Princes Risborough Expansion Area (PREA) Delivery Plan - Viability Report

June 2019

Contents

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For and on behalf of GVA Grimley Limited Trading as Avison Young

1. Introduction

1.1 Significant infrastructure will be needed to support the delivery of the Princes Risborough Expansion Area (PREA) and ensure its integration with Princes Risborough town and existing local communities. The delivery of infrastructure will need to be coordinated to enable the creation of new sustainable neighbourhoods and a pace of delivery that is consistent with the housing growth requirements set out in the Local Plan.

1.2 Because the PREA will be built in phases and by different landowners / developers it is vital that:

- Necessary on-site and off-site infrastructure is provided in a timely way to avoid causing unacceptable strain on existing infrastructure and services, and to ensure continuity of housing delivery; and
- Where infrastructure is not provided in a self-contained way as part of development phases, sections are provided to consistent standards and physically join up, and are designed to work together.

1.3 The Council's PREA Delivery Plan, which forms Part Two of the PREA Supplementary Planning Document (SPD), sets out a realistic phasing plan for housing and infrastructure delivery that aims to provide an equitable approach to the funding of that infrastructure including cost apportionment between the different landowners/developers.

1.4 Within this context the Council has commissioned Avison Young to advise them on how the approach to funding the strategic infrastructure impacts on the viability of the PREA comprehensive development, as set out within Policy PR3 of the Local Plan.

1.5 The Royal Institution of Chartered Surveyors (RICS) recommends that suitably qualified professionals are consulted in undertaking the 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 and a RICS Registered Valuer. Dale has extensive experience in assessing financial viability for individual and large scale residential schemes. Inherent within this is a detailed understanding of the relationship between land value, profit, development costs, S106 planning obligations/CIL and abnormal costs.

1.6 He has undertaken detailed appraisals to help inform S106 negotiations (for both private developers and local planning authorities) and has acted as an Expert Witness on a number of occasions. He has undertaken a number of area wide viability based assessments (including CIL and Local Plan viability assessments) for a range of local planning authorities. As a result, Dale has excellent understanding of national guidance on the viability and deliverability tests for new housing development.

1.7 Dale was author of the Princess Risborough Expansion - Viability Report (March 2017), which was prepared whilst on secondment to the Homes and Communities Agency (trading as Homes England) and gave evidence on the viability of the PREA at the Local Plan examination.

1.8 This report has informed and is technical evidence supporting the Delivery Plan.

1.9 It is important to recognise that the viability appraisals undertaken as part of this study do not constitute formal valuations and should not be regarded or relied upon as such. They simply provide a guide to viability in line with the purpose for which this assessment is required / being undertaken.

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 Institute of Chartered Surveyors (RICS). In the first instance we have referred to 'Financial Viability in Planning Professional Guidance Note (1st Edition – GN 94/2012). 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. It is consistent with the NPPF, PPG and Community Infrastructure Levy (CIL) Regulations 2010 (as amended).

2.3 Financial viability for planning purposes is defined by this Guidance 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 The Guidance also states that the accepted method of valuation 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 a number of elements. These include:

- The value of the completed development (GDV);
- The direct costs of developing the scheme (TCC[1])
- 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 The residual method of valuation can be used in three basic ways. In the first instance (option 1) 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 options 1 and 2 can then be compared to a benchmark to assess the viability of the scheme. The third option involves establishing the 'viability headroom/viability gap' having included within the appraisal both a land value and predetermined level of profit.

2.6 This assessment is based on option 3 and seeks to establish the 'viability headroom/gap' by having regard to a pre-described range of circumstances / costs and values, including a suitable land value and predetermined level of profit. This can be expressed through the simple calculation on the following page.

[1] Total Construction Costs

Gross Development Value (GDV) (minus) Total Costs (including Developers Profit and Land Value) = Project Headroom or Viability Gap

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- Gross Development Value includes all sales income generated by the development, including income from affordable housing.
- Total Development Costs include construction costs, professional fees, planning/S106, finance / interest charges etc.
- Developer's Profit is expressed by reference to a percentage of the Total Development Costs or Gross Development Value. It can also be expressed by reference to an Internal Rate of Return (IRR)[2] or Return on Capital Employed (ROCE)[3].
- Land value is expressed by reference to what is considered a competitive return to the land owner. A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development.

2.7 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 residual development appraisals are set out in detail within Section 6.

[2] 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.

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

3. Scheme Details / Development Parameters

3.1 The Princes Risborough Expansion Area (PREA) comprises an urban extension that will deliver nearly 2500 homes, two primary schools, a new linear park, other community infrastructure, and a relief road that is required to unlock the development and enable town centre improvements. Pedestrian and road connections across the railway will also be improved complementing new employment land allocations.

3.2 Development will be brought forward by a number of developers / landowners across the PREA. Table 3 summarises the various developer and landowners interests / parcels and their associated development capacity, within the PREA comprehensive development, as set out within Policy PR3 of the Local Plan.

3.3 The size of dwellings applied within this assessment are set out below.

Table 1 - Dwelling Sizes

House Type	Gross Area	Net Area
1 bed - 2 person flat	59sq.m (635sq.ft)	50sq.m (538sq.ft)
2 bed 4 person flat	82sq.m (883sq.ft)	70sq.m (753sq.ft)
2 bed 4 person house	79sq.m (850sq.ft)	79sq.m (850sq.ft)
3 bed 5 or 6 person house	93sq.m (1,000sq.ft)	93sq.m (1,000sq.ft)
4+ bed7 or 8 person house	115sq.m (1,238sq.ft)	115sq.m (1,238sq.ft)

3.4 In terms of affordable housing the Council has advised that the scheme will need to provide 48% of the dwellings as affordable with 38% being for affordable / social rent tenures and 10% being affordable home ownership tenure. The mix for the affordable dwellings is set out below. The affordable housing percentage requirement is based on Policy DM24 of the emerging Local Plan, as proposed to be modified by the Inspector in her Proposed Main Modifications (February 2019). The tenure split and dwelling mix for affordable housing[4] is based on the housing needs evidence set out in the Bucks Housing and Economic Development Needs Assessment (Bucks HEDNA), Dec 2016, and has regard to the National Planning Policy Framework (2019) policy for provision of 10% affordable home ownership[5].

Table 2 - Affordable Housing Mix

House Type	Affordable / Social Rent	Intermediate / affordable home ownership
1 bed - 2 person flat	13%	13%
2 bed 4 person flat	15%	15%
2 bed 4 person house	22%	22%
3 bed 5 or 6 person house	35%	35%
4 bed 8 person house	15%	15%

[4] See Figure 123, page 161, Bucks HEDNA, December 2016
[5] See para 64, National Planning Policy Framework, February 2019

Table 3 - PREA Development Capacity

Site/Developer	Total Number Dwellings	1 bed 2 person flat	2 bed - 4 person flat	2 bed - 4 person house	3 bed - 5 or 6 person house	4+ 7 or 8 person house
Station Site (W E Black)	45	4	12	12	11	6
Poppy Road (Magnacrest)	58	5	16	16	14	7
Bloor Homes	891	80	240	242	219	110
Halsbury	428	38	116	116	105	53
Persimmon	363	32	98	99	89	45
Wates	125	10	34	34	31	16
Taylor Wimpey	254	23	69	69	62	31
Eyre	80	7	21	22	20	10
Screech	27	2	8	7	7	3
Skeet / Broadway/Luck/Pettigrove	26	3	7	7	6	3
Quilter	86	8	23	23	21	11
Totals	**2,383**	**212**	**644**	**647**	**585**	**295**

4. Appraisal Assumptions

4.1 Assessing viability requires judgements which are informed by relevant and 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.

4.2 This assessment has relied on a range of data / appropriate available evidence to inform the assumptions. However, even at this stage, it must also be recognised that whilst the 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 the actual development of the scheme.

4.3 Within this section of the report we outline the appraisal assumptions (costs and values) applied within our development appraisals.

Construction Costs

4.4 Our assessment of new build construction costs is based on lower quartile cost data obtained from BCIS (Building Cost Information Service) rebased to the 2nd Quarter 2019 and adjusted to reflect local sensitivities in Wycombe. For clarity the base construction costs that have been included in our appraisals are summarised in Table 4.

Table 4 – Base Construction Costs

Description	BCIS Rates £psm (£psf)
Estate Housing	£1,256psm (£117psf)
General Apartments	£1,448psm (£135psf)

4.5 These costs reflect compliance with Part L 2010 Building Regulations and are inclusive of preliminaries but exclude external works. Because the data from BCIS excludes costs associated with external works[6] an additional allowance has been included for these items at 15% of the construction rates.

4.6 The following assumptions have been made regarding the cost of garages.

Table 5 - Cost of Garages

House Type	Garage Type	Cost (£)
1 bed - 2 person flat	No garage	-
2 bed - 4 person flat	No garage	-
2 bed - 4 person house	No garage	-
3 bed - 5 or 6 person house	Single garage	£7,500
4 bed - 8 person house	Double garage	£10,000

[6] Whilst these works are likely to vary from site to site they would typically include all works associated with the exterior works of a project, ranging from ducts and drainage to general landscaping, parking, paving and perimeter boundaries etc. within the development parcels/plot boundary. They exclude any structural landscaping

4.7 The costs of garages have been excluded from the affordable housing.

4.8 Policy DM41 of the emerging Wycombe District Local Plan requires all new dwellings to achieve the dwelling standards in Building Regulations Approved Document M4 (2). M4 (2) accessible and adaptable dwellings replaces and is the nearest technical housing standard to the previously recognised 'Lifetime Homes' standard.

4.9 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 dwellings would cost an additional (extra over industry practice) £907 to £940 per property for apartments and between £520 and £523 per property for housing. For the purpose of this assessment an average cost of £924 per apartment and £521.5 per property for traditional housing has been included.

4.10 It should be noted that these costs exclude the additional space related costs associated with the M4 (2) standard. The same report by EC Harris estimates that these costs range between £1,444 (cost for an additional 2sq.m) and £2,166 (cost for an additional 3sq.m) per property for housing and £722 (cost for additional 1sq.m) per apartment.

4.11 However, for private dwellings the changes / increase in space standards can also have an impact on sales value which may offset some or all of the additional build cost. This fact was recognised within the EC Harris report which concluded that for relatively small areas (i.e. and additional 1sq.m to 2sq.m of floor space) 90% of the additional cost is recovered via sales values. However, the ability to recover the additional costs by increased sales revenue reduces as the amount of additional space increases.

4.12 Given that the extra space standards associated with M4 (2) are expected to range between 2sq.m and 3sq.m we have assumed that approximately 80% of the extra space related costs can be recovered.

4.13 Within this context and for the purpose of clarity the following costs have been incorporated into the assessment for M4 (2) – Accessible and Adaptable Dwellings.

Table 6 - M4 (2) Accessible and Adaptable Standards - Average Cost per Property

Category	Apartments	Housing
Category 2 - access	£924	£521.5
Category 2 – access related space costs	£144	£361
Total Category 2 Accessible Cost	**£1,068**	**£882.5**

4.14 It should be noted that for shared ownership and affordable rented housing there will be limited opportunity to offset the access related space costs through additional revenue. Therefore the costs have been included in full meaning the overall costs for affordable rent and shared ownership properties are £1,646 per property for apartments and £2,326.5 per property for housing.

4.15 Policy DM41 also requires that all proposals which are required to provide on-site affordable housing in accordance with DM24 will also be required to provide 30% of any affordable homes and 20% of any market homes to approved standards within Building Regulations Approved Document M4 (3).

4.16 M4 (3) is also an optional Building Regulation which can be applied to a development if it is switched on by a planning condition. This optional requirement states that reasonable provision must be made for people to gain access to and use the dwelling and its facilities and that this provision must be sufficient to allow simple adaption of the dwelling to meet the needs of occupants who use wheelchairs; or meeting the needs of occupants who use wheelchairs.

4.17 M4 (3) homes are, therefore, designed to be either:

- Wheelchair adaptable (M4 (3) (2)(a)). Wheelchair adaptable homes are designed to incorporate the space, electrical and plumbing requirements to allow a property to become wheelchair accessible for a particular user at a later date, easily and cheaply; or
- Wheelchair accessible (M4(3) (2)(b)); Wheelchair accessible homes are designed to be usable for a wheelchair user from the outset (i.e. at the point of completion a wheelchair user could live in the home and it its fitted out with all the services and equipment required).

4.18 A local authority should, therefore, only require wheelchair accessible homes (as opposed to wheelchair adaptable homes), where they are responsible for allocating or nominating the end user of the dwelling. Generally M4 (3) homes are likely to be wheelchair adaptable as opposed to accessible.

4.19 The EC Harris Report concluded that the extra over costs cost for wheelchair adaptable housing ((M4 (3) (2) (a)) range between £7,607 and £7,891 for apartments and £9,754 to £10,566 per property for houses. The costs associated with the additional space requirements for wheelchair adaptable standards is estimated to range between £15,162 (additional 21sq.m) and £17,328 (addition 24 sq.m) per property for housing and between £5,776 (additional 8sq.m) and £10,108 (additional 14sq.m) per property for apartments. For the purposes of this assessment, based on the findings within the EC Harris cost report, we have assumed that 60% of these costs would be recovered through increased sales revenue.

4.20 To be clear the following costs have been included within our appraisals.

Table 7 – M4 (3) 2 (a)) Wheelchair Adaptable Homes - Average Cost per Property

Category	Apartments	Housing
Category 3 - Adaptable	£7,749	£10,160
Category 3 – access related space costs	£3,177	£6,498
Total Category 3 Adaptable	**£10,926**	**£16,658**

4.21 Once again there will be limited opportunity to offset the access related space costs through additional revenue for the affordable dwellings. Therefore the costs have been included in full meaning the overall costs for achieving M43 adaptable standards on the affordable dwellings are again higher. The costs for shared ownership and affordable rented properties are £15,691per apartment and £26,405 per property for housing.

Sustainable Drainage

4.22 The Princes Risborough Expansion Area Delivery Strategy (PREADS) provides estimates of the capital costs in relation to the attenuation ponds and related pipes for each development parcel and for the relief road catchments across the expansion areas. There are two alternative scenarios for draining the development parcels. The best case scenario assumes that the land north of the Crowbrook stream can drain via infiltration. The worst case scenario assumes that the land north of the Crowbrook stream cannot drain via infiltration. Both scenarios assume that the land south of Crowbrook stream cannot drain via infiltration due to ground water flood risk.

4.23 The costs for sustainable drainage, assuming the best case scenario are £6,812,980.

On Site Portion of the Relief Road

4.24 The PREA is dependent on the delivery of extra highway capacity in the form of a new relief road. It is expected that the 'on site' portion of the road will be delivered by the developers as the expansion is developed out[7]. We have assumed that the on site proportion of the relief road will be captured in the developers allowance for external works. However, it is recognised that the cost of constructing the relief road would be actually higher than providing equivalent estate roads.

4.25 An analysis undertaken by the Council identified that the extra costs for the relief road over and above the equivalent of estate roads was circa £3m.

Contingency

4.26 A contingency has been included at 3%. This has been applied to the total construction costs (inclusive of basic build, garages, external works and accessibility standards). This contingency applies purely to the construction of the dwellings. It should be noted that the infrastructure costs (see later) already include an allowance for optimism bias so we have not applied a further contingency on the infrastructure items

Project Fees

4.27 Many viability assessments incorporate an assessment of fees based upon a percentage of house building costs. Expenditure on fees will vary with the complexity of the site. They will also vary depending on the type of developer, with volume builders often able to realise some savings from in house provision.

4.28 Figures for fees relating to design, planning and other professional fees can range between 6 and 8% for straight forward sites but can be a lot higher for complex multi phased sites, such as the PREA. Within this context the assessment has included project fees at the rate of 10% (charged on the total construction costs, including enhanced design costs, and external works).

[7] Requirements for safeguarding the route are set out in detail under Policy PRTP6.

Agency and Disposal Costs

4.29 The following agency and disposal costs have been included within our appraisals.

- An allowance for direct sale agent's fees at the rate of 1% on the sales income (open market and intermediate).
- A further allowance has been included for direct sale legal fees. This is based on £1,000 per dwelling and applies to all tenures.
- Marketing costs are included at the rate of 2% of the scheme's sales value (open market and intermediate tenures).

Infrastructure and S106 Planning Obligations

4.30 The PREA is subject to S106 infrastructure costs (including maintenance) of circa £90.76m[8]. A breakdown of the main cost items not being funded by CIL are set out within Table 8. Further detail on the phasing of the development and the strategic infrastructure is set out within the Delivery Plan.

Table 8 - PREA Infrastructure and S106 Planning Obligations

Item	Cost (£)[9]	Maintenance	Total Cost
Culverton Link	£2,814,837		**£2,814,837**
Shootacre Lane Improvements	£376,037		**£376,037**
Railway Site (inc. Interchange)	£2,076,990		**£2,076,990**
Summerleys Road	£0[10]		**£0**[11]
Southern Bridge	£14,118,216		**£14,118,216**
Sumitomo (construction)	£1,047,966		**£1,047,966**
B4009	£6,476,055		**£6,476,055**
B4009 Northern Bridge	£18,417,986		**£18,417,986**
Roundabout at Ichnield Way / Relief Road	£1,096,718		**£1,096,718**
Mill Lane Improvements	£2,000,000		**£2,000,000**
Sportsman Roundabout	£978,451		**£978,451**
A4010 traffic calming	£5,000,000		**£5,000,000**
Stepped railway bridge	£305,678		**£305,678**
Underpass	£1,686,325		**£1,686,325**
Contribution to Primary Schools	£14,775,183		**£14,775,183**
SOS1 Allotments	£175,000	£87,500	**£262,500**
SOS2 x3 Sports Pitches	£285,000	£790,000	**£1,075,000**
SOS1 x 1 Rugby Pitch	£135,000	£375,000	**£510,000**
SOS2 x 1 MUGA	£150,000	£94,000	**£244,000**

[8] Note there are additional infrastructure costs / item, which take the total costs above £90m but these are to be funded by CIL
[9] All costs are current as at Q2 2019
[10] Costs included in Southern Bridge
[11] Costs included in Southern Bridge

Item	Cost (£)[9]	Maintenance	Total Cost
SOS2 3G Multi	£965,000	£120,000	**£1,085,000**
SOS2 3G Hockey	£895,000	£110,000	**£1,005,000**
SOS2 x 4 tennis courts	£365,000	£57,000	**£422,000**
SOS2 Sports Hub - Mill Lane	£745,000	£224,000	**£969,000**
SOS1 Sports Hub Lower Icknield Way	£630,000	£189,000	**£819,000**
X 2 NEAPS	£500,000	£375,000	**£875,000**
X 5 LEAPS	£375,000	£500,000	**£875,000**
Bus Provision	£1,120,820		**£1,120,820**
3rd Party Land	£5,982,990		**£5,982,990**
Part 1 Compensation	£1,767,299		**£1,767,299**
WDC/ BCC Project Management	£2,580,952		**£2,580,952**
Totals Costs	**£87,842,5021**	**£2,921,500**	**£90,764,002**

4.31 For the purpose of this assessment we have apportioned the total costs (£90,764,002) based on net development area which is considered to be a fair and equitable approach to cost distribution in line with Policy PR17 of the Local Plan.

Community Infrastructure Levy

4.32 PREA is located within Zone B for the purposes of the Community Infrastructure Levy (CIL). From the 1st April 2019 the Council's CIL rate will be increased to £219.96psm in line with inflation and this is the rate we have applied within our assessments. In accordance with the Regulations we have only charged CIL on the open market / private units.

4.33 We have also phased the CIL payment in line with the Councils phasing policy, as summarised below:

- 15% payable within 60 days of commencement
- 50% payable within 360 days of commencement
- 100% payable within 540 days of commencement

Developers Profit

4.34 A key element of viability is to allow a risk adjusted market return to the developer. Without this there is no commercial justification to a developer investing money into a site.

4.35 The Planning Practice Guidance (PPG) states that a profit of between 15% and 20% of gross development value (GDV) may be considered a suitable return to developers. It also states that a lower figure may also be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk

4.36 Within this context we have applied a profit of 20% on GDV for the market sale units and 6% on construction costs for the affordable housing.

4.37 In addition developers will also view their Return on Capital Employed (ROCE) as a key performance indicator. For large capital extensive schemes such as the PREA most developers will target a ROCE of 25%.

Land Value

4.38 Previously there was no specific policy guidance on what constitutes a 'reasonable land value' but para 015 of the old Planning Practice Guidance (PPG) did state that 'a competitive return for the land owner was a price at which a reasonable land owner would be willing to sell their land for the development. It was accepted that the price paid would need to provide an incentive for the land owner to sell in comparison with the other options available.

4.39 The recently published Planning Practice Guidance (PPG),at Para 013 (Reference ID: 10-013-20180724], provides further 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. This approach is often called 'Existing Use Value plus' (EUV+).

4.40 In determining the benchmark land value the PPG states at Para 014 (Ref ID: 10-014-20180724] what factors should be taken into account 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 (including equity resulting from those building their own homes);
- 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 wherever possible. 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, including for affordable housing. 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.

4.41 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 together with the right to implement any development for which there are policy compliant extant planning consents, including realistic 'deemed consents', but without regard to alternative uses.

4.42 PPG is also clear in that the Existing Use Value is not the price paid for the land and should also disregard hope value.

4.43 Recognising that the sites predominantly comprise Greenfield /agricultural land their EUV would be relatively low at circa £24,711per ha (£10,000 per acre). In terms of what constitutes a suitable premium we have referred to guidance previously issued (now withdrawn) by the HCA (now Homes England). The document entitled 'The HCA Area Wide Viability Model – Annex 1 Transparent Viability Assumptions' stated that a useful benchmark for Greenfield land was to assume an uplift of between 10 and 20 times agricultural land value. In this context a reasonable land value could be construed as being between £100,000 and £200,000 per gross acre (£247,110 to £494,220 per gross hectare).

4.44 We note that the WDC Viability Assessment (May 2017) undertaken by Adams Integra applies a benchmark land value of £160,000 per gross acre (circa £400,000 per ha). We have therefore adopted this value within our appraisals. This is consistent with other local evidence based viability assessments.

- The Stage 1 Economic Viability Assessment prepared by Lambert Smith Hampton Report on behalf of the eight Hertfordshire Authorities (December 2012). At section 4.40 of the report it is stated that the value for agricultural land in Hertfordshire is estimated to be an average of £24,000 per hectare (£10,000 per acre). It goes on to state that Based on HCA guidance on "Transparent Assumptions" an allowance of 10 to 20 times agricultural value (existing use) is acceptable to reflect an alternative use (namely un-serviced residential). Based on this approach LSH concluded that a minimum Greenfield land value would be c£480,000 per hectare (£194,245 per acre). LSH adopted a cautious approach and adopted the upper end of the parameters (i.e. x20 EUV). They could have easily adopted a more optimistic approach at the lower end (i.e. 10 x EUV) would result in a benchmark land value of £240,000 per ha (£97,122 per acre). The mid-point position based on the parameters set out within the LSH report would be £360,000 per ha (£145,684 per acre).
- The South Oxfordshire CIL Report (2014). At para 4.28 the report states that the third and fourth benchmark land values for Greenfield sites, range between £375,000 per hectare /£151,754 per acre (Benchmark 3) and £325,000 per hectare / £131,520 per acre (Benchmark 4).
- The Aylesbury Vale VALP states at para 2.11.16 that the minimum land value likely to incentivise release for development under any circumstances in the Aylesbury Vale District context is around £250,000/ha /£101,169per acre (based on gross (overall) site area) for large scale greenfield development. Land values at those levels are likely to be relevant to development on Greenfield land (such as agricultural land or in cases of enhancement to amenity land value) and therefore potentially relatively commonly occurring within the land supply picture in the case of settlement extensions, where applicable, and any urban area greenfield land. Para 2.11.17 also references agricultural land values at between £20,000 and £25,000 per hectare and references the former HCA guidance of between 10 and 20 times uplift as a reasonable premium.

4.45 Within this context the benchmark land value at £400,000 per ha (£160,000 per acre) is more than reasonable.

Stamp Duty and Purchasers Costs

4.46 Stamp Duty rates are consistent with current HM Revenue and Customs requirements. As of the Spring 2016 Budget announcement, Stamp Duty calculations are now made on a "ratchet" basis. These are set out in Table 9.

Table 9 - Stamp Duty Thresholds for Non-Residential Land or Property[12]

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

4.47 In addition to the stamp duty rates an extra allowance of 1.8% has been applied to cover the agents', legal fees and VAT associated with the transaction.

Sales Revenue

4.48 To understand values locally we have analysed the transactions of new build sales within a three mile radius of Princes Risborough over the past two years. Based on this data we have applied an average sales value of £4,575psm (£425psf). On this basis the following property prices set out in Table 10 are generated.

Table 10 - Open Market Sales Prices

Property Type	Size sq.m (sq.ft)	£psm (£psf)	Value of Property
1 bed 2 person flat	50sq.m (538sq.ft)	£4,575psm (£425psf)	£229,427
2 bed 4 person flat	70sq.m (753sq.ft)	£4,575psm (£425psf)	£318,864
2 bed 4 person house	79sq.m (850sq.ft)	£4,575psm (£425psf)	£361,410
3 bed 5 or 6 person house	93sq.m (1,000sq.ft)	£4,575psm (£425psf)	£425,457
4 bed 8 person house	115sq.m (1,238sq.ft)	£4,575psm (£425psf)	£526,103

Affordable / Social Rent dwellings

4.49 Affordable rent provides affordable dwellings at up to 80% of market rent but no higher than the local housing allowance rates. Our assessment is based on the current local housing allowance rates as the discounted market rates are higher than the local housing allowance rates. The rates applied to the affordable /social rent dwellings are shown in Table 11.

[12] The HMRC Guidance states that non – residential properties include commercial property such as shops or offices, agricultural land, forests, and any other land or property transaction which is not used as a dwelling and six or more residential properties bought in a single transaction.

Table 11 – Affordable Rent Rental Values

Property Type	Monthly rental value[13]	Weekly rental value
1 bed 2 person flat	£585	135
2 bed 4 person flat	£724	167
2 bed 4 person house	£823	190[14]
3 bed 5 or 6 person house	£910	211
4 bed 8 person house	£1,261	291

Source: lha - direct.voa.gov.uk

4.50 Capital values for the affordable rent/ social units have been determined by applying, management costs at 5%, voids and bad debt at 2.5% and repair and maintenance (including sinking) fund)at 5%. The net rental income has then been capitalised at 4.5%. On this basis the following capital values are generated for the affordable / social rent typologies:

Table 12 – Affordable/Social Rent Capital Values/ Prices

Property Type	Capital Value / Price	Equivalent discount to Market Value
1 bed 2 person flat	£136,540	-40%
2 bed 4 person flat	£169,068	-47%
2 bed 4 person house	£192,111	-47%
3 bed 5 or 6 person house	£212,849	-50%
4 bed 8 person house	£294,577	-50%

Source: Avison Young

Affordable Home Ownership

4.51 The assessment is based on shared ownership units and we have assumed an initial 50% equity stake. A rental charge of 2.75% is applied to the retained equity. Deductions are made for management charges (5%) and an allowance for voids and bad debt (2.5%) from the gross rental income. The net rental income is then capitalise using a yield of 4.5% and added to the initial 50% equity stake. On this basis the following capital values are generated for the shared ownership typologies.

Table 13 – Affordable Home Ownership Capital Values /Prices

Property Type	Capital Value / Price	Equivalent discount to Market Value
1 bed 2 person flat	£179,558	-22%
2 bed 4 person flat	£249,556	-22%
2 bed 4 person house	£282,854	-22%
3 bed 5 or 6 person house	£332,980	-22%
4 bed 8 person house	£411,749	-22%

[13] Calculated by multiplying the weekly rental value by 52 weeks and dividing by 12 months.
[14] This is an assumed rent as the rent was just for a 2 bed dwelling it did not distinguish between flats and houses.

Source: Avison Young

Finance and Timings

4.52 It is often difficult to establish what an appropriate rate of interest would be. Current margins are substantial despite the exceptionally low base rate. It is not uncommon within viability assessments for interest rates to be included at a rate of between 6 – 6.5%, particularly for schemes which are to be delivered by local or sub-regional developers who do not typically benefit from the same advantageous funding facilities / terms as the volume house builders. The large PLC house builders may, for example, be able to access debt finance from a revolving corporate structure. On the other hand, smaller developers may be required to access debt finance on a site by site basis and their covenant strength is inherently weaker than the PLCs. A finance rate of 6.5% has been included within our appraisals assessment.

4.53 The appraisals are based on the delivery profile of housing shown in Table 14 and the infrastructure timing shown in Table 15. Further detail and justification is provided in the draft PREA Delivery Plan

Housing Infrastructure Fund (HIF) Investment

4.54 The Council is seeking a grant of £12m through Homes England's Housing Infrastructure Fund (HIF) to bridge the peak funding requirement. WDC have been awarded this in principle, subject to further clarification and confirmation from Homes England. The investment is shown programmed over 2019/20 (£848,470), 2020/21 (£7,000,000) and 2021/22 (£4,151,521), which is in line with the Councils anticipated profile / draw down of the HIF investment.

Table 14 - PREA Delivery Profile

Site/Developer	Total Dwgs	Year 2021/22	Year 2022/23	Year 2023/24	Year 2024/25	Year 2025/26	Year 2026/27	Year 2027/28	Year 2028/29	Year 2029/30	Year 2030/31	Year 2031/32	Year 2032/33	Year 2033/34
Station Site	**45**	15	15	15	0	0	0	0	0	0	0	0	0	0
Poppy Road	**58**	0	0	0	0	0	0	0	0	29	29	0	0	0
Bloor Homes	**891**	40	75	75	75	75	72	40	64	75	75	75	75	75
Halsbury	**428**	0	20	50	50	50	50	50	50	50	40	18	0	0
Persimmon	**363**	0	0	0	40	75	75	75	75	23	0	0	0	0
Wates	**125**	0	0	0	0	25	40	40	20	0	0	0	0	0
Taylor Wimpey	**254**	0	0	0	0	30	60	60	60	44	0	0	0	0
Eyre	**80**	0	0	0	0	0	0	0	0	0	30	30	20	0
Screech	**27**	0	0	0	0	0	0	13	14	0	0	0	0	0
Skeet / Broadway/Luck/ Pettigrove	**26**	0	0	0	0	0	0	0	0	10	16	0	0	0
Quilter	**86**	0	0	0	0	0	0	0	0	10	30	30	16	0
Totals	**2,383**	**55**	**110**	**140**	**165**	**255**	**297**	**278**	**283**	**241**	**220**	**153**	**111**	**75**

Table 15 - Infrastructure Timing and Profile of Costs

Infrastructure Item	Total Costs	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Culverton Link	£2,814,837									£2,814,837						
Shootacre Lane Improvements	£376,037			£376,037												
Railway Site (inc. Interchange)	£2,076,990			£2,076,990												
Summerleys Road	£0[16]															
Southern Bridge	£14,118,216			£10,000,000	£4,118,216											
Sumitomo (construction)	£1,047,966			£1,047,966												
B4009	£6,476,055								£6,476,055							
B4009 Northern Bridge	£18,417,986							£10,866,612	£7,551,374							
Roundabout at Ichnield Way / Relief Road	£1,096,718								£1,096,718							
Mill Lane Improvements	£2,000,000			£1,000,000						£1,000,000						
Sportsman Roundabout	£978,451						£978,451									
A4010 traffic calming	£5,000,000											£2,500,000	£2,500,000			
Stepped railway bridge	£305,678							£305,678								
Underpass	£1,686,325					£1,686,325										
Contribution to Primary Schools				890,364	1,204,923	800,694	943,675	1,458,406	1,698,614	1,584,229	1,624,264	1,372,618	1,258,233	875,044	634,836	429,284
SOS1 Allotments	£262,500										£175,000	£25,000		£40,000		£22,500
SOS2 x3 Sports Pitches	£1,075,000						£285,000	£200,000		£200,000		£190,000		£100,000		£100,000
SOS1 x 1 Rugby Pitch	£510,000											£135,000	£200,000			£175,000
SOS2 x 1 MUGA	£244,000							£150,000	£35,000		£20,000		£20,000			£19,000
SOS2 3G Multi	£1,085,000							£965,000	£30,000		£30,000		£30,000			£30,000
SOS2 3G Hockey	£1,005,000								£895,000	£35,000		£25,000		£25,000		£25,000
SOS2 x 4 tennis courts	£422,000										£365,000	£20,000		£20,000		£17,000
SOS2 Sports Hub - Mill Lane	£969,000						£745,000	£50,000		£50,000		£50,000		£40,000		£34,000
SOS1 Sports Hub Lower Icknield Way	£819,000										£630,000	£75,000		£75,000		£39,000
X 2 NEAPS	£875,000					£250,000	£100,000	£100,000		£250,000	£100,000	£75,000				
X 5 LEAPS	£875,000				£75,000	£100,000	£100,000	£75,000	£100,000	£75,000	£100,000	£75,000	£100,000	£75,000		
Bus Provision	£1,120,820									£224,164	£224,164	£224,164	£224,164	£224,164		
3rd Party Land	£5,982,990		£1,700,000	£3,300,000	£982,990											
Part 1 Compensation	£1,767,299			£1,500,000	£267,299											
WDC/ BCC Project Management	£2,580,952			£697,708	£201,274		£48,923	£500,000	£703,199	£304,848	£125,000					
Total Infrastructure Costs	**£90,764,002**		**£1,700,000**	**£20,889,065**	**£6,849702**	**£2,837,019**	**£3,201,049**	**£14,670,696**	**£18,585,960**	**£6,538,078**	**£3,393,428**	**£4,766,782**	**£4,332,397**	**£1,474,208**	**£ 634,836**	**£890,783**

[15] Refer to Table 10
[16] Costs included in Southern Bridge

5. Appraisal Results and Conclusions

5.1 The viability of the overall development, and the individual land parcels within it, has been tested using standard assumptions reflective of current market conditions. The site-level appraisals undertaken could be commercially sensitive and so have not been published individually, but the key conclusion of the assessment is that the overall PREA development is deliverable, providing the cost of the infrastructure is equitably distributed.

5.2 In summary this assessment has demonstrated that the whole of the PREA is viable and can cover its infrastructure costs and affordable housing provision in addition to the typically development costs expected for a scheme of this scale as well as CIL and still generate a cumulative project surplus / headroom of almost £9m. A summary of the PREA viability is provided in Table 16.

Table 16 – PREA Viability Summary

Item	Total
Gross Site Area	180ha
Net Developable Area (Housing Parcels)	69ha
Average Net Density (dph)	36dph
Number of homes (excluding Ashill - 96 dwellings)	2,383

A1	GDV	£708,531,570
A2	HIF	£12,000,000
A	**Total Revenue**	**£720,531,570**
	Standard Development Costs	
B1	Base construction costs	£272,383,264
B2	Enhanced Construction Costs (Accessibility) Costs	£12,888,751
B3	External works	£40,857,490
B4	Cost of Enhanced Estate Road	£3,065,222
B5	Cost of Sustainable Drainage	£6,812,980
B6	Project fees	£33,600,771
B7	Contingency	£10,080,231
B8	Sales agent fees and marketing	£15,712,450
B9	Sales legal fees	£22,809,077
B10	CIL Payment	£22,809,077
B11	Profit	£100,144,335

B	**Standard Development Costs**	**£520,737,570**

Planning Obligations and Infrastructure Requirements

C1	**Total Planning Obligations and Infrastructure Requirements**	**£90,764,004**

Land Value and Purchasers Costs

D1	Land Value (based on £400,000 per ha)	£52,204,000
D2	Stamp Duty	£2,494,700
D3	Legal and Agents fees	£939,672
D	**Total Acquisition Costs**	**£55,638,372**

Finance Costs

E	**Total Finance/Interest Payments**	**£32,626,452**

Total Costs

F	**Total Costs**	**£699,766,398**

Project Headroom / Surplus (A - F)	**£8,765,172**

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