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Financial Viability Assessment (Draft) in relation to Kidderminster Eastern Extension

Prepared for:

Wyre Forest District Council

Date: April 15 2020

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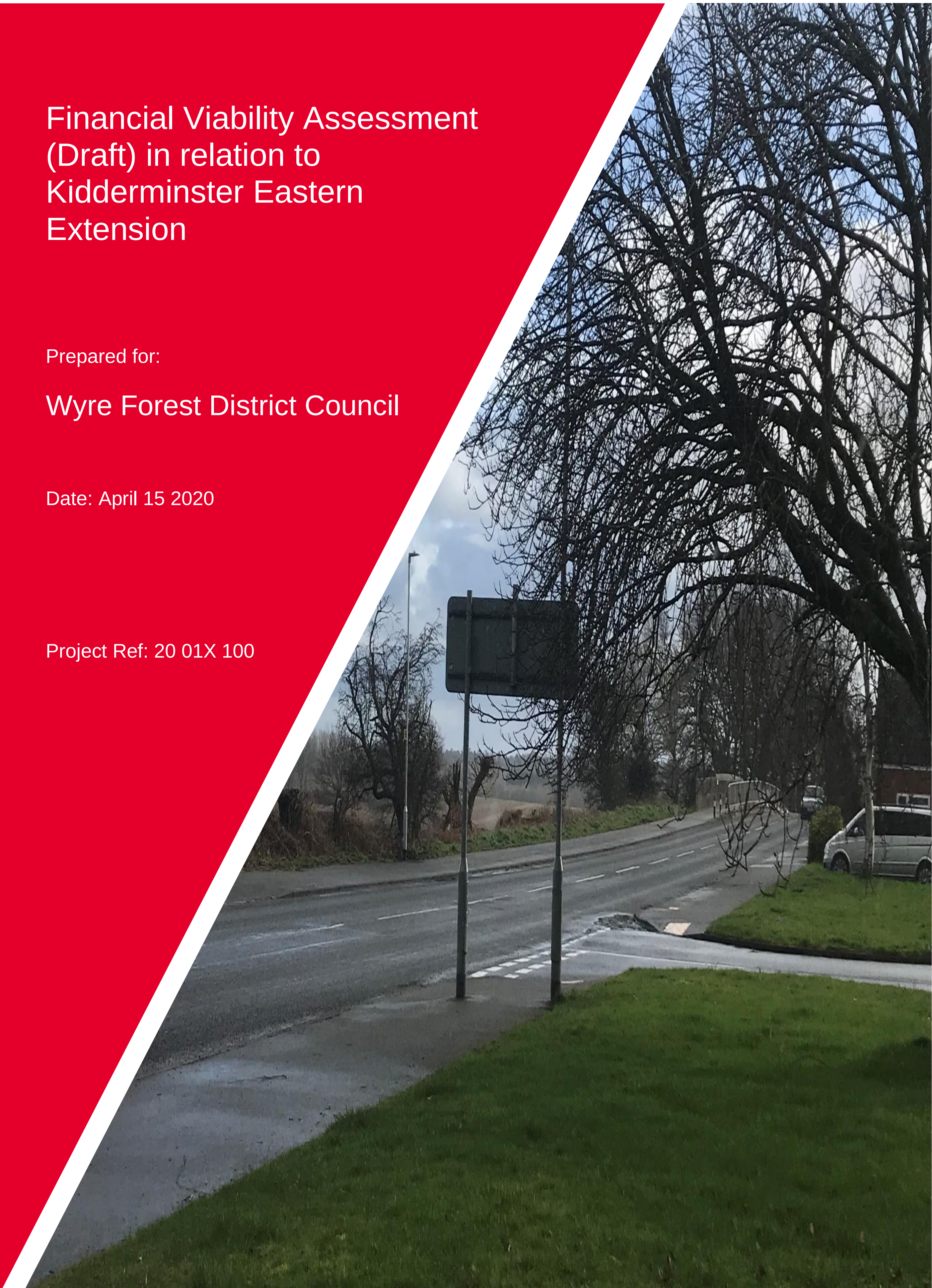

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1. Financial Viability in Planning: Conduct and Reporting (1st Edition, May 2019) – RICS Professional Statement

Context

1.1. This Financial Viability Assessment (FVA) is for an allocated strategic site in the emerging Wyre Forest Local Plan (WFLP).

1.2. The local context of this FVA are the ongoing discussions between the site promoter – Taylor Wimpey (TW), and the local planning authority - Wyre Forest District Council (WFDC) regarding the proposed development of 1,400 new homes on land at Comberton Road, regarding the extent to which the scheme is likely to be able to deliver planning policy required levels of both affordable housing and financial contributions.

1.3. To this end:

- TW (The Site Promoter) has appointed Bridgehouse Property Consultants (BPC) to prepare some initial appraisals to indicate the extent to which the site is able to deliver the policy requirements of the emerging WFLP

- WFDC has appointed Cushman & Wakefield (C&W) to review the appraisals prepared by BPC on behalf of Taylor Wimpey.

1.4. The context to BPC's submitted financial viability assessment is:

- An emerging Local Plan seeking 25% affordable housing.

- A current total S106 financial contribution package being sought from the site of £28,000,000

- Previous "plan wide" viability testing undertaken by HDH Development & Planning (HDH) on behalf of WFDC for the emerging Local Plan, suggesting that the site is only likely to be able to deliver a low quantum of affordable housing.

1.5. BPC, has set out a commentary alongside the submitted appraisals, which from this point onwards shall collectively be referred to as the *Promoter's FVA*. The FVA states the following:

- *Discussions have taken place about the range of assumptions used by HDH Development & Planning in their Local Plan Viability Assessment.*

- *Taylor Wimpey have already advised the Council that while many of the assumptions used by HDH are not accepted, their overall conclusion on what the site is likely to be able to deliver is largely agreed.*

- *In these assessments, we have disregarded the assumptions used by HDH and have prepared residual land values, at a range of different affordable housing percentages, using assumptions that are considered to be: in line with market norms, appropriate to any large developer bring a site of this site forward, consistent with the latest NPPF/PPG guidelines on Viability (September 2019)*

- *Because of the stage of scheme design and development, these assessments are, and can only be, at a reasonably high level. It is expected that Taylor Wimpey will work with the Council, and its viability advisors, on an iterative basis to refine these assessments up to the point where an application is formally submitted.*

1.6. With regard to financial viability assessment of sites, the National Planning Practice Guidance sets out is expectations of the primacy of viability testing at the local plan stage, stating that "[the] *role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan [Paragraph: 002 Reference ID: 10-002-20190509; Revision date: 09 05 2019].*

1.7. As a financial viability assessment (FVA) carried out in the planning context, it is thus appropriate that it is made clear at this stage that this FVA has been prepared to be consistent with the *Financial Viability in Planning: Conduct and Reporting (1st edition)* RICS Professional Statement dated May 2019. The document sets out mandatory requirements on conduct and reporting in relation to FVAs for planning in England to demonstrate how a reasonable, objective and impartial outcome should be arrived at. It also aims to support and complement the government's reforms to the planning process announced in July 2018 and any subsequent updates.

1.8. In particular, we have assessed the benchmark land value in accordance with the requirements of Section 2.7 of the Professional Statement in that we have reported the following (where applicable):

- Current Use Value (referred to as Existing Use Value (EUV))
- Premium
- Market evidence (as adjusted in accordance with the PPG)
- All supporting considerations, assumptions and justifications adopted
- Alternative Use Value (as appropriate)

1.9. Full justification of the adopted benchmark land value is provided in this report.

2. Introduction

Update

2.1. This report represents an update to that dated March 2, 2020. This is in response to further information becoming available regarding the following:

- The Existing Use Value of the Site (pertinent to the Benchmark Land Value (Section 5))
- Strategic Infrastructure Costs (Section 3.16)

2.2. The site is known as the Kidderminster Eastern Extension, comprising some 81 hectares (200 acres of Class 2 (Very Good; broadly to the north of the proposed wildlife corridor) and Class 3 (Good to Moderate) agricultural land greenfield site to the, and will comprise (according to Policy 32.3 Land East of Offmore (OC/6) and Land at Stone Hill North (OC/13N) Overall Vision)

The Site & Context

2.3. The site is known as the Kidderminster Eastern Extension, comprising some 81 hectares (200 acres of Class 2 and Class 1 agricultural land, and will comprise (according to Policy 32.3 Land East of Offmore (OC/6) and Land at Stone Hill North (OC/13N) Overall Vision)

- The delivery of around 1,400 new dwellings
- The creation of a community hub to include:
    - 2 ha of land for a 420 space primary school, developed in two phases of 30 places per year group
    - Retail provision appropriate to local needs
    - A community facility able to accommodate a meeting room, café and potentially a GP Surgery
- The SUE will be serviced by
    - two accesses, the main access being off the existing roundabout on the A448 by Spennells Valley Road, complemented by a secondary access taken off Husum Way to the south of the railway bridge
    - A speed limited (20mph) single carriageway spine road, with cycle and pedestrian provision alongside
- The SUE will also include:
    - A linear nature reserve
    - Pedestrian and cycle links to existing destinations
    - Area of allotments or community orchard
    - Play facilities, and will,
    - retain and enhance existing hedgerows and natural features, allowing for a buffer to the Hoobrook and its tributaries

2.4. A concept plan has been prepared by the site promoter and is set out overleaf. The concept plan reflects twenty one principles of development for the site (a. to u.) set out in Policy 32.4, which include 50% of the site being greenspace, the creation of distinct "village green" character areas, alongside those to protect and enhance the natural setting of the site.

2.5. The concept plan envisages a net developable area (for residential) of around 35 hectares (86.5 acres), which would be reflected in a development density of 40dph, though we note that this has been superseded, and understand that the site area stated at 2.2 above, is correct.

2.6. The southern end of the allocation site, at its junction with Spennells Valley Road, is some 0.9 miles south east of Kidderminster Railway Station, and 1.2 miles south east of the town centre, whilst the northern end of the allocation site is some 1.5 miles East North East of the town centre, 1.3 miles north east of the railway station, and some 17 miles south west of the Birmingham Central Business District.

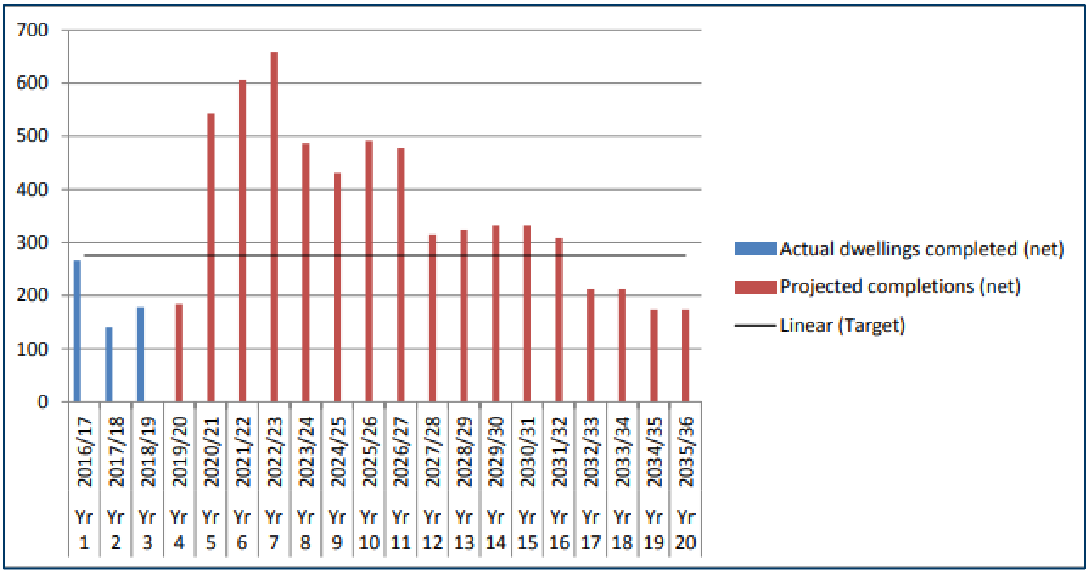
Figure 2.1 Concept Plan

2.7. The two allocated sites (OC/6 and OC/13N), which comprise the SUE, are under the control of a single national housebuilder, Taylor Wimpey. There are also two smaller sites at the northern and southern ends, that we understand will be brought forward independently, and which are not considered as part of this viability assessment.

2.8. For context, the emerging local plan allocates 6,365 (net) dwellings, as follows, with the subject site contributing to around 23% of the emerging local plan allocation. The subject site and a proposed "new village" at Lea Castle comprise nearly half of the net dwellings (excluding completions) target over the Plan period to 2036

Source of Supply		No of Net Dwellings (Approx.)
Completions (1st April 2016 31 March 2019)		585
Under Construction at 1 April 2019		142
Commitments not yet started at 1st April 2019[1]		484
Strategic Allocation Site - Lea Castle Village		1,400
Strategic Allocation Site - Kidderminster Eastern Urban Extension		1,440
Remaining Development Sites:		
	Kidderminster Town	990
	Stourport on Severn	984
	Bewdley	225
	Rural Settlements	115
TOTAL		**6,365**

2.9. To provide further context on the supply side the WFDC housing trajectory, as at April 1, 2019 was as follows[2]:



[1] Excluding lapse rates

[2] Source: Picture AM37.1 (Amendments to the Pre-Submission Publication Document (July 2019))

The Site & Context

2.10. BPS have advised the following dwelling mix, which we are advised is based on a house type mix proposed by Taylor Wimpey.

Housing Mix	Percentage	Number	Average Size Sq M	Average Size Sq Ft
1 Bed	2.5%	35	54.0	581
2 Bed	25.0%	350	59.4	639
3 Bed	45.0%	630	84.7	911
4 Bed	27.5%	385	106.9	1151
	100.0%	**1400**	**83.7**	**900.9**

2.11. The precise mix will clearly be subject to changes as the scheme advances through the design process. Notwithstanding this, the overall development coverage of 1,261,260 sqft,(over some 89 net acres) is the equivalent of 14,171sqft/acre, which is arguably on the low side when assuming a development density approaching 40dph.

2.12. This relatively "low" coverage, will be reflected in the scheme Gross Development Value, hence also the Residual Land Value, and thus will have a negative bearing on viability.

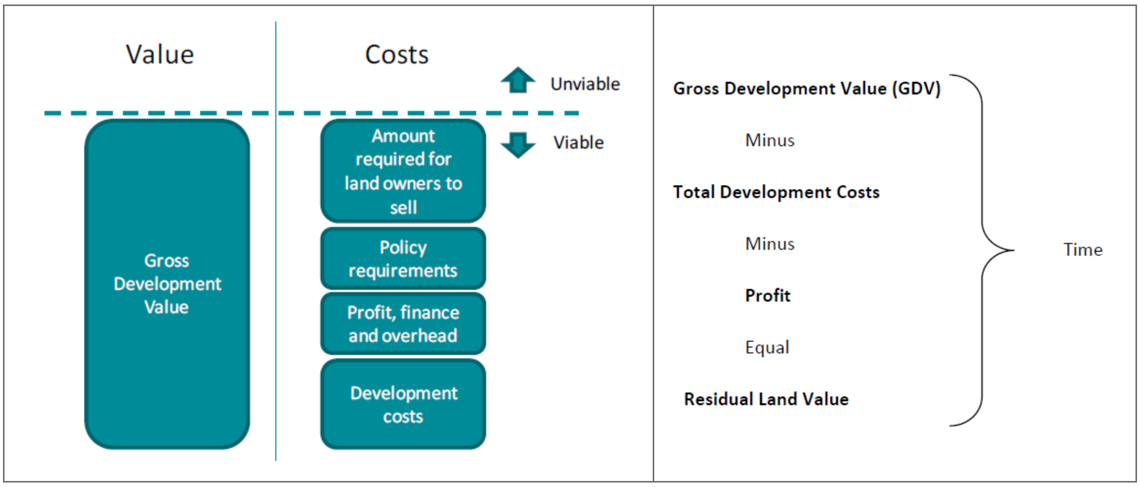
2.13. Notwithstanding this, for the purpose of this report, at this stage of assessment, C&W has adopted this development mix..

3. Viability Assessment Assumptions

The Method of Assessment

3.1. Taylor Wimpey (the site promoter) provided a Viability Appraisal report dated December 18, 2019, prepared by BPC. A series of appraisals were presented, outlining a number of scenarios varying the affordable housing provided.

3.2. The method of assessment used when assessing development schemes is the residual method, which has the following broad structure.



3.3. The key to a development being deemed viable is to ensure that the costs of a scheme do not outweigh the value. The land owner and the developer have to be appropriately rewarded to enable development to proceed but the policy requirements of the Local Authority also have to be met in so far as possible. Any imbalance in the above would result in the scheme being stalled or not delivered. The influence of time and development cashflows in this process can be key to causing an imbalance in cost and value.

3.4. Each of the elements stated above will now be considered and the assumptions made by the BPC, tested.

Gross Development Value – Scheme Revenue

3.5. BPS presented the following unit sales mix, which we are advised is based on a house type mix proposed by Taylor Wimpey, and values in response to a be-spoke market report prepared for Taylor Wimpey by TW Land Co, dated July 6, 2019.

Housing Mix	Percentage	Number	Average Size Sq M	Average Size Sq Ft	Average Value	Av £SqM	Av £SqFt
1 Bed	2.5%	35	54.0	581	£128,143	£2,375	£221
2 Bed	25.0%	350	59.4	639	£164,429	£2,769	£257
3 Bed	45.0%	630	84.7	911	£230,397	£2,721	£253
4 Bed	27.5%	385	106.9	1151	£280,974	£2,629	£244
	100.0%	**1400**	**83.7**	**900.9**	**£225,257**	**£2,692**	**£250**

3.6. C&W reviewed the TW market report and consider a rate of £250/sqft to be broadly consistent with the value tone one might expect for a site on the Birmingham side of Kidderminster. For example, the £250/sqft rate represents a premium over new build schemes within the Kidderminster urban area.

3.7. In turn, it is C&W's experience that new build homes in the desirable and popular village of Hagley, (e.g. Cala Homes, Wychbury Fields, Kidderminster Road, Hagley, some 4.5 miles north east of the subject site) command a substantial premium over new build homes on the Birmingham side of Kidderminster, and a rate of £250/sqft for the subject site compared to circa £300/sqft for Hagley, is consistent with this premium.

3.8. Notwithstanding this, and for the sole purpose of this local plan viability assessment (which is required to take into consideration the potential for "changing markets" over the Plan Period, C&W have adopted a rate equivalent to £246/sqft (essentially by way of reducing the sale price of each dwelling by c. £2,500 from the BPS figure).

3.9. This £246/sqft rate has been tested to reflect:

- the scale of the SUE in relation to the comparator developments; in order to sustain the assumed rate of sale, dwellings will require to be competitively priced,
- the high level of development anticipated across Wyre Forest over the Plan Period, which will be substantially higher than the historical completion rate, and,
- the relative proximity of the subject site to the Lea Castle allocation, which with the subject site represent the two largest allocations in the emerging Local Plan.

3.10. The overall Gross Development Value of the scheme is affected, both by the £/sqft tone (as above), development coverage (see 2.9, above), and also the distribution of different house sizes and types across tenures.

3.11. C&W have been advised of that the preferred mix of Wyre Forest District Council is as below:

- 1 bed 26%
- 2 bed 58%
- 3 bed 13%
- 4 bed 3%

3.12. Reflecting the above, C&W have tested thee affordable housing scenarios (25%, 20%, and 17.5%), with mixes and values as below.

Figure 3.1. Development Mix @ 25% Afford. Housing

DEVELOPMENT MIX														Affordable Profile	GDV			GIA		
Property Type		Sqft	Sqm	Number	Market Value	Build Sqft	Build SqM	Total MV	Rate per sq. ft	Private	Affordable	Rent	Shared Own		Private	Aff Rent	Shared Own	Private Sq. Ft.	Aff Rent Sq. Ft.	Shared Own Sq. Ft.
1 Bed	1 Bed M'Nette	540	50.2	12	112,000	6,480	602	£1,344,000	£207	0	12	12	0		£0	£564,480	£0	-	6,480	-
1 Bed	1 Bed House	602	55.9	23	132,000	13,846	1,286	£3,036,000	£219	0	23	23	0		£0	£1,275,120	£0	-	13,846	-
			3%	35		20,326	1,888	£4,380,000	£215	0	35	35	0	10%						
	Average				£125,143	581	54													
										Private	Affordable	Rent	Shared Own							
2 Bed	PA24	602	55.9	200	152,000	120,400	11,185	£30,400,000	£252	40	160	72	88		£6,080,000	£4,596,480	£9,363,200	24,080	43,344	52,976
2 Bed	PA25	689	64.0	150	174,000	103,350	9,601	£26,100,000	£253	50	100	65	35		£8,700,000	£4,750,200	£4,263,000	34,450	44,785	24,115
			25%	350		223,750	20,786	£56,500,000	£253	90	260	137	123	74%						
	Average				£161,429	639	59													
										Private	Affordable	Rent	Shared Own							
3 Bed	PA34	866	80.5	300	217,000	259,800	24,135	£65,100,000	£251	300	0	0	0		£65,100,000	£0	£0	259,800	-	-
3 Bed	PT36/37	931	86.5	200	232,000	186,200	17,298	£46,400,000	£249	155	45	45	0		£35,960,000	£4,384,800	£0	144,305	41,895	-
3 Bed	NA32	976	90.7	110	238,000	107,360	9,974	£26,180,000	£244	110	0	0	0		£26,180,000	£0	£0	107,360	-	-
3 Bed	NT31	1040	96.6	20	257,000	20,800	1,932	£5,140,000	£247	20	0	0	0		£5,140,000	£0	£0	20,800	-	-
			45%	630		574,160	53,339	£142,820,000	£249	585	45	45	0	13%						
	Average				£226,698	911	85													
										Private	Affordable	Rent	Shared Own							
4 Bed	PA44	1099	102.1	225	272,000	247,275	22,972	£61,200,000	£247	215	10	10	0		£58,480,000	£1,142,400	£0	236,285	10,990	-
4 Bed	NT41	1243	115.5	100	292,000	124,300	11,547	£29,200,000	£235	100	0	0	0		£29,200,000	£0	£0	124,300	-	-
4 Bed	NA49	1160	107.8	40	267,000	46,400	4,311	£10,680,000	£230	40	0	0	0		£10,680,000	£0	£0	46,400	-	-
4 Bed	NA43	1251	116.2	20	297,000	25,020	2,324	£5,940,000	£237	20	0	0	0		£5,940,000	£0	£0	25,020	-	-
			28%	385		442,995	41,154	£107,020,000	£242	375	10	10	0	3%						
	Average				£277,974	1,151	107													
Total				1400	221,943	1,261,231	117,168	£310,720,000	£246	1050	350	227	123	1400	£251,460,000	£16,713,480	£13,626,200	1,022,800	161,340	77,091
						36	ha			75.0%	25.0%	65%	35%		£281,799,680					1,261,231
						89	acres								£246	£104	£177	974	711	627
					Coverage	14,171	sqft /acre													
					Density	38.87	dph													
Transfer Values					Av. Dwelling (sqft)	900.88														
Rent	42%																			
Shared Own	70%																			

Figure 3.2. Development Mix @ 20% Afford. Housing

DEVELOPMENT MIX														Affordable Profile	GDV			GIA		
Property Type		Sqft	Sqm	Number	Market Value	Build Sqft	Build SqM	Total MV	Rate per sq. ft	Private	Affordable	Rent	Shared Own		Private	Aff Rent	Shared Own	Private Sq. Ft.	Aff Rent Sq. Ft.	Shared Own Sq. Ft.
1 Bed	1 Bed M'Nette	540	50.2	12	112,000	6,480	602	£1,344,000	£207	0	12	12	0		£0	£564,480	£0	-	6,480	-
1 Bed	1 Bed House	602	55.9	23	132,000	13,846	1,286	£3,036,000	£219	0	23	23	0		£0	£1,275,120	£0	-	13,846	-
			3%	35		20,326	1,888	£4,380,000	£215	0	35	35	0	13%						
	Average				£125,143	581	54													
										Private	Affordable	Rent	Shared Own							
2 Bed	PA24	602	55.9	200	152,000	120,400	11,185	£30,400,000	£252	68	132	66	66		£10,336,000	£4,213,440	£7,022,400	40,936	39,732	39,732
2 Bed	PA25	689	64.0	150	174,000	103,350	9,601	£26,100,000	£253	82	68	39	29		£14,268,000	£2,850,120	£3,532,200	56,498	26,871	19,981
			25%	350		223,750	20,786	£56,500,000	£253	150	200	105	95	71%						
	Average				£161,429	639	59													
										Private	Affordable	Rent	Shared Own							
3 Bed	PA34	866	80.5	300	217,000	259,800	24,135	£65,100,000	£251	300	0	0	0		£65,100,000	£0	£0	259,800	-	-
3 Bed	PT36/37	931	86.5	200	232,000	186,200	17,298	£46,400,000	£249	165	35	35	0		£38,280,000	£3,410,400	£0	153,615	32,585	-
3 Bed	NA32	976	90.7	110	238,000	107,360	9,974	£26,180,000	£244	110	0	0	0		£26,180,000	£0	£0	107,360	-	-
3 Bed	NT31	1040	96.6	20	257,000	20,800	1,932	£5,140,000	£247	20	0	0	0		£5,140,000	£0	£0	20,800	-	-
			45%	630		574,160	53,339	£142,820,000	£249	595	35	35	0	13%						
	Average				£226,698	911	85													
										Private	Affordable	Rent	Shared Own							
4 Bed	PA44	1099	102.1	225	272,000	247,275	22,972	£61,200,000	£247	217	8	7	1		£59,024,000	£799,680	£190,400	238,483	7,693	1,099
4 Bed	NT41	1243	115.5	100	292,000	124,300	11,547	£29,200,000	£235	100	0	0	0		£29,200,000	£0	£0	124,300	-	-
4 Bed	NA49	1160	107.8	40	267,000	46,400	4,311	£10,680,000	£230	40	0	0	0		£10,680,000	£0	£0	46,400	-	-
4 Bed	NA43	1251	116.2	20	297,000	25,020	2,324	£5,940,000	£237	20	0	0	0		£5,940,000	£0	£0	25,020	-	-
			28%	385		442,995	41,154	£107,020,000	£242	377	8	7	1	3%						
	Average				£277,974	1,151	107													
Total				1400	221,943	1,261,231	117,168	£310,720,000	£246	1122	278	182	96	1400	£264,148,000	£13,113,240	£10,745,000	1,073,212	127,207	60,812
						36	ha			80.1%	19.9%	65%	35%		£288,006,240					1,261,231
						89	acres				280				£246	£103	£177	957	699	633
					Coverage	14,171	sqft /acre													
					Density	38.87	dph													
Transfer Values					Av. Dwelling (sqft)	900.88														
Rent	42%																			
Shared Own	70%																			

Figure 3.3. Development Mix @ 17.5% Afford. Housing

DEVELOPMENT MIX														Affordable Profile	GDV			GIA		
Property Type		Sqft	Sqm	Number	Market Value	Build Sqft	Build SqM	Total MV	Rate per sq. ft	Private	Affordable	Rent	Shared Own		Private	Aff Rent	Shared Own	Private Sq. Ft.	Aff Rent Sq. Ft.	Shared Own Sq. Ft.
1 Bed	1 Bed M'Nette	540	50.2	12	112,000	6,480	602	£1,344,000	£207	0	12	12	0		£0	£564,480	£0	-	6,480	-
1 Bed	1 Bed House	602	55.9	23	132,000	13,846	1,286	£3,036,000	£219	0	23	23	0		£0	£1,275,120	£0	-	13,846	-
			3%	35		20,326	1,888	£4,380,000	£215	0	35	35	0	14%						
	Average				£125,143	581	54													
										Private	Affordable	Rent	Shared Own							
2 Bed	PA24	602	55.9	200	152,000	120,400	11,185	£30,400,000	£252	80	120	58	62		£12,160,000	£3,702,720	£6,596,800	48,160	34,916	37,324
2 Bed	PA25	689	64.0	150	174,000	103,350	9,601	£26,100,000	£253	95	55	35	20		£16,530,000	£2,557,800	£2,436,000	65,455	24,115	13,780
			25%	350		223,750	20,786	£56,500,000	£253	175	175	93	82	71%						
	Average				£161,429	639	59													
										Private	Affordable	Rent	Shared Own							
3 Bed	PA34	866	80.5	300	217,000	259,800	24,135	£65,100,000	£251	300	0	0	0		£65,100,000	£0	£0	259,800	-	-
3 Bed	PT36/37	931	86.5	200	232,000	186,200	17,298	£46,400,000	£249	171	29	29	0		£39,672,000	£2,825,760	£0	159,201	26,999	-
3 Bed	NA32	976	90.7	110	238,000	107,360	9,974	£26,180,000	£244	110	0	0	0		£26,180,000	£0	£0	107,360	-	-
3 Bed	NT31	1040	96.6	20	257,000	20,800	1,932	£5,140,000	£247	20	0	0	0		£5,140,000	£0	£0	20,800	-	-
			45%	630		574,160	53,339	£142,820,000	£249	601	29	29	0	12%						
	Average				£226,698	911	85													
										Private	Affordable	Rent	Shared Own							
4 Bed	PA44	1099	102.1	225	272,000	247,275	22,972	£61,200,000	£247	219	6	2	4		£59,568,000	£228,480	£761,600	240,681	2,198	4,396
4 Bed	NT41	1243	115.5	100	292,000	124,300	11,547	£29,200,000	£235	100	0	0	0		£29,200,000	£0	£0	124,300	-	-
4 Bed	NA49	1160	107.8	40	267,000	46,400	4,311	£10,680,000	£230	40	0	0	0		£10,680,000	£0	£0	46,400	-	-
4 Bed	NA43	1251	116.2	20	297,000	25,020	2,324	£5,940,000	£237	20	0	0	0		£5,940,000	£0	£0	25,020	-	-
			28%	385		442,995	41,154	£107,020,000	£242	379	6	2	4	2%						
	Average				£277,974	1,151	107													
Total				1400	221,943	1,261,231	117,168	£310,720,000	£246	1155	245	159	86	1400	£270,170,000	£11,154,360	£9,794,400	1,097,177	108,554	55,500
						36	ha			82.5%	17.5%	65%	35%			£291,118,760				1,261,231
						89	acres				245				£246	£103	£176	950	683	645
					Coverage	14,171	sqft /acre													
					Density	38.87	dph													
Transfer Values					Av. Dwelling (sqft)	900.88														
Rent	42%																			
Shared Own	70%																			

Normal Construction Costs

BPC

3.13. The Promoter has:

- referenced the lower quartile (5 year) figure from the RICS's Building Cost Information Service (BCIS) database, weighted for the West Midlands Region, as of Quarter 4, 2019, which suggests a base build cost figure of £1,012/sqm or £94/sqm,

- then made an allowance for external costs (which C&W assume to represent plot costs and "normal" estate infrastructure, such as estate/tertiary roads, associated lighting, and utilities) at a rate of 15% of the base build costs, above, resulting in an apparent residential construction cost of £1,164/sqm or £108/sqft,

- finally, allowing for the cost of garaging, on the basis of 50% of all three and four bedroom homes having garages, assuming £5,000/garage). C&W note, however, that **the BPC appraisals allow for the same number of garages across the sense testing at different levels of affordable housing, which is an incorrect assumption** - affordable housing dwellings tend not to have garaging – **which has the effect of overstating construction costs in the affordable housing scenarios**

- On the basis of the following, the BPC "all in" construction costs (with contingency and garages) is the equivalent of £113/sqft as follows, based on various affordable housing scenarios.

Figure 3.3. Analysis of Promoter's Construction Costs

BPC																				
Scenario	GIA (sqm)	GIA (sqft)	Dwellings with Garages (50% of all Mkt three and four beds)	Assumed no. of 3 and 4 beds	% of 3 and 4 beds with garaging	Dwellings	Affordable Dwellings %	Open Market Dwellings	Garages Allowance per garage	% ALL Dwellings with garages	Garages Cost	Garages Cost (expressed as £/sqft)	Build £/sqm	Build £/sqft	15% Externals	Total Construction	With Contingency @ 3%	With Contingency @ 3% (psm)	ALL IN WITH G'RAGES	TOTAL (ex garages)
Nil Affordable	117,140	1,260,431	£508	1015	50%	1400	0%	1400	£5,000	36%	£2,537,500	£2	£1,012	£94	£14	£108	£111	£1,199	£113	£140,417,851
5% Affordable	117,140	1,260,431	£508	1015	50%	1400	5%	1330	£5,000	36%	£2,537,500	£2	£1,012	£94	£14	£108	£111	£1,199	£113	£140,417,851
15% Affordabl	117,140	1,260,431	£508	1015	50%	1400	15%	1190	£5,000	36%	£2,537,500	£2	£1,012	£94	£14	£108	£111	£1,199	£113	£140,417,851
25% Affordabl	117,140	1,260,431	£508	1015	50%	1400	25%	1050	£5,000	36%	£2,537,500	£2	£1,012	£94	£14	£108	£111	£1,199	£113	£140,417,851

C&W

3.14. C&W have considered "all in" construction costs on a "in the round" basis, sense testing the following assumptions:

- Proportion of market housing with garaging;
  - BPC have assumed 50% of all (irrespective of tenure) 3 and 4 bedroom dwellings will have garages (which results in 508 dwellings with garages in all affordable housing scenarios);
  - C&W have assumed 70% of market dwellings will have garages (which results in 980 dwellings with garages in the nil affordable housing scenario, and 735 dwellings with garages in the 25% affordable housing scenario)
  - this sense test by C&W **adds cost**
- An adjustment for main contractor overhead and profit; which for a volume housebuilder will be rolled up in the developer return
  - C&W have assumed main contractor overhead and profit at rate of 8% included in the BCIS figures, and have adjusted construction cost downwards on this basis
  - this sense by C&W **reduces cost**
- On the basis of this sense testing, the C&W "all in" construction costs (with contingency and garages) is the equivalent of £107 - £108 / sqft as follows (over the page), based on various affordable housing scenarios.

3.15. Notwithstanding this, C&W have considered recent agreed construction costs, and on this basis, and mindful of the potential for "changing markets" over the Plan Period, C&W have allowed for all "all in" construction costs (including garages and contingency) of £110/sqft.

Figure 3.4. Analysis of C&W Construction Costs

C&W																			
Scenario	GIA (sqm)	GIA (sqft)	Dwellings with Garages (70% of all mkt)	% of all mkt with garaging	Dwellings	Affordable Dwellings %	Open Market Dwellings	Garages £/ rate	% ALL Dwellings with garages	Garages Cost	Garages Cost (expressed as £/sqft)	Build £/sqm	Build £/sqm Less OH&P & 8%	Build £/sqft	Externals (equiv. 15% of build)	Total Construction	With Contingency @ 3%	With Contingency @ 3% (psm)	ALL IN WITH G'RAGES	TOTAL (ex garages)
Nil Affordable	117,140	1,260,431	980	70%	1400	0%	1400	**£7,000**	70%	£6,860,000	£5	£1,012	£931	£87	£13	£100	£102.49	£1,103	£108	£129,184,423
5% Affordable	117,140	1,260,431	931	70%	1400	5%	1330	**£7,000**	67%	£6,517,000	£5	£1,012	£931	£87	£13	£100	£102.49	£1,103	£108	£129,184,423
15% Affordabl	117,140	1,260,431	833	70%	1400	15%	1190	**£7,000**	60%	£5,831,000	£5	£1,012	£931	£87	£13	£100	£102.49	£1,103	£107	£129,184,423
25% Affordabl	117,140	1,260,431	735	70%	1400	25%	1050	**£7,000**	53%	£5,145,000	£4	£1,012	£931	£87	£13	£100	£102.49	£1,103	£107	£129,184,423

Strategic Infrastructure

3.16. The site promoter commissioned Arcadis to prepare an infrastructure cost plan for the site, relating to site servicing costs inherent in a development of this scale, whereby alongside the costs of estate roads (and their associated infrastructure) may be a requirement for primary and secondary spine and access roads, utility infrastructure upgrades, sustainable urban drainage systems, open and amenity space, sustainable transport measures, and nature conservation measures,

3.17. The BPC Financial Viability Assessment (FVA) did not carry through all the Arcadis costs to its development appraisal. Notably, the following costs featured in the Arcadis cost plan have been deliberately omitted from the BPC FVA:

- Site Preliminaries
- Finance and legals
- Strategic and masterplanning
- Site Investigations
- Engineering design
- Ecology
- Site supervision
- Project Management
- Cons Management
- All plot related costs, save for abnormal foundations and retaining walls
- All contingencies relating to infrastructure

3.18. BPC advised that these costs were omitted to avoid double counting. Notwithstanding this, C&W instructed cost consultancy, Gardiner & Theobald (G&T) to review the Arcadis cost plan in full such that G&T and C&W could arrive at a conclusion as to the appropriate infrastructure costs on having full consideration of the best available evidence.

3.19. G&T's initial assessment was for £15.995 million of strategic infrastructure costs. Following further clarification and information being made available by Arcadis, G&T were able to revise its assessment to £16.926 million, as below. (The full G&T report is attached as an appendix to this report), with the main increases in allowance relating to Enabling Works (1) and Landscape & Nature Conservation (8).

Figure 3.5. Gardiner & Theobald Infrastructure Cost Analysis

Ref	Cost Item	Arcadis Package Code	Total Cost (£)	Back-up provided?	G&T agree with cost?	G&T Assessment of Cost[3]
1	Enabling Works	100	3,354,769	Partially	No	1,354,769
2	S278 Works	200	758,020	Yes	Yes	755,000
3	On-site Highways	300	5,612,523	Yes	No	1,250,000
4	On-Site Pedestrian/Cycle Route	400	1,173,702	Yes	Yes	1,173,702
5	Strategic Surface Water Drainage	500	3,905,329	Yes	No	2,200,000
6	Foul Water Drainage	600	2,510,866	Yes	No	1,000,000
7	Utilities	700	5,491,052	Yes	No	2,100,000
8	Landscape and Nature Conservation	900	2,638,908	Yes	No	2,000,000
	Sub-Total		**25,445,169**			**11,833,471**
9	Site Preliminaries / Finance / Legals	3100		Yes	No	
10	Planning and Masterplan Fees	4000		Yes	No	
12	Local Authority Fees	4900	2,079,365	No	No	1,100,000
	TOTAL		**27,524,534**			**12,933,471**
13	Plot Related Items	6000	9,469,680	Partially	No	3,500,000
	Contingency		1,117,626			493,004
	TOTAL COST		**38,111,840**			**16,926,475**

3.20. This £16.926 million represents a rise of circa £1m from £15.995 million

3.21. Cushman & Wakefield observe that on a "per plot" basis, the infrastructure allowances break back as follows.

	Arcadis	BDH	G&T (Initial)	G&T (Revised)
Total Allowance	£44,852,562	£38,371,840	£15,995,600	£16,926,475
Plots	1,400			
£/plot	£32,038	£27,408	£11,425	£12,090

[3] Pending a further , formal ,response from Arcadis

3.22. Whilst the BDH adjustments were made on the basis to avoid potential double counting with plot costs included within the normal construction costs, above, C&W observe that the £/plot allowance of over £27,408 is very high, we would expect no more than £20,000/dwelling, and especially on the basis that apparent infrastructure requirements, are no greater than what we would normally expect for a development of this scale.

3.23. Notwithstanding the above observations, following the first G&T report, C&W (in the first draft appraisal report, dated March 2, 2020) note that the G&T view should be taken very much as a “minimum cost” scenario, whilst that of Arcadis should be taken as the “maximum cost” scenario (save for (13) Plot Related Items – 6000, which form part of the general construction costs). On this basis, given the early stage that the SUE is at in its development, and for the purposes of this viability assessment, C&W had considered it appropriate to adopt an intermediate figure of circa £17,000/ dwelling.

3.24. Notably, the revised G&T allowance of £16.9 million for the strategic infrastructure, breaks back to the equivalent of circa £12,100 per dwelling, which remains well within the £17,000/dwelling allowance that C&W applied to the financial viability assessment for strategic infrastructure, and thus C&W is not minded to adjust its allowance of £17,000/dwelling. **Notwithstanding this, the continued notable difference of opinion between Gardiner & Theobald and Arcadis remains a material consideration in this viability assessment and will have a bearing on the concluding recommendations of this viability assessment (Refer to Section 5).**

Professional Fees

3.25. The Promoter has made an allowance of 6% for fees, which C&W agree is a reasonable assumption to make at this stage.

Sales & Marketing Costs

3.26. The Promoter has made an “all in” allowance for Sales and Marketing costs (including legals) of 3% of the value of the open market dwellings, with a £500 / dwelling allowance (which we presume is a conveyancing allowance) for the affordable tenure dwellings, both of which are reasonable.

Finance Costs

3.27. The Promoter has assumed a debit rate of 6%, and a credit rate of 1.5%.

3.28. Cushman & Wakefield consider the debit rate of 6% as on the high side for a scheme of this size and have instead adopted a rate of 5.5%.

3.29. C&W have not applied a credit rate.

Developer Profit

3.30. The Promoter has allowed for a 17.5% return on the Gross Development Value of the private sale housing, and 6% on the cost of the affordable housing

3.31. C&W have applied a higher profit rate (20% on value) on the private sale housing, consummate with the development risk and overheads of a scheme of this scale and complexity, whilst adopting a return of 6% (on value) for the affordable housing.

Programme, Phasing & Assessment of the Workings of the Promoter's appraisal model.

Infrastructure

3.32. In terms of payment profile, the promoter 'straight-lined' these costs over the construction programme, anticipating a more accurate profile being required in due course as a number of these costs would be "front-ended".

3.33. C&W agree that a number of costs will likely require being "front ended", and for the purposes of this appraisal, have assumed a "front ended" weighting to the profiling of the infrastructure costs.

Main Development Phase

3.34. The promoter assumed market sales are assumed at a rate of 8 per month, with the developer selling from two sales points Applying the market sales rate of 8 per month, but also allowing for affordable housing completions, C&W would assume an overall dwelling completion rate of 10 per month, or 120 dwellings a year, in which case the main development phase would be some 12 years in length, which is reasonable.

S106 Contributions

3.35. These are proposed as follows (over the page), accordingly to the Wyre Forest Infrastructure Delivery Plan.

Figure 3.6. Proposed S106 Requirements

Element	SUE (Component Sites)	
	Stone Hill North	R/O Offmore
Sports & Rec	£843,180	£270,156
Education	£10,067,172	£2,745,592
Transport	£9,847,166	£3,209,799
Green Infrastructure	£0	£0
Emergency Services	£143,588	£39,160
Primary Care Health	£546,719	£275,220
Acute Health	£814,044	£222,012
Canal & River Trust	£0	£0
Flooding	£75,000	£0
Site Clearance	£0	£0
Waste	£55,000	£15,000
TOTAL	**£22,391,869**	**£6,776,939**
Dwellings	1,100	300
£/ dwelling	£20,356	£22,590
COMBINED TOTAL	**£29,168,808**	
£/dwelling	£20,835	
Education	£10,067,172	£2,745,592
Transport	£9,847,166	£3,209,799
Other	£2,477,531	£821,548
TOTAL	**£22,391,869**	**£6,776,939**
Education	£12,812,764	
Transport	£13,056,965	
Other	£3,299,079	
TOTAL	**£29,168,808**	

3.36. BPC adopted a simple payment profile by averaging payments from 1st market sale through to final market sale. As with the Infrastructure costs, BPC, anticipate a more accurate profile being required in due course

3.37. Cushman & Wakefield have obtained current best available estimates regarding timing of the S106 requirements for Education.

Education

3.38. We understand from Worcestershire County Council that the following is pertinent

- A site suitable for a 2FE Primary School and Nursery will be required.
- The requirement is 2.02ha and will be subject to the site being fully serviced, level and free from contamination and any encumbrances. (Further discussions will be required with our surveyors at Place Partnership to determine specifications and level of required services).
- It is estimated that the school will need to be fully operational on occupation of 300th dwelling across the whole site. Therefore, access to the school site is estimated as being required by occupation of 300th dwelling less 2 years start on site. (Therefore, the length of time it takes to build and occupy 300 dwellings against the approximate time of 2 years to build a new school will be the date that the school site will be required to be transferred to Worcestershire County Council).
- Payment by instalments will be subject to negotiation with Taylor Wimpey and the following has been suggested for the Primary school and Nursery.
    - WCC would wish to see a part payment prior to completion of the primary school and nursery. Taylor Wimpey suggested capital payment on the 25%, 50% and 75 % occupations to WCC, on the basis of 33%,33% and 34%. There are two options for payment on instalments:
        - Instalments across the whole development of 1,400 dwellings but first payment would be required prior to completion of the primary school with a further 3 instalments based on occupancy of dwellings. (See explanatory note 5). First instalment on 25% would be at 350th dwelling which is after delivery of 300th dwelling being the anticipated trigger for the school to be operational. An instalment of 10% on occupation of 100th dwelling and 30%, 30% and 30% on occupation of 25% (350th dwelling), 50% (700th dwelling) and 75% (1050th dwelling) Is preferred.
        - 2nd option is instalments per phase with payment on occupancy of dwellings. First payment(s) on each phase would be required prior to completion of the Primary school and would be subject to further discussion and build out projections.
    - Similar instalments would be required for all other types of education infrastructure. However, it may be possible to negotiate three instalments for the secondary school and SEND provision, of 34%, 33% and 33% of the development on trigger points of 25%, 50% and 75%.

3.39. Cushman & Wakefield have assumed the “1st option” regarding the timing of the education contributions, such that education contributions will be as follows.

- An instalment of 10% on occupation of 100th dwelling and,.
- 30%, 350th dwelling
- 30, 700th dwelling, and
- 30%, 1050th dwelling

Other

3.40. We have not received estimates regarding timing of contributions relating to other requirements, in particular, transport for which there is a requirement of over £12 million. On this basis we have made the following assumptions:

- Front loaded transport contributions over the course of the development
- Flat lined “other” across the development period

.

4. Summary Development Appraisal (25% Affordable)

4.1. Based on the assumptions above, the summary C&W appraisal, is set out below, and which suggests a residual land value for the development of £15.6 million.

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private Housing	1050	1,022,700	246.00	239,604	251,584,200
Social / Aff Rent	227	161,397	104.00	73,944	16,785,288
Shared Ownership	123	77,121	177.00	110,979	13,650,417
Totals	**1,400**	**1,261,218**			**282,019,905**
NET REALISATION				**282,019,905**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (200.00 Acres 77,999.45 pAcre)			15,599,891		
				15,599,891	
Stamp Duty			767,494		
Agent Fee		1.00%	155,999		
Legal Fee		0.50%	77,999		
				1,001,493	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Private Housing	1,022,700	110.00	112,497,000		
Social / Aff Rent	161,397	110.00	17,753,670		
Shared Ownership	77,121	110.00	8,483,310		
Totals	**1,261,218**		**138,733,980**	**138,733,980**	
Other Construction					
S106 (Transport)			13,056,965		
S106 (Education)			12,812,764		
S106 (Other)			3,299,079		
Site Servicing Infrastructure	1,400 un	17,000.00 /un	23,800,000		
				52,968,808	
PROFESSIONAL FEES					
Prof Fees		6.00%	8,324,039		
				8,324,039	
MARKETING & LETTING					
Marketing		1.50%	3,773,763		
				3,773,763	
DISPOSAL FEES					
Sales Agent Fee		1.00%	2,515,842		
Sales Legal Fee (Market)		0.50%	1,257,921		
Sales Legal Fee (Affordable)	350 un	500.00 /un	175,000		
				3,948,763	
FINANCE					
Debit Rate 5.50%, Credit Rate 0.00% (Nominal)					
Land			3,831,545		
Construction			1,663,842		
Total Finance Cost				5,495,387	
TOTAL COSTS				**229,846,123**	
PROFIT					
				52,173,782	
Performance Measures					
Profit on Cost%		22.70%			
Profit on GDV%		18.50%			
Profit on NDV%		18.50%			
IRR		18.28%			

5. Benchmark Land Value & Conclusion

5.1. The benchmark land value or landowner's return is an integral consideration in assessing development viability, as this is the return below which the land may not be released by a landowner to enable development to take place.

5.2. The RICS guidance sets out the following definition of a site value/ viability benchmark "

"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."

5.3. In addition to taking the same position with regard the Benchmark Land Value accounting for policy requirements when agreeing land transactions, (Para 13; ID 10 013 20190509; Revision Date 09/05/2019) and also abnormal and other site specific costs (Para 14; ID 10 014 2019509 ; Revision Date 09/05/2019), the National Planning Practice Guidance (NPPG) also makes it clear that under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan Para 14; ID 10 014 2019509 ; Revision Date 09/05/2019).

5.4. The NPPG sets out two approaches for arriving at Benchmark Land Value, the preferred method being the "EUV plus" approach, based on the existing use value of the land, the other approach based on Alternative Use Value (AUV) being appropriate if certain conditions are met.

5.5. When assessing the Benchmark Land Value of land in existing agricultural use, such as the subject site, the distinct time horizons of agricultural landowners need to considered, which are typically much longer term than those of others.

5.6. Reflecting these long term horizons, the "uplift" that agricultural land owners will seek will be in terms of multiple times the existing use value, not a simple percentage uplift. Homes England research[4], and Cushman & Wakefield experience, has suggested that for greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value, with the range being sensitive to a number of factors including:

- abnormal costs of development (such as utilities and transport infrastructure), and,
- the size and position of the site. For smaller, edge-of-settlement greenfield sites, landowners' required returns are likely to be higher than those associated with larger greenfield sites (which will include SUEs), as landowners will be aware of the prospects of securing a beneficial permission at some point in the future and may therefore choose to defer bringing forward such land until they perceive market conditions have improved and/or the planning system is more conducive to an improved return.

5.7. The BPC proposed benchmark land value of £20,000,000 is equivalent to £247,000 per gross hectare (£100,000 per gross acre).

5.8. In order to understand the "multiplier" that this represents to the existing agricultural land value, Cushman & Wakefield and Taylor Wimpey agreed that a be-spoke agricultural land valuation be commissioned to inform both parties of the existing use value.

5.9. G Herbert Banks LLP (GHB) valued the property including farm buildings, and No 78 Comberton Road (which falls within the site, at £2,300,000).

[4] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010 (Consultation Version)

5.10. Whilst the GHB valuation does not make explicit refence to the breakdown between the residential property and the agricultural property, comparable evidence of similar properties is presented, and to this end it is assumed that the residential property has a value in the region of £265,000, **suggesting an existing use value for the agricultural land of £2,035,000 (i.e. £2,300,000 less £265,000), or £10,175/acre.**

5.11. With regard to setting the "premium"/ or multiplier (in the context of the "premium" over / multiplier of, EUV) the NPPG states:

> *"The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+)*.
>
> Paragraph: 013 Reference ID: 10-013-20190509 Revision date: 09 05 2019

5.12. Drawing on Paragraph 13 of the NPPG, the two key factors pertinent to the consideration of the appropriate premium (or multiplier) are that it:

I. shall be sufficient to provide a reasonable incentive, in comparison with other options available for the landowner to sell, whilst,

II. allowing a sufficient contribution to fully comply with policy requirements

5.13. In setting a Benchmark Lane Value for the site, the following steps are taken:

- allowing for a multiplier of say 10 times (the lower end of "the range[5]") the existing agricultural land value, would result in a benchmark land value for the agricultural land of £101,750/acre, i.e. £20,327,615 across 199.78 acres (i.e. the Gross site area of 200 acres less the 0.22 acres of No 78 Comberton Road)

- plus £265,000 for No 78 Comberton Road,

- results in an overall benchmark land value of £20,592,615, say £20.6 million.

5.14. The development appraisal presented by C&W in Section 4, above (assuming 25% affordable housing), presents a residual land value of £15.6 million, which falls short of this Benchmark Land Value.

5.15. On this basis C&W have also tested the scheme at 20% affordable housing, below, and which presents a residual land value of £18.6 million, some £2 million short of the Benchmark Land Value.

[5] The HCA Area Wide Viability Model, Annex 1 Transparent Viability Assumptions, August 2010 (Consultation Version)

SUMMARY DEVELOPMENT APPRAISAL (20% AFFORDABLE HOUSING)

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private Housing	1122	1,073,754	246.00	235,422	264,143,484
Social / Aff Rent	182	127,218	103.00	71,997	13,103,454
Shared Ownership	96	60,768	177.00	112,041	10,755,936
Totals	**1,400**	**1,261,740**			**288,002,874**
NET REALISATION				**288,002,874**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (200.00 Acres 93,153.09 pAcre)			18,630,619		
				18,630,619	
Stamp Duty			919,031		
Agent Fee		1.00%	186,306		
Legal Fee		0.50%	93,153		
				1,198,490	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Private Housing	1,073,754	110.00	118,112,940		
Social / Aff Rent	127,218	110.00	13,993,980		
Shared Ownership	60,768	110.00	6,684,480		
Totals	**1,261,740**		**138,791,400**	**138,791,400**	
Other Construction					
S106 (Transport)			13,056,965		
S106 (Education)			12,812,764		
S106 (Other)			3,299,079		
Site Servicing Infrastructure	1,400 un	17,000.00 /un	23,800,000		
				52,968,808	
PROFESSIONAL FEES					
Prof Fees		6.00%	8,327,484		
				8,327,484	
MARKETING & LETTING					
Marketing		1.50%	3,962,152		
				3,962,152	
DISPOSAL FEES					
Sales Agent Fee		1.00%	2,641,435		
Sales Legal Fee (Market)		0.50%	1,320,717		
Sales Legal Fee (Affordable)	278 un	500.00 /un	139,000		
				4,101,152	
FINANCE					
Debit Rate 5.50%, Credit Rate 0.00% (Nominal)					
Land			4,382,261		
Construction			1,495,844		
Total Finance Cost				5,878,105	
TOTAL COSTS				**233,858,210**	
PROFIT					
				54,144,664	
Performance Measures					
Profit on Cost%		23.15%			
Profit on GDV%		18.80%			
Profit on NDV%		18.80%			
IRR		18.10%			

5.16. Thus C&W have also tested the scheme at 17.5% affordable housing, below, and which presents a residual land value of £20.2 million.

SUMMARY DEVELOPMENT APPRAISAL (17.5% AFFORDABLE HOUSING)

Currency in £						
REVENUE						
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**	
Private Housing	1155	1,097,250	246.22	233,913	270,170,000	
Social / Aff Rent	159	108,597	102.71	70,153	11,154,360	
Shared Ownership	86	55,470	176.57	113,886	9,794,200	
Totals	**1,400**	**1,261,317**			**291,118,560**	
NET REALISATION				**291,118,560**		
OUTLAY						
ACQUISITION COSTS						
Residualised Price (200.00 Acres 101,002.01 pAcre)			20,200,402			
				20,200,402		
Stamp Duty			997,520			
Agent Fee		1.00%	202,004			
Legal Fee		0.50%	101,002			
				1,300,526		
CONSTRUCTION COSTS						
Construction	**ft²**	**Build Rate ft²**	**Cost**			
Private Housing	1,097,250	110.00	120,697,500			
Social / Aff Rent	108,597	110.00	11,945,670			
Shared Ownership	55,470	110.00	6,101,700			
Totals	**1,261,317**		**138,744,870**	**138,744,870**		
Other Construction						
S106 (Transport)			13,056,965			
S106 (Education)			12,812,764			
S106 (Other)			3,299,079			
Site Servicing Infrastructure	1,400 un	17,000.00 /un	23,800,000			
				52,968,808		
PROFESSIONAL FEES						
Prof Fees		6.00%	8,324,692			
				8,324,692		
MARKETING & LETTING						
Marketing		1.50%	4,052,550			
				4,052,550		
DISPOSAL FEES						
Sales Agent Fee		1.00%	2,701,700			
Sales Legal Fee (Market)		0.50%	1,350,850			
Sales Legal Fee (Affordable)	245 un	500.00 /un	122,500			
				4,175,050		
FINANCE						
Debit Rate 5.50%, Credit Rate 0.00% (Nominal)						
Land			4,651,274			
Construction			1,416,975			
Total Finance Cost				6,068,249		
TOTAL COSTS				**235,835,148**		
PROFIT						
				55,283,412		
Performance Measures						
Profit on Cost%		23.44%				
Profit on GDV%		18.99%				
Profit on NDV%		18.99%				
IRR		18.04%				

5.17. The £20.2 million residual land value can be directly compared with the existing agricultural land value by removing No 78 Comberton Road (£265,000) from the consideration.

5.18. The table below presents this for the three affordable housing scenarios tested – 17.5%, 20%, and 25%, with the agricultural land multiplier (residual land value of affordable housing scenario, as a multiplier of the existing agricultural land value).

5.19. The table shows that the residual land value (adjusted for 78 Comberton Road))of the 17.5% affordable housing scenario, represents a multiplier of 9.8 of the existing agricultural land value, which is around £400,000 short of the "times 10" multiplier, which is not significant in the context of a £290 million scheme.

Land Parcel Reference	Existing Use Value
No 78 Comberton Road	£265,000
Agricultural Land	£2,035,000
TOTAL	**£2,300,000**

Affordable Housing Scenario	Residual Land Value	Ex No 78	"Adjusted" Residual Land Value	Multiplier of Agricultural Land Value (£2,035,000)	£/acre (Based on "Adjusted")
Residual Land Value @ 25% Affordable	£15.6 m	£265,000	£15.335 m	7.5	£76,675
Residual Land Value @ 20% Affordable	£18.63 m	£265,000	£18.365 m	9	£91,825
Residual Land Value @ 17.5% Affordable	£20.2 m	£265,000	£19.935 m	9.8	£99,675

5.20. **On this basis, ordinarily (if this was a Financial Viability Assessment (FVA) of a planning application), a contribution of 17.5% affordable housing would be recommended.**

5.21. The context of this FVA, at the "Plan Making" stage, is clearly different, given the relatively early stages in the development process the subject site is at. In particular, the current, estimated, S106 requirement (at just over £29 million) is very large (c. £20,800/dwelling), with the off site highway/transport enabling element accounting for circa £13 million of this total (c £9,300 pe dwelling) is massive and could reduce as requirements become clearer, releasing value that could be used for additional affordable housing.

5.22. Another uncertainty is that there remains significant differences in opinion between Arcadis (advising the applicant) and Gardiner & Theobald (advising Cushman & Wakefield) regarding the potential costs of the strategic enabling infrastructure.

5.23. Notwithstanding this, however, Cushman & Wakefield (advising the local planning authority) and BPC(advising the applicant) have both taken "moderated" positions within their respective appraisals, **such that the difference in strategic infrastructure costs is but £15 million** (compared to the current[6] c. £21 million difference between the respective cost consultants).

5.24. This difference in opinion regarding strategic infrastructure costs **<u>needs to be considered in the round alongside the value of the residential development plots</u>**, serviced by the strategic infrastructure.

5.25. C&W have taken a more cautious view on the value of the residential development plots, such that in the 25% affordable housing scenario the difference between the [higher] C&W appraisal figure and the [lower] BPC figure is just £6.4 million, despite allowing for some £15 million less strategic infrastructure costs.

5.26. Certain adjustments, however, need to be made for a "like" comparison between the C&W and BPC figures to be made.

- C&W included for a **higher S106 requirement, by some £1.17 million (**referencing the most up to take figures from Worcestershire County Council). By adding extra cost to the C&W appraisal, this has the effect of **<u>underplaying the difference</u>** between the C&W and BPC appraisals – excluding these additional costs the C&W appraisal would be circa £16.77 million, some £7.56 million higher than the BPC appraisal

- C&W (referencing policy) allowed for an affordable tenure split of 65:35 (Social Rent : Shared Ownership), compared to the tenure split of 67:33 allowed for by BPC. Social rented tenure "costs" a scheme (in terms of revenue foregone) more than shared ownership, so by assuming a **smaller** proportion of social rent in the C&W appraisal, this has the singular effect of **<u>overplaying the difference</u>** between the C&W and BPC appraisals, by some £330,000.

- After taking these factors into consideration, the net difference between the C&W and BPC appraisals is £7.24 million.

5.27. Thus, considered in the round, what seems like a massive difference of £15 million plus regarding the abnormal/infrastructure cost, has a much less significant effect on the appraisal viability than the £15 million headline figure suggests. This is because, taking into consideration the more cautious view of C&W on the value of the residential development plots, the difference between the C&W and Taylor Wimpey position narrows to around £7.24 million (or circa £5.75/sqft when expressed against the Gross Internal Area of the SUE of 1,261,740 sqft).

5.28. **The majority of the difference can be encapsulated by the difference in opinion between G&T (C&W/WFDC) and Arcadis (BPC/The applicant) regarding abnormal foundations**

5.29. With regard to the issue of abnormal foundations, Section 3.1.3 of the updated G&T assessment states:

> *"Ground investigation report now provided. Does not indicate need for abnormal foundations on the majority of plots. G&T does not believe the current assumptions and comparison to another site are fair to the actual likely costs encountered on this site. Current inclusion is £5,060/plot, G&T believe this is correct for a piled or extra deep foundation. However from the ground investigation approximately 30% of plots will require this foundation type this gives £5,060*420=£2,100,000".*

5.30. **This £2.1 million allowance, advised by G&T (C&W/WFDC) is some £5.34 million (or £4.23/sqft) less than the £7.438 million allowance for abnormal foundations made in the BPC (The applicant) appraisal,**

5.31. **This** leaves circa £1.9m of difference "unaccounted" for (or £1.50/sqft, or 0.67% of the total scheme costs), which we would suggest is not significant.

5.32. To put this £1.9 million "difference" in context, if the average size of the market tenure dwellings was increased to 990sqft (from the current 974sqft in the C&W 25% affordable appraisal), bringing the coverage per acre up to 14,215sqft/acre from 14,171sqft/acre, then that would increase the residual land value by £1million, to £16.6 million, reducing the "difference" to £900,000.

5.33. With the underlying financial difference between the C&W (WFDC) and BPC (The applicant) being broadly encapsulated by the allowance made for abnormal foundations, it may be appropriate for a future (at the development management stage) and final calculation of affordable housing to be based on:

a) Appropriate technical evidence (presented at the time) regarding the need for abnormal foundations,

b) The agreed S106 payments,

5.34. The final calculation would be such that such that, for example:

- If the **S106 payment requirements were to reduce** from the current anticipated c. £29 million, then the **affordable housing contribution would increase**, from 17.5% to no more than 25% of all dwellings

- If the requirement for **abnormal foundations is confirmed as beyond the 30% of plots**, then the **affordable housing contribution would reduce**, reflecting the <u>additional</u> cost, but adjusting to no less than 10% affordable housing..

[6] Noting that Arcadis response is awaited

Update

5.35. Following the issue of a draft of this report, a telephone discussion took place on April 3, 2020, between WFDC, C&W, Taylor Wimpey and BPC.

5.36. It was agreed with regard to the **completions rate** that this would be consistent with the submission made on behalf of TW to WFDC in 2019, in response to a District Wide Sites Delivery Information Request by WFDC. Taylor Wimpey's planning agents advised that the annual completions rate (which would include affordable housing) across the SUE would be 100 dwellings per annum.

5.37. The effect of applying this rate would be to extend the main development phase from 12 years (as C&W had first modelled it, based on a completion rate of 120 dwellings per annum), to 14 years.

5.38. C&W made this adjustment, also:

- Extending the infrastructure cost profile as appropriate
- Adjusting the timing of dwelling completion based S106 payments to tally with the dwelling completion rate.

5.39. With regard to the S106 payments, to recap, C&W had made the following assumptions regarding education payments.

- An instalment of 10% on occupation of 100th dwelling and,.
- 30%, 350th dwelling
- 30%, 700th dwelling, and
- 30%, 1050th dwelling

5.40. Adhering to this payment structure, the timing of these payments, in terms of months, under the 100 dwelling per annum scenario is as follows.

Instalment	Payment Month
On the basis of 100 completions per annum (Assuming first completion / occupation is Month 20)	
An instalment of 10% on occupation of 100th dwelling and,.	32
30%, 350th dwelling	62
30, 700th dwelling, and	104`
30%, 1050th dwelling	146

5.41. This reduces the residual land value by some £750,000, to £19.44 million, some £1.16 million short of the £20.6 million benchmark land value

SUMMARY DEVELOPMENT APPRAISAL (17.5% AFFORDABLE HOUSING), ASSUMING 100 COMPLETIONS PER ANNUM

Currency in £					
REVENUE					
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private Housing	1155	1,097,250	246.22	233,913	270,170,000
Social / Aff Rent	159	108,597	102.71	70,153	11,154,360
Shared Ownership	86	55,470	176.57	113,886	9,794,200
Totals	**1,400**	**1,261,317**			**291,118,560**
NET REALISATION				**291,118,560**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (200.00 Acres 97,216.29 pAcre)			19,443,258		
				19,443,258	
Stamp Duty			959,663		
Agent Fee		1.00%	194,433		
Legal Fee		0.50%	97,216		
				1,251,312	
CONSTRUCTION COSTS					
Construction	**ft²**	**Build Rate ft²**	**Cost**		
Private Housing	1,097,250	110.00	120,697,500		
Social / Aff Rent	108,597	110.00	11,945,670		
Shared Ownership	55,470	110.00	6,101,700		
Totals	**1,261,317**		**138,744,870**	**138,744,870**	
Other Construction					
S106 (Transport)			13,056,965		
S106 (Education)			12,812,764		
S106 (Other)			3,299,079		
Site Servicing Infrastructure	1,400 un	17,000.00 /un	23,800,000		
				52,968,808	
PROFESSIONAL FEES					
Prof Fees		6.00%	8,324,692		
				8,324,692	
MARKETING & LETTING					
Marketing		1.50%	4,052,550		
				4,052,550	
DISPOSAL FEES					
Sales Agent Fee		1.00%	2,701,700		
Sales Legal Fee (Market)		0.50%	1,350,850		
Sales Legal Fee (Affordable)	245 un	500.00 /un	122,500		
				4,175,050	
FINANCE					
Debit Rate 5.50%, Credit Rate 0.00% (Nominal)					
Land			5,559,347		
Construction			1,315,275		
Total Finance Cost				6,874,623	
TOTAL COSTS				**235,835,163**	
PROFIT					
				55,283,397	
Performance Measures					
Profit on Cost%		23.44%			
Profit on GDV%		18.99%			
Profit on NDV%		18.99%			
IRR		16.14%			

5.42. We have then tested at 15% Affordable Housing. This results in a residual land value of £20.9 million, which exceeds the £20.6 million benchmark land value.

SUMMARY DEVELOPMENT APPRAISAL (17.5% AFFORDABLE HOUSING), ASSUMING 100 COMPLETIONS PER ANNUM

Currency in £						
REVENUE						
Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**		**Unit Price**	**Gross Sales**
Private Housing	1190	1,121,730	246.26		232,129	276,233,647
Social / Aff Rent	137	91,653	102.23		68,389	9,369,360
Shared Ownership	73	47,888	176.43		115,740	8,449,000
Totals	**1,400**	**1,261,271**				**294,052,007**
NET REALISATION					**294,052,007**	
OUTLAY						
ACQUISITION COSTS						
Residualised Price (200.00 Acres 104,385.57 pAcre)			20,877,114			
					20,877,114	
Stamp Duty			1,031,356			
Agent Fee		1.00%	208,771			
Legal Fee		0.50%	104,386			
					1,344,512	
CONSTRUCTION COSTS						
Construction	**ft²**	**Build Rate ft²**	**Cost**			
Private Housing	1,121,730	110.00	123,390,300			
Social / Aff Rent	91,653	110.00	10,081,830			
Shared Ownership	47,888	110.00	5,267,680			
Totals	**1,261,271**		**138,739,810**		**138,739,810**	
Other Construction						
S106 (Transport)			13,056,965			
S106 (Education)			12,812,764			
S106 (Other)			3,299,079			
Site Servicing Infrastructure	1,400 un	17,000.00 /un	23,800,000			
					52,968,808	
PROFESSIONAL FEES						
Prof Fees		6.00%	8,324,389			
					8,324,389	
MARKETING & LETTING						
Marketing		1.50%	4,143,505			
					4,143,505	
DISPOSAL FEES						
Sales Agent Fee		1.00%	2,762,336			
Sales Legal Fee (Market)		0.50%	1,381,168			
Sales Legal Fee (Affordable)	210 un	500.00 /un	105,000			
					4,248,505	
FINANCE						
Debit Rate 5.50%, Credit Rate 0.00% (Nominal)						
Land			5,851,556			
Construction			1,242,868			
Total Finance Cost					7,094,424	
TOTAL COSTS					**237,741,066**	
PROFIT						
					56,310,941	
Performance Measures						
Profit on Cost%		23.69%				
Profit on GDV%		19.15%				
Profit on NDV%		19.15%				
IRR		16.07%				

5.43. To put the residual land value in a multiplier context, against the agricultural land, we have represented the table below, adding a row for 15% affordable housing

Land Parcel Reference				**Existing Use Value**	
No 78 Comberton Road				£265,000	
Agricultural Land				£2,035,000	
TOTAL				**£2,300,000**	
Affordable Housing Scenario	**Residual Land Value**	**Ex No 78**	**"Adjusted" Residual Land Value**	**Multiplier of Agricultural Land Value (£2,035,000)**	**£/acre (Based on "Adjusted")**
Residual Land Value @ 25% Affordable	£15.6 m	£265,000	£15.335 m	7.5	£76,675
Residual Land Value @ 20% Affordable	£18.63 m	£265,000	£18.365 m	9	£91,825
Residual Land Value @ 17.5% Affordable	£20.2 m	£265,000	£19.935 m	9.8	£99,675
Residual Land Value @ 15% Affordable	£20.88m	£265,000	£20.612 m	10.12	£103,173

Analysis

5.44. The C&W appraisal for 15% affordable housing can be compared with the BPC appraisal for 15% affordable housing. As discussed previously, C&W have taken a more cautious view on the value of the residential development plots, such that in the 15% affordable housing scenario the difference between the [higher - £20.88 million] C&W appraisal figure and the [lower - £15.01 million] BPC figure is just £5.87 million, despite allowing for some £15 million less strategic infrastructure costs.

5.45. Certain adjustments, however, need to be made for a "like" comparison between the C&W and BPC figures to be made.

- C&W included for a **higher S106 requirement, by some £1.17 million (**referencing the most up to take figures from Worcestershire County Council). By adding extra cost to the C&W appraisal, this has the effect of **<u>underplaying the difference</u>** between the C&W and BPC appraisals – excluding these additional costs the C&W appraisal would be circa £22.05 million, some £7million higher than the BPC appraisal

- C&W (referencing policy) allowed for an affordable tenure split of 65:35 (Social Rent : Shared Ownership), compared to the tenure split of 67:33 allowed for by BPC. Social rented tenure "costs" a scheme (in terms of revenue foregone) more than shared ownership, so by assuming a **smaller** proportion of social rent in the C&W appraisal, this has the singular effect of **<u>overplaying the difference</u>** between the C&W and BPC appraisals, by some £180,000.

- After taking these factors into consideration, the net difference between the C&W and BPC appraisals is £6.82 million.

5.46. Thus, considered in the round, what seems like a massive difference of £15 million plus regarding the abnormal/infrastructure cost, has a much less significant effect on the appraisal viability than the £15 million headline figure suggests. This is because, taking into consideration the more cautious view of C&W on the value of the residential development plots, the difference between the C&W and Taylor Wimpey position narrows to around £6.82 million (or circa **£5.40/sqft** when expressed against the Gross Internal Area of the SUE of 1,261,740 sqft).

5.47. **The majority of the difference can be encapsulated by the difference in opinion between G&T (C&W/WFDC) and Arcadis (BPC/The applicant) regarding abnormal foundations**

5.48. With regard to the issue of abnormal foundations, Section 3.1.3 of the updated G&T assessment states:

*"Ground investigation report now provided. Does not indicate need for abnormal foundations on the majority of plots. G&T does not believe the current assumptions and comparison to another site are fair to the actual likely costs encountered on this site. Current inclusion is £5,060/plot, G&T believe this is correct for a piled or extra deep foundation. However from the ground investigation approximately 30% of plots will require this foundation type this gives £5,060*420=£2,100,000".*

5.49. **This £2.1 million allowance, advised by G&T (C&W/WFDC) is some £5.34 million (or £4.23/sqft) less than the £7.438 million allowance for abnormal foundations made in the BPC (The applicant) appraisal.**

5.50. This leaves circa £1.48m of difference "unaccounted" for (equivalent to £1.17/sqft), or 0.5% of the total scheme costs), which we would suggest is not significant.

5.51. To put this £1.48 million "difference" in context:

- if the average size of the market tenure dwellings was increased by just six square foot to 949sqft (by just adjusting the mix) from the current 943 sqft in the C&W 15% affordable appraisal), bringing the coverage per acre up to 14,259sqft/acre from 14,171sqft/acre, then that would increase the residual land value by just under £500,000, reducing the "difference" to circa £1 million.

- In the experience of C&W, we would expect a scheme with a density of just under 40dph to have a coverage closer to 15,000sqft/acre

5.52. With the underlying financial difference between the C&W (WFDC) and BPC (The applicant) being broadly encapsulated by the allowance made for abnormal foundations, it may be appropriate for a future (at the development management stage) and final calculation of affordable housing to be based on:

a) Appropriate technical evidence (presented at the time) regarding the need for abnormal foundations,

b) The agreed S106 payments,

5.53. The final calculation would be such that such that, for example:

- If the **S106 payment requirements were to reduce** from the current anticipated c. £29 million, then the **affordable housing contribution would increase**, from 15% to no more than 25% of all dwellings

- If the requirement for **abnormal foundations is confirmed as beyond the 30% of plots**, then the **affordable housing contribution would reduce**, reflecting the additional cost, but adjusting to no less than 10% affordable housing..

Disclaimer

5.55. The contents of this report do not constitute a valuation, in accordance with the appropriate sections of the Valuation Technical and Performance Standards ("VPS")) contained within the RICS Valuation – Global Standards 2017 (the "Red Book") and the RICS Valuation – Global Standards 2017 – UK National Supplement (effective 14th January 2019). This report is for the purpose of the addressee and, with the exception of the Executive Summary, its contents should not be reproduced in part or in full without our prior consent.

5.56. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Market activity is being impacted in many sectors.

5.57. As at the date of this report, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform viability, pricing and related recommendations and advice. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

5.58. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep under frequent review the advice contained in this report/letter/email.

Date: April 16, 2020