Local Plan Viability Update

October 2023

Planning &
Development

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1. Introduction

Scope

1.1 Dacorum Borough Council (DBC / the Council) is currently preparing a new Local Plan for the Borough, which will cover the period from 2020-2038. This Local Plan Viability Update has been commissioned to support the review of the Local Plan. The purpose of this update is to form part of the evidence base for:

a. Regulation 18 consultation on changes to the proposed strategy of the Local Plan; and

b. Publication of the Local Plan (i.e. Regulation 19), taking account of any revisions made since the previous consultation.

1.2 As part of its preparation, the new Local Plan Review needs to be tested to ensure the planned development is deliverable in line with the tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) and the revised Community Infrastructure Levy Regulations. This viability work is being undertaken to inform the development of policy and explore the impact on the economics of development, of the options that are under consideration.

1.3 This viability assessment builds on the Council's existing viability work, specifically the following studies:

a. SHLAA Viability Study (an appendix to the SHLAA) (HDH, February 2016).

b. Site Assessment Study – Viability (an appendix to the study) (HDH, December 2019).

c. Interim Affordable Housing SPD – Viability Assessment (HDH, November 2022).

1.4 Whilst this report builds on the Council's existing viability evidence, it takes a step back to build the evidence from first principles. The methodology used, and the key assumptions adopted are set out. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

1.5 A technical consultation was conducted in May and June 2023. Representatives of the main developers, development site landowners, their agents, planning agents and consultants working in the area and housing associations, and other key stakeholders, were invited to comment on an early draft of this report. This report was then completed, having regard to the consultation comments. The completion of this report was delayed due to the May 2023 local elections.

1.6 The methodology used in this report is consistent with the updated NPPF, the CIL Regulations (as amended) and the updated PPG. In the autumn of 2020, the Government published *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. The implications in relation to viability are set out in Chapter 2 below, but are not material to this report.

1.7 In December 2022, the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. These changes will have a significant impact on the overall plan-making process, but they do not alter the place of viability in the current Local Plan process. The Bill includes reference to a new national Infrastructure Levy that would be set, having regard to viability, and makes reference to the *Infrastructure Levy Regulations*.

1.8 In March 2023, the Department for Levelling Up Housing & Communities published *Open consultation, Technical consultation on the Infrastructure Levy (*published 17 March 2023) to seek views on technical aspects of the design of the Infrastructure Levy. Under the proposals set out in the consultation, CIL and the delivery of affordable housing would be combined into a single Infrastructure Levy, which would be calculated as a proportion of a scheme's value. This is considered further in Chapter 2 below.

Report Structure

1.9 This report follows the following format:

Chapter 2 The reasons for, and approach to viability testing, including a review of the requirements of the NPPF, the CIL Regulations, and updated PPG.

Chapter 3 The methodology used.

Chapter 4 An assessment of the housing market, including market and affordable housing, with the purpose of establishing the worth of different types of housing in different areas.

Chapter 5 An assessment of the non-residential market.

Chapter 6 An assessment of the costs of land to be used when assessing viability.

Chapter 7 The cost and general development assumptions to be used in the development appraisals.

Chapter 8 A summary of the various policy requirements and constraints that impact on viability and influence the type of development that come forward.

Chapter 9 A summary of the range of modelled sites used for the financial development appraisals.

Chapter 10 The results of the appraisals and consideration of residential development.

Chapter 11 The results of the appraisals and consideration of non-residential development.

Chapter 12 Conclusions in relation to the deliverability of development.

HDH Planning & Development Ltd (HDH)

1.10 HDH is a specialist planning consultancy providing evidence to support planning and housing authorities. The firm's main areas of expertise are:

a. District wide and site-specific viability analysis.

b. Community Infrastructure Levy.

c. Housing Market Assessments.

1.11 The findings contained in this report are based upon information from various sources including that provided by the Council and by others, upon the assumption that all relevant information has been provided. This information has not been independently verified by HDH. The conclusions and recommendations contained in this report are concerned with policy requirements, guidance and regulations which may be subject to change. They reflect a Chartered Surveyor's perspective and do not reflect or constitute legal advice.

Caveat and Material Uncertainty

1.12 The RICS withdrew the formal advice in relation to uncertainty as a result of the COVID-19 pandemic, last year (March 2022). It is still important to note the uncertainty in the current development markets. Whilst impact from the pandemic continues to impact on the global economy. The development sectors continue to be faced with uncertainty around world trade and the ongoing war in Ukraine, with the impact on energy costs and inflationary pressures in the economy. Consequently, this assessment of viability is less certain, so a higher degree of caution should be attached to these findings than would normally be the case.

1.13 For the avoidance of doubt this does not mean that the report cannot be relied upon. Rather, this note has been included to ensure transparency and to provide further insight as to the market context under which the report was prepared. In recognition of the market conditions, the importance of keeping the findings under review is highlighted, as the plan-making process continues. It is recommend that the Council keeps the assessment under review.

Compliance

1.14 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principal pieces of relevant guidance being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)* and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021).

1.15 *Financial viability in planning: conduct and reporting. 1st edition, May 2019* includes mandatory requirements for RICS members and RICS-regulated firms. HDH confirms that these have been followed in full.

a. HDH confirms that in preparing this report the firm has acted with objectivity, impartially and without interference and with reference to all appropriate available sources of information.

b. HDH has followed a collaborative approach involving the LPA, developers, landowners and other interested parties.

c. The instructions under which this project is undertaken is included as **Appendix 1** of this report.

d. HDH confirms it has no conflicts of interest in undertaking this project. HDH confirms that, in preparing this report, no performance-related or contingent fees have been agreed.

e. The presumption is that a viability assessment should be published in full. HDH has prepared this report on the assumption that it will be published in full.

f. HDH confirms that a non-technical summary has been provided (in the form of Chapter 12). Viability in the plan-making process is a technical exercise that is undertaken specifically to demonstrate compliance (or otherwise) with the NPPF and PPG. It is recommended that this report only be published and read in full.

g. HDH confirms that adequate time has been allowed to allow engagement with stakeholders through this project.

h. This assessment includes appropriate sensitivity testing in Chapters 10 and 11. This includes the effect of different tenures, different affordable housing requirements against different levels of developer contributions, and the impact of price and cost change.

1.16 The Guidance includes a requirement that, '*all contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, must comply with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm*'. Much of the information that informed this viability assessment was provided by the Council or its consultants. This information was not provided in a subcontractor role and, in accordance with HDH's instructions, this information has not been challenged nor independently verified.

Metric or Imperial

1.17 The property industry uses both imperial and metric data – often working out costings in metric (£ per sqm) and values in imperial (£/acre and £ per sqft). This is confusing so metric measurements are used throughout this report. The following conversion rates may assist readers.

1m	=	3.28ft (3' and 3.37")	1ft	=	0.30m
1sqm	=	10.76 sqft	1sqft	=	0.0929 sqm
1ha	=	2.471acres	1acre	=	0.405ha

1.18 A useful broad rule of thumb to convert sqm to sqft is simply to add a final zero.

2. Viability Testing

2.1 Viability testing is a core part of the planning process. The requirement to assess viability forms part of the National Planning Policy Framework (NPPF) and the Community Infrastructure Levy (CIL) Regulations. In each case the requirement is slightly different, but they have much in common.

National Planning Policy Framework

2.2 Paragraph 34 of the NPPF says that Plans should set out what development is expected to provide, and that the requirement should not be so high as to undermine the delivery of the Plan.

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

2.3 As in the 2012 NPPF (and 2018 NPPF), viability remains an important part of the plan-making process. The NPPF does not include detail on the viability process, rather stresses the importance of viability. The changes, made in July 2021, do touch on matters where viability will be a factor:

> *Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure. Where larger scale developments such as new settlements or significant extensions to existing villages and towns form part of the strategy for the area, policies should be set within a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery.*
>
> *NPPF, Paragraph 22*
>
> *To ensure faster delivery of other public service infrastructure such as further education colleges, hospitals and criminal justice accommodation, local planning authorities should also work proactively and positively with promoters, delivery partners and statutory bodies to plan for required facilities and resolve key planning issues before applications are submitted.*
>
> *NPPF, Paragraph 96*

2.4 The Council is planning to allocate strategic sites, and these are subject to high level testing in this report. As the plan-making process continues, it will be necessary for the Council to engage further with the promoters of the potential strategic sites and service and infrastructure providers.

2.5 The NPPF does not include detail on the viability process, rather stresses the importance of viability. The main change is a shift of viability testing from the development management stage to the plan-making stage.

> *Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the*

viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

NPPF Paragraph 58

2.6 Consideration has been made to the updated PPG (see below). This viability assessment will become the reference point for viability assessments submitted through the development management process in the future.

2.7 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the NPPF which includes an updated definition:

> ***Deliverable**: To be considered deliverable, sites for housing 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. In particular:*
>
> *a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).*
>
> *b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.*

NPPF Glossary

2.8 Under the heading *Identifying land for homes*, the importance of viability is highlighted:

> *Strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability. Planning policies should identify a supply of:*
>
> *a) specific, deliverable sites for years one to five of the plan period[32]; and*
>
> *b) specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.*

NPPF Paragraph 68

2.9 Under the heading *Making effective use of land*, viability forms part of ensuring land is suitable for development:

> *Local planning authorities, and other plan-making bodies, should take a proactive role in identifying and helping to bring forward land that may be suitable for meeting development needs, including suitable sites on brownfield registers or held in public ownership, using the full range of powers available to them. This should include identifying opportunities to facilitate land assembly, supported where necessary by compulsory purchase powers, where this can help to bring more land forward for meeting development needs and/or secure better development outcomes.*

NPPF Paragraph 121

2.10 In December 2022 the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. Whilst these changes may have a significant impact on the overall plan-making process, they do not alter the place of viability in the current Local Plan process. It will be necessary for the Council to monitor the progress of the updated NPPF.

2.11 The NPPF does not include technical guidance on undertaking viability work. This is included within the Planning Practice Guidance (PPG).

Planning Practice Guidance

2.12 The viability sections of the PPG (Chapter 10) were rewritten in 2018, and then subsequently further updated in 2019. The changes provide clarity and confirm best practice, rather than prescribe an approach or methodology. Having said this, the underlying emphasis of viability testing has changed. The, now superseded, requirements for viability testing were set out in paragraphs 173 and 174 of the 2012 NPPF which said:

> *173 ... 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.*
>
> *174 ... the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle...*

2.13 The test was whether or not the policy requirements were so high that development was threatened. Paragraphs 10-009-20190509 and 10-010-20180724 change this:

> *... ensure policy compliance and optimal public benefits through economic cycles...*
>
> *PPG 10-009-20190509*
>
> *... and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*
>
> *PPG 10-010-20180724*

2.14 The purpose of viability testing is now to ensure that '*maximum benefits in the public interest*' has been secured. This is a notable change in emphasis, albeit in the wider context of striking a balance between the aspirations of developers and landowners, in terms of returns against risk.

2.15 The core requirement to consider viability links to paragraph 58 of the NPPF (as quoted above):

> *Plans should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards including the cost implications of the Community Infrastructure Levy (CIL) and planning obligations. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and the total cumulative cost of all relevant policies will not undermine deliverability of the plan.*
>
> *PPG 23b-005-20190315*

2.16 This viability assessment takes a proportionate approach to considering the cumulative impact of policies and planning obligations.

2.17 The PPG includes 4 main sections:

Section 1 - Viability and plan making

2.18 The overall requirement is that:

> *...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106...*
>
> *PPG 10-001-20190509*

2.19 This assessment takes a proportionate approach, building on the Council's existing evidence, and considers all the local and national policies that will apply to new development.

> *Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan. ... Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.*
>
> *PPG 10-002-20190509*

2.20 The policies in the updated Plan are tested individually and cumulatively, to ensure that they are set at a realistic level.

> *It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.*
>
> *PPG 10-002-20190509*

2.21 Consultation has formed part of this assessment.

> *Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.*
>
> *PPG 10-002-20190509*

2.22 A range of levels of policy requirements are tested against a range of levels of developer contributions (see Chapter 10).

> *It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies.*
>
> *PPG 10-002-20190509*

2.23 Consultation forms part of this study. The Council is planning to allocate strategic sites, however, at the time of the pre-consultation iteration of this report, these had not been identified. These have now been identified and are tested. In due course, the Council will engage with the promoters of the potential strategic sites.

2.24 The modelling in this assessment is based on the long list of sites that are being considered for allocation or are likely to come forward over the plan-period. This may be subject to further change so, in due course, it may be necessary to revisit this when the actual preferred allocations have been selected. The purpose of this viability assessment is to ensure the deliverability of the overall Plan.

> *Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.*
>
> *PPG 10-003-20180724*

2.25 This study is based on typologies[1] that have been developed by having regard to the potential development sites that are most likely to be identified through the Local Plan Review. In addition, the potential strategic sites, are tested, so as to inform a decision as to whether or not they are to be included in the Plan.

> *Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Plan makers may wish to consider different potential policy requirements and assess the viability impacts of these. Plan makers can then come to a view on what might be an appropriate benchmark land value and policy requirement for each typology.*
>
> *PPG 10-004-20190509*

2.26 This study draws on a wide range of data sources as set out through this report.

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

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[1] The PPG provides further detail at 10-004-20190509:

> *A typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.*
>
> *In following this process plan makers can first group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan.*

> *Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.*
>
> *PPG 10-005-20180724*

2.27 For the purpose of this viability assessment, strategic sites are those being considered for allocation, and if they were allocated would be considered key sites on which the delivery of the Plan may rely.

> *Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.*
>
> *It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.*
>
> *PPG 10-006-20190509*

2.28 Consultation has formed part of the preparation of this assessment. It specifically considers the total cumulative cost of all relevant policies (local and national).

Section 2 - Viability and decision taking

2.29 It is beyond the scope of this assessment to consider viability in decision making. This study will form the starting point for future development management consideration of viability.

Section 3 - Standardised inputs to viability assessment

2.30 The general principles of viability testing are set out under paragraph 10-010-20180724 of the PPG.

> *Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return. ...*
>
> *... Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.*
>
> *In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*
>
> *PPG 10-010-20180724*

2.31 This report sets out the approach, methodology and assumptions used. These have been subject to consultation and have drawn on a range of data sources. Ultimately, the Council will use this report to judge the appropriateness of the new policies in the Local Plan Review and the deliverability of the allocations.

> *Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.*
>
> *For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.*
>
> *PPG 10-011-20180724*

2.32 The residential values have been established using data from the Land Registry and other sources. These have been averaged as suggested. Non-residential values have been derived though consideration of capitalised rents as well as sales.

2.33 PPG paragraph 10-012-20180724 lists a range of costs to be taken into account.

- *build costs based on appropriate data, for example that of the Building Cost Information Service*
- *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*
- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
- *general finance costs including those incurred through loans*
- *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*
- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return*

2.34 All these costs are taken into account.

2.35 The PPG then sets out how land values should be considered, confirming the use of the Existing Use Value Plus (EUV+) approach.

> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner*

> *to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).*
>
> *PPG 10-013-20190509*

2.36 The PPG goes on to set out the use of Benchmark Land Values (BLV) and how these should be derived:

> *<u>Benchmark land value should:</u>*
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*
> - *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*
>
> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*
>
> *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*
>
> *In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.*
>
> *PPG 10-014-20190509*

2.37 The approach adopted in this study is to start with the EUV. The 'plus' element is informed by the price paid for policy compliant schemes, feedback through the consultation process, and experience elsewhere, to ensure an appropriate landowners' premium.

> *Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).*
>
> *Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.*
>
> *PPG 10-015-20190509*

2.38 This report applies this methodology to establish the EUV.

2.39 The PPG sets out an approach to derive the developers' return:

> *Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.*
>
> *For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.*
>
> *PPG 10-018-20190509*

2.40 As set out in Chapter 7 below, this approach is followed.

Section 4 - Accountability

2.41 This section of the PPG sets out requirements on reporting. These are covered, by the Council, outside this report.

2.42 In line with paragraph 10-020-20180724 of the PPG that says that '*practitioners should ensure that the findings of a viability assessment are presented clearly. An executive summary should be used to set out key findings of a viability assessment in a clear way*'. Chapter 12 of this report is written as a standalone non-technical summary that brings the evidence together.

Community Infrastructure Levy Regulations and Guidance

2.43 The Council has adopted CIL, and this study includes consideration as to whether or not there is scope to formally review CIL. In any event, the CIL Regulations are broad, so it is necessary to have regard to them and the CIL Guidance (which is contained within the PPG) when undertaking any plan-wide viability assessment and considering the deliverability of development. The CIL Regulations came into effect in April 2010 and have been subject to subsequent amendment[2].

[2] **SI 2010 No. 948**. The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010.* **SI 2011 No. 987**. The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2011.* **SI 2011 No. 2918**. The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011.* **SI 2012 No. 2975**. The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012.* **SI 2013 No. 982**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013.* **SI 2014 No. 385**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th February 2014, Coming into force 24th February 2014.* **S1 2015 No. 836**. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2015. *Made 20th March 2015*. **SI 2018 No. 172** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES. The Community Infrastructure Levy (Amendment) Regulations 2018. Made 8th February 2018. Coming into force in accordance with regulation 1. **SI**

2.44 From April 2015, councils were restricted in pooling s106 contributions from more than five developments[3] (where the obligation in the s106 agreement / undertaking is a reason for granting consent). The CIL Regulations were amended from September 2019 lifting these restrictions, however payments requested under the s106 regime must still be (as set out in CIL Regulation 122):

a. necessary to make the development acceptable in planning terms;

b. directly related to the development; and

c. fairly and reasonably related in scale and kind to the development.

2.45 As set out at the start of this report, in December 2022, the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. The Bill includes reference to a new national Infrastructure Levy to replace CIL and reform the current developer contribution system. The limited information available suggests that the new Infrastructure Levy would be set having regard to viability, and makes reference to the *Infrastructure Levy Regulations*. It will be necessary for the Council to monitor the progress of the Bill and to review this report when the Regulations are published.

Wider Changes Impacting on Viability

2.46 There have been a number of changes at a national level that it is timely to highlight as they need to be reflected in this update.

Affordable Housing Thresholds

2.47 The Council's adopted Plan applies a site size threshold of 11 units when seeking affordable housing. Paragraph 64 of the NPPF now sets out national thresholds for the provision of affordable housing:

> *Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.*

2.48 'Major development' is as set out in the Glossary to the NPPF:

2019 No. 966 COMMUNITY INFRASTRUCTURE LEVY, ENGLAND The Community Infrastructure Levy (Amendment) (England) Regulations 2019. Made - 22nd May 2019. **SI 2019 No. 1103** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) (No. 2) Regulations 2019 *Made 9th July 2019. Coming into Force 1st September 2019*. **SI 2020 No. 781** The Community Infrastructure Levy (Coronavirus) (Amendment) (England) Regulations 2020. *Made 21st July 2020, Coming into force 22nd July 2020*. **SI 2020 No. 1226** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND, The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2020. Made *5th November 2020. Coming into force 16th November 2020*.

[3] CIL Regulations 123(3)

> ***Major development:*** *For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m2 or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.*

2.49 Although parts of the Borough are within a Designated Rural Area, the Council is not currently proposing a lower threshold for developments in this area. A threshold of 10 units is assumed to apply.

Affordable Home Ownership

2.50 The NPPF (paragraph 65) sets out a requirement for a minimum of 10% affordable home ownership units on larger sites.

> *Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*
>
> *a) provides solely for Build to Rent homes;*
>
> *b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
>
> *c) is proposed to be developed by people who wish to build or commission their own homes; or*
>
> *d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.*
>
> *Paragraph 65, NPPF*

2.51 The 10% relates to all the homes on a site. This is assumed to apply.

First Homes

2.52 In May 2021 the Government introduced requirements for First Homes:

> *What is a First Home?*
>
> *First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:*
>
> *a. must be discounted by a minimum of 30% against the market value;*
>
> *b. are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
>
> *c. on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
>
> *d. after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*
>
> *First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*

PPG: 70-001-21210524

2.53 This is assumed to apply. The PPG then provides guidance as to the level of the discount:

> *Can the required minimum discount be changed?*
>
> *In order to qualify as a First Home, a property must be sold at least 30% below the open market value. Therefore, the required minimum discount cannot be below 30%.*
>
> *However, the First Homes Written Ministerial Statement does give local authorities and neighbourhood planning groups the discretion to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this. As part of their plan-making process, local planning authorities should undertake a housing need assessment to take into account the need for a range of housing types and tenures, including various affordable housing tenures (such as First Homes). Specific demographic data is available on open data communities which can be used to inform this process. The assessment will enable an evidence-based planning judgement to be made about the need for a higher minimum discount level in the area, and how it can meet the needs of different demographic and social groups.*
>
> *In such circumstances, the minimum discount level should be fixed at either 40% or 50% below market value and should not be set at any other value. In each case, these percentages represent the minimum discount required for a home to qualify as a First Home. Developers who are able to offer higher discounts within their contributions should be free to do so but the local authority cannot require this. In such cases, whatever discount (as a percentage of market value) is given at the first disposal should be the same at each subsequent sale. These minimum discounts should apply to the entire local plan area (except if Neighbourhood Plans are in place in certain areas) and should not be changed on a site-by-site basis.*
>
> *If local authorities or neighbourhood planning groups choose to revise their required minimum discounts in any future alterations to their plans, this should not affect the minimum discounts required for previously sold First Homes when they come to be resold, as these will be bound by the section 106 agreements entered into at the time of their first sale.*

PPG: 70-004-20210524

2.54 The assessment considers the impact of seeking a 40% or a 50% discount, as well as a 30% discount.

Accessible and Adaptable Standards

2.55 In July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes[4] saying:

> *73. Government proposes that the most appropriate way forward is to mandate the current M4 (2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes – option 2 in the consultation. M4 (1) will apply by exception only, where M4 (2) is impractical and unachievable (as detailed below). Subject to a further consultation on the draft technical details, we will implement this change in due course with a change to building regulations.*

[4] Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK (www.gov.uk)

2.56 The Government will now consult further on the technical changes to the Building Regulations to mandate the higher M4 (2) accessibility standard. No timescale has been announced. This is considered in Chapter 8 below.

Environmental Standards

2.57 The outcome of the Government consultation on 'The Future Homes Standard'[5] was announced during January 2021[6]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The Council is exploring options in this regard, including going further than the minimum national standards sought under Building Regulations. This is considered in Chapter 8 below and a range of options are tested.

2.58 In November 2021, the Government announced that, from 2023, all new homes would be required to include an electric vehicle charging point. This is assumed to apply.

Biodiversity

2.59 The Environment Act received Royal Assent in November 2021, and mandates that new developments must deliver an overall increase in biodiversity. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. Green improvements on-site are preferred (and expected), but in the circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere. This requirement is considered in Chapter 8 below.

White Paper: Planning for the Future (MHCLG, August 2020)

2.60 In 2020, the Government consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. In terms of viability, the two key paragraphs are:

> ***Assessments of housing need, viability and environmental impacts are too complex and opaque****: Land supply decisions are based on projections of household and business 'need' typically over 15- or 20-year periods. These figures are highly contested and do not provide a clear basis for the scale of development to be planned for. Assessments of environmental impacts and viability add complexity and bureaucracy but do not necessarily lead to environ improvements nor ensure sites are brought forward and delivered;*
>
> ***Local Plans should be subject to a single statutory "sustainable development" test****, and unnecessary assessments and requirements that cause delay and challenge in the current system should be abolished. This would mean replacing the existing tests of soundness, updating requirements for assessments (including on the environment and viability) and abolishing the Duty to Cooperate.*

[5] https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

[6] The Future Buildings Standard - GOV.UK (www.gov.uk)

2.61 Pillar Three of the White Paper then goes on to set out options around the requirements for infrastructure and how these may be funded. The key proposals are:

> *Proposal 19: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.*
>
> *Proposal 21: The reformed Infrastructure Levy should deliver affordable housing provision*

2.62 The above suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted. At the time of this report a viability assessment is a requirement.

Fire Safety Standards

2.63 A number of further national consultations have been announced recently. These include proposed changes to Approved Document B, Sprinklers in Care Homes, and Staircases in Residential Buildings. In this context, the National Fire Chiefs Council (NFCC) Single Staircases Policy Position Statement (14 December 2022) is relevant.

2.64 The proposed changes to the regulations around second staircases[7] would apply to buildings of over 30m (about 10 storeys). It is important to note that the Council is not planning for taller buildings of 6 storeys or taller in Hemel Hempstead or elsewhere. These changes follow the 2017 Grenfell Tower fire and would be reflected in the net saleable area assumptions in the modelling (see Chapter 9 below).

2.65 The cost of sprinklers is taken to be £2,000 per unit.

National Model Design Code

2.66 The Government published the *National Model Design Code* as part of the PPG in 2021, when the NPPF was updated:

> *128. To provide maximum clarity about design expectations at an early stage, all local planning authorities should prepare design guides or codes consistent with the principles set out in the National Design Guide and National Model Design Code, and which reflect local character and design preferences. Design guides and codes provide a local framework for creating beautiful and distinctive places with a consistent and high quality standard of design. Their geographic coverage, level of detail and degree of prescription should be tailored to the circumstances and scale of change in each place, and should allow a suitable degree of variety.*
>
> *129. Design guides and codes can be prepared at an area-wide, neighbourhood or site-specific scale, and to carry weight in decision-making should be produced either as part of a plan or as supplementary planning documents. Landowners and developers may contribute to these exercises, but may also choose to prepare design codes in support of a planning application for sites they wish to develop. Whoever prepares them, all guides and codes should be based on effective community engagement and reflect*

[7] Government proposes second staircases to make buildings safer - GOV.UK (www.gov.uk)

local aspirations for the development of their area, taking into account the guidance contained in the National Design Guide and the National Model Design Code. These national documents should be used to guide decisions on applications in the absence of locally produced design guides or design codes.

2.67 The National Design Code does not add to the cost of development in itself. Rather it sets out good practice in a consistent format. It will provide a checklist of design principles to consider for new schemes, including street character, building type and requirements addressing wellbeing and environmental impact. Local authorities can use the code to form their own local design codes.

Queen's Speech 2021 and 2022

2.68 A range of planning reforms were outlined in the papers supporting the 2021 Queen's Speech. For the purpose of this assessment, the key points are as follows:

Planning Bill "Laws to modernise the planning system, so that more homes can be built, will be brought forward…"

The purpose of the Bill is to:

- *Create a simpler, faster and more modern planning system to replace the current one ...*
- *Help deliver vital infrastructure whilst helping to protect and enhance the environment by introducing quicker, simpler frameworks for funding infrastructure and assessing environmental impacts and opportunities.*

The main benefits of the Bill would be:

- *Simpler, faster procedures for producing local development plans, approving major schemes, assessing environmental impacts and negotiating affordable housing and infrastructure contributions from development. ...*

The main elements of the Bill are: ... Replacing the existing systems for funding affordable housing and infrastructure from development with a new more predictable and more transparent levy.

2.69 In summer of 2021, the Ministry of Housing Communities and Local Government was renamed as the Department for Levelling Up, Housing and Communities (DLUHC). The Government's further thinking was set out in the 2022 Queen's Speech which included the following:

"A bill will be brought forward to drive local growth, empowering local leaders to regenerate their areas, and ensuring everyone can share in the United Kingdom's success. The planning system will be reformed to give residents more involvement in local development."

The main benefits of the Bill would be:

- *Laying the foundations for all of England to have the opportunity to benefit from a devolution deal by 2030 – giving local leaders the powers they need to drive real improvement in their communities.*
- *Improving outcomes for our natural environment by introducing a new approach to environmental assessment in our planning system. This benefit of Brexit will mean the environment is further prioritised in planning decisions.*
- *Capturing more of the financial value created by development with a locally set, non-negotiable levy to deliver the infrastructure that communities need, such as housing, schools, GPs and new roads.*

- *Simplifying and standardising the process for local plans so that they are produced more quickly and are easier for communities to influence.*

Levelling-up and Regeneration Bill

2.70 In December 2022 the Government published a draft *Levelling-up and Regeneration Bill*. Whilst these changes will have a significant impact on the overall plan-making process, they do not alter the place of viability in the current Local Plan process. It will be necessary for the Council to monitor the progress of the Bill, and in due course review this report if changes that impact on viability are announced.

2.71 The *Levelling-up and Regeneration Bill* includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* have yet to be published.

Technical consultation on the Infrastructure Levy

2.72 In March 2023, the Department for Levelling-Up Housing & Communities published *Open consultation, Technical consultation on the Infrastructure Levy (Published 17 March 2023)*[8] to seek views on technical aspects of the design of the Infrastructure Levy. The responses will inform the preparation and content of regulations, which will themselves be consulted on, should Parliament grant the necessary powers set out in the Levelling Up and Regeneration Bill.

2.73 The consultation suggests (paragraph 7.11) the levy would be fully rolled out from 2029, but there would be a 'test and learn' roll out starting in 2025.

2.74 Under the proposals set out in the consultation, CIL and the delivery of affordable housing would be combined into a single levy that would be calculated as a proportion of a scheme's value. Affordable housing could be provided on site as an in-kind payment. Under the proposals some aspects of the current s106 regime would remain:

> *1.34 The Levy aims to create a simpler and more consistent system than the current system of CIL and s106. However, paying the Levy may not always be enough to fully mitigate the impact of a development and make it acceptable in planning terms. Indeed, there are some situations where sites have very complex infrastructure needs, which necessitates retaining a negotiated approach to developer contributions. That is why we do not propose to remove s106 agreements altogether.*
>
> *1.35 New Section 204Z1 of the Bill sets out that regulations can provide for how s106 of the Town and Country Planning Act may or may not be used. This power enables s106 planning obligations to be crafted in the new system, to support how infrastructure will be delivered under the Levy. To create a clear distinction over how s106 agreements should be used in different circumstances, we propose creating three distinct routeways for securing developer*

[8] Technical consultation on the Infrastructure Levy - GOV.UK (www.gov.uk)

contributions. How infrastructure is secured and how s106 agreements operate in each routeway will vary, and this will reflect the size and type of site being brought forward.

1.36 The 3 routeways are as follows:

1. *The core Levy routeway*
2. *Infrastructure in-kind routeway*
3. *S106-only routeway*

1.37 An overarching framework for these 'routeways' will be set out in regulations, following further consultation. Based on this framework, the routeway which will apply to a particular kind of site will be set out in the Local Plan.

Technical consultation on the Infrastructure Levy (Published 17 March 2023)

2.75 Through the technical consultation, a landowner[9] noted the importance of testing the impact of the Infrastructure Levy. Having discussed this with the Council, it is agreed that it would be premature to test the Levy. Not only is the relationship with s106 not known, there are many questions that have to be answered before meaningful modelling can be undertaken. Conversely, a housebuilder[10] suggested concentrating on the current planning system, rather than basing analysis on an emerging and unknown system. As set out earlier, it will be necessary for the Council to monitor the progress of the Bill and in due course review this report, as and when the Regulations are published.

Viability Guidance

2.76 There is no specific technical guidance on how to test viability in the NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions[11] that support the methodology HDH has developed. This study follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012[12] (known as the **Harman Guidance**).

2.77 The planning appeal decisions and the HCA good practice publication[13] suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with an inducement to sell.

[9] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

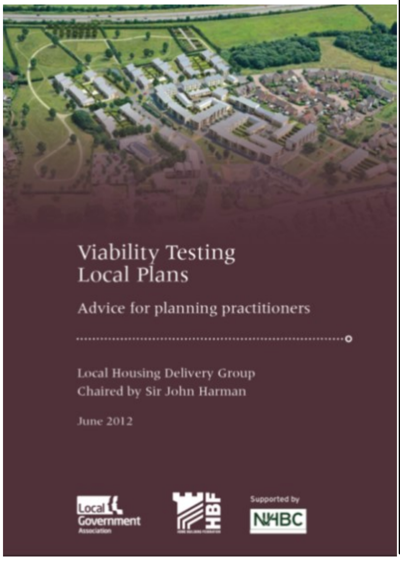
[10] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

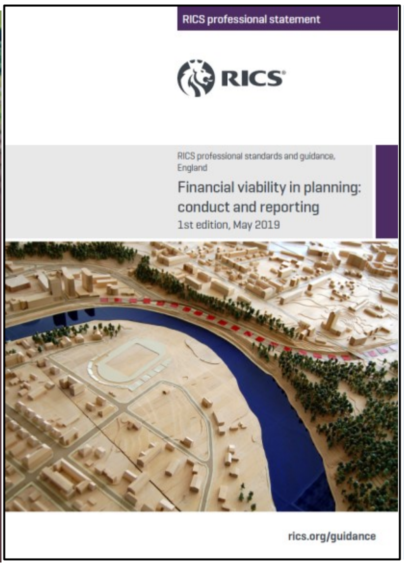
[11] Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, Bishops Cleeve; APP/G1630/A/11/2146206 Burgess Farm: APP/U4230/A/11/2157433, CLAY FARM: APP/Q0505/A/09/2103599/NWF, Woodstock: APP/D3125/ A/09/2104658, Shinfield APP/X0360/ A/12/2179141, Oxenholme Road, APP/M0933/A/13/2193338, Former Territorial Army Centre, Parkhurst Road, Islington APP/V5570/W/16/3151698, Vannes: Court of Appeal 22 April 2010, [2010] EWHC 1092 (Admin) 2010 WL 1608437.

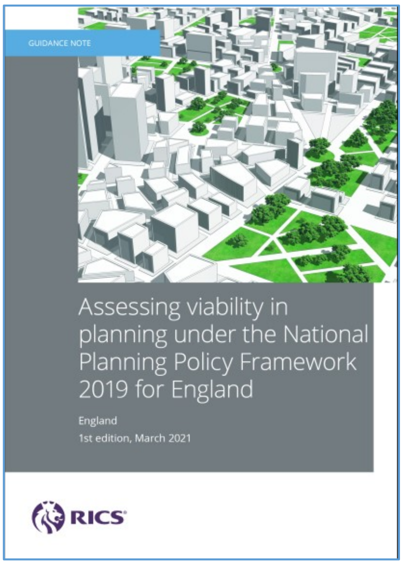
[12] Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

[13] *Good Practice Guide*. Homes and Communities Agency (July 2009).

This approach is now specified in the PPG. Additionally, the Planning Advisory Service (PAS) provides viability guidance and manuals for local authorities that supports this approach.







2.78 As set out at the start of this report, there are two principal pieces of relevant RICS guidance being the *Financial viability in planning: conduct and reporting RICS professional statement, England* (1st Edition, May 2019) and A*ssessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021). Neither of these specify a step-by-step approach, rather they make reference to the NPPF and provide interpretation on implementation.

2.79 In line with the updated PPG, this assessment follows the EUV Plus (EUV+) methodology. The methodology is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the value of the land both with and without the benefit of planning consent. This approach is in line with that recommended in the Harman Guidance.

2.80 In September 2019, the House Builders Federation (HBF) produced further guidance in the form of *HBF Local Plan Viability Guide* (Version 1.2: Sept 2019). This guidance draws on the Harman Guidance and the 2012 RICS Guidance, (which the RICS is updating as it is out of date), but not the more recent May 2019 RICS Guidance. This HBF guidance stresses the importance of following the guidance in the PPG and of consultation, both of which this report has done. HDH has some concerns around this guidance as it does not reflect '*the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission*' as set out in paragraph 10-009-20190509 of the PPG. The HBF Guidance raises several 'common concerns'. Regard has been had to these under the appropriate headings through this report.

2.81 Through the technical consultation, a housebuilder[14] highlighted further guidance set out in the *Homes England Area Wide Viability Model (Annex 1 Transparent Viability Assumptions) (2010)* that notes '*…for greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value…*'. This considered towards the end of Chapter 6 below.

[14] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

3. Methodology

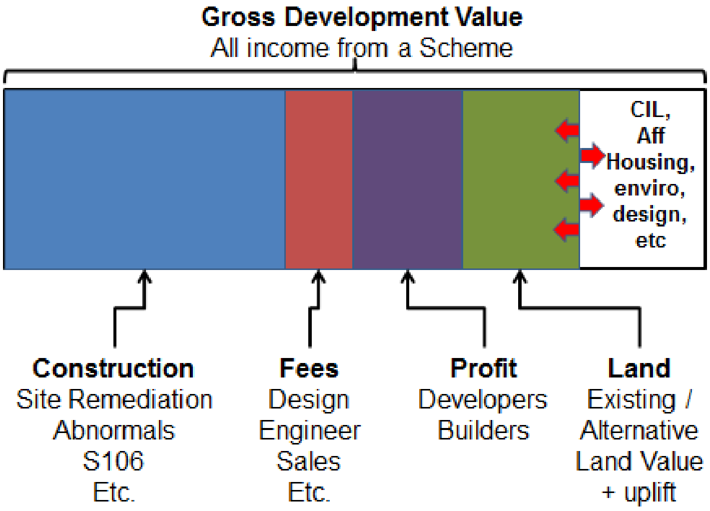
Viability Testing – Outline Methodology

3.1 This report follows the Harman Guidance and RICS Guidance, and was put to consultation in May / June 2023. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

Gross Development Value
(The combined value of the complete development)
LESS
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)
=
RESIDUAL VALUE

3.2 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory return (i.e. profit).

3.3 In the following graphic, the bar illustrates all the income from a scheme. This is set by the market (rather than by the developer or local authority). Beyond the economies of scale that larger developers can often enjoy, the developer has relatively little control over the costs of development, and whilst there is scope to build to different standards the costs are largely out of the developer's direct control – they are what they are.



3.4 The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions a planning authority asks for, the less the developer can afford to pay for the land. The purpose of this assessment is to quantify the costs of the Council's policies (including CIL), to assess the effect of these, and then make a judgement as to whether or not land prices are reduced to such an extent that the Plan is not deliverable. It is necessary to take a cautious approach and ensure that policies are not set at the limits of viability.

3.5 The land value is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption has to be made about the 'uplift' above the EUV which would make the landowner sell.

3.6 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements (or CIL). It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be threatened.

3.7 This study is not trying to mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the NPPF (and CIL Regulations). The approach taken in this report is different from the approach taken by developers when making an assessment to inform commercial decision making, particularly on the largest sites to be delivered over many years.

Limitations of viability testing in the context of the NPPF

3.8 High level viability testing does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer's mind, and they will proceed even if a 'loss' is shown in a conventional appraisal. By way of example, an individual may want to fulfil a dream of building a house and may spend more than the finished home is worth, a community may extend a village hall even though the value of the facility, in financial terms, is not significantly enhanced, or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.

3.9 This is a challenge when considering policy proposals. It is necessary to determine whether or not the impact of a policy requirement on a development type that may appear only to be marginally viable will have any material impact on the rates of development or whether the developments will proceed anyway. Some development comes forward for operational reasons rather than for property development purposes.

The meaning of Landowner Premium

3.10 The phrase *landowner premium* is new in the updated PPG.

> <u>Benchmark land value should:</u>
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*

- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

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

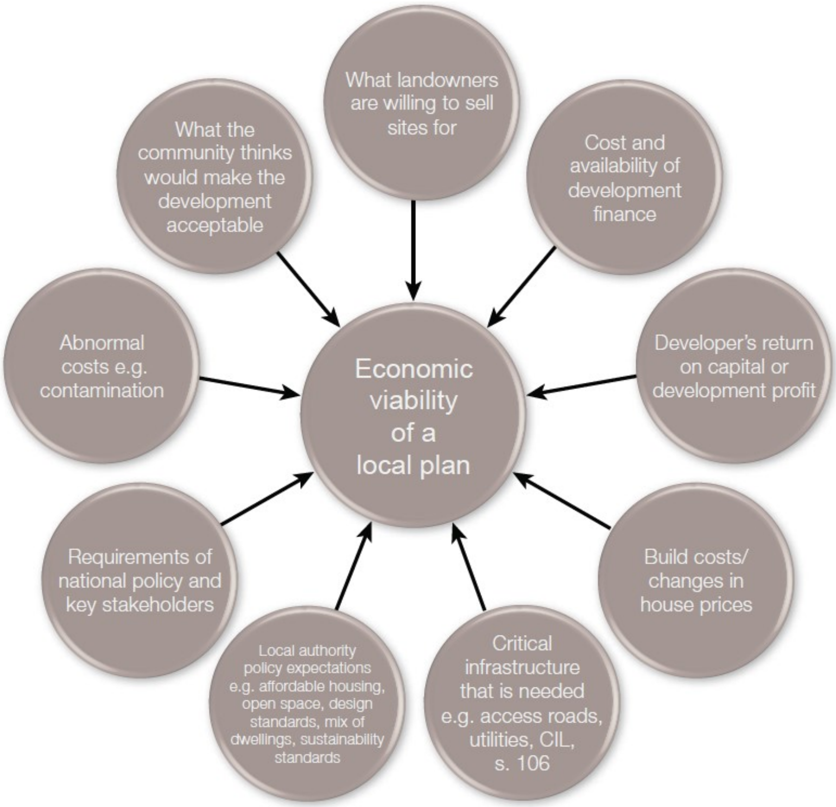
This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments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

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

PPG 10-014-20190509

3.11 The term *landowner's premium* has not been specifically defined through the appeal, Local Plan examination or legal processes – although various approaches have been accepted by planning inspectors. The level of return to the landowner is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.

3.12 This report is about the economics of development however, viability brings in a wider range than just financial factors. The following graphic is taken from the Harman Guidance and illustrates some of the non-financial as well as financial factors that contribute to the assessment process. Viability is an important factor in the plan-making process, but it is one of many factors.



Existing Available Evidence

3.13 The NPPF, the PPG, the CIL Regulations and CIL Guidance (within the PPG) are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. The evidence that is available from the Council has been reviewed.

a. Site Assessment Study – Viability (an appendix to the study) (HDH, December 2019).

b. SHLAA Viability Study (an appendix to the SHLAA) (HDH, February 2016).

c. Interim Affordable Housing SPD – Viability Assessment (HDH, November 2022).

3.14 Councils also hold development appraisals that have been submitted by developers in connection with specific developments to support negotiations around the provision of affordable housing or s106 contributions. These have been reviewed. It is important to note that there are only a few of these and they contain limited information:

Table 3.1 Review of Recent Viability Assessments

		Hemel Hempstead	Apsley		Hemel Hempstead	Gaddesden Lane		Berkhamsted
For		Dacorum BC	Applicant	Dacorum BC	Dacorum BC	Applicant	Dacorum BC	Applicant
Date		Jun-20		Dec-22	Dec-21	Sep-20	Nov-20	Nov-18
Development								
	Area (ha)		1.20		3.50			
	GIA (m2)	1,488						1,125 (net)
	Houses				7	14		
	Flats	28	69		404			17
	Other		65 extracare, 2,544 offce					
		Vertical extension and conversion	Demolition and replacement with Extracare and residential					
Value								
	Houses							
	Flats	£4,639	£5,974	agreed		Redacted	Redacted	£6,280
	Other		£5,813	£6,103				
				Plus 'event fees'				
			Office £215/m2 @6%	Office £269/m2 @6%				
	Affordable Rent	£2,637				£2,045		
	Shared Ownership	£2,949						
Construction						BCIS median	Redacted	
	Build	BCIS based			£2,765 all in			£1,501
	Contingency	5%			5%	5%		5%
Fees								
	Proffesional	10%	8%	agreed	7%	12%		10%
Disposal								
	Residential	3% GDV	1% + 1.5%	1% +1%	4.71% + £750 v 3%	3%		1% + £700
	Extracare		6%	3%				
	Commercial		1.5% +1.5%	0.5% + 1.5%				
Developer's Return		17.5% / 6%	18.20%	17.5% (15% on commercial)	20% v 17.5%	Redacted	Redacted	20%
Interest			7%	agreed	6.50%			
Land								
	EUV							
	BLV	20%	35%			Redacted	Redacted	20%
			£4,000,000	£1,000,000	£3.58m/ha	Redacted	Redacted	
					£1 adopted			

Source: DBC (March 2023)

3.15 The above figures are not the agreed figures, rather those submitted to the Council. Where the Council's view is available, these are also shown.

3.16 The Council also holds evidence of what is being collected from developers under the s106 regime. This is being collected by the Council outside this Update[15].

Stakeholder Engagement

3.17 The PPG and the CIL Guidance require stakeholder engagement. The preparation of this viability assessment includes specific consultation and engagement with the industry. A consultation process was held in May / June 2023 when a presentation was given, and an early draft of this report and a questionnaire circulated. Residential and non-residential developers (including housing associations), landowners and planning professionals were invited to comment. **Appendix 2** includes a list of the consultees. **Appendix 3** includes the consultation presentation and **Appendix 4** the questionnaire circulated with the draft report.

3.18 The comments of the consultees are reflected through this report and the assumptions adjusted where appropriate. The presentation was well attended, and 18 written responses were received. The main points from the consultation were:

a. That the general approach and methodology is appropriate[16] [17] [18].

b. Larger sites and the strategic sites should be tested[19] [20] [21] [22]. This is agreed and these are now presented in this Update (they were included at the pre-consultation stage).

c. That the BLV assumptions and developer's return assumptions should be revisited.

3.19 In addition to the above, a range of comments were made[23] [24] about the process and / or rationale behind policies and or the emphasis put on them. Whilst these are noted, it is

[15] Paragraphs 10-020-20180724 to 10-028-20180724 of the PPG introduce reporting requirements in this regard. In particular 10-027-20180724 says:

> *How should monitoring and reporting inform plan reviews?*
>
> *The information in the infrastructure funding statement should feed back into reviews of plans to ensure that policy requirements for developer contributions remain realistic and do not undermine deliverability of the plan.*

[16] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[17] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[18] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[19] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[20] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[21] Roebuck Land & Planning Ltd, for Hallam Land Management Ltd.

[22] Turner Morum for Croudace Homes, re Growth Area Site 16.

[23] NHS Hertfordshire and West Essex ICB

[24] Kings Langley Land Limited Land to rear of 1-11 Abbots Rise.

important to appreciate that the purpose of this Viability Update is to consider the impact of policies on development viability rather than to consider the need or justification for policies.

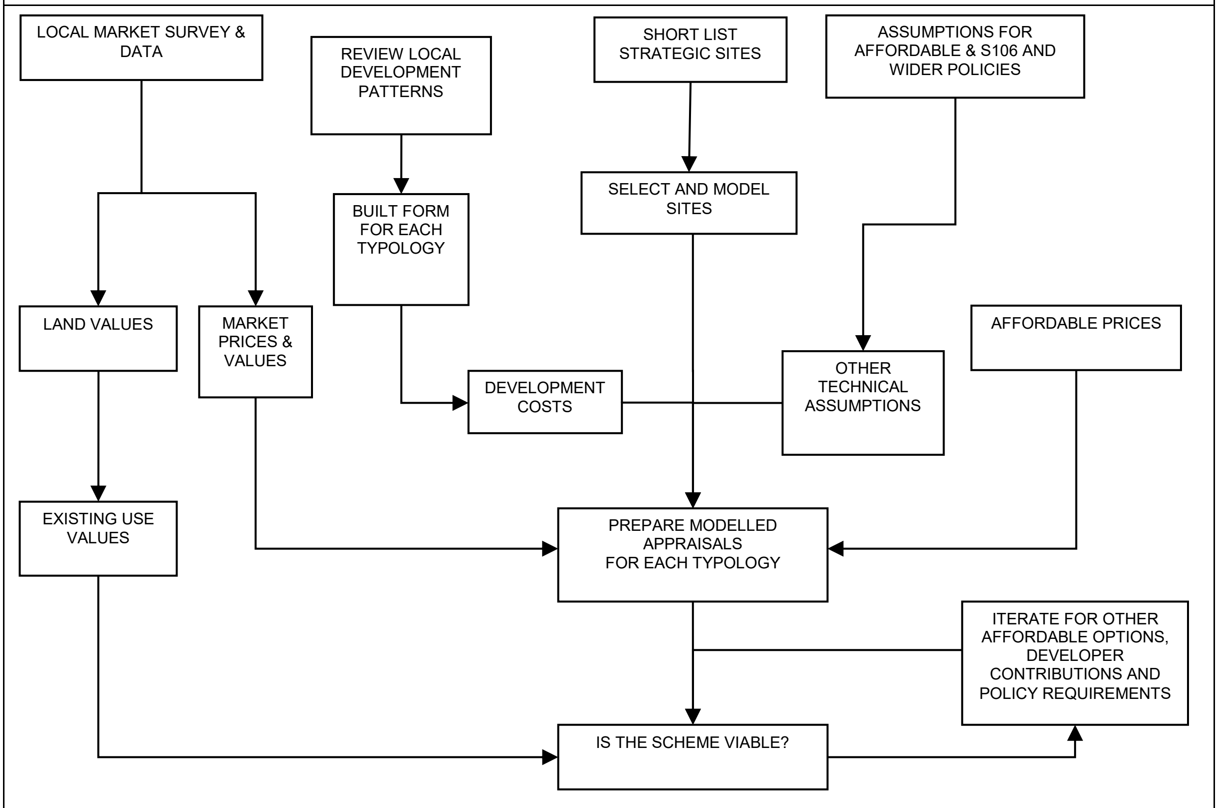
3.20 The consultation process has been carried out in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance.

Viability Process

3.21 The assessment of viability as required under the NPPF and the CIL Regulations is a quantitative and qualitative process. The updated PPG requires that (at PPG 10-001-20190509) '*...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106*'.

3.22 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of typologies, and the strategic sites, and using these to assess whether development, generally, is viable. The typologies are modelled based on discussions with Council officers, the existing available evidence supplied to us by the Council, and on our own experience of development. Details of the modelling are set out in Chapter 9 below. This process ensures that the appraisals are representative of typical development in the Council area over the plan-period.

Figure 3.1 Viability Methodology



Source: HDH 2023

3.23 The Council is planning to allocate strategic sites. At the time of the pre-consultation iteration of this report, these had not been identified. A set of strategic sites has subsequently been identified, although the parameters (site area, capacity etc) are yet to be finalised and as a result, these remain subject to change. In this report, the sites have been tested on the basis of the currently available information. In due course, the Council will engage with the promoters of the potential strategic sites.

Table 3.2 Potential Strategic Sites

	Site Name	Gross area ha	Green Belt Y/N	Proposed units
Hemel Hempstead				
1	Hospital Site	5.93	N	450
2	Station Gateway	3.87	N	360
3	Civic Centre Site	0.86	N	200
4	Market Square	0.53	N	130
5	Cupid Green Depot	2.9	N	360
6	Riverside	1.5	N	Mixed Use (500)
10	Apsley Mills	2.63	N	400
Berkhamsted				
7	Land South of Berkhamsted	33.45	Y	850
Tring				
8	Dunsley Farm	37.25	Y	400
Bovingdon				
9	Grange Farm	10.11	Y	150

Source: DBC (April 2023)

3.24 The local property (housing and non-residential) markets have been surveyed to obtain a picture of sales values. Land values were assessed to calibrate the appraisals and to assess EUVs. Local development patterns were considered, to inform appropriate built form assumptions. These, in turn, informed the appropriate build cost and wider technical assumptions. The appraisal results are in the form of pounds per hectare ‘residual’ land values. The Residual Value is the maximum value a developer could pay for the site and still make an appropriate return. The Residual Value is compared to the EUV. Only if the Residual Value exceeded the EUV, and by a satisfactory margin (the Landowners’ Premium), could the scheme be judged to be viable. The amount of margin is a difficult subject, it is discussed, and the approach taken in this study is set out, in the later parts of Chapter 6 below.

3.25 The appraisals are based on existing and emerging policy options as summarised in Chapter 8 below. The preparation of draft policies within the Local Plan Review is still ongoing, so the policy topics used in this assessment may be subject to change. For appropriate sensitivity testing, a range of options are tested. If the Council allocates significantly different types of site, or develops significantly different policies to those tested in this study, it may be necessary to revisit viability and consider the impact of any further or different requirements.

3.26 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing is used, as required by the NPPF and CIL Regulations[25]. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality, and to provide high level advice to assist the Council in assessing the deliverability of the Local Plan.

[25] This Viability Model is used as the basis for the Planning Advisory Service (PAS) Viability Workshops. It is made available to Local Authorities, free of charge, by PAS and has been widely used by Councils across England. The model includes a cash flow so that sales rates can be reflected.

4. Residential Market

4.1 This chapter sets out an assessment of the housing market, providing the basis for the assumptions on house prices. The study is concerned not just with the prices but the differences across different areas. Market conditions will broadly reflect a combination of national economic circumstances, and local supply and demand factors, however, even within a town there will be particular localities, and ultimately, site-specific factors, that generate different values.

The Residential Market

4.2 Dacorum Borough Council area is in South Hertfordshire. Hemel Hempstead is the main settlement and is only 25 or so miles from Central London. Having said this, it is a largely rural area. The area is highly desirable with generally strong house prices and a vibrant property market:

a. Train connectivity with regular services to London making the area attractive to commuters.

b. Access to the motorway network (M1 and M25).

c. Situated in the attractive Chiltern Hills making much of the area highly attractive and desirable.

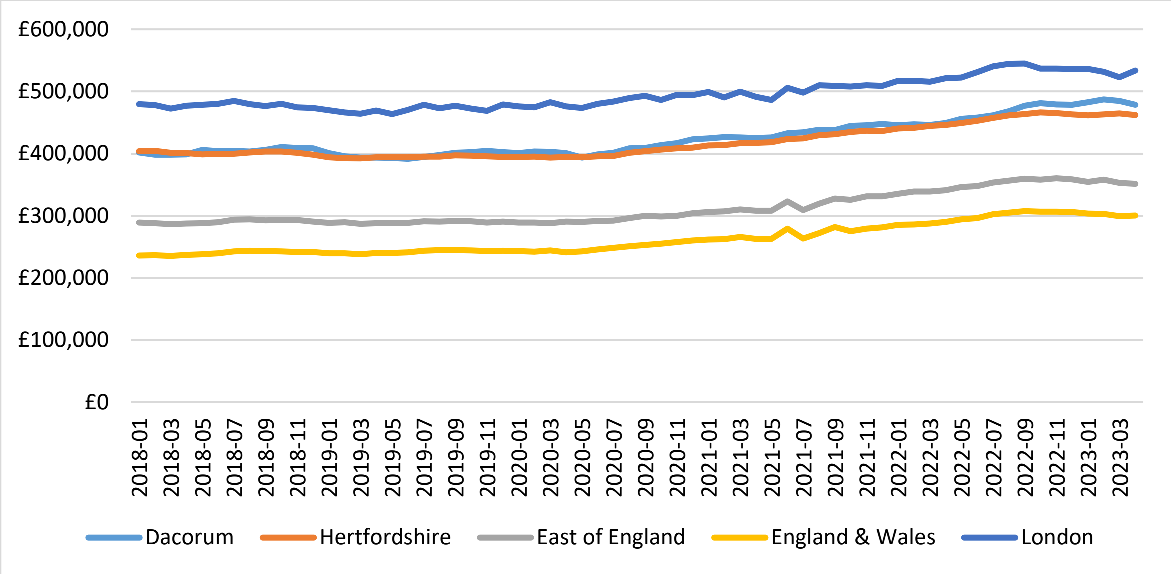
d. A mix of housing types ranging from the high value villages, through the market towns to the post-war new town of Hemel Hempstead.

4.3 Overall, the market is perceived to be strong and certainly desirable and aspirational to households seeking to move from London to the surrounding countryside and market towns. Through conversations with local agents and from the consultation, the area is perceived to be an attractive place to develop, particularly with higher quality modern homes.

National Trends and the relationship with the wider area

4.4 The local housing market peaked early in late 2007 and then fell considerably in the 2008/2009 recession during what became known as the 'Credit Crunch'. Since then, house prices have increased steadily, but are now widely perceived to have peeked and may be falling. Locally, average house prices in the area returned to their pre-recession peak in October 2013 and are now about 74% above the 2007 peak. This is an increase of about 17% since the data was gathered for the *Site Assessment Study – Viability (an appendix to the study)* (HDH, December 2019) – which was based on December 2018 values. These increases are substantial. Over the same period since 2018, this data shows that average newbuild values have increased by about 36%.

Figure 4.1 Average House Prices (£)



Source: Land Registry (July 2023). Contains public sector information licensed under the Open Government Licence v3.0.

4.5 The above data includes the average prices for London, which is included for context due to the close proximity of the capital. This suggests that average house prices may be falling. Having said this, it is important to appreciate that very short term changes in prices should be treated with caution as the data does show that, over the last 5 years, prices have increased in some months and fallen in some months.

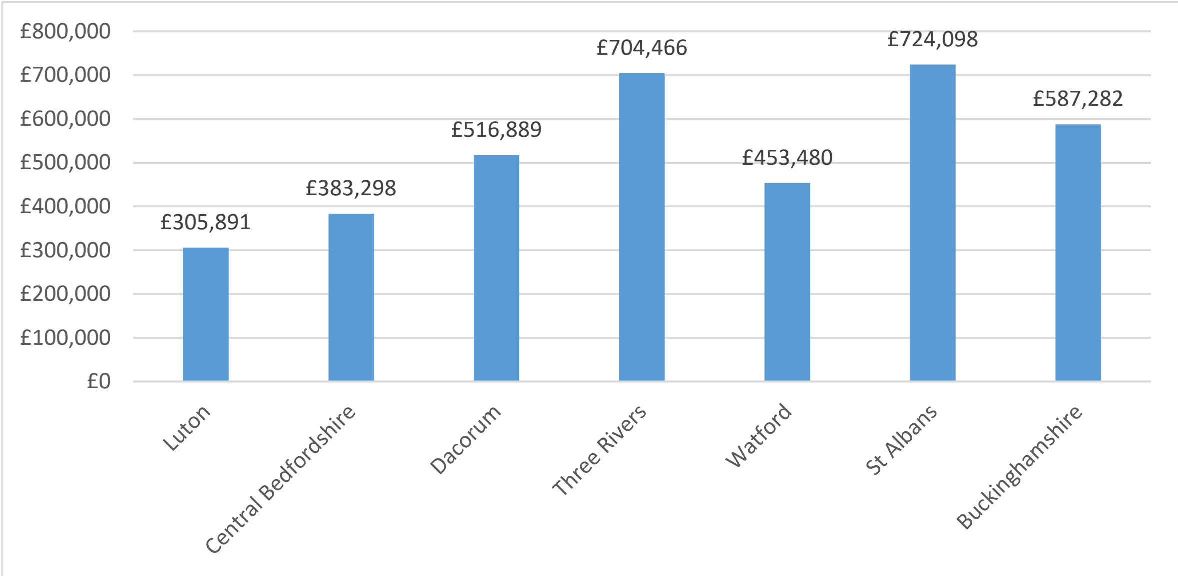
4.6 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for Dacorum is 59th (out of 331) at £516,889[26] (an increase from £507,194 quoted in the April 2023 iteration of this report). To set this in context, the council at the middle of the rank (166th – Swale), has an average price of £332,641 (a smalling increase from £322,339 quoted in the April 2023 iteration of this report). The Dacorum median price is lower than the average at £432,000[27] (an increase from £425,000 quoted in the April 2023 iteration of this report). The average and median have both increased by about 10% since the data was collected for the 2019 Viability Study.

4.7 The average prices in neighbouring and nearby authority areas varies considerably.

[26] Mean house prices for administrative geographies: HPSSA dataset 12. Year Ending December 2022 (Release 12th June 2023).

[27] Median house prices for administrative geographies: HPSSA dataset 9. Year Ending December 2022 (Release 12th June 2023).

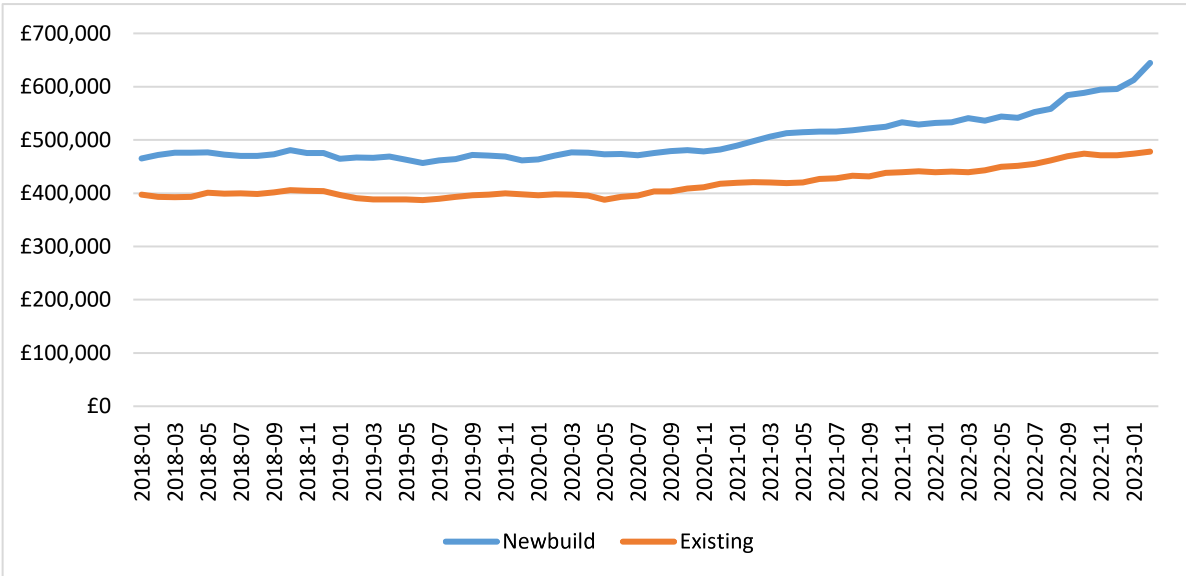
Figure 4.2 Average House Prices (£)



Source: Mean house prices for administrative geographies: HPSSA dataset 12, Year ending December 2022 (Release 21st June 2023). Contains public sector information licensed under the Open Government Licence v3.0

4.8 This study concerns new homes. Since the data was collected for the 2018 Viability Study, newbuild homes have increased more quickly than existing homes.

Figure 4.3 Change in House Prices. Existing v New build

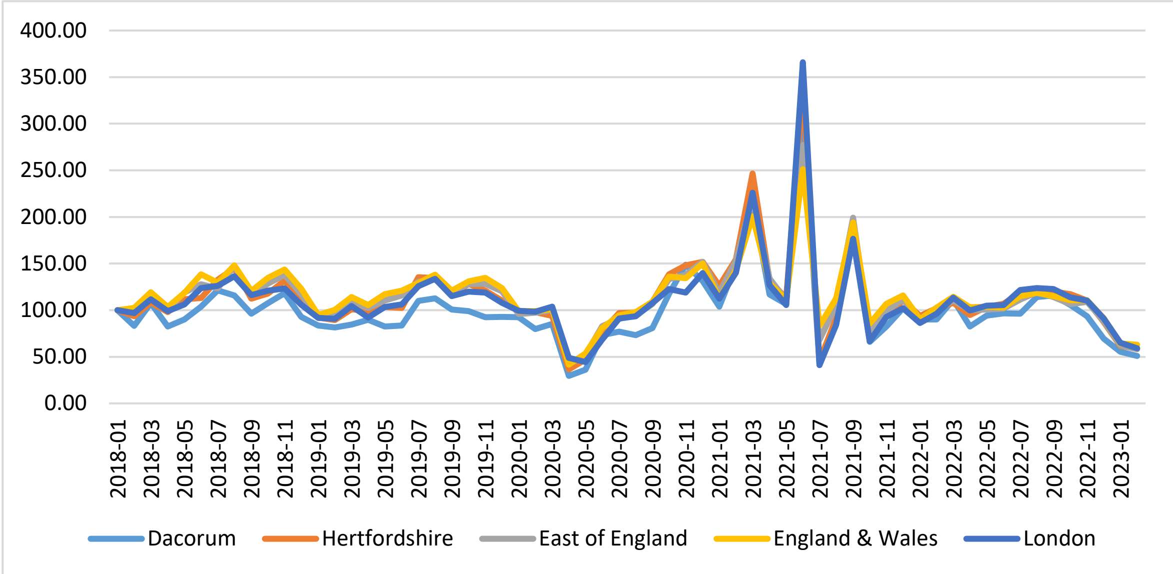


Source: Land Registry (July 2023). Contains public sector information licensed under the Open Government Licence v3.0.

4.9 The Land Registry shows that the average price paid for newbuild homes in the Council area (£644,550) is £166,532 (or 35%) more than the average price paid for existing homes (£478,018).

4.10 The rate of sales (i.e. sales per month) in the area fell during the COVID-19 pandemic, but then rose sharply in line with the wider market and as a result of Government stimuli. More recently there has been a slowing in transactions, most likely as a result of increasing interest rates.

Figure 4.4 Sales per Month – Indexed to January 2018



Source: Land Registry (July 2023). Contains public sector information licensed under the Open Government Licence v3.0.

4.11 The rise in house prices over the last few years has, at least in part, been enabled by the historically low mortgage rates offered to home buyers. In addition, the housing market has been supported by the Government through products and initiatives such as Help-to-Buy, although Help-to-Buy ended in March 2023. A Stamp Duty 'holiday' was introduced to support prices during the COVID-19 pandemic, although this was phased out between July and October 2021. Stamp Duty rates were again reduced for properties at the lower end of the market and for first time buyers in the September 2022 'mini-budget'.

4.12 There is a degree of uncertainty in the housing market as reported by the RICS. The June 2023 RICS UK Residential Market Survey[28] said:

> *Rising interest rate expectations place renewed downward pressure on housing market activity*
>
> - *Indicators on new buyer enquiries and agreed sales slip deeper into negative territory*
> - *The ongoing dip in national house prices appears to gain momentum slightly during June*
> - *Sales expectations deteriorate at both the three and twelve-month time horizons*
>
> *The results of the June 2023 RICS UK Residential Survey point to a renewed deterioration in sales market activity. This is on the back of the recent escalation in interest rate expectations.*

[28] https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/

> *Indeed, as borrowing costs increased, many of the survey's indicators fell deeper into negative territory this month, albeit most metrics remain at least somewhat above the lows hit towards the end of last year.*
>
> *With respect to new buyer enquiries, the national net balance slipped to -45% in June, down from a reading of -20% last month. As such, this marks an eight month low for the buyer demand series. When disaggregated, respondents across all parts of the UK reported a firmly negative trend in buyer enquiries compared to May.*
>
> *For newly agreed sales, the headline net balance fell to -34% this month, notably weaker than the figure of -8% posted last time around. In fact, June's return represents the most downbeat figure since December last year, when the net balance stood at -38%. Looking ahead, near-term sales expectations deteriorated to post a net balance of -36% in June (a four-month low), down sharply relative to the reading of -9% seen previously. On a twelve-month view, a net balance of -31% of survey participants foresee sales declining. This brings to an end a three-month run of largely stable sales expectations for the year ahead, and adds further evidence of the negative impact of rising interest rate expectations on market sentiment.*
>
> *Looking at supply, having picked up slightly during May, new sales instructions reportedly held more or less steady this month (net balance -1% vs +14% previously). Meanwhile, average stock levels on estate agent's books were also little changed relative to last month (coming in at 37.4 properties). Although this level of inventory is still slightly higher than that reported at the end of last year, the average number of homes available for purchase currently remains very low on a longer term historical comparison.*
>
> *Turning to house prices, the national net balance fell to -46% in June, declining from a figure of -30% beforehand. Having turned slightly less negative in both April and May, the latest feedback on house prices signals downward impetus is gaining traction once more. When viewed at a more local level, all English regions are seeing house prices retreat, with East Anglia and the East Midlands exhibiting the sharpest monthly declines in net balance terms (-72% and -69% respectively). By way of contrast, house prices remain more resilient across Northern Ireland and Scotland, evidenced by respondents based in both countries continuing to cite an upward trend despite the weaker activity backdrop.*
>
> *Going forward, national house price expectations are now firmly negative at both the three and twelve-month time horizons. Regarding the latter, the latest net balance fell to -49% compared to -3% returned in the previous iteration of the survey (marking the weakest price outlook since December 2022). Again, prices are expected to fall across all parts of the UK in the year ahead, with the exception of Northern Ireland and Scotland.*
>
> *Significantly, of those that held a view on the subject, 58% of survey participants note that homes with better energy efficiency credentials are holding their value in the current market. This is similar to a share of 61% of respondents highlighting this dynamic when the question was last asked in the December 2022 survey. Meanwhile, on the same basis, 34% of contributors report seeing greater interest from buyers in homes that are more energy efficient.*
>
> *In the lettings market, a headline net balance of +40% of respondents saw an increase in tenant demand during June (part of the non-seasonally adjusted monthly lettings dataset). At the same time, the net balance for landlord instructions sunk to -36% (the most negative reading for this metric since May 2020). With rising demand still being met with weakening supply, a net balance of +53% of contributors anticipate rental prices being driven higher over the near-term.*

4.13 A range of views as to the impact on house prices of the COVID-19 pandemic and Brexit were expressed which covered nearly the whole spectrum of possibilities, but the general consensus was that there would be a fall in house prices. As can be seen from the above, prices actually increased substantially. The pandemic, Brexit, and more recently, Russia's invasion of Ukraine, all bring uncertainty. It is not possible for us to predict the impact of these, however HM Treasury brings together some of the forecasts in its regular *Forecasts for the UK economy: a comparison of independent forecasts* report.

Table 4.1 Consolidated House Price Forecasts

Table 2 - 2023: Growth in prices and monetary indicators (% change)

Forecasters and dates of forecasts			CPI (Q4 on Q4 year ago, %)		RPI (Q4 on Q4 year ago, %)	Average earnings (Q4 on Q4 year ago, %)	Sterling index (Jan 2005=100)	Official Bank rate (level in Q4, %)	Oil price (Brent, $/bbl)	Nominal GDP	House price inflation (Q4 on Q4 year ago, %)	
City forecasters												
Bank of America - Merrill Lynch	Oct'21		-		-	-	-	-	-	-	-	
Barclays Capital	Jun	*	4.0		5.9	-	-	5.50	87.0	-	-	
Bloomberg Economics	Apr		3.0		-	-	-	4.25	-	-	-	
Capital Economics	Jun	*	4.3		7.2	6.2	76.9	5.25	81.0	4.9	-6.0	
Citigroup	Dec		3.8		5.8	-	-	4.00	-	1.8	-7.5	
Credit Suisse	Jan		4.5		-	-	-	4.50	-	-	-	
Daiwa Capital Markets	Feb'22		1.6		-	-	80.0	1.00	80.0	-	2.5	
Deutsche Bank	Feb		4.1		4.9	-	-	4.25	-	-	-	
Goldman Sachs	Feb		3.8		-	-	-	4.25	92.0	-	-	
HSBC	Jun	*	4.7		6.2	4.0	-	5.25	-	-	-	
JP Morgan	Jun	*	7.0		-	-	-	5.00	-	-	-	
KPMG	Jun	*	5.0		-	-	-	5.25	77.4	-	-	
Morgan Stanley	Mar		2.4		3.1	-	-	4.25	-	-	-	
Natwest Markets	May		3.7		5.9	-	-	4.50	82.0	4.6	-	
Nomura	Jun	*	5.1		6.3	5.1	-	-	-	-	-	
Pantheon	Feb		1.9		3.1	-	-	4.00	-	-	-7.0	
Schroders Investment Management	Mar		3.7		4.0	-	-	4.00	-	5.8	-3.3	x
Societe Generale	Dec		7.4		10.1	-	-	4.50	-	6.5	-	
UBS	Jun	*	3.6		6.4	4.5	-	5.00	-	5.6	-	
Non-City forecasters												
British Chambers of Commerce	Mar		5.0		-	-	-	4.25	-	-	-	
Beacon Economic Forecasting	Jun	*	5.5		6.6	5.9	81.2	5.25	79.8	8.6	-4.2	
CEBR	Jun	*	4.2		5.1	5.5	78.5	5.17	-	-	-11.7	
Economic Perspectives	Apr		5.8		6.8	-	78.0	3.50	80.0	6.2	-4.5	x
Experian Economics	Jun	*	5.2		6.4	5.7	-	5.00	76.6	-	-5.0	
EIU	Jul		3.1		-	-	-	2.25	-	-	-	
Heteronomics	May		4.7		5.0	-	78.6	4.75	88.5	-	-3.9	
ICAEW	Mar		4.5		-	-	-	4.50	-	-	-	
ITEM Club	May		3.0		4.6	-	79.5	4.33	-	3.2	-7.0	z
Kern Consulting	Apr		6.9		-	-	-	3.50	84.0	-	-	
Liverpool Macro Research	Jun	*	4.1		6.3	5.4	77.5	4.50	-	-	-	k
NIESR	May		5.4		11.0	-	-	4.50	-	-	-6.4	
Oxford Economics	Jun	*	3.9		6.2	4.0	80.4	5.00	81.5	5.1	-4.3	k
OECD	Mar		-	h	-	-	-	-	-	-	-	
IMF	Apr		4.2		-	-	-	-	-	-	-	
Average of forecasts made in the last 3 months (excludes OBR forecasts)												
Independent			4.7		6.4	5.2	78.8	4.7	81.8	5.4	-5.9	
New (marked *)			4.7		6.3	5.2	78.9	5.1	80.5	6.0	-6.2	
City			4.5		6.3	5.0	76.9	5.0	81.9	5.0	-6.0	
Range of forecasts made in the last 3 months (excludes OBR forecasts)												
Highest			7.0		11.0	6.2	81.2	5.5	88.5	8.6	-3.9	
Lowest			3.0		4.6	4.0	76.9	3.5	76.6	3.2	-11.7	
Median			4.7		6.3	5.4	78.5	5.0	81.2	5.1	-5.0	
OBR	Mar		2.9		4.9	5.0	-	4.2	80.6	2.7	-7.2	

Source: *Forecasts for the UK economy: a comparison of independent forecasts No 431*HM Treasury, June 2023).

4.14 Property agents Savills are forecasting the following changes in house prices.

Table 4.2 Savills Residential Price Forecasts						
	2023	2024	2025	2026	2027	5 Year
Mainstream UK	-10.0%	1.0%	3.5%	7.0%	5.5%	6.2%
South East	-11.0%	0.0%	3.0%	6.5%	5.5%	3.0%
East of England	-11.0%	0.0%	3.0%	6.5%	5.5%	3.0%
Prime Suburbs	-8.0%	1.0%	2.0%	6.0%	5.5%	6.0%
Prime Wider South	-5.0%	2.5%	3.5%	5.5%	5.0%	11.6%

Source: Savills UK Housing Market Update (July 2022) and Savills Spotlight: Prime Residential Property Forecasts

4.15 In this context is relevant to note that the Nationwide Building Society reported in June 2023:

House prices relatively stable in June but annual growth remains in negative territory

- *House prices remain broadly flat over the month, but down 3.5% compared with June 22*
- *All regions except Northern Ireland recorded annual price falls in Q2*
- *East Anglia was the weakest performing region with prices down 4.7% year-on-year*

Headlines	June-23	May-23
Monthly Index*	818.3	517.7
Monthly Change*	0.1%	0.1%
Annual Change	-3.5%	-3.4%
Average Price (not seasonally adjusted)	£262,239	£260,736

* *Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)*

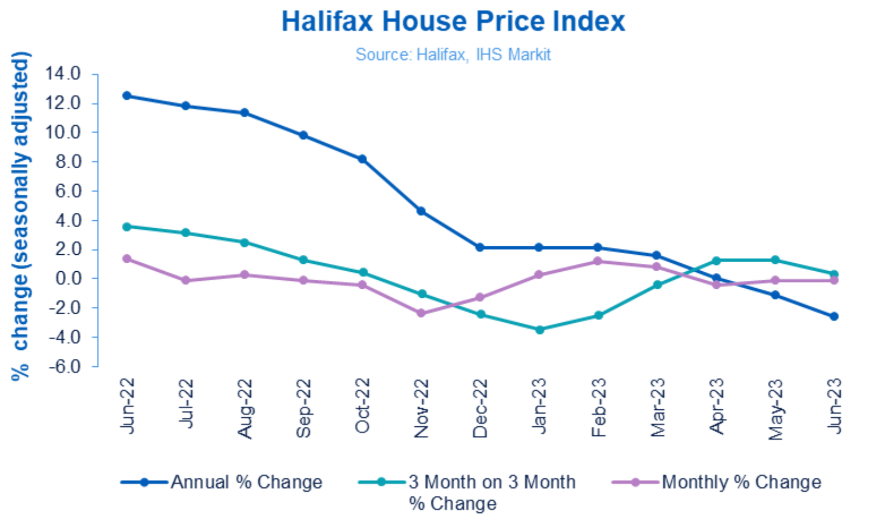
4.16 This Halifax HPI provides data at a regional level and suggests that average prices in the Outer SE are down 3.7% in the first quarter of 2023, and by 1.5% over the last year.

4.17 The Halifax Building Society reported in June 2023:

House prices edge down as market cools amid higher interest rates

- *Average house price fell by -0.1% in June, a third consecutive monthly decline*
- *Annual rate of house price growth fell to -2.6%, from -1.1% in May*
- *Typical UK property now costs £285,932 (vs peak of £293,992 last August)*
- *New build prices more resilient compared to existing homes*

- *Southern England sees most downward pressure on property prices*

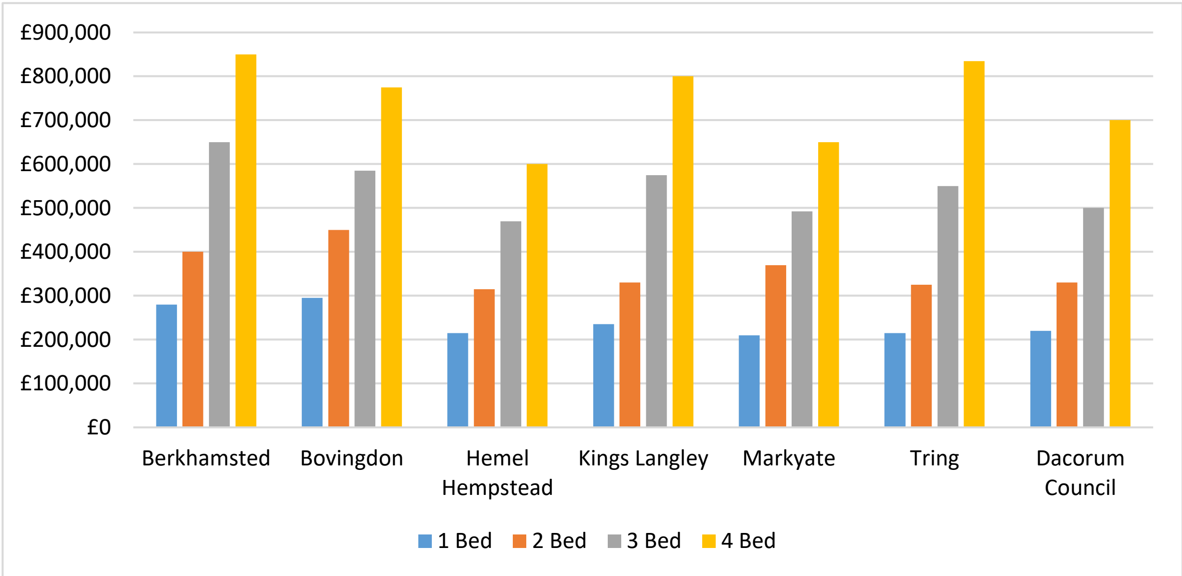


4.18 There is clearly uncertainty in the market, and the substantial growth reported over the last few years seems unlikely to continue.

The Local Market

4.19 A survey of asking prices across the Council area was carried out in March 2023. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

Figure 4.5 Median Asking Prices (£)



Source: Rightmove.co.uk (March 2023)

4.20 The above data are asking prices which reflect the seller's aspiration of value, rather than the actual value, they are however a useful indication of how prices vary across areas. This data shows a very substantial increase over the last 4 years across all the sub areas.

4.21 As part of the research, data from Landmark is used. This brings together data from the following sources and allows the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms using the following data sources:

Table 4.3 Landmark Data Sources	
Attribute	**Source**
Newbuild	HMLR Price Paid
Property Type	HMLR Price Paid
Sale Date	HMLR Price Paid
Sale Value	HMLR Price Paid
Floor Area Size(m)	Metropix
	EPC
Bedroom Count	Metropix
	LMA Listings (Property Heads)
Price per square meter (Sale Value / Floor Area)	HMLR Price Paid
	Metropix
	EPC

Source: Landmark

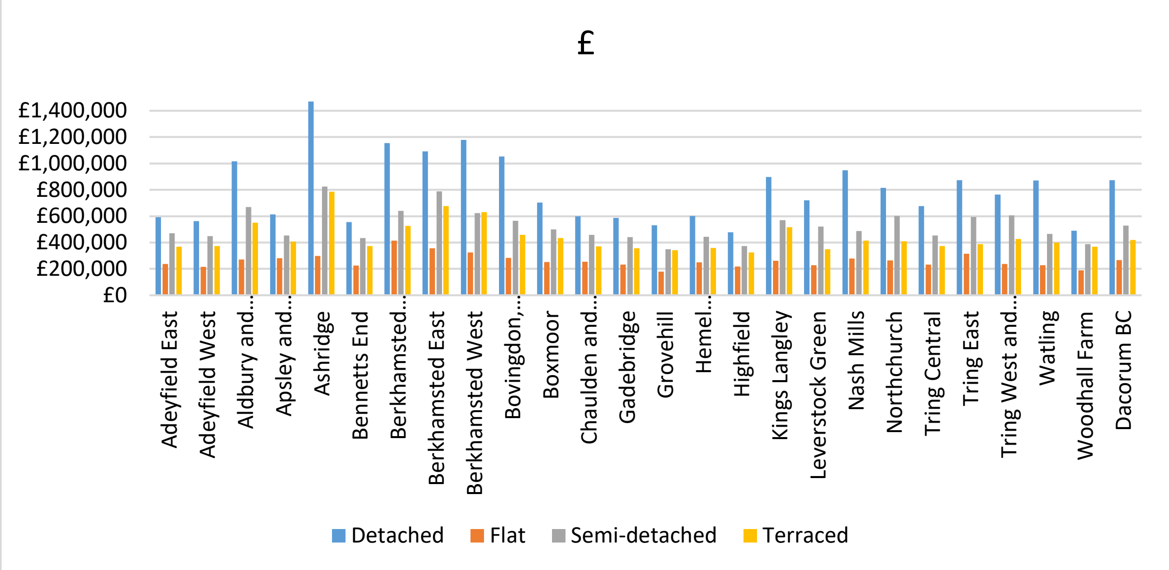
4.22 This data includes the records 6,111 sales since the start of 2020. Of these, floor areas are available for 5,153 sales and the number of bedrooms is available for 4,931 sales. The data is available for newbuild and existing homes and by ward and can be summarised as follows:

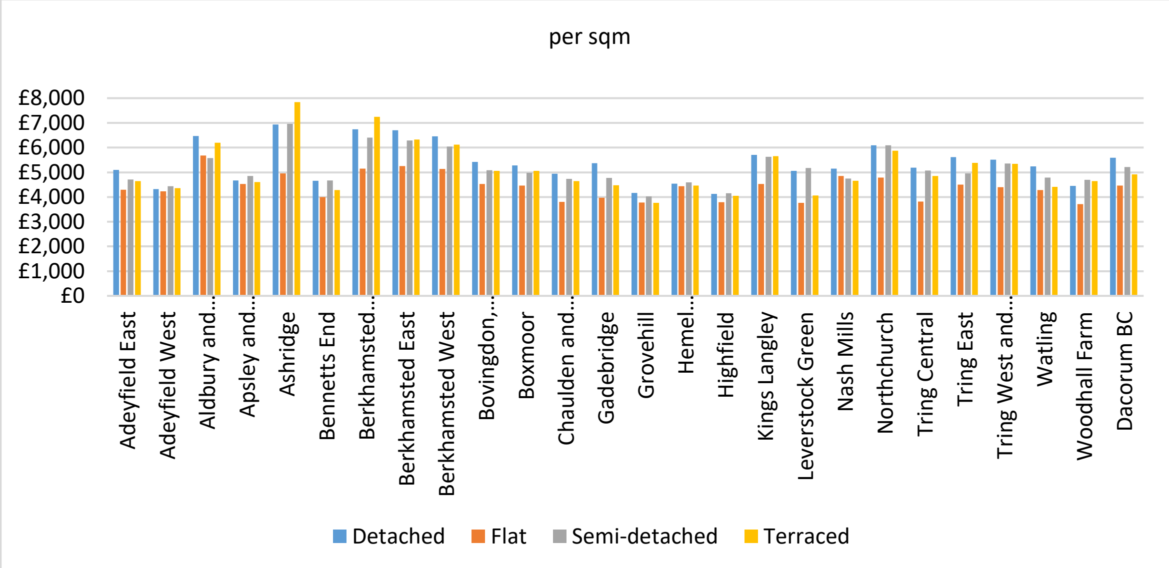
Table 4.4 Landmark Data – Sample Sizes			
	Count of Sale Value	Count of GIA	Count of Bedrooms
New Build			
2020	123	123	2
2021	244	244	4
2022	67	67	
2023			
	434	**434**	**6**
Non New Build			
2020	1,690	1,507	1,129
2021	2,508	2,278	1,515
2022	1,474	1,363	867
2023	5	5	2
	5,677	**5,153**	**3,513**
All	**6,111**	**5,587**	**3,519**

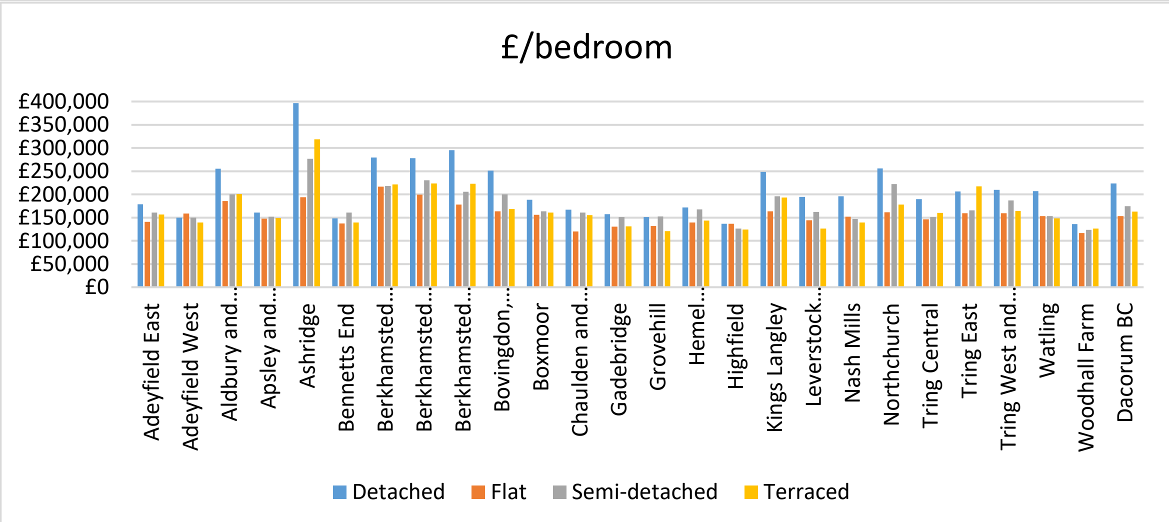
Source: Landmark (April 2023)

4.23 The sample size for 2021 and 2022 is small, just 67 newbuild sales are recorded for 2022. This data can be disaggregated by year and between newbuild and existing homes.

Figure 4.6 Average Prices – All Properties

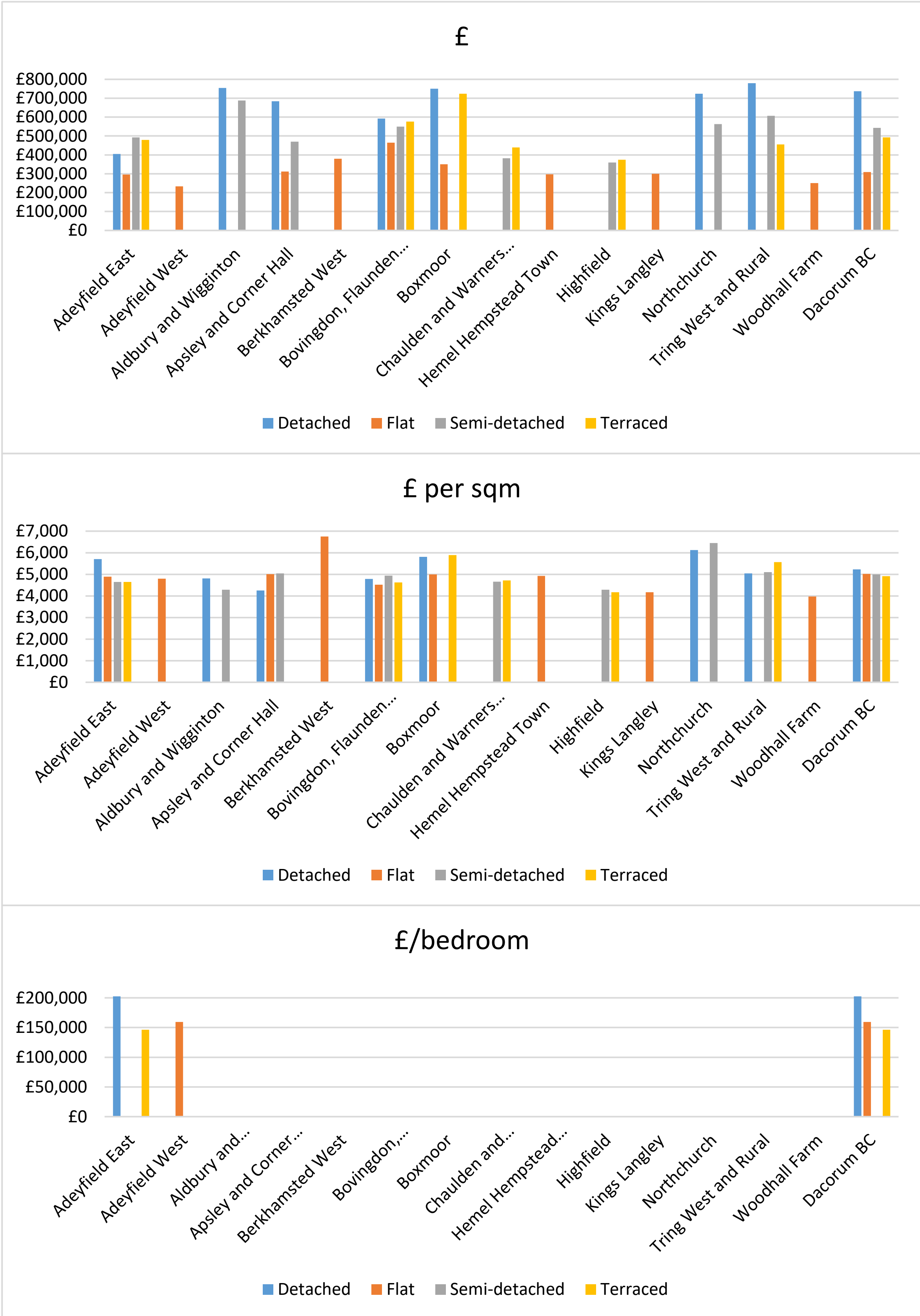






Source: Landmark (April 2023)

Figure 4.7 Average Prices – New build Properties



Source: Landmark (April 2023)

4.24 The full data tables are set out in **Appendix 5** below. This data can be disaggregated by year and between newbuild and existing homes. It is important to note that this data is different to that presented earlier in this chapter so shows a different result.

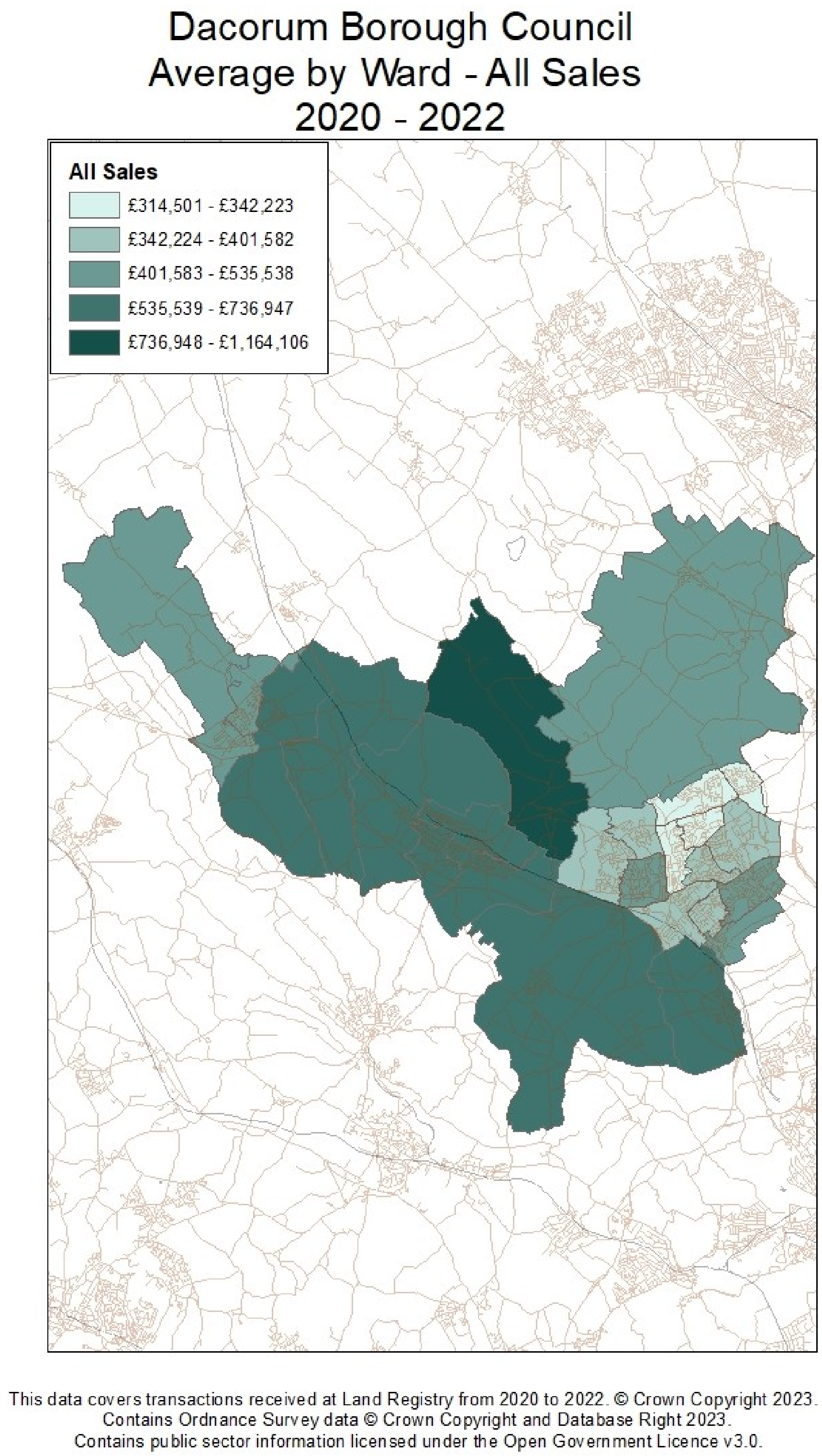
4.25 This data shows that, on average, in Dacorum, newbuild homes are 12.8% less expensive than existing homes, however when considered on a £ per sqm basis the prices are similar.

4.26 Houses are very much more expensive than flats, but, when considered on a £ per sqm basis, the difference is substantially less. Generally, flats are less expensive than houses, as they tend to be smaller, but also that they tend to be more expensive when considered on a £ per sqm basis.

4.27 In deriving the assumptions in this report, weight is put on the more recent data to ensure the more recent changes in values is reflected in the assumptions.

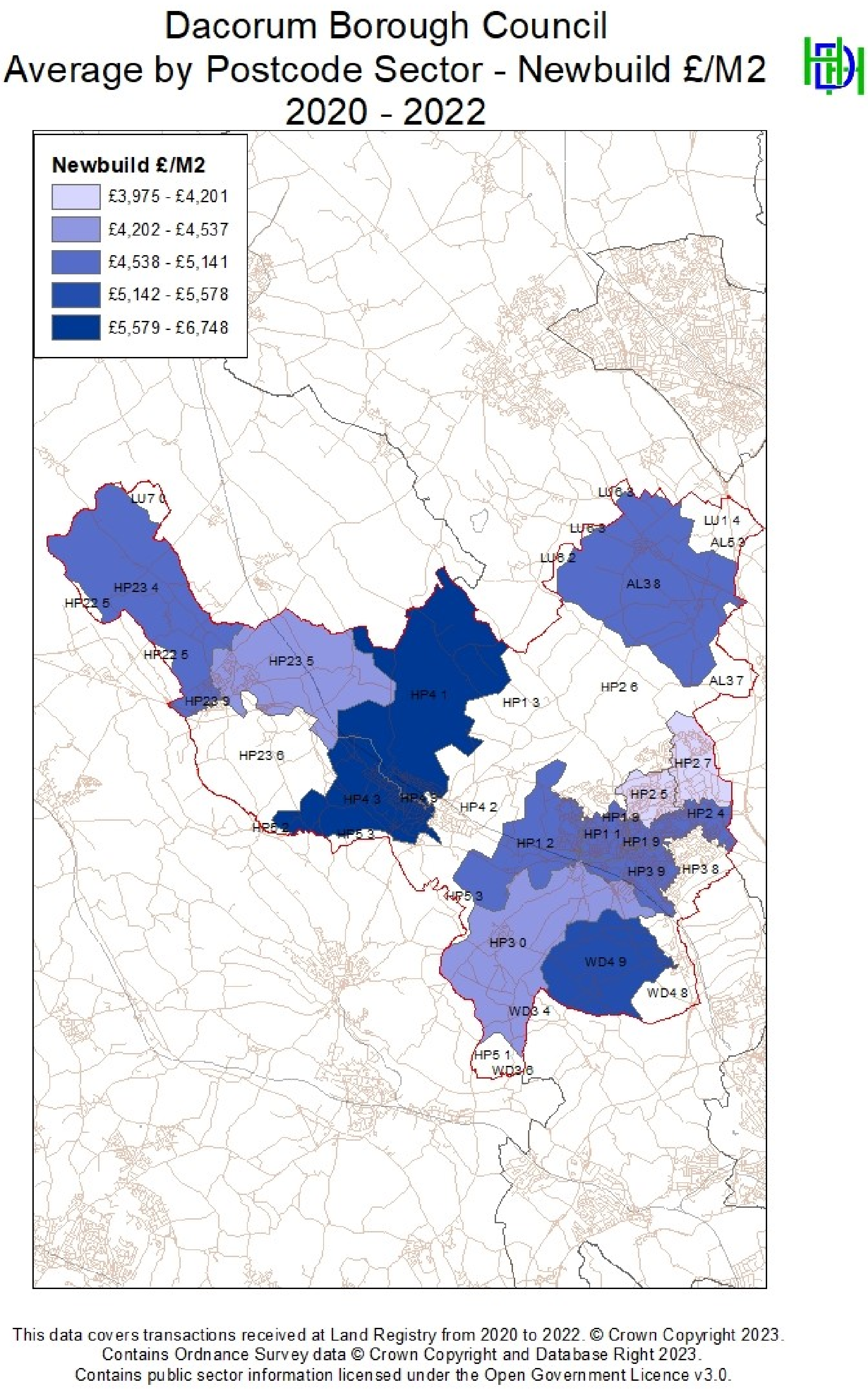
4.28 The average price paid varies across the area as illustrated in the following maps. The second map below shows that the distribution of newbuild development is concentrated in relatively few places. It is important to note that some of the sample sizes are small so care should be taken when considering a very fine-grained approach.

Figure 4.8 Average Prices – All Sales. £



Source: Landmark (April 2023). Contains public sector information licensed under the Open Government Licence v3.0.

Figure 4.9 Average Prices – All Sales. £ per sqm



Source: Landmark (April 2023). Contains public sector information licensed under the Open Government Licence v3.0.

4.29 The ONS provides data at ward level for median house prices as set out in the following table. The lack of data is a result of the limited distribution of newbuild development.

Table 4.5 Median Price Paid by Ward

Year Ending December 2022 (£)

		Detached	Semi-detached	Terraced	Flats
Bovingdon, Flaunden and Chipperfield	Existing	£1,106,500	£550,000	£460,500	£231,000
	New build				
Berkhamsted East	Existing	£905,000	£803,250	£695,000	£300,000
	New build				
Chaulden and Warners End	Existing	£640,000	£525,000	£399,950	£252,000
	New build				
Adeyfield West	Existing		£455,250	£417,000	£224,500
	New build				
Ashridge	Existing	£1,548,500		£514,500	
	New build				
Boxmoor	Existing	£750,000	£535,000	£442,000	£265,000
	New build				£325,803
Bennetts End	Existing	£556,000	£458,000	£410,000	£220,000
	New build				
Berkhamsted West	Existing	£1,270,000	£635,000	£655,250	£304,000
	New build				
Berkhamsted Castle	Existing	£1,009,600	£710,000	£530,000	£335,000
	New build				
Gadebridge	Existing	£618,500	£485,000	£398,000	£298,500
	New build				
Aldbury and Wigginton	Existing	£1,151,000		£630,000	
	New build				
Grovehill	Existing			£360,000	£170,000
	New build				
Apsley and Corner Hall	Existing	£662,500	£500,000	£416,250	£270,000
	New build				
Adeyfield East	Existing	£575,000	£530,000	£412,500	£216,000
	New build				
Northchurch	Existing	£750,000	£600,000	£445,000	
	New build				
Tring Central	Existing	£678,500	£535,000	£387,500	
	New build				
Kings Langley	Existing	£857,500	£715,000	£532,500	£253,500
	New build				
Tring East	Existing	£845,000	£695,000	£432,500	£285,000
	New build				
Tring West and Rural	Existing	£795,000	£685,000	£425,000	£235,000
	New build	£895,000	£675,000	£499,950	

Watling	Existing	£881,250	£406,250	£380,000	£197,000
	New build				
Woodhall Farm	Existing	£560,000	£415,000	£388,500	£195,000
	New build				
Hemel Hempstead Town	Existing	£629,000	£467,000	£380,000	£206,500
	New build				£295,000
Leverstock Green	Existing	£720,000	£550,000	£393,975	£209,975
	New build				
Highfield	Existing		£397,500	£352,500	£205,000
	New build				
Nash Mills	Existing	£582,500	£500,000	£432,000	£295,000
	New build				

Source: HPSSA Dataset 37 (Data Release 21st June 2023)

New build Asking Prices

4.30 This study is concerned with new development, so the key input for the appraisals is the price of new units. A survey of new homes for sale was carried out.

4.31 At the time of this research in March 2023, there were about 60 new homes being advertised for sale in the Council area. The analysis of these shows that asking prices for new build homes vary very considerably, starting at £222,500 and going up to over £1,620,000. The average is about £610,000. These are summarised in the following table and set out in detail in **Appendix 6**.

Table 4.6 Average New build Asking Prices £ - March 2023					
	Detached	Flat	Semi-detached	Terrace	All
Berkhamsted	**£950,000**				**£950,000**
Eleanor Close	£950,000				£950,000
Bovingdon			**£695,000**		**£695,000**
Elsie Collection			£695,000		£695,000
Rosecroft Close					No data
Chipperfield					**No data**
El Noveno Castano					No data
Hemel Hempstead	**£974,750**	**£331,150**	**£560,000**	**£527,500**	**£446,223**
Aspire at The Exchange		£227,500			£227,500
Centurion Heights		£553,333			£553,333
Maylands Plaza		£280,000		£460,000	£340,000
Mayo Gardens	£599,500				£599,500
Redling Drive	£1,350,000				£1,350,000
Savoy Close			£560,000		£560,000
The Exchange		£291,250			£291,250
The Gade		£259,950			£259,950
Westbrook Moorings				£595,000	£595,000
Kings Langley	**£1,625,000**	**£550,000**			**£1,087,500**
Friarswood		£550,000			£550,000
(blank)	£1,625,000				£1,625,000
Tring	**£845,817**	**£302,500**	**£657,475**	**£635,000**	**£688,738**
Bulbourne Yard				£570,000	£570,000
Glebe Meadow	£931,667				£931,667
Icknield Way		£302,500			£302,500
Longfield Road				£700,000	£700,000
Roman Park	£759,967		£657,475		£718,970
All	**£959,036**	**£341,247**	**£675,905**	**£563,333**	**£609,643**

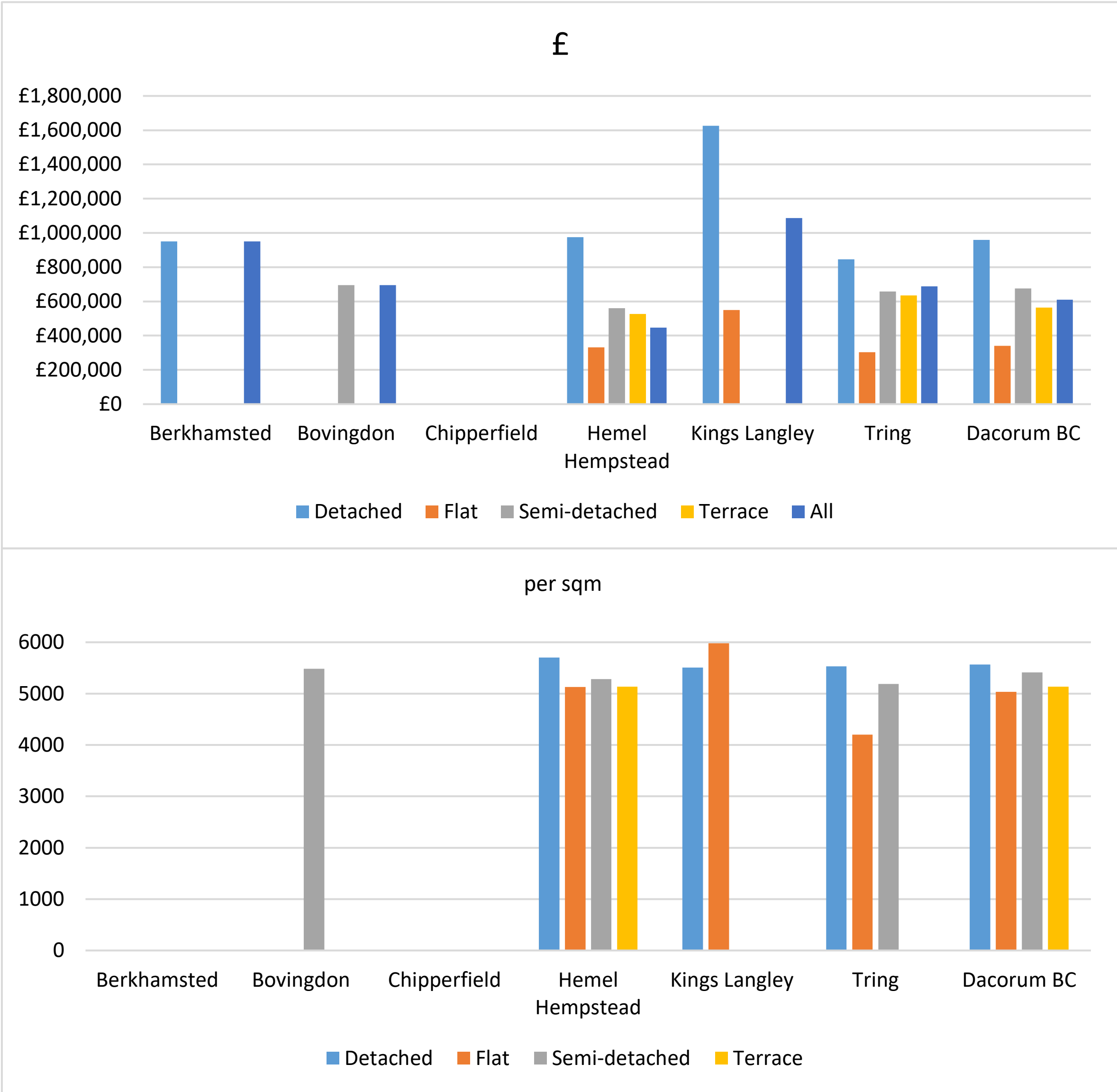
Source: Market Survey (March 2023)

Table 4.7 Average New build Asking Prices £ per sqm – March 2023					
	Detached	Flat	Semi-detached	Terrace	All
Berkhamsted					**No data**
Eleanor Close					No data
Bovingdon			**£5,485**		**£5,485**
Elsie Collection			£5,485		£5,485
Rosecroft Close					No data
Chipperfield					**No data**
El Noveno Castano					No data
Hemel Hempstead	**£5,700**	**£5,128**	**£5,283**	**£5,133**	**£5,216**
Aspire at The Exchange		£5,505			£5,505
Centurion Heights					No data
Maylands Plaza		£4,800		£4,946	£4,873
Mayo Gardens	£5,401				£5,401
Redling Drive	£6,000				£6,000
Savoy Close			£5,283		£5,283
The Exchange		£4,957			£4,957
The Gade		£4,999			£4,999
Westbrook Moorings				£5,321	£5,321
Kings Langley	**£5,508**	**£5,978**			**£5,743**
Friarswood		£5,978			£5,978
(blank)	£5,508				£5,508
Tring	**£5,534**	**£4,202**	**£5,191**		**£5,199**
Bulbourne Yard					No data
Glebe Meadow	£5,595				£5,595
Icknield Way		£4,202			£4,202
Longfield Road					No data
Roman Park	£5,473		£5,191		£5,360
All	**£5,568**	**£5,037**	**£5,413**	**£5,133**	**£5,303**

Source: Market Survey (March 2023)

4.32 The asking price data is summarised as follows:

Figure 4.10 Average New build Asking Prices £ per sqm



Source: Market Survey (March 2023)

4.33 During the course of the research, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers. In most cases the feedback was that significant discounts are not available and were unlikely to be available. This reflects the situation in the wider country where larger housebuilders tend to say that the asking price is the price to be paid.

4.34 The above data shows variance across the area, however it is necessary to consider the reason for that variance. An important driver of the differences is the situation rather than the location of a site. Based on the existing data, the value will be more influenced by the specific site characteristics, the immediate neighbours, and the environment, as well as where the scheme is located.

Price Assumptions for Financial Appraisals

4.35 The following residential price assumptions were used in the 2019 Viability Study, these correlated with the CIL Charging Zones:

Table 4.8 Price Assumptions – March 2019 (£ per sqm)			
Description	**CIL ZONE 1**	**CIL ZONE 2**	**CIL ZONE3**
	Berkhamsted and surrounding area	Elsewhere	Hemel Hempstead and Markyate
Larger Brownfield	£5,700	£4,400	£4,600
Smaller Brownfield Sites	£5,700	£4,400	£4,600
Large Greenfield	£5,700	£4,450	£4,600
Medium Greenfield	£5,700	£4,450	£4,600

Source: Table 4.6, Site Assessment Study – Viability Appendix (HDH, December 2019)

4.36 It is necessary to form a view about the appropriate prices for the schemes to be appraised in this study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (it is acknowledged that this is varied) the following approach is taken.

a) Brownfield Sites. In terms of value the prices of the new homes developed are likely to be driven by the specific situation of the scheme rather than the general location. That is to say the value will be more strongly influenced by the specific site characteristics, the immediate neighbours and environment, rather than in which particular ward or postcode sector the scheme is located. Development is likely to be of a higher density than the greenfield sites and be based around schemes of flats, semi-detached housing and terraces with a low proportion of detached units.

b) Flatted Schemes. This is considered to be a separate development type that is only likely to take place in the town centres. These are modelled as conventional development and as Build to Rent (see below).

c) Greenfield Sites. These include the potential strategic sites, and large greenfield sites (over 200 units or so). A premium value is applied to the large scale schemes that are likely to come forward under Garden Town Principles.

4.37 It is important to note that this is a broad-brush, high-level study to test the Council's Local Plan Review as required by the NPPF. The values between new developments and within new developments will vary considerably. No single source of data should be used in isolation, and it is necessary to draw on the widest possible sources of data. In establishing the assumptions, the prices (paid and asking) of existing homes are given greater emphasis when establishing the pattern of price difference across the area and the data from newbuild homes (paid and asking) is given greater emphasis in the actual assumption.

4.38 Care is taken not to simply attribute the values of second hand / existing homes to new homes. As shown by the data above, new homes do not always follow the values of existing homes, particularly in those areas where the existing housing stock is less aspirational. It also necessary to appreciate that there has been a significant increase in values over the last year that is not yet reflected in the ONS data sources.

4.39 Based on prices paid, the asking prices from active developments, and informed by the general pattern of all house prices across the study area, and the wider data presented, the prices put to the consultation are as in the table below.

Table 4.9 Pre-Consultation Price Assumptions – April 2023 (£ per sqm)

Description	CIL ZONE 1	CIL ZONE 2	CIL ZONE3
	Berkhamsted and surrounding area	Elsewhere	Hemel Hempstead and Markyate
Brownfield	£6,700	£5,200	£5,400
Flatted Schemes	£6,000	£4,800	£5,000
Greenfield	£6,700	£6,400	£5,400

Source: HDH (April 2023)

4.40 Several comments were made through the technical consultation.

a. A housebuilder[29] commented that they were generally in agreement with the above, with the exception of the Zone 1 figure of £6,700 per sqm being 'a slight overestimate'.

b. A landowner[30] suggested that the use of Urban / Rural rather than Brownfield / Greenfield may be more appropriate. They went on to suggest that the prices quoted were, based on their knowledge, at the top end of the expected range, and whilst representative, they did not reflect the range of values within the market.

Further the delay in data from the Land Registry was highlighted – particularly in the context of concerns regarding the economy. This is acknowledged. Sensitivity testing has been carried out.

c. A housebuilder[31] [32] cautioned on the over reliance of averages over large areas as local factors and infrastructure (roads and railways) will impact on values.

[29] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[30] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[31] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[32].

d. A land promoter[33] asserted that the EPCs *'tend to overstate the internal floor area'*. This would have the effect of understating the value when expressed per sqm. No supporting information or examples were provided.

Based on experience from elsewhere, it is understood that this relates, at least in part, to internal garages – although it is important to note that these are unlikely to be a particular of planned development. Internal garages are not (or should not be) included within the EPC area but can be included in the developers' own records. Whilst some new homes do have internal garages this is a minority (none out of the 60 or so being advertised in April 2023 – 17 have external garages). Bearing in mind the need to establish the values on a £ per sqm basis this data can still be given weight.

Whilst these concerns are noted, the guidance for undertaking EPCs has been checked and this states[34]:

When undertaking internal dimensions measure between the inner surfaces of the external or party walls. Any internal elements (partitions, internal floors, walls, roofs) are disregarded.

In general, rooms and other spaces, such as built in cupboards, should be included in the calculation of the floor area where these directly accessible from the occupied dwelling. However, unheated spaces clearly divided from the dwelling should not be included.

Additionally, the DCLG guidance describes the floor area as follows[35]:

The total useful floor area is the total area of all enclosed spaces measured to the internal face of the external walls, that is to say it is the gross floor area as measured in accordance with guidance issued to surveyors:

a. the area of sloping surfaces such as staircases, galleries, raked auditoria, and tiered terraces should be taken as their area on the plan; and

b. areas that are not enclosed, such as open floors, covered ways and balconies, are excluded.

As set out in Chapters 2 and 3 above, the work in this study is based on existing available evidence and is proportionate. It is the firm view of HDH that the use of EPC data is appropriate in a study of this type. As with any dataset there are bound to be discrepancies and occasions where there is an element of human error, however the substantial sample size and use of averages should minimise this.

No quantitative data or examples were provided to illustrate why it was thought that this data may not be reliable.

e. A housebuilder[36] commented that '*… the average market revenues for development in Berkhamsted and the surrounding area (CIL Zone 1) should be included at a maximum of £6,000 per square metre …*'

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[33] Roebuck Land & Planning Ltd, for Hallam Land Management Ltd.

[34] Page 6, Energy Performance Certificates for Existing Dwellings. RdSAP Manual. Version 8.0

[35] Improving the energy efficiency of our buildings. A guide to energy performance certificates for the marketing, sale and let of dwellings. April 2014, Department for Communities and Local Government.

[36] Turner Morum for Croudace Homes, re Growth Area Site 16.

4.41 Following the consultation, the price assumptions were updated as follows:

a. The price assumptions in Zone 1 have been reviewed. The average price paid for new homes in the Berkhamsted wards is about £6,636, and in the HP4 1 postcode area the average price paid is about £6,750 and in HP4 3 it is about £6,220. There is no newbuild data for flats. No change is made.

b. The Urban / Rural descriptions have been adopted rather than Brownfield /Greenfield. Having said this, it is likely that urban sites will be brownfield and rural sites will be greenfield.

Table 4.10 Residential Price Assumptions – July 2023 (£ per sqm)

Description	**CIL ZONE 1**	**CIL ZONE 2**	**CIL ZONE3**
	Berkhamsted and surrounding area	Elsewhere	Hemel Hempstead and Markyate
Urban	£6,700	£5,200	£5,400
Flatted Schemes	£6,000	£4,800	£5,000
Rural	£6,700	£6,400	£5,400

Source: HDH (July 2023)

Ground Rents

4.42 Over the last 20 or so years many new homes have been sold subject to a ground rent. Such ground rents have recently become a controversial and political topic. In this study, no allowance is made for residential ground rents[37].

Build to Rent

4.43 This is a growing development format that is subject to specific guidance within the PPG. The Build to Rent sector is a different sector to mainstream housing.

4.44 The value of housing that is restricted to being Private Rented Sector (PRS) housing is different to that of unrestricted market housing. The value of the units in the PRS (where their use is restricted to PRS and they cannot be used in other tenures) is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor would pay for the completed unit or scheme. This will depend on the amount of the rent and the cost of managing the property (letting, voids, rent collection, repairs etc.). This is well summarised in *Unlocking the Benefits and Potential of Built to Rent*, A British Property Federation report

[37] In October 2018 the Communities Secretary announced that majority of new build houses should be sold as freehold and new leases to be capped at £10. https://www.gov.uk/government/news/communities-secretary-signals-end-to-unfair-leasehold-practices

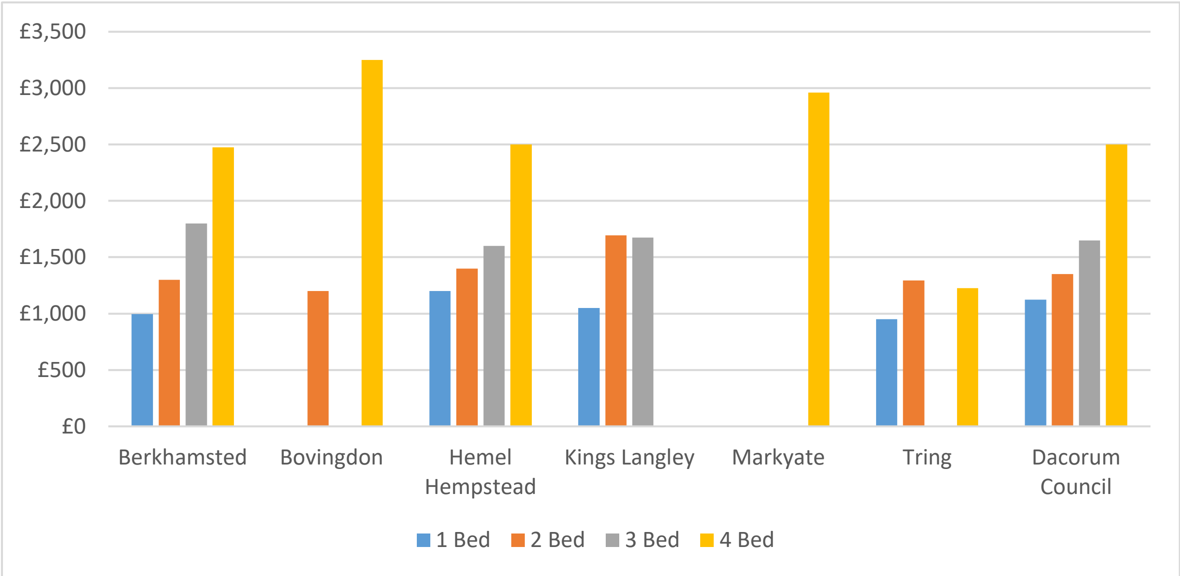
commissioned from Savills, academically reviewed by LSE, and sponsored by Barclays (February 2017):

> *A common comment from BTR players is that BTR schemes tend to put a lower value on development sites than for sale appraisals. Residential development is different to commercial in that it has two potential end users - owners and renters. Where developers can sell on a retail basis to owners (or investors paying retail prices - i.e. buy to let investors) this has been the preferred route to market as values tend to exceed institutional investment pricing, which is based on a multiple of the rental income. This was described as "BTR is very much a yield-based pricing model.*

4.45 In estimating the likely level of rent, a survey of market rents across the area has been undertaken.

Table 4.11 Median Asking Rents advertised on Rightmove (£/month)

	1 Bed	2 Bed	3 Bed	4 Bed
Berkhamsted	£995	£1,300	£1,800	£2,475
Bovingdon		£1,200		£3,250
Hemel Hempstead	£1,200	£1,400	£1,600	£2,500
Kings Langley	£1,050	£1,695	£1,675	
Markyate				£2,960
Tring	£950	£1,295		£1,225
Dacorum Council	£1,125	£1,350	£1,650	£2,500



Source: Rightmove.co.uk (March 2022)

4.46 It is important to note that the above rents are for all units across the market. It is likely that Build to Rent units are to be amongst the highest quality in the market, offering high quality and reliable management and a greater certainty of tenure.

4.47 Care must be taken when considering the above to recognise the outliers. The Valuation Office Agency (VOA) collect data on rent levels:

Table 4.12 Rents reported by the VOA – Dacorum October 2021 to September 2022					
	Count of rents	Mean	Lower quartile	Median	Upper quartile
Room	60	£557	£450	£570	£625
Studio	20	£734	£675	£725	£800
1 Bedroom	380	£877	£825	£875	£925
2 Bedroom	590	£1,125	£995	£1,125	£1,250
3 Bedroom	270	£1,459	£1,300	£1,400	£1,595
4+ Bedroom	110	£2,099	£1,600	£1,950	£2,300

Source: VOA Private Rental market summary statistics in England (Released 14th December 2022)

4.48 In calculating the value of PRS units it is necessary to consider the yields. Several sources of information have been reviewed.

a. Savills in its *Residential research – February 2023 UK Build to Rent Market Update* suggests that 'yields have been more resilient than other real estate sectors' and prime Regional Multifamily yields are about 4%. This is, at least in part as the Private Rented Sector (PRS is seen as a hedge from inflation.

b. Knight Frank in its *Residential Yield Guide* (June 2023) reported a 3.75% yield for South East – Single Family Housing.

c. CBRE is reporting multifamily prime yields of 3.60% to 4.5% in its *Figures – UK Property – Q1 2023*.

4.49 Having considered a range of sources, a gross yield of 4% has been assumed, being at the cautious end of the range. In considering the rents to use in this assessment it is necessary to appreciate that much of the exiting rental stock is relatively poor, so new PRS units are likely to have rental values that are well in excess of the averages, with yields that are below the averages.

4.50 The assessment of value is based on a net rent basis, having allowed 20% for costs.

Table 4.13 Capitalisation of Private Rents			
	1 bed	2 bed	3 bed
Gross Rent (£/month)	£925	£1,198	£1,350
Gross Rent (£/annum)	£11,100	£14,376	£16,200
Net Rent (£/annum)	£8,325	£10,782	£12,150
Value	£222,000	£287,520	£324,000
m^2	50	70	84
£ per sqm	£4,440	£4,107	£3,857

Source: HDH (October 2022)

4.51 This approach derives a value for private rent, under Build to Rent, of £4,430 per sqm or so. It is assumed that affordable housing within Build to Rent schemes is as 'affordable private rent' with a worth of 80% of the market rented units.

4.52 Through the technical consultation a housebuilder[38] confirmed these above assumptions. Clarity was sought[39] with regard to the provision of affordable housing. The provision of affordable housing under Build to Rent is covered in paragraph 60-002-20180913 of the PPG.:

> *The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided by default in the form of affordable private rent, a class of affordable housing specifically designed for build to rent. Affordable private rent and private market rent units within a development should be managed collectively by a single build to rent landlord.*
>
> *20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion they should justify this using the evidence emerging from their local housing need assessment, and set the policy out in their local plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.*
>
> *National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local market rents. The discount should be calculated when a discounted home is rented out, or when the tenancy is renewed. The rent on the discounted homes should increase on the same basis as rent increases for longer-term (market) tenancies within the development.*

4.53 As per the PPG, Affordable Private Rent is taken to have a value of 80% market rented schemes (this is more than the Dacorum Affordable Rent as set out below). A range of requirements are tested.

Affordable Housing

4.54 A core output of this assessment is advice as to the level of the affordable housing requirement, so it is necessary to estimate the value of such housing. In this assessment it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP).

4.55 In the 2019 Viability Study the following assumptions were used:

a.	Social Rent	N/A
b.	Affordable Rent	£2,700 per sqm
c.	Intermediate Housing	70% market value

[38] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[39] DBC, Housing Strategy and Investment.

4.56 The values of affordable housing have been updated.

Social Rent

4.57 The value of social rented property is a factor of the rent – although the condition and demand for the units also have an impact. Social Rents are set through a national formula that smooths the differences between individual properties and ensures properties of a similar type pay a similar rent:

Table 4.14 General Needs (Social Rent)

Average weekly net rent (£ per week) by unit size for Dacorum - Large PRPs				£ per week	
Unit Size	**Net rent**	**Social rent rate**	**Service charge**	**Gross rent**	**Unit count**
Non-self-contained	-	-	-	-	-
Bedsit	£81.84	£81.71	£17.54	£99.38	48
1 Bedroom	£100.92	£97.58	£11.97	£112.67	383
2 Bedroom	£118.45	£114.09	£9.08	£126.74	797
3 Bedroom	£131.93	£127.95	£3.60	£134.48	613
4 Bedroom	£141.30	£140.08	£3.09	£143.65	122
5 Bedroom	£156.64	£152.48	£1.46	£157.01	4
6+ Bedroom	-	-	-	-	-
All self-contained	£119.84	£116.10	£8.21	£126.86	1,967
All stock sizes	**£119.84**	**£116.10**	**£8.21**	**£126.86**	**1,967**

Owned stock. Large PRPs only - unweighted. Excludes Affordable Rent and intermediate rent, but includes other units with an exception under the Rent Policy Statement. Stock outside England is excluded.

Source: Table 9, SDR 2022 – Data Tool

4.58 This study concerns only the value of newly built homes. There seems to be relatively little difference in the amounts paid by Registered Providers (RPs) for such units across the area. In this study, the value of Social Rents is assessed assuming 10% management costs, 4% voids and bad debts and 6% repairs. These are capitalised at 4%.

Table 4.15 Capitalisation of Social Rents				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Rent (£/month)	£91.37	£104.20	£117.36	£141.09
Rent (£/annum)	£4,751	£5,418	£6,103	£7,337
Net Rent	£3,801	£4,335	£4,882	£5,869
Value	£95,025	£108,368	£122,054	£146,734
m^2	50	70	84	97
£ per sqm	£1,900	£1,548	£1,453	£1,515

Source: HDH (April 2023)

4.59 On this basis, a value of £1,750 per sqm across the study area would be derived.

4.60 Through the technical consultation a landowner[40] noted '*that the affordable housing values used reflects the following % of open market value: - Social rent – 26% - 36%. Current values that we are seeing in the market are: - Social Rent: 35%-40% OMV*'. This suggests the above may understate the values somewhat.

Affordable Rent

4.61 Under Affordable Rent, a rent of no more than 80% of the market rent for that unit can be charged. The value of the units is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor (or another RP) would pay for the completed unit.

4.62 In estimating the likely level of Affordable Rent, a survey of market rents across the Council area has been undertaken and is set out under the Build to Rent heading above.

4.63 As part of the reforms to the social security system, housing benefit / local housing allowance is capped at the 3rd decile of open market rents for that property type, so in practice Affordable Rents are unlikely to be set above these levels. The cap is set by the Valuation Office Agency (VOA) by Broad Rental Market Area (BRMA). The bulk of the Council area is in the South West Herts BRMA.

[40] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

Table 4.16 BRMA LHA Caps (£/month)			
	Aylesbury BRMA	Chilterns BRMA	South West Herts BRMA
Shared	£340.56	£388.92	£415.35
One Bedroom	£673.14	£747.93	£797.81
Two Bedrooms	£797.81	£972.31	£997.27
Three Bedrooms	£1,047.11	£1,246.57	£1,296.45
Four Bedrooms	£1,396.16	£1,645.50	£1,695.33

Source: VOA (July 2023)

4.64 Where the cap is below the level of Affordable Rent at 80% of the market rent, it is assumed that the Affordable Rent is set at the LHA Cap.

4.65 The most recent HCA data release includes data on Affordable Rents in the area (although this data covers both newbuild and existing homes).

Table 4.17 Affordable Rent General Needs		
Average weekly gross rent (£ per week) and unit counts by unit size for Dacorum	**£ per week**	
Unit Size	**Gross rent**	**Unit count**
Non-self-contained	-	-
Bedsit	£130.94	8
1 Bedroom	£153.30	298
2 Bedroom	£187.03	531
3 Bedroom	£229.38	150
4 Bedroom	£261.89	14
5 Bedroom	-	-
6+ Bedroom	-	-
All self-contained	£183.93	1,001
All stock sizes	**£183.93**	**1,001**
Owned stock. All PRPs owning Affordable Rent units - unweighted. Stock outside England is excluded.		

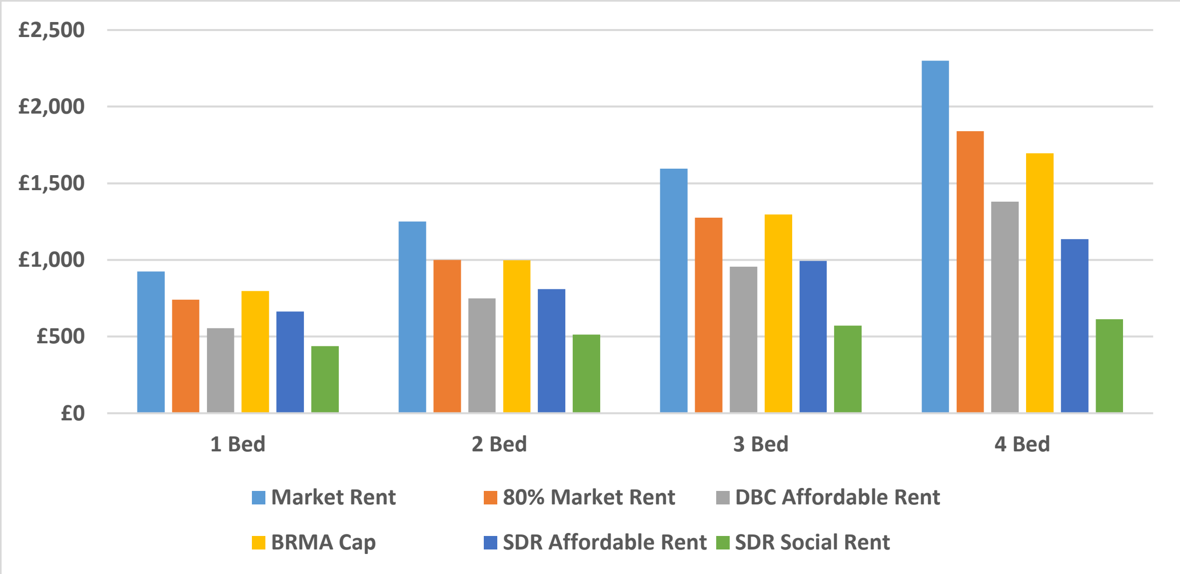
Source: Table11, SDR 2022 – Data Tool[41]

[41] Private registered provider social housing stock in England - GOV.UK (www.gov.uk)

4.66 The Council has done a considerable amount of work (through the Housing Market Assessment) around the locally appropriate and affordable level of Affordable Rent (ie so as to be affordable to local people unable to access affordable housing). Based on this, the modelling in this assessment is based on DBC Affordable Rent, where the Affordable Rent is at 60% of the market rent.

4.67 The rents can be summarised as follows.

Figure 4.11 Rents by Tenure – £/Month



Source: Market Survey, SDR and VOA (March 2023)

4.68 In calculating the value of Affordable Rent, it is assumed that the rent is set at 60% of market rent. 10% management costs, 4% voids and bad debts and 6% repairs are allowed for the net rent then capitalised the income at 4%. In all cases Affordable Rent at 60% of market rent is less than the LHA cap. On this basis affordable rented property has the following worth.

Table 4.18 Capitalisation of Affordable Rents

	1 Bedroom	2 Bedrooms	3 Bedrooms
Gross Rent (£/month)	£555	£750	£957
Gross Rent (£/annum)	£6,660	£9,000	£11,484
Net Rent	£5,328	£7,200	£9,187
Value	£133,200	£180,000	£229,680
m^2	50	70	84
£ per sqm	£2,664	£2,571	£2,734

Source: HDH (April 2023)

4.69 Using this method to assess the value of affordable housing, under the DBC Affordable Rent tenure, a value of £2,650 per sqm or so is derived.

4.70 Through the technical consultation a landowner[42] noted '*that the affordable housing values used reflects the following % of open market value: - Affordable rent (noting that this is 60% of market rent) – 40% - 55%. Current values that we are seeing in the market are: - Affordable Rent: 40%-45% OMV*'.

4.71 A housebuilder[43] confirmed this approach saying '*HDH have included appropriate affordable housing values – in terms of the respective %s of Open Market Value, although the outturn values per square foot would reduce as the market revenues are adjusted*'..

Affordable Home Ownership

4.72 Intermediate products for sale include Shared Ownership and shared equity products[44] as well as First Homes. A value of 70% of open market value is assumed for these units. These values were based on purchasers buying an initial 30% share of a property and a 2.5%[45] per annum rent payable on the equity retained. The rental income is capitalised at 4% having made a 2% management allowance.

4.73 In November 2020, the Government undertook a consultation around the standard Shared Ownership model, the outcome of which was announced in April 2021.

a. A reduction in the minimum first tranche share to 10%.

b. The ability of shared owners to staircase by 1% annually for up to 15 years, at a value based on the original purchase price uprated by the local House Price Index (and a reduction in the minimum staircasing threshold from 10% to 5%).

c. A ten-year 'repair free period' during which the landlord would fund repairs worth up to £500 per year, with a one-year rollover, with the shared owner responsible for undertaking repairs.

4.74 Discussions with RPs suggest that, having taken this change in to account, values are unlikely to fall significantly.

4.75 In relation to First Homes, the 30% discount and £250,000 cap are assumed to apply. Greater discounts and lower caps are also tested. Through the technical consultation a housebuilder[46] questioned DBC's consideration of lower caps. This is noted, however the purpose of this

[42] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[43] Turner Morum for Croudace Homes, re Growth Area Site 16.

[44] For the purpose of this assessment, it is assumed that the 'Affordable Home Ownership' products, as referred to in paragraph 64 of the NPPF, fall into this definition,

[45] A rent of up to 3% may be charged – although in this area 2.75% is more usual.

[46] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

assessment is to consider the impact of the cap rather than set the cap (which will be informed by wider housing evidence).

4.76 A landowner[47] noted '*that the affordable housing values used reflects the following % of open market value: - First Homes – 70% (subject to a £250,000 cap). Current values that we are seeing in the market are: - Shared Ownership: 65%-70% OMV (anticipated to be under First Homes 70% threshold in the main)*'. This suggests the above may be appropriate.

4.77 A housebuilder[48] noted that the First Homes cap is likely to lead to First Homes being smaller units. A housebuilder[49] questioned that calculation of the First Homes and why this was below the cap. For some units, the 70% of market value may be below £250,000. In these cases, it is necessary to use the lower figure of the cap or the discounted figure.

Grant Funding

4.78 It is assumed that grant is not available for market housing schemes of the type assessed in this viability assessment. Funding may be available in exceptional circumstances, for example to facilitate regeneration infrastructure.

Older People's Housing

4.79 Housing for older people is generally a growing sector due to the demographic changes and the aging population. The sector brings forward two main types of product that are defined in paragraph 63-010-20190626 of the PPG:

> ***Retirement living or sheltered housing**: This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24 hour on-site assistance (alarm) and a warden or house manager.*
>
> ***Extra care housing or housing-with-care:** This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.*

4.80 HDH has received representations from the Retirement Housing Group (RHG) a trade group representing private sector developers and operators of retirement, care and Extracare homes. They have set out a case that Sheltered Housing and Extracare Housing should be

[47] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[48] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[49] Turner Morum for Croudace Homes, re Growth Area Site 16.

tested separately. The RHG representations assume the price of a 1 bed Sheltered unit is about 75% of the price of existing 3 bed semi-detached houses and a 2 bed Sheltered property is about equal to the price of an existing 3 bed semi-detached house. In addition, it assumes Extracare Housing is 25% more expensive than Sheltered Housing.

4.81 A typical price of a 3 bed semi-detached home has been taken as a starting point. On this basis it is assumed Sheltered and Extracare Housing has the following worth:

Table 4.19 Worth of Sheltered and Extracare

Hemel Hempstead			
	Area (m^2)	£	£ per sqm
3 bed semi-detached		**500,000**	
1 bed Sheltered	50	375,000	7,500
2 bed Sheltered	75	500,000	6,667
1 bed Extracare	65	468,750	7,212
2 bed Extracare	80	625,000	7,813
Berkhamsted			
3 bed semi-detached		**630,000**	
1 bed Sheltered	50	472,500	9,450
2 bed Sheltered	75	630,000	8,400
1 bed Extracare	65	590,625	9,087
2 bed Extracare	80	787,500	9,844
Tring			
3 bed semi-detached		**550,000**	
1 bed Sheltered	50	412,500	8,250
2 bed Sheltered	75	550,000	7,333
1 bed Extracare	65	515,625	7,933
2 bed Extracare	80	687,500	8,594

Source: HDH (April 2023)

4.82 A review was undertaken of older people's schemes within the Council area and surrounds. This aligns broadly with the assumptions used above. The following figures are asking prices which may be more than achieved prices.

Table 4.20 Specialist Older People's Housing – Asking Prices				
Average £	**1 Bed**	**2 Bed**	**3 Bed**	**All**
Elysian				
Landsby	£565,000	£1,047,500		£993,889
McCarthy Stone				
Chiltern Place		£709,200		£709,200
Goldwyn House	£360,798	£483,000		£437,174
Heathlands		£571,486		£571,486
Highclere House		£448,033		£448,033
Lowe House	£378,750	£506,575		£457,412
Randolph House	£405,650			£405,650
Rutherford House	£486,200	£617,200		£551,700
The Cloisters	£436,286	£566,357		£523,000
Pegasus				
Leyton Road		£835,000	£975,000	£858,333
St Marys Place				
St Marys Place		£650,000	£735,000	£692,500
All	£419,642	£631,939	£855,000	£588,188
Average £ per sqm	**1 Bed**	**2 Bed**	**3 Bed**	**All**
Elysian				
Landsby	£9,417	£9,902		£9,833
McCarthy Stone				
Chiltern Place		£8,278		£8,278
Goldwyn House	£6,681	£6,117		£6,329
Heathlands		£7,138		£7,138
Highclere House		£5,577		£5,577
Lowe House	£7,075	£6,300		£6,598
Randolph House	£8,451			£8,451
Rutherford House	£8,840	£7,863		£8,352
The Cloisters	£7,753	£8,057		£7,956
Pegasus				
Leyton Road		£8,236	£8,705	£8,314
St Marys Place				
St Marys Place		£6,842		£6,842

Source: Market Survey (April 2023)

4.83 In relation to the above, a developer of specialist older people's housing[50] suggested that the Elysian scheme be removed from the above table as it is an outlier. It is accepted that it is an outlier, however it still is relevant so should be presented. It was also suggested that St Mary's Place be removed as it is 'age restricted market housing'. Whilst this may not fall within the definitions of Sheltered or Extracare housing – it is specialist housing targeted at, and restricted to, this particular sector.

4.84 The following values are used in the appraisals:

Table 4.21 Pre-consultation Worth of Retirement and Extracare

Hemel Hempstead	£ per sqm
Sheltered	£7,000
Extracare	£7,500
Elsewhere	
Sheltered	£7,800
Extracare	£8,300

Source: HDH (April 2023)

4.85 It is timely to consider Integrated Retirement Communities (IRCs). IRCs can include central restaurants, leisure club, gardens, guest facilities and the like. It is acknowledged that there can be a 'grey area' between C2 and C3, depending on the level of self-containment of the units and the level of services (particularly care) provided. IRCs often include houses and flats and tend to be of a larger scale.

4.86 DBC currently has no plans to allocate land for IRCs (no few of the sites under consideration for allocation are of appropriate scale or situation to accommodate one) and currently the Council does not seek affordable housing or CIL from Residential Institutions (C2), but does seek both affordable housing and in some cases CIL from 'Retirement Housing'[51].

4.87 It is sometimes suggested that IRC development may achieve a premium of about 10% over general development.

50 The Planning Bureau for McCarthy Stone.

51 The CIL Charging Schedule defines Retirement Homes as:

> *Retirement housing is housing which is purpose built or converted for sale to elderly people with a package of estate management services and which consists of grouped, self-contained accommodation with communal facilities amounting to less than 10% of the gross floor area. These premises often have emergency alarm systems and/or wardens. These properties would not however be subject to significant levels of residential care (C2) as would be expected in care homes or extra-care premises.*

4.88 Almost all types of older peoples housing is subject to some form of Deferred Management Fees or Event Fees. These may be a fee at the time of a re-sale, or more normally through ongoing service charges through which the operator makes a margin (or profit). There are numerous different business models, ranging from straight forward commercial operations through to joint ownership and charitable structures simply seeking to recover the costs. In this assessment no allowance is made for any enhancement to the value through such charges.

4.89 The value of units as affordable housing has also been considered. It has not been possible to find any directly comparable schemes where housing associations have purchased social units in a market-led Extracare development. Private sector developers have been consulted. They have indicated that, whilst they have never disposed of any units in this way, they would expect the value to be in line with other affordable housing – however they stressed that the buyer (be that the local authority or housing association) would need to undertake to meet the full service and care charges.

5. Non-Residential Market

5.1 This chapter sets out an assessment of the markets for non-residential property within the Dacorum Council area, providing a basis for the assumptions of prices to be used in financial appraisals for the sites tested in the study.

5.2 This study is concerned with today's costs and values for Dacorum and represents the most up to date evidence. Previous assumptions have been referenced for information and sense checking purposes. There is no need to consider all types of development in all situations – and certainly no point in testing the types of schemes that are unlikely to come forward as planned development. In this study the larger format office and industrial use and retail uses are assessed.

5.3 Across the Council area, market conditions broadly reflect a combination of national economic circumstances and local supply and demand factors. However, even within the Dacorum area, there will be particular localities, and ultimately site-specific factors, that generate different values and costs.

National Overview

5.4 The various non-residential markets in the area reflect national trends. The retail markets are particularly challenging:

> *Headline occupier demand metric stabilises as the weaker trend in investor activity eases*
>
> - *Industrial capital value expectations recover slightly, with occupier fundamentals still solid*
> - *Secondary offices and retail continue to struggle but prime offices post firmer expectations*
> - *Majority of respondents still view the market to be in a downturn although a rising share now feel conditions are stabilising (or beginning to improve) relative to last quarter*
>
> *The results of the Q1 2023 RICS UK Commercial Property Monitor remain generally subdued as the market continues to contend with higher borrowing costs and a sluggish economic growth outlook. That said, the overall tone to the latest feedback is not as downbeat as last quarter. Indeed, the industrial sector in particular has shown renewed momentum, evidenced by near-term capital value expectations turning marginally positive following the sharp downward adjustment seen at the end of last year as bond yields jumped higher. Overall, although 50% of respondents feel conditions are consistent with a downturn phase of the property cycle, respective shares of 25% and 21% now feel the market has either reached a floor or has begun to turn up (9% and 5% in Q4).*
>
> *Starting with the occupier backdrop, the headline net balance for tenant demand came in at -3% in Q1. Although indicative of a largely flat picture, this marks an improvement on a reading of -20% posted last time. Within this, the industrial sector saw a pick-up in occupier demand, registering a net balance of +16% vs +6% in Q4. Meanwhile, tenant demand was flat to marginally negative for office space (net balance -6%) and continued to fall across the retail sector (net balance -23%). Even so, in both instances, this was less negative than in the previous quarter. Alongside this however, vacant space continued to edge higher within the office and retail segments, prompting landlords to increase to value of incentive packages. Conversely, availability dipped marginally for industrials.*
>
> *Looking at the prospects for rental growth, the net balance of respondents anticipating an increase in prime industrial rents over the next twelve months rose from +40% in Q4 to +58% in Q1, and from +6% to +23% for secondary industrial rents. By way of contrast, the outlook for*

rents remains negative for prime and secondary retail outlets, although the net balance of respondents expecting falls did moderate compared to Q4. For the office sector, there remains a stark contrast between prime and secondary, with the former expected to see solid rental gains (net balance +29%) while rents are seen falling across the latter (net balance -37%). Anecdotal remarks continue to cite ESG factors as an important driver of demand for some offices.

When disaggregated by broad region, a net balance of +38% of respondents foresee prime office rents in London rising in the year to come (up from a figure of +19% beforehand). Although growth in prime office rents is also seen across the South, Midlands and the North, expectations are not quite as elevated as those in London (in net balance terms). On the same basis, industrial rental growth expectations are particularly buoyant across the Midlands, albeit all parts of the country are expected to deliver a solid uptick in industrial rents. At the weaker end of the spectrum, both prime and secondary retail rents are projected to fall across most parts of the UK. Interestingly however, rents are now anticipated to pick-up marginally for prime retail space in London.

Turning to the investment market, the headline metric capturing investor demand posted a net balance of -14% in Q1. Although still indicative of a weakening in investor enquiries (for a third straight quarter), the latest figure is less downcast than the reading of -30% seen in Q4. A tighter lending environment continues to present a headwind to investor activity, with the survey's series gauging changes in credit conditions pointing to a fifth successive quarterly deterioration. Even so, the Q1 net balance of -37%, while still signalling a tougher lending backdrop, is the least negative reading seen since Q1 2022.

At the sector level, the latest net balances regarding investment demand for offices and retail assets came in at -26% and -27% respectively. Alongside this, industrial buyer demand appeared to stabilise, returning a net balance reading of +4% (compared to -9% last quarter). Notwithstanding this, indicators tracking overseas investment demand remained in negative territory across all three traditional market sectors.

Regarding the twelve-month outlook for capital values, the all-property expectations net balance moved to -10% following a reading of -40% previously. Moreover, expectations turned from negative to slightly positive in both the prime and secondary portions of the industrial market. Across the prime office sector, values are now seen holding steady over the year ahead (net balance +6% vs -31% in Q4), although expectations remain deeply negative for secondary office values (net balance -44% compared to -65% previously). Alongside this, respondents still foresee further falls in retail values, both prime and secondary, posting net balances of -19% ad -50% respectively.

Away from the mainstream sectors, respondents do envisage some positive growth over the year ahead in capital values across aged care facilities, life sciences, student housing and multifamily residential. For hotels, the outlook appears flat to marginally positive. At the other end of the scale, leisure capital values are expected to fall according to a net balance of -24% of respondents.

In response to a set of extra questions included in the Q1 survey, just over 50% of respondents stated that they currently assess the extent of potentially 'stranded' assets in the portfolios they are involved with. Furthermore, close to three-quarters of respondents feel that between 10% and 30% of these assets could potentially be 'stranded' if no investment at all is made to enhance them to meet legislative and market requirements.

RICS – Q1 2023: UK Commercial Property Market Survey[52]

[52] Accessed at: [Global Commercial Property Monitors (rics.org)]

Dacorum Non-Residential Market

5.5 The local markets are driven by local factors – however the influence of the wider South East underpins the market. Hemel Hempstead is a significant local centre, partly due to its fast links to London, but the remainder of the DBC area is largely rural being made up of smaller market towns and villages rather than larger settlements. The majority of new development is user led, however there has been an increase in that being brought forward by speculative developers. The market is described in detail in the Employment Land Availability Assessment (PBA, October 2017):

> *Dacorum is located north west of Greater London on the M1 corridor, with the south of the borough touching the M25. Commuters are attracted to the borough due to the rails links into central London, the quality of accommodation and the relative affordability. The borough has a number of key industrial occupiers (e.g. Amazon and Next) and office occupiers (e.g. Britvic).*
>
> *Dacorum is not a core regional centre for offices. Demand for offices in the borough is typically from small and medium enterprises (SMEs) with many larger occupiers found in the borough for historical reasons or needing to service the local/regional market.*
>
> *National/international occupiers are found at Apsley (Epson and HSBC), Breakspear Park (Britvic), and Maylands (Sopra Steria).*
>
> *Maylands is the largest employment site in the borough, providing a mixture of purpose built office and industrial accommodation. Maylands is located approximately 2 miles east of Hemel Hempstead town centre. The estate is serviced mainly from Maylands Avenue, which provides access (via Breakspear Way) onto Junction 8 M1. Much of this space is purpose built, second-hand stock in multi-tenanted buildings…..*
>
> *Breakspear Park is located opposite to Maylands, adjacent to Junction 8 M1. Although it could be considered to be part of Maylands, it is marketed as a standalone office park. Regus has a serviced office here and Britvic is here because they have a distribution unit further up the M1….*
>
> *Apsley is approximately two miles south of Hemel Hempstead town centre. Apsley also benefits from good quality existing stock, good quality housing, a railway station and local amenities which makes it attractive to occupiers. The railway station has regular trains into Euston, which has a journey time of around half an hour.*
>
> *Office accommodation in Apsley is modern purpose built stock. Occupiers are attracted to Apsley due to accessibility to quality of stock available, ease of access to London, amenities (Sainsbury's, Holiday Inn Express etc.), quality of housing (attractive to company directors and staff), and public transport links (to attract staff). Occupiers in Apsley include Epson and HSBC.*
>
> *Kings Langley is a village located to the south of the borough, close to Junction 25 M25. The village has a rail station which provides regular trains into Euston station. The journey time is just under half an hour. Adjacent to the rail station is a business park which provides a mix of office and industrial premises.*
>
> *Office accommodation in Kings Langley is modern, purpose-built stock and is located mainly in the part of the village within Three Rivers District. Commercial property markets work across administrative boundaries and we have not sought to distinguish the market between Dacorum and the Three Rivers. Occupiers are attracted to Kings Langley due to accessibility to quality of stock, ease of access to London, quality of housing (attractive to company directors and staff), and public transport links (to attract staff). Occupiers in Kings Langley include EMTEX and Imagination Technologies.*

5.6 There are also smaller employment areas such as the River Park Industrial Estate / Northbridge Road in Berkhamsted and the Tring Industrial Estate to the west of Tring.

5.7 Beyond these main areas, the non-residential uses tend to be small scale.

5.8 Whilst Hemel Hempstead is a significant shopping location with a full range of high street chains and supermarkets as well and some quality smaller retailers and food outlets, it is not a shopping destination. Both Berkhamsted and Tring have the character of more traditional market towns, offering high quality independent retailers.

5.9 This study is concerned with new property that is likely to be purpose built. There is little variance in price for newer premises more suited to modern business across the area.

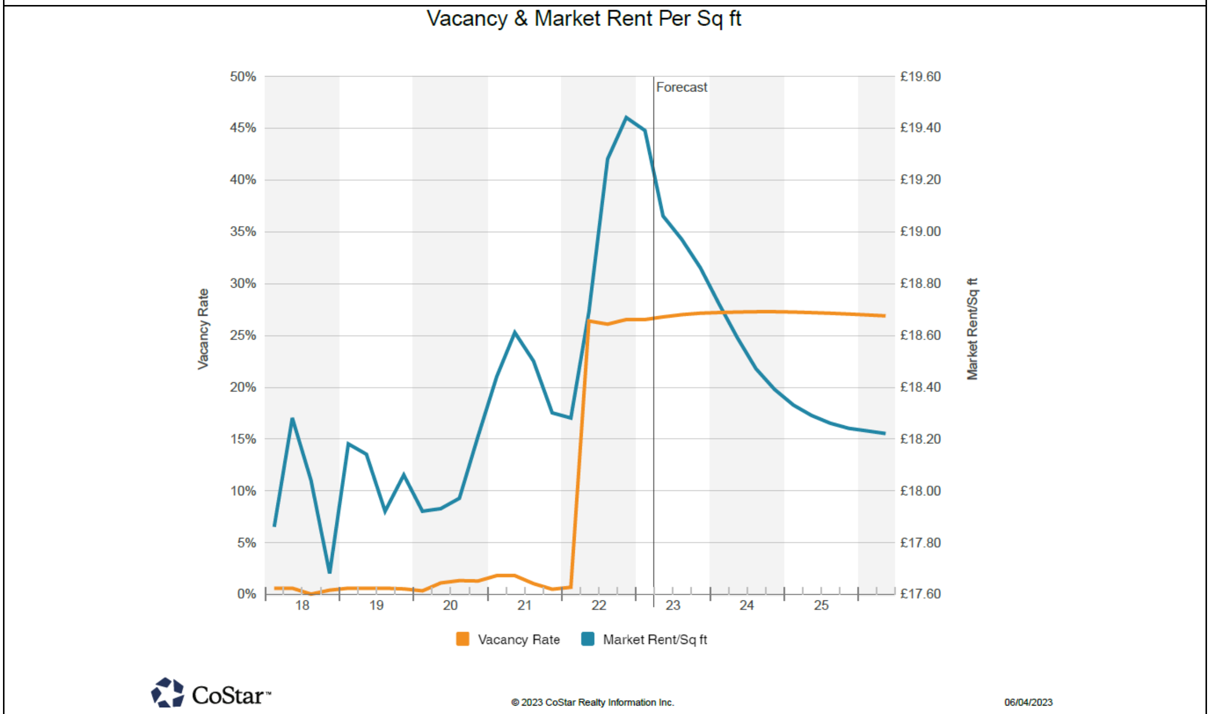
5.10 Various sources of market information were analysed, the principal sources being the local agents, research published by national agents, and through the Estates Gazette's Property Link website (a commercial equivalent to Rightmove.com). In addition, information from CoStar (a property industry intelligence subscription service) is drawn on. Clearly much of this commercial space is 'second-hand' and not of the configuration, type and condition of new space that may come forward in the future and be subject to CIL, so is likely to command a lower rent than new property in a convenient well accessed location with car parking and that is well suited to the modern business environment.

5.11 **Appendix 8** includes market data from CoStar.

Offices

5.12 CoStar data shows an increase in vacancy rates and an increase in rents, although the increase is vacancies is not recognised by informal soundings from local agents.

Figure 5.1 Area Offices. Vacancy Rates v Rent (£ per sqft)



Source: CoStar (April 2023) - This copyrighted report contains research licensed to CoStar UK Ltd - 701359

5.13 Asking rents are generally in the range of £310 per sqm per year for the best modern offices to about £120 per sqm per year, although generally, much of the supply for mid-sized offices is in the £215 per sqm per year to £270 per sqm per year range. This is consistent with the CoStar data that reports rents in the range from £355 per sqm per year down to £127 per sqm per year. High quality modern offices rents vary between £300 per sqm per year and £250 per sqm per year.

5.14 Very few offices are being advertised for sale, but those that are, are being advertised at around £2,700 per sqm. CoStar reports sales in the range of £5,000 per sqm to just under £1,000 per sqm, with an average of about £2,900 per sqm – although some of the lower value properties include other uses. High quality modern offices sales are generally around £4,000 per sqm.

5.15 There is not a significant differentiation of rents or values based on unit size or based on a town centre or business park location.

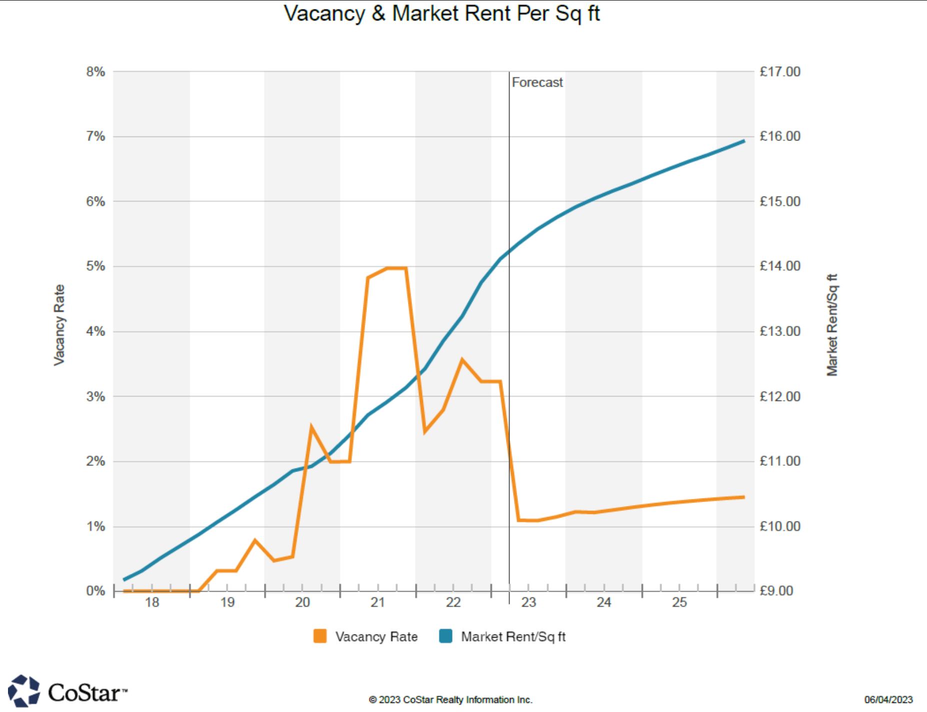
5.16 The CoStar data on yields is very limited. Generally, in this part of England, for newer, better property, a figure of 5.5% is representative, and for smaller units, that may be less attractive to investors, of 6% or so.

5.17 On this basis larger new office development would have a value of £4,740 per sqm and smaller units £4,300 per sqm or so (having allowed for a rent free / void period of 1 year).

Industrial and Distribution

5.18 The CoStar data records an increase in vacancies at the time of the COVID-19 pandemic, but very low rates of vacancy now. Rents are shown to have increased steadily over the last 5 or so years.

Figure 5.2 Area Industrial. Vacancy Rates v Rent (£ per sqft)



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5.19 Asking rents are generally in the range of £175 per sqm per year to about £100 per sqm per year for older units, although generally, much of the supply is in the region of £130 per sqm per year. This is consistent with the CoStar data that reports rents in the range from £177 per sqm per year down to 35 per sqm per year. High quality modern offices rents are in the £180 per sqm per year to £140 per sqm per year range.

5.20 Very few industrial units are being advertised for sale, but those that are, are being advertised at around £1,800 per sqm. CoStar report sales in the range of £6,400 per sqm to just under £1,440 per sqm, with an average of about £2,980 per sqm – although some of the lower value properties include other uses.

5.21 As for office uses, the CoStar data on yields is very limited. Generally, in this part of England, for newer, better property, a figure 5% is representative, and for smaller units, that may be less attractive to investors, of 6.5% or so.

5.22 Very large units have been considered in more detail as this is currently an area of particular activity. The market is a national market so wider data has been drawn on.

a. Savills, in *Big Shed Briefing* (Savills, July 2022), reports rents of £9 per sqft to £30 per sqft in London and the South East. A prime investment yields, on a national basis, of about 3.5% for multi-let units and for distribution is given. It is notable that rents have increased, and yields have fallen in the last year, however the report does note the likely adverse impact on values as a result of increased interest rates:

'Record-breaking first half of 2022 belies market sentiment at the end of this period, with a number of investors taking stock of the impact interest rate rises will have on pricing and the market characterised by outward yield movement'.

b. CBRE, in *UK Logistics Market Summary Q3 2022* (CBRE, October 2022) reports the following for prime 'Big Box' rent in the South East submarket of £26.50 per sqft) (4.25% NIY). Whilst this is a significant increase in rents since the end of 2021, yields are reported to have increased from 3.5%.

c. Knight Frank, in *London & SE Industrial Market Research, Q2 2022* (Knight Frank, July 2022), reports prime rents of £25 per sqft and yields of 3.1%.

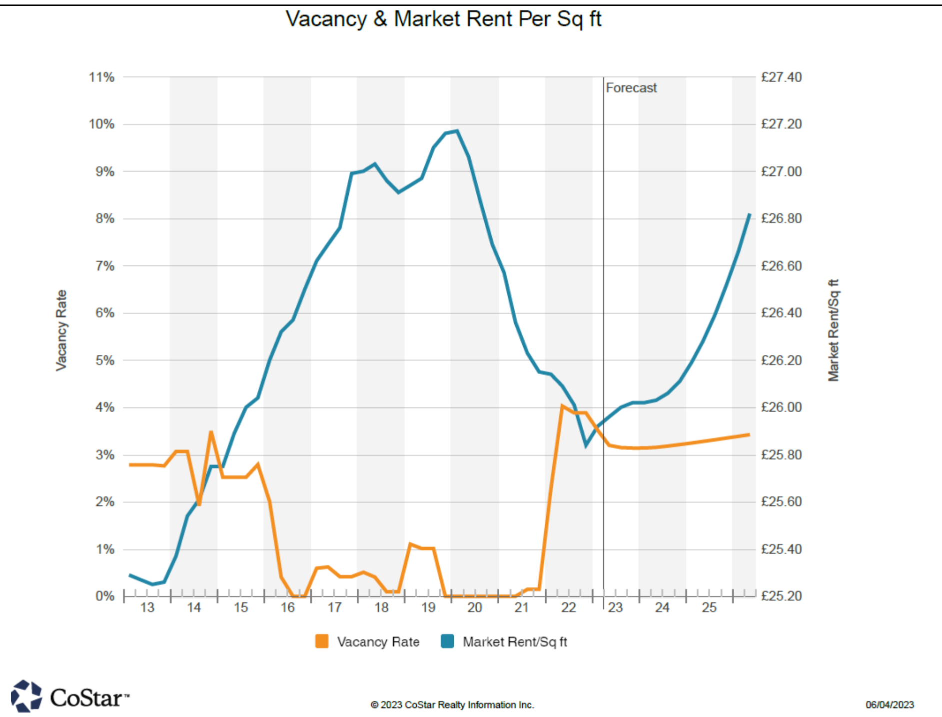
The average weighted yield for assets transacted across the region has continued to decline and stood at.3.1% in the 12 months to June 2022. This compares to an average of 4.2% over the same period last year.

5.23 On this basis larger new industrial development would have a value of £2,850 per sqm and smaller units £2,170 per sqm or so (having allowed for a rent free / void period of 1 year). Large logistics sheds would have a value of £4,500 per sqm.

Retail

5.24 The CoStar data records low levels of vacancies, despite the COVID-19 pandemic, but average rents are shown to have decreased over the last few years.

Figure 5.3 Area Retail. Vacancy Rates v Rent (£ per sqft)



Source: CoStar (April 2023) - This copyrighted report contains research licensed to CoStar UK Ltd - 701359

5.25 The market is highly segmented with the core of the market towns (Berkhamsted and Tring) thriving and out of town units both being in high demand, but with central Hemel Hempstead and the secondary locations remaining challenging. Within Hemel Hempstead there are two shopping centres, being the Riverside and the Marlowes. The Riverside is open air and includes H&M, Next, TK Maxx, Pandora, Waterstones and Starbucks. There are several vacant units including the old Bathstore (2,902sqft at £40,000 per annum), the old Debenhams unit (84,914sqft) and units B6—B8 (7,008sqft at £70,000 per annum). The Marlowes is a more traditional town centre shopping mall dating from the establishment of the new town. It includes over 80 shops. Occupiers include JD Sports, Marks and Spencer, New Look, Wilko, Argos and others. Northbridge Road in Berkhamsted includes several trade counter outlets.

5.26 There is some out-of-town retail activity at the Apsley Mills Retail Park (the Range, Currys, Argos etc.), the Maylands Gateway Retail Park (Aldi, McDonalds, etc.), and the London Road Retail Park (Halfords, Pets at Home etc.). There is little activity outside of these areas.

5.27 The rents for town centre shops vary greatly, particularly as one moves away from the best locations into the secondary situations.

Table 5.1 Distribution of Retail Rents

	Count	Minimum	Average	Maximum
Berkhamsted	15	£146	£459	£712
Hemel Hempstead	23	£77	£214	£436
Kings Langley	1	£818	£818	£818
Tring	7	£175	£317	£446
DBC	**46**	**£77**	**£323**	**£818**

Source; CoStar (April 2023)

5.28 Rents for small units in the best central locations are currently over £550 per sqm although generally they are well below this level at around £300 per sqm outside the best locations. In the analysis town centre rents of £500 per sqm per year in Berkhamsted, £400 per sqm per year in Tring and £300 per sqm per year in Hemel Hempstead are assumed. In secondary locations £250 per sqm per year is assumed.

5.29 Yields are assumed to be 6% in prime locations and 8% in secondary locations to derive the following values.

- Central Berkhamsted £7,500 per sqm
- Central Tring £6,000 per sqm
- Central HH £4,500 per sqm
- Elsewhere £2,700 per sqm

5.30 Consideration has been given to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the Council area, however, drawing on wider experience, supermarket rents of £250 per sqm are assumed with a yield of 4.5% to give a value of £5,300 per sqm. In the case of retail warehouses, a rent of £200 per sqm and a yield of 5% are assumed, giving a value of £4,530 per sqm.

Appraisal Assumptions

5.31 The non-residential values have been assessed as follows.

Table 5.2 2023 Non-Residential Values (£ per sqm)

	Rent £ per sqm	Yield	Rent free period	Value	Assumption
Offices Large	£275	5.50%	1.0	£4,739	£4,740
Offices Small	£275	6.00%	1.0	£4,324	£4,300
Industrial	£150	5.00%	1.0	£2,857	£2,850
Smaller Industrial	£150	6.50%	1.0	£2,167	£2,170
Logistics	£200	4.25%	1.0	£4,512	£4,500
Retail Central Berkhamsted	£500	6.25%	1.0	£7,529	£7,500
Retail Central Tring	£400	6.25%	1.0	£6,024	£6,000
Retail Central HH	£300	6.25%	1.0	£4,518	£4,500
Retail Elsewhere	£250	8.00%	2.0	£2,679	£2,700
Supermarket	£250	4.50%	1.0	£5,316	£5,300
Retail Warehouse	£200	5.00%	2.0	£3,628	£4,530

Source: HDH (April 2023)

6. Land Values

6.1 Chapters 2 and 3 set out the background to, and the methodology used, in this study to assess viability. An important element of the assessment is the value of the land. Under the method set out in the updated PPG and recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted through a planning consent, is the Existing Use Value (EUV). This is used as the starting point for the assessment.

6.2 In this chapter, the values of different types of land are considered. The value of land relates closely to its use, and will range considerably from site to site. As this is a high-level study, the three main uses, being agricultural, residential and industrial, have been researched. The amount of uplift that may be required to ensure that land will come forward and be released for development has then been considered.

6.3 In this context it is important to note that the PPG says (at 10-016-20180724) that *the 'Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments*'. It is therefore necessary to consider the EUV as a starting point.

6.4 In the 2018 Viability Study, the following Existing Use Value Assumptions were used:

Table 6.1 September 2018 Existing Use Value Land Prices £/ha	
Industrial	£1,800,000
Agricultural	£25,000
Paddock	£75,000

Source: *Site Assessment Study – Viability (an appendix to the study)* (HDH, December 2019)

6.5 A Benchmark Land Value of EUV plus 20% was assumed, and an EUV plus £600,000/ha on greenfield sites.

Existing Use Values

6.6 To assess development viability, it is necessary to analyse Existing Use Values. EUV refers to the value of the land in its current use before planning consent is granted, for example, as agricultural land. AUV refers to any other potential use for the site, for example, a brownfield site may have an alternative use as industrial land.

6.7 The updated PPG includes a definition of land value as follows:

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

To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).

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

PPG: 10-013-20190509

What is meant by existing use value in viability assessment?

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

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

PPG: 10-015-20190509

6.8 The land value should reflect emerging policy requirements and planning obligations. The value of the land for a particular typology (or site) needs to be compared with the EUV. If the Residual Value does not exceed the EUV, plus the Landowner's Premium, then the development is not viable; if there is a surplus (i.e. profit) over and above the 'normal' developer's profit/return having paid for the land, then there is scope to make developer contributions. For the purpose of the present study, it is necessary to take a comparatively simplistic approach to determining the EUV. In practice, a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis, the outcome might still be contentious.

6.9 The 'model' approach is outlined below:

i. For sites in agricultural use, then agricultural land represents the EUV. It is assumed that greenfield sites of 0.5ha or more fall into this category.

ii. For paddock and land on the urban fringe, a 'paddock' value is adopted. This is assumed for greenfield sites of less than 0.5ha.

iii. Where the development is on brownfield land or previously developed land (PDL), an industrial value is assumed.

6.10 A landowner[53] endorsed the EUV Plus approach. Conversely, a housebuilder[54] objected to the EUV Plus approach, saying that the land value should be the value at the grant of 'satisfactory planning'. Whilst this comment is noted, the EUV Plus approach is the approach specified in the PPG. Further the Residual Value (the output of the appraisals) is the value at the time of planning consent, and it is the Residual Value that is compared to the EUV Plus (ie the BLV).

Residential Land

6.11 In August 2020, MHCLG published *Land value estimates for policy appraisal 2019*[55]. This was prepared by the Valuation Office Agency (VOA) and sets out land values at April 2019. The Dacorum figure is £7,000,000 per ha[56]. This figure assumes nil affordable housing. As stressed in the paper, this is a hypothetical situation and '*the figures on this basis, therefore, may be significantly higher than could be reasonably obtained in the actual market*'.

6.12 Recent transactions based on planning consents over the last few years and price paid information from the Land Registry have been researched and are set out in **Appendix 9**. The data is summarised in the following table, the amount of affordable housing in the scheme is

[53] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[54] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[55] https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019

[56] The VOA assumed as follows:

- Any liability for the Community Infrastructure Levy (CIL), even where it was planning policy as at 1 April 2019, has been excluded.
- It has been assumed that full planning consent is already in place; that no grants are available and that no major allowances need to be made for other s106/s278 costs.
- The figures provided are appropriate to a single, hypothetical site and should not be taken as appropriate for all sites in the locality.
- In a small number of cases schemes do not produce a positive land value in the Model. A 'floor value' of £370,000 (outside London) has been adopted to represent a figure at less than which it is unlikely (although possible in some cases) that 1 hectare of land would be released for residential development.
- This has been taken on a national basis and clearly there will be instances where the figure in a particular locality will differ based on supply and demand, values in the area, potential alternative uses etc. and other factors in that area.
- Each site is 1 hectare in area, of regular shape, with services provided up to the boundary, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available.
- The site will have a net developable area equal to 80% of the gross area (excluding London).
- For those local authorities outside London, the hypothetical scheme is for a development of 35, two storey, 2/3/4 bed dwellings with a total floor area of 3,150 square metres.
- For those local authorities in London, the hypothetical scheme varies by local authority area and reflects the type/scale of development expected in that locality. The attached schedules provide details of gross/net floor areas together with number of units and habitable rooms.

These densities are taken as reasonable in the context of this exercise and with a view to a consistent national assumption. However, individual schemes in many localities are likely to differ from this and different densities will impact on values achievable.

shown, being the key indicator of policy compliance (as required by the PPG). Only the sites for which the data is available are presented here, all sites are included in **Appendix 9**.

Table 6.2 Price Paid for Consented Development Land

Site	Date approved	ha	Units	Aff Units	Aff %	Price Paid	£/ha	£/unit
Westwick Farm, Westwick Row, Leverstock Green, Hemel Hempstead, HP2 4UD	11/09/2017	1.02	25	9	36%	£8,650,000	£8,480,392	£339,216
Martindale Jmi School, Boxted Road, Hemel Hempstead, HP1 2QS	16/10/2017	1.43	65	44	68%	£4,090,000	£2,860,140	£44,002
Convent Of St Francis De Sales Preparatory School, Aylesbury Road, Tring, HP23 4DL	22/02/2018	1.34	31	12	39%	£5,880,000	£4,388,060	£141,550
Land North East Of 25, Goldcroft, Hemel Hempstead	12/03/2018	0.122	11	11	100%	£850,000	£6,995,885	£635,990
Land At 9,11 &13 High Street And Swing Gate Lane, Berkhamsted, HP4	19/04/2018	0.112	12	12	100%	£550,000	£4,910,714	£409,226
Land At Apsley Mills Adj. The Cottage, London Road, Apsley, Hemel Hempstead	15/08/2018	0.33	29	29	100%	No PPD[57]		
Land North Of Harrier Close, Harrier Close, Hemel Hempstead	29/07/2019	0.5	28	10	36%	£2,300,000	£4,600,000	£164,286
Paradise Industrial Estate, Wood Lane, Hemel Hempstead, HP2 4TP	27/09/2018	0.24	44	44	100%	£2,840,000	£11,833,333	£268,939
Garages At Spring Lane, Hemel Hempstead, HP1 3QZ	15/10/2018	0.106	20	7	35%	£2,250,000	£21,186,441	£1,059,322
Frogmore Road Industrial Estate, Frogmore Road, Hemel Hempstead, HP3 9RW	31/10/2018	1.32	170	59	35%	£7,750,000	£5,871,212	£34,537

[57] The Council advise that a price of about £1,700,000 was paid.

Zoffany House, 74-78 Wood Lane End, Hemel Hempstead, HP2 4RF	21/12/2018	0.78	55	19	35%	£4,388,980	£5,626,897	£102,307
Button House, Pix Farm Lane, Hemel Hempstead, HP1 2RY	04/03/2019	2.56	56	23	41%	£6,500,000	£2,539,063	£45,340
Garage Site, Rucklers Lane, Kings Langley WD4 8AY (Site To Rear Of 97-101 Odd Nos. Rucklers Lane)	11/03/2019	0.11	4	4	100%	£370,000	£3,363,636	£840,909
Spencer's Park Phase 2, Land Between Three Cherry Trees Lane And Cherry Tree Lane, Hemel Hempstead	24/04/2019	18.7	600	210	35%	Incomplete PPD		
Land At Junction Of Durrants Lane &, Shootersway, Berkhamsted	31/05/2019	3.96	84	34	40%	£1,000,000	£252,525	£3,006
Rectory Farm, Gade Valley Close, Kings Langley, Wd4 8al	20/06/2019	1.42	55	19	35%	£9,142,000	£6,438,028	£117,055
Garden Scene Chipperfield, Chapel Croft, Chipperfield, Kings Langley, WD4 9EG	19/07/2019	0.76	15	5	33%	£3,200,000	£4,210,526	£280,702
Hewden Hire Ltd, Two Waters Way, Hemel Hempstead, HP3 9BX	22/07/2019		39	39	100%	£14,540,000		
Charter Court, Midland Road, Hemel Hempstead, Hp2 5rl	27/08/2019	0.11	33	12	36%	£3,228,356	£29,348,691	£889,354
Land Adjacent 35-36 West Dene, Gaddesden Row, Hemel Hempstead, HP2 6HU	19/09/2019	0.085	3	3	100%	No PPD		
Land At Icknield Way, Tring, Herts	03/10/2019	18.3	226	90	40%	Incomplete PPD		
Land East Of Hardwick, Barnes Lane, Kings Langley, Hertfordshire	28/02/2020	0.391	10	10	100%	No PPD		
Land At Eastwick Row, Hemel Hempstead, HP2 4JQ	06/05/2020	1.374	34	34	100%	No PPD		
Park House, Park Lane, Hemel Hempstead, HP1 1AA	03/08/2020	0.177	16	6	38%	£2,850,000	£16,147,309	£1,009,207
66 And 72 Wood Lane End, Maylands Avenue, Hemel Hempstead, Hertfordshire	04/12/2020	1.91	167	167	100%	£8,900,000	£4,659,686	£27,902

Paradise Fields, St Albans Road, Hemel Hempstead, Hertfordshire	12/03/2021	1.04	58	58	100%	£3,970,000	£3,817,308	£65,816
Land Off Tring Road, Wilstone, Hertfordshire	14/06/2021	1.57	28	14	50%	£1,420,539	£904,802	£32,314
Land At Junction Of Durrants Lane & Shootersway, Berkhamsted	04/03/2015	11.14	92	24	26%	£1,000,000	£89,767	£976
LA3, Land At West Hemel Hempstead	02/12/2021	51.8	1100	440	40%	£4,030,000	£77,799	£71
Bushwood Antiques, Stags End Equestrian Centre, Gaddesden Lane, Hemel Hempstead HP2 6HN	10/03/2022	20.5	15	5	33%	No PPD		

Source: DBC and Land Registry (March 2023) (The blanks in the table are where this source does not include data.)

6.13 These values are on a whole site basis (gross area). Overall, the average is about £6,750,000 per ha, however several of these are non-policy compliant and some are for 100% affordable, and this data this includes some notable outliers. If these are disregarded the average is about £5,300,000 per ha.

6.14 Through the technical consultation a landowner[58] provided details of a sale (under a conditional contract) in the west of the Borough that suggests a value of £2,600,000 per ha following the grant of planning consent with 40% affordable housing.

6.15 The price paid is the maximum the landowner could achieve. The landowner is unlikely to suggest a buyer may be paying an unrealistic amount. The BLV is not the price paid (nor the average of prices paid).

6.16 In relation to larger sites, and, in particular, larger greenfield sites, these have their own characteristics and are often subject to significant infrastructure costs and open space requirements which result in lower values. In the case of non-residential uses a similar approach is taken to that with residential land except in cases where there is no change of use.

6.17 There are a number of development sites being marketed in the area (within 5 miles of Hemel Hempstead) at the time of this study:

[58] Anonymised.

Table 6.3 Land for Sale Within 5 miles of Hemel Hempstead

		ha	Units	Asking Price	£/ha	£/unit	
Milk Hall Farm	Chesham	53.217		£1,500,000	£28,186		Two farm buildings with development potential. Pasture, woodland.
Orient Close	St Albans	0.134	1	£1,450,000	£10,820,896	£1,450,000	PP for single 4 bed detached
London Colney	St Albans	0.13	10	£1,400,000	£10,769,231	£140,000	PP for 10 flats
Long Lane	Bovingdon	0.202	1	£975,000	£4,826,733	£975,000	PP for single 4 bed detached
Croxley Green	Rickmansworth	0.042	4	£885,000	£21,071,429	£221,250	PP for 4 flats
Cell Park	Markyate	5.261		£825,000	£156,814		Grazing, equestrian use
Cell Park	Markyate	4.047		£625,000	£154,435		Grazing, equestrian use
Oakington Avenu	Little Chalfont	0.061	1	£550,000	£9,016,393	£550,000	PP for single 4 bed detached
Batford Road	Harpenden		1	£545,000		£545,000	PP for single 3 bed detached
Markyate Road	Slip End	1.699	1	£190,000	£111,830	£190,000	Subject to PP
Markyate Road	Slip End	1.541	1	£180,000	£116,807	£180,000	Subject to PP
Markyate Road	Luton		1	£350,000		£350,000	PP for single 5 bed detached
Cell Park	Markyate	2.832		£325,000	£114,760		Grazing, equestrian use
Castle Hill Avenu	Berkhamstead	0.049	1	£200,000	£4,081,633	£200,000	Infill plot subject to PP
East Lane	Kings Langley	0.081	1	£185,000	£2,283,951	£185,000	Infill plot subject to PP

Source: Market Survey (April 2023)

6.18 Informal discussions with agents suggest that there is strong demand for smaller plots across the market, from large 'grand designs' projects to modest singe plot sites. It was suggested that 'oven ready' plots (i.e. fully serviced and ready for self-builders) were likely to achieve at £150,000, and probably significantly more.

Previously Developed Land

6.19 Land value estimates for policy appraisal provides the following values:

Table 6.4 Employment Land Values - Dacorum		
Industrial Land	£/ha	£1,800,000
	£/acre	£730,000
Commercial Land: Office Edge of City Centre	£/ha	Hemel Hempstead £1,575,000
	£/acre	Hemel Hempstead £637,000
Commercial Land: Office Out of Town – Business Park (Brighton & Hove)	£/ha	Hemel Hempstead £1,800,000
	£/acre	Hemel Hempstead £728,000

Source: Land value estimates for policy appraisal (MHCLG, August 2020)

6.20 CoStar (a property market data service) includes details of industrial land. These are summarised in **Appendix 10**, the sample size is limited so the data includes transactions from the neighbouring districts. This data suggests that land with planning for non-residential uses may have a value of £4,400,000 per ha or so.

6.21 A figure of £1,500,000 per ha is assumed for industrial land across the area.

Agricultural and Paddocks

6.22 *Land value estimates for policy appraisal* (MHCLG, August 2020) provides a value figure for agricultural land in the area of £25,000 per ha. This assumption has been checked:

a. Savills' *The Farmland Market 2021*[59] reports a figure of £8,390 per acre (£20,700 per ha) for the South East. Equivalent figures are not included in the 2022 briefing[60].

b. Strutt and Parker's *English Estates & Farmland Market Review Winter 2022/2023*[61] suggests an upper quartile value of £11,800 per acre for arable land and £9,000 per acre for pasture and a lower quartile value of £7,800 per acre of arable land and £6,100 per acre for pasture in the South East and an upper quartile value of £11,000 per acre and a lower quartile value of £8,000 per acre of arable land in the East of England.

c. Knight Frank's *Farmland Index Q4 2022*[62] suggests average values of £21,127 per ha.

[59] spotlight---the-farmland-market-2022.pdf (savills.co.uk)

[60] savills-spotlight---the-farmland-market-2023.pdf

[61] Agricultural land values in England rise to record levels - Strutt & Parker (struttandparker.com)

[62] english-farmland-index-q4-2022-9812.pdf (knightfrank.com)

d. Carter Jonas' *Farmland Market Update*[63] reports the following in the east of England:

Average arable land values across England and Wales rose to £8,994 per acre in Q2 2022, a steady increase of 0.6% against Q1 2022. When compared to Q2 2021, values have seen an increase of 5.0%. Average pasture land values have grown slightly faster over the quarter, rising by 1.3% to £7,358 per acre in Q2.

	Low £/acre	*Prime £/acre*	*Average £/acre*
Arable	*£6,800*	*£10,800*	*£8,800*
Pasture	*£5,750*	*£9,500*	*£6,900*
Lifestyle	*£13,500*	*£22,000*	*£16,750*

6.23 For agricultural land, a value of £25,000 per ha is assumed to apply here.

6.24 Sites on the edge of a town or village may be used for an agricultural or grazing use but have a value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. A higher value of £100,000 per ha is used for sites of up to 0.5ha on the edge of the built-up area.

6.25 A housebuilder[64] questioned the agricultural EUV:

We broadly support the approach taken to the Benchmark Land Values, however we would question why £25,000/ha is taken as the Existing Use Value for greenfield, noting as you point out that this figure reflects 2018 data and was used in your previous 2019 viability consultation. What is the council's evidence to confirm this has not moved since?

In particular we would point to the base value of BNG as having an existing use value. A site assessment by an ecologist could be put forward by land owners to demonstrate the existing BNG value, which could simply be sold on the open market. If a BNG credit is costed at £15-20,000 (for which we have site specific evidence elsewhere as contributions in lieu of on-site provision), then a hectare of agricultural is likely to have a £30-40,000 existing BNG value in addition to the £25,000/ha EUV.

6.26 It is important to note that the EUV is the value of the land in its existing use. The use of the land as a site to deliver BNG would not be its existing use, rather it would be an alternative use. Whilst this point is notes, and may apply in some cases, no change is made.

6.27 A land promoter[65] suggested that an EUV of £30,000 to £40,000 per ha for agricultural land would be more appropriate. A review of asking prices across Hertfordshire and Buckinghamshire has been undertaken, but there are no examples at this level.

[63] Farmland Market Update Q4 2022 | Carter Jonas

[64] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[65] Stacey Rawlins of Roebuck Land & Planning Ltd, for Hallam Land Management Ltd.

Table 6.5 Farm Land – Asking Prices					
		ha	Asking Price	£/ha	
Whytegates Farm	Buntingford	23.89	£560,000	£23,441	Arable
Cell Park	Markyate	2.832	£325,000	£114,760	Grazing, equestrian use
West Leith	Tring	0.64	£100,000	£156,250	Paddock
South East Side of Highfield Road	Sandridge	1.86	£90,000	£48,387	Arable
Astrope Lane	Long Marston	2.428	£45,000	£18,534	
Lee Estate	Great Missenden	452.47	£11,000,000	£24,311	Mixed farmland and a cottage
Longwick	Princes Risborough	18.89	£4,000,000	£211,674	Grazing land with potential strategic development opportunity
Widmere Lane	Marlow	79.8	£2,090,000	£26,190	Grazing land with potential strategic development opportunity
Weedon Hill	Amersham	56.71	£1,550,000	£27,332	Arable
Long Walk	Chalfont St. Giles	0.6	£50,000	£83,333	Grazing
Church Paddocks	Great Missenden	3.957	£150,000	£37,908	Grazing paddocks
Padbury		2.73	£80,000	£29,304	Grazing

Source: Market Survey (July 2023)

6.28 As set out above, whilst the £25,000 per ha figure is unchanged from 2019, it has been informed by more recent data from national agents.

Existing Use Value Assumptions

6.29 In this assessment the following Existing Use Value (EUV) assumptions are used. These are applied to the gross site area.

Table 6.6 Existing Use Value Land Prices - 2023	
PDL	£1,800,000/ha
Agricultural	£25,000/ha
Paddock	£100,000/ha

Source: HDH (April 2023)

6.30 Through the technical consultation a landowner[66] noted:

> *As a general comment, values will vary across the district dependant on the end use values of the houses built. We therefore endorse the approach of applying a range of land values for different types of land, but suggest that the Borough is separated in to areas based on values or key settlements and not simply apply an example BLV of a particular typology across the whole Borough.*

6.31 Whilst there is a variance of residential values across the Borough, there is no evidence of significant variance of agricultural or industrial land. No change is made (although it is important to apricate that the Residual Value output of the development appraisals will vary across the Borough).

6.32 A landowner[67] suggested a greater range of uses be tested such as woodland, smallholdings or a tennis court, orchard or garden. Whilst this is noted, very little of the potential land supply is in these alternative uses.

6.33 As set out above, whilst the £25,000 per ha figure is unchanged from 2019, it has been informed by more recent data from national agents.

Benchmark Land Values

6.34 The setting of the Benchmark Land Values (BLV) is one of the more challenging parts of a plan-wide viability assessment. The updated PPG makes specific reference to BLV, so it is necessary to address this. As set out in Chapter 2 above, the updated PPG says:

> *<u>Benchmark land value should:</u>*
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*
> - *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*
>
> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*
>
> *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic*

[66] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[67] Kings Langley Land Limited Land to rear of 1-11 Abbots Rise

benchmark land values of non-policy compliant developments are not used to inflate values over time.

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

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

PPG 10-014-20190509

6.35 With regard to the landowner's premium, the PPG says:

<u>How should the premium to the landowner be defined for viability assessment?</u>

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

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

PPG 10-016-20190509

6.36 In the pre-consultation iteration of this viability assessment, the following Benchmark Land Value assumptions were used applied on a gross site area):

a.	Brownfield/Urban Sites:	EUV Plus 20%.	
b.	Greenfield Sites:	Generally	EUV Plus £600,000 per ha.
		Strategic Sites	EUV times 10.

6.37 Through the technical consultation a range of comments were made:

a. A housebuilder[68] commented, although no supporting evidence was provided:

Crest Nicholson disagree with the methodology used to measure Benchmark Land Value, with regards to the value reflecting the implication of abnormal costs and site-specific infrastructure

[68] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

costs. Crest Nicholson also feels that the subsequent valuation of the Benchmark Land Value for strategic sites within paragraph 6.26, is wholly unreflective of the true land price, once benefiting from a Satisfactory Planning Permission, and is being grossly overvalued.

As set out above, the EUV Plus approach is the approach specified in the PPG. Further the Residual Value (the output of the appraisals) is the value at the time of planning consent, and it is the Residual Value that is compared to the EUV Plus (i.e. the BLV).

b. A landowner[69] noted:

Establishing the Benchmark Land Value has often been the most challenging element of viability testing. The 'EUV plus' method has added confusion as to what comprises an acceptable premium over existing use value given the need to incentivise a landowner to sell, with no two landowners the same. The PPG states 'Land transactions can be used but only as a cross check to the other evidence' (10-016-20190509).

The landowner market is heterogeneous with no two landowners aspirations the same and therefore plan making on the basis of forecasting landowner aspirations from previously achieved values creates risks to delivery. Some of the land deals used in table 6.2 are for sites that are not seeking to provide policy compliant affordable housing, and were agreed before the PPG sought to taper landowner expectations. There is a danger that landowner expectations of a suitable premium to allow them to release their land, will be in line with the market prices based on lower than policy planning obligations rather than policy compliant transactions in line with the PPG as there are few of these available.

We also highlight that the reasons for landowners to release their land for development varies and the reasoning can have a significant impact on their choice of timing and sale price for their land. It should also be noted that landowners may have agreements with developers or promoters that require a minimum price for their land. If this is not achieved, the landowner will not sell.

There is not an area of disagreement.

c. A housebuilder highlighted further guidance in this regard, saying:

… there is no reference to the Homes England Area Wide Viability Model (Annex 1 Transparent Viability Assumptions) (2010). This is particularly relevant for Hertfordshire sites as it states, "for greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value". We note however that the Benchmarks for greenfield sites in the report are set at 10 times EUV. As Hertfordshire is a higher-than-average sales area for land values, being in the southeast, it would not be unreasonable to expect the minimum a seller in the county would consider to sell for, to be at the upper end of that Homes England identified range. We would also draw attention to Lichfields who suggest 15-20 times EUV, as do BNP Paribas. We therefore believe reference should be made to this evidence in the second chapter.

This comment is noted and the assumptions used in other local studies have been reviewed.

d. A housebuilder[70] noted:

Benchmarks are supposed to represent the lowest price that a landowner would release the land for development.

[69] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[70] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

Homes England Area Wide Viability Model (Annex 1 Transparent Viability Assumptions) (2010) states "for greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value".

Hertfordshire is a higher-than-average sales area for land values, so it would not be unreasonable to expect the minimum a seller in the county would expect to be at the upper end of the scale. We would also draw attention to Lichfield's who suggest 15-20 times EUV, as do BNP Paribas.

We question the application of 10 times EUV in light of the above and would like to see an explanation set against this or a change to reflect the greater land value strength, Homes England position and wider private sector assumptions.

We also question why strategic sites are benched at 250,000/ha vs £625,000/ha for general greenfield sites. At a guess this is to reflect abnormal costs applicable as per NPPF 10-012 where abnormals should be taken into account. However the differential is excessive and this does not reflect the individual nature of strategic sites. We would welcome the opportunity to input abnormal costs at the appropriate time in relation to the benchmark value, and capture any which are not considered (assuming your BLV is generic) within the appraisal. We did this before at Stevenage with HDH and would expect the same here.

This comment is noted and the assumptions used in other local studies have been reviewed.

e. A land promoter[71] commented as follows:

For Greenfield sites the values achieved for land are around £700,000 per hectare (£283,000 per acre). In the South East of England where there is the most pressure on land for housing, this level of consideration is too low. We envisage existing land values to be in the region of £2m per net developable acre before abnormal costs of development are taken into account. Typical landowner receipts from the sale of residential development land will range from £800,000 to £1,000,000 per acre (£1,976,000- £2,471,000 per hectare). The benchmark value being proposed will not realistically entice a landowner to release their land.

The existing use value of Brownfield Land varies depending on the costs of development. Development values for Brownfield sites will be lower compared to Greenfield due to the costs of development. In the South East of England and in Hertfordshire, there are very few Brownfield sites. The values of Brownfield sites at £1,100,000 plus 20% per hectare are more realistic but are on the lower side.

On strategic sites (stated as being schemes of 100 homes or more) the development value is proposed to be set at 10 times Exiting Use Value. Again, this is too low and will not entice landowners to release land. This would limit Greenfield values to £250,000 per gross hectare (i.e. £100,000 per gross acre).

To entice a landowner to release land, the current receipt landowners need to receive (after taking into account S.106 and abnormal costs) is likely to be at least £500,000 per acre (£1,235,500 per hectare). With the severe lack of land with planning permissions, expectations on land value will only increase.

It is unclear, as to why on one hand, the respondent is saying that the values achieved are about £700,000 per ha but they envisage values of £2,000,000 per ha.

f. A housebuilder[72] commented:

[71] Roebuck Land & Planning Ltd, for Hallam Land Management Ltd.

[72] Turner Morum for Croudace Homes, re Growth Area Site 16.

In regards of the Benchmark Land Value allowances for the greenfield strategic scenarios, the £600,000 per gross hectare allowance is considered to be broadly appropriate.

However, it is considered that the general ratios of net to gross land are too high. Again, using the Site 16 Typology as an example (see HDH report - page 281) it is noted that a net to gross of 78% has been assumed, whereas in reality this is likely to be closer to 60%.

This issue is likely to have an impact on the viability analysis, because the gross acreage will likely increase – and therefore so will the total BLV and the associated scheme finance costs.

6.38 In light of the comments made, the assumptions used in other similar assessments have been reviewed:

6.39 The Central Bedfordshire *Local Plan Viability Assessment* (January 2018, Aspinall Verdi) predates the 2018 updates to the PPG, however the following assumptions are used:

1.31 The following benchmarks for residential land were used in this study:

- *£263,046 to £384,452 per acre (£650,000 to £950,000 per ha) for urban sites. These are edge-of-settlement greenfield sites in towns and villages, where landowners' required returns will be more like those for sites within the settlement.*
- *£133,546 per acre (£330,000 per ha) for strategic greenfield sites. This was based on a multiplier of 15 times agricultural value. The agricultural value used was based on research by Smiths Gore showing that agricultural land values average £9,000 per acre / £22,000 per ha.*

1.31 This study also provides an assessment of viability of non-residential land. The following benchmarks were used:

- *£384,452 per acre (£950,000 per ha) for logistics warehouse sites and office development on the strategic transport junctions.*
- *£198,296 to £250,905 net developable acre (£490,000 to £620,000 per ha) for industrial and office use.*
- *£728,435 net developable acre (£1,800,000 per ha) for town centre retail and large convenience retail.*
- *£485,623 net developable acre (£1,200,000 per ha) for out of centre retail.*

6.40 The Luton *Local Plan Viability Assessment* (October 2015, NCS) is a rather historic document and predates the 2018 updates to the PPG. The study followed the Shinfield Approach (now superseded by the 2018 PPG) taking the BLV to be midway between the Residual Value without planning obligations and EUV.

6.41 The *St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study* (November 2017, BNP Paribas), predates the 2018 updates to the PPG. The following BLV assumptions are used:

Use	Benchmark per gross hectare
Secondary office	£3,748,372
Secondary industrial/warehousing	£1,601,070
Urban Openspace and other residential backlands	£500,000
Greenfield (higher)	£370,000

Source: Table 4.38.1. *St Albans Community Infrastructure Levy and Emerging Local Plan Viability Study* (November 2017, BNP Paribas)

6.42 Three Rivers Council does not have any recent viability assessments on its website (July 2023). Likewise, following the amalgamation of Aylesbury Vale, Chiltern, South Bucks and Wycombe Councils into the single Buckinghamshire authority, the individual evidence documents behind the separate local plans are no longer accessible.

6.43 The Milton Keynes *Whole Plan Viability Study 2017* (November 2017, AECOM & HDH) also predates the 2018 updates to the PPG. The following EUV assumptions are used:

> *i. Agricultural Land £20,000/ha*
>
> *ii. Paddock Land £50,000/ha*
>
> *iii. Industrial Land £1,235,000/ha*
>
> *iv. Residential Land £1,350,000/ha.*
>
> *6.42 A viability threshold has been taken to be the EUV plus 20%, with a further uplift of £600,000/ha on greenfield sites (being those in agricultural and paddock uses)*

6.44 The Welwyn Hatfield *Community Infrastructure Levy Viability Study* (November 2016, BNP Paribas) also predates the 2018 updates to the PPG. The following BLV assumptions are used:

Use	Benchmark per gross hectare
Industrial/Warehousing/PDL	£828,286
Urban Openspace and other residential backlands	£500,000
Greenfield (higher)	£370,000
Greenfield (lower)	£250,000

Source: Table 4.43.1. *Welwyn Hatfield Community Infrastructure Levy Viability Study* (November 2016, BNP Paribas)

6.45 Having considered these comments, sensitivity testing of the BLV assumption has been undertaken, however have not altered the approach used in the base appraisals. The reason for making the differential in strategic sites is because they frequently have substantially higher strategic infrastructure and mitigation costs than smaller sites, and, in line with paragraphs 10-012-20180724 and 10-014-20190509 of the PPG, these should be reflected in the Benchmark Land Value.

7. Development Costs

7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the development typologies.

Development Costs

Construction costs: baseline costs

7.2 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for the Hertfordshire area. The cost figure for 'Estate Housing – Generally' is £1,496 per sqm (July 2023, being 0.6% increase from the April 2023 figure of £1,486 per sqm quoted in the included in pre-consultation draft of this report, and being an increase of 13% since the *Site Assessment Study – Viability (an appendix to the study)* (HDH, December 2019) where a 1st September 2018 cost of £1,323 per sqm was used. See **Appendix 10**.

7.3 Through the technical consultation a housebuilder[73] commented:

> *The current assumptions that have been made within the viability assessment suggest a build cost of around £138/ft2, however, Crest Nicholson have been working to a much higher residential build cost within the local area. Also, for build costs for strategic sites, the viability report should consider that new homes would not be being built for a considerable period of time and therefore the assumed build cost should reflect the current rapid inflationary rate for costs associated with residential development.*

7.4 No alternative approach other than the use of the BCIS costs was suggested. It is accepted that the country is in a period of inflation, sensitivity testing has been carried out in this regard. In addition, the anticipated changes in national policy that may impact on build costs are also incorporated into the base costs.

7.5 Through the technical consultation, a landowner[74] generally endorsed the approach taken:

> *We agree that locational based BCIS base build costs for General Estate Housing should be used for mainstream housing. However, consideration of what is included in this cost should be made. BCIS state this is the base cost of sub and super structure from standard foundations on a flat site up to roof. It does not include any additional external building features or external plot works such as services, drive, garages, fences, walls, or turf. It does however also include prelims (overheads). Constant updating will be required as build costs are on a well-publicised upward trajectory, as the report itself notes. To tackle this (and other changes to costs throughout the Local Plan period), some flexibility must be sought with regard to viability testing.*

[73] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[74] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

It is also highlighted that these are "base" build costs and does not allow for any additional design requirements that could be sought as part of a garden town (see below), which will increase the cost.

7.6 This is agreed. The separate site costs are considered below and sensitivity testing of build costs is carried out.

7.7 The use of the BCIS data is suggested in the PPG (paragraph 10-012-20180724), however, it is necessary to appreciate that the volume housebuilders are likely to be able to achieve significant saving due to their economies of scale. The appropriate build cost is applied to each house type, with the cost of Estate Housing Detached being applied to detached housing, the costs of flats being applied to flats and so on. Appropriate costs for non-residential uses are also applied (the cost for 'flats' is applied for Sheltered housing and the costs for 'supported housing' is applied to Extracare housing). The lower quartile cost is used for schemes of over 200 units where economies of scale can be achieved, and the median cost is used for smaller schemes.

7.8 A housebuilder[75] suggested the use of the 'mixed housing' figure to cover the range of types that may come forward. A more representative approach is to model each element of the housing mix based on the appropriate BCIS cost, particularly on the higher density sites which may include a higher proportion of more expensive flatted development.

7.9 Several housebuilders[76] [77] [78] questioned the use of the lower quartile costs on the larger strategic sites (one of them particularly raising concern in relation to the Garden Town environment), however this approach was endorsed by a developer[79].

Other normal development costs

7.10 In addition to the BCIS £ per sqm build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within this broad-brush study and the approach taken is in line with the PPG and the Harman Guidance.

7.11 Nevertheless, it is possible to generalise. Drawing on experience, it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for

[75] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[76] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[77] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[78] Turner Morum for Croudace Homes, re Growth Area Site 16.

[79] Lambert Smith Hampton for Plato Estates Ltd, re Land at Cow Roast, Tring.

lower density schemes since there is a smaller area of external works, and services can be used more efficiently – larger greenfield sites tend to have lower net developable areas, so more land requires work.

7.12 A scale of allowances for site costs has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes within the urban area, to 15% for the larger greenfield schemes.

7.13 Through the technical consultation a housebuilder[80] [81] commented:

> *As referred to above, HDH have also had no regard to appropriate strategic infrastructure costs which would be required on-top of Median Average BCIS costs + 15%. It is noted that HDH have presently only included a 15% allowance on-top of BCIS – which are labelled as 'site costs'. HDH state at paragraph 7.4 that this cost allowance is intended to cover all roads, drainage, services to the site, parking, footpaths, landscaping and other external costs. Crest considers these allowances to be insufficient; ordinarily the external costs alone would represent a 10% - 15% uplift on (median) BCIS and there would then need to be a separate cost allowance for strategic infrastructure, of approx. £300k - £400k per net acre, dependent on the scheme.*

7.14 Similarly, a landowner[82] commented:

> *We consider that there should be an additional allowance for specific/strategic sites when these are identified and tested. Those larger sites typically have a burden of infrastructure that is not found on the smaller sites. In our experience we find that this can be in excess of £75,000 per dwelling where there are significant abnormal costs or requirements for new strategic infrastructure. We would welcome a discussion on appropriate rates in due course.*
>
> *For commercial, as with residential, site costs vary widely dependent on site conditions, topography, and infrastructure requirements. As a guide, servicing costs for an employment site are in the region of £250,000 to £500,000 per net developable acre which equates to £617,000 to £1,236,000 per net developable hectare.*

7.15 A land promoter[83] commented:

> *External development costs to include internal plot roads, drainage and services within the site, parking, footpaths, landscaping and other external costs are assumed as 5% of build cost for smaller sites and 15% for larger greenfield schemes. These external costs are reasonable, but they only relate to house build development parcels i.e. garden/fencing/landscaping/car parking. The viability needs to take account of all the infrastructure costs associated with servicing a site i.e. the additional on-site infrastructure cost internal spine roads, power, potable water, foul drainage and potentially gas (depending on whether the future homes building regulations come into force). The costs for servicing a large site can range between £700,000 - £1,000,000 per acre*
>
> *The costs of strategic infrastructure can be significant and are set out in Chapter 8 below. It is accepted that these can be difficult to estimate and that they will vary due to the specific*

[80] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[81] Turner Morum for Croudace Homes, re Growth Area Site 16.

[82] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[83] Roebuck Land & Planning Ltd, for Hallam Land Management Ltd.

circumstances of each site (due to the restrictions in CIL Regulation 123). Sensitivity testing has been carried out at up to £60,000 per unit. This would equate to about £2,400,000 per net ha which is well above the suggested figure.

7.16 A developer of specialist older people's housing[84] suggested that 8% to 15% was the normal range. 10% is used for this sector.

7.17 It is important to note that allowance is made for the strategic infrastructure costs. On a large greenfield site an allowance of 15% equates about £225 per sqm. This assumption works out at about £700,000 per net ha. No change has been made in this regard.

7.18 It is necessary to consider empty property costs in relation to specialist older people's development. An allowance of £4,500 per unit is made in this regard. A developer of specialist older people's housing[85] suggested that this may need to be increased due to a 'slowing market', although no alternative amount was put forward.

7.19 Initially, detached houses were modelled with garages at a cost of £7,000 per garage. In this regard a land promoter[86] suggested a cost of £10,000 to £15,000 was more appropriate. A typical garage is about 5.5m x 3m and the cost depends very much on the specification. A simple brick / block garage with a pitched roof is likely to be in the range of £5,000 to £10,000 and on this basis, this assumption has been increased to £7,500. It is important to note that this assumption is applied to all detached homes, when actually not all new detached homes are likely to have garages.

Garden Town Principles

7.20 There is an aspiration for the strategic sites to be delivered in line with Garden Town Principles. The difference between the Garden Town and the conventional approach is in two main parts. The first being the total land requirement and the second being the layout.

7.21 In this assessment the construction costs are based on the BCIS costs. The BCIS costs include the costs of the building but not the costs of services and external works. For this assessment regard has been had to the work carried out by URS (now AECOM) to support the TCPA's *Nothing gained by overcrowding!* paper. In that paper, two 4ha schemes were modelled as per the layouts below (at 2012 prices) to ascertain the estimated site costs. It found that the site costs on the Garden Town scheme, on a per unit basis, are about 65% of the costs on the conventional scheme.

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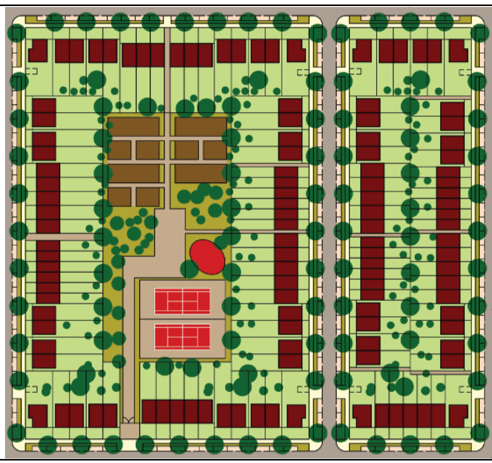
[84] The Planning Bureau for McCarthy Stone.

[85] The Planning Bureau for McCarthy Stone.

[86] Roebuck Land & Planning Ltd, for Hallam Land Management Ltd.

Figure 7.1 Scheme Layouts

Conventional Layout (A)	Garden Town Layout (B)
	

Source: Nothing gained by overcrowding! TCPA 2012

7.22 The reason for this is set out in the report as follows (where Scheme A is the Conventional scheme and Scheme B adopts the Garden Town Principles):

> *... the real difference between the two approaches becomes apparent when we then take into account the substantially larger plot size of homes in Scheme B. It can be seen that the cost per square metre is more than 40% less for homes in Scheme B, and more than 50% less if one includes a share of the communal open space area. Aside from the adoption of the highway and footways, no additional cost has been included for the long-term management and maintenance of communal areas in either scheme. However, there are significant differences between the two approaches. In Scheme A only 31% of the total area is looked after by the individual property owners or tenants, leaving almost 70% of the area to be maintained by the highway authority or management company. In contrast, in Scheme B the area to be maintained communally is just 39%, and would be reduced to just 24% if the communal gardens were managed directly by the residents.*

7.23 Under a conventional scheme it is generally assumed that the site costs would be about of 15% of the construction (i.e. BCIS based) costs. Generally, a strategic site, developed under Garden Town Principles, would be expected to have a site cost of 13%.

7.24 Under this heading a landowner[87] (being the promoter of the Hemel Garden Community site) commented that the 13% was not appropriate. Through the technical consultation a housebuilder[88] did question the practicality of applying Garden Town Principles to higher density schemes. It is only assumed that these would apply to large greenfield sites which are generally developed to relatively low densities.

[87] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[88] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

Abnormal development costs and brownfield sites

7.25 With regard to abnormal costs, paragraph 10-012-20180724 of the PPG says:

> *... Abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value...*

7.26 This needs to be read with paragraph 10-014-20180724 of the PPG that says that:

> *Benchmark land value should: ... reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and...*

7.27 The consequence of this, when considering viability in the planning, is that abnormal costs should be added to the cost side of the viability assessment, but also reflected in (i.e. deducted from) the BLV. This has the result of balancing the abnormal costs on both elements of the appraisal.

7.28 The approach of reflecting abnormal costs in the BLV is consistent with the treatment of abnormals that was considered at Gedling Council's Examination in Public. As set out in Gedling, it may not be appropriate for abnormals to be built into appraisals in a high-level assessment of this type. Councils should not plan for the worst-case option – rather for the norm. For example, if two similar sites were offered to the market and one was previously in industrial use with significant contamination, and one was 'clean' then the landowner of the contaminated site would have to take a lower land receipt for the same form of development due to the condition of the land. The Inspector said:

> *… demolition, abnormal costs and off site works are excluded from the VA, as the threshold land values assume sites are ready to develop, with no significant off site secondary infrastructure required. While there may be some sites where there are significant abnormal construction costs, these are unlikely to be typical and this would, in any case, be reflected in a lower threshold land value for a specific site. In addition such costs could, at least to some degree, be covered by the sum allowed for contingencies.*

7.29 In some cases, where the site involves redevelopment of land which was previously developed, there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels; and so on. An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs. It is important to note that a contingency allowance is made for both greenfield sites and brownfield sites (see below).

7.30 Through the technical consultation a landowner[89] suggested that an abnormal cost allowance should be made for greenfield sites. This is considered further under contingencies below.

[89] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

7.31 In summary, abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

Fees

7.32 For residential and non-residential development, professional fees are assumed to amount to 8% of build costs to include cost of preparing the planning application and land promotion. Separate allowances are made for planning fees, acquisition, sales and fees.

7.33 Through the technical consultation a landowner[90] suggested that 8% to 12% was appropriate on the larger sites due to the complexities and larger project team. A housebuilder[91] suggested 10% to 12%. A developer of specialist older people's housing[92] suggested that 10% was a more appropriate assumption in this regard, however this allowance included items such as legal fees that are covered elsewhere.

7.34 The 8% assumption is widely used. It is important to note that this is calculated as a proportion of the construction costs. These have increased substantially over the few years, also increasing the expenditure on fees.

Contingencies

7.35 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, on previously developed land. So, the 5% figure was used on the brownfield sites, and the 2.5% figure on the remainder. A 5% contingency is also used on the large strategic sites.

7.36 Through the technical consultation a landowner[93] observed that build costs were rising due to material and labour shortages and set out:

> *We would be concerned with any contingency applied below 5% for any site, particularly at allocation stage. In addition, brownfield or larger strategic sites can be as high as 8-10%. This cost should also be applied to all build costs and fees, not just base build cost as all carry the risk of increasing.*

7.37 The uncertainty around build cost inflation is agreed and sensitivity testing has been carried out.

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[90] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[91] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[92] the Planning Bureau for McCarthy Stone.

[93] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

7.38 A housebuilder[94] suggested:

> *The Report suggests "undeveloped sites" should have a contingency of 2.5% with a higher figure of 5% on "more risky types". A Greenfield site can have substantial unknowns.*
>
> *As an example, if the site is over an aquifer and you have dissolution features above it (below ground level) the you effectively have voids in the earth and therefore unstable ground unsuitable for traditional build methods, requiring grouting and piling. But a developer wouldn't know this until intrusive surveys have been undertaken to explore ground conditions.*
>
> *This demonstrates strategic sites are riskier by virtue of their size and unknown conditions and 2.5% simply doesn't cover the risk. A minimum of 5% should be applied, particularly in the current climate to cover further cost spirals in a stagnating market.*

7.39 Having considered this and also taking into account the comments about abnormal costs, a 5% contingency allowance is made on all typologies and strategic sites.

CIL, S106 Contributions and the costs of strategic infrastructure

7.40 The Borough and County Council seek payments from developers to mitigate the impact of the development through improvements to the local infrastructure through the s106 and s278 regimes and through Community Infrastructure Levy (CIL). The details of these costs to development are set out in Chapter 8 below.

Financial and Other Appraisal Assumptions

VAT

7.41 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full[95].

Interest rates

7.42 The appraisals assume 7.5% per annum for total debit balances (to include interest and associated fees), no allowance is made for equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites.

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[94] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[95] VAT is a complex area. Sales of new residential buildings are usually zero-rated supplies for VAT purposes (subject to various conditions). VAT incurred as part of the development can normally be recovered. Where an Appropriate 'election' is made, VAT can also be recovered in relation to commercial development – although VAT must then be charged on the income from the development.

7.43 Developers that have a strong balance sheet, and good track record, can undoubtedly borrow less expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals, a simple cash flow is used to calculate interest.

7.44 The assumption of 7.5%, is an 'all-in cost' to cover interest rate and associated finance fees, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest, particularly on the larger schemes, as most developers are required to put some equity into most projects. In this study a cautious approach is being taken.

7.45 Through the technical consultation a housebuilder[96] endorsed this approach. A landowner[97] noted that a fee of 0.5% to 1.5% is frequently sought by commercial lenders. This is agreed, however it is important to note that the modelling is based on the assumption of 100% development funding and, in a high level study of this type, it is necessary to make some relatively simple assumptions. It was suggested that sensitivity testing on Interest Rates should also be carried out.

Developers' return

7.46 An allowance needs to be made for developers' return and to reflect the risk of development. As set out in Chapter 2 above, this is an area of significant change since the Council's earlier viability work that was used to support CIL. Paragraph 10-018-20190509 of the updated PPG now sets out the approach to be taken and says:

> *How should a return to developers be defined for the purpose of viability assessment?*
>
> *Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.*
>
> *For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.*

7.47 The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' return in the

[96] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[97] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.

7.48 Broadly there are four different approaches that could be taken:

a. To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield sites.

b. To set a rate for the different types of unit produced – say 20% for market housing and 6% for Affordable Housing, as suggested by the HCA.

c. To set the rate relative to costs – and thus reflect the risks of development.

d. To set the rate relative to the gross development value.

7.49 In deciding which option to adopt, it is important to note that the intention is not to recreate any particular developer's business model. Different developers will always adopt different models and have different approaches to risk.

7.50 The argument is sometimes made that financial institutions require a 20% return on development value and if that is not shown they will not provide development funding. In the pre-Credit Crunch era there were some lenders who did take a relatively simplistic view to risk analysis but that is no longer the case. Most financial institutions now base their decisions behind providing development finance on sophisticated financial modelling that it is not possible to replicate in a study of this type. They require a developer to demonstrate a sufficient margin, to protect the lender in the case of changes in prices or development costs. They will also consider a wide range of other factors, including the amount of equity the developer is contributing (both on a loan-to-value and loan-to-cost basis), the nature of development and the development risks that may arise due to demolition works or similar, the warranties offered by the professional team, whether or not the directors will provide personal guarantees, and the number of pre-sold units.

7.51 This is a high-level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions and, as set out above, the updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies ... A lower figure may be more appropriate in consideration of delivery of affordable housing'*.

7.52 It is important to appreciate that this is an assessment for planning purposes, as set per the requirements of the PPG, rather than for lending purposes. As mentioned under the Interest heading above, no allowance is made for equity provided by the developer, so this does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites. The cushion within the appraisals to protect a developer's lender against changes in the market or costs will depend on a wide range of factors, including how much equity the developer in providing (the loan to value ratio), the borrower's track record and the complexity of the project. It is appropriate to work within the guidance of the PPG.

7.53 In the pre-consultation draft of this assessment a 17.5% / 6% was assumed. A 15% return was assumed for non-residential development, and for Build to Rent development.

7.54 Through the technical consultation a housebuilder[98] noted that HDH had assumed 20% / 6% in a similar 2019 report that looked at the delivery of the Harlow and Gilston Garden Town.

7.55 A landowner[99] observed:

> *The Planning Practice Guidance states 15-20% of Gross Development Value (GDV) may be considered a suitable return to developers in order to establish viability of the plan policies (10-018- 20190509).*
>
> *However, this does not take into account the risk associated with large strategic projects (particularly garden community schemes), where the infrastructure burden is heavy and typically front loaded, and therefore to compensate for this level of risk it would be expected for Developers to receive a return of at least 20% on GDV.*
>
> *As for affordable housing, registered providers at present are showing limited demand for Section 106 housing due to grant funding being provided for other avenues of stock generation such as self- development or conversion of market housing to shared ownership. This therefore increases the risk of a decrease in the price achievable for these dwellings.*
>
> *As a general comment, whilst profit on GDV is the commonly accepted measure, housebuilders are often reviewing returns on an IRR or ROCE basis in order to assess profitability over time. This is particularly true for strategic sites, where the time value of money and thus the risk associated with it, is not adequately reflected in a profit on GDV approach. An acceptable profit on GDV may be returned in an appraisal, however IRR is often overlooked which may show low profitability over the whole lifetime of the scheme and be insufficient for plc shareholders or institutions providing developers with finance.*

7.56 Though a housebuilder[100] [101] noted:

> *We note at para 7.34 the assumption of a 17.5% on private and 6% return on affordable residential being applied. The NPPG states that "15-20% of GDV may be considered a suitable return to developers" and that this should be determined "according to the type, scale and risk" of the development (PPG 10-018). It is important to note this is a blended margin. We would strongly argue strategic sites are at the upper end of scale and risk and therefore 20% should be applied. The application of 20% on private market housing has been supported by a number of examining inspectors and appeal inspectors including;*
>
> *The Shinfield Appeal (2013) which confirmed a 20% margin on market housing GDV is reasonable with an affordable housing margin of 6%. The margin should in any event be site*

[98] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[99] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[100] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[101] Turner Morum for Croudace Homes, re Growth Area Site 16.

and risk specific. Sites with significant upfront infrastructure costs such as strategic sites, should be expected to command a higher margin.

The following examining Inspectors Reports cite margins of 20% on market and 6% on affordable as appropriate:

- *Basingstoke & Deane CIL (2018) – page 6 para 30.*
- *Cheltenham, Gloucester and Tewkesbury CIL (2018) – page 7 para 34.*
- *Cornwall CIL (2018) – page 9 para 30 (vi)*
- *Cheshire East CIL (2018) – page 14 para 57*
- *Cotswold CIL (2018) – page 5 para 19*
- *Waverley CIL (2018) – page 7 para 39*

Additional evidence base studies confirming 20% on market and 6% on affordable:

- *Thanet Local Plan Viability Assessment Update (Aug 2018) – para 2.3.13*
- *Shepway viability Assessment (Sept 2017) – para 3.48*
- *Ashford Local Plan Viability (May 2017) – Annex 2*
- *Swale Local Plan Viability Testing (2015) – para 4.2.36*

In addition, HDH's own report on the Gilston New Town development recommends a 20% margin on private housing and 6% on affordable. Dacorum should be treated no differently and specifically, whilst I appreciate feedback is supposed to be generic, our sites in Berkhamsted should merit this approach.

7.57 It is important to note that many of the above examples predate the updating of the PPG when the 15% to 20% range was introduced.

7.58 A land promoter[102] commented:

In the assessment, the developers' return is assessed as 17.5% of the value of market housing and 6% is applied to the value affordable housing that house builders make. Many developers' requirements to purchase land far exceed the 20% of the blended Gross Development Value, as evidenced in publicly available listed accounts . However, it is generally accepted that for the purpose of plan wide viability testing, 20% should be assumed for market housing sites

7.59 An assumption at the bottom of the 15% to 20% range would be appropriate in the strongest markets, such as the Home Counties, and at the top of the range in the weakest markets, such as the Lancashire Valleys. In this iteration of this assessment, 17.5% is applied across the residential tenures, and sensitivity testing is carried out.

Voids

7.60 On a scheme comprising mainly individual houses, one would normally assume only a nominal void period as the housing would not be progressed if there was no demand. In the case of

[102] Roebuck Land & Planning Ltd, for Hallam Land Management Ltd.

apartments in blocks, this flexibility is reduced. Whilst these may provide scope for early marketing, the ability to tailor construction pace to market demand is more limited.

7.61 For the purpose of the present study, a three-month void period is assumed for residential developments.

Phasing and timetable

7.62 It is assumed a maximum, per outlet, delivery rate of 50 units per year. On a site with 40% affordable housing this equates to 30 market units per year. On the smaller sites, much slower rates are assumed to reflect the nature of the developer that is likely to be bringing smaller sites forward. These assumptions are conservative and do, properly, reflect current practice. This is the appropriate assumption to make to be in line with the PPG and Harman Guidance.

7.63 A landowner[103] endorsed the assumption with regard to market units, however also highlighted the importance of having a wide variance of products across different market segments on larger, multi outlet sites if higher rates are to be achieved.

7.64 A developer of specialist older people's housing[104] suggested an 18 month period from start to sale. The modelling is consistent with this. It was also suggested that the sales should be as 40% in the first year and then 30% over the next two years. The modelling has been updated to reflect this.

Site Acquisition and Disposal Costs

Site holding costs and receipts

7.65 Each site is assumed to proceed immediately (following a 6-month mobilisation period) and so, other than interest on the site cost during construction, there is no allowance for holding costs, or indeed income, arising from ownership of the site.

Acquisition costs

7.66 A simplistic approach is taken, it is assumed an allowance 1% for acquisition agents' and 0.5% legal fees.

7.67 A landowner[105] suggested '*that a range of 1.75% - 2% for acquisition agents and 0.75% - 1.5% for acquisition legal fees is applied*' for more complex brownfield and strategic sites.

7.68 Stamp duty is calculated at the prevailing rates.

[103] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[104] the Planning Bureau for McCarthy Stone.

[105] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

Disposal costs

7.69 For market and for affordable housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts. For disposals of affordable housing, these figures can be reduced significantly depending on the category, so in fact the marketing and disposal of the affordable element is probably less expensive than this.

7.70 A developer of specialist older people's housing[106] suggested a 6% of GDV assumption should be used. This has not been adopted, however an empty property cost, as set out earlier in this chapter, has been applied.

[106] the Planning Bureau for McCarthy Stone.

8. Planning Policy Requirements

8.1 The specific purpose of this study is to consider and inform the development of the new Local Plan and then, in due course, to assess the cumulative impact of the policies on the planned development.

8.2 Two consultations on the proposed plan have been undertaken under Regulation 18 of the Local Plan Regulations (2012), these are:

a. Issues and Options[107]: November 2017 – High Level Options Document.

b. Emerging Strategy for Growth[108]: November 2020 – Full Draft Local Plan.

8.3 Later this year the Council is proposing to undertake a further Regulation 18 consultation, focusing on targeted revisions to the strategy proposed in 2020.

8.4 This viability work is being undertaken to inform the development of policy and explore the consequences, on the economics of development, of the options that are under consideration. It contains an assessment of the effect of the policies set out in the November 2020 iteration of the Dacorum Emerging Strategy for Growth (2020 - 2038), updated to align with current and emerging national policy requirements, and with the further options being considered by the Council. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective. In this report the options as discussed with the Council are reviewed and regard had to the changes in national policy.

8.5 It is important to note that, at this stage, some of the options that are considered are included for completeness and that these are simply options that may or may not be progressed into the new Local Plan.

SP1 - Sustainable Development in Dacorum

8.6 This is a high level and general policy that in itself does not increase the cost of development.

SP2 - Spatial Strategy for Growth

8.7 This is a high level and general policy that seeks to direct the distribution of development, and in itself does not increase the cost of development.

[107] https://www.dacorum.gov.uk/home/planning-development/planning-strategic-planning/new-single-local-plan/issues-and-options-consultation-2017

[108] https://www.dacorum.gov.uk/home/planning-development/planning-strategic-planning/new-single-local-plan

SP3 - the Settlement Hierarchy; SP4 - Delivering the Housing Strategy; SP5 - Delivering the Employment Strategy; SP6 - Delivering the Retail and Leisure Strategy

8.8 As for SP2, these are high level and general policies that seeks to direct the distribution of development and do not, in themselves increase the cost of development.

SP7 - Delivering Infrastructure

8.9 This is a key policy for the purpose of this assessment. The DBC and HCC seek payments from developers to mitigate the impact of the development through improvements to the local infrastructure through the s106 and s278 regimes and through Community Infrastructure Levy (CIL).

8.10 The adopted rates of CIL, indexed for inflation, are incorporated into the appraisals.

<table>
<tr><th colspan="5">Table 8.1 Adopted Rates of CIL</th></tr>
<tr><th rowspan="2">Development Type</th><th colspan="4">CIL rate (per square metre)</th></tr>
<tr><td>Zone 1: Berkhamsted and surrounding area</td><td>Zone 2: Elsewhere</td><td>Zone 3: Hemel Hempstead and Markyate</td><td>Zone 4: Identified Sites</td></tr>
<tr><td>Residential</td><td>£349.41</td><td>£209.65</td><td>£139.76</td><td>£0</td></tr>
<tr><td>Retirement Housing</td><td>£174.70</td><td colspan="3">£0</td></tr>
<tr><td>Convenience based supermarkets and superstores and retail warehousing (net retailing space of over 280 square metres)</td><td colspan="4">£209.65</td></tr>
<tr><td>Other</td><td colspan="4">£0</td></tr>
<tr><td colspan="5">Retirement housing is housing which is purpose built or converted for sale to elderly people with a package of estate management services and which consists of grouped, self-contained accommodation with communal facilities amounting to less than 10% of the gross floor area. These premises often have emergency alarm systems and/or wardens. These properties would not however be subject to significant levels of residential care (C2) as would be expected in care homes or extra-care premises.</td></tr>
</table>

Source: DBC CIL Charging Schedule (Annual CIL rate Summary 2023)[109]

8.11 Through the technical consultation a housebuilder[110] noted that they would anticipate strategic sites would be zero rated for CIL and developer contributions would be via s106 regime. Whilst

[109] Annual Community Infrastructure Levy Rate Report 2023 (dacorum.gov.uk)

[110] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

this comment is noted, it is important to note that this could only be the case if CIL was formally reviewed. CIL is incorporated into the base appraisals.

8.12 DBC does not currently work to a calculator for further contributions over and above CIL, however it is necessary to have regard to the Hertfordshire County Council (HCC) *Guide to Developer Infrastructure Contributions (2021)* as this sets out a range of further contributions. It is important to note that these do not apply to all sites and are only sought (as per CIL Regulation 122) where the specific site give rise to a particular need. Contributions are sought under the main headings shown below:

Table 8.2 Summary of HCC Developer Contributions			
Service		Notes	Cost
Adult Care Services		The requirements in this regard are met though the wider housing mix.	Specific financial contributions are not sought.
Education			
	Early Years	Contributions calculated based on housing mix. 2 rates - without and with building.	As for primary education - £20,508 per place. Range from £37/unit to £3,551/unit.
	Mainstream	There is a degree of overlap with early years contributions, with separate rates for affordable and market housing	Based on 3 tiers of payment as set out in the table below. Contributions range from about £1,500/unit to over £45,000/unit.
	Special Schools	Contributions are sought from houses and flats.	£260 per flat and £1,406/house
Fire and rescue services		Contributions are sought from houses and flats.	The fire and rescue service calculate its capital requirement to be £365.32 per new residential unit and £115.35 per m2 for commercial floorspace.
Libraries		Contributions calculated based on housing mix on three bases; to increase resource requirements (£41.13 per person); to reconfigure a centre (£89.93 per person); or to provide an expanded or new centre (£131.24 per person).	Cost varies between £55/unit to £550/unit.
Transport		Travel Plans are sought for schemes of 80 or more units or more than 2.500m2.	The amount is calculated scheme by scheme, and varies on the location (distance from services) so cannot be generalised.
Waste Disposal		Costs are sought based on the existing capacity of facilities.	The costs are site specific and cannot be generalised, but the cost to provide a recycling centre is likely to be about £40 per person.
Youth		Contributions calculated based on housing mix on three basis; to increase resource requirements (£610.49 per user); to reconfigure a centre (£815.44 per user); or to provide an expanded or new centre (£1,004.06 per user).	Cost varies between £80/unit to £500/unit.

Source: HCC Guide to Developer Infrastructure Contributions (2021)

8.13 If all the contributions listed were provided the contributions would total as follows – although it is important to note that these are assessed site by site, depending on local need so it is unlikely that all would be required.

Table 8.3 Aggregate HCC Developer Contributions								
Market value housing and shared ownership (and other)								
Tier 1	£8,419	£14,820	£22,728	£27,309	£7,598	£16,163	£15,203	£17,836
Tier 2	£8,094	£14,186	£21,700	£26,061	£4,693	£9,708	£9,180	£10,734
Tier 3	£6,544	£11,182	£16,879	£20,141	£4,912	£10,194	£9,634	£11,266
Affordable rent and social rent housing								
Tier 1	£4,125	£30,921	£41,926	£48,155	£7,224	£42,159	£38,983	£43,262
Tier 2	£4,018	£29,440	£39,920	£45,735	£4,483	£24,489	£22,716	£25,219
Tier 3	£3,505	£22,666	£30,487	£35,326	£4,689	£25,807	£23,929	£26,563

Tiered Approach to Strategic Planning and Local Plans	
	Description of development
Tier 1	These sites are typically greenfield sites with a dominance of houses (typically 80/20 houses/flats), a higher proportion of 3+ bed properties and a higher proportion of detached or semi-detached houses.
Tier 2	These sites are typically previously developed land (PDL), with a mix of houses and flats, and a higher proportion of terraced, maisonettes or flats. There is generally a 50/50 Split between smaller (1 & 2-bed) and larger (3-bed+) family homes. Houses are most likely to be terraced.
Tier 3	These sites are typically PDL with a dominance of 1 & 2 bed properties and are mostly flatted developments (at least 75% flats).

Source: HCC Guide to Developer Infrastructure Contributions (2021)

8.14 In addition to the above further infrastructure may be required to mitigate the impact of development. This may be sought by bodies such as Highways England, the NHS, the Hertfordshire Constabulary or the Environment Agency. The Council is in the process of estimating these so that they may be tested.

8.15 Some additional information was provided through the technical consultation[111] in relation NHS costs, suggesting a cost for GP facilities, assuming 2.4 occupants per dwelling, 2,000 residents per GP, and 199m^2 of space per GP, to derive a cost of about £1,290 per new dwelling.

8.16 Highways England provided some high-level feedback, but not specific detail in costs to incorporate into the appraisals in this update.

8.17 In addition to the above costs DBC seek the following payments for monitoring planning obligations:

- *For basic agreements each obligation is charged at £300 plus £100 per additional trigger point.*

[111] NHS Hertfordshire and West Essex ICB

The above monitoring fee is based on an hourly rate of £100 and an assumption of three hours of officer time per obligation.

- *Where obligations are payable to external organisations (excluding Hertfordshire County Council) a monitoring fee of £100 per obligation will be charged*
- *Where agreements are complex and/or large scale (as determined by us), or require specialist monitoring, a bespoke charging schedule may be applied*
- *Unilateral Undertakings (UU) for mitigation of impacts on the Chiltern Beechwoods Special Area of Conservation only, and which use our approved UU template, have a monitoring fee of £400.*

8.18 Appendix 12 below includes details of historic s106 payments from recently consented sites. These vary tremendously and range from £0 to £14,200 per unit. The average is about £1,300 per unit, although it is important to note that over half of the sites made no contribution at all.

8.19 Taking a cautious approach, the following assumptions are used in the base appraisals:

a. 1 to 9 units £0 per unit

b. 10 to 80 units £2,500 per unit

c. 80 plus units £5,000 per unit.

d. Strategic sites As estimated.

Table 8.4 Potential Strategic Sites – Estimated Strategic Infrastructure and Mitigation Costs (s106 costs)

	Site Name	Gross area ha	Proposed units	S106	S106 /unit
Hemel Hempstead					
1	Hospital Site	5.93	450	£10,805,869	£24,013
2	Station Gateway	3.87	360	£8,573,242	£23,815
3	Civic Centre Site	0.86	200	£4,944,275	£24,721
4	Market Square	0.53	130	£3,163,028	£24,331
5	Cupid Green Depot	2.9	360	£8,695,695	£24,155
6	Riverside	1.5	Mixed (500)		£24,000*
10	Apsley Mills	2.632	400		£24,000*
Berkhamsted					
7	Land South of Berkhamsted	33.45	850	£20,298,726	£23,881
Tring					
8	Dunsley Farm	37.25	400	£9,579,325	£23,948
Bovingdon					
9	Grange Farm	10.11	150	£3,560,187	£23,735

Source: DBC (July 2023) * No figure available, £24,000 per unit assumed.

8.20 It is assumed that the SAMMS and SANG payment would be in addition. This is considered later in this chapter below.

8.21 It is accepted that there is uncertainty in this regard. Sensitivity testing will be carried out up to £50,000 per unit.

8.22 Through the technical consultation, a landowner[112] observed that the above assumption, when CIL and the s106 are combined appeared high. This agreed to be a worst case scenario. In reality many items of infrastructure that are listed under the various calculated, could be funded via CIL. Further, the payments under the s106 regime are restricted by CIL regulation 123 so it is unlikely that all would apply to all sites.

SP8 - Neighbourhood Planning

8.23 This policy concerns neighbourhood plans. In itself this policy does not add to the costs development. In this context it is timely to note that neighbourhood plans should be subject to separate viability testing to ensure that any additional policies do not add to the cost of development to such an extent that policy compliant development is no longer deliverable.

SP9 - Monitoring and Review

8.24 This is a general monitoring policy that does not add to the costs of development.

Policy DM1 - Mix of Housing

8.25 The draft policy sets out a mix of housing. The Council's SHMA has now been updated. The mix of housing is as identified in the *South West Hertfordshire Local Housing Needs Assessment* (GL Hearn, September 2020).

Table 8.5 Mix of Housing

	1-bed	2-bed	3-bed	4+ bed
Market	4%	20%	45%	31%
Affordable Home Ownership	26%	41%	24%	8%
Affordable Rent / Social Rent	34%	28%	34%	5%

Source: South West Hertfordshire Local Housing Needs Assessment (GL Hearne, September 2020)

8.26 The intention is not that this will be rigidly applied to every scheme, however this mix is used to inform the modelling, although regard is also had to the nature and likely location of the

[112] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

scheme (for example flatted development is likely to be predominantly 2 and 3 bedroom using and larger greenfield sites to include more family housing

Policy DM2 - Affordable Housing

8.27 As drafted the policy seeks:

> 1. *The Council will require proposals to provide affordable homes as follows:*
>   a) *All developments of 10 or more homes, or 0.5 ha or greater will provide on-site affordable housing:*
>   i. *at 40% on the identified Growth Areas;*
>   ii. *at 35% of all new dwellings in the existing urban area of Hemel Hempstead, or*
>   iii. *at 40% of all new dwellings elsewhere.*
>   b) *Within the Chilterns AONB a commensurate financial contribution will be sought towards the provision of affordable housing from all developments of between 6 and 9 homes.*
>   c) *On rural exceptions housing schemes, 100% of all new homes will normally be affordable.*
>   d) *From all specialist housing for older people falling within the C2 (excluding care/nursing homes) or C3 use classes for age-restricted general market housing, retirement living/sheltered housing or extra care housing.*
> 2. *Affordable homes should be provided on-site, apart from in exceptional circumstances when agreed by the Council and subject to applicants providing full justification for any off-site provision or financial contributions.*
> 3. *Affordable housing provision will be expected to incorporate a mix of tenures taking into account the Council's most up to date evidence on housing need. No more than 25% of all housing will be First Homes. The rest of the affordable housing will provide rented accommodation, comprising social rented and affordable rented properties.*
> 4. *All affordable housing should be genuinely affordable, with the expectation being that the cost will need to be substantially more than 20% below local market prices and rents.*
> 5. *Vacant building credit will apply where appropriate.*
> 6. *Judgements about the level, mix and tenure of affordable homes will have regard to:*
>   a) *the Council's Housing Strategy, identified housing need and other relevant evidence;*
>   b) *the potential to enlarge the site to include adjoining land and thus cumulatively satisfy the threshold for affordable housing; and*
>   c) *the overall viability of the scheme and any abnormal costs.*
> 7. *The affordable homes should be designed so as to be fully integrated into the open market housing on a tenure blind basis and be 'pepper-potted' across the development.*

8.28 This is somewhat different to the Council's A*ffordable Housing Supplementary Planning Document* (September 2013). This provides further advice as to the implementation and interpretation of the affordable housing policy. The base modelling assumes 40% affordable housing provided as 25% First Homes and the balance as affordable housing for rent set at the Dacorum Affordable Rent. The Dacorum Affordable Rent is capped at 60% of the market rent, rather than 80% of market rent.

8.29 Through the technical consultation a housebuilder[113] questioned the testing of a 40% requirement. This has been tested as this is the Council's aspiration. The target to be adopted in the policy will be informed by a range of evidence.

8.30 In due course a range of affordable housing requirements and mixes will be tested. In all cases, the housing mix is modelled to align with national policy, including the requirement for 10% of all homes to be affordable home ownership[114], and 25% of affordable housing to be First Homes[115].

8.31 In relation to First Homes, the 30% discount and £250,000 cap are assumed to apply. In due course greater discounts and lower caps will be tested.

8.32 As set out earlier, a housebuilder[116] noted that the First Homes cap is likely to lead to First Homes being smaller units.

Policy DM3 - Rural Exceptions; Policy DM4 - Agriculture and Forestry Workers Dwellings; Policy DM5 - Conversions and changes of use to housing; Policy DM6 - Residential Annexes; Policy DM7 - Houses in Multiple Occupation

8.33 These are enabling / development management policies that do not impact on viability.

Policy DM8 - Custom and Self Build Housing

8.34 This policy seeks that on '*housing developments with 40 or more new houses, 5% of the house plots should be made available on site as serviced building plots to enable the delivery of self and custom build properties*'. It is assumed that self-build plots will be provided on a 'whole plot' basis, so a scheme of 40 provides 2 plots, a scheme of 60 provides 3 plots and so on.

8.35 Through the technical consultation a housebuilder[117] questioned this policy on small (40) sites. This is noted. Another housebuilder[118] recommended the requirement was linked to the register to help ensure a demand for plots.

8.36 This requirement has been tested.

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[113] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[114] NPPF Paragraph 65.

[115] PPG Paragraph 70-001-20210524

[116] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[117] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[118] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

Policy DM9 - Housing for Older People

8.37 This is an enabling / development management policy that does not impact on viability. The policy does confirm that Policy DM2 - Affordable Housing does apply to specialist older people's housing in C2 and C3 uses.

8.38 In line with comments made though the technical consultation[119], specialist older people's housing is tested.

Policy DM10 - Accessible and Adaptable Homes

8.39 As drafted this policy seeks modest levels of accessible and adaptable housing. As set out in Chapter 2 above, in July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes[120] saying *'that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes'.* The Government will now consult further on the technical changes to the Building Regulations to mandate the higher M4 (2) accessibility standard. No timescale has been announced.

8.40 The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4[121]) are set out below. The key features of the 3 level standard (as summarised in the DCLG publication *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)[122], reflect accessibility as follows:

- Category 1 – Dwellings which provide reasonable accessibility.
- Category 2 – Dwellings which provide enhanced accessibility and adaptability (Part M4 (2)).
- Category 3 – Dwellings which are adaptable for occupants who use a wheelchair (Part M4 (3) a) and dwellings which are accessible for occupants who use a wheelchair (Part M4 (3) b).

8.41 The cost a wheelchair accessible dwelling based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be is £25,136 per dwelling[123]. The cost a wheelchair adaptable

[119] Hertfordshire CC, Growth and Infrastructure Team.

[120] Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK (www.gov.uk)

[121] https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m

[122] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/418414/150327_-_HSR_IA_Final_Web_Version.pdf

[123] Paragraph 152 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

dwelling based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be is £10,111 per dwelling[124]. The cost of Category 2 is taken to be £521[125] (this compares with the £1,097 cost for the Lifetime Homes Standard). These costs have been indexed[126] by 45% to £36,447/dwelling, £14,661/dwelling and £775/dwelling respectively.

8.42 In the base appraisals, it is assumed that all new homes are to be designed to be Accessible and Adaptable (M4 (2)) and 5% of all homes to meet Wheelchair Adaptability (M4 (3) a). A further requirement is also tested, including 5% Wheelchair Accessible (M4 (3) b).

Policy DM11 - Density of Development

8.43 This policy sets out the following minimum density requirements:

	Minimum density			
Place	**Maintain density with any uplift considered on its merit**	**Whichever is greater:**		
		40 dph (net) or 20% uplift	**70 dph (net) or 30% uplift**	**100 dph (net) or >30% uplift**
Opportunity Areas in Hemel Hempstead	X	X	X	√
Other Town Centres, District and Local Centres within Dacorum	X	X	√	X
Elsewhere in the Towns	X	√	X	X
Elsewhere in Dacorum	√	X	X	X
Allocated Growth Areas	Acceptable densities in Growth Areas will be guided by Masterplans and Design Codes to be informed by the site specific allocations and the Dacorum Design Guidance.			

8.44 The modelling in this report is consistent with these densities.

8.45 Through the technical consultation a housebuilder[127] requested clarity on these areas and where they apply. The Council will map these in due course.

[124] Paragraph 153 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

[125] Paragraph 157 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

[126] BCIS Index March 2014 316.3, July 2023 458.4 = 44.9%.

[127] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

Policy DM12 - Nationally Described Space Standards

8.46 This policy seeks Nationally Described Space Standard (NDSS) technical requirements. In March 2015, the Government published *Nationally Described Space Standard – technical requirements*. This says:

> *This standard deals with internal space within new dwellings and is suitable for application across all tenures. It sets out requirements for the Gross Internal (floor) Area of new dwellings at a defined level of occupancy as well as floor areas and dimensions for key parts of the home, notably bedrooms, storage and floor to ceiling height.*

8.47 The following unit sizes are set out[128]:

Table 8.6 National Space Standards. Minimum gross internal floor areas and storage (m²)					
number of bedrooms	number of bed spaces	1 storey dwellings	2 storey dwellings	3 storey dwellings	built-in storage
1b	1p	39 (37)*			1
	2p	50	58		1.5
2b	3p	61	70		2
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3
	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
	8p	125	132	138	

Source: Table 1, Technical housing standards – nationally described space standard (March 2015)

128 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524531/160519_Nationally_Described_Space_Standard____Final_Web_version.pdf

8.48 In this study the units are assumed to be in line with the NDSS or larger.

Policy DM13 - Existing Accommodation for Travelling Communities; Policy DM14 - Gypsies and Travellers; Policy DM15 - Residential Moorings

8.49 These are enabling / development management policies that do not include requirements that impact on viability.

Policy DM16 - General employment areas; Policy DM17 - Other office and industrial sites; Policy DM18 - Tourism

8.50 These policies are in the chapter headed Employment Development. These are enabling / development management policies that do not include requirements that impact on viability.

Policy DM19 - Mix of uses in Town, District and Local Centres; Policy DM20 - Neighbourhood Centres and scattered Local Shops; Policy DM21 - Main Town Centre uses outside existing centres

8.51 These policies are included in the chapter headed Retailing and Other Town Centre Uses. On the whole, these are enabling / development management policies that do not include requirements that impact on viability. The exception is in relation to '*retail and leisure proposals outside defined centres for over 2,500 sqm floorspace should also be subject to an impact assessment*'. This is a common requirement on larger retail schemes and one covered in the wider assumptions for fees.

Policy SP10 - Climate Change Mitigation and Adaptation; Policy DM22 - Sustainable Design and Construction

8.52 To some extent the policies in this chapter (Climate Change and Sustainability) have been overtaken by changes in national policy. In essence, the policy seeks that from 2030 onwards, all new development will be net zero. Prior to 2023 a 19% CO_2 saving (over 2013 Build Regulations) was sought.

Carbon Neutrality

8.53 The Department of Levelling Up, Communities and Housing, has published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a 'stepping stone' on the pathway to Zero Carbon homes. It sets the target of an interim 31% reduction in CO_2 emissions over 2013 standards for dwellings. The changes will apply to new homes that submit plans after June 2022 or have not begun construction before June 2023. It is assumed to apply to all new homes in this assessment.

8.54 The costs will depend on the specific changes made and are considered in Chapter 3 of the 2019 Government Consultation[129]. This suggests that the costs, having been indexed, would add about 3%[130] to the base cost of construction.

8.55 The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are yet to be published, the 2019 Government Consultation anticipated that it would achieve a 75% to 80% improvement reduction in CO_2 emissions over 2013 standards for dwellings. There are a wide range of ways of lowering the greenhouse gas emissions on a scheme, although these do alter depending on the nature of the specific project. These can include simple measures around the orientation of the building, and measures to enable natural ventilation, through to altering the fundamental design and construction.

8.56 *A report for the Committee on Climate Change. The costs and benefits of tighter standards for new buildings, Final report 2019* (Currie & Brown, February 2019) did set out the costs of a range of standards, but these are not comparable on a like for like basis. Additionally, the Government consultation was informed by the *Centre for Sustainable Energy Cost of carbon reduction in new buildings* (Currie & Brown, December 2018). This report suggested:

a. The costs of reducing emissions by 10% on-site with no requirement for energy efficiency beyond the Part L 2013 (assuming gas heating), to be less than 1% of the build costs with a 20% reduction to add about 2% to the costs of construction[131].

b. The cumulative costs over Part L 2013 for certified Passivhaus is about:

   i. £12,000 per detached house (based on 117m², £103 per sqm or an additional 7.6% in costs).

   ii. £7,100 per terraced house (based on 84m², £85 per sqm or an additional 5.8% in costs).

   iii. £2,750 per low rise flat (based on 70m², £39 per sqm or an additional 2.9% in costs).

c. The cost of Zero Regulated Carbon[132] and Zero Regulated and Un-Regulated Carbon[133] is set out as follows:

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129 The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings (MHCLG, October 2019).

130 BCIS March 2022 409.0 from BCIS Oct 2018 354.2 = 15.5%. £3,134x15.5%+£3,620. £3,620/85m² = £42.60/m². £42.60/m² / BCIS Estate Housing £1,324 = 3.2%

131 Figure 4.10.

132 Regulated energy use is regulated by Part L of Building Regulations. This includes energy used for space heating, hot water and lighting together with directly associated pumps (for circulating water) and fans (e.g. for ventilation).

133 Unregulated energy use is not controlled by Part L of Building Regulations. In homes this includes energy use for cooking, white goods and small power (e.g., TVs, kettles, toasters, IT, etc.). The quantity of unregulated energy

Table 8.7 Cost of On-Site Carbon Reduction							
	Carbon Saving	Zero Regulated Carbon			Zero Regulated and Un-Regulated Carbon		
		% Uplift	£ per sqm	£/home	% Uplift	£ per sqm	£/home
Gas Heated							
Detached	79%	6.2%	£84	£9,900	9.2%	£124	£14,500
Semi Detached	56%	5.6%	£84	£6,800	8.7%	£126	£10,600
Terraced	59%	6.0%	£82	£6,900	9.4%	£126	£10,600
Low Rise Flat	34%	6.7%	£91	£6,400	10.2%	£137	£9,600
Medium Rise Flat	24%	3.5%	£87	£4,400	5.4%	£136	£6,800
Air Sourced Heat Pump Heated							
Detached	95%	6.4%	£86	£10,100	9.3%	£126	£14,700
Semi Detached	69%	6.8%	£99	£8,300	9.9%	£144	£12,100
Terraced	72%	7.4%	£100	£8,400	10.7%	£144	£12,100
Low Rise Flat	48%	6.9%	£93	£6,500	10.3%	£139	£9,800
Medium Rise Flat	32%	3.8%	£96	£4,800	5.8%	£144	£7,200

Source: Table 4.1 Centre for Sustainable Energy Cost of carbon reduction in new buildings (Currie & Brown, December 2018)

8.57 Neither DBC nor HCC have undertaken any specific work to establish the costs of moving beyond Building regulations. Neighbouring Essex Council recently published the NET ZERO CARBON VIABILITY AND TOOLKIT STUDY (Three Dragons Qoda Ward Williams Associates, August 2022) which '*is to assess the cost and viability of achieving net zero carbon development; with options for doing so identified and evaluated against a series of economic, social, and environmental criteria, including the capital costs for developers. Building on this, the research has considered how best to support local authority planners in seeking higher environmental standards that will help to meet net zero targets*'. This looked at 5 options:

a. Base case: 2013 Part L Building Regulations. The current position for most new builds in the planning process;

b. 2021 Part L Building Regulations: came in to force during June 2022;

c. 2025 Part L Building Regulations: the Future Homes Standard scheduled for implementation in 2025;

d. "net zero ready" standard based on the Passivhaus Classic standard that is similar to the Future Homes standard but with some important refinements;

in a home is estimated in SAP2012 using information on the building area. In non-domestic buildings unregulated energy also includes that used for vertical transportation (lifts and escalators) and process loads such as industrial activities or server rooms.

e. “net zero carbon” which is closely aligned with the UK Green Building Council (UKGBC) Framework Definition and the London Energy Transformation Initiative (LETI) in its Climate Emergency Design Guide. These closely match the requirements of the Passivhaus Plus standard.

8.58 The costs of the options are set out as follows:

Table 8.8 Additional specifications required to achieve carbon reduction standards

Building Type	**Cost of achieving Standard (£)**		
	2021 Building Regulations*	2025 Future Homes (+)	net zero (+)
Average 2-bedroom terraced house – circa 70m^2	£3,000	£12,000	£14,000
Average larger 3-bedroom house, or small 4 bedroom – circa 97m^2	£3,000	£13,500	£16,000
Average 1 or 2-bedroom apartment – circa 56m^2 NIA (i.e. plus circulation)	£1,900	£8,000	£11,000
	*Additional costs on current Regulations + Additional costs on 2021 Regulations		

Source: Figure 10.8, NET ZERO CARBON VIABILITY AND TOOLKIT STUDY (Three Dragons Qoda Ward Williams Associates, August 2022)

8.59 Within the Essex study:

10.39 The costs for net zero carbon (over those of Future Homes 2025) as modelled over the development period, average about £2,500 per unit for houses, £3,000 per unit for flats and £3,500 unit for flats in sheltered schemes.

Paragraph 10.39, NET ZERO CARBON VIABILITY AND TOOLKIT STUDY (Three Dragons Qoda Ward Williams Associates, August 2022)

8.60 The above data sources are different but are broadly consistent. In this assessment, the Essex costs are used, and the following scenarios are tested, with the following assumptions being made:

a. The 2021 changes to Part L of Building Regulations (31% CO_2 saving) to add 3% to the BCIS base costs.

b. The anticipated 2025 Changes to Part L of Building Regulations (75% - 80% CO_2 saving) are expected to add a 10% to the BCIS base costs.

c. The cost of ‘zero carbon’ would add 12.5% to the costs of construction.

8.61 Through the technical consultation a housebuilder[134] suggested a cost of £3,500 per plot for building to the current standards ((Parts L (Conservation of Fuel and Power), Part F (Ventilation), O (overheating) and S (electric vehicle charging points)). The need for clarity within the policy was also stressed.

8.62 Since the technical consultation further evidence has been published. The London Plan goes beyond the national requirements seeking 'net-zero carbon' and in this regard a further study concerning the costs has been published being *Delivering Net Zero, An evidence study to support planning policies which deliver Net Zero Carbon developments - Main report* (Levitt Bernstein, Introba, Inkling, Currie & Brown and Etude, May 2023). This report was commissioned by a consortium of 18 London Boroughs.

> *The scope of this study was to provide a robust evidence base in relation to energy use and carbon emission modelling for eight common building types in London. The report is based on 2 policy options:*
>
> - ***Policy option 1 consists of continuing to use the same system based on the Part L framework and adapting it to Part L 2021.*** *This system requires the applicant to use a Part L energy modelling software, and performance is measured against a single metric (i.e. % reduction in regulated carbon emissions over Part L 2021). This metric cannot be measured post-occupancy.*
> - ***Policy option 2 is a new system focusing on absolute energy-based metrics.*** *It requires the applicant to use predictive energy modelling tools and methodologies. Performance is measured against a number of metrics (e.g. space heating demand, Energy Use Intensity), A significant advantage of the Energy Use Intensity (EUI) is that it can be measured post-occupancy as it generally aligns with 'energy at the meter'.*
>
> ***For a responsible use of the terminology 'Net Zero Carbon'***
>
> *Both policy options seek to deliver 'Net Zero Carbon' new buildings. However, they refer to two different understandings of this term:*
>
> - ***Policy option 1*** *generally only considers regulated energy use and allows carbon offsetting to play a significant role.*
> - ***Policy option 2*** *considers all energy used in the building (except EV charging points) and seeks to achieve a balance between energy use and on-site renewable energy generation, only allowing offsetting to address a potential imbalance.*

8.63 The report sets out the following costs:

[134] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

Table 8.9 Summary of cost uplift associated with cases compliant with policy options 1 and 2

Archetype	Base compliant option	Compliant options		Uplift range (£m²)		Uplift range (%)	
		Policy option 1	Policy option 2	Policy option 1	Policy option 2	Policy option 1	Policy option 2
Terrace	A2	tbc	C3, D3	tbc	£88 - £107	tbc	4% - 5%
Low rise	A2	B3, D1, C2, D2, C3, D3	C3, D3	£-57 - £178	£112 - £178	-2% - 7%	4% - 7%
Mid rise	A2	C3, D1, D2, D3	C3, D3	£29 - £118	£81 - £118	1% - 5%	3% - 5%
High rise	A2	tbc	B3, C3, D3	tbc	£-40 - £101	tbc	-1% - 3%
School	C1	A3, B3, C1, C2, C3, D1, D2, D3	A3, B3, C2, C3, D2, D3	£0 - £121	£39 - £121	1% - 4%	1% - 4%
Hotel	A2	B2, B3, D2, D3	B3, C3, D3	£-54 - £99	£13 - £99	-1% - 3%	1% - 3%
Office	A2	B2, B3, C2, D2, C3, D3	B3, C3, D3	£-64 - £150	£23 - £150	-2% - 4%	1% - 4%
Industrial	A3	B3, C3, D1, D2, D3	B2, B3, C2, C3, D2, D3	£71 - £95	£49 - £95	5% - 7%	4% - 7%

Table 9.19 – Summary of cost uplift associated with cases compliant with policy options 1 and 2

The codes above correspond to the combination of heating system and fabric and ventilation specifications used throughout the report.

They differ for each typology but an example is provided for the domestic buildings on the right.

Heating system	Fabric and Ventilation
A. Gas boiler	**1.** Business as usual*
B. Direct electric	**2.** Good practice
C. Less efficient heat pump	**3.** Ultra-low energy
D. More efficient heat pump	

Source: Page 233, Delivering Net Zero, An evidence study to support planning policies which deliver Net Zero Carbon developments - Main report (Levitt Bernstein, Introba, Inkling, Currie & Brown and Etude, May 2023)

8.64 It is important to note that above costs are over and above 2021 Part L of Building Regulations and that the costs of 2021 Part L of Building Regulations are not fully reflected in the BCIS costs. The BCIS costs are raised by 2% in the base appraisals in this update.

8.65 The performance of non-residential development is normally assessed using the BREEAM system[135]. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research[136] by BRE. The additional costs of BREEAM Excellent standard ranges from just under 1% and 5.5%, depending on the nature of the scheme, with offices being a little under 2%. It is assumed that new non-residential development will be to BREEAM Excellent, and this increases the construction costs by 2% or so. This is tested in the base appraisals.

8.66 The option that all commercial buildings are built to a Net Zero Carbon standard is somewhat more costly that BREEAM Excellent. In this instance it is have assumed that this would be implemented in a similar way to the development under the London Plan. In London, the GLA seeks a 15% reduction in carbon emissions from energy efficiency measures, with a total on-site reduction of 35% and the achievement of Net Zero regulated carbon emissions using allowable solutions, all in comparison to the emissions from a Part L 2013 compliance building with gas heating. In this regard it was estimated that the following costs were identified:

Table 8.10 Indicative cost uplifts of the potential standards to reduce carbon emissions

Standards	Target	Percentage of construction cost
Energy Efficiency	Minimum carbon reduction of 15%	2%
On site saving	Total carbon reduction of 35%	1%
Allowable solutions	Offset 65% of regulated CO_2 emissions	2-4%
BREEAM	BREEAM Excellent rating	1-2%

Source: Table 9.1 Centre for Sustainable Energy Cost of carbon reduction in new buildings (Currie & Brown, December 2018)

8.67 A paper, *UK Green Building Council, Building the Case for Net Zero (UK GBC, Advanced Net Zero, September 2020)* for Hoare Lea and JLL, considered the cost of Net Zero in two scenarios on a 16 storey city office building. This estimated the additional cost for an 'intermediate' scenario to be 6.2% and a 'stretch' scenario to be between 8% and 17%.

8.68 A paper, *Towards Net Zero Carbon Achieving greater carbon reductions on site - The role of carbon pricing (May 2020)* considered the costs associated with a hotel, a school, and an office building in the context of carbon pricing and a 35% CO_2 saving as per the London Plan. This estimated the additional costs for hotels to be 1.2% to 2.7%, for schools to be 1.1% to

[135] Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990 as a method of assessing, rating, and certifying the sustainability of buildings.

[136] *Delivering sustainable buildings: Savings and payback*. Yetunde Abdul, BRE and Richard Quartermaine, Sweett Group. Published by IHS BRE Press, 7 August 2014.

1.7% and for newbuild offices to be 0.8% to 2.1% - although these were only additional construction costs (not whole life costs).

8.69 It is clear from a range of data sources that the additional costs will vary depending on the specifics of the building under consideration, however the costs of BREEAM Very Good and BREEAM Excellent are modest. In this assessment, non-residential buildings are tested with up to 10% additional costs.

8.70 It is timely to note that building to higher standards that result in lower running costs does result in higher values[137]. The report *Buying into the Green Homes Revolution* (Santander, October 2022)[138] suggests that house buyers willing to pay almost 10 per cent more for energy efficient properties, and research from Legal & General research[139] shows buyers will pay up to 20% premium for low carbon homes. In this study, no premium is assumed in this study (for either residential or non-residential development).

Electric Vehicle Charging

8.71 It is timely to mention EV charging. EV charging facilities are now a national requirement (from 25th June 2023) of Building Regulations (Approved Document S):

> *S1. (1) A new residential building with associated parking must have access to electric vehicle charge points as provided for in paragraph (2).*
>
> *(2) The number of associated parking spaces which have access to electric vehicle charge points must be—*
>
> *(a) the total number of associated parking spaces, where there are fewer associated parking spaces than there are dwellings contained in the residential building; or*
>
> *(b) the number of associated parking spaces that is equal to the total number of dwellings contained in the residential building, where there are the same number of associated parking spaces as, or more associated parking spaces than, there are dwellings.*
>
> *(3) Cable routes for electric vehicle charge points must be installed in any associated parking spaces which do not, in accordance with paragraph (2), have an electric vehicle charge point where—*
>
> *(a) a new residential building has more than 10 associated parking spaces; and*
>
> *(b) there are more associated parking spaces than there are dwellings contained in the residential building.*

[137] See *EPCs & Mortgages, Demonstrating the link between fuel affordability and mortgage lending* as prepared for Constructing Excellence in Wales and Grwp Carbon Isel / Digarbon Cymru (funded by the Welsh Government) and completed by BRE and *An investigation of the effect of EPC ratings on house prices* for Department of Energy & Climate Change (June 2013.)

[138] A Green Premium: House buyers willing to pay almost 10 per cent more for energy efficient properties | Santander UK

[139] Legal & General research shows buyers will pay up to 20% premium for low carbon homes | Legal & General (legalandgeneral.com)

8.72 It is assumed that all new homes have EV charging points. A cost of £600 per unit has been modelled (although this is already included in Option 2 of the London Plan evidence). This cost is applied to flatted development, although whilst such development is unlikely to have 100% parking provision, it is assumed that shared charging facilities will be provided. Whilst this assumption was endorsed by a housebuilder[140] they also noted that this would not cover the costs of substation upgrades. There are substantial pressures on the grid, the Council is working with the infrastructure providers in this regard.

Water Efficiency

8.73 It is assumed that measures to reduce the use of water, in line with the enhanced building regulations apply. The cost of reducing the use of water, in line with the enhanced building regulations (110 litres per person per day), is modest, likely to be less than £5 per dwelling[141]. This cost was based in 2014 so would be indexed[142] to £7 per dwelling.

8.74 The Council is not considering seeking rainwater harvesting and greywater recycling, however this is considered. There are few published costs, although figures of £2,000 to £3,000 are frequently quoted[143]. The provision of rainwater harvesting requires the capture of rainfall. This is normally done through an underground tank. A second cold water system is then installed. As this is not at 'mains' pressure, this normally utilises a pump and pressure cylinder. This additional cost is tested.

Policy DM24 - Low Carbon Community Heat and Energy Networks

8.75 This policy seeks that:

> *All major development proposals within a Renewable Energy Opportunity Area (as shown on Figure 6) or in defined Growth Areas, will be expected to either:*
>
> *a) create a site-wide community heat or energy network; or*
>
> *b) connect to an existing decentralised network where this is available; unless it can be demonstrated through an energy feasibility assessment that……:*

8.76 There are no significant heat sources within Dacorum borough at the time of writing. These can be useful sources of renewable energy, particularly from the incineration of waste, or from bio sources. New District Heating Schemes, within the town, would therefore require the construction of a central heat plant, as well as the distribution network infrastructure.

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140 Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

141 Paragraph 285 Housing Standards Review, Final Implementation Impact Assessment, March 2015. Department for Communities and Local Government.

142 BCIS Index March 2014 316.3, October 2022 444.9.

143 For example by the UK Rainwater Harvesting Association.

8.77 There are few published costs of District Heating Schemes in modern estate housing, however where there is not a ready heat source (for example a waste incinerator) it is necessary to develop a heat source (in effect a power station). There are savings to be made from not installing gas and boilers in each unit, but these are more than offset by the costs of laying the heat pipes through the site, heat metering etc. Informal discussions with suppliers suggest that the additional costs may be in the range of £3,000 to £7,000 per unit, which is supported by the limited published data[144], depending on the size and shape of the project. This has not been included in the base appraisals, but this is tested.

8.78 Through the technical consultation a housebuilder[145] suggested that the costs of connecting to a District Heating Scheme was broadly similar to the cost of an air source heat pump (being within the £3,500 put forward above) – although this would not cover the cost of constructing the heat network.

Policy DM25 - Stand-alone Renewable or Low Carbon Energy

8.79 This is an enabling / development management policy that does not impact on viability.

Policy DM26 - Carbon Offsetting

8.80 This policy seeks that where development '*that cannot meet the Plan's greenhouse gas reduction requirements on site will be expected to contribute to the Council's Carbon Offset fund. This fund will be used to deliver carbon capture schemes, to retrofit existing buildings or investing into low carbon or renewable energy schemes*'.

8.81 In this assessment the modelling is as per Policy SP10 - Climate Change Mitigation and Adaptation and Policy DM22 - Sustainable Design and Construction as set out above.

Policy DM27 - Landscape Character and Chilterns Area of Outstanding Natural Beauty; Policy DM28 - Protection of Sites; Policy DM29 - Protected Species and Priority Species and Habitats

8.82 These are development management policies that do not impact on viability.

Policy DM30 - Biodiversity Net Gain

8.83 The policy as drafted seeks 10% Biodiversity Net Gain. This is in line with national requirements. The national requirement for 10% Biodiversity Net Gain, as required by the Environment Act, is assumed to apply in the base appraisals.

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[144] *Assessment of the Costs, Performance, and Characteristics of UK Heat Networks* (DoE&CC, 2015) provides some guidance for infrastructure to distribute heat, but not generation.

[145] Taylor Wimpey, re Grange Farm, Bovingdon, Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

8.84 The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

8.85 Green improvements on-site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.

8.86 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line 'pre-development' situation, as a survey will need to be carried out.

8.87 The Government's Impact Assessment[146] suggests an average cost of scenarios including where all the provision is on-site and where all is off-site.

[146] Table 14 and 15 Biodiversity net gain and local nature recovery strategies: impact Assessment. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf

Table 8.11 Cost of 10% Biodiversity Net Gain – South East 2017 based costs		
	Scenario A 100% on-site	**Scenario C** 100% off-site
Cost per ha of residential development	£3,456/ha	£63,841/ha
Cost per ha of non-residential development	£3,150/ha	£47,885/ha
Cost per greenfield housing unit	£162/unit	£3,305/unit
Cost per brownfield housing unit	£56/unit	£660/unit
Residential greenfield delivery costs as proportion of build costs	0.1%	2.4%
Residential brownfield delivery costs as proportion of build costs	<0.1%	0.5%
% of industrial land values	0.3%	3.0%
% of commercial land values (office edge of city centre)	0.2%	2.3%
% of commercial land values (office out of town - business park)	0.2%	2.6%

Source: Tables 14 to 23 *Biodiversity net gain and local nature recovery strategies – Impact Assessment*

8.88 The Council is exploring the feasibility for 20% Biodiversity Net Gain. No Dacorum or Hertfordshire specific work has been undertaken in this regard, however, research by Kent County Council[147] has indicated that the additional cost of providing 15% or 20% BNG is relatively modest:

[147] Viability-Assessment-of-Biodiversity-Net-Gain-in-Kent-June-2022.pdf (kentnature.org.uk)

Table 8.12 Comparison of BNG costs £ per dwelling

Typology	15% onsite per dwelling	20% onsite per dwelling	15% offsite per dwelling	20% offsite per dwelling
5,000 unit greenfield - houses	+£55.79	+£92.29	+£631.85	+£778.69
500 unit greenfield - houses	+£85.56 *Additional land*	+£216.31 *Additional land*	+£1,062.85	+£1,167.95
100 unit greenfield - houses	+£943.00 *Additional land*	+£1,071.57 *Additional land*	+£394.70	+£458.54
25 unit greenfield - houses	+£5,549.96 *Additional land*	+£5,913.31 *Additional land*	+£874.76	+£1,077.59
500 unit brownfield - houses	+£12.00	+£27.00	+£100.37	+£124.22
100 unit brownfield – houses flats	+£4.50	+£9.00	+£10.17	+£13.59
25 unit brownfield - flats	+£0.00	+£42.00	+£506.30	+£508.58

Source: Table 1 Viability Assessment of Biodiversity Net Gain in Kent (SQW & Temple, June 2022)

8.89 In this assessment, it is assumed provision will be on-site on greenfield sites and off-site on brownfield sites (this approach is different to that taken in the pre-consultation report). The percentage uplift costs from Tables 14 to 23 of the *Biodiversity net gain and local nature recovery strategies – Impact Assessment* as quoted above are used[148]. The base scenario assumes 20% BNG at a cost that is 50% greater than 10%.

8.90 Through the technical consultation a housebuilder[149] questioned this approach saying that it is overly simplistic, although no alternative approach was suggested or put forward.

8.91 Through the technical consultation, a landowner[150] questioned whether the '*report fully explores the introduction of the 10% Biodiversity Net Gain costs and impacts on the net developable area (although note that it is assumed that this can be met on site for strategic greenfield sites)*'. The modelling in this update is based on the Council's wider density and net : gross developable area assumptions. It is understood that the Council has had regard to the requirements for open space, BNG etc. when establishing these assumptions.

148 As noted through the December 2022 consultation, by Neville Stebbing of NS.PRS for the Land Trust, the official figures are rather historic so the percentage figure is used.

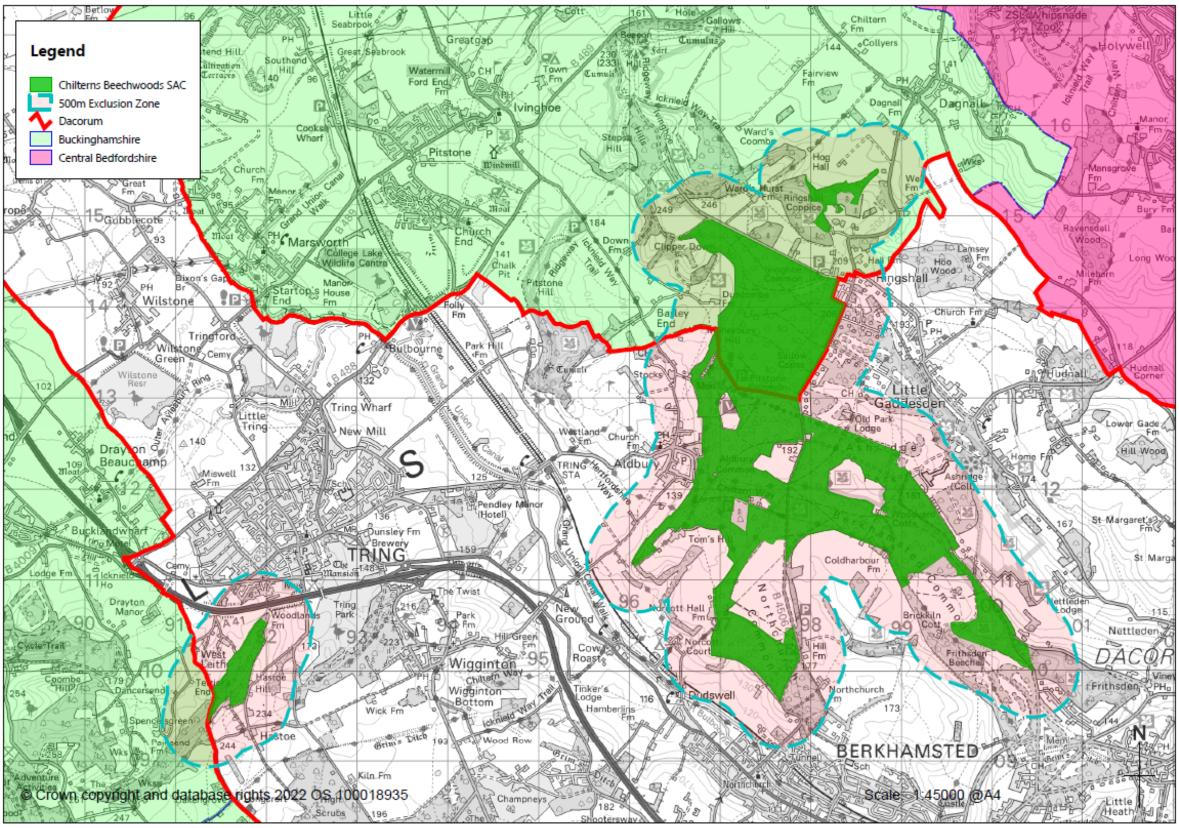
149 Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

150 Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

Policy DM31 – Chilterns Beechwoods Special Area of Conservation

8.92 This policy seeks to restrict development within the relevant areas of Tring and Ashridge. Little (if any) development is planned in these areas so the impact on viability will be negligible.

Figure 8.1 Chilterns Beechwoods SAC – 500m Exclusion Zone



Source: DBC[151]

8.93 The Council sets out on its website[152] as follows:

> *… Strategic Access Management and Monitoring (SAMMS) measures will cost a total of £18.2million. This cost will be shared across all of the affected local authorities. In Dacorum, this means that developers will be required to pay a tariff of £913.88 for each new home built.*
>
> *To help to reduce recreational pressures on Ashridge Commons and Woods, alternative green spaces need to be identified. All new developments within the Zone of Influence will need to make provision for a new Suitable Alternative Natural Greenspace (SANG), or alternatively contribute towards the maintenance of a suitable SANG project elsewhere.*
>
> *Larger developments (10 or more new homes) must be located close to a suitable SANG. Smaller developments can contribute towards an existing SANG. We have so far identified Bunkers Park and Chipperfield Common as SANGs. Developers that are unable to provide a*

[151] Chilterns Beechwoods SAC - 500-metre exclusion zones map (dacorum.gov.uk)

[152] www.dacorum.gov.uk

suitable new SANG will be required to make a payment to us towards the long-term management and maintenance of these sites, which equates to £4,251.71 per new home.

8.94 These charges apply to all of the Borough. The Council is currently reviewing the above payments. At the pre-consultation stage, a combined SAMMS and SANG cost was applied to all the modelled typologies of £6,000 per unit.

8.95 For the greenfield strategic sites and large scale greenfield development sites, a site specific solution for SANG may be required, which could be onsite or off site (possibly via a third party provider). The current combined SAMMS and SANG cost estimate is about £10,000 per unit which is added to the wider strategic infrastructure and mitigation costs. Sensitivity testing is carried out.

Policy DM32 - Development on the Ashridge Estate; Policy DM33 - Protection and Enhancement of the River Character and Water Environment

8.96 These are development management policies that do not impact on viability.

Policy DM34 - Flood Risk and Protection

8.97 This policy seeks to mitigate the impact of flooding, both in the proposed development and more widely. Sustainable Drainage Systems (SUDS) are a tool for achieving this. SUDS and the like can add to the costs of a scheme – although in larger projects these can be incorporated into public open space. It is assumed that the costs of SUDS are included within the additional costs on brownfield sites, however on the larger greenfield sites it is assumed that SUDS will be incorporated into the green spaces and be delivered through soft landscaping within the wider site costs.

Policy DM35 - Protection from Environmental Pollution, Policy DM36 - Tree Retention and Protection

8.98 These are development management policies that do not impact on viability.

Policy DM37 - Landscaping on Development Sites

8.99 This is a broad policy concerning green and soft landscaping of development sites. The requirements of the policy do not go over and above normal development practice and the costs already accounted for in this report.

Policy DM38 - Open Land

8.100 This is a development management policy that does not impact on viability.

Policy SP11 - Development in the Green Belt; Policy DM39 - Limited Infilling in Selected Small Villages in the Green Belt; Policy DM40 - Bovingdon Airfield; Policy SP12 - Development in the Rural Area

8.101 These are development management policies concerning the countryside that do not impact on viability.

Policy SP13 - Delivering High Quality Design

8.102 This policy seeks to deliver high quality design and refers to the 2021 *Strategic Design Guide Supplementary Planning Document* (SPD). The design guide does not set out particular requirements that add to the costs of development, over and above those covered elsewhere, rather it sets out an approach to design, that, if adopted at the outset of a scheme, does not add to the costs.

Policy DM41 - Height of Buildings

8.103 This policy seeks to restrict tall buildings to the Opportunity Areas in Hemel Hempstead (Hemel Hempstead Town Centre, Two Waters and Maylands Local Centre). Bearing in mind wider planning requirements, such buildings are unlikely to come forward elsewhere.

Policy DM42 - Crime and Security

8.104 This policy seeks to deliver high quality design and refers to the 2021 *Strategic Design Guide Supplementary Planning Document* (SPD).

Policy DM43 - Historic Environment; Policy DM44 - Development Affecting Non-Designated Heritage Assets; Policy DM45 - Heritage Assets with Archaeological Interest;, Policy DM46 - Conservation Areas; Policy DM47 - Listed Buildings; Policy DM48 – Advertisements; Policy DM49 - Canalside Environment and Recreational Moorings

8.105 These are development management policies that do not impact on viability.

Policy DM50 - Transport and Movement

8.106 This policy builds on SP7 - Delivering Infrastructure as set out above. It is assumed that the requirements will be met through developer contributions.

Policy DM51- Supporting and protecting land for transport interventions

8.107 This policy seeks to protect land for future transport interventions. It does not impact on viability.

Policy DM52 - Movement and access; Policy DM53 - Walking and cycling; Policy DM54 - Passenger Transport

8.108 These policies build on SP7, Delivering Infrastructure as set out above. It is assumed that the requirements will be met through developer contributions, or through design features that are covered in the normal site costs.

Policy DM55 - Parking Provision – Residential; Policy DM56 - Parking provision - Commercial

8.109 Under this policy *'… residential development will be required to provide parking in accordance with the adopted standards contained within the Parking Standards SPD* …'. It is assumed that the densities set out in Policy DM11 - Density of Development above apply.

Policy DM57 - Digital Communications

8.110 In essence, this policy seeks Fibre to the Premise (FTTP). Building Regulations were updated in 2022 in this regard[153]. These requirements are normal requirements and consistent with the national standards.

Policy DM58 - Mobile Communications

8.111 This is a general enabling policy that does not impact on viability.

Policy DM59 - Health Facilities

8.112 This policy seeks the provision of appropriate health provisions. It is assumed that this will be done via developer contributions – see SP7 - Delivering Infrastructure as set out above.

Policy DM60 - Health Impact Assessments

8.113 This policy seeks:

1. *The Council will require a Health Impact Assessment, setting out the expected effects on health, wellbeing and safety, from the following new developments.*
    a) *All identified Growth Areas*
    b) *Residential developments of 100 units and above.*
    c) *Non-Residential Developments subject to an Environmental Impact Assessment.*
2. *All development subject to HIA must demonstrate how the positive health impacts it can deliver are maximised, and reduce and/or mitigate negative health impacts, with a particular regard to removing health inequalities.*

[153] Volume 1: Physical infrastructure and network connection for new dwellings

- Requirement RA1: Gigabit-ready physical infrastructure
- Requirement RA2: Connection to gigabit-capable network

3. *Where unavoidable negative impacts on health, wellbeing and safety are identified, mitigation measures must be incorporated into the proposal.*

8.114 To a large extent the requirements of this policy are covered in the 2021 *Strategic Design Guide Supplementary Planning Document* (SPD) – see above. On occasion, the requirements may be met through developer contributions – see SP7 - Delivering Infrastructure as set out above.

Policy DM61 - Education

8.115 This policy seeks the provision of appropriate education facilities. It is assumed that this will be done via developer contributions – see *SP7, Delivering Infrastructure* as set out above.

Policy DM62 - Sport and Leisure; Policy DM63 - Open Space Provision

8.116 These policies seek the provision of appropriate sport and leisure facilities, and open space. It is assumed that this will be done via developer contributions – see *SP7, Delivering Infrastructure* as set out above.

8.117 The following open space provision is sought, subject to the following thresholds:

Table 8.13 Open Space Standards and Costs

Typology	Standard (ha per 1000 population)	Cost per ha
Parks and Gardens	0.80	£440,000
Natural and Semi-Natural	1.80	£140,000
Amenity Greenspace	0.60	£160,000
Allotments	0.25	£225,000
Play space	0.25	See separate table (below)

Source: Table 25 DBC Daft IDP (November 2020)

Table 8.14 Open Space Thresholds

Typology	Threshold for on-site provision
Parks and Gardens, Natural and Semi- Natural Green Space, Amenity Green Space	25 homes and above
Allotments	700 homes and above
Local Area of Play (LAP)	25 homes and above
Local Equipped Area of Play (LEAP)	70 homes and above
Youth/Multi-Use Games Area (MUGA)	2000 homes and above
Neighbourhood Equipped Area of Play (NEAP)	500 homes and above

Source: Table 26 DBC Daft IDP (November 2020)

8.118 Policy DM63 - Open Space Provision requires:

3 All new residential development of 25 homes or more will be required to comply with the Council's open space provision standard of 3.2 ha per 1000 population. Where this cannot be delivered within the development, contributions will be sought towards improving or delivering open space off-site.

4 The total area of open space to be provided will be calculated using the 3.2 ha per 1000 population standard. The specific form and mix of provision will be determined by local open space deficiencies, and the Fields in Trust's recommended benchmark provision and accessibility standards [1] set out in the table below. Details on contributions for off-site provision are set out in the Infrastructure Delivery Plan.

5 In addition to open space, new developments of 25 homes or more, will be required to deliver play space of 0.25 ha per 1000 population. The thresholds for the type of play provision are as follows:

a) Local Area of Play (LAP) - 25 homes;

b) Local Equipped Area of Play (LEAP) - 70 homes;

c) Youth/Multi-Use Games Area (MUGA) - 200 homes;

d) Neighbourhood Equipped area of Play (NEAP) - 500 homes.

6 New residential developments of 700 homes or more, will be required to deliver allotment or community garden space of 0.25 ha per 1000 population, in addition to the open space and play provision requirements set out above.

8.119 The Council assumes 2.4 persons per dwelling – this is incorporated to the requirements set out in Table 8.13 above and the 3.2 ha (which do overlap) of open space into the modelling as set out in Chapter 9 below. It is assumed that the densities set out in Policy DM11 - Density of Development above take these requirements into account. It is assumed that provision is made on-site on greenfield sites, and off-site on the brownfield sites.

8.120 The following assumptions and costs are used.

- LAP £33,000
- LEAP £80,000
- NEAP £165,000
- MUGA £140,000

8.121 These costs are included in the appraisals as appropriate.

8.122 Sport England responded[154] to the technical consultation providing some alternate costings. These will be used by the Council when updating the IDP and wider evidence.

[154] Sport England.

Policy DM64 - Community Facilities; Policy DM65 - Community Stewardship and Management

8.123 These policies seek the provision and management of appropriate community facilities. It is assumed that this will be done via developer contributions – see *SP7, Delivering Infrastructure* as set out above.

Delivery Strategies

8.124 Policies SP14 to SP29, concern the detail of individual developments. On the whole, the sites are tested as typologies, the exception being the strategic sites.

9. Modelling

9.1 In the previous chapters, the general assumptions to be inputted into the development appraisals are set out. In this chapter, the modelling is set out. It is stressed that this is a high-level study that is seeking to capture the generality rather than the specific. The purpose is to establish the cumulative impact of the Council's policies on development viability.

9.2 The approach is to model a set of development sites that are broadly representative of the type of development that is likely to come forward under the new Local Plan.

Residential Development

9.3 The HELAA sites from which the allocations will be taken is a working document that remains in preparation. DBC have provided a copy of the database, showing both the HELAA data and the size of the sites and the basic information, such a size and land use. The main characteristics of the sites can be summarised as follows:

Table 9.1 DBC HELAA – Summary of Site Sizes (ha) by Current Land Use

		Brownfield	Greenfield	Mixture	ALL
Aldbury and Wigginton Ward	Count	0	6	0	6
	Minimum		0.06		0.06
	Average		1.21		1.21
	Maximum		3.31		3.31
Ashridge Ward	Count	0	6	0	6
	Minimum		0.08		0.08
	Average		1.15		1.15
	Maximum		3.51		3.51
Berkhamsted	Count	16	24	3	43
	Minimum	0.03	0.05	0.95	0.03
	Average	0.47	9.90	2.08	5.85
	Maximum	1.90	79.53	3.41	79.53
Bovingdon	Count	6	7	1	14
	Minimum	0.06	0.91	2.31	0.06
	Average	0.46	3.25	2.31	1.99
	Maximum	1.69	8.85	2.31	8.85
Bovingdon, Flaunden and Chipperfield Ward	Count	0	20	2	22
	Minimum		0.31	1.29	0.31
	Average		8.62	3.96	8.19
	Maximum		122.30	6.63	122.30
Chaulden and Warners End Ward	Count	1	1	0	2
	Minimum	0.43	5.64		0.43
	Average	0.43	5.64		3.04
	Maximum	0.43	5.64		5.64
Hemel Hempstead	Count	82	23	0	105
	Minimum	0.01	0.01		0.01
	Average	0.72	27.60		6.61
	Maximum	4.64	373.10		373.10
Kings Langley	Count	8	14	0	22
	Minimum	0.07	0.28		0.07
	Average	0.78	7.72		5.19
	Maximum	3.99	68.10		68.10
Kings Langley Ward	Count	0	7	0	7
	Minimum		0.24		0.24
	Average		2.48		2.48
	Maximum		9.00		9.00
Markyate	Count	2	10	0	12
	Minimum	0.17	0.22		0.17
	Average	0.24	9.18		7.69
	Maximum	0.31	32.57		32.57
Nash Mills Ward	Count	0	1	0	1
	Minimum		1.87		1.87
	Average		1.87		1.87
	Maximum		1.87		1.87
Northchurch Ward	Count	1	2	0	3
	Minimum	1.03	0.94		0.94
	Average	1.03	1.63		1.43
	Maximum	1.03	2.32		2.32

Tring	Count	10	16	1	27
	Minimum	0.01	0.15	0.30	0.01
	Average	0.17	16.86	0.30	10.06
	Maximum	0.46	119.11	0.30	119.11
Tring East Ward	Count	0	2	1	3
	Minimum		0.80	211.64	0.80
	Average		1.21	211.64	71.35
	Maximum		1.62	211.64	211.64
Tring West and Rural Ward	Count	0	9	1	10
	Minimum		0.38	2.43	0.38
	Average		32.18	2.43	29.21
	Maximum		270.55	2.43	270.55
Watling Ward	Count	0	13	1	14
	Minimum		0.41	4.66	0.41
	Average		4.69	4.66	4.68
	Maximum		33.51	4.66	33.51
All	Count	126	161	10	297
	Minimum	0.01	0.01	0.30	0.01
	Average	0.63	12.00	23.55	7.57
	Maximum	4.64	373.10	211.64	373.10

Source: DBC (March 2023)

Residential Modelling and Typologies

9.4 To inform the modelling, the characteristics of the sites were considered in terms of location, size and suggested use, as set out in the tables above. A set of representative sites is modelled. The modelling is broadly consistent with Policy DM11 - Density of Development which sets out the following minimum density requirements:

	Minimum density			
Place	**Maintain density with any uplift considered on its merit**	**Whichever is greater:**		
		40 dph (net) or 20% uplift	**70 dph (net) or 30% uplift**	**100 dph (net) or >30% uplift**
Opportunity Areas in Hemel Hempstead	X	X	X	√
Other Town Centres, District and Local Centres within Dacorum	X	X	√	X
Elsewhere in the Towns	X	√	X	X
Elsewhere in Dacorum	√	X	X	X
Allocated Growth Areas	Acceptable densities in Growth Areas will be guided by Masterplans and Design Codes to be informed by the site specific allocations and the Dacorum Design Guidance.			

9.5 The modelling in this report is broadly consistent with these densities. Additionally, the modelling takes place with the requirements of Policy DM62 - Sport and Leisure and Policy and DM63 - Open Space Provision as set out in Chapter 8 above. The Council assumes 2.4 persons per dwelling. The exception is in relation to the higher density town centre schemes where it is assumed the open space will be provided off-site. On the strategic sites, the actual area and site capacity is used.

9.6 It is acknowledged that modelling is never totally representative, however the aim of this work is to broadly test development viability of sites likely to come forward over the plan-period. This will assist with developing the Plan and the policies within it as well as to inform the Council's plan-making. The work is high level, so there are likely to be sites that will not be able to deliver the affordable housing target and indeed, as set out at the start of this report, there are some sites that will be unviable even without any policy requirements (for example brownfield sites with high remediation costs). There is little scope for exemptions to be granted, however, where the affordable housing target and other policy requirements cannot be met, the developer will continue to be able to negotiate with the planning authority. The Council must weigh up the factors for and against a scheme, and the ability to deliver affordable housing will be an important factor. The modelled sites are reflective of development sites in the study area that are likely to come forward during the plan-period.

9.7 A set of typologies has been developed that responds to the variety of development situations and densities typical in the Borough, and this is used to inform development assumptions for sites. This approach enables a view to be formed about floorspace density, based on the amount of development, measured in net floorspace per hectare, to be accommodated upon the site. This is a key variable because the amount of floorspace which can be accommodated on a site relates directly to the Residual Value, and is an amount which developers will normally seek to maximise (within the constraints set by the market).

9.8 A typical of post-PPG3/PPS3 built form which would provide development at between 3,000 sqm per ha to 3,550 sqm per ha on a substantial site, or sensibly shaped smaller site. A representative housing density might be around 32 per net ha. This has become a common development format. It provides for a majority of houses but with a small element of flats, in a mixture of two storey and two and a half to three storey form, with some rectangular emphasis to the layout.

9.9 Some schemes have an appreciably higher density development providing largely or wholly apartments, in blocks of three storeys or higher, with development densities of 100 units per ha upwards; and other schemes of lower density, in the rural edge situations.

9.10 The main characteristics of the modelled sites have been set out in the tables below. It is important to note that these are modelled sites and not actual sites. These modelled typologies have been informed by the sites that are likely to be included in the Plan, both in terms of scale and location. A proportion of the housing to come forward over the plan-period will be on smaller sites, therefore several smaller sites have been included.

9.11 Through the technical consultation a housebuilder[155] questioned the net : gross assumptions:

> *Crest Nicholson consider that the general net to gross land ratios are too high. Using the Site 16 appraisal as an example (see HDH report - page 281) it is noted that a net to gross of 78% has been assumed, whereas in reality this is likely to be closer to 60%, particularly so given the emerging requirements for Biodiversity Net Gain and SANG.*

9.12 At the request of a landowner[156], a suburban (i.e. housing based) typology has now been included under the Build to Rent typologies. It was also suggested that mixed housing sites are tested. The typologies do include housing sites, flatted development sites and sites that are a mix. No change is made. It was also suggested that '*there should be some additional testing to demonstrate the flexibility associated with a reduced or increased net developable area for each typology*'. The modelling in this update is consistent with the Council's wider development assumptions that have informed the plan making process. It is appropriate to undertake the modelling on this basis as this is what the Council will be planning for.

9.13 Several consultees[157] [158]. noted the importance of including the larger sites and the strategic sites that are under consideration and that these should be tested. This is agreed and these are now presented in this Update.

9.14 A housebuilder[159]commented '*… it is considered that the general ratios of net to gross land are too high. … using the Site 16 Typology as an example (see HDH report - page 281) it is noted that a net to gross of 78% has been assumed, whereas in reality this is likely to be closer to 60%*'. In response to a point made by a developer[160], it is confirmed that the modelling includes a range of smaller sites, below the size that may be allocated in the new Local Plan.

[155] Crest Nicholson re Land adj Blegberry Gardens, Berkhamsted.

[156] Savills for The Crown Estate, Bloor Homes, Pigeon and Kitewood Estates, re Hemel Garden Community.

[157] Taylor Wimpey, re Grange Farm, Bovingdon, Jonathan Pillow of Taylor Wimpey re sites at South Berkhamsted, West Berkhamsted and Bovingdon.

[158] Roebuck Land & Planning Ltd, for Hallam Land Management Ltd.

[159] Turner Morum for Croudace Homes, re Growth Area Site 16.

[160] Lambert Smith Hampton for Plato Estates Ltd, re Land at Cow Roast, Tring.

Table 9.2 Modelled Typologies and Strategic Sites			
Flats 250 HD 1	Units	250	High density town centre flatted development. Tall building. 2.070ha POS provided off-site.
	Gross	1.250	
	Net	1.250	
	Density	200.0	
Flats 100 HD 2	Units	100	High density town centre flatted development. Tall building. 0.828ha POS provided off-site.
	Gross	0.625	
	Net	0.625	
	Density	160.0	
Flats 40 HD 3	Units	40	High density town centre flatted development. 6 storey building. 0.331ha POS provided off-site.
	Gross	0.250	
	Net	0.250	
	Density	160.0	
Flats 100 4	Units	100	General flatted scheme. 0.828ha POS provided off-site.
	Gross	1.111	
	Net	1.111	
	Density	90.0	
Flats 60 5	Units	60	General flatted scheme. 0.497ha POS provided off-site.
	Gross	0.667	
	Net	0.667	
	Density	90.0	
Flats 20 6	Units	20	General flatted scheme. Below POS threshold.
	Gross	0.333	
	Net	0.333	
	Density	60.0	
Flats 12 7	Units	12	General flatted scheme. Below POS threshold.
	Gross	0.200	
	Net	0.200	
	Density	60.0	
Houses & Flats 100 8	Units	100	Mixed scheme of houses and flats. 0.828ha of POS provided on-site - 69% net developable.
	Gross	1.818	
	Net	1.818	
	Density	55.0	

Houses & Flats 50	Units	50	Mixed scheme of houses and flats. 0.414ha of POS provided on-site - 69% net developable.
	Gross	0.909	
	Net	0.909	
9	Density	55.0	
Houses & Flats 25	Units	25	Mixed scheme of houses and flats. 0.207ha of POS provided on-site - 69% net developable.
	Gross	0.455	
	Net	0.455	
10	Density	55.0	
Houses & Flats 12	Units	12	Mixed scheme of houses and flats. Below POS threshold.
	Gross	0.218	
	Net	0.218	
11	Density	55.0	
Brown 20 LD	Units	20	Housing. Below POS threshold.
	Gross	0.625	
	Net	0.500	
12	Density	40.0	
Brown 12 LD	Units	12	Housing. Below POS threshold.
	Gross	0.375	
	Net	0.300	
13	Density	40.0	
Brown 4 LD	Units	4	Housing. Below POS threshold.
	Gross	0.100	
	Net	0.100	
14	Density	40.0	
Green 100 LD	Units	100	Housing. 0.828ha of POS provided on-site - 78% net developable.
	Gross	2.857	
	Net	2.857	
15	Density	35.0	
Green 20 LD	Units	20	Housing. Below POS threshold.
	Gross	0.571	
	Net	0.571	
16	Density	35.0	
Green 12 LD	Units	12	Housing. Below POS threshold.
	Gross	0.343	
	Net	0.343	
17	Density	35.0	

Green 7 LD	Units	7	Housing. Below POS threshold.
	Gross	0.200	
	Net	0.200	
18	Density	35.0	
Green 4 LD	Units	4	Housing. Below POS threshold.
	Gross	0.114	
	Net	0.114	
19	Density	35.0	
Hospital Site 1	Units	450	Strategic site modelled as per planned development. Flatted scheme. 100% net developable. POS requirement of 3.726ha off-site.
	Gross	5.921	
	Net	5.921	
20	Density	76.0	
Station Gateway 2	Units	360	Strategic site modelled as per planned development. Flatted scheme. 100% net developable. POS requirement of 2.981ha off-site.
	Gross	3.789	
	Net	3.789	
21	Density	95.0	
Civic Centre 3	Units	200	Strategic site modelled as per planned development. Flatted scheme +6 storey. 100% net developable. POS requirement of 1.656ha off-site.
	Gross	0.858	
	Net	0.858	
22	Density	233.0	
Market Sq. 4	Units	130	Strategic site modelled as per planned development. Flatted scheme +6 story. 100% net developable. POS requirement of 1.076ha off-site.
	Gross	0.531	
	Net	0.531	
23	Density	245.0	
Cupid Green Depot 5	Units	360	Strategic site modelled as per planned development. Flatted scheme. 100% net developable. POS requirement of 2.981ha off-site.
	Gross	2.880	
	Net	2.880	
24	Density	125.0	
Riverside 6	Units	500	Strategic site modelled as per planned development. Flatted scheme + 6 storey. 100% net developable. POS requirement of 4.140ha off-site.
	Gross	1.502	
	Net	1.502	
25	Density	333.0	
South of Berkhamsted 7	Units	850	Strategic site modelled as per planned development. Greenfield with Garden Town Principles. 73% net developable at 35dph. POS requirement of 7.548ha on-site.
	Gross	33.268	
	Net	24.286	
26	Density	35.0	

Grange Farm 9	Units	150	Greenfield strategic site. Actual site area 10.110ha, assumed 60% net developable at 35dph. POS requirement of 1.242ha on-site.
	Gross	7.143	
	Net	4.286	
28	Density	35.0	
Apsley Mills 10	Units	400	Strategic site modelled as per planned development. Flatted scheme. 100% net developable. POS requirement of 3.312ha off-site.
	Gross	2.632	
	Net	2.632	
29	Density	152.0	

Source: HDH (July 2023)

Table 9.3 Summary of Modelled Sites – Areas and Densities

			Current Use	Units	Area Ha				Density Units/ha		Density
					Total	Gross	Net	%	Gross	Net	m2/ha
1	Flats 250 HD	Brown	PDL	250	1.250	1.250	1.250	100.0%	200.00	200.00	15,118
2	Flats 100 HD	Brown	PDL	100	0.625	0.625	0.625	100.0%	160.00	160.00	12,157
3	Flats 40 HD	Brown	PDL	40	0.250	0.250	0.250	100.0%	160.00	160.00	12,112
4	Flats 100	Brown	PDL	100	1.111	1.111	1.111	100.0%	90.00	90.00	6,541
5	Flats 60	Brown	PDL	60	0.667	0.667	0.667	100.0%	90.00	90.00	6,499
6	Flats 20	Brown	PDL	20	0.333	0.333	0.333	100.0%	60.00	60.00	4,267
7	Flats 12	Brown	PDL	12	0.200	0.200	0.200	100.0%	60.00	60.00	4,428
8	Houses & Flats 100	Brown	PDL	100	2.646	1.818	1.818	68.7%	55.00	55.00	4,370
9	Houses & Flats 50	Brown	PDL	50	1.323	0.909	0.909	68.7%	55.00	55.00	4,435
10	Houses & Flats 25	Brown	PDL	25	0.662	0.455	0.455	68.7%	55.00	55.00	4,444
11	Houses & Flats 12	Brown	PDL	12	0.218	0.218	0.218	100.0%	55.00	55.00	4,411
12	Brown 20 LD	Brown	PDL	20	0.625	0.625	0.500	80.0%	32.00	40.00	3,239
13	Brown 12 LD	Brown	PDL	12	0.375	0.375	0.300	80.0%	32.00	40.00	3,356
14	Brown 4 LD	Brown	PDL	4	0.100	0.100	0.100	100.0%	40.00	40.00	3,369
15	Green 100 LD	Green	Agricultural	100	3.685	2.857	2.857	77.5%	35.00	35.00	3,071
16	Green 20 LD	Green	Agricultural	20	0.571	0.571	0.571	100.0%	35.00	35.00	3,004
17	Green 12 LD	Green	Paddock	12	0.343	0.343	0.343	100.0%	35.00	35.00	3,284
18	Green 7 LD	Green	Paddock	7	0.200	0.200	0.200	100.0%	35.00	35.00	3,350
19	Green 4 LD	Green	Paddock	4	0.114	0.114	0.114	100.0%	35.00	35.00	4,235
20	Hospital Site 1	Brown	PDL - Hospital	450	5.930	5.921	5.921	99.8%	76.00	76.00	5,524
21	Station Gateway 2	Brown	PDL - Carpark etc.	360	3.870	3.789	3.789	97.9%	95.00	95.00	6,908
22	Civic Centre 3	Green	Scrub	200	0.860	0.858	0.858	99.8%	233.00	233.00	17,627
23	Market Sq. 4	Green	Public Open Space	130	0.530	0.531	0.531	100.1%	245.00	245.00	18,498
24	Cupid Green Depot 5	Brown	PDL	360	2.900	2.880	2.880	99.3%	125.00	125.00	9,090
25	Riverside 6	Brown	PDL - Retail	500	1.500	1.502	1.502	100.1%	333.00	333.00	25,161
26	South of Berkhamsted 7	Green	Agricultural	850	33.450	33.268	24.286	72.6%	25.55	35.00	3,078
27	Dunsley Farm 8	Green	Agricultural	400	19.048	19.048	11.429	60.0%	21.00	35.00	3,072
28	Grange Farm 9	Green	Agricultural	150	7.143	7.143	4.286	60.0%	21.00	35.00	3,083
29	Apsley Mills 10	Brown	PDL	400	2.600	2.632	2.632	100.0%	152.00	152.00	11,054

Source: HDH (July 2023)

9.15 In addition to the above, several Build to Rent typologies have been modelled with the other specialist housing.

Older People's Housing

9.16 The modelling of these types of specialist housing have been updated following comments made through the technical consultation[161]. A private Sheltered/retirement and an Extracare scheme have been modelled, as has an integrated Retirement Community.

a. A private Sheltered/retirement scheme of 36 x 1 bed units of 52 sqm and 24 x 2 bed units of 72 sqm to give a net saleable area of 3,600 sqm. It is assumed a further 20% non-saleable service and common areas to give a scheme GIA of 4,320 sqm. A site of 0.5ha is assumed.

b. An Extracare scheme of 36 x 1 bed units of 55 sqm and 24 x 2 bed units of 75 sqm to give a net saleable area of 3,780 sqm. It is assumed a further 30% non-saleable service and common areas to give a scheme GIA of 4,914 sqm. A site of 0.75ha is assumed.

c. An Integrated Retirement Community (IRC) of 150 units (so a very large scheme in the wider Dacorum context) made up of level access flats and houses including:

- 40 x 1 bed units of 70m^2 with 25% circulation space
- 60 x 2 bed units of 90m^2 with 25% circulation space
- 50 bungalows of 120m^2 with 25% circulation space.

This derives to give a net saleable area of 10,700 sqm and a total GIA, allowing non-saleable service and common areas, of 13,375 sqm. A 4ha greenfield site is assumed.

9.17 It was also suggested the net developable area assumption be reduced as the development densities are overstated. Recent planning applications and the development densities vary from about 90 units per ha to over 200 units per ha (89, 123, 166 and 218 units per ha). No change has been made in this regard.

Employment Uses

9.18 The Council is planning to allocate strategic employment sites and mixed-use strategic sites. These sites will not be modelled individually, rather the type of development that they are most likely to deliver is modelled.

9.19 In line with the CIL Regulations, only developments of over 100m^2 are assessed. There are other types of development (such as petrol filling stations and garden centres etc). These are not included these in this high-level study due to the great diversity of project that may arise.

9.20 For this study, the main development types are assessed:

[161] the Planning Bureau for McCarthy Stone.

a. **Offices**. These are more than 250m^2, will be of steel frame construction, be over several floors. Typical larger units are around 2,000m^2. A unit of this size has been modelled as well as a smaller one. These are modelled in a town centre and office park situation.

9.21 Assumptions are made about the site coverage and density of development on the sites. 70% coverage on the office sites in the central urban situation and 25% elsewhere (i.e. business park) are assumed. Three storey construction in the business park situation, and four-storey construction in the urban situation are also assumed.

a. **Large Industrial.** There is little new space being constructed in DBC. Modern, single storey, industrial units of over 4,000 sqm with 40% coverage are assumed.

b. **Small Industrial.** These are assumed to be modern industrial units of 400 sqm with 40% coverage and single storey construction.

c. **Distribution.** Modern units of over 4,000 sqm is used as the basis of the modelling, assuming 35% coverage.

Retail

9.22 For this study, the following types of space are assessed. It is important to remember that this assessment is looking at the ability of new projects to bear an element of CIL – it is only therefore necessary to look at the main types of development likely to come forward in the future.

a. **Supermarkets** is based on a smaller supermarket, typical of the units that may be developed by operators such as Aldi and Lidl. A 1,200 sqm unit with 33% coverage to allow for car parking.

b. **Retail Warehouse** is a single storey retail unit development with a gross (i.e. GIA) area of 4,000 sqm. It is assumed to occupy a total site area of 0.8ha. The building is taken to be of steel construction. The development is modelled alternatively on greenfield and on previously developed sites.

c. **Shop** is a brick-built development, of 200 sqm. No car parking or loading space is allowed for, and almost all the site is developed. The total site area (effectively the building footprint) is 0.025ha.

9.23 In developing these typologies, assumptions are made about the site coverage and density of development on the sites. Simple, single storey construction is assumed, without mezzanine floors.

10. Residential Appraisals

10.1 At the start of this chapter, it is important to stress that the results of the appraisals do not, in themselves, determine policy. The results of this study are one of a number of factors that Dacorum Borough will consider, including the track record in delivering affordable housing and collecting developer contributions. The appraisals use the residual valuation approach, they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for a site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the Existing Use Value (EUV) by a satisfactory margin, being the Benchmark Land Value (BLV).

10.2 Several sets of appraisals have been run based on the assumptions provided in the previous chapters of this report, including the affordable housing requirement and developer contributions. Development appraisals are sensitive to changes in price, so appraisals have been run with various changes in the cost of construction and in prices.

10.3 As set out above, for each development type the Residual Value is calculated. The results are set out and presented for each site and per gross hectare to allow comparison between sites. In the tables in this chapter, the results are colour coded using a traffic light system:

a. **Green** **Viable** – where the Residual Value per hectare exceeds the BLV per hectare (being the EUV plus the appropriate uplift to provide a landowners' premium).

b. **Amber** **Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.

c. **Red** **Non-viable** – where the Residual Value does not exceed the EUV.

10.4 A report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a typology is shown as viable does not necessarily mean that, that type of development will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development.

Base Appraisals

10.5 The initial appraisals are based on the full policy-on scenario with all the policy requirements, unless stated, being the following assumptions. The analysis presented in the pre-consultation draft did not include any potential strategic sites, these are now included.

a.	Affordable Housing	40% with 10% (of the total) as AHO / 25% of affordable homes to be First Homes. The balance as Dacorum Affordable Rent set at 60% of market rent.
b.	Design	95% Part M4 (2), 5% Part M4 (3) a, 2025 Part L, Water efficiency, 10% Biodiversity Net Gain.
c.	Developer Contributions	Allowances for SAMM and SANG payments, and leisure facilities. CIL as adopted. s106 as per Chapter 8 on typologies and potential strategic sites.

- 1 to 9 units £0 per unit
- 10 to 80 units £2,500 per unit
- 80 plus units £5,000 per unit.
- Strategic sites as estimated.

		S106 /unit
Hemel Hempstead		
1	Hospital Site	£24,013
2	Station Gateway	£23,815
3	Civic Centre Site	£24,721
4	Market Square	£24,331
5	Cupid Green Depot	£24,155
6	Riverside	£24,000
10	Apsley Mills	£24,000
Berkhamsted		
7	Land South of Berkhamsted	£23,881
Tring		
8	Dunsley Farm	£23,948
Bovingdon		
9	Grange Farm	£23,735

10.6 The base appraisals are included in **Appendix 11**.

Table 10.1a Residential Typologies, – Residual Values

Berkhamsted, and Tring Valley

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 5	Flats 60	Berkhamsted, Tring Valley	Brown	PDL	0.67	0.67	60	2,586,568	2,586,568	1,724,379
Site 6	Flats 20	Berkhamsted, Tring Valley	Brown	PDL	0.33	0.33	20	1,736,272	1,736,272	578,757
Site 7	Flats 12	Berkhamsted, Tring Valley	Brown	PDL	0.20	0.20	12	1,815,703	1,815,703	363,141
Site 8	Houses & Flats 100	Berkhamsted, Tring Valley	Brown	PDL	1.82	1.82	100	2,719,119	3,957,405	7,195,282
Site 9	Houses & Flats 50	Berkhamsted, Tring Valley	Brown	PDL	0.91	0.91	50	2,832,014	4,121,713	3,747,012
Site 10	Houses & Flats 25	Berkhamsted, Tring Valley	Brown	PDL	0.45	0.45	25	3,170,619	4,614,519	2,097,509
Site 11	Houses & Flats 12	Berkhamsted, Tring Valley	Brown	PDL	0.22	0.22	12	4,435,294	4,435,294	967,701
Site 12	Brown 20 LD	Berkhamsted, Tring Valley	Brown	PDL	0.63	0.50	20	2,972,879	3,716,098	1,858,049
Site 13	Brown 12 LD	Berkhamsted, Tring Valley	Brown	PDL	0.38	0.30	12	3,529,979	4,412,474	1,323,742
Site 14	Brown 4 LD	Berkhamsted, Tring Valley	Brown	PDL	0.10	0.10	4	3,833,066	3,833,066	383,307
Site 15	Green 100 LD	Berkhamsted, Tring Valley	Green	Agricultural	2.86	2.86	100	2,952,761	3,808,472	10,881,348
Site 16	Green 20 LD	Berkhamsted, Tring Valley	Green	Agricultural	0.57	0.57	20	3,657,553	3,657,553	2,090,030
Site 17	Green 12 LD	Berkhamsted, Tring Valley	Green	Paddock	0.34	0.34	12	4,070,896	4,070,896	1,395,736
Site 18	Green 7 LD	Berkhamsted, Tring Valley	Green	Paddock	0.20	0.20	7	4,427,068	4,427,068	885,414
Site 19	Green 4 LD	Berkhamsted, Tring Valley	Brown	Paddock	0.11	0.11	4	3,982,135	3,982,135	455,101
Site 26	South of Berkhamsted 7	Berkhamsted	Green	Agricultural	33.27	24.29	850	2,617,961	3,605,856	87,570,795
Site 27	Dunsley Farm 8	Tring	Green	Agricultural	19.05	11.43	400	2,305,162	3,841,936	43,907,839

Source: HDH (July 2023)

Table 10.1b Residential Typologies, – Residual Values

Wider Dacorum

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 5	Flats 60	Wider DBC	Brown	PDL	0.67	0.67	60	4,881	4,881	3,254
Site 6	Flats 20	Wider DBC	Brown	PDL	0.33	0.33	20	-34,044	-34,044	-11,348
Site 7	Flats 12	Wider DBC	Brown	PDL	0.20	0.20	12	-48,346	-48,346	-9,669
Site 8	Houses & Flats 100	Wider DBC	Brown	PDL	1.82	1.82	100	1,231,122	1,791,775	3,257,772
Site 9	Houses & Flats 50	Wider DBC	Brown	PDL	0.91	0.91	50	1,291,242	1,879,274	1,708,431
Site 10	Houses & Flats 25	Wider DBC	Brown	PDL	0.45	0.45	25	1,539,096	2,240,000	1,018,182
Site 11	Houses & Flats 12	Wider DBC	Brown	PDL	0.22	0.22	12	2,089,374	2,089,374	455,864
Site 12	Brown 20 LD	Wider DBC	Brown	PDL	0.63	0.50	20	1,474,154	1,842,692	921,346
Site 13	Brown 12 LD	Wider DBC	Brown	PDL	0.38	0.30	12	1,926,272	2,407,839	722,352
Site 14	Brown 4 LD	Wider DBC	Brown	PDL	0.10	0.10	4	1,900,986	1,900,986	190,099
Site 15	Green 100 LD	Wider DBC	Green	Agricultural	2.86	2.86	100	1,622,762	2,093,039	5,980,111
Site 16	Green 20 LD	Wider DBC	Green	Agricultural	0.57	0.57	20	1,948,875	1,948,875	1,113,643
Site 17	Green 12 LD	Wider DBC	Green	Paddock	0.34	0.34	12	2,153,263	2,153,263	738,262
Site 18	Green 7 LD	Wider DBC	Green	Paddock	0.20	0.20	7	2,467,506	2,467,506	493,501
Site 19	Green 4 LD	Wider DBC	Brown	Paddock	0.11	0.11	4	1,728,607	1,728,607	197,555
Site 29	Grange Farm 9	Bovingdon	Green	Agricultural	7.14	4.29	150	1,848,137	3,080,229	13,200,981

Source: HDH (July 2023)

Table 10.1c Residential Typologies, – Residual Values

Hemel Hempstead & Markyate

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Flats 250 HD	Hemel H & Markyate	Brown	PDL	1.25	1.25	250	2,181,043	2,181,043	2,726,304
Site 2	Flats 100 HD	Hemel H & Markyate	Brown	PDL	0.63	0.63	100	-2,365,320	-2,365,320	-1,478,325
Site 3	Flats 40 HD	Hemel H & Markyate	Brown	PDL	0.25	0.25	40	-2,439,098	-2,439,098	-609,775
Site 4	Flats 100	Hemel H & Markyate	Brown	PDL	1.11	1.11	100	838,351	838,351	931,501
Site 5	Flats 60	Hemel H & Markyate	Brown	PDL	0.67	0.67	60	844,160	844,160	562,773
Site 6	Flats 20	Hemel H & Markyate	Brown	PDL	0.33	0.33	20	541,792	541,792	180,597
Site 7	Flats 12	Hemel H & Markyate	Brown	PDL	0.20	0.20	12	540,520	540,520	108,104
Site 8	Houses & Flats 100	Hemel H & Markyate	Brown	PDL	1.82	1.82	100	1,614,492	2,349,731	4,272,239
Site 9	Houses & Flats 50	Hemel H & Markyate	Brown	PDL	0.91	0.91	50	1,684,425	2,451,513	2,228,648
Site 10	Houses & Flats 25	Hemel H & Markyate	Brown	PDL	0.45	0.45	25	1,950,043	2,838,093	1,290,042
Site 11	Houses & Flats 12	Hemel H & Markyate	Brown	PDL	0.22	0.22	12	2,674,837	2,674,837	583,601
Site 12	Brown 20 LD	Hemel H & Markyate	Brown	PDL	0.63	0.50	20	1,829,640	2,287,049	1,143,525
Site 13	Brown 12 LD	Hemel H & Markyate	Brown	PDL	0.38	0.30	12	2,303,886	2,879,857	863,957
Site 14	Brown 4 LD	Hemel H & Markyate	Brown	PDL	0.10	0.10	4	2,430,332	2,430,332	243,033
Site 20	Hospital Site 1	Hemel Hempstead	Green	PDL - Hospita	5.92	5.92	450	1,951,117	1,954,066	11,570,126
Site 21	Station Gateway 2	Hemel Hempstead	Brown	PDL - Carpark	3.79	3.79	360	2,444,153	2,496,091	9,458,871
Site 22	Civic Centre 3	Hemel Hempstead	Green	Scrub	0.86	0.86	200	2,680,660	2,685,754	2,305,368
Site 23	Market Sq. 4	Hemel Hempstead	Green	Public Open	0.53	0.53	130	-3,350,299	-3,346,434	-1,775,659
Site 24	Cupid Green Depot 5	Hemel Hempstead	Brown	PDL	2.88	2.88	360	3,261,680	3,284,330	9,458,871
Site 25	Riverside 6	Hemel Hempstead	Brown	PDL - Retail	1.50	1.50	500	1,512,744	1,511,231	2,269,116
Site 30	Apsley Mills 10	Hemel Hempstead	Brown	PDL	2.63	2.63	400	4,010,176	3,962,054	10,426,458

Source: HDH (July 2023)

10.7 The results vary across the typologies, although this is largely due to the different assumptions around the nature of each typology. They also vary depending on the price areas.

10.8 The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development as set out in Chapter 6 above.

Table 10.2a Residual Value v BLV

Berkhamsted and Tring Valley

			EUV	BLV	Residual Value
Site 5	Flats 60		1,800,000	2,160,000	2,586,568
Site 6	Flats 20		1,800,000	2,160,000	1,736,272
Site 7	Flats 12		1,800,000	2,160,000	1,815,703
Site 8	Houses & Flats 100		1,800,000	2,160,000	2,719,119
Site 9	Houses & Flats 50		1,800,000	2,160,000	2,832,014
Site 10	Houses & Flats 25		1,800,000	2,160,000	3,170,619
Site 11	Houses & Flats 12		1,800,000	2,160,000	4,435,294
Site 12	Brown 20 LD		1,800,000	2,160,000	2,972,879
Site 13	Brown 12 LD		1,800,000	2,160,000	3,529,979
Site 14	Brown 4 LD		1,800,000	2,160,000	3,833,066
Site 15	Green 100 LD		25,000	625,000	2,952,761
Site 16	Green 20 LD		25,000	625,000	3,657,553
Site 17	Green 12 LD		100,000	700,000	4,070,896
Site 18	Green 7 LD		100,000	700,000	4,427,068
Site 19	Green 4 LD		100,000	700,000	3,982,135
Site 26	South of Berkhamsted 7	Berkhamsted	25,000	275,000	2,617,961
Site 27	Dunsley Farm 8	Tring	25,000	275,000	2,305,162

Source: HDH (July 2023)

Table 10.2b Residual Value v BLV Wider Dacorum					
			EUV	BLV	Residual Value
Site 5	Flats 60		1,800,000	2,160,000	4,881
Site 6	Flats 20		1,800,000	2,160,000	-34,044
Site 7	Flats 12		1,800,000	2,160,000	-48,346
Site 8	Houses & Flats 100		1,800,000	2,160,000	1,231,122
Site 9	Houses & Flats 50		1,800,000	2,160,000	1,291,242
Site 10	Houses & Flats 25		1,800,000	2,160,000	1,539,096
Site 11	Houses & Flats 12		1,800,000	2,160,000	2,089,374
Site 12	Brown 20 LD		1,800,000	2,160,000	1,474,154
Site 13	Brown 12 LD		1,800,000	2,160,000	1,926,272
Site 14	Brown 4 LD		1,800,000	2,160,000	1,900,986
Site 15	Green 100 LD		25,000	625,000	1,622,762
Site 16	Green 20 LD		25,000	625,000	1,948,875
Site 17	Green 12 LD		100,000	700,000	2,153,263
Site 18	Green 7 LD		100,000	700,000	2,467,506
Site 19	Green 4 LD		100,000	700,000	1,728,607
Site 29	Grange Farm 9	Bovingdon	25,000	275,000	1,848,137

Source: HDH (July 2023)

Table 10.2c Residual Value v BLV Hemel Hempstead and Markyate					
			EUV	BLV	Residual Value
Site 1	Flats 250 HD		1,800,000	2,160,000	2,181,043
Site 2	Flats 100 HD		1,800,000	2,160,000	-2,365,320
Site 3	Flats 40 HD		1,800,000	2,160,000	-2,439,098
Site 4	Flats 100		1,800,000	2,160,000	838,351
Site 5	Flats 60		1,800,000	2,160,000	844,160
Site 6	Flats 20		1,800,000	2,160,000	541,792
Site 7	Flats 12		1,800,000	2,160,000	540,520
Site 8	Houses & Flats 100		1,800,000	2,160,000	1,614,492
Site 9	Houses & Flats 50		1,800,000	2,160,000	1,684,425
Site 10	Houses & Flats 25		1,800,000	2,160,000	1,950,043
Site 11	Houses & Flats 12		1,800,000	2,160,000	2,674,837
Site 12	Brown 20 LD		1,800,000	2,160,000	1,829,640
Site 13	Brown 12 LD		1,800,000	2,160,000	2,303,886
Site 14	Brown 4 LD		1,800,000	2,160,000	2,430,332
Site 20	Hospital Site 1	Hemel Hempstead	1,800,000	2,160,000	1,951,117
Site 21	Station Gateway 2	Hemel Hempstead	1,800,000	2,160,000	2,444,153
Site 22	Civic Centre 3	Hemel Hempstead	100,000	700,000	2,680,660
Site 23	Market Sq. 4	Hemel Hempstead	100,000	700,000	-3,350,299
Site 24	Cupid Green Depot 5	Hemel Hempstead	1,800,000	2,160,000	3,261,680
Site 25	Riverside 6	Hemel Hempstead	1,800,000	2,160,000	1,512,744
Site 30	Apsley Mills 10	Hemel Hempstead	1,800,000	2,160,000	4,010,176

Source: HDH (July 2023)

10.9 It is important to note that the above appraisals are based on 40% affordable housing and that this is above the Council's current requirement. Further, the Council rarely achieves full policy compliance on flatted development in the lower value areas of the Borough.

10.10 Across the greenfield sites, the Residual Value exceeds the BLV in all cases, suggesting that such development is likely to be viable on the basis tested.

10.11 Berkhamsted is within the higher value area. On brownfield sites within these towns, on most typologies, the Residual Value is above the BLV, suggesting that such development is likely to be viable. The exception is in relation to flatted development where two of the three typologies generate a Residual Value that is less than the BLV, suggesting such development is unlikely to be viable. Having said this, flatted development is coming forward in these attractive market towns.

10.12 In the remaining areas the development on brownfield sites is generally shown as unviable with the Residual Value being less than the BLV. Whilst the value attributed to flatted development is significantly greater than for housing development, this is offset by the greater costs associated with flatted development and the necessity to reflect the circulation space (stairs and lifts) in the modelling. There are several exceptions to this, for example some of the higher density development.

10.13 The modelling includes the 11 potential strategic sites. On all the greenfield sites the Residual Value exceeds the BLV suggesting that these are likely to be forthcoming, but on several of the brownfield sites in Hemel Hempstead this is not the case. In this context it is necessary to note that the delivery of any large site is challenging. Regardless of these results, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

> *Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

10.14 In this context paragraph 10-006 of the PPG is highlighted:

> *... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....*
>
> *PPG 10-006-20180724*

10.15 It is important to note that all the above appraisals assume developer contributions as set out in Chapter 8 over and above CIL. On the strategic sites these are typically in the £20,000 to £25,000 per unit range, in addition to the expected SAMMS and SANG payments of about £10,000 per unit and CIL at the current rates. As and when the actual strategic sites are confirmed, it may be necessary to consider them against their strategic infrastructure and mitigation requirements identified through an updated Infrastructure Delivery Plan (IDP).

Benchmark Land Value

10.16 Through the consultation process a range of views were expressed at to the appropriate Benchmark Land Value. In this iteration of this viability assessment, the following BLV assumptions are used (these are applied on a gross site area):

a.	Brownfield/Urban Sites:	EUV Plus 20%.	
b.	Greenfield Sites:	Generally	EUV Plus £600,000/ha.
		Strategic sites	EUV times 10.

10.17 Whilst this is considered to be appropriate, a range of BLV assumptions of up to £4,000,000 per ha have been tested and are set out in **Appendix 12** below.

10.18 In the Berkhamsted and Tring Valley, when the BLV is increased to over £3,000,000 per ha, more typologies do show as being unviable. As the greenfield BLV is substantially below this, the Council can be confident that, if a higher BLV was used, then the pattern of the results is unlikely to be significantly different. The exception is in relation to the strategic sites, but having said this, it was suggested that that the strategic sites were treated in a similar way to the smaller greenfield sites (BLV of EUV + £600,000 per ha rather than EUV x 10). Treating the greenfield strategic sites in this way does not alter the results.

10.19 In the wider Borough, when the BLV is increased to over £1,500,000 per ha, more typologies do show as being unviable. Again, as the greenfield BLV is substantially below this, the Council can be confident that, if a higher BLV was used, then the pattern of the results is unlikely to be significantly different. It was suggested that if the strategic sites were treated in a similar way to the smaller greenfield sites, this would not alter the results.

10.20 In the Berkhamsted and Tring Valley, when the BLV is increased to over £2,500,000 per ha, little development is shown as being viable.

10.21 Whilst there was not universal agreement with regard to the BLV assumptions, the analysis shows that even if the higher figures suggested were used, the results would not be materially different. The Council can therefore have confidence in the analysis set out in this report.

Developers' Return

10.22 In the initial iteration of this assessment the developers' return was taken as 17.5% of market housing and 6% of affordable housing. Based on comments made through the consultation process this was changed to 17.5% across the mainstream housing schemes. There was a range of comments in this regard and some suggestion that a greater assumption should be used so a range of assumptions are tested in the 15% to 20% range (as per paragraph 10-018-20190509 of the updated PPG) and are set out in **Appendix 13** below.

10.23 This analysis shows that where a higher developers' return of 20% is used, rather than the 17.5% assumption, the proportion of typologies that generate a Residual Value that exceeds the BLV is broadly similar, the exception is in relation to the strategic sites within Hemel Hempstead. Whilst the Council can therefore have confidence in the analysis set out in this report, it is suggested that the Council continues to engage with the promoters of the potential strategic sites and only include them in the emerging Local Plan is there is confirmation that they are deliverable and have a high likelihood of being forthcoming.

Interest Rates

10.24 As set out in Chapter 7 above, an 'all in' assumption of 7.5% is used in this assessment. Through the technical consultation concern was raised about uncertainty over interest rates (although that has subsided more recently). It was suggested that sensitivity testing on Interest Rates should also be carried out. Additional appraisals have been run with interest rates of 6% to 10%. The results are included in **Appendix 14**.

10.25 This analysis suggests that further rises in interest rates has a modest impact on the output of the appraisals.

Varied Policy Requirements

10.26 As set out above, sets of appraisals have been run to establish the costs of the additional policy requirements. The results are included in **Appendix 15**.

10.27 The starting place for this analysis is the base appraisals set out above. The impact of the different types of policy and how they impact on the Residual Value is assessed. Changes in the requirements for Zero Carbon, 20% Biodiversity Net Gain, water standards and Accessible and Adaptable Standards are considered initially. The figures in the following table are an indication of the amount the Residual Value will fall (or rise) for the various policy requirements. The reduction in the amount of the Residual Value is the reduced amount in the maximum price a developer can pay a landowner.

Table 10.3a Costs of Policy Requirements (Fall / Rise in Residual Value as £/ha)

Zero Carbon and Biodiversity Net Gain – Berkhamsted, Tring Valley

	Environmental Policies				Biodiversity Net Gain	
	Part L 2021	Part L 2025	Zero Carbon	Plus District Heating	BNG 10%	BNG 20%
Flats	282,569	0	-169,542	-543,728	0	26,846
Houses & Flats	160,960	0	-85,020	-263,325	0	12,934
LD Brownfield	150,603	0	-76,827	-262,554	0	12,062
Greenfield	155,213	0	-78,272	-236,370	0	2,421
B&T Valley Strategic	75,858	0	-38,466	-122,733	0	1,177
	Accessible and Adaptable Standards					
Part M4(2)	100%	95%	95%			
Part M4(3)a	0%	5%	0%			
Part M4(3)b	0%	0%	5%			
Flats	55,149	0	-82,403			
Houses & Flats	30,574	0	-45,684			
LD Brownfield	27,732	0	-41,437			
Greenfield	27,683	0	-41,364			
B&T Valley Strategic	15,365	0	-22,957			

Source: HDH (July 2023)

Table 10.3b Costs of Policy Requirements (Fall / Rise in Residual Value as £/ha) Zero Carbon and Biodiversity Net Gain – Wider DBC						
	Environmental Policies				Biodiversity Net Gain	
	Part L 2021	Part L 2025	Zero Carbon	Plus District Heating	BNG 10%	BNG 20%
Flats	287,894	0	-177,383	-570,002	0	28,169
Houses & Flats	160,960	0	-85,020	-263,325	0	12,934
LD Brownfield	152,185	0	-77,637	-265,668	0	12,191
Greenfield	155,213	0	-78,272	-236,370	0	2,421
B&T Valley Strategic	75,858	0	-38,466	-122,733	0	1,177
	Accessible and Adaptable Standards					
Part M4(2)	100%	95%	95%			
Part M4(3)a	0%	5%	0%			
Part M4(3)b	0%	0%	5%			
Flats	57,866	0	-86,463			
Houses & Flats	30,574	0	-45,684			
LD Brownfield	28,025	0	-41,875			
Greenfield	27,683	0	-41,364			
B&T Valley Strategic	15,365	0	-22,957			

Source: HDH (July 2023)

Table 10.3c Costs of Policy Requirements (Fall / Rise in Residual Value as £/ha) Zero Carbon and Biodiversity Net Gain – Hemel Hempstead and Markyate						
	Environmental Policies				Biodiversity Net Gain	
	Part L 2021	Part L 2025	Zero Carbon	Plus District Heating	BNG 10%	BNG 20%
HD Flats	286,690	0	-143,345	-985,683	0	69,768
Flats	283,282	0	-170,784	-549,217	0	27,043
Houses & Flats	160,960	0	-85,020	-263,325	0	12,934
LD Brownfield	150,603	0	-77,481	-265,512	0	12,191
Hemel H Strategic	361,807	0	-199,522	-1,000,734	0	38,108
	Accessible and Adaptable Standards					
Part M4(2)	100%	95%	95%			
Part M4(3)a	0%	5%	0%			
Part M4(3)b	0%	0%	5%			
HD Flats	124,610	0	-187,606			
Flats	55,553	0	-83,007			
Houses & Flats	30,574	0	-45,684			
LD Brownfield	28,025	0	-41,875			
Hemel H Strategic	121,585	0	-181,670			

Source: HDH (July 2023)

10.28 This analysis shows that the move from the national requirement for 10% BNG to 20% BNG is modest, particularly where it is provided on-site (as per the modelling of the greenfield typologies), but greater where it is provided off-site.

10.29 The amount the Residual Value falls is closely related to the density of the type of development, by way of an example, seeking Zero Carbon on flatted development is likely to reduce the Residual Value by about £190,000 per ha, whilst the impact is about £40,000 per ha on the greenfield strategic sites.

10.30 The increase from the 2025 environmental standard (Part L – 80% CO_2 saving) is significant, particularly if coupled with the requirement for District Heating. The cost of seeking 5% Wheelchair Adaptable housing is about 50% greater than the cost of seeking Wheelchair Accessible housing.

Affordable Housing

10.31 A core purpose of this study is to consider an appropriate affordable housing target. The total amount of affordable housing has been considered, as has the tenure mix. The current affordable housing policy sets out that the Council has a 35% target and seeks to maximise the delivery of affordable housing for rent. The preferred affordable housing for rent option is for the units to be delivered as Affordable Rent where the Affordable Rent is set at no more than 60% of market rent.

10.32 The tables included in **Appendix 16** show the results of the appraisals where the total amount of affordable housing is varied. In this analysis the affordable housing is assumed to meet the requirements of the NPPF that 10% of all the housing should be Affordable Home Ownership and of the PPG that 25% of affordable housing is a First Home. All other matters are as in the base appraisals at the start of this chapter.

10.33 This analysis shows that, on average, a 5% increase in affordable housing, reduces the Residual Value by about £450,000 per ha on greenfield sites and about £580,000 per ha on the flatted schemes. The impact is somewhat less on the lower density greenfield strategic sites, and substantially more on the development modelled with taller buildings. The consequence of this is that should the Council seek a 5% increase in affordable dwellings, the developer could typically afford to pay a landowner about £450,000/ha less on greenfield sites and £580,000 per ha on brownfield sites. This is a significant difference that has the impact of reducing the scope for affordable housing provision by about 5%, although the impact varies considerably across the different typologies.

10.34 First Homes are required to be subject to a minimum discount of 30%. Paragraph 70-004-20210524 of the PPG gives councils scope (subject to conditions) to set an alternative discount of 40% or 50% or a cap reduced below the £250,000 set out in the PPG. A further set of appraisals has been run with the First Homes being subject to these greater discounts and lower caps, the results of which are set out in **Appendix 17**.

Table 10.4 Costs of Greater First Homes Discounts (Fall Residual Value as £/ha)							
Berkhamsted and Tring Valley							
Discount	70%	60%	50%	70%	70%	70%	70%
CAP	£250,000	£250,000	£250,000	£225,000	£200,000	£175,000	£150,000
Flats	0	129,716	293,660	93,506	187,012	280,518	392,546
Houses & Flats	0	11,352	43,823	51,703	103,406	156,540	216,996
LD Brownfield	0	8,986	34,038	25,915	51,829	80,464	114,976
Greenfield	0	2,979	19,468	49,282	98,565	148,749	200,882
B&T Valley Strategic	0	7,641	20,322	23,382	46,764	71,367	102,181
Wider DBC							
Discount	70%	60%	50%	70%	70%	70%	70%
CAP	£250,000	£250,000	£250,000	£225,000	£200,000	£175,000	£150,000
Flats	0	144,587	289,173	12,560	42,672	140,785	238,897
Houses & Flats	0	40,557	117,368	45,657	95,870	147,573	199,276
LD Brownfield	0	39,730	84,436	25,915	51,829	77,744	103,659
Greenfield	0	30,257	95,658	49,282	98,565	147,847	197,130
Wider BDC Strategic	0	7,802	22,534	24,354	48,709	73,063	105,144
Hemel Hempstead and Markyate							
Discount	70%	60%	50%	70%	70%	70%	70%
CAP	£250,000	£250,000	£250,000	£225,000	£200,000	£175,000	£150,000
HD Flats	0	321,200	650,910	21,446	151,215	374,153	597,090
Flats	0	139,980	285,119	12,659	69,229	163,206	257,416
Houses & Flats	0	34,005	104,787	46,232	97,935	149,638	201,341
LD Brownfield	0	31,291	77,716	25,915	51,829	77,744	103,659
Hemel H Strategic	0	303,730	626,272	49,382	184,835	394,054	603,687

Source: HDH (July 2023)

10.35 This analysis shows that, on average, assuming 40% affordable housing, across the typologies, the Residual Value is about £70,000 per ha less where the First Homes are subject to a 40% discount and about £260,000 per ha less where the affordable housing is subject to a 50% discount. Further, this analysis shows that, on average, assuming 40% affordable housing, across the typologies, the Residual Value is about £100,000 per ha less where the First Homes are subject to a £200,000 cap and about £280,000 per ha less where the affordable housing is subject to a £150,000 cap, indicating that seeking a lower cap would have a negative impact on viability.

10.36 As above, the impact varies considerably across the different typologies, however it demonstrates that increasing the percentage discount or reducing the cap is likely to have a substantially greater impact on viability than increasing accessibility standards, but a little less impact than moving to Zero Carbon construction.

Suggested Policy Requirements

10.37 The above analysis considered the impact of various policy standards. It is necessary to bring this analysis together and to consider the impact of developer contributions in addition to CIL.

10.38 A range of developer contribution costs ranging from £0 to £60,000 per unit has been tested against 0% to 40% affordable housing requirements. Three further sets of appraisals have been run for varied levels of affordable housing against varied levels of developer contributions at low, mid and high levels of policy requirements.

Table 10.5 Policy Scenarios for Policy Testing			
	Lower Policy Requirements	**Mid Policy Requirements**	**Higher Policy Requirements**
	Being as per the minimum existing and emerging national standards		Including most of the items tested
Biodiversity Net Gain	10%	20%	20%
Carbon and Energy	2025 Part L	Zero Carbon	Zero Carbon Mandatory District Heating
Accessibility and Design	100% M4(2) Accessible & Adaptable	95% M4(2) - Accessible & Adaptable 5% M4(3)a Wheelchair Adaptable	95% M4(2) Accessible & Adaptable 5% M4(3)b Wheelchair Accessible
Water Standard	Enhanced Building Regulations	Enhanced Building Regulations	Enhanced Building Regulations
CIL	As adopted	As adopted	As adopted

Source: July 2023

10.39 The appraisal results are summarised below. In the following analysis, all the sites, including the smallest sites, are modelled with affordable housing.

10.40 In this analysis the typologies are assumed to require £10,000 per unit in developer contributions, the brownfield strategic sites £30,000 per unit in developer contributions, and the greenfield typologies £35,000 per unit in developer contributions to be viable. The amounts are in addition to CIL.

Table 10.6a Maximum Levels of Developer Contributions. £/unit in Addition to CIL

Berkhamsted and Tring Valley

Minimum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	>£60,000	£55,000	£45,000	£35,000	£30,000	£20,000	£15,000
Houses & Flats	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£55,000	£35,000
Housing	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Strategic Sites							
South of Berkhamsted 7	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Dunsley Farm 8	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Mid Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	>£60,000	£55,000	£40,000	£35,000	£25,000	£20,000	£10,000
Houses & Flats	>£60,000	>£60,000	>£60,000	>£60,000	£55,000	£40,000	£30,000
Housing	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Strategic Sites							
South of Berkhamsted 7	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Dunsley Farm 8	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Maximum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	£55,000	£50,000	£35,000	£25,000	£15,000	£10,000	£0
Houses & Flats	>£60,000	>£60,000	>£60,000	>£60,000	£50,000	£45,000	£30,000
Housing	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£55,000	£50,000
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Strategic Sites							
South of Berkhamsted 7	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Dunsley Farm 8	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000

Source: HDH (July 2023)

Table 10.6b Maximum Levels of Developer Contributions. £/unit in Addition to CIL

Wider Dacorum

Minimum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	£20,000	£10,000	£0	Unviable	Unviable	Unviable	Unviable
Houses & Flats	£50,000	£45,000	£25,000	£20,000	£10,000	£5,000	Unviable
Housing	>£60,000	>£60,000	£35,000	£25,000	£20,000	£10,000	£5,000
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£55,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£50,000
Strategic Sites							
Grange Farm 9	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Mid Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	£15,000	£5,000	£0	Unviable	Unviable	Unviable	Unviable
Houses & Flats	£45,000	£40,000	£25,000	£10,000	£5,000	£0	Unviable
Housing	£55,000	£45,000	£30,000	£25,000	£15,000	£5,000	£0
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Strategic Sites							
Grange Farm 9	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Maximum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	£10,000	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Houses & Flats	£40,000	£30,000	£15,000	£0	Unviable	Unviable	Unviable
Housing	>£60,000	£50,000	£30,000	£15,000	£10,000	£5,000	Unviable
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£55,000	£45,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£50,000
Strategic Sites							
Grange Farm 9	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000

Source: HDH (July 2023)

Table 10.6c Maximum Levels of Developer Contributions. £/unit in Addition to CIL

Hemel Hempstead and Markyate

Minimum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
High Density Flats >200	£55,000	£45,000	£35,000	£30,000	£25,000	£20,000	£10,000
High Density Flats < 200	£20,000	£15,000	£5,000	£0	Unviable	Unviable	Unviable
Flats	£30,000	£25,000	£15,000	£10,000	£0	Unviable	Unviable
Houses & Flats	>£60,000	£55,000	£35,000	£30,000	£25,000	£10,000	£0
Housing	>£60,000	>£60,000	>£60,000	£40,000	£30,000	£25,000	£15,000
Strategic Sites							
Hospital Site 1	£50,000	£45,000	£35,000	£25,000	£20,000	£15,000	£10,000
Station Gateway 2	>£60,000	£50,000	£40,000	£35,000	£30,000	£25,000	£15,000
Civic Centre 3	>£60,000	£55,000	£45,000	£40,000	£35,000	£25,000	£20,000
Market Sq. 4	£35,000	£25,000	£15,000	£10,000	£5,000	£0	Unviable
Cupid Green Depot 5	>£60,000	>£60,000	£45,000	£40,000	£35,000	£30,000	£25,000
Riverside 6	£50,000	£45,000	£30,000	£25,000	£20,000	£15,000	£10,000
Apsley Mills 10	>£60,000	>£60,000	£50,000	£45,000	£40,000	£35,000	£30,000
Mid Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
High Density Flats >200	£50,000	£45,000	£30,000	£25,000	£20,000	£15,000	£10,000
High Density Flats < 200	£20,000	£10,000	£0	Unviable	Unviable	Unviable	Unviable
Flats	£25,000	£20,000	£10,000	£5,000	£0	Unviable	Unviable
Houses & Flats	£55,000	£50,000	£35,000	£25,000	£15,000	£10,000	£5,000
Housing	>£60,000	>£60,000	£45,000	£35,000	£30,000	£30,000	£10,000
Strategic Sites							
Hospital Site 1	£50,000	£40,000	£30,000	£25,000	£20,000	£15,000	£5,000
Station Gateway 2	£55,000	£50,000	£35,000	£30,000	£25,000	£20,000	£15,000
Civic Centre 3	>£60,000	£55,000	£40,000	£35,000	£30,000	£25,000	£20,000
Market Sq. 4	£30,000	£25,000	£15,000	£10,000	£5,000	£0	Unviable
Cupid Green Depot 5	>£60,000	£55,000	£45,000	£40,000	£30,000	£25,000	£20,000
Riverside 6	£50,000	£40,000	£30,000	£25,000	£20,000	£15,000	£10,000
Apsley Mills 10	>£60,000	>£60,000	£45,000	£40,000	£35,000	£30,000	£25,000
Maximum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
High Density Flats >200	£45,000	£35,000	£25,000	£20,000	£15,000	£10,000	£5,000
High Density Flats < 200	£10,000	£5,000	£0	Unviable	Unviable	Unviable	Unviable
Flats	£20,000	£15,000	£0	Unviable	Unviable	Unviable	Unviable
Houses & Flats	£50,000	£45,000	£25,000	£15,000	£10,000	£5,000	Unviable
Housing	>£60,000	£55,000	£40,000	£30,000	£20,000	£15,000	£5,000
Strategic Sites							
Hospital Site 1	£45,000	£35,000	£25,000	£20,000	£10,000	£5,000	£0
Station Gateway 2	£50,000	£40,000	£30,000	£25,000	£20,000	£15,000	£10,000
Civic Centre 3	£55,000	£45,000	£35,000	£30,000	£25,000	£20,000	£15,000
Market Sq. 4	£25,000	£20,000	£10,000	£5,000	£0	Unviable	Unviable
Cupid Green Depot 5	£55,000	£50,000	£35,000	£30,000	£25,000	£20,000	£15,000
Riverside 6	£40,000	£35,000	£25,000	£20,000	£15,000	£5,000	£0
Apsley Mills 10	>£60,000	£50,000	£40,000	£35,000	£30,000	£25,000	£20,000

Source: HDH (July 2023)

10.41 This analysis suggests that most development has the capacity to bear at the current levels of affordable housing (35%) and substantial levels of developer contributions. The exception is the brownfield development that is modelled in Hemel Hempstead.

10.42 It is necessary to settle on a set of policies to take forward into the plan-making process. The following are a consultant's view, based on the iterative viability process. Having discussed the early results of this report with the Council, in making these suggestions the following are taken into account:

a. The delivery of affordable housing is important, and within this the priority is for affordable housing for rent which should be maximised and Affordable Rent should be capped at 60% of market value.

b. The impact on viability of seeking 20% Biodiversity Net Gain is modest where it can be delivered on-site, however the Council would prefer to maximise affordable housing for rent.

c. That it is likely that the new national policy requirements for further increases to Part M of Building Regulations (with all new homes to be built to Accessible and Adaptable – Part M4(2) standards) will be adopted around the time that the new Local Plan is implemented. It would be prudent to assume that these are a requirement. Having said this, there is uncertainty over the direction of Government policy, so the Council should keep this under review.

d. The cost of providing wheelchair adaptable housing is significant, however the Council has a need for such accommodation and the provision of some accommodation that meets this standard is a priority / requirement.

e. The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are yet to be published, the 2019 Government Consultation anticipated that it would achieve a 75% to 80% improvement reduction in CO_2 emissions over 2013 standards for dwellings. Bearing in mind the timetable for the introduction of the new Local Plan, it would be prudent to assume that these (the 2025 standards) are a requirement. Again, having said this, there is uncertainty over the direction of Government policy, so the Council should keep this under review.

f. The Council wishes to move towards Zero Carbon development as a priority, but not at the significant expense of the provision of affordable housing.

g. The viability testing includes the testing of District Heating. District Heating is not a particular priority of the Council. The key to a successful District Heating Scheme is a readily available heat source (for example the Energetik network in Enfield or the Vital / Veolia network in Sheffield) and the Council will further investigate establishing such a network, rather than mandate the connection to a scheme to be built.

h. The viability testing includes a range of greenfield sites, and these have the greatest capacity to bear planning obligations such as affordable housing, developer contributions and environmental standards.

i. On the whole, recent planning approvals for housing schemes have provided affordable housing, however planning approvals for flatted development have not all provided affordable housing, so a lower target may be appropriate.

j. Brownfield sites comprise a significant part of the land supply for future development. This is most likely to be in Hemel Hempstead and may to come forward as 'tall buildings' (6+ storeys). This type of development is the least viable so the Council should be cautious about relying on flatted schemes to deliver development.

k. There is a need for infrastructure funding at the levels tested. The analysis suggests that most types of development have capacity to bear developer contributions in addition to the adopted rates of CIL. There is considerable uncertainty over the future of CIL. It would be sensible to delay a formal decision as to whether or not to pursue a CIL review, pending the announcement of details of a new Infrastructure Levy. It is recommended that the Council completes the updating of the IDP prior to making a decision in this regard.

10.43 With the above in mind, in discussion with the Council, the following policy obligations have been settled on.

a.	Affordable Housing	Flatted development in Hemel Hempstead 25% (25% First Homes, 15% Shared Ownership and 60% Affordable Rent). All other development 35% (25% First Homes, 3.6% Shared Ownership and 71.4% Affordable Rent). Assuming that Affordable Rent is capped at 60% of market rent.
b.	Design	95% Accessible and Adaptable (M4(2)), 5% Wheelchair Adaptable. Water efficiency and Zero Carbon design. 20% Biodiversity Net Gain.
c.	Developer Contributions	Allowances for SAMMS and SANG payments, and leisure facilities. CIL as adopted. s106 on typologies and potential strategic sites: • 1 to 9 units £0 per unit. • 10 to 80 units £2,500 per unit. • 80 plus units £5,000 per unit. • Strategic sites as estimated below.

1	Hospital Site	£24,013/unit
2	Station Gateway	£23,815/unit
3	Civic Centre Site	£24,721/unit
4	Market Square	£24,331/unit
5	Cupid Green Depot	£24,155/unit
6	Riverside	£24,000/unit
7	Land South of Berkhamsted	£23,881/unit
8	Dunsley Farm	£23,948/unit
9	Grange Farm	£23,735/unit
10	Apsley Mills	£24,000/unit

10.44 It is important to note that there would be scope to seek a greater level of developer contributions in the current market and when subject to current costs. There is uncertainty in the market, so it is recommended that a cautious approach is taken. Should house prices return to growth and should inflation return to lower levels, then it may be appropriate to take a stronger view in this regard.

10.45 As a final step in the iterative viability process, the above policy requirements are subject to a final round of sensitivity testing.

Sensitivity Testing Impact of Change in Values and Costs

10.46 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 8.7% over the next 3 years[162]. A scenario with increases in build costs up to 20% is tested.

10.47 As set out in Chapter 4, the country is in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. Price change scenarios have been tested, from minus 20% to plus 20%. In this analysis, as set out in **Appendix 18**, it is assumed all other matters in the recommendations above apply. It is important to note that only the costs of construction and the values are altered.

10.48 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although having taken this into account in the policy recommendations above, this is unlikely to be sufficient to impact on the deliverability of the Plan. It is recommended that the Council keeps the assessment under frequent review.

[162] BCIS General Building Cost Index. July 2023 – 458.4, July 2026 – 498.5.

Review

10.49 The direction of the market, as set out in Chapter 4 above, is uncertain. Bearing in mind the Council's wish to facilitate the delivery of housing, and the requirements to fund infrastructure, it is recommended that the Council keeps viability under review; should the economics of development change significantly, it should consider undertaking a limited review of the Plan to adjust the affordable housing requirements or levels of developer contribution.

10.50 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

> <u>*How should viability be reviewed during the lifetime of a project?*</u>
>
> *Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles.*
>
> *Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.*
>
> *PPG 10-009-20180724*

Commuted Sums

10.51 Dacorum Borough Council's preference is for affordable housing to be delivered on-site. This approach is in line with Paragraph 63 of the 2021 NPPF that says:

> *Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:*
>
> *a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and*
>
> *b) the agreed approach contributes to the objective of creating mixed and balanced communities.*

10.52 It is sensible for councils to set out guidance as to how a commuted sum would be calculated so as to provide transparency, and to avoid the undue delays that might arise during s106 negotiations if details of a payment had to be developed from first principles on each occasion. The analysis provides a basis for calculating the commuted sum.

Review of plan policy formulae

10.53 Some time ago HDH researched the nature of commuted sum formulations in then approved or emerging local planning policies. Whilst some relied on generalities, the vast majority which had developed a specific formula, had used one which derived from the Housing

Corporation's[163] Total Cost Indicator (TCI) system. This system was designed to provide cost discipline, so as to ensure that affordable housing was procured by Registered Social Landlords on terms which produced value for money for the public subsidy, Social Housing Grant (SHG), which had been the normal funding basis through which it was provided.

10.54 Given that this was its purpose, the TCI was useful in providing a basis for calculating commuted sums. It was designed to provide cost guidance specifically related to each local council area; contained such guidance for each of a large number of different dwelling size bands; and was updated through indexing and readjustment each year, so remained current.

10.55 Unfortunately, the Housing Corporation replaced the TCI system with an approach which does not provide these benefits. This reflected, to some extent, the move towards a more targeted use of SHG and a greater reliance on developer subsidy. However, from the viewpoint of commuted sum formulation, the change is, in some respects, to be regretted.

Alternative approach

10.56 An approach has been adopted as to the calculation of the developer contribution, utilising the site viability analysis. It is based upon the contribution that the developer would have made if an on-site affordable contribution were delivered. The calculation works as follows:

a. Estimate the value of the site with 100% market housing.

b. Estimate the Residual Value of the site with the target level (25% or 35%) of affordable housing.

10.57 The difference between (a) and (b) is the reduction in site value due to the affordable housing policy contribution. This is set out **in Appendix 19**.

10.58 Taking the appraisal for Site 16, in the Wider DBC area as an example. The Residual Value when subject to 35% affordable housing is £1,269,683 and without affordable housing it is £2,278,041. The difference is £1,008,357 (£2,278,041 – £1,269,683). £1,008,357 divided by 7 affordable units (35% of 20) is £144,051 per unit (£1,008,357 ÷ 7).

10.59 The calculated contributions in the tables vary, but the average is about £200,000 per affordable unit not provided on-site in the Berkhamsted and Tring Valley, about £125,000 per affordable unit not provided on-site in the Wider DBC area and £150,000 per affordable unit not provided on-site in the Hemel Hempstead and Markyate area.

[163] The Housing Corporation was the non-departmental public body that funded new affordable housing and regulated housing associations in England. It was abolished in 2008 with its responsibilities being split between the Homes and Communities Agency and the Tenant Services Authority. In January 2018 Homes and Communities Agency was replaced by Homes England and Regulator of Social Housing.

Suggested guidance

10.60 Paragraph 63 of the NPPF sets Out:

> *Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:*
>
> *a) off-site provision or an appropriate financial contribution in lieu can be robustly justified*
>
> *b) the agreed approach contributes to the objective of creating mixed and balanced communities.*

10.61 On this basis, the above calculations provide a sound basis for determining a commuted sum figure. There are two alternatives open to the Council. The first is to work to a published 'standard commuted sum payment'. If DBC were to take this option, the following payments per affordable unit not provided on-site would be appropriate:

- Berkhamsted and Tring Valley £200,000
- Wider DBC £125,000
- Hemel Hempstead and Markyate £150,000 area.

10.62 The Council is currently preparing a new Local Plan. This document will be long lived and is likely to be in place across several economic cycles. It is therefore suggested that separate guidance is prepared setting out the amount of the payment, and to allow a simple review should viability change.

10.63 Alternatively, the Council may prefer to calculate the commuted sum scheme-by-scheme as it does now. This has the advantage of being an up-to-date figure, but the disadvantage of a lack of clarity for developers. The methodology used is to assess the Open Market Value of the units that would be affordable units, and then deduct from that the amount that a housing association would pay for those units as affordable units – the difference being the commuted sum.

Self and Custom Build Housing

10.64 The Council is exploring several options in this regard, but has not yet developed a policy. To inform the development of policy a 5% requirement on sites of 40 units and larger is considered. It is assumed that self-build plots will be provided on a 'whole plot' basis, so a scheme of 40 provides 2 plots, a scheme of 60 provides 3 plots and so.

10.65 If a developer is to sell a plot as a serviced self-build plot, they would not receive the profit from building the unit, they would however receive the price for the plot. If they were to provide the plot as a custom-build plot (i.e. where the developer designs and builds to the buyer's design and specifications) they would receive a payment for the land, the costs of construction and the price paid would incorporate the developer's return. The impact on viability is therefore the balance between the profit foregone and the receipt for the serviced plot. The developer's return per plot (excluding flats) is generally in the £80,000 to £100,000 per plot range.

10.66 There are a few serviced development sites being publicly marketed in the area at the time of this update. Having made enquiries with local agents, the general consensus is that modestly sized single plots are likely to fetch well in excess £150,000 in the current market, although the price for larger plots, with land for gardens and appropriate for larger family homes are likely to achieve a price that is very much more.

10.67 The modelling in this viability update is based on at least 35 units per net ha with allowance for open space. On this basis, a self-build plot is likely to be about 0.03ha or so. A conservative plot price of £100,000 would lead to a land value of over £3,000,000 per ha. This is substantially above the BLV and allows scope for the services to be laid on to the plot or plots. It is also well above the developer's return that would be forgone from developing the unit.

10.68 Based on the above analysis it is unlikely that a requirement for self-build plots will adversely impact on viability.

Build to Rent

10.69 The Council does not expect to allocate sites specifically for Build to Rent development however a flatted scheme and a housing scheme have been modelled. The base appraisals are included in **Appendix 20**.

10.70 As for mainstream housing, a range of appraisals have been run at the Lower, Mid and Higher policies requirements as set out earlier in this chapter. The results for affordable housing from 0% to 40% are presented below. As per paragraphs 60-002-20180913 to 10-007-20180913 of the PPG, in this analysis the affordable element is assumed to be Affordable Private Rent, with a value of 80% of market value. Allowance is made for s106 contributions of £2,500 per unit plus £6,000 per unit for SANG and SAMMS mitigation.

Table 10.7 Specialist Build to Rent – Varied Affordable Housing

Varied Affordable % (with Dacorum Affordable Rent) Berkhamstead, Tring and Wider DBC													
			EUV	BLV	Residual Value								
					0%	5%	10%	15%	20%	25%	30%	35%	40%
Site 1	Build to Rent - Flats	Lower	1,100,000	1,320,000	1,534,555	1,440,705	1,346,855	1,253,005	1,159,155	1,065,305	971,455	877,605	783,755
Site 2	Build to Rent - Flats	Mid	1,100,000	1,320,000	1,349,664	1,256,706	1,163,749	1,070,791	977,833	884,876	791,918	698,960	606,003
Site 3	Build to Rent - Flats	Higher	1,100,000	1,320,000	952,719	860,138	767,558	674,977	582,396	489,816	397,235	304,655	210,009
Site 4	Build to Rent Housing	Lower	25,000	525,000	2,044,408	1,971,463	1,898,518	1,825,572	1,752,627	1,679,682	1,606,737	1,533,792	1,460,847
Site 5	Build to Rent Housing	Mid	25,000	525,000	1,973,085	1,900,324	1,827,563	1,754,803	1,682,042	1,609,281	1,536,520	1,463,760	1,390,999
Site 6	Build to Rent Housing	Higher	25,000	525,000	1,809,556	1,736,881	1,664,207	1,591,532	1,518,858	1,446,183	1,373,509	1,300,834	1,228,160

Varied Affordable % (with Dacorum Affordable Rent) Hemel Hempstead and Markyate													
			EUV	BLV	Residual Value								
					0%	5%	10%	15%	20%	25%	30%	35%	40%
Site 1	Build to Rent - Flats	Lower	1,100,000	1,320,000	2,256,527	2,162,677	2,068,827	1,974,977	1,881,127	1,787,277	1,693,427	1,599,577	1,505,727
Site 2	Build to Rent - Flats	Mid	1,100,000	1,320,000	2,071,636	1,978,678	1,885,721	1,792,763	1,699,805	1,606,848	1,513,890	1,420,932	1,327,975
Site 3	Build to Rent - Flats	Higher	1,100,000	1,320,000	1,674,691	1,582,110	1,489,529	1,396,949	1,304,368	1,211,788	1,119,207	1,026,626	934,046
Site 4	Build to Rent Housing	Lower	25,000	525,000	2,363,574	2,290,629	2,217,684	2,144,738	2,071,793	1,998,848	1,925,903	1,852,958	1,780,013
Site 5	Build to Rent Housing	Mid	25,000	525,000	2,292,251	2,219,490	2,146,729	2,073,969	2,001,208	1,928,447	1,855,686	1,782,926	1,710,165
Site 6	Build to Rent Housing	Higher	25,000	525,000	2,128,722	2,056,047	1,983,373	1,910,698	1,838,024	1,765,349	1,692,675	1,620,000	1,547,326

Source: HDH (July 2023)

10.71 This shows that Build to Rent housing is likely to be viable and deliverable, but flatted development is unlikely to be so.

10.72 When considering these results, it is timely to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of Build to Rent schemes will be considered at the development management stage. It is therefore not considered proportionate to develop a specific set of policies in this regard. As set out above, the Council does not expect to allocate sites specifically for Build to Rent development. In any event, such flatted development is unlikely to be viable, even without affordable housing. The Council should be cautious about relying on Build to Rent schemes to deliver development, unless there is clear evidence that such development would be forthcoming.

Older People's Housing

10.73 The Sheltered and Extracare sectors have been tested separately. In addition, at the request of a developer through the consultation process, an Integrated Retirement Community (IRC) is also modelled, although it is important to note that the Council currently has no plans to allocate land for IRCs.

10.74 As for mainstream housing, a range of appraisals have been run at the Lower, Mid and Higher policies requirements as set out earlier in this chapter. The results for affordable housing from 0% to 40% are presented below. Due to the nature of the schemes, they are modelled without First Homes. The results of these are summarised as follows. Allowance is made for s106 contributions of £2,500 per unit plus £6,000 per unit for SANG and SAMMS mitigation. The full appraisals are set out in **Appendix 20** below:

Table 10.8 Older People's Housing, Appraisal Results (£/ha)

Varied Affordable (with DBC Affordable Rent) - Berkhamstead, Tring and Wider DBC

			EUV	BLV	Residual Value								
					0%	5%	10%	15%	20%	25%	30%	35%	40%
Site 7	Sheltered Flats	Lower	1,100,000	1,320,000	14,401,970	13,487,507	12,573,044	11,658,581	10,744,118	9,829,655	8,915,192	8,000,729	7,086,266
Site 8	Sheltered Flats	Mid	1,100,000	1,320,000	14,099,914	13,186,551	12,273,187	11,359,824	10,446,461	9,533,097	8,619,734	7,706,370	6,793,007
Site 9	Sheltered Flats	Higher	1,100,000	1,320,000	13,431,495	12,518,596	11,605,697	10,692,799	9,779,900	8,867,001	7,954,102	7,041,204	6,128,305
Site 10	Extra Care Flats	Lower	1,100,000	1,320,000	14,359,736	13,464,575	12,569,414	11,674,254	10,779,093	9,883,932	8,988,772	8,093,611	7,198,450
Site 11	Extra Care Flats	Mid	1,100,000	1,320,000	14,050,233	13,156,945	12,263,658	11,370,370	10,477,082	9,583,794	8,690,506	7,797,219	6,903,931
Site 12	Extra Care Flats	Higher	1,100,000	1,320,000	13,469,068	12,576,570	11,684,072	10,791,574	9,899,076	9,006,578	8,114,080	7,221,582	6,329,084
Site 13	Integrated Retirement	Lower	25,000	525,000	3,220,757	3,012,476	2,804,196	2,595,915	2,387,634	2,179,353	1,971,073	1,762,792	1,554,511
Site 14	Integrated Retirement	Mid	25,000	525,000	1,478,146	1,336,314	1,194,481	1,052,649	910,817	768,984	627,152	485,319	343,473
Site 15	Integrated Retirement	Higher	25,000	525,000	1,282,256	1,140,637	999,018	857,398	715,779	574,160	432,540	290,884	149,226

Varied Affordable (with DBC Affordable Rent) - Hemel Hempstead and Markyate

			EUV	BLV	Residual Value								
					0%	5%	10%	15%	20%	25%	30%	35%	40%
Site 7	Sheltered Flats	Lower	1,100,000	1,320,000	11,838,530	11,066,655	10,294,779	9,522,904	8,751,028	7,979,153	7,207,278	6,435,402	5,663,527
Site 8	Sheltered Flats	Mid	1,100,000	1,320,000	11,536,474	10,765,699	9,994,923	9,224,147	8,453,371	7,682,595	6,911,820	6,141,044	5,370,268
Site 9	Sheltered Flats	Higher	1,100,000	1,320,000	10,868,055	10,097,744	9,327,433	8,557,122	7,786,811	7,016,499	6,246,188	5,475,877	4,705,566
Site 10	Extra Care Flats	Lower	1,100,000	1,320,000	12,022,082	11,261,904	10,501,725	9,741,547	8,981,369	8,221,190	7,461,012	6,700,833	5,940,655
Site 11	Extra Care Flats	Mid	1,100,000	1,320,000	11,712,580	10,954,274	10,195,969	9,437,663	8,679,358	7,921,052	7,162,747	6,404,441	5,646,136
Site 12	Extra Care Flats	Higher	1,100,000	1,320,000	11,131,415	10,373,899	9,616,383	8,858,867	8,101,352	7,343,836	6,586,320	5,828,805	5,071,289
Site 13	Integrated Retirement	Lower	25,000	525,000	2,602,787	2,429,706	2,256,626	2,083,545	1,910,465	1,737,384	1,564,303	1,391,223	1,218,142
Site 14	Integrated Retirement	Mid	25,000	525,000	2,535,710	2,363,077	2,190,445	2,017,812	1,845,180	1,672,547	1,499,914	1,327,282	1,154,649
Site 15	Integrated Retirement	Higher	25,000	525,000	2,339,820	2,167,400	1,994,981	1,822,561	1,650,142	1,477,722	1,305,303	1,132,884	960,464

Source: HDH (July 2023)

10.75 Based on this analysis, specialist older people's housing are able to bear 35% affordable housing.

10.76 When considering the above, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage.

11. Non-Residential Appraisals

11.1 Based on the assumptions set out previously, a set of financial appraisals have been run, for the non-residential development types. The detailed appraisal results are set out in **Appendix 21** and summarised in the table below.

11.2 As with the residential appraisals, the Residual Valuation approach is used. Appraisals to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit have been run. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, the same methodology with regard to the Benchmark Land Value (EUV 'plus') is used.

11.3 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward, and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development, and what planning applications are being determined – and on what basis.

11.4 In the appraisal the costs are based on the BCIS costs, adjusted for BREEAM. The appraisals include the adopted rates of CIL.

Employment Uses

11.5 Firstly, the main employment uses are considered.

Table 11.1 Employment Appraisal Results

GREENFIELD						
		Offices - Central	**Offices - Park**	**Industrial**	**Industrial - Small**	**Distribution**
CIL	£/m2		**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**		**616,044**	**3,698,901**	**-6,514**	**10,083,339**
			0			
Existing Use Value	£/ha		100,000	25,000	100,000	25,000
Viability Threshold	£/ha		700,000	625,000	700,000	630,000
Residual Value	£/ha		2,310,166	3,698,901	-65,136	8,822,922
BROWNFIELD						
		Offices - Central	**Offices - Park**	**Industrial**	**Industrial - Small**	**Distribution**
CIL	£/m2	**0**	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**344,945**	**311,181**	**3,368,615**	**-49,352**	**9,799,386**
			0			
Existing Use Value	£/ha	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Viability Threshold	£/ha	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000
Residual Value	£/ha	4,829,226	1,166,929	3,368,615	-493,518	8,574,462

Source: HDH (July 2023)

11.6 The above results are reflective of the current market in the DBC area and more widely. Smaller industrial development is shown as being unviable, but offices, the larger format industrial and logistics uses being shown as viable.

11.7 Dacorum Borough is not a prime logistics location lying someway to the north west of London and having limited suitable sites and such development is not being brought forward on a speculative basis by the development industry. Much of the industrial development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located town edge properties.

11.8 The analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. The assumption is that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. The Guidance, as set out in Chapters 2 and 3 above, does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long-term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in the Dacorum area is 'user-led' being brought forward by businesses, or for specific end users, that will use the eventual space for operational uses, rather than for investment purposes.

11.9 It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

Table 11.2 Effect of Greater Construction Costs on Employment Uses

GREENFIELD						
		Offices - Central	**Offices - Park**	**Industrial**	**Industrial - Small**	**Distribution**
CIL	£/m2		**£0.00**	**£0.00**	**£0.00**	**£0.00**
RESIDUAL VALUE	**Site**		**616,044**	**3,698,901**	**-6,514**	**10,083,339**
Existing Use Value	£/ha		100,000	25,000	100,000	25,000
Viability Threshold	£/ha		700,000	625,000	700,000	630,000
Residual Value	BREEAM Excellent		2,310,166	3,698,901	-65,136	8,822,922
	BCIS +5%		6,218,358	3,556,366	-262,518	8,716,052
	BCIS +10%		507,041	3,318,808	-591,486	8,537,936
	BCIS +15%		-619,911	3,081,249	-920,454	8,359,819
	BCIS +20%		-1,746,864	2,843,691	-1,249,423	8,181,703
BROWNFIELD						
		Offices - Central	**Offices - Park**	**Industrial**	**Industrial - Small**	**Distribution**
CIL	£/m2	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£0.00**
RESIDUAL VALUE	**Site**	**344,945**	**311,181**	**3,368,615**	**-49,352**	**9,799,386**
Existing Use Value	£/ha	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Viability Threshold	£/ha	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000
Residual Value	BREEAM Excellent	4,829,226	1,166,929	3,368,615	-493,518	8,574,462
	BCIS +5%	2,178,633	456,949	3,218,954	-700,768	8,462,249
	BCIS +10%	-2,239,022	-726,352	2,969,517	-1,046,185	8,275,227
	BCIS +15%	-6,656,677	-1,909,652	2,720,081	-1,391,602	8,088,205
	BCIS +20%	-11,074,332	-3,092,953	2,470,645	-1,737,019	7,901,183

Source: HDH (July 2023)

11.10 This analysis shows that there is scope to seek higher environmental standards on the large format industrial and logistics uses, but less so on the office uses.

Retail Uses

11.11 As for the employment uses above, appraisals have been run for the retail uses:

Table 11.3 Retail Appraisal Results

GREENFIELD							
		Prime Retail Berkhamsted	**Prime Retail Tring**	**Prime Retail Hemel H**	**Secondary Retail**	**Small Supermarket**	**Retail Warehouse**
CIL	£/m2				**0.00**	**209.65**	**209.65**
RESIDUAL VALUE	**Site**				**-34,657**	**1,788,374**	**7,953,116**
						0	
Existing Use Value	£/ha				100,000	100,000	25,000
Viability Threshold	£/ha				700,000	700,000	625,000
Residual Value	£/ha				-1,386,266	4,918,029	9,941,395
BROWNFIELD							
		Prime Retail Berkhamsted	**Prime Retail Tring**	**Prime Retail Hemel H**	**Secondary Retail**	**Small Supermarket**	**Retail Warehouse**
CIL	£/m2	**0.00**	**0.00**	**0.00**	**0.00**	**209.65**	**209.65**
RESIDUAL VALUE	**Site**	**725,472**	**485,838**	**246,203**	**-56,920**	**1,621,939**	**7,647,609**
Existing Use Value	£/ha	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Viability Threshold	£/ha	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000
Residual Value	£/ha	29,018,889	19,433,514	9,848,139	-2,276,811	4,460,331	9,559,512

Source: HDH (July 2023)

11.12 The above results are reflective of the current market in the local retail market, with the prime areas and large format uses being viable and the secondary uses not being so. Having said this, it is important to note that the Council is not anticipating development coming forward in the town centres, and it is likely that there will be some consolidation of the shopping areas.

11.13 A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

Table 11.4 Effect of Greater Construction Costs on Retail Uses

GREENFIELD							
		Prime Retail Berkhamsted	**Prime Retail Tring**	**Prime Retail Hemel H**	**Secondary Retail**	**Supermarket**	**Retail Warehouse**
CIL	£/m2				**0.00**	**209.65**	**209.65**
RESIDUAL VALUE	**Site**				**-109,888**	**1,272,045**	**6,981,419**
Existing Use Value	£/ha				100,000	100,000	25,000
Viability Threshold	£/ha				700,000	700,000	625,000
Residual Value	BREEAM Excellent				-1,386,266	4,918,029	9,941,395
	BCIS +5%				-1,887,808	4,681,378	9,738,958
	BCIS +10%				-2,723,711	4,286,960	9,401,563
	BCIS +15%				-3,559,615	3,892,542	9,064,169
	BCIS +20%				-4,395,518	3,498,124	8,726,774
BROWNFIELD							
		Prime Retail Berkhamsted	**Prime Retail Tring**	**Prime Retail Hemel H**	**Secondary Retail**	**Small Supermarket**	**Retail Warehouse**
CIL	£/m2	**£0.00**	**£0.00**	**£0.00**	**£0.00**	**£209.65**	**£209.65**
RESIDUAL VALUE	**Site**	**725,472**	**485,838**	**246,203**	**-56,920**	**1,621,939**	**7,647,609**
Existing Use Value	£/ha	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Viability Threshold	£/ha	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000	2,160,000
Residual Value	BREEAM Excellent	29,018,889	19,433,514	9,848,139	-2,276,811	4,460,331	9,559,512
	BCIS +5%	28,492,270	18,906,895	9,321,520	-2,803,430	4,211,848	9,346,953
	BCIS +10%	27,614,571	18,029,196	8,443,821	-3,681,129	3,797,709	8,992,688
	BCIS +15%	26,736,873	17,151,498	7,566,123	-4,558,827	3,383,569	8,638,424
	BCIS +20%	25,859,174	16,273,799	6,688,424	-5,436,526	2,969,430	8,284,159

Source: HDH (July 2023)

11.14 This analysis shows that there is scope to seek higher environmental standards, with the exception of Secondary Retail.

12. Findings and Recommendations

12.1 This chapter brings together the findings of this report and provides a non-technical summary of the overall assessment that can be read on a standalone basis. Having said this, a viability assessment of this type is, by its very nature, a technical document that is prepared to address the very specific requirements of the National Planning Policy Framework, so it is recommended the report is read in full. As this is a summary chapter, some of the content of earlier chapters is repeated.

12.2 Dacorum Borough Council (DBC / the Council) is currently preparing a new Local Plan for the Borough, which will cover the period from 2020-2038. This Local Plan Viability Update has been commissioned to support the review of the Local Plan. The purpose of this update is to form part of the evidence base for:

a. Regulation 18 consultation on changes to the proposed strategy of the Local Plan; and

b. Publication of the Local Plan (i.e. Regulation 19), taking account of any revisions made since the previous consultation.

12.3 As part of its preparation, the new Local Plan Review needs to be tested to ensure the planned development is deliverable in line with the tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) and the revised Community Infrastructure Levy Regulations. This viability work is being undertaken to inform the development of policy and explore the impact on the economics of development, of the options that are under consideration.

12.4 This viability assessment builds on the Council's existing viability work, including the *Site Assessment Study – Viability (an appendix to the study)* (HDH, December 2019) and the *Interim Affordable Housing SPD – Viability Assessment* (HDH, November 2022). This contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

12.5 A technical consultation was conducted in May and June 2023. Representatives of the main developers, development site landowners, their agents, planning agents and consultants working in the area and housing associations, and other key stakeholders, were invited to comment on an early draft of this report.

Compliance

12.6 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. HDH confirms that the relevant RICS Guidance has been followed.

Viability Testing

12.7 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2021 NPPF. The overall requirement is that *'policy requirements should be informed by evidence of infrastructure and Affordable Housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.*'

12.8 This study is based on typologies that are representative of the type of development expected to come forward under the adopted Local Plan. A range of emerging strategic sites are also tested.

12.9 The updated PPG sets out that viability should be tested using the Existing Use Value Plus (EUV Plus) approach:

> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).*

12.10 The Benchmark Land Value (BLV) is the amount the Residual Value must exceed for the development to be considered viable.

1.19 In December 2022 the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. Whilst these changes will have a significant impact on the overall plan-making process, they do not alter the place of viability in the current Local Plan process. It will be necessary for the Council to monitor the progress of the Bill and in due course review this report, as and when the *Infrastructure Levy Regulations* are published. In March 2023, the Department for Levelling Up Housing & Communities published *Open consultation, Technical consultation on the Infrastructure Levy* to seek views on technical aspects of the design of the Infrastructure Levy. Under the proposals set out in the consultation, CIL and the delivery of affordable housing would be combined into a single levy, that would be calculated as a proportion of a scheme's value. Affordable housing could be provided on-site as an in-kind payment. The consultation suggests the Levy would be fully rolled out from 2029, but there would be a 'test and learn' roll out starting in 2025.

Viability Guidance

12.11 There is no specific technical guidance on how to test viability in the NPPF or the PPG, although the PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions that support the methodology HDH has developed. This study follows the Harman Guidance.

12.12 In line with the updated PPG, this study is based on the EUV Plus (EUV+) methodology, that is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the market value of the land both with and without the benefit of planning permission for development.

12.13 The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

Gross Development Value
(The combined value of the complete development)
LESS
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)
=
RESIDUAL VALUE

12.14 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory return (i.e. profit).

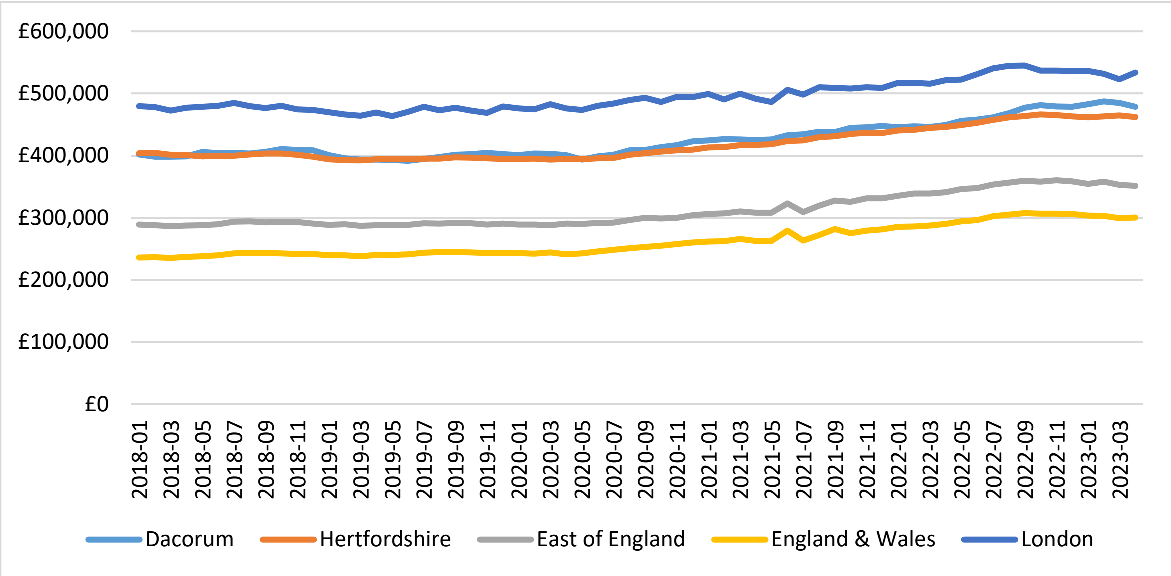
12.15 The NPPF and the PPG are clear that the assessment of viability should be based on existing available evidence, rather than new evidence. The evidence that is available from the Council has been reviewed. This includes that which has been prepared earlier in the plan-making process, and that which the Council holds, in the form of development appraisals that have been submitted by developers in connection with specific developments to support negotiations around the provision of affordable housing or s106 contributions.

Residential Market

12.16 An assessment of the housing market was undertaken.

12.17 The local housing market peaked early in late 2007 and then fell considerably in the 2008/2009 recession during what became known as the ‘Credit Crunch’. Since then, house prices have increased steadily, but are now widely perceived to have peeked and may be falling. Locally, average house prices in the area returned to their pre-recession peak in October 2013 and are now about 74% above the 2007 peak.

Figure 12.1 Average House Prices (£)



Source: Land Registry (July 2023). Contains public sector information licensed under the Open Government Licence v3.0.

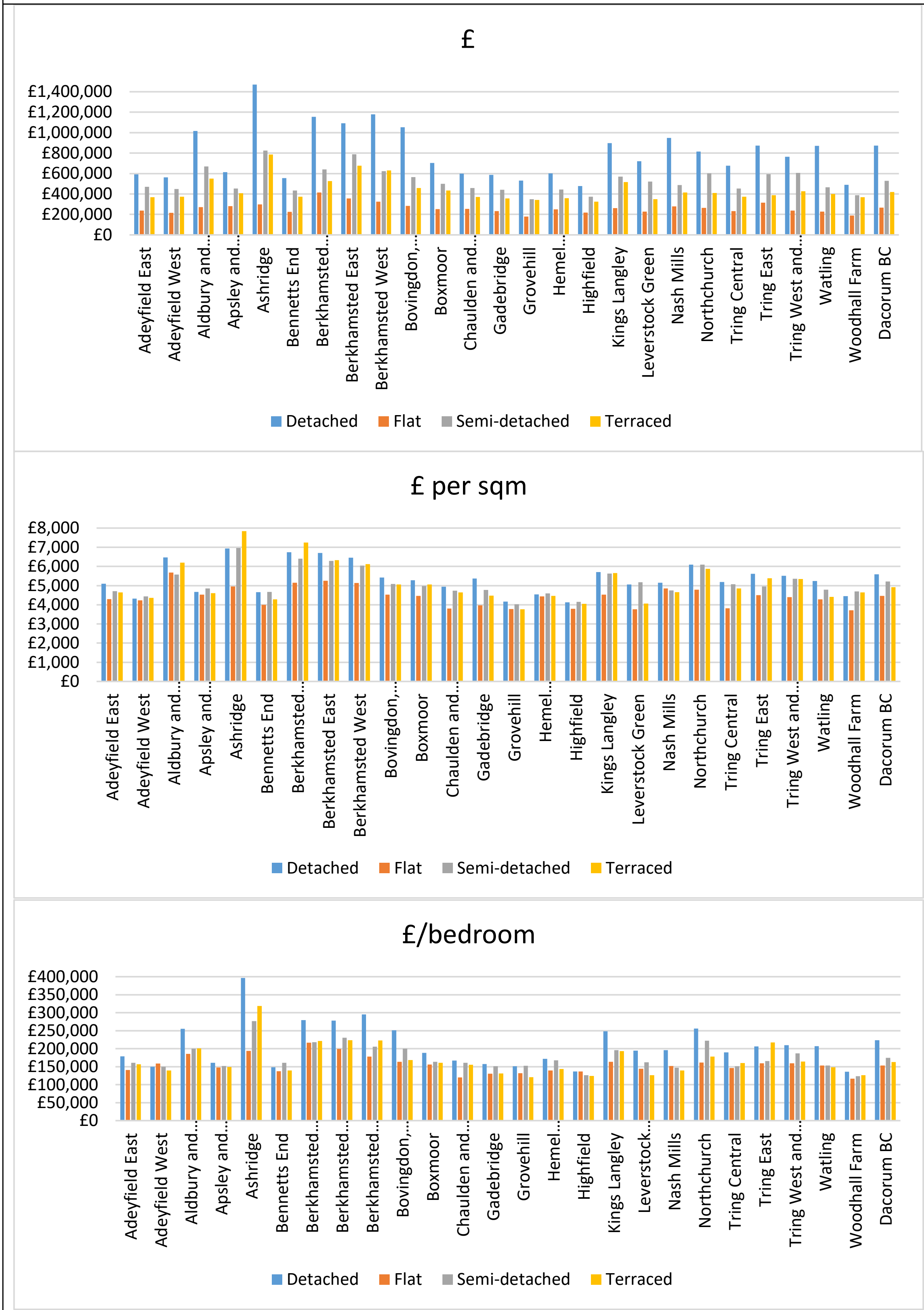
12.18 When ranked across England and Wales, the average house price for Dacorum is 59th (out of 331) at £516,889. To set this in context, the council at the middle of the rank (166th – Swale), has an average price of £332,641. The Dacorum median price is lower than the average at £432,000.

The Local Market

12.19 A survey of asking prices across the Council area was carried out. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

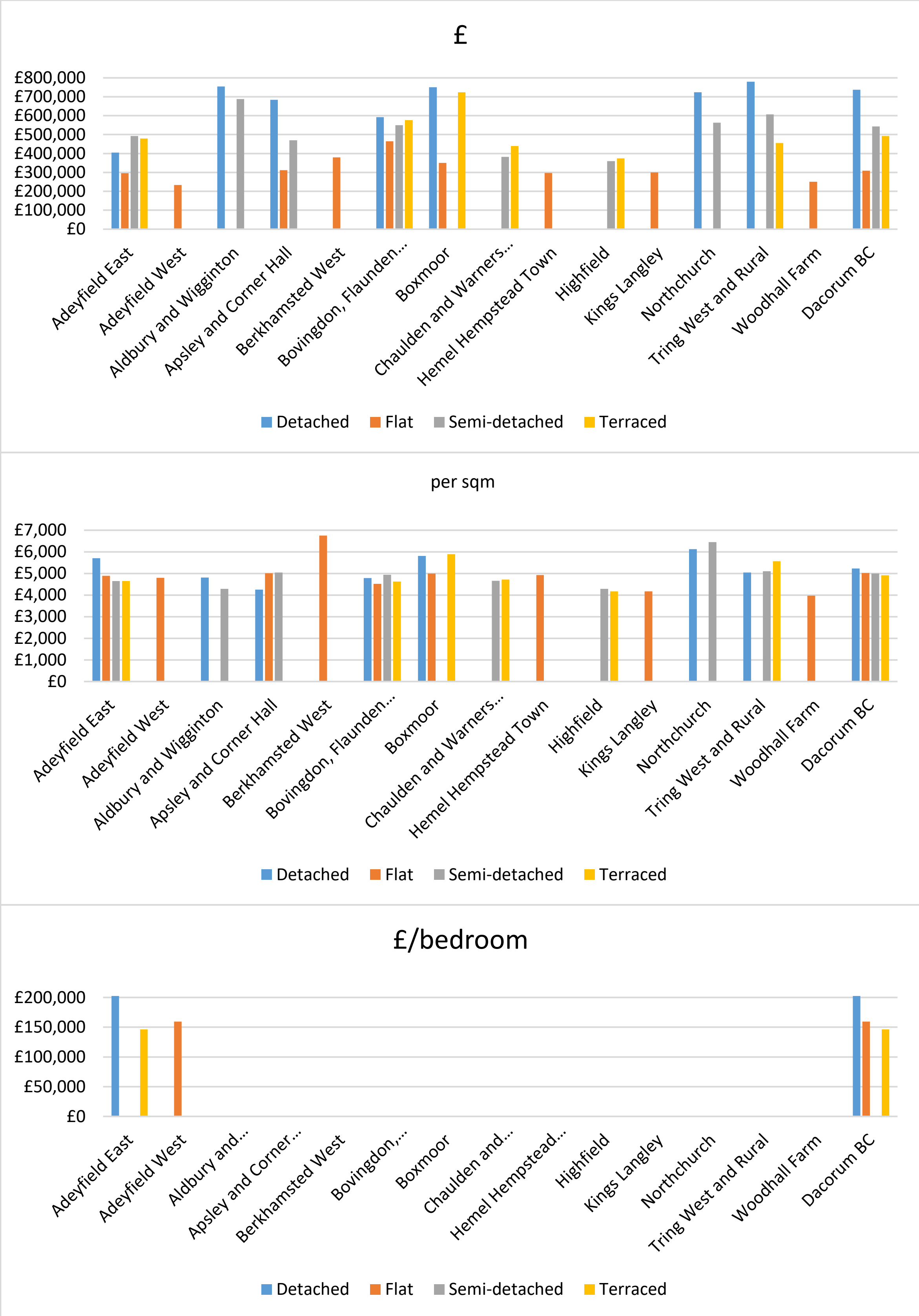
12.20 Data from Landmark has been analysed. This brings together data from a range of sources to allow the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms. This data includes the records of 6,111 sales since the start of 2020. Of these, floor areas are available for 5,153 sales and the number of bedrooms is available for 4,931 sales. The data is available for newbuild and existing homes and by ward and can be summarised as follows. It is important to note that there is a lag in the data, with few records for 2022 or 2023:

Figure 12.2 Average Prices – All Properties



Source: Landmark (April 2023)

Figure 12.3 Average Prices – Newbuild Properties



Source: Landmark (April 2023)

12.21 Based on the asking prices from active developments and informed by the general pattern of all house prices across the study area, and taking into account the comments made through the consultation process, the following price assumptions are used.

Table 12.1 Residential Price Assumptions – July 2023 (£ per sqm)

Description	**CIL ZONE 1**	**CIL ZONE 2**	**CIL ZONE3**
	Berkhamsted and surrounding area	Elsewhere	Hemel Hempstead and Markyate
Urban	£6,700	£5,200	£5,400
Flatted Schemes	£6,000	£4,800	£5,000
Rural	£6,700	£6,400	£5,400

Source: HDH (July 2023)

12.22 In addition, values are derived for Build to Rent and specialist older people's housing.

Affordable Housing

12.23 In this study, it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP). The following values are used across the area:

a. Social Rent £1,750 per sqm

b. Affordable Rent £2,650 per sqm where the Affordable Rent is set at 60% of market value.

c. Shared Ownership 70% market value

d. First Homes 70% market value capped at £250,000.

Non-Residential Market

12.24 The non-residential values have been assessed as follows.

Table 12.2 2023 Non-Residential Values (£ per sqm)					
	Rent £ per sqm	Yield	Rent free period	Value	Assumption
Offices Large	£275	5.50%	1.0	£4,739	£4,740
Offices Small	£275	6.00%	1.0	£4,324	£4,300
Industrial	£150	5.00%	1.0	£2,857	£2,850
Smaller Industrial	£150	6.50%	1.0	£2,167	£2,170
Logistics	£200	4.25%	1.0	£4,512	£4,500
Retail Central Berkhamsted	£500	6.25%	1.0	£7,529	£7,500
Retail Central Tring	£400	6.25%	1.0	£6,024	£6,000
Retail Central HH	£300	6.25%	1.0	£4,518	£4,500
Retail Elsewhere	£250	8.00%	2.0	£2,679	£2,700
Supermarket	£250	4.50%	1.0	£5,316	£5,300
Retail Warehouse	£200	5.00%	2.0	£3,628	£4,530

Source: HDH (April 2023)

Land Values

12.25 In this assessment the following Existing Use Value (EUV) assumptions are used.

Table 12.3 Existing Use Value Land Prices - 2023	
PDL	£1,800,000 per ha
Agricultural	£25,000 per ha
Paddock	£10,000 per ha

Source: HDH (April 2023)

12.26 The updated PPG makes specific reference to Benchmark Land Values (BLV) so it is necessary to address this. The following Benchmark Land Value assumptions are used:

a. Brownfield/Urban Sites: EUV Plus 20%.

b. Greenfield Sites: Non-Strategic Sites EUV Plus £600,000 per ha.
Strategic Sites 10 x EUV.

Development Costs

12.27 These are the costs and other assumptions required to produce the financial appraisals.

12.28 The construction cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for the Hertfordshire area. The figure for 'Estate Housing – Generally' is £1,496 per sqm. The appropriate BCIS median cost is used across all sites.

12.29 In addition to the BCIS £ per sqm build cost, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for flatted schemes, to 15% for the larger greenfield schemes. Allowance is made for Garden Town Principles on the potential strategic sites.

12.30 An additional allowance is made for abnormal costs associated of 5% of the BCIS costs on brownfield sites. Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

12.31 For both residential and non-residential development, professional fees are assumed to amount to 8% of build costs. Additional allowances are made for acquisition and disposal costs, planning application fees and Stamp Duty Land Tax.

12.32 Initially, for previously undeveloped and otherwise straightforward sites, a contingency of 2.5% was allowed for, with a higher figure of 5% on more risky types of development, on previously developed land and the strategic sites. As a result of the consultation this was increased to 5% across all the typologies and strategic sites.

12.33 DBC and the County Council seek payments from developers to mitigate the impact of the development through improvements to the local infrastructure through the s106 and s278 regimes and through Community Infrastructure Levy (CIL). A range of infrastructure costs ranging from £0 to £60,000 per unit has been tested. This approach is appropriate at this stage of the plan-making process, but it will be necessary to keep these under review as the plan-making process continues.

12.34 The appraisals assume interest of 7.5% p.a. for total debit balances. No allowance is made for equity provided by the developer.

12.35 The updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies'*. The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.

12.36 An assumption of 17.5% is used across all types of housing and 15% for other types of development.

Local Plan Policy Requirements

12.37 The specific purpose of this study is to consider and inform the development of the Local Plan Review and then, in due course, to assess the cumulative impact of the policies on the planned development. Two consultations on the proposed Plan have been undertaken under Regulation 18 of the Local Plan Regulations (2012), these are:

a. *Issues and Options: November 2017 – High Level Options Document*.

b. *Emerging Strategy for Growth: November 2020 – Full Draft Local Plan*.

12.38 Later this year the Council is proposing to undertake a further Regulation 18 consultation, focusing on targeted revisions to the strategy proposed in 2020. This viability work is being undertaken to inform the development of policy and explore the consequences, on the economics of development, of the options that are under consideration. It contains an assessment of the effect of the policies set out in the November 2020 iteration of the Dacorum Emerging Strategy for Growth (2020 - 2038), updated to align with current and emerging national policy requirements, and with the further options being considered by the Council.

Modelling

12.39 The HELAA sites from which the allocations will be taken is a working document that remains in preparation. DBC has provided a copy of the database, showing both the HELAA data and the size of the sites and the basic information, such as size, capacity and land use. These sites informed the modelling of a set of representative typologies and the 11 potential strategic sites.

12.40 A range of non-residential uses were also modelled.

Residential Appraisals

12.41 The appraisals use the residual valuation approach, they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for a site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the Existing Use Value (EUV) by a satisfactory margin, being the Benchmark Land Value (BLV).

12.42 Several sets of appraisals have been run based on the assumptions provided in the previous chapters of this report, including the affordable housing requirement and developer contributions. Development appraisals are sensitive to changes in price, so appraisals have been run with various changes in the cost of construction and in prices.

Base Appraisals

12.43 The initial appraisals are based on the full policy-on scenario with all the policy requirements, unless stated, being the following assumptions. The analysis presented in the pre-consultation draft did not include any potential strategic sites, these are now included.

a.	Affordable Housing	40% with 10% of all as AHO / 25% of affordable homes to be First Homes. The balance as Dacorum Affordable Rent set at 60% of market rent.
b.	Design	95% Part M4 (2), 5% Part M4 (3) a, 2025 Part L, Water efficiency, 10% Biodiversity Net Gain.

c. Developer Contributions — Allowances for SAMM and SANG payments, and leisure facilities. CIL as adopted. s106 as per Chapter 8 on typologies and potential strategic sites.

- 1 to 9 units £0 per unit
- 10 to 80 units £2,500 per unit
- 80 plus units £5,000 per unit.
- Strategic sites as estimated.

		S106 /unit
Hemel Hempstead		
1	Hospital Site	£24,013
2	Station Gateway	£23,815
3	Civic Centre Site	£24,721
4	Market Square	£24,331
5	Cupid Green Depot	£24,155
6	Riverside	£24,000
10	Apsley Mills	£24,000
Berkhamsted		
7	Land South of Berkhamsted	£23,881
Tring		
8	Dunsley Farm	£23,948
Bovingdon		
9	Grange Farm	£23,735

10.77 The results vary across the typologies, although this is largely due to the different assumptions around the nature of each typology. They also vary depending on the price areas. The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development.

Table 12.4a Residual Value v BLV Berkhamsted and Tring Valley					
			EUV	BLV	Residual Value
Site 5	Flats 60		1,800,000	2,160,000	2,586,568
Site 6	Flats 20		1,800,000	2,160,000	1,736,272
Site 7	Flats 12		1,800,000	2,160,000	1,815,703
Site 8	Houses & Flats 100		1,800,000	2,160,000	2,719,119
Site 9	Houses & Flats 50		1,800,000	2,160,000	2,832,014
Site 10	Houses & Flats 25		1,800,000	2,160,000	3,170,619
Site 11	Houses & Flats 12		1,800,000	2,160,000	4,435,294
Site 12	Brown 20 LD		1,800,000	2,160,000	2,972,879
Site 13	Brown 12 LD		1,800,000	2,160,000	3,529,979
Site 14	Brown 4 LD		1,800,000	2,160,000	3,833,066
Site 15	Green 100 LD		25,000	625,000	2,952,761
Site 16	Green 20 LD		25,000	625,000	3,657,553
Site 17	Green 12 LD		100,000	700,000	4,070,896
Site 18	Green 7 LD		100,000	700,000	4,427,068
Site 19	Green 4 LD		100,000	700,000	3,982,135
Site 26	South of Berkhamsted 7	Berkhamsted	25,000	275,000	2,617,961
Site 27	Dunsley Farm 8	Tring	25,000	275,000	2,305,162

Source: HDH (July 2023)

Table 12.4b Residual Value v BLV Wider Dacorum					
			EUV	BLV	Residual Value
Site 5	Flats 60		1,800,000	2,160,000	4,881
Site 6	Flats 20		1,800,000	2,160,000	-34,044
Site 7	Flats 12		1,800,000	2,160,000	-48,346
Site 8	Houses & Flats 100		1,800,000	2,160,000	1,231,122
Site 9	Houses & Flats 50		1,800,000	2,160,000	1,291,242
Site 10	Houses & Flats 25		1,800,000	2,160,000	1,539,096
Site 11	Houses & Flats 12		1,800,000	2,160,000	2,089,374
Site 12	Brown 20 LD		1,800,000	2,160,000	1,474,154
Site 13	Brown 12 LD		1,800,000	2,160,000	1,926,272
Site 14	Brown 4 LD		1,800,000	2,160,000	1,900,986
Site 15	Green 100 LD		25,000	625,000	1,622,762
Site 16	Green 20 LD		25,000	625,000	1,948,875
Site 17	Green 12 LD		100,000	700,000	2,153,263
Site 18	Green 7 LD		100,000	700,000	2,467,506
Site 19	Green 4 LD		100,000	700,000	1,728,607
Site 28	Grange Farm 9	Bovingdon	25,000	275,000	1,848,137

Source: HDH (July 2023)

Table 12.4c Residual Value v BLV Hemel Hempstead and Markyate					
			EUV	BLV	Residual Value
Site 1	Flats 250 HD		1,800,000	2,160,000	2,181,043
Site 2	Flats 100 HD		1,800,000	2,160,000	-2,365,320
Site 3	Flats 40 HD		1,800,000	2,160,000	-2,439,098
Site 4	Flats 100		1,800,000	2,160,000	838,351
Site 5	Flats 60		1,800,000	2,160,000	844,160
Site 6	Flats 20		1,800,000	2,160,000	541,792
Site 7	Flats 12		1,800,000	2,160,000	540,520
Site 8	Houses & Flats 100		1,800,000	2,160,000	1,614,492
Site 9	Houses & Flats 50		1,800,000	2,160,000	1,684,425
Site 10	Houses & Flats 25		1,800,000	2,160,000	1,950,043
Site 11	Houses & Flats 12		1,800,000	2,160,000	2,674,837
Site 12	Brown 20 LD		1,800,000	2,160,000	1,829,640
Site 13	Brown 12 LD		1,800,000	2,160,000	2,303,886
Site 14	Brown 4 LD		1,800,000	2,160,000	2,430,332
Site 20	Hospital Site 1	Hemel Hempstead	1,800,000	2,160,000	1,951,117
Site 21	Station Gateway 2	Hemel Hempstead	1,800,000	2,160,000	2,444,153
Site 22	Civic Centre 3	Hemel Hempstead	100,000	700,000	2,680,660
Site 23	Market Sq. 4	Hemel Hempstead	100,000	700,000	-3,350,299
Site 24	Cupid Green Depot 5	Hemel Hempstead	1,800,000	2,160,000	3,261,680
Site 25	Riverside 6	Hemel Hempstead	1,800,000	2,160,000	1,512,744
Site 29	Apsley Mills 10	Hemel Hempstead	1,800,000	2,160,000	4,010,176

Source: HDH (July 2023)

12.44 It is important to note that the above appraisals are based on 40% affordable housing and that this is above the Council's current requirement. Further, the Council rarely achieves full policy compliance on flatted development in the lower value areas of the Borough. Across the greenfield sites, the Residual Value exceeds the BLV in all cases, suggesting that such development is likely to be viable on the basis tested.

12.45 Berkhamsted and Tring are within the higher value area. On brownfield sites within these towns, on most typologies, the Residual Value is above the BLV, suggesting that such development is likely to be viable. The exception is in relation to flatted development where two of the three typologies generate a Residual Value that is less than the BLV suggesting such development is unlikely to be viable. Having said this, flatted development is coming forward in these attractive market towns.

12.46 In the remaining areas the development on brownfield sites is generally shown as unviable with the Residual Value being less than the BLV. Whilst the value attributed to flatted development is significantly greater than for housing development, this is offset by the greater costs associated with flatted development and the necessity to reflect the circulation space (stairs and lifts) in the modelling. There are several exceptions to this, for example some of the higher density development.

12.47 The modelling includes the 11 potential strategic sites. On all the greenfield sites the Residual Value exceeds the BLV, suggesting that these are likely to be forthcoming, but on several of the brownfield sites in Hemel Hempstead this is not the case. In this context it is necessary to note that the delivery of any large site is challenging. Regardless of these results, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance.

12.48 The above appraisals assume developer contributions as set out above, in addition to CIL. On the strategic sites these are typically in the £20,000 to £25,000 per unit range, in addition to the expected SAMMS and SANG payments of about £10,000 per unit and CIL at the current rates. As and when the actual strategic sites are confirmed, it may be necessary to consider them against their strategic infrastructure and mitigation requirements identified through an updated Infrastructure Delivery Plan (IDP).

Varied Policy Requirements

12.49 Sets of appraisals have been run to establish the costs of the additional policy requirements. The starting place for this analysis is the base appraisals as above. The impact of Zero Carbon, 20% Biodiversity Net Gain, water standards and Accessible and Adaptable Standards and how they impact on the Residual Value have been considered. This analysis provides an indication of the amount the Residual Value will fall (or rise) for the various policy requirements. The reduction in the amount of the Residual Value is the reduced amount in the maximum price a developer can pay a landowner.

12.50 The amount the Residual Value falls is closely related to the density of the type of development, by way of an example, seeking Zero Carbon on flatted development is likely to reduce the Residual Value by about £190,000 per ha, whilst the impact is about £40,000 per ha on the greenfield strategic sites.

12.51 The move from the national requirement for 10% BNG to 20% BNG is modest, particularly where it is provided on-site (as per the modelling of the greenfield typologies), but greater where it is provided offsite. The increase from the 2025 environmental standard (Part L – 80% CO_2 saving) is significant, particularly if coupled with the requirement for District Heating. The cost of seeking 5% Wheelchair Adaptable housing is about 50% greater than the cost of seeking Wheelchair Accessible housing.

Affordable Housing

12.52 A core purpose of this study is to consider an appropriate affordable housing target. The total amount of affordable housing has been considered, as has the tenure mix. The current affordable housing policy sets out that the Council has a 35% target and seeks to maximise the delivery of affordable housing for rent. The preferred affordable housing for rent option is for the units to be delivered as Affordable Rent where the Affordable Rent is set at no more than 60% of market Rent.

12.53 Further appraisals have been run to test the impact of varying the total amount of affordable housing. It is assumed to meet the requirements of the NPPF that 10% of all the housing should be Affordable Home Ownership and of the PPG that 25% of affordable housing is a First Home.

12.54 This analysis shows that, on average, a 5% increase in affordable housing, reduces the Residual Value by about £450,000 per ha on greenfield sites and about £580,000 per ha on the flatted schemes. The impact is somewhat less on the lower density greenfield strategic sites, and substantially more on the development modelled with taller buildings. The consequence of this is that should the Council seek a 5% increase in affordable dwellings, the developer could typically afford to pay a landowner about £450,000 per ha less on greenfield sites and £580,000 per ha on brownfield sites. This is a significant difference that has the impact of reducing the scope for affordable housing provision by about 5%, although the impact varies considerably across the different typologies.

12.55 First Homes are required to be subject to a minimum discount of 30%. The PPG gives councils scope (subject to conditions) to set an alternative discount of 40% or 50% or a cap reduced below the £250,000 set out in the PPG. A further set of appraisals has been run with the First Homes being subject to these greater discounts and lower caps.

12.56 This analysis shows that, on average, assuming 40% affordable housing, across the typologies, the Residual Value is about £70,000 per ha less where the First Homes are subject to a 40% discount and about £260,000 per ha less where the affordable housing is subject to a 50% discount. The further, this analysis shows that, on average, assuming 40% affordable housing, across the typologies, the Residual Value is about £100,000/ha less where the First Homes are subject to a £200,000 cap and about £280,000 per ha less where the affordable housing is subject to a £150,000 cap, indicating that seeking a lower cap would have a negative impact on viability.

12.57 As above, the impact varies considerably across the different typologies, however it demonstrates that increasing the percentage discount or reducing the cap is likely to have a substantially greater impact on viability than increasing accessibility standards, but a little less impact than moving to Zero Carbon construction.

Suggested Residential Policy Requirements

12.58 The above analysis considered the impact of various policy standards. It is necessary to bring this analysis together and to consider the impact of developer contributions in addition to CIL.

12.59 A range of developer contribution costs ranging from £0 to £60,000 per unit has been tested against 0% to 40% affordable housing requirements. Three further sets of appraisals have been run varied levels as of affordable housing against varied levels of developer contributions at low, mid and high levels of policy requirements.

Table 12.5 Policy Scenarios for Policy Testing			
	Lower Policy Requirements	**Mid Policy Requirements**	**Higher Policy Requirements**
	Being as per the minimum existing and emerging national standards		Including most of the items tested
Biodiversity Net Gain	10%	20%	20%
Carbon and Energy	2025 Part L	Zero Carbon	Zero Carbon Mandatory District Heating
Accessibility and Design	100% M4(2) Accessible & Adaptable	95% M4(2) - Accessible & Adaptable 5% M4(3)a Wheelchair Adaptable	95% M4(2) Accessible & Adaptable 5% M4(3)b Wheelchair Accessible
Water Standard	Enhanced Building Regulations	Enhanced Building Regulations	Enhanced Building Regulations
CIL	As adopted	As adopted	As adopted

Source: July 2023

12.60 The appraisal results are summarised below. In this analysis the typologies are assumed to require £10,000 per unit in developer contributions, the brownfield strategic sites £30,000 per unit in developer contributions, and the greenfield typologies £35,000 per unit in developer contributions to be viable. The amounts are in addition to CIL.

Table 12.6a Maximum Levels of Developer Contributions. £/unit in Addition to CIL

Berkhamsted and Tring Valley

Minimum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	>£60,000	£55,000	£45,000	£35,000	£30,000	£20,000	£15,000
Houses & Flats	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£55,000	£35,000
Housing	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Strategic Sites							
South of Berkhamsted 7	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Dunsley Farm 8	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Mid Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	>£60,000	£55,000	£40,000	£35,000	£25,000	£20,000	£10,000
Houses & Flats	>£60,000	>£60,000	>£60,000	>£60,000	£55,000	£40,000	£30,000
Housing	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Strategic Sites							
South of Berkhamsted 7	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Dunsley Farm 8	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Maximum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	£55,000	£50,000	£35,000	£25,000	£15,000	£10,000	£0
Houses & Flats	>£60,000	>£60,000	>£60,000	>£60,000	£50,000	£45,000	£30,000
Housing	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£55,000	£50,000
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Strategic Sites							
South of Berkhamsted 7	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Dunsley Farm 8	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000

Source: HDH (July 2023)

Table 12.6b Maximum Levels of Developer Contributions. £/unit in Addition to CIL Wider Dacorum							
Minimum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	£20,000	£10,000	£0	Unviable	Unviable	Unviable	Unviable
Houses & Flats	£50,000	£45,000	£25,000	£20,000	£10,000	£5,000	Unviable
Housing	>£60,000	>£60,000	£35,000	£25,000	£20,000	£10,000	£5,000
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£55,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£50,000
Strategic Sites							
Grange Farm 9	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Mid Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	£15,000	£5,000	£0	Unviable	Unviable	Unviable	Unviable
Houses & Flats	£45,000	£40,000	£25,000	£10,000	£5,000	£0	Unviable
Housing	£55,000	£45,000	£30,000	£25,000	£15,000	£5,000	£0
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Strategic Sites							
Grange Farm 9	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000
Maximum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
Flats	£10,000	£0	Unviable	Unviable	Unviable	Unviable	Unviable
Houses & Flats	£40,000	£30,000	£15,000	£0	Unviable	Unviable	Unviable
Housing	>£60,000	£50,000	£30,000	£15,000	£10,000	£5,000	Unviable
Greenfield							
Large	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£55,000	£45,000
Other	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	£50,000
Strategic Sites							
Grange Farm 9	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000	>£60,000

Source: HDH (July 2023)

Table 12.6c Maximum Levels of Developer Contributions. £/unit in Addition to CIL

Hemel Hempstead and Markyate

Minimum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
High Density Flats >200	£55,000	£45,000	£35,000	£30,000	£25,000	£20,000	£10,000
High Density Flats < 200	£20,000	£15,000	£5,000	£0	Unviable	Unviable	Unviable
Flats	£30,000	£25,000	£15,000	£10,000	£0	Unviable	Unviable
Houses & Flats	>£60,000	£55,000	£35,000	£30,000	£25,000	£10,000	£0
Housing	>£60,000	>£60,000	>£60,000	£40,000	£30,000	£25,000	£15,000
Strategic Sites							
Hospital Site 1	£50,000	£45,000	£35,000	£25,000	£20,000	£15,000	£10,000
Station Gateway 2	>£60,000	£50,000	£40,000	£35,000	£30,000	£25,000	£15,000
Civic Centre 3	>£60,000	£55,000	£45,000	£40,000	£35,000	£25,000	£20,000
Market Sq. 4	£35,000	£25,000	£15,000	£10,000	£5,000	£0	Unviable
Cupid Green Depot 5	>£60,000	>£60,000	£45,000	£40,000	£35,000	£30,000	£25,000
Riverside 6	£50,000	£45,000	£30,000	£25,000	£20,000	£15,000	£10,000
Apsley Mills 10	>£60,000	>£60,000	£50,000	£45,000	£40,000	£35,000	£30,000
Mid Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
High Density Flats >200	£50,000	£45,000	£30,000	£25,000	£20,000	£15,000	£10,000
High Density Flats < 200	£20,000	£10,000	£0	Unviable	Unviable	Unviable	Unviable
Flats	£25,000	£20,000	£10,000	£5,000	£0	Unviable	Unviable
Houses & Flats	£55,000	£50,000	£35,000	£25,000	£15,000	£10,000	£5,000
Housing	>£60,000	>£60,000	£45,000	£35,000	£30,000	£30,000	£10,000
Strategic Sites							
Hospital Site 1	£50,000	£40,000	£30,000	£25,000	£20,000	£15,000	£5,000
Station Gateway 2	£55,000	£50,000	£35,000	£30,000	£25,000	£20,000	£15,000
Civic Centre 3	>£60,000	£55,000	£40,000	£35,000	£30,000	£25,000	£20,000
Market Sq. 4	£30,000	£25,000	£15,000	£10,000	£5,000	£0	Unviable
Cupid Green Depot 5	>£60,000	£55,000	£45,000	£40,000	£30,000	£25,000	£20,000
Riverside 6	£50,000	£40,000	£30,000	£25,000	£20,000	£15,000	£10,000
Apsley Mills 10	>£60,000	>£60,000	£45,000	£40,000	£35,000	£30,000	£25,000
Maximum Policy							
	0%	10%	20%	25%	30%	35%	40%
Brownfield							
High Density Flats >200	£45,000	£35,000	£25,000	£20,000	£15,000	£10,000	£5,000
High Density Flats < 200	£10,000	£5,000	£0	Unviable	Unviable	Unviable	Unviable
Flats	£20,000	£15,000	£0	Unviable	Unviable	Unviable	Unviable
Houses & Flats	£50,000	£45,000	£25,000	£15,000	£10,000	£5,000	Unviable
Housing	>£60,000	£55,000	£40,000	£30,000	£20,000	£15,000	£5,000
Strategic Sites							
Hospital Site 1	£45,000	£35,000	£25,000	£20,000	£10,000	£5,000	£0
Station Gateway 2	£50,000	£40,000	£30,000	£25,000	£20,000	£15,000	£10,000
Civic Centre 3	£55,000	£45,000	£35,000	£30,000	£25,000	£20,000	£15,000
Market Sq. 4	£25,000	£20,000	£10,000	£5,000	£0	Unviable	Unviable
Cupid Green Depot 5	£55,000	£50,000	£35,000	£30,000	£25,000	£20,000	£15,000
Riverside 6	£40,000	£35,000	£25,000	£20,000	£15,000	£5,000	£0
Apsley Mills 10	>£60,000	£50,000	£40,000	£35,000	£30,000	£25,000	£20,000

Source: HDH (July 2023)

12.61 This analysis suggests that most development has the capacity to bear at the current levels of affordable housing (35%) and substantial levels of developer contributions. The exception is the brownfield flatted development that is modelled in Hemel Hempstead.

12.62 It is necessary to settle on a set of policies to take forward into the plan-making process. The following are a consultant's view, based on the iterative viability process. Having discussed the early results of this report with the Council, in making these suggestions the following factors have been taken into account:

a. The delivery of affordable housing is important, and within this the priority is for affordable housing for rent which should be maximised and Affordable Rent should be capped at 60% of market value.

b. The impact on viability of seeking 20% Biodiversity Net Gain is modest where it can be delivered on-site, however the Council would prefer to maximise affordable housing for rent.

c. That it is likely that the new national policy requirements for further increases to Part M of Building Regulations (with all new homes to be built to Accessible and Adaptable – Part M4(2) standards) will be adopted around the time that the new Local Plan is implemented. It would be prudent to assume that these are a requirement. Having said this, there is uncertainty over the direction of Government policy, so the Council should keep this under review.

d. The cost of providing wheelchair adaptable housing is significant, however the Council has a need for such accommodation and the provision of some accommodation that meets this standard is a priority / requirement.

e. The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are yet to be published, the 2019 Government Consultation anticipated that it would achieve a 75% to 80% improvement reduction in CO_2 emissions over 2013 standards for dwellings. Bearing in mind the timetable for the introduction of the new Local Plan, it would be prudent to assume that these (the 2025 standards) are a requirement. Again, having said this, there is uncertainty over the direction of Government policy, so the Council should keep this under review.

f. The Council wishes to move towards Zero Carbon development as a priority, but not at the significant expense of the provision of affordable housing.

g. The viability testing includes the testing of District Heating. District Heating is not a particular priority of the Council. The key to a successful District Heating Scheme is a readily available heat source (for example the Energetik network in Enfield or the Vital / Veolia network in Sheffield) and the Council will further investigate establishing such a network, rather than mandate the connection to a scheme to be built.

h. The viability testing includes a range of greenfield sites, and these have the greatest capacity to bear planning obligations such as affordable housing, developer contributions and environmental standards.

i. On the whole, recent planning approvals for housing schemes have provided affordable housing, however planning approvals for flatted development have not all provided affordable housing, so a lower target may be appropriate.

j. Brownfield sites comprise a significant part of the land supply for future development. This is most likely to be in Hemel Hempstead and may to come forward as 'tall buildings' (6+ storeys). This type of development is the least viable so the Council should be cautious about relying on flatted schemes to deliver development.

k. There is a need for infrastructure funding at the levels tested. The analysis suggests that most types of development have capacity to bear developer contributions in addition to the adopted rates of CIL. There is considerable uncertainty over the future of CIL. It would be sensible to delay a formal decision as to whether or not to pursue a CIL review, pending the announcement of details of a new Infrastructure Levy. It is recommended that the Council completes the updating of the IDP prior to making a decision in this regard.

12.63 With the above in mind, in discussion with the Council, the following policy obligations have been settled on.

a.	Affordable Housing	Flatted development in Hemel Hempstead 25% (25% First Homes, 15% Shared Ownership and 60% Affordable Rent). All other development 35% (25% First Homes, 3.6% Shared Ownership and 71.4% Affordable Rent). Assuming that Affordable Rent is capped at 60% of market rent.
b.	Design	95% Accessible and Adaptable (M4(2)), 5% Wheelchair Adaptable. Water efficiency and Zero Carbon design. 20% Biodiversity Net Gain.
c.	Developer Contributions	Allowances for SAMMS and SANG payments, and leisure facilities. CIL as adopted. s106 on typologies and potential strategic sites: • 1 to 9 units £0 per unit • 10 to 80 units £2,500 per unit • 80 plus units £5,000 per unit. • Strategic Sites as estimated below.

1	Hospital Site	£24,013/unit
2	Station Gateway	£23,815/unit
3	Civic Centre Site	£24,721/unit
4	Market Square	£24,331/unit
5	Cupid Green Depot	£24,155/unit
6	Riverside	£24,000/unit
7	Land South of Berkhamsted	£23,881/unit
8	Dunsley Farm	£23,948/unit
9	Grange Farm	£23,735/unit
10	Apsley Mills	£24,000/unit

12.64 It is important to note that there would be scope to seek a greater level of developer contributions in the current market and when subject to current costs. There is uncertainty in the market, so it is recommended that a cautious approach is taken. Should house prices return to growth and should inflation return to lower levels, then it may be appropriate to take a stronger view in this regard.

12.65 As a final step in the iterative viability process, the above policy requirements are subject to a final round of sensitivity testing. The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although having taken this into account in the policy recommendations above, this is unlikely to be sufficient to impact on the deliverability of the Plan. It is recommended that the Council keeps the assessment under frequent review.

Self and Custom Build Housing

12.66 The Council is exploring several options in this regard, but has not yet developed a policy. To inform the development of policy a 5% requirement on sites of 40 units and larger is considered. It is assumed that self-build plots will be provided on a 'whole plot' basis, so a scheme of 40 provides 2 plots, a scheme of 60 provides 3 plots and so. It is unlikely that a requirement for self-build plots will adversely impact on viability.

Build to Rent

12.67 The Council does not expect to allocate sites specifically for Build to Rent development however a flatted scheme and a housing scheme have been modelled. This shows that Build to Rent housing is likely to be viable and deliverable, but flatted development is unlikely to be so. The Council should be cautious about relying on Build to Rent schemes to deliver development, unless there is clear evidence that such development would be forthcoming.

Older People's Housing

12.68 The Sheltered and Extracare sectors have been tested separately. In addition, at the request of a developer through the consultation process, an Integrated Retirement Community (IRC) is also modelled, although it is important to note that the Council currently has no plans to allocate land for IRCs.

12.69 As for mainstream housing, a range of appraisals were run at the Lower, Mid and Higher policies requirements as set out earlier in Chapter 10. Due to the nature of the schemes, they were modelled without First Homes.

12.70 Specialist older people's housing is able to bear 35% affordable housing although it is important to note that the PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage.

Non-Residential Appraisals

12.71 Financial appraisals have also been run for the non-residential development types. As with the residential appraisals, these use the Residual Valuation approach. In the appraisals the costs are based on the BCIS costs, adjusted for BREEAM. The appraisals include the adopted rates of CIL.

Employment Uses

12.72 Firstly, the main employment uses were considered. The results are reflective of the current market in the DBC area and more widely. Smaller industrial development is shown as being unviable, but offices, the larger format industrial and logistics uses being shown as viable.

12.73 DBC is not a prime logistics location, lying someway to the north west of London and having limited suitable sites, such development is not being brought forward to on a speculative basis by the development industry. Much of the industrial development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located town edge properties.

12.74 It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

12.75 This analysis shows that there is scope to seek higher environmental standards on the large format industrial and logistics uses, but less so on the office uses.

Retail Uses

12.76 As for the employment uses above, appraisals have been run for the retail uses. The results are reflective of the current market in the local retail market, with the prime areas and large format uses being viable and the secondary uses not being so. Having said this, it is important to note that the Council is not anticipating development coming forward in the town centres, and it is likely that there will be some consolidation of the shopping areas.

12.77 As for employment uses, further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. This analysis shows that there is scope to seek higher environmental standards, with the exception of Secondary Retail.

Conclusions and Recommendations

12.78 The property market across the Dacorum Borough Council area is strong, however the outlook is mixed, with considerable inflationary and wider economic uncertainties. Most types of residential and non-residential development are coming forward, and, on the whole, with the exception of flatted development, most development is policy compliant.

12.79 With the above in mind, in discussion with the Council, the following policy obligations have been settled on.

a.	Affordable Housing	Flatted development in Hemel Hempstead 25% (25% First Homes, 15% Shared Ownership and 60% Affordable Rent). All other development 35% (25% First Homes, 3.6% Shared Ownership and 71.4% Affordable Rent). Assuming that Affordable Rent is capped at 60% of market rent.
b.	Design	95% Accessible and Adaptable (M4(2)), 5% Wheelchair Adaptable. Water efficiency and Zero Carbon design. 20% Biodiversity Net Gain.

12.80 Setting policy requirements at this level ensures there is scope to also seek the necessary strategic infrastructure and mitigation contributions needed to make development acceptable, and CIL at the current rates. It is important to note that there would be scope to seek a greater level of developer contributions in the current market and when subject to current costs. There is uncertainty in the market, so it is recommended that a cautious approach is taken. Should house prices return to growth and should inflation return to lower levels, then it may be appropriate to take a stronger view in this regard.

12.81 If the Council were to follow this advice it would be necessary to be cautious in assuming flatted development or Build to Rent flatted development would come forward, as these are not likely to be delivered. This is likely to influence the selection of sites for allocation. It is assumed that this suggestion is taken forward – although that should not be taken as read (as that is a decision to be taken through the wider plan-making process).

12.82 Whilst there is scope for significant levels of developer contributions on some types of development, it is recommended that a review of CIL is not pursued at the current time, however the Council should monitor the changing situation in national policy concerning a national Infrastructure Levy, and continue with the updating of its IDP which may be a material factor.

12.83 On the whole, the employment and retail uses are shown as being viable.

HDH Planning & Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers. The firm is regulated by the RICS.

The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments

HDH Planning and Development have clients throughout England and Wales.

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