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# **Draft Sites for Mixed Use Allocation – Viability Assessment**

## **Final Report**

September 2020

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Status: Final Report

Date: September 2020

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 report<sup>1</sup> 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 Young<sup>2</sup> to consider the viability of these additional draft allocations. This report was published in March 2019<sup>3</sup>.
- 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 Mixed Uses as at 27<sup>th</sup> 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	Land Type	Appropriate Uses	Local Plan Area	Gross Site Area (ha)	Indicative Dev' Area (ha)
LP0032	Brownfield	C2 <sup>4</sup> , C3, B uses* and A1	Brighouse	10.90	8.96
LP0573	Brownfield	C3 and B1**	Brighouse	2.81	2.35
LP0579	Brownfield	C3 and B1a	Brighouse	0.42	0.42
LP0509	Brownfield	C3, B1 and / or B2*	Elland	1.90	1.90
LP1088	Brownfield	C3 and B1c and or B2*	Elland	0.80	0.64
LP1123	Mixed	C3 and B1**	Elland	1.73	1.73
LP0264	Brownfield	C3 and B1a	Halifax	0.39	0.37
LP0289	Brownfield	C3 and B1a	Halifax	0.42	0.34
LP0370	Greenfield	B1a and A1, D uses	Halifax	0.26	0.26
LP0749	Brownfield	C3 and B1a	Halifax	1.52	1.52
LP1170	Brownfield	C3 and B1 and / or B2*	Halifax	3.24	1.87
LP1431	Brownfield	C3 and B1 and or B2*	Halifax	1.84	1.84
LP1632	Brownfield	C3 and B1**	Halifax	1.56	1.56

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

<sup>2</sup> Trading previously as GVA

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

<sup>4</sup> The C2 requirement has not been specified so has not been included within our assessment

Local Plan Site Ref	Land Type	Appropriate Uses	Local Plan Area	Gross Site Area (ha)	Indicative Dev' Area (ha)
LP0922	Brownfield	C3 and B1a	Hebden Bridge	0.37	0.22
LP0327	Brownfield	C3 and A1/A3	Todmorden	0.33	0.33

\*For the purpose of this assessment we have assumed B1 c uses recognising that B2 uses may not be suitable alongside residential dwellings

\*\* we have assumed B1 c uses for the purpose of this assessment

- 1.6 This assessment supersedes all the conclusions set out within previous assessments in relation to the mixed-use 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, 1<sup>st</sup> 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, 1<sup>st</sup> 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 Guidance Note (Valuation of Development Property – 1st Edition, October 2019)<sup>5</sup>. 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 (GDV<sup>6</sup>);
- The direct costs of developing the scheme (TCC<sup>7</sup>);
- 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 mixed-use allocation. This can be expressed through the following simple calculation.

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

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<sup>5</sup> This replaces the former Valuation Information Paper (VIP) 12, Valuation of Development Land.

<sup>6</sup> Gross Development Value

<sup>7</sup> 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)<sup>8</sup> or Return on Capital Employed (ROCE)<sup>9</sup>.

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);

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<sup>8</sup> 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.

<sup>9</sup> Return on Capital Employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed.

- Allow for a premium to landowners;
- 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 - 015-20190509). 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 Mixed Use Sites**

2.15 In terms of the draft mixed use allocations it is difficult to establish what an appropriate minimum benchmark land value should be as almost all of the sites are Brownfield<sup>10</sup> and in accordance with PPG the benchmark land value will need to reflect the extent of the abnormal costs, which in exercises such as this are difficult to accurately predict. For the purpose of this assessment we have made a judgement, based on our professional opinion, on whether the residual site values resulting from our assessment will provide an incentive to persuade the landowners to sell / release land for development.

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<sup>10</sup> Refer to Table 1.1

### 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.

#### Scheme Composition

- 3.3 The mix of uses on each site which have been appraised within this assessment are shown in Table 3.2. These uses were agreed with the Council based on the findings of the Local Plan Mixed Use Site Capacity Assessment (August 2020).
- 3.4 In terms of the draft mixed-use allocations that include housing, Policy HS3 of the Publication Draft states that the Council will seek a mix of type, size, tenure and affordability of new housing. The policy further states that proposed housing developments of 30 or more dwellings should be accompanied by a statement setting out how the mix of housing will assist in meeting local needs. The policy also states that the housing mix should be informed by the most recent SHMA together with other relevant and recent information including market factors and the location and characteristics of the site.
- 3.5 The Council's Strategic Housing Market Assessment (2018) suggests that around 17% of the households to form in Calderdale will require one bed dwellings, 36% will require two bed dwellings, 33% three bed dwellings and 14% will require four plus beds.
- 3.6 However, in exercises such as this it is difficult to identify an appropriate mix that is suitable for every site. Because we have not been provided with a mix / schedule of proposed housing for each site, we have made the following high-level assumptions, as detailed below, for the purpose of this assessment.

Table 3.1 – Housing Mix

	Housing	Apartments
Average unit size	92.9sq.m (1,000sq.ft)	85sq.m (912sq.ft)
Gross to Net	100%	85%

Source: Avison Young

Table 3.2 – Preferred Local Plan Allocations for Employment Uses (check with Aspinall Verdi Report)

Local Plan Site Ref	Land Type	Local Plan Area	Scheme Composition Modelled					
			B1a	B1c	A1	No Dwellings	Dwelling Type	AH Zone
LP0032	Brownfield	Brighouse	-	8,000sq.m	1800sq.m	220	Housing	C
LP0573	Brownfield	Brighouse	2,741sq.m		730sq.m	118	Apartments	C
LP0579	Brownfield	Brighouse	2,000sq.m	-	-	60	Apartments	C
LP0509	Brownfield	Elland		5,000sq.m	-	90	Apartments	D
LP1088	Brownfield	Elland	-	1,428sq.m	-	12	Housing	D
LP1123	Mixed	Elland	-	5,088sq.m	-	60	Housing	D
LP0264	Brownfield	Halifax	1,417sq.m	-	-	40	Apartments	B
LP0289	Brownfield	Halifax	472sq.m	-	-	24	Housing	B
LP0370	Greenfield	Halifax	780sq.m	-	780sq.m	-	Housing	B
LP0749	Brownfield	Halifax	1,699sq.m	-	1,193sq.m	56	Housing	B
LP1170	Brownfield	Halifax		2,630sq.m		131	Apartments	B
LP1431	Brownfield	Halifax		3,480sq.m		17	Housing	C
LP1632	Brownfield	Halifax		2,945sq.m		97	Housing	B
LP0922	Brownfield	Hebden Bridge	2,213sq.m	-	-	12	Housing	A
LP0327	Brownfield	Todmorden			553sq.m	38	Apartments	C

## Affordable Housing

- 3.7 In accordance with Policy HS6 of the Publication Draft, we have applied affordable housing as summarised in Table 3.3.
- 3.8 The policy states that the Council will expect details of the affordable housing mix to be provided in a statement of Affordable Housing Contribution, which is to be informed by the most recent SHMA, together with the Council's published guidance on affordable housing provision.
- 3.9 Within this context and for the purpose of our assessment the Council has advised that 10% of the affordable requirement should be based on Starter Homes with the remainder based on more typical /standard affordable tenures.
- 3.10 Within this context the tenure breakdown, also shown in table 3.3 has been incorporated within this assessment.

Table 3.3 - Affordable Housing Tenure

AH Zone	Threshold (dwgs)	Overall AH Requirement (%)	% of Overall Requirement as Starter Homes	% of Overall Requirement as more typical AH tenures
A	>10	35%	30%	70%
B	>10	30%	33%	67%
C	15+	25%	40%	60%
D	15+	20%	50%	50%

Source: Calderdale Council

## Construction Costs

- 3.11 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 15% of the construction costs for housing and 10% for all other uses, including apartments. On this basis the following costs have been applied within our assessment.

Table 3.4 – Base Construction Costs

Description	Construction Costs (£psf)	External Works	Total Build Costs (£psm (£psf))
Housing	£975psm (£91psf)	15%	£1,121psm (£105psf)
Apartments	£1,253psm (£116psf)	10%	£1,378psm (£128psf)
Offices (B1a)	£1,231psm (£114psf) <sup>11</sup>	10%	£1,354psm (£125.80psf)
Industrial (B1c)	£529psm (£49.14psf) <sup>12</sup>	10%	£581.9psm (£54.06psf)
A1 – Retail (Shops_)	£752psm <sup>13</sup> (£70psf)	10%	£827psm (£77psf)

Source: BCIS and Avison Young

<sup>11</sup> Based on offices generally

<sup>12</sup> Based on factories generally

<sup>13</sup> Based on shops generally

3.12 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 HS4 - Housing for Independent Living*

3.13 Policy HS4 of the Calderdale Local Plan Publication Draft 2018 sets out the Council's requirements with respect to housing for independent living. Bullet iii of the policy states that proposals for residential development should ensure that 100% of units are adaptable and accessible homes. A footnote to the policy states that adaptable and accessible homes are those that meet Requirement M4(2) of the Building Regulations 2015, or any subsequent government standard.

3.14 A study undertaken by EC Harris (on behalf of Department for Communities and Local Government) in September 2014 examined the cost impacts of the Accessible and Adaptable Standards. The study concluded that the cost of providing Category 2 – Accessible and Adaptable housing would cost an additional (extra over industry practice) of between £578<sup>14</sup> and £866<sup>15</sup> per house type and for apartments it would cost an average of £289 per property.

3.15 For the purpose of our assessment we have applied an average cost of £289 per apartment and £722 per dwelling for the housing.

3.16 These costs have only been applied to the private dwellings as there will be limited opportunity to offset the access related space costs, through additional revenue, for the affordable housing. Therefore, the costs for the affordable dwellings have been included in full meaning the overall costs for achieving M42 accessible standards on the affordable dwellings are £722 per apartment and £1,805 per house.

#### *Policy BT1 High Quality Inclusive Design*

3.17 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.

3.18 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 costs<sup>16</sup>.

#### *Policy BT3 - Landscaping*

3.19 Policy BT3 of the Calderdale Local Plan Publication Draft 2018 requires that development proposals, where appropriate, be accompanied by landscaping schemes that include good quality hard and soft landscaping.

<sup>14</sup> For an additional 2sq.m on a 2-bed terrace house

<sup>15</sup> For an additional 3sq.m on a 3-bed semi-detached and 4 bed detached property.

<sup>16</sup> Refer to Table 3.4

The policy states that Landscaping schemes should ensure that new development integrates appropriately into its surroundings, contributes to the character of the area, and enhances local biodiversity if practicable. Bullet iv of the policy states that schemes should include details of how the proposals will maximise the potential for increasing net biodiversity gains on site through the creation of wildlife habitats.

- 3.20 For the purpose of our assessment we have included a cost of £207 per dwelling for achieving the net biodiversity gains. This is based on the proportional cost of complying with this policy on another site elsewhere in the Borough.

#### *Policy IM4 - Sustainable Travel*

- 3.21 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 development include the provision of electric vehicle charging points, provided at their parking spaces, within all new homes.

- 3.22 The costs of installing residential charging points are estimated to be in the region of £100 for 1 charging point. For the purpose of this assessment we have assumed 1 charging point per dwelling.

- 3.23 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. 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 residual land value to take matters such as this into account (see later).

#### **Remediation / Abnormal Costs (Brownfield sites only)**

- 3.24 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).

- 3.25 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 tanks<sup>17</sup>. The assessment makes a second assumption that all the Brownfield sites will fall within the low water risk category.

- 3.26 Based on these assumptions the remediation costs, assuming limited soft landscaping, range between £50,000 and £130,000 per hectare for apartments and commercial uses and between £75,000 and £205,000 per ha for residential dwellings with private gardens. For the purpose of our assessment we have adopted the median costs 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 3.5 have been applied within our assessment:

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<sup>17</sup> 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.

Table 3.5 – Remediation Costs

Description	Median Cost £per ha	Location Factor	Cost £per ha
Flats / Apartments	£90,000	0.86	£77,400
Residential with private gardens	£140,000	0.86	£120,400
Commercial Uses	£90,000	0.86	£77,400

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

3.27 Recognising that the sites are mixed use we have applied a cost of £98,900 per hectare<sup>18</sup>. Our assessment has assumed a worst-case scenario and applied these costs to the total developable site area of all the 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.

3.28 One of the draft mixed-use allocations (LP1123) is a mixture of Greenfield and Brownfield land. For the purpose of this assessment we have assumed that the remediation costs for this site will be half of the costs (i.e. £49,450 per hectare).

### Site Preparation (Brownfield sites only)

3.29 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.

3.30 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.

3.31 For the mixed Greenfield and Brownfield site (LP1123) we have adopted a cost of £195,000 per hectare.

### Project / Professional Fees

3.32 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

3.33 Contingencies are included at 3% for Greenfield site and 5% for the Brownfield and mixed Greenfield and Brownfield sites.

### S106 and S278 Contributions

3.34 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 residual land values to take matters such as this into account (see later).

<sup>18</sup> The median cost between commercial / flats (£77,400) and residential (£120,400)

### S106 Marketing Fees

- 3.35 We have included 1% of residential GDV for agent's fees and £1,000 per dwelling for legal fees. Further to these allowances we have also included marketing / promotion costs at 2% of GDV.
- 3.36 For the commercial elements we have included letting agents' fees 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. Marketing costs are included at 0.5% of the schemes net development value.

### Finance Charges / Interest Rate

- 3.37 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.
- 3.38 For the purpose of our appraisal we assumed 100% debt funding at a rate of 6.25%.

### Profit

- 3.39 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.
- 3.40 Most residential schemes are based on profit of 20% GDV whereas most commercial developers operate based on a gross margin on cost of typically 15%.
- 3.41 For the purpose of this assessment we have applied a profit of 20% of GDV to the residential elements and 15% of cost to the commercial uses.

### Stamp Duty and Purchasers Costs on Residual Land Value

- 3.42 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 3.6 - 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

- 3.43 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.

### Viability Tolerance on Residual Land Value

- 3.44 Whilst we have used a residual appraisal to derive the residual land values for each allocation it is recognised that in exercises such as this it is not possible to capture all of the costs associated with bringing a development forward. For example, S106 and S278 (highway contributions) are more often than not scheme specific and therefore can't be captured in area wide viability assessments which by their very nature are based on hypothetical schemes.
- 3.45 For this reason the assessment has included what is referred to as a viability tolerance / cushion on the Residual Land Value. No guidance as to what constitutes an appropriate cushion is provided. Instead this is left for the local planning authority to decide in collaboration with their partners and consultees. For the purpose of this assessment we have applied a viability cushion / tolerance of 10%.

### Residential Value Assumptions

- 3.46 The 'market sales values', relative to each allocation are summarised in Table 3.7.

Table 3.7 – Market Sales Values

Local Plan Site Ref	Local Plan Area	Market Zone	Housing Type	Value (£psf)
LP0032	Brighouse	Zone 8	Housing	£255psf
LP0573	Brighouse	Zone 8	Apartments	£195psf
LP0579	Brighouse	Zone 8	Apartments	£195psf
LP0509	Elland	Zone 5	Apartments	£230psf
LP1088	Elland	Zone 5	Housing	£230psf
LP1123	Elland	Zone 5	Housing	£230psf
LP0264	Halifax	Zone 7	Apartments	£225psf
LP0289	Halifax	Zone 7	Housing	£230psf
LP0370	Halifax	Zone 7	Housing	£230psf
LP0749	Halifax	Zone 7	Housing	£230psf
LP1170	Halifax	Zone 7	Apartments	£225psf
LP1431	Halifax	Zone 3	Housing	£225psf
LP1632	Halifax	Zone 7	Housing	£230psf
LP0922	Hebden Bridge	Zone 1	Apartments	£285psf
LP0327	Todmorden	Zone 2	Apartments	£215psf

- 3.47 The Starter Homes have been valued at 80% of the market dwellings and for the affordable housing, we have applied the transfer value of £800psm (£74psf) set out within the Council's Affordable Housing Supporting Guidance Document (August 2018).

## Commercial Values

3.48 The assumptions outlined in Table 3.8 have been used within our assessment<sup>19</sup>.

Table 3.8– Commercial Value Assumptions

Land Use	Typology	Headline Rent	Yield	Incentives
Offices (B1a)	Elland	£161psm (£15psf)	7.25%	24 months
	Brighouse	£161psm (£15psf)	7.25%	24 months
	Halifax	£188psm (£17.50psf)	7.25%	24 months
	Hebden Bridge	£86psm (£8.00psf)	9%	24 months
Industrial (B1c)	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
	Hebden Bridge / Todmorden	£65psm (£6.00psf)	7%	6 months
Retail (all A uses)	Brighouse	£156psm (£14.50psf)	10%	6 months
	Halifax	£161psm (£15.00psf)	8.5%	6 months
	Todmorden	£156psm (£14.50psf)	10%	6 months

<sup>19</sup> There is a dearth of available transactional evidence, so these assumptions have been derived through discussion with our agents and valuation colleagues.

## 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.
- 4.3 One of the three mixed use allocations in the **Brighouse Local Plan Area** is viable (LP0032) generating a land value of circa £600,000 per acre. Sites LP0573 and LP0579 are unviable. However, this is not surprising as the sites have been appraised based on apartments and include an element of B1a office space. We know from undertaking similar assessments for the housing and employment allocations that apartments and B1a offices in Brighouse are unviable. However, it would be possible to viably develop these sites for housing and B1c and A1 uses as this mix of uses has been proven to be viable in the Brighouse Local Plan Area through the assessment of site LP0032.
- 4.4 There are three sites in the **Elland Local Plan Area** and two are viable generating land values ranging from circa £500,000 per acre (1088) and £1,000,000 per acre (1123). Both sites have been appraised based on housing and include an element of B1c employment. The site that is not viable (LP0509) has been appraised based on apartments, which again demonstrates that apartments are not viable in Elland. As demonstrated through the assessments for sites 1088 and 1123 this site could also be viable developed for a mix of housing and B1c.
- 4.5 From the seven sites in the **Halifax Local Plan Area**, four are viable generating land values ranging between £50,000 per acre and £400,000 per acre. One of the sites LP0370 is Greenfield and doesn't include any residential. This has been appraised on the basis of B1a and A1 uses and generates a land value of circa £50,000 per acre, which is considered low. The other viable sites are all Brownfield and have been appraised based on housing. Two of these sites (0289) and (0749) also include B1a offices. Brownfield sites that include B1a offices but have been appraised based on apartments (i.e. LP0264) are unviable suggesting that apartments are not viable to develop in Halifax.
- 4.6 Sites 0922 and 0327 in the **Hebden Bridge and Todmorden Local Plan Areas** respectively are not viable. These are Brownfield sites that have been appraised based on Apartments. If the sites are appraised based on housing, then the site in Todmorden (0327) becomes viable generating a land value of circa £1.5m per acre<sup>20</sup>. The site in Hebden Bridge (0922) remains unviable but this is because it also includes circa 2,200sq.m of B1a offices. If the offices are excluded the site is viable, generating a land value of circa £2.7m per acre<sup>21</sup>. This suggests that B1a offices are not a viable form of development within Hebden Bridge.

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<sup>20</sup> This is because when the site is developed for housing the number of dwellings that can be accommodated is circa 13 dwellings which falls below the affordable housing threshold.

<sup>21</sup> Again, this is because when the site is developed for housing the number of dwellings that can be accommodated is circa 7 dwellings, which falls below the affordable housing threshold.

Table 4.1 – Mixed Use Allocations – Baseline Viability Results

Local Plan Ref	Local Plan Area	Gross Site Area (HA)	Net Residual Land Value - Housing	Value £ per ha	Value £ per acre	# Dwgs	B1a	B1c	A1	Viability	Viability by Land Type	Viability by Land and Development Type
LP0032	Brighouse	5.18	7,685,730	1,483,732	600,434	220	-	8,000	1,800	Yes	YesBrownfield	BrownfieldHousing
LPO573	Brighouse	0.91	(4,981,384)	-	-	131	2,741	-	73	No	NoBrownfield	BrownfieldApartments
LP0579	Brighouse	0.42	(2,532,583)	-	-	60	2,000	-	-	No	NoBrownfield	BrownfieldApartments
LP0509	Elland	0.58	(751,647)	-	-	90	-	5,000	-	No	NoBrownfield	BrownfieldApartments
LP1088	Elland	0.36	460,043	1,277,896	517,137	12	-	1,428	-	Yes	YesBrownfield	BrownfieldHousing
LP1123	Elland	0.85	2,131,724	2,507,911	1,014,897	60	-	5,088	-	Yes	YesMixed	MixedHousing
LP0264	Halifax	0.25	(1,152,266)	-	-	40	1,417	-	-	No	NoBrownfield	BrownfieldApartments
LP0289	Halifax	0.34	333,768	981,669	397,260	24	472	-	-	Yes	YesBrownfield	BrownfieldHousing
LP0370	Halifax	1.00	128,582	128,582	52,034	-	780	-	780	Yes	YesGreenfield	Greenfield-
LP0749	Halifax	1.52	836,257	550,169	222,641	56	1,699	-	1,193	Yes	YesBrownfield	BrownfieldHousing
LP1170	Halifax	1.53	(3,374,562)	-	-	131	-	2,630	-	No	NoBrownfield	BrownfieldApartments
LP1431	Halifax	0.47	(173,991)	-	-	17	-	3,480	-	No	NoBrownfield	BrownfieldHousing
LP1632	Halifax	1.56	1,423,470	912,481	369,261	97	-	2,945	-	Yes	YesBrownfield	BrownfieldHousing
LP0922	Hebden Bridge	0.10	(2,509,496)	-	-	12	2,213	-	-	No	NoBrownfield	BrownfieldApartments
LP0327	Todmorden	0.18	(925,675)	-	-	38	-	-	553	No	NoBrownfield	BrownfieldApartments

## 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 – Part L and F Changes

5.2 Nearly all of the mixed-use allocations include residential. On 7th February this year the Government's consultation period for changes to Part L and Part F of the Building Regulations closed and the Government estimates that these changes will come into effect later this year albeit there is some uncertainty around whether these changes will happen. As outlined in our viability report for the housing allocations the costs for Part L and F changes are envisaged to be in the region of £4,637 per dwelling. We have modelled the impact of these costs and set out the results in Table 5.1.

5.3 The results of our assessment demonstrate that whilst the residual land values have fallen (as to be expected) all of the sites that were viable before layering on the extra over costs of the Part L and F changes remain viable. However, for those sites that were unviable the impact of the Part L and F changes simply compounds the viability challenges. However, it should be noted that even with the Part L and F changes it would still be possible to:

- Viably develop sites 0573 and 0579 in the Brighouse Local Plan area for housing in association with B1c rather than apartments.
- Viably develop site 0509 in Elland for housing in association with B1c rather than apartments.
- Viably develop the brownfield sites in Hebden Bridge (0922) and Todmorden (0327) for housing rather than apartments and excluding any B1a office development; and
- Viably develop Brownfield sites in Halifax for housing rather than apartments.

### Scenario 2 – Brownfield Assumptions

5.4 Given that most of the mixed-use allocations are Brownfield this scenario explores the impact of 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. £129,000 per hectare).

5.5 The results of this scenario are presented in Table 5.2 and demonstrate that whilst the viability across all sites (even those sites which were unviable) improves it doesn't have a material impact on the results of our assessment with no additional sites to those already shown as being viable in Table 4.1 becoming viable. This reinforces our assertions that the biggest influence on viability is the proposed uses within the mixed-use allocations with apartments and B1a offices having a detrimental impact on viability. This is not surprising as the same conclusions were evident from assessments of the housing and employment allocations.

Table 5.1 – Impact of Part L and F Changes

Local Plan Ref	Local Plan Area	Gross Site Area (HA)	Net Residual Land Value - Housing	Value £ per ha	Value £ per acre	# Dwgs	B1a	B1c	A1	Viability	Viability by Land Type	Viability by Land and Development Type
LP0032	Brighouse	5.18	6,714,532	1,296,242	524,561	220	-	8,000	1,800	Yes	YesBrownfield	BrownfieldHousing
LPO573	Brighouse	0.91	(5,601,549)	-	-	131	2,741	-	73	No	NoBrownfield	BrownfieldApartments
LP0579	Brighouse	0.42	(2,816,629)	-	-	60	2,000	-	-	No	NoBrownfield	BrownfieldApartments
LP0509	Elland	0.58	(1,177,715)	-	-	90	-	5,000	-	No	NoBrownfield	BrownfieldApartments
LP1088	Elland	0.36	405,623	1,126,732	455,964	12	-	1,428	-	Yes	YesBrownfield	BrownfieldHousing
LP1123	Elland	0.85	1,866,852	2,196,297	888,793	60	-	5,088	-	Yes	YesMixed	MixedHousing
LP0264	Halifax	0.25	(1,346,794)	-	-	40	1,417	-	-	No	NoBrownfield	BrownfieldApartments
LP0289	Halifax	0.34	224,929	661,557	267,717	24	472	-	-	Yes	YesBrownfield	BrownfieldHousing
LP0370	Halifax	1.00	128,582	128,582	52,034	-	780	-	780	Yes	YesGreenfield	Greenfield-
LP0749	Halifax	1.52	589,043	387,529	156,824	56	1,699	-	1,193	Yes	YesBrownfield	BrownfieldHousing
LP1170	Halifax	1.53	(3,994,727)	-	-	131	-	2,630	-	No	NoBrownfield	BrownfieldApartments
LP1431	Halifax	0.47	(252,615)	-	-	17	-	3,480	-	No	NoBrownfield	BrownfieldHousing
LP1632	Halifax	1.56	995,260	637,987	258,179	97	-	2,945	-	Yes	YesBrownfield	BrownfieldHousing
LP0922	Hebden Bridge	0.10	(2,567,855)	-	-	12	2,213	-	-	No	NoBrownfield	BrownfieldApartments
LP0327	Todmorden	0.18	(1,110,477)	-	-	38	-	-	553	No	NoBrownfield	BrownfieldApartments

Table 5.2 – Impact of Brownfield Assumptions

Local Plan Ref	Local Plan Area	Gross Site Area (HA)	Net Residual Land Value - Housing	Value £ per ha	Value £ per acre	# Dwgs	B1a	B1c	A1	Viability	Viability by Land Type	Viability by Land and Development Type
LP0032	Brighouse	5.18	9,299,223	1,795,217	726,485	220	-	8,000	1,800	Yes	YesBrownfield	BrownfieldHousing
LPO573	Brighouse	0.91	(4,677,415)	-	-	131	2,741	-	73	No	NoBrownfield	BrownfieldApartments
LP0579	Brighouse	0.42	(2,392,290)	-	-	60	2,000	-	-	No	NoBrownfield	BrownfieldApartments
LP0509	Elland	0.58	(557,908)	-	-	90	-	5,000	-	No	NoBrownfield	BrownfieldApartments
LP1088	Elland	0.36	572,177	1,589,381	643,188	12	-	1,428	-	Yes	YesBrownfield	BrownfieldHousing
LP1123	Elland	0.85	2,263,738	2,663,221	1,077,747	60	-	5,088	-	Yes	YesMixed	MixedHousing
LP0264	Halifax	0.25	(1,068,758)	-	-	40	1,417	-	-	No	NoBrownfield	BrownfieldApartments
LP0289	Halifax	0.34	439,673	1,293,154	523,311	24	472	-	-	Yes	YesBrownfield	BrownfieldHousing
LP0370	Halifax	1.00	128,582	128,582	52,034	-	780	-	780	Yes	YesGreenfield	Greenfield-
LP0749	Halifax	1.52	1,309,715	861,654	348,693	56	1,699	-	1,193	Yes	YesBrownfield	BrownfieldHousing
LP1170	Halifax	1.53	(2,863,493)	-	-	131	-	2,630	-	No	NoBrownfield	BrownfieldApartments
LP1431	Halifax	0.47	(27,593)	-	-	17	-	3,480	-	No	NoBrownfield	BrownfieldHousing
LP1632	Halifax	1.56	1,909,386	1,223,966	495,312	97	-	2,945	-	Yes	YesBrownfield	BrownfieldHousing
LP0922	Hebden Bridge	0.10	(2,476,093)	-	-	12	2,213	-	-	No	NoBrownfield	BrownfieldApartments
LP0327	Todmorden	0.18	(865,550)	-	-	38	-	-	553	No	NoBrownfield	BrownfieldApartments

## 6. Conclusions

- 6.1 Through this assessment we have demonstrated that the viability of the mixed-use allocations is heavily influenced by the uses included within the allocation. Our assessment has demonstrated that apartments are not a viable form of development in any of the Local Plan Areas and B1a offices outside of the Halifax Local Plan Area are also an unviable. However, housing, B1c and A1 uses are all viable forms of development in all of the Local Plan Areas.
- 6.2 Therefore, outside of the Halifax Local Plan Area the mixed-use allocations should focus on B1c commercial uses rather than B1a offices. This is on the basis that almost all the mixed-use allocations include residential meaning B2 and B8 uses would have an impact on the residential amenity value making these uses unsuitable alongside residential dwellings.
- 6.3 Where possible the mixed-use allocations should also be based on residential dwellings rather than apartments. For those sites where it is only feasible to develop for apartments viability is likely to be an issue.
- 6.4 With respect to the mixed-use allocations thirteen are brownfield and one is a mixture of greenfield and brownfield land. There is only one Greenfield mixed use allocation. It was announced on "On 30 June that a £67m Brownfield Fund allocation was being given to West Yorkshire. This funding has been allocated on a per capita basis to Mayoral Combined Authorities (including Calderdale) and the £67m, which is to be spent by 2024/25, will provide capital funding to move key sites within the pipeline forward. The Council will be working work collaboratively at pace with the Combined Authority to set out a programme of work for the Brownfield Fund monies." This will also assist in the delivery of those Brownfield mixed use allocations that exhibit viability challenges.

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