EB040a

MALDON DISTRICT COUNCIL

Local Plan & Community Infrastructure Levy

Viability Study

August 2013

Planning & Development

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1. Introduction

Scope

1.1 Maldon District Council is working towards finalising the Maldon District Local Development Plan for the period to 2031. The independent examination into the soundness of the Plan is expected during 2014. The Council is considering the introduction of a Community Infrastructure Levy (CIL) as a mechanism to fund, at least in part, the infrastructure required to deliver the Development Plan. HDH Planning & Development has been appointed to advise the Council in three regards:

a. Firstly, to ensure that the level of affordable housing and other policy requirements do not render development unviable to the extent that the delivery of the Plan is put at risk, as required by paragraph 173 of the National Planning Policy Framework (NPPF).

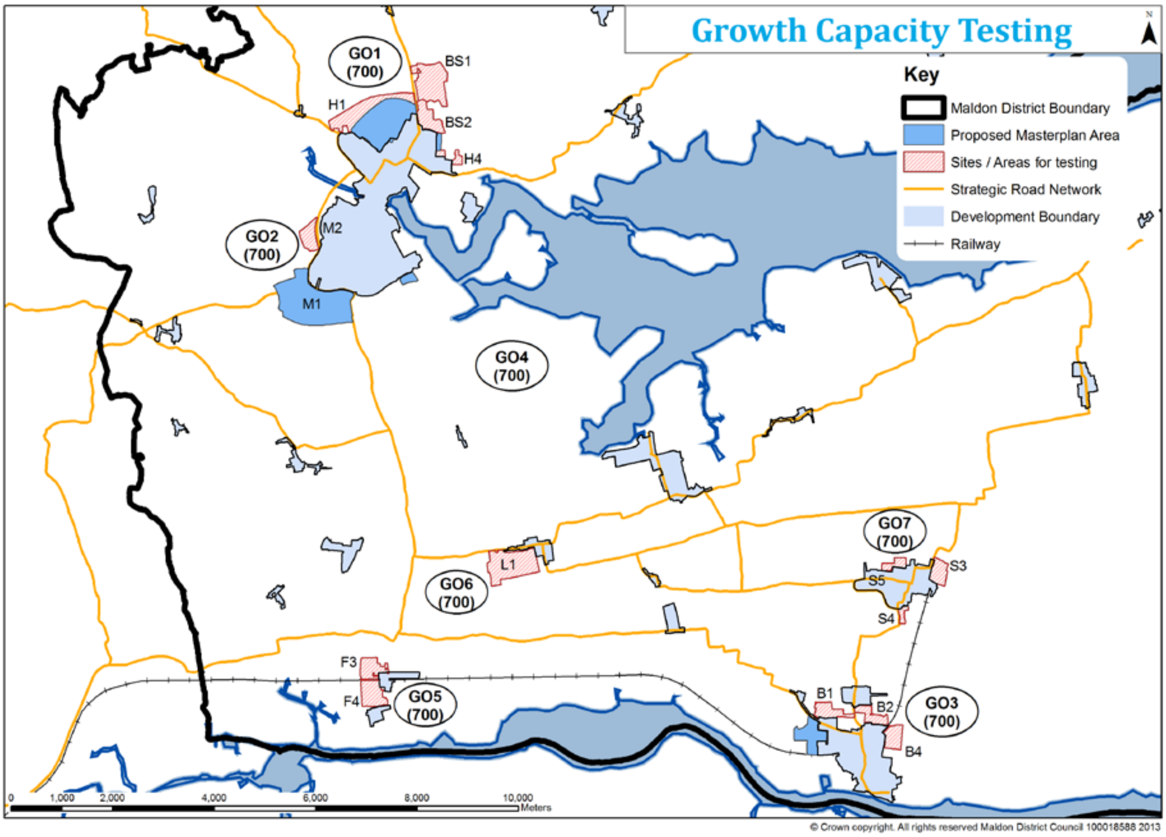
b. Secondly, to consider the viability of a selection of strategic development sites that are representative of the sites likely to be allocated within the draft LDP consultation document. These sites are identified in the table and map below. In particular, the assessment of these sites will consider the potentially significant infrastructure costs (that may be met through s106, s278 or CIL payments and contributions) associated with these schemes.

Table 1.1 Potential Strategic Sites

Site location / code	No. dwellings
North Heybridge proposed masterplan area	900
H1 (North Heybridge) BS1 (North Heybridge) BS2 (North Heybridge) H4 (North Heybridge)	700
South of Maldon proposed masterplan area	1,250
M2 (West Maldon)	700
Burnham on Crouch proposed masterplan area	450
B1 (Burnham) B2 (Burnham) B4 (Burnham)	700
F3 (North Fambridge) F4 (North Fambridge)	700
L1 (Latchingdon)	700
S3 (Southminster)	700

Source: MDC

Figure 1.1 Alternative Strategic Development Sites



Source: MDC

c. Thirdly, to assess the effect which introduction of CIL may have on development viability in the context of CIL Regulation 14.

1.2 This document sets out the methodology used, the key assumptions adopted, and contains an assessment of the cumulative impact of the Local Plan policies to suggest rates of CIL for the Preliminary Draft Charging Schedule. This will allow the Council to engage with stakeholders, to ensure that their Plan is effective.

1.3 In the past the Council has commissioned other viability research, such as the Maldon District Council Viability Study (Three Dragons, 2010) and the SHLAA Update Viability Study (HDH Planning & Development, 2012). This study will draw on the existing available evidence and assess the viability of a group of modelled sites that are representative of the residential sites most likely to come forward over the plan period, representative strategic sites likely to be identified in the draft LDP, and a range on non-residential uses.

1.4 Not all sites will be viable, even without any policy requirements imposed or sought by the Council. It is inevitable that the Council's requirements will render some sites unviable in the current market. Where sites are unviable but vital to the delivery of the Plan, the Council will need to consider how it can facilitate that development, and what it, as a Local Planning Authority, can do to create the environment to encourage development to come forward.

1.5 This report has been prepared following a consultation process with landowners, agents and developers. On the 26th June 2013 an event with promoters of the key development sites within the District and the representatives of the main developers, development site landowners and housing providers was held. The meeting was used to introduce the development industry to the NPPF and CIL, to set out the methodology, test the assumptions used in the report and to put the report in context.

1.6 We have set out the various comments made during the consultation process throughout this report, showing where changes in the methodology or assumptions have been made. In this report we have not attributed these comments to the consultees as these were made on an anonymous basis with a view to a more open and frank engagement and to protect commercially sensitive matters.

1.7 This study is concerned with development viability which is just one element of the evidence that will be used to prepare the Plan and to set CIL. The Council will strike the balance of achieving their strategic objectives within the practical constraints and commercial realities of delivery. The limitations of this report can be highlighted through the Harman Guidance, as discussed in later chapters which states '…*the viability assessment is not there to give a straightforward 'yes or no' to development across the whole plan area or whole plan period'*.

Metric or imperial

1.8 The property industry uses both imperial and metric data – often working out costings in metric (£/m^2) and values in imperial (£/acre and £/sqft). This is confusing so we have used metric measurements throughout this report. The following conversion rates may assist readers.

1m	=	3.28ft (3' and 3.37")
1ft	=	0.30m
1m^2	=	10.76 sqft (10 sqft and 110.0 sqin)
1sqft	=	0.092903 m^2

1.9 A useful rule of thumb to convert m^2 to sqft is simply to add a zero.

Report Structure

1.10 This report examines the viability of development across Maldon District and follows the following format:

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

Chapter 3 The methodology used.

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

Chapter 5 An assessment of the non-residential markets with the purpose of establishing the worth of different types of commercial uses.

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

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

Chapter 8 A summary of the various policy requirements and constraints that influence the type of development that comes forward.

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

Chapter 10 The results of the development appraisals for residential development sites.

Chapter 11 The results of the development appraisals for non-residential development sites.

Chapter 12 Conclusions and recommendations in relation to the cumulative impact of policies in the draft LDP.

Chapter 13 Possible rates of CIL for the District.

1.11 This report forms one of the pieces of evidence that will be used to assess whether the LDP is effective. In due course the Council will weigh up its own priorities in the context of the NPPF and other relevant matters such as the CIL Regulations and CIL Guidance and 'strike the balance' between delivering the LDP, funding infrastructure and delivering its overall priorities.

Next Steps

1.12 This report has been prepared following a consultation on the methodology and key inputs. The information in this report is an important element of the evidence for Local Plan examination and the CIL examination, but is only one part of the evidence; the wider context and other evidence must also be considered.

2. Viability Testing

2.1 Viability testing is an important part of the Development Plan making process. The requirement to assess viability forms part of the National Planning Policy Framework[1] (NPPF), is part of the Strategic Housing Land Availability Assessment[2] (SHLAA) process, and is a requirement of the CIL Regulations[3]. In each case the requirement is slightly different but all have much in common.

NPPF Viability Testing

2.2 The NPPF introduced a requirement to assess the viability of the delivery of the Local Plan and the impact of policies contained within it on development. The NPPF includes the following requirements:

Ensuring viability and deliverability

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

174. Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required

[1] The NPPF was published on 27th March 2012 and the policies within it apply with immediate effect.

[2] SHLAA Practice Guidance DCLG 2007

[3] SI 2010 No. 948. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010*

SI 2011 No. 987. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2010*

SI 2011 No. 2918. CONTRACTING OUT, ENGLAND AND WALES, The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011*

SI 2012 No. 2975. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012*

SI 2013 No. 982. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013* *standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.*

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

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

2.5 This study will specifically examine the development viability of the representative strategic sites that are likely to be considered for allocation in the draft LDP, and example sites across the District based on existing sites types in the SHLAA that are most likely to come forward over the plan period.

CIL Economic Viability Assessment

2.6 CIL, once introduced, is mandatory on all developments (with a very few exceptions) that fall within the categories and areas where the levy applies. CIL is unlike other policy requirements to provide affordable housing or to build to a particular environmental standard over which there can be negotiations. This means that CIL must not prejudice the viability of most sites.

2.7 In March 2010 CLG published *Community Infrastructure Levy Guidance, Charge setting and charging schedule procedures* to support the CIL Regulations. These have now been replaced by Community Infrastructure Levy, Guidance (April 2013). This Guidance requires each Authority to publish a 'Charging Schedule'. The Charging Schedule will sit within the Local Development Framework; however, it will not form part of the statutory Development Plan nor will it require inclusion within a Local Development Scheme.

2.8 Regulation 14 of the CIL Regulations says:

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

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

2.10 Regulation 13 of the CIL Regulations says:

A charging authority may set differential rates - (a) for different zones in which development would be situated; (b) by reference to different intended uses of development…

2.11 The CIL Guidance makes it clear differential rates of CIL can be set by different areas and for different uses but these differential rates can only be set with regard to viability (CIL Guidance, paragraphs 34, 35, 36 and 37).

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

25. The legislation (section 211 (7A)) requires a charging authority to use 'appropriate <u>available</u> evidence' to inform their draft charging schedule. It is recognised that the available data is unlikely to be fully comprehensive or exhaustive. Charging authorities need to demonstrate that their proposed CIL rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.

2.13 This study has drawn on the existing available evidence, including the Viability Impact Study and the SHLAA.

26. A charging authority should draw on existing data wherever it is available. Charging authorities may consider a range of data, including:

- *values of land in both existing and planned uses; and*
- *property prices (e.g. house price indices and rateable values for commercial property).*

27. In addition, a charging authority should sample directly an appropriate range of types of sites across its area in order to supplement existing data, subject to receiving the necessary support from local developers. The focus should be in particular on strategic sites on which the relevant Plan relies and those sites (such as brownfield sites) where the impact of the levy on economic viability is likely to be most significant. In most instances where a charging authority is proposing to set differential rates, they will want to undertake more fine-grained sampling (of a higher percentage of total sites), to identify a few data points to use in estimating the boundaries of particular zones, or different categories of intended use. The sampling should reflect a selection of the different types of sites included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.

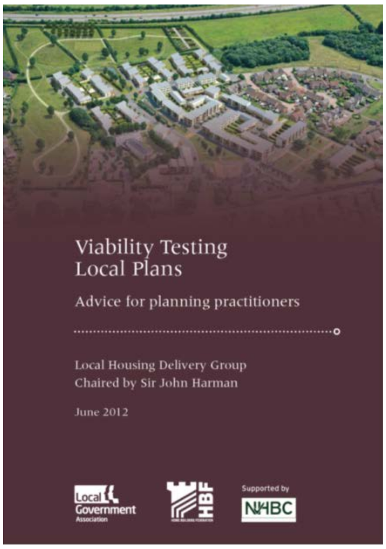
2.14 In due course this study will form one part of the evidence that the Council will use to assess the deliverability of Local Plan and to set CIL. The Council will also consider other 'existing available evidence', the comments of stakeholders and wider priorities. The NPPF and the Harman Guidance, as referred to below, recommends that the development and consideration of a CIL rate should be undertaken as part of the same exercise. In due course this report will form the basis of the evidence as required by the CIL Regulations.

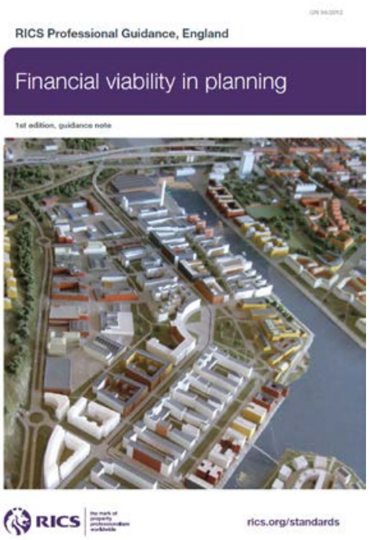
Viability Guidance

2.15 There are several sources of guidance and appeal decisions[4] that support the methodology we have developed. The Homes and Communities Agency (HCA) good practice manual '*Investment and Planning Obligations: Responding to the Downturn*' (2009) has a definition of viability:

'a viable development will support a residual land value at level sufficiently above the site's existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner'.

2.16 The planning appeal decisions and the HCA good practice publication suggest that the most appropriate test of viability for planning policy purposes is to consider the residual value of schemes compared with the existing use value, plus a premium. The premium over and above the existing use value being set at a level to provide the landowner with a competitive return. There are two more recent sources of guidance; *Viability Testing in Local Plans – Advice for planning practitioners*. (LGA/HBF – Sir John Harman) June 2012[5] (known as the **Harman Guidance**) and *Financial viability in planning*, RICS guidance note, 1st edition (GN 94/2012) during August 2012 (known as the **RICS Guidance**). Additionally, the Planning Advisory Service (PAS)[6] also provide viability guidance and manuals for local authorities.





[4] *Barnet: APP/Q5300/A/07/2043798/NWF, Bristol: APP/P0119/A/08/2069226, Beckenham: APP/G5180/A/08/2084559, Woodstock: APP/D3125/A/09/2104658,* Shinfield *APP/X0360/A/12/2179141*

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

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

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

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

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

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

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

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

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

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

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

2.20 Threshold Land Value may not be recognised by the RICS – however bearing in mind the RICS Guidance was published some time after the Harman Guidance, this is a surprising statement. On face value these statements are contradictory.

2.21 In order to avoid later disputes and delays, the approach taken in this study brings these two sources of guidance together. The methodology adopted is to compare the Residual Value generated by the viability appraisals for the modelled sites, with the existing use value (EUV) or an alternative use value (AUV) plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the existing use value is central to the assessment of viability. It must be set at a level to provide 'competitive returns'[7] to the landowner. To

[7] As required by 173 of the NPPF

inform the judgement as to whether the uplift is set at the appropriate level we make reference to the market value of the land both with and without the benefit of planning.

2.22 This approach is in line with that recommended in the Harman Guidance (as endorsed by LGA and PAS) – and also broadly in line with the main thrust of the RICS Guidance of having reference to market value. It is relevant to note that the Harman methodology was endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule in January 2012[8]. In his report, the London Inspector dismissed the theory that using historical market value (i.e. as proposed by the RICS) to assess the value of land was a more appropriate methodology than using EUV plus a margin.

Limitations of viability testing in the context of CIL and the NPPF

2.23 The high level and broad brush viability testing that is appropriate to be used to assess the cumulative impact of policies (NPPF 173 and 174) and to set CIL (CIL Regulation 14) does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer's mind and they will proceed even if a 'loss' is shown in a conventional appraisal. By way of example, an individual may want to fulfil a dream of building a house and may spend more than the finished home is actually worth, a community may extend a village hall even through the value of the facility in financial terms is not significantly enhanced or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.

2.24 This sets the Council a challenge when considering its proposals. It needs to determine whether or not introducing policies or CIL will have any material impact on the rates of development, particularly where developments may appear to be only marginally viable. It is clear, that some development is coming forward for operational reasons rather than property development purposes.

Viability Testing – Outline Methodology

2.25 There is no statutory guidance on how to undertake viability testing and assess whether a site or plan is or is not viable, we have therefore followed the Harman Guidance. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation, which has been standard for as long as land has been traded for development, is:

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

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

LESS

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

=

RESIDUAL VALUE

2.26 The result of the calculation indicates a land value, the Residual Value, which is the top limit of what a bidder could offer for a site and still make a satisfactory profit margin. It is important to note that in this study we are not trying to mirror any particular developer's business model – rather we are making a broad assessment of viability in the context of plan making and the requirements of the NPPF.

2.27 As evidenced through the consultation process the 'likely land value' is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption has to be made about the 'uplift': the margin above the 'existing use value' which would make the landowner sell.

2.28 There is no specific guidance on how to test the viability in the CIL Regulations or Guidance. Paragraph 173 of the NPPF says: '…… *To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable*……' This seems quite straightforward – although '*competitive returns'* is not defined.

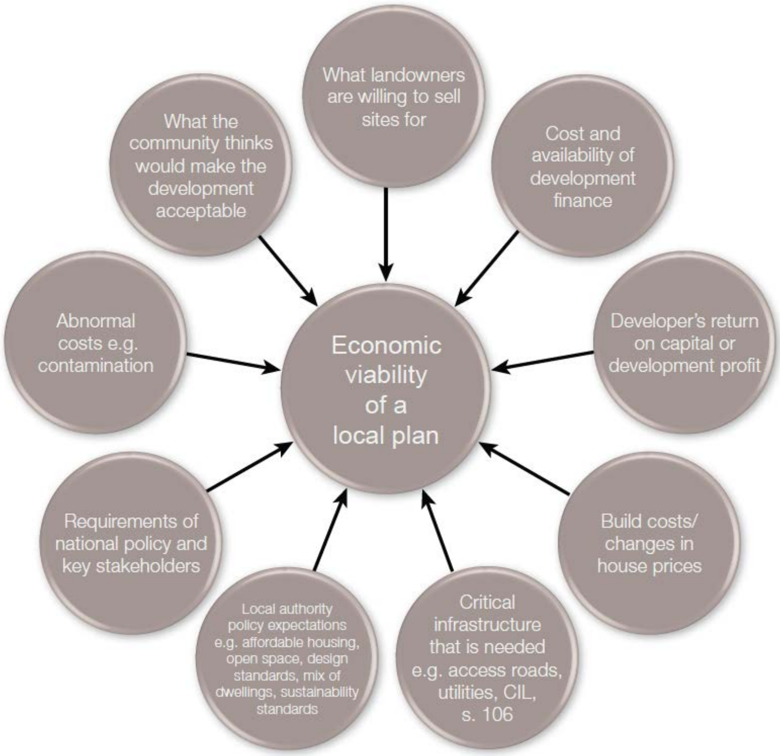
The meaning of 'competitive return'

2.29 The meaning of '*competitive return*' is at the core of a viability assessment. The RICS Guidance includes the following definition:

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

2.30 Whilst this is useful it does not provide guidance as to the size of that return. To date there has been much discussion within the industry as to what may or may not be a competitive return, but as yet the term has not been given a firm definition through the appeal, planning examination or legal processes. Competitive return was considered at the January 2013 appeal APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX). We have discussed this further in Chapter 6.

2.31 It should be noted that although this study is about the economics of development, viability encompasses a wider range of factors. The following graphic is taken from the Harman Guidance and illustrates some of the non-financial as well as financial factors that contribute to the assessment process. Viability is an important factor in the plan making process but it is one of many factors.



2.32 The above methodology and in particular the differences between the Harman Guidance and the RICS Guidance were presented and discussed through the consultation process. There was a universal agreement that it was appropriate to follow the Harman Guidance, which is therefore the approach that has been taken in this study.

Existing Available Evidence

2.33 The NPPF, the CIL Regulations and CIL Guidance are clear that the assessment of the potential impact of CIL should, wherever possible, be based on existing available evidence rather than new evidence. We have reviewed the evidence that is available from the Council. This falls into three broad types:

2.34 The first is evidence prepared by the Council to inform the early stages of production of the LDP through the Maldon District Council Viability Study (Three Dragons, 2010). Viability testing formed part of the SHLAA process in the form of the SHLAA Update Viability Study (HDH Planning & Development, 2012).

2.35 Secondly, the Council holds a substantial amount of evidence in the form of development appraisals that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of affordable housing or s106 contributions.

2.36 Thirdly, the Council also holds records of past planning consents with details of the affordable housing included in projects and the contributions made under the s106 regime. This is set out in **Appendix 1**. This forms practical and real evidence of what has been delivered historically. We have considered the Council's policies for developer contributions (including affordable housing) and the amounts that have actually been collected from developers.

2.37 Our approach has been to draw on this existing evidence and to consolidate it so that it can then be used as a sound base for considering the deliverability of the Plan.

Stakeholder Engagement

2.38 The Harman Guidance puts considerable emphasis on stakeholder engagement – particularly with members of the development industry. In preparing this evidence document we have sought to engage with practitioners involved in the development industry.

2.39 As set out in Chapter 1 a consultation event was held on 26th June 2013. 38 people (excluding MDC representatives) attended. This included a presentation and workshops with promoters of the key development sites within the District and the representatives of the main developers, development site landowners and housing providers. The meeting was used to introduce the development industry to the NPPF and CIL, to set out the methodology test the assumptions used in the report, and to put the report in context. The event was divided into three parts:

i. An introduction to viability testing in the context of the CIL regulation 14 and paragraph 173 of the NPPF.

ii. Viability Assumptions. The methodology and main assumptions for the viability assessments were set out including development values, development costs, land prices, developers' and landowners returns'.

iii. Workshops. The consultees divided into groups, each lead by a Council Officer, and talked through the main points. The feedback from these sessions was carefully recorded.

2.40 A lively, wide ranging and informative discussion took place. The comments of the consultees are reflected throughout this report and the assumptions have been adjusted where appropriate. The comments were wide ranging and there was not agreement on all points although there was a broad consensus on most matters. Where there was disagreement we have made a judgement and set out why we have made the assumptions we have used.

2.41 Following the consultation event on the 26th June, the main assumptions were circulated to the consultees. The consultees were invited to make written representations. It was stressed that that the comments needed to be made in the context of the Harman Guidance and to be specific. Whilst general observations about the use of viability testing or the place and / or fairness of CIL would be interesting; at this stage (the preparation of the viability evidence), specific observations supported with evidence were required. Where specific representations were made we have re-considered the assumptions made.

2.42 The following general points can be summarised as follows:

a. S106 and affordable housing are paid by, ultimately, the landowner.

b. More emphasis should be given to housing for older people – particularly in Maldon – although the market will prefer to deliver larger units.

c. Viability can only really be considered site by site.

d. Generally on larger sites and more open space of about 30% of the site area is expected. The modelling does not relate the total site area to the net developable area. For example, why assume only 15ha of 43ha at Burnham on Crouch, this will not create 'good' results.

2.43 The consultation process was compressed and conducted over a relatively short period, with only limited notice being given. This was inevitable due to the general timeframe relating to the LDP. The Council acknowledges that this was not ideal. However, based on the strong turnout and level of engagement, the Council is confident that the consultation process has captured the views of the key stakeholders operating in the area.

2.44 **Appendix 2** includes a list of those consulted and **Appendix 3** includes the presentation from the consultation event.

3. Viability Methodology

Outline Methodology

3.1 The assessment of viability as required under the NPPF and the CIL Regulations is not done through a calculation or a formula. The NPPF requires that '*the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened*[9]' and whether '*the cumulative impact of these standards and policies should not put implementation of the plan at serious risk*[10]'. The CIL Regulations requires that '*councils must aim to strike what appears to the charging authority to be an appropriate balance between (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability*[11]'.

3.2 The basic viability methodology is summarised in Figure 3.1 below. It involves preparing financial development appraisals for a representative range of sites and representative strategic sites, and using these to assess whether sites are viable. Details of the site modelling are set out in Chapter 9. The sites were modelled based on discussions with Council Officers, the existing available evidence supplied to us by the Council, and on our own experience of development. This process ensures that the appraisals are representative of typical development in the MDC area.

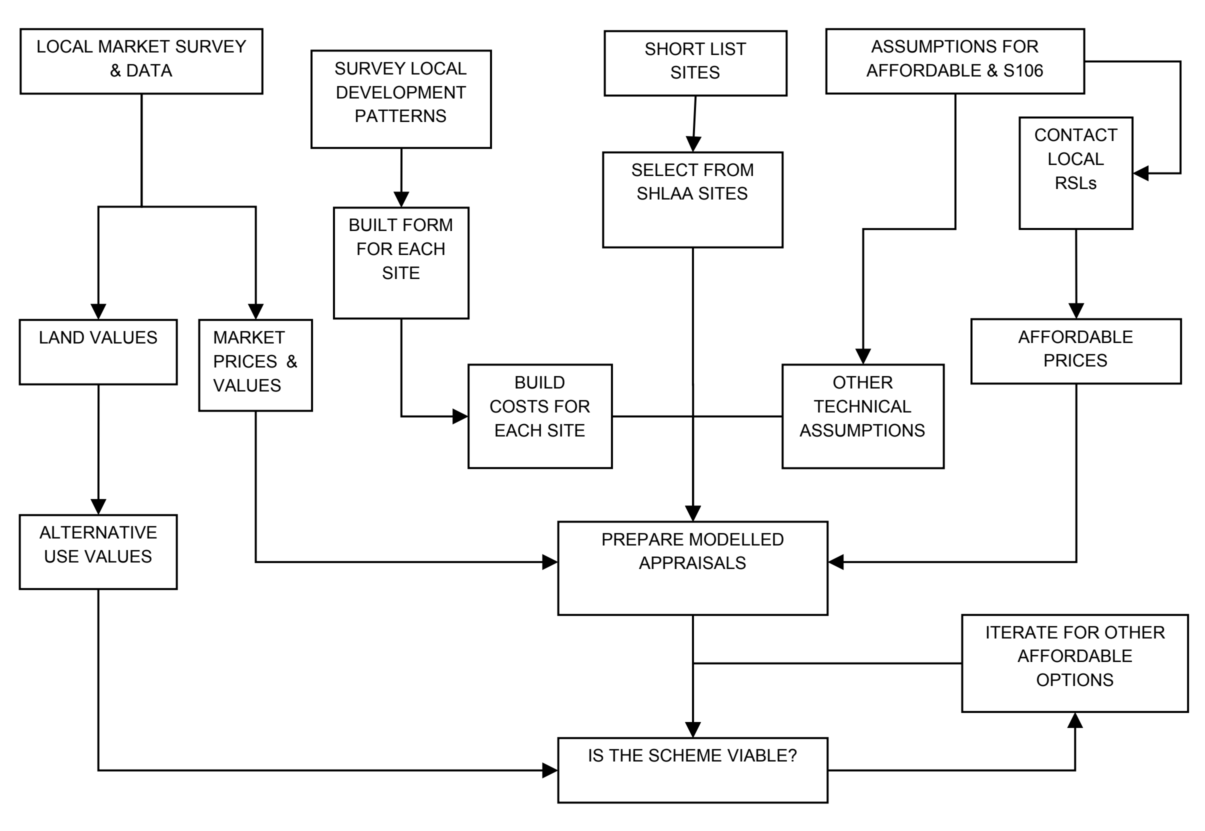
3.3 The appraisals are based on LDP policy requirements, and appropriate sensitivity testing of a range of scenarios including different levels of affordable housing provision and different development requirements was carried out.

[9] NPPF Paragraph 173

[10] NPPF Paragraph 174

[11] CIL Regulation 14

Figure 3.1 Viability methodology



Source: HDH, 2013

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

3.5 The residual value was compared to the alternative use value for each site. Only if the residual value exceeded the alternative figure, and by a satisfactory margin, could the scheme be judged to be viable.

3.6 We have used a bespoke viability testing model designed and developed by us specifically for area wide viability testing as required by the NPPF and CIL Regulation 14[12]. The

[12] This viability model is used as the basis for the Planning Advisory Service (PAS) viability Workshops.

purpose of the viability model and testing is not to mirror any particular business model used by those companies, organisations and people involved in property development, but instead is to capture the generality and provide high level advice to assist the Council in assessing the deliverability of the Plan and to set CIL.

Additional Profit

3.7 In order to assess whether or not a contribution to CIL can be made, a calculation needs to be undertaken to establish the '*additional profit*'.

3.8 *Additional Profit* is a concept that we have developed[13] and is the amount of profit over and above the *normal profit* made by the developers having purchased the land (alternative land value plus uplift), developed the site and sold the units (including providing any affordable housing that is required). In this case '*normal profit*' is the 20% of the development value we used in the appraisals. Our approach to calculating this is to complete the appraisal using the same base cost and price figures, and other financial assumptions, as used to establish the Residual Value – but instead of calculating the residual value incorporating the cost of the land (alternative use value plus uplift) into the cost side of the appraisal to show the resulting profit (or loss).

3.9 The amount by which the resulting profit exceeds the target level of profit, represents the *additional profit* and provides a measure of the scope for contributing to CIL without impairing development viability. CIL contributions can viably be paid out of this additional profit.

3.10 The starting point of these calculations is to base them on the Council's current affordable housing target and development requirements. The following formula was used:

Gross Development Value
(The combined value of the complete development
Including X% affordable housing)

LESS

Cost of creating the asset, including a profit margin
(land* + construction + fees + finance charges + developers' profit)

=

Additional Profit

* Where 'land' is the Alternative Use Value and uplift'

[13] This methodology was found sound at the Shropshire CIL Examination

3.11 The timing of CIL payments has a real impact on the viability of a project. If the payment is near the start of a project then interest will arise on it throughout. If, alternatively CIL is payable throughout the life of project then the interest payments are reduced. In this viability assessment we have assumed that the CIL is payable in equal annual instalments over the life of the project.

4. Residential Property Market

4.1 This chapter sets out an assessment of the housing market, providing the basis for the assumptions on house prices to be used in the financial appraisals for the sites tested in the study. We are concerned not just with the prices but the differences across different areas.

4.2 Although development schemes do have similarities, every scheme is unique to some degree, even schemes on neighbouring sites. Market conditions will broadly reflect a combination of national economic circumstances and local supply and demand factors, however even within a town there will be particular localities, and ultimately site specific factors, that generate different values and costs.

The Residential Market

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

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

4.5 During 2007 and 2008, it became clear that some financial institutions were unsustainable, as the flow of money for them to borrow was not certain. As a result, several failed and had to be rescued by governments. This was an international problem that affected countries across the world – but most particularly in North America and Europe. In the UK the high profile institutions that were rescued included Royal Bank of Scotland, HBoS, Northern Rock and Bradford and Bingley. The ramifications of the recession were an immediate and significant fall in house prices, and a complete reassessment of mortgage lending with financial organisations becoming averse to taking risks, lending only to borrowers who had the least risk of default and those with large deposits.

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

4.7 There are various commentators talking about a recovery in house prices, but generally there is limited evidence to support such a view. The following recent comments are typical of the current views of the market

The housing market is "on the road to recovery", said the Royal Institution of Chartered Surveyors today (August 13), with the highest number of potential buyers seen for four years and house prices growing at their fastest rate since 2006. RICS' housing market survey for July showed that a net balance of 53% more chartered surveyors reported a rise rather than a fall in demand for housing compared to 38% in June. The signs of recovery were evident across the UK, RICS said, with the West Midlands and the North East seeing the largest increases in buyer activity last month. Accordingly, house prices rose across the country for the fourth consecutive month and at their fastest rate since the peak of the market in November 2006. Peter Bolton King, RICS global residential director, said: "These results are great news for the property market as it looks like at long last a recovery could be around the corner. Growth in buyer numbers and prices have been happening in some parts of the country since the beginning of the year but this is the first time that everywhere has experienced some improvement."

(www.housbuilder.com 13.8.13)

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

Businesses across the country are slowly looking to expand by taking on more premises in which to house their operations, according to the latest RICS Commercial Market Survey.

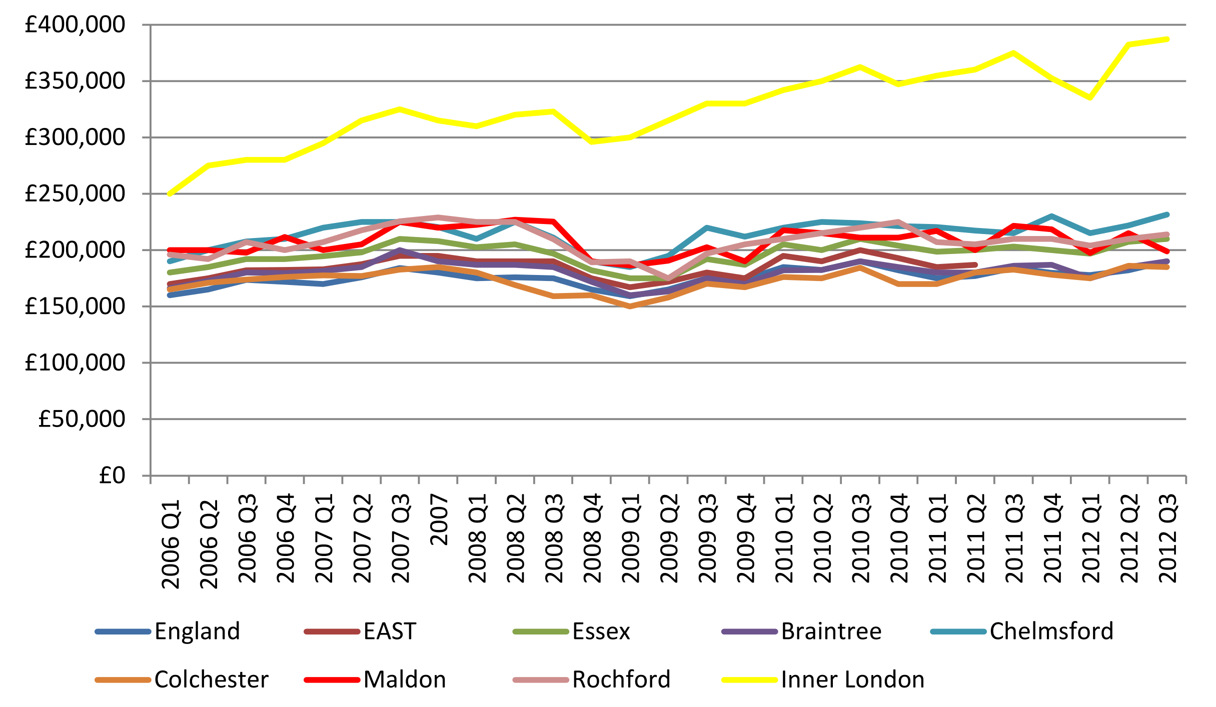
Interest from would-be tenants of shops, offices and factories saw a rise during the run up to summer with a net balance of 15% more surveyors reporting increases in demand. While the lion's share of this growth was seen in London, all areas of the country saw something of an uplift. Although activity is still subdued at a headline level, the results of the latest RICS report are consistent with the signs of recovery that has been visible in much other recent economic news flow.

In tandem with rising demand, the amount of available property dipped slightly which, in turn, led to expectations for future rents stabilising. Since 2008, predictions for the amount of rent business premises will generate has been very much in the doldrums so this could be a further sign that a corner is slowly being turned.

(RICS 2.8.13)

4.9 Whilst there is anecdotal evidence of an improved sentiment and modest increase in prices we have taken a cautious approach. The following figure shows that generally prices in Essex have seen a recovery since the bottom of the market in mid-2009. Whilst it is difficult to identify any particular trend in this, there is some room for optimism.

Figure 4.1 Median House Prices (£)



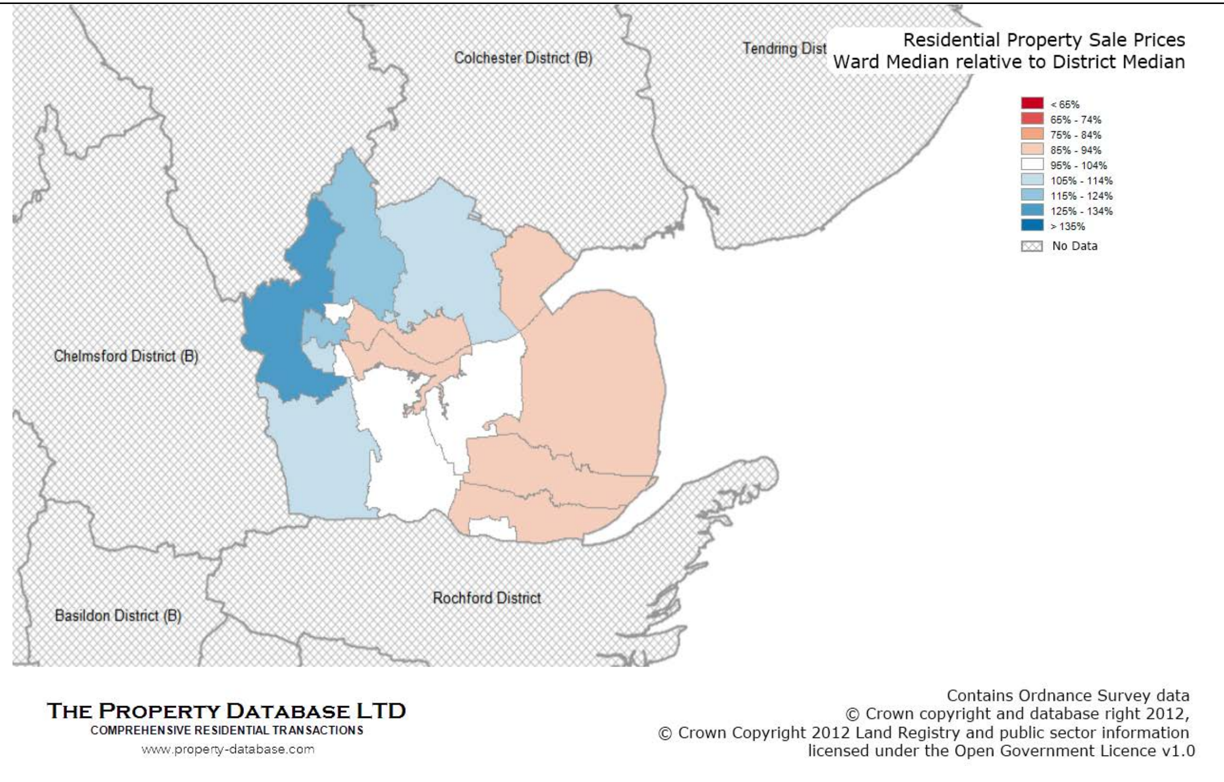
Source: CLG Live Table 582

4.10 Maldon does have a strong residential market. When ranked across England the average house price for the District is at the 72nd percentile at just over £215,000[14]. To set this in context, the Council in the middle of the rank (South Staffordshire) has an average price of just over £209,000.

4.11 As shown below, residential values vary across Maldon.

[14] See the CLG Live Table 581

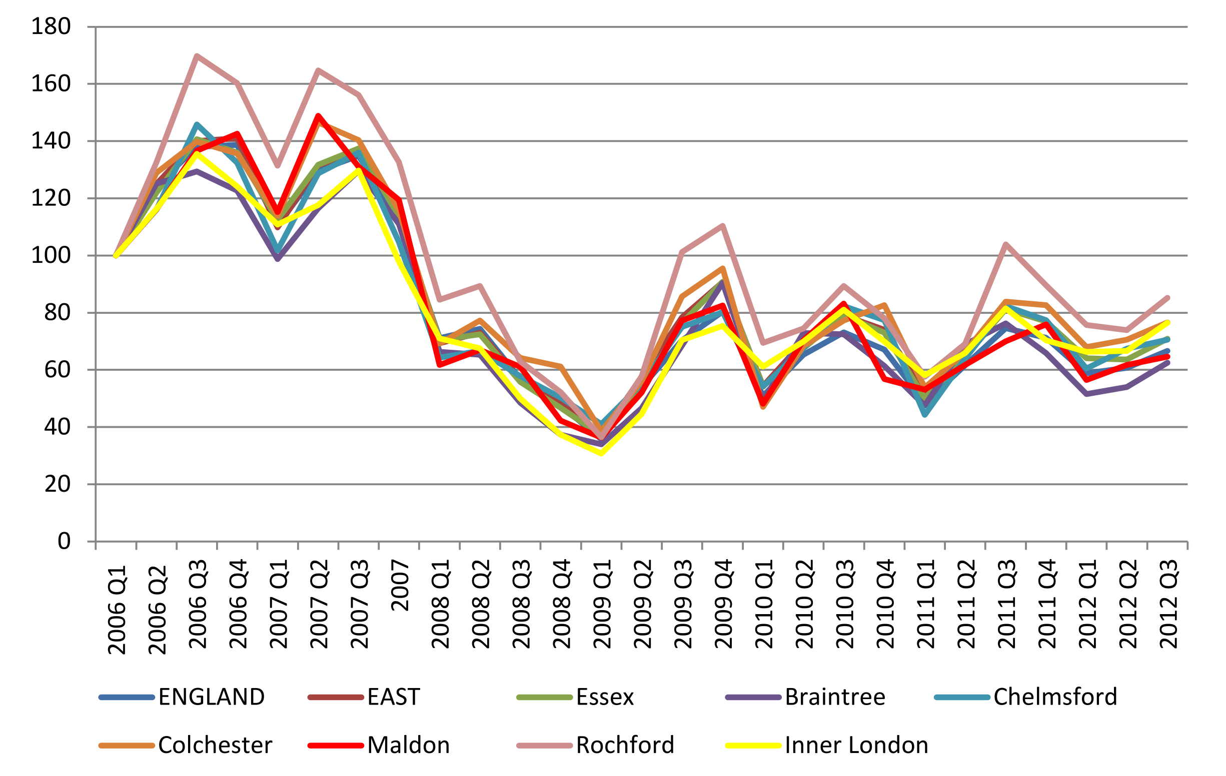
Figure 4.2 Maldon Median Prices



Source: Land Registry, April 2013

4.12 The sales per month trend in Maldon has fallen substantially and is running well below that at the peak of the market – although it is in line with the wider market.

Figure 4.3 Sales per quarter – Indexed to January 2006



Source: Land Registry, April 2013

4.13 There is clearly uncertainty in the market, and it is not appropriate for this study to try to predict how the market may change in the coming years, including whether or not there will be a recovery in house prices. The troubles in the Euro-zone are continuing and there is no clear end in sight. All of this together creates a particular challenge for the Council when it comes to setting a rate of CIL that will prevail for several years.

New Build Sales Prices

4.14 We conducted a survey of new homes for sale during May 2013. A list setting out details of relevant new developments in the area is provided below. We identified about 25 new homes for sale in and near to the District. This low number is an illustration of the current state of the market. The information collected was not comprehensive as different developers and agents make different levels of information available.

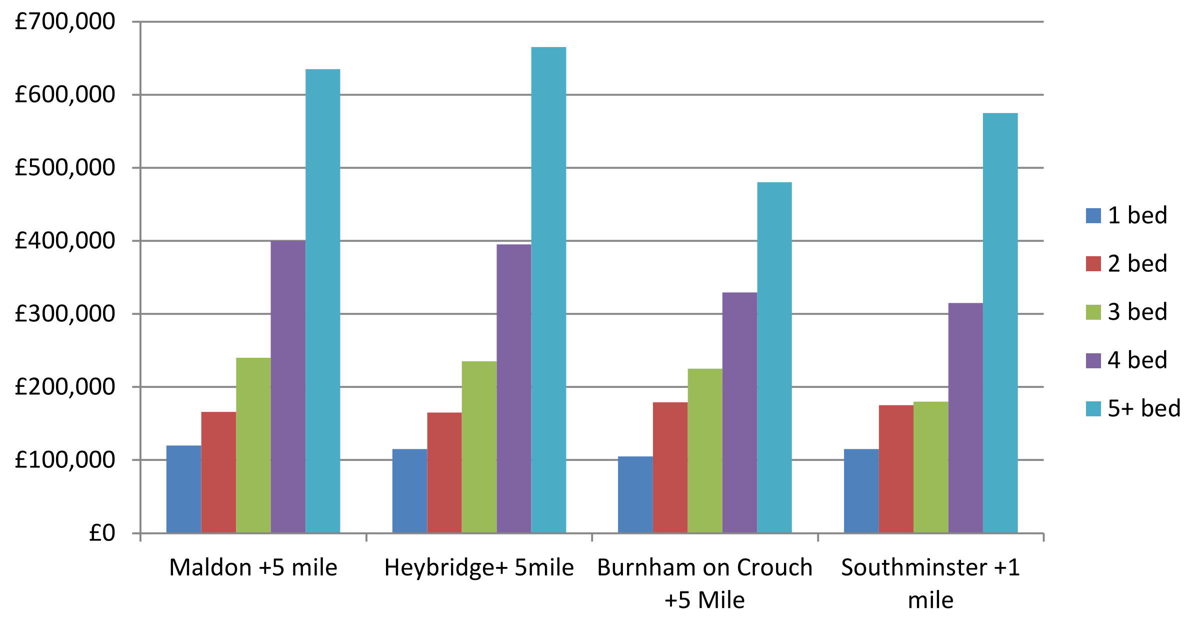
Table 4.1 New Build House Asking Prices								
			Bedrooms	**Area m²**		**Price £**		**£/m²**
Agent/developer	**Address**	**Town**		**Flat**	**House**	**Flat**	**House**	
Norton Barge	Cold Norton	Essex	2		60		190,000	3,167
Norton Barge			2		60		195,000	3,250
Norton Barge			2		60		195,000	3,250
Spital Rd	Maldon		3		60		229,995	3,833
North End Southminster			4		100		249,995	2,500
Harvey rd	Gt Totham	Maldon	3		76		295,000	3,870
19 Coronation Rd	Burnham on Crouch		3				325,000	
The Thatchers	Chapel Rd	Tolleshunt D'Arcy	4		128		349,950	2,734
The Thatchers	Chapel Rd	Tolleshunt D'Arcy	4		128		349,995	2,734
Coronation Rd	Burnham on Crouch		4		170		365,000	2,147
21 Coronation Rd	Burnham on Crouch		3				375,000	
Chapel Rd	Tolleshunt D'Arcy		5		184		375,000	2,038
Chapel Rd	Tolleshunt D'Arcy		5		225		390,000	1,733
Great Totham	Essex		4		221		399,950	1,810
23 Coronation Rd	Burnham on Crouch		3				450,000	
South St	Tillingham	Southminster	4				450,000	
Lodge Barn	Woodham Lodge Barns	CM3 4HQ	3		177		750,000	4,249
Broadview Barn	Woodham Lodge Barns		3		218		875,000	4,008
Dutch Barn	Woodham Lodge Barns		4		242		925,000	3,829
Valley Barn	Woodham Lodge Barns		5		331		1,225,000	3,704
Lodge Rd	Hazeleigh	Chelmsford	6		838		1,895,000	2,261

Source: Market Survey May 2013. Note this table only shows values where £/m2 were available

4.15 Analysis of this shows that the asking prices for newbuild homes vary, even at the same address with the same floor space. An example of this is at Cold Norton where two houses both at $60m^2$ have overall prices of £3,167/m^2 and £3,250/m^2.

4.16 We have looked at house prices across the main settlements:

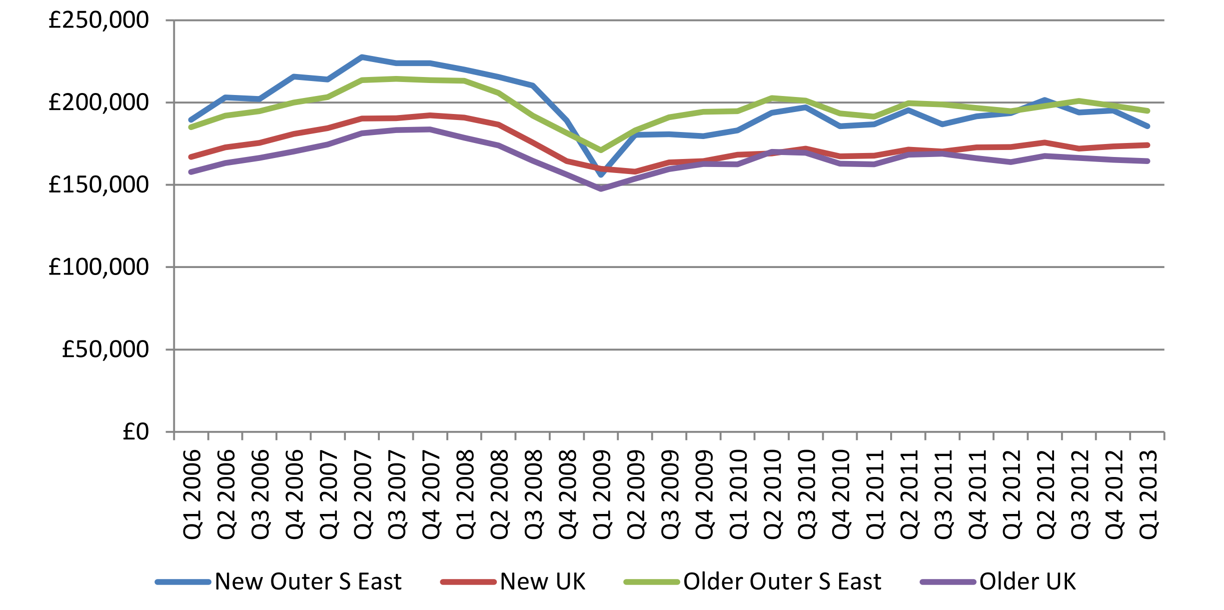
Figure 4.4 Median Asking Prices by Main Settlement



Source: Rightmove.com (May 2013)

4.17 The following figure shows the change in new build house prices relative to older homes. It can be seen that new prices have recovered better than older properties in the southeast – although they remain somewhat below their peak.

Figure 4.5 Average Newbuild House Prices



Source: Nationwide Building Society, 2013

4.18 We have compared the prices used in the SHLAA viability study. At that time (2012) we carried out a survey of the new units currently for sale in Maldon District, however relatively few homes were for sale so the survey was extended into neighbouring areas to allow comparisons to be drawn. Information including asking prices and unit sizes was gathered from approximately 25 development sites. These varied considerably, the highest was about £5,500/m^2 and the lowest about £1,700/m^2. Generally the differences were not due to geographical patterns, but were more to do with the style of the development. There were real local differences in prices in the market for existing units, however this does not follow into the new build market. We had expected to find a geographical pattern in newbuild house prices, but found no evidence of this. In the SHLAA Viability Study the following prices were used:

- Urban £2,700/m^2
- Rural Settlement £2,800/m^2
- Rural £2,900/m^2

4.19 We have also compared these prices to the Three Dragons Viability Study (2010). They undertook a broad analysis of house prices in the District using HM Land Registry data to identify the sub markets. These sub markets are based on post code sectors. The house prices which relate to the sub markets provide the basis for a set of indicative new build values as at June 2010.

Table 4.2 Viability sub markets in the Maldon DC area used by Three Dragons		
Sub Markets	PCS	Settlements/Areas
Northern Rural	CM8 3	Wickham Bishops & Hinterland
	CM9 8	Great Totham; Tolleshunts; Osea Island
Maldon Central and South	CM9 6	Fambridge Road; The Woodhams; Northey Island
	CM9 5	Central - High Street area
Rural South	CM3 6	Cold Norton; North Fambridge; Purleigh; Althorne; Mayland
Maldon North	CM9 4	Heybridge; Holloway Rd
Rural South East Higher	CM0 8	Burnham-on-Crouch (Southminster)
Rural South East Lower	CM0 7	St Lawrence; Bradwell-on-Sea; Dengie

Source: Table 3.1 MDC Viability Study. Three Dragons, (November 2010)

4.20 For each of these areas prices were ascribed as follows:

Table 4.3 Prices from Three Dragons					
	5 bed	4 bed	3 bed	2 bed	1 bed
Detached					
Northern Rural	3,100	2,963	3,136		
Maldon Central and South	3,067	2,889	3,045		
Rural South	2,933	2,852	3,000		
Maldon North	2,667	2,593	2,727		
Rural South East Higher	2,667	2,556	2,682		
Rural South East Lower	2,433	2,296	2,409		
Semi-detached					
Northern Rural		2,348	2,611	2,439	
Maldon Central and South		3,130	2,500	2,317	
Rural South		2,217	2,444	2,256	
Maldon North		2,000	2,222	2,134	
Rural South East Higher		2,000	2,167	2,012	
Rural South East Lower		1,826	2,000	1,829	
Terraced					
Northern Rural		2,333	2,813	2,566	
Maldon Central and South		2,238	2,688	2,500	
Rural South		2,190	2,625	2,434	
Maldon North		2,048	2,438	2,171	
Rural South East Higher		2,000	2,375	2,105	
Rural South East Lower		1,810	2,125	1,908	
Flats					
Northern Rural			2,198	2,761	2,717
Maldon Central and South			2,088	2,687	2,609
Rural South			2,033	2,537	2,500
Maldon North			1,868	2,313	2,391
Rural South East Higher			1,813	2,239	2,283
Rural South East Lower			1,648	2,090	2,065
Bungalows					
Northern Rural			2,800	3,288	
Maldon Central and South			2,700	3,151	
Rural South			2,650	3,014	
Maldon North			2,400	2,877	
Rural South East Higher			2,350	2,740	
Rural South East Lower			2,100	2,466	

Source: MDC Viability Study. Three Dragons, (November 2010)

4.21 We have set out the price assumptions used in the appraisals, based on the above information, in the tables in Chapter 9.

Affordable Housing

4.22 The Council has a policy for the provision of affordable housing (the requirements are summarised in Chapter 8). In this study we have assumed that Affordable Rented housing is constructed by the site developer and then sold to a Registered Provider (RP) and that intermediate housing is 'sold' direct to the occupier. This is a simplification of reality as there are many ways in which affordable housing is delivered, including the transfer of free land to RPs for them to build on or the retention of the units by the schemes overall developer.

4.23 There are three main types of affordable housing: Social Rent, Affordable Rent and Intermediate Housing Products for Sale. It should be noted that changes to the HCA funding regime mean that it is unlikely there will be on-going development for Social Rent in Maldon. We consider the values of each below.

Social Rent

4.24 The value of a rented property is strongly influenced by the passing rent – although factors such as the condition and demand for the units also have a strong impact. Social Rents are set at a local level through a national formula that reduces the differences between individual properties and ensures that properties of a similar type pay a similar rent:

Table 4.4 Social Rent (£/month)

	1 Bed	2 Bed	3 Bed
Maldon Council	£340	£401	£487

Source: The Continuous Recording of Letting and Sales in Social Housing in England (CORE)

4.25 This study concerns only the value of newly built homes. In spite of the differences in rents there seems to be relatively little difference in the amounts paid by RPs for such units across the study area.

4.26 In the SHLAA Viability Study it was assumed that all affordable housing to rent was delivered as Affordable Rent rather than Social Rent.

4.27 In this study we have assumed social rent has a value of 50% of Open Market Value (OMV). This is a simplification of the reality but appropriate in this high level study. This was confirmed through the consultation process.

Affordable Rent

4.28 The Localism Act 2011 has introduced a new form of affordable tenure known as Affordable Rent under which is a rent of no more than 80% of the open market rent for that unit can be charged. One of the key aims of the Coalition Government's policy on affordable housing is to make the much reduced HCA budget go further. The affordable rent that is over and above the social rent will be used by Registered Providers (RPs) to raise capital funding through borrowing or securitisation. This can then be used to build more affordable units – the extra borrowing replacing the grant.

4.29 The hope and objective of affordable rent is that the higher rents for the affordable housing would translate into higher values and thus the development of affordable housing would effectively fund itself. Some grant may continue to be available based on high priority sites where there is still a funding gap after the higher affordable rent has been allowed for, however as the amount is uncertain we have assumed no grant will be available in the future.

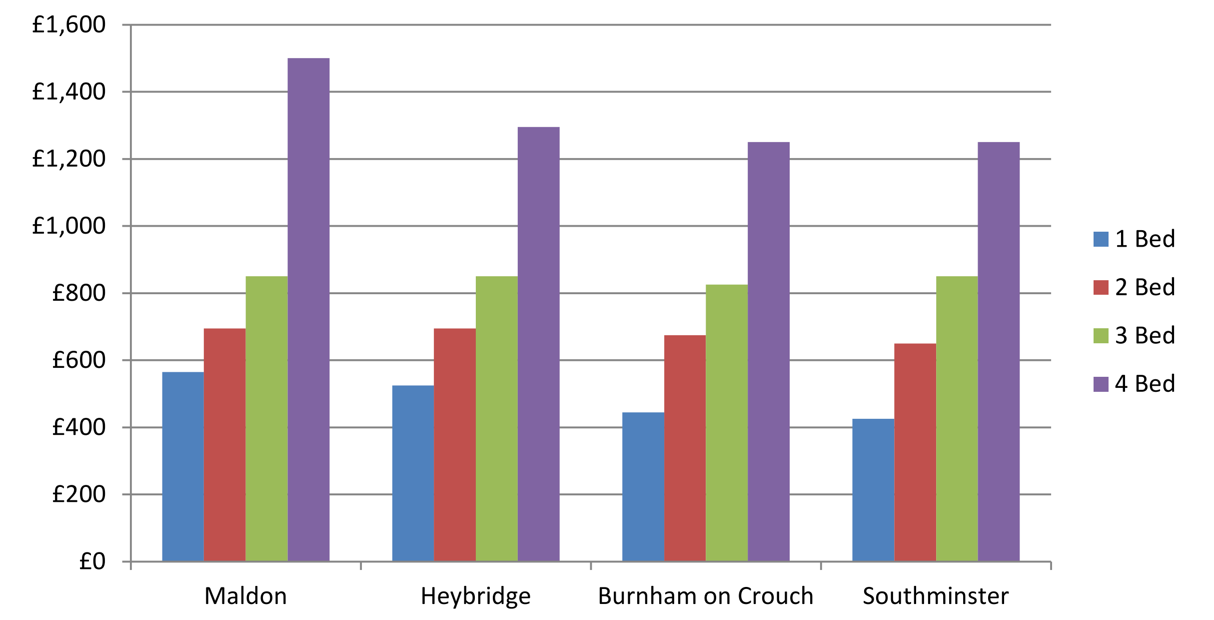
4.30 In the development of affordable housing for rent, the value of the units is the worth of the income that the completed let unit will produce. This is the amount an investor or another RP would pay for the completed unit. This will depend on the amount of the rent, the cost of managing the property (letting, voids, rent collection, repairs etc.).

4.31 Currently, financially sound RPs can borrow at interest rates between 5% and 7% (depending on the details of the proposal). On this basis to make up for £40,000 of lost grant, a little under £40 per week of extra rent needs to be collected. The current social rents in the area are shown above and by way of an example, to make up the lost grant on a 2 bedroom home, the rent will need to be increased by about 50% (from £79/week to £119/week).

4.32 We have assumed that it is to be set at 80% of the full open market rent of the properties in question. We have assumed that because a typical affordable rent unit will be new, it will command a premium rent that is a little higher than equivalent older private sector accommodation.

4.33 In estimating the likely level of affordable rent, we have undertaken a survey of market rents across the District. This involved an analysis of properties currently to let in Maldon District.

Figure 4.7 Median Open Market Rents main settlement (£) per month



Source: Rightmove, May 2013

4.34 The social security system is undergoing a process of radical change with the introduction of Universal Credit that will be subject to a caps and limits depending on the circumstances of the claiming household. Within the overall caps the Local Housing Allowance (LHA) Cap places a limit on the maximum amount claimants can receive to assist with rental payments. These take into account the number of bedrooms required by the claimant and their household. The housing element of Universal Credit is capped at the 3rd decile of open market rents for that property type, so in practice affordable rents charged by Housing Associations are unlikely to be set above these levels.

4.35 The cap is set by the Valuation Office Agency by Broad Rental Market Area (BRMA) however these BRMAs do not follow local authority boundaries. The LHA Cap rates are set by the BRMA as outlined below. Where this is below the level of Affordable Rent at 80% of the median rent we have assumed that the Affordable Rent is set at the LHA Cap.

Table 4.5 Monthly LHA Rate – May 2014

	Chelmsford BRMA	Colchester BRMA
Shared Accommodation Rate:	£325	£275
One Bedroom Rate:	£525	£445
Two Bedrooms Rate:	£650	£562
Three Bedrooms Rate:	£792	£700
Four Bedrooms Rate:	£1,000	£869

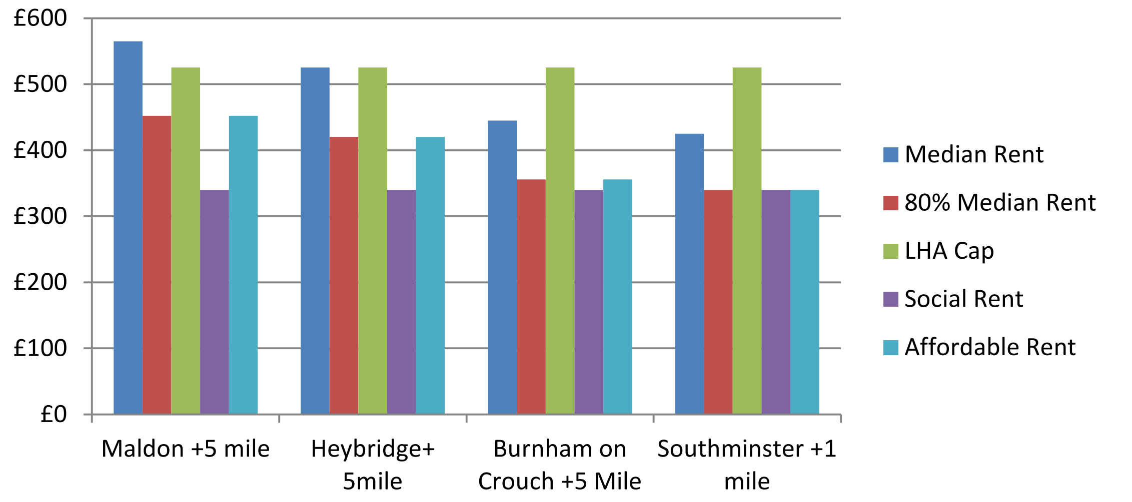
Source VOA

4.36 Most of the District is in the Chelmsford BRMA.

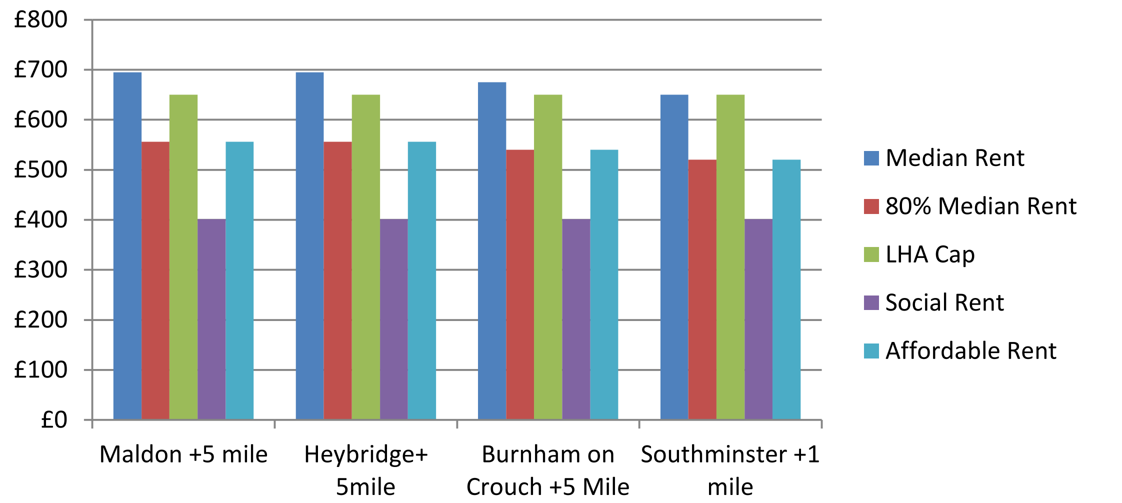
4.37 By assessing market rents and changing these in line with policy stipulations with regard to affordable rents and LHA Cap rates, the range of prevailing rents in Maldon District are summarised in the following graphs. This forms the basis of the appraisals.

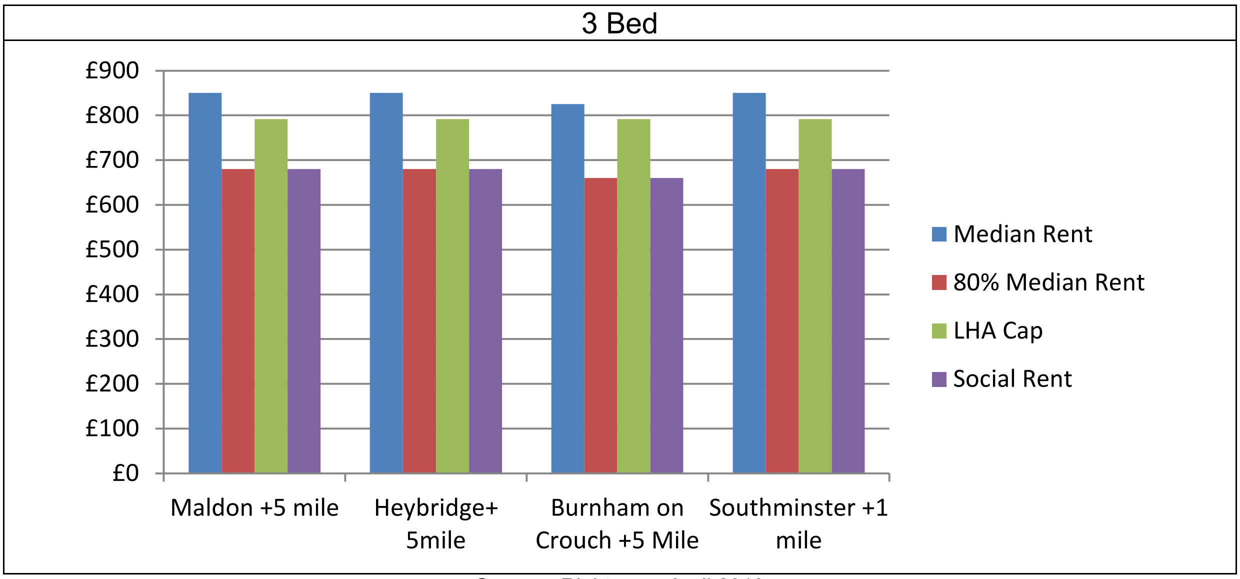
Figure 4.8 Rents by Tenure and Postcode – £/Month

1 Bed



2 Bed





Source: Rightmove April 2013

4.38 We have assumed that Affordable Rent will be set at 80% of the median rent or the LHA Cap whichever is lower. In calculating the value of affordable rents we have allowed for 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income at 5.5%. On this basis, Affordable Rented property has the worth shown in the table below.

4.39 At the consultation event on 26th June, we set out our approach to valuing affordable housing. As this is a high level study, we have assumed that affordable rent has a value of £1,300m^2, based on the value analysis shown. This is a cautious approach that draws on the figures below.

Table 4.6 Calculation of capital value of Affordable Rent housing

2 Bed	Maldon	Heybridge	Burnham on Crouch	Southminster
Annual Rent	£6,672	£6,672	£6,480	£6,240
Net Rent	£5,338	£5,338	£5,184	£4,992
Worth	£97,047	£97,047	£94,255	£90,764
Approx. £m^2	**£1,348**	**£1,348**	**£1,309**	**£1,261**
3 Bed				
Annual Rent	£8,160	£8,160	£7,920	£8,160
Net Rent	£6,528	£6,528	£6,336	£6,528
Worth	£118,691	£118,691	£115,200	£118,691
Approx. £m^2	**£1,430**	**£1,430**	**£1,388**	**£1,430**

Source HDH, 2013

4.40 This approach was agreed to be appropriate through the consultation process – although the amount actually paid tends to vary considerably depending on specific details of a particular scheme and the Housing Associations' 'appetite' at the time.

Intermediate Products for Sale

4.41 These include shared ownership and shared equity products. It appears that the market for these is limited at present with relatively few new units currently available in the study area.

4.42 The Council's draft Affordable Housing SPD supports intermediate affordable housing for sale in appropriate locations including shared equity, shared ownership, Rent to Homebuy or other similar products. The draft SPD does not however seek to limit the initial sale price of such units.

4.43 It is necessary to make a broad assumption as to the value of intermediate products. In this report we have assumed a value for LCHO at 70% of open market value. This was confirmed through the consultation process.

5. Non-Residential Property Market

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

5.2 The CIL Regulations and CIL Guidance require the use of existing available evidence and for the viability testing to be appropriate to the likelihood of raising CIL. There is no need to consider all types of development in all situations – and certainly no point in testing the types of scheme that are unlikely to come forward – or for that matter unlikely to be viable.

5.3 Although development schemes do have similarities, every scheme is unique to some degree, even schemes on neighbouring sites. Market conditions will broadly reflect a combination of national economic circumstances and local supply and demand factors, however even within a town there will be particular localities, and ultimately site specific factors, that generate different values and costs.

Maldon Overview

5.4 As with the housing market, the various non-residential markets in the Maldon District area reflect national trends, but there are local factors that underpin the market. The District does not include any major industrial or service centres, instead employment uses are spread throughout the district, particularly in Maldon town.

5.5 Commercial activity does of course take place more widely that this – indeed the majority of the area (by land use) is actively and commercially farmed. There is, however, little evidence of significant non-residential development happening much beyond these main centres (in part due to the Council's development control policies) and even in these centres it is limited at the moment. We have centred this study on these main areas.

Market Survey

5.6 We undertook a market survey of new and recent deals for commercial properties for sale and to let by reference to agents advertising on the Propertylink property website (a commercial equivalent of Rightmove). Additionally we have made use of EGI data that records past transactions in the non-residential sector.

5.7 We have concentrated on newer property and not surveyed the wider market of older units and buildings. This study is concerned with development viability – there are, in nearly all situations, some space that is available at rents and values that are substantially lower than these amounts, particularly commercial space above retail units and near town centres that have limited car parking and facilities.

5.8 We surveyed the following commercial property categories:

Industrial	Hotel
Office	Retirement and Care Homes
Retail	Other/land

5.9 The first and overriding finding is that there is very little non-residential development taking place, and development that is taking place is not speculative development by developers, rather it is being developed for specific end users. Also, there is a significant amount of empty space that is available for let or for sale. These two points are important and suggest that the development of commercial property remains difficult.

5.10 The commercial markets in the District are focused on Maldon. A selection of currently available and advertised non-residential property is set out in **Appendix 4**

Industrial

5.11 The industrial property market varies tremendously for both sale and lettings. Rents for industrial properties vary from a low of about £35/m^2 up to a maximum of over £65/m^2. The variations are largely due to the quality of the property available with modern units attaching a premium.

5.12 The capital values also vary with asking prices for secondary quality units typically being in the £500m^2 to £600/m^2 range. Yields vary more with unit size, with larger units being more attractive to investors and this having a lower yield of around 7.5% compared to smaller units of a little less than 9%.

Offices

5.13 Research found that the office market in the District is slow at present. Typically rents are a little over £100/m^2 although better units with car-parking facilities achieving rents of up to £140/m^2.

5.14 We have found very little evidence of capital values and yields in sector so have drawn on wider experience and assumed a yield of 8% for better units in the District.

Retail

5.15 Activity in the retail property market was highly concentrated in Maldon town with the lesser centre of Burnham on Crouch also having an active High Street. There was little activity outside of this recorded. Rents for small units in the best locations for small shops in central Maldon are currently around £300/m^2 although generally they are at about two thirds of this level.

5.16 The rents for town centre shops vary greatly, particularly as one moves away form the best locations into the secondary situations. This is to the extent that where there are vacant shops the owners are willing to make them available to occupiers on very advantageous terms, including rent free for extended periods[15].

5.17 We have given consideration to supermarkets and large retail warehouses. There is local evidence relating to these in the District however drawing on our wider experience we have assumed supermarket rents of £180/m^2 and yields of 5.5%, and £120/m^2 for retail warehouses and a yield of 8%.

Hotels

5.18 As well as the above development types we have assumed a rental of £3,750 per room per year for new build hotels to apply across the area. Assuming a yield of 6.5%, this equates to a value of about £2,150/m^2. It is important to note that this study is only concerned with new build hotels. We do acknowledge that there are older units available at substantially lower rents than these.

Retirement Housing and Care Homes

5.19 We have received representations from the Retirement Housing Group (RHG) being a trade group representing private sector developers and operators of retirement, care and extra care homes. They have set out a case that these products should be tested separately. It is important to note that the not-for-profit providers and Housing Associations that provide much of the housing in this sector operate as affordable housing and that these prices are not representative of social and affordable sheltered and extra-care housing.

5.20 In line with the RHG representations we have assumed the price of a 1 bed sheltered property is about 75% of price of existing 3 bed semi-detached house, and a 2 bed sheltered property is about equal to the price of an existing 3 bed semi-detached house. In addition, we have assumed Extracare housing is 25% more expensive than sheltered.

5.21 In Maldon District the median price of a 3 bed semi-detached home is £220,000[16] so we have used this as a starting point. On this basis we have assumed Retirement housing has the following worth:

[15] This is partially due to the requirement for landlords to pay business rates on empty properties.

[16] Rightmove May 2013.

Table 5.1 Worth of Retirement and Extracare			
	Area	£	£/m^2
3 bed semi-detached		220,000	
1 bed Sheltered	50	165,000	3,300
2 bed Sheltered	75	220,000	2,933
1 bed Extracare	65	206,250	3,173
2 bed Extracare	80	275,000	3,438

Source: HDH 2013

5.22 The above prices are applied to the net saleable areas. It is important to note that the not-for-profit providers and Housing Associations that provide much of the housing in this sector operate under a different model and these prices are not representative of social and affordable sheltered and extra-care housing.

Appraisal Assumptions

5.23 Having surveyed the non-residential property markets we have found that there is a significant range of rents and values across the District. On further investigation we concluded that these were more to do with the specific characteristics of the location in question (access to transport network, environment, etc.) rather than the geographical location and also that a new development which is well located would attract broadly similar rents and values in most of the area. We have based our initial appraisals on District wide figures.

5.24 We reiterate that the commercial development market is going through a difficult period and this needs to be kept under close review, as whilst development may not be viable now, relatively small changes in yields will results in improved viability.

5.25 Through analysing the available rental space and the space for sale, we have formed a view as to the capital value of industrial and office space. In capitalising the rents we have assumed a yield based on newly developed units in the area. We acknowledge that the yield will vary from property to property and will depend on the terms of the lease and the standing of the tenant, however, we believe that the figures used are broadly representative and appropriate for a study of this type.

5.26 The rental assumptions and yields are shown in the following table.

Table 5.2 Capitalised typical rents £/m^2			
	Rent £/m^2	Yield	Capitalised Rent £/m^2
Large industrial	65	7.50%	867
Small industrial	65	9.00%	722
Offices	130	8.00%	1,625
Supermarkets	180	5.50%	3,272
Retail Warehouse	120	8.00%	1,500
Shops	200	9.00%	2,222
Hotels			2,150
Retirement housing			3,000
Extracare			3,300

Source: HDH/URS Market Survey 2012

5.27 The lower yields for large office, industrial and retail units reflects their relative attractiveness for investors and conversely the higher yield for small retail and leisure uses reflect that there is not an established market in this asset class amongst investors.

6. Land Prices

6.1 In the section headed Viability Testing in Chapter 2 we set out the methodology used in this study to assess viability and set out the different approaches put forward in *Viability Testing in Local Plans – Advice for planning practitioners*, (LGA/HBF – Sir John Harman) (June 2012) and *Financial viability in planning, RICS guidance note, 1st edition (GN 94/2012)* (August 2012).

6.2 An important element of the assessment, under both sets of guidance, is the value of the land. Under the method recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted though a planning consent, being the Existing Land Value (ELV) or Alternative Land Value (ALV), is the starting point for the assessment as this is one of the key variables in the financial development appraisals. In this chapter we have considered the values of different types of land. The value of land relates closely to the use to which it can be put and will range considerably from site to site; however, as this is a high level study, we have looked at the three main uses: agricultural, residential and industrial. We have then considered the amount of uplift that may be required to ensure that land will come forward.

Current and Alternative Use Values

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

6.4 To assess viability, the value of the land for the particular scheme needs to be compared with the alternative use value, to determine if there is another use which would derive more revenue for the landowner. If then the Residual Value does not exceed the alternative use value, then the development is not viable, and if there is a surplus (i.e. profit) over and above the 'normal' developer's profit having paid for the land, then there is scope to pay CIL.

6.5 For the purpose of the present study, it is necessary to take a comparatively simplistic approach to determining the alternative use value. In practice, a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis the outcome might still be contentious.

6.6 Our 'model' approach is outlined below:

i. For sites previously in agricultural use, then agricultural land represents the existing use value.

ii. For smaller parcels of land on the edge of a settlement we have assumed a paddock value to reflect its likely alternative use as amenity land. This definition was questioned through the consultation process and it was suggested that a better description would be 'urban fringe'. To some extent we agree with this but bearing in mind that some of the settlements are very small (too small to be described as urban) we have not followed this suggestion.

iii. Where the development is on former industrial, warehousing or similar land, then the alternative use value is considered to be industrial, and an average value of industrial land for the area is adopted as the alternative use value.

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

Industrial Land

6.7 The Valuation Office Agency's (VOA) typical industrial land values are discussed from paragraph 3.50 of the Three Dragons Viability Report. Values of about £625,000/ha for industrial land and £15,000/ha for agricultural land were referred to.

6.8 The VOA publishes the Property Market Report. In the January 2011 report (being the most recent one) they report the following industrial land values.

Table 4.1 Industrial Land Values (£/ha)

	Development land	Cleared Industrial
Medway towns	1,400,000	850,000
Norwich	1,600,000	425,000
Cambridge	2,900,000	740,000

Source: VOA Property Market Report 2011

6.9 The most direct comparable for Maldon is that of Norwich which shows a fall of over £1,000,000 /ha - which equates to a fall since 2009 to about 25% of the value.

6.10 Initially this study we, as in the SHLAA Viability Study, assumed a value of £625,000/ha. It was suggested through the consultation process that this was rather too high and we have amended this down to £550,000/ha.

Agricultural and Paddocks

6.11 Agricultural values rose for a time several years ago after a long historic period of stability. Values are around £15,000-£25,000/ha depending upon the specific use. We have assumed a value of £25,000/ha in this study.

6.12 A proportion of the sites expected to come forward are on smaller paddock sites and have an alternative amenity use. A benchmark of £50,000/ha is assumed to apply here to reflect this situation. Generally this was agreed through the consultation – although it is agreed that this can vary considerably.

Residential Land

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

6.14 The VOA publishes figures for residential land in the Property Market Report. These cover areas which generate sufficient activity to discern a market pattern. That means that locally we have figures for Norwich and Cambridge.

6.15 These values can only provide broad guidance, and therefore can only be indicative.

Table 6.1 Residential Land Values at January 2011 Bulk Land £/ha (£/acre)	
Norwich	1,600,000 (650,000)
Cambridge	2,900,000 (1,175,000)

Source: VOA Property Market Report 2011

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

6.17 It should also be noted that the above values will assume that a grant was available to assist the delivery of affordable housing (due to the date of the VOA Report). This grant is now very restricted so these figures should be given limited weight. Further, due to the date of the report, these values are well before the introduction of CIL, so do not reflect this new charge on development. As acknowledged by the RICS Guidance, a new charge such as CIL will inevitably adversely impact on land values.

6.18 We have consulted agents operating in the area and have assumed a value of £1,000,000 per net developable hectare. It was suggested, through the consultations, that residential land could have a substantially higher value – particularly where there is a low affordable housing and low infrastructure cost. We agree with this but feel £1,000,000 per net ha is an appropriate assumption.

Use of alternative use benchmarks

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

6.20 We have set out the Shinfield appeal decision below. This provides some help as to what a competitive return is (and is not) however as yet competitive return has not been fully defined through planning appeals and the court system[17]. The RICS Guidance includes the following definition:

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

6.21 Whilst this is useful, it does not provide any guidance as to the size of the return. To date, there has been much discussion within the industry and amongst planners as to what may and may not be a competitive return, and as yet the term has not been given a firm definition through the appeal, planning examination or legal processes. The January 2013 appeal APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX) does provide some assistance in understanding competitive return. Whilst the paragraphs below do not provide a strict definition of competitive return, the inspector (Clive Hughes BA (Hons) MA DMS MRTPI) does set out a helpful analysis.

37. Core Strategy Policy CP5 says that all residential developments … will provide up to 50% of the net additional units proposed as affordable units, where viable. The policy includes a table which identifies the appeal site … where the minimum percentage of affordable housing sought is 40%

[17] In this context the following CIL Examination are relevant.

Mid Devon District Council by David Hogger BA MSc MRTPI MCIHT, Date: 20 February 2013

Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council. by Keith Holland BA (Hons) Dip TP, MRTPI ARICS Date: 4 December 2012

subject to viability*. It is the viability, or otherwise, of the amount of affordable housing now sought that is at issue. The Council is seeking 40% of the net additional units to be affordable housing in accordance with that policy; the appellants assert that the maximum amount that would be viable is 2%....*

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

Benchmark Land Value

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

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

62. The Council did not use comparators; instead it relied upon a valuation based upon a substantial office scheme on the appeal site. ... This development provided a value of £2.75m; from this it is necessary to subtract the cost of decontaminating the land. This gives a benchmark SV of £1.865m, a figure revised from the Council's original evidence to take account of the agreed costs of decontamination…

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

Competitive return

64. Determining what constitutes a competitive return inevitably involves making a subjective judgement based upon the evidence. Two very different viewpoints were put forward at the Inquiry with the appellants seeking a land value of £4,750,000 which is roughly the mid-point between the EUV/CUV and the RLV with planning permission for housing and no obligations. This ties in with the 50:50 split between the community and the landowner sought by the appellants. The Council considered that a sum of £1.865m would ensure a competitive return; that is to say the Council's calculation of the EUV/CUV.

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

Viable amount of Affordable Housing

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

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

6.22 It is clear that for land to be released for development, the surplus needs to be sufficiently large to provide an incentive to the landowner to release the site and cover any other appropriate costs required to bring the site forward for development. It is therefore appropriate and an important part of this assessment to have regard to the market value of land.

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

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

6.25 Initially, based on work we have done elsewhere, we assumed that the Viability Threshold (being the amount that the Residual Value must exceed for a site to be viable) of the EUV / AUV plus a 20% uplift on all sites would be sufficient. This is supported both by work we have done elsewhere and by appeal decisions (see Chapter 2). Based on our knowledge of rural development, and from working with farmers, landowners and their agents, we also made a further adjustment for those sites coming forward on greenfield land. We added a further £300,000/ha (£120,000/acre) to reflect this premium.

6.26 One of the workshop groups at the consultation event considered the uplift in relation to agricultural land to be 'a bit light' – particularly on the smaller sites. We have amended this up to £350,000/ha on the non-strategic sites residential sites.

6.27 We fully accept that this is a simplification of the market, however in a high level study of this type that is based on modelled sites, simplifications and general assumptions need to be made.

6.28 This approach does reflect a very considerable uplift for a landowner selling a greenfield site with consent for development[18]. In the event that planning consent is granted they would receive over ten times the value compared with before. This approach (but not the amount) is suggested in the *Viability Testing Local Plans* (see Chapter 2 above) by the Planning Advisory Service (PAS). The approach was endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule in January 2012[19].

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

[18] See Chapter 2 for further details and debate around EUV plus v Market Value methodologies.

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

7. Appraisal Assumptions – Development Costs

7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the modelled sites. These figures were presented to stakeholders at the event on the 26th June 2013 and in some cases adjusted.

Development Costs

(i) Construction costs: baseline costs

7.2 We have based the cost assumptions on the Building Cost Information Service (BCIS) data, using the figures re-based specifically for Maldon. The costs are specific to different built forms (flats, houses, etc). We have considered these and made appropriate adjustments.

7.3 The Council has developed policies relating to the construction standards and environmental performance of new buildings. The current policy requirement is that homes are built to the basic Building Regulation Part L 2010 Standards[20].

7.4 From April 2008, Level 3 Code for Sustainable Homes has been a requirement for all homes commissioned by housing associations, but would not necessarily be the case for affordable homes built by developers for disposal to a housing association, unless a grant was made available from the Homes and Communities Agency.

7.5 The Department for Communities and Local Government (CLG) published a review of the costs of building to the Code for Sustainable Homes (CfSH) in August 2011. This provides useful guidance as to the costs of the implementation of the various environmental standards. Bearing in mind the move towards higher standards with the amendments to Building Regulations, we have assumed a minimum standard of CfSH Level 4.

7.6 We have assumed an additional cost, shown in Table 7.1 over and above BCIS costs for building to CfSH Level 4.

[20] Code 3 also policy requirement for MDC for affordable homes irrespective of whether grant funded. The costs of Code 3 is similar to Building Regulation Part L 2010 Standards so it is assumed the cost is the same.

Table 7.1 Additional Cost of Building to CfSH Level 4 (per dwelling)					
	2b-Flat	2b-Terrace	3b-Semi	4b-Detach	Average dwelling
Small brownfield (20 dwellings at 40 dph)		£3,500 4.4%	£4,580 5.3%	£5,140 5.5%	£4,260 5.0%
City Infill (40 dwellings at 160 dph)	£3,400 6.2%				£3,400 6.2%
Edge of town (100 dwellings at 40 dph)	£3,950 7.2%	£4,280 5.3%	£5,360 6.2%	£5,920 6.4%	£4,787 6.2%
Urban Regeneration (1,000 dwellings at 160 dph)	£3,330 6.1%	£3,210 4.0%	£4,300 5.0%	£4,930 5.3%	£3,435 5.4%
Strategic Greenfield (2,000 dwellings at 40 dph)	£3,930 7.2%	£4,260 5.3%	£5,340 6.2%	£5,900 6.4%	£4,846 6.1%
Large edge of town (3,300 dwellings at 40 dph)	£3,930 7.2%	£4,260 5.3%	£5,340 6.2%	£5,900 6.4%	£4,705 6.2%

Source: Cost of building to the Code for Sustainable Homes, Updated cost review. CLG (Aug 2011)

7.7 **Appendix 5** contains the April 2013 BCIS build costs for Maldon. We have used the median costs for the different development types that occur on the appraisal sites. We acknowledge that this is a relatively simplistic approach however by making the adjustments set out below we are comfortable this can provide an appropriate high level view.

7.8 We have sought to compare these costs with those submitted to and agreed with the Council as part of the development control process. There are several on-going negotiations that we are confidential at the current time. When completed these will be a useful source of existing available evidence.

7.9 It is possible that further environmental standards will be introduced within the Plan period. These will add to the cost of development. We have not modelled these, however if they are introduced it will be necessary to review the findings of this study and policies and rates of CIL that are informed by it.

(ii) Construction costs: site specific adjustments

7.10 It is necessary to consider whether any site specific factors would suggest adjustments to these baseline cost figures. During the mid-1990s planning guidance on affordable housing was based on the view that construction costs were appreciably higher for smaller sites with the consequence that, as site size declined, an unchanging affordable percentage requirement would eventually render the development uneconomic. Hence the need for a ‘site size threshold’, below which the requirement would not be sought.

7.11 It is not clear to us that this view is completely justified. Whilst, other things being held equal, build costs would increase for smaller sites, but other things are not normally equal and there are other factors which may offset the increase. The nature of the development will change, with lower infrastructure requirements (there may be direct road access rather than the need for an 'estate road') and the nature of the developer will also change as small local firms replace the regional and national house builders. Furthermore, very small sites may be able to secure a 'non-estate' price premium.

7.12 In the present study, several of the sites are considered to fall into the 'small site' category, on these sites we have used the appropriate small site costs from BCIS.

(iii) Construction costs: affordable dwellings

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

(iv) Other normal development costs

7.14 In addition to the BCIS £/m^2 build cost figures described above, allowance needs to be made for a range of infrastructure costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs), off-site costs for drainage and other services and so on. Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within a high level study of this type.

7.15 Drawing on experience and the comments of stakeholders, it is possible to determine an allowance related to total build costs. This is normally lower for higher density than lower density schemes since there is a smaller area of external works, and services can be used more efficiently. Large greenfield sites would also be more likely to require substantial expenditure on bringing mains services to the site.

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

7.17 We have given careful thought as to how major strategic sites should be treated as these large sites, by their nature, can have very significant infrastructure requirements that can have a dramatic impact on viability. Additionally, the Council's housing strategy is proposed to be based on the allocation of large strategic sites, therefore if a large site is identified as unviable then the Plan would be at risk of being unsound at examination. The April 2012 CIL Guidance is clear saying:

34. Charging authorities may want to consider setting differential rates as a way of dealing with different levels of economic viability within the same charging area (see regulation 13). This is a powerful facility that makes the levy more flexible to local conditions. Differences in rates need to be justified by reference to the economic viability of development. Charging authorities can set differential levy rates for different geographical zones provided that those zones are defined by reference to the economic viability of development within them. In some cases, charging authorities could treat a major strategic site as a separate geographical zone where it is supported by robust evidence on economic viability.

7.18 We have read this with page 23 of the Harman Guidance which says:

Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.

7.19 The modelling and appraisals carried out in a high level strategic report such as this are going to be based on generic and District wide assumptions. The Council has consulted the owners and or promoters of the sites that are perceived to have higher costs inviting them to contribute to the assessment process. In order to include the strategic sites within the development plan, the Council must be sure that they can be delivered, and if this is not demonstrated they will review as to whether or not the sites can be included.

7.20 We have worked with the Council and reviewed the Infrastructure Delivery Plan and various other sources of information (including the officer's considerable knowledge) and applied the known infrastructure costs to the strategic sites as set out later in this report.

(v) Abnormal development costs

7.21 In **Chapter 9** we set out the modelled sites. In some cases where the site involves redevelopment of land which was previously developed, there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; piling or flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels; and so on. For the non-residential property, we have run a scenario where the site is on previously developed land. With this variable we have increased the costs by an additional 15% cost.

(vi) Fees

7.22 For residential development we have assumed professional fees amount to 10% of build costs in each case. This is made up as follows:

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

7.23 For non-residential development we have assumed 8%.

(vii) Contingencies

7.24 For previously undeveloped and otherwise straightforward sites we would normally allow a contingency of 2.5% with a higher figure of 5% on more risky types of development, previously developed land and on central locations. So the 5% figure was used on the brownfield sites and the 2.5% figure on the remainder.

7.25 One consultee suggested that this should be increased to 10%. This was not the consensus (and generally not accepted to be the case nationally) – although there was a consensus that 5% was the norm. We have adjusted the appraisals to reflect this.

(viii) S106 Contributions

7.26 The Council does not have up to date guidance to outline how developer contributions required by Policy I1 Infrastructure and Services will be sought. The wording of the policy could potentially put considerable costs on development.

7.27 The Council's most recent adopted guidance in regard to developer contributions is set out in the 2005 Maldon District Developer Contributions Guide. This does not include a tariff of standard payments, instead setting out a set of general principles saying:

The steps in assessing the need and scale of developer contributions are:

- *determining the nature, extent and timing of the impacts;*
- *establishing appropriate infrastructure standards;*
- *identifying those areas where there are infrastructure shortfalls or spare capacity and measuring the extent of the shortfalls or spare capacity;*
- *measuring impacts against standards in order to calculate appropriate mitigation;*
- *costing the mitigation measures and determining the timing of their delivery.*

A developer contribution is established within an agreement between a developer and the District Council, and other parties as necessary. It can identify activities or work to be carried out on-site or financial contributions, revenue or capital, to be made. Where available it should be based on standard charges or formulae, elsewhere by negotiation on a case by case basis.

7.28 To model this we have drawn on the Council's past record in collecting s106 contributions. In our base appraisals for the modelled sites we have assumed a cost of £2,500 per unit – applicable to all units. We have then calculated a range of alternative costs to inform the CIL setting process.

7.29 When calculating the Additional Profit and making an assessment of the effect of CIL on viability we have assumed, for the modelled sites, a s106 contribution of £1,000 per dwelling for all market and affordable units.

7.30 For the strategic sites we have drawn on information provided to us and assumed the costs as set out in **Appendix 6**.

Table 7.2 Strategic Sites, education contributions

Area	EY&C			Primary			Secondary	
	Places	Cost		Places	Cost		Places	Cost
Heybridge	69	£1.4m	£2.1m	230	£3.9m	£5.6m	153	£3m
	53	£1.25m		177	£3.7m		118	£2.3m
South Maldon	95	£2m	£2.4m	318	£6m	£6.4m	212	£4.1m
West Maldon	53	£1.25m		177	£3.7m		118	£2.3m
Burnham	34	£1m	£1.6m	115	£2m	£4.6m	77	NIL
	53	£1.25m		177	£3.7m		118	NIL
Fambridge	53	£1.25m		177	£3.7m		118	NIL*
Latchingdon	53	£1.25m		177	£3.7m		118	NIL*
Southminster	53	£1.25m		177	£3.7m		118	NIL*

Source: MDC / Essex County Council, June 2013

7.31 It is important to note that the above costs are derived by MDC working with Essex County Council (ECC) and using standard costs calculators based on unit numbers. Each site is considered on a standalone basis to inform the site selection process. In due course, when the actual site details are know it will be necessary to revisit these and ensure that there is no double provision. By way of example it may be possible for some sites to share provision. The above allows for 4 or 5 new primary schools to be constructed. Further, the full £4,525,000 highways costs is applied to both the North Heybridge proposed masterplan area and the North Heybridge H1, BS1, BS2, H4 areas. If both these areas were to come forward, this cost would be shared over both sites.

7.32 In the following table contributions towards Adult Social Care have been excluded. In practice these are considered on a site by site basis. ECC would be keen to discuss allocations with potential developers, however it is not possible to make assumptions on the required provision at this stage.

7.33 In relation to health costs, the standard calculator rate of £308/dwelling has been used – rather than a specific assessment being made of the local capacity and needs that would be required to make a site specific assessment in this regard.

Table 7.3 Strategic Sites Infrastructure Requirements (£)

		North Heybridge proposed masterplan area	North Heybridge H1, BS1, BS2, H4	South of Maldon proposed masterplan area	West Maldon M2	Burnham on Crouch proposed masterplan area	Burnham, B1, B2, B4	North Fambridge F3, F4	Latchingdon L1	Southminster S3
Units		**900**	**700**	**1,250**	**700**	**450**	**700**	**700**	**700**	**700**
Education	Early Years	1,400,000	1,250,000	2,000,000	1,250,000	1,000,000	1,250,00	1,250,000	1,250,000	1,250,000
	Primary	3,900,000	3,700,000	6,000,000	3,700,000	2,000,000	3,700,000	3,700,000	3,700,000	3,700,000
	Secondary	3,000,000	2,300,000	4,100,000	2,300,000					
Libraries		253,300	197,036	351,850	197,036	126,666	197,036	197,036	197,036	197,036
Highways		4,525,000	4,525,000	2,124,000		108,000	108,000			
Waste Management		274,500	213,500	381,250	213,500	137,250	213,500	213,500	213,500	213,500
Health		277,200	215,600	385,000	215,600	138,600	215,600	215,600	215,600	215,600
Sewage		250,000	250,000	1,050,000	250,000					2,500,000
TOTAL		**13,880,000**	**12,651,136**	**16,392,100**	**8,126,136**	**3,510,516**	**4,434,136**	**5,576,136**	**5,576,136**	**8,076,136**
Per Unit		15,422	18,073	13,114	11,609	7,801	6,334	7,966	7,966	11,537

Source: MDC and ECC, 2013.

7.34 There was some concern expressed by consultees around a lack of clarity in the ECC approach. We have some sympathy with this view and have attempted to set out our understanding through this document. It is important to note that the existing approach will have to change due the forthcoming restrictions on pooling s106 payments contained in the CIL Regulations[21]. We have tested a number of alternative levels of payment to ensure that MDC can develop an appropriate policy.

7.35 The timing of CIL payments has a real impact on the viability of a project. If the payment is near the start of a project then interest will arise on it throughout. If, alternatively CIL is payable throughout the life of project then the interest payments are reduced. In this viability assessment we have assumed that the CIL is payable in equal annual instalments over the life of the project.

Financial and Other Appraisal Assumptions

(i) VAT

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

(ii) Interest rate

7.37 Our appraisals assume 7% pa for total debit balances, we have made no allowance for any equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases developers are required to provide between 30% and 40% of the funds themselves, from their own resources so as to reduce the risk to which the lender is exposed.

7.38 The 7% assumption may seem high given the very low base rate figure (0.5% January 2013). Developers that have a strong balance sheet and a good track record can undoubtedly borrow less expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals we have prepared a simple cashflow to calculate interest.

7.39 For the non-residential appraisals, and in line with the high level nature of this study, we have used the developer's rule of thumb to calculate the interest – being the amount due over one year on half the total cost. It is considered that this simplification is appropriate.

7.40 The relatively high assumption of the 7% interest rate, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest. In this study a cautious approach is being taken, so we believe this is a sound assumption.

[21] CIL Regulation 123.

(iii) Developers' profit

7.41 An allowance needs to be made for developers' profit / return and to reflect the risk of development. Neither the NPPF, CIL Regulations nor CIL Guidance provides useful guidance in this regard so, in reaching this decision, we have considered the RICS's *'Financial Viability in Planning*' (August 2012), the Harman Guidance *Viability Testing Local Plans, Advice for planning practitioners* (June 2012), and referred to the HCA's Economic Appraisal Tool. None of these documents are prescriptive, but they do set out some different approaches.

7.42 RICS's *'Financial Viability in Planning*' (August 2012) says:

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

7.43 LGA and HBF published *Viability Testing Local Plans, Advice for planning practitioners* (June 2012) which says:

> ***Return on development and overhead***
>
> *The viability assessment will require assumptions to be made about the average level of developer overhead and profit (before interest and tax).*
>
> *The level of overhead will differ according to the size of developer and the nature and scale of the development. A 'normal' level of developer's profit margin, adjusted for development risk, can be determined from market evidence and having regard to the profit requirements of the providers of development finance. The return on capital employed (ROCE) is a measure of the level of profit relative to level of capital required to deliver a project, including build costs, land purchase, infrastructure, etc.*
>
> *As with other elements of the assessment, the figures used for developer return should also be considered in light of the type of sites likely to come forward within the plan period. This is because the required developer return varies with the risk associated with a given development and the level of capital employed.*
>
> *Smaller scale, urban infill sites will generally be regarded as lower risk investments when compared with complex urban regeneration schemes or large scale urban extensions.*
>
> *Appraisal methodologies frequently apply a standard assumed developer margin based upon either a percentage of Gross Development Value (GDV) or a percentage of development cost. The great majority of housing developers base their business models on a return expressed as a percentage of anticipated gross development value, together with an assessment of anticipated return on capital*

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

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

7.44 The HCA's Economic Appraisal Tool – the accompanying guidance for the tool kit says:

<u>Developer's Return for Risk and Profit (including developer's overheads)</u>

Open Market Housing

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

Affordable Housing

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

7.45 It is unfortunate that the above are not consistent, but it is clear that the purpose of including a developers' profit figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' profit in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14 is to reflect that level of risk.

7.46 At the January 2013 Shinfield appeal[22] the inspector considered this specifically saying:

Developer's profit

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

44. The appellants supported their calculations by providing letters and emails from six national housebuilders who set out their net profit margin targets for residential developments. The figures

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

ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give great weight it. I conclude that the national housebuilders' figures are to be preferred and that a figure of 20% of GDV, which is at the lower end of the range, is reasonable.

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

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

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

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

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

d. To set the rate relative to the gross development value as suggested by several of the stakeholders following the consultation event.

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

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

7.51 This is a high level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (either site by site or split between market and affordable housing) it is appropriate to make some broad assumptions.

7.52 We have calculated the profit to reflect risk from development as 20% of Gross Development Value. This assumption should be considered in line with the assumption about interest rates in the previous section, where a cautious approach was taken with a relatively high interest rate, and the assumption that interest is charged on the whole of the development cost. Further consideration should be given to the contingency sum in the appraisals which also reflects the risks. It was suggested through the consultation event that this assumption should be increased. Bearing in mind the earlier comments, we do not agree.

(iv) Voids

7.53 On a scheme comprising mainly individual houses, one would normally assume only a nominal void period as the housing would not be progressed if there was no demand. In the case of apartments in blocks this flexibility is reduced. Whilst these may provide scope for early marketing, the ability to tailor construction pace to market demand is more limited.

7.54 For the purpose of the present study a three month void period is assumed for all residential developments and non-residential developments. We have given careful consideration to this assumption in connection to the commercial developments. There is very little speculative commercial development taking place so we believe that this is the appropriate assumption to make.

(v) Phasing and timetable

7.55 The appraisals are assumed to have been prepared using prices and costs at a base date of June 2013. A pre-construction period of six months is assumed for all of the sites. Each dwelling is assumed to be built over a nine month period.

7.56 The phasing programme for an individual site will reflect market take-up and would, in practice, be carefully estimated taking into account the site characteristics and, in particular, the size and the expected level of market demand. We have developed a suite of modelled assumptions to reflect site size and development type.

7.57 Sales data collected by Housebuilder Media shows that most of the national housebuilders are building over 25 units per outlet per year – with only Bovis being below this figure. In line with representations made by the development industry we have assumed a maximum, per outlet, delivery rate of 30 market units per year. On the smaller sites we have assumed much slower rates to reflect the nature of the developer that is likely to be bringing smaller sites forward.

7.58 We believe that these are conservative and do, properly, reflect the expected delivery rates over the Plan period. A number of consultees commented about the phasing assumptions and suggested a cautious approach should be taken – particularly on the larger sites.

Site Acquisition and Disposal Costs

(i) Site holding costs and receipts

7.59 Each site is assumed to proceed immediately and so, other than interest on the site cost during construction, there is no allowance for holding costs, nor indeed income, arising from ownership of the site.

(ii) Acquisition costs

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

(iii) Disposal costs

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

8. Planning Policy Requirements

8.1 The purpose of this study is to assess the cumulative impact of the policies in the Local Plan. In this chapter we have reviewed the **Maldon District Local Development Plan Preferred Options Consultations (2012)**, being the latest iteration of the Local Development Plan, and set out those policies that may have an impact on development viability. In addition we have considered an early draft (January 2013) of the next LDP consultation document to be published in August 2013, that set out various policy refinements following the 2012 Preferred Options consultation.

8.2 In this assessment we considered each of the policies. In each case we have first considered whether or not they are discretionary – that is to say whether or not they are so fundamental that without full compliance the application would be turned down. By way of an example **Policy D1 Design Quality and Built Environment** requires all schemes to be of a high standard and in scale to the locality. There is no doubt that this would add to the costs of development as it will mean that it is not possible to simply follow the cheapest possible design. This standard is therefore reflected in the BCIS costs. We do not consider this to be an additional cost of development (over and above the BCIS costs).

8.3 In the following sections we have made selective quotations from the Council's policies to highlight those parts of the policy that are costly to the developer and for the purpose of assessing the cumulative impact of these policies. The policies are often wider than the selected quotations.

POLICY S1: Sustainable Development

8.4 This policy is wide ranging and requires that:

When considering development proposals the Council will take a positive approach that reflects the presumption in favour of sustainable development contained in the National Planning Policy Framework and will apply the following key principles in policy and decision making:

x) Identify the capacity and constraints of local infrastructure and services, and seek to mitigate identified issues through developer contributions including Section 106 agreement and/or Community Infrastructure Levy and other funding sources;

8.5 We have considered this as set out in Chapter 7 above.

Policy S3 - Place Shaping

8.6 This wide ranging policy sets out the base design criteria for the Garden Suburb:

The Garden Suburbs at Maldon, Heybridge and Burnham-on-Crouch will be planned as high quality, vibrant and distinctive neighbourhoods that will complement and enhance the character of the District and protect and enhance the environmental qualities of the surrounding area. A Masterplan for each of the Garden Suburbs will be prepared and will incorporate the following principles:

- *A comprehensive and well planned approach that provides homes, jobs, and community facilities;*

- *Places where people want to live and interact through active citizenship, civic amenity and a vibrant urban life;*

- *A strong landscaped character that incorporates well managed open space, tree- lined streets and other landscaping and natural areas for amenity and wildlife habitat and to address the effects of climate change;*

- *There will be a clear and harmonious relationship between town and country;*

- *High quality and detailed architecture that is characterful, innovative and adaptable;*

- *The local centres will act as the community focus within the garden suburbs, with a mix of shops and community uses that are well served by public transport and connected to the town centre by safe walking and cycling routes;*

- *There will be a network of safe and usable paths and streets for pedestrians, cyclists and vehicles;*

- *Fully integrated with the surrounding communities through shared community uses, and a variety of transport modes including walking, cycling and public transport.*

The Masterplans will be developed, in partnership between the Council, relevant stakeholders, infrastructure providers and developer/landowners.

8.7 The majority of these requirements will be met through the normal practice of good design, however, in our modelling we have assumed a relatively low net developable area to allow for the open space requirements, although following comments made through the consultation process we have increased these in line with the developers' representations.

Policy S4 - Maldon and Heybridge Garden Suburbs

8.8 This is a site specific policy. We have underlined the key costly sections and incorporated allowance for these in out modelling as set out in Chapter 9.

The Maldon and Heybridge Urban Area will be comprehensively planned to provide:

A new mixed use garden suburb on land to the south of Maldon comprising a minimum of 1,250 dwellings, at least 4,375 sq m of office floorspace, a minimum 2.1 ha sized primary school, and a relief road at Wycke Hill; and

A new mixed use garden suburb on land to the north of Heybridge comprising a minimum of 900 dwellings, at least 4,375 sq m of office floorspace, a minimum 2.1 ha sized primary school and a Heybridge Link Road.

Permission will be given for development at the Garden Suburbs provided that:

Development takes place in accordance with a masterplan endorsed by the Council for each Garden Suburb;

<u>Enhanced public transport provision is incorporated</u> within the new Garden Suburb;

<u>Enhanced walking and cycling routes are included that connect the new garden suburbs with the existing urban area</u> and demonstrating how links will be made to the Maldon and Heybridge Central Area and the wider area;

Development can be accommodated within the capacity of the Maldon and Heybridge road network and junctions following appropriate mitigation measures and junction improvements;

Development can be accommodated within the pupil capacity of the Plume School;

Provision is made for enhanced medical provision in cooperation with the NHS:

Surface water management mitigation measures are integrated as an integral part of the Garden Suburbs;

Provision is made for enhanced and comprehensive sewerage infrastructure;

Provision is made for increased and enhanced green infrastructure to meet the needs of the new Garden Suburbs;

A significant proportion of the proposed dwellings are of a form, tenure and dwelling mix that is appropriate for meeting the housing needs of an older population including the provision of sheltered housing, private retirement accommodation, bungalows, lifetime homes etc; and

Provision is made for an increase in office space, including provision for small and medium sized enterprises and micro businesses. Alternative employment uses will be also be encouraged.

Strategic development at Heybridge will be phased for 0 to 10 years of the plan period whilst Strategic development at Maldon will be phased for 5 to 15 years of the plan period to ensure the delivery of all the necessary infrastructure requirements for the Heybridge and Maldon Urban Area are met.

Policy S8 - Burnham-on-Crouch

8.9 This policy is in two parts. The first being about general development in the town and the second about the town's new Garden Suburb:

Strategic development at Burnham-on-Crouch will be comprehensively planned to provide a new 450 dwelling mixed-use Garden Suburb on land to the west of Burnham-on-Crouch. Permission will be given for a new Garden Suburb at this location provided that:

Development takes place in accordance with a Masterplan endorsed by the Council;

Development can be accommodated within the capacity of the Burnham-on- Crouch road network following appropriate mitigation measures and junction improvements;

Enhanced public transport provision is incorporated within the new Garden Suburb;

Safe pedestrian and cycle linkages are provided from the development to the town centre, other public service facilities and the existing urban area;

Provision is made for increased and enhanced green infrastructure;

Development will protect and enhance landscape and heritage character;

A significant proportion of the proposed dwellings for Burnham-on-Crouch are of a form, tenure and dwelling mix that is appropriate for meeting the housing needs of an older population including the provision of bungalows, sheltered housing, private retirement homes and lifetime homes etc;

Contributions are made for primary and secondary school education in accordance with local requirements;

Provision is made for enhanced medical provision;

<u>Appropriate surface water management mitigation measures are incorporated</u> into the development; and

<u>Enhanced sewerage infrastructure is incorporated</u> into the development.

8.10 We have incorporated the above requirements in our modelling as set out in Chapter 9.

Policy D1 Design Quality and Built Environment

8.11 This is an overarching policy that seeks to ensure that all development is appropriate to Maldon. It is, in effect, the base standard that is fundamental to all schemes. We have reflected the requirements of this policy in our modelling but do not believe that, in itself, it should be modelled separately as it is the lowest standard against which development will be judged, being the basic minimum standard to contribute to and enhance local distinctiveness.

8.12 The policy makes reference to the 'Maldon Design Guide'. We understand that this is an emerging document and is yet to be published. If this introduces new obligations that will add to the costs of development it will be necessary to test the impact of those obligations on development viability.

Policy D2 Climate Change & Environmental Impact of New Development

8.13 This policy is wide ranging and imposes some significant extra costs on development:

All developments will aim to minimise their impact on the environment by incorporating the following principles:

Development should make the fullest contribution to minimising energy demand and carbon dioxide emissions. Developments of five or more dwellings or non-residential developments of 1,000 square metres or more should secure at least 10% of their energy from decentralised and renewable or low-carbon sources, unless this is not feasible or viable;

All residential development should achieve a minimum of Code for Sustainable Homes Level 3 and move towards zero carbon development by 2016 in accordance with national planning policy;

All non-residential development should achieve a minimum of BREEAM 'Very Good' rating and move towards zero carbon development by 2019 in accordance with national planning policy;

All residential development should meet the Lifetime Homes standard;

Development will maximise the use of building materials from sustainable sources and apply sustainable construction methods;

Development will reduce water consumption and improve water efficiency;

Development will reduce surface water run-off by incorporating Sustainable Drainage Systems (SuDS) or an alternative approach approved by the relevant authority;

Development will incorporate recycling facilities within all developments in accordance with the Council's adopted waste strategies;

All major development proposals will contribute towards making more efficient use or re-use of existing resources and reducing the lifecycle impact of materials used in construction. The Council may require development proposals to be supported by a Site Waste Management Plan;

Developments will minimise all forms of possible pollution including air, land, water, odour, noise and light. Proposals must demonstrate that the development is an acceptable use of the land and any detrimental impacts and potential risks to the human and natural environment (from or to the development and subsequent use) are adequately addressed by appropriate avoidance and mitigation measures;

Where appropriate, development will include measures to remediate land affected by contamination and locate development safely away from any hazardous source;

Where appropriate, development will include measures to address land instability issues where identified;

Maintain and enhance local air quality in accordance with national objectives; and

Seek to reduce the need to travel, particularly by car. For example, encouraging sustainable transport methods and providing flexibility to enable home working or similar facilities.

8.14 Many of these requirements do not add to the costs of construction, however some requirements should be considered in the modelling process. Therefore, in our modelling we have:

a. Carried out all the modelling to CfSH Level 4. As set out in Chapter 7 we have increased construction costs by 6% to reflect this.

b. We have allowed an additional £1,000 per residential unit to reflect the cost of decentralised and renewable or low-carbon energy production.

c. We have not increased the costs of non-residential property to reflect the costs of BREEAM, as the costs can be made through good design where the provisions are incorporated from the outset of the design process.

d. We have assumed all new homes are built to Lifetime Homes Standard. We have assumed the cost of implementing this is £1,000 per unit[23]. It should be noted that the Council predominantly pursues this standard on smaller units intended for older people.

e. We have reflected the requirement for SuDS in the net developable areas within the site modelling.

[23] See http://www.lifetimehomes.org.uk/pages/costs.html

Policy D3 Conservation and Heritage Assets

8.15 This is a specific policy relating to conservation and heritage assets. The Council is not reliant on large numbers of sites that should fall into such a category coming forward – the plan as a whole would not be threatened if they did not – so we have not modelled the costs implications of this policy.

Policy D5 Flood Risk

8.16 This is a specific policy relating mitigating flood risk.

The Council's strategic approach is to direct strategic growth towards lower flood risk areas (Flood Zone 1).

i. To minimise the risk of flooding, all development must:

a. Not result in an increased flood risk to the site or its surrounding areas;

b. Not be in the functional floodplain (Flood Zone 3b) unless it is in accordance with national planning policy;

c. Undertake an appropriate Flood Risk Assessment, Sequential Test and/or where necessary, Exception Test in accordance with national planning policy;

d. Demonstrate how it will maximise opportunities to reduce the cause and impact of both fluvial and surface water flooding e.g. through design measures such as SuDS and flood resilient design, making best use of appropriate green infrastructure as part of the flood mitigation measure.

ii. New development in Flood Zone 3a or in areas identified as having severe flood risk by a Surface Water Management Plan, will be restricted to the following categories:

a. Water compatible uses as defined by national planning policy;

b. Minor development as defined by national planning policy; and

c. Changes of use to an equal or lower risk category in the flood risk vulnerability classification, where there is no operational development.

8.17 Very few of the sites within the SHLAA are within Flood Zone 3a. We have not modelled this scenario as the delivery of sites within these areas are not crucial to the delivery of the plan as a whole.

8.18 In our modelling we have assumed an additional cost of 7.5% of the construction costs where sites are in Flood Zone 2. This is a broad brush approach that follows the assumptions in the SHLAA.

Policy E6 Skills, Training and Education

8.19 The Council has a policy requiring new employment space to provide training and education and to support a range of such programs.

The Council will work with its partners to support the provision and enhancement of training and educational facilities and opportunities in the District to meet the needs of the community, local businesses and the local economy. In particular it will:

i. Require development with significant employment opportunities to promote access to local skills, training and education opportunities; and

ii. Support a range of programmes and initiatives and identify funding requirements accordingly.

8.20 We understand that the Council is in the process on working up the detail of this policy, however it should be noted that this has the potential to be an onerous and costly policy. We have assumed all development that is likely to have more than 10 employees will be required to provide training. In this high level study we have assumed. £10,000 per employee calculated at the following rates:

a. Offices 1 employee per $20m^2$ of internal floor space

b. Industrial 1 employee per $50m^2$ of industrial space

c. Retail 1 employee per $30m^2$ of retail space

8.21 £10,000 per employee is a modest amount allowing a training budget of £1,000 per employee per year for 10 years. We recognise this is a simplistic approach.

Policy H1 Affordable Housing

8.22 This is a key policy for the Council:

All housing developments that provide a gross of five or more homes, or comprise an area of 0.5 ha or larger, will be expected to contribute towards affordable housing provision to meet the identified need in the locality and address the Council's strategic objectives on affordable housing.

The affordable housing requirements for each sub-area in the District are as follows:

Sub-area	***Requirement***
All strategic growth locations	*40%*
Northern Rural, Maldon Central and South and Rural South	*40%*
Maldon North and Rural South East Higher	*30%*
Rural South East Lower	*25%*

In principle, contribution for affordable units should be in the form of on-site, free serviced land being denoted to provide the number, size, type and tenure of affordable homes required. An appropriate level of pepper-potting in the physical distribution of affordable units on site will be encouraged.

Where the Council is satisfied that the appropriate amount of affordable homes cannot be delivered on-site, either in part or at all, the Council may allow off-site provision for affordable housing within a reasonable proximity to the development and in a reasonable timescale.

In exceptional circumstances the Council may consider allowing commuted sums to be paid for by the developer where affordable housing cannot be delivered on-site or in the locality. Commuted sums will also be charged for an incomplete number of units on site. For example, when a scheme needs to contribute land for 3.5 affordable units, the Council will expect a contribution of free-serviced land for three affordable units and a commuted sum equal to the value 0.5 affordable units.

All commuted sums collected will be ring-fenced for the delivery of affordable housing schemes in accordance with the Council's strategic housing objectives. All affordable housing developments and the calculation of commuted sums should be in conformity with the details set out in the 'Maldon District Affordable Housing Guide'.

8.23 We have modelled this policy with the assumption that affordable housing to rent is as Affordable Rent rather than Social rent. We understand that there is some flexibility around the type of affordable housing actually delivered and that this varies from site to site depending on discussions between the developer and Council Officers, particularly over the balance between affordable rent and intermediate housing.

8.24 The sub areas to which the policy relates are:

Table 8.1 Affordable Housing Sub-areas	
Sub Market	**Parish Areas**
Northern Rural	Wickham Bishops, Little Braxted, Great Braxted, Great Totham, Little Totham, Goldhanger, Tolleshunt D'Arcy, Tolleshunt Major, Tolleshunt Knights, Tollesbury,
Maldon North	Langford, Heybridge
Maldon Central and South	Maldon, Ulting, Woodham Walter, Woodham Mortimer, Mundon, Hazeleigh
Rural South	Purleigh, Cold Norton, Stow Maries, North Fambridge, Latchingdon, Althorne, Mayland
Rural South East Higher	Burnham-on-Crouch, Southminster
Rural South East Lower	Steeple, St Lawrence, Asheldham, Dengie, Tillingham, Bradwell-on-Sea

Source: MDC

8.25 The policy allows for commuted sums in limited situations. The Council does not have a pre-determined amount – rather setting out the following principles in the Maldon District Affordable Housing Guide (2005).

Under policy H9 part 4 in settlements where commuted sums are required for equivalent provision in an alternative location, the Council will seek the following elements when negotiating Section 106 agreements.

- *the payment by the developer to the Council of an agreed sum (to be equivalent to the costs to the developer of making on site provision) prior to the completion of an agreed amount of open market housing; and either*
- *the identification by the Council, of specific proposals, or range of proposals, on which the sums will be spent within a period of 7 years; or*

- *the 'ring fencing' of any payments to ensure that they are spent on specified levels and forms of affordable housing provision within a mutually agreed time period, which will provide sufficient time to identify, assemble and commit suitable sites (e.g. 7 years).*

The Council will not expect the level of the commuted sum to exceed the costs of making on site provision and will undertake to return any unspent sums after 7 years.

8.26 In this study we have assumed all affordable housing is provided on site and affordable housing is as 70% Affordable Rent and 30% Shared Ownership.

8.27 The Council is actively considering requiring 15% of affordable housing to be older peoples' homes. These are not requirements to the physical building (beyond Lifetimes Homes standard which is required anyway – see Policy D2 (iv)) rather being to restrict the occupancy to retired people or over 55s. Having considered the very large requirement for such housing we do not believe that this has a cost implication on development.

8.28 The detailed interpretation of the Affordable Housing Policy was discussed at the consultation on 26th June. Concern was expressed by the developers that the model works on a £/m^2 basis but the policy is written and implemented on a unit basis. This causes a distortion as, on the whole, the affordable units are substantially smaller than the market units. The typical market units are a little over 105m^2 and the typical affordable units are about 80m^2. This is illustrated in the following table:

Table 8.2 Relationship between number of affordable units and floor space

	Proportion	Units	Size	Floor Area	% of floor area
Total Scheme		100	m2		
Market Unit	60.00%	60	105	6300	66.32%
Intermediate unit	12.00%	12	80	960	10.11%
Affordable Rent	28.00%	28	80	2240	23.58%
Social Rent		0	80	0	0.00%
			Total	**9,500**	m^2

Source: HDH 2013

8.29 We have discussed this with the Council's housing department who are in the process of completing the 2013 Strategic Housing Market Assessment (SHMA). This SHMA identifies the quantum mix and type of housing that is required over the plan period. In terms of affordable housing the particular need is for 1 bedroom units, this is due to the LHA caps and the 'bedroom tax' to reduce under occupation. We have calculated, and agreed with the Council, that as a proportion of floorspace the affordable housing target is set as in the above table. We have based our analysis on the proportions of floor space shown in the table above.

8.30 The recent SHMA identified significant levels of under-occupation rather than over-crowding throughout the District, even in social housing, and also very low proportion of one-bed dwellings in the District compared to other areas. The Council understands the challenges in persuading developers to provide one bed units.

8.31 Mindful of potential problems in achieving the 40% affordable target, the MDC Housing Department have set out a potential alternate that could offset reduction in what they may achieve through planning gain by better overall use and supply of the existing stock. These include the following housing mix in Maldon / Heybridge / Burnham if there was a 30% Affordable target:

Older Peoples Housing		
Affordable units for Older People	*15% rent / lease*	*5% of total development*
Rented units:		
Smaller units (1 and 2 bed)	*43% Social rent*	*13% of total development*
Larger units (3 bed+)	*21% Social rent*	*6% of total development*
Intermediate units:		
1 bed (two person)	*6% (NBHB)*	*2% of total development*
2 bed (four person)	*12% (NBHB)*	*3% of total development*
3 bed (five person)	*3% (NBHB)*	*1% of total development*
Totals:	*100%*	*30%*

8.32 Rather than test this complex housing mix we have followed the size assumptions set out in Table 8.2 above and that affordable housing is provided as Affordable Rent. We have run an alternate scenario where the affordable housing is provided as social rented.

Policy H2 Housing Mix

8.33 This is a general policy.

All developments will be expected to provide a suitable mix and range of housing in terms of types and compositions to reflect the housing need and demand in the locality.

For affordable housing, the mix and tenure split of an affordable housing scheme must be agreed by the Council in order to provide a balanced supply to meet the identified need in the locality and in the District.

8.34 We have reflected the requirements for older peoples housing on the large sites as required by S3, S4 and S8. We have assumed affordable housing is as 70% Affordable Rent and 30% Shared Ownership.

Policy H4 Effective Use of Land

8.35 This is a general policy that does not set down minimum and maximum standards. We have set out our modelling in Chapter 9.

Policy N1 Green Infrastructure Network

8.36 This policy applies to all new development.

A strategic multi-functional network of green infrastructure will be identified, managed and where possible, enhanced. Open spaces and areas of significant biodiversity interest will be protected. The creation, restoration, enhancement, expansion and interconnection of these sites will be encouraged as part of the green infrastructure network.

There will be a presumption against any development which may lead to the loss, degradation, fragmentation and/or isolation of existing and proposed green infrastructure. Where there is no adverse impact or the adverse impact can be satisfactorily mitigated, development proposals which promote the use and enjoyment of the natural environment will be encouraged.

In principle, all development must:

i. Maximise opportunities for the restoration, enhancement and connection of the District's green infrastructure network throughout the lifetime of the development, both on-site and for the wider community;

ii. Maximise opportunities to integrate green infrastructure with other types of land uses and/or design measures to maximise the collective social, economic and environmental benefits; and

iii. Where appropriate, be accompanied by a viable, long term management plan and to the Council's satisfaction.

Appropriate development proposals and projects will be supported by the Council to improve public access to the coast and the countryside. The Council will work with appropriate stakeholders to consider the range of issues that affect the coast and coastal communities.

8.37 We have reflected the requirements of this policy in the net developable area as set out in Chapter 9.

8.38 In relation to point (iii) we have assumed an additional cost of £5,000 per scheme on sites over 0.5ha to reflect the additional costs in this regard.

Policy N3 Open Space, Sport and Leisure

8.39 This policy applies to all new development.

In principle, all development must contribute towards the provision of local and strategic open space, sport and leisure facilities in the most appropriate form and at the most accessible location taking into account the Council's identified requirements as set out in the Green Infrastructure Study.

Development should not increase existing deficiencies of open space, sport and leisure facilities in the locality. Proposals affecting any existing or proposed public or private open space including district parks, local parks, children's play spaces, sports grounds, sport facilities, cycleways, footpaths, and allotments, could be considered where:

i. Alternative and improved provision can be created in the most appropriate and accessible location in the locality for existing and future users, and;

ii. There is an identified excess provision within the catchment of the space/facility, and the development can address other types of green infrastructure deficiency in the locality.

Additionally, development that would result in the loss of, or negatively impact upon, small local amenity spaces, registered commons*, or any sites contributing towards the integrity of the green infrastructure network, will not be supported.*

8.40 We have reflected the requirements of this policy in the net developable areas as set out in Chapter 9.

Policy T1 Sustainable Transport

8.41 This is a broad policy that sets out what the Council will do to promote sustainable transport solutions. There are two aspects to this; those things that the Council will do and those that the council will seek to deliver through imposing obligations on developers.

The Council will work with the public and a range of partners to deliver a more sustainable transport network for the District. This will be achieved by supporting measures which:

i. Secure provision for sustainable transport in new development;

ii. Give priority to pedestrians, wheelchairs, cyclists and public transport over private vehicles;

iii. Improve access to railway services by enhancing station facilities and the interchange arrangements between rail and other forms of transport;

iv. Maintain and improve bus services in the District which connect the more rural and inaccessible communities with key settlements in the District and beyond;

v. Promote and secure the provision for demand responsive services and community transport schemes to increase accessibility for the more rural and inaccessible communities within the District;

vi. Develop a high quality, safe and more comprehensive cycle route and footpath network for the District;

vii. Seek to provide simple, accurate, accessible and integrated public transport information to the public; and

viii. Explore the potential to divert traffic away from the historic core of Maldon and Heybridge.

8.42 In due Course, if the Council proceeds and adopts CIL it is likely that all the above measures will be funded through CIL as, on the whole, they will benefit multiple schemes. Point i however could result in additional site specific costs. Where these are identified in the IDP we have modelled these in the site specific analysis.

Policy T2 Accessibility

8.43 This policy applies to all new development, but will not add to the overall cost of development.

Policy I1 Infrastructure and Services

8.44 This is a detailed policy that puts considerable costs on development. The policy is split into two parts – the second part stating:

Developer Contributions

Developers will be required to contribute towards local and strategic infrastructure and services necessary to support the proposed development.

Where the development may impact upon the local area, a Section 106 contribution may be agreed between the Council and the developer to mitigate those impacts. The Council will also seek to introduce a Community Infrastructure Levy to ensure more equitable contributions are made to strategic infrastructure and service provision from new developments.

8.45 The Council's most recent adopted guidance with regard to developer contributions is set out in the 2005 Maldon District Developer Contributions Guide. This does not include a tariff of standard payments, and instead provides a set of general principles. As set out in Chapter 7, we have also modelled this.

9. Modelled Sites

9.1 In the previous chapters we have set out the general assumptions to be inputted into the development appraisals. In this chapter we have set out the modelling. We stress that this is a high level study that is seeking to capture the generality rather than the specific. The purpose is to establish the cumulative impact of the Council's policies on development viability and to inform the CIL setting process. This information will be used with the other information gathered by the Council to assess whether or not the sites are actually deliverable.

9.2 Our approach is to model 14 residential development sites that are broadly representative of the type of development that is likely to come forward in the District in the future. In addition we have modelled a range of non-residential development types that are likely to come forward over the plan period – and have a reasonable prospect of yielding some CIL.

9.3 As a separate element we have also modelled the following Strategic Sites:

Table 9.1 Potential Strategic Sites

Site location / code	No. dwellings
North Heybridge proposed masterplan area	900
H1 (North Heybridge) BS1 (North Heybridge) BS2 (North Heybridge) H4 (North Heybridge)	700
South of Maldon proposed masterplan area	1,250
M2 (West Maldon)	700
Burnham on Crouch proposed masterplan area	450
B1 (Burnham) B2 (Burnham) B4 (Burnham)	700
F3 (North Fambridge) F4 (North Fambridge)	700
L1 (Latchingdon)	700
S3 (Southminster)	700

Source: MBC

9.4 The details of each site are set out in **Appendix 7** and later in this chapter.

Residential Development Sites

9.5 This study is based on modelling typical sites. In discussion with the Council it was decided that a total of 14 representative standard sites and 15 representative strategic sites should be modelled.

9.6 We acknowledge that modelling cannot be totally representative, however the aim of this work is to test the viability of sites likely to come forward over the plan period. This will enable the Council to assess whether the Development Plan is deliverable and the effect that CIL may have on development viability. The work is high level, so there are likely to be sites that will not be able to deliver the affordable housing target and CIL, indeed as set out at the start of this report, there are some sites that will be unviable even without any policy requirements from the Council (for example brownfield sites with high remediation costs), but there will also be sites that can afford more. Once CIL has been adopted, there is little scope for exemptions to be granted, however, where the affordable housing target and other policy requirements cannot be met, the developer will continue to be able to negotiate with the planning authority. The planning authority will have to weigh up the factors for and against a scheme, and the ability to deliver affordable housing will be an important factor. The modelled sites are reflective of development sites in the study area that are likely to come forward during the plan period.

9.7 The modelled standard sites are informed by the sites in the SHLAA and range in size from 1 to over 100 dwellings. The potential strategic sites are informed by the SHLAA, the LDP Preferred Options 2012, and example sites identified by Council Officers.

Development assumptions

9.8 In arriving at appropriate assumptions for residential development on each site we have ensured that the built form used in our appraisals is appropriate to the current development practices. We have developed a typology which responds to the variety of development situations and densities typical in Maldon District, and this is used to inform development assumptions for sites (actual or potential allocations). The typology enables us to form a view about floorspace density, based on the amount of development, measured in net floorspace per hectare, to be accommodated upon the site. This is a key variable because the amount of floorspace which can be accommodated on a site relates directly to the residual value, and is an amount which developers will normally seek to maximise (within the constraints set by the market).

9.9 The typology uses as a base or benchmark typical of post-PPG3/PPS3 built form which would provide development at around 3,550 m^2/ha on a substantial site, or sensibly shaped smaller site. A representative housing density might be 40-45 dwellings per ha. This has become a common development format. It provides for a majority of houses but with perhaps 15-25% flats, in a mixture of two storey and two and a half to three storey form, with some rectangular emphasis to the layout. This is may well be representative over the plan period (15 years) however, in the current market, is higher than most developers are likely consider.

9.10 There could be some schemes of appreciably higher density development providing largely or wholly apartments, in blocks of three storeys or higher, with development densities of 6,900 m^2/ha and dwelling densities of 100 units/ha upwards; and schemes of lower density, in the rural edge situations.

9.11 The density, in terms of units and floorspace, has been used to ensure appropriate development assumptions for a majority of the sites. This was presented to the stakeholders through the consultation process and there was a consensus that it was appropriate.

9.12 The Council's SHMA sets out a clear need for smaller units. This is in part due to the on-going benefit reforms and the introduction of dwelling size and rent caps, as well as the ageing population. This has been reflected in the modelling and the assumption that the affordable units are smaller than the market units.

9.13 We have based the densities used in the site modelling on the expected density that is likely to come forward in current market conditions. These follow the densities used in the SHLAA:

Sites under 5ha

- *Main towns - Maldon, Burnham on Crouch, Heybridge, Southminster: 40 dwellings per hectare*
- *Other towns and villages: 30 dwellings per hectare*
- *Rural / remote areas: 20 dwellings per hectare*

The capacity of individual sites was further adjusted to take into account local circumstances including the prevailing local density, local character and infrastructure provision.

Sites over 5ha

- *For sites between 5 and 10 hectares, a density of 30 dph was applied, where appropriate. This was adjusted if the location or context indicated that a lower or higher density would be more appropriate.*
- *For sites over 10 hectares a density of 25 dph was applied. Again this was adjusted to take account of the location and context.*

Large Sites

Density range of between 25dph and 35 dph for sites between 5 and 10 hectares in size and a 20 dph - 30 dph range for sites over 10 hectares in size.

9.14 Based on the policy requirements we have generally assumed a density of 35units per hectare applied to the net developable hectare. We have estimated the net developable hectare using the information in the SHLAA and the following assumptions:

Table 9.2 Net / Gross assumptions	
Site Size (ha)	Development Ratio (Net Developable Area)
< 0.4 ha	100%
0.4 – 2 ha	80%
>2.1	70%

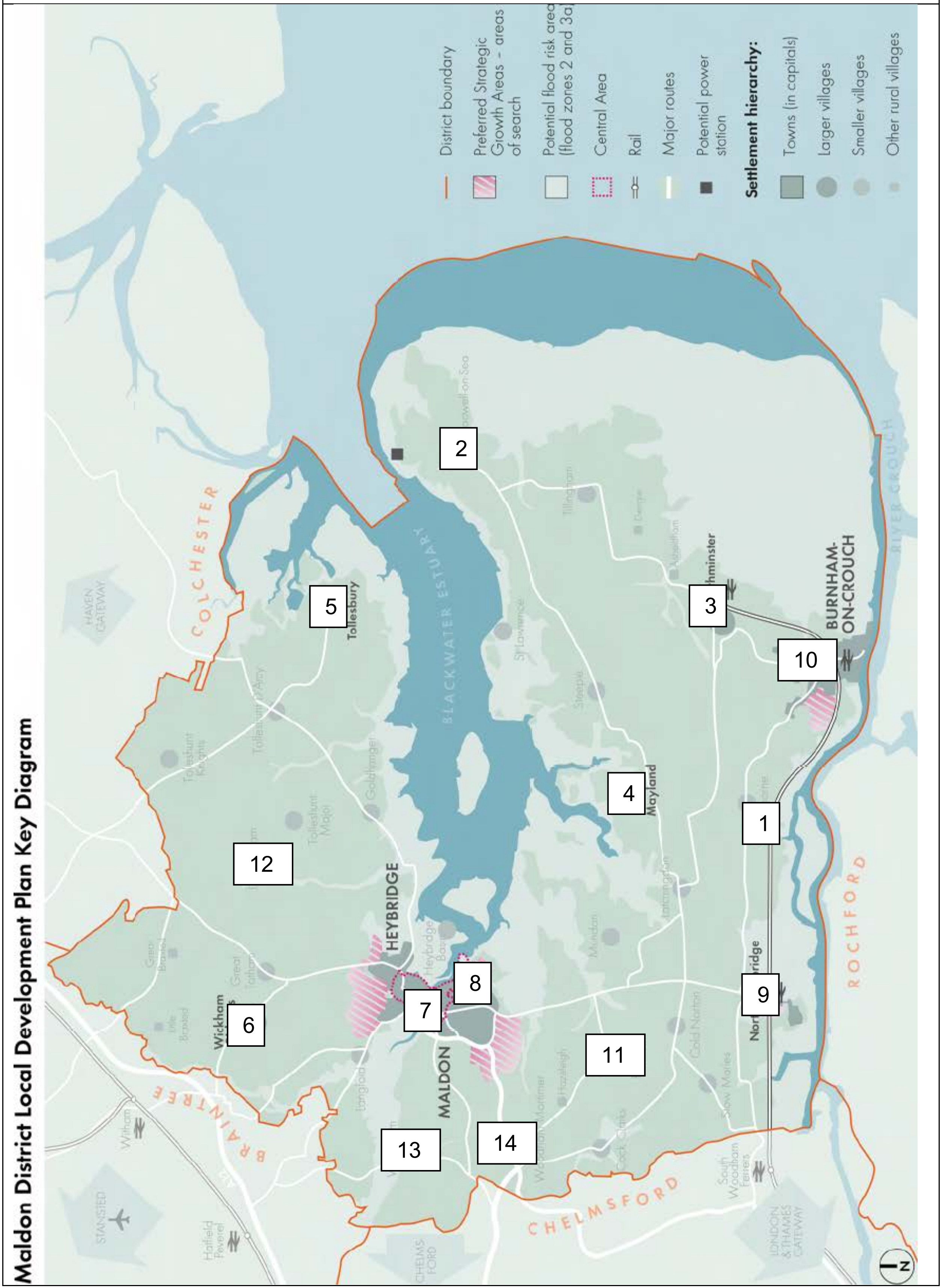
Source: HDH 2013

9.15 The above typology was used to develop model development assumptions. We have set out the main characteristics of the modelled sites in the tables below.

9.16 It is important to note that these are modelled sites and not actual sites. These modelled typologies have been informed by the sites included in the SHLAA, both in terms of scale and location. A proportion of the housing to come forward over the plan period will be on smaller sites, therefore several smaller sites have been included.

9.17 We have shown the approximate location of each site on the following plan.

Figure 9.1 Approximate residential site locations



Source: Maldon District Development Plan

Table 9.3 Summary of standard modelled sites			
Site	Details		Notes
1 Larger Village Althorne 4198	Units Area (Gross ha) Density (units/ha)	43 1.43 38	Ex-nursery site with good road access. Includes dwelling. Allow £50,000 for demolition. Mix of family housing. 80% net developable (1.14ha)
2 Larger Village Bradwell on Sea 3533l	Units Area (Gross ha) Density (units/ha)	21 0.70 37	Paddock on village edge. Flat site with no constraints. Mix of family housing. 80% net developable (.56ha)
3 Larger Village Southminster 4442	Units Area (Gross ha) Density (units/ha)	457 17.05 38	Agricultural land, 10% subject to flooding. Mix of family housing. 70% net developable (11.94ha).
4 Larger Village Mayland 9017	Units Area (Gross ha) Density (units/ha)	190 7.66 35	Agricultural land. Mix of family housing. 70% net developable (5.36ha). Poor access, allow £150,000
5 Larger Village Tollesbury 3433b	Units Area (Gross ha) Density (units/ha)	101 3.90 37	Flat paddock on village edge. No known abnormals and good access. Mix of family housing. 70% net developable area (2.73ha).
6 Larger Village Wickham Bishops 4514	Units Area (Gross ha) Density (units/ha)	13 0.38 34	Small paddock on village edge. Mix of detached and semi-detached.
7 Urban Infill Maldon 9001/2/3	Units Area (Gross ha) Density (units/ha)	24 0.5 48	Town centre site with mix of flats and terraces. No open space.
8 Urban Infill Maldon 7002	Units Area (Gross ha) Density (units/ha)	2 0.05 40	Built up area infill. Small existing building to be cleared - allow £25,000. 1 pair of semi's
9 Larger Village North Fambridge 4390a	Units Area (Gross ha) Density (units/ha)	107 3.0 35	Agricultural land. Mix of family housing. 70% net developable (3ha). No known constraints.
10 Town Edge Burnham on Crouch 1923b	Units Area (Gross ha) Density (units/ha)	6 0.18 33	Village edge site for larger housing with direct road access. Existing building, allow £35,000 to clear.

Table 9.3 Summary of standard modelled sites (continued)			
11 Smaller Village Purleigh 3533e	Units	22	Flat agricultural land. Mix of family housing. 80% net developable (0.56ha). No known constraints.
	Area (Gross ha)	0.7	
	Density (units/ha)	39	
12 Smaller Village Little Totham 8029	Units	3	Larger family housing on small paddock.
	Area (Gross ha)	0.1	
	Density (units/ha)	30	
13 Smaller Village Woodham Walter 3533b	Units	19	Flat paddock with good road access. Mix of family housing. 80% net developable (0.50ha). No known constraints.
	Area (Gross ha)	0.51	
	Density (units/ha)	38	
14 Smaller Village Woodham Mortimer 4433	Units	22	Flat paddock. Mix of family housing. 80% net developable (0.62ha). No known constraints.
	Area (Gross ha)	0.78	
	Density (units/ha)	35	

Source: HDH 2013. Note density calculated on net developable area

9.18 The gross and net areas and the site densities are summarised below.

Table 9.4 Standard Modelled Site development assumptions									
Number	Site		Units	Area		Units/ net ha	Average Unit	Total GIA	Density
				Gross ha	Net Ha		m^2		m^2/ha
1	Larger Village	Althorne	43	1.43	1.14	37.72	81.53	3,506	3,075
2	Larger Village	Bradwell on Sea	21	0.70	0.56	37.50	80.38	1,688	3,014
3	Larger Village	Southminster	457	17.05	11.94	38.27	83.59	38,199	3,199
4	Larger Village	Mayland	190	7.66	5.36	35.45	88.77	16,866	3,147
5	Larger Village	Tollesbury	101	3.90	2.73	37.00	84.98	8,583	3,144
6	Larger Village	Wickham Bishops	13	0.38	0.38	34.21	95.69	1,244	3,274
7	Urban Infill	Maldon	24	0.05	0.50	48.00	72.63	1,743	3,486
8	Urban Infill	Maldon	2	0.05	0.05	40.00	73.00	146	2,920
9	Larger Village	North Fambridge	107	4.25	3.00	35.67	84.82	9,076	3,025
10	Town Edge	Burnham on Crouch	6	0.18	0.18	33.33	99.00	594	3,300
11	Smaller Village	Purleigh	22	0.70	0.56	39.29	84.36	1,856	3,314
12	Smaller Village	Little Totham	3	0.10	0.10	30.00	111.00	333	3,330
13	Smaller Village	Woodham Walter	19	0.51	0.50	38.00	86.16	1,637	3,274
14	Smaller Village	Woodham Mortimer	22	0.78	0.62	35.48	84.95	1,869	3,015
		Total	**1030**	**37.74**	**27.62**	**37.29**	**84.80**	**87,340**	**3,162**

Source: HDH 2013. Note: Floorspace density figures are rounded

9.19 For the Strategic Sites it is important to note that there are three identified areas in the following table. The Net Area is the area developed and the Gross Area is the land required to support that development through the provision of open space, landscaping and SUDS. The appraisals are run using the net and gross areas shown and assume 60% net developable area. The Broad Area is the whole area that has been identified through the Plan making process. In some cases this is very much larger than the gross area and is not an input to the analysis in this study. In due course the Council will define the actual development areas in more detail.

Table 9.5 Strategic Site development assumptions

		Site	Broad Area	Units	Site Area	Net Area	Density	Average Unit Size		Density
			ha		ha	ha	Units/ha	m^2	m^2	m^2/ha
1	North Heybridge MP	Heybridge	74.00	900	40.00	24.00	37.50	86.28	77,650	3,235
2	H1 BS1 BS2 H4 Heybridge	Heybridge	110.00	700	29.17	17.50	40.00	85.70	59,990	3,428
3	South Maldon MP	Maldon	110.00	1250	55.00	33.00	37.88	84.75	105,940	3,210
4	M2 West Maldon	Maldon	47.00	700	29.17	17.50	40.00	85.70	59,990	3,428
5	Burnham on Crouch	Burnham on Crouch	43.00	450	20.00	12.00	37.50	86.04	38,716	3,226
6	B1 B2 B4 Burnham	Burnham	39.00	700	29.17	17.50	40.00	85.70	59,990	3,428
7	F3 F4 Fambridge	Fambridge	47.00	700	29.17	17.50	40.00	85.70	59,990	3,428
8	Latchingdon	Latchingdon	51.00	700	29.17	17.50	40.00	85.70	59,990	3,428
9	Southminster	Southminster	47.00	700	29.17	17.50	40.00	85.70	59,990	3,428

Source: HDH 2013

9.20 The modelling does not exactly follow the density assumptions used in the SHLAA or the policy as the modelling has been informed by the actual characteristics of the sites on the ground. The assumptions were presented to the stakeholders through the consultation process and there was a consensus that the amount of development, expressed as m^2/ha, was appropriate and representative of the type of development coming forward in Maldon District.

9.21 A number of useful comments were made about the modelling through the consultation process – particularly around the differences in the site densities. These have been reflected in the above tables. Generally on larger sites more open space is expected – well over 30%. The modelling does not relate the total site area to the net developable – for example why is just 15ha of 43ha at Burnham on Crouch assumed. This will 'skew' the results. We agree with this comment and have adjusted the gross site areas down to ensure that only an appropriate area is included in the modelling. In due course when land allocations are confirmed it will be important that only appropriate sized land areas are defined.

9.22 There was a suggestion that more flats should be included, particularly bearing in mind the Council's clearly identified need for more smaller units for older people. We have some concern about this as there is little to be gained from modelling a product mix that is unlikely to come forward. Having considered the comments made at the consultation event and afterwards we have increased the densities to at least 3,000 m^2/ha – although it should be noted that there was a group of consultees who considered the original assumptions appropriate.

9.23 In order to tailor the appraisals to the local circumstances we have applied the geographical appropriate affordable housing targets and prices as shown below.

Residential Price Assumptions

9.24 The price of units is one of the most significant inputs into the appraisals. This applies not just to the market homes but also the affordable uses (intermediate, social rented and affordable rented). Informed by the findings set out in Chapter 4 we assumed the following prices:

Table 9.6 Price assumptions – Standard Modelled Sites						
	Site		Units	Market	Intermediate	Affordable Rent
				£/m^2	£/m^2	£/m^2
1	Larger Village	Althorne	40	2,300	1,610	1,300
2	Larger Village	Bradwell on Sea	20	2,300	1,610	1,300
3	Larger Village	Southminster	359	2,300	1,610	1,300
4	Larger Village	Mayland	165	2,400	1,680	1,300
5	Larger Village	Tollesbury	82	2,350	1,645	1,300
6	Larger Village	Wickham Bishops	13	2,900	2,030	1,300
7	Urban Infill	Maldon	20	2,700	1,890	1,300
8	Urban Infill	Maldon	2	2,700	1,890	1,300
9	Larger Village	North Fambridge	105	2,600	1,820	1,300
10	Town Edge	Burnham on Crouch	6	260	182	1,300
11	Smaller Village	Purleigh	20	2,900	2,030	1,300
12	Smaller Village	Little Totham	3	2,900	2,030	1,300
13	Smaller Village	Woodham Walter	17	2,800	1,960	1,300
14	Smaller Village	Woodham Mortimer	22	2,900	2,030	1,300

Source: HDH 2013

Table 9.7 Strategic Sites Price Assumptions					
			Market	Intermediate to Buy	Affordable Rent
			£/m^2	£/m^2	£/m^2
1	North Heybridge MP	Heybridge	2,600	1,820	1,300
2	H1 BS1 BS2 H4 Heybridge	Heybridge	2,600	1,820	1,300
3	South Maldon MP	Maldon	2,600	1,820	1,300
4	M2 West Maldon	Maldon	2,600	1,820	1,300
5	Burnham on Crouch	Burnham on Crouch	2,500	1,750	1,300
6	B1 B2 B4 Burnham	Burnham	2,450	1,715	1,300
7	F3 F4 Fambridge	Fambridge	2,450	1,715	1,300
8	Latchingdon	Latchingdon	2,500	1,750	1,300
9	Southminster	Southminster	2,450	1,715	1,300

Source: HDH 2013

9.25 At the consultation event it was suggested that the values for infill sites in Maldon, and Mayland were too low and that on the strategic sites £2,500/m^2 should be a minimum. It was stressed that the price relates particularly to the product – if more flats and smaller units were included this may depress overall prices.

9.26 A Maldon based developer suggested a more appropriate price would be in the range of £2,800/m^2 to £2,900/m^2. We have made the appropriate adjustment.

9.27 Conversely, a representative of a Housing Association commented that the prices generally 'look very high' – without providing any detail.

9.28 We have reviewed the price assumptions and used the flowing in the appraisals:

Table 9.8 Revised Price Assumptions – Modelled Sites

	Site		Units	Market	Intermediate	Affordable Rent
				£/m^2	£/m^2	£/m^2
1	Larger Village	Althorne	43	2,425	1,698	1,300
2	Larger Village	Bradwell on Sea	21	2,325	1,628	1,300
3	Larger Village	Southminster	457	2,325	1,628	1,300
4	Larger Village	Mayland	190	2,550	1,785	1,300
5	Larger Village	Tollesbury	101	2,375	1,663	1,300
6	Larger Village	Wickham Bishops	13	2,900	2,030	1,300
7	Urban Infill	Maldon	24	2,800	1,960	1,300
8	Urban Infill	Maldon	2	2,800	1,960	1,300
9	Larger Village	North Fambridge	107	2,650	1,855	1,300
10	Town Edge	Burnham on Crouch	6	2,600	1,820	1,300
11	Smaller Village	Purleigh	22	2,900	2,030	1,300
12	Smaller Village	Little Totham	3	3,200	2,240	1,300
13	Smaller Village	Woodham Walter	19	2,800	1,960	1,300
14	Smaller Village	Woodham Mortimer	22	2,900	2,030	1,300

Source: HDH 2013

Table 9.9 Revised Price Assumptions -Strategic Sites					
			Market	Intermediate to Buy	Affordable Rent
			£/m²	£/m²	£/m²
Site 1	North Heybridge MP	Heybridge	2,800	1,960	1,300
Site 2	H1 BS1 BS2 H4 Heybridge	Heybridge	2,800	1,960	1,300
Site 3	South Maldon MP	Maldon	2,900	2,030	1,300
Site 4	M2 West Maldon	Maldon	2,900	2,030	1,300
Site 5	Burnham on C	Burnham on Crouch	2,500	1,750	1,300
Site 6	B1 B2 B4 Burnham	Burnham	2,450	1,715	1,300
Site 7	F3 F4 Fambridge	Fambridge	2,600	1,820	1,300
Site 8	Latchingdon	Latchingdon	2,500	1,750	1,300
Site 9	Southminster	Southminster	2,500	1,750	1,300

Source: HDH 2013

Non-Residential Sites

9.29 For the purpose of this study we have assessed a number of development types. In considering the types of development to assess we have sought to include those types of development that are likely to come forward in the short to medium term. The predominant type of development will be residential development. This is important as the NPPF requires the charging authority to use '*appropriate* *available* *evidence*'[24].

9.30 We have therefore based our modelling on the following development types:

i. **Large offices**. These are more than 250 m², will be of steel frame construction, be over several floors and will be located on larger business parks. Typical larger units in the District are around 500 m² – we will use this as the basis of our modelling.

ii. **Small offices**. Modern offices of less than 250 m². These will normally be built of block and brick, will be of an open design, and be on a market town edge or in a more rural situation. Typical small office units in the District are around 150 m² – we will use this as the basis of our modelling.

iii. **Large industrial**. Modern industrial units of over 500 m². There is little new space being constructed. Typical larger units in the District are around 1,500 m² – we will use this as the basis of our modelling.

[24] As does CIL Regulations, and the CIL Guidance.

iv. **Small industrial**. Modern industrial units of less than 500 m^2. These will normally be on a small business park and be of simple steel frame construction, the walls will be of block work and insulated cladding, and there will be a small office area. Typical small units in the area are around 200 m^2 – we will use this as the basis of our modelling.

9.31 In developing these typologies, we have made assumptions about the site coverage and density of development on the sites. We have assumed 66% coverage on the large industrial sites, 60% coverage on the small industrial and large offices, and on the small offices we have assumed 50% coverage. On the offices we have assumed two story construction. We have not looked at the plethora of other types of commercial and employment development beyond office and industrial/storage uses in this study.

9.32 During the consultation process it was suggested that few, if any, offices would come forward – particularly larger units – due to the existing oversupply. We agree with this sentiment in the current market, however bearing in mind the Plan period we have included these in the analysis.

Hotels and Leisure

9.33 The leisure industry is very diverse and ranges from conventional hotels and roadside budget hotels, to cinemas, theatres, historic attractions, equestrian centres, stables and ménages. We have reviewed this sector and there is currently very little activity at the moment, either at the planning stage or the construction stage. This is an indication that development in this sector is at the margins of viability at the moment. Having considered this further we have assessed a modern 'roadside' hotel (i.e. Travelodge, Premier etc.) on an edge of town site. Both Travelodge and Premiere Inn are seeking hotel sites in the area. We have assumed that this is a 60 bedroom product with ample car parking on a 0.4 ha (1 acre) site.

Community/Institutional

9.34 This use includes development used for the provision of any medical or health services and development used wholly or mainly for the provision of education as a school or college under the Education Act or as an institution of higher education. The majority of development in this sector is mainly brought forward by the public sector or by not-for-profit organisations – many of which have charitable status (thus making them potentially exempt from CIL).

Retail

9.35 For the purpose of this study, we have assessed the following types of space. It is important to remember that this assessment is looking at the ability of new projects to bear an element of CIL – it is only therefore necessary to look at the main types of development likely to come forward in the future. We have modelled the following distinct types of retail development for the sake of completeness – although it should be noted that no such development is scheduled to take place on the specific sites.

i. **Supermarket**[25] is a single storey retail unit development with a gross (i.e. GIA) area of 4,000 m^2. It is assumed to require 400 car parking spaces, and to occupy a total site area of 2.6 ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

ii. **Retail Warehouse**[26] is a single storey retail unit development with a gross (i.e. GIA) area of 4,000 m^2. It is assumed to require 150 car parking spaces, and to occupy a total site area of 1.8ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

iii. **Town Centre Shop** is a brick built development on two storeys, of 150 m^2. No car parking or loading space is allowed for, and the total site area (effectively the building footprint) is 0.017 ha.

9.36 In line with the Guidance, we have only assessed developments of over 100 m^2. There are other types of retail development, such as small single farm shops, petrol filling stations and garden centres. We have not included these in this high level study due to the great diversity of project that may arise. For the larger units we have looked at Bulky Goods and Food.

9.37 In developing these typologies, we have made assumptions about the site coverage and density of development on the sites. We have assumed 15% building coverage on the large shed sites, 22% building coverage on the small sheds, and on the town centre shops we have assumed 100% coverage. The remainder of the larger sites are car parking, internal roads and landscaping. We have assumed simple, single story construction and have assumed there are no mezzanine floors.

Retirement and Extracare homes

9.38 We have modelled a private extra care scheme and a sheltered scheme, each on a 0.5ha site as follows.

9.39 Retirement scheme of 20 x 1 bed units of 50m^2 and 25 x 2 bed units of 75m^2 to give a net saleable area (GIA) of 2,875m^2. We have assumed a further 20% non-saleable service and common areas to give a scheme GIA of 3,450m^2.

[25] We recommend that the definition set out the examiner at the Wycombe DC CIL Examination is used:

Superstores/supermarkets are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit.

[26] We recommend that the definition set out the examiner at the Wycombe DC CIL Examination is used:

Retail warehouses are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods) DIY items and other ranges of goods catering for mainly car-borne customers.

9.40 Extracare scheme of 24 x 1 bed units of 65m^2 and 16 x 2 bed units of 80m^2 to give a net saleable area (GIA) of 2,840m^2. We have assumed a further 35% non-saleable service and common areas to give a scheme GIA of 3,834m^2.

10. Residential Appraisal Results

10.1 At the start of this chapter it is important to stress that the results of the appraisals do not, in themselves, determine the Council's policies. The study is testing the Council's Local Plan and considering CIL. The results of this study are one of a number of factors that the Council will consider, including the need for infrastructure other available evidence, such as the Council's track record of delivering affordable housing (see **Appendix 1**) and collecting payments under s106, and the results of the consultation process with developers. The purpose of the appraisals is to provide an indication of the viability of different types of sites in different areas under different scenarios. In due course, the Council will have to take a view as to whether or not to proceed with the current draft version of the LDP, and whether to proceed with CIL at this time.

10.2 The appraisals use the residual valuation approach – that is, they are designed to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. We have discussed this in detail in Chapter 6.

10.3 In order to assist the Council and to inform the consultation process, we have run several sets of appraisals. The appraisals main output is the Residual Value. The Residual Value is calculated using the formula set out in Chapter 2 above. Additionally the appraisals also derive the Additional Profit to assist with setting CIL, as set out in Chapter 3.

10.4 The initial appraisals are based on the assumptions set out in the previous chapters of this report, including the various affordable housing requirements set out in the Council's policies – with the base being to CfSH Level 4. We have run further sets of appraisals assuming no provision of affordable housing, and then higher levels of affordable housing, as this will be useful in helping the Council to understand the sensitivity of viability to the affordable housing target.

10.5 In the initial modelling, in the early drafts of this report, it was assumed that CIL would be payable as set out in the CIL Regulations – that is to say relatively close to the start of the project. This is different to the current arrangements under the s106 regime where payments (financial or in kind) are made throughout the life of a development. In a response to the comments made through the consultation process the model has been altered so that CIL would be paid over the life of the project. It is necessary to make some relatively simplistic assumptions so we have assumed that CIL will be paid in equal annual instalments over the life of the project. DCLG have recently completed a consultation on amendments to the CIL Regulations. This included proposals around alterations the provisions for CIL to be paid in instalments. It will be necessary to monitor any changes that emerge from this process.

10.6 Development appraisals are also sensitive to changes in price so appraisals have been run with a various changes in the cost of construction and an increase and decrease in prices. In calculating the Residual Value we have assumed that the developer makes a s106 contribution in line with the current norms. We have then considered a number of different levels informed by our discussion with the Council.

10.7 As set out above, for each development type we have calculated the Residual Value. In the tables in this chapter we have colour coded the results using a simple traffic light system:

a. **Green** **Viable** – where the Residual Value exceeds the Existing Use Value plus the appropriate uplift to provide a competitive return for the landowner.

b. **Amber** **Marginal** – where the Residual Value exceeds the Existing Use Value, but not the Existing Use Value plus appropriate uplift to provide a competitive return for the landowner. These sites should not be considered as viable as it is unlikely that the land would be made available to a developer at this level.

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

10.8 The results are set out and presented per hectare to allow comparison between sites.

Financial appraisal approach and assumptions

10.9 On the basis of the assumptions set out in the earlier chapters, we prepared financial appraisals for each of the modelled residential sites using a bespoke spreadsheet-based financial analysis package. We produced financial appraisals based on the build costs, abnormal costs, and infrastructure costs and financial assumptions for the different options. The detailed appraisal base results, for the affordable housing targets, are set out in the attached **Appendix 8**.

10.10 At this stage it is important to note that we have considered the sites ability to contribute to the infrastructure requirements. In due course these developer contributions may be paid either as CIL or under the s106 regime but subject to the restrictions introduced by CIL Regulation 123. In the following analysis we have assumed that the developer contributions are paid over the life of the project rather than as a single payment at the start of the project.

Base Appraisals – full current policy requirements

10.11 These initial appraisals are based on the base options:

a. Affordable Housing As per policy requirements:

Sub Market	Parish Areas	
Strategic Sites		40%
Northern Rural	Wickham Bishops, Little Braxted, Great Braxted, Great Totham, Little Totham, Goldhanger, Tolleshunt D'Arcy, Tolleshunt Major, Tolleshunt Knights, Tollesbury,	40%
Maldon North	Langford, Heybridge	30%
Maldon Central and South	Maldon, Ulting, Woodham Walter, Woodham Mortimer, Mundon, Hazeleigh	40%
Rural South	Purleigh, Cold Norton, Stow Maries, North Fambridge, Latchingdon, Althorne, Mayland	40%
Rural South East Higher	Burnham-on-Crouch, Southminster	30%
Rural South East Lower	Steeple, St Lawrence, Asheldham, Dengie, Tillingham, Bradwell-on-Sea	25%

b. Environmental Standards — Building Regulations (Part L), CfSH 4, Energy Policies and Lifetime Homes.

c. Developer contribution — Modelled sites - £2,500 per unit (market and affordable) and Strategic based on requirement assumptions outlined in Table 7.3 sites as follows, as:

	TOTAL £	£/unit
North Heybridge proposed masterplan area	13,880,000	15,422
North Heybridge H1, BS1, BS2, H4	12,651,136	18,073
South of Maldon proposed masterplan area	16,392,100	13,114
M2 West Maldon	8,126,136	11,609
Burnham on Crouch proposed masterplan area	3,510,516	7,801
Burnham B1 B2, B4	4,434,136	6,334
North Fambridge F3, F4,	5,576,136	7,966
L1 Latchingdon	5,576,136	7,966
S3 Southminster	8,076,136	11,537

d. Abnormals — As modelled

e. Developers' Return — 20% on GDV

Table 10.1 Standard Modelled Sites Residual Values – Base Appraisals

Local Affordable Housing Requirement, £2500/unit Developer Contribution

					Area		Units	Residual Value		
					Gross ha	Net ha		Gross ha	Net ha	£ site
1	Larger Village	Althorne	Brown	Res/Nursery	1.43	1.14	43	480,114	602,248	686,562
2	Larger Village	Bradwell on Sea	Green	Paddock	0.7	0.56	21	428,867	536,084	300,207
3	Larger Village	Southminster	Green	Agricultural	17.05	11.94	457	445,825	636,627	7,601,321
4	Larger Village	Mayland	Green	Paddock	7.66	5.36	190	544,783	778,552	4,173,037
5	Larger Village	Tollesbury	Green	Paddock	3.9	2.73	101	404,889	578,413	1,579,067
6	Larger Village	Wickham Bishops	Green	Paddock	0.38	0.38	13	1,434,131	1,434,131	544,970
7	Urban Infill	Maldon	Brown	Carpark	0.05	0.5	24	7,424,207	742,421	371,210
8	Urban Infill	Maldon	Brown	Existing Building	0.05	0.05	2	34,918	34,918	1,746
9	Larger Village	North Fambridge	Green	Agricultural	4.25	3	107	579,954	821,602	2,464,805
10	Town Edge	Burnham on Crouch	Green	Paddock	0.18	0.18	6	1,120,630	1,120,630	201,713
11	Smaller Village	Purleigh	Green	Paddock	0.7	0.56	22	1,157,586	1,446,983	810,310
12	Smaller Village	Little Totham	Green	Paddock	0.1	0.1	3	260,630	260,630	26,063
13	Smaller Village	Woodham Walter	Green	Paddock	0.51	0.5	19	1,268,411	1,293,780	646,890
14	Smaller Village	Woodham Mortimer	Green	Paddock	0.78	0.62	22	1,056,289	1,328,879	823,905

Note: No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy.

Source: HDH 2013.

Table 10.2 Strategic Sites Residual Values – Base Appraisals

40% Affordable Housing, Full Infrastructure Requirement

					Area		Units	Residual Value		
					Gross ha	Net ha		Gross ha	Net ha	£ site
1	North Heybridge MP	Heybridge	Green	Agricultural	40.00	24.00	900	336,660	561,100	13,466,399
2	H1 BS1 BS2 H4 Heybridge	Heybridge	Green	Agricultural	29.17	17.50	700	317,407	529,011	9,257,694
3	South Maldon MP	Maldon	Green	Agricultural	55.00	33.00	1,250	397,219	662,032	21,847,065
4	M2 West Maldon	Maldon	Green	Agricultural	29.17	17.50	700	489,562	815,937	14,278,900
5	Burnham on C	Burnham on Crouch	Green	Agricultural	20.00	12.00	450	277,370	462,284	5,547,406
6	B1 B2 B4 Burnham	Burnham	Green	Agricultural	29.17	17.50	700	263,901	439,836	7,697,123
7	F3 F4 Fambridge	Fambridge	Green	Agricultural	29.17	17.50	700	341,763	569,604	9,968,078
8	Latchingdon	Latchingdon	Green	Agricultural	29.17	17.50	700	272,289	453,815	7,941,758
9	Southminster	Southminster	Green	Agricultural	29.17	17.50	700	213,912	356,520	6,239,096

Note: No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy.
Source: HDH 2013

10.12 All the standard modelled and strategic sites generate a positive Residual Value, in many cases, a substantial Residual Value. This is interesting but does not give an indication of viability on its own. In the following table we have compared the Residual Value with the Viability Threshold (see Chapter 6).

Table 10.3 Base Appraisals. Residual Value compared to Viability Threshold Local Affordable Housing Requirement, £2,500/unit Developer Contribution					
			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	Larger Village	Althorne	550,000	660,000	480,114
2	Larger Village	Bradwell on Sea	50,000	410,000	428,867
3	Larger Village	Southminster	25,000	380,000	445,825
4	Larger Village	Mayland	50,000	410,000	544,783
5	Larger Village	Tollesbury	50,000	410,000	404,889
6	Larger Village	Wickham Bishops	50,000	410,000	1,434,131
7	Urban Infill	Maldon	550,000	660,000	7,424,207
8	Urban Infill	Maldon	1,000,000	1,200,000	34,918
9	Larger Village	North Fambridge	25,000	380,000	579,954
10	Town Edge	Burnham on Crouch	50,000	410,000	1,120,630
11	Smaller Village	Purleigh	50,000	410,000	1,157,586
12	Smaller Village	Little Totham	50,000	410,000	260,630
13	Smaller Village	Woodham Walter	50,000	410,000	1,268,411
14	Smaller Village	Woodham Mortimer	50,000	410,000	1,056,289

Note: No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy. Source: HDH 2013

Table 10.4 Base Appraisals. Residual Value compared to Viability Threshold 40% Affordable Housing, Full Infrastructure Requirement					
			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	North Heybridge MP	Heybridge	25,000	330,000	336,660
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	317,407
3	South Maldon MP	Maldon	25,000	330,000	397,219
4	M2 West Maldon	Maldon	25,000	330,000	489,562
5	Burnham on C	Burnham on Crouch	25,000	330,000	277,370
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	263,901
7	F3 F4 Fambridge	Fambridge	25,000	330,000	341,763
8	Latchingdon	Latchingdon	25,000	330,000	272,289
9	Southminster	Southminster	25,000	330,000	213,912

Note: No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy. Source: HDH 2013

10.13 4 of the 14 modelled sites are shown to be unviable with the locally appropriate Affordable Housing requirement and a developer contribution of £2,500 per unit (market and affordable). Of these, modelled Sites 1 and 8 are modelled on previously developed residential land with abnormal costs. This typology represents a very small proportion of sites within the plan and it is important to note than the vast majority of sites are greenfield sites so this typology is relatively rare in Maldon. Site 12 is made up of three large houses on a small site. The BCIS costs attribute substantial extra costs of nearly 50% to this build form that is not recouped from the premium value for such properties. As the site is in the north east of the District, it will have a slightly lower value which would therefore not be viable, again a very small proportion of the housing expected over the Plan period will be on this typology.

10.14 The Residual Value for site 5 is within £5,000 of the Viability Threshold so very nearly viable under the assumptions used. This site is modelled on the values that prevail in the lower value eastern area of the District. This is of some concern however this amount is less than the developer contribution anticipated and there is some flexibility within the policy for affordable housing.

10.15 Of the strategic sites only four are viable on the full policy requirements (including 40% affordable Housing) and full infrastructure requirements. It is important to note that no differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear the costs identified through the Council's Infrastructure Delivery Plan[27]. It is important to note that this assumes that all of the stated infrastructure is delivered by each site on a standalone basis. If these sites come forward together the costs will be shared over several sites and be substantially less. It is anticipated that, for example, the two Heybridge sites will both come forward together thus significantly reducing the overall infrastructure requirements each has to bear.

Cumulative Impact of Policies

10.16 The NPPF requires us to consider the *cumulative* impact of policies. In the following tables we have shown the results from the appraisals with different levels of policy requirement – particularly different levels of affordable housing and of developer contribution.

No Affordable housing

10.17 These appraisals are based on the following:

[27] It is important to note that up to 5% of CIL will be retained by the Council to meet the costs of administering the Levy and 15% will be passed to local community (20% where there is a Neighbourhood Plan) so not all CIL will be available to deliver site specific infrastructure.

a.	Affordable Housing	None
b.	Environmental Standards	Building Regulations (Part L), CfSH 4, Energy Policies and Lifetime Homes.
c.	CIL and s106	Modelled Sites £2,500 per unit.
		Strategic Sites As above.
d.	Abnormals	As modelled
e.	Developers' Return	20% on GDV

Table 10.5 Standard Modelled Sites – Full Policy Requirement other than Affordable Housing. Residual Value compared to Viability Threshold

0% Affordable Housing Requirement, £2,500/unit Developer Contributions

			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	Larger Village	Althorne	550,000	660,000	783,178
2	Larger Village	Bradwell on Sea	50,000	410,000	714,286
3	Larger Village	Southminster	25,000	380,000	688,894
4	Larger Village	Mayland	50,000	410,000	1,017,347
5	Larger Village	Tollesbury	50,000	410,000	815,471
6	Larger Village	Wickham Bishops	50,000	410,000	2,386,211
7	Urban Infill	Maldon	550,000	660,000	16,894,647
8	Urban Infill	Maldon	1,000,000	1,200,000	899,283
9	Larger Village	North Fambridge	25,000	380,000	1,083,524
10	Town Edge	Burnham on Crouch	50,000	410,000	1,692,436
11	Smaller Village	Purleigh	50,000	410,000	1,912,685
12	Smaller Village	Little Totham	50,000	410,000	1,463,403
13	Smaller Village	Woodham Walter	50,000	410,000	2,136,834
14	Smaller Village	Woodham Mortimer	50,000	410,000	1,738,593

Note: No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy.
Source: HDH 2013

Table 10.6 Strategic Sites – Full Policy Requirement other than Affordable Housing. Residual Value compared to Viability Threshold 0% Affordable Housing Requirement, Full Infrastructure Requirement					
			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	North Heybridge MP	Heybridge	25,000	330,000	716,338
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	725,078
3	South Maldon MP	Maldon	25,000	330,000	793,467
4	M2 West Maldon	Maldon	25,000	330,000	916,652
5	Burnham on C	Burnham on Crouch	25,000	330,000	610,019
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	586,273
7	F3 F4 Fambridge	Fambridge	25,000	330,000	698,759
8	Latchingdon	Latchingdon	25,000	330,000	606,812
9	Southminster	Southminster	25,000	330,000	551,132

Note: No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy.
Source: HDH 2013

Only Affordable housing

10.18 These appraisals are based on the following:

a. Affordable Housing Modelled Sites

Sub Market	**Parish Areas**	
Strategic Sites		40%
Northern Rural	Wickham Bishops, Little Braxted, Great Braxted, Great Totham, Little Totham, Goldhanger, Tolleshunt D'Arcy, Tolleshunt Major, Tolleshunt Knights, Tollesbury,	40%
Maldon North	Langford, Heybridge	30%
Maldon Central and South	Maldon, Ulting, Woodham Walter, Woodham Mortimer, Mundon, Hazeleigh	40%
Rural South	Purleigh, Cold Norton, Stow Maries, North Fambridge, Latchingdon, Althorne, Mayland	40%
Rural South East Higher	Burnham-on-Crouch, Southminster	30%
Rural South East Lower	Steeple, St Lawrence, Asheldham, Dengie, Tillingham, Bradwell-on-Sea	25%

b. Environmental Standards Building Regulations (Part L), CfSH 4,

c. CIL and s106 None

d. Abnormals As modelled

e. Developers' Return 20% on GDV

Table 10.7 Standard Modelled Sites - Affordable Housing only. Residual Value compared to Viability Threshold

Local Affordable Housing Requirement, No Developer Contribution

			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	Larger Village	Althorne	550,000	660,000	614,017
2	Larger Village	Bradwell on Sea	50,000	410,000	558,278
3	Larger Village	Southminster	25,000	380,000	557,543
4	Larger Village	Mayland	50,000	410,000	650,721
5	Larger Village	Tollesbury	50,000	410,000	513,293
6	Larger Village	Wickham Bishops	50,000	410,000	1,591,825
7	Urban Infill	Maldon	550,000	660,000	9,483,854
8	Urban Infill	Maldon	1,000,000	1,200,000	215,425
9	Larger Village	North Fambridge	25,000	380,000	686,664
10	Town Edge	Burnham on Crouch	50,000	410,000	1,282,099
11	Smaller Village	Purleigh	50,000	410,000	1,294,740
12	Smaller Village	Little Totham	50,000	410,000	417,433
13	Smaller Village	Woodham Walter	50,000	410,000	1,432,988
14	Smaller Village	Woodham Mortimer	50,000	410,000	1,179,740

Note: No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy.
Source: HDH 2013

Table 10.8 Strategic Sites - Affordable Housing (40%) only. Residual Value compared to Viability Threshold 40% Affordable Housing, No Infrastructure Requirement					
			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	North Heybridge MP	Heybridge	25,000	330,000	616,455
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	661,335
3	South Maldon MP	Maldon	25,000	330,000	660,405
4	M2 West Maldon	Maldon	25,000	330,000	728,561
5	Burnham on C	Burnham on Crouch	25,000	330,000	458,733
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	424,825
7	F3 F4 Fambridge	Fambridge	25,000	330,000	526,380
8	Latchingdon	Latchingdon	25,000	330,000	458,903
9	Southminster	Southminster	25,000	330,000	458,903

Note: No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy.
Source: HDH 2013

10.19 From the above it can be seen that there is no single element of policy that is rendering development unviable – but where development is unviable it is due to the impact of multiple policies. A balance will need to be struck between the different policy requirements and need to fund infrastructure.

Combined Results

10.20 The NPPF requires the assessment of the cumulative impact of policies. We have set out the results of appraisals showing the how the build-up of different levels of policy requirement to assist the Council in the table below. In these tables the columns build up from no policy requirement's to full policy requirements as set out in the Base Appraisals as follows:

a. Affordable Housing As per policy requirements:

Sub Market	Parish Areas	
Strategic Sites		40%
Northern Rural	Wickham Bishops, Little Braxted, Great Braxted, Great Totham, Little Totham, Goldhanger, Tolleshunt D'Arcy, Tolleshunt Major, Tolleshunt Knights, Tollesbury,	40%
Maldon North	Langford, Heybridge	30%
Maldon Central and South	Maldon, Ulting, Woodham Walter, Woodham Mortimer, Mundon, Hazeleigh	40%
Rural South	Purleigh, Cold Norton, Stow Maries, North Fambridge, Latchingdon, Althorne, Mayland	40%
Rural South East Higher	Burnham-on-Crouch, Southminster	30%
Rural South East Lower	Steeple, St Lawrence, Asheldham, Dengie, Tillingham, Bradwell-on-Sea	25%

b. Environmental Standards — Building Regulations (Part L), CfSH 4, Energy Policies and Lifetime Homes.

c. CIL and s106 — No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy.

Modelled sites - £2,500 per unit

Strategic sites as follows (based on requirement assumptions outlined in table 7.3:

	TOTAL	Per Unit
North Heybridge proposed masterplan area	13,880,000	15,422
North Heybridge H1, BS1, BS2, H4	12,651,136	18,073
South of Maldon proposed masterplan area	16,392,100	13,114
M2 West Maldon	8,126,136	11,609
Burnham on Crouch proposed masterplan area	3,510,516	7,801
Burnham B1 B2, B4	4,434,136	6,334
North Fambridge F3, F4,	5,576,136	7,966
L1 Latchingdon	5,576,136	7,966
S3 Southminster	8,076,136	11,537

d. Abnormals — As modelled

e. Developers' Return — 20% on GDV

Table 10.9 Standard Modelled Sites – Cumulative impact of Policies. Residual Value compared to Viability Threshold

			Alternative Use Value	Viability Threshold	No Requirements	Policy and Dev Cont	Affordable Only	Affordable & Policy, No Dev Cont	Full Policy
1	Larger Village	Althorne	550,000	660,000	915,824	783,178	614,017	555,943	480,114
2	Larger Village	Bradwell on Sea	50,000	410,000	835,909	714,286	558,278	505,245	428,867
3	Larger Village	Southminster	25,000	380,000	800,613	688,894	557,543	512,783	445,825
4	Larger Village	Mayland	50,000	410,000	1,123,250	1,017,347	650,721	606,746	544,783
5	Larger Village	Tollesbury	50,000	410,000	923,875	815,471	513,293	469,583	404,889
6	Larger Village	Wickham Bishops	50,000	410,000	2,543,905	2,386,211	1,591,825	1,520,403	1,434,131
7	Urban Infill	Maldon	550,000	660,000	18,934,770	16,894,647	9,483,854	8,646,247	7,424,207
8	Urban Infill	Maldon	1,000,000	1,200,000	1,079,789	899,283	215,425	139,765	34,918
9	Larger Village	North Fambridge	25,000	380,000	1,190,233	1,083,524	686,664	642,848	579,954
10	Town Edge	Burnham on Crouch	50,000	410,000	1,850,815	1,692,436	1,282,099	1,207,150	1,120,630
11	Smaller Village	Purleigh	50,000	410,000	2,048,552	1,912,685	1,294,740	1,236,842	1,157,586
12	Smaller Village	Little Totham	50,000	410,000	1,618,677	1,463,403	417,433	339,264	260,630
13	Smaller Village	Woodham Walter	50,000	410,000	2,299,865	2,136,834	1,432,988	1,362,360	1,268,411
14	Smaller Village	Woodham Mortimer	50,000	410,000	1,860,885	1,738,593	1,179,740	1,127,416	1,056,289

Source: HDH 2013

10.21 As would be expected the cumulative impact of the policies on viability is detrimental, but not to the extent to either threaten delivery of the Plan as a whole, or to put the Plan at serious risk. Not all sites are viable, however as illustrated by Site 8 (a brownfield site in Maldon) some sites are not viable, even with no policy requirements from the Council. The affordable Housing Policy is worded to be flexible to allow site specific negotiations to take place where sites are not viable – although as mentioned above the majority of development in the District is anticipated on greenfield sites that are viable.

Table 10.10 Strategic Sites – Cumulative impact of Policies. Residual Value compared to Viability Threshold

			Alternative Use Value	Viability Threshold	No Requirements	Policy and Dev Cont	Affordable Only	Affordable & Policy, No Dev Cont	Full Policy
1	North Heybridge MP	Heybridge	25,000	330,000	989,018	716,338	616,455	588,007	336,660
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	1,060,309	725,078	661,335	630,471	317,407
3	South Maldon MP	Maldon	25,000	330,000	1,050,687	793,467	660,405	631,892	397,219
4	M2 West Maldon	Maldon	25,000	330,000	1,151,139	916,652	728,561	697,948	489,562
5	Burnham on C	Burnham on Crouch	25,000	330,000	786,034	610,019	458,733	427,708	277,370
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	742,401	586,273	424,825	393,282	263,901
7	F3 F4 Fambridge	Fambridge	25,000	330,000	878,647	698,759	526,380	495,516	341,763
8	Latchingdon	Latchingdon	25,000	330,000	787,816	606,812	458,903	427,589	272,289
9	Southminster	Southminster	25,000	330,000	787,816	551,132	458,903	427,589	213,912

Source: HDH 2013

10.22 It is clear that several of the sites cannot bear all the full policy requirements.

Relationship between Developer Contributions and Affordable Housing

10.23 The two principal costs imposed through policy are the costs of affordable housing and the costs of providing and contribution to infrastructure. To assist the Council in setting the total policy requirements at an appropriate level and to ensure that the development is not 'threatened as a whole' and / or 'put at serious risk' (as required by the NPPF and CIL Regulations), through the process of striking the balance between meeting the Plan's objectives and delivering the infrastructure required to support development, we have run some further appraisals below.

10.24 In this analysis, as above, no differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy.

10.25 There is a close relationship between CIL and affordable housing – both are costs to the developer. In the previous analysis we have worked from the currently drafted policy requirements set out in the emerging plan and summarised in 10.18a above. In the following table we have kept all other things equal including the assumption of a £2,500 per unit developers' contribution but varied the amount of affordable housing. This is across all sites – rather than following the sub areas in the Plan.

Table 10.11 Standard Modelled sites. Impact of Affordable Housing Targets with £2,500/unit Developer Contributions.

Residual Value compared to Viability Threshold

			Alternative Use Value	Viability Threshold	Residual Value				
					20%	25%	30%	35%	40%
1	Larger Village	Althorne	550,000	660,000	545,389	480,206	413,352	348,060	276,991
2	Larger Village	Bradwell on Sea	50,000	410,000	488,918	428,954	367,452	310,292	244,269
3	Larger Village	Southminster	25,000	380,000	496,928	445,899	393,561	339,864	284,754
4	Larger Village	Mayland	50,000	410,000	792,925	733,269	672,083	609,308	544,846
5	Larger Village	Tollesbury	50,000	410,000	620,472	568,636	515,472	460,926	404,946
6	Larger Village	Wickham Bishops	50,000	410,000	1,934,030	1,813,829	1,690,547	1,564,063	1,434,250
7	Urban Infill	Maldon	550,000	660,000	12,363,336	11,158,810	10,000,000	8,738,731	7,425,428
8	Urban Infill	Maldon	1,000,000	1,200,000	488,762	379,636	267,712	152,881	35,028
9	Larger Village	North Fabridge	25,000	380,000	844,359	780,784	715,578	648,679	580,020
10	Town Edge	Burnham on Crouch	50,000	410,000	1,332,256	1,227,734	1,120,532	1,010,545	897,663
11	Smaller Village	Purleigh	50,000	410,000	1,548,896	1,452,192	1,365,834	1,263,110	1,157,683
12	Smaller Village	Little Totham	50,000	410,000	899,724	746,053	588,442	426,736	260,776
13	Smaller Village	Woodham Walter	50,000	410,000	1,735,020	1,622,825	1,507,753	1,389,692	1,268,524
14	Smaller Village	Woodham Mortimer	50,000	410,000	1,409,828	1,322,435	1,244,487	1,151,653	1,056,376

Source: HDH 2013

Table 10.12 Strategic Sites – Impact of Affordable Housing Targets with Full Developer Contributions (as outlined in Table 7.3). Residual Value compared to Viability Threshold

			Alternative Use Value	Viability Threshold	Residual Value				
					20%	25%	30%	35%	40%
1	North Heybridge MP	Heybridge	25,000	330,000	537,076	489,270	440,378	389,222	336,660
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	533,277	481,432	428,447	373,949	317,407
3	South Maldon MP	Maldon	25,000	330,000	606,016	556,061	505,007	452,107	397,219
4	M2 West Maldon	Maldon	25,000	330,000	714,640	660,561	605,291	548,445	489,562
5	Burnham on C	Burnham on Crouch	25,000	330,000	452,831	410,967	368,190	323,542	277,370
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	434,436	393,599	351,871	308,940	263,901
7	F3 F4 Fambridge	Fambridge	25,000	330,000	530,459	485,404	438,853	390,964	341,763
8	Latchingdon	Latchingdon	25,000	330,000	449,281	406,871	363,536	318,952	272,289
9	Southminster	Southminster	25,000	330,000	392,377	349,967	306,268	260,713	213,912

Source: HDH 2013

10.26 As the affordable housing requirement increases the number of viable sites falls. We explore the relationship between CIL and affordable housing for the non-strategic sites in Chapter 13. In the following tables we have set out the relationship between total developer contributions and affordable housing.

Table 10.13 Standard Modelled sites. Impact of Developer Contributions. Residual Value compared to Viability Threshold

			Alternative Use Value	Viability Threshold	Residual Value								
					£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000
1	Larger Village	Althorne	550,000	660,000	555,943	480,114	404,284	331,597	255,041	178,486	103,919	26,125	-52,693
2	Larger Village	Bradwell on Sea	50,000	410,000	505,245	428,867	357,143	281,500	203,632	127,004	48,369	-30,266	-108,901
3	Larger Village	Southminster	25,000	380,000	512,783	445,825	378,867	311,909	244,951	177,993	111,035	44,495	-24,008
4	Larger Village	Mayland	50,000	410,000	606,746	544,783	482,819	420,856	358,893	296,929	234,966	173,002	112,091
5	Larger Village	Tollesbury	50,000	410,000	469,583	404,889	340,194	275,500	212,803	147,496	82,975	17,546	-50,336
6	Larger Village	Wickham Bishops	50,000	410,000	1,520,403	1,434,131	1,347,860	1,273,661	1,186,564	1,099,467	1,012,370	925,273	838,175
7	Urban Infill	Maldon	550,000	660,000	8,646,247	7,424,207	6,202,168	5,000,000	3,831,418	2,585,534	1,352,848	94,689	-1,163,469
8	Urban Infill	Maldon	1,000,000	1,200,000	139,765	34,918	-69,929	-174,775	-279,622	-384,468	-489,315	-594,319	-702,694
9	Larger Village	North Fambridge	25,000	380,000	642,848	579,954	517,061	454,167	391,274	328,380	265,487	204,514	141,024
10	Town Edge	Burnham on Crouch	50,000	410,000	1,207,150	1,120,630	1,034,111	947,591	861,071	774,552	694,444	607,438	520,066
11	Smaller Village	Purleigh	50,000	410,000	1,236,842	1,157,586	1,078,330	999,074	919,818	840,562	761,306	688,577	608,562
12	Smaller Village	Little Totham	50,000	410,000	339,264	260,630	181,995	103,360	24,725	-53,910	-132,545	-211,180	-289,815
13	Smaller Village	Woodham Walter	50,000	410,000	1,362,360	1,268,411	1,174,462	1,080,514	986,565	901,158	806,310	711,462	616,614
14	Smaller Village	Woodham Mortimer	50,000	410,000	1,127,416	1,056,289	985,161	914,034	842,907	771,780	700,653	635,550	563,742

Source: HDH 2013

10.27 As the total developer contribution increases, the number of viable sites falls – to such an extent that with the full affordable housing requirements any significant increase on the base assumption of £2,500 per unit could begin to threaten the viability of the plan. Whilst it is clear that some sites in the highest value areas can sustain very high levels of developer contributions, most cannot. We explore this further in Chapter 13 when we consider CIL.

10.28 The above findings are consistent with those in the Maldon District Council Viability Study (Three Dragons, 2010), in that they also show that sites in the western part of the District can sustain higher values than those in the east. This is to be expected bearing in mind the difference in house values between these areas. The targets as currently drafted are deliverable in the absence of higher levels of developer contribution – however if the Council wishes to proceed with CIL then it will be necessary to review these affordable housing requirements.

Table 10.14 Strategic Sites. Impact of Developer Contributions with Varied Affordable Housing requirements Residual Value compared to Viability Threshold

40% Affordable

			Alternative Use Value	Viability Threshold	Residual Value								
					£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000
1	North Heybridge MP	Heybridge	25,000	330,000	588,007	550,197	512,384	474,571	436,757	398,944	360,561	322,016	283,471
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	630,471	589,910	549,349	508,788	468,190	426,879	385,569	344,259	302,948
3	South Maldon MP	Maldon	25,000	330,000	631,892	593,866	555,840	517,814	479,788	441,762	403,366	364,631	325,895
4	M2 West Maldon	Maldon	25,000	330,000	697,948	657,387	616,826	576,265	535,704	495,143	454,183	412,872	371,562
5	Burnham on C	Burnham on Crouch	25,000	330,000	427,708	387,191	346,674	305,779	264,390	223,001	181,613	139,633	97,168
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	393,282	351,972	310,661	268,992	226,765	184,539	141,974	98,644	55,314
7	F3 F4 Fambridge	Fambridge	25,000	330,000	495,516	454,893	413,582	372,272	330,962	289,651	247,474	205,247	163,020
8	Latchingdon	Latchingdon	25,000	330,000	427,589	386,279	344,968	303,658	261,819	219,593	177,366	134,646	91,316
9	Southminster	Southminster	25,000	330,000	427,589	386,279	344,968	303,658	261,819	219,593	177,366	134,646	91,316

35% Affordable

			Alternative Use Value	Viability Threshold	Residual Value								
					£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000
1	North Heybridge MP	Heybridge	25,000	330,000	638,955	601,734	564,018	526,204	488,391	450,578	412,764	374,578	336,033
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	685,540	644,979	604,418	563,857	523,296	482,735	441,566	400,255	358,945
3	South Maldon MP	Maldon	25,000	330,000	685,593	647,821	609,795	571,769	533,743	495,717	457,691	419,518	380,782
4	M2 West Maldon	Maldon	25,000	330,000	755,953	715,798	675,237	634,676	594,115	553,554	512,993	472,267	430,956
5	Burnham on C	Burnham on Crouch	25,000	330,000	472,922	432,405	391,888	351,371	310,562	269,173	227,784	186,396	144,598
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	437,387	396,077	354,766	313,456	271,831	229,604	187,377	144,928	101,598
7	F3 F4 Fambridge	Fambridge	25,000	330,000	543,902	503,341	462,781	421,473	380,163	338,853	297,542	255,520	213,293
8	Latchingdon	Latchingdon	25,000	330,000	473,084	432,083	390,772	349,462	308,151	266,394	224,167	181,940	139,383
9	Southminster	Southminster	25,000	330,000	473,084	432,083	390,772	349,462	308,151	266,394	224,167	181,940	139,383

30% Affordable

			Alternative Use Value	Viability Threshold	Residual Value								
					£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000
1	North Heybridge MP	Heybridge	25,000	330,000	688,540	651,319	614,099	576,457	538,643	500,830	463,017	425,204	387,189
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	738,939	698,575	658,014	617,453	576,892	536,331	495,770	454,754	413,444
3	South Maldon MP	Maldon	25,000	330,000	737,457	699,995	662,306	624,280	586,254	548,228	510,202	472,176	434,149
4	M2 West Maldon	Maldon	25,000	330,000	812,109	772,148	732,083	691,522	650,961	610,400	569,839	529,278	488,718
5	Burnham on C	Burnham on Crouch	25,000	330,000	516,931	476,414	435,897	395,380	354,863	314,115	272,726	231,337	189,949
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	479,894	439,008	397,697	356,387	315,077	273,470	231,243	189,016	146,651
7	F3 F4 Fambridge	Fambridge	25,000	330,000	590,998	550,437	509,876	469,315	428,052	386,741	345,431	304,121	262,225
8	Latchingdon	Latchingdon	25,000	330,000	516,929	476,368	435,356	394,045	352,735	311,425	269,722	227,495	185,268
9	Southminster	Southminster	25,000	330,000	516,929	476,368	435,356	394,045	352,735	311,425	269,722	227,495	185,268

25% Affordable

			Alternative Use Value	Viability Threshold	Residual Value								
					£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000
1	North Heybridge MP	Heybridge	25,000	330,000	736,747	699,527	662,306	625,086	587,499	549,686	511,873	474,059	436,246
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	790,413	750,452	710,120	669,560	628,999	588,438	547,877	507,316	466,428
3	South Maldon MP	Maldon	25,000	330,000	787,883	750,420	712,958	675,334	637,308	599,282	561,256	523,230	485,203
4	M2 West Maldon	Maldon	25,000	330,000	866,707	826,747	786,786	746,792	706,231	665,670	625,109	584,548	543,987
5	Burnham on C	Burnham on Crouch	25,000	330,000	559,573	519,192	478,674	438,157	397,640	357,123	316,409	275,021	233,632
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	520,930	480,369	439,425	398,114	356,804	315,494	273,879	231,652	189,426
7	F3 F4 Fambridge	Fambridge	25,000	330,000	636,778	596,217	555,656	515,096	474,535	433,293	391,983	350,672	309,362
8	Latchingdon	Latchingdon	25,000	330,000	559,546	518,985	478,424	437,381	396,070	354,760	313,450	271,774	229,547
9	Southminster	Southminster	25,000	330,000	559,546	518,985	478,424	437,381	396,070	354,760	313,450	271,774	229,547

20% Affordable

			Alternative Use Value	Viability Threshold	Residual Value								
					£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000
1	North Heybridge MP	Heybridge	25,000	330,000	783,918	746,698	709,477	672,257	635,036	597,492	559,679	521,865	484,052
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	840,780	800,820	760,859	720,546	679,985	639,424	598,863	558,303	517,742
3	South Maldon MP	Maldon	25,000	330,000	837,223	799,760	762,298	724,836	687,263	649,237	611,211	573,185	535,159
4	M2 West Maldon	Maldon	25,000	330,000	920,130	880,170	840,209	800,248	760,288	719,749	679,189	638,628	598,067
5	Burnham on C	Burnham on Crouch	25,000	330,000	600,796	560,968	520,538	480,021	439,504	398,987	358,469	317,771	276,383
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	561,091	520,530	479,969	438,952	397,641	356,331	315,020	273,379	231,152
7	F3 F4 Fambridge	Fambridge	25,000	330,000	681,579	641,018	600,457	559,896	519,335	478,774	437,538	396,227	354,917
8	Latchingdon	Latchingdon	25,000	330,000	601,254	560,693	520,132	479,571	438,480	397,170	355,860	314,549	272,881
9	Southminster	Southminster	25,000	330,000	601,254	560,693	520,132	479,571	438,480	397,170	355,860	314,549	272,881

Source: HDH 2013

10.29 When considering the relationship between CIL and affordable housing it is necessary to do this in context of the actual requirements for infrastructure that MDC and ECC have estimated. These are summarised again below for convenience and outlined in Table 7.3 – although it is important to note that these costs are prepared on a site by site basis and there is scope for the costs to be shared and spread over multiple sites:

	TOTAL	Per Unit
North Heybridge proposed masterplan area	13,880,000	15,422
North Heybridge H1, BS1, BS2, H4	12,651,136	18,073
South of Maldon proposed masterplan area	16,392,100	13,114
M2 West Maldon	8,126,136	11,609
Burnham on Crouch proposed masterplan area	3,510,516	7,801
Burnham B1 B2, B4	4,434,136	6,334
North Fambridge F3, F4,	5,576,136	7,966
L1 Latchingdon	5,576,136	7,966
S3 Southminster	8,076,136	11,537

10.30 The Council is seeking to strike the balance between delivering affordable housing and funding infrastructure. Based on the information in the table above, to meet the full infrastructure requirements on all of the strategic sites, either under CIL or the s106 regime, the affordable housing target would need to be reduced to around 20% on the sites at Burnham, Fambridge, Latchingdon and Southminster, however sites such as North Heybridge proposed masterplan area and South of Maldon proposed masterplan area are able to bear the costs of infrastructure up to 40% affordable housing.

10.31 We would not recommend that a decision is made to pursue a reduction in the affordable housing requirements at this stage due to basis that the infrastructure information has been compiled. The infrastructure costs used in the analysis in this report has been prepared on a site by site basis and using standard costs calculators. If multiple site come forward (as they are expected to do) the costs will be shared over several sites. What we can conclude is that the strategic sites, based on the worst case scenario with regard to infrastructure, can all bear at least 20% affordable housing. From our conversations with ECC and MDC we know that the infrastructure costs are likely to be overstated and it is therefore more than likely that higher amounts of affordable housing can actually be delivered.

The impact of changes in prices and costs.

10.32 It is important that adopted policies are not unduly subject to changes in prices and costs. We have therefore tested various variables in this regard.

10.33 In this report we have used the build costs produced by BCIS. As well as producing estimates of build costs BCIS, also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecast a 15% increase in prices over the next 5 years[28]. We have tested a scenario with this increase in build costs.

10.34 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have therefore tested four price change scenarios, minus 10% and 5%, and plus 10% and 5%. In this analysis we have assumed all other matters in the base appraisals remain unchanged. The following table shows the Residual Values for the appraisals subject to a 5% and 10% increase and decrease in sales prices and a 15% increase in build costs:

Table 10.15 Standard Modelled Sites. Base Appraisals. Impact of Price and Cost Change.

			Alternative Use Value	Viability Threshold	BCIS +15%	Less 10%	Less 5%	Base	Plus 5%	Plus 10%
1	Larger Village	Althorne	550,000	660,000	76,166	174,695	328,030	480,114	635,307	783,077
2	Larger Village	Bradwell on Sea	50,000	410,000	32,055	135,665	285,789	428,867	577,416	719,083
3	Larger Village	Southminster	25,000	380,000	116,178	192,998	319,411	445,825	572,239	698,653
4	Larger Village	Mayland	50,000	410,000	231,309	306,870	425,827	544,783	663,643	782,468
5	Larger Village	Tollesbury	50,000	410,000	97,688	186,803	294,969	404,889	514,809	624,729
6	Larger Village	Wickham Bishops	50,000	410,000	944,698	1,008,159	1,228,007	1,434,131	1,651,895	1,869,659
7	Urban Infill	Maldon	550,000	660,000	1,193,361	2,968,638	5,168,015	7,424,207	9,680,400	11,823,450
8	Urban Infill	Maldon	1,000,000	1,200,000	-485,692	-370,014	-167,548	34,918	237,384	439,850
9	Larger Village	North Fambridge	25,000	380,000	258,126	334,329	457,142	579,954	702,767	825,580
10	Town Edge	Burnham on Crouch	50,000	410,000	620,643	677,311	895,667	1,120,630	1,345,594	1,540,499
11	Smaller Village	Purleigh	50,000	410,000	751,063	803,873	980,730	1,157,586	1,334,443	1,497,109
12	Smaller Village	Little Totham	50,000	410,000	-532,958	-263,780	-1,575	260,630	522,834	785,039
13	Smaller Village	Woodham Walter	50,000	410,000	781,389	860,244	1,060,251	1,268,411	1,476,572	1,684,733
14	Smaller Village	Woodham Mortimer	50,000	410,000	690,313	736,631	896,460	1,056,289	1,216,118	1,363,027

Source: HDH 2013

Table 10.16 Standard Modelled Sites. Base Appraisals. Impact of Price and Cost Change.

			Alternative Use Value	Viability Threshold	BCIS +15%	Less 10%	Less 5%	Base	Plus 5%	Plus 10%
1	North Heybridge MP	Heybridge	25,000	330,000	114,465	153,466	245,801	336,660	426,828	515,678
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	77,026	119,004	219,255	317,407	414,011	510,071
3	South Maldon MP	Maldon	25,000	330,000	179,848	211,694	305,279	397,219	488,920	579,300
4	M2 West Maldon	Maldon	25,000	330,000	257,483	289,863	390,072	489,562	587,876	685,719
5	Burnham on C	Burnham on Crouch	25,000	330,000	39,380	102,038	190,850	277,370	363,629	448,292
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	21,397	89,818	178,019	263,901	348,888	432,940
7	F3 F4 Fambridge	Fambridge	25,000	330,000	104,006	159,558	251,256	341,763	430,961	519,838
8	Latchingdon	Latchingdon	25,000	330,000	30,248	94,754	184,654	272,289	358,916	444,684
9	Southminster	Southminster	25,000	330,000	-35,393	33,293	124,632	213,912	301,547	387,779

Source: HDH 2013

10.35 The analysis demonstrates that a relatively small change fall in prices will adversely impact on deliverability. If there is a large further fall in prices it will be necessary to reconsider the policies in the Plan.

[28] See Table 1.1 (Page 6) of in *Quarterly Review of Building Prices* (Issue No 127 – November 2012). 15% calculated on BCIS All-in TPI change from 220 to 254.

10.36 An increase in prices of 5% does significantly increase the number of the strategic sites identified that are viable. This should give the Council confidence bearing in mind some of the concerns expressed above.

Conclusions

10.37 We take this opportunity to stress again that the results in themselves to do not determine policy. We have discussed the consequences of these results in Chapter 12.

11. Non-Residential Appraisal Results

11.1 Based on the assumptions set out previously we have run a set of development financial appraisals for the non-residential development types. The detailed appraisal results are set out in **Appendix 9** and summarised in Table 11.1 below.

11.2 As with the residential appraisals, we have used the Residual Valuation approach – that is, we have run appraisals to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability we have used exactly the same methodology with regard to the Viability Thresholds (alternative Land Use plus 'uplift').

11.3 When testing the non-residential development types we have not run multiple sets of appraisals for different levels of policy requirement, as the Council does not seek to impose layers of policy requirements on these types of development.

11.4 The results of the appraisals are reflective of the current market in Maldon. Both office and industrial development are shown as unviable, however this is not just a Maldon issue – it is a national trend that such development is not currently being implemented. We can conclude that the cumulative impact of policy does not put the delivery of the plan at serious risk or threaten delivery of the plan as a whole – but the Council will need to consider how these important elements of the plan are delivered.

11.5 Supermarkets and retail warehouses are shown as viable, however the town centre retail is not showing as viable. Again these findings are supported by the numbers of vacant retail properties in the town centres. In part, this will be a factor of the significant changes within the retail sector with the consolidation of brands and the move to on-line outlets.

11.6 As we would expect, hotel development is shown as viable. This is reflective of the fact that some of the larger national operators are seeking new locations for roadside hotels and whilst such developments are not coming forward in Maldon at the moment, they are in other similarly prices areas.

11.7 Both sheltered housing and care units are also shown as viable when assessed against the valuation criteria suggested by the RHG.

Table 11.1 Appraisal Results showing Additional Profit and Approximate Residual Value

Appraisal Results showing Additional Profit and Approximate Residual Value - Greenfield

		Industrial	Industrial	Offices	Supermarkets	Reatil Warehouse	Shops	Hotel		
m2		1500	500	5000	4000	4000		1,620		
Additional Profit		-629,456	-166,935	-822,230	2,897,789	1,204,177		779,181		
Residual Land Worth (APPROX)	Site	-546,056	-126,435	-484,730	3,763,289	1,805,677		968,681		
Residual Land Worth (APPROX)	£/ha	-2,374,156	-1,264,353	-484,730	1,447,419	1,003,154		2,421,702		
£/m2		-420	-334	-164	724	301		481		

Appraisal Results showing Additional Profit and Approximate Residual Value - Brownfield

		Industrial	Industrial	Offices	Supermarkets	Reatil Warehouse	Shops	Hotel	Sheltered Housing	Extra Care
m2		1,500	500	5,000	4,000	4,000	150	1,620	4,752	4,118
Additional Profit		-933,396	-259,238	-2,150,266	1,066,262	162,670	-54,843	617,397	3,320,291	2,031,210
Residual Land Worth (APPROX)	Site	-774,096	-185,738	-1,482,766	2,789,762	1,358,170	34,257	932,897	3,740,291	2,451,210
Residual Land Worth (APPROX)	£/ha	-3,365,635	-1,857,379	-1,482,766	1,072,985	754,539	2,015,120	576	787	595
£/m2		-622	-518	-430	267	41	-366	381	699	493

Source: HDH 2013

Conclusions

We take this opportunity to stress again that the results in themselves to do not determine policy. We have discussed the consequences of these results in Chapter 12 and the ability for development types to bear CIL in Chapter 13.

12. Viability of the Local Plan

12.1 This document sets out the methodology used, the key assumptions adopted, and the results, and has been prepared to assist the Council with the assessment of the viability of the Land Allocations DPD. The NPPF, the CIL Guidance and the Harman Viability Guidance requires stakeholder engagement – particularly with members of the development industry. Extensive and detailed consultation has taken place, and whilst there was not universal agreement, a broad consensus on most matters was achieved.

Cumulative Impact of Policies

12.2 In Chapter 10 we set out the results of a range of appraisals considering the impact on viability of individual policies and the different levels of developer contributions that residential development can bear. The purpose of this analysis is to inform the plan making process. As set out in Chapter 2 above, the NPPF introduced a requirement to assess the viability of the Local Plan and the impact on development of policies contained within it, stating:

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

12.3 This needs to be considered in relation to the fourth bullet point of paragraph 182 of the NPPF, which requires that the Plan is *effective*.

12.4 The other purpose of this analysis is to assess the 'effects' on development viability on the imposition of CIL. Regulation 14 of the CIL Regulations says:

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

12.5 It is clear from Table 12.1 (being a duplicate of Table 10.3 above) that most residential development is viable in the current market – although, as illustrated in Table 12.2 (being a duplicate of 10.4 above) some of the strategic sites are not able to bear all the infrastructure requirements and the full affordable housing targets. This is not a surprise, as set out in Chapter 4, Maldon District is an area of relatively strong house prices and through the consultation process the industry representatives were positive about the prospects generally.

Table 10.3 Base Appraisals. Residual Value compared to Viability Threshold Local Affordable Housing Requirement, £2,500/unit Developer Contribution					
			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	Larger Village	Althorne	550,000	660,000	480,114
2	Larger Village	Bradwell on Sea	50,000	410,000	428,867
3	Larger Village	Southminster	25,000	380,000	445,825
4	Larger Village	Mayland	50,000	410,000	544,783
5	Larger Village	Tollesbury	50,000	410,000	404,889
6	Larger Village	Wickham Bishops	50,000	410,000	1,434,131
7	Urban Infill	Maldon	550,000	660,000	7,424,207
8	Urban Infill	Maldon	1,000,000	1,200,000	34,918
9	Larger Village	North Fambridge	25,000	380,000	579,954
10	Town Edge	Burnham on Crouch	50,000	410,000	1,120,630
11	Smaller Village	Purleigh	50,000	410,000	1,157,586
12	Smaller Village	Little Totham	50,000	410,000	260,630
13	Smaller Village	Woodham Walter	50,000	410,000	1,268,411
14	Smaller Village	Woodham Mortimer	50,000	410,000	1,056,289

Note: No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy. Source: HDH 2013

Table 10.4 Base Appraisals. Residual Value compared to Viability Threshold 40% Affordable Housing, Full Infrastructure Requirement					
			Alternative Use Value	Viability Threshold	Residual Value
			£/ha	£/ha	£/ha
1	North Heybridge MP	Heybridge	25,000	330,000	336,660
2	H1 BS1 BS2 H4 Heybridge	Heybridge	25,000	330,000	317,407
3	South Maldon MP	Maldon	25,000	330,000	397,219
4	M2 West Maldon	Maldon	25,000	330,000	489,562
5	Burnham on C	Burnham on Crouch	25,000	330,000	277,370
6	B1 B2 B4 Burnham	Burnham	25,000	330,000	263,901
7	F3 F4 Fambridge	Fambridge	25,000	330,000	341,763
8	Latchingdon	Latchingdon	25,000	330,000	272,289
9	Southminster	Southminster	25,000	330,000	213,912

Note: No differentiation has been made as to whether the infrastructure is delivered via a s106 agreement or under CIL, the assessment is of the site's total ability to bear this level of cost. In due course a decision can be made as to the most appropriate CIL/s106 strategy. Source: HDH 2013

12.6 Generally we can conclude that the *cumulative impact* of policies will not put the residential development in the District at *serious risk*.

12.7 The above findings are consistent with those of the Maldon District Council Viability Study (Three Dragons, 2010), in that they also show that sites in the western part of the District can sustain higher levels of affordable housing than those in the east. The affordable housing targets as currently drafted are deliverable in the absence of higher levels of developer contributions – however if the Council wish to proceed with CIL then it will be necessary to review these affordable housing requirements in some areas.

12.8 Having said this, not all the strategic sites are viable on the basis that we have tested them. They would be able to bear a 20% affordable housing and the full tested level of infrastructure (delivered through CIL or s106), but not the 40% target as currently sought. However, it is important to note that the infrastructure requirements are likely to be an overstatement of the actual requirement. Each site has been looked at in isolation. Should multiple sites come forward – for example in Maldon the highways and education costs can be shared over several sites. In addition, there is some concern about the basis of the education requirements figures. The figures tested are based on standard Essex County Council calculators that do not appear to fully take into account the District's ageing population and the objectively assessed need for housing set out in the Essex Demographic Forecasts Phase 4 (Edge Analytics, 2013) and a recent SHMA update (DCA, 2012) that indicated very little change in the numbers of children of school age over the plan period.

12.9 In this regard we draw particular attention to the second paragraph on page 23 of the Harman Guidance and paragraph 34 of the April 2013 CIL Guidance that says:

Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability. (page 23 Harman Guidance)

In some cases, charging authorities could treat a major strategic site as a separate geographical zone where it is supported by robust evidence on economic viability. (CIL Guidance Paragraph 34)

12.10 The results in relation to employment uses are not so positive – but are reflective of the current difficult market. It can be concluded that the cumulative impact of the policies within the draft LDP does not threaten or put the Plan at risk, because it imposes very little policy burden on these development types. It is not the Council's policies that render them unviable – it is a factor of the current very difficult economic climate. This sets the Council a real challenge when it comes to showing that the Plan is deliverable. MDC, in its capacity as a Planning Authority and CIL Charging Authority is not a developer and can only provide an environment conducive for development. This is particularly difficult at a time of budgetary constraint.

12.11 The Council will need to show that it is doing what it can to facilitate development throughout the economic cycle. The Council has a range of existing and emerging initiatives in this regard, although it must be noted that in the current economic climate there is little government money to provide such help. These initiatives include:

a. Being an active partner in the Local Enterprise Partnership (LEP) to secure any available external funding to the priority areas.

b. Through using CIL to ensure that employment uses are likely to come forward over the Plan period though funding infrastructure required to facilitate such development.

c. Using CIL, other developer contributions and publicly owned land to enable high quality employment space to continue to be developed.

12.12 What is clear is that the cumulative impact of the draft LDP policies do not have an adverse impact on the delivery of housing.

Next Steps

12.13 The recommendations in this study are ‘a consultant’s view’ and do not reflect the particular priorities and emphasis that Maldon District Council may put on different parts of its development plan.

12.14 We stress that the information in this report is an important element of the assessment of deliverability – but is only one part of the evidence; the wider context needs to be considered.

13. Setting Community Infrastructure Levy

13.1 The findings of this report do not determine the rates of CIL, but are one of a number of factors that the Council may consider when setting CIL. In setting CIL there are three main elements that need to be brought together:

a. Evidence of the Infrastructure Requirements

b. Viability Evidence

c. The input of stakeholders

13.2 In this Chapter we have set out some of the factors that the Council may consider when deciding whether or not to introduce CIL and deciding at what level to set it. It is beyond the scope of this study to set the rates of CIL – that will take place following the preparation of the Preliminary Draft Charging Schedule and the input of elected members. The Council will need to consider a wide range of factors including those set out below. It is beyond the scope of our instructions to consider the infrastructure evidence.

13.3 In setting CIL, the Council will have to weigh up various policy priorities – particularly those that are 'paid' for and delivered by the development industry. The payment of CIL, the delivery of affordable housing, and the construction of development to improved environmental standards are all costs to a developer and closely related. If a council wishes to introduce a new charge such as CIL, or increase an existing requirement on developers, there will be a knock on effect on the other requirements. A council that puts different weight and importance on one requirement – say the delivery of affordable housing – is likely to set CIL at a different rate to a council that puts less weight on affordable housing.

Regulations and Guidance

13.4 A detailed commentary is given to the CIL Regulations and CIL Guidance at the start of this report, however it is useful to revisit these at this stage. Regulation 14 sets out the context for setting the rates of CIL – the relevant parts say:

Setting rates

(1) In setting rates (including differential rates) in a charging schedule, a charging authority must aim to strike what appears to the charging authority to be an appropriate balance between—

(a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and

(b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

13.5 This is expanded on in paragraph 8 of the CIL Guidance:

The Community Infrastructure Levy regulations place this balance of considerations at the centre of the charge-setting process. In meeting the requirements of regulation 14(1), charging authorities should show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant Plan and support the development of their area. As set out in the National Planning Policy Framework in England, the ability to develop viably the sites and the scale of development identified in the Local Plan should not be threatened.

13.6 At present the requirement in paragraph 8 of the Guidance is only guidance, however, it is noteworthy that under recently completed consultation to the changes to the CIL Regulations there is a proposal to embody this in the regulations and thus make it a requirement.

13.7 There is considerable scope to introduce different strategies for setting CIL. It may be that, for example, a council wants to maximise CIL so as to fund infrastructure that it is going to procure and deliver. Alternatively a council may set CIL at a lower level so that the responsibility of delivery is left (through the s106 regime or under s278 agreements[29]) to the developer. It is not for the CIL Examiner to question how the Charging Authority has struck the balance and set CIL – unless the Development Plan, as a whole is threatened. This is set out in paragraph 10.

10. The examiner should be ready to recommend modification or rejection of the draft charging schedule if it threatens delivery of the relevant Plan as a whole.

13.8 It is important to note that, without CIL to pay for infrastructure, the Development Plan may be put at risk and as set out above the hurdle to '*show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant Plan and support the development of their area*' is a high one.

13.9 The CIL Regulations and the CIL Guidance are clear and well set out, however over recent months a number of uncertainties have come to light. Few Charging Schedules are in place[30] and there is not yet a large body of CIL Examination reports and legal decisions in place to clarify the areas of uncertainty. There are two particular matters that are relevant to this study: differential rates and charging zones.

[29] Section 278 agreements under the Highways Act are legally binding agreements between the Local Highway Authority and the developer to ensure delivery of necessary highway works. Currently, the limitations on planning obligations in CIL Regulation 123 do not apply to section 278 agreements. Authorities can combine both section 278 and CIL to fund improvements to the road network and local authorities can enter into unlimited section 278 agreements for the same piece of road infrastructure. There are no current arrangements for the relationship between section 278 agreements and the levy to be visible or regulated in the same way as planning obligations.

The government, through DCLG, are considering whether it is right for section 278 agreements to be required for projects which are included on the list of infrastructure and intended to be funded through the levy, and whether this could result in unreasonable requirements on developers.

[30] Just 19 at the time of this report,

Differential Rates

13.10 As we set out in Chapter 2, CIL Regulation 13 gives the flexibility to charge variable rates by zone and development type, however there has been some uncertainty around the charging of differential rates. This follows the objection made by supermarket operator Sainsbury's to the Poole Charging Schedule. We recommend that the Charging Authorities adopt the definitions set out by Geoff Salter in his report following his examination of the Wycombe DC CIL Charging Schedule (September 2012). These are:

> ***Superstores/supermarkets*** *are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit.*
>
> ***Retail warehouses*** *are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods) DIY items and other ranges of goods catering for mainly car-borne customers.*

Charging Zones

13.11 As set out in Chapter 10 viability does vary across the District. We recommend that consideration is given to separate CIL zones. This is explained further under the heading of Viability Evidence below. If the Council decides to follow this advice, then the CIL Regulations require that such Zones are plotted on an Ordnance Survey plan.

New Regulations and Guidance

13.12 This Viability Study has been prepared in line with current CIL Guidance and the CIL Regulations, best practice, and the various other sources of relevant guidance. It may be necessary to revisit the CIL setting process in the light of any new Regulations or Guidance. At the time of writing this report DCLG have just undertaken a consultation on potential changes to the CIL Regulations. As new Regulations are introduced and new guidance published it may be necessary for the Council to reconsider the approach to setting CIL.

CIL v s106

13.13 Councils are not required to introduce CIL – the use of CIL by local authorities is discretionary, so some authorities may continue to seek S106 contributions, and others will seek a combination of S106 contributions and CIL payments.

13.14 From April 2014[31] councils will be unable to pool S106 contributions from more than five developments[32]. This restriction will encourage councils to adopt CIL – particularly where

[31] DCLG has consulted on delaying this date to April 2015.

there are large items of infrastructure to be delivered that will relate to multiple sites. This restriction on pooling s106 will have the effect of bringing s106 tariff policies for items like open space, education and transport to an end.

13.15 It is important to note that councils that have adopted CIL will still be able to raise additional S106 funds for infrastructure, provided this infrastructure can be directly linked to the site-specific needs associated with the scheme in question, and that it is not for infrastructure specifically identified to be funded by CIL, through the 'Regulation 123 List'[33].

13.16 It is our firm recommendation that the Council gives careful consideration to preparing a Regulation 123 List and thus maintaining the option of agreeing further payments over and above CIL under the s106 regime (and s278 regime).

14. The charging authority should set out at examination a draft list of the projects or types of infrastructure that are to be funded in whole or in part by the levy. The charging authorities should also set out those known site-specific matters where section 106 contributions may continue to be sought. The principal purpose is to provide transparency on what the charging authority intends to fund in whole or part through the levy and those known matters where section 106 contributions may continue to be sought.

13.17 In this context we draw the Council's attention to Paragraphs 84 to 91 of the April 2012 CIL Guidance which supplement Paragraph 15. At present, under the Guidance, the requirement is for the charging authority to set out '*a list of the projects or types of infrastructure that are to be funded in whole or in part by the levy'*. This may become a requirement if the change suggested in the consultation on the CIL Regulations is implemented that is that the 123 List is prepared and set out at the time of the consultation on the Preliminary Draft Charging Schedule. We recommend that the Council sets out those items of infrastructure which it plans to include on its 123 list and consults stakeholders on its content.

13.18 According to Regulation 123(4) a Charging Authority's 123 list should include those infrastructure projects or types of infrastructure that it intends will be, or may be, wholly or partly funded by CIL. There are a range of infrastructure projects or types which could feature on the 123 list, ranging from social infrastructure (such as schools and health centres) to 'hard' infrastructure (such as flood defences) and transport. In considering which items to include on the Regulation 123 list, the charging authority will wish consider the other funding sources available, the fit with its s106 strategy (are there any major items which are best met through site-specific contributions), and how CIL can be most effective as part of its wider strategy to successfully meet local infrastructure needs.

[32] CIL Regulations 123(3)

[33] This is the list of the items that the Council will spend CIL payments on.

13.19 Key to bear in mind throughout formulating the infrastructure evidence base and the subsequent CIL and s106 strategy is that the infrastructure needs in question must be associated with development (not with pre-existing deficits), and that the examiner will be looking for evidence that the strategy for CIL and s106 will assist, and not hinder, delivery of the local plan.

Infrastructure Delivery

13.20 Under the current s106 regime, the delivery of site specific infrastructure largely falls to the developer of a site. If improvements to the infrastructure are required, then it is normally for the developer to procure and construct those items – albeit under the supervision of a council. The exception to this is in relation to education and public open space, where some councils have developed tariff systems for contributions to be made into a central ‘pot’ which is then spent across a general area.

13.21 The advantage of this current system is that the developer has control of the process and can carry out (directly or indirectly) improvements that are required to enable a scheme to come forward. By way of an example, these may be to provide a new roundabout and upgrade a stretch of road, and on a very big scheme, to provide community buildings – say a school. The developer carries all the financial and development risk associated with the process[34].

13.22 If the Council is to move to a system whereby CIL is set at the upper limit of viability the delivery of these infrastructure items will fall to the Council. The Council will need to consider the practicalities of this. Do they want to take responsibility for delivering infrastructure that is currently delivered by developers under the s106 regime, and if so, how they will manage and fund it? If the Council does not have a mechanism in place (that may involve borrowing monies), the LDP could be put at risk as consented schemes may not be able to proceed as the Council has not delivered the infrastructure.

13.23 As part of the process of working towards getting CIL in place, the Council is making an assessment of the infrastructure required to support new development. An important part of striking the balance as to what level of CIL to charge, may be around the nature of infrastructure and how it is to be delivered.

[34] It should be noted that there is some uncertainty around how the provision of infrastructure sits within the EU Procurement Rules and whether the provision of such items should be subject to competitive tendering. We recommend that the Council takes independent legal advice in this regard. The Government is aware of this uncertainty had has invited comments as part on the on-going (April 2013) consultation on the potential amendments to the CIL Regulations.

Uncertain Market

13.24 There is no doubt that the future of the British economy is uncertain. Various sources of data are shown in Chapter 4 above and there is an improved outlook, and, whilst the general fall in house prices seems to have stopped, there are still ups and downs. It is noticeable how low turnover (sales per month) is currently when compared to the peak of the market in 2007.

13.25 Confidence is low, and a new high level of CIL set close to the limits of viability, could have an adverse impact on development coming forward. Based on this and the guidance within the NPPF we recommend that a cautious approach is taken.

Neighbouring Authorities

13.26 The rates of CIL introduced by neighbouring local authorities are going to be a material factor when the Council comes to set its rates of CIL. A very high rate may be viable however if a neighbouring authority has set a low rate, then the LDP could be put at risk as developers may prefer to develop in an area with a lower rate of CIL.

13.27 At present none of the neighbouring councils have published any potential rates of CIL. To provide context we have set out in the following table the rates of CIL that have been or are being considered by councils with a similar median house prices. We have set out rates and median house prices for all councils that have published CIL rates in **Appendix 10**. In this table we have averaged councils' published rates of CIL across the various charging zones and applied this rate by assuming a typical $90m^2$ new build house. This is clearly a broad estimate however does provide wider context. In the first column we have shown the rank of each council when sorted by median house price. Maldon ranks 253rd out of 345 councils.

Table 13.1 Published rates of CIL (May 2013)				
Rank		Median Price	Typical CIL	
232	Hambleton	200,000	85	3.83%
236	Rushmoor	200,000	180	8.10%
241	Fareham	204,000	105	4.63%
242	Wiltshire UA	204,475	70	3.08%
243	Rutland UA	205,000	100	4.39%
247	South Northamptonshire	210,000	100	4.29%
250	Poole UA	210,000	108	4.64%
253	**Maldon**	**215,000**		
254	Watford	215,000	60	2.51%
255	Bexley	215,000	50	2.09%
257	Newham	219,000	60	2.47%
258	Chelmsford	220,000	125	5.11%
260	North Hertfordshire	220,000	100	4.09%
261	Croydon	220,000	60	2.45%
263	Bracknell Forest UA	224,950	132	5.27%

Source: Median Prices CLG Livetable 586 and CIL watch at www.planningresource.co.uk (May2013)

13.28 On average, across England and Wales the published (not necessarily adopted) residential CIL is just under 4.5% of median property values. In Maldon this would equate to about £9,675 per new dwelling or about £100/m^2.

S106 History

13.29 The Council mechanism for ensuring the delivery of affordable housing has responded to viability challenges by negotiating s106 contributions with developers.

13.30 As required by the CIL Guidance the Council will present evidence to the CIL Examination of details of their past track record in this regard. See **Appendix 1**. The Council's priority of seeking Affordable Housing is reflected in the fact that the Council has largely achieved its affordable housing targets and has not sought financial contributions. The lack of a good track record in achieving financial contributions should not be seen as an indication of poor viability – but an indication of the Council's and elected Members' priority to deliver affordable housing.

Costs of Infrastructure and Sources of Funding

13.31 The Council is in the process of examining and establishing the requirement for infrastructure to support new development and the costs of providing this. They have also considered the amounts of funding that may or may not be available from other sources though the LEP, New Homes Bonus and from Central Government, and through their own and ECC's resources. The Council has a funding gap, that is to say the cost of providing the infrastructure is more than the identified funding.

13.32 When the Council strikes the balance and sets the levels of CIL, the amount of funding required will be a material consideration as it may be that the delivery of the Plan is threatened in the absence of CIL to pay for infrastructure. However, it should be stressed that CIL should be set with regard to the effect of CIL on development viability.

13.33 There is no expectation that CIL should pay for all of the infrastructure requirements in an area. There are a range of other sources as set out above that are taken into account. The Council will need to consider the total amount of money that may be received through the consequence of development; from CIL, from s106 payments, and from the New Homes Bonus when striking the balance as to their level of CIL.

13.34 Bearing in mind the requirements of paragraph 8 of the CIL Guidance and as set out above, it is best practice (and may become a requirement if the change suggested in the consultation on the CIL Regulations is implemented) that the 123 List is prepared and set out at the time of the Consultation on the Preliminary Draft Charging Schedule. We recommend that the Council sets out those items of infrastructure for which it intends to use CIL in a draft 123 list and consults stakeholders on its content, illustrating how using CIL for these items will form part of its wider strategy for delivery of the Development Plan. In this regard MDC should set out the other available sources of funding, the role CIL will play and how these items of infrastructure will enable the Plan to be delivered.

13.35 This part of the process will be particularly important for MDC due the importance of the larger strategic sites in meeting the overall housing requirements. The council may, for example, put education (or some subset of it) on the 123 List and make provision for schools itself – or alternatively leave education off and seek that the developers of the large sites provide land and schools within their schemes. At this stage there is not sufficient information to advise in this regard.

13.36 When setting out the costs and other sources of funding, the Council will need to consider the amount that can be retained to cover the cost of administering CIL (5%) and the amount to be passed to local neighbourhoods (15% where there is not a Neighbourhood Plan, and 25% where there is) under the localism provisions as these will substantially reduce the monies available.

Viability Evidence

13.37 As set out earlier in this report the purpose of the viability evidence is not to set CIL, rather being to assess the effect of CIL on viability so an assessment can be made to ensure that CIL does not threaten delivery of the plan as a whole. It is inevitable that a new tax such as CIL will render some sites unviable – the question for the Council is whether the plan <u>as a whole</u> is rendered unviable.

13.38 As set out earlier in this report one of the outputs of our analysis is the Additional Profit. This is the profit over and above the developers' competitive return (20% on GDV) having purchased the land for the Existing Use Value plus an uplift to provide a competitive return to the land owner.

13.39 In the following tables we have shown the additional profit as £/m^2 of market housing – based on the assumption thatCIL will not be levied on affordable housing. In these results it is important to note that we have allowed for a £1,000 per unit (market and affordable) payment under s106 (over and above CIL) to cover site specific matters.

Table 13.2 Standard Modelled Sites Additional Profit. For variable affordable requirements

			Base		0%	20%	25%	30%	35%	40%
1	Larger Village	Althorne	**-81**		80	-40	-81	-128	-178	-241
2	Larger Village	Bradwell on Sea	**38**		167	70	38	1	-36	-86
3	Larger Village	Southminster	**75**		197	105	75	40	0	-47
4	Larger Village	Mayland	**149**		369	287	259	227	191	149
5	Larger Village	Tollesbury	**29**		255	170	142	110	73	29
6	Larger Village	Wickham Bishops	**578**		723	669	651	630	606	578
7	Urban Infill	Maldon	**374**		568	495	471	443	411	374
8	Urban Infill	Maldon	**-600**		-87	-280	-344	-417	-502	-600
9	Larger Village	North Fambridge	**204**		423	341	314	283	247	204
10	Town Edge	Burnham on Crouch	**335**		451	385	362	335	305	269
11	Smaller Village	Purleigh	**527**		689	627	607	586	559	527
12	Smaller Village	Little Totham	**-50**		350	201	150	93	27	-50
13	Smaller Village	Woodham Walter	**484**		633	578	559	538	513	484
14	Smaller Village	Woodham Mortimer	**506**		674	610	588	566	538	506

Source: HDH 2013

Table 13.3 Non-Residential Additional Profit		
	Green Field	Brownfield
Industrial - Large	-420	-622
Industrial - Small	-334	-518
Offices	-164	-430
Supermarkets	724	267
Retail Warehouse	301	41
Shops		-366
Hotel	481	381
Sheltered Housing		699
Extra Care		493

Source: HDH, 2013

13.40 Based on the results of the calculations of the Additional Profit above we would recommend that CIL is set at no more than the following rates (these are not recommended rates) for the non-strategic sites. It should be noted that should the Council look towards adopting any strategy other than delivering all the infrastructure requirements through CIL themselves and not making any significant use of s106 payments in the future CIL will need to be set at well below these rates if the delivery of development is not to be threatened.

Table 13.4 Maximum rates of CIL assuming de-minimus use of s106		
Development Type	**Maximum Rate of CIL**	
Residential – Higher Value areas: Wickham Bishops, Little Braxted, Great Braxted, Great Totham, Little Totham, Goldhanger, Tolleshunt D'Arcy, Tolleshunt Major, Tolleshunt Knights, Tollesbury, Maldon, Langford, Heybridge, Ulting, Woodham Walter, Woodham Mortimer, Mundon, Purleigh, Cold Norton, Stow Maries, North Fambridge, Latchingdon, Althorne, Mayland	With 30% affordable	£90/m^2
	With 40% affordable	£50/m^2
Residential – All other areas but excluding urban areas.	With 30% affordable	£0/m^2
	With 20% affordable	£50/m^2
Residential – Within urban areas	£0/m^2	
Residential – Strategic Sites	To be treated separately	
Supermarkets and Retail Warehouse	£200/m^2	
Hotels	£200/m^2	
Sheltered Housing	£200/m^2	
Extra Care	£200/m^2	
All other development	£0/m^2	

Source: HDH 2013

13.41 We do not believe that it is appropriate to suggest a maximum rate of CIL for the strategic sites. As set out earlier in this report, we recommend that the Council carry out further work to clarify the actual infrastructure requirements on these sites and then engage with the site promoters to agree the most appropriate strategy for delivering that infrastructure. It is likely that this will be based on a relatively low rate of CIL and the delivery of specific infrastructure items through s106.

Instalment Policy

13.42 CIL Regulation 69 sets out when CIL is payable. This is summarised as follows:

Table 13.5 Payment of CIL	
Equal to or greater than £40,000	Four equal instalments at the end of the periods of 60, 120, 180 and 240 days from commencement
£20,000 and less than £40,000	Three equal instalments at the end of the periods of 60, 120 and 180 days from commencement
£10,000 and less than £20,000	Two equal instalments at the end of the periods of 60 and 120 days from commencement
less than £10,000	In full at the end of the period of 60 days from commencement

Source: CIL Regulation 123

13.43 The 2011 amendment to CIL Regulation 32F[35] introduced at 69B, allows the ability for Charging Authorities to adopt an Instalment Policy. If an Instalment Policy is not adopted then payment is due as set out in the table above. To require payment, particularly on large schemes in line with the above, could have a dramatic and serious impact on the delivery of projects.

13.44 It is our firm recommendation that the Council introduces an instalment policy. Not to do so could put the LDP at serious risk. The modelling in this study is on the basis that the Council does introduce an instalment policy that enables CIL to be paid through the life of a project.

A Strategy for Setting CIL

13.45 In setting CIL, the Council will need to weigh up a wide range of information – including the viability evidence. Our recommended strategy for setting CIL is to set CIL well within the limits of viability and develop a Regulation 123 list which reflects a considered approach to how CIL and s106 contributions can deliver infrastructure in the future. This will reflect the

[35] SI 2011 No. 987 COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) Regulations 2011. *Made 28th March 2011 Coming into force 6th April 2011*

current uncertain market. Importantly this will also allow the developers to maintain control of the delivery of infrastructure for large sites – thus giving more certainty of delivery.

13.46 The limited Regulation 123 List will enable the Council to develop and implement a strategy of further site specific s106 payments.

13.47 This advice is pragmatic and will ensure that the Development Plan is delivered. The ability of the Council to achieve its affordable housing target is varied. If a higher rate of CIL was charged, then even less affordable housing would be delivered, thus putting the LDP at risk.

13.48 This approach will maximise the overall contribution of developers but allow the flexibility to negotiate on a site-by-site basis. CIL will be paid on all viable sites, and then the Council will be able to ensure that each site contributes to the maximum possible extent – be that through s106 payments, or through the delivery of affordable housing.

Review and revision

13.49 Due to the uncertain market we recommend that any rates of CIL are reviewed every three years or if house prices change by more than 10% from the date of this study.

13.50 Further we stress that this study has been carried out on the basis that the units will be built to Part L of the current Building Regulations and to CfSH Level 4. There is uncertainty about the increase in these levels. Should these standards be increased it will be necessary to review these rates.

Recommended Rates

13.51 The final part of this study is to recommend rates of CIL. These are set out below and are a consultant's view. These are proposed at a level that development sites will continue to be required to meet their own, site specific, infrastructure and mitigation costs and at a level that the Council will achieve the full implementation of its affordable housing targets. CIL set at these levels will enable the continued use of s106 to meet infrastructure requirements on a site by site basis.

Table 13.6 Recommended rates of CIL		
Development Type	**Maximum Rate of CIL**	
Residential – Higher Value areas: Wickham Bishops, Little Braxted, Great Braxted, Great Totham, Little Totham, Goldhanger, Tolleshunt D'Arcy, Tolleshunt Major, Tolleshunt Knights, Tollesbury, Maldon, Langford, Heybridge, Ulting, Woodham Walter, Woodham Mortimer, Mundon, Purleigh, Cold Norton, Stow Maries, North Fambridge, Latchingdon, Althorne, Mayland	With 30% affordable	£70/m^2
	With 40% affordable	£40/m^2
Residential – All other areas but excluding urban areas.	With 30% affordable	£0/m^2
	With 20% affordable	£40/m^2
Residential – Within urban areas	£0/m^2	
Residential – Strategic Sites	To be treated separately	
Supermarkets and Retail Warehouse	£150/m^2	
Hotels	£150/m^2	
Sheltered Housing	£150/m^2	
Extra Care	£150/m^2	
All other development	£0/m^2	

Source: HDH, 2013

13.52 It is important to note that not all development will be able to bear these rates of CIL – some sites are likely to be rendered unviable. The rates have been set to ensure the continued development of residential property and most importantly (as the Council puts considerable weight on its importance) that the development of employment space is not deterred in any way, and critically to ensure that the Development Plan is not threatened as a whole.

Next Steps

13.53 The recommendations in this study are 'a consultant's view' and do not reflect the particular priorities and emphasis that Maldon District Council may put on different parts of its Development Plan. The above suggested rates are supported by the evidence – however there is considerable scope for the Council to strike a different balance.

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

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

The main areas of expertise are:

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

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