
Draft Sites for Employment Allocation – Viability Assessment

Final Report

September 2020

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For and on behalf of Avison Young (UK) Limited

1. Introduction

- 1.1 Calderdale Council is working towards the adoption of a new Local Plan. This single plan will combine the functions of the Core Strategy and Land Allocations and Designation Plan development plan documents.
- 1.2 In 2017 Avison Young (previously trading as GVA) were appointed by the Council to consider the viability of policies set out within the Local Plan Initial Draft (July 2017) and advise on what CIL rates would be viable to include in the Draft Charging Schedule (DCS) for the purposes of CIL having taken into consideration the cumulative impact of other local plan policies. This assessment also considered the viability of the draft housing employment and mixed used allocations within the Calderdale Local Plan Initial Draft (July 2017).
- 1.3 Our report¹ was published in January 2018 and was used by the Council to inform the policies included within the Calderdale Local Plan Publication Draft 2018 and the CIL rates set out within the Draft Charging Schedule (August 2018).
- 1.4 However, the Calderdale Local Plan Publication Draft 2018 included additional draft housing, employment and mixed-use allocations that were not included within the Local Plan Initial Draft (2017). The Council, therefore, subsequently instructed Avison Young² to consider the viability of these additional draft allocations. This report was published in March 2019³.
- 1.5 As the Council works towards preparing for the Local Plan Examination in Public (EIP) they have instructed Avison Young to undertake a new viability assessment of the 'preferred Local Plan allocations for Employment Uses as at 21st August 2020. These sites /allocations are listed in Table 1.1.

Table 1.1 – Preferred Local Plan Allocations for Employment Uses

Local Plan Site Ref	B Use Suggested	Local Plan Area	Gross Site Area (ha)	Indicative Development Area (ha)
LP0009	B1c, B2, B8	Elland	3.08	2.88
LP0021	B1c, B2	Elland	4.60	4.60
LP0025	B2 or B8	Elland	1.66	1.66
LP0059	B1a	Elland	0.30	0.27
LP0355	B1c	Elland	0.33	0.33
LP0960	B1c, B2, B8	Elland	5.86	5.86
LP1223	B1c, B2 and B8	Elland	2.27	2.27
LP1443	B1c	Elland	0.50	0.50
LP0332	B1a and B2	Brighouse	0.53	0.53
LP0585	B1c	Brighouse	0.82	0.80
LP1232	B Uses	Brighouse	25.42	21.38
LP1618	B2 and B8	Brighouse	7.40	5.83
LP0105	B2	Halifax	0.30	0.30
LP0409	B1c	Halifax	0.71	0.71

¹ Local Plan and Preferred Sites for Allocation Viability Assessment – January 2018 (EV61)

² Trading previously as GVA

³ Local Plan and Preferred Sites for Allocation Viability Assessment – Addendum Report, March 2019 ((EV61.2)

Local Plan Site Ref	B Use Suggested	Local Plan Area	Gross Site Area (ha)	Indicative Development Area (ha)
LP0472	B2	Halifax	0.78	0.61
LP0805	B2 and B8	Halifax	1.37	1.37
LP0976	B1c, B2	Halifax	0.43	0.43
LP1018	Mixed B use	Halifax	6.10	4.32
LP1133	B1c and B2	Halifax	4.37	2.87
LP1134	B1a, B1c	Halifax	1.32	1.05
LP1203	B1c, B2, B8	Halifax	1.01	0.52
LP1217	B1c, B2, B8	Halifax	1.31	1.31
LP1218	B1c, B2 and B8	Halifax	0.48	0.48
LP1219	B1c, B2, B8	Halifax	6.85	6.28
LP1231	B2, B8	Halifax	3.91	1.19
LP1433	B1c	Halifax	0.38	0.24
LP1220	B1a/b and B8	Halifax	3.98	3.55
LP1622	B1 and B2	Mytholmroyd	8.38	6.30
LP1640	B1 and B2	Ripponden	1.33	1.33

- 1.6 This assessment supersedes all the conclusions set out within previous assessments in relation to the employment allocations.
- 1.7 This assessment does not consider / include the CIL charges set out within the Draft Charging Schedule. Whilst the Council is preparing for the introduction of its Community Infrastructure Levy (CIL) and has published its Draft Charging Schedule, the Council's priority is on ensuring a viable and deliverable Local Plan. The viability and the evidence which supports the charges in the Draft Charging Schedule will be re-examined later.
- 1.8 Our report has been prepared in accordance with the RICS Professional Statement Financial Viability in Planning: Conduct, and Reporting, 1st edition, May 2019 and the latest Planning Policy guidance (PPG) and National Planning Policy Framework (NPPF) guidance relating to Viability.
- 1.9 The advice contained within this report does not constitute a valuation of the sites in accordance with RICS Valuation – Global Standards 2020 and should not be relied upon as such.
- 1.10 The Royal Institution of Chartered Surveyors (RICS) also recommends that suitably qualified professionals are consulted in undertaking viability assessments to inform the planning process. Avison Young is a company regulated by the RICS and this viability appraisal has been undertaken by Dale Robinson, MRICS, a Chartered Planning and Development Surveyor and Registered Valuer. He was responsible for undertaking the original 2018 assessment and subsequent viability addendum.

2. Methodology

- 2.1 There is no standard answer to questions of viability, nor is there a single approach for assessing viability.
- 2.2 For the purpose of this assessment we have referred to guidance issued by the Royal Institution of Chartered Surveyors (RICS) and the latest Planning Policy Guidance (PPG) and National Planning Policy Framework (NPPF) guidance relating to viability. In the first instance we have referred to the 'RICS Professional Statement Financial Viability in Planning: Conduct, and Reporting, 1st edition, May 2019. The Guidance provides recommended good practice when assessing financial viability for planning purposes and is grounded in the statutory and regulatory planning regime that currently operates in England.

- 2.3 Financial viability for planning purposes is defined as:

'An objective financial viability test of the ability of a development project to meet its costs, including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project'.

- 2.4 An accepted method of valuation of development land is the 'residual method'. This is explained further in the RICS Valuation Information Paper (VIP) 12. In summary this valuation approach recognises that the value of a development scheme is a function of several elements. These include:

- The value of the completed development (GDV⁴);
- The direct costs of developing the scheme (TCC⁵);
- The return (profit) to the developer for taking the development risk and delivering the scheme;
- The cost of any planning obligations; and
- The cost or value of the land.

- 2.5 Normally the residual method of valuation is used in two basic ways. In the first instance it can be used to assess the level of return (profit) generated from the proposed project where the cost of the land is an input into the appraisal. In the second option it can be used to establish a 'residual site value' by inputting a predetermined level of profit. The consequential outputs of both options can then be compared to a benchmark to assess the viability of the scheme.

- 2.6 This assessment is based on the second option in which we seek to establish a 'residual site value' for each employment allocation. This can be expressed through the following simple calculation.

Gross Development Value (GDV) (minus) Total Costs (including Developers Profit) = Residual Site Value

⁴ Gross Development Value

⁵ Total Construction Costs

- Gross Development Value includes all sales income generated by the development,
- Total Development Costs include construction costs, professional fees, finance / interest charges etc.
- Developer's Profit is expressed by reference to a percentage of the Total Development Costs. It can also be expressed by reference to an Internal Rate of Return (IRR)⁶ or Return on Capital Employed (ROCE)⁷.

2.7 This replicates the methodology applied within our previous assessments.

2.8 In simple terms; only when the development value exceeds the total project costs and required returns (profit) can a scheme be considered viable. A scheme will not proceed where development costs exceed revenue (i.e. where there is a negative land value). However, even in circumstances where a very modest land value is generated it is not likely to be construed as viable, as it is unlikely to be enough to encourage a landowner to willingly release land for development.

2.9 In terms of the process, land value is a key component of a development appraisal, albeit (as explained previously) it can often be the 'outcome' of the appraisal rather than being a fixed figure (hence why appraisals are often referred to as being 'residual', because once all the inputs are included the 'residue' (if there is any) is the amount that the developer can afford to pay for the site.

2.10 However, the 'residue' from the appraisal (as a land value) does not always meet the expectations of the landowner. If a developer is only able to pay a significantly reduced sum below the landowners' expectations, then the outcome is straight forward. The land will not be sold / released for development. Therefore, when undertaking a viability assessment, a minimum land value (aka benchmark land value) needs to be identified.

Benchmark Land Value.

2.11 Para 013 (Reference ID: 10-013-20190509), of the PPG provides guidance on the issue of benchmark land values and states that a benchmark land value should be established on the basis of the Existing Use Value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'Existing Use Value plus (EUV+).

2.12 In determining the benchmark land value the PPG states at Para 014 (Ref ID: 10-014-20190509) what factors should be considered when establishing the benchmark land value. It states that the benchmark land value should:

- Be based upon Existing Use Value (EUV);
- Allow for a premium to landowners;

⁶ Internal Rate of Return (IRR) is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero. Internal rate of return is used to evaluate the attractiveness of a project or investment. If the IRR of a new project exceeds a company's required rate of return, that project is desirable. If the IRR falls below the required rate of return, the project is normally rejected.

⁷ Return on Capital Employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed.

- Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees; and
- Be informed by market evidence including current uses, costs and values. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies. 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.

2.13 PPG defines Existing Use Value at Para 015 (Reference ID: 10 - 015-20180724). It states that Existing Use Value (EUV) is the first component of calculating benchmark land value. It goes on to state that EUV is the value of the land in its existing use, which will vary depending on the type of site and development types. Para 015 of PPG is also clear in that Existing Use Value is not the price paid for the land and should also disregard hope value.

2.14 The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. Para 016 of PPG (Ref: 10-016-20190509) states that the premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a contribution to fully comply with policy requirements. Para 016 states that the process for establishing the premium 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 or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. PPG states that policy compliance means that the development complies fully with up to date plan policies set out in the plan. PPG also confirms that a decision maker can give appropriate weight to emerging policies.

Minimum Land Value Benchmarks for Employment Sites (incorporating B1, B2 and B8 uses)

2.15 We have been advised by our commercial agents that land typically transacts in the 'primary locations' within Calderdale at around £150,000 to £275,000 per acre and in the 'secondary areas' of the Borough at between £75,000 to £150,000 per acre. These are gross values and deductions would be made for abnormal costs etc. For the purpose of this assessment we have adopted the following benchmark land values.

Table 2.1 – Benchmark Land Values

Description	Market	Value (£per acre)	Viability Cushion (%)	Benchmark
Elland	Primary	£200,000	25%	£250,000
Brighouse	Primary	£200,000	25%	£250,000
Halifax	Primary	£150,000	25%	£187,500
Mytholmroyd	Secondary	£75,000	25%	£93,750
Ripponden	Secondary	£75,000	25%	£93,750

Source: Avison Young

3. Appraisal Assumptions

3.1 Assessing viability requires judgements which are informed by the relevant available information /evidence. It requires a realistic understanding of the costs and the value of development in the local area and an understanding of the operation of the market. The development cost and value assumptions applied within our assessment are set out below.

3.2 However, even at this stage, it must be recognised that whilst our assumptions will generally align with normal or usual figures expected in the majority of developments they may differ, in some cases, from the figures that may be used in actual development schemes.

Construction Costs

3.3 For the purpose of this assessment we have adopted lower quartile cost data from BCIS, rebased to the third quarter 2020 and adjusted to reflect local sensitivities in Calderdale. Because the data from BCIS excludes costs associated with external works an additional allowance has been included for these items at 10% of the construction costs. On this basis the following costs have been applied within our assessment.

Table 3.1 – Base Construction Costs

Description	Construction Costs £psm (£psf)	External Works	Total Build Costs £psm (£psf)
Offices (B1a)	£1,231psm (£114psf) ⁸	10%	£1,354psm (£125.80psf)
Industrial (B1b, B1c and B2)	£529 (£49.14psf) ⁹	10%	£581.9psm (£54.06psf)
Storage and Distribution (B8)	£502psm (£46.64psf) ¹⁰	10%	£552.2psm (£51.30psf)

Source: BCIS and Avison Young

3.4 The costs reflect compliance with Part L 2010 Building Regulations and include allowances for:

- Developer on costs including preliminaries, site set up costs etc.
- Standard development costs – substructures; and
- Standard development costs – superstructures;

Costs Associated with Local Plan Policies

Policy BT1 High Quality Inclusive Design

3.5 Policy BT1 requires, amongst other things, all new non-residential development in excess of 1000sqm (10,764sq.ft) to meet at least BREEAM level 'very good' with immediate effect, with an aspiration for higher BREEAM standards, subject to review over the plan period to ensure the targets remain relevant.

⁸ Based on offices generally

⁹ Based on factories generally

¹⁰ Based on warehouse/stores generally

3.6 However, BREEAM very good is commensurate with the current standards required by Building Regulations for all commercial schemes. In this context the costs associated with achieving BREEAM Very Good are already accounted for in the basic build costs¹¹.

Policy IM4 – Sustainable Travel

3.7 Policy IM4 sets out the mechanisms that the Council will seek to apply to mitigate the impacts of car use and encourage other forms of transport with lower environmental impacts. The requirements of policy IM4 that are likely to have a direct cost on commercial development include the provision of electric charging points in all new major developments. However, the provision of electric charging points in non-residential schemes is likely to be based on a percentage of the carparking spaces. Therefore, in exercises such as this it is difficult to make accurate assumptions in the absence of scheme proposals.

3.8 To avoid any misplaced assumptions that might prejudice the results of this assessment we have not included an allowance for these costs. Instead a viability cushion has been applied to the benchmark land value to take matters such as this into account¹².

Remediation / Abnormal Costs {Brownfield sites only}

3.9 In exercises such as this it is very difficult to make allowances for such costs, which are invariably subject to intrusive / detailed ground investigations etc. For the purpose of this assessment we have referred to guidance issued by the Homes and Communities Agency (now trading as Homes England) on dereliction, demolition and remediation costs (March 2015).

3.10 Replicating our approach within the previous assessment it is assumed that most sites will fall under Category A, which comprise small scale and general industrial sites, colliery or mine spoil heaps, miscellaneous factories and works (not heavy industry) and sites with very small to small fuel tanks¹³. The assessment makes a second assumption that all the Brownfield sites will fall within the low water risk category.

3.11 Based on these assumptions the remediation costs, assuming limited soft landscaping, range between £50,000 and £130,000 per hectare. For the purpose of our assessment we have adopted the median cost (i.e. £90,000 per hectare) and applied a locational factor of 0.86, as per the rates set out within the HCA guidance. On this basis the costs set out within Table 3.2 have been applied within our assessment:

Table 3.2 – Remediation Costs

Description	Median Cost £per ha	Location Factor	Cost £per ha
Commercial Uses	£90,000	0.86	£77,400

Source: Homes and Communities Agency - Dereliction, demolition and remediation costs (March 2015).

¹¹ Refer to Table 3.1

¹² Refer to Table 2.1

¹³ Other categories include; Category B, which includes garages, workshops, pithead sites, railway lines, textiles, small scale timber treatment, sewage works, smaller chemical works, sites with small to mid-sized fuel tanks; Category C, which includes metal workings, scrap yards and shipyards, paints and solvents, small gasworks/gas holder sites, smaller power stations, rail depots (maintenance and refuelling) and sites with large fuel tanks; and Category D, which includes major gasworks, iron and steel works, large chemical works, refineries and major fuel depots, ship breaking and building, larger power stations and sites with large tank farms.

3.12 Our assessment has assumed a worst-case scenario and applied these costs to the total developable site area of all Brownfield sites. However, the reality is likely to be very different and not all the sites will be contaminated, and some may only have contamination present in limited areas across the site.

3.13 Some of the draft allocations also comprise a mixture of Greenfield and Brownfield land. For the purpose of this assessment we have assumed that the remediation costs for these sites will be half of the costs identified in Table 3.2 (i.e. £38,700 per hectare).

Site Preparation (Brownfield sites only)

3.14 It is also assumed that a proportion of the Brownfield sites will require an element of site preparation and demolition to facilitate their redevelopment. Assuming complex sites, the guidance published by the HCA (now trading as Homes England) states that costs range between £15psm and £75psm of site area.

3.15 Assuming the median cost of £45psm and after adjusting for location factors the overall cost for site preparation is £39psm or £390,000 per ha. Once again, our assessment has assumed a worst-case scenario and applied these costs to the full developable site area of all Brownfield sites.

3.16 For mixed Greenfield and Brownfield sites we have adopted a cost of £195,000 per hectare.

Project / Professional Fees

3.17 Many viability studies incorporate an assessment of fees based upon a percentage of the base construction costs. For the purpose of our assessment we have included project fees at 8% of the total build costs.

Contingency

3.18 Contingencies are included at 3% for Greenfield sites and 5% for the Brownfield sites.

S106 and S278 Contributions

3.19 S106 and S278 (highway contributions) are normally scheme specific and therefore can't be captured in area wide viability assessments which by their very nature are based on hypothetical schemes. To avoid any misplaced assumptions that might prejudice the results we have not included an allowance for these costs. Instead a viability cushion has been applied to the benchmark land value to take matters such as this into account¹⁴.

S106 Marketing Fees

3.20 Letting agents' fees have been included at 15% of the estimated first year's rental value (ERV). This assumes joint agency. A further allowance of 5% has been included for letting legal fees. Investment agent's and legal fees are also included at 1% and 0.25% (respectively) of development value. These mirror the assumptions used in the previous assessment. Marketing costs are included at 0.5% of the schemes net development value.

¹⁴ Refer to Table 2.1.

Finance Charges / Interest Rate

- 3.21 It is difficult to establish what the appropriate rate of interest would be in the current market. Current margins are substantial despite the current Bank of England base rate being 0.1%. It is also widely recognised that the approach to development varies widely and is influenced by the equity invested in the site along with the financial organisation / strength of the developer. The interest rates can therefore differ widely between these approaches.
- 3.22 For the purpose of our appraisal we assumed 100% debt funding at a rate of 6.25%.

Profit

- 3.23 Para 018 of PPG (Ref: ID-018-20190509) states that for the purpose of plan making an assumption of 15% to 20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. It goes on to state that plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development.
- 3.24 Most commercial developers operate based on a gross margin on cost. For the purpose of this assessment we have applied a gross margin of 15%, which is inclusive of overhead recovery.

Stamp Duty and Purchasers Costs on Residual Land Value

- 3.25 We have assumed Stamp Duty at the prevailing rate prior to the short-term concessions granted in response to the Covid 19 pandemic. These are set out in Table 3.3.

Table 3.3 - Stamp Duty Thresholds for Non-Residential Land or Property

Purchase Price	SDLT Rate
Up to £150,000	0%
The next £100,000 (the portion from £150,001 to £250,000)	2%
The remaining amount (the portion over £250,000)	5%

Source: HM Customs and Revenue

- 3.26 In addition to the stamp duty rates an extra allowance of 1.75% has been applied to cover the agents', legal fees and VAT associated with the transaction.

Commercial Values

- 7.26 The assumptions outlined in Table 3.4 have been used within our assessment¹⁵.

Table 3.4- Commercial Value Assumptions

Land Use	Typology	Headline Rent	Yield	Incentives
Offices (B1a)	Elland	£161psm (£15psf)	7.25%	24 months
	Brighouse	£161psm (£12psf)	7.25%	24 months
	Halifax	£188psm (£17.50psf)	7.25%	24 months

¹⁵ There is a dearth of available transactional evidence so these assumptions have been derived through discussion with our agents and valuation colleagues.

Land Use	Typology	Headline Rent	Yield	Incentives
	Mytholmroyd and Ripponden	£86psm (£8.00psf)	9%	24 months
Industrial (B1b, B1c, B2), storage and distribution (B8)	Halifax	£53.82psm (£5.00psf)	6.25%	6 months
	Elland	£70psm (£6.50psf)	6.25%	6 months
	Brighouse	£70psm (£6.50psf)	6.25%	6 months
	Mytholmroyd and Ripponden	£65psm (£6.00psf)	7%	6 months

4. Appraisal Results

- 4.1 Within this section of the report we outline the results from our assessment.
- 4.2 As demonstrated in Table 4.1, there are only seven sites that are viable. Four sites are within Elland (sites 0021, 0025, 0355 and 0960) and all of them are Greenfield. Land values generated range between circa £80,000 per acre (site 0021) and £110,000 per acre (site 0025). These values are somewhat short of the benchmark land value of £250,000 per acre.
- 4.3 Three sites in Brighouse are also viable (sites 0585, 1232 and 1618). Once again, these sites are all Greenfield. The land values generated range between £15,000 per acre (site 1232) and £75,000 per acre (site 1618) and fall a significant way short of the benchmark land value.

Table 4.1 – Employment Allocations Viability Summary

Local Plan Ref	Gross Site Area (HA)	Indicative Dev Area (ha)	Development Quantum (£psm)					Value £ per acre	Viable	Viability by Town	Viability by Type
			B1a	B1b	B1c	B2	B8				
LP0009	3.08	2.88	-	-	2,654	4,246	3,715	-	No	NoElland	NoBrownfield
LP0021	4.60	4.60	-	-	8,015	8,015	-	79,222	Yes	YesElland	YesGreenfield
LP0025	1.66	1.66	-	-	-	2,902	2,902	110,077	Yes	YesElland	YesGreenfield
LP0059	0.30	0.27	1,080	-	-	-	-	-	No	NoElland	NoBrownfield
LP0355	0.33	0.33	-	-	1,156	-	-	93,754	Yes	YesElland	YesGreenfield
LP0960	5.86	5.86	-	-	5,128	8,204	7,179	97,744	Yes	YesElland	YesGreenfield
LP1223	2.27	2.27	-	-	1,979	3,164	2,768	-	No	NoElland	NoBrownfield
LP1443	0.50	0.50	-	-	1,756	-	-	-	No	NoElland	NoBrownfield
LP0332	0.53	0.53	918	-	-	918	-	-	No	NoBrighouse	NoMixed
LP0585	0.82	0.80	-	-	1,836	-	-	56,930	Yes	YesBrighouse	YesGreenfield
LP1232	25.42	21.38	2,910	4,706	3,516	25,578	9,090	15,497	Yes	YesBrighouse	YesGreenfield
LP1618	7.40	5.83	-	-	-	9,250	9,250	75,028	Yes	YesBrighouse	YesGreenfield
LP0105	0.30	0.30	-	-	-	1,038	-	-	No	NoHalifax	NoGreenfield
LP0409	0.71	0.71	-	-	2,135	-	-	-	No	NoHalifax	NoBrownfield
LP0472	0.78	0.61	-	-	-	2,135	-	-	No	NoHalifax	NoGreenfield
LP0805	1.37	1.37	-	-	-	2,380	2,380	-	No	NoHalifax	NoBrownfield
LP0976	0.43	0.43	-	-	753	753	-	-	No	NoHalifax	NoBrownfield
LP1133	4.37	2.87	-	-	4,989	4,989	-	-	No	NoHalifax	NoBrownfield
LP1203	1.01	0.52	-	-	637	637	546	-	No	NoHalifax	NoBrownfield
LP1217	1.31	1.31	-	-	1,715	1,715	1,470	-	No	NoHalifax	NoGreenfield
LP1218	0.48	0.48	-	-	-	840	840	-	No	NoHalifax	NoGreenfield
LP1433	0.38	0.24	-	-	840	-	-	-	No	NoHalifax	NoBrownfield
LP1220	3.98	3.55	7,100	7,100	-	-	6,213	-	No	NoHalifax	NoGreenfield
LP1622	8.38	6.30	-	-	5,000	5,000	-	-	No	NoMytholmroyd	NoBrownfield
LP1640	1.33	1.33	-	-	2,640	2,640	-	-	No	NoRipponden	NoBrownfield

5. Sensitivity Analysis

5.1 Within this section of the report we have sought to consider a range of alternative scenarios and their impact on viability.

Scenario 1

5.2 In the first instance the results of our assessment in the previous section are based on a traditional developer led approach to delivery. Within this section of the report we have considered viability of the employment allocations on the assumption an 'end occupier' buys the site(s) and builds their own premises. In these circumstances there would be no need to include a developer's profit or sales and marketing fees within the assessment.

5.3 The results of this scenario are shown in Table 5.1 and highlight that fourteen sites are viable. All the Greenfield sites in Elland are viable and generate land values in excess of the benchmark land value for the Elland Local Plan area. Three of the Brownfield sites are also viable generating land values ranging from circa £68,000 per acre (site 1443) to circa £85,000 per acre (site 0009). Whilst these values are below the benchmark land value it should be recognised that the benchmark within this assessment is a gross value and it would be normal practice for abnormal costs to be deducted from this figure. In this regard the values for Brownfield sites in Elland could be construed as reasonable and reflect the condition of each site. Site 0059 in Elland remains unviable. It is worth noting that this is the only site in Elland that is being developed / appraised with the inclusion of some B1a office use, in fact the whole site is dedicated to the delivery of B1a offices. This site was also appraised based on a 50:50 split between B2 and B8 uses and on this basis the site is viable generating a land value of circa 137,772 per acre. This site was also appraised based exclusively on B1 c development and was again viable generating a land value of circa £100,000 per acre. This suggests that office development is not viable in the Elland Local Plan area

5.4 All of the Greenfield sites in Brighouse Local Plan area are also viable, generating land values ranging from circa £110,000 per acre (site 1232) to £200,000 per acre (site 1618). It should be noted that site 1232 is the only Greenfield site in Brighouse that includes an element of B1a office use. The other Greenfield sites don't, and their values are much higher at circa £175,000 per acre (site 0585) and £200,000 per acre (site 1618). There is one mixed Greenfield/Brownfield site in Brighouse (site 0332) and this is not viable. This site also includes an element of B1a office use. If we replace the B1a office space with B2 employment space the site becomes viable generating a land value of circa £159,000 per acre. If the B1a office space is replaced with B1c employment the site is also viable generating a land value of circa £165,000 per acre. Again, this suggests that it is more viable to develop for industrial uses within the Brighouse Local Plan area than it is for offices.

5.5 The majority of the sites in Halifax are Brownfield and unviable. Four Greenfield sites are viable but three sites (0105, 1217 and 1218) generate relatively low land values at circa £6,000, £16,000 and £33,000 per acre respectively. Interestingly site (1220) which includes a large element of B1a office space generates a land value of circa £150,000 per acre which is not too far off the benchmark land value for Halifax (i.e. £187,500). This suggests it's more viable to develop offices in Halifax.

5.6 The sites in Mytholmroyd (1622) and Ripponden (1640) remain unviable.

Table 5.1 – Scenario 1 Viability Results

Local Plan Ref	Gross Site Area (HA)	Indicative Dev Area (ha)	Development Quantum (£psm)					Value £ per acre	Viable	Viability by Town	Viability by Type
			B1a	B1b	B1c	B2	B8				
LP0009	3.08	2.88	-	-	2,654	4,246	3,715	85,017	Yes	YesElland	YesBrownfield
LP0021	4.60	4.60	-	-	8,015	8,015	-	255,135	Yes	YesElland	YesGreenfield
LP0025	1.66	1.66	-	-	-	2,902	2,902	283,387	Yes	YesElland	YesGreenfield
LP0059	0.30	0.27	1,080	-	-	-	-	-	No	NoElland	NoBrownfield
LP0355	0.33	0.33	-	-	1,156	-	-	278,048	Yes	YesElland	YesGreenfield
LP0960	5.86	5.86	-	-	5,128	8,204	7,179	272,069	Yes	YesElland	YesGreenfield
LP1223	2.27	2.27	-	-	1,979	3,164	2,768	77,870	Yes	YesElland	YesBrownfield
LP1443	0.50	0.50	-	-	1,756	-	-	67,800	Yes	YesElland	YesBrownfield
LP0332	0.53	0.53	918	-	-	918	-	-	No	NoBrighouse	NoMixed
LP0585	0.82	0.80	-	-	1,836	-	-	172,241	Yes	YesBrighouse	YesGreenfield
LP1232	25.42	21.38	2,910	4,706	3,516	25,578	9,090	112,509	Yes	YesBrighouse	YesGreenfield
LP1618	7.40	5.83	-	-	-	9,250	9,250	198,823	Yes	YesBrighouse	YesGreenfield
LP0105	0.30	0.30	-	-	-	1,038	-	5,692	Yes	YesHalifax	YesGreenfield
LP0409	0.71	0.71	-	-	2,135	-	-	-	No	NoHalifax	NoBrownfield
LP0472	0.78	0.61	-	-	-	2,135	-	-	No	NoHalifax	NoGreenfield
LP0805	1.37	1.37	-	-	-	2,380	2,380	-	No	NoHalifax	NoBrownfield
LP0976	0.43	0.43	-	-	753	753	-	-	No	NoHalifax	NoBrownfield
LP1133	4.37	2.87	-	-	4,989	4,989	-	-	No	NoHalifax	NoBrownfield
LP1203	1.01	0.52	-	-	637	637	546	-	No	NoHalifax	NoBrownfield
LP1217	1.31	1.31	-	-	1,715	1,715	1,470	15,775	Yes	YesHalifax	YesGreenfield
LP1218	0.48	0.48	-	-	-	840	840	32,675	Yes	YesHalifax	YesGreenfield
LP1433	0.38	0.24	-	-	840	-	-	-	No	NoHalifax	NoBrownfield
LP1220	3.98	3.55	7,100	7,100	-	-	6,213	147,586	Yes	YesHalifax	YesGreenfield
LP1622	8.38	6.30	-	-	5,000	5,000	-	-	No	NoMytholmroyd	NoBrownfield
LP1640	1.33	1.33	-	-	2,640	2,640	-	-	No	NoRipponden	NoBrownfield

Scenario 2

- 5.7 This scenario is the same as scenario 1 in that it assumes the sites are developed by end occupiers. However, within this scenario we also take a more optimistic approach with respect to the Brownfield sites. We assume that the sites don't require remediation and the site preparation costs are at the lower end of the range identified by the HCA Guidance (i.e. £129,000¹⁶ per hectare).
- 5.8 The results of this scenario are presented in Table 5.2 and demonstrate that by taking a more optimistic approach with respect to the assumptions in relation to site remediation and site preparation the Brownfield sites within Elland generate land values ranging between circa £205,000 per acre (site 1443) and £210,000 per acre (sites 0009 and 1223). Site 0059, which has been appraised exclusively based on B1a offices remains unviable confirming our assertion that office development is unviable in the Elland Local Plan Area. However, this site becomes viable when the office space is replaced with B2 or B1c employment space generating a land value of circa £225,000 per acre.
- 5.9 The mixed Greenfield and Brownfield site in Brighouse (LP0332), which again includes an element of B1a offices remains unviable. This also confirms our conclusions that B1a office development is not viable in the Brighouse Local Plan area. If the B1a office space is replaced with B2 or B1 c employment space the site becomes viable generating a land value of circa £255,000 per acre.
- 5.10 All of the Brownfield sites in Halifax, Mytholmroyd and Ripponden remain unviable.

¹⁶ Based on a cost of £15psm and adjusted by 0.86

Table 5.2 – Scenario 2 Viability Results

Local Plan Ref	Gross Site Area (HA)	Indicative Dev Area (ha)	Development Quantum (£psm)					Value £ per acre	Viable	Viability by Town	Viability by Type
			B1a	B1b	B1c	B2	B8				
LP0009	3.08	2.88	-	-	2,654	4,246	3,715	208,156	Yes	YesElland	YesBrownfield
LP0021	4.60	4.60	-	-	8,015	8,015	-	255,135	Yes	YesElland	YesGreenfield
LP0025	1.66	1.66	-	-	-	2,902	2,902	283,387	Yes	YesElland	YesGreenfield
LP0059	0.30	0.27	1,080	-	-	-	-	-	No	NoElland	NoBrownfield
LP0355	0.33	0.33	-	-	1,156	-	-	278,048	Yes	YesElland	YesGreenfield
LP0960	5.86	5.86	-	-	5,128	8,204	7,179	272,069	Yes	YesElland	YesGreenfield
LP1223	2.27	2.27	-	-	1,979	3,164	2,768	209,560	Yes	YesElland	YesBrownfield
LP1443	0.50	0.50	-	-	1,756	-	-	204,022	Yes	YesElland	YesBrownfield
LP0332	0.53	0.53	918	-	-	918	-	-	No	NoBrighouse	NoMixed
LP0585	0.82	0.80	-	-	1,836	-	-	172,241	Yes	YesBrighouse	YesGreenfield
LP1232	25.42	21.38	2,910	4,706	3,516	25,578	9,090	112,509	Yes	YesBrighouse	YesGreenfield
LP1618	7.40	5.83	-	-	-	9,250	9,250	198,823	Yes	YesBrighouse	YesGreenfield
LP0105	0.30	0.30	-	-	-	1,038	-	5,692	Yes	YesHalifax	YesGreenfield
LP0409	0.71	0.71	-	-	2,135	-	-	-	No	NoHalifax	NoBrownfield
LP0472	0.78	0.61	-	-	-	2,135	-	-	No	NoHalifax	NoGreenfield
LP0805	1.37	1.37	-	-	-	2,380	2,380	-	No	NoHalifax	NoBrownfield
LP0976	0.43	0.43	-	-	753	753	-	-	No	NoHalifax	NoBrownfield
LP1133	4.37	2.87	-	-	4,989	4,989	-	-	No	NoHalifax	NoBrownfield
LP1203	1.01	0.52	-	-	637	637	546	-	No	NoHalifax	NoBrownfield
LP1217	1.31	1.31	-	-	1,715	1,715	1,470	15,775	Yes	YesHalifax	YesGreenfield
LP1218	0.48	0.48	-	-	-	840	840	32,675	Yes	YesHalifax	YesGreenfield
LP1433	0.38	0.24	-	-	840	-	-	-	No	NoHalifax	NoBrownfield
LP1220	3.98	3.55	7,100	7,100	-	-	6,213	147,586	Yes	YesHalifax	YesGreenfield
LP1622	8.38	6.30	-	-	5,000	5,000	-	-	No	NoMytholmroyd	NoBrownfield
LP1640	1.33	1.33	-	-	2,640	2,640	-	-	No	NoRipponden	NoBrownfield

6. Conclusions

- 6.1 Through this assessment we have demonstrated that the draft employment allocations within the Calderdale Local Plan Publication Draft 2018 are not viable assuming a traditional 'developer led' approach to delivery. However, this is not surprising as most assessments of this nature identify viability issues with employment sites when adopting a developer led approach.
- 6.2 However, the Greenfield sites within the Elland and Brighouse Local Plan areas are generally viable on the assumption they are brought forward by end occupiers who will purchase sites and develop out for their own occupation. This is a key point as it will be important for the Council to continue to attract footloose companies who are looking to relocate into the Borough as well as providing sites for local companies to expand, thereby helping promote job creation.
- 6.3 Whilst our assessment has demonstrated viability challenges associated with Brownfield sites it is likely that these site typologies within the Elland and Brighouse Local Plan areas could be brought forward viably for employment uses subject to the extent of abnormal costs, albeit B1a office uses are unlikely to be viable.
- 6.4 The biggest challenges with respect to viability are within Halifax, Mytholmroyd and Ripponden (both Greenfield and Brownfield sites) and it is likely that there will need to be public sector intervention to deliver the employment sites, although this could be mitigated by cross subsidy.

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