CONSULTATION DRAFT

Financial Viability Assessment Report

Local Plan and CIL Viability Assessment

City of Bradford Metropolitan District Council

August 2019

Quality Assurance

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Limitation

Aspinall Verdi

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Non-Technical Summary

ES 1 This report is a working draft document published as part of the preferred option consultation stage of the Core Strategy Partial Review (CSPR). It sets out details of our methodology and assumptions for consultation and industry feedback. Once we have reviewed any feedback, we will complete the appraisal process and publish the findings and our recommendations. This work in progress is highlighted in yellow herein.

ES 2 AspinallVerdi has been appointed by City of Bradford Metropolitan District Council (COBMDC) to provide financial viability advice in respect of the Council's Core Strategy Partial Review (CSPR) and the current CIL Charging Schedule.

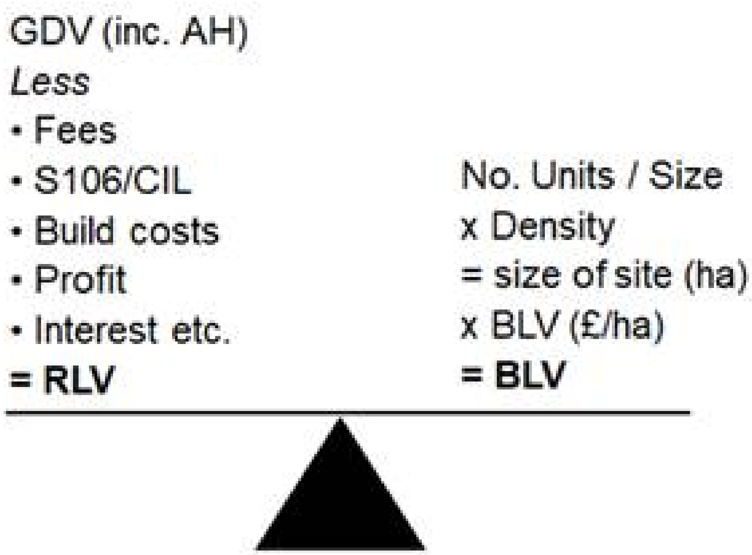
ES 3 Our financial viability appraisal has been carried out having regard to the various statutory requirements comprising primary legislation, Statutory Regulations and guidance – including: the revised National Planning Policy Framework (NPPF)/Planning Practice Guidance (PPG) (May 2019) (see section 2).

ES 4 Note that a separate viability report relates to strategic-sites. This report is in respect of the hypothetical site and scheme typologies to inform the general CSPR policies.

ES 5 We have carried out a review of the market for development land and new build residential sales values in Braford District (see Appendices 3 and 4 respectively). We have also carried out a review of the commercial property market for retail and business (B1, B2 and B8) (Appendix 5 and 6 respectively).

ES 6 Our general approach is illustrated on the diagram below (Figure ES.1). This is explained in more detail in section 4 – Viability Assessment Method.

Figure ES.1 - Balance between RLV and BLV



Source: AspinallVerdi © Copyright

ES 7 We have carried out residual appraisals to establish the Residual Land Value (RLV). This is a traditional model having regard to: the gross development value (GDV) of the scheme; including Affordable Housing; and deducting all costs; including CIL; to arrive at the RLV. A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

ES 8 We have had regard to the cumulative impact of the Local Plan policies. The impact of each of the policies (either direct or indirect) is set out on the policies matrix (at Appendix 1).

ES 9 This is then compared to the Benchmark Land Value (BLV). The BLV is the price at which a landowner will be willing to sell their land for development and is derived from benchmark Existing Use Values (EUV) plus a premium (having regard to benchmark policy compliant Market Values), the size of the hypothetical scheme and the development density assumption.

ES 10 The RLV less BLV results in an appraisal 'balance' which should be interpreted as follows:

- If the 'balance' is positive, then the proposal / policy is viable. We describe this as being 'viable for plan making purposes' herein.
- If the 'balance' is negative, then the proposal / policy is 'not viable for plan making purposes' and the CIL and/or Affordable Housing policy should be reviewed.

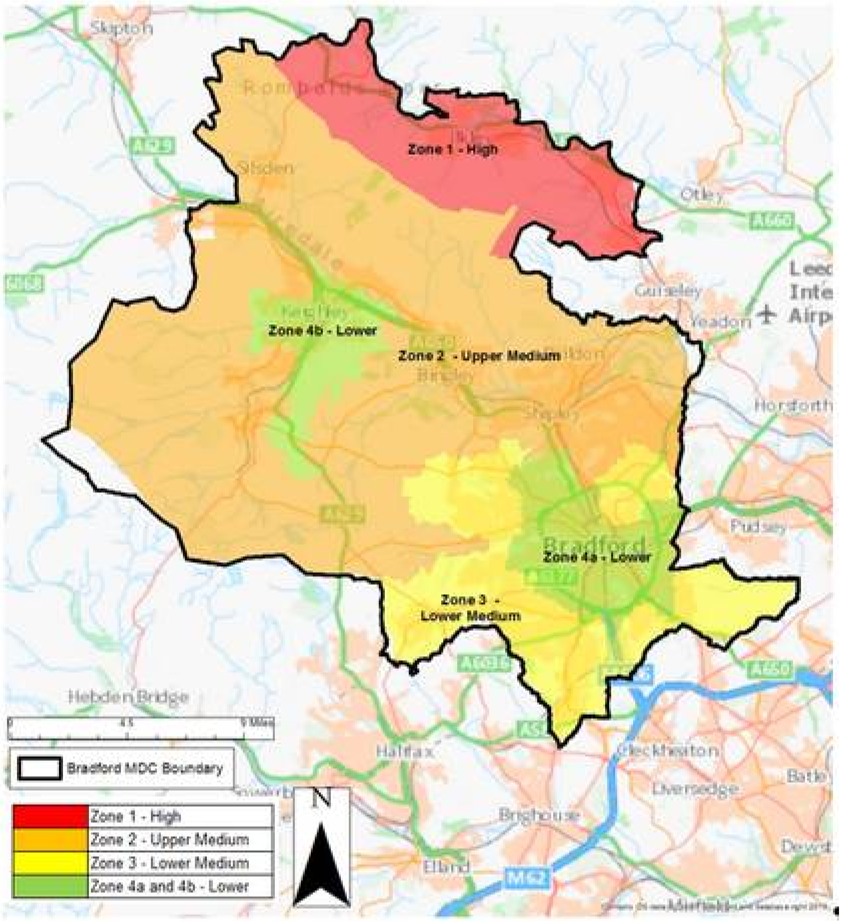
ES 11 In addition to the RLV appraisals and BLV analysis, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of viability and to appreciate the sensitivity of the appraisals to key variables such as: Affordable Housing %; infrastructure costs; density; BLV and profit; and, to consider the impact of rising construction costs. This is to de-emphasise the BLV in each typology and help consider viability 'in-the-round' i.e. in the context of sales values, development costs, contingency, developer's profit which make up the appraisal inputs.

ES 12 Our detailed assumptions and results are set out in sections 5 - 9 of this report together with our detailed appraisals which are appended. We have consulted on these assumptions both with industry stakeholders (in a workshop meeting 8th July 2019) and [Site Promotors, Council Members etc TBC (xx xxxxx 2019)]. In summary we make the following recommendations:

Residential Uses

ES 13 Based on our residential market research we recommend that the affordable housing zones and the CIL charging zones are both amended for consistency as illustrated on the map below. Zone 1 is the highest value zone, followed by zone 2 and zone 3. Zones 4a and 4b are the lowest value zones.

Figure ES1.1 - Housing Zone Map



Source: AspinallVerdi (2019)

ES 14 Based on the residential viability results, we recommend that:

ii [TBC]

Build-to-Rent Housing

ES 15 In addition to the above we make the following recommendations in respect of build-to-rent housing:

iii TBC]

Specialist Accommodation for Older People

ES 16 In addition to the above we make the following recommendations in respect of specialist accommodation for older people (C3 self-contained Supported Living typologies):

iv Age Restricted / Sheltered Housing …….
v Assisted Living / Extra-Care ……

Retail

ES 17 We have compared current values to the assumptions contained in the previous CIL study. We have also compared the change in values to the change in costs to determine whether there is any scope to change the CIL Charging Schedule for retail property.

ES 18 In summary, we found that [TBC] ………… as follows:

- [TBC]

ES 19 Note that the above rates should be the subject of indexation.

Commercial

ES 20 We have compared current values to the assumptions contained in the previous CIL study. We have also compared the change in values to the change in costs to determine whether there is any scope to change the CIL Charging Schedule for commercial property ('B' Use Classes).

ES 21 In summary, we found that viability has not increased significantly and therefore recommend that there should be no CIL on B Use Class (as is currently the case).

ES 22 We recommended that the CIL rate for commercial typologies remains, as existing, at £0.00 (nil) psm.

Best Practice

ES 23 In addition, we recommend that, in accordance with best practice, the plan wide/CIL viability is reviewed on a regular basis to ensure that the Plan/CIL remains relevant as the property market cycle(s) change.

ES 24 Furthermore, to facilitate the process of review, we recommend that the Council monitors the development appraisal parameters herein, but particularly data on land values across the District.

1 Introduction

1.2 AspinallVerdi has been appointed by City of Bradford Metropolitan District Council (COBMDC, the Council, the Local Planning Authority (LPA) as the context requires) to provide a Financial Viability Assessment (FVA) in respect of:

- the Council's Core Strategy Partial Review (CSPR)[1]; and
- the current CIL Charging Schedule[2].

1.3 The primary aim of the commission is to produce an up-to-date viability assessment, which will form a robust and sound evidence base for the CSPR, the production of the Allocations DPD and CIL review. The study will establish recommendations on the viability and delivery of strategic policies, development sites and CIL rates for the District to inform the preparation of the Local Plan.

1.4 In carrying out our review of the CSPR and CIL we have had regard to the cumulative impact on development of the Local Plan policies. The objectives of the commission are to:

- Review the existing CIL and Local Plan evidence.
- Establish a detailed methodology, using locally justified inputs and assumptions, for undertaking a broad viability assessment of Local Plan policies and CIL rates and potential development sites.
- Undertake a broad viability assessment to establish sound and justified recommendations on the viability of strategic Local Plan policies, CIL rates and potential development sites.
- Identify a sites typology and establish an approach for undertaking an evaluation of sites within the typology.
- Undertake detailed site-specific viability assessments to establish sound and justified recommendations on the viability and deliverability of strategic development sites.
- Ensure the work programme includes focused and meaningful stakeholder engagement.

1.5 This is to determine whether there is any scope to review the Affordable Housing targets (%) and CIL Charging Schedule in order to increase efficacy of the target and CIL rates to deliver affordable housing and to pay for infrastructure to support development across the District.

1.6 Please note that the viability assessment of the strategic development sites is contained within a separate report [to follow once these proposed allocations are known].

[1] Core Strategy Partial Review (CSPR), Preferred Options, Regulation 18 July 2019
[2] Community Infrastructure Levy, Charging Schedule - Approved by Full Council on 21 March 2017 - Charges Implemented on 1 July 2017; Under the Planning Act 2008 and Community Infrastructure Levy Regulations 2010 (as amended)

RICS Practice Statement

1.7 Our FVA has been carried out in accordance with the RICS Financial Viability in Planning: Conduct and Reporting Practice Statement (1st Edition, May 2019).

1.8 Our FVA has also been carried out in accordance with the RICS Financial Viability in Planning guidance (1st edition, guidance note, August 2012) having regard to the 2018/19 revisions to the National Planning Policy Framework (NPPF, July 2018 and February 2019) and the Planning Practice Guidance (PPG, July 2018, February 2019, May 2019). The RICS FVIP guidance is currently under review by an industry-wide steering group led by the RICS.

Objectivity, Impartiality and Reasonableness

1.9 We have carried out our review in collaboration with the Council as LPA and in consultation with industry (Registered Providers, developers and landowners). At all times we have acted with objectivity, impartially and without interference when carrying out our viability assessment and review.

1.10 At all stages of the viability process, we have advocated reasonable, transparent and appropriate engagement between the parties.

Conflicts of Interest

1.11 We confirm that we have no conflict of interest in providing this advice and we have acted independently and impartially.

1.12 AspinallVerdi is retained by COBMDC on the panel of advisors to review site-specific viability appraisals for decision making purposes.

1.13 We have also been commissioned indirectly by the Council to provide commercial property market support to PBA Stantec (to prepare an Employment Needs Assessment (July 2019)) and strategic delivery advice to BDP (to prepare a Business Development Zone strategy (July 2019)). These are all part of the Council's evidence base and do not constitute a conflict of interest.

Local Plan Reviewed

1.14 We have reviewed the City of Bradford Metropolitan District Council Core Strategy Partial Review (CSPR) Preferred Options, Regulation 18, July 2019 plan. We have also reviewed the current CIL Charging Schedule approved by Full Council on 21 March 2017 - Charges Implemented on 1 July 2017 as the baseline for the CIL costs. We have tested the cumulative impact of these policies in the context of the Local Plan and CIL.

1.15 The remainder of this report is structure as follows:

Section:	Contents:
Section 2 - National Planning Context	This section sets out the statutory requirements for the Local Plan and CIL viability including the NPPF, CIL Regulations and PPG website.
Section 3 - Local Planning Context	This section sets out the details of the existing evidence base and the Local Plan policies which will have a direct impact on viability. This section also includes details of the current CIL Charging Schedule.
Section 4 - Viability Assessment Method	This section describes our generic methodology for appraising the viability of development which is based on the residual approach as required by guidance and best practice.
Section 5 - 9	These sections summarise the evidence base, property market context, development monitoring and viability for each sector of the property market including residential, retail and commercial uses. See also the sector specific papers appended.
Section 10 - Conclusions and Recommendations	Finally, we make our recommendations in respect of the CSPR (Affordable Housing) and potential changes to the CIL Charging Schedule.

2 National Policy Context

2.1 Our financial viability appraisal has been carried out having regard to the various statutory requirements comprising primary legislation, planning policy, statutory regulations and guidance.

2.2 The new NPPF and updated viability PPG was first published in July 2018 and updated in February 2019 (and the PPG again in May 2019). We set out some observations below.

National Planning Policy Framework

2.3 The NPPF confirms the Government's planning policies for England and how these should be applied and provides a framework within which locally-prepared plans for housing and other development can be produced[3].

2.4 It confirms the primacy of the development plan in determining planning applications. It confirms that the NPPF must be taken into account in preparing the development plan, and is a material consideration in planning decisions[4].

2.5 It is important to note that within the new NPPF, paragraph 173 of the old NPPF has been deleted. The old paragraph 173 referred to viability and required '*competitive returns to a willing land owner and willing developer to enable the development to be deliverable'*.

2.6 The new NPPF refers increasingly to deliverability rather than viability as follows:

Development Contributions

2.7 Paragraph 34 states:

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

Planning conditions and obligations

2.8 Paragraph 57 states:

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

[3] National Planning Policy Framework, February 2019, para 1
[4] National Planning Policy Framework, February 2019, para 2

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

2.9 We understand that the Government's objective is to reduce the delays to delivery of new housing due to the site-specific viability process that was created as a result of the previous paragraph 173. Once a new Local Plan is adopted no site-specific viability assessment should be required (except in exceptional circumstances) and developers should factor into their land buying decisions the cost of planning obligations (including affordable housing) and CIL.

Planning Practice Guidance for Viability

2.10 The Planning Practice Guidance for Viability was first published in March 2014 and substantially updated at the same time as the NPPF in July 2018. This has subsequently been updated again in February 2019 and latterly May 2019.

2.11 The PPG paragraph 001 confirms that for viability and plan making:

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

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types or location of site or types of development.[5]

2.12 The PPG therefore confirms that Local Authorities can set different levels of CIL and/or affordable housing by greenfield or brownfield typologies.

2.13 The PPG addresses the question, *'how should plan makers and site promoters ensure that policy requirements for contributions from development are deliverable?'* It confirms that (paragraph 002):

It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are

[5] Paragraph: 001 Reference ID: 10-001-20190509, Revision date: 09 05 2019

policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan. Landowners and site purchasers should consider this when agreeing land transactions.[6]

2.14 In this respect we have carried out a stakeholder workshop to consult with industry (Registered Providers, developers and landowners) in respect of the cost, value and BLV assumptions and these assumptions have been published on the Council's website. [This draft document forms part of this consultation exercise and any feedback will be reflected in the final report].

2.15 Paragraph 005 of the PPG refers specifically to strategic sites:

It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.[7]

2.16 And, paragraph 006:

Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.

It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.

Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.[8]

[6] Paragraph: 002 Reference ID: 10-002-20190509, Revision date: 09 05 2019
[7] Paragraph: 005 Reference ID: 10-005-20180724, Revision date: 24 07 2018
[8] Paragraph: 006 Reference ID: 10-006-20190509, Revision date: 09 05 2019

2.17 [As noted above, the viability assessment of the strategic development sites is contained within a separate report to follow once these proposed allocations are known]

2.18 This reconfirms the guidance at paragraph 002. The RLV price paid for the site at the point of planning consent must be on a policy compliant basis.

2.19 The PPG also sets out standardised inputs to viability assessment. See also our detailed methodology and approach in section 4 in this respect.

2.20 Paragraph 010 of the PPG describes the principles for carrying out a viability assessment. It stated that, *'viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it'* […] '*in plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*'[9]

2.21 The PPG describes how the gross development value and costs should be defined for the purposes of viability assessment (Paragraphs 011 and 012).

2.22 Specifically, the PPG describes how land value should be defined for the purposes of viability assessment. In this respect the *'benchmark land value should be established on the basis of the* ***existing use value (EUV) of the land, plus a premium*** *for the landowner*.' (Paragraph 013)[10]

2.23 However, it is important to note that a paragraph 014 the PPG confirms that, '*market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners'*. And, '*this evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time*.' And, '*in plan making, the landowner premium should be tested and balanced against emerging policies'*.[11]

2.24 It is important that viability assessments are set within the context of the real estate market and that the BLV is not set too low so as to give a false impression of viability. Market evidence is

[9] Paragraph: 010 Reference ID: 10-010-20180724, Revision date: 24 07 2018
[10] Paragraph: 013 Reference ID: 10-013-20180724, Revision date: 24 07 2018
[11] Paragraph: 014 Reference ID: 10-014-20190509, Revision date: 09 05 2019

important in this context but we note that the PPG paragraphs 2, 4, 14 and 18 all state that the actual price cannot be used as a reason not to accord with plan policies.

2.25 The PPG defines EUV as follows:

(Paragraph 015) '[…] *EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types*.[12]

2.26 The PPG also defines the premium to the landowner:

(Paragraph 016) *'*

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

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the ***best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check*** *to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. […] Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).[13]* (our emphasis).

2.28 This is what we have done – see our commentary below in section 4 in respect of our detailed methodology and also our separate Land Value Review paper (Appendix 3).

2.29 Paragraph 017 of the PPG refers to alternative use value (AUV) for establishing benchmark land values. This is more at the decision-making stage as our site typologies herein are all for broadly defined uses.

2.30 Finally, the PPG also defines developer's return / profit for the purposes of viability assessment:

[12] Paragraph: 015 Reference ID: 10-015-20190509, Revision date: 09 05 2019
[13] Paragraph: 016 Reference ID: 10-016-20190509, Revision date: 09 05 2019

'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies.'[14]

2.31 In this respect we have provided sensitivities on the profit margin.

Planning Practice Guidance for CIL

2.32 There is a separate section of the PPG for CIL (Community Infrastructure Levy). The key guidance for our viability assessment is set out below. The CIL PPG guidance was first published in June 2014 and last updated in March 2019.

2.33 The '***levy is expected to have a positive economic effect*** *on development across a local plan area. When deciding the levy rates,* ***an appropriate balance must be struck*** *between additional investment to support development and the potential effect on the viability of developments'*.[15] (our emphasis)

2.34 In this respect, CIL **Regulation 14** requires that -

A charging authority must 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.[16]

2.35 Paragraph 018 state that, '*a charging authority should be able to explain how their proposed levy rate or rates will contribute towards new infrastructure to support development across their area. Charging authorities will need to summarise their economic viability assessment. Viability assessments should be* ***proportionate, simple, transparent*** *and publicly available in accordance with the viability guidance… This evidence should … [show] the potential effects of the proposed levy rate or rates on the economic viability of development across the authority's area'*[17] – hence this report(s).

2.36 Paragraph 019 states that, *'a charging authority must use* ***'appropriate available evidence'*** *(as defined in the section 211(7A) of the Planning Act 2008) to inform their draft charging schedule. The Government recognises that the available data is* ***unlikely to be fully comprehensive.***

[14] Paragraph: 018 Reference ID: 10-018-20190509, Revision date: 09 05 2019
[15] Paragraph: 009 Reference ID: 25-009-20190315, Revision date: 15 03 2019
[16] The Community Infrastructure Levy Regulations 2010, 6 April 2010 under section 222(2)(b) of the Planning Act 2008 Regulation 14
[17] Paragraph: 018 Reference ID: 25-018-20190315 Revision date: 15 03 2019

Charging authorities need to demonstrate that their proposed levy rate or rates are ***informed by 'appropriate available' evidence and consistent with that evidence across their area*** *as a whole*. [18] (our emphasis)

'In addition, a charging authority should directly sample an appropriate range of types of sites across its area, in line with planning practice guidance on viability. This will require support from local developers'[19].

'Charging authorities that decide to set ***differential rates*** *may need to undertake more fine-grained sampling, on a higher proportion of total sites, to help them to estimate the boundaries for their differential rates. Fine-grained sampling is also likely to be necessary where they wish to differentiate between categories or scales of intended use.'* [20] (our emphasis)

'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be ***appropriate to ensure that a 'buffer' or margin is included****, so that the levy rate is able to support development when economic circumstances adjust'*. [21] (our emphasis)

2.37 Paragraph 21 confirms that, '*the regulations allow charging authorities to apply* ***differential rates*** *in a flexible way, to help ensure the viability of development is not put at risk'*. And, *'differential rates should not be used as a means to deliver policy objectives'*.

'*Differential rates may be appropriate in relation to -*

- *geographical zones within the charging authority's boundary*
- ***types*** *of development; and/or*
- *scales of development'*. [22] (our emphasis)

2.38 It is important to note that the CIL Regulations refer to 'use' here rather than 'type' of development. Regulation 13 states that –

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.*

(c) by reference to the intended gross internal area of development;

[18] Paragraph: 019 Reference ID: 25-019-20190315 Revision date: 15 03 2019
[19] Paragraph: 019 Reference ID: 25-019-20190315 Revision date: 15 03 2019
[20] Paragraph: 019 Reference ID: 25-019-20190315 Revision date: 15 03 2019
[21] Paragraph: 019 Reference ID: 25-019-20190315 Revision date: 15 03 2019
[22] Paragraph: 021 Reference ID: 25-021-20190315 Revision date: 15 03 2019

(d) by reference to the intended number of dwellings or units to be constructed or provided under a planning permission.[23]

2.39 This is important, because development on brownfield land could be considered a 'type' of development, but it is not a 'use'. Paragraph: 022 Reference ID: 25-022-20140612 refers to *'How can rates be set by type of use?'* This states that, '*the definition of "use" for this purpose is not tied to the classes of development in the Town and Country Planning Act (Use Classes) Order 1987'.*

2.40 Given the increasing emphasis in the NPPF and PPF on certainty in respect of policy obligations; innovation in respect of best practice[24]; and the wisdom of bringing Local Plan and CIL viability reviews into synchronisation, we consider that there is scope to differentiate CIL by greenfield and brownfield (previously developed land) typologies based on the evidence (herein).

2.41 Paragraph 021 goes on, '*a charging authority that plans to set differential rates should seek to* ***avoid undue complexity.*** *Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development. Charging authorities may wish to consider how any differential rates appropriately reflect the viability of the size, type and tenure of housing needed for different groups in the community, including accessible and adaptable housing, as set out in the National Planning Policy Framework. Charging authorities should consider the views of developers at an early stage'*.[25] (our emphasis)

'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area. The same principle should apply where the evidence shows similarly low viability for particular types and/or scales of development'.[26]

2.42 Strategic sites are the subject of a separate viability assessment report [to follow]. However, the working assumption is that these sites will mitigate their own harm through S106 and not contribute through CIL (£0 psm zone(s)). This is to ensure that there is no 'double-dipping' of contributions.

[23] The Community Infrastructure Levy Regulations 2010 and (Amendment) Regulations 2014
[24] See http://www.aspinallverdi.co.uk/blog/2013/cil5-the-impact-of-cil-on-brownfield-v-greenfield-sites
[25] Paragraph: 021 Reference ID: 25-021-20190315 Revision date: 15 03 2019
[26] Paragraph: 021 Reference ID: 25-021-20190315 Revision date: 15 03 2019

3 Local Policy Context

3.1 COBMDC is the Local Planning Authority for Bradford. The current statutory development plan for the District is the Bradford Core Strategy (2017).

3.2 The Bradford Core Strategy establishes the strategic planning framework for the Bradford District, which includes the setting of strategic policies to guide future growth and development to 2030. The Core Strategy was adopted by Bradford Council on 18 July 2017. The Council have also undertaken consultation on the Allocations DPD Issues and Options in May 2016, which set out the key issues for each part of the District and contained lists of potential development sites.

3.3 Following the publication of the Housing White Paper in March 2018; the consideration of the Governments standardised methodology for the calculation of housing need; and, in light of changes to the National Planning Policy Framework and National Planning Practice Guidance (see section 2 above), the Council has taken the decision to undertake a partial review of the Core Strategy (CSPR) which will be twin tracked with the Site allocations DPD.

3.4 The Council has also adopted a CIL Charging Schedule for the District on the 21 March 2017, and the charges were implemented across the District from 1st July 2017. At the examination of the Bradford CIL Charging Schedule, the CIL Examiner recommended that the Council should undertake an early review of the CIL rates following adoption of the Charging Schedule.

3.5 Our viability assessment is therefore timely to inform the emerging CSPR polices and align with the CIL review.

3.6 In order to appraise the CSPR and the CIL Charging Schedule we have reviewed the cumulative impact of the policies in the Local Plan. We have analysed each of the policies contained within the CSPR and the current CIL Charging Schedule in order to determine which policies have a direct or indirect impact on development viability. Those policies with a direct impact on viability have been factored into our economic assessment below. Those policies with an indirect impact have been incorporated into the viability study indirectly through the property market cost and value assumptions adopted.

3.7 It is important to note that all the policies have an indirect impact on viability. The current Bradford Core Strategy (2017) and CIL Charging Schedule set the current 'framework' for the property market to operate within. All the policies have an indirect impact on viability through the operation of the property market and via site allocations which shape supply over time (the price mechanism). The real estate market will also have to adjust to changes to the emerging planning policy through the CSPR and CIL update.

Bradford Core Strategy Partial Review, Preferred Options

3.8 We have reviewed the Bradford Core Strategy Partial Review (CSPR), Preferred Options, Regulation 18, July 2019 plan.

3.9 A detailed matrix of all the planning policies is appended (see Appendix 1 – Policies Matrix), and this outlines how the directly influential policies have both shaped the typologies appraised and the assumptions adopted within the appraisals. We highlight the directly influential policies below.

3.10 The policies considered to have a direct influence on viability are:

- Strategic Core Policy SC6: Green Infrastructure
- Strategic Core Policy SC10: Creating Healthy Places
- Policy HO5: Density of Housing Schemes
- Policy HO6: Maximising the use of Previously Developed Land
- Policy HO8: Housing Mix
- Policy HO9: Housing Quality
- Policy HO11: Affordable Housing
- Policy EN1: Protection and improvements in provision of Open Space and Recreation Facilities
- Policy EN2a: Biodiversity and Geodiversity
- Policy EN3: Historic Environment
- Policy EN7: Flood Risk
- Policies WM1 and WM2: Design
- Policy ID2: Viability
- Policy ID3: Developer Contributions

3.11 A detailed analysis of these and all the policies, together with our response in terms of this economic assessment, is set out in the policies matrix appended (see Appendix 1 – Policies Matrix).

Existing Community Infrastructure Levy Charging Schedule

3.12 The Bradford District Community Infrastructure Levy (CIL) Charging Schedule came into effect on 1 July 2017[27].

3.13 The Council's charging rates are set out in Table 3.1 below.

Table 3.1 - COBMDC Initial CIL Charging Rates

Type of Development	Charging Schedule CIL Charging Rates (per sq. m)
Residential- Zone 1 (C3)[1]	£100
Residential - Zone 2 (C3)[1]	£50
Residential - Zone 3 (C3)[1]	£20
Residential - Zone 4 (C3)	£0
Retail warehousing[2] - Central Bradford	£85
Large Supermarket (>2000 sq m)	£50
All other uses not cited above	£0
[1] Excludes specialist older persons' housing (also known as Sheltered/Retirement/Extra Care) defined as residential units which are sold with an age restriction typically to the over 50s/55s with design features, communal facilities and support available to enable self-care and independent living. [2] Retail warehouses are usually large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods. They can be stand-alone units, but are also often developed as part of retail parks. In either case, they are usually located outside of existing town centres and cater mainly for car-borne customers. As such, they usually have large adjacent, dedicated surface parking.	

Source: Bradford District Community Infrastructure Levy (CIL) Charging Schedule, 1 July 2017

3.14 It is important to note that the above CIL rates have been the subject of indexation. The current CIL rates are set below.

[27] Community Infrastructure Levy Charging Schedule, Approved by Full Council on 21 March 2017, Charges Implemented on 1 July 2017 under the Planning Act 2008 and Community Infrastructure Levy Regulations 2010 (as amended)

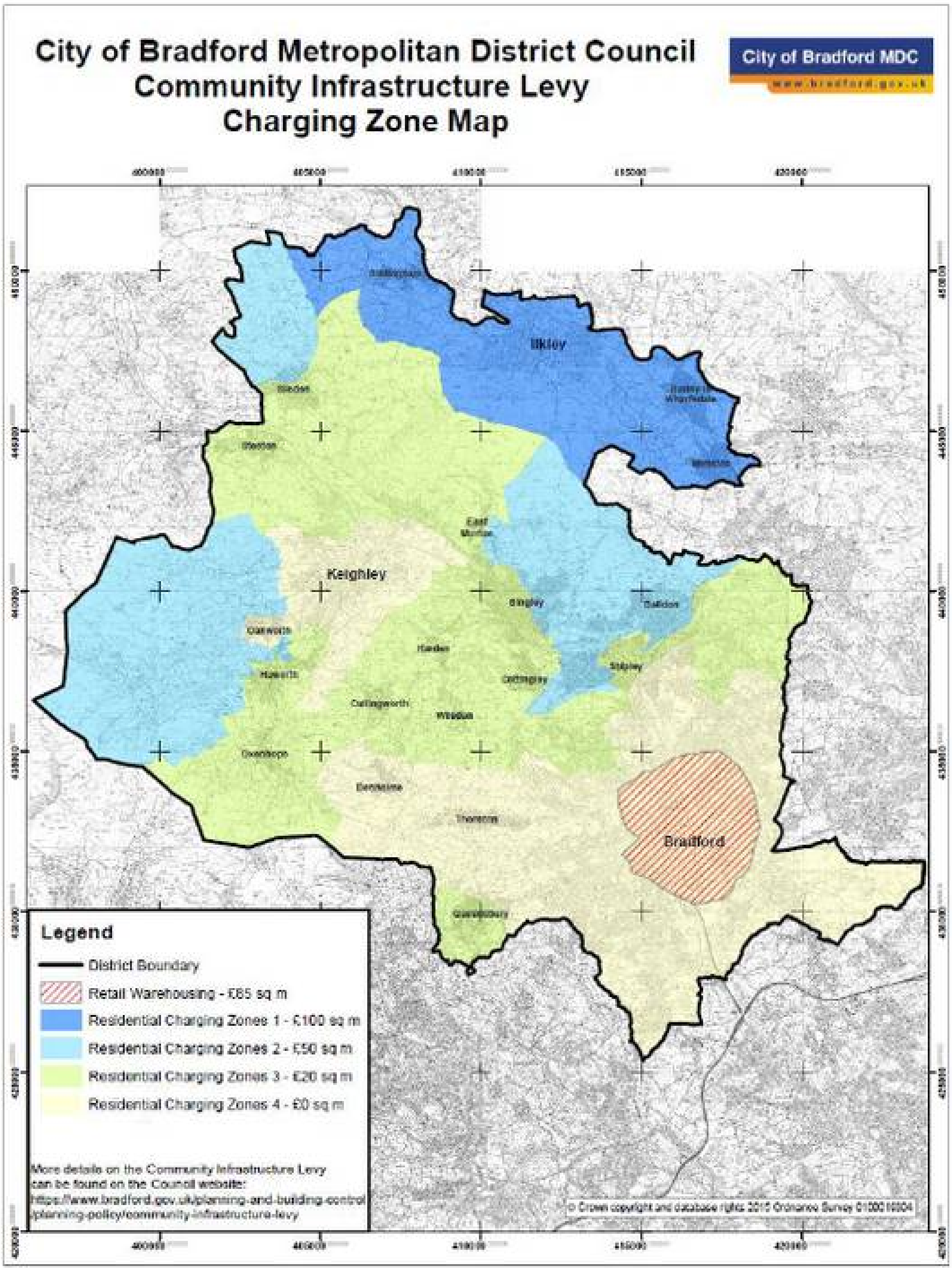
Table 3.2 - Current CIL Charging Schedule

Use of Development	CIL Rate (£ per sq m)	2019 CIL Charge plus Indexation (£ per sq m)
Residential Zone 1	100	111.19
*Residential Zone 2	50	55.59
*Residential Zone 3	20	22.24
*Residential Zone 4	0	0
Retail Warehouses (central Bradford)	85	94.51
Large supermarket (>2000 sqm)	50	55.59
All other uses £0	0	0

Source: https://www.bradford.gov.uk/media/5153/bradford-community-infrastructure-levy-2019-indexation-note-web-approved.pdf

3.15 The aforementioned zones are illustrated on the following map (Figure 3.1).

Figure 3.1 - COBMDC CIL Charging Zones Map



Source: Bradford District Community Infrastructure Levy (CIL) Charging Schedule, 1 July 2017

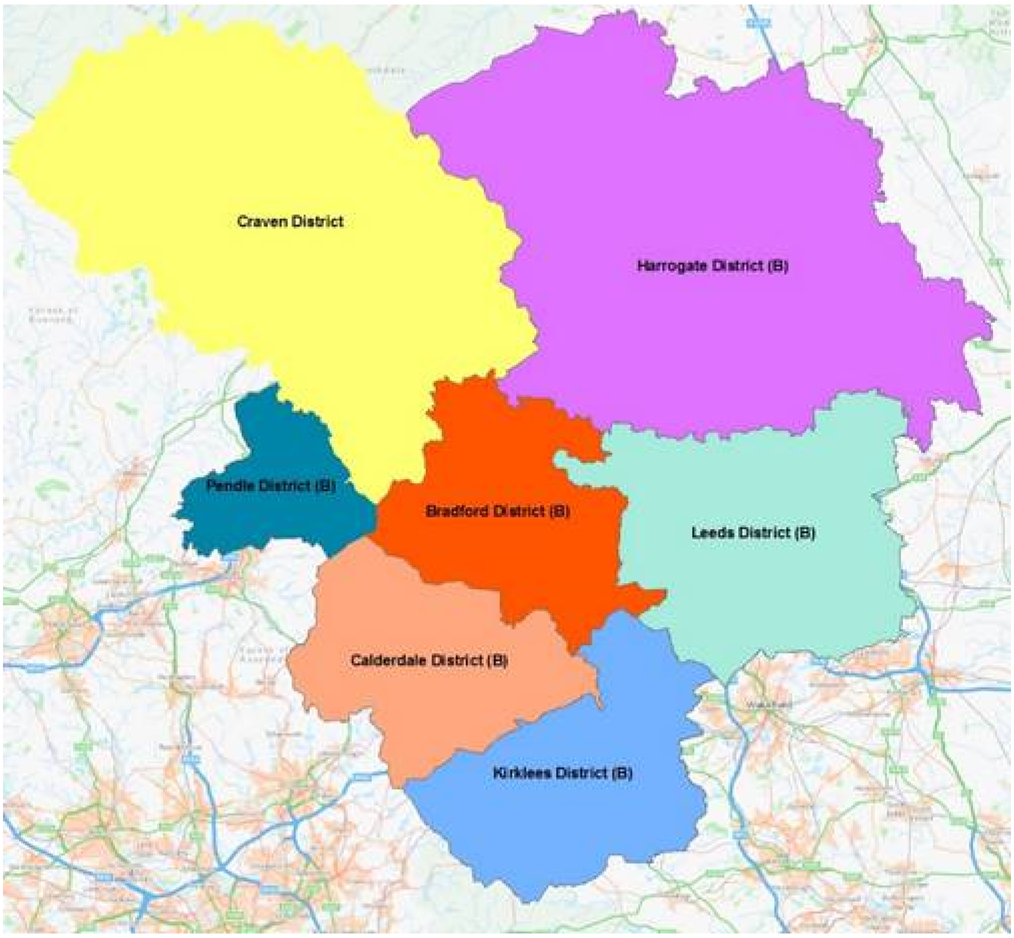
3.16 We have used the current adopted CIL rates as the baseline for our viability assessments and make recommendations about the scope to vary (increase) these in the context of the emerging CSPR policies and infrastructure requirements.

Aspinall Verdi

Adjacent Authority Policies

3.17 Figure 3.2 shows the local authority district boundaries surrounding Bradford District

Figure 3.2 - Local Authorities Adjacent to Bradford Map



Source: AspinallVerdi (2019)

3.18 The property market for development is a continuum across boundaries within West Yorkshire and beyond. It is therefore relevant to consider the Affordable Housing targets and CIL requirements in surrounding authorities/districts. That said, every local jurisdiction has unique economic circumstances and geography which could result in different FVA evidence. For example, Leeds is the centre of the City Region and is a core city and Craven is very rural containing the Yorkshire Dales National Park.

3.19 We set out below the headline Affordable Housing targets and CIL rates from surrounding authorities for ease of comparison.

Table 3.3 - Neighbouring Authorities Affordable Housing Policies

Local Authority	Affordable Housing	Residential CIL	Retail / Commercial CIL	Other CIL
Bradford	Affordable housing will be required on developments of 15 units or more. Lowered to 11 or more units in Wharfdale, and the villages of Haworth, Oakworth, Oxenhope, Denholme, Cullingworth, Harden, Wilsden and Cottingley. Subject to viability, the council will negotiate for up to: Up to 30% in Wharfdale; Up to 20% in towns, suburbs and villages; Up to 15% in inner Bradford and Keighley. Bradford Core Strategy (2017)	Four residential development charging zones with rates of £100, £50, £20 and £0 per square metre. No charge for specialist older persons housing. CS Adopted 21/03/2017	Two retail warehouse development charging zones with rates of £85 and £0 per square metre. Large scale supermarket developments will be charged £50 per square metre.	No charge for all other uses.
Craven	Affordable housing policy has been deleted. Craven Local Plan (1999) Awaiting outcome of EIP into new Local Plan which proposes 30% affordable housing on greenfield sites and 25% on brownfield.	Not progressed CIL	Not progressed CIL	Not progressed CIL

Aspinall Verdi

Local Authority	Affordable Housing	Residential CIL	Retail / Commercial CIL	Other CIL
Harrogate	For developments of 15 dwellings or more or 0.5ha or more (irrespective of dwelling numbers) in Harrogate, Knaresborough, and Ripon, 40% of the homes to be built on-site should be affordable. In all other areas, the threshold is 3 dwellings or more or 0.1ha or more, irrespective of dwelling numbers. Harrogate District Local Plan 2001	Small scale residential developments will be charged £50 per square metre. Two charging zones for all other residential developments with rates of £50 and £0 per square metre. Two sheltered housing development charging zones with rates of £60 and £40 per square metre. DCS Published 11/01/2019	Three retail development charging zones for shops with rates of £120, £40 and £0 per square metre. Supermarket and retail warehouse developments will be charged £120 per square metre. Distribution developments will be charged £20 per square metre.	No charge for all other uses.
Leeds	On site affordable housing will normally be expected at the targets specified for developers at or above the dwelling thresholds in the following zones: Zone 1 – 35% - 10 units or more Zone 2 – 15% - 15 units or more Zone 3 – 5% - 15 units or more	Four residential charging zones with rates of £5, £23, £45 and £90 per square metre. CS Adopted 12/11/2014	Two charging zones for supermarket developments with rates of £110 and £175 per square metre. Two charging zones for large comparison retail with rates of £35 and £55 per square metre. City centre offices will be charged £35 per square metre.	Publicly funded or not for profit developments will not be charged CIL. All other uses will be charged £5 per square metre.

Local Authority	Affordable Housing	Residential CIL	Retail / Commercial CIL	Other CIL
	Zone 4 – 5% - 15 units or more Leeds Core Strategy (2014)			
Kirklees	The proportion of affordable homes should be 20% of the total units on developers larger than 10 units. Kirklees Local Plan Strategy and Policies (2019)	Three large scale residential development charging zones with rates of £80, £20 and £5 per square metre. Four small scale residential development charging zones with rates of £100, £80, £40 and £5 per square metre. CS Submitted 25/04/2017	Retail warehouse developments will be charged £100 per square metre.	No charge for all other uses.
Calderdale	The average level of affordable housing required on a site will be 20% unless the need is for a lower amount Replacement Calderdale Unitary Development Plan (2006).	Six residential housing charging zones with rates of £85, £40, £25, £10, £5 and £0 per square metre. Two residential institutions and care home development charging zones with rates of £360 and £60 per square metre. Hotel developments will be charged at £60 per square metre. CS Submitted 11/01/2019	Large convenience retail developments will be charged £45 per square metre. Retail warehouse developments will be charged at £100 per square metre.	All other chargeable uses will be charged £5 per square metre.
Pendle	M65 Corridor: 5-9 dwellings – N/A 10-14 dwellings – 0% 15+ dwellings – 0%	Not progressed CIL. Will be reviewed on an on-going basis as economic conditions change.	Not progressed CIL. Will be reviewed on an on-going basis as economic conditions change.	Not progressed CIL. Will be reviewed on an on-going basis as economic conditions change.

Local Authority	Affordable Housing	Residential CIL	Retail / Commercial CIL	Other CIL
	M65 Corridor North: 5-9 dwellings – N/A 10-14 dwellings – 0% 15+ dwellings – 0% West Craven Towns 5-9 dwellings – N/A 10-14 dwellings – 0% 15+ dwellings – 5% Rural Pendle: 5-9 dwellings – 20% 10-14 dwellings – 20% 15+ dwellings – 20% Pendle Core Strategy (2015)			

Source: Council websites 2019; Planning Resource CIL Watch

3.20 As can be seen from the above, Bradford's affordable housing ranges from 30% in the highest value areas to 15% in the lowest value areas. Harrogate and Leeds have higher affordable housing targets of 40 and 35% respectively. Leeds also has lower targets (5%) in the inner areas compared to Bradford (15%). This reflects the diversity of the housing markets in Bradford.

3.21 In terms of CIL Bradford residential rates range from the highest of the surrounding districts (£100 psm) to the lowest (£0). This again reflects the diversity of the housing markets in Bradford.

3.22 Bradford's retail CIL rates are similar, if not lower, that the surrounding districts and in-keeping with Kirklees and Calderdale there is no specific charge for commercial uses. This reflects the more marginal scheme economics for these B-uses.

4 Viability Assessment Method

4.1 In this section of the report we set out our methodology to establish the viability of the various land uses and development typologies described in the following sections.

4.2 Cross-reference should be made back to the Viability PPG guidance in section 2 and specifically the guidance in respect of EUV, premium and profit.

4.3 We also set out the professional guidance that we have had regard to in undertaking the financial viability appraisals and some important principles of land economics.

The Harman Report (June 2012)

4.4 The Harman report 'Viability Testing Local Plans'[28] was prepared in June 2012 for the purposes of the 2012 NPPF. Many of the themes within the Harman Report have been incorporated into the 2018/19 PPG Viability guidance and are equally relevant for CIL viability testing.

4.5 Our FVA is consistent with both the Harman report and the PPG.

4.6 The Harman report refers to the concept of 'Threshold Land Value' (TLV). Harman states that the *'Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development.'*[29] While this is an accurate description of the important value concept, we adopt the Benchmark Land Value terminology throughout this report in-line with the terminology in the PPG.

4.7 Harman recommends that '*the Threshold Land Value is based on a premium over current use values and 'credible' alternative use values'.* However, the report accepts that *'alternative use values are most likely to be relevant in cases where the Local Plan is reliant on sites coming forward in areas (such as town and city centres) where there is competition for land among a range of alternative uses.'*[30]

4.8 The Harman report does not state what the premium over existing use value should be, but states that this should be 'determined locally' – but then goes on to state that *'there is evidence that it represents a sufficient premium to persuade landowners to sell'*[31].

4.9 The guidance further recognises that in certain circumstances, particularly in areas where landowners have '*long investment horizons'* (e.g. family trusts, The Crown, Oxbridge Colleges, Financial Institutions), '*the premium will be higher than in those areas where key landowners are*

[28] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report)
[29] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 28
[30] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29
[31] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 29

more minded to sell'[32]. An example of this is in relation to large urban extensions where a prospective seller is potentially making a once in a lifetime decision over whether to sell an asset. In this scenario the uplift on current use value will invariably be significantly higher than those in an urban context. In reconciling such issues, Harman stresses the importance of using local market evidence as a means of providing a sense check.

RICS Guidance

4.10 The RICS guidance on Financial Viability in Planning[33] was published after the Harman report in August 2012 and is more 'market facing' in its approach. The guidance is currently in the process of review following the decision in the Parkhurst Road Limited v Secretary of State for Communities and Local Government and The Council of the London Borough of Islington High Court case (see below)[34]. However, this case was more about the application of the guidance rather than the guidance itself.

4.11 The RICS Guidance defines 'site value', whether this is an input into a scheme specific appraisal or as a [land value] benchmark, as follows -

> *Site value should equate to the* ***market value*** *subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan*[35] *(Box 7).* (our emphasis)

4.12 The guidance also advocates that any assessment of site value will need to consider prospective planning obligations and recommends that a second assumption be applied to the aforementioned definition of site value, when undertaking Local Plan or CIL (area wide) viability testing. This is set out below -

> *Site value (as defined above) may need to be further* ***adjusted to reflect the emerging policy / CIL charging level.*** *The level of the adjustment assumes that site delivery would not be prejudiced. Where an adjustment is made, the practitioner should set out their professional opinion underlying the assumptions adopted…* (Box 8) (our emphasis)

4.13 This is to make an allowance for emerging (greater) obligations for e.g. infrastructure and affordable housing which, assuming that developers' profit is fixed (see below), has to come out of land value.

[32] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30
[33] RICS Professional Guidance England (August 2012) Financial viability in planning, 1st edition guidance note GN 94/2012
[34] Parkhurst Road Ltd v Secretary of State for Communities And Local Government & Anor [2018] EWHC 991 (Admin) on BAILII
[35] This includes all Local Plan policies relevant to the site and development proposed

Guidance on Premiums/Land Value Adjustments

4.14 The PPG requires the existing use value plus premium approach to land value. However, there is no specific guidance on the premium. One therefore has to 'triangulate' the BLV based on market evidence.

4.15 A number of reports have commented upon the critical issue of land value, as set out below. These inform the relationship between the 'premium' and 'hope value' in the context of market value. The PPG is explicit that hope value should be disregarded for the purposes or arriving at the EUV[36]. However, hope value is a fundamental part of the market mechanism and therefore is relevant in the context of the premium.

HCA Transparent Viability Assumptions (August 2010)

4.16 In terms of the EUV + premium approach, the Homes and Communities Agency (now Homes England) (in August 2010) published a consultation paper on transparent assumptions for Area Wide Viability Modelling[37].

4.17 This notes that, '*typically, this gap or premium will be expressed as a percentage over EUV for previously developed land and as a multiple of agricultural value for greenfield land*'[38].

4.18 It also notes that benchmarks and evidence from planning appeals tend to be in a range of '***10% to 30% above EUV in urban areas**. For greenfield land, benchmarks tend to be in a range of **10 to 20 times agricultural value***'[39].

Mayor of London CIL (Jan 2012)

4.19 The impact on land value of future planning policy requirements e.g. CIL [or revised Affordable Housing targets] was contemplated in the Examiner's report to the Mayor of London CIL (January 2012)[40].

4.20 Paragraph 32 of the Examiner's report states:

> *the price paid for development land may be reduced. As with profit levels there may be cries that this is unrealistic, but **a reduction in development land value is an inherent part of the CIL concept**. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the*

[36] Paragraph: 015 Reference ID: 10-015-20190509, Revision date: 09 05 2019
[37] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version
[38] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version para 3.3
[39] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010, Consultation Version para 3.5
[40] Holland, K (27 January 2012) Report on the Examination of the Draft Mayoral Community Infrastructure Levy Charging Schedule, The Planning Inspectorate, PINS/K5030/429/3

prospect of raising funds for infrastructure would be forever receding into the future… (our emphasis)

Greater Norwich CIL (Dec 2012)

4.21 The Greater Norwich Development Partnership's CIL Examiner's report adds to this -

> *Bearing in mind that the cost of* ***CIL needs to largely come out of the land value****, it is necessary to establish a threshold land value i.e. the value at which a typical willing landowner is likely to release land for development. Based on market experience in the Norwich area the Councils' viability work assumed that* ***a landowner would expect to receive at least 75% of the benchmark value****. Obviously what individual land owners will accept for their land is very variable and often depends on their financial circumstances. However, in the absence of any contrary evidence* ***it is reasonable to see a 25% reduction in benchmark values as the maximum*** *that should be used in calculating a threshold land value*[41]. (our emphasis)

Sandwell CIL (Dec 2014)

4.22 Furthermore, the Examiner's report for the Sandwell CIL states -

> *The TLV is calculated in the VAs [Viability Assessments] as being* ***75% of market land values*** *for each typology. According to the CA, this way of calculating TLVs is based on the conclusions of Examiners in the Mayor of London CIL Report January 2012 and the Greater Norwich Development Partnership CIL Report December 2012.* ***This methodology was uncontested.***[42]

4.23 These all support a 'policy' adjustment from 'Market Value' to allow for emerging policy within the premium. However, the above decisions and precedents are now quite historic.

4.24 Greater emphasis is now being placed on the existing use value (EUV) + premium approach to planning viability to break the circularity of ever-increasing land values. This circularity is described in detail in the research report by the University of Reading, 'Viability and the Planning System: The Relationship between Financial Viability Testing, Land Values and Affordable Housing in London' (January 2017) and the policy response considered in the new Mayor of London SPD 'Homes for Londoners' (August 2017).

4.25 Due to ever increasing land values (partly driven by developers negotiating a reduction in policy obligations on grounds of 'viability') we are finding that the range between existing use value

[41] Report to the Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council, by Keith Holland BA (Hons) Dip TP, MRTPI ARICS, 4 December 2012, File Ref: PINS/G2625/429/6 – paragraph 9

[42] Report to Sandwell Metropolitan Borough Council by Diana Fitzsimons MA MSc FRICS MRTPI an Examiner appointed by the Council, 16 December 2014, File Ref: PINS/G4620/429/9 - paragraph 16

(EUV) and 'Market Values' and especially asking prices is getting larger. Therefore (say) 20 x EUV and (say) 25% reduction from 'Market Value' may not 'meet in the middle' and it is therefore a matter of professional judgement what the BLV should be (based on the evidence).

Parkhurst Road v SSCLG & LBI (2018)

4.26 The High Court case between Parkhurst Road Limited (Claimant) and Secretary of State for Communities and Local Government and The Council of the London Borough of Islington (Defendant/s)[43] addresses the issue of land valuation and the circularity of land values which are not appraised on a policy compliant basis.

4.27 In this case it was common ground that the existing use was redundant and so the existing use value ("EUV") was "negligible". There was no alternative form of development which could generate a higher value for an alternative use ("AUV") than the development proposed by Parkhurst. The site did not suffer from abnormal constraints or costs. LBI contended that there was considerable "headroom" in the valuation of such a site enabling it to provide a substantial amount of affordable housing in accordance with policy requirements. Furthermore, that the achievement of that objective was being frustrated by Parkhurt's use of a 'greatly inflated' BLV for the site which failed properly to reflect those requirements (paragraph 22).

4.28 Mr Justice Holgate dismissed the challenge and agreed with LBI that what is to be regarded as comparable market evidence, or a "market norm", should "reflect policy requirements" in order to avoid the "circularity" problem (paragraph 39).

4.29 In an unusual postscript to the judgement, Mr Justice Holgate said that this might be an "opportune" time for the RICS to consider revisiting the 2012 guidance note, Financial viability in Planning, "in order to address any misunderstandings about market valuation concepts and techniques" (paragraph 147). Hence, the RICS' current review of this document.

Land Value Capture report (Sept 2018)

4.30 The House of Commons - Housing, Communities and Local Government Committee has published a report into the principles of land values capture. This defines land value capture, the scope for capturing additional land value and the lessons learned from past attempts to capture uplifts in land value. It reviews improving existing mechanisms, potential legislative reforms and alternative approaches to land value capture.

4.31 Paragraph 109 of the report states […] the extent to which the 'no-scheme' principle would reduce value "very much depends on the circumstances". For land in the middle of the countryside, which would not otherwise receive planning permission for housing, the entire development value could

[43] Case No: CO/3528/2017

be attributed to the scheme. However, […] most work was undertaken within constrained urban areas—such as town extensions and redevelopments—where the hope value was much higher.

4.32 Hence it is important to consider the policy context for infrastructure and investment when considering land values. For example, where existing agricultural land in the green belt is being considered for housing allocations, the entire uplift in value is attributable to the policy decision (without which there can be no development).

Brownfield / Greenfield Land Economics

4.33 CIL has its roots in the perceived windfall profit arising from the release of greenfield land by the planning system to accommodate new residential sites and urban extensions[44]. However, lessons from previous attempts to tax betterment[45] show that this is particularly difficult to achieve effectively without stymieing development. It is even harder to apply the concept to brownfield redevelopment schemes with all attendant costs and risks. The difference between greenfield and brownfield scheme economics is usually important to understand for affordable housing targets; plan viability and CIL rate setting.

4.34 The timing of redevelopment and regeneration of brownfield land particularly is determined by the relationship between the value of the site in its current [low value] use ("Existing Use Value") and the value of the site in its redeveloped [higher value] use – less the costs of redevelopment. Any planning gain which impacts on these costs will have an effect on the timing of redevelopment. This is relevant to consider when setting the 'appropriate balance'.

4.35 Fundamentally, CIL (and together with S106 etc.) is a form of 'tax' on development as a contribution to infrastructure. By definition, any differential rate of CIL/S106 will have a distorting effect on the pattern of land uses. The question as to how this will distort the market will depend upon how the CIL (and/or S106) is applied.

4.36 Also, consideration must be given to the 'incidence' of the tax i.e. who ultimately is responsible for paying it i.e. the developer out of profit, or the landowner out of price (or a bit from each).

4.37 This is particularly relevant in the context of brownfield sites in the town centres and built up areas. Any CIL on brownfield redevelopment sites will impact on the timing and rate of redevelopment. This will have a direct effect on economic development, jobs and growth.

4.38 In the brownfield context redevelopment takes place at a point in time when buildings are economically obsolete (as opposed to physically obsolete). Over time the existing use value of buildings falls as the operating costs increase, depreciation kicks in and the rent falls by comparison with modern equivalent buildings. In contrast the value of the next best alternative

[44] See Barker Review (2004) and Housing Green Paper (2007)

[45] the 2007 Planning Gain Supplement, 1947 'Development Charge', 1967 'Betterment Levy' and the 1973 'Development Gains Tax' have all ended in repeal

use of the site increases over time due to development pressure in the urban context (assuming there is general economic growth in the economy). Physical obsolescence occurs when the decreasing existing use value crosses the rising alternative use value.

4.39 However, this is not the trigger for redevelopment. Redevelopment requires costs to be incurred on site demolition, clearance, remediation, and new build construction costs. These costs have to be deducted from the alternative use value 'curve'. The effect is to extend the time period to achieve the point where redevelopment is viable.

4.40 This is absolutely fundamental for the viability and redevelopment of brownfield sites. Any tariff, tax or obligation which increases the costs of redevelopment will depress the net alternative use value and simply extend the timescale to when the alternative use value exceeds the existing use value to precipitate redevelopment.

4.41 Contrast this with the situation for development on greenfield land. Greenfield sites are constrained by the planning designation. Once a site is 'released' for development there is significant step-up in development value – which makes the development economics much more accommodating than brownfield redevelopment. There is much more scope to capture development gain, without postponing the timing of development.

4.42 That said, there are some other important considerations to take into account when assessing the viability of greenfield sites. This is discussed in the Harman Report[46].

4.43 The existing use value may be only very modest for agricultural use and on the face of it the landowner stands to make a substantial windfall to residential land values. However, there will be a lower benchmark (Benchmark Land Value) where the land owner will simply not sell. This is particularly the case where a landowner *'is potentially making a once in a lifetime decision over whether to sell an asset that may have been in the family, trust or institution's ownership for many generations.'*[47]Accordingly, the 'windfall' over the existing use value will have to be a sufficient incentive to release the land and forgo the future investment returns.

4.44 Another very important consideration is the promotional cost of strategic greenfield sites. For example, in larger scale urban extension sites such as the Strategic Development Areas (e.g. TBC) identified in the emerging site allocations DPD, there will be significant investment in time and resources required to promote these sites through the development plan process. The benchmark land value therefore needs to take into account of the often-substantial planning promotion costs, option fees etc. and the return required by the promoters of such sites. *'This should be borne in mind when considering the [benchmark] land value adopted for large sites*

[46] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) pp 29-31
[47] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30

and, in turn, the risks to delivery of adopting too low a [benchmark] that does not adequately and reasonably reflect the economics of site promotion…' [48]

4.45 This difference between the development 'gain' in the context of a greenfield windfall site and the slow-burn redevelopment of brownfield sites is absolutely fundamental to the success of any regime to capture development gain such as CIL. It is also key to the 'incidence' of the tax i.e. whether the developer or the land owner carries the burden of the tax.

4.46 In the case of Bradford there are a number of housing sites coming forward which are both greenfield and brownfield sites and therefore we have appraised both greenfield and brownfield scheme typologies.

Land Economics Summary

4.47 A very important aspect when considering area-wide viability is an appreciation of how the property market for development land works in practice.

4.48 Developers have to secure sites and premises in a competitive environment and therefore have to equal or exceed the landowners' aspirations as to value for the landowner to sell. From the developers' perspective, this price has to be agreed often many years before commencement of the development. The developer has to subsume all the risk of: ground conditions; obtaining planning permission; funding the development; finding a tenant/occupier; increases in constructions costs; and changes to the economy and market demand etc. This is a significant amount of work for the developer to manage; but this is the role of the developer and to do so the developer is entitled to a normal developer's profit.

4.49 The developer will appraise all of the above costs and risks to arrive at their view of the residual site value of a particular site.

4.50 To mitigate some of these risks developers and landowners often agree to share some of these risks by entering into arrangements such as: Market Value options based on a planning outcome; 'subject to planning' land purchases'; promotion agreements; and / or overage agreements whereby the developer shares any 'super-profit' over the normal benchmark.

4.51 From the landowners' perspective, they will have a preconceived concept of the value or worth of their site. This could be fairly straight-forward to value, for example, in the case of greenfield agricultural land which is subject to per hectare benchmarks. However, in the case of brownfield sites, the existing use value could be a lot more subjective depending upon: the previous use of the property; the condition of the premises; contamination; and/or any income from temporary lets, car parking and advertising hoardings etc. Also, whilst (say) a former manufacturing building

[48] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 31

could have been state-of-the-art when it was first purchased by the landowner, in a redevelopment context it might now be the subject of depreciation and obsolescence which the landowner finds difficult to reconcile. Accordingly, the existing use value is much more subjective in a brownfield context.

Hope Value

4.52 Furthermore, where there is a possibility of development the landowner will often have regard to 'hope value'. Hope value is the *element of* open market value of a property in excess of the existing use value, reflecting the prospect of some more valuable future use or development. It takes account of the uncertain nature or extent of such prospects, including the time which would elapse before one could expect planning permission to be obtained or any relevant constraints overcome, so as to enable the more valuable use to be implemented. Therefore, in a rising market, landowners may often have high aspirations of value beyond that which the developer can justify in terms of risk and in a falling market the land owner my simply 'do nothing' and not sell in the prospect of a better market returning in the future. The actual amount paid in any particular transaction is the purchase price and this crystallises the value for the landowner.

4.53 Note that hope value is represented in the EUV premium and can never be in excess of policy compliant market value (RLV), given RICS guidance on the valuation of development sites (see page 23 above).

4.54 Hence land 'value' and 'price' are two very different concepts which need to be understood fully when formulating planning policy and CIL. The incidence of any S106 tariff or CIL to a certain extent depends on this relationship and the individual circumstances. For example, a farmer with a long-term greenfield site might have limited 'value' aspirations for agricultural land – but huge 'price' aspirations for residential development. Whereas an existing factory owner has a much higher value in terms of sunk costs and investment into the existing use and the tipping point between this and redevelopment is much more marginal.

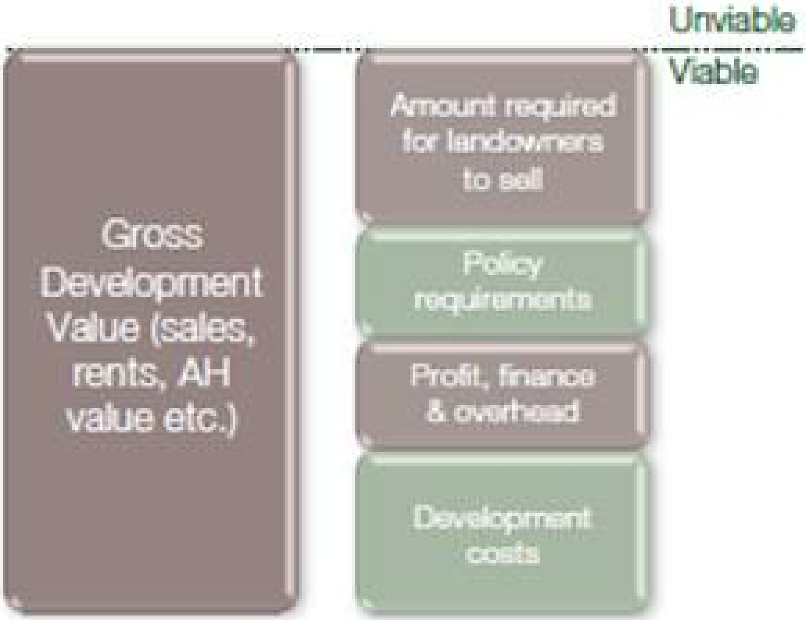
4.55 Detailed research and analysis in respect of land values (Benchmark Land Values) set out within the Land Market paper appended (see Appendix 3 – Land Market Review).

Viability Modelling Best Practice

4.56 The general principle is that CIL/planning obligations including affordable housing (etc.) will be levied on the increase in land value resulting from the grant of planning permission. However, there are fundamental differences between the land economics and every development scheme is different. Therefore, in order to derive the potential CIL/planning obligations and understand the 'appropriate balance' it is important to understand the micro-economic principles which underpin the viability analysis.

4.57 The uplift in value is calculated using a RLV appraisal. Figure 4.1 below, illustrates the principles of a RLV appraisal.

Figure 4.1 - Elements Required for a Viability Assessment



Source: Local Housing Delivery Group, 2012[49]

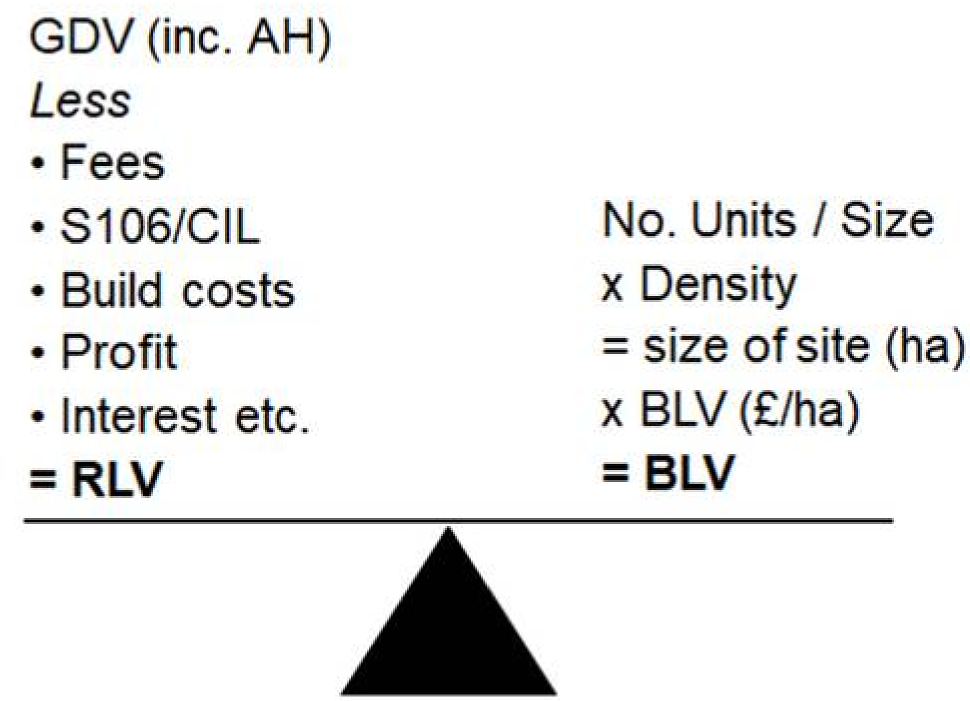
4.58 Our specific appraisals for each for the land uses and typologies are set out in the relevant section below.

4.59 A scheme is viable if the Gross Development Value (GDV) of the scheme is greater than the total of all the costs of development including land acquisition, planning obligations and profit. Conversely, if the GDV is less than the total costs of development (including land, S106s and profit) the scheme will be unviable.

4.60 However, in order to advise on the ability of the proposed uses/scheme to support affordable housing and CIL/planning obligations we have benchmarked the residual land values (RLV) from the viability analysis against existing or alternative land use relevant to the particular typology – the Benchmark Land Value (BLV). This is illustrated in Figure 4.2 - Balance between RLV and BLV below.

[49] Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC (20 June 2012) Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 25

Figure 4.2 - Balance between RLV and BLV



Source: AspinallVerdi © Copyright

How to Interpret the Viability Appraisals

4.61 In development terms, the price of a site is determined by assessment of the residual land value (RLV). This is the gross development of the site (GDV) less ALL costs including planning policy requirements and developers' profit. If the RLV is positive the scheme is viable. If the RLV is negative the scheme is not viable.

4.62 Part of the skill of a developer is to identify sites that are in a lower value economic uses and purchase / option these sites to (re)develop them into a higher value uses. The landowner has a choice - to sell the site or not to sell their site, depending on their individual circumstances. Historically (pre credit-crunch and the 2012 NPPF) this would be left to 'the market' and there would be no role for planning in this mechanism.

4.63 A scheme is viable if the RLV is positive for a given level of profit. We describe this situation herein as being 'fundamentally' viable.

4.64 However, planning policy in England has become increasingly detached from the development process of real estate. Since the credit crunch and the 2012 NPPF planning policy has sought to intervene in the land market by requiring that at [an often 'arbitrary'] 'threshold' or 'benchmark' land value (BLV) is achieved as a 'return to the landowner'. This left Local Authorities 'open' to negotiations to reduce affordable housing and other contributions on viability grounds which sets up a powerful force of escalating land values (which is prejudicial to delivery in the long term). The NPPF/PPG 2018/19 is seeking to redress this.

4.65 In planning viability terms, for a scheme to come forward for development the RLV for a particular scheme has to exceed the landowner's BLV.

4.66 In Development Management terms every scheme will be different (RLV) and every landowner's motivations will be different (BLV).

4.67 For Plan Making purposes it is important to benchmark the RLV's from the viability analysis against existing or alternative land use relevant to the particular typology – the Benchmark Land Value – see Figure 4.2 above.

4.68 The results of the appraisals should therefore be interpreted as follows:

- If the 'balance' is positive (RLV > BLV), then the CIL/policy is viable. We describe this as being 'viable for plan making purposes herein'.
- If the 'balance' is negative (RLV < BLV), then the CIL/policy is 'not viable for plan making purposes' and the CIL rates/planning obligations and/or affordable housing targets should be reviewed.

4.69 Thirdly, if the RLV is positive, but the appraisal is not viable due to the BLV assumed – we refer to this as being 'marginal'.

4.70 This is illustrated in the following boxes of our hypothetical appraisals (appended) – see Figure 4.3. In this case the RLV at £2.324m is some £780,500 higher than the assumed BLV of £1.544m meaning the balance is positive/in surplus.

Figure 4.3 - Example Hypothetical Appraisal Results

RESIDUAL LAND VALUE (RLV)							
Residual Land Value (gross)							2,652,581
SDLT			2,652,581	@	(slabbed)		(122,129)
Acquisition Agent fees			2,652,581	@	1.0%		(26,526)
Acquisition Legal fees			2,652,581	@	0.5%		(13,263)
Interest on Land			2,652,581	@	6.25%		(165,786)
Residual Land Value							**2,324,877**
RLV analysis:	23,249	£ per plot	743,961	£ per ha	301,077	£ per acre	
BENCHMARK LAND VALUE (BLV)							
Residential Density			32.0	dph			
Site Area (Net)			3.13	ha	7.72	acres	
Density analysis:			3,330	sqm/ha	14,506	sqft/ac	
Benchmark Land Value (Net)	15,444	£ per plot	494,200	£ per ha	200,000	£ per acre	**1,544,375**
BALANCE							
Surplus/(Deficit)			**249,761**	£ per ha	**101,077**	£ per acre	**780,502**

Source: AspinallVerdi

Sensitivity Analysis

4.71 In addition to the above, we have also prepared a series of sensitivity scenarios for each of the typologies. This is to assist in the analysis of the viability (and particularly the viability buffer); the sensitivity of the appraisals to key variables such as planning obligations, affordable housing, BLV and profit; and to consider the impact of rising construction costs. An example of a sensitivity appraisal and how they are interpreted is shown below. Similar sensitivity tables are attached to each of our hypothetical appraisals (appended).

Figure 4.4 - Example Affordable Housing v CIL Sensitivity Analysis

TABLE 1		Affordable Housing - % on site 30%						
Balance (RLV - BLV)	780,502	5%	10%	15%	20%	25%	30%	35%
	0	3,143,074	2,747,702	2,352,077	1,955,830	1,559,091	1,161,675	763,400
	10	3,042,228	2,651,924	2,261,164	1,870,024	1,478,323	1,085,877	692,502
	20	2,941,129	2,555,801	2,170,207	1,784,024	1,397,289	1,009,863	621,529
	30	2,839,743	2,459,538	2,078,832	1,697,730	1,316,051	933,612	550,227
	40	2,738,132	2,362,890	1,987,367	1,611,294	1,234,607	[illegible]	478,814
CIL £psm	50	2,636,198	2,266,140	1,895,529	1,524,507	1,152,892	780,502	407,151
50.00	60	2,534,073	2,168,958	1,803,547	1,437,633	1,071,036	703,715	335,292
	70	2,431,584	2,071,718	1,711,244	1,350,345	988,838	626,540	263,267
	80	2,328,941	1,973,996	1,618,740	1,262,991	906,567	549,284	190,956
	90	2,225,888	1,876,220	1,525,969	1,175,235	823,879	471,718	118,555
	100	2,122,726	1,777,992	1,432,934	1,087,368	741,114	393,985	45,798
	110	2,019,102	1,679,663	1,339,693	999,168	658,007	316,026	(27,065)
	120	1,915,417	1,580,937	1,246,120	910,782	574,740	237,812	(100,190)
	130	1,811,212	1,482,046	1,152,407	822,135	491,213	159,458	(173,379)
	140	1,706,948	1,382,821	1,058,288	733,221	407,438	80,754	(246,876)
	150	1,602,210	1,283,360	964,093	644,125	323,488	2,003	(320,397)
	160	1,497,352	1,183,633	869,428	554,678	239,198	(77,055)	(394,265)
	170	1,392,084	1,083,594	774,675	465,131	154,822	(156,204)	(468,133)
	180	1,286,624	983,361	679,531	375,142	70,152	(235,622)	(542,366)
	190	1,180,822	882,738	584,211	285,141	(14,651)	(315,173)	(616,608)
	200	1,074,751	781,997	488,585	194,745	(99,708)	(394,957)	(691,186)
	210	968,414	680,780	392,833	104,288	(184,941)	(474,910)	(765,804)
	220	861,724	579,529	296,723	13,477	(270,391)	(555,066)	(840,732)
	230	754,848	477,851	200,531	(77,438)	(356,055)	(635,424)	(915,728)
	240	647,672	376,087	103,934	(168,669)	(441,905)	(715,958)	(991,012)
	250	540,254	273,941	7,295	(260,045)	(528,003)	(796,723)	(1,066,388)

Source: AspinallVerdi (190627 Bradford Residential Appraisals_BETA_v2)

4.72 This sensitivity table shows the balance (RLV – BLV) for different combinations of Affordable Housing (AH %) across the columns and different amounts of CIL (£ psm) down the rows. Thus:

- You should be able to find the appraisal balance by looking up the base case AH% (e.g. 30%) and the base case CIL (e.g.£50 psm).
- Higher % levels of CIL will reduce the 'balance' and if the balance is negative the scheme is 'not viable' for Plan Making purposes (note that it may still be viable in absolute RLV terms and viable in Plan Making terms depending on other sensitivities (e.g. BLV, Profit (see below)).
- Lower % levels of CIL will increase the 'balance' and if the balance is positive then the scheme is viable in Plan Making terms
- Similarly, higher levels of AH (%) will reduce the 'balance'
- And, lower levels of AH (%) will increase the 'balance'.

4.73 We have carried out the following sensitivity analysis herein (see appraisals):

- Table 1 Affordable Housing v CIL
- Table 2 Site Specific S160 v CIL
- Table 3 Profit v CIL
- Table 4 BLV v CIL
- Table 5 Density v CIL
- Build Costs v CIL
- Market Value v CIL

BLV Caveats

4.74 It is important to note that the BLV's contained herein are for 'high-level' plan/CIL viability purposes and the appraisals should be read in the context of the BLV sensitivity table (contained within the appraisals). The BLV's included herein are generic and include healthy premiums to provide a viability buffer for plan making purposes.

4.75 In the majority of circumstances, we would expect the RLV of a scheme on a policy compliant basis to be greater than the EUV (and also the BLV including premium) herein and therefore viable.

4.76 However, there may be site specific circumstances (e.g. brownfield sites or sites with particularly challenging topography, access or other constraints) which result in a RLV which is less than the BLV herein. It is important to emphasise that the adoption of a particular BLV £ in the base-case appraisal typologies in no way implies that this figure can be used by applicants to negotiate site specific planning applications where these constraints exist. In these circumstances, the site-specific BLV should be thoroughly evidenced having regard to the EUV of the site in accordance with the PPG. This report is for plan-making purposes and is without prejudice to future site-specific planning applications.

5 Residential

5.1 The residential section of the report sets out our assumptions and results in respect of the general needs residential typologies (see Appendix 2 – Typologies Matrix).

5.2 In terms of values, we append our residential market paper which reviews the existing evidence base and provides a detailed residential market analysis setting out how we have arrived at our assumptions. We provide a summary of the findings of this research paper herein (see Appendix 4 – Residential Market Paper).

Housing Zones Maps

5.3 The *existing* Local Plan for the Bradford District[50] Core Strategy provides the context of the settlement hierarchy and characteristics of the District.

5.4 Bradford is a large metropolitan authority which covers approximately 370 sq km (143 sq miles)[51] and forms one of the five districts within the West Yorkshire conurbation. The District is located within the Leeds City Region and Bradford is a regional city.

5.5 The Bradford is characterised by a mixture of urban and rural areas with distinctive character and attractive landscapes. The topography of Bradford means most of the industrial and residential development is in the south of the District and along the valley bottoms, with the majority of the population living in the urban centres of Bradford and within the freestanding settlements of Keighley, Bingley and Shipley, in Airedale, and Ilkley, in Wharfedale[52].

5.6 Figure 5.1 below shows the District's settlements and character areas.

[50] Core Strategy Development Plan Document, Adopted July 2017
[51] Core Strategy Development Plan Document, Adopted July 2017, para 2.30
[52] Core Strategy Development Plan Document, Adopted July 2017, para 2.31

Figure 5.1 - Bradford District Settlements

Source: Core Strategy Development Plan Document, Adopted July 2017

5.7 Strategic Core Policy 4 for the adopted Core Strategy describes and supports the hierarchy of settlements. This is as follows:

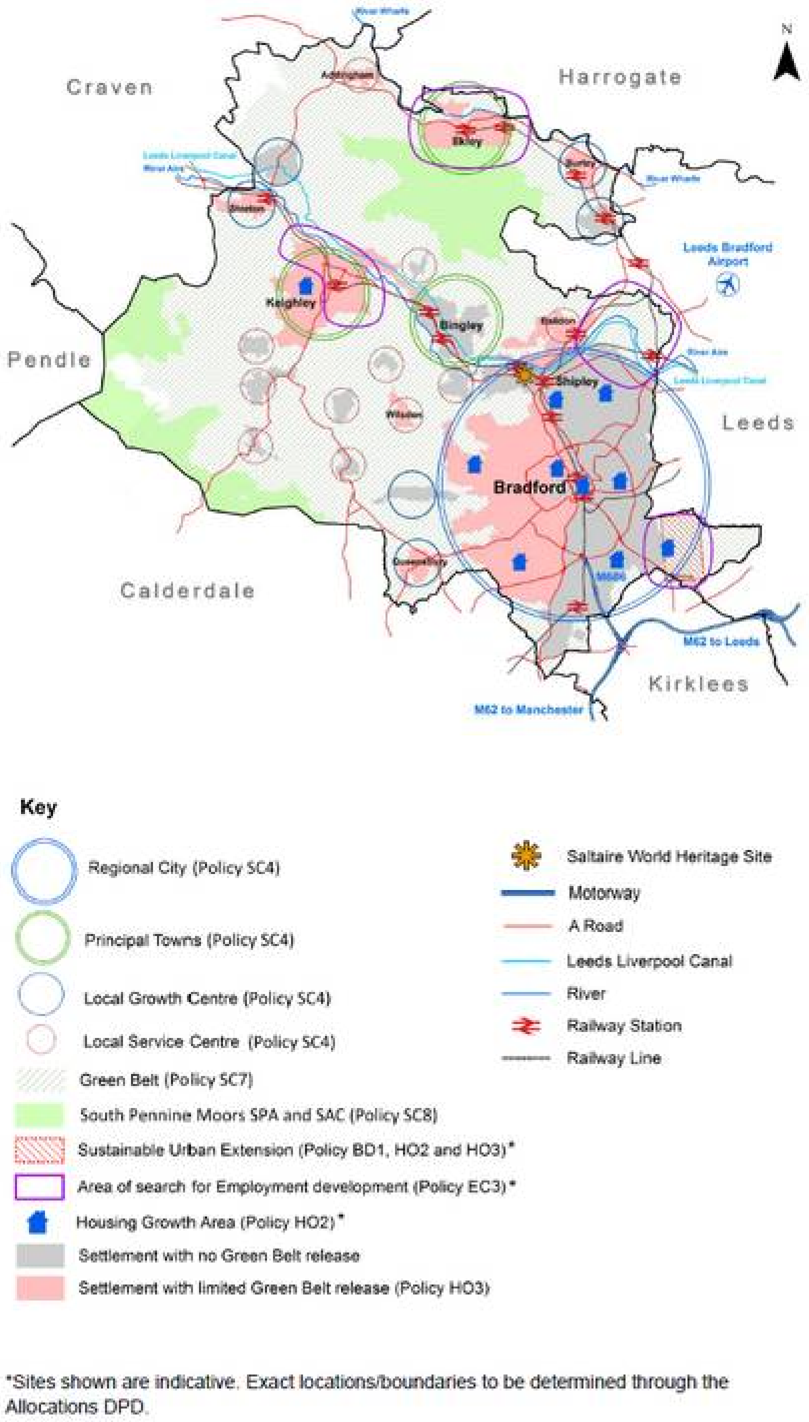
- Bradford city centre (with Shipley and Lower Baildon) is the prime focus for housing, employment, shopping, leisure, education, health and cultural activities and facilities in the District.
- The Principal Towns of Ilkley, Keighley and Bingley are the main local focus for housing, employment, shopping, leisure, education, health and cultural activities and facilities. These (particularly Ilkley and Keighley) are accessible and vibrant places to live and work.
- Burley in Wharfedale, Menston, Queensbury, Thornton, Steeton with Eastburn and Silsden are Local Growth Centres which are the most sustainable local centres and accessible to the Principal Towns. These are located along key road and public transport corridors and

should therefore make a significant contribution to meeting the District's needs for housing, employment and provide for supporting community facilities.

- Beneath Local Growth Centres are Local Service Centres and Rural Areas e.g. Addingham, Baildon, Cottingley, Cullingworth, Denholme, East Morton, Harden, Haworth, Oakworth, Oxenhope, Wilsden. The emphasis in these areas is on smaller scale development comprising both market and affordable housing, together with the protection and enhancement of those centres as attractive and vibrant places and communities.

5.8 These themes continue within the CSPR – see Figure 5.2 below. The key diagram below shows the spatial distribution of development proposed (including areas of search), the Green Belt and areas of limited Green Belt release, Special Protection Areas (SPAs) and Special Areas of Conservation (SACs).

Figure 5.2 - CSPR Key Diagram

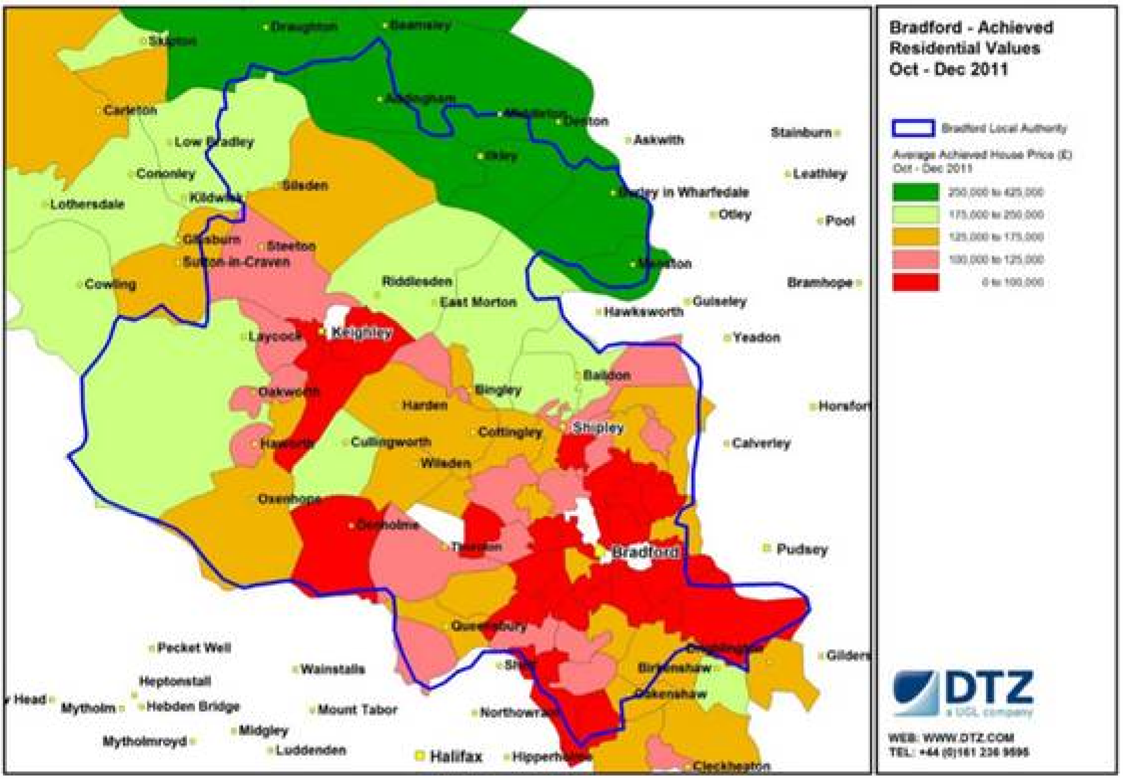


Source: Bradford Core Strategy Partial Review, Preferred Options, Regulation 18, July 2019.

5.9 In 2013, DTZ (now Cushman Wakefield) were appointed by the City of Bradford Metropolitan District Council to prepare viability evidence to support the emerging Local Plan Core Strategy.

DTZ considered the different value areas within the District, see Figure 5.3, and associated the different settlements with the different price areas.

Figure 5.3 - DTZ Residential Market Analysis

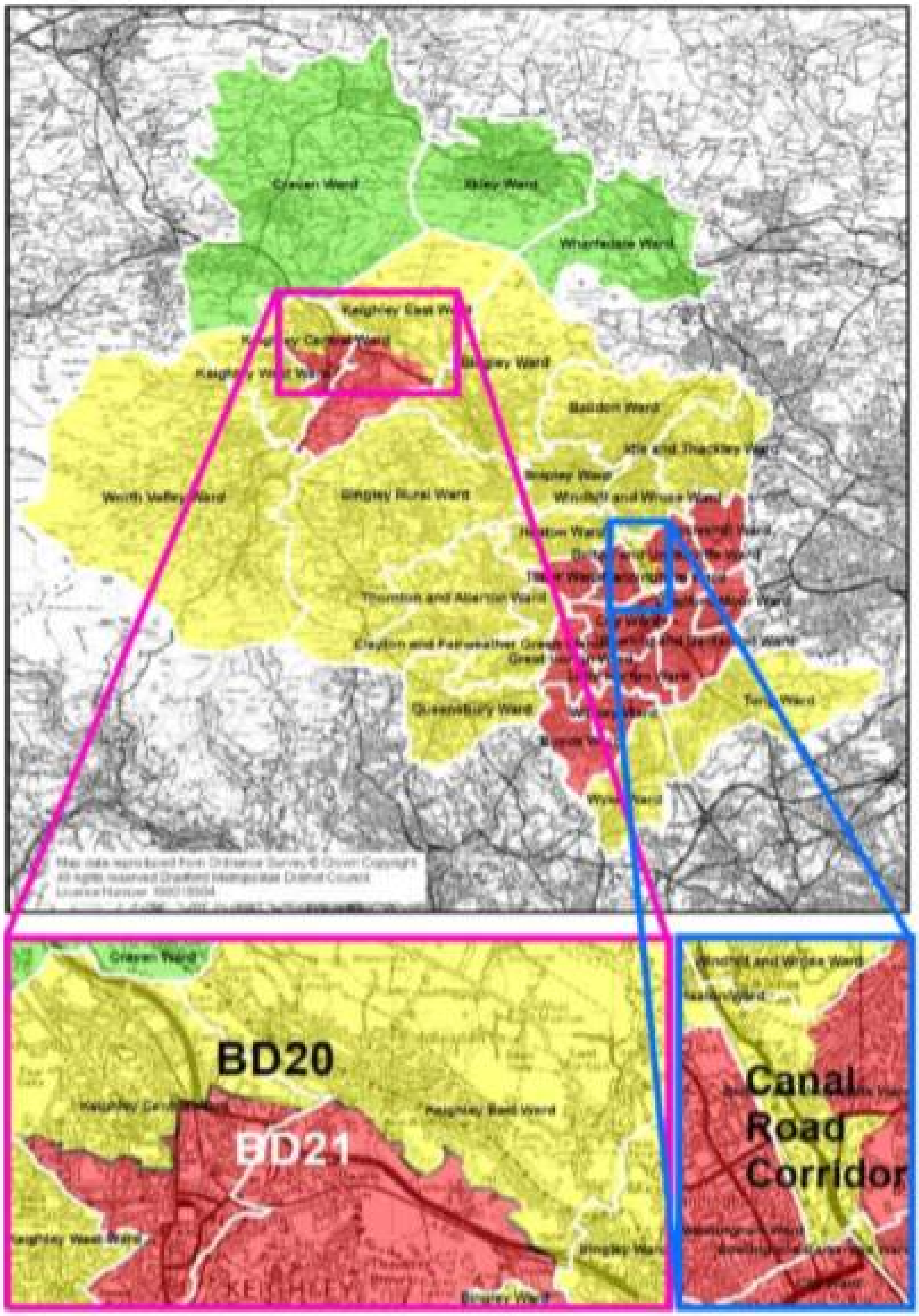


Source: HDH, SHLAA Viability Assessment, February 2014

5.10 Based on the above DTZ created five value bands for market housing ranging between £3,100 psm in the highest value area (Ilkley) down to £1,500 psm.

5.11 This translated into the current Affordable Housing Zones which are set out on Figure 5.4 below.

Figure 5.4 - COBMDC Affordable Housing Zones



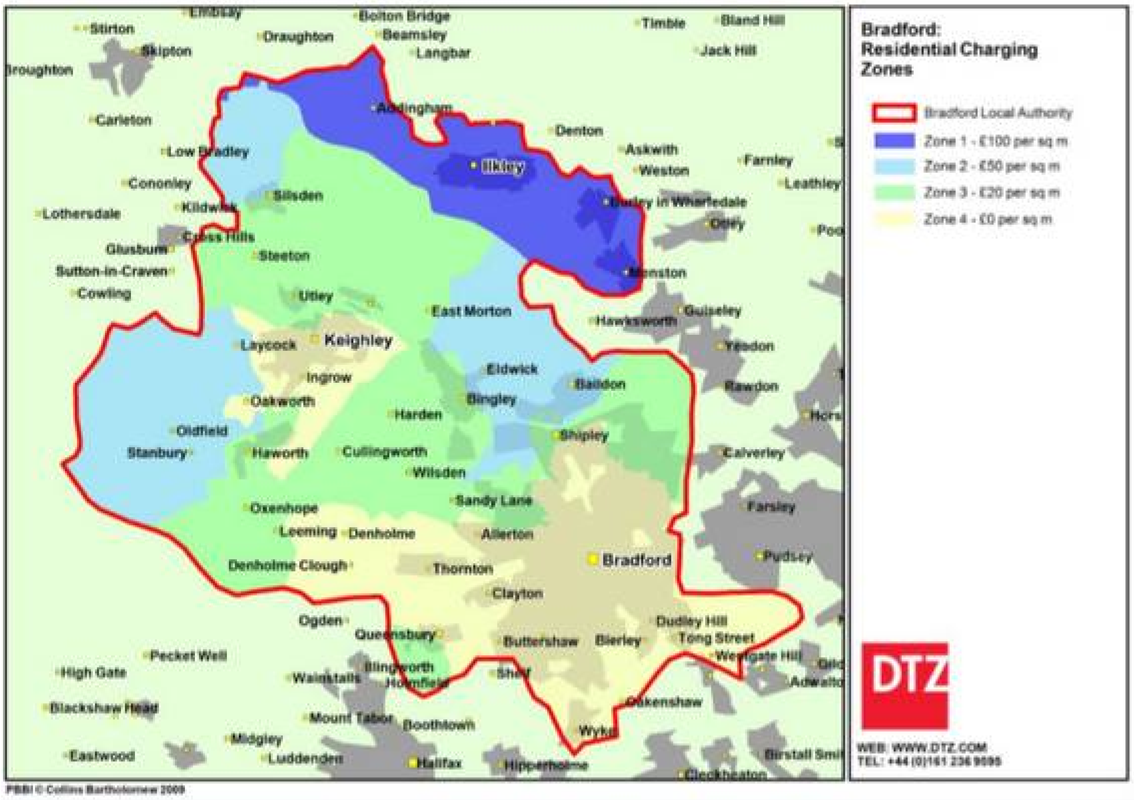
Source: Core Strategy and Development Plan Document – Adopted July 2017

5.12 These zones reflect the market evidence as follows:

- Wharfdale — up to 30% Affordable Housing
- Towns, suburbs and villages — up to 20%
- Inner Bradford and Keighley — up to 15%

5.13 Subsequently, DTZ were appointed by Bradford Council in 2015 to develop the viability evidence base for the CIL. The same value bands were used as in the previous 2013 study. The following residential charging zone areas were recommended by DTZ (Figure 5.5).

Figure 5.5 - Residential CIL Charging Zones (recommended by DTZ)



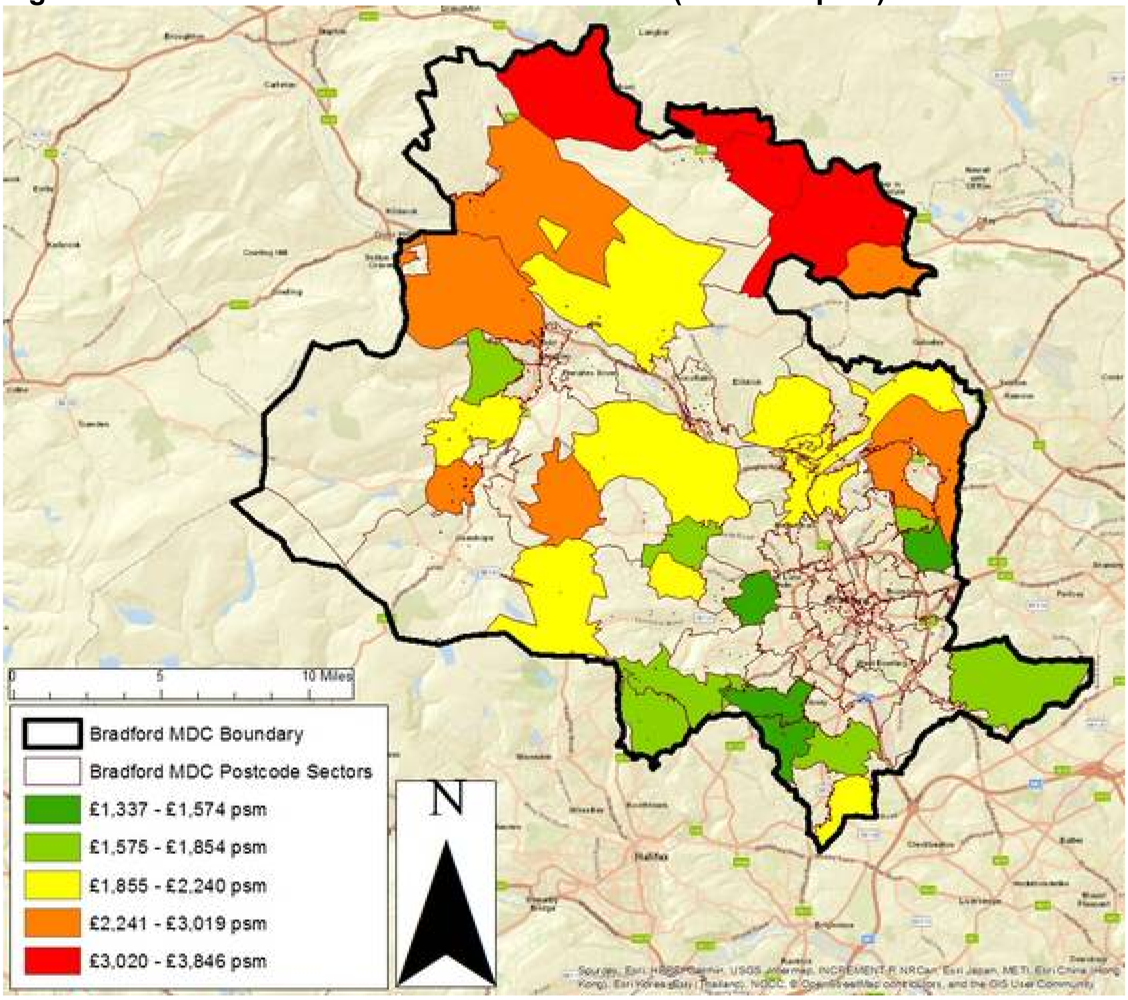
Source: Bradford Community Infrastructure Levy Viability Evidence 2015

5.14 It is important to notice that the above market values zones did not fully translate into the final adopted CIL zones (Figure 3.1 - COBMDC CIL Charging Zones Map).

5.15 Also, the DTZ values are now somewhat historic and we have updated them here-in. We have also sought to rationalise the Value bands / zones in the context of affordable housing and CIL (and greenfield / brownfield typologies).

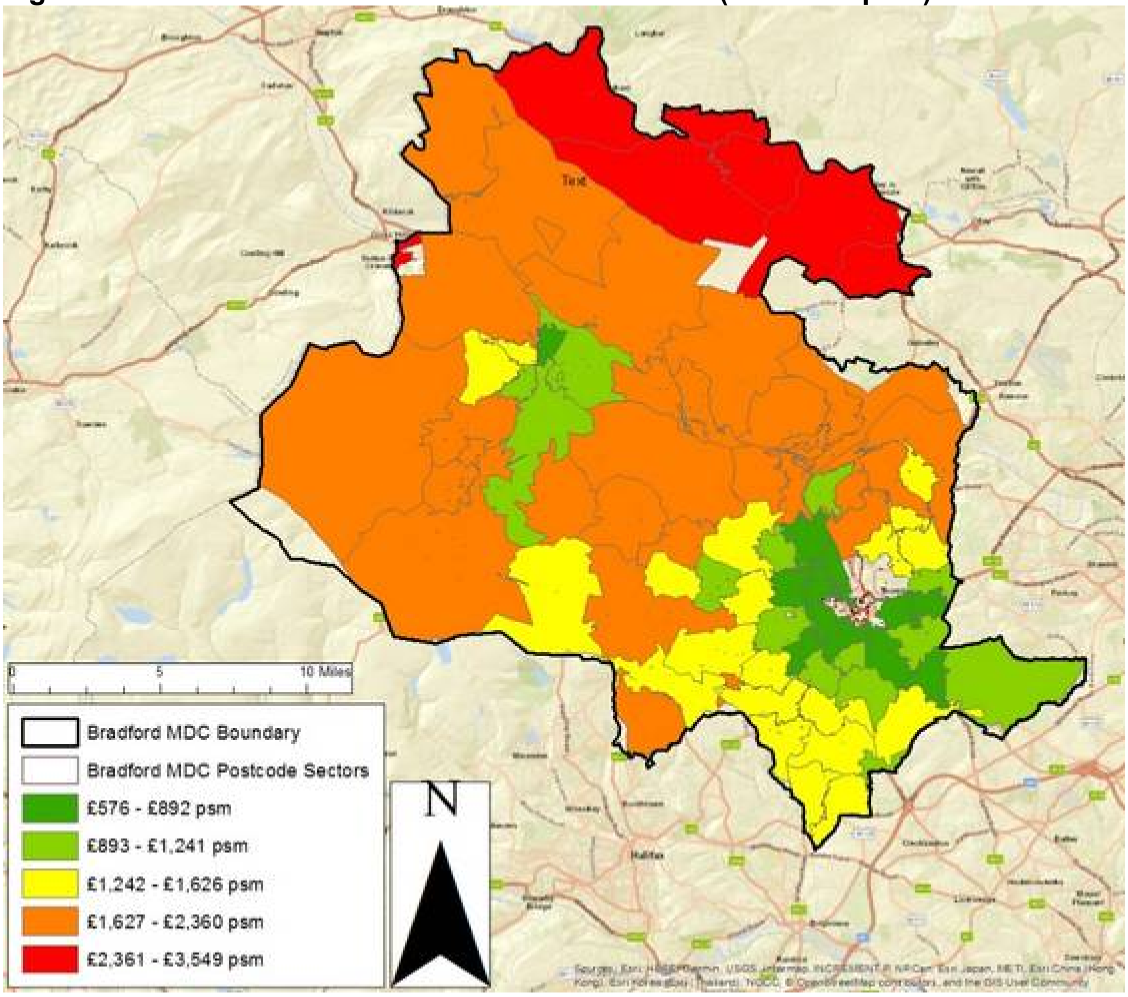
5.16 Our market research shows that residential values increase towards the north of the District. Figure 5.6 and Figure 5.7 below show the pattern of values for new build residential sales and the sales values of second-hand properties. The second-hand data is more comprehensive in some postcodes as these postcode areas did not have any new build sales recorded.

Figure 5.6 - New Build Houses Achieved Values (Median £ psm)



Source: AspinallVerdi

Figure 5.7 - Second Hand Houses Achieved Values (Median £ psm)

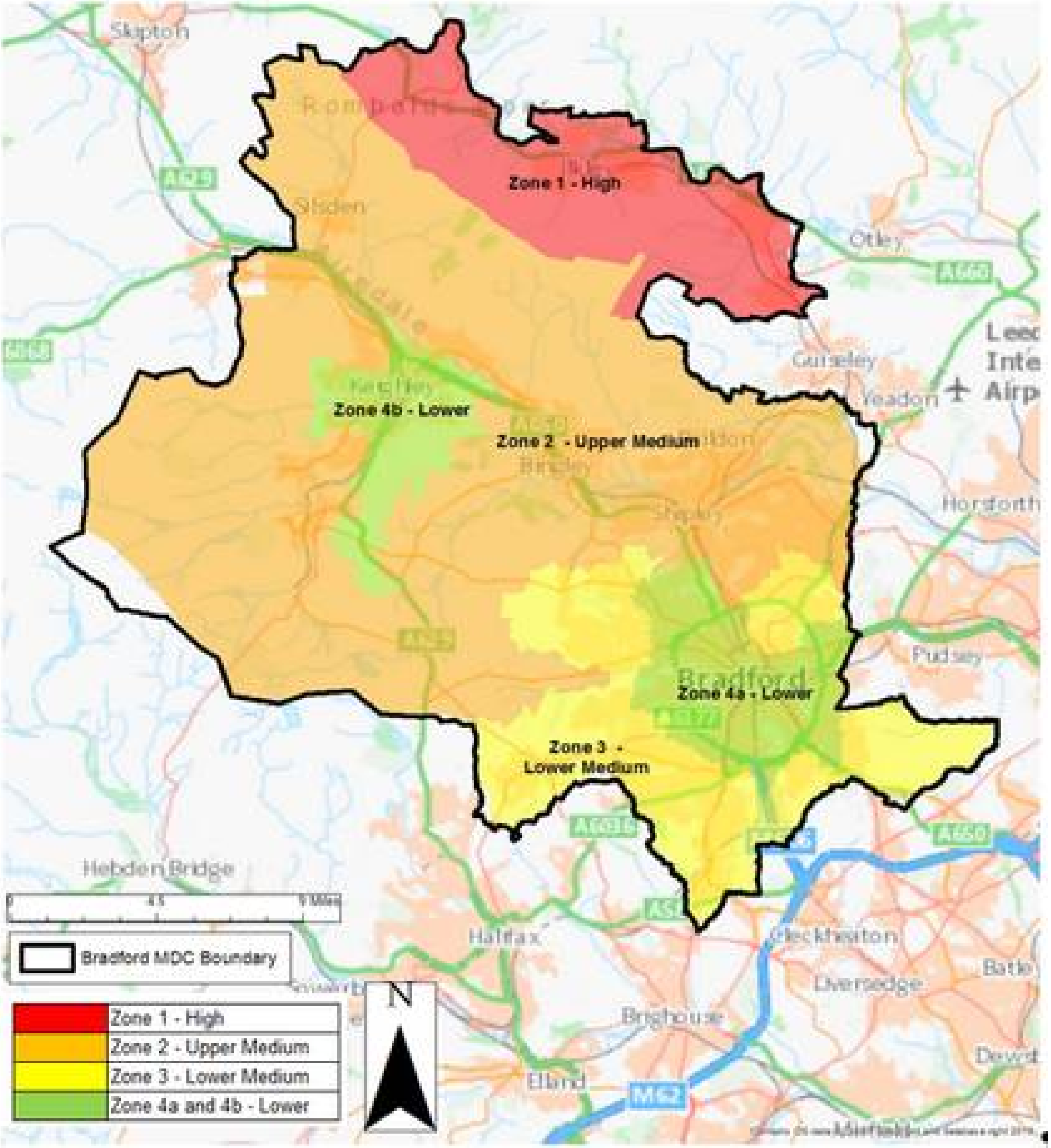


Source: AspinallVerdi

5.17 The maps above demonstrate that there is a higher value zone to the north (Wharfedale) with lower values to the south and in the city centre. The lowest value zones are in Bradford city centre and Keighley.

5.18 Based upon the above we initially consulted on 3 x value zones at the stakeholder workshop on 8 July 2019 based around the above map (Figure 5.7 - Second Hand Houses Achieved Values (Median £ psm)Figure 5.7). However, following feedback from Council Officers we have revisited the data and updated this to propose 4 x value zones as set out below (Figure 5.8). This allows for a lower – middle value zones around the outer suburbs of the city.

Figure 5.8 - Housing Value Zones



Source: AspinallVerdi Residential Market Review

Residential Typology Assumptions

5.19 The detailed typologies are set out in the matrix appended (see Appendix 2 – Typologies Matrix).

5.20 There are a number of assumptions within the matrix which are evidenced below.

Number of Units

5.21 The typologies are based upon analysis of the proposed housing sites in the site allocations DPD, to formulate our typologies by size, greenfield / brownfield and location, taking into consideration the housing market areas set out above and within our residential market research paper.

5.22 As instructed by the Council, we have created typologies which are applicable for all value zones equally to facilitate comparison. These have been agreed in consultation with officers at COBMDC.

Mix

5.23 The overall market mix by dwelling type, size and tenure is summarised in the draft SHMA 2019.

Table 5.1 - Housing Mix Assumptions

Table 8.8	Overall dwelling type/size and tenure mix under baseline demographic scenario		
Dwelling type/size	Tenure		Total
	Market (74%)	Affordable (26%)	
1/2 Bedroom house	49	159	208
3 Bedroom house	433	121	554
4+ Bedroom house	247	69	316
1 Bedroom flat	128	54	182
2/3 Bedroom flat	161	12	173
1-2 Bedroom bungalow	156	17	173
3+ Bedroom bungalow	50	3	53
Other	37	6	43
TOTAL	**1,262**	**441**	**1,703**
Dwelling type	**Market (74%)**	**Affordable (26%)**	**Total**
House	729	349	1,077
Flat	289	66	355
Bungalow	207	20	227
Other	37	6	43
Total	**1,262**	**441**	**1,703**
Number of bedrooms	**Market (74%)**	**Affordable (26%)**	**Total**
1	166	111	277
2	353	135	487
3	498	125	623
4	245	71	316
Total	**1,262**	**441**	**1,703**

Source: SHMA 2019

5.24 The following overall housing mix has been provided by the Council based on local evidence.

5.25 Market Housing Mix

- 15%1/2 bed
- 40% 3 bed
- 30% 4 bed
- 5% 5 bed
- 10%1/2 bed flat

5.26 AH Housing Mix

- 50%1/2 bed
- 30% 3 bed
- 5% 4 bed
- 10% 1 bed flat
- 5% 2 bed flat

5.27 Please see the typologies matrix for the specific mix assumed for each typology (see Appendix 2 – Typologies Matrix).

5.28 It is recognised that although there is an evidence of need for 1 bed houses in most cases the majority of market and affordable houses delivered through development will be 2 bed houses.

5.29 It should also be noted that flats are only considered as part of the housing mix on larger and higher density schemes

Unit Size Assumptions

5.30 For the purposes of our appraisal we have ensured that our assumptions meet or exceed the nationally described housing standards by DCLG. In forming our floor area assumptions to be adopted within the appraisals, the nationally described space standards provide a useful benchmark and are our starting point.

5.31 The DCLG minimum floorspace standards are set out on the table below.

Table 5.2 - Technical Housing Standards

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

Source: Technical housing standards – nationally described space standard (March 2015)

5.32 The DCLG standards set out a complex matrix of house types and storey heights. We have therefore had to simplify this for our analysis.

5.33 The table below sets out the range of floor areas for new-build property sold within the District.

5.34 The Land Registry does not provide details of the number of bedrooms and therefore we have had to make certain assumptions. We have adopted a number of bedrooms assumption for each unit based on nationally described space standards.

5.35 Table 5.3 summarises the floor areas for the assumed house types.

Table 5.3 - Actual Floor Areas for achieved new-build properties

	Minimum sqm	Average sqm	Median sqm	Maximum sqm
1 bed flat	35	42	37	59
2 bed flat	56	61	59	70
1 bed house	60	64	64	69
2 bed houses	70	75	76	80
3 bed houses	81	91	91	100
4 bed houses	101	113	113	124
5 bed houses	125	159	143	273

Source: AspinallVerdi (190731 New Build Achieved v7)

5.36 Using the Land Registry data cross-referenced with the Energy Performance Certificate (EPC) register to establish floor areas creates complexity as the larger a property gets; the range of unit sizes widens. It is not always possible to determine whether a unit in the Land Registry data is 3, 4 or 5+ bedrooms.

5.37 Table 5.4 below provides a summary of our assumptions:

Table 5.4 - Floorspace Assumptions

Property Type	Size (Sqm)
1-Bed House	62
2-Bed House	79
3-Bed House	100
4-Bed House	115
5-Bed House	140
1 Bed Flat	50
2 Bed Flat	70

Source: AspinallVerdi (190731 New Build Achieved v7)

Density

5.38 The typologies matrix (see Appendix 2 – Typologies Matrix) sets out our density assumptions specific to each typology.

5.39 We have generally applied a density of 35 dwellings per hectare (dph) for the generic typologies based upon CSPR policy HO5.

5.40 We have appraised higher density typologies in each value area to include flats (50 dph) and included a higher density flatted type development as part of the typologies.

5.41 Finally, all of the appraisals include sensitivity analysis in respect of density (albeit this is limited by the unit mix which is fixed in each typology).

Residential Value Assumptions

5.42 The residential market paper appended (see Appendix 4 – Residential Market Paper) provides the background to the market housing value assumptions.

5.43 Based on our market assessment above we have assumed the following values (£ psm, £) across the District.

Table 5.5 - Residential Value Assumptions (£)

Dwelling Type	Floor Area (sqm)	Zone 4a and 4b	Zone 3	Zone 2	Zone 1
1 bed house	62	£90,000	£125,000	£165,000	£250,000
2 bed house	79	£160,000	£185,000	£210,000	£290,000
3 bed house	100	£300,000	£330,000	£350,000	£400,000
4 bed house	115	£400,000	£440,000	£475,000	£525,000
5 bed house	140	£500,000	£550,000	£600,000	£700,000
1 bed flat	50	£110,000	£130,000	£145,000	£160,000
2 bed flat	70	£175,000	£210,000	£250,000	£325,000

Source: AspinallVerdi (190731 New Build Achieved v7)

Table 5.6 - Residential Value Assumptions (£ psm)

Dwelling Type	Floor Area (sqm)	Zone 4a and 4b	Zone 3	Zone 2	Zone 1
1 bed house	62	£1,452	£2,016	£2,661	£4,032
2 bed house	79	£2,025	£2,342	£2,658	£3,671
3 bed house	100	£3,000	£3,300	£3,500	£4,000
4 bed house	115	£3,478	£3,826	£4,130	£4,565
5 bed house	140	£3,571	£3,929	£4,286	£5,000
1 bed flat	50	£2,200	£2,600	£2,900	£3,200
2 bed flat	70	£2,500	£3,000	£3,571	£4,643

Source: AspinallVerdi (190731 New Build Achieved v7)

Table 5.7 - Average £ psm for Houses and Flats in each zone

Dwelling Type	Zone 4a and 4b	Zone 3	Zone 2	Zone 1
Houses	£2,705	£3,083	£3,447	£4,254
Flats	£2,350	£2,800	£3,236	£3,921

Transfer Values

5.44 For the purposes of our viability assessment we have used Core Strategy Policy HO11 as our baseline Affordable Housing target. This based upon the above map (Figure 5.4 - COBMDC Affordable Housing Zones) and the following policy targets:

- Higher Value 30%
- Medium Value 20%
- Lower Value 15%

5.45 Note that this is for baseline testing, and the results of our viability assessment based upon our value zones may result in different recommended targets.

5.46 We have assumed a tenure split of:

- Affordable Rent 65%
- Intermediate Rent 35%

5.47 This is based upon the Strategic Housing Market Assessment, 2019.

5.48 We have adopted a blended 65% of OMV as a transfer value for all affordable tenure types. This is based on data from COBMDC and previously site-specific viability assessments.

5.49 This was consulted upon at the stakeholder workshop on 8 July 2019.

5.50 [Note that we are currently consulting further with RPs on the transfer values in response to comments raised at the consultation workshop].

Residential Cost Assumptions

5.51 The development costs adopted within our appraisals are evidenced (where necessary) and set out below. Note that we consulted with stakeholders on these assumptions at the workshop on 8 July 2019 – to date we have not received any comments regarding these.

Table 5.8 - Residential Cost Assumptions

Item	Comment
Planning Application Professional Fees and Reports	Allowance for typology, generally 3 times statutory planning fees.
Statutory Planning Fees	Based on national formula.
CIL	This is the residential CIL rate (£ psm) which is currently: Zone 1 - £111 psm Zone 2 - £56 psm

Item	Comment
	Zone 3 - £22 psm As with the Affordable Housing transfer values above, these are our baseline assumptions, and subject to the results of our viability assessment, based upon our value zones, this may result in different recommended targets.
Site Specific S106	This has been informed by evidence from the COBMDC based on an analysis of planning permissions. It should be noted that this analysis included education, recreation, highways and habitats contributions. Currently recreation, habitats and education are on the Regulation 123 List and therefore collected through CIL. However, following the proposed removal of the planning obligations pooling restrictions in the amended CIL regulations (September 2019) it is considered possible that these infrastructure items may return to being collected through S106 rather than CIL following the Council's CIL review. These have therefore been included in the baseline S106 costs for testing future CIL rates in this report. In addition, costs of S106 have been tested as a sensitivity to show the impact of higher or lower costs. Site Specific Allowance for typology – note that this is in addition to external works costs. See typologies matrix – Appendix 2. £4,000 per dwelling for housing developments below 100 units £6,000 per dwelling for housing developments above 100 units
Strategic Infrastructure	This will be based on the site specific proformas that have been confirmed with the Council. Note that this only applies to strategic sites.
Estate Housing (build costs)	£944 - £1,058 psm lower to median BCIS. This is rebased for Bradford for the last 5 years. We have used median BCIS cost in our baseline assumptions. For larger sites over 100 units we have adopted the lower quartile.
Flats 3-5 Storey (build costs)	£1,047 – 1,170 psm lower to median BCIS. This is rebased for Bradford for the last 5 years. We have used median BCIS cost in our baseline assumptions. For larger sites over 100 units we have adopted the lower quartile.
M4(2) Category 2 – Accessible and Adaptable housing	+£521 per unit (90% of all units). Based on DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157 (all units).

Item	Comment
M4(3) Category 3 - Wheelchair Adaptable dwellings	+£10,111 per unit (10% of all units). Based on DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157 (all units).
External Works	15% For the purposes of our appraisal we have used 15% for external works, which we consider is a more than sufficient allowance for a plan-wide study (given we have included 3% contingency). This includes generic ‘on-plot’ costs including inter alia: estate roads, pavements, street-lights, utilities, drainage etc.
Contingency	3% of the above construction costs for greenfield sites and; 5% for brownfield sites. Higher contingencies are sometimes included in site specific appraisals, but these are generally for specific abnormal costs or ground conditions which are not part of a high-level plan wide viability assessment.
Professional Fees	6.5% Based on average of recent FVA evidence. These are construction related professional fees as opposed to the ‘Planning Application Professional Fees and Reports’ professional fees included above at the feasibility stage.
Disposal Costs	1% - Sale Agents on the open market units £900 per unit - Sales Legal fees on the open market units £10,000 – Sales Legal Fees for the Affordable Housing (lump sum) 3% - Marketing & Disposal on the open market units. Note that the marketing and promotion costs have to be considered ‘in-the-round’ with the sales values and gross profit (where developers have internal sales functions).
Finance Costs	6.5% interest rate Based on average of recent FVAs. Applies to 100% of cashflow to include Finance Fees etc.
Profit	20% on open market sales (see below). 6% on affordable housing.

Source: AspinallVerdi

Profit Assumptions

5.52 For the purposes of this FVA we have consulted on a baseline profit of 20% to the private housing (open market sales (OMS) values) - with a sensitivity analysis which shows the impact of profit between 15-21%. We also consulted on 6% profit to the on-site affordable housing (where applicable).

5.53 This is consistent with the PPG (May 2019) which refers to profit of 15-20%[53] being '*considered a suitable return to developers in order to establish the viability of plan policies*.'

5.54 Our baseline assumption of 20% profit is at the top end of the range and we have included sensitivities down to 15% profit within the appraisals. However, we consider this to be a generous margin and allows for 'buffer' in addition to the contingency allowance (3% - 5% included).

5.55 It is important to note that it is good practice for policy obligations not to be set right up to the margins of viability. However, in certain circumstances developers will agree lower profit margins in order to secure planning permission and generate turnover. The sensitivity analyses within the appendices show the 'balance' (i.e. RLV – BLV) for developer's profit from 21% on private housing down to 15%. This clearly shows the significant impact of profit on viability (especially for larger schemes).

Residential Land Value Assumptions

5.56 The Land Market Review paper (see Appendix 3) sets out our approach and analysis of the land market in Bradford. Within this section we outline the key assumptions around residential land values. Our benchmark land value (BLV) assumptions are set out below (page over).

5.57 Land value is one of the key variables (together with profit) which determines the viability and deliverability or otherwise of a scheme.

5.58 With the new NPPF (2018/19) government policy has changed to ensure that planning policies are tested and viable at a Plan level; the developer has planning certainty to agree the land price with the landowner; and the scheme is delivered on a policy compliant basis.

5.59 For greenfield typologies we adopt a bottom up approach based on the net value per acre / hectare for agricultural / paddock land (existing use value (EUV)). This EUV is 'grossed up' to reflect a net developable to gross site area ratio.

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[53] Paragraph: 018 Reference ID: 10-018-201 90509, Revision date: 09 05 2019

5.60 The BLV is divided by the (higher) net value per acre / hectare gives an uplift multiplier (or premium) of between 15 – 31. These are the benchmark values that we would assume for the purpose of our hypothetical viability appraisals, and they act as the benchmark to test the RLV's of schemes to determine whether sites would come forward for development. These premiums are greater than those set out in the Homes and Communities Agency (now Homes England) (in August 2010) guidance which is now somewhat historic and does not take into consideration the range of values within Bradford District. These higher premiums allow for a viability buffer, especially for greenfield development and to take into account any site-specific abnormal development costs.

5.61 See the BLV Caveats at section 4 in respect of site-specific negotiations and premiums.

5.62 For the residential typologies on brownfield land, the benchmark land value is based on a 20% premium over perceived Existing Use Values. Note that EUVs for brownfield sites are sensitive to the particular use (i.e. the EUV could be lower if the site is not in an existing lawful use for industrial / commercial) and any legacy costs of contamination, site remediation and demolition.

Table 5.9 - Benchmark Land Value Assumptions

Typology	Location	Greenfield /Brownfield	EUV -					Uplift Multiplier	BLV -		Policy Adjustment	Non-Policy Complaint Values / Asking Values -	
			(per acre) (gross)	(per ha) (gross)	Net: Gross (%)	(per acre) (net)	(per ha) (net)	x [X] x [Y]%	(per acre) (net developable) (rounded)	(per ha) (net developable) (rounded)	- [X] %	(per acre) (net)	(per ha) (net) (rounded)
Residential < 50 units	High	Greenfield	£15,000	£37,065	90%	£16,667	£41,183	31	£520,000	£1,285,000	48.0%	£1,000,000	£2,471,000
Residential > 50 units	High	Greenfield	£12,000	£29,652	75%	£16,000	£39,536	31	£500,000	£1,236,000	44.4%	£900,000	£2,223,900
Residential < 50 units	Upper Medium	Greenfield	£10,000	£24,710	90%	£11,111	£27,456	27	£300,000	£741,000	40.0%	£500,000	£1,235,500
Residential > 50 units	Upper Medium	Greenfield	£8,000	£19,768	75%	£10,667	£26,357	23	£250,000	£618,000	45.7%	£460,000	£1,136,660
Residential < 50 units	Lower Medium	Greenfield	£10,000	£24,710	90%	£11,111	£27,456	21	£230,000	£568,000	54.0%	£500,000	£1,235,500
Residential > 50 units	Lower Medium	Greenfield	£7,000	£17,297	75%	£9,333	£23,063	21	£200,000	£494,000	56.5%	£460,000	£1,136,660
Residential < 50 units	Lower	Greenfield	£10,000	£24,710	90%	£11,111	£27,456	15	£170,000	£420,000	57.5%	£400,000	£988,400
Residential > 50 units	Lower	Greenfield	£6,000	£14,826	75%	£8,000	£19,768	15	£120,000	£297,000	73.9%	£460,000	£1,136,660
Residential	High	Brownfield	£400,000	£988,400	100%	£400,000	£988,400	20%	£480,000	£1,186,000			
Residential	Upper Medium	Brownfield	£350,000	£864,850	100%	£350,000	£864,850	20%	£420,000	£1,038,000			
Residential	Lower Medium	Brownfield	£325,000	£803,075	100%	£325,000	£803,075	20%	£390,000	£964,000			
Residential	Lower	Brownfield	£300,000	£741,300	100%	£300,000	£741,300	20%	£360,000	£890,000			
The above values are for Plan-making purposes only. This table should be read in conjunction with our Financial Viability Assessment Report and the caveats therein.													
No responsibility is accepted to any other party in respect of the whole or any part of its contents.													

Source: AspinallVerdi (190820 Bradford MDC Benchmark Land Value Database_v9)

Residential Viability Results

5.63 [This section to be updated following the consultation feedback and viability appraisal of the typologies herein].

6 Build-to-Rent

6.1 This section is in respect of build-to-rent typologies in the private rented sector. The appraisals are appended in full at Appendix 9.

Typology Assumptions

6.2 Table 6.1 outlines our typology assumptions for build-to-rent. This is based on a typical flatted scheme which may come forward on sites in each of the value zones. For example, a high-density multi-storey development of [80] units in the city centre and a 3-5 storey smaller scheme which might come forward in Ilkley.

Table 6.1 - Build to Rent Typology Assumptions

	Higher Value Zone	Upper Median Value Zone	Lower Median Value Zone	Lower Value Zone
No. of units	8	12	20	80
Development Density (dph)	55	55	60	100
1 Bed unit size (sqm)	50 sqm	50 sqm	50 sqm	50 sqm
2 Bed unit size (sqm)	70 sqm	70 sqm	70 sqm	70 sqm
Non-chargeable communal space (net-to-gross)	85%	85%	85%	80%

Source: AspinallVerdi

Value Assumptions

6.3 Please see section 8 in the Residential Market Paper (see Appendix 4 – Residential Market Paper) for our market commentary in respect of rents and yields for built to rent accommodation.

6.4 The built-to-rent sector is a burgeoning sector and is likely to become a significant property sector in its own right. It is an attractive sector for investors due to the hedge against inflation notwithstanding the higher management charges (compared to commercial investments).

6.5 We have used the following headline rents and yields within our build-to-rent appraisals.

Table 6.2 - Build to Rent Value Assumptions

	Higher Value Zone	Upper Medium Value Zone	Lower Medium Value Zone	Lower Value Zone
1 Bed rent (£ pcm)	£700	£550	£500	£400
2 Bed rent (£ pcm)	£850	£650	£575	£500
Management costs (%)	28%	28%	28%	28%
Yield (%)	5.5%	5.5%	5.5%	5.5%

Source: AspinallVerdi

6.6 We have assumed a 28% deduction from the gross headline rent to the net rent. This is to take into consideration the cost of: Void Loss / Write-offs / Expend on Voids; Regular Maintenance / Insurance / Utilities; Management Fees / Letting Costs; and Major repairs / refurb (SF) etc.

Affordable Housing Value assumptions

6.7 For the purposes of this typology we have assumed that the affordable housing is delivered by way of on-site discounted market rent.

6.8 In July 2018 the revised NPPF and updated PPG were published which introduced guidance specifically for the Build to Rent sector with minor adjustments being made in May 2019[54].

6.9 Within Paragraph: 002 Reference ID: 60-002-20180913 it states that;

‘Affordable housing on Build to Rent schemes should be provided by default in the form of affordable private rent. 20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any Build to Rent scheme.’

6.10 We have adopted a discount of 20% of market value to reflect an affordable product and Planning Practice Guidance.

[54] https://www.gov.uk/guidance/build-to-rent

Cost Assumptions

6.11 The table below outlines the cost assumptions where these differ from market housing in section 5 above:

Table 6.3 - Build to Rent Construction Cost Assumptions

Item	Build Cost	Comments
Flats (apartments) 3-5 storey	£1,170 psm	Median BCIS – Bradford (5 years). We have used the median BCIS cost in our baseline assumptions.
Flats 6+ Storey	£1,408 psm	ditto
External Works	+5%	These schemes generally have fewer external areas and higher densities.
Contingency	+5%	Due to the higher density structures.
Site-Specific S106/S278	£1,500 per dwelling	Site Specific Allowance for typology – note that this is in addition to external works costs. See typologies matrix – Appendix 2.

Source: AspinallVerdi

Profit

6.12 We have included a profit margin of 20% *on cost* for the Build to Rent typology. This is because this is more of a 'commercial' investment approach to development rather than a volume housebuilder traditional margin on turnover/sales model.

6.13 In reality we acknowledge that Build to Rent investors and developers have a variety of measures to appraisal projects including IRR (Internal Rate of Return). This is too bespoke for high level plan viability purposes.

Land Values

6.14 For the purpose of the Build to Rent typologies we have used the same benchmark land values as for market housing – see Table 5.9 - Benchmark Land Value Assumptions.

Build to Rent Viability Results

6.15 [This section to be updated following the consultation feedback and viability appraisal of the typologies herein].

7 Specialist Accommodation for Older People

7.1 Section 9 of the Residential Market Paper (see Appendix 4 – Residential Market Paper) sets out our approach to appraising specialist accommodation for older people. It defines the various types of older persons / age restricted housing. This section provides a summary of the value and cost assumptions, our typologies and appraisal results. The appraisals are appended in full at Appendix 10.

Typology Assumptions

7.2 Table 7.1 outlines our typology assumptions for older persons housing. The typologies appraised are generic typologies for C3 self-contained schemes.

Table 7.1 - Older Persons Housing Typology Assumptions

	Age Restricted / Sheltered Housing	Assisted Living / Extra-Care Housing
No. of units	55	60
Development Density (dph)	125	100
1 Bed unit size (sqm)	50	60
2 Bed unit size (sqm)	75	80
Non-chargeable communal space (net-to-gross)	75%	65%

Source: AspinallVerdi

Value Assumptions

7.3 The Residential Market Paper provides a market analysis of the demand for older persons housing.

7.4 It should be noted that Bradford has a rapidly growing household structure with a large proportion of the population made up of people in the lower age groups[55]. The evidence in the latest SHMA 2019 shows the largest increase in population and households is in the older persons housing group and is therefore a key strategic priority going forward. That said, the existing Core Strategy is to support the provision of specialist accommodation for older people in suitable locations with good access to amenities and services and in *areas of greatest anticipated demand*[56].

7.5 We have identified a limited number of new build and second-hand schemes for age restricted units in Bradford. Most of the new build demand is in the higher value area e.g. Ilkley, Menston

[55] Local Plan for the Bradford District Core Strategy (Adopted July 2017), paragraph 5.1.8
[56] Local Plan for the Bradford District Core Strategy (Adopted July 2017), paragraph 5.3.131

but we are aware of developer interest in Bingley and the Aire Valley. We have therefore appraised schemes in Zone 1 and 2 (higher and upper medium value zone). We have assumed the older persons housing in zone 2 as a proxy for the rest of the District as any scheme coming forward in these areas is by exception.

7.6 We have assumed the following values for sheltered housing / retirement living properties:

Table 7.2 - Retirement Living / Sheltered Housing Value Assumptions

No. of Beds	Unit Price	Floor Area (sqm)	Price psm
1-Bed	£255,000	50	£5,100
2-Bed	£360,000	70	£5,143

Source: AspinallVerdi (190704 Retirement Living v1)

7.7 We have applied a 25% premium to establish a value for the extra-care housing. This is based on benchmark guidance from the Retirement Housing Group[57].

Table 7.3 - Extra-Care Housing Value Assumptions

No. of Beds	Unit Price	Floor Area (sqm)	Price psm
1-Bed	£318,750	60	£5,312
2-Bed	£450,000	80	£5,625

Source: AspinallVerdi (190704 Retirement Living v1)

Cost Assumptions

7.8 The table below outlines the cost assumptions:

Table 7.4 - Older Persons Housing Construction Cost Assumptions

Typologies	Build Cost	Comments
Demolition / Site Clearance	£50,000 per acre	For brownfield typologies we have made an allowance of £50,000 per acre for site clearance / demolition.
Sheltered Housing	£1,546 psm	Median BCIS. 4-storey or above, rebased for West Yorkshire (5 years).
Extra Care Housing	+4%	Based on Retirement Housing Group Viability Base Data evidence.

[57] RHG Retirement Housing Group, Retirement Housing Viability Base Data (April 2013) / Briefing Paper for CIL Practitioners Retirement Housing and the Community Infrastructure Levy (June 2013) by Churchill Retirement Living and McCarthy and Stone

Typologies	Build Cost	Comments
External Works	+10%	These schemes generally have fewer external areas (e.g. less car parking). This is consistent with the higher development density assumptions.
Contingency	+3%	
Site-Specific S106/S278	£1,500 per dwelling	Site Specific Allowance for typology – note that this is in addition to external works costs. See typologies matrix – Appendix 2.

Source: AspinallVerdi

7.9 The other cost assumptions are the same as for the residential appraisals in section 5 above.

Profit Assumptions

7.10 For the purposes of this FVA we used a baseline profit of 20% to the private housing (open market sales (OMS) values) - with a sensitivity analysis which shows the impact of profit between 15-21%.

7.11 We have applied 6% profit to the on-site affordable housing (where applicable to calculate the equivalent commuted sum).

Land Values

7.12 For the purpose of the Specialist accommodation typologies we have used the same benchmark land values as for market housing – see Table 5.9 - Benchmark Land Value Assumptions.

Older Persons Housing Results

7.13 We have tested both Sheltered Housing and Extra-Care typologies within the District.

7.14 Key viability issues for these typologies include:

- The high net-to-gross ratio compared to C3 apartment typologies which reduces the saleable area;
- The larger unit sizes which reduces the number of units that can be accommodated within a particular sales area;
- The higher build cost based on the gross area and BCIS data;
- The high development density which reduces the quantum of land assumed and therefore the BLV, but this may not be enough to off-set the above costs.

7.15 [This section to be updated following the consultation feedback and viability appraisal of the typologies herein].

8 Retail

8.1 We set out at Appendix 5 our Retail Market research paper. This sets out our research in respect of high-street retail, supermarkets and retail warehouse development from both a national and a local context.

8.2 We compared the findings to the assumptions contained in the previous CIL study. We have also compared the change in values to the change in costs to determine whether there is any scope to change the CIL Charging Schedule for retail property.

8.3 This section deals with all the A use classes.

Retail Market

8.4 We set out at Appendix 5 our Retail Market review paper. This sets out our research in respect of high-street retail, supermarkets and retail warehouse development from both a national and a local context.

Retail GDV Assumptions

8.5 Table 8.1 below sets out our retail value assumptions for the appraisals based on the market research in Appendix 5.

Table 8.1 - Retail Value Assumptions

Typology	Rent £psf	Yield %	Rent Free
Supermarkets (>2,000 sqm)	£15.00	6.5%	16 months
Discount Supermarkets (1,700 sqm)	£15.00	6.5%	16 months
Medium Supermarket e.g. District Centre (500 sqm)	£20.00	6.5%	18 months
Express Store e.g. Local Centre (200 sqm)	£20.00	6.5%	18 months
Retail Warehouses (350 sqm) – Existing CIL Zone	£35.00	6.5%	18 months
Retail Warehouses (350 sqm) – Rest of District	£25.00	6.5%	18 months

Source: AspinallVerdi

8.6 We have specifically sought to review the viability of retail units beyond the existing city centre CIL boundary (see Figure 3.1 - COBMDC CIL Charging Zones Map) in order to test the scope of extending retail warehouse CIL to the wider District.

Retail Typologies

8.7 The retail typologies are based on the typologies used by the previous consultants to establish the current CIL Charging Schedule.

8.8 These have been updated based on the likely development coming forward across the District and general market trends.

Retail Cost Assumptions

8.9 The development costs adopted within our appraisals are evidenced (where necessary) and set out below.

Initial Payments

8.10 Table 8.2 below shows the 'up-front' costs prior-to or at start-on-site for retail (and commercial) typologies.

Table 8.2 - Initial Payments Cost Assumptions

Item	Comment
Planning Application Professional Fees and Reports	Allowance for typology, generally 2 times statutory planning fees.
Statutory Planning Fees	Based on national formula.
CIL	Retail Warehousing – Central Bradford - £85 Large supermarkets - >2000 sqm - £50
Site-Specific S106/S278	Site Specific Allowance for typology – note that this is in addition to external works costs.

Source: AspinallVerdi

Construction Costs

8.11 The table below (Table 8.3) summarises our build cost assumptions.

Table 8.3 - Build Cost Assumptions

Item	Cost	Comments
Demolition / Site Clearance	£50,000 per acre	For brownfield typologies we have made an allowance for site clearance / demolition.
Small Express Store / Town Centre Shop	£1,066 psm	BCIS
Supermarkets	£1,293psm	BCIS
Retail Warehouses	£714 psm	BCIS
External Works	15%	Industry standard.
Contingency	5% of the above construction costs	Industry standard.

Source: AspinallVerdi

Other Cost Assumptions

8.12 The table below summarises all the other costs which have factored into the appraisals (Table 8.4).

Table 8.4 - Other Cost Assumptions

Item	Cost	Comments
Professional Fees	8%	Typical allowance.
Disposal Costs	15% Letting Agents 5% Letting Legal 1% Investment Sale Agents 0.5% Investment Sale Legal 1% Marketing and Promotion	Industry standard. The sum total represents a more than adequate budget for most typologies / circumstances.
Finance Costs	6.25% interest rate	Based on 100% debt to include all funding fees.

Source: AspinallVerdi

Profit Assumptions

8.13 For the purposes of this EVA we have incorporate profit based on 20% *of cost*. This is the industry standard approach for retail and commercial developments.

Retail Land Value Assumptions

8.14 For the purpose of the retail typologies we have used appropriate benchmark land values for existing urban centres (previously developed land) and greenfield values in the context of local and district centres within new strategic site – see Table 5.9 - Benchmark Land Value Assumptions. [We would welcome consultation feedback on retail land values (as well as general feedback on our Land Value Paper and BLVs]

Retail Viability Results

8.15 [This section to be updated following the consultation feedback and viability appraisal of the typologies herein].

9 Commercial

9.1 We have carried out a comprehensive market review for commercial values. This is set out at Appendix 6. We have reviewed the commercial office and industrial/distribution sectors falling into classes B1, B2 and B8 of the Use Classes Order.

9.2 In this section, we review the commercial market evidence and compare the findings to the assumptions contained in the previous CIL study. We have also compared the change in values to the change in costs to determine whether there is any scope to change the CIL Charging Schedule for commercial property.

Office

9.3 The current CIL rate for offices is £0 psm.

9.4 Typical office rents across the district range between £118 psm and £150 psm. Since the DTZ study the office market in Bradford has remained relatively unchanged and demand remains weak from both investor and occupier. Therefore, there is unlikely to be significant rental growth in 2019.

9.5 In their 2015 CIL study, DTZ adopted values of between £139 psm and £194 psm. This demonstrates that rents have reduced slightly since 2015. DTZ adopted between 8.50% and 12% yields.

9.6 We have also reviewed BCIS costs which have increased by 13% over the same time period.

9.7 This increase in costs along with a decrease in values will have a negative impact on viability. Office development is therefore likely to remain at the margins of viability. This is particularly the case for speculative offices which are harder to fund and carry much more risk in terms of voids, empty rates and holding costs until let.

9.8 We therefore recommend that the CIL charge remains at £0 psm.

Industrial

9.9 The current CIL rate for industrial is £0 psm.

9.10 Typical industrial rents across the district range between £59 psm and £69 psm. Market sentiment regarding this sector is more positive compared to other commercial property and speculative development is on the rise in prime locations.

9.11 In 2015 DTZ found that industrial rents were between £54 psm and £64 psm. In general rents were found to be £59 psm across the district. DTZ applied a yield of 7.25%. DTZ found industrial development to be unviable.

9.12 We have reviewed BCIS rates for general warehouses and found that between Q3 2014 and February 2019 costs have increased by circa 25%.

9.13 Rents have grown at a similar rate to costs whilst yields have remained at a similar percentage. This increase in capital value (c35%) is likely to improve the viability from unviable to only marginally viable and therefore there will not create sufficient surplus to enable the charging of CIL.

9.14 We therefore recommend that CIL remains at its current rate at £0 psm.

10 Conclusions and Recommendations

10.1 In this section we draw together the conclusions and recommendations from the viability modelling.

10.2 [This section to be updated following the consultation feedback and viability appraisal of the typologies herein].

Residential

10.3 [tbc]

Build to Rent

10.4 [tbc]

Specialist Accommodation for Older People

10.5 [tbc]

Retail

10.6 [tbc]

Commercial

10.7 [tbc]

Best Practice

10.8 In addition, we recommend that, in accordance with best practice, the plan wide/CIL viability is reviewed on a regular basis to ensure that the Plan/CIL remains relevant as the property market cycle(s) change.

10.9 Furthermore, to facilitate the process of review, we recommend that the Council monitors the development appraisal parameters herein, but particularly data on land values across the District.

Appendix 1 – Policies Matrix

Appendix 2 – Typologies Matrix

Appendix 3 – Land Market Review

Appendix 4 – Residential Market Paper

Appendix 5 – Retail Market Paper

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Appendix 6 – Commercial Market Paper

Appendix 7 – Stakeholder Workshop Slides

Appendix 8 – Residential Appraisals

Appendix 9 – Build to Rent Appraisals

Appendix 10 – Specialist Accommodation for Older People Appraisals

CONSULTATION DRAFT

Appendix 11 – Retail Appraisals

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