SHLAA Viability Study

Appendix A

February 2016

Planning & Development

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1. Introduction

Scope

1.1 Dacorum Borough Council (DBC) is updating its Strategic Housing Land Availability Assessment (SHLAA). HDH Planning and Development Ltd have been appointed to make an assessment of the deliverability, in terms of viability, of the sites identified through the SHLAA process and in accordance with the requirements of the National Planning Policy Framework (NPPF) and the National Planning Practice Guidance (PPG).

1.2 Paragraph 159 of the NPPF requires Planning Authorities to prepare a Strategic Housing Land Availability Assessment (SHLAA) saying:

Local planning authorities should have a clear understanding of housing needs in their area. They should:

- *prepare a Strategic Housing Market Assessment…..*
- *prepare a Strategic Housing Land Availability Assessment to establish realistic assumptions about the availability, suitability and the likely economic viability of land to meet the identified need for housing over the plan period.*

1.3 It is an important part of the process to ensure that the sites for residential development identified through the plan-making process are deliverable in the context of the Council's policies.

1.4 This document sets out the methodology used, the key assumptions adopted, and contains an assessment of the viability of deliverability of the sites identified in the SHLAA.

Report Structure

1.5 This report examines the viability of development across Council's SHLAA sites, and follows the following format:

Chapter 2 We have set out the reasons for, and approach to, viability testing, including a short review of the requirements of the NPPF.

Chapter 3 We have set out 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 (size and tenure) in different areas.

Chapter 5 An assessment of the costs of 'development' land to be used when assessing viability.

Chapter 6 We have set out the cost and general development assumptions to be used in the development appraisals.

Chapter 7 We have summarised the various policy requirements and constraints that influence the type of development that come forward.

Chapter 8 We have set out the range of modelled sites used for the financial development appraisals.

Chapter 9 The results of the development appraisals for residential development sites.

Chapter 10 Conclusions.

Next Steps

1.6 This report forms one of the pieces of evidence that will be used by the Council in the plan-making process. In due course the Council will weigh up its own priorities in the context of the NPPF and select sites for inclusion within the Plan.

2. Viability Testing

2.1 As set out in Chapter 1 above the NPPF requires planning authorities to prepare a SHLAA. Viability testing is an important part of the Strategic Housing Land Availability Assessment (SHLAA) process and the wider plan-making process. Viability testing is also a requirement of the CIL Regulations. In each case the requirement is slightly different but all have much in common.

2.2 In March 2014 the Government published Planning Practice Guidance (PPG). This is in the form of a website[1] and carries equal weight to the NPPF.

NPPF Viability Testing

2.3 The NPPF introduced a requirement to assess the viability of the delivery of Local Plan and the impact on development of policies contained within it. The NPPF includes the following requirements (with our emphasis):

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

174. Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.

2.4 The duty to test in the NPPF is a broad brush one saying 'plans should be deliverable'. It is not a requirement that every site should be able to bear all of the local authority's requirements – indeed there will be some sites that are unviable even with no requirements imposed on them by the local authority. The typical site should be able to bear whatever target or requirement is set and the Council should be able show, with a reasonable degree of confidence, that the Development Plan is deliverable.

[1] http://planningguidance.planningportal.gov.uk/

2.5 The enabling and delivery of development is a priority of the NPPF. In this regard it says at paragraph 47:

To boost significantly the supply of housing, local planning authorities should:

- *use their evidence ……*
- *identify and update annually a supply of specific deliverable[11] sites sufficient to provide five years worth of housing against their housing requirements with an additional buffer of 5% (moved forward from later in the plan period) to ensure choice and competition in the market for land. Where there has been a record of persistent under delivery of housing, local planning authorities should increase the buffer to 20% (moved forward from later in the plan period) to provide a realistic prospect of achieving the planned supply and to ensure choice and competition in the market for land;*
- *identify a supply of specific, developable[12] sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15;*
- *for market ….*

2.6 The relevant NPPF footnotes 11 and 12 define when sites can be considered deliverable and developable:

[11.] To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans.

[12.] To be considered developable, sites should be in a suitable location for housing development and there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged.

2.7 Some sites within the area will not be viable given policy requirements. In these cases developers have scope to make specific submissions at the planning applications stage; similarly some sites will be able to bear considerably more than the policy requirements.

2.8 This study will specifically examine the development viability of the main types of site that have been identified through the SHLAA.

Community Infrastructure Levy (CIL) Economic Viability Assessment

2.9 The Council has adopted CIL and applied it to planning consents granted after 1st July 2015. It is not the purpose of this study to consider CIL, however it is not practical to consider the deliverability of the SHLAA sites without also considering the ability of sites to contribute towards the funding of infrastructure. We have therefore made passing reference to the CIL Regulations at various places through this report. The CIL Regulations came into effect in April 2010 and have been subject to subsequent amendments.

2.10 CIL is mandatory on all developments (with very few exceptions) that fall within the categories and areas where the levy applies. In this respect CIL is unlike other policy requirements, such as to provide affordable housing or to build to a particular environmental

standard, over which there can be negotiations. This means that CIL must not prejudice the viability of most sites.

2.11 In March 2010 CLG published *Community Infrastructure Levy Guidance, Charge setting and charging schedule procedures* to support the CIL Regulations. These were replaced by Community Infrastructure Levy, Guidance published in December 2013, then April 2013 and February 2014. These, in turn, have been replaced by the new CIL Guidance which was assimilated into the PPG on 12th June 2014.

2.12 Regulation 14 (as amended) of the CIL Regulations says:

'councils must strike an appropriate balance between (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability'.

2.13 Viability testing in the context of CIL will assess the '*effects*' on development viability of the imposition of CIL – it should be noted that whilst the financial impact of introducing CIL is an important factor, the provision of infrastructure (or lack of it) will also have an impact on the ability of the Council to meet its objectives through development and deliver its Development Plan. The Local Plan – Core Strategy may not be deliverable in the absence of CIL.

2.14 On preparing the evidence base on economic viability the CIL Guidance says:

A charging authority must use 'appropriate available evidence' (as defined in the Planning Act 2008 section 211(7A)) to inform their draft charging schedule. The Government recognises that the available data is unlikely to be fully comprehensive. Charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.

A charging authority should draw on existing data wherever it is available. They may consider a range of data, including values of land in both existing and planned uses, and property prices – for example, house price indices and rateable values for commercial property. They may also want to build on work undertaken to inform their assessments of land availability.

In addition, a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London)] relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).

The sampling should reflect a selection of the different types of sites included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.

PPG ID: 25-019-20140612

2.15 The test that will be applied to the proposed rates of CIL is set out in the Guidance.

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

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1), as amended by the 2014 Regulations), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.

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

PPG ID: 25-009-20140612

2.16 The test is whether *the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened* by CIL. CIL may well make some sites unviable, just as some schemes are unviable anyway due to factors such as site clearance and decontamination.

2.17 From April 2015, councils have been restricted in relation to pooling s106 contributions from five developments or more[2] (where the obligation in the s106 is a reason for granting consent). This restriction will encourage councils to adopt CIL – particularly where there are large items of infrastructure to be delivered that will relate to multiple sites. This restriction on pooling may have the effect of bringing s106 tariff policies, for items like open space, to an end.

2.18 Councils that have adopted CIL will still be able to raise additional s106 funds for infrastructure, provided this infrastructure can be directly linked to the site-specific needs associated with the scheme in question, and that it is not for infrastructure specifically identified to be funded by CIL, through the Regulation 123 List[3]. Payments requested under the s106 regime can only 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.

2.19 As mentioned above, under CIL Regulation 123, from April 2015, there are restrictions on pooling contributions from five or more sites where the obligation is a reason for granting planning permission. It is important to note that the counting of the 'five or more sites' relates to the '*provision of that project, or type of infrastructure*' and is from the date of the CIL Regulations, being April 2010. The Council will need to consider whether the threshold has already been exceeded for some items of infrastructure.

[2] CIL Regulations 123(3)

[3] This is the list of the items on which the Council will spend CIL payments.

Planning Practice Guidance (PPG)

2.20 Viability is a recurring theme through the PPG, and it includes specific sections on viability in both the plan-making and the development management processes. As set out above, the NPPF says that plans should be deliverable and that the scale of development identified in the Plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The PPG says:

Understanding Local Plan viability is critical to the overall assessment of deliverability. Local Plans should present visions for an area in the context of an understanding of local economic conditions and market realities. This should not undermine ambition for high quality design and wider social and environmental benefit but such ambition should be tested against the realistic likelihood of delivery.

…. viability can be important where planning obligations or other costs are being introduced. In these cases decisions must be underpinned by an understanding of viability, ensuring realistic decisions are made to support development and promote economic growth. Where the viability of a development is in question, local planning authorities should look to be flexible in applying policy requirements wherever possible.

PPG ID: 10-001-20140306

2.21 These requirements are not new and are simply stating best practice and are wholly consistent with the approach taken through the preparation of the Plan (a good example is the inclusion of viability testing in relation to the affordable housing policy).

2.22 In the section on considering land availability, the PPG says:

A site is considered achievable for development where there is a reasonable prospect that the particular type of development will be developed on the site at a particular point in time. This is essentially a judgement about the economic viability of a site, and the capacity of the developer to complete and sell the development over a certain period.

PPG ID: 3-021-20140306

2.23 The PPG does not prescribe a single approach for assessing viability. The NPPF and the PPG both set out the policy principles relating to viability assessments. The PPG rightly acknowledges that a 'range of sector led guidance on viability methodologies in plan making and decision taking is widely available'.

There is no standard answer to questions of viability, nor is there a single approach for assessing viability. The National Planning Policy Framework, informed by this Guidance, sets out the policy principles relating to viability assessment. A range of sector led guidance on viability methodologies in plan making and decision taking is widely available.

PPG 10-002-20140306

2.24 The PPG does not require every site to be tested:

Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable; site typologies may be used to determine viability at policy level. Assessment of samples of sites may be helpful to support evidence and more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.

PPG ID: 10-006-20140306

2.25 We confirm that the approach and methodology is consistent with the PPG.

2.26 Viability Thresholds are a controversial matter and it is clear that different landowners will take different approaches depending on their personal and corporate priorities. The assessment is based on an informed assumption being made about the 'uplift' being the margin above the 'Existing Use Value' which would be sufficient to incentivise the landowner to sell. Both the RICS Guidance and the PPG make it clear that when considering land value that this must be done in the context of current and emerging policies:

'Site Value definition *Site* Value *either as an input into a scheme specific appraisal or as a benchmark is defined in the guidance note as follows: 'Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.'*

Box 7, Page 12, RICS Guidance

'In all cases, estimated land or site value should: …reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;…'

PPG ID 10-014-20140306

2.27 This supports the approach taken where the process is informed by past land transactions as well as considering an appropriate uplift.

2.28 The PPG stresses the importance of working from evidence and in collaboration with the development industry:

*'**Evidence based judgement**:* assessing *viability requires judgements which are informed by the relevant available facts. It requires a realistic understanding of the costs and the value of development in the local area and an understanding of the operation of the market.*

Understanding past performance, such as in relation to build rates and the scale of historic planning obligations can be a useful start. Direct engagement with the development sector may be helpful in accessing evidence.

***Collaboration**: a collaborative approach involving the local planning authority, business community, developers, landowners and other interested parties will improve understanding of deliverability and viability. Transparency of evidence is encouraged wherever possible. Where communities are preparing a neighbourhood plan (or Neighbourhood Development Order), local planning authorities are encouraged to share evidence to ensure that local viability assumptions are clearly understood.'*

PPG ID: 10-004-20140306

2.29 The analysis in this report sets out and reflects the general comments of stakeholders as well as the more specific comments of site promoters.

2.30 The meaning of competitive returns is discussed in Chapter 6 below. The meaning of competitive return is at the core of a viability assessment. The RICS Guidance (see below) includes the following definition:

*'**Competitive returns** - A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.'*

Page 43, Financial viability in planning, RICS guidance note, 1st edition (GN 94/2012), August 2012

2.31 The PPG now adds to this saying:

'Competitive return to developers and land owners

The National Planning Policy Framework states that viability should consider "competitive returns to a willing landowner and willing developer to enable the development to be deliverable." This return will vary significantly between projects to reflect the size and risk profile of the development and the risks to the project. A rigid approach to assumed profit levels should be avoided and comparable schemes or data sources reflected wherever possible.

A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.'

PPG ID: 10-015-20140306.

'Recent' changes to the PPG

2.32 On the 28th November 2014, in a written statement to Parliament, headed, *Small-scale developers*, by Brandon Lewis MP of Department for Communities and Local Government, thresholds for affordable housing and developer contributions were introduced:

Due to the disproportionate burden of developer contributions on small-scale developers, for sites of 10-units or less, and which have a maximum combined gross floor space of 1,000 square metres, affordable housing and tariff style contributions should not be sought. This will also apply to all residential annexes and extensions.

For designated rural areas under section 157 of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty, authorities may choose to implement a lower threshold of 5-units or less, beneath which affordable housing and tariff style contributions should not be sought. This will also apply to all residential annexes and extensions. Within these designated areas, if the 5-unit threshold is implemented then payment of affordable housing and tariff style contributions on developments of between 6 to 10 units should also be sought as a cash payment only and be commuted until after completion of units within the development.

These changes in national planning policy will not apply to rural exception sites which, subject to the local area demonstrating sufficient need, remain available to support the delivery of affordable homes for local people. However, affordable housing and tariff style contributions should not be sought in relation to residential annexes and extensions.

A financial credit, equivalent to the existing gross floorspace of any vacant buildings brought back into any lawful use or demolished for re-development, should be deducted from the calculation of any affordable housing contributions sought from relevant development schemes.

This will not however apply to vacant buildings which have been abandoned.

2.33 Since then some further clarity was provided by The Rt Hon Eric Pickles of Department for Communities and Local Government on 25th March 2015 headed *Energy efficiency in buildings and Planning system* which said:

We have previously revised national policy on Section 106 thresholds to help small builders and to encourage empty buildings to be brought back into use. Some councils have misinterpreted the written ministerial statement of 28 November 2014, official report, column 54WS as just a change in guidance – to clarify, this was a change in national policy and we will be updating the online planning guidance/policy website to make this crystal clear. We are also publishing guidance tomorrow on the vacant building credit to assist in the delivery of the new policy.

Plan making

From the date the Deregulation Bill 2015 is given Royal Assent, local planning authorities and qualifying bodies preparing neighbourhood plans should not set in their emerging Local Plans, neighbourhood plans, or supplementary planning documents, any additional local technical standards or requirements relating to the construction, internal layout or performance of new dwellings. This includes any policy requiring any level of the Code for Sustainable Homes to be achieved by new development; the government has now withdrawn the code, aside from the management of legacy cases. Particular standards or requirements for energy performance are considered later in this statement.

Local planning authorities and qualifying bodies preparing neighbourhood plans should consider their existing plan policies on technical housing standards or requirements and update them as appropriate, for example through a partial Local Plan review, or a full neighbourhood plan replacement in due course. Local planning authorities may also need to review their local information requirements to ensure that technical detail that is no longer necessary is not requested to support planning applications.

The optional new national technical standards should only be required through any new Local Plan policies if they address a clearly evidenced need, and where their impact on viability has been considered, in accordance with the National Planning Policy Framework and Planning Guidance. Neighbourhood plans should not be used to apply the new national technical standards.

For the specific issue of energy performance, local planning authorities will continue to be able to set and apply policies in their Local Plans which require compliance with energy performance standards that exceed the energy requirements of Building Regulations until commencement of amendments to the Planning and Energy Act 2008 in the Deregulation Bill 2015.

This is expected to happen alongside the introduction of zero carbon homes policy in late 2016. The government has stated that, from then, the energy performance requirements in Building Regulations will be set at a level equivalent to the (outgoing) Code for Sustainable Homes Level 4. Until the amendment is commenced, we would expect local planning authorities to take this statement of the government's intention into account in applying existing policies and not set conditions with requirements above a Code level 4 equivalent. This statement does not modify the National Planning Policy Framework policy allowing the connection of new housing development to low carbon infrastructure such as district heating networks.

Measures relating to flood resilience and resistance and external noise will remain a matter to be dealt with through the planning process, in line with the existing national policy and guidance. In cases of very specific and clearly evidenced housing accessibility needs, where individual household requirements are clearly outside the new national technical standards, local planning authorities may ask for specific requirements outside of the access standard, subject to overall viability considerations.

2.34 Since then, on the 1st August 2015, the changes were reversed and the PPG was amended and a new paragraph (paragraph 30) was added as follows[4]:

Please note that paragraphs 012-023 of the guidance on planning obligations will be removed following the judgment in R (on the application of West Berkshire District Council and Reading Borough Council) v Secretary of State for Communities and Local Government [2015] EWHC 2222 (Admin).

2.35 Since this announcement, in response to a question at the Conservative party conference in early October 2015, Mr Lewis, speaking as Minister of Planning and Housing said that it was

[4] http://planningguidance.planningportal.gov.uk/revisions/23b/030/

the Government's intention to reintroduce the national threshold. It is not clear whether this change would be through bringing an appeal or through other changes to the NPPF or PPG.

2.36 Bearing in mind that the Council have an up to date and adopted Core Strategy we have assumed that the policy will apply as drafted, but due to the uncertainty we have also considered a scenario where the national affordable housing is reintroduced.

Summer 2015 Budget

2.37 On the 8th July 2015, the Chancellor of the Exchequer gave his post-election Summer Budget to Parliament. With the Budget a number of changes were announced that relate to planning.

Affordable Housing

2.38 Prior to the Budget Affordable Rents were set at up to 80% of open market rent and then generally went up by up to 1% over inflation (CPI) each year and Social Rents were set through a formula, again with an up to 1% over inflation uplift. These provisions were to prevail, under arrangements announced in 2013 until 2023 and have formed the basis of many housing associations' and other providers' business plans. The result was that housing associations knew their rents would go up and those people and organisations who invest in such properties (directly or indirectly) knew that the rents were going up year on year. This made them attractive as each year the rent would always be a little larger relative to inflation.

2.39 In the Budget it was announced that social and affordable rents would be reduced by 1% per year for 4 years – although we understand (although at the date of this update there remains some uncertainty) that the mechanism for setting new rents on new lets would not change. The objective of these changes was to reduce the cost to the Exchequer of the housing elements (such as Local Housing Allowance, Housing Benefit and the housing elements of Universal Credit) of the social security budget.

2.40 It is likely that this change will reduce the value of affordable housing. The impact on councils will depend largely on the amount and nature of affordable housing. Those with high affordable housing requirements will see a larger impact (as it makes up a larger proportion of a development). We have considered this further where we have reviewed residential values in Chapter 3 below.

Starter Homes

2.41 The Budget included the following statement[5]:

Starter Homes – 58,000 people have already signed up to show their interest in owning one of these new homes – exclusively for first time buyers under 40, at a 20% discount. 200,000 of these new homes will be built over the next 5 years. And to deliver this, the government is today announcing that every reasonable sized housing site must include starter homes – and a new duty will be placed on councils to make sure they include starter homes in their future housing plans for their area

2.42 It is not clear what 'every reasonable sized housing site' means, and it is expected that this will be clarified in due course.

2.43 The Planning and Housing Bill that is currently before Parliament does provide some further information. At the time of this update (so still subject to further iterations and changes) the Bill includes a definition:

(1) In this Chapter "starter home" means a building or part of a building that—

(a)is a new dwelling,

(b)10is available for purchase by qualifying first-time buyers only,

(c)is to be sold at a discount of at least 20% of the market value,

(d)is to be sold for less than the price cap, and

(e)is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State.

(2) 15"New dwelling" means a building or part of a building that—

(a)has been constructed for use as a single dwelling and has not previously been occupied, or

(b)has been adapted for use as a single dwelling and has not been occupied since its adaptation.

(3) "Qualifying first-time buyer" means an individual who—

(a)is a first-time buyer,

(b)is under the age of 40, and

(c)has any other characteristics specified in regulations made by the Secretary of State (for example, relating to nationality or minimum age).

2.44 The initial 'cap' is to be £250,000 outside London.

2.45 The PPG has not been updated since the Budget and, at the time of this update, the Starter Homes section of the PPG[6] only relates to 'exception' sites.

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[5] https://www.gov.uk/government/news/pm-and-chancellor-announce-one-nation-plans-to-spread-homeownership-across-the-country

[6] From PPG Paragraph: 001 Reference ID: 55-001-20150318

2.46 On the 7th October 2015, in his speech to the Conservative party conference, the Prime Minister announced that new affordable housing that is provided by developers under the s106 regime would all be 'to buy' rather than affordable housing for rent (i.e. Affordable Rent or Social Rent). At the time it was not clear when this change may be implemented and whether or not this will apply to all affordable housing or to some affordable housing on each site – or if he was actually referring to Starter Homes.

2.47 In early December the Government launched a consultation on changes to the NPPF. This included the following sections and provides a degree of clarification:

7. It is important that the definition of affordable housing for planning purposes supports present and future innovation by housing providers in meeting the needs of a wide range of households who are unable to access market housing. The provision of affordable housing is about supporting households to access home ownership, where that is their aspiration, as well as delivering homes for rent.

8. The current affordable housing definition includes some low cost home ownership models, such as shared ownership and shared equity, provided that they are subject to 'in perpetuity' restrictions or the subsidy is recycled for alternative affordable housing provision. This limits the current availability of home ownership options for households whose needs are not met by the market.

9. We propose to amend the national planning policy definition of affordable housing so that it encompasses a fuller range of products that can support people to access home ownership. We propose that the definition will continue to include a range of affordable products for rent and for ownership for households whose needs are not met by the market, but without being unnecessarily constrained by the parameters of products that have been used in the past which risk stifling innovation. This would include products that are analogous to low cost market housing or intermediate rent, such as discount market sales or innovative rent to buy housing. Some of these products may not be subject to 'in perpetuity' restrictions or have recycled subsidy. We also propose to make clearer in policy the requirement to plan for the housing needs of those who aspire to home ownership alongside those whose needs are best met through rented homes, subject as now to the overall viability of individual sites.

10. By adopting the approach proposed, we are broadening the range of housing types that are taken into account by local authorities in addressing local housing needs to increase affordable home ownership opportunities. This includes allowing local planning authorities to secure starter homes as part of their negotiations on sites.

11. In parallel, the Housing and Planning Bill is introducing a statutory duty on local authorities to promote the delivery of starter homes, and a requirement for a proportion of starter homes to be delivered on all suitable reasonably-sized housing developments. We will consult separately on the level at which this requirement should be set. The Bill defines starter homes as new dwellings for first time buyers under 40, sold at a discount of at least 20% of market value and at less than the price cap of £250,000 (or £450,000 in London). Support is available through the Help to buy ISA to help purchasers save for a deposit.

2.48 This does provide further clarity, however the key question as to how much should be provided is not addressed.

2.49 These changes are certainly going to impact on viability; however, the impact is going to be positive rather than negative. Housing provided as Starter Homes would have a value of 80% of Market Value, compared to 65% of market value if provided as intermediate housing or £1,000/m^2 for Affordable Rent. In Dacorum the SHLAA sites are being considered against the current policy framework (rather than one that may apply in the future). It is therefore not appropriate (or necessary) to test the impact of these changes.

Environmental Standards

2.50 The Government also confirmed within the *Fixing the foundations productivity report*[7] its intention not to proceed with the zero carbon buildings policy, which was initially announced in 2007.

… repeat its successful target from the previous Parliament to reduce net regulation on housebuilders. The government does not intend to proceed with the zero carbon Allowable Solutions carbon offsetting scheme, or the proposed 2016 increase in on-site energy efficiency standards, but will keep energy efficiency standards under review, recognising that existing measures to increase energy efficiency of new buildings should be allowed time to become established

2.51 As a result, there will be no uplift to Part L of the Building Regulations during 2016 and both the 2016 zero carbon homes target and the 2019 target for non-domestic zero carbon buildings will be dropped, including the Allowable Solutions programme. This is considered in Chapter 7 below.

Viability Guidance

2.52 There are several sources of guidance and appeal decisions[8] that support the methodology we have developed and used in this assessment. We have followed the guidance in *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012[9] (known as the **Harman Guidance**). This contains the following definition:

An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.

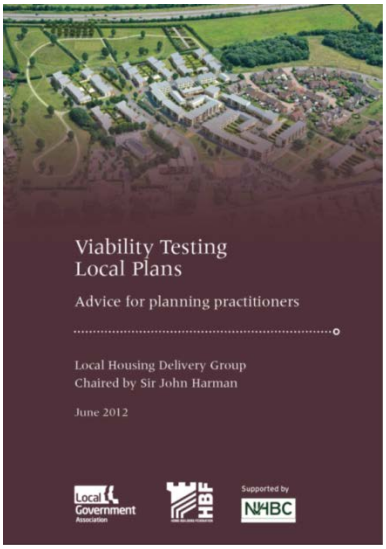
2.53 The appeal decisions, and the HCA good practice publication suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes and to compare this with the existing use value of development land, plus a premium. The premium over and above the exiting use value being set at a level to provide the landowner with a *competitive return*.

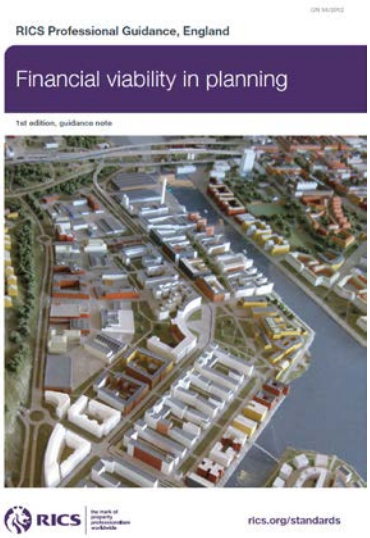
[7] https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation

[8] Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, BISHOP'S 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, Vannes: Court of Appeal 22 April 2010, [2010] EWHC 1092 (Admin) 2010 WL 1608437

[9] 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).

2.54 The Harman Guidance and *Financial viability in planning*, RICS guidance note, 1st edition (GN 94/2012) August 2012 (known as the **RICS Guidance**) set out the principles of viability testing. Additionally, the Planning Advisory Service (PAS)[10] also provides viability guidance and manuals for local authorities.





2.55 There is considerable common ground between the RICS and the Harman Guidance but they are not wholly consistent. The RICS Guidance recommends against the 'current/alternative use value plus a margin' – which is the methodology recommended in the Harman Guidance.

One approach has been to exclusively adopt current use value (CUV) plus a margin or a variant of this, i.e. existing use value (EUV) plus a premium. The problem with this singular approach is that it does not reflect the workings of the market as land is not released at CUV or CUV plus a margin (EUV plus)…..

(Financial viability in planning, RICS guidance note, 1st edition (GN 94/2012) during August 2012)

2.56 The Harman Guidance advocates an approach based on Threshold Land Value. *Viability Testing in Local Plans* says:

*Consideration of an appropriate **Threshold Land Value** needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input to a model.*

[10] PAS is funded directly by DCLG to provide consultancy and peer support, learning events and online resources to help local authorities understand and respond to planning reform. (Note: Some of the most recent advice has been co-authored by HDH).

We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values ….

(Viability Testing in Local Plans – Advice for planning practitioners. (LGA/HBF – Sir John Harman) June 2012)

2.57 The RICS dismisses a Threshold Land Value approach as follows.

***Threshold land value**. A term developed by the Homes and Communities Agency (HCA) being essentially a land value at or above that which it is assumed a landowner would be prepared to sell. It is not a recognised valuation definition or approach.*

2.58 On face value these statements are contradictory so the approach taken in this study brings these two sources of guidance together. The methodology adopted is to compare the Residual Value generated by the viability appraisals for the modelled sites, with the existing use value (EUV) or an alternative use value (AUV) plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the existing use value is central to the assessment of viability. It must be set at a level to recognise '*competitive returns*'[11] for the landowner. To inform the judgement as to whether the uplift is set at the appropriate level we make reference to the market value of the land both with and without the benefit of planning.

2.59 It is relevant to note that the Harman methodology was endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule in January 2012[12]. In his report, the London Inspector dismissed the theory that using historical market value (i.e. as proposed by the RICS) to assess the value of land was a more appropriate methodology than using EUV plus a margin.

Viability Testing

2.60 There is no statutory guidance on how to actually go about viability testing and assess when a site is or is not viable. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation, which has been standard for as long as land has been traded for development, is:

[11] As required by 173 of the NPPF

[12] Paragraphs 7 to 9 of REPORT ON THE EXAMINATION OF THE DRAFT MAYORAL COMMUNITY INFRASTRUCTURE LEVY CHARGING SCHEDULE by Keith Holland BA (Hons) DipTP MRTPI ARICS an Examiner appointed by the Mayor Date: 27th January 2012

Gross Development Value
(The combined value of the complete development)

LESS

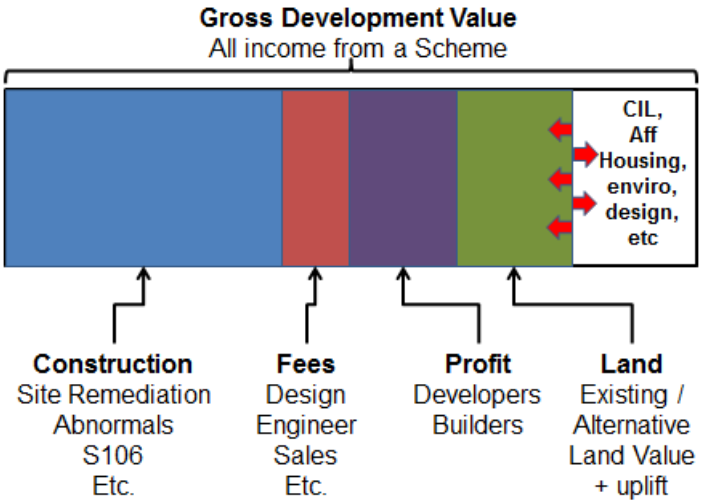
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)

=

RESIDUAL VALUE

2.61 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a bidder could offer for a site and still make a satisfactory profit margin. In the following graphic the bar illustrates all the income (or value) from a scheme. This value is set by the market (rather than by the developer or local authority) so is, to a large extent, fixed. The developer has relatively little control over the costs of development (construction and fees) and whilst there is scope to build to different standards and with different levels of efficiency the costs are largely out of the developers direct control – they are what they are, depending on the development.

2.62 It is well recognised in viability testing that the developer should be rewarded for taking on the risks of development. The NPPF terms this the 'competitive return'. The essential balance in viability testing is around the land value and when land will and will not come forward for development. The more policy requirements and developer contributions the planning authority asks for, the less the developer can afford to pay for the land. The purpose of this study is to assess the deliverability of sites identified in the SHLAA in the context of the Council's various policies and proposals for CIL.



2.63 In this study we are not trying to exactly mirror any particular developer's business model – rather we are making a broad assessment of viability in the context of plan-making and the requirements of the NPPF.

2.64 The 'likely 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': the margin above the 'existing use value' which would make the landowner sell. Both the RICS Guidance and the PPG make it clear that when considering land value that this must be done in the context of current and emerging policies:

Site Value definition *Site Value either as an input into a scheme specific appraisal or as a benchmark is defined in the guidance note as follows: 'Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.'(Box 7, Page 12, RICS Guidance)*

In all cases, estimated land or site value should: …reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;…

PPG ID 10-014-20140306

2.65 There is no technical guidance on how to test viability in the CIL Regulations or Guidance. Paragraph 173 of the NPPF says: '…… *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……*' Whilst this seems quite straightforward, '*competitive returns'* is not defined.

The meaning of '*competitive return*'

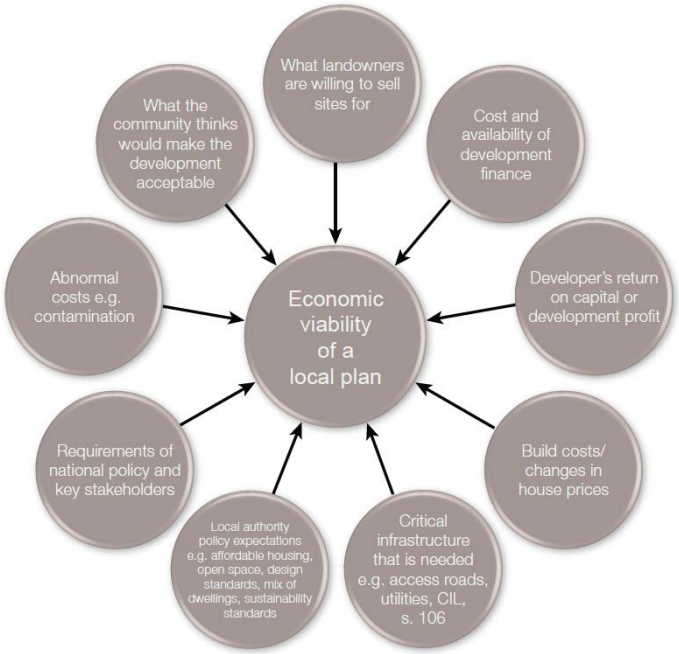
2.66 The meaning of *competitive returns* as the test of viability will depend, in part, on this. The meaning of *competitive return* is at the core of a viability assessment. The RICS Guidance includes the following definition:

Competitive returns *- A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.*

2.67 Whilst this is useful it does not provide guidance as to the size of that return. To date there has been much discussion within the industry as to what may and may not be a competitive return, as yet the term has not been given a firm and binding definition through the appeal, planning examination or legal processes. Competitive return was considered at the January 2013 Shinfield appeal (APP/X0360/A/12/2179141) and at the October 2013 Oxenholme Road appeal (APP/M0933/ A/13/ 2193338). We have discussed this further in Chapter 6.

2.68 It should be noted that this study is about the economics of development. 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

the assessment process. Viability is an important factor in the plan-making process but it is one of many factors.



Existing Available Evidence

2.69 The NPPF and PPG are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. We have reviewed the evidence that is available from the Council. This falls into several broad types:

2.70 The first is that which has been prepared by the Council to inform its Local Development Framework (LDF) and in particular the Local Plan. This study has principally drawn on the existing available evidence:

a. CIL Strategic Sites Testing – BNP Paribas, October 2013

b. CIL Updated Viability Study – BNP Paribas, July 2013

2.71 The Council also holds evidence of what is being collected from developers under the s106 regime. The Council will draw on this real 'on the ground' evidence.

3. Viability methodology

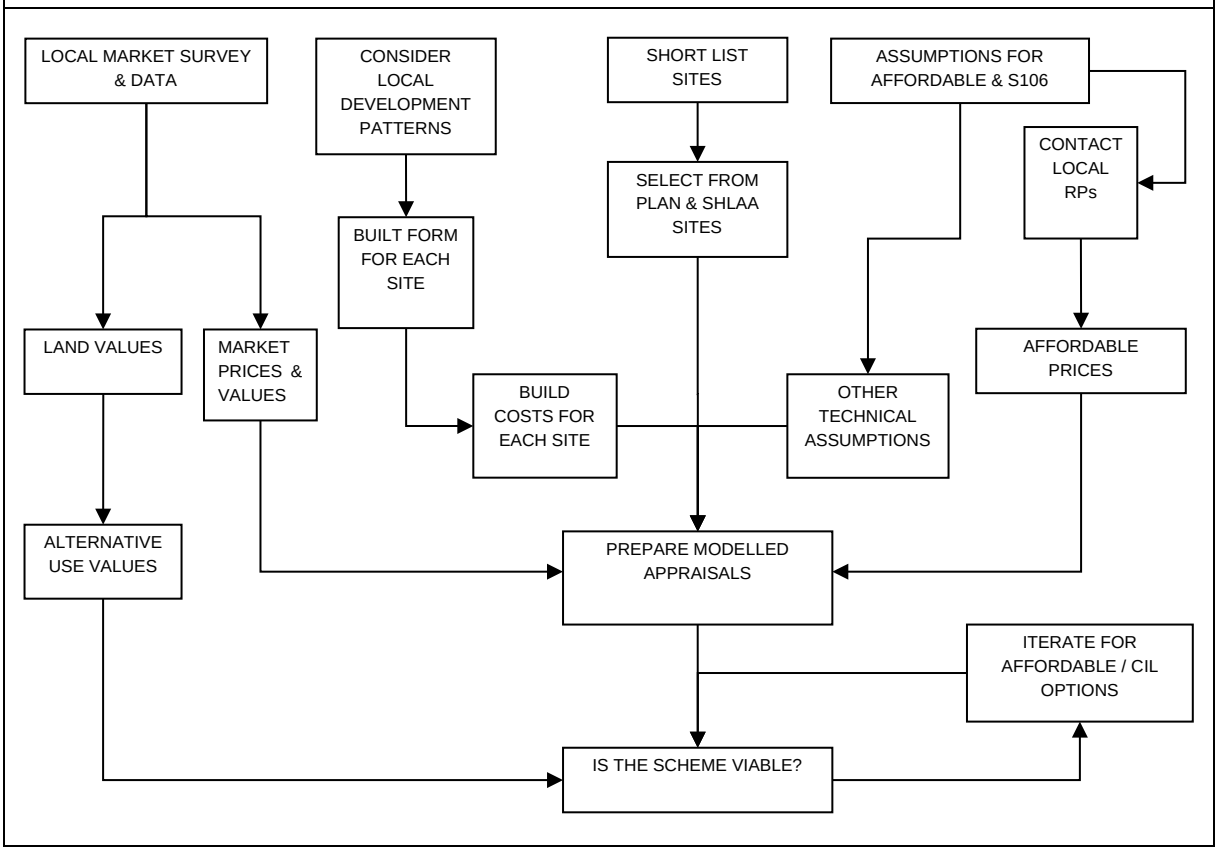
Outline Methodology

3.1 The assessment of deliverability as required under the NPPF is not done through a calculation or a formula. The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of sites, and using these to assess whether development, generally, is viable. The sites were 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 site modelling are set out in Chapter 9. This process ensures that the appraisals are representative of typical development in Dacorum.

3.2 The appraisals are based on policies in the adopted Core Strategy 2006 - 2031.

3.3 We surveyed the local property market, in order to obtain a picture of sales values. We also assessed land values to calibrate the appraisals and to assess existing and alternative use values. Alongside this we considered local development patterns, in order to arrive at appropriate built form assumptions for those sites where information from a current planning permission or application was not available. These in turn informed the appropriate build cost figures. A number of other technical assumptions were required before appraisals could be produced. The appraisal results were in the form of £/ha 'residual' land values, showing the maximum value a developer could pay for the site and still return a target profit level.

Figure 3.1 Viability methodology



Source: HDH 2016

3.4 The Residual Value was compared to the Alternative Use Value for each site. Only if the Residual Value exceeded the Alternative Use Value / Existing Use Value figure by a satisfactory margin, could the scheme be judged to be viable.

3.5 We have used a bespoke viability testing model designed and developed by us specifically for area wide viability testing as required by the NPPF (and CIL Regulation 14)[13]. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations and 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 Plan.

[13] This Viability Model is used as the basis for the Planning Advisory Service (PAS) viability workshops.

4. Residential Property Market

4.1 This chapter sets out an assessment of the housing market, providing the basis for the assumptions on house prices to be used in the financial appraisals for the sites tested in the study.

4.2 Although development schemes do have similarities, every scheme is unique to some degree, even schemes on neighbouring sites. 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 and costs.

The Residential Market

4.3 The Dacorum housing market reflects national trends, but there are local factors that underpin the market including:

i. Proximity to London.

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

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

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

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

4.4 The current direction and state of the housing market is uncertain, and the future is unclear. The housing market peaked late in 2007 (see the following graph) and then fell considerably in the 2007/2008 recession during what became known as the 'Credit Crunch'.

4.5 Up to the peak of the market, the long term rise in house prices had, as least in part, been enabled by the ready availability of credit to home buyers. Prior to the increase in prices, mortgages were largely funded by the banks and building societies through deposits taken from savers. During a process that became common in the 1990s, but took off in the early part of the 21st Century, many financial institutions changed their business model whereby, rather than lending money to mortgagees that they had collected through deposits, they entered into complex financial instruments and engineering through which, amongst other things, they borrowed money in the international markets, to then lend on at a margin or profit. They also 'sold' portfolios of mortgages that they had granted. These portfolios also became the basis of complex financial instruments (mortgage backed securities and derivatives etc).

4.6 During 2007 and 2008, it became clear that some financial institutions were unsustainable, as the flow of money for them to borrow was not certain. As a result, several failed and had

to be rescued. This was an international problem that affected countries across the world – but most particularly in North America and Europe. In the UK the high profile institutions that were rescued included Royal Bank of Scotland, HBoS, Northern Rock and Bradford and Bingley. The ramifications of the recession were an immediate and significant fall in house prices, and a complete reassessment of mortgage lending with financial organisations becoming averse to taking risks, lending only to borrowers who had the least risk of default and those with large deposits.

4.7 It is important to note that the housing market is actively supported by the current Government with about one third of mortgages being provided through a state backed entity or scheme (a publically controlled financial institution or assisted purchase scheme such as shared ownership or Help to Buy). It is not known for how long this will continue.

4.8 There is considerable press coverage concerning market improvement and it is now generally accepted that Britain is in a period of recovery. There has been considerable coverage in the national press.

"This highlights the need to not pin too much weight on one particular house price survey or measure, but to try and take an overall view from the data," he said.

The June RICS Residential Market Survey shows a further acceleration in price growth with the headline price balance hitting an eleven month high 40. Prices are reported to be rising in the majority of areas, with Northern Ireland and East Anglia seeing particularly firm momentum during the month. Driving this pick up in growth was a further modest rise in demand across most parts of the UK alongside yet another decrease in the level on new instructions.

… With mortgage rates still near record lows and the labour market continuing to strengthen, this modest increase in demand is no real surprise. Although the most recent mortgage approvals data (from the Bank of England) for May shoe a 4.7% fall versus the April figure, this probably just reflects some recoil from the sharp rise the previous month, and the underlying trend does appear to be gently upwards. Reflecting this, respondents expect activity levels to pick up across all areas over the coming three months….

The outlook for prices strengthened once again in June with respondents in all areas now expecting an increase at both the three and twelve month horizons. A net balance of 41% of respondents envisage prices rising in the coming three months while twelve month expectations reached a 15 month high of 75. Contributors, on average, foresee process rising by a little over 3% in the year with price growth accelerating thereafter to an average of 4.8% per annum over the coming 5 years.

The RICS reported in the RICS UK Residential Market Survey (June 2015)

4.9 The BBC News reported on the 6th August 2015:

Growth in UK house prices slowed in the year to July, the country's largest mortgage lender has said, although they are still rising "robustly".

The Halifax said that prices rose at an annual pace of 7.9% last month - down from 9.6% in June.

During July itself, prices actually fell, by 0.6%, the largest monthly drop since April 2014.

It brings the average price of a flat or house across the country back down to £198,883.

The sharp fall in July was described as "a correction" by Howard Archer, chief UK economist with IHS Global Insight, following a 1.6% rise in prices in June.

The Halifax figures are in contrast to those from rival lender Nationwide, which said earlier this week that the rate of house price growth picked up to 3.5% in July, from 3.3% a month earlier.

'Continuing recovery'

However, the Halifax said it expected strong growth in prices for the rest of the year.

"The underlying pace of house price growth remains robust notwithstanding the easing in July," said Stephen Noakes, Halifax's managing director of retail customer products.

"Continuing economic recovery, earnings growth in excess of consumer price inflation, and very low mortgage rates all underpin housing demand."

Mr Archer said the contrasting figures from the Halifax and Nationwide served as a warning against reading too much into any one survey.

http://www.bbc.co.uk/news/business-33800016

4.10 This improved sentiment can also be seen in the non-residential sectors:

The Q2 2015 RICS UK Commercial Property Market Survey results continue to paint a robust picture of the commercial real estate sector's health, with strong demand from investors and occupiers alike showing no sign of waning. These firm trends are helping to push capital value and rental expectations higher both in the near term and further out.

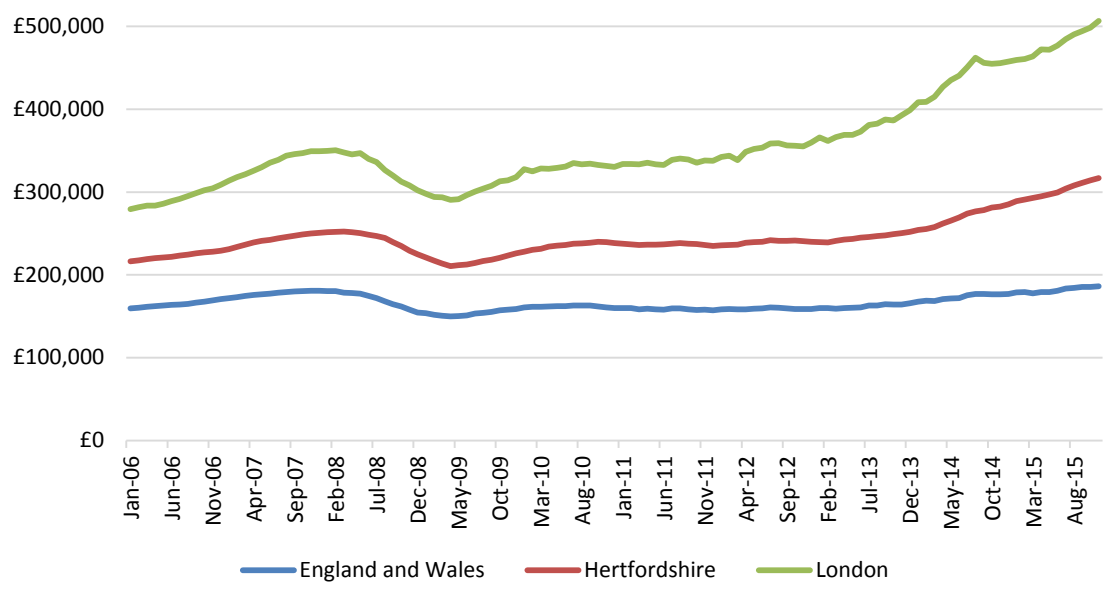
To start with feedback on the occupier market, survey data shows demand for leasable space has now been rising for eleven quarters in succession (extending the longest run of uninterrupted occupier demand growth since the surveys inception in 1998). The retail sector continues to see more modest gains relative to office and industrial space, although the gap has narrowed somewhat recently.

At the same time, available space fell once more, a trend which has now persisted for nine consecutive quarters. Again, the steepest declines were reported in the office and industrial sectors (severely restricted supply is frequently mentioned as an issue by contributors). In a sign of the improving health of the market, the value of landlord incentive packages decreased further in each sector.

RICS Commercial Market Survey UK Q2 2015

4.11 Whilst there is anecdotal evidence of an improved sentiment and increase in prices, we have taken a cautious approach. The following figure shows that generally prices in Hertfordshire fell much less than in the rest of England and Wales and have seen a recovery since the bottom of the market in mid-2009, although they remain somewhat below the 2007 peak.

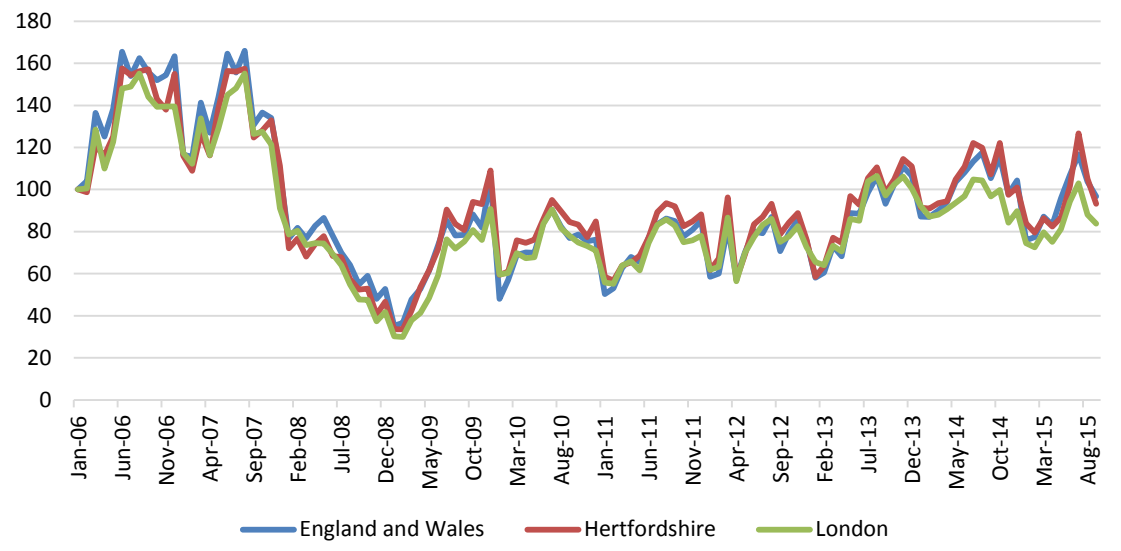
Figure 4.1 Average House Prices (£)



Source: Land Registry (January 2016)

4.12 This is supported by the increase in market activity over recent months:

Figure 4.2 Sales per month – Indexed to January 2006



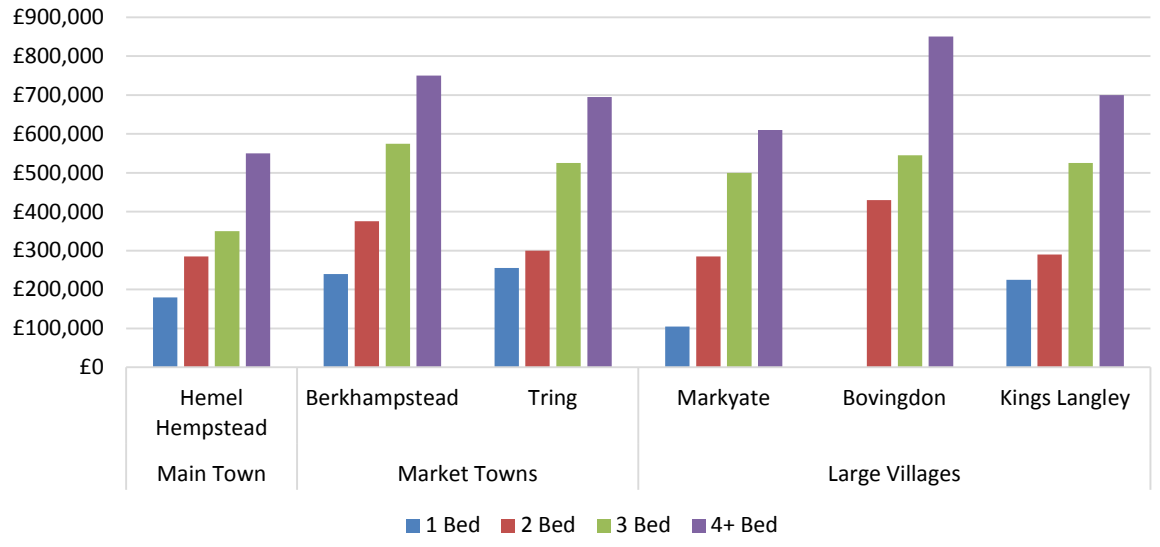
Source: Land Registry

4.13 Hertfordshire's residential market has seen strong signs of recovery. When ranked across England and Wales, the average house price for Dacorum is at the 294th (out of 348) at just over £320,000[14] (median £245,000). To set this in context, the Council at the middle of the rank (South Staffordshire) has an average price of £205,299 (median price of £177,000).

4.14 The table below shows average asking prices across the study area from Rightmove.com. For ease of reference we have looked at prices using the Settlement Hierarchy included in the adopted Core Strategy. Although the data covers both second-hand and newbuild prices, the former will predominate.

[14] CLG Live Table 585

Figure 4.3 Average house prices in Dacorum

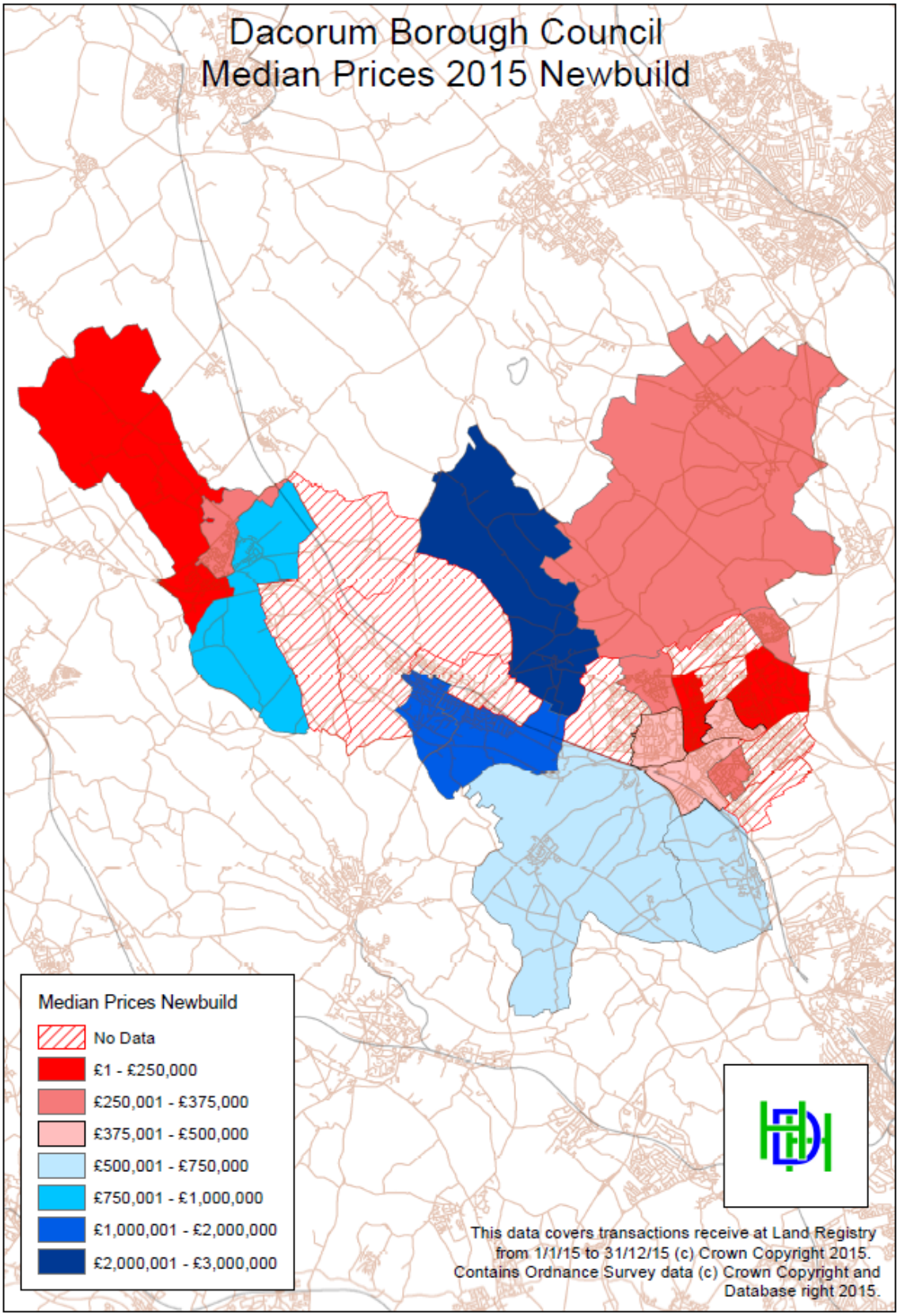


Source: Rightmove.com (January 2016)

4.15 Prices across the area vary considerably, however, this is, at least in part, due to the type of housing that is available in the different areas (for example an area where smaller terraces or new-town era homes predominate will have lower average prices than a rural area where houses tend to be larger for historical reasons).

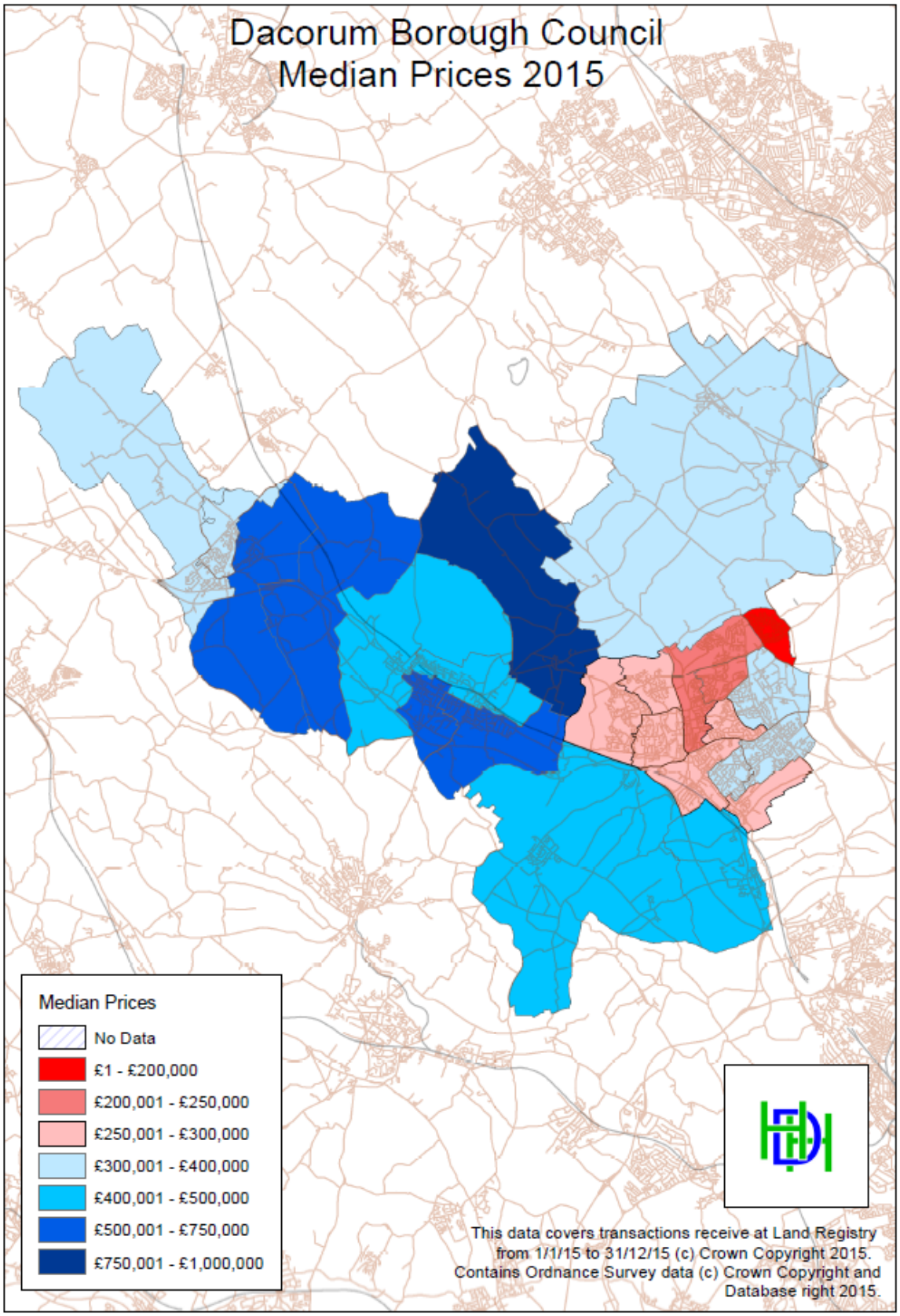
4.16 The Land Registry data is available at ward level as shown in the following map:

Figure 4.4 Median House Prices NEW



Source: Land Registry Data. HDH January 2016

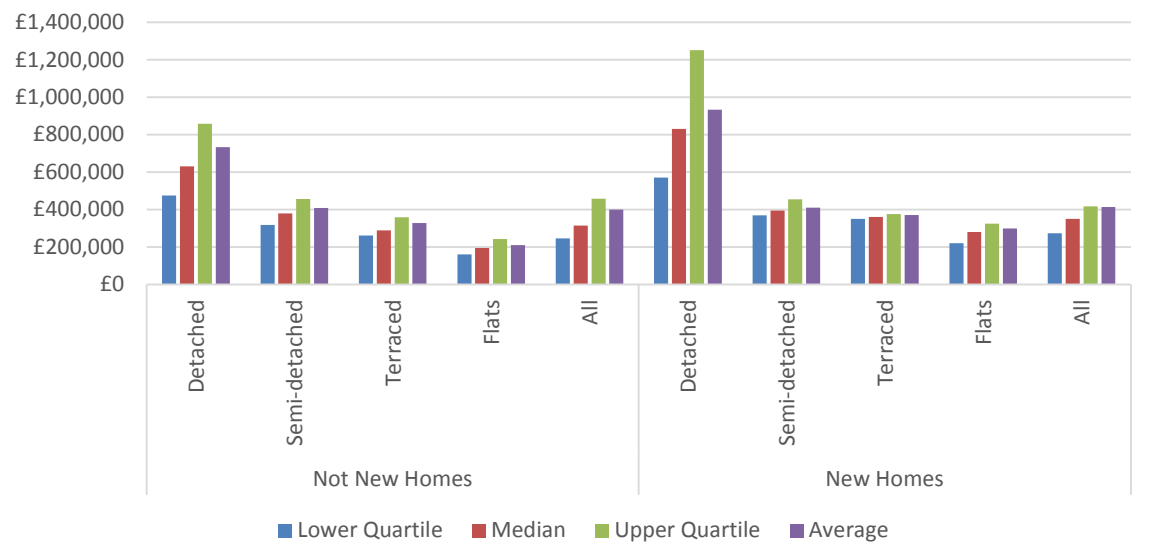
Figure 4.5 Median House Prices NOT NEW



Source: Land Registry Data. HDH January 2016

4.17 There is a clear difference between the values of newbuild and not newbuild housing.

Figure 4.6 Land Registry Price Paid Data



Source: Land Registry Data. HDH January 2016

Table 4.1 Land Registry Price Paid Data

Not New Homes					
	Detached	Semi-detached	Terraced	Flats	All
Count	460	415	772	538	2,185
Minimum	£238,710	£105,000	£72,000	£50,000	£50,000
Maximum	£4,700,000	£1,250,000	£1,190,000	£750,000	£4,700,000
Average	£732,918	£408,069	£327,539	£209,950	£399,224
Median	£630,000	£380,000	£289,000	£195,000	£315,000
Lower Quartile	£475,000	£317,500	£262,000	£160,000	£246,000
Upper Quartile	£858,125	£456,750	£358,125	£241,788	£457,000
New Homes					
	Detached	Semi-detached	Terraced	Flats	All
Count	25	18	40	97	180
Minimum	£250,000	£183,000	£280,000	£172,500	£172,500
Maximum	£2,350,000	£599,950	£777,500	£600,950	£2,350,000
Average	£933,657	£409,246	£370,117	£298,295	£413,595
Median	£830,000	£393,748	£359,995	£280,000	£349,995
Lower Quartile	£569,995	£368,711	£349,995	£220,000	£273,750
Upper Quartile	£1,250,000	£454,494	£374,996	£325,000	£416,250

Source: Land Registry Data. HDH January 2016

4.18 In July 2013 the CIL Updated Viability Study (BNP Paribas) the following values were used:

Table 4.2 Prices From BNP Paribas

Market Areas	Description	Houses £s per sq m	Flats £s per sq m	Houses and Flats per sq m
1	Berkhamsted, Potten End and Little Gaddesden	£3,929	£3,660	£3,767
2	Tring, Wigginton, Long Marston and Flamstead Great Gaddesden and Gaddesden Row	£3,229	£2,691	£3,229
3	Hemel Hempstead (Hemel Central, Adeyfield, Bennetts End, Gadebridge and Apsley	£2,906	£2,906	£2,906
4	Hemel Hempstead (Highfield, Grovehill and Woodhall)	£2,368	£1,830	£2,368
5	Hemel Hempstead Station, Boxmoor, Chaulden, Felden and Leverstock Green	£3,229	£3,068	£3,229
6	Markyate	£2,906	£2,691	£2,906
7	Kings Langley, Chipperfield and Bovingdon	£3,498	£3,014	£3,391

Source: Table 4.3.1: Average sales values used in appraisals (BNP July 2013)

4.19 It is important to note that the Land Registry records an increase of 29% in house prices in the area since July 2013. It is therefore appropriate to update the assumptions used in this study.

Newbuild Sales Prices

4.20 We conducted a survey of new homes for sale during April 2014. We identified about 20 new homes being advertised for sale – although it is notable that many of these are being sold off plan and have not yet been built. Analysis of these and other schemes in the study area shows that asking prices for newbuild homes vary, very considerably, across the area. As set out in **Appendix 1** the prices ranged from a little under £3,900/m^2 to over £6,150/m^2 with the norm being around £4,800/m^2 which is somewhat higher than the price assumptions being used in the Whole Plan Viability Assessment – although it should be noted these are asking prices rather than sale prices.

4.21 The majority of the data used in this update has been updated from earlier work. The values of market housing were derived by drawing on a range of information sources. These included asking prices, Price Paid Data from the Land Registry and other secondary sources. The assumptions were presented to stakeholders through the earlier consultation process and amended to reflect the feedback and comments made.

4.22 To review the residential value assumptions we have analysed the Price Paid Data from the Land Registry with information from the Energy Performance Certificate (EPC) Register. This information was not available at the time of the earlier work. We have also refreshed the survey of asking prices of newbuild houses currently for sale in the area.

Land Registry

4.23 This study is concerned with the viability of newbuild residential property so the key input for the appraisals is the prices of new units. We have reviewed recent newbuild sales prices from the Land Registry from the start of 2015[15]. The Land Registry publishes data of all homes sold. Across the Dacorum area 188 newbuild home sales were recorded in the period. These transactions are summarised in Table 4.2 above and detailed in **Appendix 2**.

4.24 Each house sold requires an Energy Performance Certificate. This is a public document that can be viewed on the EPC Register. The EPC contains the floor area (the Gross Internal Area – GIA) as well as a wide range of other information about the construction and energy performance of the building. This GIA information is also included in **Appendix 2**.

4.25 We have married the price data from the Land Registry with homes' floor area from the EPC Register:

Table 4.3 Newbuild Price Paid by Floor Area, January 2015 to December 2015 £/m^2

	Detached	Semi-detached	Terraced	Flats	All
Count	25	18	40	97	180
Minimum	£3,265	£2,440	£2,203	£2,931	£2,203
Maximum	£6,055	£4,451	£4,226	£7,912	£7,912
Average	£4,531	£3,669	£3,227	£4,527	£4,153
Median	£4,418	£3,725	£3,241	£4,438	£4,187
Lower Quartile	£3,759	£3,386	£2,944	£4,180	£3,552
Upper Quartile	£5,457	£3,987	£3,392	£4,792	£4,630

Source: Land Registry and EPC Register (January 2016)

Market Housing Price Assumptions for Financial Appraisals

4.26 It is necessary to form a view about the appropriate prices for the schemes to be appraised in the study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. Based on the current asking prices from active developments, and informed by the general pattern of all house prices across the study area, we have set the prices used in the appraisals based on this data. It is important to note at this stage that this is broad brush, as required by the NPPF. The values between new developments and within new developments will vary considerably.

[15] The Land Registry makes all transactions available as and when they are registered via the 'beta' format tool at https://www.gov.uk/government/statistical-data-sets/price-paid-data-downloads. It does take some time for transactions to be registered – we estimate this to be about 4 to 6 months.

4.27 We have set the prices in the appraisals as follows – using the CIL Zones:

Table 4.4 Price Assumptions – January 2016 (£/m^2)

CIL ZONE	Description	Houses	Flats	Houses and Flats
1	Berkhamsted and surrounding area	£4,700	£4,800	£4,750
2	Elsewhere	£3,800	£3,800	£3,800
3	Hemel Hempstead and Markyate	£3,300	£4,000	£3,600

Source: SHLAA Viability Study (HDH January 2016)

4.28 These are somewhat higher than the assumptions used in the earlier viability work, but are informed primarily by the actual transactions recorded in Appendix 2 and in all cases below the average sale prices achieved over 2015.

4.29 It is important to note that we have not considered the microeconomic factors that will influence the prices on each site. Value of units on sites in an area are strongly influenced by the specific situation of a site (for example the views, the neighbours and very local factors). This is a generally cautious approach.

4.30 It is necessary to consider whether the presence of affordable housing would have a discernible impact on sales prices. In fact, affordable housing will be present on many of the sites whose selling prices have informed our analysis. Our view is that, in any case, any impact can and should be minimised through an appropriate quality design solution.

Affordable Housing

4.31 The Council has a policy for the provision of affordable housing (the requirements are summarised in Chapter 7). In this study we have assumed that such housing is constructed by the site developer and then sold to a Registered Provider (RP). This is a simplification of reality as there are many ways in which affordable housing is delivered, including the transfer of free land to RPs for them to build on, or the retention of the units by the schemes overall developer. There are three main types of affordable housing: Social Rent, Affordable Rent and Intermediate Housing Products for Sale (e.g. shared ownership).

4.32 As in the CIL Updated Viability Study it has been assumed that affordable housing is provided at 35% on sites of 10 or more units in Hemel Hempstead and 5 or more units in other areas. The affordable housing is provided as 75% Affordable Rented (rather than Social Rented) and 25% intermediate housing.

4.33 In the work to date it was assumed that the value of Affordable Rent was derived based on 70% of the median open market rents (restricted to the Local Housing Allowance Cap).

4.34 Prior to the 2015 Summer Budget, rents of affordable housing (both Affordable Rents and Social Rents) were generally increased by inflation (CPI) plus up to 1% each year. These provisions were to prevail until 2023. The result was that Housing Associations knew their rents would go up and those people and organisations who invest in such properties (directly

or indirectly) knew that the rents were going up year on year. This made them a particularly attractive and secure form of investment or security for a loan.

4.35 In the Budget it was announced that social and affordable rents would be reduced by 1% per year for 4 years[16].

4.36 It is too early to be certain of the impact and effect on the delivery of new housing isn't yet known but the knock on effect of reducing rents is inevitably going to have an effect on values. There are a number of views as to what impact this change may have. Savills said in their paper Impact On The Housing Sector of the July Budget:

VALUATIONS

Valuations for Accounts – Existing Use Value Social Housing

The effect of the proposed rent reductions on valuations for accounts is significant.

The scale of the effect is broadly similar across different Provider types and we estimate will result in a reduction in current values of around 25%-30%. The impact will increase in future years. Relative to what they would have been, we estimate valuations will be some 30%-40% lower in ten years time.

The RPs at the higher end of the reduction scale tend to be those with smaller surpluses.

Valuations for Loan Security – Existing Use Value for Social Housing

*Valuations for loan security on an EUV-SH basis are undertaken against the background of the rent freedoms granted to mortgagees in possession (**and** the landlord they sell the stock to) under the insolvency provisions originally in the Rent Influencing Guidance and now in the Rent Standard. Similar exemptions for mortgagees are contained in the Welfare Reform and Work Bill now before Parliament.*

Our interpretation of these provisions is that Mortgagees and their successors would be able to charge a rent that they consider 'affordable' to those in low paid employment, and would be able to increase that rent in line with earnings in order to maintain a level affordability ratio (rent over household income). In our view valuations for loan security can therefore be based on rents and rent growth that sit outside the new rent regime.

*As a result – on the assumption that the insolvency provisions in the Bill remain as they are - it is our view that the proposal to reduced rents by 1% per annum for the next four years **should not significantly affect current loan security valuations.** Our valuations would assume the current rent could quickly converge to our opinion of an appropriate 'affordable' rent and continue to grow in line with earnings – which we generally assume over the longer term is broadly equivalent to CPI+1% - and keep in step with growth in the sector over the long term.*

However valuations in future years valuations will not grow as previously expected (eg circa 5% relative reduction by year 10) as the starting rent for future valuations will be lower than it otherwise would have been.

Of course the Budget provisions may impact on bad debts, voids and discount rates which may adversely feed through into EUV-SH valuations.

4.37 It is clearly necessary to reconsider the value affordable housing. Whilst this is a rapidly changing area it is possible to make some assumptions. From a valuation perspective, we

[16] We understand that the objective is to reduce the overall costs of Housing Benefit / Local Housing Allowance / Universal Credit to the Exchequer.

reconsidered the value of affordable housing from first principles and adjusted the yield by up to 50BPS (i.e. 0.5%)[17].

Affordable Rent

4.38 Under Affordable Rent a rent of no more than 80% of the open market rent for that unit can be charged (although the Council's preference is that this is lowered to 70%). One of the aims of the Government's policy on affordable housing is to make the HCA budget go further. The Affordable Rent that is over and above the Social Rent is used by Registered Providers (RPs) to raise capital through borrowing or securitisation[18]. This supports the building of the affordable units – the extra borrowing replacing grant.

4.39 The objective of Affordable Rent is that by charging higher rents for the affordable housing, less grant and subsidy is required and thus the development of affordable housing would be self-funded as, on market housing led schemes, grant is only now available in exceptional circumstances. For example on high priority sites where there is still a funding gap after the higher affordable rent has been allowed for. As the amount is uncertain we have assumed no grant will be available in the future.

4.40 In the development of affordable housing for rent, 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. This will depend on the amount of the rent and the cost of managing the property (letting, voids, rent collection, repairs etc.).

4.41 We have assumed that, because a typical affordable rent unit will be new, it will command a premium rent that is a little higher than equivalent older private sector accommodation. In the earlier work we estimated the likely level of Affordable Rent, based on a survey of market rents across the Borough.

4.42 In this update we have based our analysis on affordable rents being charged in the area, capped at the Local Housing Allowance cap[19].

[17] An increase in yields leads to a reduction in prices.

[18] The creation and issuance of tradable securities, such as bonds, that are backed by the income generated by an asset, a loan, a public works project or other revenue source. (Source FT Lexicon)

[19] The rents of new affordable housing is not actually subject to the LHA cap (the LHA cap applies to the PRS sector only), however, through the consultation process, this was considered a pragmatic assumption.

Table 4.5 Local Housing Allowance Caps			
	Aylesbury	Chilterns	South West Herts
Shared	£72.76	£73.64	£78.50
1 Beds	£123.58	£145.43	£156.00
2 Beds	£153.02	£182.45	£196.96
3 Beds	£198.43	£236.34	£240.00
4 Beds	£291.34	£344.05	£358.80

Source: VOA (January 2016)

4.43 To assess the value of Affordable Rent we have 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income at 6% (being an increase from 5.5% that would have been used before the Summer Budget).

4.44 Affordable Rents are published by the Homes and Communities Agency as follows:

Table 4.6 Affordable Rents				
	1 Bed	2 Bed	3 Bed	4 Bed
Per week	£100.63	£118.26	£127.81	£136.66
Per month	£436.06	£512.46	£553.84	£592.19
Per year	£5,232.76	£6,149.52	£6,646.12	£7,106.32

Source: Private Registered Provider Social Housing Stock in England: Statistical Data Return dataset 2015

4.45 These rents form the basis of the assessment of value of affordable housing for rent.

Table 4.7 Revised Worth of Affordable Rent (£)		
	2 Bed	3 Bed
Affordable Rent (£/week)	£118	£128
Affordable Rent (£/year)	£6,150	£6,646
Net Rent pa	£4,920	£5,317
Worth	£81,994	£88,615
m^2	72	83
£/m^2	**£1,139**	**£1,068**

Source HDH 2016

4.46 In this study we have assumed a value of Affordable Rent of £1,100/m^2.

Intermediate Products for Sale

4.47 Intermediate products for sale include shared ownership and shared equity products. The market for these is slow at present and we have found little evidence of the availability of such products in the study area. We believe that this is in part due to the success of the Government's Help to Buy scheme and low levels of supply.

4.48 We have assumed a value of 65% of open market value for these units. This value is broadly based on purchasers buying an initial 50% share of a property and a 2.5% per annum rent payable on the equity retained. The rental income is capitalised at 5.5% having made a 2.5% management allowance.

Grant Funding

4.49 In recent years the HCA and Local Planning Authorities (LPAs) have aspired to ensure that affordable housing is delivered on s106 sites without grant. When planning authorities have negotiated with developers during the planning process about the number and type of affordable housing to be provided through s106 agreements and planning conditions, the initial basis of those discussions has usually been that the affordable units would be made available without any grant. We have assumed that no external funding will be available in the analysis in this report.

5. Land Prices

5.1 In Chapter 2 we set out the methodology used in this study to assess viability and set out the different approaches put forward in the Harman Guidance and the RICS Guidance. An important element of the assessment, under both sets of guidance, is the value of the land. Under the method recommended in the Harman Guidance, the starting point for the assessment is the worth of the land before consideration of any increase in value arising from a different use that may be permitted though a planning consent, this being the Existing Use Value (EUV). Also considered is the worth under a different use which would be likely to be permitted, or the Alternative Use Value (AUV).

5.2 In this chapter we have considered the values of different types of land. The value of land relates closely to the use to which it can be put and will range considerably from site to site; however, as this is a high level study, we have looked at the three main uses, being: agricultural, residential and industrial. We have then considered the amount of uplift that may be required to ensure that land will come forward.

Current and Alternative Use Values

5.3 In order to assess development viability, it is necessary to analyse current and alternative use values. Current use values refer to the value of the land in its current use before planning consent is granted, for example, as agricultural land. Alternative use values refer to any other potential use for the site. For example, a brownfield site may have an alternative use as industrial land.

5.4 The PPG includes a definition of land value as follows:

Central to the consideration of viability is the assessment of land or site value. The most appropriate way to assess land or site value will vary but there are common principles which should be reflected.

In all cases, estimated land or site value should:

- *reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;*
- *provide a competitive return to willing developers and land owners (including equity resulting from self-build developments); and*
- *be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.*

5.5 RICS Guidance makes it clear that when considering land value that this must be done in the context of current and emerging policies:

Site Value definition *Site Value either as an input into a scheme specific appraisal or as a benchmark is defined in the guidance note as follows: 'Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.'*
(Box 7, Page 12, RICS Guidance)

5.6 It is vital to fully appreciate that land value should reflect emerging policy requirements and planning obligations. When considering comparable sites the value will need to be adjusted to reflect this requirement.

5.7 To assess viability, the Residual Value of the land is compared with the Alternative Use Value. If the Residual Value does not exceed the Alternative Use Value, then the development is not viable. If the Residual Value exceeds the Alternative Use Value by a sufficient margin to incentivise the landowner to sell the land then the site is viable.

5.8 For the purpose of the present study, it is necessary to take a comparatively simplistic approach to determining the Alternative Use Value. 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.

5.9 Our 'model' approach is outlined below:

i. For sites previously in agricultural (where there is no Alternative Use Value) use, then agricultural land represents the Existing Use Value.

ii. For smaller parcels of land on the edge of a settlement we have assumed a paddock value to reflect its likely alternative use as amenity land.

iii. Where the development is on former industrial, warehousing or similar land, then the existing and Alternative Use Value is considered to be industrial. However account has been taken of the prices paid for such brownfield sites since this indicates the real value in the market place.

iv. Where the site is currently in a residential use we have used a residential value.

Residential Land

5.10 We have considered general figures from the Valuation Office Agency (VOA) relating to residential land values. Land values vary dramatically depending upon the development characteristics (size and nature of the site, density permitted etc.) and any affordable or other development contribution.

5.11 The VOA published figures for residential land in the Property Market Report, the most recent being from 2011. These covered areas which generate sufficient activity to discern a market pattern. That means locally we have figures for Cambridge, Reading and Enfield. These values can only provide broad guidance, they can therefore be only indicative, and it is likely that values for 'oven ready' land (i.e. land with planning consent and ready for immediate building) with no affordable provision or other contribution, or servicing requirement, are in fact higher.

Table 5.1 Residential Land Values at January 2011 Bulk Land £/ha (£/acre)	
Cambridge	2,900,000 (1,170,000)
Reading	2,750,000 (1,869,000)
Enfield	4,150,000 (1,679,000

Source: VOA Property Market Report 2011

5.12 The values in the Property Market Report are based on the assumption that land is situated in a typically average greenfield edge of centre/suburban location for the area and it has been assumed that services are available to the edge of the site and that it is ripe for development with planning permission being available. The values provided assume a maximum of a two storey construction with density, S106 provision and affordable housing ratios to be based on market expectations for the locality. The report cautions that the values should be regarded as illustrative rather than definitive and represent typical levels of value for sites with no abnormal site constraints and a residential planning permission of a type generally found in the area. It is important to note that these values are net – that is to say they relate to the net developable area and do not take into account open space that may form part of the scheme.

5.13 Due to the date of the report, these values are before the introduction of CIL, so do not reflect this new charge on development.

5.14 More recently *DCLG published Land value estimates for policy appraisal*[20]. The Dacorum figure is £3,885,000/ha. It is important to note this figure assumes nil affordable housing. As stressed in the paper this is hypothetical situation and '*the figures on this basis, therefore, may be significantly higher than could be reasonably obtained in the actual market*'[21].

5.15 The Valuation Office Agency assumed that 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. 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 3,150m^2.

[20] *Land value estimates for policy appraisal.* Department for Communities and Local Government, February 2015.

[21] Point 2, Page 14, Land value estimates for policy appraisal. DCLG, February 2015.

5.16 It is necessary to make an assumption about the value of residential land. We have assumed a value of £2,000,000/ha (£809,000/acre) for residential land. This amount is on a net basis to exclude the areas of open space and the like.

5.17 It is important to understand residential land prices as whilst they do not form an important part of the viability appraisals, they do inform the assessment of viability later in this study.

Industrial Land

5.18 The VOA's typical industrial land values for the nearby locations are set out in the table below.

Table 5.2 Industrial land values £/ha (/acre)	
Cambridge	740,000 (299,000)
Reading	1,900,000 (769,000)
Enfield	2,200,000 (890,000)

Source: VOA Property Market Report 2011

5.19 The figures in the above table reflect the downturn in values from 2008.

5.20 We have undertaken a market survey and there is a considerable variation in the prices across the area. At the lower end, prices of £500,000/ha (£200,000/acre) can be found, however it is unlikely, on the whole, that these will come forward for alternative uses due to their situation or current condition. More typically we have found industrial values to be in the region of £600,000/ha to £1,000,000/ha.

5.21 Based on this we have assumed a figure of £750,000/ha (£300,000/acre) for industrial land the study area.

Agricultural and Paddocks

5.22 Agricultural values rose for a time several years ago after a long historic period of stability. Values are around £15,000-£25,000/ha depending upon the specific use. A benchmark of £25,000/ha is assumed to apply here.

5.23 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. We have assumed a higher value of £50,000/ha for village and town edge paddocks.

Use of Alternative Use Benchmarks

5.24 The results from appraisals are compared with the Alternative Use Values set out above in order to form a view about each of the sites' viability. This is a controversial part of the viability process and the area of conflicting guidance (the Harman Guidance versus the RICS Guidance). In the context of this report it is important to note that it does not automatically follow that, if the Residual Value produces a surplus over the Alternative Use Value benchmark, the site is viable. The land market is more complex than this and as recognised by paragraph 173 of the NPPF, the landowner and developer must receive a '*competitive return*'. The phrase *competitive return* is not defined in the NPPF, nor in the Guidance.

5.25 Competitive return has not been fully defined through planning appeals and the court system[22]. The RICS Guidance includes the following definition:

Competitive returns *- A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.*

5.26 The PPG includes the following section:

Competitive return to developers and land owners

The National Planning Policy Framework states that viability should consider "competitive returns to a willing landowner and willing developer to enable the development to be deliverable." This return will vary significantly between projects to reflect the size and risk profile of the development and the risks to the project. A rigid approach to assumed profit levels should be avoided and comparable schemes or data sources reflected wherever possible.

A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.

5.27 Whilst this is useful it does not provide any guidance as to the size of that return. To date there has been much discussion within the industry and amongst planners as to what may and may not be a competitive return, as yet the term has not been given a firm definition through the appeal, planning examination or legal processes. The Shinfield appeal (January

[22] In this context the following CIL Examinations are relevant. **Mid Devon District Council** by David Hogger BA MSc MRTPI MCIHT, Date: 20 February 2013 **Greater Norwich Development Partnership** – for Broadland District Council, Norwich City Council and South Norfolk Council. by Keith Holland BA (Hons) Dip TP, MRTPI ARICS Date: 4 December 2012

2013)[23]does shed some light in this. We have copied a number of key paragraphs below as, whilst these do not provide a strict definition of competitive return, the Inspector (Clive Hughes BA (Hons) MA DMS MRTPI) does set out his analysis clearly. The following paragraphs are necessarily rather long however as they are the only current steer in this regard we have included all that are relevant.

38. Paragraph 173 of the Framework advises that 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. The Framework provides no advice as to what constitutes a competitive return; the interpretation of that term lies at the heart of a fundamental difference between the parties in this case. The glossary of terms appended to the very recent RICS guidance note Financial viability in planning (RICS GN) says that a competitive return in the context of land and/ or premises equates to the Site Value (SV), that is to say the Market Value subject to the assumption that the value has regard to development plan policies and all other material considerations and disregards that which is contrary to the development plan. It is also the case that despite much negotiated agreement, in respect of calculating the viability of the development, other significant areas of disagreement remain.

Benchmark Land Value

57. There is a significant difference in the figures produced by the parties. The Council calculated a Benchmark Land Value of …….

61. The appellants' valuation of the site is £2,325,000 based upon 8 acres of commercial open storage/ industrial land and buildings at £250,000 per acre and 13 acres of settlement fringe at £25,000 per acre. The figure of £250,000 per acre seems reasonable in the light of the recent sale value achieved at the smaller site at Paddock Road (£330,000 per acre).

62. The Council did not use comparators; instead it relied upon a valuation based upon a substantial office scheme on the appeal site. This was based upon the outline planning permission for offices on the site in 2003 that was renewed in 2006 but which has since lapsed. This development provided a value of £2.75m; from this it is necessary to subtract the cost of decontaminating the land. This gives a benchmark SV of £1.865m, a figure revised from the Council's original evidence to take account of the agreed costs of decontamination. I am concerned about this approach in that the Council has failed to demonstrate that there is any market for such a substantial office development here. Indeed, the only recently completed (2009) office development of comparable scale, The Blade in Reading, is still largely vacant.

63. Overall, therefore, there is a difference between the parties of about £500,000 (£2.3m compared to £1.8m) in the benchmark land value. Neither figure is wholly watertight……

Competitive return

64. Determining what constitutes a competitive return inevitably involves making a subjective judgement based upon the evidence. Two very different viewpoints were put forward at the Inquiry with the appellants seeking a land value of £4,750,000 which is roughly the mid-point between the EUV/CUV and the RLV with planning permission for housing and no obligations. This ties in with the 50:50 split between the community and the landowner sought by the appellants. The Council

[23] APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

considered that a sum of £1.865m would ensure a competitive return; that is to say the Council's calculation of the EUV/CUV.

65. Paragraph 173 of the Framework says that the costs of any requirements should provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable. The paragraph heading is "Ensuring viability and deliverability"; it is clear that its objective is to ensure that land comes forward for development. I am not convinced that a land value that equates to the EUV/CUV would provide any incentive to the landowner to sell the site. Due to the particular circumstances of this site, including the need to remediate the highly significant level of contamination, such a conclusion would not provide any incentive to the landowner to carry out any remediation work. There would be no incentive to sell the land and so such a low return would fail to achieve the delivery of this site for housing development. In these circumstances, and given the fact that in this case only two very different viewpoints on what constitutes a competitive return have been put forward, the appellants' conclusions are to be preferred. In the scenario preferred by the Council, I do not consider that the appellants would be a willing vendor.

Viable amount of Affordable Housing

66. The RICS GN says that any planning obligations imposed on a development will need to be paid out of the uplift in the value of the land but it cannot use up the whole of the difference, other than in exceptional circumstances, as that would remove the likelihood of land being released for development. That is exactly what is at issue here in that the Council's valuation witness, in cross examination, stated that a landowner should be content to receive what the land is worth, that is to say the SV. In his opinion this stands at £1.865m. I accept that, if this figure was agreed (and it is not), it would mean that the development would be viable. However, it would not result in the land being released for development. Not only is this SV well below that calculated by the appellants, there is no incentive to sell. In short, the appellants would not be willing landowners. If a site is not willingly delivered, development will not take place. The appellants, rightly in my opinion, say that this would not represent a competitive return. They argue that the uplift in value should be split 50:50 between the landowner and the Council. This would, in this instance, represent the identified s106 requirements being paid as well as a contribution of 2% of the dwellings as affordable housing.

70. I conclude on this issue that, allowing the landowner a competitive return of 50% of the uplift in value, the calculations in the development appraisal allowing for 2% affordable housing are reasonable and demonstrate that at this level of affordable housing the development would be viable (Document 26). The only alterations to these calculations are the relatively minor change to the s106 contribution to allow for a contribution to country parks and additions to the contributions to support sustainable modes of travel. These changes would have only a limited impact on the return to the landowner. The development would remain viable and I am satisfied that the return would remain sufficiently competitive to enable the land to come forward for development. Overall, therefore I conclude that the proposed amount of affordable housing (2%) would be appropriate in the context of the viability of the development, the Framework, development plan policy and all other material planning considerations.

5.28 More recently, further clarification has been added in the Oxenholme Road appeal (October 2013)[24]. This appeal related to a site to the edge of Kendal. The Inspector confirmed that the principle set out in Shinfield is very site specific and should only be given limited weight. At Oxenholme Road the Inspector said:

47. The parties refer to an appeal decision for land at Shinfield, Berkshire , which is quoted in the LADPD Viability Study. However, little weight can be given to that decision in the present case, as the

[24] APP/M0933/ A/13/ 2193338 (Land to the west of Oxenholme Road, Kendal, Cumbria)

nature of the site was quite different, being partly previously developed, and the positions taken by the parties on the proportion of uplift in site value that should be directed to the provision of affordable housing were at odds with those now proposed. There is no reason in the present case to assume that either 100% or 50% of the uplift in site value is the correct proportion to fund community benefits.

48. Both the RICS Guidance Note and the Harman report comment on the danger of reliance on historic market land values, which do not take adequate account of future policy demands…..

5.29 It is clear that for land to be released for development, the uplift over the existing use value needs to be sufficiently large to provide an incentive to the landowner to release the site and cover any other appropriate costs required to bring the site forward for development. It is therefore appropriate and an important part of this assessment to have regard to the market value of land as it stands. However the Shinfield appeal was determined on the specific circumstances that were put forward to the inspector. Whilst it sets out an approach it does not form a binding precedent, appeals will continue to be determined on the facts that relate to the particular site in question. At Shinfield the inspector only considered the two approaches put to him and did consider the landowners' competitive return in any other ways. The appellant's method and approach was preferred to the Council's – but it should not be considered to be the only acceptable approach.

5.30 The RICS Guidance recognises that the value of land will be influenced by the requirements imposed by planning authorities. It recognises that the cost to the developer of providing affordable housing, building to increased environmental standards, and paying CIL, all have a cumulative effect on viability and are reflected in the ultimate price of the land. A central question for this study is at what point do the requirements imposed by the planning authorities make the price payable for land so unattractive that it does not provide competitive returns to the land owner, and so does not induce the owner to make the land available for development.

5.31 The reality of the market is that each and every landowner has different requirements and different needs and will judge whether or not to sell by their own criteria. We therefore have to consider how large such an 'uplift' or 'cushion' should be for each type of site to broadly provide a competitive return. The assumptions must be a generalisation as in practice the size of the uplift will vary from case to case depending on how many landowners are involved, each landowner's attitude and their degree of involvement in the current property market, the location of the site and so on. An 'uplift' of, say, 5% or £25,000/ha might be sufficient in some cases, whilst in a particular case it might need to be five times that figure, or even more.

5.32 There are a number of approaches that can be taken. In the CIL Update Viability Study the following approach was used:

4.44 The four benchmark land values used in this study have been selected to provide a broad indication of likely land values across the Borough, but it is important to recognise that other site uses and values may exist on the ground. There can never be a single threshold land value at which we can say definitively that land will come forward for development, especially in urban areas.

4.45 It is also necessary to recognise that a landowner will require an additional incentive to release the site for development11. The premium above current use value would be reflective of specific site circumstances (the primary factors being the occupancy level and strength of

demand from alternative occupiers). For policy testing purposes it is not possible to reflect the circumstances of each individual site, so a blanket assumption of a 20% premium has been adopted to reflect the 'average' situation

4.46 ***Benchmark land value 1****: we have included a risk-adjusted Valuation Office Agency ('VOA') 'residential land value' for Cambridge as one of our benchmarks12. This data reflects the value of land with planning consent for residential use with appropriate servicing and thus an over generous benchmark against which to test developments which do not have planning. Valuers would typically deduct an allowance for risk from the value of sites without consent. We have therefore adjusted the Cambridge residential land value of £2.9 million per hectare to £2.03 million per hectare to account for planning risk. Recognising that the VOA undertook its most recent study when Social Housing Grant was available for most sites, we have adjusted the land value to account for the reduction in grant availability resulting from the October 2010 Comprehensive Spending Review13. This results in a further reduction of £0.675 million per hectare (based on a 30 unit scheme, with 25% affordable equating to 7.5 units at £90,000 grant per unit). The resulting serviced land value benchmark is £1.355 million per Hectare (Ha).*

4.47 We would caution against reliance on land sales as evidence of minimum land value thresholds, particularly in light of the comments on this data in Examiner's report on the Mayor of London's CIL14.

4.48 Benchmark Land Value 2: This benchmark assumes lower value secondary office space on a hectare of land, with 40% site coverage and 3 storeys. The rent assumed is based on lettings of second hand offices in the Borough at £5 per sq ft. We have assumed a £32 per sq ft allowance for refurbishment and a letting void of three years. The capital value of the building would be £751,000, to which we have added a 20% premium, resulting in a benchmark of £901,000 per Ha.

4.49 ***Benchmark Land Value 3****: This benchmark assumes lower value secondary industrial/warehousing space on a hectare of land, with 60% site coverage and 1 storey. The rent assumed is based on lettings of second hand industrial floorspace in the Borough at £4 per sq ft. We have assumed a letting void of three years. The capital value of the building would be £571,000, to which we have added a 20% premium, resulting in a benchmark of £685,000 per Ha.*

4.50 ***Benchmark Land Value 4****: This benchmark assumes a community building, which could include buildings owned by the Council and other public sector bodies, and community/charity groups. We have assumed site coverage of 50% across a hectare of land, with a single storey building. The rent assumed is based on our estimate of £1.50 per sq ft. We have assumed a letting void of one year. The capital value of the building would be £255,000, to which we have added a 20% premium, resulting in a benchmark of £306,000 per Ha.*

4.51 It is worth noting that Benchmark Land Value 4 is also equivalent to a land value for greenfield sites, sitting in the middle of the range of £247,000 to £370,500 per Ha identified by research undertaken for the Department for Communities and Local Government15.

5.33 In this study we have specifically considered the landowner's *competitive return*. As a starting point we have taken the view that a 20% uplift over and above the Existing Use Value would be sufficient. This is supported by work we have done elsewhere and by appeal decisions. Based on our knowledge of rural development and from working with farmers, landowners and their agents we have made a further adjustment for those sites coming forward on greenfield sites. We have added a further £600,000/ha to reflect this premium on greenfield sites. We have added this amount to sites that were modelled on sites that were previously paddocks as well – the result being that owners of greenfield land would receive an uplift of over 20 times through developing land for both residential and non-residential uses. In this report this 'EUV plus' is termed the Viability Threshold.

5.34 This methodology does reflect a very considerable uplift for a landowner selling a greenfield site with consent for development. In the event of the grant of planning consent they would receive over many times the value before that consent was granted.

5.35 We have considered how these amounts relate to prices for land in the market (see above) and with a view to providing competitive returns to the land owner. Whilst there are certainly land transactions at higher values than these we do believe that these are appropriate for a study of this type.

5.36 It is useful to review the assumptions used in other studies in other parts of England. We have reviewed viability thresholds used by other councils in England in development plans approved during the first half of 2014. These are set out in the table below.

Table 5.3 Viability thresholds used elsewhere

Local Authority	Threshold Land Value
Babergh	£370,000/ha
Cannock Chase	£100,000-£400,000/ha
Christchurch & East Dorset	£308,000/ha (un-serviced)
	£1,235,000/ha (serviced)
East Hampshire	£450,000/ha
Erewash	£300,000/ha
Fenland	£1-2m/ha (serviced)
GNDP	£370,000-£430,000/ha
Reigate & Banstead	£500,000/ha
Stafford	£250,000/ha
Staffordshire Moorlands	£1.26-£1.41m/ha (serviced)
Warrington	£100,000-£300,000/ha

Source: Planning Advisory Service (collated by URS) July 2014

5.37 Care has to be taken drawing on such general figures without understanding the wider context and other assumptions in the studies but generally the assumptions used in this work are within the range.

5.38 Interestingly the assumptions with regard to developers' return / profit are at the upper end of the range. Together these assumptions illustrate the generally cautious approach taken through the viability work.

5.39 There is no doubt that the policy requirements will be an additional cost on some development sites and that some sites may not be able to bear the costs of all the requirements a planning authority makes – such as delivering affordable homes and higher environmental standards. This is recognised in the RICS Guidance which recognises that there may well be a period of adjustment in the price of land following the introduction of CIL.

6. Appraisal Assumptions – Development Costs

6.1 This chapter considers the costs and other assumptions required to produce financial appraisals in this study.

Development Costs

Construction costs: baseline costs

6.2 We have based the cost assumptions on the Building Cost Information Service (BCIS) data. The costs are specific to different built forms (flats, houses, offices, etc.) re-based for Hertfordshire.

6.3 In August 2015, a report was published that considered the construction costs on smaller sites. *Housing development: the economics of small sites – the effect of project size on the cost of housing construction* (August 2015) was carried out by BCIS, having been commissioned by the Federation of Small Businesses. This study concluded that the construction price for schemes of 1 to 5 units was about 13% higher than the for schemes of over 10 units and that the construction price for schemes of 1 to 10 units was about 6% higher than the for schemes of over 10 units. These adjustments have been made to the smallest schemes modelled in this report.

6.4 The Council has not developed policies relating to the construction standards and environmental performance of new buildings. From April 2008, the Code for Sustainable Homes Level 3 was a requirement for all homes commissioned by housing associations but would not necessarily be the case for affordable homes built by developers for disposal to a housing association, unless grant was made available from the Homes and Communities Agency.

6.5 The national policies in relation to climate change and overall national minimum building standards have been clarified and not all the requirements of CfSH Level 4 will become mandatory (and are not a requirement of the Core Strategy). Having said this environmental standards are increasing.

6.6 Based on the best currently available information, the costs of building to the now clarified, enhanced building standards is estimated to be between 1% and 2% of the BCIS costs. In this viability assessment, we have used the median BCIS costs. For residential property this has been increased by 1.5% to reflect the increases in environmental standards contained in the Building Regulations. No adjustment has been made for non-residential property.

Construction costs: affordable dwellings

6.7 The procurement route for affordable housing is assumed to be through construction by the developer and then disposal to a housing association on completion. In the past, when

considering the build cost of affordable housing provided through this route, we took the view that it should be possible to make a small saving on the market housing cost figure, on the basis that one might expect the affordable housing to be built to a slightly different specification than market housing. However, the pressures of increasingly demanding standards for housing association properties have meant that for conventional schemes of houses at least, it is no longer appropriate to use a reduced build cost; the assumption is of parity.

Other normal development costs

6.8 In addition to the £/m^2 build cost figures described above, allowance needs to be made for a range of infrastructure costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs), off-site costs for drainage and other services and so on. 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.

6.9 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 lower density schemes since there is a smaller area of external works, and services can be used more efficiently. Large greenfield sites would also be more likely to require substantial expenditure on bringing mains services to the site.

6.10 In the light of these considerations we have developed a scale of allowances for the residential sites, ranging from 10% of build costs for the smallest sites, to 20% for the larger greenfield schemes.

Abnormal development costs

6.11 The NPPF says (with our emphasis) at Paragraph 174:

*… 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…*

6.12 The PPG adds to this saying:

2.72 'For an area wide viability assessment, a broad assessment of costs is required. This should be based on robust evidence which is reflective of local market conditions. All development costs should be taken into account including:

- *build costs based on appropriate data, for example that of the Building Cost Information Service;*
- *known abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or historic costs associated with brownfield, phased or complex sites;'*

2.73 PPG ID: 10-013-20140306

6.13 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. It is not the purpose of a study of this type to standardise land prices across an area.

6.14 The treatment of abnormals was considered at Gedling Council's Examination in Public. There is an argument, as set out in Gedling[25], that it may not be appropriate for abnormals to be built into appraisals in a high level study of this type. A council should not plan for the worst case scenario – rather for the norm. For example, if two similar sites were offered to the market and one was previous 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.

6.15 We have made allowance for abnormal costs associated with brownfield sites. 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.

6.16 In the case of brownfield sites we have made an additional allowance of 5% of the BCIS costs.

6.17 For the non-residential property, we have run a scenario where the site is on previously developed land. With this variable we have increased the costs by an additional 5%.

Fees

6.18 Initially we assumed professional fees amount to 10% of build costs in each case. This is made up as follows:

Architects	6%	QS and Costs	0.5%
Planning Consultants	1%	Others	2.5%

[25] REPORT TO GEDLING BOROUGH COUNCIL, THE PLANNING INSPECTORATE REF PINS/N3020/429/4, MAY 2015

6.19 We also assumed a similar rate of 8% on industrial, office and large retail sites in the non-residential section – although the fees associated with the construction are likely to be less than this we would expect there to be additional marketing costs.

Contingencies

6.20 For previously undeveloped and otherwise straightforward sites we have allowed a contingency of 2.5% with a higher figure of 5% on more risky types of development, previously developed land and on central locations.

CIL and S106 Contributions

6.21 We have assumed £1,500 per residential unit over and above CIL. This is in line with the assumptions used in the Whole Plan Viability Study. In addition, we have incorporated the adopted rates of CIL:

Table 7.1 Adopted Rates of CIL

Development Type	**CIL rate (per square metre)**			
	Zone 1: Berkhamsted and surrounding area	Zone 2: Elsewhere	Zone 3: Hemel Hempstead and Markyate	Zone 4: Identified Sites
Residential	£250	£150	£100	£0
Retirement Housing	£125	£0		
Convenience based supermarkets and superstores and retail warehousing (net retailing space of over 280 square metres)	£150			
Other	£0			
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.				

Source: DBC CIL Charging Schedule

Financial and Other Appraisal Assumptions

VAT

6.22 For simplicity it has been assumed throughout, that either VAT does not arise, or that it can be recovered in full.

Interest rate

6.23 Our appraisals assume 7% pa for debit balances. This may seem high given the very low base rate figure (MLR 0.5% January 2016), but reflect banks' view of risk for housing developers in the present situation. In the residential appraisals we have prepared a simple cashflow to calculate interest.

6.24 For the non-residential appraisals and in line with the 'high level' nature of this study we have used the developer's rule of thumb to calculate the interest – being the amount due over one year on half the total cost. We accept that is a simplification however, due to the high level and broad brush nature of this analysis, we believe that it is appropriate.

Developers' profit

6.25 Neither the NPPF, nor the CIL Regulations, and nor the CIL Guidance provide useful guidance in this regard so, in reaching this decision, we have considered the RICS Guidance and the Harman Guidance, and referred to the HCA's Economic Appraisal Tool. None of these documents are prescriptive, but they do set out some different approaches.

6.26 The RICS Guidance says:

3.3.2 The benchmark return, which is reflected in a developer's profit allowance, should be at a level reflective of the market at the time of the assessment being undertaken. It will include the risks attached to the specific scheme. This will include both property-specific risk, i.e. the direct development risks within the scheme being considered, and also broader market risk issues, such as the strength of the economy and occupational demand, the level of rents and capital values, the level of interest rates and availability of finance. The level of profit required will vary from scheme to scheme, given different risk profiles as well as the stage in the economic cycle. For example, a small scheme constructed over a shorter timeframe may be considered relatively less risky and therefore attract a lower profit margin, given the exit position is more certain, than a large redevelopment spanning a number of years where the outturn is considerably more uncertain. ……..

6.27 The Harman Guidance says:

Return on development and overhead

The viability assessment will require assumptions to be made about the average level of developer overhead and profit (before interest and tax).

The level of overhead will differ according to the size of developer and the nature and scale of the development. A 'normal' level of developer's profit margin, adjusted for development risk, can be determined from market evidence and having regard to the profit requirements of the providers of development finance. The return on capital employed (ROCE) is a measure of the level of profit relative to level of capital required to deliver a project, including build costs, land purchase, infrastructure, etc.

As with other elements of the assessment, the figures used for developer return should also be considered in light of the type of sites likely to come forward within the plan period. This is because the required developer return varies with the risk associated with a given development and the level of capital employed.

Smaller scale, urban infill sites will generally be regarded as lower risk investments when compared with complex urban regeneration schemes or large scale urban extensions.

Appraisal methodologies frequently apply a standard assumed developer margin based upon either a percentage of Gross Development Value (GDV) or a percentage of development cost. The great majority of housing developers base their business models on a return expressed as a percentage of

anticipated gross development value, together with an assessment of anticipated return on capital employed. Schemes with high upfront capital costs generally require a higher gross margin in order to improve the return on capital employed. Conversely, small scale schemes with low infrastructure and servicing costs provide a better return on capital employed and are generally lower risk investments. Accordingly, lower gross margins may be acceptable.

This sort of modelling – with residential developer margin expressed as a percentage of GDV – should be the default methodology, with alternative modelling techniques used as the exception. Such an exception might be, for example, a complex mixed use development with only small scale specialist housing such as affordable rent, sheltered housing or student accommodation.

6.28 The guidance accompanying the HCA's Economic Appraisal Tool says:

Developer's Return for Risk and Profit (including developer's overheads)

Open Market Housing

The developer 'profit' (before taxation) on the open market housing as a percentage of the value of the open market housing. A typical figure currently may be in the region of 17.5-20% and overheads being deducted, but this is only a guide as it will depend on the state of the market and the size and complexity of the scheme. Flatted schemes may carry a higher risk due to the high capital employed before income is received.

Affordable Housing

The developer 'profit' (before taxation) on the affordable housing as a percentage of the value of the affordable housing (excluding SHG). A typical figure may be in the region of 6% (the profit is less than that for the open market element of the scheme, as risks are reduced), but this is only a guide.

6.29 It is unfortunate that the above are not consistent, but it is clear that the purpose of including developers' profit 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' profit 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.

6.30 At the January 2013 Shinfield appeal[26], the inspector considered this specifically, saying:

Developer's profit

43. The parties were agreed that costs should be assessed at 25% of costs or 20% of gross development value (GDV). The parties disagreed in respect of the profit required in respect of the affordable housing element of the development with the Council suggesting that the figure for this should be reduced to 6%. This does not greatly affect the appellants' costs, as the affordable housing element is 2%, but it does impact rather more upon the Council's calculations.

44. The appellants supported their calculations by providing letters and emails from six national housebuilders who set out their net profit margin targets for residential developments. The figures ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give great weight it. I conclude that the national housebuilders' figures are to be preferred and that a figure of 20% of GDV, which is at the lower end of the range, is reasonable.

[26] APP/X0360/A/12/2179141. Land at The Manor, Shinfield, Reading RG2 9BX

6.31 Generally we do not agree that linking the developer's profit to GDV is reflective of risk, as the risk relates to the cost of a scheme – the cost being the money put at risk as the scheme is developed. As an example (albeit an extreme one to illustrate the point) we can take two schemes, A and B, each with a GDV £1,000,000, but scheme A has a development cost of £750,000 and scheme B a lesser cost of £500,000. All other things being equal, in A the developer stands to lose £750,000 (and make a profit of £250,000), but in B 'only' £500,000 (and make a profit of £500,000). Scheme A is therefore more risky, and it therefore follows that the developer will wish (and need) a higher return. By calculating profit on costs, the developer's return in scheme A would be £150,000 and in scheme B would be £100,000 and so would reflect the risk – whereas if calculated on GDV the profits would be £200,000 in both.

6.32 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 and the large strategic greenfield 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 thevrisks of development.

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

6.33 In deciding which option to adopt it is important to note that we are not trying to re-create any particular developer's business model. Different developers will always adopt different models and have different approaches to risk.

6.34 The argument is often 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 do require the developer to demonstrate a sufficient margin, to protect them in the case of changes in prices or development costs but 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.

6.35 In the CIL Update Viability Assessment a return of 20% of the value of market housing and 6% of Affordable housing was used. This has been carried forward into this study.

Voids

6.36 On a scheme comprising mainly of 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 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.

6.37 For the purpose of the present study a three month void period is assumed for all residential developments. There is very little speculative commercial development taking place so we believe that this is the appropriate assumption to make.

Phasing and timetable

6.38 The appraisals are assumed to have been prepared using prices and costs at a base date of June 2014. A pre-construction period of six months is assumed for all of the sites. Each dwelling is assumed to be built over a nine month period. The phasing programme for an individual site will reflect market take-up and would, in practice, be carefully estimated taking into account the site characteristics and, in particular, size and the expected level of market demand. We have developed a suite of modelled assumptions to reflect site size and development type, as set out in Chapter 9. We believe that these are conservative and do, properly, reflect the current market.

Site Acquisition and Disposal Costs

Site holding costs and receipts

6.39 Each site is assumed to proceed immediately 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

6.40 We have taken a simplistic approach and assumed an allowance 1.5% for acquisition agents' and legal fees. Stamp duty is calculated at the prevailing rates.

Disposal costs

6.41 For the market and the affordable housing, sales and promotion and legal fees are assumed to amount to some 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.

6.42 It is relevant to note that this assumption is somewhat higher than the 1.5% assumption used in the appraisals submitted by developers as part of the Development Management process.

7. Appraisal Assumptions – Planning Policy Requirements

7.1 It is important that the assessment of viability is made in the context of the Council's planning requirements.

7.2 In this assessment we have applied the policies set out in the **Dacorum Borough Core Strategy 2006-2031** (adopted 25th September 2013) and the various supporting Supplementary Planning Documents. The main requirements are summarised as follows (only those policies that impact directly on viability are considered):

CS 1: Distribution of Development, CS23: Social Infrastructure, CS35: Infrastructure and Development Contributions

7.3 These are broad policies, however in terms of viability the relevant part relates to the requirement for development to provide its own infrastructure and to support relevant town-wide needs.

7.4 This is reflected in the modelling through a £1,500 per unit s106 cost and CIL at the appropriate rate as set out in the adopted Charging Schedule.

CS 10: Quality of Settlement Design, POLICY CS11: Quality of Neighbourhood Design, POLICY CS12: Quality of Site Design, CS26: Greenspace.

7.5 These policies concern general layout and design. However do not go beyond normal design requirements.

7.6 The assumptions around densities are set out on Chapter 8 below.

CS18: Mix of Housing, CS19: Affordable Housing

4.50 Policy CS19: Affordable Housing is supplemented by the Councils Affordable Housing Supplementary Planning Document (September 2013). This provides further advice as to the implementation and interpretation of the Affordable Housing policy. In this study it has been assumed that affordable housing is provided at 35% on sites of 10 or more units in Hemel Hempstead and 5 or more units in other areas. The affordable housing is provided as 75% Affordable Rented (rather than Social Rented) and 25% intermediate housing.

7.7 The mix of housing is as identified in the emerging SHMA:

Table 7.1 Mix of Housing				
	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	25-30%	40-45%	20-25%
Affordable	30-35%	30-35%	25-30%	5-10%
All dwellings	15%	30%	40%	15%

Source: Draft SHMA

7.8 It is important to note that the national policies around affordable housing are in a period of change with the introduction of starter homes and the reintroduction of national thresholds. The analysis in this study is based on the adopted Core Strategy so the Council will need to keep this under review.

CS28: Carbon Emission Reductions, CS29: Sustainable Design and Construction

7.9 The build costs in this study are based on the BCIS costs (weighted to Hertfordshire). These have been raised by 1.5% to reflect additional environmental standards as a result of national and local policy.

8. Modelled Sites

8.1 In the previous chapters we have set out the general assumptions used in the development appraisals. In this chapter we have set out the modelling. We stress that this is a high level and broad brush study that is seeking to capture the generality rather than the specific. The purpose is to establish whether the sites identified in the SHLAA are viable. It is not the purpose of this study to accurately assess the viability of the development of specific sites.

8.2 To make an assessment of the deliverability of the sites in the SHLAA we have taken the 117 sites that have passed through the first sifts of the SHLAA process and modelled a set of sites that are representative of them. These have been assessed as follows:

a) For sites under 5ha design-led case studies have been used (by AECOM) to generate an appropriate density for a number of site typologies (e.g. small greenfield urban extension, small urban infill etc.) then applied that across all sites of that type.

b) For sites over 5ha a range 25-35/net ha has been used (based on research into an appropriate density for larger sites taking into account open space and supporting infrastructure).

c) For sites of over 10ha a density of 20-30/net ha (based on research into an appropriate density for larger sites taking into account open space and supporting infrastructure).

d) Where a landowner/developer/agent is promoting a site and already has a figure which seems sensible e.g. it's based on a masterplan etc., that has been used.

8.3 To inform the modelling we have considered the distribution of the sites in terms of size, type and location.

Table 8.1 SHLAA Sites - Summary

	Site Area (ha)	Adjusted Site Area	Indicative Capacity
Count	117		
Min	0.06	0.00	4.00
Max	136.40	136.40	900.00
Average	6.59	4.76	103.78
Median	1.50	1.11	39.00

Source: DBC SHLAA Dataset

Table 8.2 SHLAA SITES – By size						
Size (ha)	Number of Sites		Area (ha)		Capacity (units)	
0 to 0.09	2	1.71%	0.14	0.02%	10	0.08%
0.1 to 0.19	7	5.98%	0.86	0.15%	106	0.85%
0.2 to 0.29	7	5.98%	1.78	0.31%	95	0.77%
0.3 to 0.39	10	8.55%	3.25	0.57%	180	1.45%
0.4 to 0.49	5	4.27%	1.90	0.33%	66	0.53%
0.5 to 0.59	6	5.13%	2.81	0.49%	145	1.17%
0.6 to 0.69	5	4.27%	2.79	0.49%	72	0.58%
0.7 to 0.79	3	2.56%	2.17	0.38%	83	0.66%
0.8 to 0.89	3	2.56%	1.90	0.33%	54	0.44%
0.9 to 0.99	2	1.71%	1.44	0.25%	29	0.24%
1 to 1.9	15	12.82%	19.44	3.40%	565	4.55%
2 to 2.9	13	11.11%	27.83	4.87%	901	7.26%
3 to 3.9	8	6.84%	22.37	3.92%	623	5.02%
4 to 4.9	2	1.71%	6.90	1.21%	228	1.83%
5 to 7.49	8	6.84%	39.70	6.95%	1,508	12.15%
7.5 to 9.9	3	2.56%	27.30	4.78%	635	5.12%
10 to 14.9	6	5.13%	62.68	10.97%	1,487	11.98%
15 to 19.9	4	3.42%	37.60	6.58%	861	6.94%
20 to 29	2	1.71%	44.50	7.79%	1,350	10.88%
30 plus	6	5.13%	264.00	46.20%	3,405	27.43%
ALL	117		571		12,414	

Source: DBC SHLAA Dataset

Table 8.3 SHLAA Sites - Type						
Type	Number of sites		Area (ha)		Capacity (units)	
Greenfield	62	52.99%	343.01	60.03%	8,805	70.70%
Mixed	8	6.84%	43.93	7.69%	1,557	12.50%
Urban	40	34.19%	174.90	30.61%	1,752	14.07%
Other	7	5.98%	9.52	1.67%	340	2.73%
ALL	117		571		12,454	

Source: DBC SHLAA Dataset

8.4 Specifically, we looked at the SHLAA sites' ability to bear the Council's affordable housing requirements and to contribute towards the costs of infrastructure under the CIL/s106 regime.

8.5 In this SHLAA Viability Study we have applied the assumptions used to assess each site to inform the modelling.

8.6 Within the SHLAA 1,258 sites were considered. Of these 117 sites were considered suitable for housing. The average site size is 6.59ha and the average site capacity is 104 units, however the averages are skewed by a few very large sites. The median site size is 1.5ha and the median site capacity is 39 units.

Modelled Development Sites

8.7 The general SHLAA sites have been assessed through modelling typologies. This approach is in line with the Guidance. 8 representative sites have been modelled as this would fully cover the range of SHLAA sites – based on the analysis set out above.

8.8 We acknowledge that modelling cannot be totally representative, however the aim of this work is to inform the development of policy rather than assess the effects of viability on specific development sites. This will enable the Council to assess the viability of the SHLAA sites that have passed the initial suitability tests, and thus inform the continued plan-making process.

8.9 We have set out the main characteristics of the modelled sites in the table below. It is important to note that these are modelled sites and not actual sites. These modelled typologies have been informed by the sites included in the SHLAA.

8.10 The above typologies are representative of the sites that have passed the initial SHLAA suitability sifts. The gross and net areas and the site densities are summarised below.

Table 8.4 Site Modelling Assumptions

			Current Use	Units	Area Ha		Density Units/ha		Density
					Gross	Net	Gross	Net	m2/ha
1	Large Green 1	Green	Agricultural	800	47.00	32.00	17.02	25.00	2,195
2	Large Green 2	Green	Agricultural	300	13.00	10.00	23.08	30.00	2,635
3	Large Green 3	Green	Agricultural	125	5.90	4.10	21.19	30.49	2,670
4	Large Green 4	Green	Agricultural	75	2.80	2.10	26.79	35.71	3,153
5	Medium Green 1	Green	Agricultural	40	1.60	2.00	25.00	20.00	1,747
6	Medium Green 2	Green	Paddock	20	0.75	0.50	26.67	40.00	3,666
7	Small Green 1	Green	Paddock	12	0.40	0.40	30.00	30.00	2,588
8	Small Green 2	Green	Paddock	9	0.30	0.30	30.00	30.00	2,443
9	Small Green	Green	Paddock	5	0.30	0.30	16.67	16.67	1,717
10	Large Brown 1	PDL	Industrial	200	2.80	2.80	71.43	71.43	6,306
11	Large Brown 2	PDL	Industrial	160	4.30	4.30	37.21	37.21	3,277
12	Large Brown (LD) 3	PDL	Industrial	40	1.50	1.00	26.67	40.00	3,520
13	Large Brown (HD) 4	PDL	Industrial	40	0.50	0.50	80.00	80.00	5,768
14	Medium Brown (LD) 1	PDL	Industrial	25	0.50	0.50	50.00	50.00	4,348
15	Medium Brown HD) 2	PDL	Industrial	25	0.15	0.15	166.67	166.67	12,013
16	Small Brown (LD) 1	PDL	Industrial	12	0.25	0.25	48.00	48.00	4,140
17	Small Brown (HD) 2	PDL	Industrial	12	0.10	0.10	120.00	120.00	8,160
18	Small Brown (LD) 3	PDL	Industrial	8	0.15	0.15	53.33	53.33	4,327
19	Small Brown (HD) 4	PDL	Industrial	8	0.08	0.08	100.00	100.00	6,550

Source: HDH 2016

9. Residential Appraisal Results

9.1 At the start of this chapter it is important to stress that the results of the appraisals do not, in themselves, determine what land the Council may or may not allocate for development. The results of this study are one of a number of factors that the Council will consider, including other available evidence, such as the Council's track record in delivering affordable housing and collecting payments under s106. The purpose of the appraisals is to provide an indication of the viability of different types of site in different areas under different scenarios. In due course, the Council will have to take a view as to whether or not to proceed with the various potential allocations.

9.2 The appraisals use the residual valuation approach – that is, they are designed to assess the site value after taking into account the costs of development, the likely income from sales and/or rents and an appropriate amount of developer's profit. 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. We have discussed this in detail in Chapter 6.

9.3 In order to assist the Council we have run several sets of appraisals, the main output is the Residual Value. The Residual Value is calculated using the formula set out in Chapter 2 above. The initial appraisals are based on the assumptions set out in the previous chapters of this report, including the affordable housing requirements set out in the Council's policies. We have run further sets of appraisals assuming a range of developer contributions and then higher levels of developer contribution, as this will be useful in helping the Council to understand the various options available to them.

9.4 As set out above, for each development type we have calculated the Residual Value and compared it to the Viability Threshold. The Viability Threshold is the Existing Use Value 'plus' as set out towards the end of Chapter 6 above. In the tables in this chapter we have colour coded the results using a simple traffic light system:

a. **Green** **Viable** – where the Residual Value per hectare exceeds the indicative Viability Threshold Value per hectare (being the Existing Use Value plus the appropriate uplift to provide a competitive return for the landowner).

b. **Amber** **Marginal** – where the Residual Value per hectare exceeds the Existing Use Value or Alternative Use Value, but not the Viability Threshold Value per hectare. 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 may come forward.

c. **Red** **Non-viable** – where the Residual Value does not exceed the Existing Use Value or Alternative Use Value.

9.5 The results are set out and presented for each site and per hectare to allow comparison between sites. 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.

Financial appraisal approach and assumptions

9.6 On the basis of the assumptions set out in the earlier chapters, we prepared financial appraisals for each of the modelled residential sites using a bespoke spreadsheet-based financial analysis package. We produced financial appraisals based on the build costs, abnormal costs, and infrastructure costs and financial assumptions for the different options. The detailed appraisal base results, are set out in the attached **Appendix 1**.

9.7 As set out in Chapter 4 we have worked to the price areas used in the earlier viability studies. We have run the appraisals for the sites modelled to be representative of those sites in the SHLAA.

Base Appraisals – full current policy requirements

9.8 These initial appraisals are based on the base options for each of the three CIL Zones:

d.	Affordable Housing	35% on sites over 10 dwellings in Hemel Hempstead, 5 units in other areas, and 25% Intermediate housing.
e.	Environmental Standards	Enhanced Building Regulations (Part L) (BCIS +1.5%).
f.	CIL and s106	£1,500 per unit (Market and Affordable) s106 plus CIL at prevailing rate.
g.	Developers' Return	20% of value of market housing and 6% of value of affordable housing.

Table 9.1 Residual Values – FULL POLICY REQUIREMENTS

CIL Zone 1 – Berkhamsted and surrounding area

				Area (ha)	
				Gross	Net
Site 1	Large Green 1	Green	Agricultural	47	32
Site 2	Large Green 2	Green	Agricultural	13	10
Site 3	Large Green 3	Green	Agricultural	5.9	4.1
Site 4	Large Green 4	Green	Agricultural	2.8	2.1
Site 5	Medium Green 1	Green	Agricultural	1.6	2
Site 6	Medium Green 2	Green	Paddock	0.75	0.5
Site 7	Small Green 1	Green	Paddock	0.4	0.4
Site 8	Small Green 2	Green	Paddock	0.3	0.3
Site 9	Small Green	Green	Paddock	0.3	0.3
Site 10	Large Brown 1	PDL	Industrial	2.8	2.8
Site 11	Large Brown 2	PDL	Industrial	4.3	4.3
Site 12	Large Brown (LD) 3	PDL	Industrial	1.5	1
Site 13	Large Brown (HD) 4	PDL	Industrial	0.5	0.5
Site 14	Medium Brown (LD) 1	PDL	Industrial	0.5	0.5
Site 15	Medium Brown HD) 2	PDL	Industrial	0.15	0.15
Site 16	Small Brown (LD) 1	PDL	Industrial	0.25	0.25
Site 17	Small Brown (HD) 2	PDL	Industrial	0.1	0.1
Site 18	Small Brown (LD) 3	PDL	Industrial	0.15	0.15
Site 19	Small Brown (HD) 4	PDL	Industrial	0.08	0.08

Source: SHLAA Viability Study. HDH 2016

Table 9.2 Residual Values – FULL POLICY REQUIREMENTS

CIL Zone 2 – Elsewhere

				Area (ha)	
				Gross	Net
Site 1	Large Green 1	Green	Agricultural	47	32
Site 2	Large Green 2	Green	Agricultural	13	10
Site 3	Large Green 3	Green	Agricultural	5.9	4.1
Site 4	Large Green 4	Green	Agricultural	2.8	2.1
Site 5	Medium Green 1	Green	Agricultural	1.6	2
Site 6	Medium Green 2	Green	Paddock	0.75	0.5
Site 7	Small Green 1	Green	Paddock	0.4	0.4
Site 8	Small Green 2	Green	Paddock	0.3	0.3
Site 9	Small Green	Green	Paddock	0.3	0.3
Site 10	Large Brown 1	PDL	Industrial	2.8	2.8
Site 11	Large Brown 2	PDL	Industrial	4.3	4.3
Site 12	Large Brown (LD) 3	PDL	Industrial	1.5	1
Site 13	Large Brown (HD) 4	PDL	Industrial	0.5	0.5
Site 14	Medium Brown (LD) 1	PDL	Industrial	0.5	0.5
Site 15	Medium Brown HD) 2	PDL	Industrial	0.15	0.15
Site 16	Small Brown (LD) 1	PDL	Industrial	0.25	0.25
Site 17	Small Brown (HD) 2	PDL	Industrial	0.1	0.1
Site 18	Small Brown (LD) 3	PDL	Industrial	0.15	0.15
Site 19	Small Brown (HD) 4	PDL	Industrial	0.08	0.08

Source: SHLAA Viability Study. HDH 2016

Table 9.3 Residual Values – FULL POLICY REQUIREMENTS

CIL Zone 3 – Hemel Hempstead and Markyate

				Area (ha)	
				Gross	Net
Site 1	Large Green 1	Green	Agricultural	47	32
Site 2	Large Green 2	Green	Agricultural	13	10
Site 3	Large Green 3	Green	Agricultural	5.9	4.1
Site 4	Large Green 4	Green	Agricultural	2.8	2.1
Site 5	Medium Green 1	Green	Agricultural	1.6	2
Site 6	Medium Green 2	Green	Paddock	0.75	0.5
Site 7	Small Green 1	Green	Paddock	0.4	0.4
Site 8	Small Green 2	Green	Paddock	0.3	0.3
Site 9	Small Green	Green	Paddock	0.3	0.3
Site 10	Large Brown 1	PDL	Industrial	2.8	2.8
Site 11	Large Brown 2	PDL	Industrial	4.3	4.3
Site 12	Large Brown (LD) 3	PDL	Industrial	1.5	1
Site 13	Large Brown (HD) 4	PDL	Industrial	0.5	0.5
Site 14	Medium Brown (LD) 1	PDL	Industrial	0.5	0.5
Site 15	Medium Brown HD) 2	PDL	Industrial	0.15	0.15
Site 16	Small Brown (LD) 1	PDL	Industrial	0.25	0.25
Site 17	Small Brown (HD) 2	PDL	Industrial	0.1	0.1
Site 18	Small Brown (LD) 3	PDL	Industrial	0.15	0.15
Site 19	Small Brown (HD) 4	PDL	Industrial	0.08	0.08

Source: SHLAA Viability Study. HDH 2016

9.9 The residual values generated by the modelled sites vary across the Dacorum area, as we would expect. In many cases these are very substantial from well over £1,000,000/ha on the majority of sites down to negative value on some of the high density flatted schemes in the urban areas.

9.10 These results in themselves do not provide a good indication of site viability as they are simply an indication of the amount a developer may pay for the land. To test the viability of these sites, we have compared the residual value with the Viability Thresholds as shown in the following tables.

Table 9.4 Residual Values compared to Viability Threshold

FULL POLICY REQUIREMENTS (£/ha) – CIL Zone 1

			Alternative Use Value	Viability Threshold	Residual Value
Site 1	Large Green 1	Green	25,000	630,000	1,166,563
Site 2	Large Green 2	Green	25,000	630,000	1,757,794
Site 3	Large Green 3	Green	25,000	630,000	1,578,243
Site 4	Large Green 4	Green	50,000	660,000	2,049,460
Site 5	Medium Green 1	Green	50,000	660,000	1,991,839
Site 6	Medium Green 2	Green	50,000	660,000	2,272,285
Site 7	Small Green 1	Green	50,000	660,000	2,617,879
Site 8	Small Green 2	Green	50,000	660,000	2,329,647
Site 9	Small Green	Green	50,000	660,000	1,917,923
Site 10	Large Brown 1	PDL	750,000	900,000	4,800,753
Site 11	Large Brown 2	PDL	750,000	900,000	2,535,581
Site 12	Large Brown (LD) 3	PDL	750,000	900,000	2,012,620
Site 13	Large Brown (HD) 4	PDL	750,000	900,000	-3,293
Site 14	Medium Brown (LD) 1	PDL	750,000	900,000	3,818,226
Site 15	Medium Brown HD) 2	PDL	750,000	900,000	-94,038
Site 16	Small Brown (LD) 1	PDL	750,000	900,000	3,992,490
Site 17	Small Brown (HD) 2	PDL	750,000	900,000	4,771,577
Site 18	Small Brown (LD) 3	PDL	750,000	900,000	3,761,891
Site 19	Small Brown (HD) 4	PDL	750,000	900,000	3,388,521

Source: SHLAA Viability Study. HDH 2016

9.11 Within and around Berkhamsted most development types are viable and by a very substantial margin. The exception is larger brownfield sites that have been modelled at a higher density flatted typology. This is largely due to the higher costs associated with brownfield sites, combined with the higher construction costs associated with multi storey flatted development.

9.12 Based on these development types the Council can have confidence that most development types in CIL Zone 1 will be deliverable. Whilst the larger scale, higher density, brownfield sites, sites that have been modelled are less likely to be deliverable these typologies are relatively unlikely to come forward in this area. It is recommended that the Council are cautious in assuming such sites are deliverable here.

Table 9.5 Residual Values compared to Viability Threshold

FULL POLICY REQUIREMENTS (£/ha) – CIL Zone 2

			Alternative Use Value	Viability Threshold	Residual Value
Site 1	Large Green 1	Green	25,000	630,000	715,781
Site 2	Large Green 2	Green	25,000	630,000	1,084,619
Site 3	Large Green 3	Green	25,000	630,000	930,742
Site 4	Large Green 4	Green	50,000	660,000	1,212,322
Site 5	Medium Green 1	Green	50,000	660,000	1,219,995
Site 6	Medium Green 2	Green	50,000	660,000	1,394,718
Site 7	Small Green 1	Green	50,000	660,000	1,680,066
Site 8	Small Green 2	Green	50,000	660,000	1,411,332
Site 9	Small Green	Green	50,000	660,000	1,233,473
Site 10	Large Brown 1	PDL	750,000	900,000	2,543,035
Site 11	Large Brown 2	PDL	750,000	900,000	1,336,310
Site 12	Large Brown (LD) 3	PDL	750,000	900,000	1,122,685
Site 13	Large Brown (HD) 4	PDL	750,000	900,000	-2,466,188
Site 14	Medium Brown (LD) 1	PDL	750,000	900,000	2,118,564
Site 15	Medium Brown HD) 2	PDL	750,000	900,000	-5,218,961
Site 16	Small Brown (LD) 1	PDL	750,000	900,000	2,350,893
Site 17	Small Brown (HD) 2	PDL	750,000	900,000	1,424,810
Site 18	Small Brown (LD) 3	PDL	750,000	900,000	2,036,651
Site 19	Small Brown (HD) 4	PDL	750,000	900,000	621,072

Source: SHLAA Viability Study. HDH 2016

9.13 In the CIL Charging Schedule Zone 2 covers 'elsewhere', being those areas that are not within the Berkhamsted area nor in Hemel Hempstead or Markyate. Similarly to the Berkhamsted area most development types are viable, but by a lesser margin. Also, like CIL Zone 1, the larger brownfield sites that have been modelled at a higher density flatted typology are not showing as viable. These development types are not likely to come forward in CIL Zone 2. The Council can have confidence that the SHLAA sites identified in this area will be deliverable.

Table 9.6 Residual Values compared to Viability Threshold

FULL POLICY REQUIREMENTS (£/ha) – CIL Zone 3

			Alternative Use Value	Viability Threshold	Residual Value
Site 1	Large Green 1	Green	25,000	630,000	459,214
Site 2	Large Green 2	Green	25,000	630,000	702,535
Site 3	Large Green 3	Green	25,000	630,000	564,448
Site 4	Large Green 4	Green	50,000	660,000	738,711
Site 5	Medium Green 1	Green	50,000	660,000	783,360
Site 6	Medium Green 2	Green	50,000	660,000	906,699
Site 7	Small Green 1	Green	50,000	660,000	1,146,246
Site 8	Small Green 2	Green	50,000	660,000	879,127
Site 9	Small Green	Green	50,000	660,000	835,625
Site 10	Large Brown 1	PDL	750,000	900,000	2,179,163
Site 11	Large Brown 2	PDL	750,000	900,000	1,143,196
Site 12	Large Brown (LD) 3	PDL	750,000	900,000	979,526
Site 13	Large Brown (HD) 4	PDL	750,000	900,000	-1,689,316
Site 14	Medium Brown (LD) 1	PDL	750,000	900,000	1,863,296
Site 15	Medium Brown HD) 2	PDL	750,000	900,000	-3,601,114
Site 16	Small Brown (LD) 1	PDL	750,000	900,000	2,087,762
Site 17	Small Brown (HD) 2	PDL	750,000	900,000	2,500,000
Site 18	Small Brown (LD) 3	PDL	750,000	900,000	1,754,515
Site 19	Small Brown (HD) 4	PDL	750,000	900,000	1,520,784

Source: SHLAA Viability Study. HDH 2016

9.14 In the CIL Charging Schedule Zone 3 covers the areas of Hemel Hempstead and Markyate. The Residual Values are lowest in this area with, as in the other areas, the larger brownfield sites that have been modelled at a higher density flatted typology are not showing as viable. These development types are likely to come forward in this zone, so we would recommend that the Council do not assume that these are deliverable.

9.15 It is timely to note that the Council's affordable housing and developer contribution policies are flexible and have regard to scheme viability. The Council therefore has scope, through the adopted development management policies, to bring forward schemes that are unviable or at the margins of viability, but otherwise acceptable in planning terms. The Council should however be cautious about relying on the delivery of such sites.

9.16 Two of the typologies modelled to be representative of large greenfield sites show a Residual Value that is well in excess of the Existing Use Value but somewhat below the Viability Threshold. The deliverability of large scale residential sites is challenging in almost all cases, and it is notable that the Residual Value is about 20 times the Existing Use Value of the land.

9.17 If the Council proceeds with the inclusion of the larger greenfield sites in the Plan we would suggest a cautious approach as it is not possible to capture the detail of viability (particularly in relation to the infrastructure requirements) of large strategic sites in a high level study of this type. It would therefore be prudent for the Council to engage with the developers and landowners before relying on these to deliver housing in the short to medium term. Such an approach would be fully in line with the Harman Guidance that says:

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. Viability of the SHLAA sites

10.1 Paragraph 159 of the NPPF[27] requires Planning Authorities to prepare a Strategic Housing Land Availability assessment (SHLAA) saying:

Local planning authorities should have a clear understanding of housing needs in their area. They should:

- *prepare a Strategic Housing Market Assessment…..*
- *prepare a Strategic Housing Land Availability Assessment to establish realistic assumptions about the availability, suitability and the likely economic viability of land to meet the identified need for housing over the plan period.*

10.2 It is an important part of the process to ensure that the development sites identified through the plan-making process are deliverable in the context of the Council's policies. This document sets out the methodology used, the key assumptions adopted, and contains an assessment of the viability of deliverability of the sites identified in the SHLAA process.

10.3 The purpose of viability testing in the SHLAA process is to distinguish which sites can be considered deliverable and which developable in line with the definitions set out in the NPPF footnotes 11 and 12:

11. To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans.

12. To be considered developable, sites should be in a suitable location for housing development and there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged.

10.4 Consideration of which sites are developable is set out elsewhere within the SHLAA.

Deliverable Sites

10.5 Based on the analysis in this SHLAA Viability Study the Council can consider most development deliverable and have confidence that it would be forthcoming in the context of the emerging Plan and in particular in the context of the 35% affordable housing target and the adopted rates of CIL.

[27] The NPPF was published and came into effect on 27th March 2012.

10.6 There is one notable exception to this, being the larger, high density schemes on brownfield sites. Whilst these form a small component of the SHLAA, these are not shown as viable and the Council should put little weight on their delivery in the short to medium term.

10.7 It is important to note that the analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. To a large extent it assumes that development takes place for its own sake and is a goal in its own right. It assumes 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. As set out in Chapters 2 and 3 above, the Guidance does not reflect the broad range of business models under which developers and landowners operate. Some developers of brownfield sites in Dacorum may have owned land for many years and are bringing sites forward as they are able to release land for development at less that the arms-length value at which it may be released to third parties.

10.8 If the Council proceeds with the inclusion of the larger greenfield sites in the Plan we would suggest a cautious approach as it is not possible to capture the detail of viability (particularly in relation to the infrastructure requirements) of large strategic sites in a high level study of this type. It would therefore be prudent for the Council to continue to engage with the developers and landowners before relying on these to deliver housing in the short to medium term. Such an approach would be fully in line with the Harman Guidance that says:

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.

10.9 The Council has a good track record in this regard, bringing forward large sites, sometimes through the master planning process.

Appendix 1 Newbuild Houses for Sale

		postcode	Beds	T/SD/D	House m2	Price	£/m2	
Studham Rise	Studham	LU6 2QG	3	d		£495,000		
			4	d		£640,000		
			4	d		£695,000		
			5	d		£950,000		
King William Place	Berkhamsted	HP4	5	d	309	£1,575,000	£5,097	
			5	d	271	£1,350,000	£4,982	
			5	d	229	£1,275,000	£5,568	
			3	d	121	£745,000	£6,159	
	Wigginton		5	d	279	£1,000,000	£3,588	
Chiltern Place, Mortimer Hill	Tring	HP23 5JB	5	d	184	£899,995	£4,880	
			3	t	121	£630,000	£5,208	
			3	t	121	£599,995	£4,960	
			4	d	125	£699,995	£5,581	
			4	d	125	£690,000	£5,502	
Brookfield Close	Tring		4	d		POA		
Marsworth Wharf	Tring		4	sd		£795,000		
			3	d		£675,000		
			3	t		£540,000		
			3	t		£510,000		
Aspen Park	Hemel Hempstead	HP3	5	d	206	£749,995	£3,641	
			5	d	162	£714,995	£4,414	
			4	d	148	£594,995	£4,020	
			5	d	150	£579,995	£3,867	
Rothschild Place	Tring	HP23	3	t	132	£725,000	£5,492	over 55
			2	t	90	£375,000	£4,167	over 55
			2	t	80	£350,000	£4,375	over 55
			2	t	80	£360,000	£4,500	over 55
			1	t	50	£275,000	£5,500	over 55
			1	t	50	£285,000	£5,700	over 55
Sheldon Lodge	Berkhamsted		2	f	47	£481,950	£10,254	over 55

			1	f	32	£362,950	£11,342	over 55
Kodak Tower	Hemel Hempstead		2	f		£289,950		
Kensington House	Hemel Hempstead		2	f		£280,000		
Western Rd	Tring	HP23 4BB	1	t	45	£200,000	£4,494	

Appendix 2 Newbuild Price Paid Data with EPC

Deed Date	SAON	PAON	Street	Locality	Town	Postcode	Type	price_paid	m2	£/m2
14/01/2015		32	SHEARWATER ROAD		HEMEL HEMPSTEAD	HP3 0GD	D	£688,995	211	£3,265
21/01/2015		1	RYMILL CLOSE	BOVINGDON	HEMEL HEMPSTEAD	HP3 0JA	S	£590,000	175	£3,371
23/01/2015		52	SHEARWATER ROAD		HEMEL HEMPSTEAD	HP3 0GD	S	£379,995	100	£3,800
12/02/2015		119	ST ALBANS HILL		HEMEL HEMPSTEAD	HP3 9NQ	T	£280,000	86	£3,256
04/03/2015		11	TOWNSEND GATE		BERKHAMSTED	HP4 2FZ	D	£1,200,000	297	£4,040
13/03/2015		2	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£369,995	116	£3,190
13/03/2015		EGERTON HOUSE	KITSBURY ROAD		BERKHAMSTED	HP4 3EA	D	£1,250,000	223	£5,605
20/03/2015		6	TOWNSEND GATE		BERKHAMSTED	HP4 2FZ	D	£1,200,000	314	£3,822
25/03/2015	FLAT 2	52A	WESTERN ROAD		TRING	HP23 4BB	F	£185,000	47	£3,936
26/03/2015		33	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£354,995	108	£3,287
26/03/2015		36	HUMBERS HOE	MARKYATE	ST ALBANS	AL3 8QU	T	£384,950	104	£3,701
27/03/2015		29	HUMBERS HOE	MARKYATE	ST ALBANS	AL3 8QU	T	£539,950	156	£3,461
31/03/2015	FLAT 1	52A	WESTERN ROAD		TRING	HP23 4BB	F	£185,000	42	£4,405
31/03/2015		54	SHEARWATER ROAD		HEMEL HEMPSTEAD	HP3 0GD	S	£384,995	100	£3,850
31/03/2015		56	SHEARWATER ROAD		HEMEL HEMPSTEAD	HP3 0GD	S	£384,995	100	£3,850
31/03/2015		62	SHEARWATER ROAD		HEMEL HEMPSTEAD	HP3 0GD	T	£380,995	100	£3,810
01/04/2015		9	TOWNSEND GATE		BERKHAMSTED	HP4 2FZ	D	£1,250,000	306	£4,085
02/04/2015		99A	ADEYFIELD ROAD		HEMEL HEMPSTEAD	HP2 5EB	S	£392,500	142	£2,764
10/04/2015		16	SHAROSE COURT	MARKYATE	ST ALBANS	AL3 8JH	T	£359,995	136	£2,647
13/04/2015		16	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£349,995	108	£3,241
13/04/2015		18	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£354,995	113	£3,142
15/04/2015		9	BROOKFIELD CLOSE		TRING	HP23 4ED	D	£830,000	177	£4,689
16/04/2015		19	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£354,995	113	£3,142
16/04/2015		107A	BEECHFIELD ROAD		HEMEL HEMPSTEAD	HP1 1NZ	T	£325,000	78	£4,167
16/04/2015	4	HIGHBANKS	LOWER ADEYFIELD ROAD		HEMEL HEMPSTEAD	HP2 5GW	F	£187,500	54	£3,472
17/04/2015		15	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£354,995	113	£3,142
17/04/2015		17	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£349,995	108	£3,241
17/04/2015		38	HUMBERS HOE	MARKYATE	ST ALBANS	AL3 8QU	T	£364,950	91	£4,010
17/04/2015		39	HUMBERS HOE	MARKYATE	ST ALBANS	AL3 8QU	T	£402,500	104	£3,870
17/04/2015		1A	EVANS WAY		TRING	HP23 5UJ	D	£825,000	186	£4,435
17/04/2015		44	SHEARWATER ROAD		HEMEL HEMPSTEAD	HP3 0GD	D	£569,995	160	£3,562
20/04/2015		21	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£379,995	116	£3,276
21/04/2015		37	HUMBERS HOE	MARKYATE	ST ALBANS	AL3 8QU	T	£369,950	91	£4,065
23/04/2015		20	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£374,995	116	£3,233
23/04/2015		FRITHSDEN HOUSE	FRITHSDEN COPSE	POTTEN END	BERKHAMSTED	HP4 2RG	D	£2,350,000	408	£5,760
24/04/2015		22	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£369,995	116	£3,190
24/04/2015		76A	BRONTE CRESCENT		HEMEL HEMPSTEAD	HP2 7PR	D	£320,000	78	£4,103
27/04/2015		23	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£282,995	84	£3,369
29/04/2015		58	SHEARWATER ROAD		HEMEL HEMPSTEAD	HP3 0GD	T	£389,995	100	£3,900
30/04/2015		1	CORNCRAKE GROVE		HEMEL HEMPSTEAD	HP3 0GA	D	£692,500	190	£3,645

30/04/2015		ASHTON HOUSE	KITSBURY ROAD		BERKHAMSTED	HP4 3EA	D	£1,199,950	199	£6,030
06/05/2015		23	GEORGE STREET	MARKYATE	ST ALBANS	AL3 8JX	S	£285,000	65	£4,385
08/05/2015		175A	EBBERNS ROAD		HEMEL HEMPSTEAD	HP3 9RD	T	£315,000	143	£2,203
11/05/2015	4	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£225,000	50	£4,500
13/05/2015		24	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£282,995	84	£3,369
15/05/2015		14	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£354,995	108	£3,287
15/05/2015	2	EMERALD VIEW	GALLEY HILL		HEMEL HEMPSTEAD	HP1 3LA	T	£375,000	124	£3,024
15/05/2015	3	EMERALD VIEW	GALLEY HILL		HEMEL HEMPSTEAD	HP1 3LA	T	£365,000	124	£2,944
15/05/2015	5	EMERALD VIEW	GALLEY HILL		HEMEL HEMPSTEAD	HP1 3LA	T	£365,000	124	£2,944
15/05/2015	FLAT 6	104	HIGH STREET		TRING	HP23 4AF	F	£340,000	116	£2,931
15/05/2015	1	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£460,000	102	£4,510
15/05/2015	2	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£450,000	106	£4,245
18/05/2015	1	EMERALD VIEW	GALLEY HILL		HEMEL HEMPSTEAD	HP1 3LA	T	£375,000	124	£3,024
20/05/2015	4	EMERALD VIEW	GALLEY HILL		HEMEL HEMPSTEAD	HP1 3LA	T	£350,000	124	£2,823
20/05/2015	6	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£410,000	81	£5,062
21/05/2015		7	BROOKFIELD CLOSE		TRING	HP23 4ED	D	£835,000	189	£4,418
21/05/2015		60	SHEARWATER ROAD		HEMEL HEMPSTEAD	HP3 0GD	T	£382,995	100	£3,830
21/05/2015		175B	EBBERNS ROAD		HEMEL HEMPSTEAD	HP3 9RD	T	£325,000	143	£2,273
22/05/2015		26	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£349,995	108	£3,241
22/05/2015		34	RESON WAY		HEMEL HEMPSTEAD	HP1 1NU	S	£438,125	139	£3,152
26/05/2015		27	VER BROOK AVENUE	MARKYATE	ST ALBANS	AL3 8FH	T	£359,995	108	£3,333
26/05/2015		40	HUMBERS HOE	MARKYATE	ST ALBANS	AL3 8QU	S	£364,950	82	£4,451
26/05/2015		41	HUMBERS HOE	MARKYATE	ST ALBANS	AL3 8QU	S	£359,950	82	£4,390
29/05/2015	12	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£245,000	62	£3,952
29/05/2015	15	SHELDON LODGE	HIGH STREET		BERKHAMSTED	HP4 1FP	F	£349,550	45	£7,768
29/05/2015	3	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£385,000	98	£3,929
29/05/2015	5	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£325,000	71	£4,577
04/06/2015	3	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£252,500	64	£3,945
04/06/2015	8	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£240,000	60	£4,000
05/06/2015	7	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£435,000	102	£4,265
08/06/2015	8	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£455,000	106	£4,292
09/06/2015		WALLINGFORD HOUSE	KINGSHILL WAY		BERKHAMSTED	HP4 3TP	D	£1,400,000	295	£4,746
11/06/2015	4	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£178,000	41	£4,341
12/06/2015		12	SHAROSE COURT	MARKYATE	ST ALBANS	AL3 8JH	T	£349,995	136	£2,573
12/06/2015	11	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£180,000	41	£4,390
12/06/2015	16	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£180,000	37	£4,865
12/06/2015	18	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£177,500	41	£4,329
12/06/2015	21	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£182,000	38	£4,789
12/06/2015	6	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£240,000	62	£3,871
12/06/2015	7	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£172,500	40	£4,313
12/06/2015	9	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£180,000	37	£4,865
12/06/2015	11	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£325,000	71	£4,577
12/06/2015	9	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£395,000	98	£4,031
15/06/2015		32	RESON WAY		HEMEL HEMPSTEAD	HP1 1NU	S	£438,125	139	£3,152
17/06/2015	10	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£220,000	50	£4,400
17/06/2015		4	KINGS MEWS	CHIPPERFIELD	KINGS LANGLEY	WD4 9BF	D	£1,075,000	197	£5,457

19/06/2015		2	EGRET DRIVE		HEMEL HEMPSTEAD	HP3 0FH	D	£564,995	158	£3,576
19/06/2015	1	NEW LODGE	TOWNSEND GATE		BERKHAMSTED	HP4 2FU	F	£550,000	125	£4,400
19/06/2015		THAMES HOUSE	KINGSHILL WAY		BERKHAMSTED	HP4 3TP	D	£1,250,000	253	£4,941
22/06/2015		12	HUMBERS HOE	MARKYATE	ST ALBANS	AL3 8QU	S	£459,950	126	£3,650
25/06/2015		28	HUMBERS HOE	MARKYATE	ST ALBANS	AL3 8QU	S	£524,950	151	£3,476
25/06/2015	10	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£250,000	64	£3,906
25/06/2015	22	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£215,000	51	£4,216
26/06/2015		11	SHAROSE COURT	MARKYATE	ST ALBANS	AL3 8JH	T	£349,995	136	£2,573
26/06/2015		DRIVE COTTAGE		SHENDISH	HEMEL HEMPSTEAD	HP3 0AA	T	£777,500	184	£4,226
30/06/2015		11	HUMBERS HOE	MARKYATE	ST ALBANS	AL3 8QU	S	£499,950	141	£3,546
30/06/2015		4	EGRET DRIVE		HEMEL HEMPSTEAD	HP3 0FH	D	£564,995	158	£3,576
30/06/2015		1	WARBLER COURT		HEMEL HEMPSTEAD	HP3 0FN	F	£279,995	72	£3,889
30/06/2015		1	DUNNOCK CLOSE		HEMEL HEMPSTEAD	HP3 0FS	D	£409,995	100	£4,100
30/06/2015		3	DUNNOCK CLOSE		HEMEL HEMPSTEAD	HP3 0FS	S	£394,995	100	£3,950
30/06/2015		5	DUNNOCK CLOSE		HEMEL HEMPSTEAD	HP3 0FS	S	£399,995	100	£4,000
30/06/2015	12	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£265,000	85	£3,118
30/06/2015	14	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£255,000	61	£4,180
30/06/2015	15	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£260,000	61	£4,262
30/06/2015	16	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£265,000	60	£4,417
30/06/2015	17	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£265,000	60	£4,417
30/06/2015	18	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£200,000	52	£3,846
30/06/2015	19	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£190,000	46	£4,130
30/06/2015	28	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£275,000	58	£4,741
30/06/2015	29	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£270,000	61	£4,426
30/06/2015	30	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£260,000	61	£4,262
30/06/2015	31	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£270,000	60	£4,500
30/06/2015	32	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£270,000	62	£4,355
30/06/2015	33	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£200,000	52	£3,846
30/06/2015	34	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£195,000	46	£4,239
30/06/2015	43	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£285,000	58	£4,914
30/06/2015	45	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£318,000	79	£4,025
30/06/2015	6	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£255,000	60	£4,250
30/06/2015	7	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£190,000	48	£3,958
30/06/2015	3	NEW LODGE	TOWNSEND GATE		BERKHAMSTED	HP4 2FU	F	£525,000	121	£4,339
01/07/2015	44	HARRISON HOUSE	THE EMBANKMENT	NASH MILLS WHARF	HEMEL HEMPSTEAD	HP3 9DH	F	£350,000	88	£3,977
01/07/2015		HASTINGS HOUSE	KINGSHILL WAY		BERKHAMSTED	HP4 3TP	D	£1,300,000	264	£4,924
02/07/2015		3	RYMILL CLOSE	BOVINGDON	HEMEL HEMPSTEAD	HP3 0JA	S	£599,950	175	£3,428
02/07/2015	12	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£375,000	81	£4,630
03/07/2015		21	GEORGE STREET	MARKYATE	ST ALBANS	AL3 8JX	S	£285,000	65	£4,385
03/07/2015	4	NEW LODGE	TOWNSEND GATE		BERKHAMSTED	HP4 2FU	F	£525,000	107	£4,907
07/07/2015		6	EGRET DRIVE		HEMEL HEMPSTEAD	HP3 0FH	D	£749,995	211	£3,554
10/07/2015	14	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£177,500	40	£4,438
10/07/2015	27	SHELDON LODGE	HIGH STREET		BERKHAMSTED	HP4 1FP	F	£600,950	105	£5,723
10/07/2015	2	NEW LODGE	TOWNSEND GATE		BERKHAMSTED	HP4 2FU	F	£550,000	119	£4,622
10/07/2015	17	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£300,000	71	£4,225
17/07/2015	28	SHELDON LODGE	HIGH STREET		BERKHAMSTED	HP4 1FP	F	£599,650	102	£5,879

23/07/2015		6	HICKS ROAD	MARKYATE	ST ALBANS	AL3 8LJ	T	£369,995	113	£3,274
24/07/2015		10	SHAROSE COURT	MARKYATE	ST ALBANS	AL3 8JH	T	£349,995	136	£2,573
24/07/2015		7	SHAROSE COURT	MARKYATE	ST ALBANS	AL3 8JH	T	£359,995	136	£2,647
24/07/2015	FLAT 4	60	ALEXANDRA ROAD		HEMEL HEMPSTEAD	HP2 4AQ	F	£215,000	45	£4,778
27/07/2015		9	SHAROSE COURT	MARKYATE	ST ALBANS	AL3 8JH	T	£349,995	136	£2,573
27/07/2015	18	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£375,000	81	£4,630
29/07/2015	6	SHELDON LODGE	HIGH STREET		BERKHAMSTED	HP4 1FP	F	£363,950	46	£7,912
30/07/2015	FLAT 1	60	ALEXANDRA ROAD		HEMEL HEMPSTEAD	HP2 4AQ	F	£310,000	104	£2,981
31/07/2015	1	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£280,000	71	£3,944
31/07/2015	2	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£275,000	70	£3,929
31/07/2015	15	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£475,000	111	£4,279
07/08/2015	15	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£242,500	60	£4,042
07/08/2015		5	KINGS MEWS	CHIPPERFIELD	KINGS LANGLEY	WD4 9BF	D	£1,275,000	229	£5,568
14/08/2015	16	LE MARCHANT	TOWNSEND GATE		BERKHAMSTED	HP4 2GA	F	£475,000	103	£4,612
21/08/2015		1	KINGS MEWS	CHIPPERFIELD	KINGS LANGLEY	WD4 9BF	D	£775,000	128	£6,055
27/08/2015		LITTLE BARN, 5	SARACENS MEWS		KINGS LANGLEY	WD4 9HU	D	£250,000	45	£5,556
04/09/2015	FLAT 5	60	ALEXANDRA ROAD		HEMEL HEMPSTEAD	HP2 4AQ	F	£199,950	43	£4,650
04/09/2015	1	SHELDON LODGE	HIGH STREET		BERKHAMSTED	HP4 1FP	F	£435,950	61	£7,147
09/09/2015	37	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£285,000	56	£5,089
28/09/2015	2	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£280,000	57	£4,912
28/09/2015	3	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£203,000	40	£5,075
28/09/2015	4	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£290,000	73	£3,973
28/09/2015	5	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£299,999	85	£3,529
28/09/2015	19	KENSINGTON HOUSE	CORNER HALL		HEMEL HEMPSTEAD	HP3 9YT	F	£260,000	62	£4,194
29/09/2015	20	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£292,500	61	£4,795
29/09/2015	22	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£280,000	56	£5,000
29/09/2015	27	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£295,000	58	£5,086
29/09/2015	35	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£295,000	61	£4,836
29/09/2015	36	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£202,500	45	£4,500
29/09/2015	8	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£282,500	60	£4,708
30/09/2015		4	SWALLOW WALK		HEMEL HEMPSTEAD	HP3 0FY	D	£515,000	137	£3,759
30/09/2015	21	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£202,501	45	£4,500
30/09/2015	23	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£290,000	58	£5,000
30/09/2015	24	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£285,000	60	£4,750
30/09/2015	25	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£292,500	64	£4,570
30/09/2015	26	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£295,000	58	£5,086
30/09/2015	39	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£287,500	60	£4,792
30/09/2015	41	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£297,500	58	£5,129
30/09/2015	47	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£210,000	45	£4,667
30/09/2015	9	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£290,000	64	£4,531
02/10/2015	3	SMITH - DORRIEN	TOWNSEND GATE		BERKHAMSTED	HP4 2GB	F	£515,000	113	£4,558
14/10/2015	38	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£295,000	58	£5,086
19/10/2015		78	BRIERY WAY		HEMEL HEMPSTEAD	HP2 7AN	S	£183,000	75	£2,440
21/10/2015	42	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£297,500	58	£5,129
23/10/2015	1	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£211,199	44	£4,800
23/10/2015	40	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£295,000	64	£4,609

23/10/2015	49	HARRISON HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9DH	F	£297,500	58	£5,129
30/10/2015	2	BLACKWELL HOUSE	THE EMBANKMENT		HEMEL HEMPSTEAD	HP3 9FX	F	£314,950	68	£4,632

HDH Planning and Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers.

The firm is led by Simon Drummond-Hay who is a Chartered Surveyor, Associate of Chartered Institute of Housing and senior development professional with a wide experience of both development and professional practice. The firm is regulated by the RICS.

The main areas of expertise are:

- Community Infrastructure Levy (CIL) testing
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments
- Future Housing Numbers Analysis (post RSS target setting)

HDH Planning and Development have public and private sector clients throughout England and Wales.

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