



Report

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Dartford Borough Council

CIL Economic Viability Study: Addendum

26th November 2012

DARTFORD
BOROUGH COUNCIL

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For and on behalf of GVA Grimley Ltd

Foreword

This Addendum is to be read in conjunction with GVA's 'CIL Economic Viability Assessment' Report of March 2012 (the Report), which is available on the Dartford Borough Council website.

1. Introduction

- 1.1 Dartford Borough Council (the Council) is planning for and assisting in the delivery of new residential and economic growth in Dartford. As part of this work, GVA published its Viability Advice on CIL for Dartford (the Report) in March 2012 which identifies and assesses the implications for development viability of the introduction of a level of CIL across the area.
- 1.2 Further to initial consultation GVA has been asked by the Council to set out some further detail relating to assumptions used in the Report in order to provide the Council with a robust evidence base to support its proposals at the Examination. We set out below further information, detail and analysis relating to the following:
 1. **Informal Consultation:** Detail on attendees and responses to initial informal consultation on the CIL exercise;
 2. **Appraisals:** clarification of CIL and S.106 assumptions, further review of sales information, further review of benchmark land values, further clarity on what is included in build cost assumptions;
 3. **Strategic/large Sites:** Infrastructure included in CIL and in S.106 assumptions, further clarity on phasing and detail on site density; re-assessment of scheme and impact on viability of alternative scenarios.
 4. **Appraisal of Care & Retirement Homes**
 5. **Residential Property Market Review**

2. Informal Consultation

- 2.1 On 19th December DBC and GVA hosted a stakeholder consultation workshop to which identified stakeholders and partners were invited. These included local landowners, developers and agents active in the area.
- 2.2 The purpose of this workshop was to consider the assumptions to be used in the viability assessment for different types of development in the Borough. These included construction costs, land values and other assumptions used in the appraisals.
- 2.3 The event started with an initial presentation by the Council and GVA. This was followed by an open question and answer session, after which the attendees were divided into groups of 5 or 6 for further discussion. Each group was facilitated by a member of GVA or the Council.
- 2.4 At the end of the break out period all participants reconvened for a brief feedback summary of the discussions from the groups, provided by GVA.
- 2.5 Attendants at the informal consultation event were as follows:
- Sharon Kirby
 - Tim Martin (Kent County Council)
 - Phil Copsey (David Locke Associates, on behalf of LaFarge)
 - Nick Young (HCA)
 - Sean Bashforth (Quod, on behalf of Lend Lease)
 - Matt Humphreys (Drivers Jonas Deloitte, on behalf of Essential Land)
 - Kevin Bown (Highways Agency)
 - Wendy Lane (Gravesham Borough Council)
 - Mike Finch (Hyde South East)
 - Trevor Hall (Kent Police)
 - Tim Cathcart (Smiths Gore)
 - Nick Pryor (JTS Partnership)
 - Rachael Dickson (JTS Partnership)
 - Rebecca Maxwell (CBRE)
 - Jill King (Medway Council)
- 2.6 We have set out below a summary of points raised at the informal consultation event. These points reflect inputs into the GVA study, rather than comments regarding the Council and how CIL will be implemented:

- Smaller developers/developments finance costs may be higher than for larger developments; Response – as noted in our main Report we have adopted a generalised approach to finance. This is in line with our work, and other consultants work, for authorities elsewhere (both CIL and Affordable Housing studies), and has been accepted by Examiners and at public inquiries.
 - A question arose as to whether viability testing should be carried out for uses such as schools and health centres Response – these have been covered in the Report; and
 - It was requested that the evidence show why typology assumptions have been made, and that it should explain links to historic delivery and the future development pipeline Response – the typologies were developed in discussion with officers at the Council and resemble what is anticipated to be brought forward in the next few years in line with the Core Strategy and the work undertaken for the Strategic Housing land Availability Assessment. It has also had regard to the type and form of schemes that have been promoted in the recent past.;
- 2.7 We would note that value mapping exercises and all CIL informal consultation presentations were sent to participants after the event, with further opportunity for comment.

3. Appraisal Assumptions

- 3.1 The Viability Study looked at what CIL charge is viable for different uses across the Council area, and whether the CIL should be charged as a single Levy across the whole of the Area, by differential rates for different uses, or with reference to different Market Value Zones.

CIL and S.106

- 3.2 The Study assumes that the Council will not seek to impose S106 requirements in respect of off-site works. This approach has been adopted because following consideration of future infrastructure requirements to support new development in the Borough, we understand it is the Council's intention to maximise the use of CIL for the delivery of essential infrastructure with limited use of S.106 obligations for off-site works.
- 3.3 We have made a general allowance for the Council's policy requirements, both within the assumed site area calculation and the base build cost. For the strategic/large site we have made an explicit allowance for significant, additional enabling costs, see below.

Sales Evidence

3.4 GVA has used sales evidence from the following sources to support the Viability Study:

Developments/Developers

- The Bridge
- Waterstone Park
- Ingress Park
- Springhead Park
- Leyton Gate
- Hardy's Gate
- Flanders Court
- Barratt
- Taylor Wimpey
- Crest Nicholson
- PJ Livesey New Homes

Local Agents

- Clifton & Co
- Livermores
- Mann
- Robinson Jackson
- Ward & Partners

Miscellaneous

- Zoopla.co.uk
- Home.co.uk
- Land Registry
- Marsh & Co.(Affordable Housing Viability Study 2010)

3.5 GVA has also undertaken informal stakeholder consultation alongside the Council to discuss sales and benchmark values.

Benchmark Land Values

3.6 Benchmark land values have been discussed and agreed with the Council's S.106 viability appraisal advisors, BPS, and are based on comparables of actual, recent S.106 negotiations, involving both small and large sites. The Existing Use Value is based on the value of previously used, vacant employment/industrial sites. We understand that the Council anticipates the vast majority of its development coming forward on sites with former uses such as industrial, utilities, quarrying, port facilities etc. These are, in the main, no longer required for their most recent use due to industrial or organisational restructuring.

This does not apply to sites south of the A2 for which we have used a different benchmark assumption

- 3.7 The recently published report 'Viability Testing in Local Plans', produced by the Local Housing Delivery Group (Harman Report) and supported by the Local Government Association, the Home Builders Federation and the NHBC, sets out that for planning policy viability testing an approach of current use values plus a premium or incentive for landowner development reflects an acceptable methodology. GVA has taken a Current Use Value (or Existing Use Value) plus an additional 20% in the urban area, which has been considered a sound approach at previous CIL Viability Examinations, and has also been discussed with BPS. This premium is generally required to release the land for development. We understand that many of the larger sites the Council anticipates coming forward for development have been unused for some time. In such instances with no active use on site, the base value and the premium required to release the land for development is likely to be lower than that identified.

Build Costs

- 3.8 We have set out the build costs we have used in the main body of the Viability Study report. The build cost assumptions include an allowance for works, and sustainable construction up to the Council's policy requirements in terms of Code for Sustainable Homes and BREEAM. Build costs do not include professional fees or contingencies, which are allowed for separately.
- 3.9 As set out above, we have made an allowance for some level of on site site-preparation works, as we appreciate that these come over and above base build costs. These costs are up to c10% of development costs.
- 3.10 We have evidenced build costs using BCIS, data GVA holds, for example through appraising development appraisals as part of the Kickstart and Get Britain Building schemes, through our work undertaking individual S.106 negotiations on behalf of a number of Councils, and the work GVA undertakes with private developers and cost consultants.
- 3.11 Gross to Net floorspace assumptions for commercial uses can be found in tables on pages 19, 20 and 21 of the report. The residential appraisals assume that houses have a gross to net ratio of 100%, and flats between 85% and 90% depending on the number of flats in the typology and subsequent height / density of development.

4. Strategic Sites/Large Sites

- 4.1 As set out on page 22 of the Report we have also tested a large (1,000 dwellings) or 'strategic' scale development scenario to reflect the potential for housing to come forward on a number of very large sites in the Borough.
- 4.2 These opportunities have been included in the land supply identified in the Core Strategy, and are forecast to be promoted on land that is either within the Riverside or within the Urban Area as identified in the Report.
- 4.3 Whilst we have not (in line with the CIL Regulations) sought to model any particular development scheme, we have taken into account the potential additional costs which can be associated with bringing forward large schemes – that is enabling costs which exclude S.106/S.278 costs. These costs include site enabling or site preparation works, required to create serviced land able to support the scale and form of the proposed development above that required for other scenarios. .
- 4.4 We have assumed a cost of £17,000 per unit for the enabling works such as utilities, surface water drainage and highways costs. We have assumed a further cost of £1,000 per unit for 'abnormals' such as ground conditions and site clearance. Examples of the types of costs included within this allowance are:

Table 1 - Examples of costs for Site Preparation and Abnormals:

Site Preparation Works (£17,000 per unit)	Abnormals (£1,000 per unit)
Gas	Contamination
Water	Particular site levelling
Electricity	Archaeology
Telecommunications	
Access roads onto the site	
On-site Primary Roads (including Bus Route)	
Footpaths/cycleways	
Gullies/Swales	
Attenuation Ponds & associated Structures (excl landscaping)	
Pipework and Manholes	
Rising Mains	
Pumping Stations and storage	
Off Site Foul Water Requisition	

- 4.5 The costs outlined above are based upon evidence from strategic developments GVA has been involved with, acting for landowners, developers and planning authorities, around the South East; the examples range from £9,000 to in excess of £30,000 per dwelling. We note that the Harman Report identified such costs as being typically in the range £17 -23,000 per plot, and our testing at £18,000 is within this range. For reference we have also shown the results at £20,000 per plot.

- 4.6 However, as we are aware that the actual costs may in some instances be higher, we have tested the viability by reference to a range of affordable housing – 20% & 30% - to assess whether a more flexible approach to affordable housing provision would improve the viability situation. The long build out of these schemes can provide an opportunity to secure increased affordable housing contributions at a later phase of the scheme when viability may improve.
- 4.7 We have assumed the same benchmark land value (EUV of £617,750 per ha plus 20% i.e. £741,000 per ha (£300,000 per acre)) for the strategic sites as for the other residential development scenarios within the Riverside and Urban Areas. The benchmark we have used assumes a site density of 60 dwellings per hectare, and takes into account the Council's requirement for 30% open space. We have assumed a total gross site area of c 33 hectares (82 acres) allowing for open space (30% based on the Council's policy), estate roads, community facilities, health and education services. Applying the benchmark land value to the gross area gives a Base Land Value of £24.5 million. As noted in paragraphs 3.7 and 3.8, it is likely that the actual base land value may be lower than that assumed.
- 4.8 We have allowed for phasing in the model, and an interest charge per unit has been applied based on an extended cashflow. We have assumed that the construction of 1,000 dwellings will take c 6 years with an allowance prior to the commencement of construction of dwellings to begin the enabling works.
- 4.9 In discussions with Officers we have assumed that the sum available for CIL reflects an allowance for a small on-site S106 contribution of c £1,000 per dwelling.
- 4.10 The model provides a high level view of development viability and many factors can impact on the viability of a long term scheme of this nature. However, based on our experience advising on strategic development sites, we believe that the assumptions that we have made with regard to development costs are reasonable.
- 4.11 The results of the testing are set out in Tables 2 - 5 :

Table 2 – Maximum CIL - Strategic Sites (2011) Without Grant

	20% Affordable		30% Affordable	
	Riverside	Urban Area	Riverside	Urban Area
Enabling Costs & Abnormals @ £18,000 per plot	£530	£170	£480	£110
Enabling Costs & Abnormals @ £20,000 per plot	£520	£140	£450	£80

Table 3 – Maximum CIL Strategic Sites (2011) With Grant

	20% Affordable		30% Affordable	
	Riverside	Urban Area	Riverside	Urban Area
Enabling Costs & Abnormals @ £18,000 per plot	£580	£210	£560	£190
Enabling Costs & Abnormals @ £20,000 per plot	£560	£190	£530	£160

Table 4 – Maximum CIL - Strategic Sites (2016) Without Grant

	20% Affordable		30% Affordable	
	Riverside	Urban Area	Riverside	Urban Area
Enabling Costs & Abnormals @ £18,000 per plot	£600	£210	£530	£140
Enabling Costs & Abnormals @ £20,000 per plot	£580	£190	£500	£110

Table 5 – Maximum CIL Strategic Sites (2016) With Grant

	20% Affordable		30% Affordable	
	Riverside	Urban Area	Riverside	Urban Area
Enabling Costs & Abnormals @ £18,000 per plot	£640	£250	£600	£210
Enabling Costs & Abnormals @ £20,000 per plot	£620	£230	£570	£190

4.12 The modelling suggests that a CIL of £100 can be justified if a single rate is to be applied across both areas. If a separate CIL was to be set for each area then a higher rate can be applied to the Riverside, which we would suggest be capped at c £200, notwithstanding that notionally a larger figure could be applied..

5. Residential Care and Retirement Homes

5.1 The original testing did not include a specific consideration of the ability of development for Care Homes, including Extra Care, or Retirement Homes to contribute to CIL. We have now been instructed to provide advice on this specific form of use.

5.2 We would note that in some instances care homes are provided by and with financial support from Housing Associations or charities. New development by these organisations would be expected to be exempt from CIL as meeting the test of Regulation 43 (Exemption for Charities). It is also the case that such schemes are dependent on grants from the local authority and Government departments.

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- 5.3 There are also a number of specialist private companies who build and run care, extra care homes and retirement homes or villages, that can be a mix of dwellings providing both independent and supported living i.e. both Use Class C2 and C3.
- 5.4 The planning classification of a particular scheme can be difficult and there have been a number of planning appeals on this particular point. In particular, it can give rise to the question as to whether the development/operation may be treated as being effectively conventional residential housing, and therefore subject to the requirements and obligations arising under the relevant Council's planning policies. This can include a requirement to provide affordable housing, or more usually, a commuted sum in lieu.
- 5.5 In our experience developments that are genuinely and wholly within Use Class C2 will not be able to afford a CIL contribution. We would recommend that schemes that are classified as Use Class 3 be charged a CIL in line with the rates proposed for other forms of C3 housing.

6. Residential Property Market Review

Residential Market Overview

- 6.1 When undertaking a CIL Viability Study it is important to consider (based on the local market and planning policy) where new development is likely to come forward, as well as statistical information on sales values and transaction levels in order that the Council can make informed decisions about the level at which to set a tariff.
- 6.2 Dartford, which is included in the Thames Gateway Growth Area, has experienced a significant amount of new residential development over the last few years, notably at Ingress Park and Waterstone Park. In terms of future residential development, three priority areas have been identified in the Core Strategy: Dartford Town Centre and Northern Gateway, Ebbsfleet to Stone and the Thames Waterfront. The Strategy sets out that the size of these sites makes them suitable for large-scale mixed new communities. These proposed new communities are reflected at a high level through our strategic sites testing, but we have also tested typologies reflecting a wide variety of development scenarios (from small to large).
- 6.3 With regard to property prices, most average prices in Dartford following the initial economic recession have remained relatively steady – particularly over 2011 / 2012 (home.co.uk). However, prices for detached properties have fallen significantly – by as much as 39% from September 2010 to September 2011 - although we would qualify this with the fact that there are very few detached properties in the Dartford area, and as

such a small number of units can have a disproportionate effect on property price averages. The rest of the market, with higher number of units, shows less severe volatility - flat prices have also fallen 9%, but semi-detached properties have risen 5% over the same period.

- 6.4 In terms of ownership patterns, a high proportion of Dartford residents are owner-occupiers – 76% compared to a London average of 57%, although the proportion of socially rented accommodation is in line with national averages (16% as compared to 17% nationally).

Market Evidence

- 6.5 As set out in our report, we understand from Dartford Planning Policy, local market analysis and local stakeholder discussions that different land and sale values apply in various locations across the Borough. GVA and the Council have concluded that Dartford has three 'value' areas (it should be noted that these value zones serve as a baseline guide, indicating average values, rather than values on specific sites). These are:

Value Area 1: Riverside

Value Area 2: Rural or South of A2/Greenbelt

Value Area 3: Rest of Borough or Urban area

- 6.6 In coming to conclusions on high level market value areas we consulted with and drew evidence from a number of local agents, developers and property data sources including Marsh & Co., Barratt New Homes, PJ New Homes, home.co.uk and mouseprice.co.uk. We also, as set out previously, held an initial informal stakeholder event in order to invite views from the local development community on property values across the Borough.
- 6.7 Our research is set out in the tables below:

Average value of Property in Dartford by Type (Sept 2010 – Sept 2011)

Home.co.uk	Sep 2010	Sep 2011
Detached	£410,000	£251,928
Semi	£203,479	£214,660
Terraced	£188,937	£179,797
Flat	£127,900	£116,104
All	£191,950	£187,355

Average Current Value of Property in Dartford by No. of Bedrooms (Oct 2011)

Mouseprice.co.uk	Dartford	National
1 Bedroom	£121,900	£151,500

2 Bedroom	£179,100	£163,500
3 Bedroom	£231,100	£190,800
4 Bedroom	£340,700	£344,000
5+ Bedroom	£420,600	£590,000

Local Agency Consultation – New Build Developments (Asking Prices)

Waterstone Park (DA9)

Type	Beds	Sq. M.	Price	£ per sq m	Date
Flat	1	46.8	£140,000	£2,990	Dec 2008
Flat	2	62.5	£165,000	£2,645	Jan 2009
Flat	2	72.7	£200,000	£2,755	Jan 2009

The Bridge (DA15)

Type	Beds	Sq. M.	Price	£ per sq m	Date
Flat	1	48.1	£160,000	£3,325	Jan 2009
Flat	2	65.0	£175,000	£2,700	Jan 2009
Flat	3	100.0	£215,000	£2,150	Jan 2009
House	2	63.6	£220,000	£3,465	Jan 2009
House	3	78.6	£240,000	£3,055	Jan 2009
House	4	111.8	£265,000	£2,378	Jan 2009

Ingress Park (DA9)

Type	Beds	Sq. M.	Price	£ per sq m	Date
Flat	1	40.2	£152,500	£3,798	Jan 2009
Flat	2	61.3	£222,500	£3,637	Jan 2009

Springhead Park (DA11)

Type	Beds	Sq. M.	Price	£ per sq m	Date
Flat	2	63.1	£175,000	£2,561	Jan 2009
House	3	77.3	£230,000	£2,292	Jan 2009

Stone House

Barratt New Homes				
Type	Beds	Sq. M.	Av. Unit Price	Price £ per sq ft
Flat	1	51	£130,357	£2,556
Flat	2	72	£170,547	£2,368
House	2	73	£182,000	£2,493

House	3	114	£284,286	£2,491
PJ new Homes				
Type	Beds	Avg Sq ft	Av. Unit Price	Price £ per sq ft
Flat	1	51	£130,000	£2,549
Flat	2	69	£173,500	£2,514
House	2	76	£188,000	£2,473
House	3	101	£265,000	£2,623

Local Agency Consultation – New Build Developments (Sold Prices)

Flanders Court (DA1)

BAXTER HOMES				
Address	Type	Beds	Sold Price	Date
10 Flanders Court	terraced	3/4	£250,000	5-Aug-11
11 Flanders Court	terraced	3/4	£245,000	11-Jul-11
12 Flanders Court	terraced	3/4	£245,000	20-Jun-11
13 Flanders Court	terraced	3/4	£245,000	17-Jun-11
14 Flanders Court	terraced	3/4	£245,000	28-Apr-11

The Bridge, (DA1)

TAYLOR WIMPEY				
Address	Type	Beds	Sold Price	Date
15 Longreach	Flat	2	£163,000	12-May-11
20 Longreach	Flat	2	£160,000	06-Apr-11
17 Longreach	Flat	2	£160,000	21-Feb-11
15 Longreach,	Flat	1	£145,000	18-Feb-11
19 Longreach	Flat	2	£175,000	18-Feb-11
6 Swallows Court	Flat	2	£174,995	25-Feb-11
17 Swallows Court	Flat	2	£174,995	25-Feb-11
18 Swallows Court	flat	1	£149,995	05-Jan-11

Riverside – Ingress Park (DA9)

CREST NICHOLSON				
Address	Type	Beds	Sold Price	Date
66 Clarinda House	Flat	2	£242,500	15-Apr-11
71 Clarinda House	Flat	2	£235,000	15-Apr-11
59 Clarinda House	Flat	1	£185,000	8-Apr-11

CREST NICHOLSON				
Address	Type	Beds	Sold Price	Date
45 Clarinda House	Flat	1	£177,000	25-Feb-11
61 Clarinda House	Flat	2	£244,000	14-Jan-11
69 Clarinda House	Flat	2	£212,000	22-Oct-10
67 Clarinda House	Flat	2	£220,000	3-Sep-10
68 Clarinda House	Flat	2	£214,000	29-Jul-10
70 Clarinda House	Flat	1	£150,000	28-Apr-10
65 Clarinda House	Flat	1	£157,500	22-Mar-10
17 Clarinda House	Flat	2	£202,500	3-Mar-10
60 Clarinda House	Flat	1	£155,000	26-Feb-10
63 Clarinda House	Flat	2	£232,500	29-Jan-10
14 Clarinda House	Flat	1	£189,000	13-Jan-10

Local Agency Consultation – New Build Developments (Asking Prices)

Hardy's Gate (DA2)

Address	Type	Bed	Asking Price
The Hadleigh	House	4	£369,500
The Hadleigh	House	4	£375,000
The Farleigh	Coach House	2	£189,500
The Sandown	House	2	£229,500
The Sandown	House	2	£225,000
The Lavenham	House	4	£415,000

The Bridge (DA1)

Address	Type	Bed	Asking Price
The Bridge	Flat	1	£90,000
The Bridge	Flat	1	£110,000
The Bridge	Terrace	2	£140,000
The Bridge	Terrace	3	£150,000
The Bridge	Townhouse	3	£170,000
The Bridge	Townhouse	4	£180,000

Springhead Park (DA11)

Address	Type	Bed	Asking Price
Chelsfield	Flat	1	£125,000

Chelsfield	Flat	2	£137,000
The Farleigh	Coach House	2	£167,500
The Whitstable	House	4	£280,000

Ingress Park (DA9)

Address	Type	Bed	Asking Price
Clarinda House	Flat	1	£150,000
Clarinda House	Flat	2	£198,000
Papermill Walk	Flat	1	£164,000
Papermill Walk	Coach House	1	£174,500
Papermill Walk	House	3	£290,000
Papermill Walk	House	4	£385,000

Leyton Gate (DA2)

Address	Type	Bed	Sq Ft	Asking Price	£ per Sq Ft
The Ashbury	Detached	5	188	£690,000	£3,670
The Birlingham	Detached	5	216	£700,000	£3,240
The Lindford	Detached	5	168	£542,000	£3,226
The Maltings	Detached	4	162	£540,000	£3,333