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# North Norfolk District Council Interim Plan Wide Viability Assessment

October 2018



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Appendix 1 - Heb Surveyors Valuation Report 2018  
(Separate Report)

Appendix 2 – BCIS Construction Cost Data North West Norfolk Sept 2018

# Executive Summary

## Purpose of the Study

1.1 The purpose of the Plan Wide Viability Study is to appraise the viability of the North Norfolk District Local Plan in terms of the impact of its policies on the economic viability of the development expected to be delivered during the Plan period. The study considers policies that might affect the cost and value of development (e.g. Affordable Housing and Design and Construction Standards). As a secondary outcome the study considers the potential to accommodate Community Infrastructure Levy Charges in the event the Council wishes to progress this process. The area covered by the study is the North Norfolk District Council administrative area.

1.2 The National Planning Policy Framework and National Planning Practice Guidance on Viability issued in July 2018 require that plans should be deliverable ensuring that obligations and policy burdens do not threaten the viability of the developments identified in the plan. An assessment of the costs and values of each category of development is therefore required to consider whether they will yield competitive returns to a willing land owner and willing developer thus enabling the identified development to proceed.

1.3 The study primarily assesses the viability of the proposed policy impacts of the Local Plan. The viability model assesses the value of the relevant category of development (e.g. residential) and all the costs associated with its development as well as the cost of policy impacts like Affordable Housing. The model also makes allowance for returns to both landowner and developer. The outcome of the assessment will be a 'viability margin' expressed as a total sum and as a sum per sq metre. If this figure is positive it demonstrates that the Local Plan and its policies are viable. As a secondary outcome the level of positive viability margin illustrates the potential for additional developer contributions. The level of positive viability expressed on a per sq metre basis therefore informs the potential for contributions via a Community Infrastructure Levy. This information is provided to enable the Council to make informed decisions on the scope for future introduction of the Levy if supported.

## Methodology

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

EVIDENCE BASE – LAND & PROPERTY VALUATION STUDY

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

# Executive Summary

## EVIDENCE BASE – CONSTRUCTION COST STUDY

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

## IDENTIFICATION OF SUB-MARKETS

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

## POLICY IMPACT ASSESSMENT

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

## LAND VALUE BENCHMARKING

1.9 The study generates land value benchmarks to be adopted in the viability assessments that represent a ‘competitive return to the landowner’ as required by the NPPF. These benchmarks represent a premium over the existing use value of land based on sharing the uplift in value resulting from planning permission between the landowner (as a profit return) and the Local Authority (as a means of funding developer contributions. This is explained in detail in the methodology section.

## VIABILITY APPRAISAL

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

## STAKEHOLDER ENGAGEMENT

1.11 Consultation with local developers/landowners with regard to the appropriateness of assumptions used to conduct the appraisals with regard to prevailing market conditions and any local factors.

1.12 The assessment of viability is an iterative process and therefore a number of stages are revisited when new or updated information is received. A Stakeholder Event was held in August 2018 and subsequently this report has been updated with new assumptions, primarily with respect to construction costs and land values.



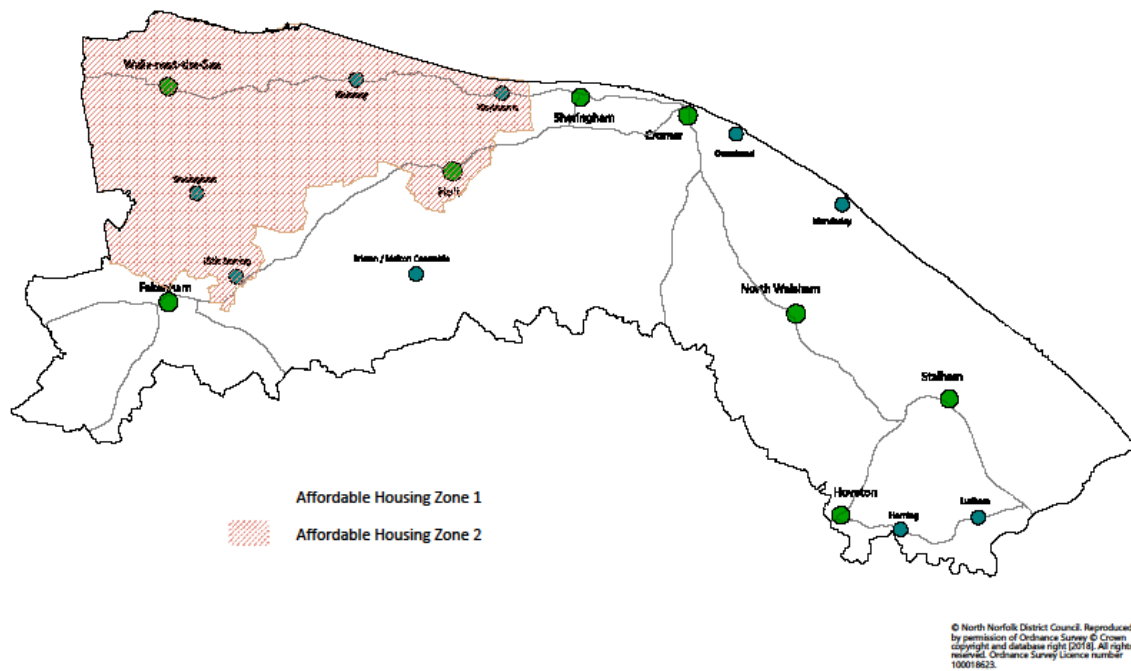
# Executive Summary

## RESULTS

1.12 The viability results for both residential and commercial development typologies have been summarised below. The figures represent the margin of viability per square metre taking account of all development values and costs, plan policy impact costs and having made allowance for a competitive return to the landowner and developer. In essence a positive margin confirms whole plan viability.

## AFFORDABLE HOUSING RATES

1.13 The assessments of residential land and property values indicated that there were significant differences in value across the District to justify the existence of sub-markets. The study acknowledged that the two sub-market areas that support the Council's current affordable housing policy remain robust and are indicated on the plan below.




Affordable Housing Sub-Market Areas

# Executive Summary

## Key Findings – Residential Viability Assessment

1.14 The North Norfolk District Local Plan sets out the strategy to deliver housing over the plan period. The Plan Wide Viability assessment illustrated that firstly, in general terms, housing development proposed in all locations in the North Norfolk District Local Plan are broadly viable but that there is limited potential to accommodate additional contributions (for instance through CIL charges). The assessment of residential land and property values indicated that the Authority did possess significantly different residential sub-markets that warrant differential value assumptions being made in the Whole Plan Viability Assessment and, potentially, a differential rate approach to CIL based on two geographical zones. These are set out in the zone maps at Section 4.

1.15 The viability results are summarised in the table below. The figures represent the margin of viability per sqm taking account of all development values and costs, plan policy impact costs and having made allowance for a competitive return to the landowner and developer. In essence a positive margin confirms whole plan viability and the level of positive margin represents the potential to introduce additional developer contributions (for instance via CIL charges).

 <b>Maximum Potential Viability per Sqm</b>					
Sub-Market/Base Land Value	Edge Principal Town Large	Edge Principal Town Medium	Edge Service Centre	Village Edge	Village Infill
<b>Zone 1 – 15% Affordable</b>					
Greenfield	£18	£22	£25	£29	£23
Brownfield	-£42	-£38	-£35	-£30	-£37
<b>Zone 2 - 40% Affordable</b>					
Greenfield	£53	£45	£44	£56	£35
Brownfield	-£29	-£37	-£39	-£25	-£47

## Affordable Housing Rates

1.16 A series of Affordable Housing Tests were undertaken based on different tenure delivery rates and tenure mixes (which are set out in more detail at paras 4.5-4.7) to identify an appropriate approach to Affordable Housing delivery against the emerging policy background in context with current market values and costs. The comparative tables in Section 5 illustrate the viability of housing development based on 10-15% Affordable Housing Delivery in Zone 1 and 35-40% Affordable Housing delivery in Zone 2.

# Executive Summary

1.17 The appraisals do not identify any issues that would prejudice the delivery of the emerging strategy and sites in terms of Affordable Housing delivery or other policy cost impacts. The study supports previous conclusions that inform the councils current approach and that the zones remain robust. All sites remain broadly viable based on the adopted assumptions, emerging policy content and that the study identifies that 40% and 15% are appropriate and viable percentages to inform policy development.

## Sheltered & Extra Care Housing

1.18 A separate assessment of C3 Sheltered/C2 Extra Care accommodation for the elderly was undertaken elderly based on 15% Affordable Housing in Zone 1 and 40% Affordable Housing in Zone 2. The results are set out in the table below.

Sub-Market/Base Land Value	Elderly C2/C3 Mixed Housing	Elderly C2/C3 Apartments
<b>Zone 1</b>		
Greenfield	£251	£93
Brownfield	£192	£42
<b>Zone 2</b>		
Greenfield	£258	£109
Brownfield	£180	£32

1.19 The results illustrate that the Council's Affordable Housing targets can be viably delivered by retirement development.

## Allocated Site Viability Appraisal Conclusions

1.20 The viability testing of proposed residential sites in North Norfolk District has been undertaken, accounting for the following policy impacts and key assumptions :-

- Greenfield or Brownfield Development
- Delivery Timescale
- Affordable Housing Delivery of 15-40%
- Key Planning Policy Cost Impacts
- Residual Planning Obligation Allowances
- Site Specific Abnormal Costs and Mitigation Factors

# Executive Summary

1.21 The study illustrated that all of the proposed sites are broadly viable based on the adopted assumptions including 15% Affordable Housing in Zone 1 and 40% Affordable Housing in Zone 2.

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

1.23 In conclusion, the assessment of all proposed residential sites in North Norfolk District has been undertaken with due regard to the requirements of the NPPF and the best practice advice contained in the new NPPG on Viability. It is considered that all sites are broadly viable across the plan period taking account of the Affordable Housing requirements and all policy impacts of the Local Plan.

1.24 It should be noted that this study should be seen as a strategic overview of plan level viability rather than as any specific interpretation of North Norfolk District Council policy on the viability of any individual site or application of planning policy to affordable housing, CIL or developer contributions.

## Whole Plan Viability Appraisal Conclusions

1.25 The study demonstrates that most of the development proposed by the Local Plan is viable and deliverable taking account of the cost impacts of the Affordable Housing targets and policies proposed by the plan and the requirements for viability assessment set out in the NPPF. It is further considered that only limited margin exists, beyond a reasonable return to the landowner and developer to accommodate CIL charges.

1.26 The commercial viability assessment indicated that only retail development showed significant viability. All of the remaining commercial use class appraisals indicate negative viability though this does not mean that this type of development is not deliverable. For consistency a full developer's profit allowance was included in all the commercial appraisals. In reality many employment developments are undertaken direct by the operators. If the development profit allowance is removed from the calculations, then much employment development would be viable and deliverable. .

1.27 Taking account of the viability results, the generic nature of the tests, a reasonable buffer to allow for additional site specific abnormal costs, it is not recommended that North Norfolk District Council pursues a CIL charging system in current economic circumstances.



# 2 Introduction

2.1 The purpose of the study is to assess the overall viability of the emerging Local Plan and to accompany the publication and consultation of the plan.

2.2 In order to provide a robust assessment, the study first uses generic development typologies to consider the cost and value impacts of the proposed plan policies and determine whether any additional viability margin exists to accommodate a Community Infrastructure Levy. The study then goes on to assess the viability of the key strategic sites which are key to the overall development strategy. The individual site assessments take account of policies in the plan, affordable housing requirements, mandatory requirements to be introduced during the Plan period such as the National Housing Standards and Sustainable Construction requirements and site specific constraints to determine whether the proposed sites are viable and deliverable in the plan period.

## The NPPF and Relevant Guidance

2.3 In response to the original NPPF issued in 2012, the Local Housing Delivery Group, a cross industry group of residential property stakeholders including the House Builders Federation, Homes and Communities Agency and Local Government Association, published more specific guidance entitled 'Viability Testing Local Plans' in June 2012 (the Harman Report).

2.4 The guidance stated as an underlying principle, that :-

*"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."*

2.5 The guidance recommends the following stages be completed in testing Local Plan viability:-

- 1) Review Evidence Base and align existing assessment evidence
- 2) Establish Appraisal Methodology and Assumptions (including threshold land values, site and development typologies, costs of policy requirements and allowance for changes over time)
- 3) Evidence Collation and Viability Modelling (including development costs and revenues, land values, developers profit allowance)
- 4) Viability Testing and Appraisal
- 5) Review of Outputs

# 2 Introduction

2.6 The National Planning Policy Framework 2018 maintains the importance of maintaining viability assessment in considering appropriate Development Plan policy. Para 34 states :-

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

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

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

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

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

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

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

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

## 2 Introduction

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

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

# 3 Methodology

## The Process

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

### 1) Evidence Base – Land & Property Valuation Study

3.1 Establish an area wide evidence base of land and property values for development in each sub-market area. The evidence base relies on the area wide valuation study undertaken by Heb Surveyors in 2018 (Appendix 1). The evidence is compiled from current data sources and direct engagement with stakeholders in the local development industry.

### 2) Evidence Base – Construction Cost Study

3.2 Establish an area wide evidence base of construction costs for each category of development relevant to the local area. The evidence base relies on BCIS data for North Norfolk District dated September 2018 (Appendix 2). In addition specific advice on reasonable allowances for abnormal site constraints was obtained from Gleeds and is outlined in the report.

### 3) Identification of Sub Market Areas

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

### 4) Policy Impact Assessment

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

# 3 Methodology

## 5) Viability Appraisal – Whole Plan Assessment

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

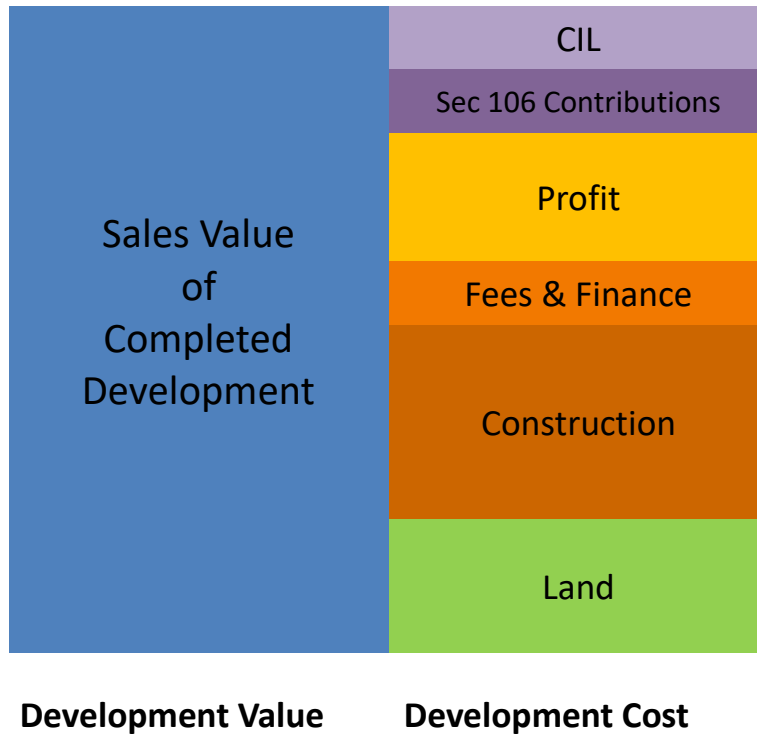
## 6) Site Specific Appraisal

3.6 The proposed allocated sites undergo very similar appraisal as outlined in the above methodology but site specific factors in terms of site area, housing numbers, housing mix, abnormal cost/mitigation factors are also assessed to ensure sites are deliverable.



# 3 Methodology

## The Development Equation



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

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

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

# 3 Methodology

## Viability Assessment Model

3.10 The NCS model is based on standard development appraisal methodology, comparing development value to development cost. The model factors in a reasonable return for the landowner with the established threshold value, a reasonable profit return to the developer and the assessed cost impacts of proposed planning policies to determine if there is a positive or negative residual output. Provided the margin is positive (ie Zero or above) then the development being assessed is deemed viable. The specific allowances are set out in Section 4. The principles of the model are illustrated below.

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

3.11 The model will calculate the gross margin available for developer contributions. The maximum rate of additional contribution (via, for instance, CIL) that could be levied without rendering the development economically unviable is calculated by dividing the gross margin by the floorspace of the development being assessed.

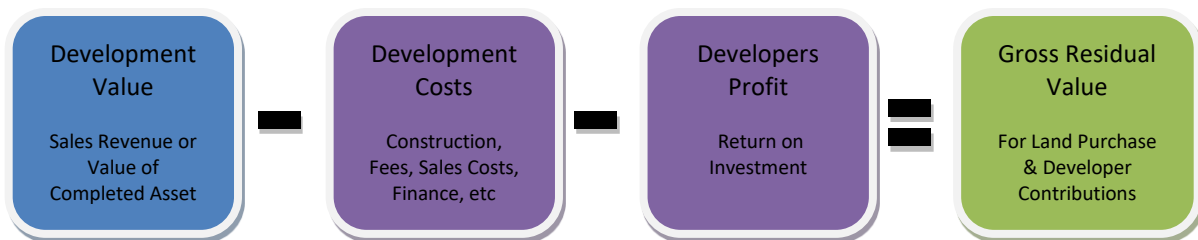
# 3 Methodology

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

## Land Value Assumptions

3.13 It is generally accepted that developer contributions (Affordable Housing, CIL , S106 and S278), will be extracted from the residual land value (i.e. the margin between development value and development cost including a reasonable allowance for developers profit). Within this gross residual value will be a base land value (i.e. the minimum amount a landowner will accept to release a site) and a remaining margin for contributions.

### Stage 1 – Residual Valuation



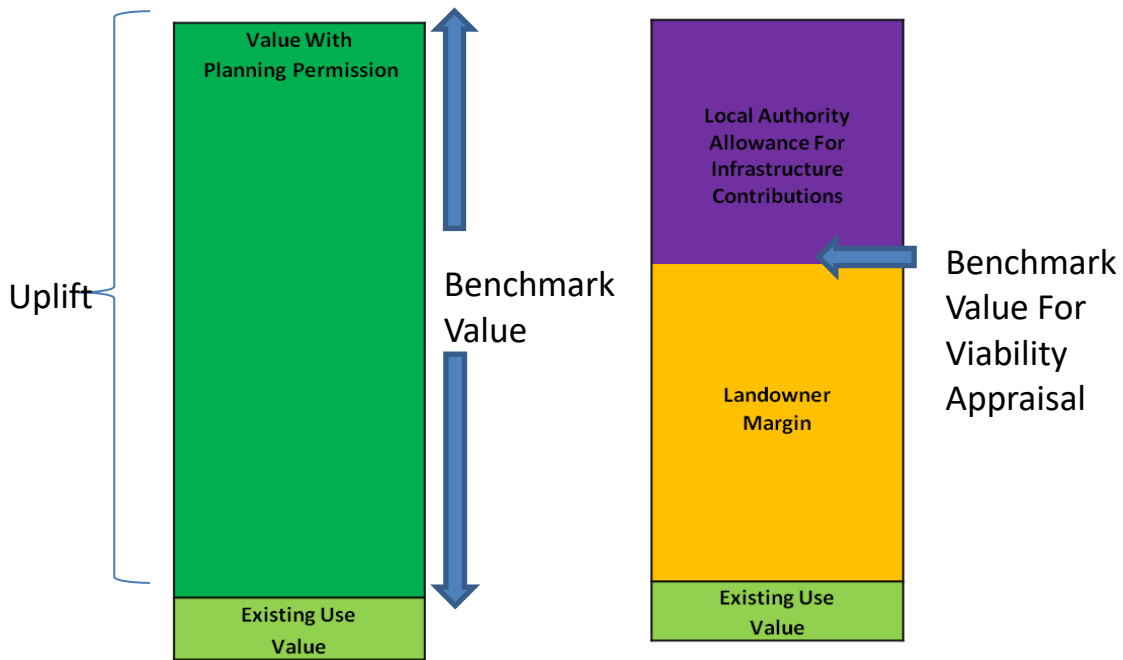
3.14 The approach to assessing the land element of the gross residual value is therefore the key to the robustness of any viability appraisal. There is no single method of establishing threshold land values for the purpose of viability assessment in planning but the NPPF and emerging best practice guidance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

### Stage 2 – Establishing Base Land Value



# 3 Methodology

## Land Value Benchmarking (Threshold Land Values)



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

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

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

# 3 Methodology

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

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

## **Benchmarking and Threshold Land Value Guidance**

3.20 In July 2018 the Government issued the revised NPPF and published guidance on best practice in viability assessment (Planning Practice Guidance for Viability). This guidance essentially reflected principles established by the Harman Report and RICS Financial Viability in Planning. With respect to land value benchmarking the draft guidance states the following :-

### ***“How should land value be defined for the purpose of viability assessment?”***

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

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

### ***What factors should be considered to establish benchmark land value?***

*Benchmark land value should:*

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*
- *be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*



# 3 Methodology

## ***What is meant by existing use value in viability assessment?***

*Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield. Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.*

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

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

*Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).*

## **NCS Approach to Land Value Benchmarking (Threshold Land Values)**

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

# 3 Methodology

3.22 We first adopt an appropriate benchmark for either greenfield or brownfield existing use value dependent on the type of site being assessed. These benchmarks are obtained from comparable market evidence of land sales for the relevant land use in the local area assessed as part of the valuation study undertaken by HEB Surveyors.

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

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

The Threshold Land Value is established as follows :-

Existing Use Value + 50% Share Of Uplift from Planning Permission = Threshold Land Value  
EUV + Premium to Landowner = Benchmark

The 'Uplift in value from Planning Permission' is established by subtracting the 'Existing use Value' from the Gross Residual Value (as set out in paras 3.15-3.16 above)

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

# 3 Methodology

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

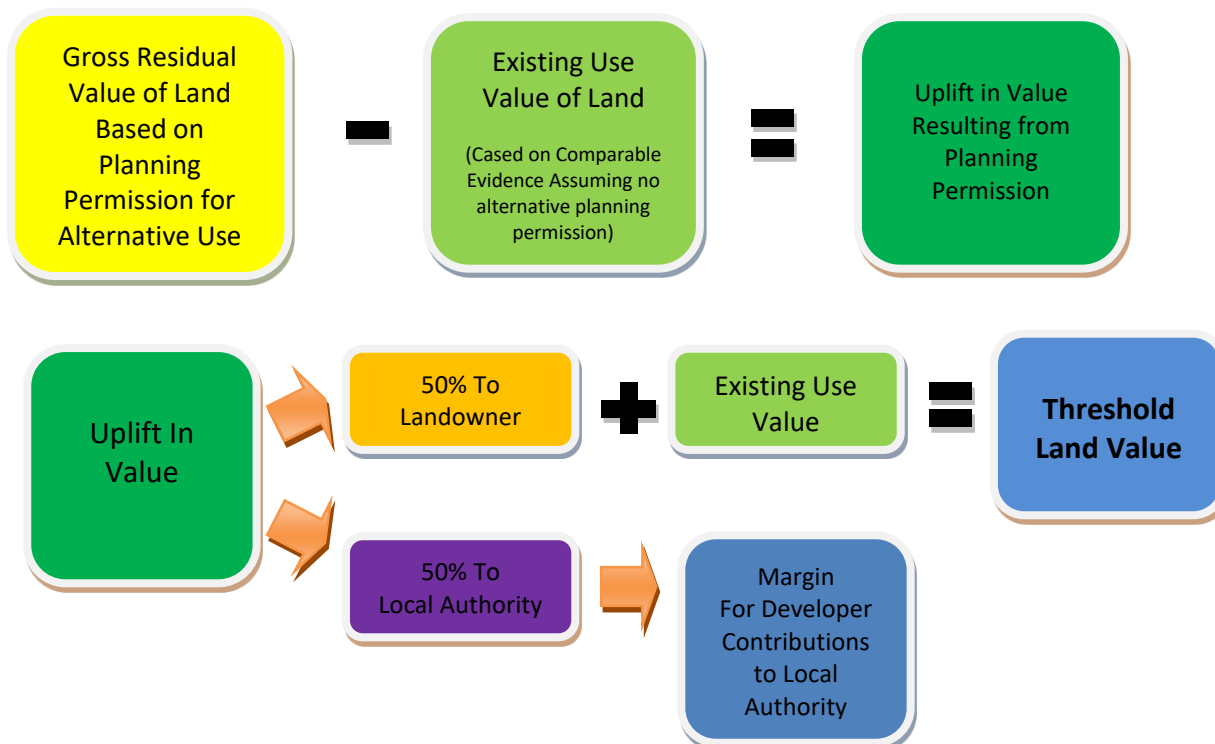
3.26 A landowner owns a 1 Hectare field at the edge of a settlement. The land is proposed to be allocated for residential development. Agricultural value is £20,000 per Ha. The Gross Residual Value of the land with residential planning permission is £1,000,000. Land sales in the area range from £400,000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

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

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

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

### Benchmarking Based on EUV + % Share of Uplift in Land Value



# 3 Methodology

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

3.28 The alternative method at the other end of the scale, following the part of the viability PPG which states *'In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account,'* would be to calculate the total cost of all policy targets of the LPA first and determine what is left for the landowner and provided this margin offered some level of premium over EUV, accept it as a benchmark. In effect this would guarantee a positive viability result in every instance as no attempt is made to first establish 'the minimum land value at which a landowner would sell.'

3.29 We believe the purpose of viability appraisal and indeed the intention of the guidance is to ensure the total costs of policy compliance still leave enough room for the developer to make a sensible profit and for the landowner to achieve a reasonable return to induce him to sell. Since developer contributions must be extracted from the uplift in land value resulting from planning permission, unless some attempt is made to create a benchmark land value that reflects this 'reasonable return' to the landowner before the total costs of policy targets are subtracted, then the appraisal would serve no purpose. We consider the EUV + % Uplift method represents a balanced approach between the alternatives outlined above that is fair and reasonable and relies more precisely on the specific development cost and value of the site being assessed.

## Brownfield and Greenfield Land Value Benchmarks

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

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

# 3 Methodology

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

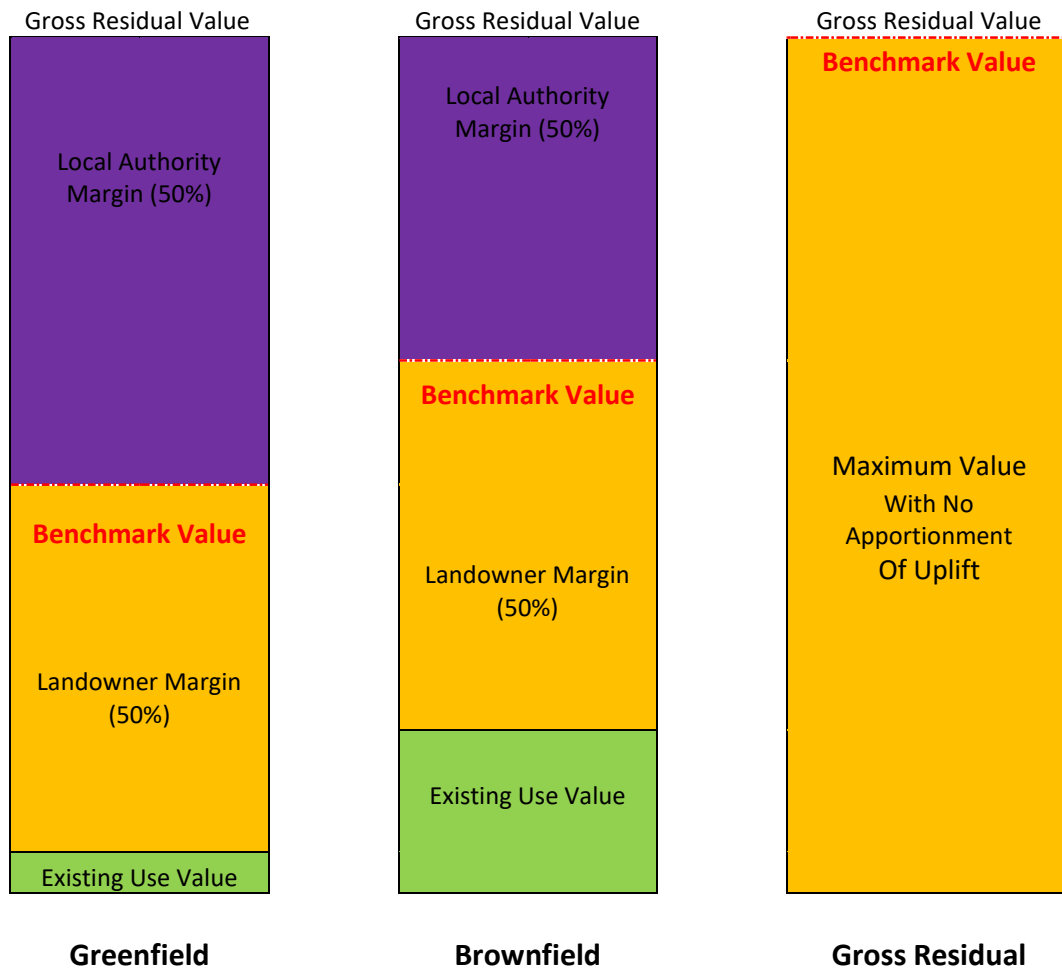
## Residential

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

## Commercial

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

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





# 3 Methodology

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

# 4 Appraisal Assumptions

## Development Categories

4.1 In order to ensure that the study is sufficiently comprehensive to inform a Differential Rate CIL system, all categories of development in the Use Classes Order will be considered, including a relevant sample of Sui Generis uses to reflect typical developments in the North Norfolk District Local Plan area, as follows :-

**Residential (C3)** - Based on varying residential development scenarios and factoring in the affordable housing requirements of the Authority. Land values are assessed based on house type plots. Sales values are assessed on per sqm rates.

**Commercial** - The following categories are considered. Land Values and Gross Development Values are assessed on sqm basis.

Industry (B1(b)B1(c), B2, B8)

Offices (B1a)

Food Supermarket Retail (A1)

General Retail (A1, A2, A3, A4, A5)

Hotels (C1)

Residential Institutions (C2)

Institutional and Community (D1)

Leisure (D2)

Agricultural

Sui Generis - Vehicle Sales

Sui Generis – Car Repairs

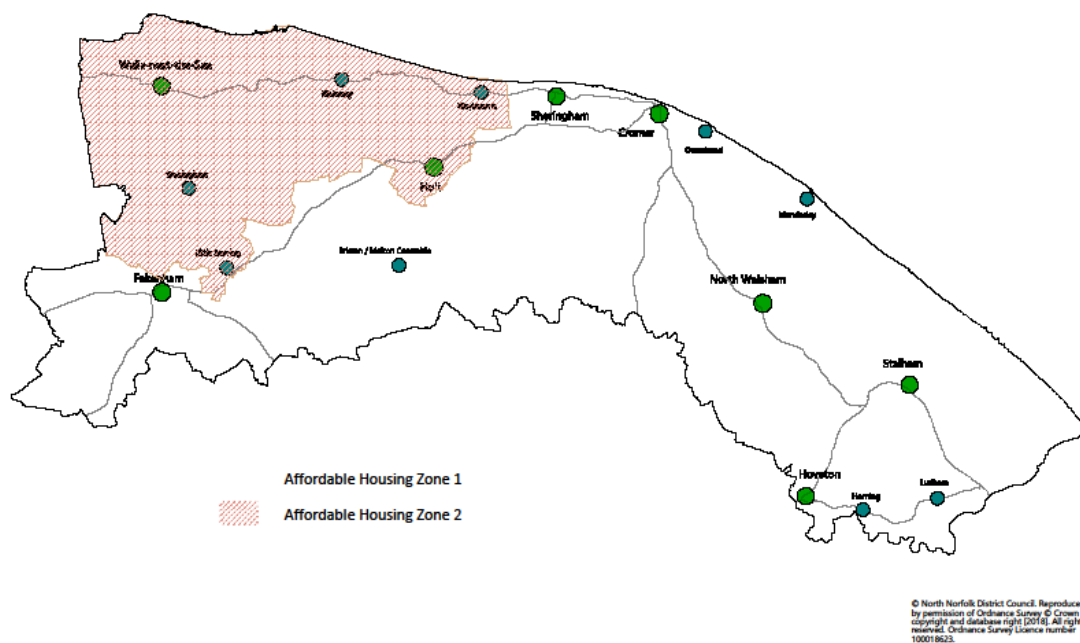
## Sub Market Areas

4.2 The Heb valuation study considered evidence of residential land and property values across North Norfolk District and concluded that there were sufficient distinctions between sales prices to warrant differential value assumptions being made in the Whole Plan Viability Assessment and, potentially, a differential rate approach to CIL based on geographical zones.

4.3 The sub-market areas are set out in the residential zone map below. The study acknowledged that the two sub-market areas that support the Council's current affordable housing policy remain robust. There were a few anomalies where high value properties abut low value areas but the zoning is intended to represent an overview of the tone of values in an area rather than a street specific analysis and also acknowledges the values of new development that are likely to emerge. That said it is notable that the lower value zone includes some significant areas where higher values have been achieved including within a number of settlements where the Council intends to allocate land.

# 4 Appraisal Assumptions

For example, the study demonstrates that higher finished development values are and can be achieved in Hoveton, Mundesley and to a lesser extent Sheringham and Cromer all of which are earmarked in the emerging plan for allocations. These conclusions are reflected in the site specific assessments in these communities and we recommend that the Council considers this carefully in setting its final planning obligations policies for these areas as clearly a higher affordable housing (or other obligations) contribution could viably be secured in these locations. For the purposes of District wide viability testing we do not consider the evidence is sufficiently compelling to change the suggested zones or to introduce further zones into the appraisal but this does not preclude the Council from adopting a different approach by reflecting on the areas of higher value in its final policy approach.



## Affordable Housing Sub-Market Areas

4.4 The variations in commercial values were not considered significant enough across the District to justify the application of differential assumptions based on sub-market areas or to indicate a differential charging zone approach to CIL should it be considered in the future.

# 4 Appraisal Assumptions

## Affordable Housing

4.5 A series of residential viability tests have been undertaken, reflecting affordable housing delivery from 5%-10% in the Lower Value Sub-Market Area and 35-40% in the Higher Value Sub-Market Area. The following extract from a generic sample residential viability appraisal model illustrates how affordable housing is factored into the residential valuation assessment. The relevant variables (e.g. unit numbers, types, sizes, affordable proportion, tenure mix etc.) are inputted into the appropriate cells. The model will then calculate the overall value of the development taking account of the relevant affordable unit discounts.

<b>DEVELOPMENT SCENARIO</b>	Mixed Residential Large Scale				Apartments	20	
<b>BASE LAND VALUE SCENARIO</b>	Greenfield				2 bed houses	40	
<b>DEVELOPMENT LOCATION</b>	Zone 3				3 Bed houses	80	
<b>DEVELOPMENT DETAILS</b>	200		Total Units		4 bed houses	40	
<b>Affordable Proportion</b>	30%	30		Affordable Units		5 bed house	20
<b>Affordable Mix</b>	42%	Intermediate	19%	Social Rent	39%		
<b>Development Floorspace</b>	13,706		Sqm Market Housing		4,560		
<b>Development Value</b>					Sqm Affordable Housing		
<b>Market Houses</b>							
14	Apartments	65	sqm	2853	£ per sqm	£2,596,230	
28	2 bed houses	75	sqm	3390	£ per sqm	£7,119,000	
56	3 Bed houses	90	sqm	3337	£ per sqm	£16,818,480	
28	4 bed houses	120	sqm	3122	£ per sqm	£10,489,920	
14	5 bed house	164	sqm	2906	£ per sqm	£6,672,176	
<b>Intermediate Houses</b>							
		60%	Market Value				
5	Apartments	65	sqm	1718	£ per sqm	£560,786	
15	2 Bed house	75	sqm	2034	£ per sqm	£2,306,556	
5	3 Bed House	90	sqm	2002	£ per sqm	£908,198	
<b>Social Rent Houses</b>							
		40%	Market Value				
2	Apartments	65	sqm	1141.2	£ per sqm	£169,126	
7	2 Bed house	75	sqm	1356	£ per sqm	£695,628	
2	3 Bed House	90	sqm	1334.8	£ per sqm	£273,901	
<b>Affordable Rent Houses</b>							
		50%	Market Value				
5	Apartments	65	sqm	1426.5	£ per sqm	£433,941	
14	2 Bed house	75	sqm	1695	£ per sqm	£1,784,835	
5	3 Bed House	90	sqm	1668.5	£ per sqm	£702,772	
200	Total Units						
<b>Development Value</b>						<b>£51,531,549</b>	

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

# 4 Appraisal Assumptions

4.6 The following Affordable Housing Assumptions have been agreed for the purpose of the study. The assumptions relate to the overall proportion of affordable housing, the tenure mix between Low Cost Home Ownership (Shared Ownership and Shared Equity) and Rented Housing (Affordable Rent). Finally the transfer values in terms of % of open market value are set out for each tenure type. The transfer value equates to the assumed price paid by the registered housing provider to the developer and is assessed as a discounted proportion of the open market value of the property in relation to the type (tenure) of affordable housing. The tenure mixes ensure a minimum of 10% Low Cost Home Ownership (in accordance with the revised NPPF) as part of any overall Affordable Housing delivery.

<b>Affordable Housing</b>				
	Proportion %	Tenure Mix %		
		Shared Ownership	Shared Equity	Affordable Rent
<b>Low Value Sub-Market</b>	10%	60%	40%	0%
<b>Low Value Sub-Market</b>	15%	40%	27%	33%
<b>High Value Sub-Market</b>	35%	17%	12%	71%
<b>High Value Sub-Market</b>	40%	15%	10%	75%
<b>Transfer Values % OMV</b>		60%	70%	50%

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

## Development Density

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

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

Industrial	2:1
Offices	2:1
General Retail	1.5:1 (shopping parades, local centres etc.)
Food retail	3:1



# 4 Appraisal Assumptions

Leisure	3:1
Hotels	2:1
Residential Institutions	1.5:1
Community Uses	1.5:1

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

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

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

## House Types and Mix

4.11 The study uses the following standard house types as the basis for valuation and viability testing as unit types that are compliant with National Housing standards and meet minimum Local Plan policy requirements. The assessment is intended to provide a 'worst case' scenario as marginally larger unit types are unlikely to command higher plot values and so larger unit types will generally demonstrate improved levels of viability.

Apartment	50 sqm
2 Bed House	75 sqm
3 Bed House	90 sqm
4 Bed House	120 sqm
5 Bed House	150 sqm

4.12 Housing values and costs are based on the same gross internal area. However, apartments will contain circulation space (stairwells, lifts, access corridors) which will incur construction cost but which is not directly valued. An additional construction cost allowance is made of 15% to reflect the difference between gross and net floorspace. For C2 Extra Care/C3 Sheltered Accommodation for the elderly an additional allowance of 30% is made for the provision of communal facilities, wardens accommodation etc that is not directly revenue earning.

## Residential Development Scenarios

4.13 The study tests a series of residential development scenarios to reflect general types of development that are likely to emerge over the plan period.

# 4 Appraisal Assumptions

4.14 For residential development, five scenarios were considered. The list does not attempt to cover every possible development in the District but provides an overview of residential development in the plan period.

1. Edge Principal Town Large Scale (Apts, 2, 3, 4 & 5 Bed Housing)	200 Units
2. Edge Principal Town Medium Scale (2, 3 & 4 Bed Housing)	100 Units
3. Edge Service Centre (2, 3 & 4 Bed Housing)	30 Units
4. Village Edge (2, 3 & 4 Bed Housing)	15 Units
5. Village Infill (2 & 3 Bed Housing)	9 Units
1. Elderly Mixed Housing (Apartments & 2 Bed Houses)	40 Units
2. Elderly Apartments	40 Units

## Commercial Development Scenarios

4.15 The viability appraisal tests all forms of commercial development broken down into use class order categories. For completeness the appraisal includes a sample of sui generis uses. A typical form of development that might emerge during the plan period, is tested within each use class.

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

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

4.18 The table below illustrates the commercial category and development sample testing as well as the density assumptions and net:gross floorspace ratio for each category. In acknowledgement of consultation responses to initial retail viability work more detailed assessment of retail viability has been undertaken in respect to use and scale of development to reflect the type of general retail (A1-A5) and food supermarket (A1) development considered likely to emerge over the plan period.

# 4 Appraisal Assumptions

Commercial Development Sample Typology					
Unit Size & Land Plot Ratio					
		Plot Ratio		Gross:Net	Sample
		Unit Size Sqm	%		
Industrial	B1b B1c B2 B8	1000	200%	1.0	Factory Unit
Office	B1a	1000	200%	1.2	Office Building
Food Retail	A1	3000	300%	1.0	Supermarket
General Retail	A 1 – A5	300	150%	1.0	Roadside Type Shop Unit
Residential Inst	C2	4000	150%	1.2	Care Facility
Hotels	C3	3000	200%	1.2	Mid Range Hotel
Community	D1	200	150%	1.0	Community Centre
Leisure	D2	2500	300%	1.0	Bowling Alley
Agricultural		500	200%	1.0	Farm Store
Sui Generis	Car Sales	1000	200%	1.0	Car Showroom
Sui Generis	VehicleRepairs	300	200%	1.0	Repair Garage

## Sustainable Construction Standards

4.19 The former Code for Sustainable Homes standards have been replaced by changes to the Building Regulations based on the National Housing Standards. It is considered that Building Regulation changes do not impose standards beyond an equivalent of the former CoSH 4 and the BCIS cost rates adopted in the study reflect this. The Commercial Viability assessments are based on BREEAM 'Excellent' construction rates.

## Construction Costs

4.20 The study is based on BCIS construction data benchmarked to North Norfolk District Council. The BCIS average building prices studies are statistical analyses of prices and costs sampled from the industry. They represent general price levels and distribution. Pricing levels on individual projects will be distributed within and around the ranges shown. The £/m<sup>2</sup> Study presents the cost of various types of building based on the contract amount at the commencement of the contract. BCIS building prices used in this study are the cost of the building, excluding external works and contingencies, with preliminaries apportioned by value expressed in £ per m<sup>2</sup> of gross internal floor area. None of the figures include fees. An additional for external works has been made at 15% for housing development and 10% for apartments in line with industry standards and based on advice from Gleeds Construction Consultants.

# 4 Appraisal Assumptions

4.21 The study adopts median BCIS rates based on general two storey estate housing and 1-2 storey apartments. The costs are considered to reflect National Housing Standards for average house sizes built on typical development sites. The cost rates adopted include an upward adjustment for the adaptable and accessible dwelling standards proposed by the Council. The residential construction cost rates are set out within the extract of BCIS at Appendix 2.

Residential Construction Cost Sqm		
Apartments	1495	sqm
2 bed houses	1367	sqm
3 Bed houses	1367	sqm
4 bed houses	1367	sqm
5 bed house	1367	sqm
Extra Care Apts	1495	sqm
Sheltered Housing	1427	sqm

Commercial Construction Cost Sqm	
747	Factory Unit
1551	Office Building
1116	Supermarket
981	Roadside Retail Unit
1351	Care Facility
1524	Mid Range Hotel
2633	Community Centre
1059	Bowling Alley
793	Farm Store

## Abnormal Construction Costs

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

4.23 It is considered better to bear the unknown costs of development in mind when setting CIL rates and not fix rates at the absolute margin of viability. Nevertheless, for the assessment of strategic or allocated sites, where there is specific evidence of abnormal site constraint costs, these will be factored into the site specific appraisals. The abnormal assumptions are set out in the Strategic Site Appraisal section.

# 4 Appraisal Assumptions

## Policy Cost Impacts & Planning Obligation Contributions

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

4.25 CIL may replace some if not all planning obligation contributions. The second purpose of the study is to test the maximum margin available for CIL that is available from various types of development. CIL, if adopted, will represent the first 'slice' of tax on development. Planning Obligations may be used to top up contributions on a site specific basis subject to viability appraisal at planning application stage.

4.26 Nevertheless the CIL Guidance 2014 (contained in the National Planning Practice Guidance) indicates that Authorities should demonstrate that the development plan is deliverable by funding infrastructure through a mixture of CIL and planning obligation contributions in the event that the Authority does not intend to completely replace planning obligations with CIL.

4.27 Costs have been factored into the viability appraisals to reflect the impact of relevant development plan policy and the residual use of planning obligations for site specific mitigation. The following cost allowances have been adopted in the study across all typologies and modelled sites large and small and are representative of the development anticipated in the plan period:

**Residual Planning Obligations for site specific mitigation**

**£2300 per dwelling  
£10 per sqm commercial**

4.28 The figure is based on an analysis of historical contributions over the last five years on previously large scale allocations. (excluding affordable housing which has been factored in separately), reflects changes in the s106 regime (on pooling) that came into effect in April 2015 and applied over all of the typologies. In reality, on smaller sites, contributions for open space, education provision etc vary by location and need and in some cases may fall below required thresholds. Having said this, site specific and on site provision may still be dealt with under s106 and it is recognised that that some site related s106 contributions may be due for all sites. For this type of high level study this is considered a robust approach, nevertheless it is accepted that a level of judgement as well as analysis is required. In relation to the strategic allocation in North Walsham additional allowances have been made in the abnormal constructions costs to reflect anticipated costs around expected strategic infrastructure. In order to refine the s106 contributions and costings around strategic infrastructure NCS understand that the Council is in discussions with the landowners and promoters of this and other sites.

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

# 4 Appraisal Assumptions

## **ACCESSIBILITY STANDARDS - Houses Cat 2 £10sqm x 100% Apartments Cat 2 £15sqm x 100%**

The appraisals test the impact of requiring 100% of homes to be built to Category 2 standard for accessibility. For the majority of housing development this is estimated to add £10sqm over National Housing Standards equivalent build cost allowance for houses and £15 sqm for apartments.

## **WATER CONSERVATION STANDARDS**

The higher optional water standard of 110 lpd is considered to be covered by the adopted construction cost rates (equivalent of CoSH Code 4) and do not require any additional allowance.

## **ENERGY**

No additional allowance has been made for Zero Carbon costs in view of the Government's policy change on this issue.

## **BREAAM Standards**

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

## **SPACE STANDARDS**

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

## **Developers Profit**

4.30 Developer's profit is generally fixed as a % return on gross development value or return on the cost of development to reflect the developer's risk. In current market conditions, and based on the assumed lending conditions of the financial institutions, a 17.5% return on GDV is used in the residential viability appraisals to reflect speculative risk on the market housing units. This is in line with the NPPG on viability assessment introduced by the Government in July 2018 which advises development profit should lie within a 15-20% range. However it must be acknowledged that affordable housing does not carry the same speculative risk as it effectively pre-sold. There is significant evidence of this 'split profit' approach being accepted as a legitimate approach in Whole Plan Viability and Community Infrastructure Levy Examinations and Affordable Housing Sec 106 BC Appeals.

4.31 In line with the NPPG guidance on viability assessment introduced by the Government in July 2018 the profit allowance on the affordable housing element has been set at 6% . It should also be recognised that a 'competitive profit ' will vary in relation to prevailing economic conditions and will generally reduce as conditions improve.

# 4 Appraisal Assumptions

4.32 In the generic commercial development assessments, a 17.5% profit return is also applied. If it is considered that industrial and other forms of commercial are likely to be operator rather than developer led, this allowance may be further reduced to a 5-10% allowance to reflect an allowance for operational/opportunity cost rather than a traditional development risk.

## Property Sales Values

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

4.34 A valuation study of all categories of residential and commercial property has been undertaken by HEB Chartered Surveyors in 2018. A copy of the report is attached at Appendix I.

Residential Sales Values						
Charging Zone	Sales Value £sqm					Retirement
	Apartment	2 Bed	3 Bed	4 Bed	5 Bed	
Zone 1	2400	2500	2400	2400	2300	3600
Zone 2	2900	3300	3200	3200	3100	3900

Commercial Sales Values Sqm		
		Charging Zones
		Area Wide
Industrial		650
Office		1600
Food Retail	A1	2750
General Retail	A1-A5	1750
Residential Inst		1200
Hotels		2750
Community		1077
Leisure		1450
Agricultural		350

## Land Value Allowances - Residential

# 4 Appraisal Assumptions

4.35 Following the land value benchmarking ‘uplift split’ methodology set out in Section 3 the following greenfield and brownfield existing residential land use value assumptions are applied to the study. The gross residual value (the maximum potential value of land assuming planning permission but with no planning policy, affordable housing sec 106 or CIL cost impacts). An example for Village Edge land in the High Value zone is illustrated in the table below.

Land Value	£20000	Existing Greenfield (agricultural) Per Ha Brownfield (equivalent general commercial) Per Ha Gross Residual Residential Value per Ha	Uplift	50%
	£308,000			
	£2,884,165			

4.36 50% of the uplift in value between existing use and the gross residual value of alternative use with planning permission is applied to generate benchmarked land values per Ha. These land values are then divided by the assumed unit type densities to generate the individual greenfield and brownfield plot values to be applied to the appraisals.

EUV	+	50% of Uplift in Value	=	Threshold Land Value	
Greenfield	£20,000	+	50% (£2,884,165 - £20,000)	=	£1,452,083 per Ha
Brownfield	£308,000	+	50% (£2,884,165 - £308,000)	=	£1,596,083 per Ha

Density Assumptions	Apt	2 Bed	3 Bed	4 Bed	5 Bed
	100	40	35	25	20
LAND VALUES (Plot Values)					
	Apt	2 Bed	3 Bed	4 Bed	5 Bed
Greenfield	£14521	£36302	£41488	£58083	£72604
Brownfield	£15961	£39902	£45602	£63843	£79804

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

Gross Residual Land Value per Ha	Zone 1	Zone 2
Edge Principal Town Large Scale	£857387	£2820989
Edge Principal Town Medium Scale	£918894	£2891867
Edge Service Centre	£932104	£2895930
Village Edge	£918254	£2884165
Village Infill	£945611	£2929361



# 4 Appraisal Assumptions

## Land Value Allowances - Commercial

4.38 The approach to commercial land value allowances is the same in principle. Obviously there will be a broad spectrum of residual land values dependent on the commercial use. A number of residual land calculations for commercial categories actually demonstrate negative values – which is clearly unrealistic for the purpose of viability appraisal.

Therefore where residual values are less than market comparable evidence the market comparable is used as the minimum gross residual figure. In the North Norfolk District assessments only retail gross residual values exceeded these market comparable benchmarks.

4.39 The following provides an example threshold land value allowances food supermarket retail

	EUV	+	50% of Uplift in Value	=	Threshold Land Value
Greenfield	£20,000	+	50% (£2,985,965 - £20,000)	=	£1,502,983 per Ha
Brownfield	£308,000	+	50% (£2,985,965 - £308,000)	=	£1,646,983 per Ha

4.40 The greenfield and brownfield land value threshold allowances are all set out within the commercial viability appraisals but in summary the gross residual values on which they are based may be summarised as follows :-

Commercial Residual Land Values		Area Wide
<b>Industrial Land Values per Ha</b>		
Residual Land Value per Ha		£308000
<b>Office Land Values per Ha</b>		
Residual Land Value per Ha		£308000
<b>Food Retail Land Values per Ha</b>		
Residual Land Value per Ha < 3000sqm		£2985965
<b>General Retail Land Values per Ha</b>		
Residual Land Value per Ha		£1649149
<b>Residential Institution Land Values per Ha</b>		
Residual Land Value per Ha		£308000
<b>Hotel Land Values per Ha</b>		
Residual Land Value per Ha		£7500000
<b>Community Use Land Values per Ha</b>		
Residual Land Value per Ha		£308000

# 4 Appraisal Assumptions

Leisure Land Values per Ha	
Residual Land Value per Ha	£350000
Agricultural Land Values per Ha	
Comparable Land Value per Ha	£20000

## Fees, Finance and Other Cost Allowances

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

Residential Development Cost Assumptions				
Professional Fees		8.0%	Construction Cost	
Legal Fees		0.5%	GDV	
Statutory Fees		1.1%	Construction Cost	
Sales/Marketing Costs		2.0%	Market Units Value	
Contingencies		5.0%	Construction Cost	
Planning Obligations		2300	£ per Dwelling	
		10	£ per sqm Commercial	
Interest	5.0%	12	Month Construction	3-6 Mth Sales Void
Arrangement Fee	1.0%	Cost		


# 5 Viability Appraisal Results

5.1 The results of the residential typology Viability Testing are set out in the tables below. In order to inform the policy position of the Council the residential viability tests were undertaken on the assumption that schemes would deliver between 10-15% Affordable Housing in the low value sub-market area and 35-40% in the high value sub-market area.

5.2 Any positive figures confirm that the category of development tested is economically viable in the context of Whole Plan viability and the impact of planning policies. The level of positive viability indicates the potential additional margin for developer contributions on a per sq metre basis (which could inform CIL rates).

5.3 Each category of development produces a greenfield and brownfield result in each test area. These results reflect the benchmark land value scenario. The first result assumes greenfield development which generally represents the highest uplift in value from current use and therefore will produce the highest potential CIL Rate. The second result assumes that development will emerge from low value brownfield land.

5.4 It should be recognised that the viability tests are necessarily generic and do not factor in site specific abnormal costs that may be encountered on many development sites. The tests produce maximum contributions for infrastructure and therefore if the rates are used to inform additional contributions such as CIL charges, an appropriate 'viability buffer' should be considered to account for additional unforeseen costs and site specific abnormals.

		Maximum Viability per Sqm			
Low Value Sub-Market	Edge Principal Town Large	Edge Principal Town Medium	Edge Service Centre	Village Edge	Village Infill
<b>10% Affordable Housing</b>					
Greenfield	£56	£62	£65	£68	£65
Brownfield	-£1	£4	£8	£12	£9
<b>15% Affordable Housing</b>					
Greenfield	£18	£22	£25	£29	£23
Brownfield	-£42	-£38	-£35	-£30	-£37
High Value Sub-Market	Edge Principal Town Large	Edge Principal Town Medium	Edge Service Centre	Village Edge	Village Infill
<b>35% Affordable Housing</b>					
Greenfield	£122	£118	£118	£128	£114
Brownfield	£46	£41	£41	£52	£26
<b>40% Affordable Housing</b>					
Greenfield	£53	£45	£44	£56	£35
Brownfield	-£29	-£37	-£39	-£25	-£47

# 5 Viability Appraisal Results

5.5 The results of the residential viability testing demonstrate that the majority of housing development is viable and deliverable in North Norfolk based on the Council's adopted approach to Affordable Housing delivery and other policy cost impacts of the Development Plan.

5.6 In the lower value Zone 1 sub-market area, greenfield development can sustain 15% Affordable Housing. Brownfield development indicates negative viability at both 10% and 15% affordable housing delivery levels.

5.7 In the higher value Zone 2 sub-market area, residential development can sustain 40% Affordable Housing based on either tenure mix with additional margin for CIL.

## Elderly Accommodation

Sub-Market/Base Land Value	Elderly C2/C3 Mixed Housing	Elderly C2/C3 Apartments
<b>Zone 1</b>		
Greenfield	£251	£93
Brownfield	£192	£42
<b>Zone 2</b>		
Greenfield	£258	£109
Brownfield	£180	£32

5.8 The above table illustrates the viability of C2/C3 accommodation for the elderly based on 20% Affordable Housing in Zone 1 and 40% Affordable Housing in Zone 2.

## Commercial Development

Sub Market Area/Charging Zone	Maximum Viability Margin Per Sqm	
	General Zone	
	Greenfield	Brownfield
Industrial B1b B1c B2 B8	-£375	-£442
Office B1a	-£808	-£834
Food Retail A1	£375	£326
General Retail A1 A2 A3 A4 A5	£99	£76
Residential Institution C2	-£832	-£851
Hotel C1	-£40	-£69
Community D1	-£2,292	-£2,316
Leisure D2	-£160	-£207
Agricultural	-£673	

# 5 Viability Appraisal Results

5.9 Most of the above commercial use class appraisals indicated negative viability and therefore no margin to introduce additional contributions via, for instance, CIL. Only food supermarket and general retail demonstrated significant positive viability. These results are typical of our experience of most Local Authorities' commercial viability assessments. In order for viability assessment to be consistent between residential and commercial development, full development profit allowances are contained within all appraisals (assuming all development is delivered by third party developers requiring a full risk return). In reality much commercial development is delivered direct by business operators who do not require the 'development profit' element. As such many commercial categories of development are broadly viable and deliverable despite the apparent negativity of the results.

# 6 Site Viability Appraisals

6.1 The study has undertaken specific Viability Appraisals of the residential sites proposed to be allocated by the Local Plan. In addition to the assumptions outlined above additional abnormal site constraint costs associated with the development of the individual sites have been applied to the individual site tests. Advice on cost allowances for these constraints was obtained from Gleeds and is summarised in the table below.

<b>Abnormal Site Development Costs</b>	<b>Budget Cost £/Hectare</b>
<p><b>Archaeology</b></p> <p>Typically, Archaeology is addressed by a recording/monitoring brief by a specialist, to satisfy planning conditions Intrusive archaeological investigations are exceptional and not allowed for in the Budget cost</p>	<b>£11,000</b>
<p><b>Flood Defence Works</b></p> <p>Generally involves raising floor levels above flood level, on relevant sites Budget £2,000 per unit x 35 units/Hect, apply to 1 in 3 sites</p>	<b>£28,000</b>
<p><b>Site Specific Access Works</b></p> <p>New road junction and S278 works, allowance for cycle path linking Major off-site highway works not allowed for.</p>	<b>£22,000</b>
<p><b>Land Contamination</b></p> <p>Heavily Contaminated land is not considered, as remediation costs will be reflected in the land sales values Allow for remediation/removal from site of isolated areas of spoil with elevated levels of contamination</p>	<b>£28,000</b>
<p><b>Ground Stability</b></p> <p>Former Mining area. Allow raft foundations to dwellings, on 75% of sites Budget £2000 per unit x 35 units x 25% of sites</p>	<b>£20,000</b>
<p><b>Utilities</b></p> <p>Allowance for Infrastructure Upgrade</p>	<b>£90,000</b>
<p><b>Site Specific Biodiversity Mitigation/Ecology</b></p> <p>Allow for LVIA and Ecology surveys and mitigation and enhancement allowance.</p>	<b>£22,000</b>

# 6 Site Viability Appraisals

6.2 Draft CIL charges are applied to the allocated site tests as well as the standard cost and value outlined in Section 4. The overall assumptions applied to the allocated site tests may be summarised as follows.

## ALLOCATED SITE APPRAISAL GENERAL ASSUMPTIONS

Affordable Housing		Low Value Sub Market Area					
Affordable Proportion%		15%					
Affordable Mix		40%	Shared Ownership	27%	Shared Equity	33%	Affordable Rent
Transfer Value (% OMV)		60%	Shared Ownership	70%	Shared Equity	50%	Affordable Rent

Affordable Housing		High Value Sub Market Area					
Affordable Proportion%		40%					
Affordable Mix		17%	Shared Ownership	12%	Shared Equity	71%	Affordable Rent
Transfer Value (% OMV)		60%	Shared Ownership	70%	Shared Equity	50%	Affordable Rent

Professional Fees @		8.0%	Construction Cost		
Legal Fees		0.5%	GDV		
Statutory Fees		1.1%	Construction Cost		
Sales/Marketing Costs		2.0%	Market Units Value		
Contingencies		5.0%	Construction Cost		
Interest @	5.0%	12	Month Construction	6	Mth Sales Void
Arrangement Fee	1.0%	Cost			
Development Profit	Market Hsg	17.5%	of GDV	Afford Hsg	6% of GDV

CONSTRUCTION COSTS	Apt	2 Bed	3 Bed	4 Bed	5 Bed
Sqm	£1496	£1367	£1367	£1367	£1367

Abnormal Costs						
Archlogy (Ha)	Flood (Ha)	Access (Ha)	Contam (Ha)	Sec 106 Costs(unit)	Ground Stability (Ha)	Utilities Upgrade (Ha)
11000	28000	22000	28000	2300	20000	90000

# 6 Site Viability Appraisals

6.3 The Sales and Land Value assumptions varied dependent on sub market area as follows :-

## ZONE 1

LAND VALUES (Plot Values)					
	2B Apt	2 Bed	3 Bed	4 Bed	5 Bed
Greenfield	4691	11728	13404	18765	23456
Brownfield	6131	15328	17518	24525	30656

SALES VALUES					
	2B Apt	2 Bed	3 Bed	4 Bed	5 Bed
Sqm	2400	2500	2400	2400	2300

COMMUNITY INFRASTRUCTURE LEVY	0	£ Per Sqm
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## ZONE 2

LAND VALUES (Plot Values)					
	2B Apt	2 Bed	3 Bed	4 Bed	5 Bed
Greenfield	14521	36302	41488	58083	72604
Brownfield	15961	39902	45602	63843	79804

SALES VALUES					
	2B Apt	2 Bed	3 Bed	4 Bed	5 Bed
Sqm	2900	3300	3200	3200	3100

COMMUNITY INFRASTRUCTURE LEVY	0	£ Per Sqm
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## HOUSING MIX

Market Housing Mix					
	Apt	2 Bed	3 Bed	4 Bed	5 Bed
% Mix		25%	60%	15%	

Affordable Housing Mix			
	Apt	2 Bed	3 Bed
% Mix	11%	51%	28%



# 6 Site Viability Appraisals

6.5 The site specific testing indicates whether individual development sites are considered viable on a 'traffic light' red, green, amber approach (having applied draft CIL rates as well as all of the policy cost impacts outlined in Section 4).

**Green** – Site considered broadly viable having made allowance for all reasonable development impacts, a standard developers profit and return to the landowner.

**Amber** – Site considered capable of viable development making allowance for all reasonable development impacts, a standard developers profit but acknowledging that landowners may need to accept land value reductions for abnormal site development costs if development is to proceed.

**Red** – Site not currently considered viable based on implementation of Council policies and standard returns to landowners used in this model. It should be recognised that sites in this category may be viable if (a) the abnormal costs of bringing the site into a developable state (including some up front infrastructure investment) are deducted from the land value, (b) the Council is minded to relax some of the policy requirements or infrastructure contributions (c) landowner/developers accept some reduced profit return to stimulate the development or (d) where there are abnormal infrastructure costs that result in significant public gain and public funding is utilised through central government grant regime or council investment in order to unlock the site

# 6 Site Viability Appraisals

## MIXED HOUSING – ZONE 1 – 15% Affordable Housing

Mixed Housing Viability Results		Zone 1		0-5 Year Delivery	
Ref	Site	Size	Units	Type	Viability
BRI01	Land East of Astley School Briston	1.43	40	Greenfield	£72,460
BRI02	Land West of Astley School Briston	1.95	50	Greenfield	£84,200
C07	Land Gurney' s Wood, Norwich Road, Cromer	0.84	22	Greenfield	£19,297
C10	Land at Runton Road / Clifton Park Cromer	8.02	90	Greenfield	£140,087
C22	Land West of Pine Tree Farm Cromer	9.71	300	Greenfield	£390,463
C16	Golf Practice Area, Overstrand Road Cromer	6.30	190	Greenfield	£247,293
C19	Land at Compitt Hills (Larners Plantation) Cromer	5.25	150	Greenfield	£233,478
F01/B	Land North of Rudham Stile Lane Fakenham	26.45	560	Greenfield	£728,864
F03	Land at Junction of A148 and B1146 Fakenham	2.16	65	Greenfield	£109,460
F10	Land South of Barons Close Fakenham	2.13	55	Greenfield	£92,620
LUD01	Land South Of School Road Ludham	1.20	20	Greenfield	£11,964
LUD06	Land South Of Grange Road Ludham	0.57	20	Greenfield	£41,329
NW1	Land West North Walsham	87.00	1800	Greenfield	-£6,366,832
NW54&NW43	Land Adjacent Mushroom Farm, A149 North Walsham	4.55	136	Greenfield	£211,686
ED1	Playing Field, Station Road North Walsham	3.82	115	Greenfield	£179,000
NW14/53	Land at Bradfield & Cromer Road North walsham	2.63	79	Greenfield	£133,036
ST19/A	Land Adjacent Ingham Road Stalham	2.33	100	Greenfield	£155,652
ST23	Land North of Yarmouth Road, East of Broadbeach Gardens Stalham	2.10	80	Greenfield	£134,720

## MIXED HOUSING – ZONE 2 – 40% Affordable Housing


Mixed Housing Viability Results		Zone 1		0-5 Year Delivery	
Ref	Site	Size	Units	Type	Viability
BLA04	Land East of Langham Road Blakeney	4.40	40	Greenfield	£120,794
H04	Land South of Lodge Close Holt	7.10	100	Greenfield	£246,274
H17	Land North of Valley Lane Holt	0.90	30	Greenfield	£98,952
H19	Land West Of Norwich Road Holt	2.00	50	Greenfield	£150,992
H20	Land at Heath Farm Holt	5.00	150	Greenfield	£369,411
W01	Land to rear of Market Lane Wells	0.78	20	Greenfield	£65,968
W07/1	Land Adjacent Holkham Road Wells	2.60	60	Greenfield	£181,190
HV01	Land East of Tunstead Road Hoveton	5.40	300	Greenfield	£738,823
MUN04/A	Land off Links Road & Church Lane Mundesley	2.50	50	Greenfield	£150,992
SH04	Land adjoining Seaview Crescent Sheringham	1.68	45	Greenfield	£135,893
SH18/1	Land South of Butts Lane Sheringham	2.74	80	Greenfield	£197,019

# 7 Conclusions

## Key Findings - Residential Viability Assessment

7.1 The North Norfolk District Local Plan sets out the strategy to deliver housing over the plan period. The Plan Wide Viability assessment illustrated that firstly, in general terms, housing development proposed in all locations in the North Norfolk District Local Plan are broadly viable and, secondly, there is only limited additional margin to accommodate CIL charges in the event the Council wish to pursue CIL. The assessment of residential land and property values indicated that the Authority did possess significantly different residential sub-markets that warrant differential value assumptions being made in the Whole Plan Viability Assessment based on two geographical zones. These are set out in the zone maps at Section 4.

7.2 The viability results are summarised in the table below. The figures represent the margin of viability per sqm taking account of all development values and costs, plan policy impact costs and having made allowance for a reasonable return to the landowner and developer. In essence a positive margin confirms whole plan viability and the level of positive margin represents the limited potential to introduce additional developer contributions such as CIL.

 <b>Maximum Potential Viability per Sqm</b>					
Sub-Market/Base Land Value	Edge Principal Town Large	Edge Principal Town Medium	Edge Service Centre	Village Edge	Village Infill
<b>Zone 1 – 15% Affordable</b>					
Greenfield	£18	£22	£25	£29	£23
Brownfield	-£42	-£38	-£35	-£30	-£37
<b>Zone 2 - 40% Affordable</b>					
Greenfield	£53	£45	£44	£56	£35
Brownfield	-£29	-£37	-£39	-£25	-£47

7.3 The comparative tables above illustrate the viability of housing development based on 15% Affordable Housing Delivery in Zone 1 and 40% Affordable Housing delivery in Zone 2.

# 7 Conclusions

7.4 A separate assessment of C3 Sheltered/C2 Extra Care accommodation for the elderly was undertaken elderly based on 20% Affordable Housing in Zone 1 and 40% Affordable Housing in Zone 2. The results are set out in the table below.

Sub-Market/Base Land Value	Elderly C2/C3 Mixed Housing	Elderly C2/C3 Apartments
<b>Zone 1</b>		
Greenfield	£251	£93
Brownfield	£192	£42
<b>Zone 2</b>		
Greenfield	£258	£109
Brownfield	£180	£32

7.5 The results illustrate that the Council's Affordable Housing targets can be viably delivered by retirement development.

## Allocated Site Viability Appraisal Conclusions

7.6 The viability testing of proposed residential sites in North Norfolk District has been undertaken, accounting for the following policy impacts and key assumptions :-

- Greenfield or Brownfield Development
- Delivery Timescale
- Affordable Housing Delivery of 15-40%
- Key Planning Policy Cost Impact
- Residual Planning Obligation Allowances
- Site Specific Abnormal Costs and Mitigation Factors

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

# 7 Conclusions

7.8 The study illustrated that all of the proposed sites are broadly viable based on the adopted assumptions including 15% Affordable Housing in Zone 1 and 40% Affordable Housing in Zone 2 as well as the potential imposition of CIL charges.

7.9 It should be noted that in this type of assessment, where sites do show negative viability, this may be accounted for by abnormal site development costs as illustrated below.

Ref	Site	Size	Units	Type	Viability	Abnormals
NW1	Land West North Walsham	87.00	1800	Greenfield	-£6,366,832	£7,830,000

7.10 In this case at North Walsham, an allowance of £7.83 Million has been made for new utilities to open up the site (note - the £11.97 Million 'abnormals' figure in the individual assessment sheet includes £4.14 Million of S106 costs as well) Any benchmark land value allowance in this type of appraisal must assume the land is in a developable state and make deductions for abnormal costs that are required to bring the land up to this level. In reality, abnormal costs are likely to be deducted from the land purchase price in typical option or other purchase agreements with landowners and therefore the North Walsham site may therefore be regarded as being deliverable.

## Commercial Viability Assessment

7.11 The initial assessment of commercial land and property values indicated that there were not significant differences in values to justify differential sub-market based assumptions. It can be seen that food supermarket retail and general retail uses demonstrate positive viability. All of the remaining commercial use class appraisals indicate negative viability.

Sub Market Area/Charging Zone	Maximum Viability Margin per Sqm	
	General Zone	
	Greenfield	Brownfield
Industrial B1b B1c B2 B8	-£375	-£442
Office B1a	-£808	-£834
Food Retail A1	£375	£326
General Retail A1 A2 A3 A4 A5	£99	£76
Residential Institution C2	-£832	-£851
Hotel C1	-£40	-£69
Community D1	-£2,292	-£2,316
Leisure D2	-£160	-£207

# 7 Conclusions

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

7.13 The assessment indicates that only food supermarket retail, with CIL potential rate of £326-£375 per square metre, dependent on existing land use and general retail with potential rates of £76-£99 provide a margin to introduce non-residential CIL charges. It is therefore recommended on the existing evidence, that in the event that the Council pursue CIL, all non-retail categories should not be charged.

## Viability Appraisal Conclusions

7.14 The study demonstrates that most of the development proposed by the Local Plan is viable and deliverable taking account of the cost impacts of the policies proposed by the plan and the requirements for viability assessment set out in the NPPF. It is further considered that only limited margin exists, beyond a reasonable return to the landowner and developer to accommodate CIL charges.

Housing Units Without Planning Permission Projected in Plan Period	Housing Units	
<b>Zone 1</b>		
Greenfield	4300	87%
Brownfield	640	13%
<b>Zone 2</b>		
Greenfield	1260	89%
Brownfield	150	11%

7.15 The table above illustrates the dwellings estimated over the plan period and the existing type of land use. The table clearly illustrates that the majority of residential development will be on greenfield land and as such the greenfield viability results should guide the application of policies in the Plan. It is acknowledged however that further viability assessment may be required at application stage in respect of affordable housing delivery on brownfield sites.

# 7 Conclusions

7.16 In conclusion, the assessment of residential sites in North Norfolk District has been undertaken with due regard to the requirements of the NPPF and the best practice advice contained in the new NPPG on Viability. It is considered that all sites are broadly viable and deliverable across the entire plan period taking account of the Affordable Housing requirements and all policy impacts of the Local Plan but at this stage there is not a practical opportunity to introduce a Community Infrastructure Levy.

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

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

**Heb Surveyors  
Valuation Report  
2018**



## **BCIS Construction Cost Data North Norfolk District Council September 2018**

## £/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 01-Sep-2018 02:05

> Rebased to North Norfolk ( 102; sample 15 )

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m <sup>2</sup> gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
<b>New build</b>							
810. Housing, mixed developments (15)	1,262	637	1,094	1,230	1,396	2,868	1200
<b>810.1 Estate housing</b>							
Generally (15)	1,242	598	1,060	1,205	1,368	4,251	1772
Single storey (15)	1,393	704	1,190	1,332	1,573	4,251	290
2-storey (15)	1,206	598	1,048	1,180	1,320	2,397	1345
3-storey (15)	1,232	777	990	1,189	1,392	2,548	133
4-storey or above (15)	2,427	1,298	-	2,233	-	3,946	4
810.11 Estate housing detached (15)	1,585	950	1,211	1,402	1,622	4,251	20
<b>810.12 Estate housing semi detached</b>							
Generally (15)	1,232	616	1,062	1,198	1,352	2,285	421
Single storey (15)	1,405	870	1,198	1,357	1,579	2,285	76
2-storey (15)	1,198	616	1,055	1,178	1,315	2,124	325
3-storey (15)	1,125	835	940	1,063	1,219	1,826	20
<b>810.13 Estate housing terraced</b>							
Generally (15)	1,269	787	1,060	1,219	1,398	3,946	372
Single storey (15)	1,398	939	1,164	1,302	1,616	2,047	44
2-storey (15)	1,242	787	1,056	1,205	1,386	2,397	270
3-storey (15)	1,251	791	987	1,161	1,349	2,548	57
<b>816. Flats (apartments)</b>							
Generally (15)	1,470	714	1,224	1,403	1,666	4,999	957
1-2 storey (15)	1,399	868	1,187	1,345	1,549	2,630	231
3-5 storey (15)	1,452	714	1,223	1,392	1,656	2,871	640
6+ storey (15)	1,815	1,032	1,458	1,725	1,935	4,999	83
<b>843. Supported housing</b>							
Generally (15)	1,587	807	1,322	1,480	1,734	3,250	124
Single storey (15)	1,828	1,165	1,446	1,682	1,909	3,250	18
2-storey (15)	1,548	807	1,311	1,427	1,702	2,490	33
3-storey (15)	1,468	819	1,321	1,399	1,629	2,199	46
4-storey or above (15)	1,668	995	1,313	1,531	1,701	3,157	24