Wokingham CIL Viability Update

August 2013

Wokingham Borough Council

Prepared by

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Quality Standards Control

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it is has been signed by the Originators and approved by a Business or Associate Director.

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<tr>
<th>DATE</th>
<th>ORIGINATORS</th>
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<tr>
<td>August 2013</td>
<td>Guy Ingham</td>
<td>George Barnes</td>
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<tr>
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<td>Associate</td>
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Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.
INTRODUCTION

1.1 In February 2013 GL Hearn undertook a viability study on behalf of Wokingham Borough Council to inform its Community Infrastructure Levy Preliminary Draft Charging Schedule (PDCS).

1.2 The PDCS was available for consultation between 4 April and 16 May and the Council received 28 representations. Having considered these, the Council has instructed GL Hearn to examine a number of the points raised from the perspective of viability.

1.3 Since the original viability report was commissioned, a number of amendments to the Regulations and accompanying guidance have been adopted. These include a recommendation for charging authorities to “sample directly an appropriate range of sites across its area in providing their viability evidence”, with a particular focus on key strategic sites.

1.4 Accordingly, within this report we have undertaken a bespoke viability analysis of the four Strategic Development Locations allocated in the Council's core strategy (SDLs). Where possible this utilises specific information on the schemes proposed by the relevant developer consortia.

1.5 In addition we examine:

- The impact of lower density assumptions on the proposed general residential charging rate;
- Potential for review of the proposed zero retail charging rate;
- Specific viability of Older People's Accommodation.
2 REVIEW OF PREVIOUS RESIDENTIAL ANALYSIS

2.1 Representations highlighted some typographical errors and omissions from the previous report. These include the following:

- At 3.28 the Benchmark Land Values are set out. However, these have been incorrectly labelled with BLV 1 showing as the highest when it should have been the lowest as will be seen from the table at page 24 and subsequent analysis where scenarios examined against BLV 1 produce the highest ‘maximum’ CIL. 3.28 should read:
  - Benchmark Land Value 1 (BLV1) - £300,000 per hectare
  - Benchmark Land Value 2 (BLV2) - £500,000 per hectare
  - Benchmark Land Value 3 (BLV3) - £1.5m per hectare
- Contingency – this was raised by a number of parties. Whilst not specifically referred to in the report, a 5% contingency on build costs has been used in all appraisals.

Residential Densities

2.2 A number of parties questioned the density assumptions on which the benchmarking calculations were based. Clearly densities will vary from scheme-to-scheme depending on the specifics of the site. It is an inevitable part of an area-wide assessment such as that required under the CIL Regulations that some broad assumptions will need to be made.

2.3 It is acknowledged that larger strategic schemes (Scenarios 1 and 1a) are likely to be delivered at lower overall densities due to planning requirements for items such as open space, schools, etc. The specific case of the SDLs where this will be most noticeable is examined within section 4 of this report.

2.4 Smaller schemes are less likely to have densities impacted upon by such considerations and therefore we do consider that our density assumptions on Scenarios 2-6 (i.e. 1-100 units) are an appropriate basis for the CIL study. (This view is supported by the recent MDD DPD Examination in Public where the Council’s viability analysis based on densities of 35 units plus was accepted in the Inspector’s Interim Conclusions).

2.5 However, we have recast our analysis based on a reduced density of 30 dwellings per hectare (other than for Scenario 5 which looks at a wholly flatted scheme and so remains at 70dph) to assess the impact on viability as a sensitivity test.

2.6 The results of this analysis are set out overleaf.
<table>
<thead>
<tr>
<th>Scenario</th>
<th>Value Point 1</th>
<th>Value Point 2</th>
<th>Value Point 3</th>
<th>Value Point 4</th>
<th>Value Point 5</th>
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<tbody>
<tr>
<td>Scenario 1</td>
<td>30 DPH</td>
<td>35 DPH</td>
<td>40 DPH</td>
<td>45 PDH</td>
<td>30 DPH</td>
</tr>
<tr>
<td>BLV1</td>
<td>£1,312</td>
<td>£1,336</td>
<td>£1,355</td>
<td>£1,369</td>
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<tr>
<td>BLV2</td>
<td>£1,196</td>
<td>£1,238</td>
<td>£1,268</td>
<td>£1,292</td>
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<td>BLV3</td>
<td>£619</td>
<td>£743</td>
<td>£835</td>
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<tr>
<td>Scenario 2</td>
<td>30 DPH</td>
<td>35 DPH</td>
<td>40 DPH</td>
<td>45 PDH</td>
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<tr>
<td>BLV1</td>
<td>£1,404</td>
<td>£1,428</td>
<td>£1,446</td>
<td>£1,459</td>
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<td>BLV2</td>
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<td>BLV3</td>
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<td>45 PDH</td>
<td>30 DPH</td>
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<tr>
<td>BLV1</td>
<td>£1,441</td>
<td>£1,468</td>
<td>£1,487</td>
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<td>BLV2</td>
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<td>£1,362</td>
<td>£1,395</td>
<td>£1,421</td>
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<td>BLV3</td>
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<td>£833</td>
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<td>£1,009</td>
<td>£478</td>
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<td>Scenario 4</td>
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<td>£1,200</td>
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<td>BLV3</td>
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<td>£1,512</td>
<td>£675</td>
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<td>Scenario 5</td>
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<td>40 DPH</td>
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<td>30 DPH</td>
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<td>BLV1</td>
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<td>BLV2</td>
<td>£1,622</td>
<td>£1,665</td>
<td>£1,698</td>
<td>£1,723</td>
<td>£1,084</td>
</tr>
<tr>
<td>BLV3</td>
<td>£1,016</td>
<td>£1,055</td>
<td>£1,092</td>
<td>£1,126</td>
<td>£478</td>
</tr>
<tr>
<td>Scenario 6</td>
<td>30 DPH</td>
<td>35 DPH</td>
<td>40 DPH</td>
<td>45 PDH</td>
<td>30 DPH</td>
</tr>
<tr>
<td>BLV1</td>
<td>£1,537</td>
<td>£1,555</td>
<td>£1,573</td>
<td>£1,592</td>
<td>£1,120</td>
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<td>BLV2</td>
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<td>£1,448</td>
<td>£1,488</td>
<td>£1,504</td>
<td>£1,043</td>
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<td>BLV3</td>
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<td>£1,113</td>
<td>£1,149</td>
<td>£1,175</td>
<td>£819</td>
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</table>

* Please note the Scenario 5 - the 100% apartment scenario has been modelled at 70 DPH.
2.7 As would be expected, the use of a lower density does reduce the maximum CIL figure throughout. The outputs show that Scenario 2 is still more than capable of funding the proposed CIL rate at all value points at BLV 1 and most value points at BLV 2 (BLV 1 and 2 are the most likely scenarios for sites of this size).

2.8 For scenarios 3, 4 and 6 there is still a significant margin between the ‘maximum’ CIL and the rate proposed in the PDCS for Value Points 1 & 2 at all Benchmark Land Values. At Value Points 3 & 4, it is only in respect of BLV 3 that the maximum CIL is dropping below the proposed rate of £365 per sq m.

2.9 As we outlined in our analysis within the February 2013 Viability Study, we are of the view that the majority of the smaller schemes within the Borough will fall at the upper end of our Value Point modelling (i.e. at least Value Point 2).

2.10 Where lower density schemes are required, this is more likely to be within less urban locations where our lower Benchmark Land Values will apply (i.e. BLV 1 & 2).

2.11 Taking this all into account, we do not consider that there is anything within our modelling of densities at 30 dwellings per hectare which would lead us to the conclusion that the Council’s currently proposed residential charging rate is inappropriate in terms of:

- the potential effect on residential development across the area;
- the achievement of the residential development types and volumes envisaged by the adopted development plan;
- having regard to likely development costs; or
- in the sense of setting the residential charge up to the margin of economic viability.
3 RETAIL

3.1 The Council proposed a zero CIL rate for retail in its Preliminary Draft Charging Schedule. Our viability analysis showed quite a wide spread of potential ‘maximum CIL’ depending on retail type – up to £322 per sq m in the case of foodstore development.

3.2 However, in light of debate around the permissibility of variable rates within a single use class, it was felt at the time that the appropriate course of action would be to base the rate on the least valuable retail use which was producing a maximum CIL of only £26 per sq m, hence the zero rate.

3.3 The Council has asked GL Hearn to re-visit this analysis in the light of the recent consultation paper on CIL which more explicitly proposes to allow differentiation by size, decisions by Examiners to permit this approach elsewhere and some representations to the PDCS consultation.

3.4 Our previous analysis was based around types of retail – we examined traditional town centre unit shop schemes, retail warehousing and foodstores. It was only the last of these which was producing a large surplus.

3.5 However, this form of differentiation is difficult to precisely specify for the purposes of CIL – in particular ‘foodstores’ generally offer a range of goods including a large ‘non food’ component.

3.6 The issue with differentiation based on scale is that all three of these uses are capable of being delivered at various size ranges – for example there is no specific reason why a town centre ‘unit shop’ scheme should not come forward on a much larger scale than the hypothetical 5,000 sq ft scheme which we considered in the original viability report.

3.7 We do not consider that a larger unit shop scheme would generate a greater surplus – broadly the majority of the cost and value assumptions would scale up. Accordingly, we do not consider that there is viability evidence to support the setting of a higher rate above a certain size threshold.

3.8 However, our original modelling does demonstrate that there is a potential surplus arising from larger format stores of a kind which are more typically found outside town centre locations i.e. retail warehousing and foodstores.

3.9 Accordingly, provided that the Council maintains a zero rate within defined town centre locations, we consider that setting a higher rate in out of centre locations would be viable. Given that our modelling indicated a “maximum CIL” of £60 per sq m for retail warehousing, we consider that the Council could set a charge in the region of £50 per sq m.
4 STRATEGIC DEVELOPMENT LOCATIONS

4.1 A representation on the PDCS was submitted by Savills and Pinsent Mason on behalf of the Strategic Development Locations landowners and Developer Consortia (the ‘SDL Consortia Group’). This suggested that SDL-specific viability modelling should be carried out.

4.2 In view of this and also updated Government guidance on the preparation of CIL charging schedules, GL Hearn has now undertaken specific modelling of the SDLs.

4.3 Whilst many of the assumptions used within this modelling are in line with those utilised in our original Viability Report, some amendments have been made either to reflect the specifics of the SDL scenarios or to take into account additional information arising from the representations to the Preliminary Draft Charging Schedule.

4.4 A full summary of our assumptions is included within the table at 4.31, but we have provided more detailed information on some key variables in the section below.

Sales Values

4.5 In their representation, Savills suggested that an appropriate weighted average across the four SDLs would be equivalent to £291 per sq ft, providing specific figures for each of the individual SDLs as follows:

- North Wokingham - £290 per sq ft
- South Wokingham - £290 per sq ft
- Arborfield - £300 per sq ft
- South of M4 - £280 per sq ft

4.6 Our original modelling was based on value bands. We gave greatest weight to Value Point 3 (£309 per sq ft) and Value Point 4 (£275 per sq ft) and our conclusions were effectively reached through examining ‘maximum CIL’ figures within this range. We do not take issue with the conclusions reached by Savills [on the likely range of sales values] and have therefore used their proposed figures as the basis for our modelling of each of the SDLs.

Affordable Housing

4.7 The Council’s policy is for inclusion of 35% affordable housing within the SDLs. We have assumed blended realisable values of £160 per sq ft across all tenures which is based on an analysis of achievable values and backed up by evidence from the Council on recent affordable housing transactions.
Build Costs

4.8 Our previous study used build costs based on BCIS upper quartile figures which we considered to be an appropriate standard assumption for the range of scenarios which were being examined.

4.9 However, the majority of the units delivered within the SDLs will be provided in bulk by volume house builders, who will be able to achieve significant economies of scale and are therefore likely to deliver them at unit costs well below the ‘upper quartile figures’ which we have used previously.

4.10 Accordingly for this exercise we have reduced build costs to £88 and £106 per sq ft for houses and apartments respectively. This is still in excess of the BCIS median figures and if anything we would still consider this likely to be in excess of actual build costs for schemes on this scale. As previously, we have added £5,000 per unit for sustainability enhancements required by policy.

Developer’s Profit

4.11 Our original appraisals were based on a blended profit rate of 17.5%. This assumes that whilst we would expect developers to require 20% GDV on private residential, it is common for a differential profit of around 6-8% to be applied to affordable housing, which makes up 35% of the overall content, to reflect the lower risk attached to units pre-sold to a Registered Provider.

4.12 We have recent experience of bids from major housebuilders for strategic sites based on this level of profit, in some cases also treating finance costs as part of this required margin. (Our appraisals make a separate allowance of 7% for finance costs).

Density and Benchmark Land Value

4.13 The question of density to be used for a viability study on large strategic sites is closely interrelated with the benchmarking methodology. Our calculation of residual development value is based on unit numbers, values and costs. The density is simply used to convert the outputs to a residual value per hectare which can then be used for benchmarking purposes.

4.14 In the case of large strategic schemes, such as those proposed in the SDLs, gross densities will be lower than for our smaller scenarios due to the need to provide land for strategic open space, schools, etc (and at no cost to the public purse) and also because areas of the land will not be suitable for development.

4.15 However, it would only be appropriate to apply a significantly lower density to the benchmarking if we were to accept that undevelopable land or land to be used for non-value generating purposes were to attract the same value. This is unlikely to be the case.
4.16 Also in appraising schemes on this scale we must give realistic consideration to what might be paid for the land to deliver the entire scheme. If we were looking at, say, a 2,000 unit scheme at 14 units per hectare (i.e. 40% of 35 dph as suggested in the Savills representation) this is a land area of 142 hectares.

4.17 Even at our lowest BLV (£300k ph) this suggests that we should assume that a developer will be prepared to lay out £42m for a potential residential site without planning consent. This does not appear to be a credible supposition even in a stronger market than we are faced with today. (If we were to work on the assumption that land will be acquired as a series of individual transactions over a long period of time, effectively we would be modelling smaller standalone schemes as per the original viability study).

4.18 Accordingly we are faced with a position in modelling the SDLs that if we are to accept lower density assumptions we must also work on the assumption that there will also be a discount on benchmark land value, both to take into the account the extent of ‘undevelopable land’ and the quantum discount which would be expected for a land acquisition on this scale.

4.19 Taking all this into account, we have concluded that it is appropriate to base our analysis on a reduced density of 20 dwellings per hectare but benchmark the value at the lowest of our land values i.e. £300,000 per hectare.

**Abnormals, Infrastructure and s106**

4.20 Our original viability study applied a blanket assumption of £1,000 per unit for s106/278 costs. Having now reviewed the Infrastructure Delivery Plans for each SDL in more detail, the Council has concluded that it is appropriate to increase this allowance for the SDLs. It is anticipated that the SDLs will attract the following s106 obligations which have been used in our modelling:

<table>
<thead>
<tr>
<th></th>
<th>North Wokingham SDL</th>
<th>South Wokingham SDL</th>
<th>South of M4 SDL</th>
<th>Arborfield SDL</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANG (including land cost)</td>
<td>£768 per dwelling</td>
<td>£2,926 per dwelling</td>
<td>£2,494 per dwelling</td>
<td>£2,926 per dwelling</td>
</tr>
<tr>
<td>SAMM</td>
<td>£180 per dwelling</td>
<td>£630 per dwelling</td>
<td>£540 per dwelling</td>
<td>£630 per dwelling</td>
</tr>
<tr>
<td>Children’s Play</td>
<td>£500 per dwelling</td>
<td>£500 per dwelling</td>
<td>£500 per dwelling</td>
<td>£500 per dwelling</td>
</tr>
<tr>
<td>Public Open Space</td>
<td>£1,200 per dwelling</td>
<td>£1,200 per dwelling</td>
<td>£1,200 per dwelling</td>
<td>£1,200 per dwelling</td>
</tr>
<tr>
<td>Travel Plan</td>
<td>£1,363 per dwelling</td>
<td>£462 per dwelling</td>
<td>£897 per dwelling</td>
<td>£750 per dwelling</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£4,011 per dwelling</strong></td>
<td><strong>£5,718 per dwelling</strong></td>
<td><strong>£5,631 per dwelling</strong></td>
<td><strong>£6,006 per dwelling</strong></td>
</tr>
</tbody>
</table>
4.21 However, the Council does anticipate that major strategic infrastructure works, including schools and strategic roads, will be funded by CIL and so our appraisals should not make specific allowance for them. In line with the adopted policies for the SDLs, the land for this infrastructure is assumed as a free input secured through conditions or planning obligations as appropriate.

4.22 In dealing with strategic sites on this scale, we do need to take account of on-site strategic infrastructure to be provided by developers as an integral part of the scheme. We have had regard to the document “Viability Testing of Local Plans” (The Harman Report) prepared by the Local Housing Delivery Group in June 2012.

4.23 There has been significant dialogue with the SDL consortia since our initial draft, but in the absence of detailed costings of the SDL schemes, the Harman Report is helpful in arriving at appropriate cost assumptions.

4.24 At Appendix B of the report, it states:

“Many models use construction cost information provided by BCIS or other sources. While this is regarded as a legitimate starting point, care is needed in understanding what is both included and excluded from such cost indices. Cost indices rarely provide data on the costs associated with providing serviced housing parcels, i.e. strategic infrastructure costs which are typically in the order of £17,000 - £23,000 per plot for larger scale schemes.”

4.25 Our initial modelling made an allowance of 15% of build costs for “externals”. This is the equivalent to approximately £15,000 per average unit. In light of the more substantial strategic infrastructure required for large sites of this nature, we have therefore increased our allowance to 20% which puts it within well within the parameters of the Harman Report, particularly when taking into account the s106 assumptions outlined above as well as a further allowance for prelims.

4.26 We have assumed that some of this strategic infrastructure cost will need to be incurred up front. Accordingly, rather than just applying this allowance to unit build costs as per our previous viability appraisals, we have now treated it separately with 20% to be incurred up front and the balance apportioned annually on a straight line basis.

4.27 As under our previous analysis, the residual development value is benchmarked against base land values (as described above) to arrive at maximum CIL.

4.28 It is important to note that this implicitly makes the assumption that CIL will be paid in full up front. These schemes will actually be built out over a period of many years (over 10 years based on our assumed sales rates outlined below which are taken from the Council’s SHLAA) and will be phased.
The Council also proposes to introduce an instalments policy, which will further aid development viability. Therefore, CIL contributions will be made phase-by-phase over a long period.

4.29 The effect of the charge on development viability is likely to be significantly less in practice than this calculation indicates – our appraisals assume finance costs on maximum CIL (and hence actual CIL payments) rolling up from day one. This should be considered when examining the headroom which is applied to arrive at the proposed rates.

**Scheme Content**

4.30 The SDL Consortia Group has provided us with schedules for the proposed developments setting out anticipated unit numbers and mix of typologies. We have used this as the basis for our financial modelling.

**Financial Appraisals**

4.31 The key assumptions for the appraisals, a number of which are examined in the previous sections, are set out in the table below:
### North Wokingham | South of M4 | South Wokingham | Arborfield
---|---|---|---
**Dwellings** | 1,318 | 2,377 | 2,501 | 2,000
 **Private Value (per sq ft)** | £290 | £280 | £290 | £300
 **Affordable Value (per sq ft)** | £160 | £160 | £160 | £160
 **Ground Rent (Apartments)** | £350 | £350 | £350 | £350
 **Ground Rent Capitalisation** | 6% | 6% | 6% | 6%
 **Affordable housing** | 35% | 35% | 35% | 35%
 **Shared Ownership** | 30% | 30% | 30% | 30%
 **Social Rented** | 70% | 70% | 70% | 70%
 **Build Costs – Houses (per sq ft)** | £88 | £88 | £88 | £88
 **Build Costs – Flats (per sq ft)** | £106 | £106 | £106 | £106
 **Gross to net (flats)** | 85% | 85% | 85% | 85%
 **Prelims & Demolition** | 3% | 3% | 3% | 3%
 **Planning Fees** | £150,000 | £150,000 | £150,000 | £150,000
 **CfSH Level 4 Uplift (per unit)** | £5,000 | £5,000 | £5,000 | £5,000
 **Externals & Infrastructure** | 20% | 20% | 20% | 20%
 **S106/278 (per unit)** | £4,011 | £5,631 | £5,718 | £6,006
 **Contingency** | 5% | 5% | 5% | 5%
 **SDLT + Legal/Agents’ Fees** | 5.75% | 5.75% | 5.75% | 5.75%
 **Marketing Costs** | 1% | 1% | 1% | 1%
 **Professional Fees** | 12.5% | 12.5% | 12.5% | 12.5%
 **Sales Agent Fees** | 1% | 1% | 1% | 1%
 **Sales Legal Fees** | 0.75% | 0.75% | 0.75% | 0.75%
 **Finance/Interest** | 7% | 7% | 7% | 7%
 **Construction rate (units per month)** | 9 | 18 | 19 | 14
 **Sales Rate (units per month)** | 9 | 18 | 19 | 14
 **Profit on GDV** | 17.5% | 17.5% | 17.5% | 17.5%
 **Density** | 20 dph | 20 dph | 20 dph | 20 dph
 **Benchmark Land Value** | £300,000 ph | £300,000 ph | £300,000 ph | £300,000 ph

4.32 The number of units and mix of typologies provided by the SDL Consortia Group, on which our appraisals are based are as follows:
4.33 Based on these assumptions, the maximum CIL for each of the SDLs is as follows:

<table>
<thead>
<tr>
<th>SDL</th>
<th>Maximum CIL (per sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Wokingham</td>
<td>£468</td>
</tr>
<tr>
<td>South of M4</td>
<td>£391</td>
</tr>
<tr>
<td>South Wokingham</td>
<td>£411</td>
</tr>
<tr>
<td>Arborfield</td>
<td>£534</td>
</tr>
</tbody>
</table>

4.34 However, there are a number of other factors that should be taken into account by the Council in setting its proposed residential charging rates.

4.35 One of the factors which depresses the maximum CIL of South Wokingham is the higher proportion of flats compared with the other SDLs. As was seen from the wholly flatted scenario in our original viability study, flats are considerably less viable than houses. We are aware that the development phase (Buckhurst Park) shown to have the highest proportion of flatted development in South Wokingham already has outline consent (and will therefore not be subject to CIL). Furthermore, the first detailed permission for that phase in fact has fewer flats than were envisaged coming forward in the outline consent. It is therefore not unreasonable to anticipate that the ultimate mix in South Wokingham (particularly in the unconsented areas South of the Railway) will be more weighted towards houses than is shown in our appraisal and hence its ability to pay CIL will be greater.
4.36 We have recast our appraisals for South Wokingham based on a wholly housing scheme which produces a maximum CIL of £657 per sq m. Whilst we would not recommend that this mix should be relied upon to set the South Wokingham CIL, we do consider it appropriate to allow a smaller headroom below maximum CIL to reflect the scope for improving viability through an amended accommodation mix.

4.37 Whilst not on quite the same scale as for South Wokingham, the South of M4 SDL also has quite a high proportion of flats and again there is clear scope for viability to be improved through changing the mix. Again we consider a lower headroom between maximum CIL and its proposed rate to reflect this would be appropriate based on this evidence.

4.38 Assuming that a headroom in the region of 30% should generally be allowed between maximum CIL and charging rates – it would be inappropriate to seek a CIL right up to the level where schemes are rendered marginal – but also taking into account the observations in 4.36 and 4.37, the Council could consider charge rates as follows:

- North of Wokingham - £340 per sq m
- South of M4 - £300 per sq m
- South Wokingham - £320 per sq m
- Arborfield - £365 per sq m

4.39 Not only do these figures allow an acceptable headroom, but it should also be reiterated that our valuation methodology assumes that these figures are paid upfront for the whole scheme.

4.40 In fact, it is almost inconceivable that these schemes will not come forward on a phased basis, with the CIL being paid phase-by-phase. Given that based on our build-out-rates, these schemes will be delivered over periods of over 10 years, the actual ability to pay CIL (and hence the practical headroom built into the suggested rates) is considerably greater than the 30% allowed for.

4.41 We have undertaken sensitivity analysis to examine the impact of using an increased profit margin of 20% GDV across all residential tenures. This has an impact on maximum CIL of less than 10%. In terms of the headroom allowed, this would be more than outweighed by the cashflow benefit of paying CIL on a phase-by-phase basis and, particularly in light of our earlier comments on profit margin, does not lead us to the conclusion that the rates suggested above would approach the margins of viability.
OLDER PEOPLE’S ACCOMMODATION

5.1 The Council’s Preliminary Draft Charging Schedule did not differentiate between general residential and other forms such as Care Homes. This was commented on in a number of representations including those submitted on behalf of Gracewell Healthcare and McCarthy & Stone.

5.2 To address this point, the Council instructed District Valuer Services (DVS) to specifically examine a number of scenarios as follows:

- Residential Care Home – 60 bedrooms
- Extra Care Housing Scheme – 60 x 1- and 2-bedroom flats
- Enhanced Sheltered Housing Scheme – 30 x 1- and 2-bedroom flats.

5.3 Their methodology, assumptions and conclusions are set out below:

Residential Care Home

5.4 DVS have appraised a 60 bedroom Care Home on the basis of a vacant “turnkey” home. Key assumptions are as follows:

- GIA – 2,750 sq m (46 sq m per room)
- Site area – 0.364 ha (0.9 acres)
- GDV - £5m (£83,333 per bed)
- Build costs - £1,164 per sq m (BCIS median rebased for Wokingham)
- Externals – 5% (incl. parking/landscaping)
- Contingency – 5%
- Professional fees – 8%
- Agents/Legal fees – 1%/0.5% GDV
- Finance – 7%
- 10 month build
- Profit – 10% GDV

Extra Care Housing

5.5 60 flat scheme has been appraised based on the following accommodation:

<table>
<thead>
<tr>
<th>Type</th>
<th>No. of Units</th>
<th>Unit Size (sq m)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bed Apartments</td>
<td>35</td>
<td>55</td>
<td>1,925</td>
</tr>
<tr>
<td>2 Bed Apartments</td>
<td>25</td>
<td>75</td>
<td>1,875</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>75</td>
<td>3,800</td>
</tr>
</tbody>
</table>

5.6 Sales Values of £210,000 and £265,000 per unit for 1- and 2-bed apartments have been applied based on research of similar schemes across central southern England. Whilst there is evidence of
lower values for local sheltered housing, it is clearly evident that there is a significant discount for secondhand stock compared to new build.

5.7 Affordable Housing Values have been set at 55% of private values, reflecting a mix of social rented, shared ownership and affordable rented.

5.8 The scheme has been appraised on the basis of both 30% and zero affordable housing to account for the fact that this type of accommodation can be considered as either C2 or C3 Planning Use Classes.

5.9 Other assumptions include:

- 1-bed ground rent - £495 pa
- 2-bed ground rent – £550 pa
- Ground rent yield – 6%
- Site area – 0.59 ha (1.5 acres)
- Gross:net ration – 63.5% (allows for communal corridors, stairs, day space etc)
- Build Cost – £1,000 per sq m (BCIS median rate for 3-store sheltered housing block rebased for Wokingham)
- Externals – 5%
- Demolition - £50,000
- Code 4 allowance – 6.5%
- Contingency – 5%
- Professional fees – 10%
- Marketing – 3.5%
- Agent's fees – 1.5%
- Finance – 7%
- 15 month build
- Sales – 1.25 units per month
- Profit -17.5% (20% for wholly private option)

**Enhanced Sheltered Housing Scheme**

5.10 A 3 storey block accommodating 30 x 1- and 2-bed apartments has been appraised, based on the following mix:

<table>
<thead>
<tr>
<th>Type</th>
<th>No. of Units</th>
<th>Unit Size (sq m)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bed Apartments</td>
<td>20</td>
<td>55</td>
<td>1,100</td>
</tr>
<tr>
<td>2 Bed Apartments</td>
<td>10</td>
<td>75</td>
<td>750</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td></td>
<td>1,850</td>
</tr>
</tbody>
</table>
5.11 Affordable Housing of 30% has been appraised assuming that this is made up of 9 x 1-bedroom units.

5.12 As with the Extra Care Housing, greater weight has been given to comparables for new build schemes in central southern England than to secondary stock in the Borough, and values of £200,000 and £255,000 have been assumed for 1- and 2-bed apartments respectively.

5.13 Other assumptions are as per the Extra Care Housing appraisal with the exception of the following:

- Site area – 0.25 ha (0.62 acres)
- Gross:net floor area – 70%
- Demolition – £25,000
- 12 month build

Conclusions

5.14 Development Values arising from the scenarios and assumptions outlined above have been benchmarked against the Benchmark Land Values (BLVs) used in the original viability study i.e.

- BLV 1 - £300,000 per ha
- BLV 2 - £500,000 per ha
- BLV 3 - £1,500,000 per ha

5.15 The appraisals therefore produce the following results:

<table>
<thead>
<tr>
<th></th>
<th>Surplus (allowing for land acquisition)</th>
<th>Gross area less affordable (sq m)</th>
<th>Maximum CIL per sq m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BLV 1</td>
<td>BLV 2</td>
<td>BLV 3</td>
</tr>
<tr>
<td>Care Home</td>
<td>£408,809</td>
<td>£327,766</td>
<td>-£89,111</td>
</tr>
<tr>
<td>Extra Care – 30% affordable</td>
<td>£859,776</td>
<td>£700,427</td>
<td>-£89,039</td>
</tr>
<tr>
<td>Extra Care – 0% Affordable</td>
<td>£1,653,318</td>
<td>£1,487,710</td>
<td>£663,697</td>
</tr>
<tr>
<td>Enhanced Sheltered</td>
<td>£967,211</td>
<td>£904,430</td>
<td>£575,600</td>
</tr>
</tbody>
</table>

5.16 Based on the Council’s understanding of the likely pipeline of specialist older people’s accommodation development, it considers that the majority of schemes are likely to come forward within the SDLs. Charging rates should therefore be weighted towards the maximum CIL figures arising for BLV 1 & 2.
5.17 Furthermore, Policy TB09 of the Submitted Managing Development Delivery Plan Document (incorporating Proposed Modifications) places increased emphasis on Extra Care Housing and Enhanced Sheltered Housing as the Council’s preferred form of Older People’s Accommodation. Therefore, further weight should be placed on the viability outputs of these forms of accommodation. Accordingly, we consider that a charging rate for C2 Residential Institutions and Extra Care Housing in the region of £100 per sq m would be below the margins of viability.
6 CONCLUSIONS

6.1 In this report we have:

- Reviewed general residential scenarios based on a reduced density of 30 dph;
- Examined the potential for levying a charge for certain types of retail;
- Carried out appraisals for each of the four SDLs;
- Examined Older People’s Accommodation viability.

6.2 We have concluded that there is no viability reason for the Council to amend the general residential charging rate of £365 per sq m which was set out in the Preliminary Draft Charging Schedule.

6.3 However, the specific viability characteristics of the SDLs do suggest that specific rates should be set to ensure maximum alignment with the Core Strategy Infrastructure delivery plan and we have suggested that the Council should consider the following figures:

- North of Wokingham - £340 per sq m
- South of M4 - £300 per sq m
- South Wokingham - £320 per sq m
- Arborfield - £365 per sq m

6.4 The work undertaken by DVS on Older People’s Accommodation does demonstrate that these schemes are less able to accommodate a CIL charge than general residential uses. Accordingly the Council should consider setting a rate of £100 per sq m for C2 Residential Institutions and Extra Care Housing.

6.5 In the case of retail, we consider that there is a viability case for collecting CIL on developments outside designated town centres in the region of £50 per sq m.