Maidstone Borough Council
Revised Plan and CIL Viability Study

On behalf of **Maidstone Borough Council**

MAIDSTONE
Borough Council

Project Ref: 33359 | Rev: 1 | Date: July 2015

Office Address: 10 Queen Square, Bristol, BS1 4NT
T: +44 (0)117 928 1560 F: +44 (0)117 928 1570 E: bristol@peterbrett.com

Document Control Sheet

Project Name: Further Maidstone Viability Testing Study

Project Ref: 33359

Report Title: Further Maidstone Viability Testing Study

Doc Ref: Final Report

Date: July 2015

	Name	Position	Signature	Date
Prepared by:	Tom Marshall	Graduate	TM	July 2015
Reviewed by:	Mark Felgate	Associate	MF	July 2015
Approved by:	John Baker	Partner	JB	July 2015
For and on behalf of Peter Brett Associates LLP				

Revision	Date	Description	Prepared	Reviewed	Approved
01	June 2015	Draft Report	TM	MF	JB
02	July 2015	Final Report	TM	MF	JB

Contents

Tables

Appendices

1 Introduction

1.1 The study scope

1.1.1 Peter Brett Associates LLP (PBA) was commissioned by Maidstone Borough Council to undertake a viability assessment at a strategic plan level and provide the following outputs:

- A plan viability assessment (PV) of the Maidstone Local Plan 2011 – 2031
- To test the impact of affordable housing policy in the context of the PV assessment.
- Viability assessment of theoretical developments taking into account the Local Plan requirements and other cost, to inform the Community Infrastructure Levy (CIL) rates.

1.1.2 The main purpose of a plan viability (or PV) assessment is to provide evidence to show that the requirements of the National Planning Policy Framework (NPPF) are met. That is, the policy requirements in the Plan should not threaten the development viability of the plan as a whole. The objective of this study is to inform policy decisions relating to the trade-offs between the policy aspirations of achieving sustainable development and the realities of economic viability.

1.1.3 This is the second plan viability assessment that PBA have prepared for Maidstone Borough Council, having previously conducted an assessment published in May 2013. It is intended that the viability evidence and results provided in this document fully replaces those within the previous assessment.

1.1.4 The report and the accompanying appraisals have been prepared in line with the Royal Institute of Chartered Surveyors (RICS) valuation guidance. However, it is first and foremost a supporting document to inform the Local Plan evidence base and planning policy, in particular policy concerned with the planning, funding and delivery of infrastructure needed to support delivery of the plan.

1.1.5 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.

Defining local plan level viability

1.1.6 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.'

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

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.

1.1.7 It should be noted that the approach to Local Plan level viability assessment does not require all sites in the plan to be viable. The Harman Report says that a site typologies approach (i.e. assessing a range of example development sites likely to come forward) 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.

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'.

1.1.8 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.

'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.'

1.1.9 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.

1.1.10 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' .

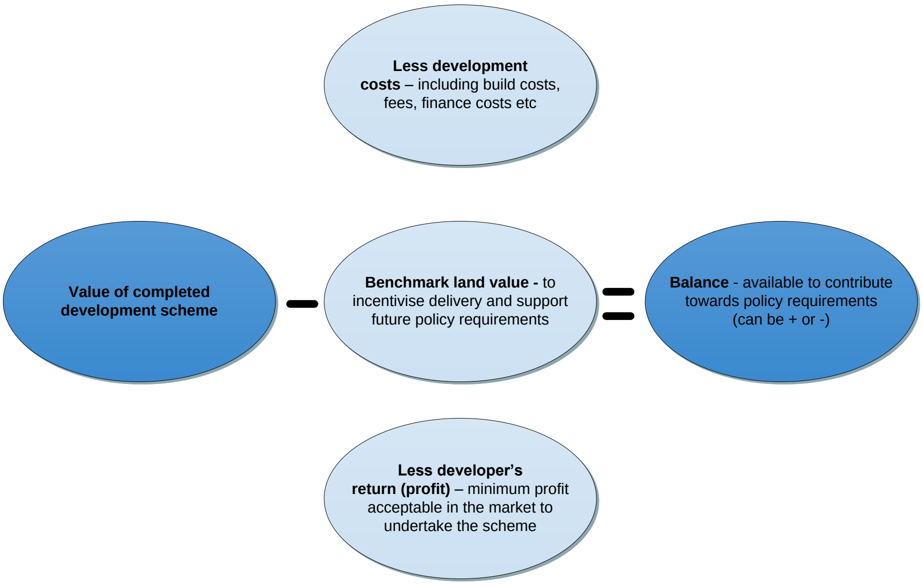
1.1.11 The Harman Report points out the importance of minimising risk to the delivery of the plan. Risks can come from policy requirements that are either too high or too low. So, planning authorities must have regard to the risks of damaging plan delivery with excessive policy costs - but equally, they 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.

1.2 Approach used for the development viability appraisals

1.2.1 The PBA development viability model was used to test Plan delivery based on viability and to ascertain a CIL charge. This involved high level testing of a number of hypothetical and named schemes that represent the future allocation of development land in Maidstone Borough.

1.2.2 The viability testing and study results are based on a standard residual land valuation of different land uses relevant to different parts of the Borough, aiming to show typical values for each site. The approach takes the difference between development values and costs, and compares the 'residual value' (i.e. what is left over after the cost of building the site is deducted from the potential sales value of the completed site/buildings) with a benchmark/threshold land value (i.e. the value over and above the existing use value a landowner would want to accept to bring the site to market for development) to determine the balance that could be available to support policy costs such as affordable housing and infrastructure. This is a standard approach, which is advocated by the Harman Report. The broad method is illustrated in the **Figure 1.1**.

Figure 1.1 Approach to residual land value assessment for whole plan viability



1.2.3 When added to a set of locally based assumptions on benchmark/threshold land values and developer return, we can produce a set of viability assessments for the potential strategic development sites. This is then built into the cash flow modelling (i.e. the timing and costs of finance) to assess viability through the lifetime of the development, where costs and returns will be flowing through the development cycle. The purpose of the assessment is to identify the balance available to pay for policy costs. We refer to this balance available at the end as the 'headroom'.

1.2.4 The arithmetic of residual land value assessment is straightforward (we use a bespoke spreadsheet models for the assessments). 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 is required by CIL regulations for estimating appropriate CIL charges. Therefore our viability assessments in this report are necessarily broad approximations, subject to a margin of uncertainty.

1.2.5 Examples of the residential and a non-residential site assessment sheets are set out in **Appendix B**.

1.3 Consultation

1.3.1 As part of PBA's viability assessment conducted in May 2013, the Council arranged a viability workshop for the local development industry to enable us to test the assumptions.

1.3.2 The workshop was attended by a mix of house builders, surveyors, architects, agents and landowners and promoters. There were also representatives from local Registered Providers.

1.3.3 The key data discussed included:

- Typologies;
- The density and mix of development;
- Estimated market values of completed development;
- Existing use and open market land values;
- Basic build cost;
- External works (% of build cost);
- Professional fees (% of build cost);
- Marketing & sales costs (% of development value);
- Typical S106 costs;
- Finance costs (typical prevailing rates); and
- Developer's margin (% of development value)

1.3.4 As this information refers to data gathered in our 2013 study, PBA have conducted a number of telephone consultations with similar agents from the local area in order to gain a view as to how this data may have changed since.

1.4 Approach

Report structure

1.4.1 The rest of this report is set out as follows:

- Chapter 2 sets out the policy and legal requirements relating to whole plan viability, affordable housing and community infrastructure levy which the study assessment must comply with.
- Chapter 3 outlines the planning and development context, and considers past delivery.
- Chapter 4 sets out the current policies and their impact on viability.
- Chapters 5 and 6 describe the local residential and non-residential markets, and the development scenarios to be tested, assumptions and viability results.
- Chapter 7 concludes by setting out the main findings and translates this into recommendations for the whole plan viability and specifically affordable housing and CIL.
- A glossary of key terms is available in **Appendix C**

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:

'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]

2.1.3 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]

2.1.4 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.

Deliverability and developability considerations in the NPPF

2.1.5 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:

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.

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]

2.1.6 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.

2.1.7 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, off site contributions, and flexibility in policy

2.2.7 In December 2014, the government updated the guidance regarding affordable housing and S106 thresholds. Where originally local authorities were able to seek affordable housing and S106 contributions on all schemes, the government published a revision to planning guidance requiring a threshold of more than 10 homes, or 5 homes in designated rural areas. Effectively this means that schemes of 10 units and less (or which have a maximum combined floorspace of 1,000 sq.m) or of 5 or less in designated rural areas, are now exempt from contributing to affordable housing or tariff based S106 infrastructure requirements.

2.2.8 This approach is considered straight forward in urban areas with no rural designations. However for rural areas the picture is more complex, especially in identifying what constitutes a designated rural area. The guidance states that this applies *'to rural areas described under section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty'*

2.2.9 It is understood that there are several parishes that are designated under the Housing Act in Maidstone and therefore the potential to seek affordable housing within these areas will need to be explored within this report.

2.2.10 The NPPG confirms that this applies to seeking affordable housing though S106 or to *'pooled funding 'pots' intended to fund the provision of general infrastructure in the wider area'*. Authorities can still seek site specific infrastructure necessary to make the development acceptable in planning terms, such as improving road access or street lighting.

2.2.11 Any testing will need to take into account these central government requirements and whilst it does reduce the ability of the authority to receive S106 contributions and in particular affordable housing, it will mean in viability terms that sites of 10 or less sites of 5 and less dwellings will be more viable and thus have potential for a greater level of CIL contribution.

2.2.12 The NPPF requires local planning authorities through the duty to cooperate with neighbouring authorities to reflect affordable housing needs[8]:

'in rural areas, exercising the duty to cooperate with neighbouring authorities, local planning authorities should be responsive to local circumstances and plan housing development to reflect local needs, particularly for affordable housing, including through rural exception sites where appropriate. Local planning authorities should in particular consider whether allowing some market housing would facilitate the provision of significant additional affordable housing to meet local needs'.

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:

'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.' [9]

2.3.2 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

[8] DCLG (2012) op cit (para 54 page 14)

[9] Ibid (p42, para 177)

should *'facilitate development across the economic cycle,'* [10] 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[11], as amended in 2011[12], 2012[13], 2013[14] and 2014[15].
- National Planning Practice Guidance on CIL (NPPG CIL).[16]

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:

'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.

[10] Ibid (p42, para 174)
[11] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf
[12] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf
[13] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf
[14] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf
[15] http://www.legislation.gov.uk/uksi/2014/385/pdfs/uksi_20140385_en.pdf
[16] DCLG (February 2014) Community Infrastructure Levy Guidance and DCLG (June 2014) National Planning Practice Guidance: Community Infrastructure Levy (NPPG CIL)

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.

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.' [17]

2.4.6 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.

2.4.7 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 an appropriate balance…' i.e. it is recognised there is no one perfect balance;

'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.' [18]

2.4.8 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…..'[19]

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

2.4.10 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).* [20]

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

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

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

[20] DCLG NPPG CIL (para 019)

2.4.11 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

2.4.12 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.'[21]

2.4.13 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.
- 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

2.4.14 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').[22] 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.

2.4.15 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.'* [23]

2.4.16 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.[24]

2.4.17 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.'* [25]

[21] DCLG NPPG CIL (para 019)

[22] 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.

[23] DCLG NPPG CIL (para 021)

[24] Ibid

[25] Ibid

Supporting evidence

2.4.18 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedule[26]. The guidance expands on this, explaining that the available data *'is unlikely to be fully comprehensive'*.[27]

2.4.19 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

2.4.20 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;
- 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 sq.m (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

2.4.21 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.

2.4.22 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).

2.4.23 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.

2.4.24 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*

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

[27] DCLG NPPG CIL (para 019)

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'.

2.4.25 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.

2.4.26 In December 2014, the government updated the guidance regarding affordable housing and s106 thresholds. Where originally local authorities were able to seek affordable housing and s106 contributions on all schemes, the government published a revision to planning guidance requiring a threshold of more than 10 homes, or 5 homes in designated rural areas. Effectively this means that schemes of 10 units and less (or which have a maximum combined floorspace of 1,000 square metres) or of 5 or less in designated rural areas, are now exempt from contributing to affordable housing or tariff based s106 infrastructure requirements.

2.4.27 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.

What the CIL examiner will be looking for

2.4.28 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.

2.4.29 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*'[28]. 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.

[28] DCLG NPPG CIL (para 011)

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 The NPPG has introduced nationally prescribed affordable housing thresholds and removes the greater flexibility for local authorities to meet local needs based on a clear understanding of local market, need, viability and delivery. 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.

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

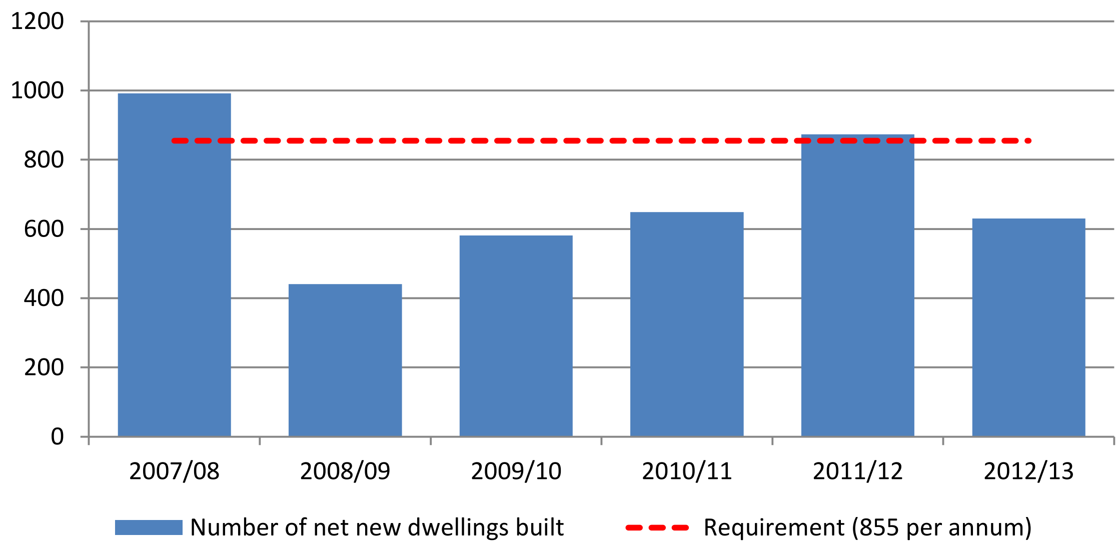
3.1 Introduction

3.1.1 This chapter briefly outlines the local development context in Maidstone reviewing past development that has taken place. This development context is important as it is used to inform 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. Maidstone Borough council's latest Annual Monitoring Report[29] (AMR) contains a review of performance within Maidstone over the last six years. This showed that 4,166 dwellings were delivered in the previous six years, on average approximately 694 per year. Table 3.1 shows the delivery over the previous six years compared to the local plans target of 17,100 units or 855 units annually. Although this target was achieved in two of the previous six years it can also be seen that delivery in other years has fallen slightly behind this target level.

Table 3.1 Residential completions 2007-2013



Source: Maidstone Borough Council Annual Monitoring Reports

Scale and type of past delivery

3.2.2 In terms of the scale and type of developments brought forward in recent years, the council's Annual Monitoring Report from the previous 5 years suggests that the majority of units built in the previous five years were houses. Flats (or maisonettes) only accounted for approximately 15% of the total units developed. Furthermore the AMR's appear to show a downward trend in the proportion of flats provided across the period.

[29] Annual Monitoring report 31st March 2012 to 1st April 2013, Maidstone Borough Council

Table 3.2 Types of developments

	2008/9	2009/10	2010/11	2011/12	2012/13	5 year average
Houses	80%	85%	85%	86%	88%	86%
Flats	20%	15%	15%	14%	12%	14%

Source: Maidstone Borough Council Annual Monitoring Reports

Density

3.2.3 Policy H2 of the Maidstone local plan sets out an ambition for densities of developments throughout the borough. For instance, the policy has an expectation for densities between 45 and 170 dwellings per hectare in developments within the town centre, densities of 35 dwellings per hectare adjacent to the urban areas, and above 30 dwellings in rural service areas and larger villages. The AMR identifies that the vast majority of the sites are built at higher densities, particularly in the 2012 to 2013 year where at least 80% were built at densities greater than 30 dwellings per hectare.

Table 3.3 Density of developments

	2008/09	2009/10	2010/11	2011/12	2012/13	5 year average
Less than 30 dwellings per hectare	18%	11%	17%	16%	20%	16%
Between 30 and 50 dwellings per hectare	27%	38%	38%	39%	44%	37%
Greater than 50 dwellings per hectare	55%	51%	45%	45%	36%	46%

Source: Maidstone Borough Council Annual Monitoring Reports

Development on greenfield and brownfield land

3.2.4 The Annual monitoring report identifies that in the five year period between 2008 and 2013 a large proportion of development (on average 86%) was developed on brownfield land. Furthermore, over the last five years the proportion of land built on greenfield land was fairly consistently between 10% and 20%.

Table 3.4 Developments and land types

	Brownfield	Greenfield
2012/13	85%	15%
2011/12	92%	8%
2010/11	79%	21%
2009/10	86%	14%

2008/09	89%	11%

Source: Maidstone Borough Council Annual Monitoring Reports

Affordable housing

3.2.5 Policies regarding the level of affordable housing to be sought are a key component in viability studies. The Council will need to be mindful of overloading development costs and potentially stymieing development. The viability analysis contained within this report tests a range of affordable housing scenarios and makes recommendations of an appropriate level that will contribute to meeting the identified need but not put at risk delivery of development and associated infrastructure requirements.

3.2.6 Table 3.5 shows the delivery of affordable housing within Maidstone Borough. Although falling slightly in the most recent year in Maidstone's AMR, the provision of affordable housing is seen as fairly high, with on average 44% of the total number of houses developed between 2008 and 2013 classed as affordable. However, whilst this figure appears high, it is likely that not all the affordable housing has been funded directly by development. We anticipate that a number of these schemes may have received subsidies and therefore cannot necessarily give an indication as to a viable proportion of affordable housing sought from development.

Table 3.5 Affordable housing provision

	2008/9	2009/10	2010/11	2011/12	2012/13	2008 to 2013
Affordable Housing delivered within the borough	204	273	254	380	183	731
As a proportion of net dwellings completed (from Table 3.1)	46%	47%	39%	44%	29%	44%

Source: Maidstone Borough Council Annual Monitoring Reports

4 Local Plan policies and potential for impact on viability

4.1 Local plan policies

4.1.1 In order to be able to identify the full implications of local policies on development viability, we have reviewed the policy requirements within the Maidstone Borough Local Plan to identify those that may have a cost implication and hence an impact on viability.

4.1.2 The policies have been assessed, firstly to determine whether there is likely to be a cost implication over and above that required by the market to deliver the defined development. For those policies where there will be, or could be, a cost implication, we have undertaken a broad assessment of the nature of that cost, including whether the cost is likely to be Borough-wide or site specific, whether costs are related to specific timescales or apply for the entire life of the plan and whether costs are likely to be incurred directly by the developer through on site or off site development, or via financial contributions made by the developer to other agencies or developers towards wider schemes within the Borough.

4.1.3 Table 4.1 sets out the results of our policy review. Green indicates the policy has no cost/testing implication, amber indicates a slight impact, and red meaning that the policy would have some bearing on the viability of sites.

Table 4.1 Local Plan policy assessment matrix

Local Plan policy	Does the policy have an impact for testing?	Details of viability testing implication
Policy SS1 - Maidstone Borough spatial strategy	Yes	The policy outlines the locations across Maidstone Borough Council where development is proposed to come forward. In terms of an impact on testing, consideration must be given to values specific to these locations. The policy also outlines the provision for 17,100 dwelling in the plan period, along with aspirations for future office, retail and warehouse floorspace.
Policy SP1 - Maidstone town centre	Yes	Policy defines the town centre boundary, and aspirations for enhancing and protecting retail units. Testing of retail or office units will refer to this boundary.
Policy SP2 - Maidstone urban area	Yes	Provides the urban boundary which is referred to in Policy SS1 regarding locations of development. Testing of residential typologies will refer to this boundary.
Policy SP3 - Rural service centres	No	
Policy SP4 - Larger villages	No	
Policy SP5 - Countryside	No	
Policy H1 - Housing allocations	Yes	The policy provides a number of sites that will deliver approximately 9,000 homes towards the target. Sites, that have not yet been granted permission, could form the typologies for our testing.

Policy H2 - Housing densities	Yes	The policy sets out standards for expected densities. In viability terms, the density of a scheme can have a significant impact.
Policy H3 - Future locations for housing growth	No	
Policy RMX1 - Retail and mixed use allocations	No	
Policy EMP1 - Employment allocations	No	
Policy GT1 - Gypsy and Traveller allocations	No	
Policy PKR1 - Park and ride allocations	No	
Policy DM1 - Development on brownfield land	No	
Policy DM2 - Sustainable design standards	Yes	The policy promotes sustainable design standards. For residential sites the code for sustainable homes level 4 is encouraged, however government policy has since removed these standards and improved sustainability measures have been incorporated into 2013 Building Regulations. As this is captured within tender prices within BCIS we deem it unnecessary to account for in our appraisal. For non-residential developments of 1,000m2 and above, BREEAM very good is expected.
Policy DM3 - Renewable and low carbon energy schemes	No	
Policy DM4 - Principles of good design	No	
Policy DM5 - Residential garden land	No	
Policy DM6 - External lighting	No	
Policy DM7 - Signage and shop fronts	No	
Policy DM8 - Residential extensions, conversions and redevelopment	No	
Policy DM9 - Non-conforming uses	No	
Policy DM10 - Historic and natural environment	No	
Policy DM11 - Open space and recreation	Yes	Whilst not a direct impact the modelling will need to make sure that there is sufficient scope within assumptions or proposed rates to accommodate the infrastructure requirements arising from policy. These will need to be broad assumptions as the detail requirements will only be established at a site specific level.

Policy DM12 - Community facilities	Yes	Whilst not a direct impact the modelling will need to make sure that there is sufficient scope within assumptions or proposed rates to accommodate the infrastructure requirements arising from policy. These will need to be broad assumptions as the detail requirements will only be established at a site specific level.
Policy DM13 - Sustainable transport	No	
Policy DM14 - Public transport	No	
Policy DM15 - Park and ride sites	No	
Policy DM16 - Air quality	No	
Policy DM17 - Economic development	No	
Policy DM18 - Retention of employment sites	No	
Policy DM19 - Town centre uses	No	
Policy DM20 - District centres, local centres and local shops and facilities	No	
Policy DM21 - Residential premises above shops and businesses	No	
Policy DM22 - Mooring facilities and boat yards	No	
Policy DM23 - Housing mix	Yes	The policy intends that the housing mix should reflect local requirements as set out in relevant supporting documents such as the Strategic Housing Market assessments.
Policy DM24 - Affordable housing	Yes	The policy states the following target rates for provision on sites of over 10 residential units: Previously developed land - urban - 15%; Greenfield and private residential gardens - urban and urban periphery - 30%; and Countryside, rural service centres and larger villages - 40%. In terms of tenures, the council will seek a split in the borough of not less than 65% affordable rented housing, social rented housing or a mixture of the two. The balance of up to 35% of affordable dwellings delivered will be intermediate affordable housing (shared ownership and/or intermediate rent).
Policy DM25 - Local needs housing	No	
Policy DM26 - Gypsy, Traveller and	No	

Travelling Showpeople		
Policy DM27 - Primary shopping frontages	No	
Policy DM28 - Secondary shopping frontages	No	
Policy DM29 - Leisure and community uses in the town centre	No	
Policy DM30 - Design principles in the countryside	No	
Policy DM31 - New agricultural buildings and structures	No	
Policy DM32 - Conversion of rural buildings	No	
Policy DM33 - Rebuilding and extending dwellings in the countryside	No	
Policy DM34 - Change of use of agricultural land to domestic garden land	No	
Policy DM35 - Accommodation for agricultural and forestry workers	No	
Policy DM36 - Live-work units	No	
Policy DM37 - Expansion of existing businesses in rural areas	No	
Policy DM38 - Holiday caravan and camp sites	No	
Policy DM39 - Caravan storage in the countryside	No	
Policy DM40 - Retail units in the countryside	No	
Policy DM41 - Equestrian development	No	
Policy ID1 - Infrastructure delivery	Yes	Where site specific costs are available for any larger, strategic sites these shall be factored into our viability testing. At present, Maidstone Borough Council have identified the sites at Springfield Road and Haynes as the only potential strategic sites however at the time of the study there is insufficient data available to set out specific infrastructure needs. Instead, it will be important that any final decisions on viability are not undertaken at the margins and suitable assumptions or buffer is factored in to account for variance in these costs.

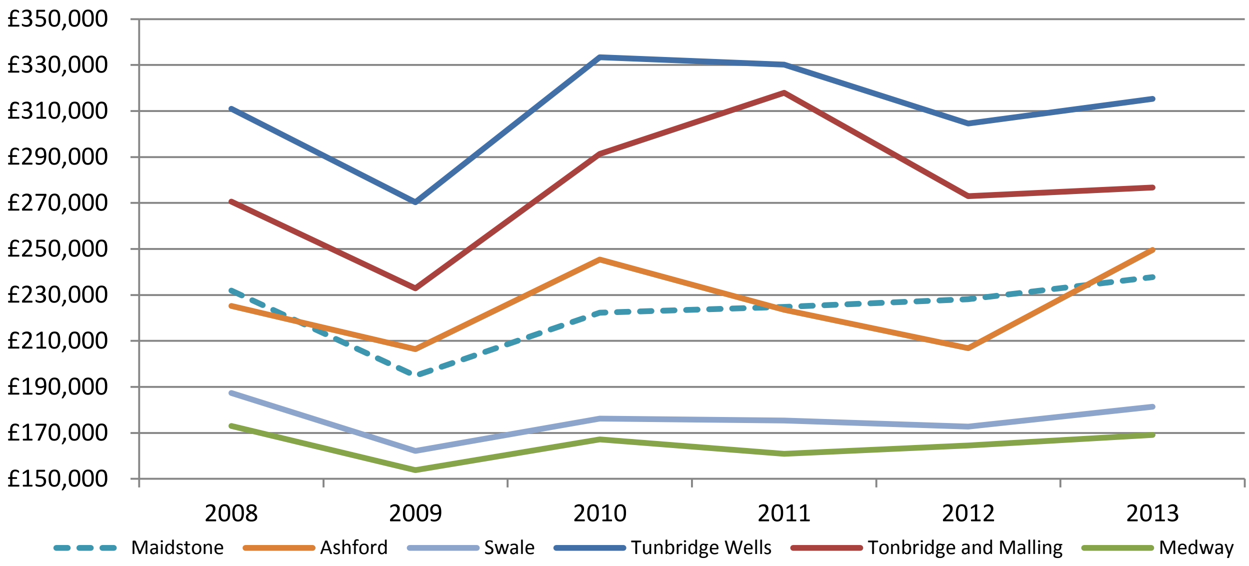
Policy ID2 - Electronic communications	No	

5 Residential Market and Viability

5.1 Residential market overview

5.1.1 **Figure 5.1** displays average house price data of the neighbouring local authorities to Maidstone. House price for Maidstone Borough between 2008 and 2013, indicated by the dashed line, ranged between £200,000 and £240,000, having fallen considerably in 2009 before gradually returning to similar values in 2013. Compared to neighbouring authorities, house prices represent a mid-point; higher than Swale and Medway but notably lower than Tunbridge Wells and Tonbridge and Malling. The values in 2013 suggests that the average house price is approximately £235,000, which is higher compared to the England and Wales average of approximately £160,000 at that point in time.

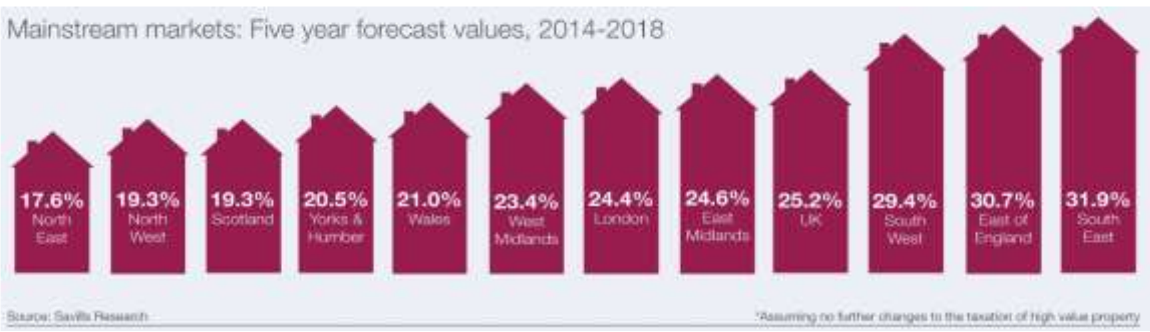
Figure 5.1 Average House prices



Source: Land Registry (Q1, 2008 – 2013)

5.1.2 Looking forward in **Figure 5.2**, the latest projections of house prices prepared by Savills in their Residential Property Focus (Q2 2014), shows that the South East is expected to grow at the highest rate of any other region in the UK (31.9%), and considerably higher rate than the UK average over the period 2014 to 2018 (25.2%).

Figure 5.2 Five Year forecast values, 2014-2018



Source: Savills (May 2014)

5.2 Maidstone

5.2.1 In terms of locations within Maidstone Borough, **Figure 5.3** and **Figure 5.4** use land registry data of all transactions within the borough since January 2010 to map average house price values to individual postcode sectors across the borough in order to indicate where values differ. Post code sectors with lighter shading refer to areas where values are lower compared with darker areas where the average is higher.

5.2.2 In the case of both housing and to a lesser extent flats there appears to be lower values in the postcodes in and around the town centre boundary compared to postcodes outside of the boundary. The pattern for flats appears less distinct due to the fewer amounts of flats sold in these postcode areas. Outside of the boundary, whilst prices vary slightly between the rural locations it is difficult to discern a clear pattern in values. It is therefore considered that viability testing shall consider the urban area (as defined by Maidstone Borough Council's urban area boundary) and rural locations (defined by locations outside of the urban boundary) separately.

Figure 5.3 Average house prices by Postcode sector

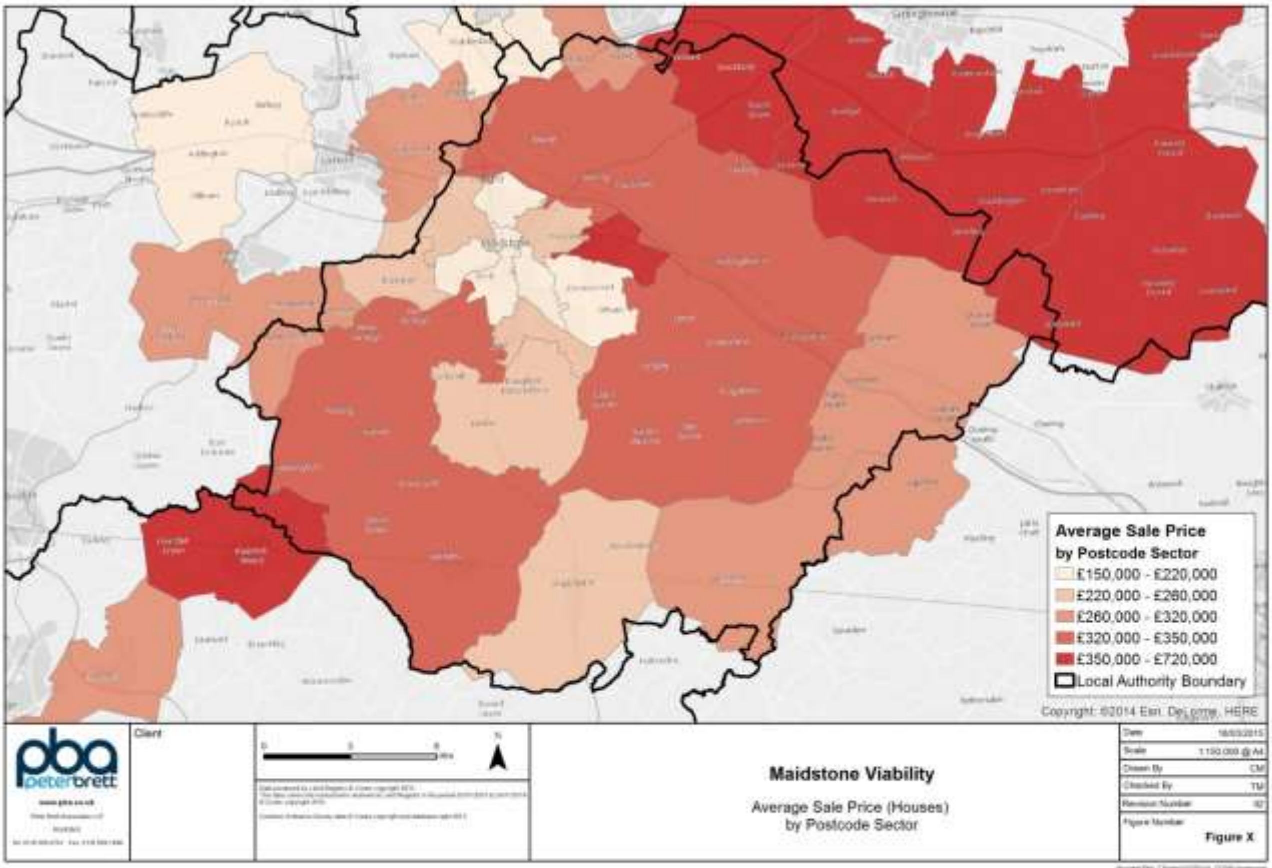
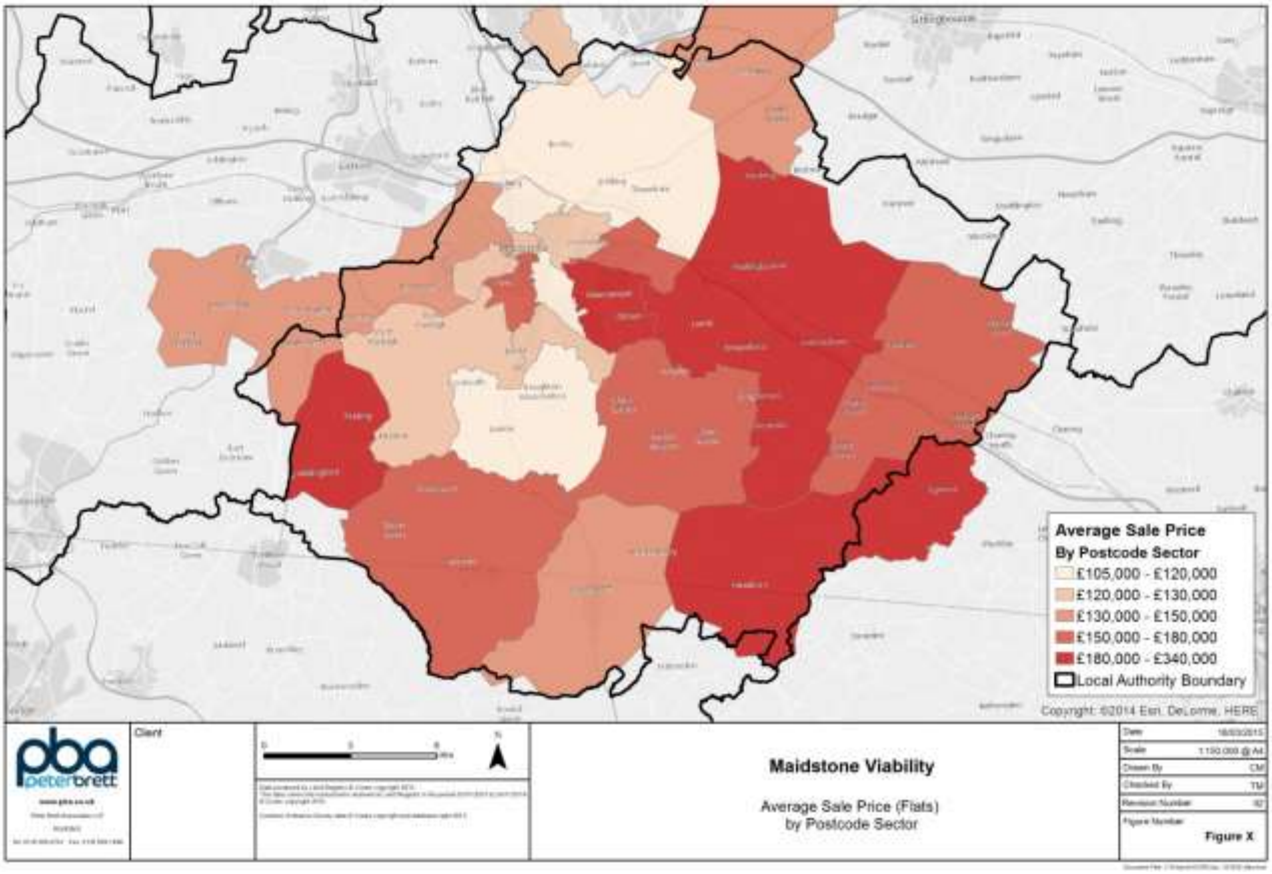


Figure 5.4 Average flat prices by Postcode sector



5.2.3 Table 5.1 below summarises the average prices paid in the urban and rural areas of the Borough based on each of the postcode sectors that best fit the urban boundary of Maidstone.

Table 5.1 Average house prices by area

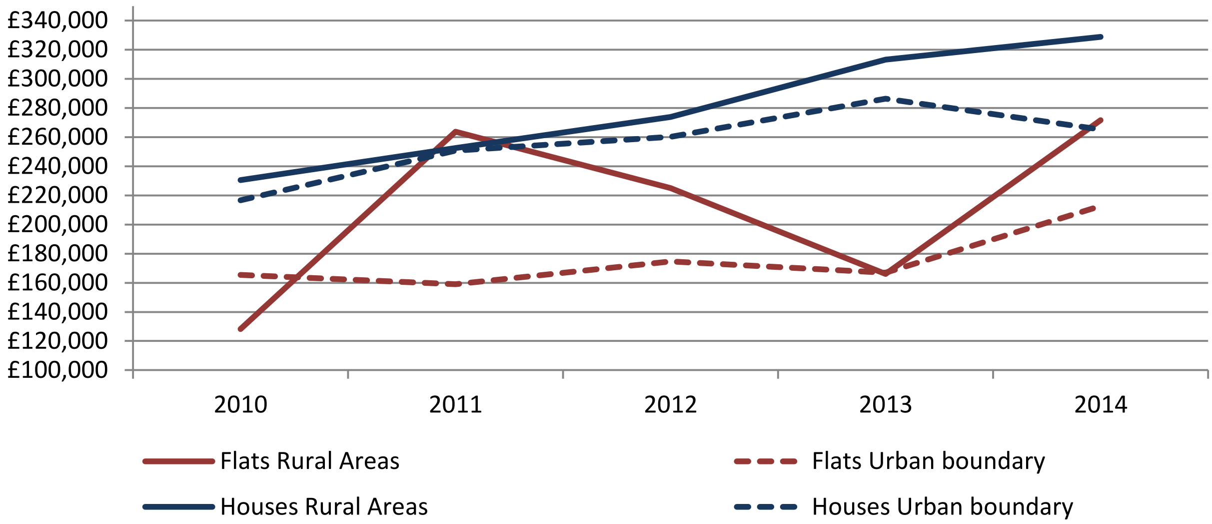
	Houses (approx.)	Flats (approx.)
Within urban boundary	£248,000	£137,000
Rural areas	£285,000	£155,000

5.2.4 The values in the table above refer to data from transactions of both new and secondhand properties. Figure 5.5 below shows the difference in price for new properties for both flats identified by the red line, and houses (including detached, semi-detached and terraced flats) identified by the blue line. The figure also compares the average price on new flats and houses within the urban boundary (indicated by the dashed line) with those within rural areas (indicated by the solid line).

5.2.5 Prices for new houses in both the urban and rural areas have followed similar trends up until last year where the price of new properties in the urban area appears to have fallen compared to those in rural areas, with the values for new rural houses remaining consistently above those within the urban boundary.

5.2.6 For flatted developments the values for new properties can be seen as consistently higher in the rural area, compared to those built within the urban boundary. Values for flatted development in the rural area appears to fluctuate more than flatted development in the urban locations, however much of this is due to a smaller sample size.

Figure 5.5 Difference in average prices between flats and houses in rural and urban locations



5.2.7 We discuss land registry data, along with other sources that inform our assumptions regarding sales values, in more detail in Section **5.3**.

5.3 Residential site typologies for viability testing

5.3.1 The objective of this section is to formulate a list of typologies, or hypothetical developments that are likely to be brought forward in the plan period, and assign them to broad locations within the Borough. The starting point for this is understanding where development is likely to take place. After consultation with the Council, PBA was given a list of new and existing sites of known development in the plan period. Having then discounted sites that had planning permission, and sites that were broadly similar, we have arrived at the broad typologies set out in **Table 5.2**. Although determined by the characteristics of known developments sites, the majority of the typologies are hypothetical which 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 set out in 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'.[30]

5.3.2 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

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

included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.'[31]

5.3.3 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:

'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.'[32]

5.3.4 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.*[33]

Developing site profile categories

5.3.5 A list of typologies, reflecting planned development and representing the cross section of sites identified in conjunction with the Council is set out in Table 5.2. The council in particular have identified two strategic sites that are key to the delivery of housing within Maidstone. The two identified are the **200 unit at Haynes, Ashford Road** and the **500 unit scheme at Springfield, Royal Engineers Road**, both of which are located within the Maidstone urban area. For both of these sites we have used assumptions as closely matched to the information we have for the sites at the time of this report.

5.3.6 The residential testing, including for impacts relating to affordable housing, also includes specialist market products for care, assisted living and retirement living. These have been informed by recent new build schemes or planning applications either in Maidstone or in similar places elsewhere in the region.

Table 5.2 Typologies to be tested

Reference	Typology	Land type	Location	Nr of Dwellings
1	1 unit Brownfield (UA)	Urban Area	Brownfield	1
2	5 units Brownfield (UA)	Urban Area	Brownfield	5
3	9 units Brownfield (UA)	Urban Area	Brownfield	9
4	20 units Brownfield (UA)	Urban Area	Brownfield	20

[31] DCLG CIL Guidance 2014 page 16.

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

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

5	60 units Brownfield (flats) (UA)	Urban Area	Brownfield	60
6	60 units Brownfield (UA)	Urban Area	Brownfield	60
7	200 units Haynes, Ashford Road (UA)	Urban Area	Brownfield	200
8	240 units Greenfield (UA)	Urban Area	Greenfield	240
9	500 units Springfield, Royal Engineers Road (UA)	Urban Area	Brownfield	500
10	1 unit Greenfield (Rural)	Rural	Greenfield	1
11	5 units Greenfield (Rural)	Rural	Greenfield	5
12	9 units Greenfield (Rural)	Rural	Greenfield	9
13	1 unit Brownfield (Rural)	Rural	Brownfield	1
14	5 units Brownfield (Rural)	Rural	Brownfield	5
15	9 units Brownfield (Rural)	Rural	Brownfield	9
16	25 units Greenfield (Rural)	Rural	Greenfield	25
17	40 units Greenfield (Rural)	Rural	Greenfield	40
18	100 units Greenfield (Rural)	Rural	Greenfield	100
19	200 units Greenfield (Rural)	Rural	Greenfield	200
20	400 units Greenfield (Rural)	Rural	Greenfield	400
21	840 units Greenfield (Rural)	Rural	Greenfield	850
22	Care Home	Retirement Scheme	Brownfield	45
23	Extra care	Retirement Scheme	Brownfield	45
24	Retirement home	Retirement Scheme	Brownfield	55

5.4 Viability assumptions

5.4.1 It is not always possible to get a perfect fit between a site, the site profile and cost/revenue categories but we have attempted a best fit in the spirit of the Harman Report. 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 and area

Site coverage

5.4.2 The net (developable) area of the site 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.

5.4.3 For the residential typologies, the net developable areas have been derived based on discussions with the Council and the wider development industry, and examples from elsewhere. Details on gross and net areas for each typology are shown in **Appendix A**.

Saleable area

5.4.4 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.

5.4.5 The type of unit and size of these likely to come forward in Maidstone have been informed by data provided by the council regarding the sizes of schemes in their housing allocations policy (policy H1), and where these details may be absent, with discussions with stakeholders and judgement based on experience of masterplans for other sites and studies using national standards in order to derive saleable floorspace.

5.4.6 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. Details are shown in **Appendix A**.

Sales values

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

- Land Registry, as considered in a previous section, provides a wealth of data of transactional for a local area, for both new and second hand properties.
- Property websites, such as Zoopla and Rightmove, provide a snapshot of values of properties currently on the market and also indicates the floorspace of new developments, in order to derive a sales value per square metre. A cross-section of some of the properties considered is listed in **Appendix E**.
- Direct research with developers and agents operating in the area.

5.4.8 We discuss the evidence for the sales assumptions and distribution in the market assessment section of this report. In summary, from analysing the average size of developments likely to come forward in each value area, and using the value data provided by Land Registry, along with feedback received after consultation with the local development industry, we have arrived at the sales values shown in **Table 5.3**. These are used in the plan wide viability assessment.

Table 5.3 Average new sales values achieved (£ p sq.m)

Location/use	House price	Flat price
Urban area	£2,980	£2,775
Rural area	£3,190	£3,050

Source: PBA derived from Land Registry, (2014) Rightmove / Zoopla, (2014); websearch

Testing of older person housing

5.4.9 It is important to define what types of older person housing will be tested. Different types of provision will different characteristics and values. The types of older person housing tested within this report are defined as follows:

Retirement homes – 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 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.

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 homes and a likely to be built to standards likely to suit an older population, i.e. wheelchair access, better designed bathroom facilities.

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. These are considered within the non-residential viability appraisals as many of their properties are considered to be more akin to these types of development.

5.4.10 We have estimated the values for retirement homes and care homes, in **Table 5.5** based on existing and similar schemes which have come forward in Maidstone or in similar areas in the region. A wider area has been used due to the limited number of transaction for these types of accommodation within the Borough. The schemes in **Table 5.4** identifies that the average sales values for retirement properties can be considered as just under £200,000, with one bedroom flats valued at approximately £155,000 and 2 bed flats at £215,000.

Table 5.4 Average new sales values for retirement properties

Type	Location	Sales Value
2 bed flat	Penlee Close, Edenbridge, Kent	£229,500
2 bed flat	Mote Park, Bearsted, Maidstone	£399,950
3 bed flat	Mote Park, Bearsted, Maidstone	£344,950

3 bed flat	Orchard Close, Langley, Maidstone	£250,000
2 bed flat	Russet Court, Maidstone	£129,950
2 bed flat	Stockett Lane, Coxheath, Maidstone	£120,000
1 bed flat	Barden Court, Maidstone	£118,000
1 bed flat	Barden Court, Maidstone	£175,000
1 bed flat	Hengist Court, Marsham St, Maidstone	£150,000
1 bed flat	Woodlands Court, Chatham,	£175,000

5.4.11 We have based our assumption for retirement properties on a sales per square metre value of approximately £3,350, approximately £201,000 per dwelling. To act as a sense check, Three Dragons guidance[34], produced on behalf of a trade organisation for developers of housing for older people, suggests sales prices for 1 bed retirement homes to 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 indicates that the average sales value for a semi-detached house in Maidstone is £252,000. Assuming a scheme comprised of 50% one bedroom units and 50% two bed units, this would indicate that a value of 87.5% of this figure, £214,200, would be an appropriate benchmark. In summary, PBA consider that the value of £3,350 per square metre used is an appropriate assumption. In terms of Extra care properties, we have again followed Three Dragons guidance and applied a 25% uplift on Retirement homes to calculate a value for Extra care schemes.

5.4.12 The values for these schemes are set out in **Table 5.5**. below:

Table 5.5 Average new sales values for older person housing (£ p Sq.m)

Location/use	Value (£ per sq.m)
Extra care / assisted living	£3,700
Retirement home	£3,350

Source: PBA derived from Land Registry, (2014) Rightmove / Zoopla, (2014); websearch

Other assumptions for older person housing

5.4.13 Our assumptions for sizes of scheme, number of units and densities can be found in the same location as our testing of the other residential units, in **Appendix A.** We test retirement homes at a density of 100 dwellings per hectare for extracare properties and 120 dwellings per hectare for retirement units which is in line with guidance issued by Three Dragons.

5.4.14 In terms of net internal area of the units, we have used sizes of 60sqm for Retirement homes and 71sqm for Extra care schemes, which is again informed by Three Dragon's guidance

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

regarding appropriate sizes for 1 and 2 bed properties and based on a 60:40 split between the two.

5.4.15 We have assumed that Retirement homes 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 gross floorspace per unit for Retirement properties is 71 sq.m and 96 sq.m for Extra care units.

5.4.16 Finally, we have tested the schemes to be brought forward on brownfield land, and therefore incurring certain costs involved with demolition and remediation as discussed in a subsequent section.

Affordable Housing

5.4.17 The appraisal assumes that affordable housing will command a transfer value to a Registered Provider at lower than market rates. The values have been informed by evidence of recent deals and discussion with the Council's housing team.

5.4.18 The testing assumes the following values:

- Affordable rent at 55% of market value
- Social rent at 45% of market value
- Intermediate at 65% of market value

5.4.19 Following discussion with the housing team at Maidstone it was decided that the preferable mix in respect of tenure is 70% affordable rent and 30% intermediate housing. Therefore this tenure mix has been used for all the testing scenarios contained within this report. Whilst it is recognised that the tenure mixes will be determined on an application by application basis and will be dependent on local factors and the registered provider, for the purposes of strategic testing the tenures mix is static. To ensure flexibility, as circumstance will change site by site and tenure mix can be changed to improve viability, it is recommended that the policy on affordable housing is not overly prescriptive and is subject to negotiation at the time of seeking permission.

Benchmark/threshold land values

5.4.20 To assess viability, the residual value generated by a scheme is compared with a benchmark/threshold land value, which reflects 'a competitive return for a landowner' (as stated in Harman). The benchmark/threshold land value is important in our calculations of the residual balance the difference between the benchmark/ 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.

5.4.21 The approach used to arrive at the benchmark/ threshold land value is based on a review of recent viability evidence of sites currently on the market, a review of viability appraisals in support of planning applications, published data on land values and discussions with council officers and the local development industry. The approach follows both a top down approach of current market value of serviced plots and bottom up approach of existing use values. Account has been taken of current and proposed 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.

5.4.22 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.

5.4.23 Analysis of websites, such as Right Move, indicates there are a number of land development sites with planning permissions currently on the market, and price depends considerably on the size of plot. For small sites of around 10 dwellings values appear to vary slightly above £2m per hectare. For instance, at the time of writing, there was a site within the urban boundary of 0.4 hectares available for £2.5m and a site of 0.6 hectares on sale for 1.6m in Lenham. The same websites suggest that the sales values per hectare for larger size plots are closer to £1m.

5.4.24 To gain further opinion on land values we consulted a number of local agents. The general consensus was that land in the urban area of Maidstone would be expected as between £800,000 and £1m per acre (£2m - £2.5m per hectare). Similarly values in the urban area would range around £800,000 per acre (£2m per hectare). It was also considered that larger strategic sites would have a value of between £500,000 – £700,000 per acre (£1.2m - £1.7m per hectare). It should be noted that these sites already have the benefit of planning permission and therefore likely to command a higher price.

5.4.25 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.

…'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'[35] (page 29)

5.4.26 The Harman guidance therefore suggests these are used as a 'sense check' only. It has been suggested through an Inspector's report on CIL Examinations 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'[36]

5.4.27 It is also worth noting the government's publication on land values for the purpose of policy testing 'Land Value estimates for policy appraisal' February 2015, which provides a guide for land values for each local authority area within England. For Maidstone a figure of £1,593,000 is suggested.

5.4.28 Taking all of this into consideration, for the purposes of this report and testing viability, the benchmark/threshold values used in testing viability are shown in **Table 5.6**.

Table 5.6 Benchmark/threshold land values

Site typology	Land value per net developable ha
Small Brownfield	£1,800,000
Small Greenfield	£1,650,000

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

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

Site typology	Land value per net developable ha
Greenfield	£1,425,000
Brownfield	£1,650,000
Large Brownfield	£1,200,000
Large Greenfield	£1,125,000
Retirement Scheme	£1,500,000

5.4.29 It is important to appreciate that assumptions on benchmark/threshold land values can only be broad approximations subject to a wide margin of uncertainty. This uncertainty is considered when drawing conclusions and recommendations. We have examined cross sections of comparable residential land to identify transactions which are either clean greenfield sites or existing non-residential use urban brownfield sites, fully serviced with roads and major utilities to the site boundary.

Build costs

5.4.30 Residential build costs are based on actual tender prices for new builds in the market place over a 15 year period from the Build Cost Information Service (BCIS), which is published by the Royal Institution of Chartered Surveyors (RICS). The tender price data is rebased to Maidstone prices using BCIS defined adjustments, to give the median build costs for small, medium and large schemes as shown in **Table 5.7**. The data is derived from the second quarter of 2014 as this is based on the most recent data that reflects actual construction data as opposed to later figures that are based on estimated figures.

5.4.31 Additionally, the table also outlines the assumed costs for retirement housing schemes, also supplied by BCIS as per the original report. We have used a figure of £1,244 per sq. m for retirement properties and £1,289 for extra care. These figures reflect the 9% and 13% uplift on costs as set out in Three Dragons guidance.

Table 5.7 Median build costs in Maidstone at Q2 2014 tender prices (per sq. m.)

Dwelling type	Small housing scheme (3 or less units)	Medium sized house scheme (4 to 14 units)	Estate housing (15+ units)
Flats	£1,171	£1,171	£1,171
Houses	£1,251	£1,153	£1,054

Source: PBA derived from BCIS

Dwelling type	Flats
Retirement homes	£1,244
Extra care/assisted living	£1,289

Source: PBA derived from BCIS

5.4.32 Volume and regional house builders are able to operate within the median cost figures comfortably, especially given that they are likely to achieve significant economies of scale in the purchase of materials and the use of labour. Many smaller and medium sized developers of houses are usually unable to attain the same economies, so their construction costs may be higher as shown in **Table 5.7**, which reflects the higher costs for schemes with 3 or less houses (taken from BCIS) and for 4-14 houses (taken as a mid-point between the larger and small schemes).

5.4.33 The BCIS build costs are exclusive of External works, Contingencies, Fees, VAT and Finance charges, plus other revenue costs.

Sustainability and building standards

5.4.34 Building Regulations are different to the requirements set out in the Code for Sustainable Homes (CfSH). The Code outlined a staged framework to improve the overall sustainability of new homes. In the past, there has been an intention to incorporate the requirements of the code with the Building Regulations. The Government has simplified national standards and moved away from the CfSH to a single system of standards incorporated into Building Regulations.

5.4.35 Whilst the Government is no longer intending to support a range of standards in the future, they have indicated that they will allow local authorities, through planning policy, to seek improved Building Standards in their locations until revised regulations are in place. For authorities wishing to incorporate this into planning policy this will have cost implications that will need to be considered – the Council has included higher building standards within its draft planning documents, however this predates the national changes and it is understood that it will no longer pursue the higher standards and instead rely on national building standards in the future.

5.4.36 Similar to the Building Regulations, the Government has also reviewed space standards and in March 2015 released a technical document regarding minimum space standards of dwellings. The space assumptions used in our report reflect these standards and local information.

External works

5.4.37 This input incorporates all additional costs associated with the site curtilage of the built area. These include circulation space in flatted areas and garden space with housing units; incidental landscaping costs including trees and hedges, soft and hard landscaping; estate roads and connections to the strategic infrastructure such as sewers and utilities.

5.4.38 The external works variable had been set at a rate of 10% of build cost.

Other development costs

Professional fees

5.4.39 This input incorporates all professional fees associated with the build, including fees for designs, planning, surveying, project managing, etc., at 10% of build cost plus externals.

Contingency

5.4.40 It is normal to build in contingency based on the risk associated with each site and has been calculated based on industry standards. It is applied at 5% of build cost plus externals.

S106, infrastructure and site opening costs

S106 costs

5.4.41 The infrastructure requirements anticipated for the majority of small sites (under 10 dwellings) are likely to be met through off site delivery of infrastructure such as schools expansions, open space enhancements or transport improvements. The Council informs us that this infrastructure will be met through currently established programmes (such as the County Council's schools programme) and the CIL as identified on the Regulation 123 infrastructure list as appropriate. However, there may be occasions where specific mitigation is required, so in setting CIL rates the Council should not set them at the margin of viability.

5.4.42 The Council informs us that on some of the larger sites, the approach to infrastructure requirements will vary and could be considered through both S106 and CIL. However, at this stage the specific requirements are unknown, so in determining a suitable level of CIL, sufficient headroom needs to be available to fund likely S106 requirements. It is the Council's intention to do further work on the likely S106/S276 infrastructure package to be sought from development as they move through the CIL process.

5.4.43 One of the most significant items of S106 sought from residential development sites is affordable housing. We test this at different tenures and different proportions to enable the Council to understand the balance between affordable housing and infrastructure provision.

Opening costs

5.4.44 Developing greenfield, brownfield and mixed sites represent different risks and costs. These costs can vary significantly depending on the site's specific characteristics. To reflect additional costs associated with the tested site typologies, the following assumptions apply:

- For brownfield site development for residential purposes, we have increased the build costs (for demolition and remediation) as follows:
  - Brownfield £200,000 per net ha
  - Mixed £100,000 per net ha
- We also make an allowance for opening up works such as utilities, land preparation, SuDS and spine roads. There will be different levels of development costs according to the type and characteristics of each site. Opening up costs vary but generally increase as schemes get bigger. Owing to the nature of being generic appraisals, we apply an allowance for opening costs based on the size of site. Therefore, we assume the following opening costs[37]:
  - Less than 200 units £5,000 per unit
  - 201-500 units £10,000 per unit
  - 501 plus units £20,000 per unit

Land purchase costs

5.4.45 The land value needs to reflect additional purchase cost assumptions, shown in **Table 5.8**. These are based on surveying costs and legal costs to a developer in the acquisition of land and the development process itself, which we have established from discussions with developers and agents, and are also reflected in the Harman Report (2012) as industry standard rates.

[37] Once detailed master-planning is undertaken there will be a better understanding of these various costs (site opening costs, site abnormals, and strategic infrastructure such as schools, highways etc.) to inform site specific assessments.

Table 5.8 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

5.4.46 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.

Sales fees

5.4.47 The Gross Development Value (GDV) on open market housing units need to reflect additional sales cost assumptions relating to the disposing of the completed residential units. This will include legal, agents and marketing fees at the rate of 3% of the open market unit GDV, which is based on industry accepted scales established from discussions with developers and agents.

Developer’s profit

5.4.48 The developer's profit is the expected and reasonable level of return that a private developer would expect to achieve from a specific development scheme. We assume a profit of 20% in Maidstone applied to site GDV. This also allows for internal overheads.

5.4.49 For the affordable housing element, because they will have some, albeit lower risks to the developer, we assume a lower 6% profit margin for the private house builders on a nil grant basis. This is applied to the below market development cost of the affordable housing residential dwelling development.

Finance

5.4.50 We have used a monthly cashflow based on a finance cost of 6% throughout the sites appraisals. This is used to account for the cost of borrowing and the risk associated with the current economic climate and the near term outlook and associated implications for the housing market. This is a typical rate which is being applied to schemes of this nature.

6 Residential assessment outputs

6.1.1 This section sets out the assessment of residential development viability and also summarises the impact on viability of changes in policy, values and costs, and how this might have an impact on the level of developer contribution.

6.1.2 Each generic site type has been subjected to a detailed appraisal, complete with cashflow analysis. A range of different scenarios are then presented, including residential, student accommodation and, older people housing. Each set of scenarios sets out the maximum headroom for development contributions for infrastructure, whether these are collected through a traditional S106 or CIL. An example of an appraisal is shown in **Appendix B**.

Scenario 1 – Residential development excluding policy requirements

6.1.3 The first scenario shows the results of the residential appraisals with no affordable housing provision or any other policy costs to show whether development in the borough is broadly viable. As can be seen from the results in **Table 6.1**, all of the tested typologies are viable and provide headroom against a benchmark/threshold land value to accommodate a S106 contribution and/or CIL levy.

6.1.4 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.

Table 6.1 Scenario 1 results

	Site Typology	Value Area	Dwellings	Affordable housing	Headroom	
			No.	%	Viable?	CIL liable £Sq.m
1	1 unit Brownfield (UA)	Urban Area	1	0%	Yes	£70
2	5 units Brownfield (UA)	Urban Area	5	0%	Yes	£290
3	9 units Brownfield (UA)	Urban Area	9	0%	Yes	£229
4	20 units Brownfield (UA)	Urban Area	20	0%	Yes	£357
5	60 units Brownfield (flats) (UA)	Urban Area	60	0%	Yes	£215
6	60 units Brownfield (UA)	Urban Area	60	0%	Yes	£294
7	200 units Haynes, Ashford Road (UA)	Urban Area	200	0%	Yes	£241
8	240 units Greenfield (UA)	Urban Area	240	0%	Yes	£371
9	500 units Springfield, Royal Engineers Road (UA)	Urban Area	500	0%	Yes	£242
10	1 unit Greenfield (Rural)	Rural	1	0%	Yes	£338
11	5 units Greenfield (Rural)	Rural	5	0%	Yes	£418
12	9 units Greenfield (Rural)	Rural	9	0%	Yes	£376
13	1 unit Brownfield (Rural)	Rural	1	0%	Yes	£251
14	5 units Brownfield (Rural)	Rural	5	0%	Yes	£324

15	9 units Brownfield (Rural)	Rural	9	0%	Yes	£274
16	25 units Greenfield (Rural)	Rural	25	0%	Yes	£453
17	40 units Greenfield (Rural)	Rural	40	0%	Yes	£442
18	100 units Greenfield (Rural)	Rural	100	0%	Yes	£411
19	200 units Greenfield (Rural)	Rural	200	0%	Yes	£447
20	400 units Greenfield (Rural)	Rural	400	0%	Yes	£493
21	840 units Greenfield (Rural)	Rural	850	0%	Yes	£373

Scenario 2 – Residential development at a range of affordable housing options

6.1.5 Having tested no policy costs in scenario 1, scenario 2 now tests the typologies with a range of affordable housing options between 10% up to 40%. The results include a tenure split of 70% Affordable rent and social rent and 30% Intermediate and are summarised in **Table 6.2** below.

6.1.6 In terms of the typologies in the urban areas, 30% affordable housing appears appropriate. Whilst viable at 30% the two strategic sites (200 at Haynes and 500 at Springfield) appear much more constrained. It is therefore considered that these sites are treated differently from the other sites in terms of setting a CIL or affordable housing rate. Conversely, the rural areas typologies are viable at a range of affordable housing, providing the Council a greater degree of options over what rates they could set.

Table 6.2 Scenario 2 results assuming national threshold of 11 dwellings for affordable housing

	Site Typology	Value Area	Dwellings	Affordable housing						
			No.	10%	15%	20%	25%	30%	35%	40%
1	1 unit Brownfield (UA)	Urban Area	1	£70						
2	5 units Brownfield (UA)	Urban Area	5	£290						
3	9 units Brownfield (UA)	Urban Area	9	£229						
4	20 units Brownfield (UA)	Urban Area	20	£313	£288	£259	£226	£188	£145	£95
5	60 units Brownfield (flats) (UA)	Urban Area	60	£176	£153	£127	£97	£64	£25	-£20
6	60 units Brownfield (UA)	Urban Area	60	£249	£222	£192	£157	£118	£73	£21
7	200 units Haynes, Ashford Road (UA)	Urban Area	200	£203	£181	£156	£128	£96	£59	£15
8	240 units Greenfield (UA)	Urban Area	240	£334	£313	£289	£261	£230	£194	£151
9	500 units Springfield,	Urban	500	£203	£180	£154	£124	£90	£51	£6

	Royal Engineers Road (UA)	Area								
10	1 unit Greenfield (Rural)	Rural	1	£338						
11	5 units Greenfield (Rural)	Rural	5	£418						
12	9 units Greenfield (Rural)	Rural	9	£376						
13	1 unit Brownfield (Rural)	Rural	1	£251						
14	5 units Brownfield (Rural)	Rural	5	£324						
15	9 units Brownfield (Rural)	Rural	9	£274						
16	25 units Greenfield (Rural)	Rural	25	£419	£399	£377	£351	£322	£288	£249
17	40 units Greenfield (Rural)	Rural	40	£406	£386	£362	£336	£306	£271	£230
18	100 units Greenfield (Rural)	Rural	100	£372	£350	£324	£295	£262	£224	£180
19	200 units Greenfield (Rural)	Rural	200	£412	£392	£369	£344	£314	£280	£240
20	400 units Greenfield (Rural)	Rural	400	£464	£447	£428	£407	£382	£354	£320
21	840 units Greenfield (Rural)	Rural	850	£332	£307	£280	£248	£213	£171	£123

Scenario 3 – Residential development with an affordable housing rate of 30% in the urban areas, 20% in the two strategic sites, and 40% in the rural areas

6.1.7 PBA were initially asked to test the viability of a rate of 30% affordable housing across the Borough. Our testing in Scenario 2 suggests that a rate of 30% is appropriate in the urban areas, **with the exception of the 200 unit, Haynes, Ashford Rd and the 500 unit Springfield, Engineers Rd site**. Additionally, it is clear that viability is notably higher in the rural areas and, in consultation with the council, it is likely that a 40% affordable housing rate could be sought in these areas.

6.1.8 Scenario 3 therefore shows the headroom using an affordable housing rate of 20% on the two strategic sites, 30% affordable housing on the other typologies in the urban area and 40% on typologies in the rural areas.

Table 6.3 Scenario 3 results

	Site Typology	Value Area	Dwellings	Affordable housing	Headroom	
			No.	%	Viable?	CIL liable £Sq.m
1	1 unit Brownfield (UA)	Urban Area	1	0%	Yes	£70
2	5 units Brownfield (UA)	Urban Area	5	0%	Yes	£290
3	9 units Brownfield (UA)	Urban Area	9	0%	Yes	£229
4	20 units Brownfield (UA)	Urban Area	20	30%	Yes	£188
5	60 units Brownfield (flats) (UA)	Urban Area	60	30%	Yes	£64
6	60 units Brownfield (UA)	Urban Area	60	30%	Yes	£118
7	200 units Haynes, Ashford Road (UA)	Urban Area	200	20%	Yes	£156
8	240 units Greenfield (UA)	Urban Area	240	30%	Yes	£230
9	500 units Springfield, Royal Engineers Road (UA)	Urban Area	500	20%	Yes	£154
10	1 unit Greenfield (Rural)	Rural	1	0%	Yes	£338
11	5 units Greenfield (Rural)	Rural	5	0%	Yes	£418
12	9 units Greenfield (Rural)	Rural	9	0%	Yes	£376
13	1 unit Brownfield (Rural)	Rural	1	0%	Yes	£251
14	5 units Brownfield (Rural)	Rural	5	0%	Yes	£324
15	9 units Brownfield (Rural)	Rural	9	0%	Yes	£274
16	25 units Greenfield (Rural)	Rural	25	40%	Yes	£249
17	40 units Greenfield (Rural)	Rural	40	40%	Yes	£230
18	100 units Greenfield (Rural)	Rural	100	40%	Yes	£180
19	200 units Greenfield (Rural)	Rural	200	40%	Yes	£240
20	400 units Greenfield (Rural)	Rural	400	40%	Yes	£320
21	840 units Greenfield (Rural)	Rural	840	40%	Yes	£123

Scenario 4 – Housing for Older people

6.1.9 The Maidstone Borough Local Plan also has ambitions of meeting the needs of older people, so it is important that the types of development that will help meet these needs are not unduly burdened with extra costs that makes them unviable. It is recognised that whilst retirement apartments share characteristics with normal flatted development there is a greater area of communal spaces, this space increases further for extra care schemes. However, whilst development costs might be marginally higher there is also a premium on prices for these types of developments and extra charges that pay for the additional services and facilities that are available.

6.1.10 Table 6.4 shows the results of testing these different types of schemes at a range of affordable housing provisions, similar to our approach in Scenario 3. The table shows that both typologies are marginally viable at an affordable housing rate of 30%, with only a limited degree of headroom available.

Table 6.4 Older person housing schemes summary

Site Typology		10% AH	15% AH	20% AH	25% AH	30% AH	35% AH	40% AH
37	Extra care	£147	£121	£92	£59	£21	-£23	-£74
39	Retirement home	£140	£115	£86	£53	£16	-£27	-£77

Scenario 5 – Designated Rural Areas

6.1.11 CIL regulations allow that "in designated rural areas, local planning authorities may choose to apply a lower threshold of 5-units or less", where affordable housing and tariff style obligations are exempt. The Designated Protected Rural areas within Maidstone are as follows:

Bicknor, Boughton Malherbe, Boughton Monchelsea, Boxley, Bredhurst, Broomfield, Chart Sutton, Detling, East Farleigh, East Sutton, Frinsted, Harrietsham, Headcorn, Hollingbourne, Hucking, Hunton, Langley, Leeds, Lenham, Linton, Marden, Nettlestead, Otham, Otterden, Stockbury, Sutton Valence, Teston, Thurnham, Ulcombe, West Farleigh, Wichling, Wormshill, Yalding.

6.1.12 Scenario 5 considers two typologies of 9 units in rural areas, one on greenfield land and the second on brownfield land. Table 6.5 shows the difference in viability at the lower threshold (and therefore obliged to contribute 40% affordable housing) and at the 11 unit threshold (no affordable housing).

Table 6.5 Older person housing schemes summary

Site Typology		5 unit threshold (40% affordable housing)	11 unit threshold (no affordable housing)
12	9 units Greenfield (Rural)	£170	£376
15	9 units Brownfield (Rural)	-£1	£274

6.1.13 The results show a clear difference in terms of the amount of CIL that could be levied. Our findings suggest that whilst, greenfield developments might be able to accommodate a high CIL rate, brownfield developments would not be viable. Unless the council feel that they see very little development brought forward in brownfield sites, PBA would advise against this policy.

6.2 Residential viability zones

6.2.1 The results shown in the five scenarios essentially show the maximum amount of CIL that could be set and still enable development to be viable. As well as considering CIL in relation to policy costs it is also important to consider whether it could be varied geographically. We now consider the options in respect of varying the rate across the Borough.

6.2.2 As previously stated, CIL Regulations (Regulation 13) allow the charging authority to introduce charging variations by geographical zone, by land use, or both. All differences in rates need to be justified by reference to the economic viability of development.

6.2.3 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 important additional revenues for contributing to the delivery of infrastructure and therefore growth.

Principles

6.2.4 Identifying different charging zones for CIL has inherent difficulties. For example, house prices are an imperfect indicator; and there is no certainty that we are comparing like products; 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. Also the assumed housing type split that is typical for Maidstone may produce anomalies when applied to individual houses – especially around zonal boundaries. Even between areas with very different average prices, the prices of similar houses in different areas may considerably overlap.

6.2.5 A further problem with setting charging area boundaries is that they depend on how the boundaries are defined. Boundaries drawn in a different place might alter the average price of an area within the boundary. To avoid these statistical and boundary problems, a robust set of differential charging zones should ideally meet two conditions:

i. The zones should be separated by substantial and clear-cut price differences; and

ii. They should where possible also be separated by substantial and clear-cut geographical boundaries – for example, with zones defined as identifiable suburban parts of the Borough. Any charging boundaries which might bisect a strategic site or development area should be avoided.

6.2.6 It will be for the Council to determine an appropriate zone, and this decision and delimitation should be based on the viability evidence within this report.

Method

6.2.7 Setting zones requires the marshalling of 'appropriate available evidence' available from a range of sources in order to advise on the best way forward. The following steps were taken:

- First step was to look at home prices. Sales prices of homes are a good proxy for viability. Land Registry, Rightmove and Zoopla data have been used to do this.
- Secondly, consultation with the Council on the distribution of development
- Thirdly, testing of this through formal development appraisals.

House prices

6.2.8 In advising on charging zones, the first step was to look at residential sales prices. In Figure 5.3 (replicated below in Figure 6.1), we looked at the average sales prices of all houses. Average prices are shown for post code sectors. Aside from the highest and lowest bands (which are tailored to actual values), average prices are broken into bands to show price variance across the Borough. Given the larger proportion of houses built in the Borough compared to flatted developments we have only considered the average prices of houses, as this is likely to have a greater degree of accuracy.

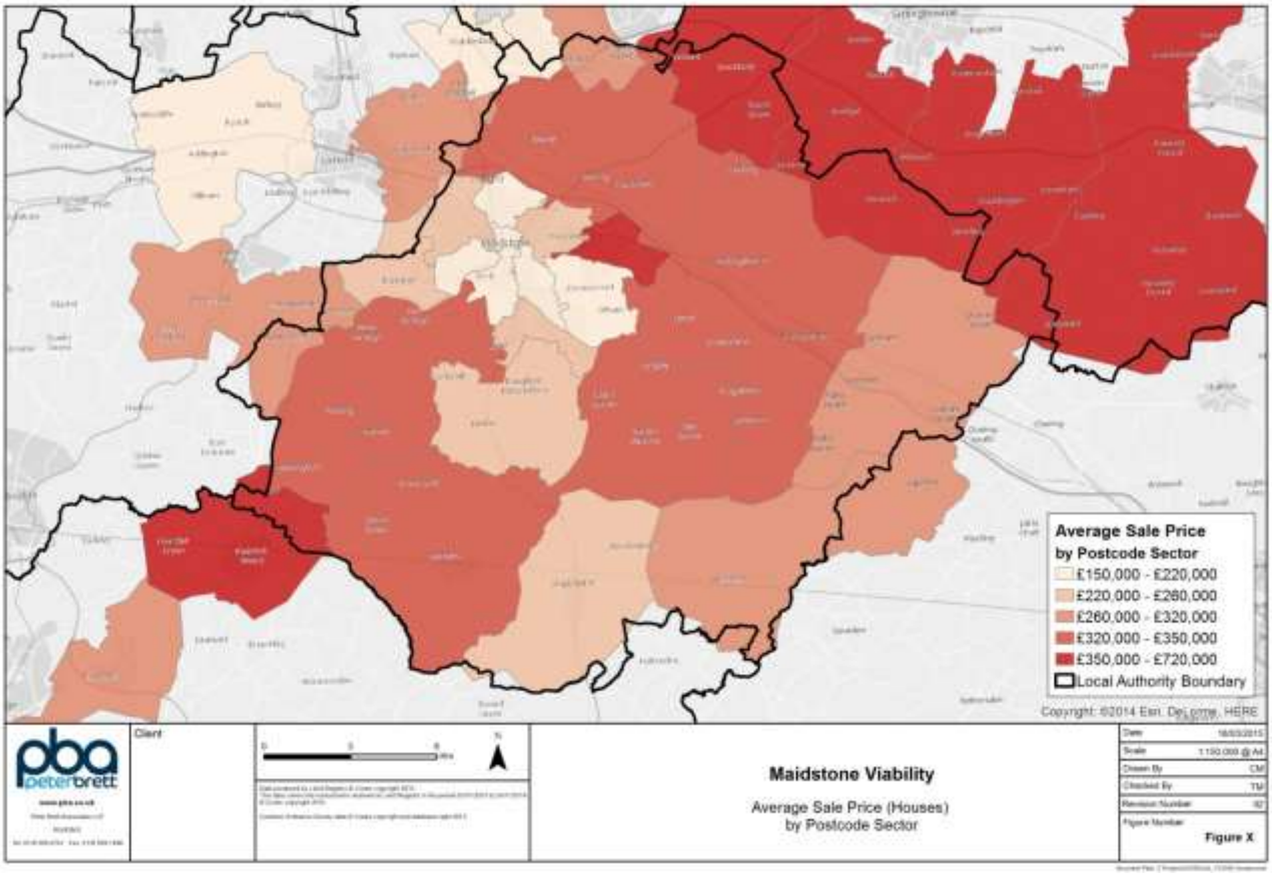
6.2.9 It is also worth noting that new homes are typically more expensive than second hand homes but the prices mapped include both second hand and new homes. Data on both new and second hand homes was used because datasets on sales values for new homes only was much smaller and therefore more unstable.

6.2.10 This data is mapped to help understand the broad contours of residential prices in the Maidstone area. Sales prices are a reasonable, though an imperfect, proxy for development viability, so the map provides a broad idea of which areas would tend to have more viable housing developments, with other things being equal.

6.2.11 Figure 6.1 shows that prices do vary across the Borough with two distinctive areas:

- Lower values are clearly focussed within the main urban area.
- Higher values are considered as areas outside of the urban boundary. Although values are understood to vary it was considered that these do not vary sufficiently to levy different rates across the rural area.

Figure 6.1 Average house price by Postcode sector



Future supply

6.2.12 Understanding the patterns of development is the next stage in our analysis. If the broad future housing supply is considered in relation to the average price bands, the scope for separate charging bands for residential development can be better understood.

6.2.13 The emerging Maidstone local plan does not give a precise figure for how much development they believe will be located in different areas; however it recognises that development is likely to occur in both within the urban boundary and rural areas. Therefore the setting of the CIL rate should not put at risk the majority of likely future development in these locations at risk.

6.3 Residential recommendations

6.3.1 Our analysis indicated that a 40% affordable housing rate could be achieved in the rural areas and a 30% rate could be achieved in the urban areas, with the exception of the two strategic sites where only a 20% rate could be accommodated.

6.3.2 Table 6.6 shows the total headroom available for CIL provision in each location. In order to calculate a suitable CIL rate a weighted average, based on the number of units, has been taken for each location. Importantly, the average headroom column in Table 6.6 effectively shows the maximum amount allowed for CIL. We have carefully considered the nature of the types of development likely to come forward in any particular area and taken a view on setting a recommended CIL rate so as to leave sufficient buffer and allow for the majority of development in that particular area to come forward. In terms of this table we have used set CIL at 50% of the headroom to allow for S106 and a buffer for all sites.

6.3.3 In regards to the strategic sites, Scenario 3 identified that at 20% affordable housing the headroom for the Haynes, Ashford Rd site was £156 and for the Springfield, Royal Engineers Rd site the headroom was £154. Given the similarity between these two figures we would suggest an identical CIL rate. Applying the same weighted average approach this provides headroom of £155, which is detailed in Table 6.6 below.

6.3.4 There is no prescribed buffer in regulation and the Council may choose to alter its approach to the buffer dependant on their own knowledge in respect of future site supply, delivery rates and particular risks to delivery in respect of site specific infrastructure requirements. If the Council believes that delivery is not an issue in the Borough and that it requires more funding for infrastructure then it may wish to lower the buffer. However, whilst it is up to the Council as to the level of buffer, it is recommended that a minimum of 20% of the headroom is available for the buffer to allow for changes in costs and site specific circumstances. It should also be noted that in setting a CIL rate the S106/S278 allowances are likely to be higher for larger sites as they are less likely to rely on existing infrastructure. It is the Council's intention to undertake further work on the potential level of S106/S278 that will be sought from development, however for the purposes of this assessment an allowance of 30% of the headroom as been made to cover these matters. On smaller sites whilst the site specific mitigation may be less, there is a government drive to minimise the burden of development contributions from smaller developments to improve viability. Also smaller sites are more sensitive to small changes in costs and values, which could arise for example by changing the housing mix of a scheme. Therefore given these factors and the potential step change (i.e. smaller development have traditionally not contributed to their cumulative impact on infrastructure) in making a contribution, the Council may want to be cautious in setting a CIL rate by using a higher than 20% buffer.

6.3.5 Taking these affordable housing rates into consideration, along with the average headroom, we have arrived at the recommended CIL rates set out in Table 6.6 below. Option A provides a less complex approach than Option B. Option A is based on typologies grouped by location. Conversely, Option B as set out in Table 6.7, recognises that those units below the affordable housing threshold are likely to have greater headroom, as demonstrated in Scenarios 1, 2 and 3 in the previous section. Option B, therefore, gives two rates for sites proposed of units below and above the affordable housing threshold within each of the locations Both options separate the strategic sites.

6.3.6 It is recommended that Option A, as the most simple approach, should be taken forward by the Council

Option A Residential

Table 6.6 Option A potential affordable housing and CIL rates

Broad location	Affordable housing rate	Average Headroom	Recommended CIL rate (50% of headroom)
Urban areas*	30%	£186	£93
Strategic sites: both **Haynes, Ashford Rd** & **Springfield site, Royal Engineers Rd**	20%	£155	£77
Rural areas	40%	£197	£99

*with the exception of the strategic sites

Option B Residential

Table 6.7 Option B potential affordable housing and CIL rates

Broad location	Affordable housing rate	Average Headroom	Recommended CIL rate (50% of headroom)
Urban areas of 10 and under dwellings*	**Exempt**	£238	£119
Urban areas of 11 and over dwellings**	30%	£184	£92
Rural areas of 10 and under dwellings*	**Exempt**	£338	£169
Rural areas of 11 and over dwellings	40%	£195	£97
Strategic sites: both **Haynes, Ashford Rd** & **Springfield site, Royal Engineers Rd**	20%	£155	£77

* and a maximum combined gross floorspace of no more than 1,000 sq.m

**with the exception of the strategic sites

Housing for older people

Retirement Homes and Extra Care

6.3.7 Our testing for retirement homes and extra care homes suggests these uses are not as viable in Maidstone as other residential uses. Our findings suggest that there were very little difference in the headroom between extra care and retirement properties, and the most appropriate, and simplistic, method would be setting a single affordable rate and levy for both.

6.3.8 We also identified that whilst 30% is viable, we would suggest this could only be accommodated with a zero CIL charge. Alternatively, our testing shows that at a lower rate of 20% affordable housing rate could be accommodated with a CIL rate of £45. We therefore again provide the two options for the Council to consider.

6.3.9 To maintain a balance between infrastructure provision and affordable housing it is recommended that Option B is pursued within policy and the CIL rate.

Option A – Older Person housing

Table 6.8 Option A potential older person housing affordable housing and CIL rates

Broad location	Affordable housing rate	Headroom	Recommended CIL rate (50% of headroom)
Retirement homes	30%	£16	£0 (zero rate)
Extracare	30%	£21	

Option B – Older person housing

Table 6.9 Option B potential older person housing affordable housing and CIL rates

Broad location	Affordable housing rate	Headroom	Recommended CIL rate (50% of headroom)
Retirement homes	20%	£86	£45
Extracare	20%	£92	

6.3.10 As discussed previously, we consider that care homes are a slightly different format to retirement and extra care properties and have therefore been considered in the following section on Non Residential uses.

7 Non-residential Market and Viability

7.1 Assumptions

7.1.1 None of the Maidstone Borough Local Plan policies considered in Chapter 4 are seen to significantly burden the viability for delivering non-residential uses in the Plan period. Therefore, this section sets out the assumptions used for the non-residential viability testing work to scope solely the potential for collecting CIL. The initial appraisals make no allowance for either CIL or S106 contributions to establish if there is scope to charge CIL.

7.2 Site typologies

7.2.1 The testing has been conducted on a hypothetical typical site basis. This is because 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. Site-specific testing would also be considering detail on purely speculative/assumed scenarios, producing results that would be of little use for a study for strategic consideration.

Site coverage and floorspace

7.2.2 As the viability testing is being undertaken on a 'per net developable hectare' basis, it is important to consider the density of development proposed. The following table sets out the assumed net developable site area for each development type, the amount of floorspace this is likely to support within Maidstone.

Table 7.1 Non-residential uses – size

Use	Description	Size (GIA)	Size (NIA)
1: Town centre office	These are considered as offices located within the town centre boundaries. They are assumed to be developments over three or four floors.	250	238
2: Business park	Considered as larger developments, more likely to be located in out of town, or edge of town locations. Compared to town centre offices these are considered to have a greater footprint and developed over one or two floors. There is likely to be greater provision for car parking and open space around the unit, as opposed to town centre units	2,250	2,025
3: Industrial / warehouse	We have combined general industrial typologies to cover smaller workshops and warehousing.	1,500	1,425
4: Small supermarket	A changing retail sector has seen a preference for smaller supermarkets being developed which, in terms of size, are positioned between typical large supermarket and the smaller convenience store. These reflect the increasing popularity for Lidl and Aldi type stores, which are typically built with smaller floorspace.	1,000	950
5: Supermarket	For this study we have assumed a size of 2,500, selling predominantly convenience retail, located in an out of centre location. Aside from this site we assume a large proportion of the site would be attributed to	2,500	2,375

	parking.		
6: Retail warehouse	These are considered as out of town comparison retailers, usually comprised of a number of units, which make up the 2,000 square metres. Like	2,000	1,900
7: Town centre retail	Seen as smaller, comparison retailers located in the town centre boundary.	200	190
8: Hotel (60 bed)	We have tested hotels based on assumptions of a 60 bed budget hotel.	1,500	1,425
9: Small local convenience	This type is seen as a small convenience retailer, often refered to as 'local' or 'express' stores	280	266
10: Carehome	Whilst retirement homes and extracare homes were tested previously in the residential testing, care homes share many characteristics to other commercial units. We have considered a care home of roughly 1,500 square metres. In addition to this we assume a contribution for communal space and car parking.	2,000	1,400

Source: PBA research

7.3 Establishing Gross Development Value (GDV)

7.3.1 In establishing the GDV for non-residential uses, this report has also considered historical comparable evidence to inform new values on a local and for some uses, national, level. This includes data used from databases such as Focus COSTAR. In order to ensure current data is used, we also gather data from units currently on sale through websites such as Right Move, Completely Retail and Estates Gazette. A selection of the evidence used to formulate these assumptions is detailed in Appendix E.

7.3.2 The following table illustrates the values established for a variety of non-residential uses, expressed in sq. m of net rentable floorspace and yield. The table is based on our knowledge of the market and analysis of comparable transaction data. The data has then been corroborated through a discussion with local stakeholders.

Table 7.2 Non-residential uses – rent and yields

Use	Rent	Yield
1: Town centre office	£136	8.50%
2: Business park	£164	8.50%
3: Industrial / warehouse	£95	8.20%
4: Small supermarket	£160	5.50%
5: Supermarket	£176	5.00%
6: Retail warehouse	£140	6.70%
7: Town centre retail	£141	7.50%
8: Hotel (60 bed)	£155	6.00%
9: Small local convenience	£160	5.50%
10: Carehome	£130	7.00%

Source: PBA research

7.4 Costs

7.4.1 Like in the residential uses testing, 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:

- build costs
- professional fees and overheads
- marketing fees
- legal fees and land Stamp Duty tax
- finance costs
- developer profit

Build costs

7.4.2 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) and rebased (by BCIS) to Maidstone prices. The build costs adopted are based on the BCIS median values shown in **Table 7.3**.

Table 7.3 Non-residential uses – build costs 2nd Quarter 2014

Use	Build cost per sq.m
1: Town centre office	£1,435
2: Business park	£1,245
3: Industrial / warehouse	£747
4: Small supermarket	£1,208
5: Supermarket	£1,297
6: Retail warehouse	£662
7: Town centre retail	£935
8: Hotel (60 bed)	£1,660
9: Small local convenience	£1,208
10: Carehome	£1,370

Sources: BCIS

External works

7.4.3 Plot externals relate to costs for internal access roads, car parking and hard and soft landscaping within the site.

7.4.4 This input incorporates all additional external costs to the developer, and we set external works a rate of 10% of build cost.

Other development costs

Professional fees

7.4.5 This input incorporates all professional fees associated with the build, including fees for designs, planning, surveying, project managing, etc. at 10% of build cost plus externals.

Contingency

7.4.6 It is normal to build in contingency based on the risk associated with each site and in line with industry standards we have applied it at 5% of build cost plus externals.

Acquisition fees and Land Tax

7.4.7 This input represents the fees associated with the land purchase and are based upon the following industry standards: Surveyor – 1% and Legals – 0.75% of residual land value.

7.4.8 A Stamp Duty Land Tax is payable by a developer when acquiring development land. We have therefore applied the standard variable rates set out by HMRC as a percentage cost of the residual land value.

Developer profit

7.4.9 The developer’s profit is the 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.

Finance

7.4.10 We have used a monthly cashflow based on a finance cost of 7% throughout the sites appraisals. This is higher than the used in the residential appraisals because borrowing is more expensive for commercial development due to the greater risks. This accounts for the cost of borrowing and the risk associated within the current economic climate and short term outlook. It is also a suitable rate for the types of development we are testing in this report.

Land for non-residential uses

7.4.11 After systematically removing the various costs and variables detailed above from the GDV of a scheme, the result is the residual land value. This is measured against a benchmark/threshold value which reflects a value range that a landowner would reasonably be expected to sell/release their land for development.

7.4.12 Establishing the existing use value (EUV) of land and in setting a benchmark/threshold at which a landowner is prepared to sell to enable a consideration of viability can be a complex process. There is a wide range of site specific variables which affect 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.

7.4.13 Analysis of the few plots currently on the market suggests that for a site of 1.12 hectares located in Yalding, outside of Maidstone town centre, the guide price was in the region of £1.25 million, (just over £1.1m per hectare). Similarly, development land in nearby Sittingbourne with planning permission for B class uses is on offer for just under £1.1m.

7.4.14 There are relatively fewer transactional data available for retail schemes within Maidstone or surrounding areas. Discussions with agents, and knowledge gathered from previous studies, indicates that the values achieved for retail units are considerably higher than for industrial units. Similarly, this figure is both higher for units in town centre locations and varies depending on type of development, but can be as high as £3,000,000 per hectare in prime locations for high value uses.

7.4.15 We have therefore concluded that the figures in Table 7.4 represent a suitable range of benchmark/threshold figures adjusted on the basis of location and applied according to use. So, for example, a town site will be at the upper end of this range existing use value as it will already have a comparatively high existing use value and if the potential use is retail then it will also have a higher uplift value as the developer's expectation of a return will be higher.

Table 7.4 Land values for non-residential uses

Use	Land Values
1: Town centre office	£1,400,000
2: Business park	£950,000
3: Industrial / warehouse	£800,000
4: Small supermarket	£2,000,000
5: Supermarket	£2,500,000
6: Retail warehouse	£2,200,000
7: Town centre retail	£3,000,000
8: Hotel (60 bed)	£2,000,000
9: Small local convenience	£2,000,000
10: Carehome	£975,000

7.5 Non-residential assessment outputs

7.5.1 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 sq. m, the net costs per sq. m (including an allowance for land cost) and the balance between the two.

7.5.2 It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant, (i.e. speculatively). However there will also be bespoke development that is undertaken for specific commercial operators either as owners or pre-lets.

Retail uses

7.5.3 The appraisal summary shown in **Table 7.5** is for all retail development. There is scope for charging CIL, to various degrees, on all types of retail uses in out of centre locations.

7.5.4 Our testing shows that residual values for all types of tested retail development within the Borough are viable, with the exception of Town Centre comparison. Given that all the out of centre typologies are viable and these reflect what is most likely to happen over the plan period, the Council, in the spirit of the CIL Regulations and statutory guidance, could opt for a simple approach and set a flat rate of CIL that applies to all out of centre retail development.

7.5.5 Any rate setting should take into account that site specific S106/278 impacts have not been included as there is only limited evidence of what these may include. Therefore we recommend that large headroom of around 50% is included to allow for any required contributions beyond the CIL rate.

Table 7.5 Summary of retail uses viability (headroom per sq. m)

Use	Retail – Town centre comparison	Retail – Out of centre comparison	Supermarket (2,500 sqm)	Small Supermarket (1,000 sqm)	Small Local convenience (280 sqm)
CIL headroom	-£64	£148	£317	£309	£438

Source: PBA research

Office and Industrial uses

7.5.6 In line with other areas of the country, our analysis in **Table 7.6** suggests that for commercial B-class development it is not currently viable to charge a CIL in Maidstone Borough. Whilst there is variance for different types of B-use classes, essentially none of them generate sufficient value to justify a CIL charge.

7.5.7 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 bespoke 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 7.6 Summary of B-class uses development viability (headroom per sq. m)

Use	Town centre office	Business park	Industrial / Warehouse units
CIL headroom	-£678	-£306	-£263

Source: PBA research

Hotel development

7.5.8 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.

7.5.9 The market for higher standard hotels remains difficult outside central London with the lack of access to finance curtailing development opportunities at the same time that land values for potential sites are likely to be increasing because of the stimulus of positive growth in the rest of the economy. However, it was considered during the viability workshop that it may be prudent to test this use class, particularly in terms of smaller, tourist hotels that may be brought forward.

7.5.10 As can be seen in **Table 7.7**, hotel development in Maidstone does not appear to be particularly viable. As with our analysis of office units, it is considered that the situation may improve in future, in line with an improvement in the wider economy; however, at present it is considered that a CIL rate would hinder viability further.

Table 7.7 Summary of Hotel viability (headroom per sq.m)

Use	Hotels
CIL headroom	-£527

Source: PBA research

Care homes

7.5.11 Despite significant investment in these areas in recent years, the care home market shows weak prospects in terms of providing any affordable housing along with setting a positive CIL charge. As the figure in **Table 7.8** shows, even with zero affordable housing there is no scope for CIL as the viability shows negative headroom.

7.5.12 It is therefore recommended that the Council does not seek affordable housing or CIL from this type of development.

Table 7.8 Care homes viability

Use	Care homes
CIL headroom	-£797

Source: PBA research

Public Service and Community Facilities

7.5.13 The Maidstone Local Plan states that the Council want to ensure that the provision of schools, pre-schools and other education and training facilities are sufficient in quality and quantity to meet the needs of residents. The Council may therefore identify new sites for educational and community uses if the need arises.

7.5.14 We see this category as including but not necessarily being limited to:

- Schools, including free schools;
- Medical facilities;
- Emergency services facilities; and
- Community halls, community arts centres and libraries.

7.5.15 A number of these facilities may be delivered in the borough over the plan period. They fall into three broad categories, which may overlap:

- Some, like independent schools, will be provided by organisations which have charitable status. They would be exempt from CIL in any case.
- Others, probably the largest category, will be developed, commissioned or subsidised by the public sector. These projects by definition do not deliver a financial return, rather, they make a loss, which is paid for by the public purse. In general they will not produce a commercial land value either, because the land they use will be in public ownership at the outset. Consequently, in most cases there will not be an overage, or betterment, on which CIL can be charged. In those instances where land for public facilities is purchased by the

public sector provider in the open market, an overage may be generated; but we have no evidence on which to estimate this and we do not believe it to be significant.

- Thirdly, some facilities will be provided on a commercial basis. The main instance of this is primary care premises occupied by GPs. There is a commercial market for properties of this sort. We have analysed the price paid for completed investments across the country by specialist investors. We have found that the sites used are usually sourced on a preferential basis and the surplus land values they generate are not significant in most cases. It is possible that privately-funded BUPA-type health provision might be developed, but this is likely to be de-minimis.

7.5.16 We conclude that the development of public service and community facilities should not be subject to CIL, because generally speaking they are not commercially 'viable' in the normal sense.

7.6 Non-residential recommendations

7.6.1 In summary, our testing finds that only retail units have sufficient scope, in viability terms, to accommodate a CIL charge, with the exception of town centre retail units. Table 7.9 below shows the maximum headroom available that a CIL charge could be accommodated for each of the retail units determined as viable. Similar to our approach for residential units, we consider it appropriate to set a buffer to ensure decisions are not taken at the margin.

7.6.2 PBA would therefore recommend all of the convenience retail typologies in Table 7.9 are able to be able to accommodate a CIL charge of £150 whilst the out of centre comparison units would be able to accommodate a charge of £75. Finally, as all other uses were considered unviable PBA recommend a zero rate for such developments.

Table 7.9 Non Residential recommendations

	Maximum headroom	Recommended CIL Charge
Supermarket	£317	£150
Small supermarket	£309	
Small local convenience	£438	
Retail warehouse	£148	£75
All other non residential units	Unviable	£0

8 Conclusions and findings

8.1 How do the results compare with the previous study

8.1.1 Overall the general viability picture in terms of rural areas being more viable than the urban locations and within the urban areas the brownfield sites are less viable than the greenfield sites has not changed. However there are some notable differences which warrant further explanation.

Sales values

8.1.2 One key reason for the difference in viability results is the notable increase in residential sales values over the last two years since the previous report. Increases in the assumptions for sales values have the greatest impact on the bottom line figure in viability assessments.

8.1.3 Although prices have increased since May 2013, when looking at sales values it is not uncommon to consider sales values from the previous three to five years. It is likely therefore that some of the transactional data used in the previous study may have overlapped with transactional data from the height of the recession, and will therefore be slightly more supressed than in the previous three/five years from the present day.

8.1.4 It should also be noted that the approach to values has also changed. Previously a blended rate of houses and flats was used in the viability model; this has now changed to separately identifying houses and flats within the viability assessment.

Change in assumptions

8.1.5 Since the previous report there have been a number of changes in how costs are considered within the viability assessment. These changes are a result of a number of factors, including experience gained at Examination, peer review and improved market conditions. A summary of these changes is set out as follows:

- externals are reduced to 10% of build costs as opposed to 15%
- 10% of build cost for professional fees is reduced from 12%.
- profit that developers may gain from affordable housing has fallen from 8% to 6%.
- there is evidence to suggest finance costs have fallen considerably since the previous study where 8% was used - a figure of 6% is now used

8.1.6 Although these changes seem relatively small they can have a big impact on the viability assessment.

Typologies tested

8.1.7 The approach to typologies has changed since the last study. In the May 2013 study it was understood that the focus of development was greenfield extensions around Maidstone. Therefore the testing was focused around these, rather than brownfield sites within Maidstone. Some testing of brownfield sites was undertaken for 5, 10, and 100 dwellings schemes as this was reflective of the limited supply from this source envisaged at that time.

8.1.8 The new report includes more extensive testing of brownfield sites. This is because it was advised by Maidstone that this supply is more important than in past iterations of the plan.

8.1.9 To provide advice and recommendations of appropriate levels of affordable housing and CIL, the results of the testing for each of the typologies are blended and averages used to help set the rates. The method used is to work out the 'weighted' (by the number of dwelling) average headroom across the site types, in this case sites within Maidstone urban area. Clearly a different mix of sites will produce different results. In the May 2013 report only three sites were used, whereas a greater range and number of sites are included within the revised report, which provides a different 'weighted' average.

8.2 Is the Local Plan deliverable?

8.2.1 The final stage of this viability assessment is to draw broad conclusions on whether the submitted Local Plan is deliverable in terms of viability and to provide recommendations for any review of approach. The assessment indicates that the Local Plan policies most likely to impact on the residential viability are affordable housing and the costs of infrastructure (wide ranging).

8.2.2 As found in PBA's original report viability report in 2013, there are two distinct value residential areas within Maidstone. As demonstrated in our analysis of various transactional data and through our consultation with local stakeholders, our report identifies lower values in the urban area higher values in the rural areas.

8.2.3 Chapter 6 shows that if the Council intended to progress with an affordable housing rate of 30%, all of the residential development scenarios relevant to the planned trajectory are currently viable. A key finding of our testing is that the strategic sites in the urban area, whilst viable at 30% would have a more limited headroom to accommodate S106 costs and any abnormals not considered within the land value – as these are important sites for the delivery of the plan it is recommended that the local authority pursues a lower affordable housing rate in these locations.

8.2.4 Conversely, the difference in values across the urban and rural locations indicates scope for a higher affordable housing rate in the rural areas. PBA would recommend that a lower affordable housing rate of 20% is appropriate for the strategic sites, and a higher rate of 40% in the rural areas would not adversely affect the plan.

8.2.5 In terms of CIL rate, our appraisal results set out in Option A Residential indicate that a rate of £77 can be achieved in the strategic sites, £93 in the rest of the urban area and £99 in the rural areas. Our findings set out in Option B residential also show viable CIL rates, however it is considered that Option A is the more simple approach. Our findings show that there is also scope to charge a CIL rate on retirement and extra care properties. Our testing found these types less viable than generic residential and we provide the Council with two options; 30% affordable housing and a zero CIL or a 20% affordable housing with a £45 rate. The council will need to decide the appropriate balance between affordable housing and infrastructure provision.

8.2.6 The viability assessment has been tested at current costs and current values. There has not been a need to test the impact of longer term variations in assumptions, as we have demonstrated that the broad aims of the current Local Plan are viable if sites come forward as anticipated, based on current values and with the inclusion of a sensible mix of policies.

8.2.7 With regard to non-residential element of the planned development, the delivery of schemes taking place is less affected by the impact of 'policy burdens' and more sensitive to wider economic market conditions of demand and supply for such development. The viability assessment assessed a range of speculative development scenarios, without the imposition of any planning obligations and found the schemes most likely to take place are those that have an identified client requiring specific development requirements rather than speculative delivery.

Study recommendations

8.2.8 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 overall delivery of the Local Plan is to remain viable. These decisions will be informed in part by the requirement to meet housing need, infrastructure need and political priorities.

8.2.9 Our recommendations for the Plan policies and CIL are set out in Table 8.1. We also recommend for ease of application that the affordable housing areas and CIL charging zones coincide.

Table 8.1 Policy and CIL recommendations

Policy position	Recommendations
Affordable housing percentage	To be suggested as amendments to the submitted Local Plan policy: 20% affordable housing target in the two identified strategic sites 30% affordable housing target in the urban area (with the exception of the two strategic sites as per above) 40% affordable housing target in the rural areas 20% affordable housing for retirement homes and extra care housing 0% affordable housing target care homes
Housing tenure	To be included within the Local Plan's supporting text: An indicative target seeking a range of tenures around 70% Affordable rent and 30% Intermediate housing to allow flexibility, where schemes are marginal.
CIL	Based on the affordable housing percentages and housing tenure above the following residential (including retirement and assisted living) CIL rates could be set: £93 per sq.m in the Urban areas £77 per sq.m in the Strategic sites £99 per sq.m in the Rural areas £45 per sq.m for retirement and extra care housing <u>On non-residential development CIL could be set at:</u> All convenience retail floorspace - £150 per sq.m CIL All comparison retail floorspace outside of the town centre - £75 per sq.m CIL

	All other forms of CIL Liable flooorspace - £0 per sq.m CIL

Appendix A Viability assumptions

Residential

Assumption	Source	ID	Notes
Scenarios			
Residential development typology	Consultation	This	

Ref	Typology	Settlement	Land type (Greenfield/B	LV description	Gross area (ha)	Net area (ha)	Nr units	dwph	B-space (sqm)
1	1 unit Brownfield (UA)	Urban Area	Brownfield	Small Brownfield	0.03	0.03	1	33	-
2	5 units Brownfield (UA)	Urban Area	Brownfield	Small Brownfield	0.13	0.11	5	45	-
3	9 units Brownfield (UA)	Urban Area	Brownfield	Small Brownfield	0.27	0.23	9	40	-
4	20 units Brownfield (UA)	Urban Area	Brownfield	Brownfield	0.62	0.49	20	41	-
5	60 units Brownfield (flats) (UA)	Urban Area	Brownfield	Small Brownfield	0.52	0.37	60	160	-
6	60 units Brownfield (UA)	Urban Area	Brownfield	Brownfield	2.00	1.44	60	42	-
7	200 units Brownfield (UA)	Urban Area	Brownfield	Brownfield	2.10	1.40	200	143	-
8	240 units Greenfield (UA)	Urban Area	Greenfield	Large Greenfield	10.70	6.90	240	35	-
9	500 units Brownfield (UA)	Urban Area	Brownfield	Brownfield	8.60	3.80	500	132	-
10	1 unit Greenfield (Rural)	Rural	Greenfield	Small Greenfield	0.03	0.03	1	33	-
11	5 units Greenfield (Rural)	Rural	Greenfield	Small Greenfield	0.16	0.14	5	36	-
12	9 units Greenfield (Rural)	Rural	Greenfield	Small Greenfield	0.33	0.28	9	33	-
13	1 unit Brownfield (Rural)	Rural	Brownfield	Small Brownfield	0.03	0.03	1	33	-
14	5 units Brownfield (Rural)	Rural	Brownfield	Small Brownfield	0.16	0.14	5	36	-
15	9 units Brownfield (Rural)	Rural	Brownfield	Small Brownfield	0.33	0.28	9	33	-
16	25 units Greenfield (Rural)	Rural	Greenfield	Greenfield	1.00	0.77	25	32	-
17	40 units Greenfield (Rural)	Rural	Greenfield	Greenfield	1.70	1.27	40	32	-
18	100 units Greenfield (Rural)	Rural	Greenfield	Greenfield	4.80	3.32	100	30	-
19	200 units Greenfield (Rural)	Rural	Greenfield	Large Greenfield	10.70	7.00	200	29	-
20	400 units Greenfield (Rural)	Rural	Greenfield	Large Greenfield	20.00	12.38	400	32	-
21	840 units Greenfield (Rural)	Rural	Greenfield	Large Greenfield	45.62	26.60	850	32	-
34	Extra care	Extra care	Brownfield	Retirement Scheme	0.62	0.46	45	98	-
35	Retirement home	Retirement home	Brownfield	Retirement Scheme	0.62	0.45	55	122	-
Averages						62%		45	

Mix type — Assumed

		OM dwelling type (%)				AH dwelling type (%)			
		1-2 bed Flats	2 bed house	3 bed house	4+ bed house	1-2 bed Flats	2 bed house	3 bed house	4+ bed house
Ref	*Typology*	*30%*	*30.0%*	*30.0%*	*10%*	*35.0%*	*30.0%*	*25.0%*	*10.0%*
1	1 unit Brownfield (UA)	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
2	5 units Brownfield (UA)	0.0%	0.0%	60.0%	40.0%	0.0%	0.0%	60.0%	40.0%
3	9 units Brownfield (UA)	0.0%	0.0%	60.0%	40.0%	0.0%	0.0%	60.0%	40.0%
4	20 units Brownfield (UA)	0.0%	30.0%	40.0%	30.0%	35.0%	30.0%	25.0%	10.0%
5	60 units Brownfield (flats) (UA)	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
6	60 units Brownfield (UA)	15.0%	20.0%	45.0%	20.0%	35.0%	30.0%	25.0%	10.0%
7	200 units Brownfield (UA)	85.0%	5.0%	5.0%	5.0%	85.0%	5.0%	5.0%	5.0%
8	240 units Greenfield (UA)	15.0%	20.0%	45.0%	20.0%	35.0%	30.0%	25.0%	10.0%
9	500 units Brownfield (UA)	62.0%	12.0%	10.0%	16.0%	62.0%	12.0%	10.0%	16.0%
10	1 unit Greenfield (Rural)	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
11	5 units Greenfield (Rural)	0.0%	0.0%	60.0%	40.0%	0.0%	0.0%	60.0%	40.0%
12	9 units Greenfield (Rural)	0.0%	0.0%	60.0%	40.0%	0.0%	0.0%	60.0%	40.0%
13	1 unit Brownfield (Rural)	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
14	5 units Brownfield (Rural)	0.0%	0.0%	60.0%	40.0%	0.0%	0.0%	60.0%	40.0%
15	9 units Brownfield (Rural)	0.0%	0.0%	60.0%	40.0%	0.0%	0.0%	60.0%	40.0%
16	25 units Greenfield (Rural)	15.0%	20.0%	45.0%	20.0%	35.0%	30.0%	25.0%	10.0%
17	40 units Greenfield (Rural)	15.0%	20.0%	45.0%	20.0%	35.0%	30.0%	25.0%	10.0%
18	100 units Greenfield (Rural)	15.0%	20.0%	45.0%	20.0%	35.0%	30.0%	25.0%	10.0%
19	200 units Greenfield (Rural)	15.0%	20.0%	45.0%	20.0%	35.0%	30.0%	25.0%	10.0%
20	400 units Greenfield (Rural)	15.0%	20.0%	45.0%	20.0%	35.0%	30.0%	25.0%	10.0%
21	840 units Greenfield (Rural)	15.0%	20.0%	45.0%	20.0%	35.0%	30.0%	25.0%	10.0%
34	Extra care	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%
35	Retirement home	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%

Unit sizes — Industry standard

Private unit sizes are based on average size for new units by type within the study area. Affordable unit sizes are assumed to mirror OM units standards. Unit sizes are set out as follows:

Private		
Private sale	Flats (NIA)	59 sq m
Private sale	Flats (GIA)	62 sq m
Private sale	2 bed house	75 sq.m
Private sale	3 bed house	93 sq.m
Private sale	4+ bed house	120 sq m
Affordable units		
Social rent	Flats (NIA)	59 sq m
Social rent	Flats (GIA)	62 sq m
Social rent	2 bed house	75 sq.m
Social rent	3 bed house	93 sq m
Social rent	4+ bed house	120 sq m
Affordable rent	Flats (NIA)	59 sq m
Affordable rent	Flats (GIA)	62 sq m
Affordable rent	2 bed house	75 sq m
Affordable rent	3 bed house	93 sq m
Affordable rent	4+ bed house	120 sq m
Intermediate	Flats (NIA)	59 sq m
Intermediate	Flats (GIA)	62 sq m
Intermediate	2 bed house	75 sq m
Intermediate	3 bed house	93 sq m
Intermediate	4+ bed house	120 sq m

		NIA	GIA
Retirement schemes		**NIA**	**GIA**
	Retirement Home	60	75
	Extra Care	71	96

Residential — Council policy

Threshold 10 Units

			Type	0%	Affordable tenure split		
			Private	Affordable	Social rent	Affordable rent	Intermediate
Ref	*Typology*		*70%*	30.00%	*0%*	*70%*	*30%*
1	1 unit Brownfield (UA)	1 Units	100%	0%	0%	70%	30%
2	5 units Brownfield (UA)	5 Units	100%	0%	0%	70%	30%
3	9 units Brownfield (UA)	9 Units	100%	0%	0%	70%	30%
4	20 units Brownfield (UA)	20 Units	70%	30%	0%	70%	30%
5	60 units Brownfield (flats) (UA)	60 Units	70%	30%	0%	70%	30%
6	60 units Brownfield (UA)	60 Units	70%	30%	0%	70%	30%
7	200 units Brownfield (UA)	200 Units	80%	20%	0%	70%	30%
8	240 units Greenfield (UA)	240 Units	70%	30%	0%	70%	30%
9	500 units Brownfield (UA)	500 Units	80%	20%	0%	70%	30%
10	1 unit Greenfield (Rural)	1 Units	100%	0%	0%	70%	30%
11	5 units Greenfield (Rural)	5 Units	100%	0%	0%	70%	30%
12	9 units Greenfield (Rural)	9 Units	100%	0%	0%	70%	30%
13	1 unit Brownfield (Rural)	1 Units	100%	0%	0%	70%	30%
14	5 units Brownfield (Rural)	5 Units	100%	0%	0%	70%	30%
15	9 units Brownfield (Rural)	9 Units	100%	0%	0%	70%	30%
16	25 units Greenfield (Rural)	25 Units	60%	40%	0%	70%	30%
17	40 units Greenfield (Rural)	40 Units	60%	40%	0%	70%	30%
18	100 units Greenfield (Rural)	100 Units	60%	40%	0%	70%	30%
19	200 units Greenfield (Rural)	200 Units	60%	40%	0%	70%	30%
20	400 units Greenfield (Rural)	400 Units	60%	40%	0%	70%	30%
21	840 units Greenfield (Rural)	850 Units	60%	40%	0%	70%	30%
34	Extra care	45 Units	70%	30%	0%	70%	30%
35	Retirement home	55 Units	70%	30%	0%	70%	30%

Non-residential typology unit types

Assumption	Source	Notes
Revenue		
Sales value of completed scheme	Land Registry/Rightmove Brochures	Property values are derived from different sources, depending on land use. For housing, Land Registry and Rightmove data forms a basis for analysis. This provides a full record of all individual transactions. Values used are as follows:

	Value Area	House	Flats	
Private sale	Urban Area	£2,980	£2,775	sqm
Private sale	Rural	£3,190	£3,050	sqm
Private sale	Extra care		£3,700	sqm
Private sale	Retirement home		£3,350	sqm

Assumption	Source	Notes
Affordable housing (Section 106)	Industry standards	The current percentage requirement for affordable housing is X% on sites with X+ new dwellings. The impact of residential tenure can affect the impact of this policy, and we have assumed a blended average of intermediate and affordable rented accommodation as follows:

Transfer value	*Value Area*	*45%*		
Social rent	Urban Area	£1,341	£1,249	sqm
Social rent	Rural	£1,436	£1,373	sqm
Social rent	Extra care		£1,665	sqm
Social rent	Retirement home		£1,508	sqm
Transfer value		***55%***		
Affordable rent	Urban Area	£1,639	£1,526	sqm
Affordable rent	Rural	£1,755	£1,678	sqm
Affordable rent	Extra care		£2,035	sqm
Affordable rent	Retirement home		£1,843	sqm
Transfer value		***65%***		
Intermediate	Urban Area	£1,937	£1,804	sqm
Intermediate	Rural	£2,074	£1,983	sqm
Intermediate	Extra care		£2,405	sqm
Intermediate	Retirement home		£2,178	sqm

Assumption	Source	Notes
Construction Costs		
Build costs	BCIS Quarterly Review of Building Prices online version accessed August 2014. Prices rebased to the district.	Residential build costs are based on recent data of actual tender prices from the Build Cost Information Service (BCIS), which is published by the Royal Institution of Chartered Surveyors (RICS). The tender prices are based on new builds in the market place over a 15 year period, rebased to Maidstone and 2nd quarter 2014 prices using BCIS defined adjustments, to give the following median build costs for small and large schemes:

	Small housebuilder < 4	Medium housebuilder 15	Large house builder dwgs	
Private				
Flats	£1,171	£1,171	£1,171	sqm
Houses (general estate)	£1,251	£1,153	£1,054	sqm
Affordable				
Flats	£1,171	£1,171	£1,171	sqm
Houses (general estate)	£1,251	£1,153	£1,054	sqm
Retirement Schemes				
Extra care	£1,289			
Retirement home	£1,244			

Assumption	Source	Notes
Plot external	Industry standards	Plot externals relate to costs for internal access roads, hard and soft landscaping. This will vary from site to site, but we have allowed for this at the following rate: 10% on build cost
Site abnormals	Industry standards	Developing greenfield, brownfield and mixed sites represent different risk and costs. These costs can vary significantly depending on the site's specific characteristics. To reflect additional costs associated with site development for residential purposes (i.e. demolition and opening costs), allowance for Land Type have been set at:

Land type		
Brownfield	£200,000	per net ha
Mixed	£100,000	per net ha
Greenfield	£0	per net ha

Opening-up costs	Infrastructure study	Opening up costs typically account for strategic infrastructure - local highway improvements, drainage, strategic landscaping, PoS, education/ community facilities, etc. This is treated as an add on to the adopted benchmark land value so that the benchmark land value is sufficiently below the market rate for clean residential land. Since some strategic infrastructure will be paid for seperately through CIL charges, the following assumptions are used based on the site area (NB: the estimate for the strategic sites are carried out seperately based on the information which the Council have been able to provde): **Generic sites** < 200 £5,000 per unit < 500 £10,000 per unit >= 500 £20,000 per unit
Professional fees	Industry standards	Professional fees relate to the costs incurred to bring the development forward and cover items such as; surveys, architects, quantity surveyors, etc. Professional fees are based on accepted industry standards and are calculated as a percentage of build costs at 10% on build costs (incl: externals)
Contingency	Industry standards	Contingency is based upon the risk associated with each site and has been calculated as a percentage of build costs at 5% on build costs (incl: externals)
Sale costs	Industry standards	Sale costs relate to the costs incurred for disposing the completed residential units, including legal, agents and marketing fees. These are based on industry accepted scales at the following rates: 3% on OM GDV
Finance costs	Industry standards	When testing for development viability it is common practice to assume development is 100% debt financed (Viability Testing Local Plans - Advice for planning practitioners and RICS Financial viability in planning guidance note GN94/2012. Within our cashflow we used a finance rate based upon market rates of interest as follows: 6% on net costs
Professional fees on land purchase	Industry standards	In addition to SDLT the purchaser of land will incur professional fees relating to the purchase. Fees associated with the land purchase are based upon the following industry standards: Surveyor - 1.00% Legals - 0.75%
Profit		
Developer's return	Industry standards	A developer's return is based upon their attitude to risk. A developer's attitude to risk will depend on many factors that include but not exclusive to, development type (e.g. Greenfield, Brownfield, refurbishment, new build etc), development proposal (uses, mix and quantum), credit worthiness of developer, and current market conditions. The Harman Report states that "residential developer margin expressed as a percentage of GDV - should be the default methodology" and E.2.3.8.1 of the RICS Financial viability in planning report states "The residential sector seeks a return on the GDV". We have applied a rate that is acceptable to both developers and financial institutions in the current market. The developer return is a Gross Margin and therefore includes overheads. The developer return is calculated as a percentage of Gross Development Value at the following rate: Developer return on market housing 20.0% on OM GDV Return on affordable housing 6% on AH transfer values
		A lower margin has been applied to the affordable units as these represent less development risk as the end user is known at point of construction. This approach is also typical with industry standards. The Homes and Community Agency (HCA) state 'Conventional practice is to allow for developer's margin at a lower rate for affordable housing developed as part of a Section 106 agreement, as the risks are low relative to development of open market housing. The user manual for the Economic Appraisal Tool states that a typical figure may be in the region of 6% of affordable housing value on a nil grant basis'.
Benchmark land value per ha		
Residential land values	Land Registry & UK Land Directory website	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 across the district. These comparable recent transactions generally relate to urban, brownfield sites, which were fully serviced with roads and major utilities to the site boundary. In collecting evidence on residential land values, we aimed to distinguish between sites that deliver flats and housing sites - this is due to development densities, and sites values that might reflect extra costs for opening up and planning permission from those which are clean residential sites. The figure we use reflect a fairly clean residential site (although it may not yet be permitted) We would expect that land values for smaller sites with less than 10 dwellings to be higher because of being under the affordable housing threshold. This approach is in line with the Harman report which advises authorities to work on the basis of future policy and its effects on land values. Residential values Small Brownfield £1,800,000 per net ha Residential values Small Greenfield £1,650,000 per net ha Residential values Greenfield £1,425,000 per net ha Residential values Brownfield £1,650,000 per net ha Residential values Large Brownfield £1,200,000 per net ha Residential values Large Greenfield £1,125,000 per net ha Residential values Retirement Scheme £1,500,000 per net ha

Appendix B Example appraisals

Residential

1 unit Brownfield	Urban Area		1 Units			
ITEM						
				Residual Value		Technical Checks:
Net Site Area	0.03	Brownfield	Small Brownfield	£2,081,481	per net ha	Sqm/ha 4,000
Stamp Duty	Old					Dwgs/ha 33
						Units/pa 1
	Private	Affordable	Social rent	Affordable rent	Intermediate	GDV=Total costs -
Nr of units	1.00	0.00	0.00	0.00	0.00	

Ref	Item		No. of units	Size sq.m	Total sq.m	£psm	Total Value
1.0	Development Value						
1.1	Private units		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats (NIA)	0.00	59	0	£2,775	£0
		2 bed house	0.00	75	0	£2,980	£0
		3 bed house	0.00	93	0	£2,980	£0
		4+ bed house	1.00	120	120	£2,980	£357,600
			1.0		120		
1.2	Social rent		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats (NIA)	0.00	59	0	£1,249	£0
		2 bed house	0.00	75	0	£1,341	£0
		3 bed house	0.00	93	0	£1,341	£0
		4+ bed house	0.00	120	0	£1,341	£0
			-		-		
1.3	Affordable rent		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats (NIA)	0.00	59	0	£1,526	£0
		2 bed house	0.00	75	0	£1,639	£0
		3 bed house	0.00	93	0	£1,639	£0
		4+ bed house	0.00	120	0	£1,639	£0
			-		-		
1.3	Intermediate		No. of units	Size sq.m	Total sq.m	£psm	Total Value
		Flats (NIA)	0.00	59	0	£1,804	£0
		2 bed house	0.00	75	0	£1,937	£0
		3 bed house	0.00	93	0	£1,937	£0
		4+ bed house	0.00	120	0	£1,937	£0
			-		-		
	Gross Development value						£357,600
2.0	Development Costs						
2.1	Site Acquisition						
2.1.1	Net site value (residual land value)						£62,444
							£0
					Stamp Duty		£0
					Purchaser Costs		1.75%
	Site costs						£63,537.20
2.3	Build Costs						
2.3.1	Private units		No. of units	Size sq.m	Total sq.m	Cost per sq.m	Total Costs
		Flats (GIA)	0.00	62	0	£1,171	£0
		2 bed house	0.00	75	0	£1,251	£0
		3 bed house	0.00	93	0	£1,251	£0
		4+ bed house	1.00	120	120	£1,251	£150,160
			1		120		
2.3.2	Affordable units		No. of units	Size sq.m	Total sq.m	Cost per sq.m	Total Costs
		Flats (GIA)	0.00	62	0	£1,171	£0
		2 bed house	0.00	75	0	£1,251	£0
		3 bed house	0.00	93	0	£1,251	£0
		4+ bed house	0.00	120	0	£1,251	£0
			-		-		
2.3.3	Extra-over BR2013			£0	per unit		£0
			1.00				£150,160
2.4	Extra over construction costs						
2.4.1	Externals			10%	on build cost		£15,016
2.4.2	Site abnormals (remediation/demolition)			£200,000	per net ha		£6,000
2.4.2	Site opening up costs			£5,000	per unit		£5,000
							£26,016
2.5	Professional Fees						
2.5.1				10%	on build costs (incl: externals)		£16,517.60
							£16,518
2.6	Contingency						
2.6.1				5%	on build costs (incl: externals)		£8,258.80
							£8,259
2.7	Developer contributions						
2.7.1	Lifetime homes			£0	per unit		£0
2.7.2	CSH Level 4			0.0%	build cost		£0
2.7.3	CIL			£0	per sqm		£0
2.7.4	S106/S278/AH contribution			£0	per unit		£0
2.7.5	-			£0	-		
							£0
2.8	Sale cost						
2.8.1	Private units only			3.00%	on OM GDV		£10,728
							£10,728
	TOTAL DEVELOPMENT COSTS (including land)						£275,218
3.0	Developer's Profit						
3.1	Private units			20%	on OM GDV		£71,520
3.2	Affordable units			6%	on AH transfer values		£0
							£71,520
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						£346,738
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£10,862
4.0	Finance Costs						
				APR		PCM	
4.1	Finance			6.00%	on net costs	0.487%	-£10,862
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£357,600

This appraisal has been prepared by Peter Brett Associates for the Council. The appraisal has been prepared in line with the RICS valuation guidance. The purpose of the appraisal is to inform the Council about the impact of planning policy has on viability at a strategic level. This appraisal is not a formal 'Red Book' (RICS Valuation – Professional Standards January 2014) valuation and should not be relied upon as such.

Non-residential

	1: Town centre office						
ITEM							
Net Site Area	0.02	Residual value -£8,765,120.08 per ha					
1.0	**Development Value**						
		No. of units	**Size sq.m**	**Rent**	**Yield**	**Value per unit**	**Capital Value**
1.1	1: Town centre office	1	238	136.2529585	8.50%	£380,707	£380,706.80
						Rent free period	**Adjusted for rent free**
					No. of months	3	£373,021
	Total development value						**£373,021**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site value (residual land value)						-£146,085
			Purchaser costs				1.75%
							-£148,641.83
2.2	**Build Costs**						
		No. of units	**Size sq.m**	**Cost per sq.m**			**Total Costs**
2.2.1	1: Town centre office	1	250	£1,435			£358,750
							£358,750
2.3	**Externals**						
2.3.1	external works as a percentage of build costs		10.0%				£35,875
							£35,875
2.4	**Professional Fees**						
2.4.1	as percentage of build costs & externals		10%				£39,463
							£39,463
2.5	**Total construction costs**						**£434,088**
3.0	**Contingency**						
3.1.1	as a percentage of total construction costs		5%				£21,704.38
							£21,704
	TOTAL DEVELOPMENT COSTS (including land payment)						**£307,150**
4.0	**Developers' Profit**						
			Rate				
4.1	as percentage of total development costs		20%				£61,430
							£61,430
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£368,580**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£4,441
5.00	**Finance Costs**		APR			PCM	
			7.00%			0.565%	-£4,441
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						£373,021

This appraisal has been prepared by Peter Brett Associates on behalf of the Council. The appraisal has been prepared in line with the RICS valuation guidance. The purpose of the appraisal is to inform Council as to the impact of planning policy has on viability at a strategic borough level. This appraisal is not a formal 'Red Book' (RICS Valuation – Professional Standards January 2014) valuation and should not be relied upon as such.

Appendix C 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

Charging Schedule

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

Code for Sustainable Homes

The Code for Sustainable Homes is an environmental assessment method for rating and certifying the performance of new homes. It is a national standard for use in the design and construction of new homes with a view to encouraging continuous improvement in sustainable home building

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’

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

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 D Properties currently on the market

Name	Broad Location	Type	# of beds	Price	Approx size	Price per square metre
1 bedroom flat for sale, Romney Place, Maidstone	Urban area	Flat	1	£135,000	45	£3,000
1 bedroom flat for sale, Romney Place, Maidstone	Urban area	Flat	1	£127,500	36	£3,542
1 bedroom flat for sale, Romney Place, Maidstone	Urban area	Flat	1	£125,000	35	£3,571
1 bedroom flat for sale, Romney Place, Maidstone	Urban area	Flat	1	£125,000	32	£3,906
2 bedroom flat for sale, Romney Place, Maidstone	Urban area	Flat	2	£145,000	50	£2,900
2 bedroom apartment for sale, Brewer Street, Maidstone	Urban area	Flat	2	£150,000	56	£2,679
1 bedroom apartment for sale, Brewer Street, Maidstone	Urban area	Flat	1	£100,000	37	£2,703
1 bedroom apartment for sale, Albion Place, Maidstone	Urban area	Flat	1	£110,000	33	£3,354
4 bedroom semi-detached house for sale, Queens Road, Maidstone, Kent	Urban area	Semi	4	£329,995	95	£3,474
3 bedroom semi-detached house for sale, Queens Road, Maidstone, Kent	Urban area	Semi	3	£289,995	75	£3,867
Hamilton - plot 43 at Hayle Park, Gleneagles Drive, Tovil, Maidstone, ME15	Urban area	Detached	6	£422,500	181	£2,334
Wilton - plot 46 at Hayle Park, Gleneagles Drive, Tovil, Maidstone, ME15	Urban area	Detached	5	£419,500	162	£2,598
Wilton - plot 48 at Hayle Park, Gleneagles Drive, Tovil, Maidstone, ME15	Urban area	Detached	5	£414,995	162	£2,570
Wilton - plot 49 at Hayle Park, Gleneagles Drive, Tovil, Maidstone, ME15	Urban area	Detached	5	£412,500	162	£2,554
St Michaels, Maidstone, Kent	Urban area	Terraced	4	£325,000	88	£3,693
St Michaels, Maidstone, Kent	Urban area	Terraced	3	£290,000	78	£3,718
The Alder - Plot 2, 2 Bedroom house, Woodland Place, West Malling	Rural	Terraced	2	£275,000	69	£3,986
The Aspen - Plot 4, 4 Bedroom house, Woodland Place, West Malling	Rural	Detached	4	£465,000	115	£4,043
The Cedar - Plot 12, 4 Bedroom house, Woodland Place, West Malling	Rural	Detached	4	£475,000	120	£3,958
The Rowan - Plot 18, 4 Bedroom house, Woodland Place, West Malling	Rural	Detached	4	£442,500	102	£4,338

The Cedar - Plot 39, 4 Bedroom house, Woodland Place, West Malling	Rural	Detached	4	£459,500	104	£4,418
Holborough Lakes, Holborough Road, Snodland, ME6	Rural	Detached	4	£415,000	136	£3,051
3 bedroom ground floor flat, Holborough Lakes, Holborough Road, Snodland, ME6	Rural	Flat	3	£340,000	103	£3,301
3 bedroom semi-detached house, Holborough Lakes, Holborough Road, Snodland, ME6	Rural	Semi	3	£315,000	102	£3,088
2 bedroom apartment, The Herons at Holborough Lakes, Holborough Road, Snodland, ME6	Rural	Flat	2	£225,000	73	£3,082
1 bedroom apartment, Holborough Lakes, Holborough Road, Snodland, ME6	Rural	Flat	1	£172,000	47	£3,660
5 bedroom detached, The Highwood Special at Highwood Green, Goudhurst Rd, Marden, TN12	Rural	Detached	5	£634,995	171	£3,713
4 bedroom detached, The Balmoral at Highwood Green, Goudhurst Road, Marden, TN12	Rural	Detached	4	£622,995	167	£3,731
4 bedroom detached, The Cambridge at Highwood Green, Goudhurst Rd, Marden, TN12	Rural	Detached	4	£492,995	128	£3,852
4 bedroom detached, The Shaftesbury at Highwood Green, Goudhurst Rd, Marden, TN12	Rural	Detached	4	£485,995	130	£3,738
4 bedroom detached, The Stratford at Highwood Green, Goudhurst Road, Marden, TN12	Rural	Detached	4	£399,995	109	£3,670
3 bedroom detached, The Marden Special at Highwood Green, Goudhurst Rd, Marden, TN12	Rural	Detached	3	£349,995	92	£3,804
3 bedroom apartment, The Cormorant - plot 20 at Rookery Court , Roundel Way, Marden, TN12	Rural	Flat	3	£309,500	104	£2,976
3 bedroom apartment, The Cormorant - plot 7 at Rookery Court , Roundel Way, Marden, TN12	Rural	Flat	3	£295,500	104	£2,841
5 bedroom link detached, The Ford - plot 24 at Saxon Mead, Oliver Road, Staplehurst, TN12	Rural	Detached	5	£499,995	167	£2,994
4 bedroom detached house, The Stead - plot 10 at Saxon Mead, Oliver Road, Staplehurst, TN12	Rural	Detached	4	£489,995	147	£3,333
4 bedroom detached house, The Stead - plot 11 at Saxon Mead, Oliver Road, Staplehurst, TN12	Rural	Detached	4	£479,995	147	£3,265
4 bedroom detached house, The Wick - plot 5 at Saxon Mead, Oliver Road, Staplehurst, TN12	Rural	Detached	4	£444,995	127	£3,504

Appendix E Assumptions for non-residential units

Research on High Street retail

Scheme	Location	Size	Rent (p.a.) per sq.m
Earl Street, Maidstone, Kent	Maidstone Urban area	73	£438
Unit 9 Market Buildings, The Corn Exchange, Maidstone, Kent	Maidstone Urban area	74	£264
Retail Property (high street) to rent, 2 Forge House High Street, Staplehurst,	Rural	47	£223
Gabriels Hill, Maidstone,	Maidstone Urban area	170	£206
Shop to rent, Maidstone	Maidstone Urban area	159	£173
Shop to rent, King Street, Maidstone, Kent,	Maidstone Urban area	160	£172
Shop to rent, Bow Window, The Square, Lenham, Kent	Rural	74	£162
Gabriels Hill, Maidstone	Maidstone Urban area	246	£154
Unit 204 The Mall, Maidstone, Maidstone, Kent	Maidstone Urban area	175	£143
Retail Property (high street) to rent, Church Street, Maidstone	Maidstone Urban area	172	£128
12 Granada House, Gabriels Hill, Maidstone, Kent	Maidstone Urban area	226	£111
Granada House Gabriels Hill, Maidstone, Kent, ME15 6JR	Maidstone Urban area	228	£110
Unit 1 Farleigh Hill Trading Estate, Farleigh Hill Tovil Maidstone Kent	Maidstone Urban area	559	£107
Retail premises within Maidstone Town Centre	Maidstone Urban area	1436	£59

Research on Supermarkets

Store Operator	Location	Rent (sqm)	Yield	New store	Date
Morrisons	South Shields	£137	5.25%	N	Jun-10
Waitrose	Rickmansworth	£211	4%	N	Oct-10
M&S Simply Food	Maldon	£197	5.58%	N	Jun-08
Waitrose	Hornchurch, London	£186	4.43%	N	Unknown
Sainsbury's	Tooting	£253	4.50%	Y	Mar-11
Tesco	Welling High St,	£232	4.75%	Y	Nov-10

	Bexley				
Waitrose	Clerkenwell, London	£226	4.20%	Y	Nov-09
ASDA	Bangor	£204	5%	Y	Jun-11
Tesco Extra	Coventry	£168	4.11%	N	Unknown
Waitrose	Crowborough	£192	5.04%	N	Unknown
Tesco Metro	London N7	£193	5.25%	N	Unknown
Sainsbury's	Londonderry	£167	5.36%	N	Unknown
Waitrose	Wantage	£172	4.50%	N	Unknown
Tesco	Wembley	£317	5.50%	Y	Sep-12
Tesco	Congleton	-	4.90%	Y	Jun-12
Tesco	Glastonbury	-	4.50%	Y	Apr-12
Tesco	St Ives	-	4.90%	Y	Jan-12
Tesco	Tiptree	£236	4.90%	Y	Jan-12
Tesco	Cross Point, Coventry	-	4.57%	Y	Sep-11
Tesco	Keynsham	-	4.96%	Y	Aug-11
Tesco	Ruthin	£161	4.96%	Y	Aug-11
Tesco	Welling	-	5%	Y	Jul-11
Tesco	Cardiff	-	4.50%	N	Feb-11
Tesco Investment	Chatteris	-	5%	Y	Sep-12
Tesco Investment	Gosport	£215	5%	Y	Apr-12
Tesco Investment	Corby	£215	4.60%	Y	Oct-11
Tesco Investment	Welling High St, Bexley	£232	4.75%	Y	Jun-11
Sainsbury's	Putney	£273	4%	N	Current
Tesco	Perth	£212	4.35%	N	Aug-13
Sainsbury's	Sale	£242	4.10%	N	Aug-13
Sainsbury's	Hythe	£226	4.10%	Y	Aug-03
Sainsbury's	Ashford	£248	4.10%	Y	Aug-13
Morrisons	Milton Keynes	£242	4.25%	Y	Jul-13
Morrisons	Edgware Road, London	£286	4.60%	Y	Jan-13
Sainsbury's	Harrow Manor Way,	£237	4.50%	Y	Jan-13

	London				
Sainsbury's	March	£194	4.76%	N	Jul-13
Morrisons	Aldershot	£224	4.25%	Y	Apr-13
Sainsbury's	Hayes	£331	4.19%	Y	Apr-13
Tesco	Oldham	£181	5.28%	N	Current

Research on Smaller Supermarkets (rents)

Broad Location	Tenant	Achieved rent per sqm	Transaction date
Cheshire	Aldi Stores Ltd	137	2013
West Midlands	Aldi Ltd	147	2013
Merseyside	Aldi	152	2011
London	Lidl Ltd	161	2008
West Midlands	Iceland Foods Plc	161	2008
Nottinghamshire	ALDI, Inc.	171	2006
Suffolk	ALDI, Inc.	175	2013
Cheshire	Aldi Stores Ltd	191	2009
Essex	Lidl Ltd	191	2008
London	Lidl Ltd	279	2010

Research on Smaller Supermarkets (yields)

Broad Location	Tenant	Yield (%)	Transaction date
Lancashire	Aldi Stores Ltd	6.25	2009
Not Disclosed	Lidl Ltd,	6.5	2010
Co Durham	Lidl UK Properties GmbH,	7.46	2010
Middlesex	Lidl Ltd	4.15	2009
London	Lidl (UK) GMBH	5.5	2006
Staffordshire	n/a	5.2	2005
West Glamorgan	Lidl Ltd	5.76	2005
Avon	n/a	5.75	2005

Research on Small, local Convenience retailers

Broad Location	Tenant	Size (sq.m)	Rent (per sq.m)
Maidstone (Urban Centre)	Wm Morrison Supermarkets plc	436	£189
West Malling	Boots UK Ltd	186	£156
Chatham	Tesco Stores Ltd	413	£121
Maidstone centre	Tesco Stores Ltd	408	£135
Maidstone centre	Tesco Stores Ltd	492	£84

Research on Office and Industrial units

Type	Scheme	Location	Rent (p.a.) per sq.m
Office	Floor, Vaughan Chambers, 4 Tonbridge Road, Maidstone, Maidstone	Urban area	£223
Office	Floor Vaughan Chambers, 3 Tonbridge Road, Maidstone	Urban area	£218
Office	15 Hollingworth Court	Rural	£178
Office	27 Turkey Court, Business Park	Rural	£172
Office	Office to rent, Ulcombe, Nr Maidstone	Rural	£170
Office	Church Farm, Ulcomb Hill, Ulcombe, Maidstone, Kent,	Rural	£170
Office	Ground Floor, Lenvale House, Business Park	Rural	£170
Office	4 & 5 West Court, South Park Business Village, Enterprise Road, Maidstone	Urban area	£135
Office	King Street, Maidstone, Kent,	Urban area	£120
Office	Unit 2 The Old Brewery, Buckland Road, Maidstone, Kent	Urban area	£120
Office	Station Road, Maidstone, Kent,	Urban area	£118
Office	Lyndean House 30-32 Albion Place, Maidstone	Urban area	£111
Office	Galleon House, King Street, Maidstone, Kent	Urban area	£103
Office	Unit 3 Crowhurst Hop Farm, Bullen Lane, East Peckham, Tonbridge,	Rural	£93
Office	2nd & 3rd Floor Offices, 10, Middle Row, Maidstone,	Urban area	£61
Industrial	Unit 12 Palace Industrial Estate, Bircholt Road, Parkwood, Maidstone, Kent	Rural	£135

Industrial	Unit 10 Palace Industrial Estate, Bircholt Road, Parkwood, Maidstone, Kent	Rural	£130
Industrial	60, Trinity Trading Estate, Mill Way, Sittingbourne	Sittingbourne	£107
Industrial	Unit 18 Lake Road, Quarrywood Industrial Estate, Aylesford, Kent	Rural	£97
Industrial	Unit 8, Burnt Ash Road, Burnt Ash Trade Park, Aylesford	Rural	£87
Industrial	Phase 19, Valentine Close, Gillingham Business Park, Gillingham	Gillingham	£54