Torbay CIL Viability Study

Economic Viability Report

On behalf of **Torbay Council**

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1 Introduction

1.1 The Study Scope

1.1.1 Peter Brett Associates LLP (PBA) was commissioned by Torbay Council to undertake a viability assessment at a strategic plan level, and provide the following outputs:

- Viability assessment of potential developments taking into account the Local Plan requirements and other costs to help inform the Draft Charging Schedule (DCS), i.e. the Community Infrastructure Levy (CIL) rates;
- To identify if there is an impact on viability from any extra costs relating to the DCLG Housing Standards and M2 and M3 standards.

1.1.2 In February 2014, PBA carried out a viability assessment of residential sites identified in the Torbay Strategic Housing Land Availability Assessment (SHLAA). This included a viability assessment of over 80 sites to provide evidence on the achievability of the sites as potential housing land supply to underpin the merging Local Plan. The assessment of sites was a high level viability assessment to provide a 'snapshot in time', reflecting the market conditions found to be operating in Quarter 3 of 2013 to provide the most robust evidence available. This study built upon the work previously completed by PBA. This work was also used by the Council to help inform the CIL rates that were set out in the preliminary draft charging schedule.

1.1.3 As the Local Plan is now adopted, the approach to the viability work, which previously focused on SHLAA sites, has now moved towards using typologies to help inform the CIL rates. It should also be noted that the experiences gained in undertaking CIL work, since the February 2014 report and recent Examiners reports, have also informed the method used in this study.

1.1.4 The report and the accompanying appraisals have been prepared in line with the 'Viability Testing Local Plans' advice prepared by the Local Housing Delivery Group and chaired by Sir John Harman June 2012 (the Harman Report). However, it is first and foremost a supporting document to inform CIL rates.

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

1.2 Defining Local Plan Level Viability

1.2.1 The Harman Report defines whole plan viability (on page 14) as follows:

'An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs, and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place, and generates a land value sufficient to persuade the land owner to sell the land for the development proposed.

[1] RICS (January 2015) Valuation – Professional Standards, PS1 Compliance with standards and practice statements where a written valuation is provided

At a Local Plan level, viability is very closely linked to the concept of deliverability. In the case of housing, a Local Plan can be said to be deliverable if sufficient sites are viable (as defined in the previous paragraph) to deliver the plan's housing requirement over the plan period.'

1.2.2 It should be noted that the approach to Local Plan level viability assessment does not require all sites in the plan to be viable. The Harman Report says that a site typology approach (i.e. assessing a range of example development sites likely to come forward) to understanding plan viability is sensible. Whole plan viability:

'does not require a detailed viability appraisal of every site anticipated to come forward over the plan period… [we suggest] rather it is to provide high level assurance that the policies with the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.

A more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies'.

1.2.3 The Harman Report states that the role of the typologies testing is not required to provide a precise answer as to the viability of every development likely to take place during the plan period.

'No assessment could realistically provide this level of detail…rather, [the role of the typologies testing] is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.'

1.2.4 Indeed, the Report also acknowledges that a:

'plan-wide test will only ever provide evidence of policies being 'broadly viable.' The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level. This is one reason why our advice advocates a 'viability cushion' to manage these risks.

1.2.5 The Report later suggests that once the typologies testing has been done:

'it may also help to include some tests of case study sites, based on more detailed examples of actual sites likely to come forward for development if this information is available'.

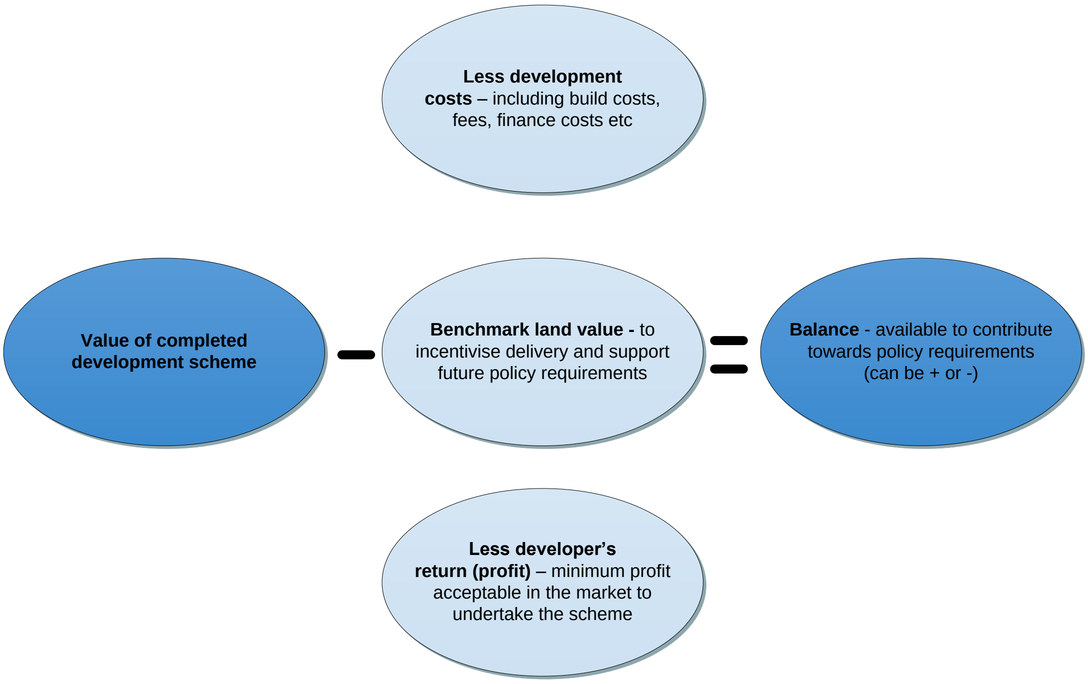
1.2.6 The Harman Report points out the importance of minimising risk to the delivery of the plan. Risks can come from policy requirements that are either too high or too low. So, planning authorities must have regard to the risks of damaging plan delivery with excessive policy costs - but equally, they need to be aware of lowering standards to the point where the sustainable delivery of the plan is not possible. Good planning in this respect is about 'striking a balance' between the competing demands for policy and plan viability.

1.3 Approach used for the Development Viability Appraisals

1.3.1 The PBA development viability model was used to test Local Plan delivery based on viability and to test the draft Torbay CIL charge. This involved high level testing of a number of hypothetical schemes that represent the future allocation of development land in Torbay.

1.3.2 The viability testing and study results are based on a standard residual land valuation of different land uses relevant to different parts of the Bay, aiming to show typical values for each site. The approach takes the difference between development values and costs, and compares the 'residual value' (i.e. what is left over after the cost of building the site is deducted from the potential sales value of the completed site/buildings) with a benchmark/threshold land value (i.e. the value over and above the existing use value a landowner would want to accept to bring the site to market for development) to determine the balance that could be available to support policy costs such as affordable housing and infrastructure. This is a standard approach, which is advocated by the Harman Report. The broad method is illustrated in the **Figure 1.1**.

Figure 1.1 Approach to residual land value assessment for whole plan viability



1.3.3 The arithmetic of residual land value assessment is straightforward (we use a bespoke spreadsheet models for the assessments). However, the inputs to the calculation are hard to determine for a specific site (as demonstrated by the complexity of many S106 negotiations). The difficulties grow when making calculations that represent a typical or average site - which is what is required by CIL regulations for estimating appropriate CIL charges. Therefore our viability assessments in this report are necessarily broad approximations, subject to a margin of uncertainty.

1.3.4 Examples of the residential and a non-residential site assessment sheets are set out in **Appendix A.**

1.4 Approach

Report structure

1.4.1 The rest of this report is set out as follows:

- **Chapter 2** sets out the policy and legal requirements relating to whole plan viability, affordable housing and community infrastructure levy which the study assessment must comply with.
- **Chapter 3** sets out the affordable housing policy and Draft Charging Schedule.
- **Chapter 4** sets out the typologies used for Torbay for residential and non-residential developments.

- **Chapters 5** and **6** describe the local residential assumptions, impact of housing standards and viability analysis.
- **Chapters 7** and **8** describe the local non-residential assumptions and viability analysis.
- A glossary of key terms is available in **Appendix D.**

2 National Policy Context

2.1 National Framework

2.1.1 The National Planning Policy Framework (NPPF) recognises that the 'developer funding pot' or residual value is finite and decisions on how this funding is distributed between affordable housing, infrastructure, and other policy requirements have to be considered as a whole, they cannot be separated out.

2.1.2 The NPPF advises that cumulative effects of policy should not combine to render plans unviable:

'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable'. [2]

2.1.3 With regard to non-residential development, the NPPF states that local planning authorities *'should have a clear understanding of business needs within the economic markets operating in and across their area. To achieve this, they should… understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.'* [3]

2.1.4 The NPPF does not state that all sites must be viable now in order to appear in the plan. Instead, the NPPF is concerned to ensure that the bulk of the development is not rendered unviable by unrealistic policy costs. It is important to recognise that economic viability will be subject to economic and market variations over the Local Plan timescale. In a free market, where development is largely undertaken by the private sector, the local planning authority can seek to provide suitable sites to meet the needs of sustainable development. It is not within the local planning authority's control to ensure delivery actually takes place; this will depend on the willingness of a developer to invest and a landowner to release the land. So in considering whether a site is deliverable now or developable in the future, we have taken account of the local context to help shape our viability assumptions.

Deliverability and Developability Considerations in the NPPF

2.1.5 The NPPF creates the two concepts of 'deliverability' (which applies to residential sites which are expected in years 1-5 of the plan) and 'developability' (which applies to year 6 of the plan onwards). The NPPF defines these two terms as follows:

To be deliverable, *'sites should be available now, offer a suitable location for development now, and be achievable, with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable.'* [4]

To be developable, sites expected from year 6 onwards should be able to demonstrate a *'reasonable prospect that the site is available and could be viably developed at the point envisaged'.* [5]

[2] DCLG (2012) National Planning Policy Framework (41, para 173)
[3] Ibid (para 160)
[4] Ibid (para 47, footnote 11 – note this study deals with the viability element only, the assessment of availability, suitability, and achievability is dealt with by the client team as part of the site selection process for the SHLAA and other site work.

2.1.6 This study deals with the viability element only, the assessment of availability, suitability, and achievability, including the timely delivery of infrastructure is dealt with by the Council as part of its site allocations and infrastructure planning.

2.1.7 The NPPF advises that a more flexible approach may be taken to the sites coming forward from year 6 onwards. These sites might not be viable now and might instead be only become viable at a future point in time (e.g. when a lease for the land expires or future use values become attractive). This recognises the impact of economic cycles and variations in values and policy changes over time.

2.2 National Policy on Affordable Housing

2.2.1 In informing future policy on affordable housing, it is important to understand national policy on affordable housing. The NPPF states:

'To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should[6]*:*

- *Plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);*
- *Identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and*
- *Where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time'*.[7]

2.2.2 The NPPF accepts that in some instances, off site provision or a financial contribution of a broadly equivalent value may contribute towards creating mixed and balanced communities.

2.2.3 Finally, the NPPF recognises that market conditions change over time, and so when setting long term policy on affordable housing, incorporating a degree of flexibility is sensible to reflect changing market circumstances.

2.3 Housing and Planning Bill 2015-16

2.3.1 The Housing and Planning Bill 2015-16 has had its second reading in the House of Commons (Nov 2015) and is scheduled for its report stage in January 2016. Assuming that it becomes law, the Bill will eventually become national policy and feed into Regulations. The first reading document sets out changes to the delivery of affordable housing in England, as set out below:

'The Secretary of State may by regulations provide that an English planning authority may only grant planning permission for a residential development of a specific description if the starter homes requirement is met.'

'The "<u>starter homes requirement</u>" means a requirement, specified in the regulations, relating to the provision of starter homes in England.'

[5] Ibid (para 47, footnote 12)
6 Ibid (para 50 and bullets)
7 Ibid (p13, para 50)

Regulations under this section may, for example, provide that an England planning authority may grant planning permission only if a person has entered into a planning obligation to provide a certain number of starter homes or to pay a sum to be used by the authority for providing starter homes.'[8]

2.3.2 This indicates that there will be a requirement for starter homes, set by Government which relates to each local authority in England. The level of that starter home requirement is not known at present and will be set out in Regulations. The Bill continues to state:

'the regulations may confer discretions on an English planning authority.

the regulations may make different provision for different areas.'[9]

2.3.3 Therefore at this stage, it is unknown what the starter homes requirement will be within Torbay.

2.3.4 The Bill sets out the definition of a starter home:

- is a new dwelling;
- is available for purchase by qualifying first-time buyers only;
- is to be sold at a discount of at least 20% of the market value;
- is to be sold for less than the price cap; and
- is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State.'[10]

2.3.5 The "price cap" is set out at £450,000 in Great London and £250,000 outside Greater London. However, the Bill also states that the Secretary of State may by regulations amend the price cap and provide different price caps for different areas within both Greater London and outside Greater London.

2.3.6 The implications of the Housing and Planning Bill are unclear at present, as the detail will come within the Regulations. The Council should be aware that there could be potential impacts on viability testing from changes in national policy. However, in general the inclusion of starter homes as a form of affordable housing should reduce the cost of proving affordable housing compared to more traditional types of provision.

2.4 Consultation on Proposed Changes to National Planning Policy

2.4.1 Further to the Housing and Planning Bill, in December 2015 Government set out further consultation on some specific changes to support home ownership, within proposed changes to national planning policy. Government proposes changes in the following areas:

- Broadening the definition of affordable housing, to expand the range of low cost housing to include Starter Homes (discounted market sales). No further information is provided on the requirement for Starter Homes in this consultation. Although it does state the homes are to be delivered 'on all suitable reasonably-sized housing developments' – indicating there may be a threshold;

[8] Housing and Planning Bill 2015-16 (para 4(1) (3) (4))
[9] Ibid (para 4 (5) (6))
[10] Ibid (para 2(1))

- Support delivery of Starter Homes, to extend the current exceptions site policy with unviable or underused brownfield land for retail, leisure and non-residential institutional uses as well as rural areas.

2.4.2 The consultation document does not provide any levels or thresholds relating to Starter Homes or density levels, which could be tested within the Torbay viability model. However, the Council will need to mindful of future changes in national planning policies or regulations which would impact on the viability of development and the overall Local Plan.

2.5 National Policy on Infrastructure

2.5.1 The NPPF requires local planning authorities to demonstrate that infrastructure will be available to support development:

'It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up.' [11]

2.5.2 It is not necessary for local planning authorities to identify all future funding of infrastructure when preparing planning policy. The NPPF states that standards and policies in Local Plans should *'facilitate development across the economic cycle,'* [12] suggesting that in some circumstances it may be reasonable for a local planning authority to argue that viability is likely to improve over time, that policy costs may be revised, that some infrastructure is not required immediately, and that mainstream funding levels may recover.

2.6 National Policy on Community Infrastructure Levy

2.6.1 The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to help pay for infrastructure that is needed to support planned development. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the Council, the draft schedule has to be tested by an independent examiner.

2.6.2 The requirements which a CIL charging schedule has to meet are set out in:

- The Planning Act 2008 as amended by the Localism Act 2011.
- The CIL Regulations 2010[13], as amended in 2011[14], 2012[15], 2013[16] and 2014[17].
- National Planning Practice Guidance on CIL (NPPG CIL).[18]

2.6.3 The 2014 CIL amendment Regulations have altered key aspects of setting the charge for charging authorities who publish a draft charging schedule for consultation. The key points from these various documents are summarised below.

[11] DCLG (2012) National Planning Policy Framework (p42, para 177)
[12] Ibid (p42, para 174)
[13] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf
[14] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf
[15] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf
[16] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf
[17] http://www.legislation.gov.uk/uksi/2014/385/pdfs/uksi_20140385_en.pdf
[18] DCLG (February 2014) Community Infrastructure Levy Guidance and DCLG (June 2014) National Planning Practice Guidance: Community Infrastructure Levy (NPPG CIL)

Striking the appropriate balance

2.6.4 The revised Regulation 14 requires that a charging authority '*strike an appropriate balance*' between:

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

2.6.5 A key feature of the 2014 Regulations is to give legal effect to the requirement in this guidance for a charging authority to 'show and explain…' their approach at examination. This explanation is important and worth quoting at length:

'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.

As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The same principle applies in Wales.' [19]

2.6.6 In other words, the 'appropriate balance' is the level of CIL which maximises the delivery of development and supporting infrastructure in the area. If the CIL charging rate is above this appropriate level, there will be less development than planned, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be compromised, because it will be constrained by insufficient infrastructure.

2.6.7 Achieving an appropriate balance is a matter of judgement. It is not surprising, therefore, that charging authorities are allowed some discretion in this matter. This has been reduced by the 2014 Regulations, but remains. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

'must strike <u>an</u> appropriate balance…' i.e. it is recognised there is no one perfect balance;

'Charging authorities need to demonstrate that their proposed levy rate or rates are <u>informed</u> by 'appropriate available' evidence and consistent with that evidence across their area as a whole.'

'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence …… There is room for some pragmatism.' [20]

2.6.8 Thus, the guidance sets the delivery of development firmly in within the context of implementing the Local Plan. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the guidance.

[19] DCLG (June 2014) NPPG CIL (para 009)

[20] Ibid (para 019)

For example, in guiding examiners, the guidance makes it clear that the independent examiner should establish that:

'…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole…..'[21]

2.6.9 This also makes the point that viability is not simply a site specific issue but one for the plan as a whole.

2.6.10 The focus is on seeking to ensure that the CIL rate does not threaten the ability to develop viably the sites and scale of development identified in the Local Plan. Accordingly, when considering evidence the guidance requires that charging authorities should:

'*use an area based approach, involving a broad test of viability across their area', supplemented by sampling '…an appropriate range of types of sites across its area…' with the focus '...on strategic sites on which the relevant Plan relies and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).'* [22]

2.6.11 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable (some schemes will be unviable with or without CIL). The levy may put some schemes at risk in this way, so long as, in striking an appropriate balance overall, it avoids threatening the ability to develop viably the sites and scale of development identified in the Local Plan.

Keeping clear of the ceiling

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

'…..if the evidence pointed to setting a charge right at the margins of viability………It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust.'[23]

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

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

Varying the CIL charge

2.6.14 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, by scale of development (GIA of buildings or number of units) or a combination of these three factors. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[24] As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot

[21] DCLG (June 2014) NPPG CIL (para 038)

[22] Ibid (para 019)

[23] Ibid (para 019)

[24] The Regulations allow differentiation by "uses of development". "Development" is specially defined for CIL to include only 'buildings', it does not have the wider 'land use' meaning from TCPA 1990, except where the reference is to development of the area.

be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.6.15 The guidance also points out that charging authorities should avoid '*undue complexity*' when setting differential rates, and *'….it is likely to be harder to ensure that more complex patterns of differential rates are state aid compliant.'* [25]

2.6.16 Moreover, generally speaking, '*Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development'*; otherwise the CIL may fall foul of state aid rules.[26]

2.6.17 It is worth noting, however, that the guidance gives an example which makes it clear that a strategic site can be regarded as a separate charging zone: *'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.'* [27]

Supporting evidence

2.6.18 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedule[28]. The guidance expands on this, explaining that the available data *'is unlikely to be fully comprehensive'*.[29]

2.6.19 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and cost analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Local Plan.

Chargeable floorspace

2.6.20 CIL will be payable on most buildings that people normally use and will be levied on the net additional new build floorspace created by any given development scheme. The following will not pay CIL:

- New build that replaces demolished existing floorspace that has been in use for six months in the last three years on the same site, even if the new floorspace belongs to a higher-value use than the old;
- Retained parts of buildings on the site that will not change their use, or have otherwise been in use for six months in the last three years;
- Development of buildings with floorspace less than 100 sqm (if not a new dwelling), by charities for charitable use, extensions to homes, homes by self-builders' and social housing as defined in the regulations.

CIL, S106, S278 and the regulation 123 infrastructure list

2.6.21 The purpose of CIL is to enable the charging authority to carry out a wide range of infrastructure projects. CIL is not expected to pay for all infrastructure requirements but could make a significant contribution. However, development specific planning obligations (commonly known as S106) to make development acceptable will continue to be used

[25] DCLG (June 2014) NPPG CIL (para 021)
[26] Ibid
[27] Ibid
[28] Planning Act 2008 Section 211 (7A)
[29] DCLG (June 2014) NPPG CIL (para 019)

alongside CIL. In order to ensure that planning obligations and CIL operate in a complementary way, CIL Regulations 122 and 123 place limits on the use of planning obligations.

2.6.22 To overcome potential for 'double dipping' (i.e. being charged twice for the same infrastructure by requiring the payment of CIL and S106), it is imperative that charging authorities are clear about the authority's infrastructure needs and what developers will be expected to pay for and through which route. The guidance expands this further in explaining how the list of infrastructure for funding by CIL, known as the Regulation 123 infrastructure list should be structured to account for generic projects and specific named projects).

2.6.23 The guidance states that '*it is good practice for charging authorities to also publish their draft (regulation 123) infrastructure lists and proposed policy for the scaling back of S106 agreements*.' This list now forms part of the 'appropriate available evidence' for consideration at the CIL examination. A draft infrastructure list should be available at the preliminary draft charging schedule phase.

2.6.24 The guidance identifies the need to assess past evidence on developer contributions, stating '*as background evidence, the charging authority should also provide information about the amount of funding collected in recent years through Section 106 agreements, and information on the extent to which affordable housing and other targets have been met'*.

2.6.25 Whilst there are no pooling restrictions on the use of section 278 highway agreements, restrictions are in place to prevent "double dipping", i.e the use of CIL and S278 to provide the same item of infrastructure.

What the CIL examiner will be looking for

2.6.26 According to the guidance, the independent examiner should check that:

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

2.6.27 The examiner must recommend that the draft charging schedule should be approved, rejected or approved with specific modifications.

Policy and Other Requirements

2.6.28 More broadly, the CIL guidance states that '*Charging authorities should consider relevant national planning policy when drafting their charging schedules*'[30]. Where consideration of development viability is concerned, the CIL guidance draws specific attention to paragraphs 173 to 177 of the NPPF and to paragraphs 162 and 177 of the NPPF in relation to infrastructure planning.

2.6.29 The only policy requirements which refer directly to CIL in the NPPF are set out at paragraph 175 of the NPPF, covering firstly, working up CIL alongside the plan making where practical; and secondly, placing control over a meaningful proportion of funds raised within neighbourhoods where development takes place. In non parished areas, the Council retains

[30] DCLG (June 2014) NPPG CIL (para 011)

the neighbourhood proportion to spend it on behalf of the neighbourhood. Whilst important considerations, these two points are outside the immediate remit of this study.

2.7 National Space Standards for Housing

2.7.1 Government published 'Technical Housing Standards – Nationally Described Space Standard' (NSS) in March 2015. This replaces the existing different space standards used by local authorities. It is not a building regulation and remains solely within the planning system as a new form of technical planning standard.

2.7.2 NSS deals with the internal space of new dwellings and sets out the requirement for Gross Internal Area, as set out in **Table 2.1**.

Table 2.1 Reported minimum gross internal floor areas and storage (square metres)

Number of bedrooms (b)	Number of bed spaces (persons)	1 storey dwellings	2 storey dwellings	3 storey dwellings	Built in storage
1b	1p	39 (37)[2]			1.0
	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4.0
	8p	125	132	138	

Source: Technical Housing Standards – Nationally Descried Space Standard; CLG (March 2015)

2.7.3 GIA is defined as the total floor space measured between the internal faces of perimeter walls. The standard is organised by number of bedrooms; number of bed spaces; number of storeys and provides an area for built-in storage. The minimum space standards shown in **Table 2.1** is a copy of Table 1 in the Technical Standards Guide, and it should be noted that the identified space for internal storage in **Table 2.1** is included in the GIA shown in **Table 2.1** are not added to total to it.

2.7.4 NSS states that GIA *'will not be adequate for wheelchair housing (Category 3 homes in Part M of the Building Regulations) where additional internal area is required to accommodate increased circulation and functionality to meet the needs of wheelchair households.'* [31]

2.7.5 Technical requirements are set out in the NSS, which include those identified in **Table 2.1** above and the list of requirements set out in NSS.

2.8 Part M Building Regulations

2.8.1 New requirements under the Part M Building Regulations 2010 were brought in at the same time, in October 2015. The main changes were replacing requirement M4 'Sanitary conveniences in dwellings' with:

- M4(1) Category 1: Visitable dwellings
- M4(2) Category 2: Accessible and adaptable dwellings
- M4(3) Category 3: Wheelchair user dwellings.

2.8.2 The Approved Document Part M sets out detailed technical specifications relating to each of the categories 1 – 3. However, it does not provide any detail on the minimum internal floor areas.

Illustrative Technical Standards

2.8.3 In developing the Housing Standards Review Government undertook a detailed questionnaire and evidence base within the 'Illustrative Technical Standards' which were developed by the Working Groups. This Review looked at Accessibility Standards, which relates to Part M of the Building Regulations (Category 1, 2 and 3). This included overall gross internal floor areas for different dwelling type, for Category 1, 2 and 3. Therefore these measurements have been used to inform this study.

2.9 Summary

2.9.1 Plan wide viability testing is different to site viability assessment and adopts a broader plan level approach to viability assessment based on 'site typologies rather than actual sites' combined with some case studies.

2.9.2 The key documents guiding plan viability assessment are the Harman Report and the RICS Guidance – both approach plan level viability differently to site specific viability, and take account of current and future policy requirements, but both documents differ in their approach to arriving at the benchmark/threshold land value. The Harman Report advocates using the existing use value plus uplift for the potential new use, whilst the RICS report advocates a market value minus a future policy cost approach.

2.9.3 The NPPF requires Councils to ensure that they 'do not load' policy costs onto development if it would hinder the site being developed. The key point is that policy costs will need to be balanced so as not to render a development unviable, but should still be considered sustainable.

Infrastructure summary

2.9.4 The infrastructure needed to support the plan over time will need to be planned and managed. Plans should be backed by a thought-through set of priorities and delivery sequencing that allows a clear narrative to be set out around how the plan will be delivered (including meeting the infrastructure requirements to enable delivery to take place).

[31] Para. 9, Technical Housing Standards, CLG (March 2015)

2.9.5 This study confines itself to the question of development viability. It is for other elements of the evidence base to investigate the other ingredients in the definition of deliverability (i.e. location, infrastructure and prospects for development). Although the study will draw on infrastructure costs (prepared by the Council and following the Infrastructure delivery Study, January 2012) to inform the impact on viability where relevant.

Affordable housing summary

2.9.6 The Housing and Planning Bill introduced in October 2015 sets out that future Regulations will identify starter homes requirements for English planning authorities. This may have implications on future Local Plan affordable housing policies. At this stage, the requirements are unknown and the Council will need to keep in mind any change in national policy. In the meantime, this report tests existing proposed affordable housing policies set out in the recently adopted Torbay Local Plan 2012-30.

2.9.7 The Government has been granted permission to appeal against a High Court ruling that forced ministers to remove a policy to exempt small development from affordable housing and "tariff style" S106 contributions from NPPG. A High Court ruling quashed the policy in July 2015, following a legal challenge by Reading Borough Council and West Berkshire District Council (on the application of West Berkshire District Council and Reading Borough Council) v Secretary of State for Communities and Local Government [2015] EWHC 2222 (Admin) Ref BAILII 31 July 2015. The Council will need to wait for the outcome of the appeal in case there is any change in national policy.

CIL summary

2.9.8 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a draft for consultation must strike an appropriate balance between the desirability of funding (in whole or in part) infrastructure needed to support the development and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.9.9 This means that the net effect of the levy on total development across the area should be positive. CIL may reduce the overall amount of development by making certain schemes which are not plan priorities unviable. Conversely, it may increase the capacity for future development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that the net outcome of these two impacts should be judged to be positive. This judgment is at the core of the charge-setting and examination process.

2.9.10 Legislation and guidance also set out that:

- Authorities should avoid setting charges at the margin of viability;
- CIL charging rates may vary across geographical zones, building uses, and by scale of development. But differential charging must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules;
- Charging rates should be informed by 'appropriate available evidence', which need not be 'fully comprehensive'; and
- Charging authorities should be clear and transparent about the use of different approaches to developers funding infrastructure and avoid 'double dipping'.

2.9.11 While charging rates should be consistent with the evidence, they are not required to 'mirror' the evidence. In this, and other ways, charging authorities have discretion in setting charging rates.

3 Review of Policies and Draft Charging Schedule

3.1 Introduction

3.1.1 The Torbay Local Plan has recently been through examination and the Inspectors Report, of 12 October 2015, found the Local Plan sound. It was subsequently adopted by Council on 10th December 2015. This included a policy setting the affordable housing policy which is set out in this section.

3.1.2 The site typologies, set out in later chapters of this report, were tested against the identified affordable housing policy.

3.1.3 The site typologies were also viability tested for informing the CIL Draft Charging Schedule, which the Council consulted on in early 2015 (see also Torbay Local Plan Viability Testing PBA February 2014).

3.2 Affordable Housing Policy

3.2.1 The sound Local Plan identifies a "pressing need" for affordable housing and sets out the intended approach to delivery for the future.

3.2.2 Policy "H2 Affordable Housing" states an ambition to target the provision of affordable housing on a "sliding scale" dependent upon the number of homes intended to be built. In addition to this, and in line with wider policy ambitions, policy "H2 Affordable Housing" includes separate rates for development on greenfield land and brownfield land. Notably, the policy also states that the site's capacity to accommodate dwellings will be taken into account when calculating the affordable housing requirement. These are shown in following **Table 3.1**:

Table 3.1 Local Plan Policy H2 Affordable Housing

Net new dwellings/ assessed site capacity*	Affordable Housing Target	Usual Method of Delivery
Development of Brownfield Sites		
3-5 dwellings	Zero	N/A
6-10 dwellings	Zero	N/A
11-14 dwellings	Zero	N/A
15-19 dwellings	15%	Usually through on site provision. Commuted payments will only be accepted where this would achieve more effective provision of affordable housing, or bring significant regeneration benefits.
20+ dwellings	20%	Usually on site. Commuted sums will only be accepted where this would achieve more effective provision of affordable housing or bring significant regeneration benefits.
Development of Greenfield Sites		
3-5 dwellings	10%	Usually through commuted payment
6-10 dwellings	15%	Usually through commuted payment

11-14 dwellings	20%	Usually through on site provision. Commuted payments will only be accepted where this would achieve more effective provision of affordable housing, or bring significant regeneration benefits.
15-29 dwellings	25%	On site. Commuted sums will only be accepted in exceptional circumstances, where this would achieve more effective provision of affordable housing or bring significant regeneration benefits.
30+ dwellings	30%	On site. 25% affordable housing and 5% self build plots in accordance with Policy H5.

3.2.3 Policy H2 indicates that affordable housing will be sought on the basis of one third social rented housing, one third affordable rent and one third intermediate/shared ownership. The policy also indicates that viability will be taken into account when negotiating affordable housing provision (see below).

3.2.4 The proportion and type of affordable housing and the allowance for CIL are key determinants of viability. Any policy application must balance delivery of affordable housing and planning obligations with maintaining sufficient incentive for landowners to release land – allowing developers to promote and bring forward schemes.

3.3 Infrastructure Requirements

3.3.1 A clear requirement of CIL Regulations is to identify a safe 'funding gap' to justify a CIL charge. The Council needs to establish the shortfall between the cost of necessary infrastructure and the mainstream money available to pay for that infrastructure. The cost of infrastructure is particularly important for strategic development sites that could have specific on-site infrastructure costs, and this will need to be reflected in any viability testing.

3.3.2 To justify a CIL charge the Council needs to establish a funding shortfall. In simple terms, this is done by illustrating that infrastructure costs are greater than available funding. For the infrastructure plan this involves three tasks:

- Ensuring the majority of infrastructure requirements are identified and costed;
- Fully explore funding options;
- Presentational issues, e.g. comparing funding against overall cost to illustrate a shortfall.

3.3.3 If these tasks are explored in detail and presented correctly, it will prevent potential objectors undermining the Council's Infrastructure Plan (IP) and consequently principle justification for any CIL charge.

3.3.4 To support the delivery of the Local Plan the IP needs to robustly identify the infrastructure requirements needed to support growth, and also contribute towards illustrating the delivery of the strategy by setting out known funding sources, delivery partners and phasing issues.

3.3.5 The Council have published an Infrastructure Plan[32] which sets outs the requirements for the Bay over the Plan period, including costs and timing of infrastructure. Overall the plan identified a total cost of infrastructure of approximately £262 million. £102 million of funding was estimated to have been secured or identified e.g. through funding bids. The remaining shortfall of £160 million could be reduced through future public funding streams and future

[32] https://www.torbay.gov.uk/torbayidp.pdf

developer contributions which will need the introduction of appropriate mechanisms including the CIL. In addition the prioritisation of infrastructure and close working with developers at a project level can ensure that critical infrastructure is delivered in a timely manner.

Draft Charging Schedule

3.3.6 Since PBA completed the 2013 Torbay Viability Report, Torbay Council (in February 2015) consulted upon a Draft Charging Schedule (DCS)[33]. The DCS sets out the Community Infrastructure Levy (CIL) charges for both residential and non-residential developments, as set out in **Table 3.2**:

Table 3.2 Torbay Community Infrastructure Levy - Draft Charging Schedule

Draft CIL Charging Schedule and relationship to S106 Obligations: Residential Development (Use Classes C3, C4 and Sui Generis Hostel).		
Sites	**S106**	**CIL**
Brownfield sites of fewer than 15 dwellings. or **Greenfield sites of fewer than 11 dwellings** except where located in the AONB, or rural exceptions sites in which case fewer than 6 dwellings.	Zero, except for direct site acceptability matters. (Direct site acceptability matters include access, direct highway works, flooding and biodiversity).	**£70 per sqm** of chargeable floor space.
Brownfield sites of 15+ new dwellings or **Greenfield sites of 11+ new** dwellings (6+ in AONB or rural exceptions sites).	S106 Contributions to cover infrastructure needed to make development sustainable. Likely to include: • Direct site acceptability matters. • Affordable Housing. • Sustainable development contributions necessary to make the development acceptable in planning terms.	**Zero**
Draft CIL Charging Schedule: Commercial and Non Residential Development		
Type of Development	**Development Charging Zone**	
	Town Centres, St Marychurch and Preston District Centres	**Everywhere else (including The Willows District Centre)[(6)] .**
Class A1 Retail. less than 300 sqm	Nil	Nil
Class A1 Retail over 300 sqm	Nil	£150 per sqm
Class A1 Retail Warehouse (Bulky non-food retail).	Nil	£120 per sqm
Food and Drink (Class A3, A4, A5)	Nil	£150 per sqm
Class A2 Financial and Professional Services	Nil	Nil
Class B Employment uses	Nil	Nil
Class D1 Non-residential	Nil	Nil

[33] Community Infrastructure Levy – Draft Charging Schedule Consultation Document (Feb 2015) Torbay Council

institutions[3]		
Class D2 Assembly and leisure/non-residential institutions[3]	Nil	Nil
Class C1 Hotels	Nil	Nil
Class C2 and C2A Residential Institutions[4]	Nil	Nil

Notes: (1) Social Housing, as defined by Regulation 49-50 of the CIL Regulations, is exempt from CIL where the requirements of the CIL Regulations have been met.
(2) Charitable institutions, e.g. churches are exempt from CIL, so long as the development is used primarily for charitable purposes. (See Regulations 43-44 of the CIL Regulations).
(3) S106 contributions may be sought where a development has an effect on non-CIL chargeable matters, such as the night time economy; or where there are site specific mitigation measures are required such as for access.
(4) Care Homes are only taken to be non-self contained accommodation for persons who, by reason or age or infirmity are in need of care. Sheltered or retirement dwellings which have their own bathroom and cooking facilities (i.e. are essentially self contained), will be considered to be residential within Use Class C3.
(6) Where retail development is proposed as part of a major mixed use scheme, the Council may grant exceptional relief in accordance with Section 16 below in order to secure a sustainable and successful form of development.
(7) The Charging Authority is entitled to use 5% of CIL to cover the costs of administering CIL. This figure is included in the above rates
Source: Torbay Community Infrastructure Levy - Draft Charging Schedule (February 2015)

3.3.7 This study has tested the DCS, using updated assumptions, to check the viability of development being promoted in the Local Plan.

3.4 Viability Testing Sites and Emerging Policies

3.4.1 In viability testing the site typologies set out in the following chapters of this report, we look to understand of the viability of sites, including costs for affordable housing and potential CIL.

3.4.2 These policy costs risk negatively affecting viability, but may deliver valuable benefits. S106 requirements must be necessary to making development acceptable in planning terms. Whilst many of the policies and S106 Obligations have potential to enhance the value of development it is not practicable within a strategic study to factor these uplift effects into the economic modelling.

4 Residential Viability Assumptions

4.1 Introduction

4.1.1 It is not always possible to get a perfect fit between a site, the site profile and cost/revenue categories, but PBA have attempted a best fit in the spirit of the Harman Report. For this, the viability testing requires a series of assumptions about the site typologies, site coverage and floorspace mix to generate an overall sales turnover and value of land, which are discussed here.

4.2 Residential Site Typologies for Viability Testing

4.2.1 The objective of this section is to formulate a list of typologies, or hypothetical developments that are likely to be brought forward in the plan period, and assign them to broad locations within Torbay. The starting point is understanding where development is likely to take place. After consultation with the Council, this study sets out the broad typologies used in the study, as set out in **Table 4.1**. Although determined by the characteristics of known developments sites, the majority of the typologies are hypothetical which allows the study to deal efficiently with the very high level of detail that would otherwise be generated by an attempt to viability test each site. This approach is set out in the Harman Report, which suggests 'a more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies'.[34]

4.2.2 The typologies are supported with a selection of case studies reflecting CIL guidance (2014), which suggests that:

'a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites). The sampling should reflect a selection of the different types of sites included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.'[35]

4.2.3 The Harman Report states that the role of the typologies testing is not required to provide a precise answer as to the viability of every development likely to take place during the plan period:

'No assessment could realistically provide this level of detail…rather, [the role of the typologies testing] is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.'[36]

4.2.4 Indeed the Report also acknowledges that a:

'*plan-wide test will only ever provide evidence of policies being 'broadly viable.' The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan*

[34] Local Housing Delivery Group Chaired by Sir John Harman (2012) *Viability Testing Local Plans* (9)

[35] DCLG CIL Guidance 2014 page 16.

[36] Local Housing Delivery Group (2012), op cit (para 15)

level. This is one reason why our advice advocates a 'viability cushion' to manage these risks.[37]

Developing site profile categories

4.2.5 A list of typologies, reflecting planned development and representing the cross section of sites identified in conjunction with the Council, is set out in **Table 4.1**.

4.2.6 The residential testing, including for impacts relating to affordable housing, also includes specialist market products for care, assisted living and retirement living. These have been informed by recent new build schemes or planning applications either in Torbay or in similar places elsewhere in the region.

Table 4.1 Residential Typologies

Ref	Typology	Location	GF/BF	No. of Dwellings
1	Brixham (2 houses)	Inside built up area	Brownfield	2
2	Brixham (4 houses)	Inside built up area	Brownfield	4
3	Brixham (15 houses)	Inside built up area	Brownfield	15
4	Brixham (20 flats)	Inside built up area	Brownfield	20
5	Brixham (2 houses)	Outside built up area	Greenfield	2
6	Brixham (4 houses)	Outside built up area	Greenfield	4
7	Brixham (15 houses)	Outside built up area	Greenfield	15
8	Paignton/Torquay (2 houses)	Inside built up area	Brownfield	2
9	Paignton/Torquay (4 houses)	Inside built up area	Brownfield	4
10	Paignton/Torquay (15 houses)	Inside built up area	Brownfield	15
11	Paignton/Torquay (25 houses)	Inside built up area	Brownfield	25
12	Paignton/Torquay (100 houses)	Inside built up area	Brownfield	100
13	Paignton/Torquay (20 flats)	Inside built up area	Brownfield	20
14	Paignton/Torquay (50 flats)	Inside built up area	Brownfield	50
15	Paignton/Torquay (150 flats)	Inside built up area	Brownfield	150
16	Paignton/Torquay (2 houses)	Outside built up area	Greenfield	2
17	Paignton/Torquay (4 houses)	Outside built up area	Greenfield	4
18	Paignton/Torquay (15 houses)	Outside built up area	Greenfield	15
19	Paignton/Torquay (25 houses)	Outside built up area	Greenfield	25
20	Paignton/Torquay (100 houses)	Outside built up area	Greenfield	100
21	Paignton/Torquay (200 houses & flats)	Outside built up area	Greenfield	200

[37] Ibid (para 18)

Other sites				
22	Edginswell Future Growth Area	Torquay	Greenfield	550
23	Wall Park Future Growth Area	Brixham	Brownfield	165
24	Extra care dwellings	-	Brownfield	30
25	Retirement dwelling	-	Brownfield	45

Affordable housing levels

4.2.7 All typologies (references 1 – 23) listed above have been tested against the Local Plan Policy H2 Affordable Housing set out in **Table 3.1**. The following affordable housing tenure is therefore assumed to apply:

- 1/3 social rented
- 1/3 affordable rented
- 1/3 shared ownership

4.3 Site Coverage and Area

Net (developable) area and housing density

4.3.1 For establishing housing land values, assumptions about the likely number of units and saleable floorspace of the dwellings are required for generating a sales turnover. Total turnover is dramatically increased by greater coverage. But housing needs to be serviced by roads for instance, and for larger developments, land is required for public open space, strategic landscaping, community buildings, employment and possibly schools.

4.3.2 The gross area of the site allows for the provision of non-residential land uses normally associated with larger sites which generally support no direct revenue to the development. Also residential land values are normally traded and reported on a per net hectare basis, since it is only this area which delivers a saleable return and is therefore valued. Consequently, the viability assessments identify the likely net developable area to identify its value and to compare this with net developable land values benchmark.

4.3.3 For context in relation to site allocations and policies for open space, SuDS, etc, the typologies include the gross site area. So the next step is to convert the gross areas into net developable areas since this is the area which provides the land value. For the residential typologies, the net developable areas have been derived using a formula[38] based on discussions with the Council and the wider development industry, and examples from elsewhere.

4.3.4 The density does vary widely between sites, which is what would be expected across the different locations and site characteristics. Higher density sites are traditionally more likely to accommodate flats. Whilst low density sites will have a much higher proportion of family dwellings.

[38] Uses a non-linear formula to estimate the net area from the gross area, so that the greater the number of units that there are the greater the amount of gross to net land area.

Saleable area

4.3.5 To establish housing land values, assumptions about the likely saleable floorspace of the dwellings are used to generate an overall sales turnover. We have used the minimum national space standards to identify average floorspace sizes per unit type. The floorspace assumptions are presented in **Tables 4.2** below.

Table 4.2 Average saleable floorspace by unit type

Type	Size (sqm)
Flats (NIA)	54.8
2 bed house	74.5
3 bed house	93
4+ bed house	117.1

4.3.6 Two floor areas are used for flatted schemes: Net Internal Area (NIA) is applied to calculate the sales revenue and the Gross Internal Area (GIA), including an additional 15% circulation space, is used to calculate build costs.

Space standards

Housing Standards Review Cost Impacts and Plan Policy H6 and DE3

4.3.7 Policy H6 in the adopted Torbay Local Plan requires 5% of new dwellings, in developments of 50 plus units to conform to the accessible and adaptable buildings requirements set out in the Building Regulations. The supporting text for Policy DE3 references the Nationally Described Space Standards and Torbay's approach to seeking a good standard of accommodation. The standards are set out in Table 6.1 of the Local Plan. In order to test the implication of this on potential CIL the Council have requested that these policy requirements along with other optional building regulations and housing standards are reviewed.

4.3.8 It has been assumed that the Category 1 dwelling sizes, as described in national government's Illustrative Technical Standards (2013), led to the finalised NSS adopted minimum space standards, as also set out in Table 6.1 of the Local Plan. These standards have formed the basis for the viability testing. For the purposes of the study, the percentage increase from Cat 1 to Cat 2; and then from Cat 1 to Cat 3 was taken from the draft Illustrative figures. The percentage increases were then applied to the NSS to provide space standards for dwellings built to Cat 2 and 3. These revised space standards have been used in the PBA viability model to test the viability of the Council's proposed Access Standards Policy on the sample of sites across Torbay, and this is before considering the headroom for a potential CIL charge.

4.3.9 To identify the impact on viability there is a need to identify the extra costs that might burden future sites in Torbay in meeting the plan's requirements for accessible homes, i.e. Category M2 (Accessible and adaptable buildings) and/or Category M3 (wheelchair user dwellings). To do this we reviewed the DCLG Housing Standards Review Cost Impacts (Sept 2014) report for M2 (Cat 2) and M3 (Cat 3) and in total the additional average costs for upgrading a NSS home are:

- Cat 2 = £521 per house
- Cat 2 = £924 per flat
- Cat 3 = £22,694 per house

- Cat 3 = £7,906 per flat

Dwelling Size Mix

4.3.10 The dwelling size mix for market housing and affordable housing was taken from the Council's updated Strategic Housing Market Assessment (Torbay Update September 2011).

4.4 Sales values

4.4.1 Current residential revenues and other viability variables are obtained from a range of sources, including:

- Land Registry achieved housing prices between 2012 to 2015 provides a wealth of data of transactional for a local area, for new and second hand properties. A summary is provided in **Table 4.3** below. The differences in average prices between new and old stock are also shown, and this shows a clearly that new builds achieve a premium value over the existing stock, as is generally the case in most area.

- Property websites, such as Zoopla and Rightmove, provide a snapshot of values of properties currently on the market at November 2015 and also indicates the floorspace of new developments, in order to derive a sales value per square metre. A cross-section of some of the properties considered is listed in **Appendix B**.

Table 4.3 Average prices paid for residential units, 2012-2015

	Detached	Semi detached	Terraced	Flats
Brixham	£274,599	£184,819	£174,239	£127,352
New	£295,867	£369,450	£299,050	£184,400
Old	£273,876	£178,705	£171,519	£123,878
Paignton	£242,241	£177,460	£155,310	£122,899
New	£239,060	£203,215	£197,696	£191,301
Old	£242,281	£175,354	£150,238	£118,296
Torquay	£334,674	£197,996	£155,833	£142,221
New	£297,825	£216,730	£203,568	£179,274
Old	£335,016	£197,372	£153,452	£138,008
Torbay	£278,371	£186,706	£159,246	£134,764

Source: Land Registry

4.4.2 In summary, from analysing the above sources we have arrived at the sales values per sqm for new build shown in **Table 4.4**. These are used in the plan wide viability assessment. It will be noted that values achieved in Brixham have improved compared to the 2014 Viability Report, although all values showed a modest improvement (see 4.4.15 of the Feb 2015 Study).

Table 4.4 Modelled average Open Market floorspace sales value by housing type and location

Area	Type	Value per sqm
Brixham (Inside built up area)	Flats	£2,700
	House	£2,500
Brixham (Outside built up area)	Flats	£2,700
	House	£2,700
Paignton/Torquay (Inside built up area)	Flats	£2,700
	House	£2,500
Paignton/Torquay (Outside built up area)	Flats	£2,700
	House	£2,500

Source: PBA derived from Land Registry, Rightmove / Zoopla, websearch

Testing of older person housing

4.4.3 It is important to define what types of older person housing will be tested. Different types of provision will have different characteristics and values. The types of older person housing tested within this report are defined as follows:

- **Retirement Dwellings** – also known as sheltered housing, these are defined as groups of dwellings, often flats and bungalows that provide independent, self-contained homes. We consider that in addition to this, there will likely be some element of communal facilities, such as a lounge or warden. A service charge will be in place to cover the normal ongoing costs but also incur additional costs to upkeep communal facilities as described.

- **Extra Care** – also known as assisted living by the private sector. It is provided across a range of tenures (owner occupied, rented, shared ownership/equity). This is housing with care whereby people live independently in their own flats but have access to 24 hour care and support. These are defined as schemes designed for an elderly population that may require further assistance with certain aspects of their day to day life. Arrangements for care provision vary between care provided according to eligible assessed need by the local authority and people purchasing privately who may not have such a high level of need which is on site and is purchased according to need. For private sector developments the care facilities are normally part of a care package with additional fees to pay for the service and facilities, which are on top of normal service charges and the cost of purchasing the property. The schemes will often have their own staff and may provide one or more meals per day. We consider these as schemes that will likely have a greater proportion of communal space than retirement homes and are likely to be built to standards likely to suit an older population, i.e. wheelchair access, better designed bathroom facilities.

- **Care Homes** – residential or nursing homes where 24 hour personal care and/or nursing care are provided together with all meals. People occupy under a licence arrangement. These are considered within the non-residential viability appraisals as many of their properties are considered to be more akin to these types of development.

4.4.4 Currently there are a number of retirement schemes available in Paignton and the surrounding area. These schemes, shown in **Table 4.5,** identifies that the average sales values for retirement properties that are being sold in the area at the time or researching the data. These schemes however, reflect higher values than expected based on a formula for estimating value using the Retirement Housing Group (RHG) approach[39], whereby a scheme comprised of 50% one bedroom units and 50% two bed units is valued at 87.5% of the average sales value for a semi-detached house in Torbay, which is £186,700. This gives a sales value for retirement properties at £163,400 or £2,700 per sqm (NIA). The RHG guidance then specifies that an extra care home is valued at 25% above the price for a retirement home, which would be £204,203 or £2,900 per sqm (NIA).

Table 4.5 Average new sales values for retirement properties

Type	Location	Sales Value (per sqm)
Retirement home	Two Manor Crescent, Paignton	£3,931
Retirement home	Two Manor Crescent, Paignton	£5,632
Retirement home	Fleur-de-Lis, Courtland Road,	£4,516

4.4.5 In summary, based on the above evidence, PBA consider that the value of £3,200 per sqm for Retirement homes and £4,000 per sqm for Extra care properties is an appropriate assumption for testing CIL.

Other assumptions for older person housing

4.4.6 We test retirement homes at a density of 100 dwellings per hectare for extra care properties and 122 dwellings per hectare for retirement units.

4.4.7 In terms of net internal area of the units, based on the RHG guide, we have used sizes of 60 sqm for Retirement homes and 71 sqm for Extra care schemes regarding appropriate sizes for 1 and 2 bed properties and based on a 60:40 split between the two.

4.4.8 We have assumed that Retirement homes and Extra care schemes have an allocation of floorspace considered as non-chargeable functions and communal space. Again, we have allowed 25% for Retirement properties and 35% for Extra care schemes. We have therefore assumed that the gross floorspace per unit for Retirement properties is 80 sqm and 109 sqm for Extra care units.

4.4.9 Finally, we have tested the schemes to be brought forward on brownfield land, and therefore incurring certain costs involved with demolition and remediation as discussed in a subsequent section.

4.5 Build Costs

4.5.1 Residential build costs are based on actual tender prices for new builds in the market place over a 15 year period from the Build Cost Information Service (BCIS), which is published by the Royal Institution of Chartered Surveyors (RICS). The tender price data is rebased to Torbay prices using BCIS defined adjustments, to give the median build costs for small, medium and large schemes as shown in **Table 5.5**. The data is derived from the first quarter of 2015 because this is based on the most recent actual construction data as opposed to later figures that are based on estimated figures.

4.5.2 Additionally, the **Table 4.6** also outlines the assumed costs for older person housing schemes, also supplied by the recent sample of BCIS schemes.

[39] Community Infrastructure Levy and Sheltered Housing/Extra Care Developments, a Briefing Note on Viability, Prepared for the Retirement Housing Group by Three Dragons, May 2013

Table 4.6 Median build costs in Torbay at Q1 2015 tender prices (per sqm)

Dwelling type	Small housing scheme (5 or less units)	Medium sized house scheme (6 to 10 units)	Estate housing (11+ units)
Houses	£1,216	£1,097	£978
Flats	£1,163		
Retirement homes	£1,196		
Extra care/assisted living	£1,351		

Source: PBA derived from BCIS

4.5.3 Volume and regional house builders are able to operate within the median cost figures comfortably, especially given that they are likely to achieve significant economies of scale in the purchase of materials and the use of labour on housing projects. Many smaller and medium sized developers of houses are usually unable to attain the same economies, so their construction costs may be higher as shown in **Table 5.5**, which reflects the higher costs for schemes with 3 or less houses (taken from BCIS) and for 4-10 houses (taken as a mid-point between the larger and small schemes). This is supported by a recent BCIS report for the FSB.[40] Flatted development costs are equally applied to small and large builders since no data is available to distinguish them, and even so it is likely that economies are less likely to be achieved with flatted schemes which tend to be more unique and complex in design and structure.

4.5.4 The BCIS build costs are exclusive of External works, Contingencies, Fees, VAT and Finance charges, plus other revenue costs.

External works

4.5.5 This input incorporates additional costs associated with the site curtilage of the built area. These include circulation space in flatted areas and garden space with housing units; incidental landscaping costs including trees and hedges, soft and hard landscaping; estate roads and connections to the strategic infrastructure such as sewers and utilities.

4.5.6 The external works variable had been set at a rate of 10% of build cost.

4.6 Other development costs

Professional fees

4.6.1 This input incorporates all professional fees associated with the build, including fees for designs, planning, surveying, project managing, etc., at 8% of build cost plus externals.

Contingency

4.6.2 It is normal to build in contingency based on the risk associated with each site and has been calculated based on industry standards. It is applied at 4% of build cost plus externals.

[40] Housing development: the economics of small sites – the effect of project size on the cost of housing construction Report for The Federation of Small Businesses (August 2015).

Opening costs

4.6.3 Developing greenfield and brownfield sites represent different risks and costs. These costs can vary significantly depending on the site's specific characteristics. To reflect additional costs associated with the tested site typologies, the following assumptions apply:

- For brownfield site development for residential purposes, we have increased the build costs (for demolition and remediation) as follows:
  - Brownfield = £200,000 per net ha
- We also make an allowance for opening up works such as utilities, land preparation, SuDS and spine roads for greenfield sites. There will be different levels of development costs according to the type and characteristics of each site, and therefore opening up costs vary but generally increase as schemes get bigger. Owing to the nature of being generic appraisals, we apply an allowance for opening costs based on the number of units on a site. Therefore, we have assumed the following opening costs[41]: It is noted that these matters will often be dealt with directly by the developer or secured though planning conditions. However in some instances they could be part of “site acceptability” planning obligations.
  - Less than 200 units = £5,000 per unit
  - 201-500 units = £10,000 per unit
  - 501 plus units = £17,000 per unit

S106 and Other Local Plan policy costs

S106 costs

4.6.4 The infrastructure requirements anticipated for the majority of small sites (under 10 dwellings) are likely to be met through off site delivery of infrastructure such as schools expansions, open space enhancements or transport improvements. The Council informs us that this infrastructure will be met through currently established programmes (such as the County Council's schools programme) and the CIL and identified on the Regulation 123 infrastructure list as appropriate.

4.6.5 The Council informs us that on some of the larger sites, the approach to infrastructure requirements will vary and will be considered through S106. The Council are planning on applying no CIL on larger sites, therefore sufficient headroom needs to be available to fund likely S106 requirements.

4.6.6 One of the most significant items of S106 sought from residential development sites is affordable housing (which cannot be a CIL item). We test this at the tenures and proportions set out in the sound Local Plan to enable the Council to understand the balance between affordable housing and infrastructure provision.

Policy H2 Affordable Housing

4.6.7 The appraisal assumes that affordable housing will command a transfer value to a Registered Provider at lower than market rates. The values have been informed by evidence of recent deals and discussion with the Council’s housing team.

[41] Once detailed master-planning is undertaken there will be a better understanding of these various costs (site opening costs, site abnormals, and strategic infrastructure such as schools, highways etc.) to inform site specific assessments.

4.6.8 The testing assumes the following values:

- Social rent at 40% of market value;
- Affordable rent at 50% of market value; and
- Intermediate at 65% of market value.

4.6.9 It is noted that the Government proposes to extend the definition of intermediate affordable housing to include starter homes. These will have an initial value of around 80% of open market value (or slightly less due to other occupancy restrictions, which will expire after 5 years). Whilst it is too early to model the impact of these proposals, it should be noted that the requirement for starter homes is likely to reduce the impact on viability compared to other affordable housing tenures.

Land purchase costs

4.6.10 The land value needs to reflect additional purchase cost assumptions, shown in **Table 4.7**. These are based on surveying costs and legal costs to a developer in the acquisition of land and the development process itself, which we have established from discussions with developers and agents, and are also reflected in the Harman Report (2012) as industry standard rates.

Table 4.7 Land purchase costs

Land purchase costs	Rate	Unit
Surveyor's fees	1.00%	land value
Legal fees	0.75%	land value
Stamp Duty Land Tax	HMRC rate	land value

4.6.11 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost based on the HM Customs & Revenue variable rates against the residual land value.

Sales fees

4.6.12 The Gross Development Value (GDV) on open market housing units need to reflect additional sales cost assumptions relating to the disposing of the completed residential units. This will include legal, agents and marketing fees at the rate of 3% of the open market unit GDV, which is based on industry accepted scales established from discussions with developers and agents.

Developer's profit

4.6.13 The developer's profit is the expected and reasonable level of return that a private developer would expect to achieve from a specific development scheme. We assume a profit of 20% applied to site GDV. This also allows for internal overheads.

4.6.14 For the affordable housing element, because they will have some albeit lower risks to the developer, we assume a lower 6% profit margin for the private house builders on a nil grant basis. This is applied to the below market development cost of the AH residential dwelling development.

Finance

4.6.15 We have used a monthly cashflow based on a finance cost of 6.5% throughout the sites appraisals. This is used to account for the cost of borrowing, the risk associated with the current economic climate, the near term outlook and associated implications for the housing market. This is a typical rate which is being applied to schemes of this nature.

Benchmark/threshold land values

4.6.16 To assess viability, the residual value generated by a scheme is compared with a benchmark value, which reflects 'a competitive return for a landowner' (as stated in Harman). The threshold land value is important in our calculations of developer contribution in line with those set out the emerging Torbay Local Plan. The difference between the threshold land value and the residual land value represents the amount of money available for S106 contributions (including affordable housing) or CIL.

4.6.17 Given the number of landowners within the Bay, each with different propensities to sell, it is important to appreciate that assumptions on benchmark land values can only be broad approximations, subject to a wide margin of uncertainty. We take this uncertainty into account when drawing conclusions and recommendations from our analysis.

4.6.18 Additionally, in the spirit of the NPPF and Harman, the purchase land values for sites in viability testing should reflect the likely value under the burden of any future policies that will apply to the development. Historically, many developments have come forward with the expectation of negotiating the policy burdens, and in Torbay the expectation has generally been optimistic, on behalf of the landowners and developers, in that the full compliance with policy can be negotiated down. With the NPPF's requirement for demonstrating that the majority of development is able to carry the burden of policy costs, including meeting the affordable housing requirement in full, then it is likely that the extra costs will come off the purchased land value.

4.6.19 Taking all of this into consideration, for the purposes of this report and testing viability, the benchmark/threshold values used in testing viability are shown in **Table 4.8**.

Table 4.8 Benchmark/threshold land values at 2015

Site typology	Land value per net developable ha
Small sites (inside and outside boundary area)	£880,000
Large sites (inside and outside boundary area)	£550,000
Strategic site	£220,000
Retirement scheme	£880,000

4.6.20 These land values reflect a 10% increase (in line with house prices) since the previous study research, where the assumed benchmark land values had been informed by consultations and the developers' workshop. It is important to appreciate that assumptions on benchmark/threshold land values can only be broad approximations subject to a wide margin of uncertainty. This uncertainty is considered when drawing conclusions and recommendations.

5 Residential Development Viability Analysis

5.1 Introduction

5.1.1 This section sets out the assessment of residential development viability at national housing standards, the impact of the affordable housing policies and access standards in the Local Plan and proposed CIL rates in the Draft Charging Schedule.

5.1.2 Each typology site has been subjected to a detailed appraisal, complete with cashflow analysis. The impact of policy costs are then considered through adding policy 'layers' in order judge the cumulative impact of policies. These are:

- **Policy Layer 1** – is where there is no policy layer applied, including no affordable housing – using the minimum national space standards.
- **Policy Layer 2** - is where there is no policy layer applied, but affordable housing at the proposed rates set out in Local Plan Policy H2 is applied using the minimum national space standards.
- **Policy Layer 3** - is where the policy layer is applied, including the access standards policy and affordable housing at the proposed rates set out in Local Plan Policy H2.

5.1.3 We display the results in a table using a 'traffic light' system. A green colour means that the development is viable and amber is marginal in that they fall within a 20% range (i.e. 10% above or below) around the benchmark land value, but for this exercise would be considered achievable but would need to be monitored. A red colour means it is unviable.

5.1.4 We also provide a table of financial headroom which may be used as a contribution towards planning policy or CIL. This enables an assessment of the potential for charging a CIL at a level which does not put development at risk.

5.1.5 A complete example of an individual site appraisal using the PBA toolkit is shown in **Appendix A**. The results of each site's viability against different policy scenarios are presented in the rest of this chapter.

5.2 Results

5.2.1 **Table 5.1** provides a summary of the potential excess financial headroom per square metre of development above the level required to deliver the tested site typologies. This headroom is available as a contribution towards planning policy, CIL and/or S106. This is also shown as a potential amount based on the type of site or settlement market area.

Table 5.1 Residential site with no policy burdens financial headroom summary

Site typology	Value area	Affordable housing	No Policy		With Affordable Housing Policy		With AH Policy and access/space standards	
		%	CIL liable Sqm	Viable?	CIL liable Sqm	Viable?	CIL liable Sqm	Viable?
Brixham (2 dwellings)	Brixham IBA	0%	£10	Marginal	£10	Marginal	-£15	Marginal
Brixham (4 dwellings)	Brixham IBA	0%	£152	Yes	£152	Yes	£128	Yes
Brixham (15 dwellings)	Brixham IBA	15%	£276	Yes	£212	Yes	£187	Yes
Brixham (20 flatted)	Brixham IBA	20%	£338	Yes	£245	Yes	£216	Yes
Brixham (2 dwellings)	Brixham OBA	0%	£161	Yes	£161	Yes	£134	Yes
Brixham (4dwellings)	Brixham OBA	10%	£248	Yes	£196	Yes	£170	Yes
Brixham (15 dwellings)	Brixham OBA	25%	£431	Yes	£340	Yes	£311	Yes
Paignton/ Torquay (2 dwellings)	Paignton/ Torquay IBA	0%	£10	Marginal	£10	Marginal	-£15	Marginal
Paignton/ Torquay (4 dwellings)	Paignton/ Torquay IBA	0%	£152	Yes	£152	Yes	£128	Yes
Paignton/ Torquay (15 dwellings)	Paignton/ Torquay IBA	15%	£276	Yes	£212	Yes	£187	Yes
Paignton/ Torquay (25 dwellings)	Paignton/ Torquay IBA	20%	£369	Yes	£300	Yes	£273	Yes
Paignton/ Torquay (100 dwellings)	Paignton/ Torquay IBA	20%	£364	Yes	£295	Yes	£268	Yes
Paignton/ Torquay (20 flats)	Paignton/ Torquay IBA	20%	£338	Yes	£245	Yes	£216	Yes
Paignton/ Torquay (50 flats)	Paignton/ Torquay IBA	20%	£364	Yes	£280	Yes	£251	Yes
Paignton/ Torquay (150 flatted)	Paignton/ Torquay IBA	20%	£367	Yes	£285	Yes	£256	Yes
Paignton/ Torquay (2 dwellings)	Paignton/ Torquay OBA	0%	£16	Marginal	£16	Marginal	-£9	Marginal
Paignton/ Torquay (4 dwellings)	Paignton/ Torquay OBA	10%	£129	Yes	£75	Yes	£50	Yes
Paignton/ Torquay (15 dwellings)	Paignton/ Torquay OBA	25%	£292	Yes	£175	Yes	£148	Yes
Paignton/ Torquay (25 dwellings)	Paignton/ Torquay OBA	25%	£293	Yes	£176	Yes	£150	Yes
Paignton/ Torquay (100 dwellings)	Paignton/ Torquay OBA	30%	£396	Yes	£291	Yes	£262	Yes

Paignton/ Torquay (200 mix)	Paignton/ Torquay OBA	30%	£346	Yes	£220	Yes	£192	Yes
Edginswell Future Growth Area	Paignton/ Torquay OBA	30%	£276	Yes	£123	Yes	£98	Yes
Wall Park Future Growth Area	Brixham OBA	20%	£477	Yes	£422	Yes	£394	Yes
Extra care	Extra care	20%	£121	Yes	-£16	No	-£16	No
Retirement home	Retirement home	20%	£130	Yes	£9	Marginal	£9	Marginal

5.2.2 On a site type or area basis, as shown in **Table 5.1**, it can be seen that there is sufficient average headroom to charge a CIL, both outside and inside development boundaries of main urban areas in Torbay. However, in terms of scale, for schemes with 3 or less dwellings it becomes more marginal putting the viability of the very small developments at risk. This is because of the higher build costs for small schemes, which have risen compared to the 2014 Viability Assessment.

5.3 Potential CIL

5.3.1 Based on the three tested scenarios in **Table 5.1**, the average headrooms are derived for Torbay as a whole and also split by reference to scale of development. A further split by reference to inside and outside the built up area and by each value area was also considered but this approach was rejected on the basis that it would be over complex. It was also considered that headrooms were not sufficiently different and/or too few typologies within each broad group to provide sufficient examples to provide robust results. These average headrooms, and their potential for setting a CIL based on leaving a one third headroom cushion are shown in **Table 5.2**.

Table 5.2 Recommended CIL Charges for Residential Units

	No Policy		With Affordable Housing Policy		With AH policy & space/access standards	
Averages	Headroom	CIL rate	Headroom	CIL rate	Headroom	CIL rate
Overall in Torbay	£254	£167	£193	£127	£166	£110
3 or less dwellings	£49	£33	£49	£33	£24	£16
4 – 14 dwellings	£171	£113	£144	£95	£119	£78
15 plus dwellings	£338	£223	£243	£160	£215	£142

Viability with no policy burden

5.3.2 Under this scenario, the potential financial headroom for charging a CIL would be up to a maximum of £254 on all sites. When considering scale of development it can be seen that small sites of 3 or less are significantly less viable than larger sites

5.3.3 However this approach would not be policy compliant in terms of the recently adopted Local Plan and therefore these figures should not be used to inform any CIL rate.

Viability compliant with affordable housing policy

5.3.4 Under this scenario, the potential financial headroom for charging a CIL would be up to a maximum of £193 on all sites.

5.3.5 However as with the first scenario this approach does not completely meet policy requirements as set out in the Local Plan and is only shown to demonstrate the relative impacts of policy.

Viability compliant with affordable housing policy and space/access standards policy

5.3.6 Under this scenario, the potential financial headroom for charging a CIL would be up to a maximum of £166 on all sites. In accordance with the Harman Guidance and CIL guidance, we would advise not charging at the limit of viability because conditions can change quickly and rapidly. Therefore a rate of about £110 would provide a sufficient financial cushion within the headroom.

5.3.7 However if the authority was to set this CIL rate it would mean that developments of 3 or less would be at risk of not coming forward as they would not be able to meet that charge and still be viable. Evidence submitted to the Examination for the Local Plan indicated that the Council is reliant on small sites coming forward to help meet the 5 year residential land supply (around 25%). As this is a significant proportion it is advised that the authority do not seek a positive CIL charge from this type of small scale development and therefore sites of 1 to 3 dwellings have a zero CIL charge.

5.3.8 The Council have indicated that they wish to continue to use S106 agreements on sites of 15 or more dwellings. To avoid any issues around 'double dipping' it is therefore considered that as the Council will use S106 to mitigate impact on these larger sites that the CIL rate is zero for sites of 15 or more dwellings.

5.3.9 As the Council has indicated that it will seek only S106 from sites of 15 or more it was considered a useful exercise to demonstrate the level of S106 that could be afforded on a per market dwelling basis to meet the infrastructure requirements arising from these types of developments. The potential level of contribution per dwelling type is set out below:

- £8,952 for a flat
- £10,593 for a two bed house
- £13,223 for a three bed house
- £16,652 for a 4+ bed house

6.3.11 Such an approach would need to comply with the tests of lawfulness set out in Reg. 122 of the CIL Regulations, but could simplify negotiations on larger schemes where there may be uncertainly over floor space etc and affordable housing S106 negotiations must in any event take place.

5.3.10 Therefore the Council will only be seeking a CIL contribution from sites of 4 - 14 dwellings only. **Table 5.2** sets out the maximum average achievable headroom for sites of 4 - 14 dwellings across Torbay at £119 per sqm of net floorspace. By allowing a buffer the recommended CIL rate would be £78 per sqm. This is marginally higher than set out in the preliminary draft charging schedule for a similar category of development (£70 per sqm on brownfield sites of 15 or more and greenfield sites of 11 or more). The difference is largely down to smaller sites no longer included within this broad category. It should also be noted that the preliminary draft charging schedule made reference to brownfield and greenfield development, however legal advice which has informed studies elsewhere suggests that this type of distinction, i.e. brownfield/greenfield is not allowable within the current CIL regulations. It should be noted that in this scenario there is no provision for S106, other than affordable housing at the prevailing policy rate.

5.4 Summary of Residential Testing

5.4.1 Given the variety of sites in Torbay, the local authority area does not have a one size fits all viability picture. Sites inside and outside the urban areas and within the different value areas do differ, however the affordable housing approach to some extent already marginalises these differences. However, there are differences by reference to size of development and it is these that should be used as the basis for a residential charge.

5.4.2 It is clear from viability testing that there is an opportunity cost between S106, affordable housing and CIL. Policy H2 of the Local Plan indicates that affordable housing proportions or tenure may need to be relaxed in some schemes where there are viability constraints, and therefore allowing an option for renegotiation based on specific sites viability should be considered necessary. In addition the model assumes zero grant, whereas in practice there are options for public subsidy of affordable housing schemes or the release of public land at less than market value to facilitate delivery. This provides a useful failsafe to ensure the delivery of the Local Plan as a whole (albeit with reduced affordable housing provision than it would ideally seek). Nevertheless, while there is scope to negotiate on S106 and affordable housing, considerably less scope exists to negotiate CIL, once adopted. Moreover, CIL must be set at levels that do not undermine viability based on headline Local Plan policies and rates of affordable housing: it cannot be based on a lower level on the assumption that the local planning authority will negotiate down to this level. It will be important that the Council reflects this, and other policy options, when considering applying its Local Plan policies and planning to address local housing need.

5.4.3 The Plan sets out a clear policy intention to seek affordable housing and improved space and accessibility standards and therefore the CIL rate should reflect this approach. In order to bring in a simple and easily administered CIL regime it is recommended that the Council adopts a single charge of £78 per sqm for all residential development of 4 to 14 units. All other sizes of development and housing for older people will be a zero rate.

6 Non-residential Typologies and Assumptions

6.1 Introduction

6.1.1 There are no notable Local Plan policies which will impact unduly on non-residential development viability in the Bay. Nonetheless, it is important to briefly consider the viability of non-residential development, not least because if there is some headroom in values then this could usefully contribute to meeting local infrastructure requirements through S106 and CIL.

6.2 Non Residential Typologies

6.2.1 We test for non-residential development on the basis of the hypothetical schemes that were considered in the previous PBA (2014) evidence on viability for CIL charging in the Bay. These are shown in **Table 6.1**.

Table 6.1 Non-residential use typologies

Use	GIA sqm	NIA sqm
1: Town Centre office	800	720
2: Business Park	2,000	1,900
3: Industrial / warehouse	5,000	4,750
4: Hotel (60 bed)	1,500	1,200
5: Local convenience	280	252
6: Town Centre retail	500	450
7: Smaller supermarket	1,000	800
8: Supermarket	2,500	1,875
9: Retail warehouse / OoC	1,500	1,050
10: Carehome	2,500	1,625

6.2.2 Viability testing on a typical basis has been adopted since it is impossible for this study to consider viability on a site-specific basis at this stage, given that there is currently insufficient data on site-specific costs and values, as site details have yet to be established. Such detail will evolve over the plan period.[42]

6.3 Reviewing Current Viability Evidence (value and costs)

Establishing gross development value (GDV)

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

6.3.2 The following **Table 6.2** illustrates the values established for a variety of non-residential uses, expressed in square metres (sqm) of net rentable floorspace.

[42] Site-specific testing for non-residential uses would be considering detail on purely speculative / assumed scenarios, producing results that would be of little use for a study for strategic consideration.

Table 6.2 Non-residential uses – rent and yields

Use	Rent per sqm	Yield
1: Town Centre office	£100	7.8%
2: Business Park	£125	8.0%
3: Industrial / warehouse	£55	9.7%
4: Hotel (60 bed)	£4,500 (per bed)	7.0%
5: Local convenience	£160	9.0%
6: Town Centre retail	£160	10.0%
7: Smaller supermarket	£190	5.8%
8: Supermarket	£220	5.5%
9: Retail warehouse / OoC	£160	6.3%
10: Carehome	£128	6.1%

Source: PBA research

Site coverage

6.3.3 It is important to consider the density of development proposed. The following table sets out the assumed site net developable area for each development type and plot ratios to derive floorspace estimates.

Table 6.3 Non-residential uses – site coverage ratios

Use	Net developable area (ha)	Plot Ratio
1: Town Centre office	0.053	150%
2: Business Park	0.250	80%
3: Industrial / warehouse	1.250	40%
4: Hotel (60 bed)	0.300	50%
5: Local convenience	0.031	90%
6: Town Centre retail	0.050	100%
7: Smaller supermarket	0.167	60%
8: Supermarket	0.625	40%
9: Retail warehouse / OoC	0.375	40%
10: Carehomes	0.250	100%

Developer profit

6.3.4 The developer's profit is the expected and reasonable level of return a private developer can expect to achieve from a development scheme. This figure is based a 20% profit margin of the total development cost of the development.

Build costs

6.3.5 Build cost inputs have been established from the RICS Build Cost Information Service (BCIS) at values set at the time of this study (current build cost values). The build costs are entered at a pound per square metre rate at the following values shown in **Table 6.4**. The build costs adopted are based on the BCIS median values, rebased to Torbay prices at 2015 Q1. An allowance of 10% of build costs is also made for external works such as car parking and landscaping.

Table 6.4 Non-residential uses – build costs in Torbay at Q1 2015

Use	Average build costs per sqm
1: Town Centre office	£1,343
2: Business Park office	£1,196
3: Industrial / warehouse	£584
4: Hotel (60 bed)	£1,559
5: Local convenience	£1,160
6: Town Centre retail	£945
7: Smaller supermarket	£1,328
8: Supermarket	£1,496
9: Retail warehouse / OoC	£584
10: Carehomes	£1,317

Sources: BCIS

Professional fees, overheads

6.3.6 This input incorporates all professional fees associated with the build, including: architect fees, planner fees, surveyor fees, project manager fees. The professional fees variable is set at a rate of 10% of build cost.

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

Finance

6.3.8 A finance rate has been incorporated into the viability testing to reflect the value of money and the cost of reasonable developer borrowing for the delivery of development. This is applied to the valuation appraisal as a percentage of the build cost at the rate of 7% of total development costs (inc build costs, external works, professional fees, sales and marketing)

Professional fees on land purchase

6.3.9 This input represents the fees associated with the lands purchase and are based upon the following industry standards: Surveyor – 1%; Legals – 0.75% of residual land value.

6.3.10 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost against the residual land value at the standard variable rates set out by HMRC (at between 0% to 4% of land value based on the actual value of the land purchase), which was discussed in **Chapter 5**.

Land for non-residential uses

6.3.11 After systematically removing the various costs and variables detailed above, the result is the residual land value. In order to ascertain the level of likelihood towards delivery and the level of risk associated with development viability, the resulting residual land values are measured against a benchmark value which reflects a value range that a landowner would reasonably be expected to sell/release their land for development.

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

6.3.13 From discussions with agents active in the commercial sector, we have concluded that there have been very few sales of commercial or employment land in the Bay over the past 5 years, largely arising from the moribund state of the commercial market caused by the recession. Land values established before 2007 provide evidence of a range of land values for employment uses between £500k and £750k/ha. There is planning policy resistance to changes of use to residential from employment uses where there is a demonstrable employment demand and a solid resistance from landowners to sell for lower than the established pre-2007 value. There is no evidence to suggest therefore that a lower value should be attributed to brownfield sites as an EUV in the viability appraisals.

6.3.14 We have therefore concluded that a benchmark figure towards the lower end of the range of £500,000/ha is appropriate as a starting point. The benchmark is then adjusted on the basis of location and different uplifts applied according to use. So for example a town site will be at the upper end of the existing use value as it will already have a comparatively high value and if the potential use is retail then it will also have a higher uplift value as expectation on return will be higher. The benchmark values are given in **Table 6.5.**

Table 6.5 Non-residential uses – land values

Use	Benchmark land value per net developable hectare
1: Town Centre Office	£500,000
2: Business Park	£500,000
3: Industrial / warehouse	£500,000
4: Hotel (60 bed)	£800,000
5: Local convenience	£800,000
6: Town Centre Retail	£1,100,000
7: Smaller supermarket	£1,000,000
8: Supermarket	£1,300,000
9: Retail Warehouse / OOC	£1,300,000
10: Carehome	£1,000,000

7 Non-residential Development Viability Analysis

7.1 Introduction

7.1.1 This section sets out the revised assessment of non-residential development viability based on the assumptions set out in the previous chapter. The tables below summarise the detailed assessments, and represent the residual value per square metres after values and costs, including land have been calculated.

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

7.1.3 For the purposes of testing affordable housing policy and CIL viability, the tests have not accounted for S106/S278 etc contributions to mitigate direct impacts of the development. These will often centre on highways improvements but could also relate to design and access. No other Local Plan policies are considered to apply. This leaves any financial headroom in the viability assessment suitable for charging CIL, subject to there being no other demands that the Council may seek to apply.

7.1.4 Clearly as S106/278 agreements are specific to individual developments. Therefore PBA have not included the amounts within the viability testing.

7.2 Viability Results

B-class uses

7.2.1 In line with the Torbay 2013 viability study and other areas of the country, our analysis suggests that for commercial B-class development it is not currently viable to charge a CIL. Whilst there is variance for different types of B-space, essentially none of them generate sufficient value to justify a CIL charge.

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

Table 7.1 Viability of B-class development in Torbay

Use	Town centre office	Business Park	Industrial B8 warehouse
Residual value per sqm	-£776	-£351	-£419

Retail uses

7.2.3 A range of retail scenarios have been tested. These centred on either town centre development (those identified within Local Plan policies SDT2 Torquay town centre and waterfront, SDP2 Paignton town centre and seafront, and SDB2 Brixham town centre and waterfront) or out of centre developments which have been identified as supermarkets, convenience stores and comparison retail stores.

7.2.4 **Superstores and supermarkets**– large scale and small scale supermarkets continues to be one of the best performing sectors in the UK, although we are aware that even this sector is seeing reduced profits. Leases to the main supermarket operators (often with fixed uplifts) command a premium with investment institutions. Although there are some small regional variations on yields, they remain generally strong with investors focussing primarily on the strength of the operator covenant and security of income. We would therefore suggest the evidence base for large out of town centre retail can be approached on a wider region or even national basis when justifying CIL charging. Following our appraisal on this basis, in Torbay we believe there is scope for a significant CIL charge for out of town centre development without affecting viability. In this context we consider the town centres to comprise (based on viability) to be the three main town centres and St Marychurch plus Preston district centre; however it excludes the Willows.

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

7.2.6 The appraisal summary shown in **Table 7.2** is for all out of town centre development. Whilst it can be seen that these different types of out of town centre provision have different levels of viability, it is not possible to set a size threshold for different types of shopping. Therefore it is considered that all types of retail development outside the three town centres in Torbay (as defined by policy) should attract a charge that will be viable for all identified types of retail development. As the provision of very small scale local convenience retailing is likely to either be under the 100 sqm CIL threshold, or not critical to delivery of the plans objectives, it is considered that setting CIL for all out of town centre retail development around that level would not significantly impact on the delivery of the Plan. Although formally designated as a district centre, it will be noted that the Willows Torquay operates as an out of centre retail park.

7.2.7 Although we have not specifically tested out of centre A2-A5 uses it is considered that most of these developments will either be less than 100 sqm or utilise existing floorspace and therefore would not be liable in most circumstances. If larger proposals do come forward which are liable for an out of centre charge then they will be competing with other out of centre development and will attract similar values. Whilst there may be a limited number of larger proposals over the plan period, these have not been identified in the plan. Therefore if they are not viable with a CIL charge, deliverability of the Plan is not put at risk.

Table 7.2 Viability of Out of Centre Retail Uses in Torbay

Use	Supermarket	Smaller Supermarket	Small / local convenience retail	Retail warehouse
Residual value per sqm	£166	£258	-£248	£263

7.2.8 **Town centre -** we have tested town centre retail in the main centres, combining values achieved in Torquay, Paignton and Brixham as these are the main focus for future growth or regeneration. We consider that on a strategic level in Torbay there is little difference between A1-A5 units. It has been suggested elsewhere that development of convenience and supermarket development may attract higher values whether in or out of town centres. If it did come forward there would be significantly higher development costs and land values involved in a town centre development, due to the historical nature and constraints of the centre, as opposed to a cleaner site outside of the town centre and therefore a single retail charge for in centre is appropriate in this circumstance. The residual analysis shows that centres in Torbay are currently unable to support a CIL charge.

Table 7.3 Viability of Torbay's town centre retail

Use	Town centre retail
Residual value per sqm	-£132

Care homes and extra care

7.2.9 We have tested the viability of the care sector. There has been significant private sector investment in care homes in the recent past, fuelled by investment funds seeking new returns. The high level analysis suggests that care homes are unlikely to be viable enough in Torbay.

Table 7.4 Viability of Care Homes Viability in Torbay

Use	Care homes
Residual value per sqm	-£641

Hotel development

7.2.10 We have tested hotel development in the main centres, combining values achieved in Torquay, Paignton and Brixham. The high level analysis suggests that hotels are unlikely to be viable enough in Torbay.

Table 7.5 Viability of Hotel Viability in Torbay

Use	Hotel
Residual value per sqm	-£44

Other non-residential development

7.2.11 In addition to the development considered above there are other non-residential uses that we have considered. PAS guidance suggests that there needs to be evidence that community uses are not able to support CIL charges. Our view is that it would not be helpful to set a CIL for the type of facilities that will be paid for by CIL (amongst other sources).

7.2.12 Our approach to this issue is that the commercial values for community uses are £0 but there are build costs of around £1,800 per sqm plus the range of other development costs; with a net negative residual value. Therefore we recommend a £0 CIL for these uses.

7.3 Summary of Charging CIL on Non-residential Developments

7.3.1 The current Draft Charging Schedule sets CIL charges at:

- £0 for all non-residential developments within Town Centres; Marychurch and Preston District Centres;
- Reduce from £150 to £120 per sqm for Class A1 Retail over 300 sqm everywhere else (including The Willows District Centre);

- £120 per sqm for Retail Warehouse (Bulky non-food retail) everywhere else (including The Willows District Centre).

7.3.2 The update in viability testing shows that the uses looking to be charged CIL in the DCS need to change potentially for Class A1 Retail over 300 sqm. There is enough headroom available to still charge the CIL amount for Retail Warehouse.

7.3.3 The DCS suggests a zero charge applies to all the other forms of non-residential development. This is supported by the update in viability testing in this report. All other non-residential typologies tested show negative values, although, it is important to note that this does not mean that these uses will never come forward in Torbay. Specific business operation plans and bespoke schemes with identified end users, and land owners willing to sell at lower prices, will enable development to come forward in the future.

Appendix A Example Appraisals

Residential

Brixham (2 dwell	Brixham OBA		2 Units				
ITEM							
			Residual Value			Technical Checks:	
Net area (ha)	0.06	Greenfield	Small Greenfield	£1,357,939	per net ha	Sqm/ha	2,971
Stamp Duty	Old					Dwgs/ha	33
						Units/pa	2
	Private	Affordable	Social r	Affordable rent	Intermediate	Starter Homes	GDV=Total costs -
Nr of units	2.00	0.00	0.00	0.00	0.00	0.00	

Ref	Item		No. of units	Size sq.m	Total sq.m	£psm	Total Value
1.0	**Development Value**						
1.1	**Private units**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
1.1.1		Flats (NIA)	0.00	55	0	£2,700	£0
1.1.2		2 bed house	1.28	75	95	£2,700	£257,472
1.1.3		3 bed house	0.06	93	6	£2,700	£15,066
1.1.4		4+ bed house	0.66	117	77	£2,700	£208,692
			2.0		178		
1.2	**Social rent**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
1.2.1		Flats (NIA)	0.00	55	0	£1,080	£0
1.2.2		2 bed house	0.00	75	0	£1,080	£0
1.2.3		3 bed house	0.00	93	0	£1,080	£0
1.2.4		4+ bed house	0.00	117	0	£1,080	£0
			-		-		
1.3	**Affordable rent**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
1.3.1		Flats (NIA)	0.00	55	0	£1,350	£0
1.3.2		2 bed house	0.00	75	0	£1,350	£0
1.3.3		3 bed house	0.00	93	0	£1,350	£0
1.3.4		4+ bed house	0.00	117	0	£1,350	£0
			-		-		
1.4	**Intermediate**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
1.4.1		Flats (NIA)	0.00	55	0	£1,755	£0
1.4.2		2 bed house	0.00	75	0	£1,755	£0
1.4.3		3 bed house	0.00	93	0	£1,755	£0
1.4.4		4+ bed house	0.00	117	0	£1,755	£0
			-		-		
1.5	**Starter Homes**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
1.5.1		Flats (NIA)	0.00	55	0	£2,160	£0
1.5.2		2 bed house	0.00	75	0	£2,160	£0
1.5.3		3 bed house	0.00	93	0	£2,160	£0
1.5.4		4+ bed house	0.00	117	0	£2,160	£0
			-		-		
	Gross Development value						**£481,230**
2.0	**Developer's Profit**						
2.1	Private units			20.0%	on OM GDV		£96,246
2.2	Affordable units			6%	on AH transfer values		£0
	Total Developer's Profit						**£96,246**
3.0	**Development Costs**						
3.1	**Sale cost**						
3.1.1	Private units only			3.00%	on OM GDV		£14,437
							£14,437
3.2	**Build Costs**						
3.2.1	**Private units**		**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
3.2.1.1		Flats (GIA)	0.00	55	0	£1,163	£0
3.2.1.2		2 bed house	1.28	75	95	£1,216	£115,925.97
3.2.1.3		3 bed house	0.06	93	6	£1,216	£6,783.42
3.2.1.4		4+ bed house	0.66	117	77	£1,216	£93,962.93
			2		178		
3.2.2	**Affordable units**		**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
3.2.2.1		Flats (GIA)	0.00	55	0	£1,163	£0.00
3.2.2.2		2 bed house	0.00	75	0	£1,216	£0.00
3.2.2.3		3 bed house	0.00	93	0	£1,216	£0.00
3.2.2.4		4+ bed house	0.00	117	0	£1,216	£0.00
			-		-		
3.2.3	**Extra-over BR2013**			£0	per unit		£0
	Total build costs		**2**				**£216,672**
3.3	**Extra over construction costs**						
3.3.1	Externals			10%	extra-over on build cost		£21,667.23
3.3.2	Site abnormals (remediation/demolition)			£0	per net ha		£0
3.3.3	Site opening up costs			£5,000	per unit		£10,000
	Total extra over construction costs						**£31,667**
3.4	**Professional Fees**						
3.4.1	on build costs (incl: externals)			8%			£19,067
	Total professional fees						**£19,067**
3.5	**Contingency**						
3.5.1	on build costs (incl: externals)			4%			£9,534
	Total contingency						**£9,534**
3.6	**Developer contributions**						
3.6.1	Cat 2			£0	per house		£0
3.6.2	Cat 2			£0	per flat		£0
3.6.3	Cat 3			£0	per house		£0
3.6.4	Cat 3			£0	per flat		£0
3.6.5	Lifetime homes			£0	per unit		£0
3.6.6	CSH Level 4			0.0%	build cost		£0
3.6.7	CIL			£0	per sqm		£0
3.6.8	S106/S278/AH contribution			£0	per unit		£0
3.6.9	-			£0	-		
	Total developer contributions						**£0**
	TOTAL DEVELOPMENT COSTS						**£291,377**
4.0	**Site Acquisition**						
4.1	Net site value (residual land value)						£81,476
4.2	Stamp Duty						£0 £0
4.3	Purchaser costs			1.75%	on land costs		£1,426
	Total site costs						**£82,902**
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£470,525**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£10,705
5.0	**Finance Costs**						
				APR		PCM	
5.1	Finance			6.50%	on net costs	0.526%	-£10,705
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						**£481,230**

This appraisal has been prepared by Peter Brett Associates for the Council. The appraisal has been prepared in line with the RICS valuation guidance. The purpose of the appraisal is to inform the Council about the impact of planning policy has on viability at a strategic level. This appraisal is not a formal 'Red Book' (RICS Valuation – Professional Standards January 2014) valuation and should not be relied upon as such.

Non-residential

	1: Town centre office						
ITEM							
Net Site Area	0.05	**Residual value** -£11,133,243.17 **per ha**					
1.0	**Development Value**						
		No. of units	**Size sq.m**	**Rent**	**Yield**	**Value per unit**	**Capital Value**
1.1	1: Town centre office	1	720	100	7.78%	£925,450	£925,449.87
						Rent free period	**Adjusted for rent free**
					No. of months	0	£925,450
	Total development value						**£925,450**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site value (residual land value)						-£593,773
			Purchaser costs				1.75%
							-£604,164.00
2.2	**Build Costs**						
		No. of units	**Size sq.m**	**Cost per sq.m**			**Total Costs**
2.2.1	1: Town centre office	1	800	£1,343			£1,074,400
							£1,074,400
2.3	**Externals**						
2.3.1	external works as a percentage of build costs		10.0%				£107,440
							£107,440
2.4	**Professional Fees**						
2.4.1	as percentage of build costs & externals		10%				£118,184
							£118,184
2.5	**Total construction costs**						**£1,300,024**
3.0	**Contingency**						
3.1.1	as a percentage of total construction costs		5%				£65,001.20
							£65,001
	TOTAL DEVELOPMENT COSTS (including land payment)						**£760,861**
4.0	**Developers' Profit**						
			Rate				
4.1	as percentage of total development costs		20%				£152,172
							£152,172
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£913,033**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£12,416
5.00	**Finance Costs**		APR			PCM	
			7.00%			0.565%	-£12,416
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£925,450

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Appendix B New Residential Properties on the Market at November 2015

Broad location	Asking price	Dwelling type	No. of beds	Size (sqm)	Price Per sqm
Brixham	£365,000	Semi-Detached	4	177	£2,062
Brixham	£329,950	Terraced	3	142	£2,323
Brixham	£324,950	Terraced	3	142	£2,288
Paignton	£276,950	Detached	4	90	£3,077
Paignton	£269,995	Terraced	3	79	£3,417
Paignton	£255,000	Detached	3	79	£3,227
Paignton	£244,995	Town House	3	81	£3,025
Paignton	£239,995	Terraced	3	78	£3,077
Paignton	£239,950	Semi-Detached	3	75	£4,209
Paignton	£214,950	Terraced	3	81	£2,654
Paignton	£209,950	Terraced	3	81	£2,592
Paignton	£199,950	Terraced	3	81	£2,468
Paignton	£198,950	Terraced	2	61	£3,261
Torquay	£179,995	Flat	2	46	£3,913
Torquay	£119,950	Flat	2	74	£1,621

Appendix C Non-residential Value Data

Research on High Street retail

Scheme	Location	Size (sqm)	Rent (p.a.) per sqm
24 Union Street	Torquay	146	£215
Co-op 25 Walnut Road	Torquay	162	£108
Café Nero 45 Fleet Street	Torquay	152	£194
49 Union Street	Torquay	249	£192
71 Union Street	Torquay	211	£172
Monsoon 75 Union Street	Torquay	145	£310
7/9 Victoria Street	Paignton	131	£259
54 Victoria Street	Paignton	136	£183
63 Union Street	Torquay	170	£266
Lincombe Court	Torquay	347	£98
Fleet Walk Shopping Centre, Unit 20, 3 The Gallery	Torquay	132	£204
8 The Quay	Dartmouth	53	£471
Fleet Walk Shopping Centre, Unit 23, 6 The Gallery	Torquay	119	£141
235 Torquay Road	Paignton	205	£76
Unit 4 Tor Hill House	Torquay	59	£128
5 Palk Street	Torquay	53	£141
Fore Street	Brixham	160	£112
33 Torquay Road	Paignton	54	£148
Fore Street	Toquay	37	£175
31 Fleet Street	Torquay	54	£185
Ground, 105 Union Street	Torquay	62	£233
6-7 Victoria Parade	Torquay	232	£151
14 Market Street	Torquay	309	£120
Food and Coffee House, 21 Ilsham Road	Torquay	115	£96

Research on Supermarkets

Store Operator	Location	Rent (sqm)	Yield	New store	Date
Morrisons	South Shields	£137	5.25%	N	Jun-10
Waitrose	Rickmansworth	£211	4%	N	Oct-10
M&S Simply Food	Maldon	£197	5.58%	N	Jun-08
Waitrose	Hornchurch, London	£186	4.43%	N	Unknown
Sainsbury's	Tooting	£253	4.50%	Y	Mar-11
Tesco	Welling High St, Bexley	£232	4.75%	Y	Nov-10
Waitrose	Clerkenwell, London	£226	4.20%	Y	Nov-09
ASDA	Bangor	£204	5%	Y	Jun-11
Tesco Extra	Coventry	£168	4.11%	N	Unknown
Waitrose	Crowborough	£192	5.04%	N	Unknown
Tesco Metro	London N7	£193	5.25%	N	Unknown
Sainsbury's	Londonderry	£167	5.36%	N	Unknown
Waitrose	Wantage	£172	4.50%	N	Unknown
Tesco	Wembley	£317	5.50%	Y	Sep-12
Tesco	Congleton	-	4.90%	Y	Jun-12
Tesco	Glastonbury	-	4.50%	Y	Apr-12
Tesco	St Ives	-	4.90%	Y	Jan-12
Tesco	Tiptree	£236	4.90%	Y	Jan-12
Tesco	Cross Point, Coventry	-	4.57%	Y	Sep-11
Tesco	Keynsham	-	4.96%	Y	Aug-11
Tesco	Ruthin	£161	4.96%	Y	Aug-11
Tesco	Welling	-	5%	Y	Jul-11
Tesco	Cardiff	-	4.50%	N	Feb-11
Tesco Investment	Chatteris	-	5%	Y	Sep-12

Tesco Investment	Gosport	£215	5%	Y	Apr-12
Tesco Investment	Corby	£215	4.60%	Y	Oct-11
Tesco Investment	Welling High St, Bexley	£232	4.75%	Y	Jun-11
Sainsbury's	Putney	£273	4%	N	Current
Tesco	Perth	£212	4.35%	N	Aug-13
Sainsbury's	Sale	£242	4.10%	N	Aug-13
Sainsbury's	Hythe	£226	4.10%	Y	Aug-03
Sainsbury's	Ashford	£248	4.10%	Y	Aug-13
Morrisons	Milton Keynes	£242	4.25%	Y	Jul-13
Morrisons	Edgware Road, London	£286	4.60%	Y	Jan-13
Sainsbury's	Harrow Manor Way, London	£237	4.50%	Y	Jan-13
Sainsbury's	March	£194	4.76%	N	Jul-13
Morrisons	Aldershot	£224	4.25%	Y	Apr-13
Sainsbury's	Hayes	£331	4.19%	Y	Apr-13
Tesco	Oldham	£181	5.28%	N	Current
ASDA	Torquay	£248		N	Nov - 11

Research on Smaller Supermarkets (rents)

Broad Location	Tenant	Achieved rent per sqm	Transaction date
Cheshire	Aldi Stores Ltd	£137	2013
West Midlands	Aldi Ltd	£147	2013
Merseyside	Aldi	£152	2011
London	Lidl Ltd	£161	2008
West Midlands	Iceland Foods Plc	£161	2008
Nottinghamshire	ALDI, Inc.	£171	2006

Suffolk	ALDI, Inc.	£175	2013
Cheshire	Aldi Stores Ltd	£191	2009
Essex	Lidl Ltd	£191	2008
London	Lidl Ltd	£279	2010
Torbay	Iceland Foods Plc	£310	2008

Research on Smaller Supermarkets (yields)

Broad Location	Tenant	Yield (%)	Transaction date
Lancashire	Aldi Stores Ltd	6.25	2009
Not Disclosed	Lidl Ltd,	6.5	2010
Co Durham	Lidl UK Properties GmbH,	7.46	2010
Middlesex	Lidl Ltd	4.15	2009
London	Lidl (UK) GMBH	5.5	2006
Staffordshire	n/a	5.2	2005
West Glamorgan	Lidl Ltd	5.76	2005
Avon	n/a	5.75	2005

Research on Small, Local Convenience Retailers – no data available

Research on Town Centre Offices

Type	Scheme	Location	Size (sqm)	Rent (p.a.) per sqm
Office	Fore street	Totnes	269	£65
Office	Paignton Library Hub, Great Western Road	Paignton	47	£106
Office	Former Tourist Information Centre	Paignton	36	£139
Office	Union House (Yield 6.1%)	Torquay	3,735	£123
Office	Office 9 Vaughan Parade Business Centre	Torquay	104	£63
Office	1st Floor, 7 Dartmouth Road	Paignton	240	£42

Office	147 Lymington Road	Torquay	60	£125
Office	7 Ilsham Road (6.58% Yield)	Torquay	165	£105
Office	10a Fleet Street	Torquay	91	£66
Office	Regal House	Torquay	1,746	£136

Research on Business Park Offices

Type	Scheme	Location	Size (sqm)	Rent (p.a.) per sqm
Office	Paignton Enterprise Centre, Bishops Place	Paignton	312	£98
Office	Paignton Enterprise Centre, Bishops Place	Paignton	55	£153
Office	Paignton Enterprise Centre, Bishops Place	Paignton	60	£152
Office	Paignton Enterprise Centre, Bishops Place	Paignton	47	£153
Office	1st Floor Parkfield House	Torquay	76	£105
Office	Unit 7 Old Woods Trading Estate	Torquay	136	£74
Office	Tormohun House	Torquay	109	£183
Office	Unit 4a Aspen Way	Paignton	360	£64

Research on Industrial Units

Type	Scheme	Location	Size (sqm)	Rent (p.a.) per sqm
Industrial	Northfields Industrial Estate	Brixham	464	£65
Industrial	Northfields Industrial Estate	Brixham	92	£71
Industrial	Unit 1 Industrial Units	Torquay	539	£49
Industrial	Unit 15 Trojan Industrial Estate	Paignton	88	£95
Industrial	Unit 5 Barton Road Industrial Units	Torquay	190	£37
Industrial	Unit 4 Trojan Industrial Estate	Paignton	178	£67

Industrial	Unit 8 Yalberton Tor Industrial Estate	Paignton	223	£40
Industrial	Unit 29-30 Northfields Industrial Estate	Brixham	130	£74
Industrial	Unit 5 Aller Vale Buildings	Newton Abbot	224	£36
Industrial	Unit 3 Whitehill Industrial Estate	Torquay	372	£16
Industrial	Unit 3 Longpark	Torquay	428	£23
Industrial	Unit 10 Yalberton Industrial Estate	Paignton	117	£64
Industrial	Unit 2 Longpark	Torquay	206	£44
Industrial	2 Bath Lane	Torquay	28	£158
Industrial	Torre Station Yard	Torquay	521	£24
Industrial	Unit 4 Trojan Industrial Estate	Paignton	178	£67
Industrial	Unit 3 Yalberton Industrial Estate	Paignton	186	£38
Industrial	Unit 6 Yalberton Industrial Estate	Paignton	109	£65
Industrial	Unit 3 Yalberton Industrial Estate	Paignton	90	£78
Industrial	Unit C5, Broomhill Industrial Estate	Torquay	280	£71
Industrial	104 Barton Road	Torquay	335	£51
Industrial	Unit 17 Yalberton Industrial Estate	Paignton	195	£56
Industrial	Unit 21 Yalberton Industrial Estate	Paignton	321	£54
Industrial	Unit 1 Maypool Building	Brixham	110	£70
Industrial	Unit 6 Moorview Industrial Units	Paignton	204	£64
Industrial	Unit 2, 104 Barton Road	Torquay	148	£71
Industrial	Unit 6 Marble Court Business Park	Torquay	95	£74
Industrial	Unit 4 Aller Vale Buildings	Newton Abbot	313	£27
Industrial	Unit 2 Yalberton Industrial Estate	Paignton	386	£51
Industrial	Unit F Broomhill Industrial Estate	Torquay	958	£35
Industrial	Unit 10 Brixham Enterprise Estate	Brixham	125	£76
Industrial	Unit 10 Trojan Industrial Estate	Paignton	88	£74
Industrial	Unit 3 Whitehall Industrial Estate	Torquay	186	£22

Industrial	Unit 14 Chatto Way Industrial Estate	Torquay	298	£40
Industrial	240-246 Torquay Road	Paignton	297	£40
Industrial	Units 2-3 Daison Business Units	Torquay	325	£65
Industrial	Unit 12 Yalberton Industrial Estate	Paignton	177	£40
Industrial	Unit 17 Yalberton industrial Estate	Paignton	202	£37
Industrial	Unit 2 Parkfield Units	Torquay	296	£51
Industrial	Unit A Westfield Business Park	Paignton	1,123	£75
Industrial	Unit 2 Whitehill Industrial Estate	Torquay	1,624	£31
Industrial	Rear Aspen Way One	Paignton	1,263	£34
Industrial	Unit 2 Coventry Farm	Torquay	111	£59
Industrial	Unit 32 Torbay Business Park	Paignton	260	£62
Industrial	Unit 18 Torbay Business Park	Paignton	355	£58
Industrial	Unit 19 Torbay Business Park	Paignton	322	£58
Industrial	Unit 1G & 2G Westfield Business Park	Paignton	748	£46
Industrial	Unit 8 Torbay Business Park	Paignton	407	£59
Industrial	Grasmere Garage	Torquay	154	£78
Industrial	Unit 7 Chatto Way	Torquay	91	£77
Industrial	Unit 4 Townstall Industrial Estate	Dartmouth	167	£17
Industrial	Nightingale House	Paignton	1,185	£46

Research on Retail Parks

Type	Scheme	Location	Size (sqm)	Rent (p.a.) per sqm
Retail	Unit 5 Babbacombe Road	Torquay	123	£73
Retail	Unit 6 Babbacombe Road	Torquay	123	£73
Retail	Unit 3 Babbacombe Road	Torquay	123	£75
Retail	Unit 2 Former Reed of Torbay	Torquay	2,553	£254

Retail	Wren Retail Park	Torquay	1,139	£377
Retail	Focus (6.8% yield)	Paignton	2,216	£190
Retail	The Range (7.38% yield)	Torquay	3,187	£92
Retail	Regents House (5.96% yield)	Torquay	3,057	£134

Appendix D Glossary

Affordable Housing

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

Affordable Rent

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

Allocated

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

Brownfield Land, Brownfield Site

Land or site that has been subject to previous development

Charging Authority

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

Charging Schedule

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

Code for Sustainable Homes

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

Convenience Goods

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

Comparison Goods

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

Development

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

Infrastructure

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

Headroom

The residual value from development after deducting development costs, including profit and land value, from the gross development value.

Intermediate Housing

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

Low Carbon

To minimise carbon dioxide emissions from a human activity

New Homes Bonus

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

Planning Obligations

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

Renewable Energy

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

Residual Land Value

The amount remaining once the gross development cost of a scheme is deducted from its gross development value and an appropriate return has been deducted

Rural exception sites

Small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Small numbers of market homes may be allowed at the local authority's discretion, for example where essential to enable the delivery of affordable units without grant funding.

Section 106 (S106) Contributions

See Planning Obligations

Social Rent

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

Threshold land value

Landowners have an important role in deciding whether a project goes ahead on the basis of return from the value of their land. The threshold land value, or the benchmark land value, refers to the minimum value of the land that is likely to trigger the land owner to sell the land.

Use Classes and 'Use'

The Town and Country Planning (Use Classes) Order, 1987, a statutory order made under planning legislation, which groups land uses into different categories (called use classes). Change of within a use class and some changes between classes do not require planning permission. Please note that the definition of 'use' within the CIL regulations is meant in its wider sense and not in terms of the use classes e.g. whilst a supermarket and a shop selling clothes are the same use in terms of the use class system i.e. A1 – they are clearly a different use in terms of the CIL regulations as a store selling only clothes is different from a store selling predominantly food.