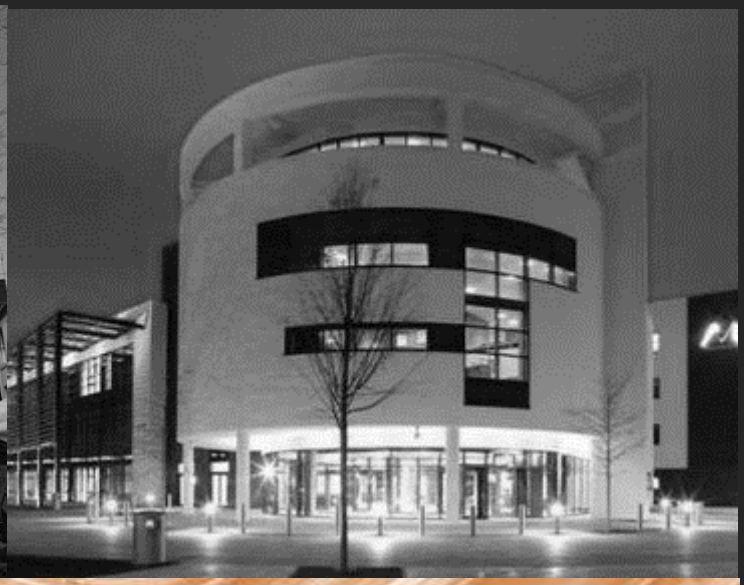


Newcastle Under Lyme Borough Council Whole Plan Viability Assessment

April 2023

NCS

Contents

1 Executive Summary

Purpose of the Study

1.1 The purpose of the Viability Study is to assess the impact of proposed policies in the Newcastle Under Lyme Local Plan to determine the appropriate balance between Affordable Housing delivery targets, S106 contribution requirements and other Planning Policy impacts, to ensure the overall viability of the Plan and deliverability of new development over the plan period. The study considers policies that might affect the cost and value of development (e.g. Affordable Housing and Design and Construction Standards) in addition to the potential to accommodate Community Infrastructure Levy Charges if considered appropriate in the future. The area covered by the study is the Newcastle Under Lyme Borough Council administrative area.

1.2 Para 34 of the National Planning Policy Framework 2021 requires that plans should set out Affordable Housing and Infrastructure contributions expected from development but ensure that the level of these contributions does not undermine deliverability of development. An assessment of the costs and values of each category of development is therefore required to consider whether they will yield competitive returns to a willing landowner and willing developer thus enabling the identified development to proceed.

1.3 The study includes specific assessment of the ability of different categories of development within the Local Plan area to make Affordable Housing and infrastructure contributions, having taken account of the cost impacts of relevant planning policies. If there is any additional return beyond these reasonable allowances, then this is the margin available to make CIL or other additional developer contributions. This information is provided to enable the Council to make informed decisions on the scope for review of its existing Affordable Housing and S106 contribution policies.

Methodology

1.4 The viability assessment comprises a number of key stages as outlined below:

EVIDENCE BASE – LAND & PROPERTY VALUATION STUDY

1.5 Collation of an area-wide evidence base of land and property values for both residential and commercial property

EVIDENCE BASE – CONSTRUCTION COST STUDY

1.6 Collation of an area-wide evidence base of construction costs for both residential and commercial property

IDENTIFICATION OF SUB-MARKETS

1.7 Sub-market identification informed by the valuation evidence gathered at stage one above, Large differences in values across a study area indicate the need to define independent sub areas for viability testing purposes and in turn these could inform potential charging zones for Community Infrastructure Levy Purposes.

POLICY IMPACT ASSESSMENT

1.8 Identification of the policies within the plan, which will have a direct impact on the costs of development and hence the viability of development. Typical policy impacts include affordable housing requirements and sustainable construction requirements.

VIABILITY APPRAISAL

1.9 Viability assessment for both residential and commercial development scenarios based on a series of typologies which reflect the development likely to emerge over the plan period. The assessments are conducted for both greenfield and brownfield development as it is recognised this can result in significant difference in viability.

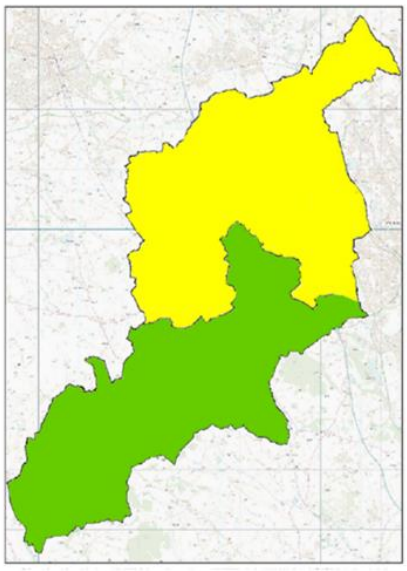
RESULTS

1.10 The viability results for both residential and commercial development typologies have been summarised below. The figures represent the margin of viability per square metre taking account of all development values and costs, plan policy impact costs and having made allowance for a competitive return to the landowner and developer. In essence a positive margin confirms whole plan viability, the level of margin indicates the potential for additional additional developer contributions (such as CIL charges).

Residential Viability

1.11 The Heb valuation study considered evidence of residential land and property values across Newcastle Under Lyme Borough and concluded that there are two distinct sub-market areas for residential development which warrant differential value assumptions being made in the Whole Plan Viability Assessment. The lower value areas are in the north of the Borough and the higher value areas in the south. Inevitably there will be pockets of higher value within the general lower value sub-market but the general tone of the area is the determining factor for new build residential values.

1 Executive Summary



1.12 A series of viability tests was undertaken at differing Affordable Housing delivery levels from 15%-30%. The following table illustrates the viability margin for the different residential typologies for greenfield and brownfield development based on the above developer contribution combination A positive margin indicates the combination of Affordable Housing and S106 contribution are viable and deliverable, The level of positive margin provides a guide to the potential for additional contributions, for instance through a Community Infrastructure Levy.

Maximum Viability Margin per Sqm					
Low Valuey Zone	Urban Edge Mixed Housing	Suburban Mixed Housing	Urban Mixed Housing	Rural Housing	Infill Housing
15% Affordable Housing Brownfield	£5	£6	£6	£7	£81
30% Affordable Housing Greenfield	£138	£135	£135	£143	£260
High Value Zone	Urban Edge Mixed Housing	Suburban Mixed Housing	Urban Mixed Housing	Rural Housing	Infill Housing
25% Affordable Housing Brownfield	£47	£45	£45	£48	£176
30 % Affordable Housing Greenfield	£253	£250	£250	£254	£361

1.13 The testing showed that Newcastle Under Lyme Borough Local Plan Policies are viable for most forms of housing development. The testing demonstrated significant differences between the viability of brownfield and greenfield sites with opportunity to operate differential affordable housing and infrastructure contributions policies based on the existing greenfield or brownfield use of land.

Commercial Viability

1.14 The initial assessment of commercial land and property values indicate that there are no significant differences in values to justify differential sub-markets based on the value assumptions. The employment category viability results are set out below demonstrating that only greenfield distribution warehouse uses have a significant positive viability margin.

Maximum Viability Margin per sqm

	General Zone	
Base Land Value	Greenfield	Brownfield
Industrial	-£294	-£401
Distribution Warehouse	£79	-£32

1.15 It is envisaged that distribution uses will make up a significant proportion of employment development over the plan period with new greenfield sites accounting for the majority of new development in this category. As such the assessment demonstrates that this type of employment use will be viable and deliverable.

1.16 It should be stressed that whilst the generic appraisals showed that general industrial use is not viable based on the test assumptions, this does not mean that this type of development is not deliverable. For consistency a full developer's profit allowance was included in all the commercial appraisals. In reality many employment developments are undertaken direct by the operators. If the development profit allowance is removed from the calculations, then much employment development would be viable and deliverable. In addition, it is common practice in mixed use schemes for the viable residential element of a development to be used to cross subsidise the delivery of the commercial component of a scheme.

Conclusions

1.17 The study demonstrates that most of the development proposed by the Local Plan is viable and deliverable taking account of the cost impacts of the policies proposed by the plan and the requirements for viability assessment set out in the NPPF.

1.18 The Council has a primarily greenfield residential delivery strategy and this type of development demonstrated strong positive viability across the entire Borough taking account of all policy impacts.

1.19 Brownfield residential development will also be deliverable subject to a lower level of Affordable Housing contribution. Greenfield residential development demonstrated strong positive viability with higher Affordable Housing delivery potential.

1.20 Based on the residential viability assessment results, the following differential Affordable Housing targets are recommended.

Sub Market Area	Affordable Housing Targets
Low Value Zone	
Greenfield	30%
Brownfield	15%
High Value Zone	
Greenfield	30%
Brownfield	25%

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

1.23 In conclusion, the assessment of all proposed residential sites in Newcastle Under Lyme Borough has been undertaken with due regard to the requirements of the NPPF and the best practice advice contained in National Planning Practice Guidance. It is considered that all sites are broadly viable across the entire plan period, taking account of all policy impacts of the Local Plan with additional potential to introduce CIL charges at some stage in the future.

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

2 Introduction

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

2.2 In order to provide a robust assessment, the study uses generic development typologies to consider the cost and value impacts of the proposed plan policies and determine whether any additional viability margin exists to accommodate a Community Infrastructure Levy. The development viability assessments take account of policies in the plan, affordable housing requirements, mandatory requirements to be introduced during the Plan period such as the National Housing Standards and Sustainable Construction requirements to determine whether the proposed plan policies are viable and will not hinder the delivery of development in the plan period.

The NPPF and Relevant Guidance

2.3 The National Planning Policy Framework 2021 maintains the importance of viability assessment in considering appropriate Development Plan policy. Para 34 states :-

"Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.

2.4 In tandem with the launch of the revised NPPF, the Government published new Planning Practice Guidance on Viability in July 2018. With respect to 'Viability and Plan Making', the guidance states :-

How should plan makers set policy requirements for contributions from development?

"Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development.

How should plan makers and site promoters ensure that policy requirements for contributions from development are deliverable?

The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.

It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.

Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.

It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan."

Should every site be assessed for viability in plan making?

Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.

What is meant by a typology approach to viability?

A typology approach is where sites are grouped by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development.

The characteristics used to group sites should reflect the nature of sites and type of development proposed for allocation in the plan.

Average costs and values can be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Comparing data from existing case study sites will help ensure assumptions of costs and values are realistic and broadly accurate. In using market evidence it is important to disregard outliers. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment.

Why should strategic sites be assessed for viability in plan making?

It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.

2.5 The NPPF remains the primary national planning policy advice on considering viability issues in planning supported by specific guidance in the National Planning Practice Guidance on Viability. However, the RICS has produced guidance notes that still have some relevance - Assessing Viability in planning under the National Planning Policy Framework 2019 for England, March 2021.

2.6 The RICS guidance looks into the wider use of viability appraisal in planning beyond assisting in plan making and policy assessment (eg affordable housing contributions, planning obligation contributions and triggers, enabling development appraisal, heritage asset appraisal). The guiding principles of viability appraisal are the same as those outlined in the statutory government. In principle, both agree that a residual viability appraisal model is the most appropriate means of assessment. Whilst much of the guidance is more relevant to site specific appraisal it does include some relevant advice to Local Plan viability assessment.

3 Methodology

The Process

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

1) Evidence Base – Land & Property Valuation Study

3.1 Establish an area wide evidence base of land and property values for development in each sub-market area. The evidence base relies on the area wide valuation study undertaken by Heb Surveyors in 2022.

2) Evidence Base – Construction Cost Study

3.2 Establish an area wide evidence base of construction costs for each category of development relevant to the local area. The study will also indicate construction rates for professional fees, warranties, statutory fees and construction contingencies. The evidence base relies on the Construction Cost Study by Gleeds undertaken in 2022.

3) Identification of Sub Market Areas

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

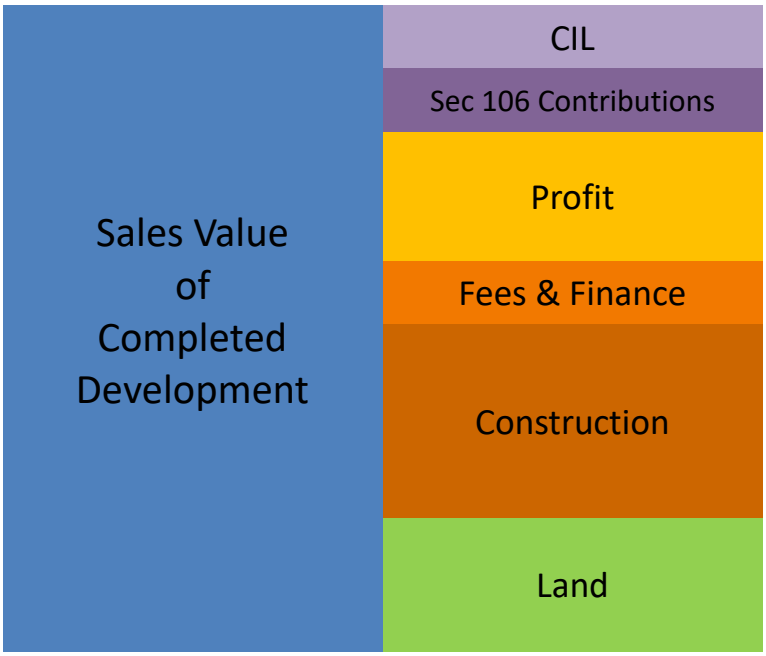
4) Policy Impact Assessment

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

5) Viability Appraisal – Whole Plan Assessment

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

The Development Equation



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

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

3.9 Economic viability is assessed using an industry standard Residual Model approach. The model subtracts the Land Value and the Fixed Development Costs from the Development Value to determine the viability or otherwise of the development and any additional margin available for developer contributions or CIL.

Viability Assessment Model

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

Development Value (Based on Floor Area) Eg 10 x 3 Bed 100sqm Houses x £2,200per sqm	£2,200,000
Development Costs	
Land Value	£400,000
Construction Costs	£870,000
Abnormal Construction Costs (Optional)	£100,000
Professional Fees (% Costs)	£90,000
Legal Fees (% Value)	£30,000
Statutory Fees (% Costs)	£30,000
Sales & Marketing Fees (% Value)	£40,000
Contingencies (% Costs)	£50,000
Section 106 Contributions/Policy Impact Cost Assumptions/CIL (Strategic Site Testing Only)	£90,000
Finance Costs (% Costs)	£100,000
Developers Profit (% Return on GDV)	£350,000
Total Costs	£2,150,000
Output	
Additional Viability Margin	£50,000
Viability Margin per Sqm/Potential CIL Rate	£50 sqm

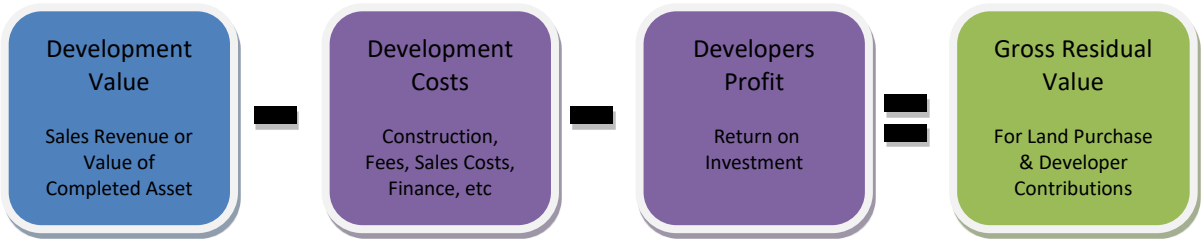
3.11 The model will calculate the gross margin available for developer contributions. If CIL potential is being assessed, the maximum rate of CIL that could be levied without rendering the development economically unviable is calculated by dividing the gross margin by the floorspace of the development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

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

Land Value Assumptions

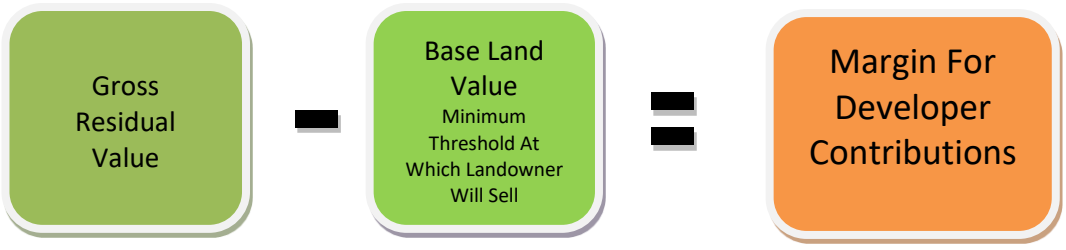
3.13 It is generally accepted that developer contributions (Affordable Housing, CIL and S106), will be extracted from the residual land value (i.e. the margin between development value and development cost including a reasonable allowance for developers profit). Within this gross residual value will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

Stage 1 – Residual Valuation

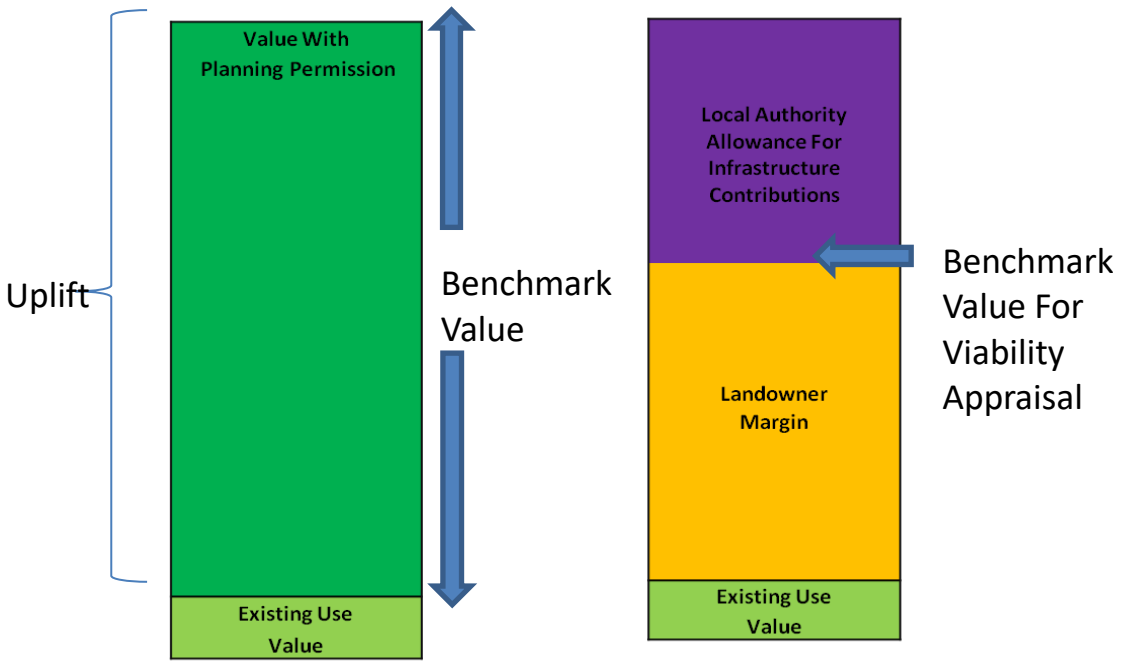


3.14 The approach to assessing the land element of the gross residual value is therefore the key to the robustness of any viability appraisal. There is no single method of establishing threshold land values for the purpose of viability assessment in planning but the NPPF and emerging best practice guidance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

Stage 2 – Establishing Base Land Value



Land Value Benchmarking (Threshold Land Values)



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

3.16 The Gross Residual Value of the land for an alternative use (e.g residential use) represents the difference between development value and development cost after a reasonable allowance for development profit, assuming planning permission has been granted. The gross residual value does not make allowance for the impact of development plan policies on development cost and therefore represents the maximum potential value of land that landowners may aspire to.

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

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

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

Benchmarking and Threshold Land Value Guidance

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

3.21 In 2012 the original NPPF recognised that, in assessing viability, unless a realistic return is allowed to a landowner to incentivise release of land, development sites are not going to be released and growth will be stifled. Following this the Local Housing Delivery Group (comprising, inter alia, the Local Government Association, the Homes and Communities Agency and the House Builders Federation) launched 'Viability Testing Local Plans' which provided practical advice in establishing benchmark thresholds at which landowners will release land. It stated:-

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

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

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

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

3.22 In September 2019 the Government updated the 2018 guidance on best practice in viability assessment (Planning Practice Guidance for Viability). This guidance essentially reflected principles established by the Harman Report and RICS Financial Viability in Planning. With respect to land value benchmarking the guidance stated the following:-

"How should land value be defined for the purpose of viability assessment?

To define land value for any viability assessment, a benchmark land value should be calculated on the basis of the existing use value (EUV) of the land, plus a premium for the landowner.

The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'Existing Use Value Plus' (EUV+).

In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage with and provide robust and open evidence to inform this process.

What factors should be considered to establish benchmark land value?

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

What is meant by existing use value in viability assessment?

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

How should the premium to the landowner be defined for viability assessment?

The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration.

Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

NCS Approach to Land Value Benchmarking (Threshold Land Values)

3.23 NCS has given careful consideration to how the Threshold Land Value (i.e. the premium over existing use value) should be established in the light of both the existing and proposed guidance set out above.

3.24 We first adopt an appropriate benchmark for either greenfield or brownfield existing use value dependent on the type of site being assessed. These benchmarks are obtained from comparable market evidence of land sales for the relevant land use in the local area.

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

3.26 We believe that the uplift in value resulting from planning permission should effectively be shared between the landowner (as a reasonable return to incentivise the release of land) and the Local Authority (as a margin to enable infrastructure and affordable housing contributions). The % share of the uplift will vary dependent on the particular approach of each Authority but based on our experience the landowner will expect a minimum of 50% of the uplift in order for sites to be released. Generally, if a landowner believes the Local Authority is gaining greater benefit than he is unlikely to release the site and will wait for a change in planning policy. We therefore consider that a 50:50 split is a reasonable benchmark and will generate base land values that are fair to both landowners and the Local Authority (this became known as the 'Shinfield Approach' after the methodology adopted by the Inspector to establish benchmark land value in 2013 in an affordable housing appeal – ref. APP/X0360/A/12/2179141)

The Threshold Land Value is established as follows :-

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

EUV + Premium to Landowner = Benchmark

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

Worked Example of EUV+ Illustrating Fixed% over Existing Use vs % Share of Uplift

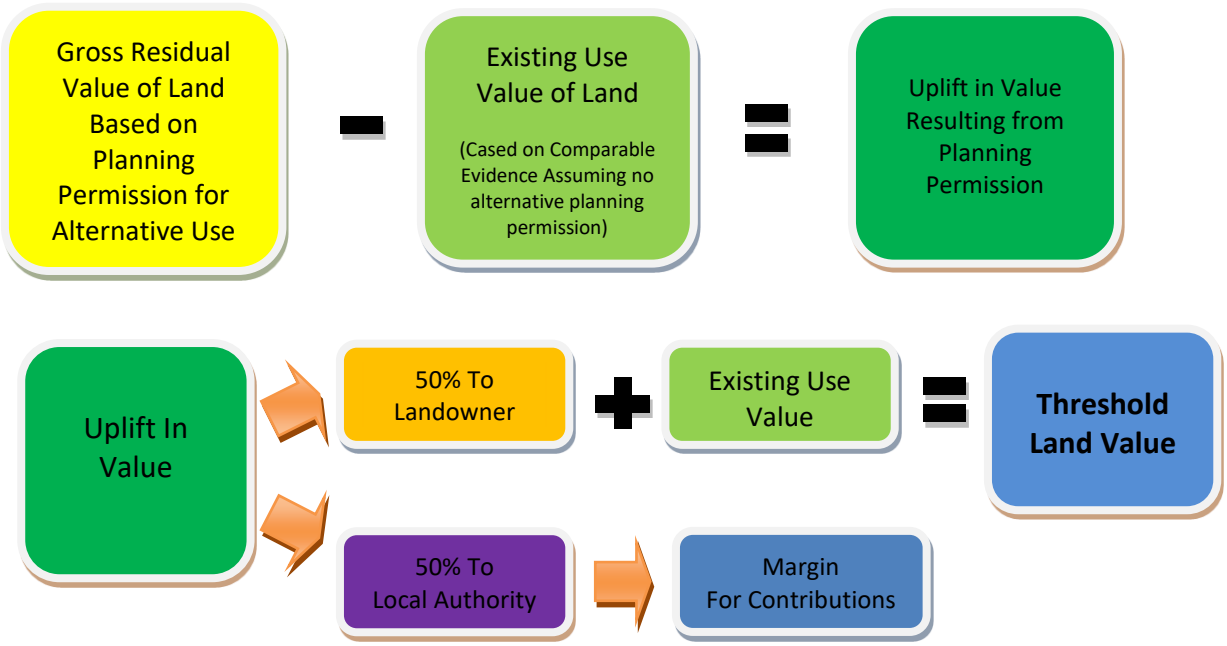
3.28 A landowner owns a 1 Hectare field at the edge of a settlement. The land is proposed to be allocated for residential development. Agricultural value is £20,000 per Ha. The Gross Residual Value of the land with residential planning permission is £1,000,000. Land sales in the area range from £400,000 per Ha to £1 Million per Ha. For the purposes of viability assessment what should this Greenfield site be valued at?

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

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

In our view the % share of uplift method is more realistic to market circumstances than the application of a fixed premium over EUV.

Benchmarking Based on % Share of Uplift in Land Value



3.29 Whilst comparable evidence of policy compliant local land sales with planning permission is useful as a sense check, in our view it is difficult to find two sites that are directly comparable in view of the various factors that will influence the purchase price of land including precise location, abnormal site development cost, lower build cost rates enjoyed by volume housebuilders and the particular business decision of the purchaser.

3.30 The alternative method at the other end of the scale, following the part of the guidance which states *'benchmark land value should fully reflect the total cost of all relevant policy requirements including planning obligations and, where applicable, any Community Infrastructure Levycharge',* would be to calculate the total cost of all policy targets of the LPA first and determine what is left for the landowner and provided this margin offered some level of premium over EUV, accept it as a benchmark. In effect this would guarantee a positive viability result in every instance as no attempt is made to first establish 'the minimum land value at which a landowner would sell.'

3.31 We believe the purpose of viability appraisal and indeed the intention of the guidance is to ensure the total costs of policy compliance still leave enough room for the developer to make a sensible profit and for the landowner to achieve a reasonable return to induce him to sell.

3.32 Since developer contributions must be extracted from the uplift in land value resulting from planning permission, unless some attempt is made to create a benchmark land value that reflects this 'reasonable return' to the landowner before the total costs of policy targets are subtracted, then the appraisal would serve no purpose. We consider the EUV + % Uplift method represents a balanced approach between the alternatives outlined above that is fair and reasonable and relies more precisely on the specific development cost and value of the site being assessed.

Brownfield and Greenfield Land Value Benchmarks

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

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

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

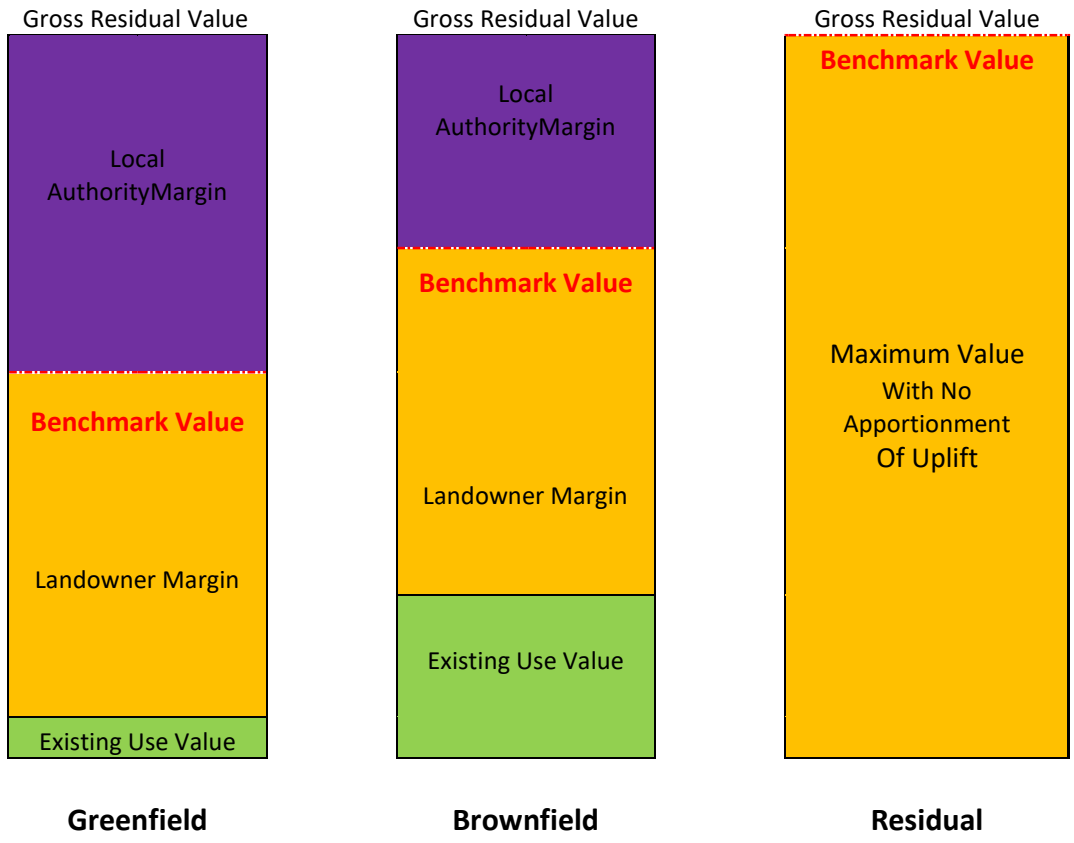
Residential

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

Commercial

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

3.36 The viability study assumes that affordable housing land has limited value as development costs form a very high proportion of the ultimate discounted sale value of the property.



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

4 Appraisal Assumptions

Development Assumptions - General

4.1 The general development assumptions, relating to generic elements of the study such as house types, densities, professional fees, finance etc are based on our experience of the house building industry in the UK and engagement with national and regional housebuilding companies to determine appropriate average allowances for various elements of the viability study.

4.2 Assumptions that are particular to the study area such as sub-market areas, sale values and construction costs are based on specific research and engagement with developers that are active locally.

4.3 Other assumptions may be based on National planning policy such as Starter Homes, Biodiversity Net Gain, Building Regulation standards and so on. The remaining assumptions are based on the particular policy approach of the Authority such as Affordable Housing targets, developer contributions, sustainable construction standards or accessibility.

4.4 All of the study assumptions are set out in the following sections.

Development Categories

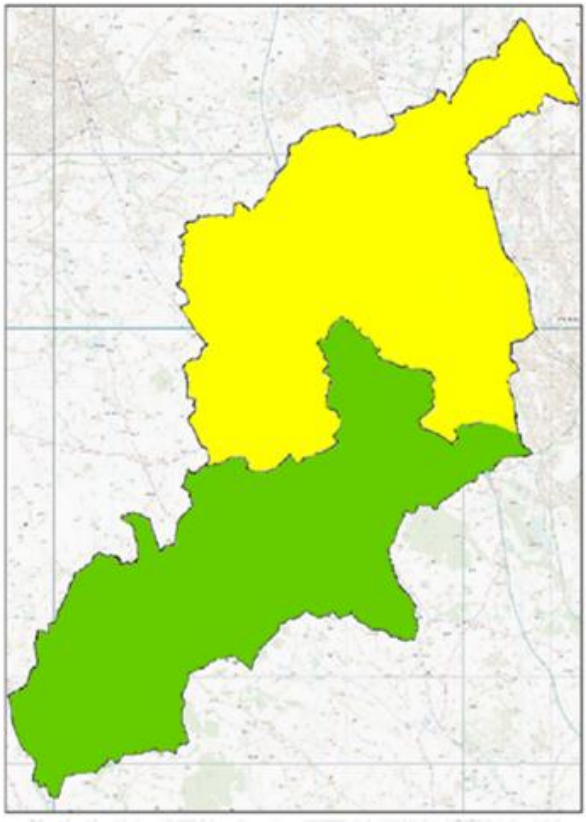
4.5 The following use categories will be considered to reflect the type of development likely to emerge in Newcastle Under Lyme during the Plan period.

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

Employment -Industrial/Warehousing - Land Values and Gross Development Values are assessed on sqm basis.

Sub Market Areas

4.6 The Heb valuation study considered evidence of residential land and property values across Newcastle Under Lyme Borough and concluded that there are two distinct sub-market areas for residential development which warrant differential value assumptions being made in the Whole Plan Viability Assessment. The lower value areas are around the north of the borough and the higher value sub-market around the south.



4.7 The variations in commercial values were not considered significant enough across the Borough to justify the application of differential assumptions based on sub-market areas.

Affordable Housing

4.8 A series of residential viability tests have been undertaken, reflecting affordable housing delivery based on the minimum standard prescribed by the Government at 25% First Homes and including Low Cost Home Ownership and Affordable Rent products, taking account of the affordable tenure mix with a differential approach adopted dependent on existing greenfield or brownfield land use. The following extract from a generic sample residential viability appraisal model illustrates how affordable housing is factored into the residential valuation assessment. The relevant variables (e.g. unit numbers, types, sizes, affordable proportion, tenure mix etc.) are inputted into the appropriate cells. The model will then calculate the overall value of the development taking account of the relevant affordable unit discounts.

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

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

4.9 The following Affordable Housing Assumptions have been agreed for the purpose of the residential viability appraisals. The transfer values in terms of % of open market value are set out for each tenure type. The transfer value equates to the assumed price paid by the registered housing provider to the developer and is assessed as a discounted proportion of the open market value of the property in relation to the type (tenure) of affordable housing.

Affordable Housing				
Affordable Housing Delivery	Proportion %	Tenure Mix %		
		Low Cost Home Ownership	Social Rent	Affordable Rent
Aff Housing Option A	15%	30%	0%	70%
Aff Housing Option B	20%	30%	0%	70%
Aff Housing Option C	25%	30%	0%	70%
Aff Housing Option D	30%	30%	0%	70%
% Open Market Value		70%	40%	50%

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

Development Density

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

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

Industrial	2:1
Distribution Warehouse	2:1

4.12 Residential densities vary significantly dependent on house type mix and location. Mixed housing developments may vary from 10-50 dwellings per Hectare. Town Centre apartment schemes may reach densities of over 150 units per Hectare. We generate plot values for residential viability assessment related to specific house types. The plot values allow for standard open space requirements per Hectare. The densities adopted in the study reflect the assumptions of the Local Authority on the type of development that is likely to emerge during the plan period.

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

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

These assumptions are based on our experience of the type of density likely to be adopted general housebuilding within an average mixed house type density of 30-35 units per Ha.

House Types and Mix

4.14 The study uses the following standard house types as the basis for valuation and viability testing as unit types that are compliant with National Housing standards and meet minimum Local Plan policy requirements.

Apartment	65 sqm
2 Bed House	75 sqm
3 Bed House	90 sqm
4 Bed House	120 sqm
5 Bed House	150 sqm

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

4.16 The following housing mix was tested.

Market Housing	2 Bed 30%	3 Bed 45%	4+ Bed 25%	
Affordable Home Ownership	2 Bed 60%	3Bed 40%		
Affordable/Social Rent	2Bed 60%	3Bed 40%		

Residential Development Scenarios

4.17 The study tests a series of residential development scenarios to reflect general types of development that are likely to emerge over the plan period. For residential development, five scenarios were considered. The list does not attempt to cover every possible development in the Borough but provides an overview of residential development in the plan period.

1.Urban Edge Mixed Housing	(2, 3, 4 & 5 Bed Housing)	100 Units
2. Suburban Mixed Housing	(2, 3 & 4 Bed Housing)	50 Units
3. Urban Mixed Housing	(2 & 3 Bed Housing)	30 Units
4. Rural Housing	(2, 3 & 4 Bed Housing)	20 Units
5. Infill Housing	(3 & 4 Bed Housing)	9 Units (Affordable exempt)

Commercial Development Scenarios

4.18 The appraisal model can test all forms of commercial development broken down into use class order categories. For the purpose of this Whole Plan Viability Assessment, only employment use in the form of industrial/warehousing was undertaken.

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

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

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

Commercial Development Sample Typology
Unit Size & Land Plot Ratio

	Unit Size Sqm	Plot Ratio %	Gross:Net	Sample
Industrial	1000	200%	1.0	Factory Unit
Storage & Distribution	3000	200%	1:0	Distribution Warehouse

Sustainable Construction Standards

4.22 It is acknowledged that the Code for Sustainable Homes have been replaced by changes to the Building Regulations based on the National Housing Standards. The cost study rates reflects current Building Regulation standards and the proposed introduction of the revised Part L with respect to carbon emissions reduction.

4.23 The Commercial Viability assessments are based on BREEAM 'Excellent' construction rates.

Construction Costs

4.24 The construction rates will reflect allowances for external works, drainage, servicing preliminaries and contractor's overhead and profit. The viability assessment will include a 3% allowance for construction contingencies.

4.25 The following residential construction rates are adopted in the study to reflect National Housing Standards, Category 2 Dwellings and the water and space standards of Newcastle Under Lyme Borough Council. An additional cost allowance for accessible and adaptable dwellings has been made for all residential development and the rates adjusted to reflect the introduction of Part L Building Regulation changes (see Gleeds cost report at Appendix 2)

Residential Construction Cost Sqm		
Apartments	1723	sqm
2 bed houses	1174	sqm
3 Bed houses	1174	sqm
4 bed houses	1174	sqm
5 bed house	1174	sqm

Commercial Construction Cost Sqm	
849	Factory Unit
849	Distribution Warehouse

Note An additional £45sqm is added to the base cost rates and £67sqm to the apartment rates to reflect the Council's policy on Adaptable & Accessible Dwellings and Part L Building Regulation changes

Abnormal Construction Costs

4.26 Most development will involve some degree of exceptional or 'abnormal' construction cost. Brownfield development may have a range of issues to deal with to bring a site into a 'developable' state such as demolition, contamination, utilities diversion etc. Whole Plan Viability Assessment is based on generic tests and it would be unrealistic to make assumptions over average abnormal costs to cover such a wide range of scenarios. In reality abnormal cost issues like site contamination are reflected in reductions to land values so making additional generic abnormal cost assumptions would effectively be double counting costs unless the land value allowances were adjusted accordingly.

4.27 It is considered better to bear the unknown costs of development in mind when setting development contributions and not fix rates at the absolute margin of viability.

Policy Cost Impacts & Planning Obligation Contributions

4.28 The study seeks to review Whole Plan Viability and therefore firstly assesses the potential cost impacts of the proposed policies in the plan to determine appropriate cost assumptions in the viability assessments and broadly determine if planned development is viable.

4.29 The additional purpose of the study is to test the maximum margin available for additional policy based contributions that may available from various types of development.

4.30 Costs have been factored into the viability appraisals to reflect the impact of relevant development plan policy and the use of planning obligations for site specific mitigation. The Council has reviewed the average amount of S106 contribution (excluding affordable housing) over the last 3 years and concluded an average sum of £2043 per dwelling.

In order to allow for potential additional infrastructure contributions to be collected and allowing for the impact of Biodiversity Net Gain, the following contribution allowances have been made:-

Residual Planning Obligations and Biodiversity Net Gain for site specific mitigation

£3500 per dwelling
£15 per sqm commercial

4.31 There is limited evidence of commercial sec 106 contribution over this period so a general allowance of £15sqm has been made for commercial development including Biodiversity Net Gain.

4.32 Costs have been factored into the viability appraisals to reflect the impact of relevant development plan policies and the residual use of planning obligations for site specific mitigation. The cost impact of these mitigation measures has been assessed by Gleeds and may be summarised as follows :-

BIODIVERSITY NET GAIN

An allowance of £600 per dwelling has been made for 10% biodiversity net gain. This is broadly based on the study undertaken by Defra in 2018 'Biodiversity Net Gain' which estimates £19,951 of cost per Ha to achieve the requirement in the East Midlands. This allowance is included in the overall per dwelling allowance for S106 contribution and Biodiversity Net gain (as set out at para 4.27 above).

ACCESSIBILITY STANDARDS - 100% of Dwellings Cat 2 £11sqm Houses £17sqm Apartments

The appraisals test the impact of requiring 10% of all homes to be built to Category 2 standard for accessibility. This is estimated to add £12 sqm over National Housing Standards equivalent build cost allowance for houses and £17sqm for apartments. Based on 10% provision extra allowances of £1sqm have been made for housing and £2sqm for apartments.

WATER CONSERVATION STANDARDS

The higher optional water standard of 110 lpd is considered to be covered by the adopted construction cost rates and do not require any additional allowance.

BREAAM Standards

The construction costs for commercial development make allowance for BREAAM 'Excellent' rating including additional professional fees.

SPACE STANDARDS

The residential unit sizes adopted in the appraisals comply with National Space Standards.

It is considered that the Newcastle Under Lyme Local Plan does not contain any other policies which would have a significant impact on development cost.

Developers Profit

4.33 Developer's profit is generally fixed as a % return on gross development value or return on the cost of development to reflect the developer's risk. In current market conditions, and based on the assumed lending conditions of the financial institutions, a 20% return on GDV is used in the residential viability appraisals to reflect speculative risk on the market housing units. However it must be acknowledged that affordable housing does not carry the same speculative risk as it effectively pre-sold.

4.34 The profit allowance on the affordable housing element has been set at a 'contactor only' profit of 6% in line with HCA viability toolkit guidance. It should also be recognised that a 'competitive profit ' will vary in relation to prevailing economic conditions and will generally reduce as conditions improve, generally remaining within a 15-20% range for speculative property.

4.35 In the generic commercial development assessments, a 15% profit return is applied to reflect the reduced risk of commercial development which is likely to be pre-let or pre-sold. If it is considered that industrial and other forms of commercial are likely to be operator rather than developer led, this allowance may be further reduced to a 5-10% allowance to reflect an allowance for operational/opportunity cost rather than a traditional development risk.

4 Appraisal Assumptions

Property Sales Values

4.36 The sale value of the development category will be determined by the market at any particular time and will be influenced by a variety of locational, supply and demand factors as well as the availability of finance. The study uses up to date comparable evidence to give an accurate representation of market circumstances.

4.37 A valuation study of all categories of residential and commercial property has been undertaken by HEB Chartered Surveyors in 2023. A copy of the report is attached at Appendix I.

Residential Sales Values					
Sub Market Area	Sales Value £sqm				
	Apartment	2 Bed	3 Bed	4 Bed	5 Bed
Low Value Zone	2250	2900	2700	2700	2600
High Value Zone	2500	3200	3000	3000	2900

Commercial Sales Values Sqm	Charging Zones
	Area Wide
Industrial	1000
Distribution Warehouse	1450

Land Value Allowances - Residential

4.38 Following the land value benchmarking 'uplift split' methodology set out in Section 3 the following greenfield and brownfield existing residential land use value assumptions are applied to the study. The gross residual value (the maximum potential value of land assuming planning permission but with no planning policy, affordable housing or sec 106 cost impacts). An example for Suburban Mixed Housing in the high value sub-market area 50 unit test is illustrated in the table below.

Land Value	£25000	Existing Greenfield (agricultural) Per Ha		
	£1,000,000	Brownfield (equivalent general commercial) Per Ha		
	£2,932,150	Gross Residual Residential Value per Ha	Uplift	50%

4 Appraisal Assumptions

4.39 50% of the uplift in value between existing use and the gross residual value of alternative use with planning permission is applied to generate benchmarked land values per Ha. These land values are then divided by the assumed unit type densities to generate the individual greenfield and brownfield plot values to be applied to the appraisals.

	EUV	+	50% of Uplift in Value	=	Threshold Land Value
Greenfield	£25,000	+	50% (£2,932,150 - £25,000)	=	£1,478,575 per Ha
Brownfield	£1,000,000	+	50% (£2,932,150 - £1,000,000)	=	£1,966,075 per Ha

Density Assumptions	Apt	2 Bed	3 Bed	4 Bed	5 Bed
	100	40	35	25	20

LAND VALUES (Plot Values)

	Apt	2 Bed	3 Bed	4 Bed	5 Bed
Greenfield	£14786	£36964	£42245	£59143	£73929
Brownfield	£19661	£49152	£56174	£78643	£98304

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

Gross Residual Land Value per Ha	Low Zone	High Zone
Urban Edge Mixed Housing	2176935	2887657
Suburban Mixed Housing	2220574	2932150
Urban Mixed Housing	2220574	2932150
Rural Housing	2211317	2920628
Infill Housing	2109257	2822125

4 Appraisal Assumptions

Fees, Finance and Other Cost Allowances

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

Residential Development Cost Assumptions					
Professional Fees			8.0%	Construction Cost	
Legal Fees			0.5%	GDV	
Statutory Fees			1.1%	Construction Cost Residential	
			0.6%	Construction Cost Commercial	
Sales/Marketing Costs			2.0%	Residential Market Units Value	
			1.0%	Commercial Unit Value	
Contingencies			5.0%	Construction Cost	
Planning Obligations			3500	£ per Dwelling	
			15	£ per sqm Commercial	
Interest	6.0%	12	Month Construction	3-6	Mth Sales Void

Strategic Site Tests

4.42 A series of site specific viability assessments have been undertaken on a range of sites selected from the Strategic Housing and Economic Land Availability Assessment. They are representative examples to illustrate the viability impacts on sites around the borough to determine both deliverability and whether a differential approach to developer contributions is justified based on the likelihood of enhanced site infrastructure and site opening up costs.

4.34 For the purpose of the assessments an average house size of 90sqm is assumed with a benchmarked plot value on greenfield sites of £32,000 in the low value sub-market area and £42,000 in the higher value sub-market.

4.35 On the assumption that strategic sites will have more dedicated on-site infrastructure requirements beyond the general S106 contribution in the generic tests, an allowance of £5000 per dwelling has been made. Similarly, the assessments make an allowance of £5,000 per dwelling for abnormal site opening up costs (covering items such as new utilities supplies, site regarding, off site highways improvements etc).

4.36 For the larger scale development sites it is assumed that some economies of scale will be enjoyed in overall cost reduction. Professional fees have been reduced to 6% and contingencies reduced to 3% to take account of the abnormal cost allowance that has been introduced.

4.37 The key assumptions for these tests may be summarised as follows :-

RESIDENTIAL SITES

1. Land East of Diglake Street, Bignall End

5.07Ha Het Greenfield
152 Dwellings 13,680sqm
Land Value £4,864,000
Low Value sub-market area Sale Value £2700sqm Plot Value £32,000
30% Affordable Housing
S106 Contributions £5,000 per dwelling
Abnormal/Site Opening costs £5,000 per dwelling

2. Clough Hall Playing Fields, Talke

7.13Ha Het Greenfield
285 Dwellings 25,650sqm
Land Value £9,120,000
Low Value sub-market area Sale Value £2700sqm Plot Value £32,000
30% Affordable Housing
S106 Contributions £5,000 per dwelling
Abnormal/Site Opening costs £5,000 per dwelling

3. Land at Red Street and High Carr Farm

25.63Ha Het Greenfield
1282 Dwellings 115,380sqm
Land Value £41,024,000
Low Value sub-market area Sale Value £2700sqm Plot Value £32,000
30% Affordable Housing
S106 Contributions £5,000 per dwelling
Abnormal/Site Opening costs £5,000 per dwelling

4. Land at Baldwin's Gate Farm

10.26Ha Het Greenfield
205 Dwellings 18,450sqm
Land Value £8,610,000
High Value sub-market area Sale Value £3000sqm Plot Value £42,000
30% Affordable Housing
S106 Contributions £5,000 per dwelling

Abnormal/Site Opening costs £5,000 per dwelling

5. Land North of Bar Hill, Madeley

12.58Ha Het Greenfield
377 Dwellings 33,930sqm
Land Value £12,064,000
Low Value sub-market area Sale Value £2700sqm Plot Value £32,000
30% Affordable Housing
S106 Contributions £5,000 per dwelling
Abnormal/Site Opening costs £5,000 per dwelling

6. Former Keele Municipal Golf Course, Keele

54.58Ha Het Greenfield
900 Dwellings 81,000sqm
Land Value £28,800,000
Low Value sub-market area Sale Value £2700sqm Plot Value £32,000
30% Affordable Housing
S106 Contributions £5,000 per dwelling
Abnormal/Site Opening costs £5,000 per dwelling

7. Land South of Newcastle Golf Club, Whitmore Road

36.65Ha Het Greenfield
550 Dwellings 49,500sqm
Land Value £17,600,000
Low Value sub-market area Sale Value £2700sqm Plot Value £32,000
30% Affordable Housing
S106 Contributions £5,000 per dwelling
Abnormal/Site Opening costs £5,000 per dwelling

5 Viability Appraisal Results

5.1 The results of the Viability Testing are set out in the tables below. In order to test the impact of Affordable Housing provision the residential viability tests were undertaken on the assumption that schemes would deliver 10-30% Affordable Housing and are based on a 20% profit allowance on the market housing element and a 6% profit allowance on the affordable element.

5.2 Any positive figures confirm that the category of development tested is economically viable in the context of Whole Plan viability and the impact of planning policies. The level of positive viability indicates the potential margin for additional policy based contributions in £ per sqm.

5.3 Each category of development produces a greenfield and brownfield result for each level of Affordable Housing and S106 Contribution tested. These results reflect the benchmark land value scenario. The first result assumes greenfield development which generally represents the highest uplift in value from current use and therefore will produce the highest viability margin. The second result assumes that development will emerge from low value brownfield land. It should be noted that the infill typology assumes no affordable housing provision (as minor development) and the viability results increase accordingly.

Low Value Zone
S106 Contribution of £3500 per dwelling

	Maximum Viability Margin per Sqm				
Low Zone	Urban Edge Mixed Housing	Suburban Mixed Housing	Urban Mixed Housing	Rural Housing	Infill Housing
Low Zone 15% Aff Hsg					
Greenfield	£212	£213	£213	£215	£260
Brownfield	£5	£6	£6	£7	£81
Low Zone 20% Aff Hsg					
Greenfield	£191	£191	£191	£193	£260
Brownfield	-£27	-£28	-£28	-£26	£81
Low Zone 25% Aff Hsg					
Greenfield	£166	£165	£165	£168	£260
Brownfield	-£64	-£67	-£67	-£64	£81
Low Zone 30% Aff Hsg					
Greenfield	£138	£135	£135	£143	£260
Brownfield	-£106	-£111	-£111	-£107	£81

5.4 The Viability assessment results in the lower value sub-market area demonstrate that greenfield residential development is viable and deliverable with 30% Affordable Housing. The results for brownfield development illustrate that 15% Affordable Housing should be deliverable though viability is more marginal at this level.

High Value Zone
S106 Contribution of £3500 per dwelling

	Maximum Viability Margin per Sqm				
High Zone	Urban Edge Mixed Housing	Suburban Mixed Housing	Urban Mixed Housing	Rural Housing	Infill Housing
High Zone 15% Aff Hsg					
Greenfield	£318	£320	£320	£321	£361
Brownfield	£111	£112	£112	£113	£176
High Zone 20% Aff Hsg					
Greenfield	£299	£299	£299	£302	£361
Brownfield	£81	£80	£80	£83	£176
High Zone 25% Aff Hsg					
Greenfield	£277	£276	£276	£279	£361
Brownfield	£47	£45	£45	£48	£176
High Zone 30% Aff Hsg					
Greenfield	£253	£250	£250	£254	£361
Brownfield	£8	£4	£4	£8	£176

5.5 The Viability assessment results in the high value sub-market areas demonstrate that greenfield residential development is viable with 30% Affordable Housing. The results for brownfield development illustrate that 25% Affordable Housing would be deliverable..

5.6 The tests for minor infill development (assuming sites of up to to 0.5Ha and 9 units (with no Affordable Housing) demonstrate very strong viability due to the removal of affordable housing impacts.

5.9 The results of the residential viability demonstrate that housing is deliverable in Newcastle Under Lyme based on the policy impacts of the Local Plan with additional margin to accommodate CIL or other development contribution charges for all forms of greenfield development. The results also demonstrate that the viability of brownfield development is not as strong and that differential contributions policies based on existing use of land may be considered.

5 Viability Appraisal Results

	Maximum Viability Margin per Sqm				
Low Valuey Zone	Urban Edge Mixed Housing	Suburban Mixed Housing	Urban Mixed Housing	Rural Housing	Infill Housing
15% Affordable Housing Brownfield	£5	£6	£6	£7	£81
30% Affordable Housing Greenfield	£138	£135	£135	£143	£260
High Value Zone	Urban Edge Mixed Housing	Suburban Mixed Housing	Urban Mixed Housing	Rural Housing	Infill Housing
25% Affordable Housing Brownfield	£47	£45	£45	£48	£176
30 % Affordable Housing Greenfield	£253	£250	£250	£254	£361

Commercial Viability Results

NCS	Maximum Viability Margin per sq m	
	General Zone	
Charging Zone/Base Land Value	Greenfield	Brownfield
Industrial	-£294	-£401
Distribution Warehouse	£79	-£32

5.10 The initial assessment of commercial land and property values indicate that there are no significant differences in values to justify differential sub-market based assumptions. The employment category viability results are set out above demonstrating that only greenfield distribution warehouse uses have a significant positive viability margin.

5 Viability Appraisal Results

5.11 The Strategic Site viability assessment results may be summarised as follows :-

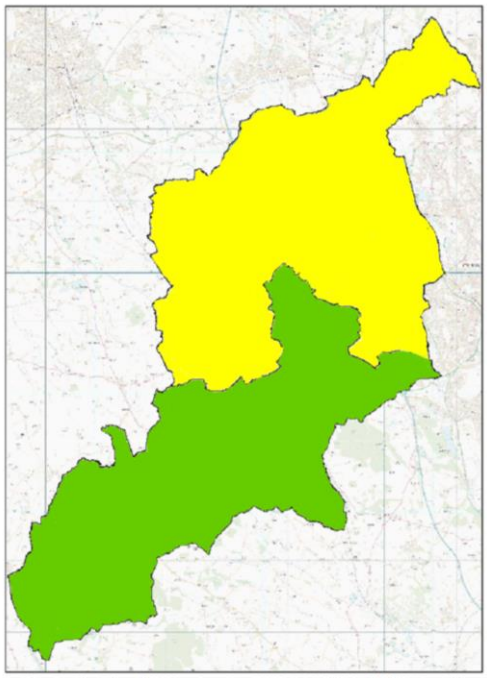
Site	Viability Margin
1. Land east of Diglake Street, Bignall End	£101,292
2. Clough Hall Playing Fields, Talke	£179,872
3. Land at Red Street and High Carr Farm	£768,928
4. Land at Baldwin's Gate Farm	£1,699,297
5. Land North of Bar Hill, Madeley	£234,228
6. Former Keele Municipal Golf Course, Keele	£543,232
7. Land South of Newcastle Golf Club, Whitmore Road	£336,342

5.8 Based on the above assessment results, all of the strategic sites may be regarded as viable and deliverable with the full 30% Affordable Housing target.

6 Conclusions

Key Findings - Residential Viability Assessment

6.1 The assessments of residential land and property values indicated that there were significant differences in value across the Borough for new build development to justify the application of differential value assumptions in the viability appraisal in accordance with the sub-market areas illustrated on the map below.



Low Value Sub-Market High Value Sub-Market

6.2 The results tables in Section 5 show the viability margins for the different residential typologies for greenfield and brownfield development based on differing Affordable Housing delivery targets and Section 106 Infrastructure/Net Biodiversity Gain Allowances. In summary, the minimum margins for each combination of Affordable Housing and S106 Infrastructure contribution are illustrated below.

6.3 The residential viability assessment demonstrates that greenfield residential development is viable and deliverable across the whole Borough taking account of fully policy impacts assuming S106 infrastructure/BNG allowance of £3,500 per dwelling. The following tables illustrates selected Affordable Housing tests based on this S106/BNG allowance..

	Maximum Viability Margin per Sqm				
Low Valuey Zone	Urban Edge Mixed Housing	Suburban Mixed Housing	Urban Mixed Housing	Rural Housing	Infill Housing
15% Affordable Housing Brownfield	£5	£6	£6	£7	£81
30% Affordable Housing Greenfield	£138	£135	£135	£143	£260
High Value Zone	Urban Edge Mixed Housing	Suburban Mixed Housing	Urban Mixed Housing	Rural Housing	Infill Housing
25% Affordable Housing Brownfield	£47	£45	£45	£48	£176
30 % Affordable Housing Greenfield	£253	£250	£250	£254	£361

6.5 The assessment results illustrate that 30% Affordable Housing would be viable and deliverable on all greenfield development sites across the Borough. 15% Affordable Housing should be viable on brownfield development in the lower value sub-market area, increasing to 25% in the higher value sub-market area.

6.6 Nevertheless in view of the differential viability for greenfield and brownfield development in the Borough and the appropriate balance between delivery of essential infrastructure and Affordable Housing a differential contributions policy for brownfield development could be considered for the two different sub-market areas,

Key Findings – Commercial Viability Assessment

6.7 The Strategic Site viability assessment results may be summarised as follows :-

Site	Viability Margin
1. Land east of Diglake Street, Bignall End	£101,292
2. Clough Hall Playing Fields, Talke	£179,872
3. Land at Red Street and High Carr Farm	£768,928
4. Land at Baldwin's Gate Farm	£1,699,297
5. Land North of Bar Hill, Madeley	£234,228
6. Former Keele Municipal Golf Course, Keele	£543,232
7. Land South of Newcastle Golf Club, Whitmore Road	£336,342

6.8 Based on the above assessment results, all of the strategic sites may be regarded as viable and deliverable with the full 30% Affordable Housing target

Key Findings – Commercial Viability Assessment

6.9 The initial assessment of commercial land and property values indicate that there are no significant differences in values to justify differential sub-markets. The employment category viability results are set out below demonstrating that only greenfield distribution warehouse uses have a significant positive viability margin.

Maximum Viability Margin per sq m

	General Zone	
Charging Zone/Base Land Value	Greenfield	Brownfield
Industrial	-£295	-£375
Distribution Warehouse	£80	-£2

6.10 It is envisaged that distribution uses will make up a significant proportion of employment development over the plan period with new greenfield sites accounting for the majority of new development in this category. As such the assessment demonstrates that this type of employment use will be viable and deliverable.

6.11 It should be stressed that whilst the generic appraisals showed that general industrial use is not viable based on the test assumptions, this does not mean that this type of development is not deliverable. For consistency a full developer's profit allowance was included in all the commercial appraisals. In reality many employment developments are undertaken direct by the operators. If the development profit allowance is removed from the calculations, then much employment development would be viable and deliverable. In addition, it is common practice in mixed use schemes for the viable residential element of a development to be used to cross subsidise the delivery of the commercial component of a scheme.

Viability Appraisal Conclusions

6.12 The study demonstrates that most of the development proposed by the Local Plan is viable and deliverable taking account of the cost impacts of the policies proposed by the plan and the requirements for viability assessment set out in the NPPF.

6.13 Based on the residential viability assessment results illustrated above, the following differential Affordable Housing targets are recommended for standard residential and sheltered housing.

Sub Market Area	Affordable Housing Targets
Low Value Zone	
Greenfield	30%
Brownfield	15%
High Value Zone	
Greenfield	30%
Brownfield	25%

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

6.15 In conclusion, the assessment of all proposed residential sites in Newcastle Under Lyme Borough has been undertaken with due regard to the requirements of the NPPF and the best practice advice contained in National Planning Practice Guidance. It is considered that all sites are broadly viable across the entire plan period, taking account of all policy impacts of the Local Plan with additional potential to introduce CIL charges at some stage in the future.

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

Heb Surveyors
Valuation Report December 2022

Gleeds
Construction Cost Study
October 2022