	-£229	-£199
Central CCBC- Industrial/Storage in dedicated employment location	11,150	-£367	-£331
South CCBC- Industrial/Storage on Brownfield site in edge of town location	6,100	-£199	-£160
North MTCBC- Industrial/Storage on Brownfield site in edge of town location	40,000	-£164	-£128
South RCT- Industrial/Storage to be built on Brownfield in dedicated employment location	68,906	-£84	-£44
Central RCT- Industrial/Storage to be built on Brownfield site in dedicated employment location	40,000	-£241	-£217
North RCT- Industrial/Storage to be built on Brownfield site in dedicated employment location	14,000	-£165	-£128
	Averages:	-£207	-£172

TABLE 6

Site	Development area (GIA in square metres)	Base rate of CIL generated	CIL rate generated with a 10% increase in rental values
South CCBC- Care home on Brownfield site within Town location	3,900	-£461	-£390
South MTCBC- Care home on Brownfield site with active existing use	2,300	-£807	-£754
North MTCBC- Care home on Greenfield site within edge of town location	6,800	-£106	-£47
South RCT- Nursing home on Brownfield site with active existing use	3,273	-£582	-£509
	Averages:	-£489	-£425

and 10% market increase assumptions. Again, we have no doubt that viable B2-B8 Industrial development schemes do exist within specific locations and circumstances within the 3 Authorities, however, such circumstances would require significant alterations of Study assumptions, which on the information available could not be justified within the context of this Study. Having regard to the sample schemes tested, **CIL charges in respect of new B2- B8 industrial uses within the 3 charging Authorities are not viable.**

Test outcomes for Care & Nursing uses

7.10

Listed in **Table 6** are the CIL rate results for Care and Nursing Home uses. These schemes are not viable enough to investors to generate residual rates of CIL under a variety of scenarios. This concords with anecdotal market intelligence, and we believe that viable new care developments are likely to be supported by public funding or by entrepreneurial schemes focused on existing stock or bespoke opportunities that cannot easily be replicated within the Study Context. On the basis of the sample schemes tested, **CIL charges in respect of new care and nursing home uses within the 3 charging Authorities are not viable.**

Test outcomes for D1 Healthcare developments

7.11

Listed in **Table 7** are the results for new public - private healthcare developments. This development market is defined by private investors constructing new primary care centres for the NHS (with funding support from the public sector) and on completion the developer and/

TABLE 7

Site	Development area (GIA in square metres)	Base rate of CIL generated	CIL rate generated with a 10% increase in rental values
North MTCBC- Healthcare development on Brownfield site in edge of town location	9,050	£84	£249
North RCT- Healthcare development on Greenfield site in edge of town location	2,147	£221	£397
	Averages:	£153	£323

or their investors then becoming a landlord to the NHS. This is a market that has weathered the economic downturn and Government austerity better than many other sectors and the positive CIL rates generated reflect the resilience of this market. The viability based on development size is counter-intuitive in this small sample, but each scheme is very specific to a range of factors including land cost and the scope of occupiers so in our wide ranging experience of this sector we would not advocate differential rates based on size, or location (in the case of the 3 charging Authorities).

Test outcomes for Hotels

7.12

Listed in **Table 8** are the results for Hotels. These results are all very poor. The sample sites occupy good locations but even in these areas rents are some-way below prime regional rents and anecdotally we understand that even new build branded hotels within the better local areas are experiencing disappointing occupancy levels. We believe that opportunities for viable new Hotel development schemes do exist within specific locations and circumstances within the 3 Authorities, however, such circumstances would require significant alterations of Study assumptions, which on the information available could not be justified within the context of this Study. Having regard to the sample schemes tested, **charging CIL on new Hotel developments is not currently viable within the 3 charging Authorities.**

Test outcomes for Cinemas

7.13

Listed in **Table 9** are the results for Cinemas, which are all negative. Multi-national and national cinema operators tend to form anchor tenants within mixed use or leisure based development schemes, which (more than ever in the current market) means these operators are able to negotiate the best possible terms with the developer. Therefore, from the developer-investor prospective, there is no residual available for CIL.

TABLE 8

Site	Development area (GIA in square metres)	Base rate of CIL generated	CIL rate generated with a 10% increase in rental values
South CCBC- Hotel on dedicated Brownfield employment site within edge of town location	1,800	-£300	-£175
South RCT- Hotel on Brownfield employment site within edge of town location	2,300	-£348	-£238
	Averages:	-£324	-£207

Whether the 3 Authorities might want to consider a flat rate of CIL across mixed use developments, which include retail and leisure uses is probably more of a strategic decision but **in stand-alone terms it is not viable to charge CIL on new cinema developments.**

Test outcomes for A3 retail

7.14

Listed in **Table 10** are the results for A3 retail that are all, to varying degrees, positive. We have considered developments led by branded national chains, as these are indicative of the types of new developments likely to proceed in the current challenging market conditions. There are other potential forms of new A3 development (which are less common in the current market) that will, in all likelihood, be less viable. Nonetheless their existence needs to be considered when setting the appropriate rate of CIL charges for A3.

TABLE 9

Site	Development area (GIA in square metres)	Base rate of CIL generated	CIL rate generated with a 10% increase in rental values
North MTCBC - Edge of town Cinema site in Brownfield location	2,800	-£259	-£161
South RCT- Cinema to be built on Brownfield site in active existing use on edge of settlements	2,325	-£336	-£247
	Averages:	-£298	-£204

TABLE 10

Site	Development area (GIA in square metres)	Base rate of CIL generated	CIL rate generated with a 10% increase in rental values
Mid RCT - Restaurant on Brownfield site with existing use	193	£16	£275
North MTCBC- Restaurant on Brownfield site	350	£76	£291
Mid CCBC - Licensed premises on Brownfield site	638	£182	£375
	Averages:	£91	£314

Potential rates of CIL for commercial charging zones

7.15

Table 11 illustrates the average and higher levels of baseline CIL rates generated plus one reference to the CIL higher rates achieved with a 10% relative increase in the commercial market. We have included the 10% market increase column as the commercial market has, in general, been most negatively affected by the economic downturn and as such is currently in the most depressed state and requires more significant market shifts for viability improvements.

7.16

The Table illustrates the maximum levels of CIL that could be theoretically charged. In practice, however, CIL must not be charged up to the margins of viability to avoid the impairment of new development. In setting the rates of CIL for commercial uses we would recommend that the baseline results be given the highest regard, as the commercial market remains more uncertain in the current economic conditions.

7.17

We detail our conclusions and recommendations concerning the charging of CIL in respect of both commercial and residential developments in the next sections

TABLE 11

1 Use Class & Charging Zone	2 Average BASE CIL rate across charging zone	3 Highest CIL rate generated in BASE across charging zone	4 Average CIL rate generated in Charging Zone with a 10% rental increase	5 Highest CIL rate generated in Charging Zone with a 10% rental increase
A1 Convenience & comparison retail (All 3 Authorities)	£389 per square metre	£1,221 per square metre	£542 per square metre	£1,441 per square metre
B1 Office (All 3 Authorities)	-£382 per square metre	-£122 per square metre	-£290 per square metre	£0 per square metre
B2-B8 Industrial (All 3 Authorities)	-£207 per square metre	-£84 per square metre	-£172 per square metre	-£44 per square metre
Care & Nursing homes (All 3 Authorities)	-£489 per square metre	-£106 per square metre	-£425 per square metre	-£47 per square metre
D1 Healthcare (All 3 Authorities)	£153 per square metre	£221 per square metre	£323 per square metre	£397 per square metre
Hotels (All 3 Authorities)	-£324 per square metre	-£300 per square metre	-£207 per square metre	-£175 per square metre
Cinemas (All 3 Authorities)	-£298 per square metre	-£259 per square metre	-£204 per square metre	-£161 per square metre
A3 retail (All 3 Authorities)	£91 per square metre	£182 per square metre	£314 per square metre	£375 per square metre

8 Conclusion

8.1

In the preceding sections we reviewed the most salient summary results and outlined the potential for charging CIL in respect of different uses and different localities. In this section we draw our Study conclusions.

Factors to consider when setting CIL charges

8.2

There are a number of factors that must be borne in mind when setting CIL for residential and commercial uses. Firstly, each of the commissioning local Authorities will need to conduct their own research into what infrastructure and other related services will be funded by CIL and cost these items so as to have an understanding of their overall funding requirement. When done, this can be referenced against the projected future development within an Authority area to estimate the levels of CIL required on an area basis (£'s per square metre built).

8.3

It is possible that an assessment of future local infrastructure funding might identify a financial shortfall over and above what CIL can provide, and so it is important that this difficult exercise is completed to estimate any shortfall and ascertain possible solutions. The exercise will also ensure that other stakeholders appreciate the local need for CIL and its funding priorities.

8.4

The second question that each of the commissioning local Authorities needs to address, in conjunction with infrastructure funding, is the extent to which CIL will replace other planning obligations. As this question remains unresolved within the commissioning Authorities, it was decided that no allowance (beyond affordable housing on the residential sites) would be made for other planning obligations. Ultimately, it may well be that other planning obligations are substantially reduced by each of the Authorities but there is no way of knowing that at present. It is difficult to accurately factor this unknown s106 quantity into our CIL rate proposals, but this does present a reason for being more cautious in the rates proposed.

8.5

Another area to be determined by the respective commissioning local Authority is with regard to the longevity and review pattern of any CIL charging scheme that they decide to implement. Clearly, at present, the UK and Wales are gradually getting their respective houses into order after the previous global financial collapse. However, the recovery remains fragile and could be quickly reversed if another external collapse (e.g. rapid spreading of a Eurozone financial contagion) were to occur. It also remains true that these uncertain times

drive investors (whether professional or personal) towards surety, which exacerbates the gap between prime and secondary areas.

8.6

If Authorities decide to put CIL charges in place with a short time frame (i.e. 2 years) before they were reviewed then more conservative rates of CIL should be adopted, especially in those less active local economic areas. Conversely, if a longer period of CIL is envisaged before review (i.e. 5 years+) then it may be reasonable to adopt slightly higher rates of CIL for some of the more valuable locations/uses. Both options have their merits. A shorter period to review (and lower CIL rates) would be more responsive and would be more supportive of marginally viable developments, whilst a longer period to review (and higher CIL rates) would place more sustained downward pressure on land values. Whatever the approach, given the continuing global macroeconomic picture, we believe it is important for the commissioning local Authorities to consider putting in place flexible measures that provide for future review at stipulated intervals and/or in response to any pronounced market shifts.

8.7

At every stage within our viability testing we have endeavoured to adopt what we consider to be reasonable assumptions. Every development has its own specific attractions and challenges and trying to account for these over a wide Study area and range of uses presents its own tests. For this reason it was decided that exceptional development costs would not be included within the viability testing. Exceptional development costs are difficult to predict without a detailed site survey coupled with background research. Indeed, costs that might be deemed "exceptional" on one development may be common-place in another area. Trying to estimate how much of a general allowance should be made (for any exceptional development costs) within CIL charges is not something that can be easily done. Consequently we have erred on the side of caution in considering our recommended CIL charges.

8.8

Other uncertainties exist in setting reasonable rates for CIL. Broadly, these uncertainties revolve around changes within the property market (which we have factored into our sensitivity analysis) or development costs. The latter is more difficult to allow for because often costs are linked to the wider economy. So, for example, when the property market fell, so did construction costs. We therefore decided to undertake our sensitivity analysis on the basis that market shifts were relative to development costs. Some costs are driven by central government (such as higher environmental requirements) but we have included a generic allowance for this and even these items reduce in time as technology, process and volume drive those costs down. Land cost is perhaps the greatest risk, not because values cannot reduce but because some sites have very specific

value drivers (i.e. existing use value), which are difficult to account for within a flat rate charge. The foregoing is another reason to take a more cautious view in respect of the final charging rates of CIL adopted.

8.9

Given that viability uncertainties and the potential for change exist (and will always exist) we would recommend that further consideration be given to what could, and what could not, constitute "exceptional circumstances" in which the published rate at which CIL is charged might be varied. It may be helpful to consider publishing such guidance, so as to avoid future stakeholder confusion and/or inappropriate/spurious viability contentions.

9
Recommendations

9.1

Having investigated both the local and national context to CIL with the commissioning local Authorities, having undertaken viability assessments of a wide range of development schemes across a broad geographical area and having considered multiple Use Classes in connection with this Study, our recommendations in respect of CIL Charging Range and suggested CIL Charging Rates by Charging Zone are set out in Schedule 1 below. It is our recommendation that the commissioning local Authorities give due consideration to these in setting their respective Charging Schedules.

9.2

In identifying the CIL Ranges and suggesting the CIL rates, DVS has taken account of the additional costs that may affect a development site, planning obligations required in addition to the CIL charge, the potential for abnormal site development costs and additional costs arising from increasing building regulations and weighed these with possible future changes within both the construction and property markets.

9.3

Our suggested CIL Ranges and Rates, listed within Schedule 1, represent our true opinion reflecting the research undertaken in accordance with the instructions and stated assumptions of the commissioning local Authorities. We have endeavoured to balance the prospect of future property market growth (primarily applicable to the housing market) against the wider ongoing economic uncertainty and specific cost pressures that will affect some development schemes (such as exceptional development costs, unaccounted for planning obligations, land price drivers etc.).

9.4

It should also be noted that the Ranges and rates set out in the Schedule are made on the basis that a review of CIL charging will be undertaken within 2 to 5 years of implementation.

9.5

This report has been produced specifically on behalf of Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils as a guide for the implementation of a CIL charging system. It should not be used for any other purpose nor published in any way without our prior written approval as to the form and context in which it is to appear.

Schedule 1

Ref.	Charging Zone - Residential (Affordable Housing delivered through Section 106)	DVS Suggested Range of CIL charge (sq. m *)	
		From:	To:
A	Higher Viability Zone	£25	£125
B	Mid Viability Zone	£10	£60
C	Lower Viability Zone	N/A	N/A

Ref.	Charging Zone - Residential (Affordable Housing funded by CIL)	DVS Suggested Range of CIL charge (sq. m *)	
		From:	To:
D	Higher Viability Zone	£150	£250
E	Mid Viability Zone	£75	£125
F	Lower Viability Zone	£0	£75

Ref.	Charging Zone - Non Residential	DVS Suggested Range of CIL charge (sq. m *)	
		From:	To:
G	A1 Retail Development	£50	£300
H	B1 Office Development	N/A	N/A
I	B2-B8 Industrial Development	N/A	N/A
J	Care & Nursing Home Development	N/A	N/A
K	D1 (Primary Healthcare Development)	£0	£125
L	D2 Hotel Development	N/A	N/A
M	D2 Cinema Development	N/A	N/A
N	A3 Restaurants, Cafes & Drinking Establishments	£10	£40

* = Chargeable amount based on measurement to Gross Internal Area (GIA), as per RICS

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FUNDED through CIL) with sensitivity analysis of Developer Profit

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CIL test results for residential sites in Merthyr Tydfil (Affordable housing now FUNDED through CIL) with sensitivity analysis of House Price changes

Appendix V
CIL test results for residential sites in Merthyr Tydfil (Affordable housing now FUNDED through CIL) with sensitivity analysis of Developer Profit

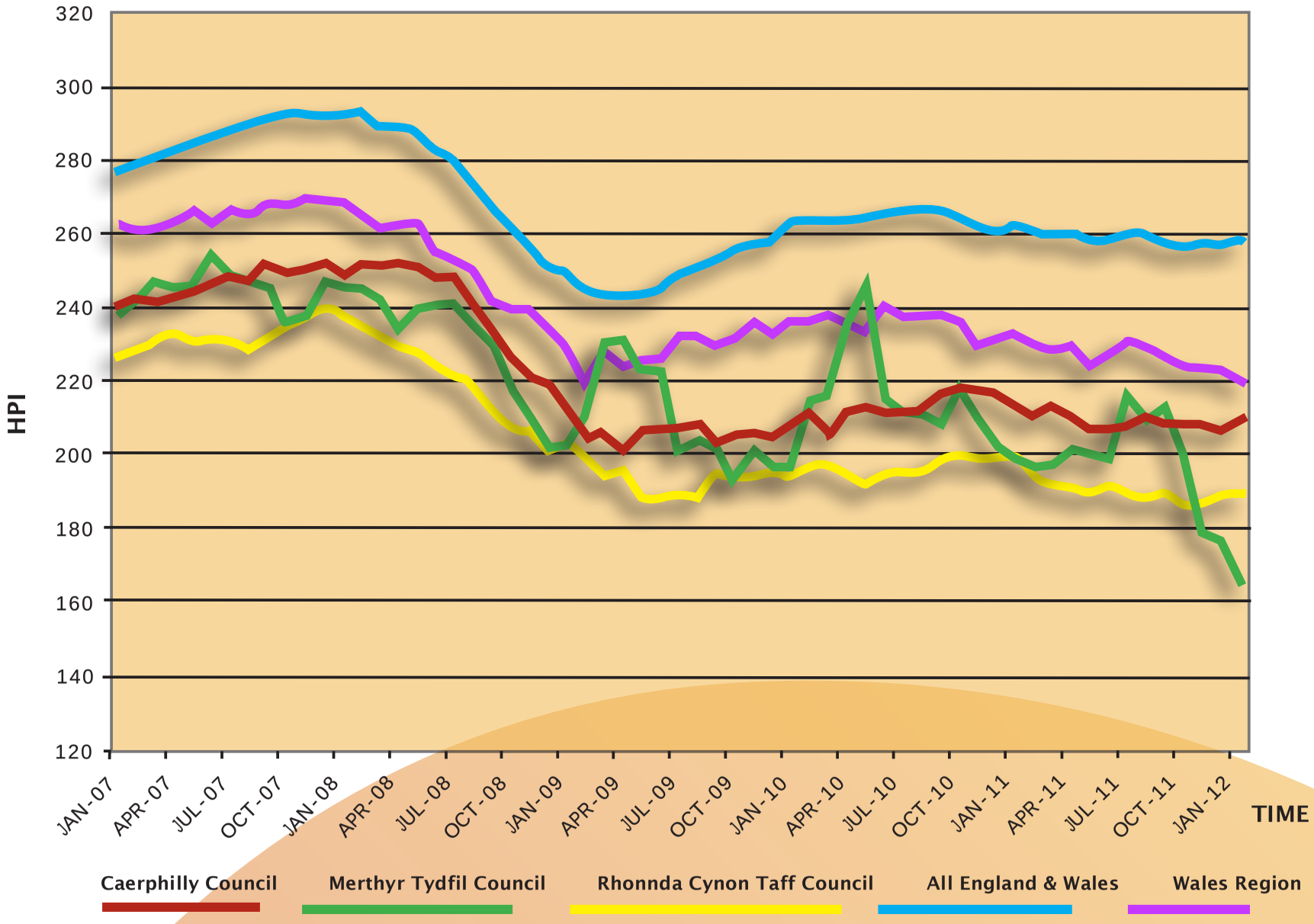
Appendix W
CIL test results for residential sites in Rhondda Cynon Taf (Affordable housing now FUNDED through CIL) with sensitivity analysis of House Price changes

Appendix X
CIL test results for residential sites in Rhondda Cynon Taf (Affordable housing now FUNDED through CIL) with sensitivity analysis of Developer Profit

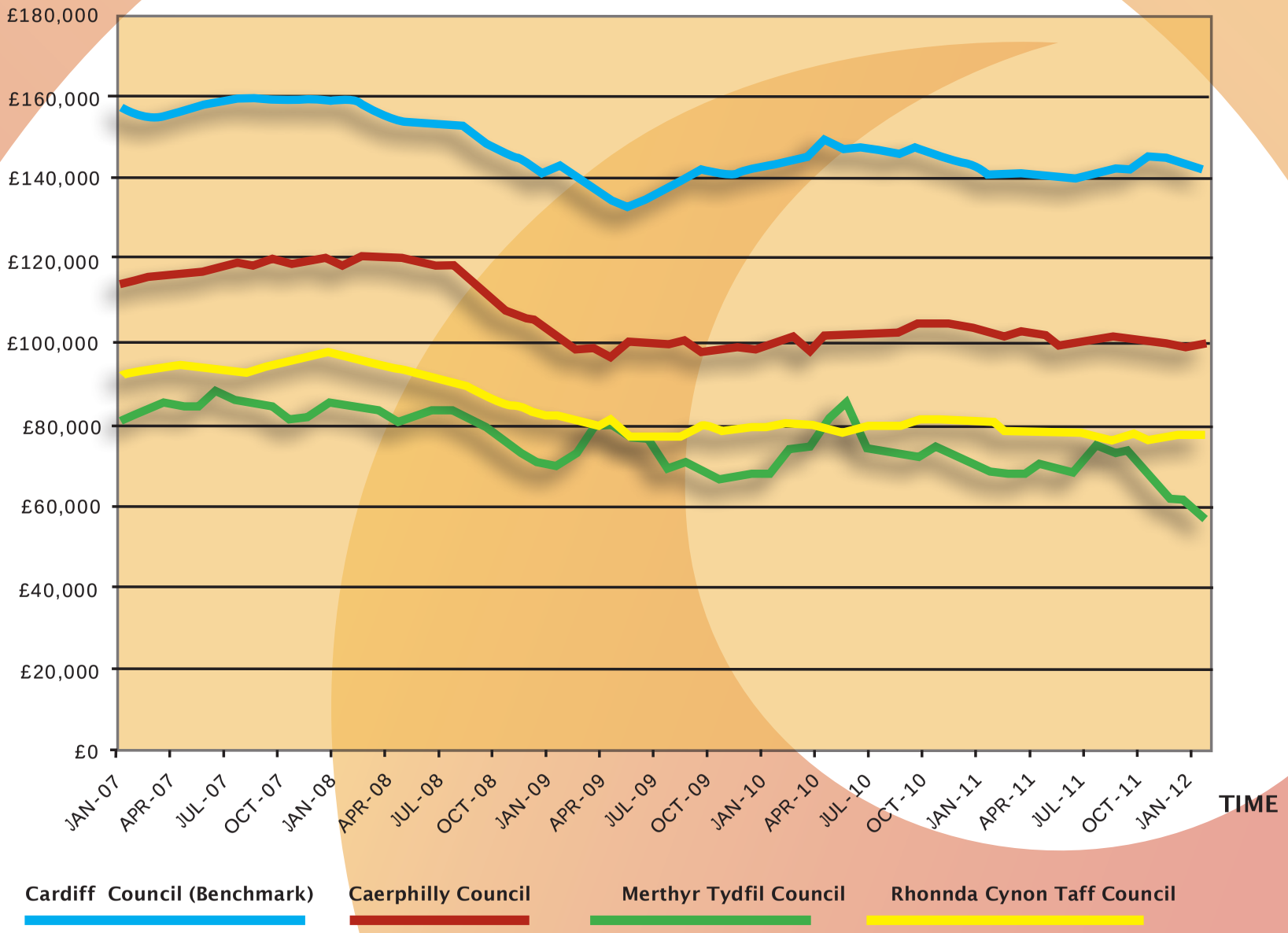
Appendix Y
CIL test results for Commercial sites across all three Authorities and with sensitivity analysis of Rental changes (Capital Changes for Care Homes)

Appendix Z
CIL test results for Commercial sites across all three Authorities and with sensitivity analysis of Developer Profit

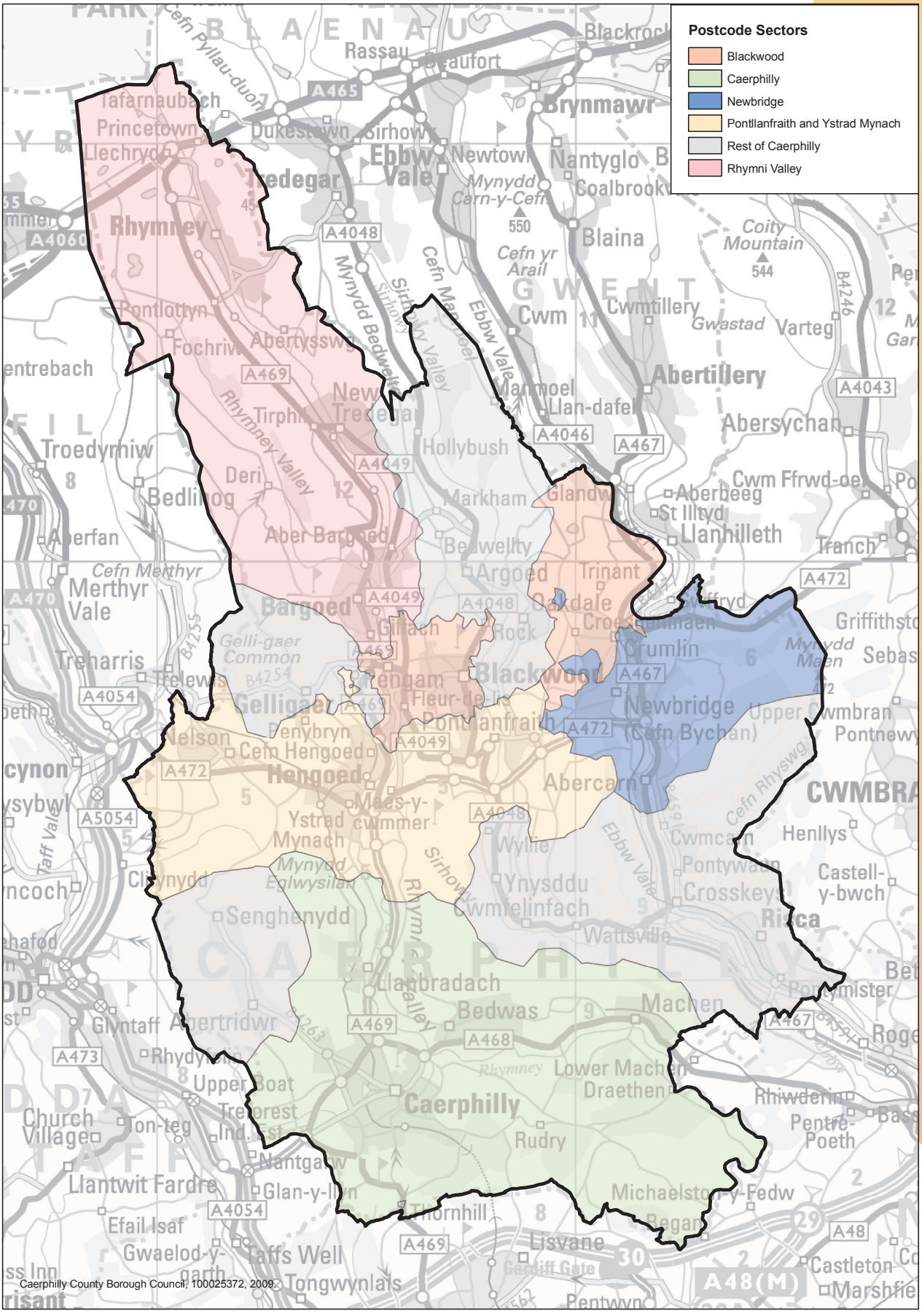
APPENDIX A - Local and National House Price Indices



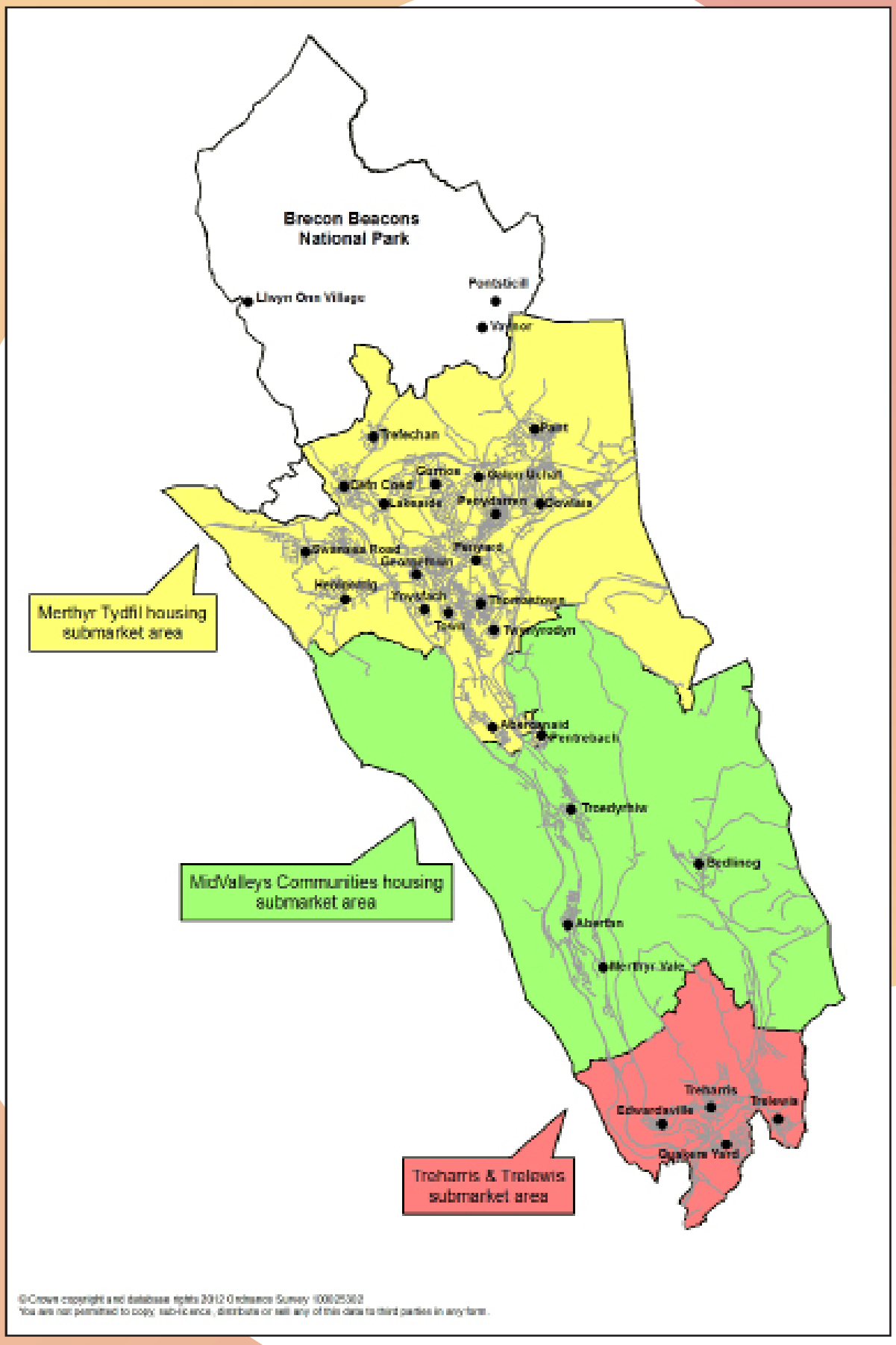
APPENDIX B - Average House Prices in Caerphilly, Merthyr and RCT

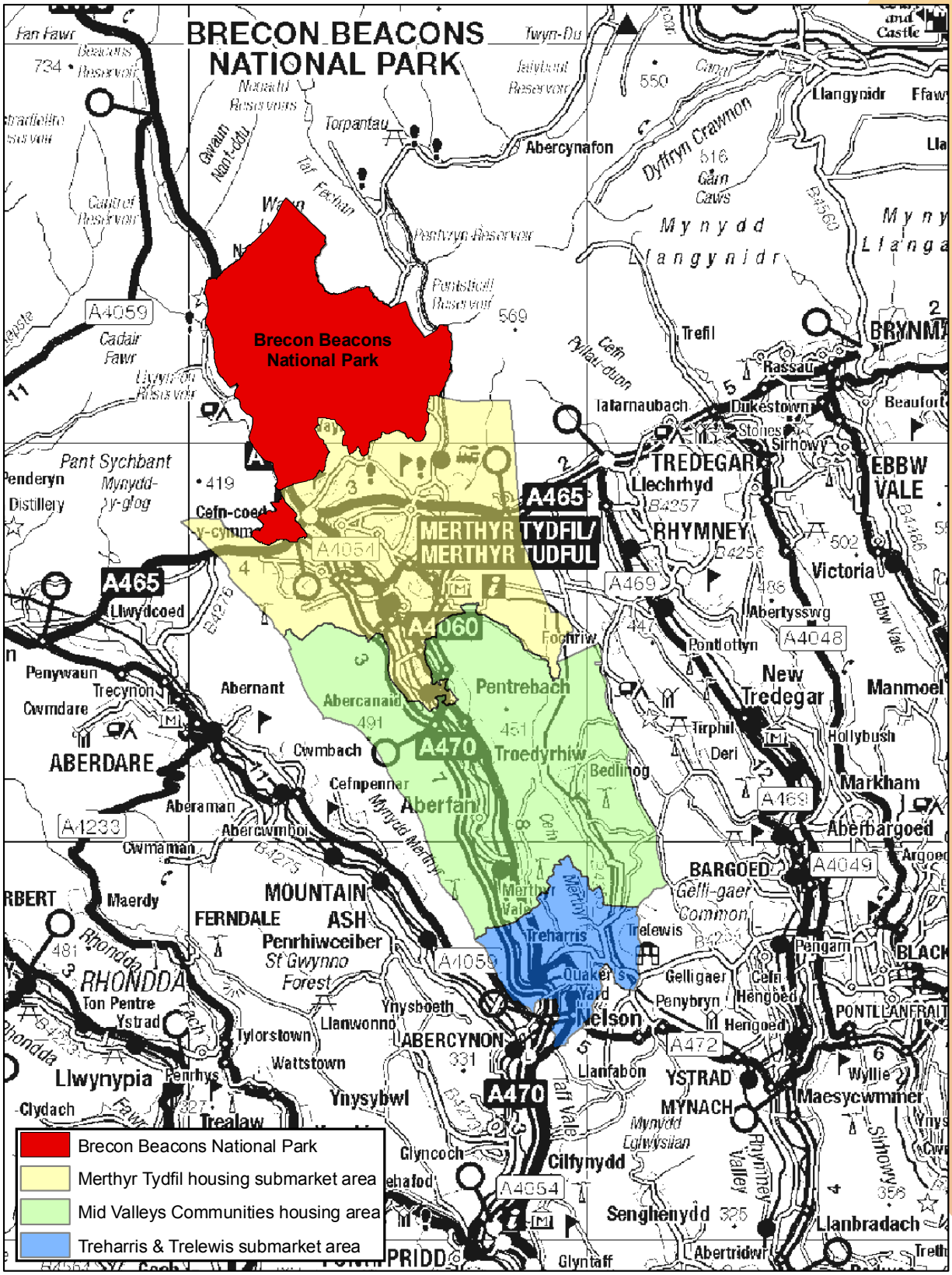


Appendix C - Caerphilly County Borough Council- Existing Housing Market Areas



Appendix C - Merthyr Tydfil County Borough Council - Existing Housing Market Areas





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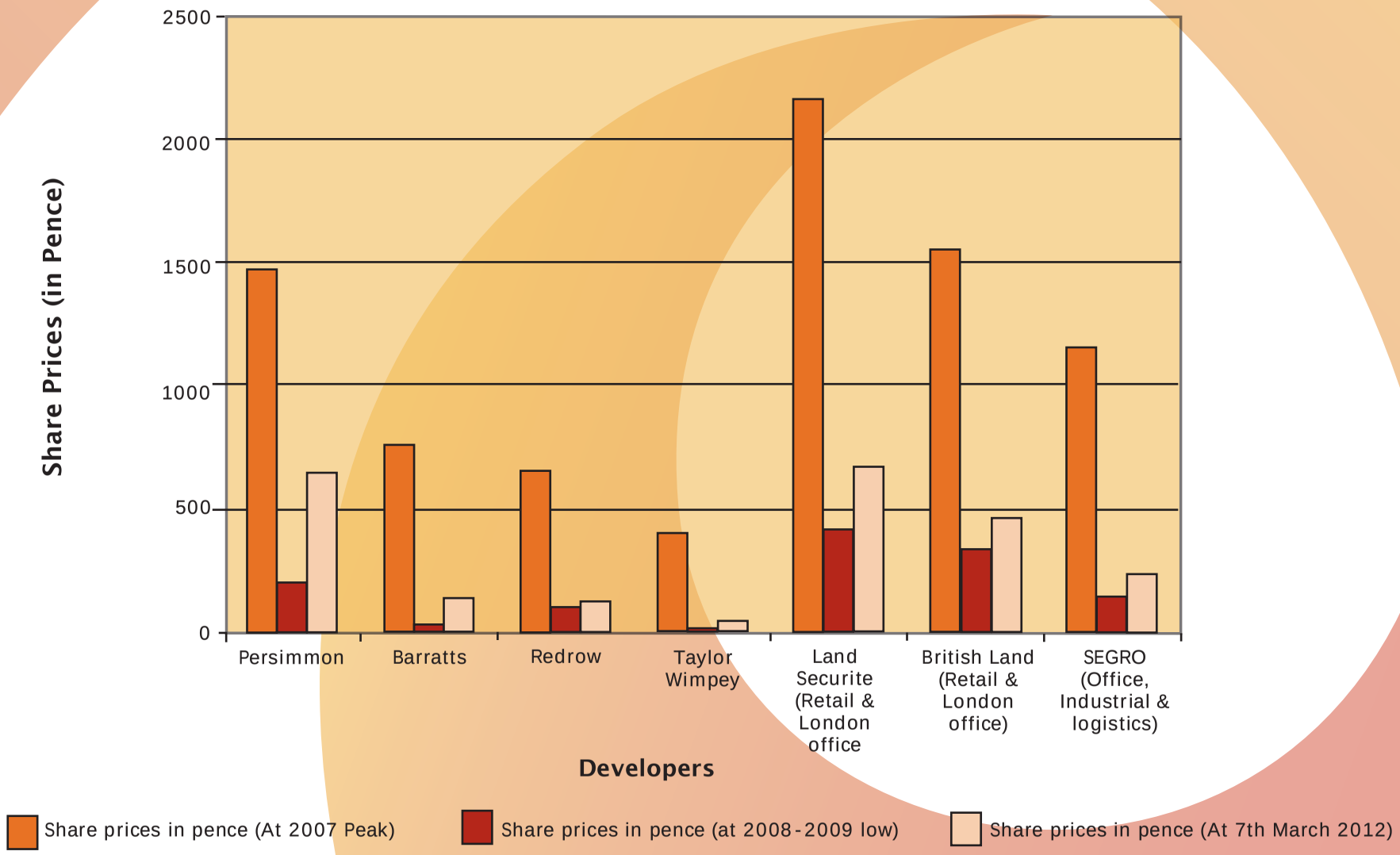
DEPT: **Planning**			

APPENDIX D - Share Prices changes in selected developers



APPENDIX E
SUMMARY OF GUIDANCE ON VIABILITY METHODOLOGY

1)

The principle guidance on development land valuation is the **RICS Valuation Information Paper 12 – Valuation of Development Land.** The paper relates specifically to the valuation of greenfield development land and advises within the guidance that the principles are appropriate more widely. The methodology approach contained in VIP 12 is also appropriate for assessing the viability of developments, including brownfield sites because the factors involved are similar.

2)

VIP 12 gives clear guidance that the valuation of development land should primarily be based on market evidence if it can be used to compare the site being valued to the comparison site. VIP 12 points out that it is unusual that a proper comparison can be made and that therefore the more usual way of assessing land value is for a residual land valuation approach. The residual land valuation approach calculates the gross capital value the site will have on development and deducts from this all development costs except site acquisition costs. The residual figure represents site assembly costs (i.e. land values and site acquisition costs). If assessing on a residual basis, the actual condition of the property at the date of the assessment and current market factors (including current day values and costs) should be taken into account.

3)

There are variations on this general approach to consider where assumptions or judgements may be made about future trends in property sales and construction to assess viability considering issues such as regenerative benefit, large developments over a period of years and sensitivity testing. These need to be considered as part of any Planning Policy viability assessment.

4)

Homes and Community Agency published in August 2009 a Good Practice Note – "Investment and Planning Obligations: Responding to the Downturn" and the Welsh Government published their "Delivering affordable housing using s106 agreements- a guidance update" in September 2009. These good practice notes offer guidance both on delivering in the current economic climate, as well as recommending how viability should be assessed. They follow the same approach as is recommended by VIP12 on the assessment of development land value, and recommend the approach to assessing viability- that the residual land value (RLV) of the development is compared to a benchmark land value. If the RLV is in excess of the benchmark value the scheme as assessed is viable.

5)

In both Wales and London specifically, **these guidance documents have been**

supplemented by the Three Dragons Development Control Toolkit Guidance Notes, prepared for the Welsh Local Authorities and the Greater London Authority respectively. The current Guidance Note advises: *"Residual Value should be compared with the Existing Use Value of a site, Alternative Use Values, and, as general context/comparator, the site acquisition cost".*

6)

This Guidance Note has removed advice previously given regarding uplifts over existing use value to incentivise land owners to bring the site forward for development. The reason for this is that each property has specific factors affecting value and it would be incorrect to give a "tone" on uplift because it would not properly reflect this. For example, in some situations market value may equal existing use value which would not be reflected if a standard uplift were used.

7)

In response to the National Planning Policy Framework (NPPF) (published by the Department for Communities and Local Government in England during March 2012) and because of the importance of assessing viability on planning applications and the lack of a national guidance on recommended methodology, **the RICS has produced (in exposure drafts initially) a Guidance Note- "Financial viability in planning" (FVIP).** The final publication of this document is expected very soon.

8)

The focus of this guidance is on the development management stage dealing with site specific applications. It has sought to bring the terminology used in to line with terms used by in the RICS Red Book definitions. For example, Existing Use Value is a term usually used in Asset Valuation reports for accounting purposes. Its use in viability assessments may be considered confusing.

9)

The FVIP GN deals with the benchmark land value as follows:

"To be in accordance with the definition of viability, site value should equate to the Market Value ***subject to the following special assumption; that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan*** *(our emphasis). However, any assessment of market value will have regard to prospective planning obligations and the point of viability appraisal is to assess the extent of these obligations."*

10)

The RICS define Market Value (MV) as "The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

11)

This definition and special assumption takes in to account the current use of the property, any uplift in value needed to incentivise the landowner to sell for development, and any potential alternative uses. It takes in to account the uncertainties of an alternative use that has not received planning consent. It is not prescriptive about what uplift is appropriate in excess of any current use value.

12)

In practical terms the FVIP draft does not result in any significant difference in the way generic viability assessments are done. It defines the approach in a way that ties in with RICS Red Book definitions. It particularly gives advice on the Benchmark land value approach, but does not give specific guidance on what inputs to use (i.e. what level of uplift over current use etc) as this is considered to be inappropriate because this is likely to vary in every set of circumstances.

13)

The conclusions on viability resultant from the generic assumptions adopting the "uplift over EUV" approach would not be rendered incorrect by this new definition. The actual benchmark value inputs are not inconsistent with the levels one would expect in complying with the GN.

14)

The **Local Housing Delivery Group released their guide "Viability Testing Local Plans" (VTLP) for England in June 2012**, and this focuses primarily on area wide viability testing for the duration of the Local Plan. This guide and the RICS Guidance Note "Financial Viability in Planning" (FVIP) both deal with policy planning and subsequent delivery, and so it is important in meeting the aspirations of NPPF that these approach viability testing in a similar way. The question is therefore- Are the two guides saying different things? In one key area- assessment of land value- the answer appears to be yes. But are they? Are they, in reality, saying the same thing, but expressing it in different ways? Both guides recommend that the best way of testing viability is by the residual appraisal approach and comparing the residual land value against a Threshold land value (VTLP) or Benchmark land value (FVIP).

15)

The National Planning Policy Framework context (NPPF) puts forward the following guidance: *"Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable.... 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. ".... In order to be appropriate, the cumulative*

impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle....” (NPPF, paragraphs 173-4)

16)

In ensuring that development sites are viable and deliverable, the key words in this guidance are “competitive returns”. NPPF does not explain what is meant by this term- For instance, is it the highest offer made in a competitive tender for a site? We think most valuers would accept that this is not the intention, but the lack of clarity may be problematic. In our opinion, the term is intended to mean the price at which a landowner in a competitive market with other land owners is prepared to release land onto the market for residential development.

17)

Viability Testing Local Plans approach (VTLP) considers that “....Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development...”There is concern about using market value as this is seen as carrying the risk of building in assumptions of current policy costs, rather than helping to inform the potential for future policy. The guide suggests that Threshold should be based on a premium over current use values and credible alternative use values. (It is not clear if the guide intends a premium over AUV.) The premium should be determined locally, but should be evidence based to represent a competitive return to the landowner. This implies a market evidence approach- not dissimilar to MV?

18)

Historically, this approach had assumed land would be released for a percentage (In some guides shown as a fixed uplift, or in a narrow range.) above CUV that was arbitrary, inconsistently applied and, above all, did not reflect the market. The VTLP advice that it should be based on market evidence of a competitive return to the landowner should fundamentally change the way this is assessed. Because it is based on market evidence, any uplift may range from substantial to no uplift if market evidence supports this.

19)

For Greenfield sites the guide recommends use of benchmarks based on local market evidence and information on typical minimum price provisions used within developer/ site promoter agreements for similar sites. No guide has been given to the assumptions to be made on cleared Brownfield sites, which we suspect is an unintended omission.

20)

We have concerns about the reference to only having regard to local evidence as this may not be available in many cases, and in any event may not reflect wider market evidence. The wording in the guide expresses how the Threshold is intended to be assessed and is very clear about that, particularly with regard to future policy. However, it gives guidance that allows unqualified market evidence to be taken in to account- Unqualified in the

sense that it does not have to have regard to current or emerging planning policy requirements, and may be contrary to the development plan.

21)

That said, it is fairly clear that these two bases of assessment of Threshold are, taken collectively, intended to reflect a market based competitive return to the landowner. As such, once the "wrinkles" are ironed out, this would comply with the NPPF guide.

22)

Financial Viability in Planning approach: The definition of Benchmark site value in FVIP in site specific appraisals is: "Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan."

23)

This definition is very clear and is considered to be the same as a competitive return to the landowner referred to in NPPF. "...Has regard to..." and "...disregards..." imply that planning policies are taken in to account in assessing site value. These include the consideration of viability in some circumstances (e.g. S106 and affordable housing delivery.), and where no account of viability is considered in others (e.g. CIL charges.). The FVIP recommended approach varies from VTLP in a number of ways, predominantly:

- That market evidence generally (i.e. not restricted to local evidence) should be considered.
- That site value should have regard to planning policies and material planning considerations.
- Disregards market evidence which is contrary to the development plan.

24)

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

25)

This specifically addresses the concern referred to in VTLP that the comparator site value should not have built in assumptions based on existing planning policy obligations. So, what is taken in to account in assessing market value on these two definitions? All relevant factors that would determine the value, including:

- A competitive return to the landowner. This takes in to account additional checks, including comparable sales

evidence and calculation of site value as a percentage of capital value of the scheme. It is recognised that true comparable sales evidence is difficult to find because of the heterogeneity of each site and what evidence there may be is invariably not based on current market conditions.

- Value in current or alternative uses. This may include adjustment upwards (e.g. Incentive to sell) or downwards (e.g. Reflecting risk on AUV) if appropriate, based on market evidence.

26)

What this means in practical terms, in our view, is as follows:

- On Brownfield (Uncleared) urban sites, it is quite likely that MV with planning assumptions will be the same as the higher of current or alternative uses, adjusted in line with market evidence of a competitive return to the landowner. There may be rare exceptions to this.
- On cleared Brownfield and Greenfield sites, MV with planning assumptions will reflect a competitive return to the landowner sufficient to bring the site forward for development, based on market evidence.

27)

The guide addresses the issue of the actual sale price and considers that whilst it should be taken in to account, it may or may not be material to the assessment of Benchmark. This may be because of the change in market conditions between the date of purchase and appraisal or unreasonable/ overoptimistic assumptions by the developer.

28)

The VTLP guide has been drafted in a "reader friendly" way that has sought to bring together a range of views from key stakeholders in the residential development process. Inevitably, with such diverse interests involved, it contains a number of inconsistencies. However, the broad thrust is that Threshold site value for area wide viability assessments should have regard to (local) market evidence, reflecting the need for a competitive return to the landowner to ensure delivery of suitable sites for development over the period of the Local Plan economic cycle.

29)

The VTLP terminology and concepts for how to assess the Threshold site value may seem to surveyors to be unnecessarily complex, and needing a bit more refinement. The guide had not been widely exposed for review prior to publication, and there are elements within it that need to be re-considered. However, in general principles, the guide complies with NPPF guidance.

30)

The RICS FVIP guide has been through a thorough review process and draws views from a wide range of development experts from both public and private sectors. Whilst focussing mainly on site specific viability, it also addresses area wide viability assessments to show

that these two aspects of the planning process should have a common approach to ensure consistency. It is aimed at explaining the assessment of benchmark site value using existing standard terms and definitions. It recommends a market evidence based approach reflecting a competitive return for the landowner and planning policy objectives of the community. As such, it also complies with NPPF guidance.

31)

The logical conclusion, therefore, is that if both guides are applied using the principles expressed, there should be a broadly similar set of conclusions reached on viability. In our opinion the VTLP guide would benefit from some further refinement, which may be easier said than done. RICS needs to continue engaging with the wider development industry to ensure its approach is clearly understood and accepted as meeting NPPF objectives.

APPENDIX F - Residential Test Sites

	Table 1- Residential Test Sites			
Site Ref	Geographic Area	Site area (ha)	**No of dwellings**	% Affordable housing
20	East CCBC- Greenfield on edge of Town location	0.41	**10**	10%
17	Central CCBC- Existing industrial within Town centre location	0.68	**24**	25%
21	North CCBC- Greenfield on edge of rural village location	7.08	**247**	0%
28	West CCBC- Greenfield within rural village location	0.57	**12**	10%
4	South CCBC- Brownfield site near Town Centre location	2.20	**55**	40%
7	Central CCBC- Brownfield site on edge of village location	3.91	**137**	25%
18	Central CCBC- Existing industrial off Town link road location	0.54	**18**	25%
27	North CCBC- Greenfield within village location	0.79	**16**	0%
2	South CCBC- Greenfield site near in mixed use are of a Town location	7.58	**199**	40%
3	South CCBC- Brownfield site on edge of town location	2.10	**89**	10%
6	East CCBC- Former Brownfield site adjoining local settlements	8.70	**269**	10%
14	Central CCBC- Greenfield on edge of village location	1.00	**30**	10%
15	East CCBC- Greenfield on edge of village location	0.80	**28**	10%
16	South MTCBC- Greenfield on edge of town location	0.75	**25**	5%
12	North MTCBC- Brownfield on edge of town location	1.00	**28**	10%
29	Central MTCBC- Greenfield in rural village location	0.39	**10**	£25k off-site provision
10	South MTCBC- Split level Greenfield on edge of town location	2.00	**85**	5%
25	Central MTCBC- Greenfield on edge of town location	1.00	**50**	5%
8	North MTCBC- Greenfield on edge of town location	3.10	**110**	10%
19	North MTCBC- Brownfield in existing use on edge of town location	0.25	**10**	10%
11	South MTCBC- Greenfield on edge of village location	2.30	**81**	5%
23	North West RCT- Greenfield on edge of town location	1.45	**40**	5%
26	North East RCT- Brownfield on edge of village location	0.88	**25**	5%
24	North RCT- Greenfield on edge of village location	1.32	**40**	5%
22	North East RCT- Brownfield in rural village location	5.00	**150**	5%
5	South RCT- Greenfield on edge of town location	1.14	**40**	20%
1	South RCT- Large greenfield on edge of village location	12.00	**500**	20%
13	Central RCT- Greenfield on edge of town location	1.20	**30**	20%
9	Central RCT- Brownfield on edge of town location	2.86	**100**	20%
New	Central RCT- Large greenfield on edge of town location	20	**700**	20%
New	South RCT- Brownfield on edge of town location	5.74	**200**	20%
New	South RCT- Greenfield on edge of village location	5.09	**150**	20%

APPENDIX G - Commercial Test Sites

	Table 2- Commercial Test Sites			
Site Ref	Geographic Area	Site area (ha)	**Use Class**	Gross Internal area (sqm)
1	South CCBC- Edge of town comparison retail in Greenfield location	1.98	**A1**	6,000
2	South CCBC- Edge of town comparison retail in Brownfield location	0.50	**A1**	1,422
3	North CCBC- Large Food Store on Brownfield site in industrial location to edge of town	1.00	**Food Store**	2,000
4	Central CCBC- Large Food Store on Brownfield site in industrial location to edge of village	1.00	**Food Store**	900
5	South CCBC- Edge of town Offices in dedicated employment location	1.25	**B1**	4,450
6	Central CCBC- Town centre Offices on Brownfield location in an active existing use	0.10	**B1**	1,920
7	West CCBC- Offices on Greenfield site to edge of town location	18.95	**B1**	37,500
8	North CCBC- Industrial/Storage in dedicated employment location	5.20	**B2-B8**	13,275
9	Central CCBC- Industrial/Storage in dedicated employment location	20.23	**B2-B8**	11,150
10	South CCBC- Industrial/Storage on Brownfield site in edge of town location	2.10	**B2-B8**	6,100
11	South CCBC- Care home on Brownfield site within Town location	1.00	**Care home**	3,900
12	South CCBC- Hotel on dedicated Brownfield employment site within edge of town location	0.50	**Hotel**	1,800
13	North MTCBC- Town Centre comparison retail with an active existing use in Brownfield location	0.84	**A1**	4,111
14	North MTCBC- Edge of town comparison retail in Brownfield location	2.53	**A1**	8,000
15	North MTCBC- Offices to be built on Brownfield in edge of town location	2.12	**B1**	8,500
16	North MTCBC- Industrial/Storage in dedicated employment location	9.98	**B2-B8**	40,000
17	South MTCBC- Care home on Brownfield site with active existing use	0.69	**Care home**	2,300
18	North MTCBC- Care home on Greenfield site within edge of town location	0.72	**Care home**	6,800
19	North MTCBC- Edge of town Cinema site in Brownfield location	1.00	**Cinema**	2,800
20	North MTCBC- Healthcare development on Brownfield site in edge of town location	2.50	**D1 GMS**	9,050
21	North MTCBC- Edge of town Hotel site in Brownfield location	0.35	**Hotel**	2,640
22	North RCT- Town Centre comparison retail in Brownfield location	0.10	**A1**	950
23	Central RCT- Large food store on Brownfield site in edge of town location	1.00	**Food store**	2,000
24	North RCT- Large food store on Brownfield site in edge of town location	0.76	**Food store**	8,454
25	South RCT- Large food store on Brownfield site in edge of town location	0.85	**Food store**	7,376
26	South RCT- Offices to be built on Brownfield site in dedicated employment location	14.79	**B1**	34,453
27	Central RCT- Offices to be built on Brownfield site in dedicated employment location	4.20	**B1**	20,000
28	North RCT- Offices to be built on Brownfield site in dedicated employment location	1.50	**B1**	7,000
29	South RCT- Industrial/Storage to be built on Brownfield in dedicated employment location	14.79	**B2-B8**	68,906
30	Central RCT- Industrial/Storage to be built on Brownfield site in dedicated employment location	4.20	**B2-B8**	40,000
31	North RCT- Industrial/Storage to be built on Brownfield site in dedicated employment location	1.50	**B2-B8**	14,000
32	South RCT- Cinema to be built on Brownfield site in active existing use on edge of settlements	0.20	**Cinema**	2,325
33	North RCT- Healthcare development on Greenfield site in edge of town location	0.20	**D1 GMS**	2,147
34	South RCT- Hotel on Brownfield employment site within edge of town location	0.26	**Hotel**	2,225
35	South RCT- Nursing home on Brownfield site with active existing use	0.40	**Nursing home**	3,273
36	Mid RCT- Restaurant on Brownfield site with existing use	0.30	**A3**	193
37	North MTCBC- Restaurant on Brownfield site	0.20	**A3**	350
38	Mid CCBC- Licensed premises on Brownfield site	0.17	**A3**	638

APPENDIX H

APPRAISAL SUMMARY			VALUATION OFFICE AGENCY		
Residential appraisal example					
Summary Appraisal for Merged Phases 1 2					
REVENUE					
Sales Valuation	**m²**	**Rate m²**	**Gross Sales**	**Adjustment**	**Net Sales**
2 Bed Flat (55)	630.00	£1,888.89	1,190,000	0	1,190,000
2 Bed HT (55)	660.00	£1,727.27	1,140,000	0	1,140,000
3 Bed HD (100)	1,400.00	£1,700.00	2,380,000	0	2,380,000
3 Bed HS (75)	75.00	£1,600.00	120,000	0	120,000
3 Bed HT (80)	1,120.00	£1,500.00	1,680,000	0	1,680,000
4 ed HD (130)	2,600.00	£1,538.46	4,000,000	0	4,000,000
4 Bed HS (105)	1,470.00	£1,428.57	2,100,000	0	2,100,000
5 Bed HD (150)	2,100.00	£1,666.67	3,500,000	0	3,500,000
2 Bed (SR) HT (55)	440.00	£1,004.05	441,784	0	441,784
3 Bed (SR) HT (80)	640.00	£779.55	498,912	0	498,912
3 Bed (IFR) HT (80)	400.00	£831.25	332,500	0	332,500
3 Bed (SR) HS (75)	600.00	£831.52	498,912	0	498,912
3 Bed (IFS) HS (75)	375.00	£1,600.00	600,000	(240,000)	360,000
Totals	**12,510.00**		**18,482,108**	**(240,000)**	**18,242,108**
NET REALISATION				**18,242,108**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (3.91ha £115,835.82 pHect)			452,918		
				452,918	
Other Acquisition					
Land cost benchmark			1,932,322		
SDLT		5.00%	96,616		
Agent		0.75%	14,492		
Legals		0.75%	14,492		
				2,057,923	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
2 Bed Flat (55)	770.00	£864.00	665,280		
2 Bed HT (55)	660.00	£739.00	487,740		
3 Bed HD (100)	1,400.00	£739.00	1,034,600		
3 Bed HS (75)	75.00	£739.00	55,425		
3 Bed HT (80)	1,120.00	£739.00	827,680		
4 Bed HD (130)	2,600.00	£739.00	1,921,400		
4 Bed HS (105)	1,470.00	£739.00	1,086,330		
5 Bed HD (150)	2,100.00	£739.00	1,551,900		
2 Bed (SR) HT (55)	440.00	£739.00	325,160		
3 Bed (SR) HT (80)	640.00	£739.00	472,960		
3 Bed (IFR) HT (80)	400.00	£739.00	295,600		
3 Bed (SR) HS (75)	600.00	£739.00	443,400		
3 Bed (IFS) HS (75)	375.00	£100.00	37,500		
Totals	**12,650.00**		**9,204,975**	**9,204,975**	
Contingency		2.50%	230,124		
				230,124	
Other Construction					
External works & Sustainability		17.50%	1,610,871		
				1,610,871	
PROFESSIONAL FEES					
Architect		8.00%	865,268		
				865,268	
DISPOSAL FEES					
Sales Agent Fee		2.00%	322,200		

APPRAISAL SUMMARY			VALUATION OFFICE AGENCY		
Residential Appraisal Example					
Sales Valuation	**m²**	**Rate m²**	**Gross Sales**	**Adjustment**	**0**
Sales Agent Fee		0.50%	10,661		
Sales Legal Fee		1.00%	182,421		
				515,282	
FINANCE					
Multiple Finance Rates Used (See Assumptions)				324,966	
TOTAL COSTS				**15,262,326**	
PROFIT				**2,979,782**	
PERFORMANCE MEASURES					
Profit on Cost%		19.52%			
Profit on GDV%		16.33%			
Profit on NDV%		16.33%			
IRR		22.37%			
Profit Erosion (finance rate 6.000%)		2 yrs 12 mths			

APPENDIX I

APPRAISAL SUMMARY			VALUATION OFFICE AGENCY		
Commercial appraisal example					
Summary Appraisal for Phase 1 Commercial					
REVENUE					
Rental Area Summary	**m²**	**Rate m²**	**Gross MRV**		
A1 Retail- 3700sqm (letting space	3,700.00	£180.00	666,000		
Investment Valuation					
A1 Retail- 3700sqm (letting space)					
Market Rent	666,000	YP @	9.0000%	11.1111	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	9.0000%	0.9578	7,087,915
GROSS DEVELOPMENT VALUE				7,087,915	
Purchaser's Costs		5.50%	(389,835)		
NET DEVELOPMENT VALUE				6,698,079	
NET REALISATION				**6,698,079**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (0.84 Ha £1,701,117.41 pHect)			1,428,939		
				1,428,939	
Other Acquisition					
Land cost			622,692		
SDLT		4.00%	24,908		
Agent		0.75%	4,670		
Legals		0.75%	4,670		
				656,940	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
A1 Retail- 3700sqm (letting space	4,111.00	£630.00	2,589,930	**2,589,930**	
Contingency		2.50%	64,748		
				64,748	
OTHER CONSTRUCTION					
Externals-reduced as fully serviced		10.00%	258,993		
				258,993	
PROFESSIONAL FEES					
Architect		8.00%	207,194		
				207,194	
MARKETING & LETTING					
Letting Agent Fee		10.00%	66,600		
Letting Legal Fee		2.50%	16,650		
				83,250	
DISPOSAL FEES					
Sales Agent Fee		2.00%	133,962		
Sales Legal Fee		1.00%	66,981		
				200,942	
FINANCE					
Multiple Finance Rates Used (See Assumptions)					
Land			150,191		
Construction			59,364		
Total Finance Cost				209,555	
TOTAL COSTS				**5,700,492**	
PROFIT				**997,587**	
Performance Measures					
Commercial appraisal example					
Profit on Cost%		17.50%			
Profit on GDV%		14.07%			
Profit on NDV%		14.89%			
Development Yield% (on Rent)		11.68%			
Equivalent Yield% (Nominal)		9.00%			
Equivalent Yield% (True)		9.00%			
Gross Initial Yield%		9.40%			
Net Initial Yield%		9.40%			
IRR		31.29%			
Rent Cover		1 yr 6 mths			
Profit Erosion (finance rate 6.000%)		2 yrs 8 mths			

APPENDIX J - CIL charging results for residential appraisals (INCLUDING affordable housing)

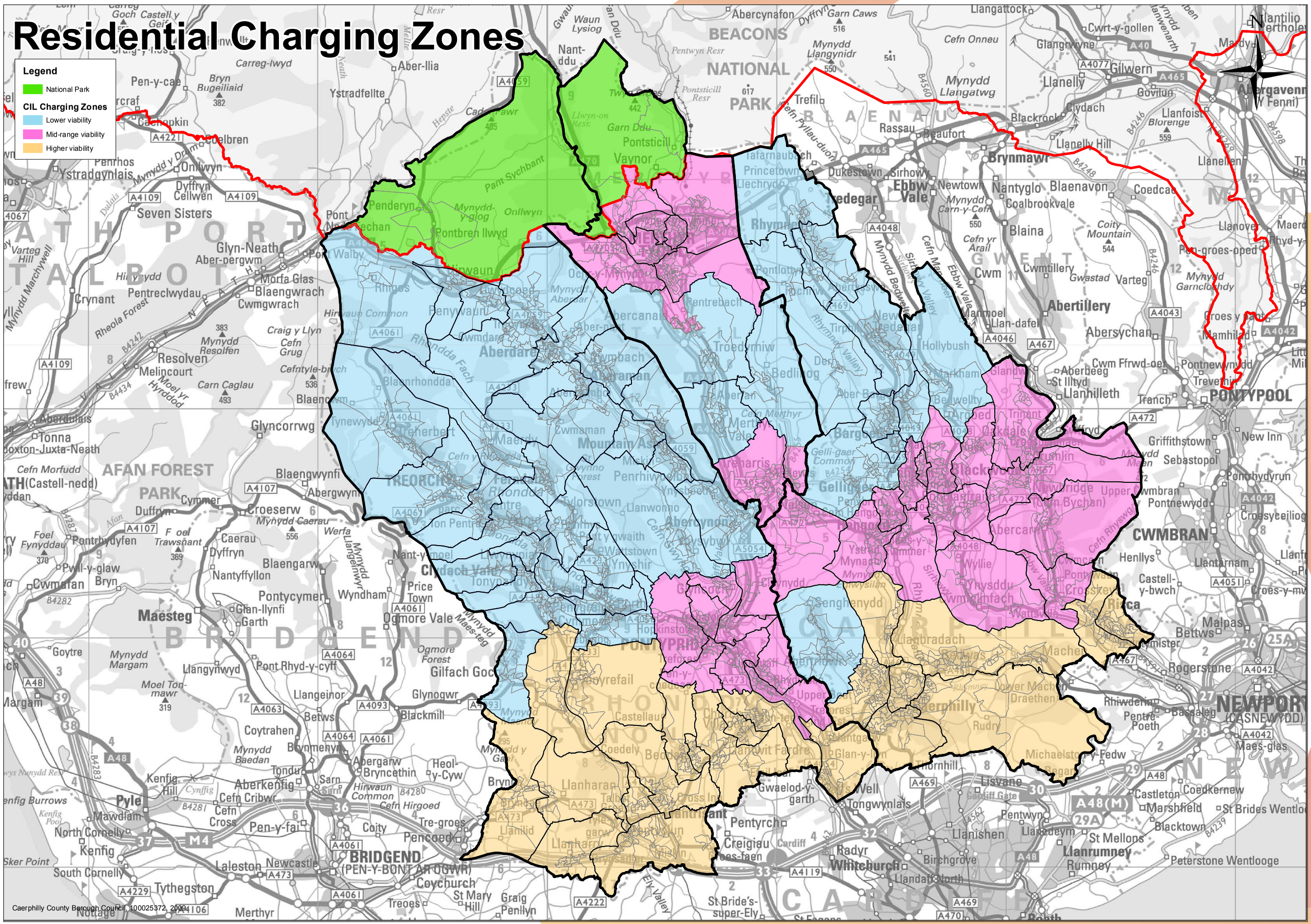
Site ref	Zone	Site	Net (ha)	**Total units**	% AFH	Residualised value for CIL @ Base house prices	CIL Residual @ Base House prices - £s per sq. m.
	Over 100 dwellings						
27	Higher viability area	South RCT- Large Greenfield on edge of village location	12.0	**500**	20%	£6,061,644	£125
9	Higher viability area	South CCBC- Greenfield site near in mixed use area of a Town location	7.6	**200**	40%	£1,101,505	£52
31	Higher viability area	South RCT- Greenfield on edge of village location	5.1	**150**	20%	£1,559,088	£105
30	Higher viability area	Central RCT- Large greenfield on edge of town location	20.0	**700**	20%	£3,782,907	£56
29	Higher viability area	Central RCT- Brownfield on edge of town location	2.9	**100**	20%	£296,133	£33
						Average:	**£74**
	Under 100 dwellings						
10	Higher viability area	South CCBC- Brownfield site in town location	2.1	**90**	10%	£1,094,957	£158
5	Higher viability area	South CCBC- Brownfield site near Town Centre location	2.2	**60**	40%	£340,813	£45
26	Higher viability area	South RCT- Greenfield on edge of town location	1.1	**40**	20%	£716,024	£193
						Average:	**£132**
	Caerphilly site average:	£85					
	Merthyr site average:	NA				Average across higher viability area:	£96
	RCT site average:	£102					
	Over 100 dwellings						
11	Mid-range viability area	East CCBC- Brownfield site adjoining local settlements	8.7	**270**	10%	£2,005,634	£65
6	Mid-range viability area	Central CCBC- Brownfield site on edge of village location	3.9	**140**	25%	£452,918	£36
19	Mid-range viability area	North MTCBC- Greenfield on edge of town location	3.1	**110**	10%	£944,251	£76
						Average:	£59
	50 to 99 dwellings						
17	Mid-range viability area	South MTCBC- Split level Greenfield on edge of town location	2.0	**90**	5%	£34,919	£5
21	Mid-range viability area	South MTCBC- Greenfield on edge of village location	2.3	**80**	5%	£137,348	£17
						Average:	**£11**
	Less than 50 dwellings						
28	Mid-range viability area	Central RCT- Greenfield on edge of town location	1.2	**30**	20%	£142,250	£49
12	Mid-range viability area	Central CCBC- Greenfield on edge of village location	1.0	**30**	10%	£281,662	£19
15	Mid-range viability area	North MTCBC- Brownfield on edge of town location	1.0	**30**	10%	£179,747	£56
13	Mid-range viability area	East CCBC- Greenfield on edge of village location	0.8	**30**	10%	£312,826	£99
14	Mid-range viability area	South MTCBC- Greenfield on edge of town location	0.8	**30**	5%	£83,082	£32
2	Mid-range viability area	Central CCBC- Existing industrial within Town centre location	0.7	**20**	25%	£53,377	£24
7	Mid-range viability area	Central CCBC- Existing industrial off Town link road location	0.5	**20**	25%	£51,497	£31
20	Mid-range viability area	North MTCBC- Brownfield in existing use on edge of town location	0.3	**10**	10%	£18,964	£22
1	Mid-range viability area	East CCBC- Greenfield on edge of Town location	0.4	**10**	10%	£12,250	£11
						Average:	£38

APPENDIX J CIL charging results for residential appraisals (INCLUDING affordable housing)

Site ref	Zone	Site	Net (ha)	**Total units**	% AFH	Residualised value for CIL @ Base house prices	CIL Residual @ Base House prices- £s per sq. m.
	Caerphilly site average:	£41					
	Merthyr site average:	£35				Average across Mid-range viability area:	£39
	RCT site average:	£49					
	Over 100 dwellings						
3	Lower viability area	North CCBC- Greenfield on edge of rural village location	7.1	**250**	0%	£80,010	£3
25	Lower viability area	North East RCT- Brownfield in rural village location	5.0	**150**	10%	-£916,629	-£56
						Average:	-£26
	Up to 50 dwellings						
22	Lower viability area	North West RCT- Greenfield on edge of town location	1.5	**40**	10%	-£85,847	-£21
24	Lower viability area	North RCT- Greenfield on edge of village location	1.3	**40**	10%	-£137,223	-£31
18	Lower viability area	Central MTCBC- Greenfield on edge of town location	1.0	**50**	5%	-£11,551	-£4
23	Lower viability area	North East RCT- Brownfield on edge of village location	0.9	**30**	10%	-£150,737	-£54
8	Lower viability area	North CCBC- Greenfield within village location	0.8	**20**	0%	-£91,921	-£52
4	Lower viability area	West CCBC- Greenfield within rural village location	0.6	**10**	10%	-£53,528	-£38
16	Lower viability area	Central MTCBC- Greenfield in rural village location	0.4	**10**	0%	-£11,420	-£16
						Average:	-£31
	Caerphilly site average:	-£29				Average across lower viability area:	-£30
	Merthyr site average:	-£10					
	RCT site average:	-£41					

APPENDIX K

Residential Charging Zones



APPENDIX L Site-by-site summary of residential appraisals within Caerphilly CBC & with Sensitivity Analysis of House price changes

Ref no.	Site	Site area (hectares-approx-imate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL @ minus 10% House prices	CIL Residual @ minus 10% House prices-£s per sq. m.	Residualised value for CIL @ minus 5% House prices	CIL Residual @ minus 5% House prices-£s per sq. m.	Residualised value for CIL @ Base house prices	CIL Residual @ Base House prices)-£s per sq. m.	Residualised value for CIL @ +5% House prices	CIL Residual @ +5% House prices-£s per sq. m.	Residualised value for CIL @ +10% House prices	CIL Residual @ +10% House prices-£s per sq. m.
1	East CCBC - Greenfield on edge of Town location	0.4	**10**	10%	£1,505	£202,622	£200,000	-£110,162	-£96	-£48,956	-£43	£12,250	£11	£73,456	£64	£134,663	£117
2	Central CCBC - Existing industrial within Town centre location	0.7	**20**	25%	£1,611	£378,063	£225,000	-£162,176	-£74	-£54,400	-£25	£53,377	£24	£161,152	£73	£268,928	£123
3	North CCBC - Greenfield on edge of rural village location	7.1	**250**	0%	£1,253	£1,399,574	£80,000	-£2,328,549	-£82	-£1,118,875	-£39	£80,010	£3	£1,271,839	£45	£2,450,945	£86
4	West CCBC - Greenfield within rural village location	0.6	**10**	10%	£1,302	£140,847	£100,000	-£182,244	-£130	-£117,886	-£84	-£53,528	-£38	£10,831	£8	£75,189	£54
5	South CCBC - Brownfield site near Town Centre location	2.2	**60**	40%	£1,741	£1,223,145	£225,000	-£347,326	-£45	-£3,255	-£0	£340,813	£45	£684,882	£90	£1,028,950	£135
6	Central CCBC- Brownfield site on edge of village location	3.9	**140**	25%	£1,602	£1,932,322	£200,000	-£640,325	-£51	-£93,692	-£7	£452,918	£36	£999,524	£80	£1,546,109	£124
7	Central CCBC- Existing industrial off Town link road location	0.5	**20**	25%	£1,596	£266,868	£200,000	-£111,822	-£66	-£30,162	-£18	£51,497	£31	£133,156	£79	£214,815	£127
8	North CCBC- Greenfield within village location	0.8	**20**	0%	£1,260	£175,688	£90,000	-£257,463	-£145	-£174,476	-£99	-£91,921	-£52	-£9,365	-£5	£73,190	£41
9	South CCBC- Greenfield site near in mixed use area of a Town location	7.6	**200**	40%	£1,777	£3,746,036	£200,000	-£793,584	-£37	£153,957	£7	£1,101,505	£52	£2,049,044	£97	£2,996,583	£142
10	South CCBC- Brownfield site in town location	2.1	**90**	10%	£1,766	£1,037,820	£200,000	£287,401	£41	£691,179	£100	£1,094,957	£158	£1,498,733	£216	£1,902,510	£275
11	East CCBC- Brownfield site adjoining local settlements	8.7	**270**	10%	£1,540	£4,299,540	£200,000	-£1,017,581	-£33	£494,045	£16	£2,005,634	£65	£3,517,178	£114	£5,028,722	£162
12	Central CCBC- Greenfield on edge of village location	1.0	**30**	10%	£1,555	£494,200	£200,000	-£79,539	-£5	£101,061	£7	£281,662	£19	£462,262	£31	£642,863	£43
13	East CCBC- Greenfield on edge of village location	0.8	**30**	10%	£1,556	£395,360	£200,000	-£20,542	-£7	£146,142	£46	£312,826	£99	£479,510	£152	£646,195	£205

APPENDIX M Site-by-site summary of residential appraisals within Caerphilly CBC & with Sensitivity Analysis of Developer Profit

Ref no.	Site	Site area (hectares- approximate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL (@ 15% Profit on OMH)	CIL Residual (@ 15% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 17.5% Profit on OMH)	CIL Residual (@ 17.5% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 20% Profit on OMH)	CIL Residual (@ 20% Profit on OMH)- £s per sq. m.
1	East CCBC- Greenfield on edge of Town location	0.4	**10**	10%	£1,505	£202,622	£200,000	£50,717	£44	£12,250	£11	-£26,225	-£23
2	Central CCBC- Existing industrial within Town centre location	0.7	**20**	25%	£1,611	£378,063	£225,000	£122,130	£56	£53,377	£24	-£15,414	-£7
3	North CCBC- Greenfield on edge of rural village location	7.1	**250**	0%	£1,253	£1,399,574	£80,000	£708,059	£25	£80,010	£3	-£556,412	-£20
4	West CCBC- Greenfield within rural village location	0.6	**10**	10%	£1,302	£140,847	£100,000	-£13,390	-£10	-£53,528	-£38	-£93,680	-£67
5	South CCBC- Brownfield site near Town Centre location	2.2	**60**	40%	£1,741	£1,223,145	£225,000	£573,167	£75	£340,813	£45	£108,266	£14
6	Central CCBC- Brownfield site on edge of village location	3.9	**140**	25%	£1,602	£1,932,322	£200,000	£766,176	£61	£452,918	£36	£138,746	£11
7	Central CCBC- Existing industrial off Town link road location	0.5	**20**	25%	£1,596	£266,868	£200,000	£104,606	£62	£51,497	£31	-£1,638	-£1
8	North CCBC- Greenfield within village location	0.8	**20**	0%	£1,260	£175,688	£90,000	-£42,841	-£24	-£91,921	-£52	-£141,028	-£80
9	South CCBC- Greenfield site near in mixed use area of a Town location	7.6	**200**	40%	£1,777	£3,746,036	£200,000	£1,696,514	£80	£1,101,505	£52	£505,455	£24
10	South CCBC- Brownfield site in town location	2.1	**90**	10%	£1,766	£1,037,820	£200,000	£1,338,565	£193	£1,094,957	£158	£851,157	£123
11	East CCBC- Brownfield site adjoining local settlements	8.7	**270**	10%	£1,540	£4,299,540	£200,000	£2,817,363	£91	£2,005,634	£65	£1,191,612	£38
12	Central CCBC- Greenfield on edge of village location	1.0	**30**	10%	£1,555	£494,200	£200,000	£390,935	£26	£281,662	£19	£172,313	£12
13	East CCBC- Greenfield on edge of village location	0.8	**30**	10%	£1,556	£395,360	£200,000	£415,502	£132	£312,826	£99	£210,105	£67
								Average:	**£62**	**Average:**	**£35**	**Average:**	**£7**

APPENDIX N Site-by-site summary of residential appraisals within Merthyr Tydfil CBC & with Sensitivity Analysis of House price changes

Ref no.	Site	Site area (hectares-approx-imate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL @ minus 10% House prices	CIL Residual @ minus 10% House prices-£s per sq. m.	Residualised value for CIL @ minus 5% House prices	CIL Residual @ minus 5% House prices-£s per sq. m.	Residualised value for CIL @ Base house prices	CIL Residual @ Base House prices)-£s per sq. m.	Residualised value for CIL @ +5% House prices	CIL Residual @ +5% House prices-£s per sq. m.	Residualised value for CIL @ +10% House prices	CIL Residual @ +10% House prices-£s per sq. m.
14	South MTCBC-Greenfield on edge of town location	0.8	**30**	5%	£1,460	£370,650	£200,000	-£190,979	-£74	-£53,949	-£21	£83,082	£32	£220,112	£85	£357,142	£138
15	North MTCBC-Brownfield on edge of town location	1.0	**30**	10%	£1,400	£370,650	£150,000	-£132,578	-£42	£23,584	£7	£179,747	£56	£335,909	£105	£492,071	£154
16	Central MTCBC-Greenfield in rural village location	0.4	**10**	0%	£1,190	£96,369	£100,000	-£76,965	-£105	-£44,192	-£60	-£11,420	-£16	£21,353	£29	£54,126	£74
17	South MTCBC-Split level Greenfield on edge of town location	2.0	**90**	5%	£1,410	£864,850	£175,000	-£672,197	-£91	-£318,639	-£43	£34,919	£5	£388,475	£52	£742,031	£100
18	Central MTCBC-Greenfield on edge of town location	1.0	**50**	5%	£1,370	£308,875	£125,000	-£317,075	-£98	-£164,313	-£51	-£11,551	-£4	£141,212	£44	£293,974	£91
19	North MTCBC-Greenfield on edge of town location	3.1	**110**	10%	£1,520	£1,532,020	£200,000	-£310,195	-£25	£317,028	£26	£944,251	£76	£1,571,474	£127	£2,198,698	£177
20	North MTCBC-Brownfield in existing use on edge of town location	0.3	**10**	10%	£1,460	£123,550	£200,000	-£75,591	-£86	-£28,314	-£32	£18,964	£22	£66,241	£75	£113,519	£129
21	South MTCBC-Greenfield on edge of village location	2.3	**80**	5%	£1,440	£994,578	£175,000	-£638,995	-£80	-£250,823	-£32	£137,348	£17	£525,518	£66	£913,688	£115

APPENDIX O - Site-by-site summary of residential appraisals within Merthyr Tydfil CBC & with Sensitivity Analysis of Developer Profit

Ref no.	Site	Site area (hectares- approx- imate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL (@ 15% Profit on OMH)	CIL Residual (@ 15% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 17.5% Profit on OMH)	CIL Residual (@ 17.5% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 20% Profit on OMH)	CIL Residual (@ 20% Profit on OMH)- £s per sq. m.
14	South MTCBC- Greenfield on edge of town location	0.8	**30**	5%	£1,460	£370,650	£200,000	£166,872	£65	£83,082	£32	-£709	-£0
15	North MTCBC- Brownfield on edge of town location	1.0	**30**	10%	£1,400	£370,650	£150,000	£270,010	£85	£179,747	£56	£89,484	£28
16	Central MTCBC- Greenfield in rural village location	0.4	**10**	0%	£1,190	£96,369	£100,000	£8,404	£11	-£11,420	-£16	-£31,248	-£43
17	South MTCBC- Split level Greenfield on edge of town location	2.0	**90**	5%	£1,410	£864,850	£175,000	£242,346	£33	£34,919	£5	-£172,717	-£23
18	Central MTCBC- Greenfield on edge of town location	1.0	**50**	5%	£1,370	£308,875	£125,000	£78,575	£24	-£11,551	-£4	-£101,746	-£32
19	North MTCBC- Greenfield on edge of town location	3.1	**110**	10%	£1,520	£1,532,020	£200,000	£1,321,832	£107	£944,251	£76	£566,373	£46
20	North MTCBC- Brownfield in existing use on edge of town location	0.3	**10**	10%	£1,460	£123,550	£200,000	£47,271	£54	£18,964	£22	-£9,350	-£11
21	South MTCBC- Greenfield on edge of village location	2.3	**80**	5%	£1,440	£994,578	£175,000	£364,555	£46	£137,348	£17	-£90,087	-£11
								Average:	£53	Average:	£24	Average:	-£6

APPENDIX P Site-by-site summary of residential appraisals within Rhondda Cynon Taf CBC & with Sensitivity Analysis of House price changes

Ref no.	Site	Site area (hectares approx-imate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq.m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL @ minus 10% House prices	CIL Residual @ minus 10% House prices- £s per sq. m.	Residualised value for CIL @ minus 5% House prices	CIL Residual @ minus 5% House prices- £s per sq. m.	Residualised value for CIL @ Base house prices	CIL Residual @ Base House prices)- £s per sq. m.	Residualised value for CIL @ +5% House prices	CIL Residual @ +5% House prices- £s per sq. m.	Residualised value for CIL @ +10% House prices	CIL Residual @ +10% House prices- £s per sq. m.
22	North West RCT- Greenfield on edge of town location	1.5	**40**	10%	£1350	£358,295	£100,000	-£458,623	-£115	-£272,235	-£68	-£85,847	-£21	£100,542	£25	£286,930	£72
23	North East RCT- Brownfield on edge of village location	0.9	**30**	10%	£1270	£217,448	£100,000	-£418,120	-£151	-£284,429	-£102	-£150,737	-£54	-£17,046	-£6	£116,645	£42
24	North RCT- Greenfield on edge of village location	1.3	**40**	10%	£1280	£326,172	£100,000	-£519,199	-£118	-£328,211	-£75	-£137,223	-£31	£53,764	£12	£244,752	£56
25	North East RCT- Brownfield in rural village location	5.0	**150**	10%	£1270	£1,235,500	£100,000	-£2,220,015	-£135	-£1,568,294	-£95	-£916,629	-£56	-£264,979	-£16	£386,671	£24
26	South RCT- Greenfield on edge of town location	1.1	**40**	10%	£1880	£633,812	£225,000	£285,565	£77	£500,795	£135	£716,024	£193	£931,253	£251	£1,146,482	£309
27	South RCT- Large Greenfield on edge of village location	12.0	**500**	20%	£1710	£5,930,400	£200,000	£1,592,811	£33	£3,827,362	£79	£6,061,644	£125	£8,295,783	£171	£10,529,738	£217
28	Central RCT- Greenfield on edge of town location	1.2	**30**	20%	£1600	£444,780	£150,000	-£147,024	-£51	-£2,387	-£1	£142,250	£49	£286,887	£99	£431,524	£150
29	Central RCT- Brownfield on edge of town location	2.9	**100**	20%	£1540	£1,236,736	£175,000	-£546,796	-£60	-£125,307	-£14	£296,133	£33	£717,572	£79	£1,138,980	£126
30	Central RCT- Large greenfield on edge of town location	20.0	**700**	20%	£1540	£7,413,000	£150,000	-£2,320,511	-£34	£731,368	£11	£3,782,907	£56	£6,834,411	£101	£9,885,724	£146
31	South RCT- Greenfield on edge of village location	5.1	**150**	20%	£1720	£2,515,478	£200,000	£56,187	£4	£807,683	£54	£1,559,088	£105	£2,310,447	£155	£3,061,744	£206
								Average	**-£55**	**Average:**	**-£8**	**Average:**	**£40**	**Average:**	**£87**	**Average:**	**£135**

APPENDIX Q Site-by-site summary of residential appraisals within Rhondda Cynon Taf CBC & with Sensitivity Analysis of Developer Profit

Ref no.	Site	Site area (hectares approx-imate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL (@ 15% Profit on OMH)	CIL Residual (@ 15% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 17.5% Profit on OMH)	CIL Residual (@ 17.5% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 20% Profit on OMH)	CIL Residual (@ 20% Profit on OMH)- £s per sq. m.
22	North West RCT- Greenfield on edge of town location	1.5	**40**	10%	£1,350	£358,295	£100,000	£29,247	£7	-£85,847	-£21	-£200,958	-£50
23	North East RCT- Brownfield on edge of village location	0.9	**30**	10%	£1,270	£217,448	£100,000	-£67,379	-£24	-£150,737	-£54	-£234,096	-£84
24	North RCT- Greenfield on edge of village location	1.3	**40**	10%	£1,280	£326,172	£100,000	-£23,394	-£5	-£137,223	-£31	-£251,119	-£57
25	North East RCT- Brownfield in rural village location	5.0	**150**	10%	£1,270	£1,235,500	£100,000	-£544,345	-£33	-£916,629	-£56	-£1,290,690	-£78
26	South RCT- Greenfield on edge of town location	1.1	**40**	20%	£1,880	£633,812	£225,000	£847,686	£228	£716,024	£193	£584,148	£157
27	South RCT- Large Greenfield on edge of village location	12.0	**500**	20%	£1,710	£5,930,400	£200,000	£7,218,942	£148	£6,061,644	£125	£4,894,368	£101
28	Central RCT- Greenfield on edge of town location	1.2	**30**	20%	£1,600	£444,780	£150,000	£236,680	£82	£142,250	£49	£47,790	£17
29	Central RCT- Brownfield on edge of town location	2.9	**100**	20%	£1,540	£1,236,736	£175,000	£527,189	£58	£296,133	£33	£63,687	£7
30	Central RCT- Large greenfield on edge of town location	20.0	**700**	20%	£1,540	£7,413,000	£150,000	£5,452,722	£80	£3,782,907	£56	£2,103,009	£31
31	South RCT- Greenfield on edge of village location	5.1	**150**	20%	£1,720	£2,515,478	£200,000	£1,938,773	£130	£1,559,088	£105	£1,176,060	£79

APPENDIX R CIL charging results for residential appraisals (ZERO affordable housing)

Ref No.	Zone	Site	Site area (hectares approx-imate)	No. of dwellings (rounded)	% AFH	Residualised value for CIL @ Base house prices	CIL Residual @ Base House prices- £s per sq. m·
	Over 100 dwellings						
27	Higher viability area	South RCT- Large Greenfield on edge of village location	12.0	**500**	Now Zero	£16,046,453	£330
9	Higher viability area	South CCBC- Greenfield site near in mixed use area of a Town location	7.6	**200**	Now Zero	£7,164,647	£338
31	Higher viability area	South RCT- Greenfield on edge of village location	5.1	**150**	Now Zero	£4,709,875	£316
30	Higher viability area	Central RCT- Large greenfield on edge of town location	20.0	**700**	Now Zero	£17,699,208	£261
29	Higher viability area	Central RCT- Brownfield on edge of town location	2.9	**100**	Now Zero	£2,021,270	£223
						Average:	£294
	Under 100 dwellings						
10	Higher viability area	South CCBC- Brownfield site in town location	2.1	**90**	Now Zero	£2,340,429	£338
5	Higher viability area	South CCBC- Brownfield site near Town Centre location	2.2	**60**	Now Zero	£2,717,302	£355
26	Higher viability area	South RCT- Greenfield on edge of town location	1.1	**40**	Now Zero	£1,658,016	£447
						Average:	£380
	Caerphilly site average:	£344					
	Merthyr site average:	NA				Average across higher viability area:	£326
	RCT site average:	£315					
	Over 100 dwellings						
11	Mid-range viability area	East CCBC- Brownfield site adjoining local settlements	8.7	**270**	Now Zero	£6,910,454	£223
6	Mid-range viability area	Central CCBC- Brownfield site on edge of village location	3.9	**140**	Now Zero	£2,640,729	£211
19	Mid-range viability area	North MTCBC- Greenfield on edge of town location	3.1	**110**	Now Zero	£2,681,045	£216
						Average:	£217
	50 to 99 dwellings						
17	Mid-range viability area	South MTCBC- Split level Greenfield on edge of town location	2.0	**90**	Now Zero	£1,074,750	£145
21	Mid-range viability area	South MTCBC- Greenfield on edge of village location	2.3	**80**	Now Zero	£1,241,935	£156
						Average:	£151
	Less than 50 dwellings						
28	Mid-range viability area	Central RCT- Greenfield on edge of town location	1.2	**30**	Now Zero	£776,844	£269
12	Mid-range viability area	Central CCBC- Greenfield on edge of village location	1.0	**30**	Now Zero	£820,023	£55
15	Mid-range viability area	North MTCBC- Brownfield on edge of town location	1.0	**30**	Now Zero	£679,678	£213

Ref No.	Zone	Site	Site area (hectares approx-imate)	No. of dwellings (rounded)	% AFH	Residualised value for CIL @ Base house prices	CIL Residual @ Base House prices- £s per sq. m.
13	Mid-range viability area	East CCBC - Greenfield on edge of village location	0.8	30	Now Zero	£805,594	£256
14	Mid-range viability area	South MTCBC - Greenfield on edge of town location	0.8	30	Now Zero	£452,034	£175
2	Mid-range viability area	Central CCBC- Existing industrial within Town centre location	0.7	20	Now Zero	£502,994	£229
7	Mid-range viability area	Central CCBC - Existing industrial off Town link road location	0.5	20	Now Zero	£412,501	£245
20	Mid-range viability area	North MTCBC - Brownfield in existing use on edge of town location	0.3	10	Now Zero	£152,434	£173
1	Mid-range viability area	East CCBC - Greenfield on edge of Town location	0.4	10	Now Zero	£223,093	£194
						Average:	£201
	Caerphilly site average:	£202					
	Merthyr site average:	£180				Average across Mid-range viability area:	£197
	RCT site average:	£269					
	Over 100 dwellings						
3	Lower viability area	North CCBC - Greenfield on edge of rural village location	7.1	250	Now Zero	£80,010	£3
25	Lower viability area	North East RCT - Brownfield in rural village location	5.0	150	Now Zero	£1,495,236	£91
						Average:	£47
	Up to 50 dwellings						
22	Lower viability area	North West RCT- Greenfield on edge of town location	1.5	40	Now Zero	£581,763	£146
24	Lower viability area	North RCT- Greenfield on edge of village location	1.3	40	Now Zero	£478,388	£109
18	Lower viability area	Central MTCBC- Greenfield on edge of town location	1.0	50	Now Zero	£572,062	£177
23	Lower viability area	North East RCT- Brownfield on edge of village location	0.9	30	Now Zero	£288,531	£104
8	Lower viability area	North CCBC- Greenfield within village location	0.8	20	Now Zero	-£91,921	-£52
4	Lower viability area	West CCBC- Greenfield within rural village location	0.6	10	Now Zero	£145,957	£104
16	Lower viability area	Central MTCBC- Greenfield in rural village location	0.4	10	Now Zero	-£11,420	-£16
						Average:	£82
	Caerphilly site average:	£18				Average across lower viability area:	£74
	Merthyr site average:	£81					
	RCT site average:	£112					

APPENDIX S Site-by-site summary of residential appraisals within Caerphilly CBC & with Sensitivity Analysis of House Price Changes ZERO Affordable Homes

Ref no.	Site	Site area (hectares- approxi mate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL @ minus 10% House prices	CIL Residual @ minus 10% House prices- £s per sq. m.	Residualised value for CIL @ minus 5% House prices	CIL Residual @ minus 5% House prices- £s per sq. m.	Residualised value for CIL @ Base house prices	CIL Residual @ Base House prices)- £s per sq. m.	Residualised value for CIL @ +5% House prices	CIL Residual @ +5% House prices- £s per sq. m.	Residualised value for CIL @ +10% House prices	CIL Residual @ +10% House prices- £s per sq. m.
1	East CCBC- Greenfield on edge of Town location	0.4	**10**	Now Zero	£1,505	£202,622	£200,000	£90,036	£78	£156,564	£136	£223,093	£194	£289,621	£252	£356,149	£310
2	Central CCBC- Existing industrial within Town centre location	0.7	**20**	Now Zero	£1,611	£378,063	£225,000	£245,648	£112	£374,321	£171	£502,994	£229	£631,666	£288	£760,339	£346
3	North CCBC- Greenfield on edge of rural village location	7.1	**250**	0%	£1,253	£1,399,574	£80,000	-£2,328,549	-£82	-£1,118,875	-£39	£80,010	£3	£1,271,839	£45	£2,450,945	£86
4	West CCBC- Greenfield within rural village location	0.6	**10**	Now Zero	£1,302	£140,847	£100,000	£7,167	£5	£76,562	£55	£145,957	£104	£215,352	£154	£284,747	£203
5	South CCBC- Brownfield site near Town Centre location	2.2	**60**	Now Zero	£1,741	£1,223,145	£225,000	£1,714,726	£224	£2,216,014	£290	£2,717,302	£355	£3,218,590	£421	£3,719,876	£486
6	Central CCBC- Brownfield site on edge of village location	3.9	**140**	Now Zero	£1,602	£1,932,322	£200,000	£1,319,269	£105	£1,980,010	£158	£2,640,729	£211	£3,301,440	£264	£3,962,127	£317
7	Central CCBC- Existing industrial off Town link road location	0.5	**20**	Now Zero	£1,596	£266,868	£200,000	£215,577	£128	£314,039	£186	£412,501	£245	£510,962	£303	£609,424	£362
8	North CCBC- Greenfield within village location	0.8	**20**	0%	£1,260	£175,688	£90,000	-£257,463	-£145	-£174,476	-£99	-£91,921	-£52	-£9,365	-£5	£73,190	£41
9	South CCBC- Greenfield site near in mixed use area of a Town location	7.6	**200**	Now Zero	£1,777	£3,746,036	£200,000	£4,557,562	£215	£5,861,105	£277	£7,164,647	£338	£8,468,190	£400	£9,771,732	£461
10	South CCBC- Brownfield site in town location	2.1	**90**	Now Zero	£1,766	£1,037,820	£200,000	£1,462,456	£211	£1,901,444	£274	£2,340,429	£338	£2,779,415	£401	£3,218,400	£464
11	East CCBC- Brownfield site adjoining local settlements	8.7	**270**	Now Zero	£1,540	£4,299,540	£200,000	£3,656,095	£118	£5,283,306	£171	£6,910,454	£223	£8,537,576	£276	£10,164,698	£328
12	Central CCBC- Greenfield on edge of village location	1.0	**30**	Now Zero	£1,555	£494,200	£200,000	£430,335	£29	£625,179	£42	£820,023	£55	£1,014,867	£68	£1,209,711	£81
13	East CCBC- Greenfield on edge of village location	0.8	**30**	Now Zero	£1,556	£395,360	£200,000	£448,625	£143	£627,109	£199	£805,594	£256	£984,079	£313	£1,162,563	£370
								Average:	**£88**	**Average:**	**£144**	**Average:**	**£199**	**Average:**	**£254**	**Average:**	**£310**

APPENDIX T Site-by-site summary of residential appraisals within Caerphilly CBC & with Sensitivity Analysis of Developer Profit ZERO Affordable Homes

Ref no.	Site	Site area (hectares-approx-imate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL (@ 15% Profit on OMH)	CIL Residual (@ 15% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 17.5% Profit on OMH)	CIL Residual (@ 17.5% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 20% Profit on OMH)	CIL Residual (@ 20% Profit on OMH)- £s per sq. m.
1	East CCBC- Greenfield on edge of Town location	0.4	**10**	Now Zero	£1,505	£202,622	£200,000	£263,334	£229	£223,093	£194	£182,842	£159
2	Central CCBC- Existing industrial within Town centre location	0.7	**20**	Now Zero	£1,611	£378,063	£225,000	£577,753	£263	£502,994	£229	£428,202	£195
3	North CCBC- Greenfield on edge of rural village location	7.1	**250**	0%	£1,253	£1,399,574	£80,000	£708,059	£25	£80,010	£3	-£556,412	-£20
4	West CCBC- Greenfield within rural village location	0.6	**10**	Now Zero	£1,302	£140,847	£100,000	£187,699	£134	£145,957	£104	£104,199	£74
5	South CCBC- Brownfield site near Town Centre location	2.2	**60**	Now Zero	£1,741	£1,223,145	£225,000	£3,008,729	£393	£2,717,302	£355	£2,425,653	£317
6	Central CCBC- Brownfield site on edge of village location	3.9	**140**	Now Zero	£1,602	£1,932,322	£200,000	£2,982,336	£238	£2,640,729	£211	£2,298,164	£184
7	Central CCBC- Existing industrial off Town link road location	0.5	**20**	Now Zero	£1,596	£266,868	£200,000	£470,708	£279	£412,501	£245	£354,269	£210
8	North CCBC- Greenfield within village location	0.8	**20**	0%	£1,260	£175,688	£90,000	-£42,841	-£24	-£91,921	-£52	-£141,028	-£80
9	South CCBC- Greenfield site near in mixed use area of a Town location	7.6	**200**	Now Zero	£1,777	£3,746,036	£200,000	£7,876,088	£372	£7,164,647	£338	£6,452,054	£305
10	South CCBC- Brownfield site in town location	2.1	**90**	Now Zero	£1,766	£1,037,820	£200,000	£2,594,908	£374	£2,340,429	£338	£2,085,753	£301
11	East CCBC- Brownfield site adjoining local settlements	8.7	**270**	Now Zero	£1,540	£4,299,540	£200,000	£7,756,539	£250	£6,910,454	£223	£6,062,045	£196
12	Central CCBC- Greenfield on edge of village location	1.0	**30**	Now Zero	£1,555	£494,200	£200,000	£933,541	£63	£820,023	£55	£706,428	£47
13	East CCBC- Greenfield on edge of village location	0.8	**30**	Now Zero	£1,556	£395,360	£200,000	£911,108	£290	£805,594	£256	£700,035	£223
								Average:	**£222**	**Average:**	**£192**	**Average:**	**£162**

APPENDIX U Site-by-site summary of residential appraisals within Merthyr Tydfil CBC & with Sensitivity Analysis of Developer Profit ZERO Affordable Homes

Ref no.	Site	Site area (hectares- approx- imate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL (@ 15% Profit on OMH)	CIL Residual (@ 15% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 17.5% Profit on OMH)	CIL Residual (@ 17.5% Profit on OMH) - £s per sq. m.	Residualised value for CIL (@ 20% Profit on OMH)	CIL Residual (@ 20% Profit on OMH)- £s per sq. m.
14	South MTCBC- Greenfield on edge of town location	0.8	**30**	Now Zero	£1,460	£370,650	£200,000	£537,034	£208	£452,034	£175	£367,034	£142
15	North MTCBC- Brownfield on edge of town location	1.0	**30**	Now Zero	£1,400	£370,650	£150,000	£772,919	£242	£679,678	£213	£586,438	£184
16	Central MTCBC- Greenfield in rural village location	0.4	**10**	0%	£1,190	£96,369	£100,000	£8,404	£11	-£11,420	-£16	-£31,248	-£43
17	South MTCBC- Split level Greenfield on edge of town location	2.0	**90**	Now Zero	£1,410	£864,850	£175,000	£1,286,488	£173	£1,074,750	£145	£862,802	£116
18	Central MTCBC- Greenfield on edge of town location	1.0	**50**	Now Zero	£1,370	£308,875	£125,000	£667,467	£207	£572,062	£177	£476,583	£148
19	North MTCBC- Greenfield on edge of town location	3.1	**110**	Now Zero	£1,520	£1,532,020	£200,000	£3,072,591	£248	£2,681,045	£216	£2,289,199	£185
20	North MTCBC- Brownfield in existing use on edge of town location	0.3	**10**	Now Zero	£1,460	£123,550	£200,000	£181,489	£206	£152,434	£173	£123,371	£140
21	South MTCBC- Greenfield on edge of village location	2.3	**80**	Now Zero	£1,440	£994,578	£175,000	£1,473,049	£185	£1,241,935	£156	£1,010,593	£127
								Average:	**£185**	**Average:**	**£155**	**Average:**	**£125**

APPENDIX V Site-by-site summary of residential appraisals within Merthyr Tydfil CBC & with Sensitivity Analysis of House Price Changes ZERO Affordable Homes

Ref no.	Site	Site area (hectares-approx-imate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL @ minus 10% House prices	CIL Residual @ minus 10% House prices- £s per sq. m.	Residualised value for CIL @ minus 5% House prices	CIL Residual @ minus 5% House prices- £s per sq. m.	Residualised value for CIL @ Base house prices	CIL Residual @ Base House prices)- £s per sq. m.	Residualised value for CIL @ +5% House prices	CIL Residual @ +5% House prices- £s per sq. m.	Residualised value for CIL @ +10% House prices	CIL Residual @ +10% House prices- £s per sq. m.
14	South MTCBC-Greenfield on edge of town location	0.8	**30**	Now Zero	£1,460	£370,650	£200,000	£168,664	£65	£310,349	£120	£452,034	£175	£593,719	£230	£735,404	£284
15	North MTCBC-Brownfield on edge of town location	1.0	**30**	Now Zero	£1,400	£370,650	£150,000	£336,160	£105	£507,919	£159	£679,678	£213	£851,437	£267	£1,023,196	£321
16	Central MTCBC-Greenfield in rural village location	0.4	**10**	0%	£1,190	£96,369	£100,000	-£76,965	-£105	-£44,192	-£60	-£11,420	-£16	£21,353	£29	£54,126	£74
17	South MTCBC-Split level Greenfield on edge of town location	2.0	**90**	Now Zero	£1,410	£864,850	£175,000	£333,728	£45	£704,240	£95	£1,074,750	£145	£1,445,261	£195	£1,815,771	£245
18	Central MTCBC-Greenfield on edge of town location	1.0	**50**	Now Zero	£1,370	£308,875	£125,000	£243,849	£75	£407,956	£126	£572,062	£177	£736,169	£228	£900,275	£279
19	North MTCBC-Greenfield on edge of town location	3.1	**110**	Now Zero	£1,520	£1,532,020	£200,000	£1,334,034	£108	£2,007,539	£162	£2,681,045	£216	£3,354,550	£271	£4,028,055	£325
20	North MTCBC-Brownfield in existing use on edge of town location	0.3	**10**	Now Zero	£1,460	£123,550	£200,000	£56,363	£64	£104,398	£118	£152,434	£173	£200,469	£227	£248,504	£282
21	South MTCBC-Greenfield on edge of village location	2.3	**80**	Now Zero	£1,440	£994,578	£175,000	£433,098	£55	£837,517	£105	£1,241,935	£156	£1,646,353	£207	£2,050,770	£258
								Average:	**£52**	**Average:**	**£103**	**Average:**	**£155**	**Average:**	**£207**	**Average:**	**£258**

APPENDIX W - Site-by-site summary of residential appraisals within Rhondda Cynon Taf CBC & with Sensitivity Analysis of House Price Changes

Ref no.	Site	Site area (hectares-approx-imate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL @ minus 10% House prices	CIL Residual @ minus 10% House prices- £s per sqm	Residualised value for CIL @ minus 5% House prices	CIL Residual @ minus 5% House prices- £s per sq. m.	Residualised value for CIL @ Base house prices	CIL Residual @ Base House prices)- £s per sq. m.	Residualised value for CIL @ +5% House prices	CIL Residual @ +5% House prices- £s per sq. m.	Residualised value for CIL @ +10% House prices	CIL Residual @ +10% House prices- £s per sq. m.
22	North West RCT- Greenfield on edge of town location	1.5	**40**	Now Zero	£1,350	£358,295	£100,000	£180,054	£45	£380,908	£95	£581,763	£146	£782,617	£196	£983,471	£246
23	North East RCT- Brownfield on edge of village location	0.9	**30**	Now Zero	£1,270	£217,448	£100,000	£4,230	£2	£146,381	£53	£288,531	£104	£430,682	£155	£572,832	£206
24	North RCT- Greenfield on edge of village location	1.3	**40**	Now Zero	£1,280	£326,172	£100,000	£65,607	£15	£271,997	£62	£478,388	£109	£684,777	£156	£891,166	£203
25	North East RCT- Brownfield in rural village location	5.0	**150**	Now Zero	£1,270	£1,235,500	£100,000	£83,415	£5	£789,355	£48	£1,495,236	£91	£2,201,098	£134	£2,906,960	£177
26	South RCT- Greenfield on edge of town location	1.1	**40**	Now Zero	£1,880	£633,812	£225,000	£1,147,815	£309	£1,402,916	£378	£1,658,016	£447	£1,913,117	£515	£2,168,218	£584
27	South RCT- Large Greenfield on edge of village location	12.0	**500**	Now Zero	£1,710	£5,930,400	£200,000	£10,729,843	£221	£13,388,310	£275	£16,046,453	£330	£18,704,423	£385	£21,362,164	£439
28	Central RCT- Greenfield on edge of town location	1.2	**30**	Now Zero	£1,600	£444,780	£150,000	£423,781	£147	£600,313	£208	£776,844	£269	£953,376	£330	£1,129,906	£392
29	Central RCT- Brownfield on edge of town location	2.9	**100**	Now Zero	£1,540	£1,236,736	£175,000	£1,080,320	£119	£1,550,820	£171	£2,021,270	£223	£2,491,719	£275	£2,962,134	£327
30	Central RCT- Large greenfield on edge of town location	20.0	**700**	Now Zero	£1,540	£7,413,000	£150,000	£10,431,839	£154	£14,065,734	£207	£17,699,208	£261	£21,332,676	£314	£24,965,916	£368
31	South RCT- Greenfield on edge of village location	5.1	**150**	Now Zero	£1,720	£2,515,478	£200,000	£2,948,678	£198	£3,829,331	£257	£4,709,875	£316	£5,590,362	£375	£6,470,770	£435
								Average:	**£121**	**Average:**	**£176**	**Average:**	**£230**	**Average:**	**£284**	**Average:**	**£338**

APPENDIX X - Site-by-site summary of residential appraisals within Rhondda Cynon Taf CBC & with Sensitivity Analysis of Developer Profit ZERO Affordable Homes

Ref no.	Site	Site area (hectares- approximate)	No. of dwellings (rounded)	% AFH	Average price of private housing (£s per sq. m.)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL (@ 15% Profit on OMH)	CIL Residual (@ 15% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 17.5% Profit on OMH)	CIL Residual (@ 17.5% Profit on OMH)- £s per sq. m.	Residualised value for CIL (@ 20% Profit on OMH)	CIL Residual (@ 20% Profit on OMH)- £s per sq. m.
22	North West RCT- Greenfield on edge of town location	1.5	**40**	Now Zero	£1,350	£358,295	£100,000	£701,535	£176	£581,763	£146	£461,972	£116
23	North East RCT- Brownfield on edge of village location	0.9	**30**	Now Zero	£1,270	£217,448	£100,000	£374,871	£135	£288,531	£104	£202,191	£73
24	North RCT- Greenfield on edge of village location	1.3	**40**	Now Zero	£1,280	£326,172	£100,000	£597,266	£136	£478,388	£109	£359,439	£82
25	North East RCT- Brownfield in rural village location	5.0	**150**	Now Zero	£1,270	£1,235,500	£100,000	£1,884,151	£115	£1,495,236	£91	£1,104,429	£67
26	South RCT- Greenfield on edge of town location	1.1	**40**	Now Zero	£1,880	£633,812	£225,000	£1,805,034	£486	£1,658,016	£447	£1,510,754	£407
27	South RCT- Large Greenfield on edge of village location	12.0	**500**	Now Zero	£1,710	£5,930,400	£200,000	£17,326,357	£356	£16,046,453	£330	£14,756,201	£304
28	Central RCT- Greenfield on edge of town location	1.2	**30**	Now Zero	£1,600	£444,780	£150,000	£882,303	£306	£776,844	£269	£671,353	£233
29	Central RCT- Brownfield on edge of town location	2.9	**100**	Now Zero	£1,540	£1,236,736	£175,000	£2,263,900	£250	£2,021,270	£223	£1,777,234	£196
30	Central RCT- Large greenfield on edge of town location	20.0	**700**	Now Zero	£1,540	£7,413,000	£150,000	£19,573,213	£288	£17,699,208	£261	£15,814,269	£233
31	South RCT- Greenfield on edge of village location	5.1	**150**	Now Zero	£1,720	£2,515,478	£200,000	£5,133,874	£345	£4,709,875	£316	£4,282,442	£288
								Average:	**£259**	**Average:**	**£230**	**Average:**	**£200**

APPENDIX Y - Site-by-site summary of Commercial appraisals and Sensitivity Analysis of Developer Profit

Ref no.	Site	Site area (hectares approx-imate)	Use Class	Gross Internal area (sq. m. - Rounded)	Headline rent per SQM	Yield	Total sqm (GIA)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL (@ 15% Profit on Cost)	CIL Residual (@ 15% Profit on Cost)- £s per sq. m.	Residualised value for CIL (@ 17.5% Profit on Cost)	CIL Residual (@ 17.5% Profit on Cost)- £s per sq. m.	Residualised value for CIL (@ 20% Profit on Cost)	CIL Residual (@ 20% Profit on Cost)- £s per sq. m.
1	South CCBC- Edge of town comparison retail in Greenfield location	2.0	**A1**	6,000	£180	8.50%	6,000	£1,467,774	£300,000	£2,942,148	£490	£2,740,218	£457	£2,546,705	£424
2	South CCBC- Town centre comparison retail in Brownfield location	1.0	**A1**	1,400	£150	7.50%	1,422	£247,100	£200,000	£607,715	£427	£563,920	£397	£521,950	£367
3	North CCBC- Large Food Store on Brownfield site in industrial location to edge of town	1.0	**Food Store**	2,000	£130	6.50%	2,000	£247,100	£100,000	£143,355	£72	£80,507	£40	£20,276	£10
4	Central CCBC- Large Food Store on Brownfield site in industrial location to edge of town	1.0	**Food Store**	900	£150	9.00%	900	£247,100	£100,000	-£239,087	-£266	-£263,847	-£293	-£287,643	-£320
5	Mid CCBC- Licensed premises on Brownfield site	0.2	**A3**	600	Trade basis	7.50%	638	£84,014	£200,000	£144,048	£226	£115,947	£182	£89,015	£140
6	South CCBC- Edge of town Offices in dedicated employment location	1.0	**B1**	4,500	£140	7.00%	4,450	£386,094	£125,000	-£505,839	-£114	-£630,963	-£142	-£750,894	-£169
7	Central CCBC- Town centre Offices on Brownfield location in an active existing use	0.1	**B1**	1,900	£120	7.50%	1,920	£49,420	£200,000	-£502,217	-£262	-£547,607	-£285	-£591,106	-£308
8	West CCBC- Offices on Greenfield site to edge of town location	19.0	**B1**	37,500	£100	9.00%	37,500	£1,404,764	£30,000	-£24,486,489	-£653	-£25,041,578	-£668	-£25,573,537	-£682
9	North CCBC- Industrial/Storage in dedicated employment location	5.0	**B2-B8**	13,300	£40	9.50%	13,275	£513,968	£40,000	-£2,953,617	-£222	-£3,045,504	-£229	-£3,133,587	-£236
10	Central CCBC- Industrial/Storage in dedicated employment location	20.0	**B2-B8**	11,200	£40	9.00%	11,150	£2,499,417	£50,000	-£4,002,000	-£359	-£4,094,058	-£367	-£4,182,282	-£375
11	South CCBC- Industrial/Storage on Brownfield site in town location	2.0	**B2-B8**	6,100	£45	8.50%	6,100	£518,910	£100,000	-£1,157,969	-£190	-£1,211,516	-£199	-£1,262,832	-£207
12	South CCBC- Care home on Brownfield site within Town location	1.0	**Care home**	3,900	£55,000 per bedspace (Capital Value)	NA	3,900	£271,810	£110,000	-£1,718,576	-£441	-£1,797,206	-£461	-£1,872,403	-£480
13	South CCBC- Hotel on dedicated Brownfield employment site within town location	1.0	**Hotel**	1,800	£4,000 Per bed	6.50%	1,800	£154,438	£125,000	-£488,177	-£271	-£539,166	-£300	-£588,061	-£327
14	North MTCBC- Town Centre comparison retail with an active existing use in Brownfield location	1.0	**A1**	4,100	£180	9.00%	4,111	£622,692	£300,000	£1,544,538	£376	£1,428,939	£348	£1,318,155	£321

APPENDIX Y - Site-by-site summary of Commercial appraisals and Sensitivity Analysis of Developer Profit

Ref no.	Site	Site area (hectares approx-imate)	Use Class	Gross Internal area (sq. m. - Rounded)	Headline rent per SQM	Yield	Total sqm (GIA)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL (@ 15% Profit on Cost)	CIL Residual (@ 15% Profit on Cost)- £s per sq. m.	Residualised value for CIL (@ 17.5% Profit on Cost)	CIL Residual (@ 17.5% Profit on Cost)- £s per sq. m.	Residualised value for CIL (@ 20% Profit on Cost)	CIL Residual (@ 20% Profit on Cost)- £s per sq. m.
15	North MTCBC- Edge of town comparison retail in Brownfield location	3.0	**A1**	8,000	£180	8.00%	8,000	£1,875,489	£300,000	£4,315,476	£539	£4,055,167	£507	£3,805,704	£476
16	North MTCBC- Restaurant on Brownfield site	0.2	**A3**	400	£220	6.75%	350	£98,840	£200,000	£43,730	£125	£26,621	£76	£10,225	£29
17	North MTCBC- Offices to be built on Brownfield in edge of town location	2.0	**B1**	8,500	£140	7.00%	8,500	£523,852	£100,000	-£797,507	-£94	-£1,034,195	-£122	-£1,261,090	-£148
18	North MTCBC- Industrial/Storage in dedicated employment location	10.0	**B2-B8**	40,000	£45	9.00%	40,000	£1,233,029	£50,000	-£6,244,646	-£156	-£6,571,768	-£164	-£6,885,262	-£172
19	South MTCBC- Care home on Brownfield site with active existing use	1.0	**Care home**	2,300	£50,000 per bedspace (Capital Value)	NA	2,300	£213,124	£125,000	-£1,828,117	-£795	-£1,856,846	-£807	-£1,884,337	-£819
20	North MTCBC- Care home on Greenfield site within town location	1.0	**Care home**	6,800	£55,000 per bedspace (Capital Value)	NA	6,800	£177,912	£100,000	-£541,903	-£80	-£723,658	-£106	-£897,543	-£132
21	North MTCBC- Edge of town Cinema site in Brownfield location	1.0	**Cinema**	2,800	£155 per seat	6.50%	2,800	£277,988	£112,500	-£663,443	-£237	-£725,864	-£259	-£785,685	-£281
22	North MTCBC- Healthcare development on Brownfield site in edge of town location	3.0	**D1 GMS**	9,100	£150	6.25%	9,050	£617,750	£100,000	£1,125,399	£124	£760,756	£84	£412,609	£46
23	North MTCBC- Edge of town Hotel site in Brownfield location	0.0	**Hotel**	2,600	£3,650 Per bed	6.50%	2,640	£86,485	£100,000	-£1,522,533	-£577	-£1,576,046	-£597	-£1,627,360	-£616
24	North RCT- Town Centre comparison retail in Brownfield location	0.0	**A1**	1,000	£150	9.00%	950	£74,130	£300,000	£255,597	£269	£230,491	£243	£206,432	£217
25	Central RCT- Large food store on Brownfield site in town location	1.0	**Food store**	2,000	£150	5.75%	2,000	£370,650	£150,000	-£68,462	-£34	-£151,209	-£76	-£230,508	-£115
26	North RCT- Large food store on Brownfield site in town location	1.0	**Food store**	8,500	£180	5.75%	8,454	£938,980	£500,000	£9,214,177	£1,090	£8,818,502	£1,043	£8,439,312	£998
27	South RCT- Large food store on Brownfield site in town location	1.0	**Food store**	7,400	£180	5.50%	7,376	£1,050,175	£500,000	£9,389,412	£1,273	£9,008,941	£1,221	£8,644,323	£1,172
28	Mid RCT- Restaurant on Brownfield site with existing use	0.3	**A3**	200	£275	7.25%	193	£148,260	£200,000	£14,433	£75	£3,027	£16	-£7,904	-£41
29	South RCT- Offices to be built on Brownfield site in dedicated employment location	15.0	**B1**	34,500	£125	7.50%	34,453	£1,096,383	£30,000	-£7,959,557	-£231	-£8,743,385	-£254	-£9,495,122	-£276

APPENDIX Y - Site-by-site summary of Commercial appraisals and Sensitivity Analysis of Developer Profit

Ref no.	Site	Site area (hectares approx-imate)	Use Class	Gross Internal area (sq. m. - Rounded)	Headline rent per SQM	Yield	Total sqm (GIA)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL (@ 15% Profit on Cost)	CIL Residual (@ 15% Profit on Cost)- £s per sq. m.	Residualised value for CIL (@ 17.5% Profit on Cost)	CIL Residual (@ 17.5% Profit on Cost)- £s per sq. m.	Residualised value for CIL (@ 20% Profit on Cost)	CIL Residual (@ 20% Profit on Cost)- £s per sq. m.
30	Central RCT- Offices to be built on Brownfield site in dedicated employment location	4.0	**B1**	20,000	£100	10.00%	20,000	£311,346	£30,000	-£12,748,208	-£637	-£13,019,100	-£651	-£13,278,713	-£664
31	North RCT- Offices to be built on Brownfield site in dedicated employment location	2.0	**B1**	7,000	£100	9.00%	7,000	£166,793	£45,000	-£3,753,490	-£536	-£3,866,516	-£552	-£3,974,838	-£568
32	South RCT- Industrial/Storage to be built on Brownfield in dedicated employment location	15.0	**B2-B8**	68,900	£45	8.00%	68,906	£1,096,383	£30,000	-£5,190,191	-£75	-£5,817,861	-£84	-£6,419,609	-£93
33	Central RCT- Industrial/Storage to be built on Brownfield site in dedicated employment location	4.0	**B2-B8**	40,000	£35	10.00%	40,000	£311,346	£30,000	-£9,421,884	-£236	-£9,639,781	-£241	-£9,848,595	-£246
34	North RCT- Industrial/Storage to be built on Brownfield site in dedicated employment location	2.0	**B2-B8**	14,000	£45	9.00%	14,000	£166,793	£45,000	-£2,188,360	-£156	-£2,303,949	-£165	-£2,414,724	-£172
35	South RCT- Cinema to be built on Brownfield site in active existing use on edge of settlements	0.2	**Cinema**	2,300	£175 Per seat	7.50%	2,325	£98,840	£200,000	-£733,024	-£315	-£780,221	-£336	-£825,453	-£355
36	North RCT- Healthcare development on Greenfield site in edge of town location	0.2	**D1 GMS**	2,100	£150	6.25%	2,147	£98,840	£200,000	£566,682	£264	£474,198	£221	£385,900	£180
37	South RCT- Hotel on Brownfield employment site within edge of town location	0.3	**Hotel**	2,200	£4,000 Per bed	6.00%	2,225	£95,237	£149,968	-£719,099	-£323	-£774,657	-£348	-£827,900	-£372
38	South RCT- Nursing home on Brownfield site with active existing use	0.4	**Nursing home**	3,300	£55,000 per bedspace (Capital Value)	NA	3,273	£197,680	£200,000	-£1,847,539	-£564	-£1,903,502	-£582	-£1,957,045	-£598

APPENDIX Z - Site-by-site summary of Commercial appraisals and Sensitivity Analysis of Rent changes

Ref no.	Site	Site area (hectares- approx- imate)	Use Class	Gross Internal area (sq. m. - Rounded)	Net (ha)	Headline rent per sq. m.	Yield	Total sqm (GIA)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL @ minus 10% Rent (or capitalised value)	CIL Residual @ minus 10% Rents (or capitalised values) £'s per sq. m.	Residualised value for CIL @ Base Rent (or capitalised value)	CIL Residual @ Base rent (or capitalised values)- £s per sq. m.	Residualised value for CIL @ +10% Rent (or capitalised value)	CIL Residual @ +10% Rent (or capitalised value)- £s per sq. m.
1	South CCBC- Edge of town com- parison retail in Greenfield location	2.0	A1	6,000	1.98	£180	8.50%	6,000	£1,467,774	£300,000	£1,856,878	£309	£2,740,218	£457	£3,623,563	£604
2	South CCBC- Town centre com- parison retail in Brownfield location	1.0	A1	1,400	0.5	£150	7.50%	1,422	£247,100	£200,000	£372,088	£262	£563,920	£397	£755,752	£531
3	North CCBC- Large Food Store on Brownfield site in industrial location to edge of town	1.0	Food Store	2,000	1	£130	6.50%	2,000	£247,100	£100,000	-£195,346	-£98	£80,507	£40	£356,359	£178
4	Central CCBC- Large Food Store on Brownfield site in industrial location to edge of town	1.0	Food Store	900	1	£150	9.00%	900	£247,100	£100,000	-£372,490	-£414	-£263,847	-£293	-£155,733	-£173
5	Mid CCBC- Licensed premises on Brownfield site	0.2	A3	600	0.17	Trade basis	7.50%	638	£84,014	£200,000	-£7,231	-£11	£115,947	£182	£239,124	£375
6	South CCBC- Edge of town Offices in dedicated employment location	1.0	B1	4,500	1.25	£140	7.00%	4,450	£386,094	£125,000	-£1,180,151	-£265	-£630,963	-£142	-£84,013	-£19
7	Central CCBC- Town centre Offices on Brownfield location in an active existing use	0.1	B1	1,900	0.1	£120	7.50%	1,920	£49,420	£200,000	-£746,679	-£389	-£547,607	-£285	-£348,611	-£182
8	West CCBC- Offices on Greenfield site to edge of town location	19.0	B1	37,500	18.95	£100	9.00%	37,500	£1,404,764	£30,000	-£27,466,872	-£732	-£25,041,578	-£668	-£22,617,419	-£603
9	North CCBC- Industrial/Storage in dedicated employment location	5.0	B2-B8	13,300	5.2	£40	9.50%	13,275	£513,968	£40,000	-£3,449,148	-£260	-£3,045,504	-£229	-£2,642,062	-£199
10	Central CCBC- Industrial/Storage in dedicated employment location	20.0	B2-B8	11,200	20.23	£40	9.00%	11,150	£2,499,417	£50,000	-£4,498,808	-£403	-£4,094,058	-£367	-£3,689,531	-£331
11	South CCBC- Industrial/Storage on Brownfield site in town location	2.0	B2-B8	6,100	2.1	£45	8.50%	6,100	£518,910	£100,000	-£1,446,564	-£237	-£1,211,516	-£199	-£976,589	-£160
12	South CCBC- Care home on Brownfield site within Town location	1.0	Care home	3,900	1	£55,000 per bedspace (Capital Value)	NA	3,900	£271,810	£110,000	-£2,072,340	-£531	-£1,797,206	-£461	-£1,522,230	-£390
13	South CCBC- Hotel on dedicated Brownfield employment site within town location	1.0	Hotel	1,800	0.5	£4,000 Per bed	6.50%	1,800	£154,438	£125,000	-£763,253	-£424	-£539,166	-£300	-£315,251	-£175
14	North MTCBC- Town Centre comparison retail with an active existing use in Brownfield location	1.0	A1	4,100	0.84	£180	9.00%	4,111	£622,692	£300,000	£923,689	£225	£1,428,939	£348	£1,934,189	£470
15	North MTCBC- Edge of town com- parison retail in Brownfield location	3.0	A1	8,000	2.53	£180	8.00%	8,000	£1,875,489	£300,000	£2,914,843	£364	£4,055,167	£507	£5,195,488	£649

APPENDIX Z - Site-by-site summary of Commercial appraisals and Sensitivity Analysis of Rent changes

Ref no.	Site	Site area (hectares-approx-imate)	Use Class	Gross Internal area (sq. m. - Rounded)	Net (ha)	Headline rent per sq. m.	Yield	Total sqm (GIA)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL @ minus 10% Rent (or capitalised value)	CIL Residual @ minus 10% Rents (or capitalised values) £'s per sq. m.	Residualised value for CIL @ Base Rent (or capitalised value)	CIL Residual @ Base rent (or capitalised values)- £s per sq. m.	Residualised value for CIL @ +10% Rent (or capitalised value)	CIL Residual @ +10% Rent (or capitalised value)- £s per sq. m.
16	North MTCBC- Restaurant on Brownfield site	0.2	**A3**	400	0.2	£220	6.75%	350	£98,840	£200,000	-£48,453	-£138	£26,621	£76	£101,695	£291
17	North MTCBC- Offices to be built on Brownfield in edge of town location	2.0	**B1**	8,500	2.12	£140	7.00%	8,500	£523,852	£100,000	-£2,073,277	-£244	-£1,034,195	-£122	£586	£0
18	North MTCBC- Industrial/Storage in dedicated employment location	10.0	**B2-B8**	40,000	9.98	£45	9.00%	40,000	£1,233,029	£50,000	-£8,010,093	-£200	-£6,571,768	-£164	-£5,133,947	-£128
19	South MTCBC- Care home on Brownfield site with active existing use	1.0	**Care home**	2,300	0.69	£50,000 per bedspace (Capital Value)	NA	2,300	£213,124	£125,000	-£1,979,935	-£861	-£1,856,846	-£807	-£1,733,852	-£754
20	North MTCBC- Care home on Greenfield site within town location	1.0	**Care home**	6,800	0.72	£55,000 per bedspace (Capital Value)	NA	6,800	£177,912	£100,000	-£1,128,247	-£166	-£723,658	-£106	-£319,467	-£47
21	North MTCBC- Edge of town Cinema site in Brownfield location	1.0	**Cinema**	2,800	1	£155 per seat	6.50%	2,800	£277,988	£112,500	-£999,837	-£357	-£725,864	-£259	-£452,071	-£161
22	North MTCBC- Healthcare development on Brownfield site in edge of town location	3.0	**D1 GMS**	9,100	2.5	£150	6.25%	9,050	£617,750	£100,000	-£731,474	-£81	£760,756	£84	£2,252,593	£249
23	North MTCBC- Edge of town Hotel site in Brownfield location	0.0	**Hotel**	2,600	0.35	£3,650 Per bed	6.50%	2,640	£86,485	£100,000	-£1,811,225	-£686	-£1,576,046	-£597	-£1,341,048	-£508
24	North RCT- Town Centre comparison retail in Brownfield location	0.0	**A1**	1,000	0.1	£150	9.00%	950	£74,130	£300,000	£120,764	£127	£230,491	£243	£340,218	£358
25	Central RCT- Large food store on Brownfield site in town location	1.0	**Food store**	2,000	1	£150	5.75%	2,000	£370,650	£150,000	-£520,061	-£260	-£151,209	-£76	£216,985	£108
26	North RCT- Large food store on Brownfield site in town location	1.0	**Food store**	8,500	0.76	£180	5.75%	8,454	£938,980	£500,000	£7,079,033	£837	£8,818,502	£1,043	£10,557,965	£1,249
27	South RCT- Large food store on Brownfield site in town location	1.0	**Food store**	7,400	0.85	£180	5.50%	7,376	£1,050,175	£500,000	£7,335,428	£994	£9,008,941	£1,221	£10,682,453	£1,448
28	Mid RCT- Restaurant on Brownfield site with existing use	0.3	**A3**	200	0.3	£275	7.25%	193	£148,260	£200,000	-£46,986	-£243	£3,027	£16	£53,040	£275
29	South RCT- Offices to be built on Brownfield site in dedicated employment location	15.0	**B1**	34,500	14.79	£125	7.50%	34,453	£1,096,383	£30,000	-£12,181,641	-£354	-£8,743,385	-£254	-£5,309,286	-£154
30	Central RCT- Offices to be built on Brownfield site in dedicated employment location	4.0	**B1**	20,000	4.2	£100	10.00%	20,000	£311,346	£30,000	-£14,202,101	-£710	-£13,019,100	-£651	-£11,836,285	-£592

APPENDIX Z - Site-by-site summary of Commercial appraisals and Sensitivity Analysis of Rent changes

Ref no.	Site	Site area (hectares-approxi-mate)	Use Class	Gross Internal area (sq. m. - Rounded)	Net (ha)	Headline rent per sq. m.	Yield	Total sqm (GIA)	Benchmark Land value (Reflecting vendor incentive & on net area)	BMLV- £s per Net ACRE	Residualised value for CIL @ minus 10% Rent (or capitalised value)	CIL Residual @ minus 10% Rents (or capitalised values) £'s per sq. m.	Residualised value for CIL @ Base Rent (or capitalised value)	CIL Residual @ Base rent (or capitalised values)- £s per sq. m.	Residualised value for CIL @ +10% Rent (or capitalised value)	CIL Residual @ +10% Rent (or capitalised value)- £s per sq. m.
31	North RCT- Offices to be built on Brownfield site in dedicated employment location	2.0	**B1**	7,000	1.5	£100	9.00%	7,000	£166,793	£45,000	-£4,360,863	-£623	-£3,866,516	-£552	-£3,372,484	-£482
32	South RCT- Industrial/Storage to be built on Brownfield in dedicated employment location	15.0	**B2-B8**	68,900	14.79	£45	8.00%	68,906	£1,096,383	£30,000	-£8,589,382	-£125	-£5,817,861	-£84	-£3,048,495	-£44
33	Central RCT- Industrial/ Storage to be built on Brownfield site in dedicated employment location	4.0	**B2-B8**	40,000	4.2	£35	10.00%	40,000	£311,346	£30,000	-£10,595,988	-£265	-£9,639,781	-£241	-£8,683,951	-£217
34	North RCT- Industrial/Storage to be built on Brownfield site in dedicated employment location	2.0	**B2-B8**	14,000	1.5	£45	9.00%	14,000	£166,793	£45,000	-£2,810,785	-£201	-£2,303,949	-£165	-£1,797,241	-£128
35	South RCT- Cinema to be built on Brownfield site in active existing use on edge of settlements	0.2	**Cinema**	2,300	0.2	£175 Per seat	7.50%	2,325	£98,840	£200,000	-£986,957	-£424	-£780,221	-£336	-£573,562	-£247
36	North RCT- Healthcare development on Greenfield site in edge of town location	0.2	**D1 GMS**	2,100	0.2	£150	6.25%	2,147	£98,840	£200,000	£95,833	£45	£474,198	£221	£852,564	£397
37	South RCT- Hotel on Brownfield employment site within edge of town location	0.3	**Hotel**	2,200	0.257	£4,000 Per bed	6.00%	2,225	£95,237	£149,968	-£1,018,831	-£458	-£774,657	-£348	-£530,610	-£238
38	South RCT- Nursing home on Brownfield site with active existing use	0.4	**Nursing home**	3,300	0.4	£55,000 per bedspace (Capital Value)	NA	3,273	£197,680	£200,000	-£2,140,559	-£654	-£1,903,502	-£582	-£1,666,619	-£509

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