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Stratford-on-Avon District Council

Community Infrastructure Levy

Economic Viability Study: Submission Charging Schedule E

On behalf of Stratford-on-Avon District Council

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1 Introduction

1.1 The study scope

1.1.1 Peter Brett Associates LLP was commissioned by Stratford-on-Avon District Council to undertake an Economic Viability Assessment to provide evidence and advice to support the introduction of a Community Infrastructure Levy in Stratford-on-Avon District and support planning policies in the proposed Local Plan.

1.1.2 Our objective in this study is to help inform the decisions by locally elected members about the risk and balance between the policy aspirations of achieving sustainable development and the realities of economic viability. In making their decision on the balance, members are seeking guidance on the maximum level of CIL, and the recommended level of CIL as well as providing information on whether strategic sites are viable.

1.1.3 These factors need to be taken into account in order to ensure that development in Stratford-on-Avon District remains deliverable and viable.

1.1.4 These are complex questions, and the only way to make the decision properly is to explicitly understand the trade-offs being made between those choices. We proceed by understanding total available development contributions, and then 'sharing out' the resulting viability pot between competing priorities.

1.1.5 The report and the accompanying appraisals have been prepared in line with RICS valuation guidance. However, it is first and foremost a supporting document to inform the Community Infrastructure Levy Draft Charging Schedule.

1.1.6 As per Professional Standards 1 of the RICS Valuation Standards – Global and UK Edition[1], the advice expressly given in the preparation for, or during the course of negotiations or possible litigation does not form part of a formal 'Red Book' valuation and should not be relied upon as such. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report for such purposes.

1.2 Objectives

1.2.1 The objectives of this report are to use the available evidence to assess what level of CIL is appropriate within the Stratford-on-Avon District and that is broadly viable in terms of delivering the plans and policies set out in its strategy. The stages of the study are to:

- Review the policy and legislative context
- Review the types of development likely to come forward during the plan period
- Consider the evidence relating to the costs and values of different residential and non-residential development in Stratford-on-Avon District and establish assumptions to inform both residential and non-residential viability appraisals
- Provide evidence for the council in developing their Community Infrastructure Levy (CIL) Charging Schedule

[1] RICS (January 2014) Valuation – Professional Standards, PS1 Compliance with standards and practice statements where a written valuation is provided

- In providing this evidence undertake a series of viability tests on the hypothetical development typologies and the Council's proposed strategic sites and consider whether there is sufficient value to support policies including those on affordable housing and CIL.

1.2.2 Since the last study was published in June 2014 (see below) there have been a number of changes both locally and in terms of national policy that need to be addressed in order for the Council to come to a view as to an appropriate CIL charge. As well as reflecting these changes the Council have also sought to update the main assumptions to reflect the latest information in terms of costs and values and to provide further context to explain assumptions as a result of comments made at the Draft Charging Schedule stage.

1.2.3 In particular this report seeks to address the following elements in addition to that considered in the June 2014 report:

- Benchmark/threshold land values
- Implication of the affordable housing and s106 threshold guidance
- Further analysis of older person housing
- Revised information for Strategic sites at Gaydon Lighthorne Heath and Canal Quarter
- New strategic sites at Long Marston Airfield

1.3 Relationship with other evidence base

1.3.1 In addition to this report a suite of other documents have been published which also include viability testing. Whilst these documents are a useful reference point to show how the work as progressed in terms of the evidence, the Council will be relying on this August 2015 report as the supporting viability evidence for the CIL charges. The documents are as follows:

- CIL Economic Viability Study: Draft Charging Schedule, June 2014 – this document was issued as part of the evidence base for supporting the Council's proposed CIL rates set out in the Draft Charging Schedule. This document replaced the September 2013 report.
- CIL Economic Viability Study, September 2013 – this document sets the baseline for testing to which the subsequent documents are based in order to be consistent in approach. This document has been used to inform the proposed CIL rate set out in the Preliminary Draft Charging Schedule. This report (Economic Viability Study: Draft Charging Schedule) replaces September 2013 document as it takes into account updated evidence and new regulations and guidance.
- Canal Quarter and Employment Sites Viability and Deliverability Report, April 2014 – this document has been prepared to provide evidence to the council on the potential to deliver housing led regeneration of this specific area in Stratford-upon-Avon. Alternative affordable housing percentages from 20%-35% have been explored which are related back to this report.
- Viability and Deliverability Strategic Sites, April 2014 – this report explores the delivery of alternative strategic sites within the district that will provide a substantial contribution to the council's housing supply. Affordable housing has been set at 35% in each strategic site which has been demonstrated as a viable level along with a range of other policy and infrastructure costs.
- Plan Viability and Affordable Housing Study April 2014 – this document informs the Plan's affordable housing policy in the context of the plan viability assessment. It tests the policy requirements in the Plan and informs policy decisions relating to the trade-offs between

the policy aspirations of achieving sustainable development and the realities of economic viability.

2 National Policy Context

2.1 National framework

2.1.1 The National Planning Policy Framework (NPPF) recognises that the 'developer funding pot' or residual value is finite and decisions on how this funding is distributed between affordable housing, infrastructure, and other policy requirements have to be considered as a whole, they cannot be separated out.

2.1.2 The NPPF advises that cumulative effects of policy should not combine to render plans unviable:

2.1.3 'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable'. [2]

2.1.4 With regard to non-residential development, the NPPF states that local planning authorities 'should have a clear understanding of business needs within the economic markets operating in and across their area. To achieve this, they should… understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.' [3]

2.1.5 The NPPF does not state that all sites must be viable now in order to appear in the plan. Instead, the NPPF is concerned to ensure that the bulk of the development is not rendered unviable by unrealistic policy costs. It is important to recognise that economic viability will be subject to economic and market variations over the local plan timescale. In a free market, where development is largely undertaken by the private sector, the local planning authority can seek to provide suitable sites to meet the needs of sustainable development. It is not within the local planning authority's control to ensure delivery actually takes place; this will depend on the willingness of a developer to invest and a landowner to release the land. So in considering whether a site is deliverable now or developable in the future, we have taken account of the local context to help shape our viability assumptions.

Deliverable and developable considerations

2.1.6 The NPPF creates the two concepts of 'deliverability' (which applies to residential sites which are expected in years 0-5 of the plan) and 'developability' (which applies to year 6 of the plan onwards). The NPPF defines these two terms as follows:

2.1.7 **To be deliverable**, ,sites should be available now, offer a suitable location for development now, and be achievable, with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable.' [4]

[2] DCLG (2012) National Planning Policy Framework (41, para 173)
[3] Ibid (para 160)
[4] Ibid (para 47, footnote 11 – note this study deals with the viability element only, the assessment of availability, suitability, and achievability is dealt with by the client team as part of the site selection process for the SHLAA and other site work.

2.1.8 **To be developable**, sites expected from year 6 onwards should be able to demonstrate a 'reasonable prospect that the site is available and could be viably developed at the point envisaged'. [5]

2.1.9 This study deals with the viability element only, the assessment of availability, suitability, and achievability, including the timely delivery of infrastructure is dealt with by the Council as part of its site allocations and infrastructure planning.

2.1.10 The NPPF advises that a more flexible approach may be taken to the sites coming forward from year 6 onwards. These sites might not be viable now and might instead be only become viable at a future point in time (e.g. when a lease for the land expires or future use values become attractive). This recognises the impact of economic cycles and variations in values and policy changes over time.

2.2 National policy on affordable housing

2.2.1 In informing future policy on affordable housing, it is important to understand national policy on affordable housing. The NPPF states:

2.2.2 'To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should[6]:

- plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);

- identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and

- where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time'.[7]

2.2.3 The NPPF accepts that in some instances, off site provision or a financial contribution of a broadly equivalent value may contribute towards creating mixed and balanced communities.

2.2.4 Finally, the NPPF recognises that market conditions change over time, and so when setting long term policy on affordable housing, incorporating a degree of flexibility is sensible to reflect changing market circumstances.

2.2.5 The government has not amended the definition of affordable housing in the NPPF to take account of the variety of first time buyer mortgage support schemes offered by both the government and developers. It is unclear how long such products will be on the market but they are not classified as an 'affordable product', although they may in some areas impact on the delivery of affordable products.

2.2.6 In informing future policy on affordable housing, it is important to be clear of the national policy parameters that apply to affordable housing. The NPPF now provides local planning

[5] Ibid (para 47, footnote 12)
[6] Ibid (para 50 and bullets)
[7] Ibid (p13, para 50)

authorities' greater flexibility to determine their housing delivery strategy based on their understanding of local housing needs and housing market.

Threshold limits and flexibility in policy

2.2.7 In December 2014, the government updated the guidance regarding affordable housing and S106 thresholds. This guidance introduced the use of thresholds in terms of seeking S106 contributions including affordable housing. This meant, that those schemes of 10 units and less (or which have a maximum combined floorspace of 1,000 sqm) or of 5 or less in designated rural areas, were exempt from contributing to affordable housing or tariff based S106 infrastructure requirements.

2.2.8 However, following a challenge this guidance was quashed by the High Court in August 2015. It is unclear at this stage as to whether the government will challenge this decision or whether it will try to reintroduce the policy or bring in similar measures through a different approach. Due to this uncertainty it is recommended that the council take a flexible approach and reflect the evidence as it stands in respect to the viability of smaller sites.

2.3 National policy on infrastructure

2.3.1 The NPPF requires local planning authorities to demonstrate that infrastructure will be available to support development:

2.3.2 'It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up.'[8]

2.3.3 It is not necessary for local planning authorities to identify all future funding of infrastructure when preparing planning policy. The NPPF states that standards and policies in Local Plans should *'facilitate development across the economic cycle,'* [9] suggesting that in some circumstances it may be reasonable for a local planning authority to argue that viability is likely to improve over time, that policy costs may be revised, that some infrastructure is not required immediately, and that mainstream funding levels may recover.

2.4 National policy on community infrastructure levy

2.4.1 The Community Infrastructure Levy (CIL) is a planning charge based on legislation that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to help pay for infrastructure that is needed to support planned development. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the Council, the draft schedule has to be tested by an independent examiner.

2.4.2 The requirements which a CIL charging schedule has to meet are set out in:

- The Planning Act 2008 as amended by the Localism Act 2011.
- The CIL Regulations 2010[10], as amended in 2011[11], 2012[12], 2013[13] and 2014[14].

[8] Ibid (p42, para 177)

[9] Ibid (p42, para 174)

[10] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf

[11] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf

[12] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf

- National Planning Practice Guidance on CIL (NPPG CIL).[15]

2.4.3 The 2014 CIL amendment Regulations have altered key aspects of setting the charge for charging authorities who publish a draft charging schedule for consultation. The key points from these various documents are summarised below.

Striking the appropriate balance

2.4.4 The revised Regulation 14 requires that a charging authority '*strike an appropriate balance*' between:

a. The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and

b. The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.4.5 A key feature of the 2014 Regulations is to give legal effect to the requirement in this guidance for a charging authority to '*show and explain…*' their approach at examination. This explanation is important and worth quoting at length:

2.4.6 'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.

2.4.7 This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.

2.4.8 As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The same principle applies in Wales.' [16]

2.4.9 In other words, the '*appropriate balance*' is the level of CIL which maximises the delivery of development and supporting infrastructure in the area. If the CIL charging rate is above this appropriate level, there will be less development than planned, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be compromised, because it will be constrained by insufficient infrastructure.

2.4.10 Achieving an appropriate balance is a matter of judgement. It is not surprising, therefore, that charging authorities are allowed some discretion in this matter. This has been reduced by the 2014 Regulations, but remains. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

'must strike <u>an</u> appropriate balance…' i.e. it is recognised there is no one perfect balance;

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[13] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf

[14] http://www.legislation.gov.uk/uksi/2014/385/pdfs/uksi_20140385_en.pdf

[15] DCLG (February 2014) Community Infrastructure Levy Guidance and DCLG (June 2014) National Planning Practice Guidance: Community Infrastructure Levy (NPPG CIL)

[16] DCLG (June 2014) NPPG CIL (para 009)

'Charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.'

'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence …… There is room for some pragmatism.' [17]

2.4.11 Thus, the guidance sets the delivery of development firmly in within the context of implementing the local plan. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the guidance. For example, in guiding examiners, the guidance makes it clear that the independent examiner should establish that:

'…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole…..'[18]

2.4.12 This also makes the point that viability is not simply a site specific issue but one for the plan as a whole.

2.4.13 The focus is on seeking to ensure that the CIL rate does not threaten the ability to develop viably the sites and scale of development identified in the local plan. Accordingly, when considering evidence the guidance requires that charging authorities should:

'use an area based approach, involving a broad test of viability across their area', supplemented by sampling '…an appropriate range of types of sites across its area…' with the focus '...on strategic sites on which the relevant Plan relies and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites). [19]

2.4.14 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable (some schemes will be unviable with or without CIL). The levy may put some schemes at risk in this way, so long as, in striking an appropriate balance overall, it avoids threatening the ability to develop viably the sites and scale of development identified in the local plan.

Keeping clear of the ceiling

2.4.15 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

'…..if the evidence pointed to setting a charge right at the margins of viability………It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust.'[20]

2.4.16 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

- Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base.

[17] DCLG (June 2014) NPPG CIL (para 019)

[18] DCLG (June 2014) NPPG CIL (para 038)

[19] DCLG NPPG CIL (para 019)

[20] DCLG NPPG CIL (para 019)

- A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

Varying the CIL charge

2.4.17 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, by scale of development (GIA of buildings or number of units) or a combination of these three factors. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[21] As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.4.18 The guidance also points out that charging authorities should avoid 'undue complexity' when setting differential rates, and '….it is likely to be harder to ensure that more complex patterns of differential rates are state aid compliant.' [22]

2.4.19 Moreover, generally speaking, 'Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development'; otherwise the CIL may fall foul of state aid rules.[23]

2.4.20 It is worth noting, however, that the guidance gives an example which makes it clear that a strategic site can be regarded as a separate charging zone: *'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.'* [24]

Supporting evidence

2.4.21 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedule[25]. The guidance expands on this, explaining that the available data *'is unlikely to be fully comprehensive'*.[26]

2.4.22 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and cost analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the local plan.

Chargeable floorspace

2.4.23 CIL will be payable on most buildings that people normally use and will be levied on the net additional new build floorspace created by any given development scheme. The following will not pay CIL:

- New build that replaces demolished existing floorspace that has been in use for six months in the last three years on the same site, even if the new floorspace belongs to a higher-value use than the old;

[21] The Regulations allow differentiation by "uses of development". "Development" is specially defined for CIL to include only 'buildings', it does not have the wider 'land use' meaning from TCPA 1990, except where the reference is to development of the area.

[22] DCLG NPPG CIL (para 021)

[23] Ibid

[24] Ibid

[25] Planning Act 2008 Section 211 (7A)

[26] DCLG NPPG CIL (para 019)

- Retained parts of buildings on the site that will not change their use, or have otherwise been in use for six months in the last three years;
- Development of buildings with floorspace less than 100 sqm (if not a new dwelling), by charities for charitable use, extensions to homes, homes by self-builders' and social housing as defined in the regulations.

CIL, S106, S278 and the regulation 123 infrastructure list

2.4.24 The purpose of CIL is to enable the charging authority to carry out a wide range of infrastructure projects. CIL is not expected to pay for all infrastructure requirements but could make a significant contribution. However, development specific planning obligations (commonly known as S106) to make development acceptable will continue to be used alongside CIL. In order to ensure that planning obligations and CIL operate in a complementary way, CIL Regulations 122 and 123 place limits on the use of planning obligations.

2.4.25 To overcome potential for 'double dipping' (i.e. being charged twice for the same infrastructure by requiring the paying of CIL and S106), it is imperative that charging authorities are clear about the authority's infrastructure needs and what developers will be expected to pay for and through which route. The guidance expands this further in explaining how the list of infrastructure for funding by CIL, known as the Regulation 123 infrastructure list should be scripted to account for generic projects and specific named projects).

2.4.26 The guidance states that 'it is good practice for charging authorities to also publish their draft (regulation 123) infrastructure lists and proposed policy for the scaling back of S106 agreements.' This list now forms part of the 'appropriate available evidence' for consideration at the CIL examination. A draft infrastructure list should be available at the preliminary draft charging schedule phase.

2.4.27 The guidance identifies the need to assess past evidence on developer contributions, stating 'as background evidence, the charging authority should also provide information about the amount of funding collected in recent years through Section 106 agreements, and information on the extent to which affordable housing and other targets have been met'.

2.4.28 Similarly, there are restrictions on using section 278 highway agreements to fund infrastructure that is also included in the CIL infrastructure list. This is done by placing a limit on the use of planning conditions and obligations to enter into section 278 agreements to provide items that appear on the charging authority's Regulation 123 infrastructure list. Note these restrictions do not apply to highway agreements drawn up with the Highways Agency.

2.4.29 In December 2014, the government updated the guidance regarding affordable housing and s106 thresholds. The Government has issued this amended guidance in response to a perceived concern with the delivery of smaller sites and the potential burden that development contributions can have on these types of developments. The Government's stated aim is to remove what it considers as barriers to development to achieving one of its main objectives, which is increasing the delivery of housing across the country. However, this change to the guidance was subsequently quashed following a High Court decision in August 2015 after the governments approach was challenged. There is uncertainty as to whether the government will try to reintroduce their policy through the same or other means.

What the CIL examiner will be looking for

2.4.30 According to the guidance, the independent examiner should check that:

- The charging authority has complied with the requirements set out in legislation.

- The draft charging schedule is supported by background documents containing appropriate available evidence.
- The proposed rate or rates are informed by and consistent with the evidence on economic viability across the charging authority's area.
- Evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole.

2.4.31 The examiner must recommend that the draft charging schedule should be approved, rejected or approved with specific modifications.

2.5 Policy and other requirements

2.5.1 More broadly, the CIL guidance states that '*Charging authorities should consider relevant national planning policy when drafting their charging schedules*'[27]. Where consideration of development viability is concerned, the CIL guidance draws specific attention to paragraphs 173 to 177 of the NPPF and to paragraphs 162 and 177 of the NPPF in relation to infrastructure planning.

2.5.2 The only policy requirements which refer directly to CIL in the NPPF are set out at paragraph 175 of the NPPF, covering firstly, working up CIL alongside the plan making where practical; and secondly, placing control over a meaningful proportion of funds raised within neighbourhoods where development takes place. In urban areas, the Council retains the neighbourhood proportion to spend it on behalf of the neighbourhood. Whilst important considerations, these two points are outside the immediate remit of this study.

2.6 Summary

Plan summary

2.6.1 Plan wide viability testing is different to site viability assessment and adopts a broader plan level approach to viability assessment based on 'site typologies rather than actual sites' combined with some case studies.

2.6.2 The key documents guiding plan viability assessment are the Harman Report and the RICS Guidance – both approach plan level viability different to site specific viability, and take account of current and future policy requirements, but both documents differ in their approach to arriving at the benchmark/threshold land value. The Harman Report advocates using the existing use value plus uplift for the potential new use, whilst the RICS report advocates a market value minus a future policy cost approach.

2.6.3 The NPPF requires Councils to ensure that they 'do not load' policy costs onto development if it would hinder the site being developed. The key point is that policy costs will need to be balanced so as not to render a development unviable, but should still be considered sustainable.

Affordable housing summary

2.6.4 There is currently uncertainty around the provision of affordable housing through development contribution – it will be up to the council to decide the threshold at which it wants to seek affordable housing. There is scope to secure commuted sums for offsite delivery where appropriate, and importantly, the NPPF recognises the need for policies to be sufficiently flexible to take account of changing market conditions over time.

[27] DCLG NPPG CIL (para 011)

Infrastructure summary

2.6.5 The infrastructure needed to support the plan over time will need to be planned and managed. Plans should be backed by a thought-through set of priorities and delivery sequencing that allows a clear narrative to be set out around how the plan will be delivered (including meeting the infrastructure requirements to enable delivery to take place).

2.6.6 This study confines itself to the question of development viability. It is for other elements of the evidence base to investigate the other ingredients in the definition of deliverability (i.e. location, infrastructure and prospects for development). Though the study will draw on infrastructure costs (prepared by the Council) to inform the impact on viability where relevant.

CIL summary

2.6.7 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a draft for consultation must strike an appropriate balance between the desirability of funding (in whole or in part) infrastructure needed to support the development and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.6.8 This means that the net effect of the levy on total development across the area should be positive. CIL may reduce the overall amount of development by making certain schemes which are not plan priorities unviable. Conversely, it may increase the capacity for future development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that the net outcome of these two impacts should be judged to be positive. This judgment is at the core of the charge-setting and examination process.

2.6.9 Legislation and guidance also set out that:

- Authorities should avoid setting charges at the margin of viability.
- CIL charging rates may vary across geographical zones, building uses, and by scale of development. But differential charging must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by ‘appropriate available evidence’, which need not be ‘fully comprehensive’.
- Charging authorities should be clear and transparent about the use of different approaches to developers funding infrastructure and avoid ‘double dipping’.

2.6.10 While charging rates should be consistent with the evidence, they are not required to ‘mirror’ the evidence. In this, and other ways, charging authorities have discretion in setting charging rates.

3 Local Development Context

3.1 Introduction

3.1.1 This chapter briefly outlines the local development context in Stratford-on-Avon reviewing past development that has taken place, and outlining the planned growth in the emerging Plan. This development context has informed the viability appraisal assumptions.

3.2 Past development patterns

3.2.1 Patterns of past development can normally provide a guide to the likely patterns of future development (although in Stratford-on-Avon's case the new development strategy may alter some of the past patterns of development). **Table 3.1** analyses the amount of net residential completions over the period April 2008 to March 2015 (the last reported date).

3.2.2 Completions have generally been around 280 dwelling per year, however the average annual target for completions in the Core Strategy will be around 724 dwelling per annum, which has not been achieved in any of the past seven years.

Table 3.1 Recent residential completions

	Completions	Cumulative Completions
Apr 08 - Mar 09	172	172
Apr 09 - Mar 10	244	416
Apr 10 - Mar 11	102	518
Apr 11 - Mar 12	132	650
Apr 12 - Mar 13	290	940
Apr 13 - Mar 14	319	1,259
Apr 14 - Mar 15	708	1,967

Source: Stratford-on-Avon District Council

3.2.3 The slow rate of delivery over this period is partly due to moratorium on new housing permissions between 2006/7 and 2010/11, brought into effect due to an oversupply against regional targets. Nonetheless, the Core Strategy does require a significant step change in delivery so the council will need to be mindful in setting its CIL policy to avoid stifling development. Although, it is noted, that the council is already helping delivery by identifying a wide range of sites to help meet this increased delivery rate, including large new strategic sites with around 3,000 to 3,500 dwellings each.

3.3 Scale and type of past delivery

3.3.1 **Table 3.2** shows the scale of applications received over the past five years. This shows that that some 52% of the supply has come from larger sites over 100 dwellings, 20% from small sites (under 15 dwellings) and 28% medium sized schemes (15-100 dwellings). This suggests a dispersed pattern of development across a wide range of site types.

Table 3.2 Gross permission by size of site, Apr-11 to Mar-15

Scheme size	Nr of schemes	Total nr of dwellings
1	619	619
2	80	160
3	37	111
4	37	148
5	19	95
6	16	96
7	7	49
8	9	72
9	9	81
1 o 9	833	1,431
10 to 15	22	264
1 to 15	855	1,695
16 - 25	19	384
26 - 50	20	760
51 - 100	16	1,183
16 - 100	55	2,327
101 +	20	4,383
Total	930	8,405

Source: Stratford-on-Avon District Council

3.3.2 As well as looking at the size of proposals we have also looked at the breakdown of site completions by types of land. As shown in **Table 3.3,** the number of dwellings coming forward on brownfield sites is relatively high, which may be surprising in a largely rural authority. However, many of these are intensification of sites where existing dwellings have been replaced with more dwellings; or small business such as pubs or garages being redeveloped for residential uses.

Table 3.3 Development types (completions), 2014/15

Range	Nr of schemes	Total nr of dwellings
Brownfield	109	323
Greenfield	39	224
Mixed	3	75
Residential Garden Land	25	85

Source: Stratford-on-Avon District Council

3.4 Affordable housing

3.4.1 The number of affordable housing units completed has also been considered. The headline figure for affordable housing completions at 31% of total supply is relatively healthy, especially given the recent economic cycles. However, when the figures are considered in more detail, this does mask the real picture in terms of market housing funding affordable housing. The number of schemes with affordable housing is relatively small, with only 9% of completed application containing affordable housing.

3.4.2 If we drill down a bit further it is noted that of the 29 schemes completed that contained affordable housing, just under half were 100% affordable housing and these accounted for 60% of the completed affordable housing units. So only a small number of schemes have been completed without significant grants or being totally funded by the council or the registered providers. This does not suggest that schemes have not been viable since there could be numerous reasons, ranging from type to size of sites that may contribute to limiting supply.

3.4.3 However it is clear that with more limited public funding for affordable housing, the council will need more affordable housing from market housing to meet its affordable housing requirements. However this is subject to viability and the council will therefore need to be mindful of overloading development costs which potentially reduces development.

3.4.4 As set out in paragraph 2.2.8, the Council can now set their own threshold for affordable housing. Although the national policy has been quashed, the Council consider that in their circumstances, (in particular the importance of smaller sites for delivery) and the Government's intention to support smaller developments, that they should therefore continue with the affordable housing requirements set out in their Proposed Modifications Core Strategy, August 2015 as follows:

- 35% affordable housing will be sought from all C3 residential development with
- 11 or more dwellings in the parishes of Alcester and Kinwarton, Bidford-on-Avon, Henley-in-Arden and Beaudesert, Kineton, Shipston-on-Stour, Southam, Stratford-upon-Avon, Studley and Mappleborough Green, Tanworth-in-Arden, and Wellesbourne or
- 6 or more dwellings in all other parishes
- The required tenure mix for affordable housing is:
- 20% Affordable Rent
- 20% Intermediate
- 60% Social Rent

3.5 Other S106 contributions

3.5.1 The Council has provided the following information in respect of the level of money received through S106 agreements:

Table 3.4 Funding received from S106 agreements: April 2009 – March 2014

Year	Dwelling Completions	S106 received by SDC*	S106 received by WCC**	Total S106 receipts***
2008/2009	172	144,000	13,092,000	13,236,000
2009/2010	244	257,000	1,669,000	1,926,000
2010/2011	102	1,305,000	3,295,000	4,600,000
2011/2012	132	361,000	1,696,000	2,057,000
2012/2013	290	1,011,000	479,000	1,490,000

2013/2014	319	218,000	1,087,000	1,305,000
2014/2015	708	97,000	820,000	917,000

Source: Stratford-on-Avon District Council

*Capital schemes only exclude S106 payments as commuted sums for maintenance.
**Figures exclude payments under S278 of the Highways Act – to be confirmed.
***These receipts don't necessarily relate to the developments completed in the same year.

3.6 Future development and the core strategy

3.6.1 The Council has prepared revised targets for dwellings as part of the Core Strategy Examination, following an update to the evidence on objectively assessed need and duty to cooperate. The new target is 14,480 dwellings (724 per annum) to be completed by 2031. Taking account of past delivery and current pipeline it is anticipated that around 7,000 new dwellings need to be planned for over the remainder of the plan period.

3.6.2 The first five year housing supply is likely to be made up of a mix of small brownfield sites, windfall sites and some large greenfield sites currently being determined through the planning applications. Beyond this period it is anticipated that much of the supply will be from large strategic sites and other large greenfield and brownfield sites, such as the Canal Quarter.

3.6.3 The Council in their recommended modifications to the Core Strategy have identified a number of sites, namely:

- South of Alcester Road (65 homes)
- West of Bishopton Lane (450 homes)
- North of Allimore Lane (southern) (190 homes)
- North of Allimore Lane (northern) (160 homes)
- West of Banbury Road (220 homes)
- West of Coventry Road (165 homes)
- South of Daventry Road (500 homes)
- Canal Quarter (650 homes within the plan period, rising to 1,010 post 2031)
- Gaydon/Lighthorne Heath new settlement (2,300 within the plan period, rising to 3,000 post 2031)
- Long Marston Airfield new settlement (2,100 within the plan period, rising to 3,500 post 2031)

3.6.4 The latter three in the list above are considered strategic for the purposes of testing CIL rates. A further allocation of 2,000 homes is identified for the Local Service Villages; these are split between various categories of settlements based on size and existing services and facilities.

3.6.5 The proposed Submission Core Strategy, June 2014 identified Gaydon/Lighthorne Heath as the proposed strategic site. Through the Examination process further sites have been identified. The decision on which strategic site is not a matter for this report. The 'Viability and Deliverability of Strategic Sites' reports considers the viability of proposed strategic sites and their ability to meet infrastructure and affordable housing requirements. This report has been prepared in conjunction with the earlier report to ensure the findings are consistent but has updated information on some of the assumptions, in particular infrastructure requirements.

3.6.6 Work undertaken for the Council suggests that over the plan period around 35 hectares of employment land (or 140,000 sqm employment floorspace) is required to meet the District's local employment needs. In addition to this, the Council is proposing the release of 19 hectares of employment land (or 76,000 sqm employment floorspace) specifically to meet the employment needs of the adjoining Borough of Redditch. The Council is also proposing a strategic release of 100 hectares of employment land at Gaydon specifically to facilitate the expansion of Jaguar Land Rover. The rationale behind this proposal relates to supporting the national economic agenda and the specific mix of proposals (and expected floorspace) is subject to ongoing discussions. The employment floorspace is an estimate based on an identified future requirement in the Draft Core Strategy and a standard assumption for the amount of floorspace per hectare.

3.6.7 The position on retail floorspace over the plan period is that in quantitative terms there is no requirement for additional large-scale convenience goods floorspace in the District as a whole, although it is recognised that a case could be made for a large food store to be provided in specific settlements. For comparison goods, there is a quantitative need for approximately 10,000 square metres of non-bulky goods floorspace by 2031, focused on Stratford-upon-Avon. However, the Council's retail consultants advise that a major retail development in Banbury may allay the need to provide this in the early part of the plan period. In respect of bulky goods, there is a quantitative need for about 12,500 square metres of additional floorspace but again the Council's Retail Study concludes that further provision need not be made in the first half of the plan period, i.e. before 2021, particularly as it is evident that there are fewer traditional bulky goods retailers than in previous years. The only other location where the Council's emerging Core Strategy makes specific provision for additional retail floorspace is in relation to the new strategic proposals at Gaydon/Lighthorne Heath and Long Marston Airfield. The specific amount of floorspace that should be provided here, either within Use Class A overall, or in terms of food store provision specifically, remains to be decided.

3.6.8 Other uses are likely to be required or promoted over the plan period but, in terms of floorspace and impact on infrastructure, these are not considered as significant as the residential, employment and retail figures identified above.

Summary

3.6.9 The land uses which are likely to account for the largest quantum of development, and hence are critical to the delivery of the Core Strategy, comprise:

- Residential;
- Light industrial and warehousing space;
- Offices;
- Retail;
- Leisure and recreation; and
- Public services and community facilities.

3.6.10 Our viability assessments and the resulting recommendations have focussed on these types of development, aiming to ensure that they remain broadly viable after the CIL charge is levied.

4 Approach to Viability Testing

4.1 Defining viability

4.1.1 The 'Viability Testing Local Plans' advice for planning practitioners prepared by the Local Housing Delivery Group and chaired by Sir John Harman June 2012 (the Harman Report) defines whole plan viability (on page 14) as follows:

'An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs, and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place, and generates a land value sufficient to persuade the land owner to sell the land for the development proposed.'

4.1.2 At a Local Plan level, viability is very closely linked to the concept of deliverability. In the case of housing, a Local Plan can be said to be deliverable if sufficient sites are viable (as defined in the previous paragraph) to deliver the plan's housing requirement over the plan period.

4.1.3 Note the approach to Local Plan level viability assessment (and CIL) does not require all sites in the plan to be viable. The Harman Report says that a site typologies approach to understanding plan viability is sensible. Whole plan viability:

'does not require a detailed viability appraisal of every site anticipated to come forward over the plan period… [we suggest] rather it is to provide high level assurance that the policies with the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan…… more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies'.

4.1.4 The Harman Report states that the role of the typologies testing is not required to provide a precise answer as to the viability of every development likely to take place during the plan period. That is:

'No assessment could realistically provide this level of detail...rather, [the role of the typologies testing] is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.'

4.1.5 Indeed the Report also acknowledges that a:

4.1.6 'plan-wide test will only ever provide evidence of policies being 'broadly viable.' The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level.

4.1.7 This is one reason why our advice advocates a 'viability cushion' to manage these risks. The report later suggests that once the typologies testing has been done:

'it may also help to include some tests of case study sites, based on more detailed examples of actual sites likely to come forward for development if this information is available' .

4.1.8 The Harman Report points out the importance of minimising risk to the delivery of the plan. Risks can come from policy requirements that are either too high or too low. So, planning authorities must have regard to the risks of damaging plan delivery through loading on excessive policy costs - but equally, they need to be aware of lowering standards to the point where the sustainable delivery of the plan is not possible. Good planning in this respect is about 'striking a balance' between the competing demands for policy and plan viability.

4.2 Approach used for the development viability appraisals

4.2.1 The PBA development viability model uses the residual approach to development viability. The approach takes the difference between the development values and costs and compares the 'residual land value' with a threshold land value to determine the balance that could be available to support policy costs such as affordable housing and infrastructure.

4.2.2 For each of the hypothetical schemes tested, we use this formula to estimate typical residual land values, which is what the site should be worth once it has full planning permission. The residual value calculation requires a wide range of inputs, or assumptions, including the costs of development and the required developer's return.

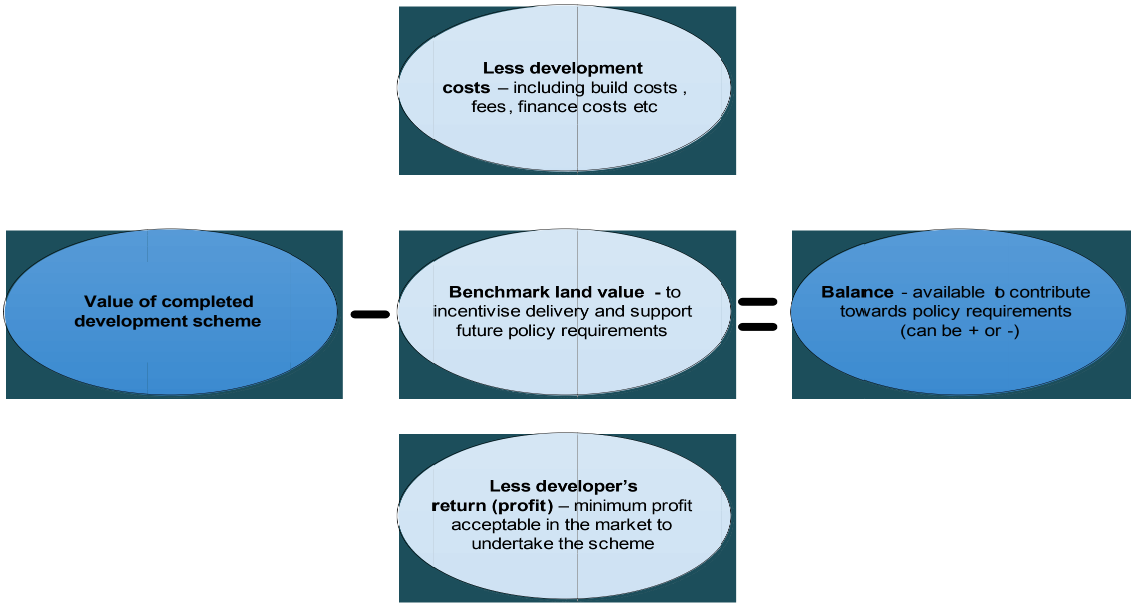
4.2.3 In the case of the strategic sites, the model has been adapted to test for a range of different infrastructure requirements and when they are required. This is then built into the cash flow modelling to assess viability through the lifetime of the development, where costs and returns will be flowing through the development cycle.

4.2.4 The arithmetic of residual appraisal is straightforward (we use a bespoke spreadsheet model for the appraisals). However, the inputs to the calculation are hard to determine for a specific site (as demonstrated by the complexity of many S106 negotiations). The difficulties grow when making calculations that represent a typical or average site - which is what we need to do for estimating appropriate CIL charges. Therefore our viability assessments are necessarily broad approximations, subject to a margin of uncertainty.

4.2.5 Where appropriate assumptions that were used in the previous reports have been utilised as a baseline for consistency but these have been updated to reflect the latest position on costs and values. It should also be noted that this report should be read in conjunction with the 2014 reports on the Canal Quarter, Strategic Sites Delivery and Plan Viability and Affordable Housing, all published in April 2014, although the reports are consistent in terms of both approach and baseline assumptions. Where any updates have been made these are clearly set out in this report.

4.2.6 The broad method is illustrated in the **Figure 4.1**.

Figure 4.1 Approach to residual land value assessment for whole plan viability



4.2.7 The purpose of the assessment is to identify the balance available to pay for policy costs at which each of the potential strategic sites is financially viable.

4.2.8 Work in the previous stages provides an understanding of each of the sites and the required infrastructure to bring forward sustainable development. When added to a set of locally based assumptions on new-build sales values, threshold land values and developer profits, a set of potential strategic sites development viability assessments are produced.

4.3 Consultation

4.3.1 A developer workshop was held in February 2014, to test the assumptions contained within the Plan Viability and Affordable Housing Report published in May 2014. The workshop was well attended with a broad mix of national and local house builders, surveyors, architects, agents and land owners and promoters. There were also representatives from Registered Providers and council officers from both the district and county council. The workshop was held within the context of CIL and therefore it is considered that the consultation is applicable to this study. A copy of the meeting note can be found in the Plan Viability and Affordable Housing Report, April 2014.

4.3.2 We also consulted separately with Registered Providers (RPs) of affordable housing operating in the Stratford-on-Avon area to gather more detailed information about revenue and costs for affordable housing to assist in the analysis. This was supplemented by discussions with the council.

4.3.3 Further consultation was also undertaken with a number of site promoters on a one to one basis. These have been undertaken to help establish development costs associated with bringing forward the proposed strategic sites.

4.3.4 The key data discussed includes:

- typologies
- estimated market values of completed development

- existing use and open market land values
- basic build cost
- external works (% of build cost)
- other development costs
- professional fees (% of build cost)
- marketing & sales costs (% of development value);
- typical S106 costs
- finance costs (typical prevailing rates)
- developer's margin (% of revenue)
- density and mix of development

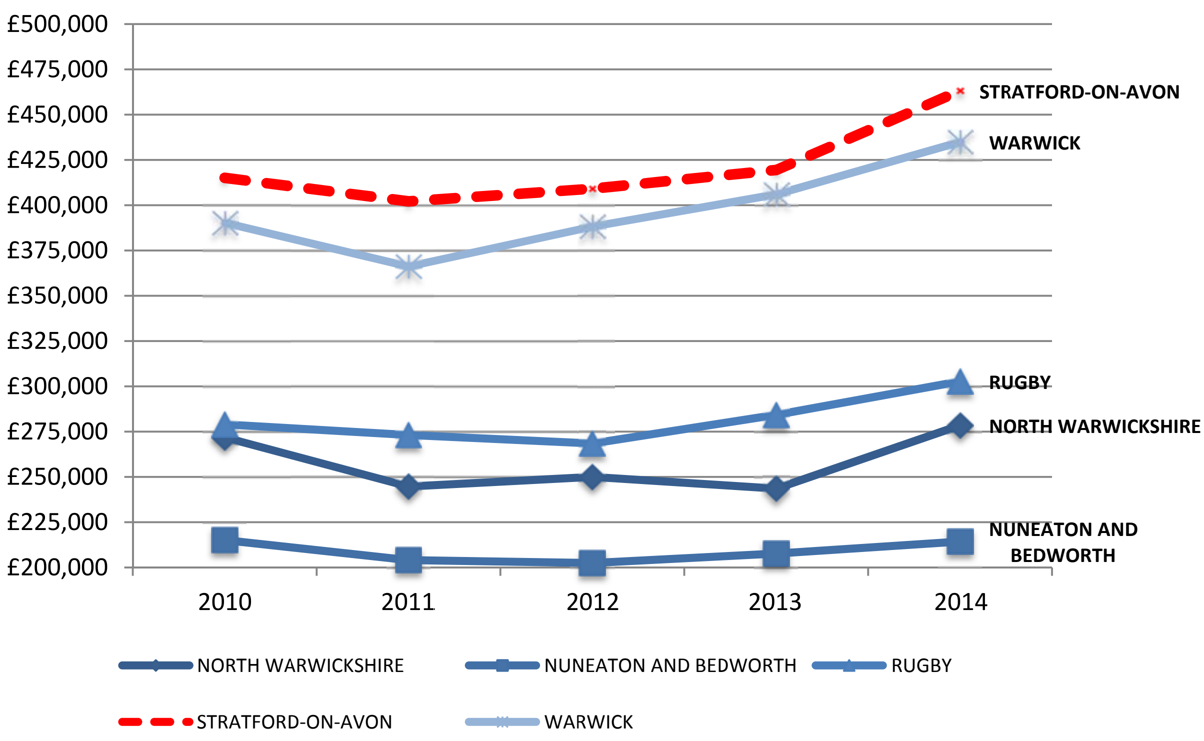
4.3.5 In our experience, local agents and developers are always happy to explain where the market is at, what is going on, and why. The consultation with the development industry has helped to make our assumptions more robust, and these discussions also help us see where potential concerns may arise, so that the council can be better prepared to address concerns.

5 Residential Assessment and Viability

5.1 Market overview

5.1.1 Using data sourced from the Land Registry, **Figure 5.1** compares the average price of a detached property in Stratford on Avon against the other districts that comprise Warwickshire. As shown below, values in Stratford have in the past five years consistently outperformed values in neighbouring districts, significantly so compared to Rugby, North Warwickshire and Nuneaton and Bedworth, (throughout the period the average prices for a detached house in Stratford can be seen as approximately twice as high as those in Nuneaton and Bedworth). Whilst remaining higher than surrounding districts, values in Stratford appear to have followed a similar trend, falling slightly between the first few years of the period before recovering in recent years.

Figure 5.1 Average house prices in Warwickshire



Source: PBA research

5.1.2 Looking forward, the latest projections of house prices prepared by Savills in their Residential Property Focus (Issue 2, 2015), shows a predicted 18% increase in values over the next five years, which is slightly below their expectations for the UK, as a whole, which is predicted to grow by 19%.

Table 5.1 Five year forecast values[28]

UK	North West	Wales	West Midlands	South West	North East	Yorks & Humber	East Midlands	East	London	South East
19.3%	13.7%	15.3%	**18.2%**	21.1%	12.6%	16.5%	19.3%	25.2%	10.4%	26.4%

Source: Savills research

5.1.3 When looking at the markets within Stratford-on-Avon District there are distinctions as highlighted in the CIL Economic Viability Report, September 2013. **Table 5.2** shows average house prices since 2012 for six settlements in the district. In common with the previous work undertaken values to the west in Studley and Alcester are lower than those in the central area around Stratford-upon-Avon, Henley-in-Arden and Shipston-on-Stour. Values to the east, illustrated here with Southam being in-between the west and central value areas.

Table 5.2 Average house prices paid (new and second-hand market), 2015

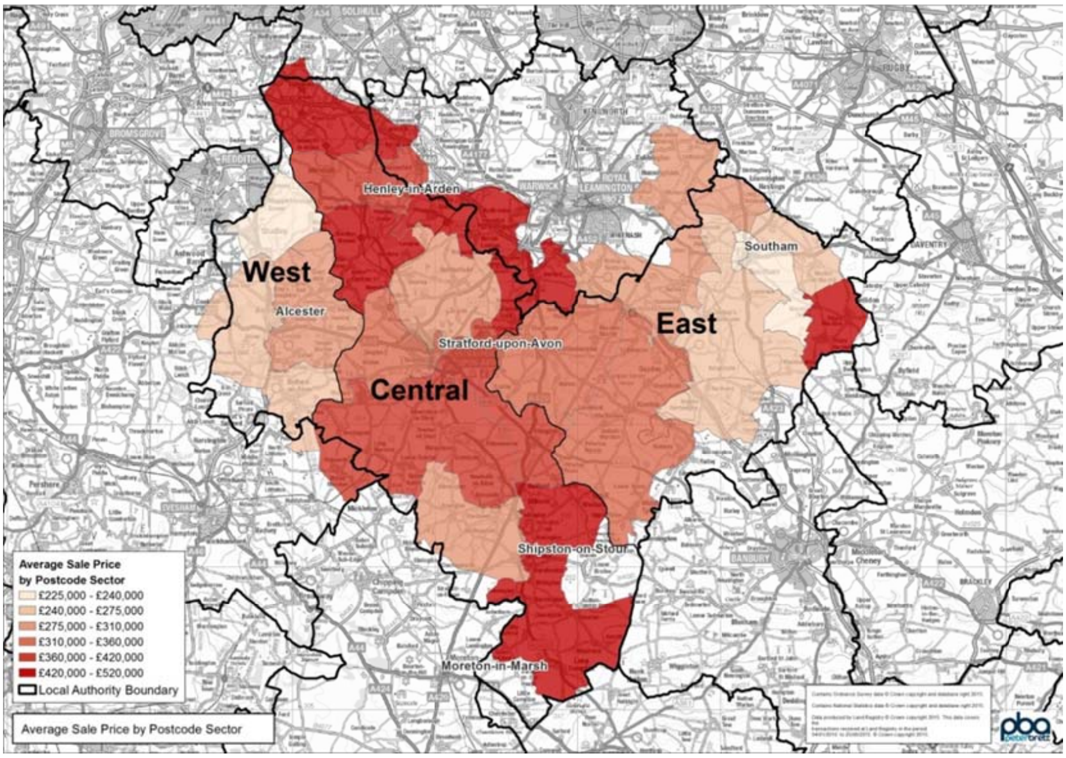
Settlement	Average price
Alcester	£262,000
Henley-in-Arden	£378,000
Shipston-on-Stour	£322,000
Southam	£266,000
Stratford-upon-Avon	£349,000
Studley	£230,000

Source: Land Registry

5.1.4 The same pattern is shown below in Land Registry data in **Figure 5.2**, which depicts average house prices for all property types by postcode sector.

[28] Savills Research (June, 2015), Residential Property Focus 2015 issue 2

Figure 5.2 Value areas



5.2 Typologies

5.2.1 The objective here is to allocate the development sites to an appropriate development category. This allows the study to deal efficiently with the very high level of detail that would otherwise be generated by an attempt to viability test each site. This approach is proposed by the Harman Report, which suggests:

'a more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies'.[29]

5.2.2 The typologies are supported with a selection of case studies reflecting CIL guidance (2014) which suggests that 'a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites). The sampling *should reflect a selection of the different types of sites included in the relevant Plan*, and should be consistent with viability assessment undertaken as part of plan-making.'[30]

5.2.3 The Harman Report states that the role of the typologies testing is not required to provide a precise answer as to the viability of every development likely to take place during the plan period; *i.e.*

'No assessment could realistically provide this level of detail…rather, [the role of the typologies testing] is to provide high level assurance that the policies within the plan are set in

[29] Local Housing Delivery Group Chaired by Sir John Harman (2012) *Viability Testing Local Plans* (9)

[30] DCLG CIL Guidance 2014 page 16.

a way that is compatible with the likely economic viability of development needed to deliver the plan.'[31]

5.2.4 Indeed the Report also acknowledges that a:

'*plan-wide test will only ever provide evidence of policies being 'broadly viable.' The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level. This is one reason why our advice advocates a 'viability cushion' to manage these risks.*[32]

Developing typologies for residential development

5.2.5 A list of planned residential development sites were originally agreed through the work undertaken for CIL and contained within the CIL Economic Viability Report, September 2013. These sites were allocated to the locally relevant site typology profiles based on typologies that best reflect the type of sites likely to come forward in Stratford-on-Avon based on the SHLAA sites but also on the review of past delivery.

5.2.6 However following a consultation workshop with the development industry it was considered that a wider range of smaller sites should also be tested. Thus the original list was amended to reflect these views, and the revised list is summarised in **Table 5.3**.

Table 5.3 Residential typologies

Typology	Value zone	Land type	Dwellings
West village/town (1)	West	Greenfield	1
East village/town (1)	East	Greenfield	1
Central village/town (1)	Central	Greenfield	1
West village/town (3)	West	Greenfield	3
East village/town (3)	East	Brownfield	3
Central village/town (3)	Central	Brownfield	3
West Brownfield infill (5)	West	Brownfield	5
Central Small Brownfield (7)	Central	Brownfield	7
East Greenfield infill (7)	East	Greenfield	7
East Brownfield infill (10)	East	Brownfield	10
West Brownfield (10)	West	Brownfield	10
Central Greenfield (20)	Central	Greenfield	20
West Brownfield (25)	West	Brownfield	25
West Brownfield (50)	West	Brownfield	50
East Brownfield (30)	East	Brownfield	30
East Greenfield (75)	East	Greenfield	75
West Brownfield (100)	West	Brownfield	100
Central Large Brownfield (120)	Central	Brownfield	120

[31] Local Housing Delivery Group (2012), op cit (para 15)

[32] Local Housing Delivery Group (2012), op cit (para 18)

Typology	Value zone	Land type	Dwellings
East Urban extension (200)	East	Greenfield	200
Central Urban extension (500)	Central	Greenfield	500
East Urban extension (500)	East	Greenfield	500
Central Urban extension (2000)	Central	Greenfield	2,000
CQ Areas 1 & 2	Central	Brownfield	581
Gaydon/Lighthorne Heath (SS)	GLH	Greenfield	3,000
Long Marston Airfield	Central	Mixed	3,500

Source: PBA research

5.3 Viability assumptions

5.3.1 It is not always possible to get a perfect fit between a site, the site profile and cost/revenue categories. But a best fit in the spirit of the Harman Report guide has been attempted. For this, the viability testing requires a series of assumptions about the site coverage and floorspace mix to generate an overall sales turnover and value of land, which are discussed here.

Site coverage

5.3.2 The net (developable) area of the tested typologies informs the likely land value of a residential site. Typically, residential land values are normally reported on a per net hectare basis, since it is only this area which delivers a saleable return. The gross and net developable area that has been used in the testing is set out in **Table 5.4**. These figures have been arrived at through discussion with the council and the wider development industry.

Table 5.4 Land size and density assumptions used in testing

Typology	Gross area (ha)	Net area (ha)	Dwellings per hectare
West village/town (1)	0.03	0.03	33
East village/town (1)	0.03	0.03	33
Centre village/town (1)	0.03	0.03	33
West village/town (3)	0.10	0.10	30
East village/town (3)	0.10	0.10	30
Centre village/town (3)	0.10	0.10	30
West Brownfield infill (5)	0.15	0.15	33
Central Small Brownfield (7)	0.20	0.20	35
East Greenfield infill (7)	0.20	0.20	35
East Brownfield infill (10)	0.25	0.25	40
West Brownfield (10)	0.27	0.27	37
Central Greenfield (20)	0.60	0.47	42
West Brownfield (25)	0.90	0.70	36
West Brownfield (50)	2.00	1.46	34
East Brownfield (30)	1.00	0.76	39
East Greenfield (75)	3.00	2.12	35

West Brownfield (100)	4.00	2.77	36
Central Large Brownfield (120)	4.50	3.07	39
East Urban extension (200)	8.75	5.73	35
Central Urban extension (500)	22.00	13.38	37
East Urban extension (500)	22.00	13.38	37
Central Urban extension (2000)	115.00	62.61	32
CQ Areas 1 & 2	13.90	11.38	51
Gaydon/Lighthorne Heath (SS)	186.13	75.34	40
Long Marston Airfield	205.00	100.00	35
Extra care dwellings	0.69	0.5	88
Retirement dwellings	0.69	0.5	110

Source: PBA research

Sales area

5.3.3 In addition to density, the type and size of units is important because this informs overall revenue based on saleable floorspace, to generate an overall sales turnover. To derive saleable floorspace, the type of unit and size of these units need to be defined.

5.3.4 The type of unit has been based on assumptions that have been used and approved in other studies in which we have been involved. Two floor areas are used for flatted schemes: the Gross Internal Area (GIA), including circulation space, is used to calculate build costs and Net Internal Area (NIA) is applied to calculate the sales revenue.

Sales values

5.3.5 Current residential revenues and other viability variables are obtained from a range of sources, including:

- Generic websites, such as the Right Move and the Land Registry. A selection of typical sites found on sites such as Right Move and Zoopla have been included in the Appendices.
- Direct research with developers and agents operating in the area.

5.3.6 Using these sources, and building on the analysis in the market assessment section of this report, we have identified the three ranges of values, based on the three broad geographical areas, and a rate for the site at Gaydon Lighthorne Heath in **Table 5.5**. The separate rate for Gaydon Lighthorne Heath has been identified as the type of development proposed and the location are not reflective of its value area.

Table 5.5 Sales values per square metre

Value Area	House	Flats
West	£2,850	£2,200
East	£3,050	£2,300
Central	£3,450	£2,400
Gaydon/Lighthorne Heath	£3,150	£2,300

Source: PBA research

Affordable housing values

5.3.7 The appraisal assumes that variable levels of affordable housing, which will command a transfer value to a Registered Provider at the going rates:

- Social rent 45%
- Affordable rent 55%
- Intermediate 65%

5.3.8 The Modification Core Strategy, August 2015 policy requirements of 60% social rent, 20% affordable rent and 20% intermediate (e.g. shared ownership) are assumed for testing purposes. So where affordable housing is a requirement on a scheme, as discussed next, these tenures and resulting values will apply.

5.3.9 The Submission Core Strategy seeks affordable housing (policy CS17):

- A minimum of 35% from all development comprising of 5 or more self-contained dwellings; and
- On sites between 5 and 9 dwellings an offsite contribution would be acceptable.

5.3.10 The Council then submitted to the Examination an Modification Plan in June 2014, which proposed changes to policy CS17 and SUA1 as follows:

- Removed the 'minimum' requirement from CS17;
- Amended the 5 to 9 dwellings commuted allowance to all proposals with fewer than 10 units; and
- Set 25% affordable housing requirement SUA 1 (Canal Quarter).

5.3.11 Following the Government's December announcement described previously, and in response to the Inspector's questions, the Council put forward further amendments to the Examination. These proposed modifications seek to amend the thresholds for affordable housing in line with the guidance and also clarify the location of designated rural areas. The modifications seek the following changes:

- In the parishes of Alcester and Kinwarton, Bidford-on-Avon, Henley-in-Arden and Beaudesert, Kineton, Shipston-on-Stour, Stratford-upon-Avon, Studley and Mappleborough Green, Tanworth-in-Arden and Wellesbourne – 35% affordable housing will be sought from developments of 11 or more dwellings (or more than 1,000 sqm)
- In all other parishes – 35% affordable housing will be sought from developments of 6 or more dwellings
- On sites below 11 dwellings, offsite contribution towards affordable housing will be sought

5.3.12 Whilst it is acknowledged that the government policy has now been quashed, it is unclear as to whether the government will challenge the decision or bring in alternative measures to support smaller developments. The Council, having considered the merits or otherwise of amending policy again, have advised that they will continue with the government's intention to support smaller developments, especially as they are an important component of housing supply in this area. Therefore through a local policy (CS17), the thresholds previously set out by the government is assumed to still apply.

Impact on CIL

5.3.13 Clearly it will be for the Inspector examining the Stratford Core Strategy to decide as to whether the final set of proposed Modifications is acceptable. However for the purposes of setting an appropriate CIL, it is considered that the Inspector is likely to agree with the Council's modifications since these align with government intentions.

5.3.14 On this basis, it is important to consider whether the approach to CIL needs to be amended in line with the government stated intention to reduce the burden of development contributions for smaller sites.

5.3.15 Prior to setting out any revised CIL rates it is considered important to review the approach taken to identifying an appropriate CIL rate that addresses the balance between delivery of infrastructure and affordable housing, whilst not putting at risk the overall delivery of housing identified in the Core Strategy. This is considered further in the results and recommendations section of this report.

Build costs

5.3.16 The sources used for typical development costs include BCIS build cost data rebased to the location. Approximations to represent the average over a range of scheme types have been used for costs such as external works, fees, finance and developer's margins, and previously tested with the development sector.

5.3.17 Building costs are based on BCIS data for new builds over a 15 year period, which have been rebased to Stratford-on-Avon and fourth quarter 2014 prices using BCIS defined adjustments. This identified the following unit build costs:

- Flats – £1,083 sqm
- Houses (small) - £1,360 sqm
- Houses (general estate) - £958sqm

The Council has policy towards improved building standards, these are considered below. Further associated development costs applied to the unit build costs for the potential strategic sites are shown in **Table 5.6**, and discussed below.

Table 5.6 Other development cost summary

Cost	Rate	Unit
External costs	10.0%	build cost
Professional fees	12.0%	development costs
Contingency	5.0%	development costs
Sales costs	3.0%	GDV
Developer profit on OM dwgs	20.0%	OM GDV
Developer profit on AH dwgs	6.0%	AH GDV
Development costs finance (pa)	7.0%	-ve cash flow gap
New National Housing Standards uplift	2.5%	build cost

External works

5.3.18 This input incorporates all additional costs associated with the site curtilage of the built area, including circulation space in flatted areas and garden space with the housing units, landscaping costs comprises highway trees and public open space, permeable paving, estate roads, and connections to the strategic infrastructure such as sewers and utilities.

5.3.19 The external works variable has been set at a rate of 10% of build cost in the absence of detailed costings at this time.

Sustainability and building standards

5.3.20 In England, Building Regulations (Part L, 2013 - effective from April 2014) have been amended to require emission reductions, to give an overall 6% improvement to 2010 standards. This standard is now within tender prices submitted to BCIS and is therefore accounted within basic build costs.

5.3.21 The government has recently set out simplified national standards in a move away from the various mixes of different standards and regulations for design, space and sustainability. Whilst the Government is no longer intending to support a range of standards in the future, they will allow local authorities, through planning policy, to seek improved building standards in their locations. For authorities wishing to incorporate this into planning policy, such as Stratford-on-Avon, this will have cost implications that will need to be considered.

Professional fees

5.3.22 This input incorporates all professional fees associated with the build, including: architect fees, planner fees, surveyor fees and project manager fees. To be consistent with previous reports, these are set at 12% of build cost. However it could be below this level, so the use of a high figure provides additional contingency.

Contingency

5.3.23 It is normal to build in contingency based on the risk associated with each site and has been calculated based on industry standards. They are applied as a percentage of build costs at 5%.

Site costs

5.3.24 For brownfield site development for residential purposes, development costs are increased to cover aspects like demolition, service diversions and potential remediation of the site before development occurs. This applies to all tested brownfield sites typologies based on the following formula:

- Brownfield - £200,000 per net hectare
- Mixed (i.e. part brownfield/greenfield) - £150,000 per net hectare

5.3.25 In addition, new development on greenfield sites will sometimes require new infrastructure to be brought to the site. To allow for these potential site costs, the following formula applies to all tested greenfield sites typologies:

- Greenfield with less than 200 units - £5,000 per unit
- Greenfield with 201 to 500 units - £10,000 per unit

- Greenfield with more than 500 units - £18,000 per unit

5.3.26 These Brownfield and Greenfield site cost estimations are based on experience and they are considered important to include to reflect the likely costs to develop. Once detailed master-planning is undertaken there will be a better understanding of these various costs to inform site specific assessments.

5.3.27 In this regard, such information has been made available by the land promoters for the Gaydon Lighthorne Heath scheme, totalling approximately £17,400 (which is close to the assumption figures used above), which is applied in the GLH site assessment. Similarly, in discussion with the council and land promoters about site opening costs, site abnormals and strategic infrastructure such as schools, highways etc., at the other main strategic site, Long Marston Airfield, it was felt necessary reduce the assumed opening costs from £18,000 to £5,000 per unit in testing this site to avoid any double counting. Also, additional site opening cost of £18,000 per unit is applied for the Canal Quarter based on the information gather in the Canal Quarter Economic Viability study.

S106 and S278 costs

5.3.28 New development has a cumulative impact on infrastructure such as highways and often creates a need for additional or improved community services and facilities without which the development could have an adverse effect upon amenity, safety, or the environment. In the past, such impact costs would normally be captured through S106 agreements, often with the pooling of S106 contributions on small sites towards off site delivery of infrastructure, such as schools expansions, open space enhancements or transport improvements. This could be met either through a CIL or the pooling of S106 contributions, and will be dependent on capacity and need of each scheme. The requirement for this has varied depending on size of scheme and existing capacity of infrastructure, and some of these costs will now likely to be covered through the Reg 123 list. Therefore, a zero S106 contribution has been assumed in the typology testing and, instead, this study seeks to identify the broad financial headroom (residual balance) to inform likely future developer contributions to afford CIL with a buffer which may possibly afford a S106 charge.

5.3.29 A different approach has been adopted for s106 for the three strategic sites: Gaydon/ Lighthorne Heath, Long Marston Airfield and the Canal Quarter. Estimates have been provided by the Council for the likely site specific S106 and/or s278 infrastructure requirements necessary for these strategic sites (to allow for onsite infrastructure such as education and transport costs). These costs assumptions have been factored into the viability assessment as a cost input for each site, and are detailed in **Appendix C** of this report.

Marketing fees

5.3.30 The Gross Development Value needs to reflect additional sales cost assumptions. These costs relate to the costs incurred for disposing the completed residential units, including legal, agents and marketing fees, and are based on the average cost of marketing for a major new build development site. These are based on industry accepted scales established from discussions with developers and agents at the rate of 3% of open market GDV.

Land purchase costs

5.3.31 The land value needs to reflect additional purchase cost assumptions. These are based on surveying costs and legal costs to a developer in the acquisition of land and the development process itself, which have been established from discussions with developers and agents, and are also reflected in the Harman Report (2012) as industry standard rates.

5.3.32 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost based on the HM Customs & Revenue variable rates against the residual land value.

5.3.33 These inputs, shown in **Table 5.7**, are incorporated into the residual valuation land value.

Table 5.7 Land Purchase Costs

Land purchase costs	Rate	Unit
Surveyor's fees	1.00%	land value
Legal fees	0.75%	land value
Stamp Duty Land Tax	HMRC rate	land value

Source: PBA research

Finance

5.3.34 A monthly cash flow based on a finance cost of 7% has been used throughout the sites appraisals, as identified in the above costs assumptions. This is used to account for the cost of borrowing and the risk associated with the current economic climate and near term outlook and associated implications for the housing market. This is a typical rate which is being applied by developers to schemes of this nature.

Developer profit

5.3.35 The developers' profit is the expected and reasonable level of return that a private developer would expect to achieve from a specific development scheme. In relation to these sites the open market residential dwellings elements are assumed to achieve a profit of 20%, which is applied to their Gross Development Value (GDV). This also allows for internal overheads.

5.3.36 For the Affordable Housing GDV, there will be fewer risks to the developer in securing the return, so a lower 6% on GDV is assumed for the private house builders on a nil grant basis.

Threshold land values

5.3.37 To assess viability, the residual value generated by a scheme is compared with a threshold land value, which reflects ‘a competitive return for a landowner’ (as stated in Harman). The threshold land value is important in our calculations of the residual balance to pay for other policy and infrastructure costs to support a sustainable development. The difference between the threshold land value and the residual land value represents the amount of money available to contribute to affordable housing policy, S106/278 contributions or CIL.

5.3.38 The approach used to arrive at the threshold land value is based on a review of recent viability evidence of sites currently on the market, viability appraisal submissions, published data on land values and discussions with various stakeholders. The approach has been based considering both a top down approach of current market value and bottom up approach of existing use / alternative use values. Account has been taken of current and future policy requirements. This approach is in line with the Harman report and recent CIL examination reports which accept that authorities should work on the basis of future policy and its effects on land values and well as ensuring a reasonable return to a willing landowner and developer.

5.3.39 In collecting evidence on residential land values, a distinction has been made for sites that might reflect extra costs for ‘opening up, abnormals and securing planning permission’ from those which are clean or ‘oven-ready’ residential sites. Our research indicated that, in this area, small brownfield sites were approximately 9% higher than small greenfield sites. We also found that small brownfield sites were 26% higher than larger brownfield. This was largely due to existing uses, where smaller sites may have residential values as opposed to commercial or industrial values on larger sites. Much of this evidence was gleaned from consultation with local agents on an informal basis.

5.3.40 In the initial testing the following land values were used:

- Small brownfield £1,200,000 per ha
- Brownfield £950,000 per ha
- Small greenfield £1,100,000 per ha
- Large greenfield £600,000 per ha

Review of land values

5.3.41 The consultation results on the Draft Charging Schedule suggested that more evidence was required on benchmark/threshold land values and some examples of local land values were included as part of consultation responses, in particular those from DTZ on behalf of St Modwen.

5.3.42 In response to the consultation PBA undertook further work on land values, utilising the information provided by consultees as well as further research. As more detailed information has been sought it was considered appropriate to look in more detail about the potential for different land values across the district rather than relying on an average district figure.

5.3.43 **Table 5.8** provides a summary of the further research of commercial land websites and discussions with local agents. The schemes in the table below refer to sales prices for small brownfield sites in differing locations across Stratford-on-Avon. The 'Harman' guidance indicates that these land sale prices are likely to be inflated in terms of a benchmark/threshold land value as they do not take into account that policy costs such as CIL are 'taken out' of the land values.

5.3.44 "consideration of an appropriate Threshold Land Value needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations" further stating that "using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy"[33] (page 29)

5.3.45 The Harman guidance therefore suggests these are used as a 'sense check' only. It has been suggested through an Examiner's report for a CIL Examination that it would be reasonable to assume that a benchmark/threshold land values should be set at 75% of actual transactions.

"it is reasonable to see a 25% reduction in benchmark values as the maximum that should be used in calculating a threshold land value"[34]

5.3.46 This would seem a reasonable approach and one we have adopted for the purposes of this review. **Table 5.8** sets out the results of analysis, by value area (details regarding values areas can be found in CIL EVS DCS June 2014), including the allowance for setting a benchmark/threshold land value.

Table 5.8 Small Brownfield average land values per net hectare across Stratford-on-Avon

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[33] Page 29 LHDG, (2012). "Viability Testing Local Plans – Advice for planning practitioners", (June 2012)

[34] Planning Inspectorate. (2012). "Report to the Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council., (December 2012)

Sub location	Land value (£)	Land value (£) – minus 25%
Central	£1,799,323	£1,349,493
West	£1,331,445	£998,584
East	£1,626,343	£1,219,757

Source: PBA research

5.3.47 The examples that provide the results in **Table 5.9** refer to indicative values for small brownfield sites. Applying the same ratios as found in the previous study (see para above) regarding the differences in values between small brownfield, small greenfield and brownfield sites, provides the values outlined in **Table 5.9** (rounded to the nearest £10,000).

5.3.48 It is important to appreciate that assumptions on benchmark land values can only be broad approximations, subject to a wide margin of uncertainty. We take account of this uncertainty in drawing conclusions and recommendations from our analysis. We have examined a cross section of residential land comparables. These comparable transactions generally relate to both clean greenfield sites and urban, brownfield sites, which were fully serviced with roads and major utilities to the site boundary.

5.3.49 In terms of land values for the larger, strategic sites our testing assumes a land value of £640,000. This figure is slightly higher than the £600,000 that was agreed with representatives of these sites to allow for some inflation since the consultations were undertaken.

Table 5.9 Land values used in testing

Sub location	Type of land	£ value per net hectare
Central	Small Brownfield	£1,350,000
	Small Greenfield	£1,230,000
	Brownfield	£990,000
West	Small Brownfield	£1,000,000
	Small Greenfield	£910,000
	Brownfield	£740,000
East	Small Brownfield	£1,220,000
	Small Greenfield	£1,110,000
	Brownfield	£900,000
Strategic and large sites		£640,000

Source: PBA research

5.4 Housing for older people

5.4.1 In addition to the residential testing, it was considered appropriate to separate out housing for older people as these are considered a specific and differential use. In particular it is considered that the impact of CIL on **Retirement dwellings** and **Extra care** schemes requires further work. Although testing was undertaken in the previous report, discussion at the Core Strategy Examination and further research into the assumptions used for these schemes warrant the need for further analysis.

5.4.2 It is also worth noting that as part of the original PBA non-residential report we had also tested care homes. It is our view that the assumptions are not sufficiently different to the original market and that these uses are still likely to achieve sufficient value for seeking development contributions in the current market. Therefore, care homes schemes shall not be tested again below.

5.4.3 At the recent Core Strategy Examination there was a misinterpretation on some of the evidence. Previous work had used blended rates in terms of values and costs for older person housing. It is accepted that this should have been made clearer and therefore this revised report seeks to provide clear advice in respect to housing for older people by specifically splitting out three types of provision. The definitions are set out below, along with the subsequent assumptions, results and recommendations.

Defining housing for older people

5.4.4 In terms of viability testing, we consider three types of older person housing schemes as defined below:

5.4.5 **Retirement dwellings** – also known as sheltered housing, these are defined as groups of dwellings, often flats and bungalows, that provide independent, self-contained homes. We consider that in addition to this, there will likely to be some element of communal facilities, such as a lounge or warden. A service charge will be in place to cover the normal ongoing costs but also incur additional costs to upkeep communal facilities as described.

5.4.6 **Extra care** – also known as assisted living by the private sector. It is provided across a range of tenures (owner occupied, rented, shared ownership/equity). This is housing with care whereby people live independently in their own flats but have access to 24 hour care and support. These are defined as schemes designed for an elderly population that may require further assistance with certain aspects of their day to day life. Arrangements for care provision vary between care provided according to eligible assessed need by the local authority and people purchasing privately who may not have such a high level of need which is on site and is purchased according to need. For private sector developments the care facilities are normally part of a care package with additional fees to pay for the service and facilities, which are on top of normal service charges and the cost of purchasing the property. The schemes will often have their own staff and may provide one or more meals per day. We consider these as schemes that will likely have a greater proportion of communal space than Retirement dwellings and a likely to be built to standards likely to suit an older population, i.e. wheelchair access, better designed bathroom facilities etc.

5.4.7 **Care homes** – residential or nursing homes where 24 hour personal care and/or nursing care are provided together with all meals. People occupy under a licence arrangement.

Assumptions used for older people housing

5.4.8 The assumptions used for Retirement dwellings and Extra care are as summarised below, with all other assumptions not listed below remaining the same as the original report.

5.4.9 **Scheme sizes** - We have tested a Retirement dwellings scheme based on similar schemes and an Extra care scheme based on a net area of 0.5 hectares.

5.4.10 The Retirement dwellings scheme is based on a total of 60 dwellings and the Extra care scheme is tested at 50 dwellings. This provides a figure of approximately 110 dwellings per hectare for Retirement dwellings and 88 dwellings per hectare for Extra care homes, which are in line with the Three Dragons and Retirement Housing Groups' briefing note[35] regarding appropriate densities.

[35] "A briefing note on viability prepared for Retirement Housing Group by Three Dragons", *Three Dragons*, May 2013.

5.4.11 **Size of units -** In terms of net internal area of the units, we have used sizes of 63 sqm for Retirement dwellings and 71 sqm for Extra care schemes. This is again informed by Three Dragon's guidance regarding appropriate sizes for 1 and 2 bed properties and based on a 60:40 split between the two.

5.4.12 We have assumed that Retirement dwellings and Extra care schemes have an allocation of floorspace considered as non-chargeable functions and communal space. Again, we have followed Three Dragons guidance of 25% for Retirement properties and 35% for Extra care schemes. We have therefore assumed that the net floorspace per unit for Retirement properties is 78 sqm and 96 sqm for Extra care units.

5.4.13 **Build Costs** - In terms of build costs we have used figures supplied by BCIS as per the original report. We have used a figure of £1,132 per sqm for retirement properties and £1,224 for Extra care. These figures reflect the 9% and 13% uplift on costs as set out in Three Dragons guidance.

5.4.14 **Sales value per square metre** – To test the viability of Retirement dwellings and Extra care homes we have analysed schemes from various developments within similar markets to Stratford-on-Avon District which are summarised in **Table 5.10**.

5.4.15 There are comparatively few brand new retirement properties currently for sale within the district and many of the properties on sale are second hand. Of the new units currently on sale there appears to be a significant variance in values with many very high quality schemes available. For these types of schemes, such as Maudsley Park and Binswood Park, it is not uncommon to see sales values greater than £4,000 per square metre. These are considered as the very highest values that can be expected, and not entirely representative of the overall type of development. Discussions with local agents, and analysis of less exclusive schemes identifies that an appropriate per square metre value is in the region of £3,000 to £3,300 for retirement dwellings.

5.4.16 As a 'sense check', the Three Dragons guidance suggests that, as a guide, sales prices for 1 bed Retirement dwellings should be in the region of 75% of the price of existing three bed semi-detached properties in that location, with 2 bed retirement properties equal to the full value of a three bed semi-detached house. Land registry data reveals that the average current value of semi-detached housing in Stratford is approximately £261,000. Applying the same 50:50 weighting between 1 bed and 2 bed dwellings to Three Dragons guidance, this suggests that retirement dwellings should be considered in the region of 87.5% of the total value, which in this case is £228,375. This equates to a sales value per square metre value of £3,654.

5.4.17 Taking all of this into account we have used sales per square metre figure of £3,250 for retirement dwellings, equating to a sales value of approximately £203,000 per unit.

5.4.18 In terms of Extra care properties, as comparable data is much more limited for Extra care, we have again followed Three Dragons guidance and have applied 25% uplift on Retirement dwellings to calculate a value for Extra care schemes. We have therefore based our calculations on a sales value per square metre of £3,800 (just less than £270,000 per property).

Table 5.10 Sales values for retirement properties currently on the market

Location	Sales Value	Size (per sqm)	Sales Value (per sqm)	New or Second -hand
Alcester Road, Stratford upon Avon	£155,000	47	£3,298	S/H
Bridgefoot Quay, Warwick Road, Stratford-Upon-Avon	£169,950	58	£2,935	S/H

Location	Sales Value	Size (per sqm)	Sales Value (per sqm)	New or Second-hand
Stratford Road, Wellesbourne	£180,000	53	£3,396	S/H
New Road, Studley	£135,000	47	£2,872	S/H
The Buckingham – Maudsley Park, Great Alne	£557,000	143	£3,895	New
The Gloucester – Maudsley Park, Great Alne	£550,000	134	£4,129	New
The Canterbury – Maudsley Park, Great Alne	£494,500	114	£4,307	New
The Poppy B2 at Tithe Lodge, Little Park, Southam,	£204,000	63	£3,238	New
The Poppy B at Tithe Lodge, Little Park, Southam,	£198,000	61	£3,246	New
The Lily at Tithe Lodge, Little Park, Southam,	£177,600	50	£3,552	New

Source: Various websites such as Right Move, Zoopla amongst others.

5.4.19 **Land Values and abnormal costs** – We have tested both Retirement dwellings and Extra care homes using an assumption that these will be developed on brownfield land, with a land values of £1,200,000. By testing these uses on brownfield land we make the assumption that this (in viability terms) represents a 'worst case scenario' as we include estimates for abnormals of £200,000 per net hectare associated with brownfield land as set out in a previous section.

6 Assessment Outputs

6.1.1 To assess the viability using these assumptions we set out:

- Site typology description e.g. strategic site, generic site
- The type of land that is being assessed – greenfield or brownfield. This affects the range of costs that are applied to the assessment e.g. abnormal costs and site opening costs.
- Yield – the number of dwellings estimated for the site.
- Net site area in hectares is the land available for saleable floorspace.
- Total developable floor space in square meters - this is the total floorspace created by the development.
- CIL chargeable floor space, this is the total floorspace less that deducted for affordable housing as it is not liable for CIL.
- The headroom expressed as £per sqm. The residual site value is the difference between the value of the completed development and the cost of that development (including the developer's profit, policy costs, site servicing costs, etc.).
- The threshold land value is then deducted from the residual land value to arrive at the CIL balance or 'overage' available to contribute towards any infrastructure costs in the form of a possible maximum CIL charge. This CIL balance is an estimate of the CIL 'maximum theoretical CIL' i.e. the maximum CIL that could be charged consistent with the development being financially viable. Given the variations surrounding strategic viability appraisals, this is an approximate indicator, and as such we seek to have a considerable buffer between the overage and any CIL charge. It is not recommended that this theoretical maximum be directly translated into a CIL charge.

6.1.2 Note that the CIL overage is not a direct calculation of deducting the threshold value from the residual land value. As affordable housing is not liable to CIL charge, an allowance for this is included in the analysis. The CIL overage/ or CIL liable figure is calculated from the CIL chargeable floor area (total GIA minus GIA of affordable units). It is also important to state that a scheme may come out as not viable in this assessment but still deliver depending on the what the landowner and developer are willing to accept, so for instance the threshold land value could be reduced or the developer's return could be adjusted, or actual build costs or other assumption variables may differ from those used here.

6.2 Residential development viability analysis

6.2.1 This section sets out the assessment of residential development viability and also summarises the impact on viability of changes in values and costs, and how this might have an impact on the level of potential CIL.

6.2.2 Each generic site has been subjected to a detailed appraisal, complete with cash flow analysis. **Table 6.1** summarises each of these generic residential development appraisals. The results of the residential appraisals with affordable housing provision or any other policy costs to show whether development in the district is broadly viable are provided in **Table 6.1**. The results are colour coded, with green representing that a site is viable, amber that it is marginal (i.e. where the residual land value falls plus or minus 10% of the benchmark/threshold land value) and red where it is not consider being viable. The theoretical maximum CIL charge per square metre for each development is therefore shown in the far right column of the following summary table. As we explain below, though, we do not recommend that this theoretical maximum be directly translated into a CIL Charge.

Table 6.1 Results of the Residential viability testing

Typology	No. of dwellings	Affordable housing %	CIL liable headroom	Is the scheme viable?
West village/town (1)	1	0%	£106	Yes
East village/town (1)	1	0%	£200	Yes
Central village/town (1)	1	0%	£458	Yes
West village/town (3)	3	0%	£85	Yes
East village/town (3)	3	0%	£84	Yes
Central village/town (3)	3	0%	£320	Yes
West Brownfield infill (5)	5	0%	£31	Yes
Central Small Brownfield (7)	7	0%	£372	Yes
East Greenfield infill (7)	7	0%	£202	Yes
East Brownfield infill (10)	10	0%	£169	Yes
West Brownfield (10)	10	0%	£40	Yes
Central Greenfield (20)	20	35%	£679	Yes
West Brownfield (25)	25	35%	£13	Marginal
West Brownfield (50)	50	35%	£122	Yes
East Brownfield (30)	30	35%	£363	Yes
East Greenfield (75)	75	35%	£286	Yes
West Brownfield (100)	100	35%	£138	Yes
Central Large Brownfield (120)	120	35%	£636	Yes
East Urban extension (200)	200	35%	£421	Yes
Central Urban extension (500)	500	35%	£597	Yes
East Urban extension (500)	500	35%	£194	Yes
Central Urban extension (2000)	2,000	35%	£433	Yes
CQ Areas 1 & 2	581	25%	£176	Yes
Gaydon/Lighthorne Heath (SS)	3,000	35%	£183	Yes
Long Marston Airfield	3,500	35%	£125	Yes
Extra care	45	0%	£272	Yes
Retirement dwellings	55	35%	£15	Marginal

6.2.3 **Table 6.1** shows that all the tested typologies are viable and provide headroom against a benchmark/threshold land value. As can be seen in the third column of Table 6.1 two assumptions have been made in respect of affordable housing, guided by the council's affordable housing policy. For the purposes of this generic testing it is assumed:

- that all developments of 11 or more affordable housing units will have a target of 35% affordable housing
- all developments of 10 and under are tested with zero affordable housing provision.

6.2.4 It is accepted that in the parishes that are not listed in Policy CS17 (as modified) that an affordable housing target of 35% will apply to developments of 6 to 10 dwellings. However at this stage these sites have yet to be identified, but in the past they have only accounted for around 5% of permissions. Rather than artificially test every potential scenario for each parish within each value area, a pragmatic approach has been taken whereby the appraisals have used 0% affordable housing for all development of 10 and under but in recognition of the potential for affordable housing, albeit small, a greater buffer should be allowed in setting the CIL rate.

Residential viability zones

6.2.5 As previously stated CIL Regulations (Regulation 13) allow the charging authority to introduce charge variations by geographical zone within its area, by land use, by type and with reference to size. All differences in rates need to be justified by reference to the economic viability of development. Setting up a CIL which levies different amounts on development in different places increases the complexity of evidence required, and may be contested at examination. However, it will be worthwhile if the additional complexity generates significant additional revenues for the delivery of infrastructure and therefore growth.

Principles

6.2.6 Identifying different charging zones for CIL has inherent difficulties. One reason for this is that house prices are an imperfect indicator; we are not necessarily comparing like with like. Even within a given type of dwelling, such as terraced houses, there will be variations in, say, quality or size which will impact on price.

6.2.7 Another problem is that even a split that is correct 'on average' may produce anomalies when applied to individual houses - especially around the zone boundaries. Even between areas with very different average prices, the prices of similar houses in different areas may considerably overlap.

6.2.8 A further problem with setting charging area boundaries is that they depend on how the boundaries are defined, as well as the reality of actual house prices. Boundaries drawn in a different place might alter the average price of an area within the boundary, even with no change in individual house prices.

6.2.9 To avoid these statistical and boundary problems, it is considered that a robust set of differential charging zones should ideally meet two conditions:

- The zones should be separated by substantial and clear-cut price differences; and
- They should also be separated by substantial and clear-cut geographical boundaries - for example with zones defined as individual settlements or groups of settlements, as urban or rural parts of the authority. We certainly should avoid any charging boundaries which might bisect a strategic site or development area.

6.2.10 It will be for the local authority to determine an appropriate zone, however this decision should be based on the viability evidence within this report.

Value areas and future supply

6.2.11 To help this decision making the authority need to consider the differing values across their area and how these relate to supply. The previous June 2014 report sets out a detailed approach to looking at this issue and whilst the overall figure for housing needs has risen, the general approach to locating growth and settlement strategy has not altered. Therefore it is still fair to conclude that whilst the west area has the lowest values within the district it also has the lowest anticipated future housing supply which will be liable for CIL. The central area will attract the majority of CIL liable development with the remainder in the east. So in terms of setting a CIL rate it will be important that development is viable in the Central and East areas at the proposed CIL rate.

6.2.12 The second consideration is the type and size of sites. The plan is reliant on a number of strategic sites coming forward to deliver the Plan. Of these, the sites at Long Marston and

Gaydon/ Lighthorne Heath are the largest and have significant infrastructure requirements and the sites at the Canal Quarter are important to deliver the regeneration aspirations of the Plan. Therefore it is consider appropriate to look at these sites separately in terms of setting a CIL rate. In addition to these specific sites there are a number of large sites over 200 dwellings that have been identified and therefore it is appropriate to look at these separately as greater buffers may need to be applied to take into account potential S106/S278 agreements.

6.2.13 In terms of the remaining sites it is important to acknowledge the smaller sites, i.e. those sites of 10 and under dwellings. There is clear aspiration from government that smaller developments should be carefully looked at before placing any significant burdens on those types of development. It is also important to consider the contribution those sites make to future housing supply, which in this area is significant. Any CIL rate should not put these at risk in the areas where they are most likely to come forward. Therefore it is considered appropriate to look at these types of sites separately when considering a CIL rate.

6.2.14 Finally retirement dwellings and extra care homes have been described as being different to general housing and therefore could be considered as a different 'use' in terms of CIL setting. Therefore these will be looked at separately.

Table 6.2 Potential residential charge zones/types

Charge zone/type	Average CIL liable headroom
Small sites of 10 units and under	£188
Sites of 11 to 199 dwellings	£319
Large non- strategic sites 200 plus dwellings	£411
Canal Quarter	£176
Gaydon/ Lighthorne Heath	£183
Long Marston Airfield	£125
Extra care	£272
Retirement dwellings	£15

6.2.15 Having established potential charging zones/types of CIL liable residential development, we must now consider appropriate levels of buffer, taking into account potential for S106/S278 contributions.

6.2.16 In terms of the small sites, whilst there is a significant average headroom and they are unlikely to have to contribute any S106/S278, the following needs to be considered:

- Importance to supply
- Potential for affordable housing contributions on sites of 6 or more in selected locations
- Likely broad location of supply

6.2.17 It is established that smaller sites are important to supply and that some may need to contribute to affordable housing. It is also known that the majority of the supply will be in the central and east areas – therefore it is considered that a 60% buffer should apply to the average headroom, which will mean a CIL rate of £70 per sqm. This can be comfortably achieved on all the tested sites with the exception of those in the west where it is more marginal, but as this area is not relied upon to meet supply, this is an appropriate rate.

6.2.18 For sites of 11 to 199 dwellings a buffer of around 50% should be applied to take into account potential S106/S278 costs that maybe sought on that size of site. This would mean a CIL rate of £150 per sqm. For the larger sites the buffer should be increased as S106/S278 costs could be higher, therefore the same CIL rate of £150 is suggested.

6.2.19 For the three named sites more detailed work has been undertaken in terms of infrastructure costs, including those that would be sought through S106 or S278 agreements. Therefore the buffer does not need to be as significant as for those sites where these costs are currently unknown. It is recommended that at the Canal Quarter the CIL rate remains at £85 per sqm as previously suggested. At Gaydon/Lighthorne Heath more S106/S278 is now expected and therefore the CIL rate is reduced to £110 per sqm and at Long Marston £75 per sqm. However the Council may wish to be more cautious on these large sites given their importance in delivering the Plan.

6.2.20 In terms of older person housing the rates should be zero for retirement dwellings, mainly because this in expected to contribute 35% affordable housing. Extra care housing is likely not to have to contribute to affordable housing and therefore can be expected to pay a CIL rate. In the interest of simplicity it is recommended that Extra Care housing is charged at the prevailing residential rate, in respect of location and size of development. The headroom suggests that it can comfortable afford the residential CIL rates, with a reasonable buffer across all the zones.

6.2.21 In summary the following rates are recommended:

Table 6.3 Recommended CIL rates

Charge zone/type	Average CIL liable headroom
Small sites of 10 dwellings and under	£75
Sites of 11 to 199 dwellings	£150
Large sites 200 plus dwellings	£150
Canal Quarter	£85
Gaydon/ Lighthorne Heath	£110
Long Marston Airfield	£75
Extra care	£as above residential rate
Retirement dwellings	£0

7 Non-Residential Assessment and Viability

7.1 Approach

7.1.1 The testing has been conducted on a hypothetical typical site basis. Viability testing on a typical hectare basis has been adopted since it is impossible for this study to consider viability on a site-specific basis at this stage, given that there is currently insufficient data on site-specific costs and values, as site details have yet to be established. Such detail will evolve over the plan period. Site-specific testing would be considering detail on purely speculative/assumed scenarios, producing results that would be of little use for a study for strategic consideration.

7.2 Establishing gross development value (GDV)

7.2.1 In establishing the GDV for non-residential uses, a similar approach has been taken too residential, so we do not repeat the process here. However, given the significant variety in development types, this report has also considered historic comparable evidence for new values on both a local, regional and national level.

7.2.2 **Table 7.1** illustrates the values established for a variety of non-residential uses, expressed in square metres (sqm) of net rentable floorspace (or GDV).

Table 7.1 Non Residential Uses – Rent and Yields

	Rents (sqm)	Yields
Retail Superstore 3,500 sqm	£200	5.00%
Retail Supermarket 1,100 sqm	£190	5.50%
Retail 10,000 sqm Warehouse (approx. 6 units)	£150	6.70%
Retail 1,000 sqm Town Centre	£260	7.50%
Retail Small Convenience - Village settlement	£160	5.75%
Retail Small Comparison - Village settlement	£150	7.20%
Urban extension 6,000 sqm of mixed retail units	£160	6.21%
Local Convenience 280 sqm	£150	5.75%
Office 800sqm Town Centre	£125	8.70%
Office 2000 sqm Business Park	£125	7.30%
Industrial 1500 sqm B2 Edge of Town	£60	9.00%
Industrial 5000 sqm B2 Edge of Town	£60	9.00%
Industrial 5000 sqm B8 Storage / Distribution Edge of Town	£60	8.70%
Budget Hotel - 2000 sqm (60 Bedrooms) - Edge of Town	£103	6.60%
Mixed Leisure Scheme 8,000 sqm - Cinema/bowling	£149	6.60%
Residential Care Home - 1,900 sqm (40 bedrooms) - Edge of Town	£128	6.10%
Health and Fitness - 4,000 sqm - Edge of town	£105	7.00%

Source: PBA research

7.3 Costs

7.3.1 Once a GDV has been established, the cost of development (including developer profit) is then deducted. For the purposes of viability testing, the following costs and variables are some of the key inputs used within the assessment:

- Developer profit
- Build Costs
- Professional Fees and Overheads
- Finance
- Marketing Fees
- Legal Fees
- Land Stamp Duty Tax
- Site Coverage

7.3.2 **Table 7.2** sets out the assumed site coverage ratios for each development type.

Table 7.2 Non Residential Uses – Site Coverage Ratios

Use	Coverage	Floors
Retail Superstore 3,500 sqm	40%	1
Retail Supermarket 1,100 sqm	40%	1
Retail 10,000 sqm Warehouse (approx. 6 units)	40%	1
Retail 1,000 sqm Town Centre	80%	1
Retail Small Convenience - Village settlement	80%	1
Retail Small Comparison - Village settlement	80%	1
Local Convenience 280 sqm	80%	1
Urban extension 6,000 sqm of mixed retail units	73%	1
Office 800sqm Town Centre	80%	3
Office 200 sqm Business Park	40%	2
Industrial 1500 sqm B2 Edge of Town	40%	1
Industrial 5000 sqm B2 Edge of Town	40%	1
Industrial 5000 sqm B8 Storage / Distribution Edge of Town	40%	1
Budget Hotel - 2000 sqm (60 Bedrooms) - Edge of Town	50%	3
Mixed Leisure Scheme 8,000 sqm - Cinema/bowling	50%	2
Residential Care Home - 1,900 sqm (40 bedrooms) - Edge of Town	80%	2
Health and Fitness - 4,000 sqm - Edge of town	80%	1

Source: PBA research

Developer profit

7.3.3 The developer's profit is the expected and reasonable level of return a private developer can expect to achieve from a development scheme. This figure is based a 20% profit margin of the total Gross Development Value (GDV) of the development.

Build costs

7.3.4 Build cost inputs have been established from the RICS Build Cost Information Service (BCIS) at values set at the time of this study (current build cost values). The build costs are entered at a pound per square metre rate at the following values shown in the following table. The build costs adopted are based on the BCIS mean values, indexed separately to Stratford-on-Avon prices; and then amended following the development industry feedback and subsequent discussion. In addition to the basic build cost set out below there is also an allowance of 10% of build cost for external works.

Table 7.3 Non Residential Uses – Build Costs

Use	Build cost sqm)
Retail Superstore 3,500 sqm	£1,375
Retail Supermarket 1,100 sqm	£1,228
Retail 10,000 sqm Warehouse (approx. 6 units)	£641
Retail 1,000 sqm Town Centre	£1,173
Retail Small Convenience - Village settlement	£1,081
Retail Small Comparison - Village settlement	£801
Urban extension 6,000 sqm of mixed retail units	£1,043
Local Convenience 280 sqm	£1,081
Office 800sqm Town Centre	£1,391
Office 200 sqm Business Park	£1,138
Industrial 1500 sqm B2 Edge of Town	£666
Industrial 5000 sqm B2 Edge of Town	£762
Industrial 5000 sqm B8 Storage / Distribution Edge of Town	£483
Budget Hotel - 2000 sqm (60 Bedrooms) - Edge of Town	£1,450
Mixed Leisure Scheme 8,000 sqm - Cinema/bowling	£1,482
Residential Care Home - 1,900 sqm (40 bedrooms) - Edge of Town	£1,206
Health and Fitness - 4,000 sqm - Edge of town	£1,333

Source: Spons Architects' and Builders' Price Book and BCIS

Professional fees, overheads

7.3.5 This input incorporates all professional fees associated with the build, including: architect fees, planner fees, surveyor fees, project manager fees. The professional fees variable is set at a rate of 12% of build cost.

7.3.6 This variable has been applied to the valuation appraisal as a percentage of the total construction cost. This figure is established from discussions with both regional and national developers as well as in house knowledge and experience of industry standards.

Development contributions other than CIL

7.3.7 We have assumed for the purposes of testing that most development will still be expected to make s106 etc. contributions to mitigate direct impacts of the development. These will often centre on highways improvements but could also relate to design and access. We have used a combination of looking at past agreements made with the council and utilising our knowledge of undertaking similar studies elsewhere. Clearly as these types of agreement are specific to individual developments we have had to take a pragmatic approach in our generic appraisals. We have basically assumed that higher impact and trip generating uses such as supermarkets will generally be expected to contribute the highest amounts, which are borne out when analysing past agreements. Smaller amounts have been attributed to the other uses as impact is often less significant and ability to pay i.e. viability often limits the level sought.

Finance

7.3.8 A finance rate has been incorporated into the viability testing to reflect the value of money and the cost of reasonable developer borrowing for the delivery of development. This is applied to the valuation appraisal as a percentage of the build cost at the rate of 7.5% of total development costs (incl. build costs, external works, professional fees, sales and marketing)

Marketing fees

7.3.9 This variable is based on the average cost of marketing for a major new build development site, incorporating agent fees, 'on site' sales costs and general marketing/advertising costs. The rate of 4% of GDV is applied to the valuation appraisal as a percentage of the GDV and is established from discussions with developers and agents.

Acquisition fees and land tax

7.3.10 This input represents the legal costs to a developer in the acquisition of land and the development process itself. The input is incorporated into the residual valuation as a percentage of the residual land value at the rate of 10% of RLV.

7.3.11 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost against the residual land value at a rate of 4% (highest rate applicable is used for testing purposes).

Land for non-residential uses

7.3.12 After systematically removing the various costs and variables detailed above, the result is the residual land value. In order to ascertain the level of likelihood towards delivery and the level of risk associated with development viability, the resulting residual land values are measured against a benchmark value which reflects a value range that a landowner would reasonably be expected to sell/release their land for development.

7.3.13 Establishing the existing use value (EUV) of land and in setting a benchmark at which a landowner is prepared to sell to enable a consideration of viability can be a complex process. There are a wide range of site specific variables which effect land sales (e.g. position of the landowner - are they requiring a quick sale or is it a long term land investment). However, for a strategic study, where the land values on future individual sites are unknown, a pragmatic approach is required.

7.3.14 From discussions with agents' active in the commercial sector, we have concluded that there have been very few sales of commercial or employment land in the district over the past 5 years, largely arising from the moribund state of the commercial market caused by the recession. Land values established before 2007 provide evidence of a range of land values for employment uses between £400k and £750k/ha. There is planning policy resistance to changes of use to residential from employment uses where there is a demonstrable employment demand and a solid resistance from landowners to sell for lower than the established pre-2007 value. There is no evidence to suggest therefore that a lower value should be attributed to brownfield sites as an EUV in the viability appraisals.

7.3.15 We have therefore concluded that a benchmark figure towards the lower end of the range of £500,000/ha is appropriate as a starting point. The benchmark is then adjusted on the basis of location and different uplifts applied according to use. So for example a town site will be at the upper end of the existing use value as it will already have a comparatively high value and if the potential use is retail then it will also have a higher uplift value as expectation on return will be higher.

7.4 Non-residential development viability analysis

Introduction

7.4.1 This section sets out the assessment of non-residential development viability and also summarises the impact on viability of changes in values and costs, and how this might have an impact on the level of developer contribution. The tables below summarise the detailed assessments, and represent the net value per sqm, the net costs per square metre (including an allowance for land cost and S106 to deal with site specific issues to make development acceptable) and the balance between the two.

7.4.2 It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant. However there will also be development that is undertaken for specific commercial operators either as owners or pre-lets.

B-class uses

7.4.3 In line with other areas of the country our analysis suggests that for commercial B-class development it is not currently viable to charge a CIL. Whilst there is variance for different types of B-space, essentially none of them generate sufficient value to justify a CIL charge.

7.4.4 As the economy recovers this situation may improve but for the purposes of setting a CIL we need to consider the current market. Importantly this viability assessment relates to speculative build for rent - we do expect that there will be development to accommodate specific users, and this will based on the profitability of the occupier's core business activities rather than the market values of the development.

Table 7.4 B-class development

Use	Town Centre Office	Out of Town Office	Industrial 1,500 sqm	Industrial 5,000 sqm	B8 Warehouse
Values/sqm	£1,286	£1,533	£597	£597	£617
Development costs/sqm (inc. EUV + uplift)	£2,236	£2,008	£1,212	£1,337	£980
Residual Value/sqm inc. allowance for EUV + uplift)	-£950	-£475	-£616	-£740	-£363

Retail uses

7.4.5 The viability of retail development will depend primarily on the re-emergence of occupier demand and the type of retail use being promoted. For this reason we have tested different types of retail provision.

Out of centre retail

7.4.6 The retail warehousing market (covering comparison goods) has also been relatively flat in recent times, especially in terms of new build, but this should not rule out any potential for more activity in the future, particularly if the right sites appear. Whilst values have dropped, the relatively low build costs mean that there is still value in these types of developments when there is occupier demand.

7.4.7 Superstores and supermarkets - convenience retail continues to be one of the best performing sectors in the UK, although we are aware that even this sector is seeing reduced profits at the time of writing. Leases to the main supermarket operators (often with fixed uplifts) command a premium with investment institutions. Although there are some small regional variations on yields, they remain generally strong with investors focussing primarily on the strength of the operator covenant and security of income. We would therefore suggest the evidence base for large out of town retail can be approached on a wider region or even national basis when justifying CIL charging. Following our appraisal on this basis in Stratford-on-Avon we believe there is scope for a significant CIL charge for out of town centre development without affecting viability.

7.4.8 The appraisal summary shown in table 7.5 is for all out of town centre development. Whilst it can be seen that these different types of out of town centre provision have different levels of viability it is not possible to set a size threshold for different types of shopping, therefore it is considered that all types of retail development outside the town centres in Stratford-on-Avon should attract a charge that will be viable for all identified types of retail development. As the provision of small scale local convenience retailing is likely to either be under the 100 sqm CIL threshold or not critical to delivery of the plans objectives it is considered that setting CIL for all out of centre retail development around that level would not significantly impact on the delivery of the Plan.

Table 7.5 Out of centre retail uses

Use	Retail Superstore 3,500 sqm	Retail Supermarket 1,100 sqm	Retail 10,000 sqm Warehouse (approx. 6 units)	Out of centre small convenience (280 sqm)
Values/sqm	£3,581	£3,093	£2,004	£2,336
Development costs/sqm (inc. EUV + uplift)	£3,425	£2,976	£1,822	£2,197
Residual Value/sqm inc. allowance for EUV + uplift)	£156	£128	£182	£139

In-centre retail

7.4.9 Town centre (high street) comparison retailing in the UK is in a period of transition. The majority of comparison retail-led regeneration schemes have stalled due to a combination of weak consumer demand, constraints on investment capital and poor retail occupier performance. There have been a number of insolvencies, and the traditional high-street operators are frequently struggling, particularly in more secondary retail locations.

7.4.10 Colliers Retail Market Report (Autumn 2011) states that *"Secondary retail locations will continue to suffer as a result of the growing consumer trend of fewer shopping trips and the focus on the large retail destinations and online. Furthermore, daily/weekly shopping that would once have taken place in the local town centre is increasingly shifting to supermarkets, which now provide a wide range of comparison goods and services alongside the traditional convenience offer"*. More recently they have stated in their National Retail Barometer (Spring 2014) that *"With online retail still delivering double digit year-on-year growth, the change will continue to impact on bricks and mortar retail. Expect a continuing polarisation, where prime locations are likely to witness an increasingly focussed demand and the 'squeezed middle' towns and secondary locations experience further contraction of their retail footprint."*

7.4.11 Work by Deloitte on the future for retailing is pessimistic, suggesting *that 'reductions in store numbers of 30-40% are foreseeable over the next 3-5 years.'*[36] The effects are seen to be increased vacancy rates, decreasing prime rents, and increasingly flexible rental terms, including shorter rental terms, lease free periods, shorter break clauses and monthly, as opposed to quarterly, rents.[37] Other reports describe a similar picture.[38]

7.4.12 We have tested town centre retail in the main centre of Stratford-upon-Avon as this is the focus for future growth. In terms of what constitutes 'town centre', the proposed Submission Core Strategy, June 2014 identifies a town centre area for Stratford-upon-Avon with useful boundaries in functional terms. We also consider that on a strategic level in Stratford-on-Avon there is little difference between A1-A5 units. It has been suggested elsewhere that development of convenience, supermarket development may attract higher values whether in or out of town centres – however in the case of Stratford it is considered that this type of development is not currently planned for in the town centre and even if it did come forward there would be significantly higher development costs and land values involved in an in centre development, due to the historic nature and constraints of the centre, as opposed to a cleaner site outside of the town centre and therefore a single retail charge for in centre is appropriate in this circumstance. The residual analysis summarised in Table 5.6 shows that Stratford-upon-Avon town centre retail is not currently able to support a CIL charge.

7.4.13 There is a clear difference in the offer within Stratford-upon-Avon town centres and the other smaller town and village centres in the district. Therefore we have undertaken additional testing to reflect this position. To assess viability within smaller towns and villages we have tested both a small convenience retailer with the approximate size of 200 sqm and additionally we have also tested comparison retailers again of 200 sqm. However, whilst we have tested these uses we are of the view that the majority of development that is likely to come forward within these smaller centres will either be redevelopment of existing space or under the 100 sqm floorspace threshold, therefore neither will be liable for a levy.

7.4.14 The emerging Core Strategy sets out an aspiration for a new local centre to support the strategic allocation at Gaydon-Lighthorne Heath. A centre comprising of approximately 6,000 sqm floorspace has been suggested. Therefore we have also tested the viability of bringing forward a mixed use centre and whether a CIL could be levied on such a development. For the purposes of testing we have assumed a small supermarket is provided with a range of other convenience, comparison and service units. If just a supermarket is proposed then residual values are similar to those achieved for out of centre supermarkets, however as the authority requires a mix of retail uses, the combined residual values result in marginal viability. Therefore a zero or low levy should be set. Whilst not specifically tested it is understood that

[36] Deloitte (2012) *The changing face of retail: The store of the future* (2) see https://www.deloitte.com/view/en_GB/uk/industries/consumer-business/28098047f3685310VgnVCM3000001c56f00aRCRD.htm

[37] Ibid (9)

[38] Financial Times December 29 2011 *UK retail insolvencies expected to soar*

the proposed strategic site at Long Marston will also include a new centre, however as this is likely to be similar in size and composition to that proposed at Gaydon-Lighthorne Heath it is considered that the same viability issues will apply and that the same approach should be taken to both sites.

Table 7.6 In-centre retail uses

Use	Retail 1,000 sqm Town Centre	Retail small convenience – town/village centre	Retail small comparison - town/village centre	Urban extension 6,000 sqm of mixed retail units
Values/sqm	£3,104	£2,491	£1,865	£2,307
Development costs/sqm (inc. EUV + uplift)	£3,098	£2,525	£1,987	£2,275
Residual Value/sqm inc. allowance for EUV + uplift)	£5	-£34	-£121	£33

7.4.15 Although we have not specifically tested A2-A5 uses it is considered that most of these developments will either be less than 100 sqm or utilise existing floorspace and therefore would not be liable in most circumstances. If larger proposals do come forward which are liable for an out of town centre charge then they will be competing with other out of centre development and will attract similar values. Whilst there may be a limited number of larger proposals over the plan period, these have not been identified in the plan and therefore, even if they are not viable with a CIL charge deliverability of the Plan is not put at risk.

Leisure development

7.4.16 We have tested budget hotels, mixed leisure schemes and health clubs. Our high level appraisal of both these types of development shows that in the current market values are not sufficient to justify a CIL charge.

7.4.17 Hotels - the rapid expansion in the sector at the end of the last decade was in part fuelled by a preference for management contracts or franchise operations over traditional lease contracts. Outside London (which has shown remarkable resilience to the recession) hotel development is being strongly driven by the budget operators delivering new projects through traditional leasehold arrangements with institutional investors.

7.4.18 Our viability model is based on an out of city centre budget hotel scheme and in terms of Stratford-on-Avon it can be seen that there is not sufficient value realised to contribute to a levy.

Table 7.7 Hotel viability levy

Use	Hotels
Values/sqm	£1,397
Development costs/sqm (inc. EUV + uplift)	£2,339
Residual Value/sqm inc. allowance for EUV + uplift)	-£942

7.4.19 Mixed Leisure and fitness - a mixed leisure scheme to include facilities such as cinema, bowling, health and leisure complex, gambling and associated eating and drinking establishments. Our analysis shows that this sort of scheme is currently unlikely to be viable enough in Stratford-upon-Avon to support a CIL charge. We have also tested a stand-alone commercial health and fitness facility and that too is currently unlikely to be viable enough in Stratford-upon-Avon to support a CIL charge.

Table 7.8 Mixed leisure CIL charge

Use	Assembly/Leisure	Health & Fitness
Values/sqm	£2,021	£1,343
Development costs/sqm(inc. EUV + uplift)	£2,563	£1,975
Residual Value/sqm inc. allowance for EUV + uplift)	-£542	-£632

Care homes

7.4.20 In addition to the uses above we have tested the viability of care homes. There has been significant private sector investment in care homes in the recent past, fuelled by investment funds seeking new returns. However, there have been concerns about the occupancy rates and the ability to sustain prices. The high level analysis suggests that care homes are unlikely to be viable enough in Stratford-on-Avon to support a CIL charge.

Table 7.9 Care homes viability

Use	Care Homes
Values/sqm	£1,885
Development costs/sqm (inc. EUV + uplift)	£2,183
Residual Value/sqm inc. allowance for EUV + uplift)	-£298

Other non-residential development

7.4.21 In addition to the development considered above there are other non-residential uses that we have considered. PAS guidance suggests that there needs to be evidence that community uses are not able to support CIL charges. Our view is that it would not be helpful to set a CIL for the type of facilities that will be paid for by CIL (amongst other sources).

7.4.22 Our approach to this issue is that the commercial values for community uses are £0 but there are build costs of around £1,800/sqm plus the range of other development costs; with a net negative residual value. Therefore we recommend a £0 CIL for these uses.

7.5 Non Residential findings

7.5.1 It is clear from the results that retail development commands the highest values and the greatest potential to set a levy for out of centre developments. A charge of £120 p sqm is considered appropriate as this allows a buffer between the lowest value use of small scale convenience and the proposed charge to allow for the greater uncertainties of commercial development. In centre, whether Stratford-upon-Avon or the surrounding smaller towns and village centres, whilst values are similar in some cases, it is a different picture with higher development and land costs meaning residuals are much lower and in some cases negative, therefore a charge is not possible in these locations without putting planned delivery at risk.

7.5.2 The development of a new centre at the strategic sites of Gaydon-Lighthorne Heath and Long Marston whilst seemingly an attractive proposition for just convenience retailing, when other retail mixes are added such as comparison and service sector the viability diminishes, albeit still positive. Whilst the centre has yet to be defined as master planning continues, it is advised that the authority sets the whole of the strategic site as a separate charging zone until such a time as when the centre is formally identified. As delivery of the centre is an important part of the place making for this new settlement it is also considered that a cautious approach is taken to setting the charge, especially as the exact mix of uses has yet to be determined. Therefore a CIL rate of £10 p sqm is suggested to provide sufficient buffer from the ceiling to allow for the uncertainties of the proposal.

7.5.3 For all other types of non-residential development it is considered that the levy should be set at zero as there is insufficient value to set a charge without putting at risk future development.

8 Recommendations

8.1 Viability findings

8.1.1 The emerging Core Strategy indicates that the housing supply is dependent on the delivery of a mix of small and large urban brownfield sites, small greenfield sites and strategic greenfield sites. This has shaped the viability assumptions for the urban and greenfield sites.

8.1.2 As shown in the CIL Economic Viability Study, September 2013, an important study finding is that Stratford-upon-Avon district has effectively three value zones. This was further agreed by the stakeholder consultations and supported by the research on sales values.

8.1.3 A review of past planning consents identified that, there has been a steady stream of planning applications, with a particular focus on the supply of smaller brownfield sites in the rural areas and some medium to larger greenfield sites on the edge of the main settlements. However, the emerging plan and subsequent documents will be allocating a wide range of sites so the future pattern of development is likely to change, with a greater level of supply from large greenfield sites.

8.1.4 The relatively high values achieved in in the district means that in the majority of areas where future development is planned viability of development is not a major concern.

8.2 Study recommendations

8.2.1 The viability appraisal findings demonstrate that policy trade-off decisions are required between the need to deliver infrastructure to support the delivery of growth and meeting the affordable housing need if the delivery of the Core Strategy overall is to remain viable. These decisions will be informed in part by the requirement to meet housing need, infrastructure need and political priorities.

8.2.2 The CIL charge recommendation options are set out in **Table 8.1**.

Table 8.1 Recommended CIL rates

Policy position	Recommendations
CIL	<u>The residential CIL should be set according to the value areas and the Plan policy requirements including affordable housing:</u> Gaydon-Lighthorne Heath Strategic Site* – £110 per sqm CIL Long Marston Airfield* - £75 per sqm CIL Canal Quarter Strategic Site** – £85 per sqm CIL Small sites (10 and under units) - £75 per sqm CIL Rest of district – £150 per sqm CIL Extra Care (as defined in Appendix A) - £as above prevailing rate Retirement dwellings (as defined in Appendix A) - £ Zero CIL

	<u>On non-residential development CIL should be set at:</u> Retail development within all identified centres*** - £0 per sqm CIL Retail development within Gaydon/Lighthorne Heath and Long Marston strategic sites* - £10 per sqm CIL Out of centre retail - £120 per sqm CIL All other forms of liable floorspace - £0 per sqm CIL

* Boundaries of these two sites are defined on pages 39 and 40 of the Proposed Modifications Core Strategy, August 2015

**Boundary is set out on page 225 of the Core Strategy as submitted showing subsequent Proposed Modification, June 2015

***Centres boundaries are set out in pages 216 – 224 of the Core Strategy as submitted showing subsequent Proposed Modifications, June 2015

8.2.3 If CIL is collected on the recommended rates – then on the basis of Plan's housing targets and an average house size of 90 sqm per dwelling, the following CIL receipts could potentially be provided from residential development:

Table 8.2 Residential potential CIL receipts

Value area	Dwellings	Dwellings minus affordable housing	CIL rate	CIL receipt
Gaydon/Lighthorne Heath	2,300	1,495 (35%) £1	10 £1	4.8m
Long Marston Airfield	2,100	1,365 (35%) £7	5 £	9.2m
Canal Quarter	570	456 (20%) £8	5 £	3.5m
Small sites	200	200	£75 £	1.4m
Other sites*	1,830	1,190 (35%) £1	50 £1	6m
Total	**7,000**	**4,706**		**£44.9m**

* Assumes remainder of unconsented development minus strategic and small sites

Appendix A Glossary

Affordable Housing

Housing provided for sale, rent or shared equity at prices in perpetuity below the current market rate, which people in housing need are able to afford

Affordable Rent

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80 per cent of the local market rent (including service charges, where applicable).

Allocated

Land which has been identified for a specific use in the current development

Brownfield Land, Brownfield Site

Land or site that has been subject to previous development Charging Authority
The charging authority is the local planning authority, although it may distribute the received levy to other infrastructure providers such as the county council in two tier authorities

Care homes

Residential or nursing homes where 24 hour personal care and/or nursing care are provided together with all meals. People occupy under a licence arrangement.

Charging Schedule

The Charging Schedule sets out the charges the Charging Authority proposes to adopt for new development

Convenience Goods

Widely distributed and relatively inexpensive goods which are purchased frequently and with minimum of effort, such as newspapers and food.

Comparison Goods

Household or personal items which are more expensive and are usually purchased after comparing alternative models/types/styles and price of the item (e.g. clothes, furniture, electrical appliances). Such goods generally are used for some time

Development

Defined in planning law as ‘the carrying out of building, engineering, mining or other operations in, on, over, or under land, or the making of a material change of use of any building or land’

Extra care

Also known as assisted living by the private sector. It is provided across a range of tenures (owner occupied, rented, shared ownership/equity). This is housing with care whereby people live independently in their own flats but have access to 24 hour care and support. These are defined as schemes designed for an elderly population that may require further assistance with certain aspects of their day to day life. Arrangements for care provision vary between care provided according to eligible assessed need by the local authority and people purchasing privately who may not have such a high level of need which is on site and is purchased according to need. For private sector developments the care facilities are normally part of a care package with additional fees to pay for the service and facilities, which are on top of normal service charges and the cost of purchasing the property. The schemes will often have their own staff and may provide one or more meals per day. We consider these as schemes that will likely have a greater proportion of communal space than Retirement dwellings and a likely to be built to standards likely to suit an older population, i.e. wheelchair access, better designed bathroom facilities etc.

Infrastructure

The network of services to which it is usual for most buildings or activities to be connected. It includes physical services serving the particular development (e.g. gas, electricity and water supply; telephones, sewerage) and also includes networks of roads, public transport routes, footpaths etc. as well as community facilities and green infrastructure

Intermediate Housing

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing. Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.

Low Carbon

To minimise carbon dioxide emissions from a human activity

New Homes Bonus

The New Homes Bonus is a government funding scheme to ensure that the economic benefits of growth are returned to the local area. It commenced in April 2011, and will match fund the additional council tax raised for new homes and properties brought back into use, with an additional amount for affordable homes, for the following six years

Planning Obligations

Legal agreements between a planning authority and a developer, or undertakings offered unilaterally by a developer to ensure that specific works are carried out, payments made or other actions undertaken which would otherwise be outside the scope of the planning permission. Often called Section 106 (S106) obligations or contributions. The term legal agreements may embrace S106.

Renewable Energy

Energy generated from sources which are non-finite or can be replenished. Includes solar power, wind energy, power generated from waste, biomass etc.

Residual Land Value

The amount remaining once the gross development cost of a scheme is deducted from its gross development value and an appropriate return has been deducted

Retirement dwellings

Also known as sheltered housing, these are defined as groups of dwellings, often flats and bungalows that provide independent, self-contained homes. We consider that in addition to this, there will likely to be some element of communal facilities, such as a lounge or warden. A service charge will be in place to cover the normal ongoing costs but also incur additional costs to upkeep communal facilities as described.

Rural exception sites

Small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Small numbers of market homes may be allowed at the local authority's discretion, for example where essential to enable the delivery of affordable units without grant funding.

Section 106 (S106) Contributions

See **Planning Obligations**

Social Rent

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Threshold land value

Landowners have an important role in deciding whether a project goes ahead on the basis of return from the value of their land. The threshold land value, or the benchmark land value, refers to the minimum value of the land that is likely to trigger the land owner to sell the land.

Use Classes and 'Use'

The Town and Country Planning (Use Classes) Order, 1987, a statutory order made under planning legislation, which groups land uses into different categories (called use classes). Change of within a use class and some changes between classes do not require planning permission. Please note that the definition of 'use' within the CIL regulations is meant in its wider sense and not in terms of the use classes e.g. whilst a supermarket and a shop selling clothes are the same use in terms of the use class system i.e. A1 – they are clearly a different use in terms of the CIL regulations as a store selling only clothes is different from a store selling predominantly food.

Appendix B New Build Residential Values

Name of scheme	Type	Bed Nos	Prices	Size	Sales per sqm	Broad area
The Sunningdale at The Pastures, Kinwarton Farm Road, Kinwarton, Alcester, B49	Detached	4	£434,995	151	£2,881	Alcester
Roebuck park	Detached	4	£395,000	138	£2,862	Alcester
The Welwyn at The Pastures, Kinwarton Farm Road, Kinwarton, Alcester, B49	Detached	4	£399,995	142	£2,817	Alcester
The Pastures, Kinwarton/Alcester	Detached	3	£290,000	103	£2,816	Alcester
The Cambridge at The Pastures, Kinwarton Farm Road, Kinwarton, Alcester, B49	Detached	4	£349,995	125	£2,800	Alcester
The Pastures, Kinwarton/Alcester	Detached	4	£280,000	102	£2,745	Alcester
The Pastures, Kinwarton/Alcester	Detached	4	£320,000	117	£2,735	Alcester
The Pastures, Kinwarton/Alcester	Detached	4	£335,000	125	£2,680	Alcester
The Pastures, Kinwarton/Alcester	Semi	3	£235,000	88	£2,670	Alcester
Eskdale - Plot 25 at Meadow Fields, Bramley Way, Bidford-On-Avon, B50	Detached	4	£309,995	100	£3,100	Bidford - on - Avon
Kentdale - Plot 24 at Meadow Fields, Bramley Way, Bidford-On-Avon, B50	Detached	4	£305,995	100	£3,060	Bidford - on - Avon
Kentdale - Plot 18 at Meadow Fields, Bramley Way, Bidford-On-Avon, B50	Detached	4	£304,995	100	£3,050	Bidford - on - Avon
Yewdale - Plot 35 at Meadow Fields, Bramley Way, Bidford-On-Avon, B50	Detached	3	£246,995	81	£3,049	Bidford - on - Avon
Kempsford - Plot 4 at Meadow Fields, Bramley Way, Bidford-On-Avon, B50	Detached	4	£280,995	94	£2,989	Bidford - on - Avon
Gosford - Plot 32 at Meadow Fields, Bramley Way, Bidford-On-Avon, B50	Semi	3	£227,995	77	£2,961	Bidford - on - Avon
Kentdale - Plot 45 at Avon Meadows, Friday Furlong, Waterloo Road, Bidford-On-Avon	Detached	4	£299,995	105	£2,857	Bidford - on - Avon
Kentdale - Plot 35 at Avon Meadows, Friday Furlong, Waterloo Road, Bidford-On-Avon,	Detached	4	£299,995	105	£2,857	Bidford - on - Avon
Belford - Plot 61 at Avon Meadows, Friday Furlong, Waterloo Road, Bidford-On-Avon,	Semi	2	£184,995	66	£2,803	Bidford - on - Avon
Belford - Plot 60 at Avon Meadows, Friday Furlong, Waterloo Road, Bidford-On-Avon,	Semi	2	£183,995	66	£2,788	Bidford - on - Avon
Langdale - Plot 27 at Meadow Fields, Bramley Way, Bidford-On-Avon, B50	Detached	4	£372,995	135	£2,763	Bidford - on - Avon
Langdale - Plot 22 at Meadow Fields, Bramley Way, Bidford-On-Avon, B50	Detached	4	£370,995	135	£2,748	Bidford - on - Avon
Avondale - Plot 34 at Meadow Fields, Bramley Way, Bidford-On-Avon, B50	Detached	4	£345,995	128	£2,703	Bidford - on - Avon
Midford - Plot 65 at Avon Meadows, Friday Furlong, Waterloo Road, Bidford-On-Avon,	Detached	4	£295,995	110	£2,691	Bidford - on - Avon
Midford - Plot 64 at Avon Meadows, Friday Furlong, Waterloo Road, Bidford-On-Avon,	Detached	4	£294,995	110	£2,682	Bidford - on - Avon
Midford - Plot 37 at Avon Meadows, Friday Furlong, Waterloo Road, Bidford-On-Avon,	Detached	4	£294,995	110	£2,682	Bidford - on - Avon
Avondale - Plot 5 at Meadow Fields, Bramley Way, Bidford-On-Avon, B50	Detached	4	£342,995	128	£2,680	Bidford - on - Avon

The Midford - Plot 38 Avon Meadows, Friday Furlong, Waterloo Road, Bidford-On-Avon,	Detached	4	£289,995	110	£2,636	Bidford - on - Avon
Radford - Plot 36 Avon Meadows, Friday Furlong, Waterloo Road, Bidford-On-Avon,	Detached	4	£335,995	128	£2,625	Bidford - on - Avon
3 bedroom detached house for sale, Crompton Avenue, Bidford-On-Avon, Alcester,	Detached	3	£200,000	78	£2,559	Bidford - on - Avon
3 bedroom detached house for sale, 4A, Crompton Avenue, Bidford on Avon	Detached	3	£199,950	78	£2,558	Bidford - on - Avon
Midford - Plot 67 at Avon Meadows, Friday Furlong, Waterloo Road, Bidford-On-Avon,	Detached	4	£269,995	110	£2,455	Bidford - on - Avon
3 bedroom detached house for sale, Pippin Close, Bidford On Avon B50 4QQ	Detached	3	£249,950	110	£2,264	Bidford - on - Avon
Henley Grange, Stratford Road,	Flat	2	£400,000	102	£3,922	Henley in Arden
Farriers Cross, Warwick Road, Henley-in-Arden	Flat	2	£200,000	55	£3,636	Henley in Arden
Farriers Cross, Warwick Road, Henley-in-Arden	Terraced	3	£260,000	72	£3,611	Henley in Arden
Market Close, Henley-in-Arden	Detached	4	£370,000	114	£3,246	Henley in Arden
Stratford Road, Henley In Arden	Flat	2	£325,000	102	£3,186	Henley in Arden
Farriers Cross, Warwick Road, Henley-in-Arden	Detached	4	£365,000	120	£3,042	Henley in Arden
Farriers Cross, Warwick Road, Henley-in-Arden	Detached	5	£435,000	165	£2,636	Henley in Arden
Osterley at Kineton Meadows, Southam Road,	Detached	4	£525,000	140	£3,750	Kineton
Thornsett at Kineton Meadows, Southam Rd,	Detached	4	£495,000	138	£3,587	Kineton
Osterley Sp at Kineton Meadows, Southam Rd,	Detached	4	£495,000	140	£3,536	Kineton
Berrington at Kineton Meadows, Southam Rd,	Detached	4	£450,000	130	£3,462	Kineton
Astley at Kineton Meadows, Southam Road,	Detached	4	£425,000	130	£3,269	Kineton
The Old Bakery, Shipston-on-Stour	Flat	2	£180,000	58	£3,103	Shipston-o nStour
The Old Bakery, Shipston-on-Stour	Flat	2	£155,000	56	£2,768	Shipston-o nStour
Mill Road, Southem	Detached	3	£245,000	88	£2,784	Southam
Station Road, Southam	Terraced	2	£179,000	68	£2,632	Southam
Russell House, Ely Street, Stratford Upon Avon, Warwickshire, CV37	Flat	2	£425,000	101	£4,208	Stratford upon Avon
3 The Fold, Payton Street, Stratford upon Avon	Flat	2	£425,000	107	£3,972	Stratford upon Avon
Evesham Road, Stratford Upon Avon	Detached	4	£475,000	123	£3,862	Stratford upon Avon
Poppy Meadow, Kipling Road, Stratford-upon-Avon	Detached	4	£374,000	97	£3,856	Stratford upon Avon
The Bidford at Stratford Leys, Stratford-Upon-Avon,	Semi	4	£344,995	90	£3,833	Stratford upon Avon
Poppy Meadow, Kipling Road, Stratford-upon-Avon	Semi	2	£205,000	54	£3,796	Stratford upon Avon
Clompton Road, Stratford-upon-Avon	Detached	4	£315,000	83	£3,795	Stratford upon Avon
The Hathaways, Bishopton Lane, Bishopton, Stratford-upon-Avon	Detached	4	£370,000	98	£3,776	Stratford upon Avon
The Arundel at Stratford Leys, Stratford-Upon-Avon,	Detached	4	£519,995	140	£3,714	Stratford upon Avon
Poppy Meadow, Kipling Road, Stratford-upon-Avon	Terraced	3	£242,995	66	£3,682	Stratford upon Avon
The Residence, Banbury Road, Stratford-upon-Avon	Detached	4	£420,000	115	£3,652	Stratford upon Avon
The Hathaways, Bishopton Lane, Bishopton, Stratford-upon-Avon	Semi	2	£218,000	60	£3,633	Stratford upon Avon
Clompton Road, Stratford-upon-Avon	Semi	3	£270,000	75	£3,600	Stratford upon Avon
Clompton Road, Stratford-upon-Avon	Semi	3	£250,000	70	£3,571	Stratford upon Avon
The Goldicote at Stratford Leys, Stratford-Upon-Avon, Warwickshire, CV37	Detached	4	£519,995	150	£3,467	Stratford upon Avon

The Hathaways, Bishopton Lane, Bishopton, Stratford-upon-Avon	Terraced	3	£250,000	75	£3,333	Stratford upon Avon
The Residence, Banbury Road, Stratford-upon-Avon	Detached	4	£475,000	144	£3,299	Stratford upon Avon
Poppy Meadow, Kipling Road, Stratford-upon-Avon	Semi	3	£237,000	72	£3,292	Stratford upon Avon
4 Foxes Lane Aston Cantlow Road, Wilmcote	Semi	3	£345,000	108	£3,194	Stratford upon Avon
5 Foxes Lane Aston Cantlow Road, Wilmcote	Semi	3	£345,000	108	£3,194	Stratford upon Avon
3 Foxes Lane Aston Cantlow Road, Wilmcote	Semi	3	£345,000	109	£3,165	Stratford upon Avon
6 Foxes Lane Aston Cantlow Road, Wilmcote	Semi	3	£345,000	109	£3,165	Stratford upon Avon
1 Foxes Lane Aston Cantlow Road, Wilmcote	Semi	3	£345,000	109	£3,165	Stratford upon Avon
The Residence, Banbury Road, Stratford-upon-Avon	Detached	4	£500,000	162	£3,086	Stratford upon Avon
The Hathaways, Bishopton Lane, Bishopton, Stratford-upon-Avon	Detached	3	£320,000	105	£3,048	Stratford upon Avon
Off Alcester Road, Stratford-Upon-Avon	Semi	4	£420,000	142	£2,958	Stratford upon Avon
Minstrel Park, Cordelia Close, Stratford-upon-Avon	Flat	2	£165,000	56	£2,946	Stratford upon Avon
Hamlet Way, Stratford-upon-Avon, Warwickshire	Flat	2	£175,000	60	£2,917	Stratford upon Avon
The Hathaways, Bishopton Lane, Bishopton, Stratford-upon-Avon	Detached	4	£310,000	110	£2,818	Stratford upon Avon
Portia Road, Stratford-upon-Avon, Wigwam	Flat	2	£160,000	58	£2,759	Stratford upon Avon
The Hathaways, Bishopton Lane, Bishopton, Stratford-upon-Avon	Semi	3	£245,000	90	£2,722	Stratford upon Avon
Minstrel Park, Cordelia Close, Stratford-upon-Avon	Terraced	3	£259,000	104	£2,490	Stratford upon Avon
The Warwick at Bell Court, Bell Lane, Studley, B80	Semi	2	£180,000	61	£2,951	Studley
The Stratford at Bell Court, Bell Lane, Studley, B80	Semi	3	£230,000	105	£2,190	Studley
Castle Hill Lane, Upper Brailes	Detached	4	£630,000	179	£3,520	Upper Brailes
Barton Road, Welford-on-Avon, Peter Clarke	Detached	4	£700,000	140	£5,000	Welford on Avon
The Ibsley at The Arbour, Barton Road, Welford On Avon, CV37	Detached	4	£575,000	145	£3,966	Welford on Avon
The Gressingham at The Arbour, Barton Road, Welford On Avon, CV37	Semi	4	£455,000	120	£3,792	Welford on Avon
The Kempton at Hayfield Lawns, Long Marston Road, Welford On Avon, CV37	Detached	4	£675,000	179	£3,771	Welford on Avon
Grantham Road, Wellesbourne	Detached	4	£360,000	113	£3,186	Wellesbourne
Kineton Road, Wellesbourne	Semi	3	£285,000	109	£2,615	Wellesbourne
Farrington Close, Wellesbourne	Detached	3	£369,950	146	£2,534	Wellesbourne

Appendix C Strategic Sites Assumed S106 Costs

Research on High Street retail

Proposal		Gaydon Lighthorne Heath	Long Marston Airfield	Canal Quarter
Total Units		3,000	3,500	
S106 Cost per unit		£12,377	£23,683	
Stratford SWRR			£44,000,000	
M40 Junction 12 northbound on slip lane	Estimated contribution	£1,000,000		
Off-site highways junction improvements		£3,700,000	£7,200,000	
Contingency for traffic impact on local roads and villages		£3,000,000	£1,500,000	
Bus Subsidy		£5,000,000	£2,800,000	
Kineton High School Home to School Bus	Estimate tbc	£1,000,000	n/a	
Primary Education		£7,200,000	£10,000,000	
Secondary Education		£6,650,000	£11,700,000	
Community Hub		£909,032	£950,000	
Police Contribution		£200,000	£200,000	
GP Surgery		£2,300,000	£2,464,000	
Off-site indoor sport	Kineton HS pool	£3,100,000	CIL	
On-site indoor sport		£523,000	n/a	
On-site sports pavilions		£798,469	£800,000	
Primary School MUGA		£134,400	n/a	
Off-site outdoor sport	Improvements to existing	£250,000	n/a	
Ecological Reserve - Maintenance	Estimate tbc	£1,000,000	n/a	
Off-site walking and cycling contribution		£300,000	£1,200,000	
Library Service contribution		£65,664	£76,524	
A4390/B493 Evesham Place Roundabout				£230,000
A3400 Birmingham Road				£490,000
A46/A3400 Bishopton Roundabout				£730,000
A46/A422 Wildmoor Roundabout				£730,000
Canal bridge				£500,000
Grand Total		**£37,130,565**	**£82,890,524**	**£2,680,000**

Appendix D Retail Market Information

Research on High Street retail

Scheme	Location	Size	Rent (p.a.) per sqm
31 Henley Street	Stratford upon Avon (high street)	53	£264
Mulberry Street	Stratford upon Avon (high street)	98	£138
Avon House, Mulberry Street	Stratford upon Avon (high street)	66	£167
Shrieves Walk, Sheep Street	Stratford upon Avon (high street)	19	£524
Rother Street	Stratford upon Avon (high street)	34	£235
Wood Street	Stratford upon Avon (high street)	142	£282
Greenhill Street	Stratford upon Avon (high street)	49	£296
Wood Street	Stratford upon Avon (high street)	73	£507
High Street	Evesham (high street)	114	£105
Bridge Street	Evesham (high street)	136	£184
Bridge Street	Evesham (high street)	140	£125
Bridge Street	Wellesbourne	101	£196
Smith Street	Warwick (high street)	47	£122
St Johns Street	Warwick (high street)	53	£259

Research on Supermarkets

Store Operator	Location	Rent (sqm)	Yield	New store	Date
Morrisons	South Shields	£137	5.25%	Jun-10	Morrisons
Waitrose	Rickmansworth	£211	4%	Oct-10	Waitrose
M&S Simply Food	Maldon	£197	5.58%	Jun-08	M&S Simply Food
Waitrose	Hornchurch	£186	4.43%	Unknown	Waitrose
Sainsbury's	Tooting	£253	4.50%	Mar-11	Sainsbury's
Tesco	Welling	£232	4.75%	Nov-10	Tesco
Waitrose	Clerkenwell	£226	4.20%	Nov-09	Waitrose
ASDA	Bangor	£204	5%	Jun-11	ASDA

Tesco Extra	Coventry	£168	4.11%	Unknown	Tesco Extra
Waitrose	Crowborough	£192	5.04%	Unknown	Waitrose
Waitrose	Wantage	£172	4.50%	Unknown	Waitrose
Tesco	Wembley	£317	5.50%	Sep-12	Tesco
Tesco	Congleton	-	4.90%	Jun-12	Tesco
Tesco	Glastonbury	-	4.50%	Apr-12	Tesco
Tesco	St Ives	-	4.90%	Jan-12	Tesco
Tesco	Tiptree	£236	4.90%	Jan-12	Tesco
Tesco	Coventry	-	4.57%	Sep-11	Tesco
Tesco	Keynsham	-	4.96%	Aug-11	Tesco
Tesco	Ruthin	£161	4.96%	Aug-11	Tesco
Tesco	Welling	-	5%	Jul-11	Tesco
Tesco	Cardiff	-	4.50%	Feb-11	Tesco
Tesco	Chatteris	-	5%	Sep-12	Tesco
Tesco	Gosport	£215	5%	Apr-12	Tesco
Tesco	Corby	£215	4.60%	Oct-11	Tesco
Tesco	Welling	£232	4.75%	Jun-11	Tesco
Sainsbury's	Putney	£273	4%	Current	Sainsbury's
Sainsbury's	Sale	£242	4.10%	Aug-13	Sainsbury's
Sainsbury's	Hythe	£226	4.10%	Aug-03	Sainsbury's
Sainsbury's	Ashford	£248	4.10%	Aug-13	Sainsbury's
Morrisons	Milton Keynes	£242	4.25%	Jul-13	Morrisons
Morrisons	Edgware Road, London	£286	4.60%	Jan-13	Morrisons
Sainsbury's	Harrow Manor Way, London	£237	4.50%	Jan-13	Sainsbury's
Sainsbury's	March	£194	4.76%	Jul-13	Sainsbury's
Morrisons	Aldershot	£224	4.25%	Apr-13	Morrisons
Sainsbury's	Hayes	£331	4.19%	Apr-13	Sainsbury's
Tesco	Oldham	£181	5.28%	Current	Tesco
Tesco	Bedford	£54	-	Jul-11	Tesco

Waitrose	North Walsham	£161	-	Oct-12	Waitrose
Sainsbury's	Ballymena	£172	-	Feb-13	Sainsbury's
Sainsbury's	Londonderry	£172	-	Jun-12	Sainsbury's
Tesco Plc	Newry	£183	-	May-13	Tesco Plc
Waitrose Ltd	Worcester	£192	-	Dec-14	Waitrose Ltd
Tesco Plc	Lisburn	£194	-	Mar-12	Tesco Plc
Waitrose	Alton	£215	-	Apr-12	Waitrose
Asda	Isleworth	£221	-	Jul-10	Asda
Tesco	Derby	£236	-	Feb-12	Tesco
Tesco	Stroud	£270	-	Mar-13	Tesco
Waitrose	New Malden	£315	-	Nov-13	Waitrose
Waitrose	South Croydon	-	4.23%	Jan-11	Waitrose
Waitrose	York	-	4.45%	Dec-10	Waitrose
Tesco	Braintree	-	4.85%	Jan-12	Tesco
Tesco	St Ives	-	4.90%	Jan-12	Tesco
Tesco	Keynsham	-	4.96%	Aug-11	Tesco
Tesco	Keynsham	-	5.30%	Oct-10	Tesco
Tesco	Bristol	-	6.62%	Sep-11	Tesco

Research on Smaller Supermarkets (rents)

Broad Location	Tenant	Achieved rent per sqm	Transaction date
Bath	Tesco	140	2014
West Midlands	Aldi Ltd	147	2013
Merseyside	Aldi	152	2011
London	Lidl Ltd	161	2008
Nottinghamshire	ALDI, Inc.	171	2006
Suffolk	ALDI, Inc.	175	2013
Cheshire	Aldi Stores Ltd	191	2009
Essex	Lidl Ltd	191	2008
Preston	Sainsbury’s	160	2014

Market Harborough	Tesco	156	2011
Guildford	Morrisons	173	2013
Twickenham	Tesco	310	2012
Hampshire	Lidl Ltd	279	2010

Research on Smaller Supermarkets (yields)

Broad Location	Tenant	Yield (%)
Middlesex	Lidl	4.15
Worcestershire	Lidl	4.56
London	Lidl	5.5
Cumbria	Lidl	5
Staffordshire	Lidl	5.2
Hampshire	Lidl	6.9
West Glamorgan	Lidl	5.76
Avon	Lidl	5.75
Not disclosed	Lidl	6.5
Somerset	Aldi	5.4
Lancashire	Aldi	6.25
West Yorkshire	Aldi	4.31
Co Durham	Aldi	6.3
Various	Tesco	4.9
Newcastle	Waitrose	4.75
Hornchurch	Waitrose	4.43

Research on Small, local Convenience retailers - Rents

Broad Location	Tenant	Size (sqm)	Rent (per sqm)
Wantage	Waitrose Ltd	250	£161
Oakham	Somerfield Stores	640	£246
Malvern Wells	Tesco	372	£122

Leicester	Co-Op	n/a	£133
Alcester Road, West Midlands	Tesco	371	£175

Research on small local Convenience retailers - Yields

Broad Location	Tenant	Yield
Wantage	Waitrose	4.5
Oakham	Co-operative Group	5
Coventry	Tesco	4.57
Leicester	Co-operative Group	4.76
Malvern Wells	Tesco	5.75
Wantage	J Sainsbury	4.5
Wootton Bassett	J Sainsbury	6.6
Cheltenham	J Sainsbury	4.9
Oxford	Tesco	4.89
Tetbury	N/A	4.27
Birmingham	The Co-operative Group	5.25
Halesowen	The Co-operative Group	5.25
Stourbridge	N/A	5.79
Milton Keynes	N/A	6.5

Research on Office and Industrial units

Type	Scheme	Location	Rent per sqm
Industrial / Warehousing	Units 9 - 13 Avenue Fields Ind. Estate	Stratford on Avon	£84
General Industrial	Unit 7 Dodwell Trading Estate	Stratford on Avon	£63
Industrial / Warehousing	Western Road estate	Stratford on Avon	£76
Industrial	Welford Road	Long Marston	£54
Warehousing	Meon Vale	Long Marston	£32
Industrial /. Warehousing	Station Rd	Long Marston	£57
Industrial	Kingley Farm	Alcester	£54

Industrial	Arden Forest Industrial Estate	Alcester	£48
Industrial / Warehousing	Hunt End Industrial Estate	Redditch	£72
Business Park / Out of centre offices	Wootton Park Business Centre	Henley in Arden	£134
Business Park / Out of centre offices	Newhouse Farm Business Centre	Henley in Arden	£193
Business Park / Out of centre offices	Warwick Technology Park	Warwick	£161
Business Park / Out of centre offices	Newhouse Farm Business Centre	Stratford on Avon	£78
Business Park / Out of centre offices	Shottery Brook Office Park	Stratford on Avon	£80
Business Park / Out of centre offices	Haddonsacre Business Park	Evesham	£60
Business Park / Out of centre offices	Springfield Business Park,	Alcester	£86
Business Park / Out of centre offices	Wixford Park	Bidford-on-avon	£120
Town centre office	Rother Street	Stratford on avon	£226
Town centre office	Rother Street	Stratford on avon	£236
Town centre office	Rother Street	Stratford on avon	£226
Town centre office	Rother Street	Stratford on avon	£226
Town centre office	Guild Street	Stratford on avon	£243
Town centre office	Guild Street	Stratford on avon	£207
Town centre office	George Harborne House, High Street	Bidford-on-avon	£69
Town centre office	High Street	Alcester	£70
Town centre office	Tything Road East	Stratford on avon	£105
Town centre office	High street	Henley in Arden	£113