

AFFORDABLE HOUSING VIABILITY REPORT FOR RESIDENTIAL DEVELOPMENT AT THE NORTH ST ARCADE, NORTH ST, HAVANT, HAMPSHIRE, PO9 1PX.

On behalf of Zionstone Ltd

**By Simon Corp BSc (Hons)
27th April 2018**



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1.0 Introduction and Instructions

- 1.1 S106 Affordable Housing have been instructed by Zionstone Ltd to prepare an affordable housing viability study to determine the viable level of affordable housing provision that can be supported from the proposed redevelopment of the North Street Arcade, Havant providing 21 new residential dwellings and 4 retail units.
 - 1.2 The report has been prepared by Simon Corp, I have a BSc (Hons) in Residential Development and 24 years experience in affordable housing development. I am a Director of S106 Affordable Housing Ltd a specialist consultancy business providing development viability and affordable housing development consultancy services.
 - 1.3 The purpose of the study is to set out the policy background, development details, viability and cost issues and make a case for the level of affordable housing provision the development can viably sustain.
 - 1.4 Our methodology will be to carry out a viability assessment without any affordable housing and compare this with the existing use benchmark value of the land, to determine the total development surplus that is available to fund any affordable housing provision or other planning obligations. This approach is consistent with the RICS Financial Viability in Planning guidance and established sector good practice.
 - 1.5 The appraisal has been carried out using the Homes and Communities Agency (now Homes England) Development Appraisal Toolkit (DAT), where information is not available any assumptions made are either in line with industry norms or the default settings of the toolkit
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2.0 Viability Assessment

- 2.1 The site is currently occupied by 9no retail units with ancillary first floor space. The proposal is to redevelop the site providing 4no retail units on the ground floor with a total floor area of 503.9m² with 21no residential dwellings on the upper floors around an internal courtyard.
- 2.2 The Havant Core Strategy adopted in 2011 requires under policy CS9 30-40% affordable housing delivery from this site, if we take the mid point of 35% affordable housing provision this equates to 7no units which we have assumed would be delivered as 5no units for affordable rent and 2no for shared ownership.
- 2.3 S106 Affordable Housing Ltd has been instructed to assess if the policy requirement is viable and to assess the maximum level of affordable housing the site can viably support. A site is deemed to be viable if the residual land value derived from the scheme is above the existing use benchmark land value thus generating a surplus to fund affordable housing or other s106 obligations. Our methodology will therefore be to assess the residual land value with no affordable housing and compare this with the existing market value of the site to determine if a surplus is generated to fund affordable housing provision. This approach is in line with the RICS Financial Viability in Planning guidance and established viability assessment good practice.
- 2.4 We have appraised the site using the HCA Development Appraisal Toolkit (DAT) as all open market sale without any affordable housing to determine the surplus above the existing market value which is available to fund affordable housing provision. The DAT works by putting the existing use value of the land in the appraisal as a cost and calculating if a surplus is generated that will support affordable housing delivery. The DAT with no affordable housing shows a negative viability position with a deficit of -£937,056. Clearly with a negative viability position the site is unable to viably deliver any affordable housing provision.
- 2.5 To populate the DAT we therefore need to assess the existing use value of the site. The RICS Financial Viability in Planning guidance recommends that the viability of a development is benchmarked against the existing market value of the land taking into account the current lawful planning use, the planning policies which effect the land and a competitive return for the landowner to incentivise them to release the land. Recent appeal decision's have reinforced the use of the Existing Use Value plus premium method over a market value approach and the GLA Affordable Housing SPD adopted in 2017 also recommends a benchmark land value based on the EUV plus premium. Although GLA guidance has no policy effect in Havant it demonstrates a shift in thinking towards benchmark land values always being set by the EUV plus premium method. This has further reinforced by the NPPF consultation documents which also recommend the EUV plus premium method is adopted.

- 2.6 The subject site is currently arranged as 9no retail units with ancillary space. This was valued by Vail Williams in November 2017 at £600,000 on a market value with vacant possession basis which we have taken as an existing use value. This valuation is based on an estimated rental income of £82,750pa which equates to £9.95/ft² and a gross yield of 13.79% which is in our opinion a low level of yield. A copy of the valuation report is attached to this report.
- 2.7 The RICS Financial Viability in Planning guidance and the Planning Practice guidance 2014 states the landowner should receive a competitive return to incentivise them to sell the site. There are no fixed percentages it should just be at a level that sufficiently incentivises the landowner to release the land, but the usual range is 15-30%. We have adopted 20% which we consider would provide the landowner with sufficient incentive resulting in a benchmark land value of £720,000. This equates to 18% of the gross development value of the proposed scheme so it is within the normal range.
- 2.8 The DAT on an all open market basis shows a viability deficit of -£937,056 and clearly on this basis no surplus is generated to viably support any affordable housing provision. The principle reason for the viability pressure is the existing use value coupled with the costs of development and the need for a developer to make a reasonable return from the site.
- 2.9 This is based on a developers profit at 20% in line with the NPPF viability guidance issued in March 2018. However prior to the guidance the DVS were modelling viability on a 17.5% profit level if we re-run the DAT on this basis it shows a negative viability position of -£868,989, although an improvement still clearly unviable. As a speculative development project it is not strictly viable but the applicants business model is to hold the units in a portfolio for residential investment and so they are able to take a longer term view to allow the development to proceed.
- 2.10 For comparative purposes we have run a second DAT on a policy compliant basis with 7no affordable housing units split as 5no for affordable rent and 2no for shared ownership the viability deficit is compounded to -£1,119,188. This is clearly not viable. We have also run a DAT with all the affordable housing delivered as shared ownership and this shows a residual value of £1,041,013 and whilst an improvement it is still substantially unviable.
- 2.11 The policy compliant appraisal has been constructed on the basis of affordable rents at the Local Housing Allowance rates and the shared ownership based on initial sales at 50% with the maximum rent of 2.75% on the unsold equity. We have assumed there will be no grant funding available for s106 units in line with HCA guidance.

- 2.12 We have not allowed for any s106 contributions in our assessment so we can observe the total subsidy which is generated to support all planning obligations. We have allowed for CIL on the net increase in floor area.
- 2.13 In summary the viability appraisal with no affordable housing shows a negative viability position and therefore no surplus is generated to support any affordable housing provision on the site.

3. Policy Background

- 3.1 Havant Borough Council affordable housing policy is contained within the Core Strategy which was adopted in March 2011.
- 3.2 The affordable housing Policy CS9 states that planning permission will be granted for housing proposals that will deliver on average 30-40% affordable housing on sites of 15no dwellings or more and secure a suitable contribution, or on-site provisions, equivalent to on average 30-40% on smaller housing developments between 5no and 14no dwellings (gross), unless a lesser requirement has been transparently justified on viability grounds.

National Planning Policy Framework March 2012

- 3.3 The National Planning Policy Framework (hereafter referred to as NPPF) contains an overarching policy principle that there should be a presumption in favour of sustainable development, meaning that Local Authorities should positively seek development opportunities to meet the needs of their area, unless:
 - any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies in this Framework taken as a whole; or
 - specific policies in this Framework indicate development should be restricted.
- 3.4 Local Authorities should proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth.
- 3.5 The document goes on to say that plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities.
- 3.6 Local Authorities should avoid the long term protection of sites for employment use if there is no reasonable prospect of this being taken up for that purpose.

3.7 Looking more specifically at housing delivery it states “use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period”.

3.8 There is a need to ensure there will be the right balance of housing to meet need and demand the framework states;

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

- 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; 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.”

3.9 The framework reinforces previous policy statements that planning requirements should maintain economic viability, the framework states “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.”

3.15 The framework states that planning obligations normally required under s106 agreements should only be sought where they meet all of the following tests:

- Necessary to make the development acceptable in planning terms;
- Directly related to the development; and
- Fairly and reasonably related in scale and kind to the development.
- Where obligations are being sought or revised, local planning authorities should take account of changes in market conditions over time and, wherever appropriate, be sufficiently flexible to prevent planned development being stalled.
- Planning conditions should only be imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects.

Housing and Growth Statement 6th September 2012

- 3.10 The Secretary of State for Communities and Local Government (Rt Hon Eric Pickles MP) said on the 6th September 2012 “The Coalition Government’s number one priority is to get the economy growing. We must create the conditions that support local economic growth and remove barriers that stop local businesses creating jobs and getting Britain building again.”
- 3.11 He went on to say “It is vital that the affordable housing element of Section 106 agreements negotiated during different economic conditions is not allowed to undermine the viability of sites and prevent any construction of new housing. This results in no development, no regeneration and no community benefits at all when agreements are no longer economically viable.”

Planning Practice Guidance March 2014

- 3.12 The Department for Communities and Local Government provided Planning Practice Guidance on 6th March 2014. This includes a section on viability, site specific viability is covered in the section Viability and Decision Taking.
- 3.13 The practice note states that “in making decisions, the local planning authority will need to understand the impact of planning obligations on the proposal. Where an applicant is able to demonstrate to the satisfaction of the local planning authority that the planning obligation would cause the development to be unviable, the local planning authority should be flexible in seeking planning obligations.”
- 3.14 The note goes on to say this is particularly relevant for affordable housing payments and these should not be sought without regard to scheme viability.

- 3.15 It then continues to set out some general principles on how the principle variables; gross development value, costs, existing value and landowners return should be calculated and evidenced. This is really a summary of established known good practice in the sector.

Statement by Brandon Lewis, Housing and Planning Minister 9th November 2015

- 3.16 The statement was issued in response to the reduction in affordable rent levels to encourage Local Authorities to apply flexibility to viability negotiations.
- 3.17 It states “We would urge planning authorities to respond constructively, rapidly and positively to requests for such renegotiations and to take a pragmatic and proportionate approach to viability. Where it is simply proposed that the tenure mix is adjusted, with the overall affordable housing contribution remaining the same, it is our view that this is unlikely to justify reopening viability by either side. We would ask local authorities to expedite such renegotiations so they can be dealt with in a timely manner, and avoid action which might result in unnecessary delay.

The statement goes on to say “The Government attaches great importance to the effective and flexible negotiation of Section 106 planning obligations, including on affordable housing, and intends to introduce a dispute resolution mechanism to help speed up Section 106 negotiations”

4 Cost and Values

Benchmark Land Value

- 4.1 The RICS Financial Viability in Planning guidance recommends that the viability of a development is benchmarked against the existing market value of the land taking into account the current lawful planning use, the planning policies which effect the land and a competitive return for the landowner to incentivise them to release the land. Recent appeal decision's have reinforced the use of the Existing Use Value plus premium method over a market value approach and the GLA Affordable Housing SPD adopted in 2017 also recommends a benchmark land value based on the EUV plus premium. Although GLA guidance has no policy effect in Havant it demonstrates a shift in thinking towards benchmark land values always being set by the EUV plus premium method. This has further reinforced by the NPPF consultation documents which also recommend the EUV plus premium method is adopted.
- 4.2 The subject site is currently arranged as 9no retail units with ancillary space. This was valued by Vail Williams in November 2017 at £600,000 on a market value with vacant possession basis which we have taken as an existing use value. This valuation is based on an estimated rental income of £82,750pa which equates to £9.95/ft² and a gross yield of 13.79% which is in our opinion a low level of yield. A copy of the valuation report is attached to this report.
- 4.3 The RICS Financial Viability in Planning guidance and the Planning Practice guidance 2014 states the landowner should receive a competitive return to incentivise them to sell the site. There are no fixed percentages it should just be at a level that sufficiently incentivises the landowner to release the land but the usual range is 15-30%. We have adopted 20% resulting in a benchmark land value of £720,000. This equates to 18% of the gross development value of the proposed scheme so within the normal range.

Sales values

- 4.4 To assess the sales values we have looked at comparable properties within half a mile of the site looking at properties on the market, recently sale agreed and completed sales within the last six months.
- 4.5 We identified one bedroom apartments ranging from £115,000-180,000 however the £180,000 property has a private garden and is not considered comparable. The best comparable was a one bedroom apartment on West Street extending to 47m² on the market at £135,000 which equates to

£2,872/m². As this value is based on second hand evidence we have increased this by 5% to reflect a newbuild premium increasing the sales value to £3,016/m².

- 4.6 This value has been applied to the proposed one bedroom apartments subject to a minimum sales value of £125,000 resulting in sales values from £125,000- £153,000.
- 4.7 For the two bedroom apartments we identified properties from £140,000- £219,995 however the highest value property was in a listed building and in a better location than the subject properties. We have therefore valued the two bedroom apartments at £170,000-200,000 the largest apartment at 65m² has been valued at £200,000 which equates to £3,077/m².
- 4.8 The new retail units have been valued on the basis of a rental income at £10/ft² with a yield of 7.5%.
- 4.9 The actual price achieved will be dependent on market conditions at the time of marketing, competitor developments and the completed specification and finishes.

Construction Costs

- 4.1 In line with normal viability practice we have used the BCIS average price service to determine likely construction costs using the median cost range rebased to Havant. This results in a base cost of £1,512 per square metre.
- 4.2 The BCIS price allows for preliminary costs, service connections and contractors profit and overhead but not external works. The usual rule of thumb additional cost allowance for external works is 10- 15% of the base construction cost. However in this case the external works is limited to the hard and soft landscaping of the internal courtyard so we have adopted a lower allowance at 7.5% of base construction costs. The total build cost used in the DAT appraisal is therefore £1,625/m².
- 4.3 For the retail unit on the assumption it will only be completed to shell and core standard for fit out by the incoming occupier we have adopted a lower construction cost for this element at £1,200/m².
- 4.4 Use of BCIS rates for estimating construction costs is an established viability practice and provides a good evidential base as it is based on actual tender returns in a given location. However its is becoming increasingly apparent that BCIS rates are not keeping up with the most recent build cost tenders, demand is currently out stripping sub-contractor capacity resulting in increased rates and material prices are increasing with extended call off periods.

- 4.5 In line with normal viability practice we have made separate allowances for design fees at 7% of build costs and contingency at 5%.

Profit

- 4.6 We have set developers profit at 20% of gross development value. In recent years developer's profit has been set at 17.5-18% within viability assessments but the recent NPPF guidance documents on viability clearly state that 20% developers profit should be adopted. This is the most up to date policy guidance on profit levels and we have therefore adopted this assumption.
- 4.7 In practice very few funders would lend to a project which did not show a 20% profit margin. However as set out in section 2.9 of this report even if we reduce the developers profit to a minimum level of 17.5% the appraisal still shows a negative viability position.

Affordable Housing Inputs

- 4.8 The affordable rent has been modelled on rents at 80% of market rent subject to being no more than the relevant Local Housing Allowance. In this case the resultant rents are above the Local Housing Allowance so we have adopted the LHA rent level resulting in a rent of £116.53pw for the one bedroom apartment and £144.36pw for a two bedroom apartment.
- 4.9 It should be noted that at the end of 2015 the government announced that affordable rents should reduce by 1% pa for the next five years, this will have a direct impact on the capital value of the affordable housing but this has not been factored into the appraisal.
- 4.10 The shared ownership has been modelled on initial equity sales at 50% with a rent on the unsold equity at the HCA maximum rent level of 2.75%.
- 4.11 In line with HCA guidance that grant will not be supported on s106 units we have not factored in any grant funding into the appraisal.
- 4.12 The net rent has been capitalised at a sector average of 6% and all other revenue costs are at sector averages.

5. Other Model Assumptions and Inputs

- 5.1 The basis for assumptions on sales values, construction costs and profit are set out in section 4.

Development Programme

- 5.2 We have assumed a six month pre-start programme to produce working drawings, obtain Building Regulations approval and clear pre-start planning conditions. The contract period is 18 months with a sales period of 6 months.

S106 and CIL Contributions

- 5.3 We have not allowed for any s106 payments so we can observe the total surplus which is generated by the scheme to support all planning obligations. We have allowed for CIL payments on the net increase in floor area.

Interest Rates

- 5.4 We have used a finance rate of 7% inclusive of all arrangement fees and monitoring costs which is in our experience a typical level and the level usually adopted by the District Valuer Service. The availability of development finance remains an issue with very few of the major banks still actively lending to residential development companies. Those in the market do pick and choose and the rate is a reflection on the development risk, developer's track record and cash flow profile.

Sales and marketing costs

- 5.5 We have allowed for an allowance of 2.75% of gross sales value for sales and marketing this will cover a sales agent at 1.5% and additional allowances for a show apartment, production of marketing material, advertising and promotion.

Ground Rent Income

- 5.6 We have assumed the apartments would be subject to a ground rent income of £200pa which has been capitalised at an anticipated yield of 5.5%.

APPENDIX A

VIABILITY RESULTS

Shared Ownership		£0			
Affordable Rent		£0			
Open market (all phases)		£76,364			
Capitalised Annual Ground Rents				£76,364	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME				£3,264,664	
TOTAL BUILD COST OF RESIDENTIAL SCHEME		£2,152,580			
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME					£1,112,084
Non-Residential					
		Cost		Values	
Office		£0		£0	
Retail		£684,782		£683,874	
Industrial		£0		£0	
Leisure		£0		£0	
Community Use		£0		£0	
Community Infrastructure Levy		£0			
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME				£683,874	
COSTS OF NON-RESIDENTIAL SCHEME		£684,782			
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL					-£907
GROSS DEVELOPMENT VALUE OF SCHEME				£3,948,538	
TOTAL BUILD COSTS		£2,837,362			
TOTAL CONTRIBUTION TO SCHEME COSTS					£1,111,176
External Works & Infrastructure Costs (£)					
			Per unit	% of GDV	per Hectare
Site Preparation/Demolition	£0				
Roads and Sewers	£0				
Services (Power, Water, Gas, Telco and IT)	£0				
Strategic Landscaping	£0				
Off Site Works	£0				
Public Open Space	£0				
Site Specific Sustainability Initiatives	£0				
Plot specific external works	£0				
Other 1	£0				
Other 2	£0				
	£0				
Other site costs					
Fees and certification	7.0%	£143,505	6,834	3.6%	
Other Acquisition Costs (£)		£0			
Site Abnormals (£)					
De-canting tenants		£0			
Decontamination		£0			
Other		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Other 5		£0			
		£0			
Total Site Costs inc Fees		£143,505	6,834		
Statutory 106 Costs (£)					
Education		£0			
Sport & Recreation		£0			
Social Infrastructure		£0			
Public Realm		£0			
Affordable Housing		£0			
Transport		£0			
Highway		£0			
Health		£0			
Public Art		£0			
Flood work		£0			
Community Infrastructure Levy		£0			
Other Tariff		£0			
Other 1		£89,621	4,268		
Other 2		£0			
Other 3		£0			
Other 4		£0			
		£89,621	4,268		
Statutory 106 costs					
Marketing (Open Market Housing ONLY)					
			per OM unit		
Sales/letting Fees	2.8%	£87,678	4,175		
Legal Fees (per Open Market unit):	£500	£10,500	500		
Marketing (Affordable Housing)					
			per affordable unit		
Developer cost of sale to RP (£)		£0			
RP purchase costs (£)		£0			
Intermediate Housing Sales and Marketing (£)		£0			
Total Marketing Costs		£98,178			
Total Direct Costs					£3,168,667
Finance and acquisition costs					
Land Payment	£720,000		34,286 per OM home	#DIV/0!	#DIV/0!
Arrangement Fee	£0		0.0% of interest		
Misc Fees (Surveyors etc)	£0		0.00% of scheme value		
Agents Fees	£7,200				
Legal Fees	£3,600				
Stamp Duty	£25,500				
Total Interest Paid	£352,647				
Total Finance and Acquisition Costs					£1,108,947
Developer's return for risk and profit					
Residential					

Market Housing Return (inc OH) on Value	20.0%	£637,660	30,365 per OM unit
Affordable Housing Return on Cost	0.0%	£0	per affordable unit
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit
Non-residential			
Office		£0	
Retail		£136,775	
Industrial		£0	
Leisure		£0	
Community-use		£0	
		£136,775	

Total Operating Profit **£774,435**
 (i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST **£5,052,049**

Surplus/(Deficit) at completion 1/10/2020 **(£1,103,511)**

Present Value of Surplus (Deficit) at 26/4/2018 **(£937,056)**

Scheme Investment MIRR **1.9%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value 18.2% Peak Cash Requirement -£3,935,895

Site Value (PV) per hectare No area input per hectare No area input per acre

Shared Ownership		£0			
Affordable Rent		£0			
Open market (all phases)		£50,909			
Capitalised Annual Ground Rents				£50,909	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME				£2,829,488	
TOTAL BUILD COST OF RESIDENTIAL SCHEME		£2,152,580			
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME					£676,908
Non-Residential					
		Cost		Values	
Office		£0		£0	
Retail		£684,782		£683,874	
Industrial		£0		£0	
Leisure		£0		£0	
Community Use		£0		£0	
Community Infrastructure Levy		£0			
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME				£683,874	
COSTS OF NON-RESIDENTIAL SCHEME		£684,782			
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL					-£907
GROSS DEVELOPMENT VALUE OF SCHEME				£3,513,363	
TOTAL BUILD COSTS		£2,837,362			
TOTAL CONTRIBUTION TO SCHEME COSTS					£676,001
External Works & Infrastructure Costs (£)					
			Per unit	% of GDV	per Hectare
Site Preparation/Demolition	£0				
Roads and Sewers	£0				
Services (Power, Water, Gas, Telco and IT)	£0				
Strategic Landscaping	£0				
Off Site Works	£0				
Public Open Space	£0				
Site Specific Sustainability Initiatives	£0				
Plot specific external works	£0				
Other 1	£0				
Other 2	£0				
	£0				
Other site costs					
Fees and certification	7.0%	£143,505	6,834	4.1%	
Other Acquisition Costs (£)		£0			
Site Abnormals (£)					
De-canting tenants		£0			
Decontamination		£0			
Other		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Other 5		£0			
		£0			
Total Site Costs inc Fees		£143,505	6,834		
Statutory 106 Costs (£)					
Education		£0			
Sport & Recreation		£0			
Social Infrastructure		£0			
Public Realm		£0			
Affordable Housing		£0			
Transport		£0			
Highway		£0			
Health		£0			
Public Art		£0			
Flood work		£0			
Community Infrastructure Levy		£0			
Other Tariff		£0			
Other 1		£58,254	2,774		
Other 2		£0			
Other 3		£0			
Other 4		£0			
Statutory 106 costs		£58,254	2,774		
Marketing (Open Market Housing ONLY)					
			per OM unit		
Sales/letting Fees	2.8%	£58,447	4,175		
Legal Fees (per Open Market unit):	£500	£7,000	500		
Marketing (Affordable Housing)					
			per affordable unit		
Developer cost of sale to RP (£)		£10,000	1,429		
RP purchase costs (£)		£42,000	6,000		
Intermediate Housing Sales and Marketing (£)		£0			
Total Marketing Costs		£117,447			
Total Direct Costs		£3,156,568			
Finance and acquisition costs					
Land Payment		£720,000	51,429 per OM home	#DIV/0!	#DIV/0!
Arrangement Fee		£0	0.0% of interest		
Misc Fees (Surveyors etc)		£0	0.00% of scheme value		
Agents Fees		£7,200			
Legal Fees		£3,600			
Stamp Duty		£25,500			
Total Interest Paid		£315,898			
Total Finance and Acquisition Costs		£1,072,198			
Developer's return for risk and profit					
Residential					

Market Housing Return (inc OH) on Value	20.0%	£425,069	30,362 per OM unit
Affordable Housing Return on Cost	6.0%	£40,748	5,821 per affordable unit
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit

Non-residential

Office	£0	
Retail	£136,775	
Industrial	£0	
Leisure	£0	
Community-use	£0	£136,775

Total Operating Profit**£602,592**

(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST	£4,831,358
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Surplus/(Deficit) at completion 1/10/2020**(£1,317,996)****Present Value of Surplus (Deficit) at 26/4/2018****(£1,119,188)****Scheme Investment MIRR****-4.8%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value

20.5%

Peak Cash Requirement

-£3,304,412

Site Value (PV) per hectare

No area input per hectare

No area input per acre

-£1,041,013

DETAIL

Date of appraisal 26/04/18
Net Residential Site Area (ha)
Author & Organisation Simon Corp S106 Affordable Housing Ltd
Registered Provider (where 0

Total Number of Units	21	<i>units</i>
Total Number of Open Market Units	14	<i>units</i>
Total Number of Affordable Units	7	<i>units</i>
Total Net Internal Area (sq m)	1,035	<i>sq m</i>
% Affordable by Unit	33.3%	
% Affordable by Area	33.1%	
Density	No Area input	<i>units/ hectare</i>
Total Number of A/H Persons	0	<i>Persons</i>
Total Number of Open Market Persons	0	<i>Persons</i>
Total Number of Persons	0	<i>Persons</i>
Gross site Area	0.00	<i>hectares</i>
Net Site Area	0.00	<i>hectares</i>
Net Internal Housing Area / Hectare	-	<i>sq m / hectare</i>

Average value (£ per unit)	Open Market Phase 1:	Open Market Phase 2:	Open Market Phase 3:	Open Market Phase 4:	Open Market Phase 5:	Total
1 Bed Flat Low rise	£140,486	£0	£0	£0	£0	
2 Bed Flat Low rise	£193,333	£0	£0	£0	£0	
3 Bed Flat Low rise	£0	£0	£0	£0	£0	
4 Bed + Flat Low rise	£0	£0	£0	£0	£0	
1 Bed Flat High rise	£0	£0	£0	£0	£0	
2 Bed Flat High rise	£0	£0	£0	£0	£0	
3 Bed Flat High rise	£0	£0	£0	£0	£0	
4 Bed + Flat High rise	£0	£0	£0	£0	£0	
2 Bed House	£0	£0	£0	£0	£0	
3 Bed House	£0	£0	£0	£0	£0	
4 Bed + House	£0	£0	£0	£0	£0	
Total Revenue £	£2,125,346	£0	£0	£0	£0	£2,125,346
Net Area (sq m)	692	-	-	-	-	692
Revenue (£ / sq m)	£3,072	-	-	-	-	

£2.125.346

Capital value of Private Rental	
Phase 1	£0
Phase 2	£0
Phase 3	£0
Phase 4	£0
Phase 5	£0
Total PR	£0

£1,439,492 £ 1.706 psqm

£2.125.346 £ 2.519 psam

£685,853

AH & RENTAL VALUES BASED ON NET RENTS

Type of Unit	Social Rented	Shared Ownership (all phases)	Affordable Rent (all phases)	Total
1 Bed Flat Low rise		£468,179		£468,179
2 Bed Flat Low rise		£269,135		£269,135
3 Bed Flat Low rise				
4 Bed + Flat Low rise				
1 Bed Flat High rise				
2 Bed Flat High rise				
3 Bed Flat High rise				
4 Bed + Flat High rise				
2 Bed House				
3 Bed House				
4 Bed + House				
	£0	£737,314	£0	£737,314

£ psqm of CV (phase 1)

1,988

£737,314

RP Cross Subsidy (use of own assets)	£0
LA s106 commuted in lieu	£0
RP Re-cycled SHG	£0
Use of AR rent conversion income	£0
Other source of AH funding	£0

£0

£737,314

BUILD COST OF AFFORDABLE HOUSING inc Contingency	£713,088	£ 1,706 psqm
---	-----------------	---------------------

£24,226

No. of Spaces	Price per Space (£)	Value
-	-	£0

£0

03

**Capitalised annual
ground rent**
£0

Social Rented

Shared Ownership		£0			
Affordable Rent		£0			
Open market (all phases)		£50,909			
Capitalised Annual Ground Rents				£50,909	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME				£2,913,569	
TOTAL BUILD COST OF RESIDENTIAL SCHEME		£2,152,580			
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME					£760,989
Non-Residential					
		Cost		Values	
Office		£0		£0	
Retail		£684,782		£683,874	
Industrial		£0		£0	
Leisure		£0		£0	
Community Use		£0		£0	
Community Infrastructure Levy		£0			
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME				£683,874	
COSTS OF NON-RESIDENTIAL SCHEME		£684,782			
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL					-£907
GROSS DEVELOPMENT VALUE OF SCHEME				£3,597,443	
TOTAL BUILD COSTS		£2,837,362			
TOTAL CONTRIBUTION TO SCHEME COSTS					£760,081
External Works & Infrastructure Costs (£)					
			Per unit	% of GDV	per Hectare
Site Preparation/Demolition	£0				
Roads and Sewers	£0				
Services (Power, Water, Gas, Telco and IT)	£0				
Strategic Landscaping	£0				
Off Site Works	£0				
Public Open Space	£0				
Site Specific Sustainability Initiatives	£0				
Plot specific external works	£0				
Other 1	£0				
Other 2	£0				
	£0				
Other site costs					
Fees and certification	7.0%	£143,505	6,834	4.0%	
Other Acquisition Costs (£)		£0			
Site Abnormals (£)					
De-canting tenants		£0			
Decontamination		£0			
Other		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Other 5		£0			
		£0			
Total Site Costs inc Fees		£143,505	6,834		
Statutory 106 Costs (£)					
Education		£0			
Sport & Recreation		£0			
Social Infrastructure		£0			
Public Realm		£0			
Affordable Housing		£0			
Transport		£0			
Highway		£0			
Health		£0			
Public Art		£0			
Flood work		£0			
Community Infrastructure Levy		£0			
Other Tariff		£0			
Other 1		£58,254	2,774		
Other 2		£0			
Other 3		£0			
Other 4		£0			
		£58,254	2,774		
Statutory 106 costs		£58,254	2,774		
Marketing (Open Market Housing ONLY)					
			per OM unit		
Sales/letting Fees	2.8%	£58,447	4,175		
Legal Fees (per Open Market unit):	£500	£7,000	500		
Marketing (Affordable Housing)					
			per affordable unit		
Developer cost of sale to RP (£)		£10,000	1,429		
RP purchase costs (£)		£42,000	6,000		
Intermediate Housing Sales and Marketing (£)		£0			
Total Marketing Costs		£117,447			
Total Direct Costs		£3,156,568			
Finance and acquisition costs					
Land Payment		£720,000	51,429 per OM home	#DIV/0!	#DIV/0!
Arrangement Fee		£0	0.0% of interest		
Misc Fees (Surveyors etc)		£0	0.00% of scheme value		
Agents Fees		£7,200			
Legal Fees		£3,600			
Stamp Duty		£25,500			
Total Interest Paid		£307,917			
Total Finance and Acquisition Costs		£1,064,217			
Developer's return for risk and profit					
Residential					

Market Housing Return (inc OH) on Value	20.0%	£425,069	30,362 per OM unit
Affordable Housing Return on Cost	6.0%	£40,748	5,821 per affordable unit
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit
Non-residential			
Office		£0	
Retail		£136,775	
Industrial		£0	
Leisure		£0	
Community-use		£0	
		£136,775	

Total Operating Profit **£602,592**

(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST **£4,823,377**

Surplus/(Deficit) at completion 1/10/2020 **(£1,225,934)**

Present Value of Surplus (Deficit) at 26/4/2018 **(£1,041,013)**

Scheme Investment MIRR **-3.7%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value 20.0% Peak Cash Requirement -£3,220,338

Site Value (PV) per hectare No area input per hectare No area input per acre

APPENDIX B

BCIS BUILD COSTS

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 14-Apr-2018 12:20

▸ Rebased to Havant (112; sample 22)

Maximum age of results: 5 years

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
816. Flats (apartments)							
Generally (5)	1,629	896	1,350	1,527	1,851	5,448	273
1-2 storey (5)	1,577	969	1,313	1,482	1,776	2,564	71
3-5 storey (5)	1,583	896	1,333	1,512	1,818	2,940	175
6+ storey (5)	2,068	1,249	1,595	1,959	2,043	5,448	27

APPENDIX C

MARKET RESEARCH



PO9 1PX



Filters (5)

1 Bedroom Flats For Sale in PO9 1PX, within 0.25 miles, including sold STC

Create Alert

15 results

Highest Price



6



£180,000

1 bedroom apartment for sale
South Street, Havant, Hampshire
0.19 miles

SOLD STC

Added on 11/04/2018



8





£160,000

Offers Over

HIGH
SPECIFICATION

1 bedroom ground floor flat for sale
West Street, Havant, Hampshire

0.25 miles

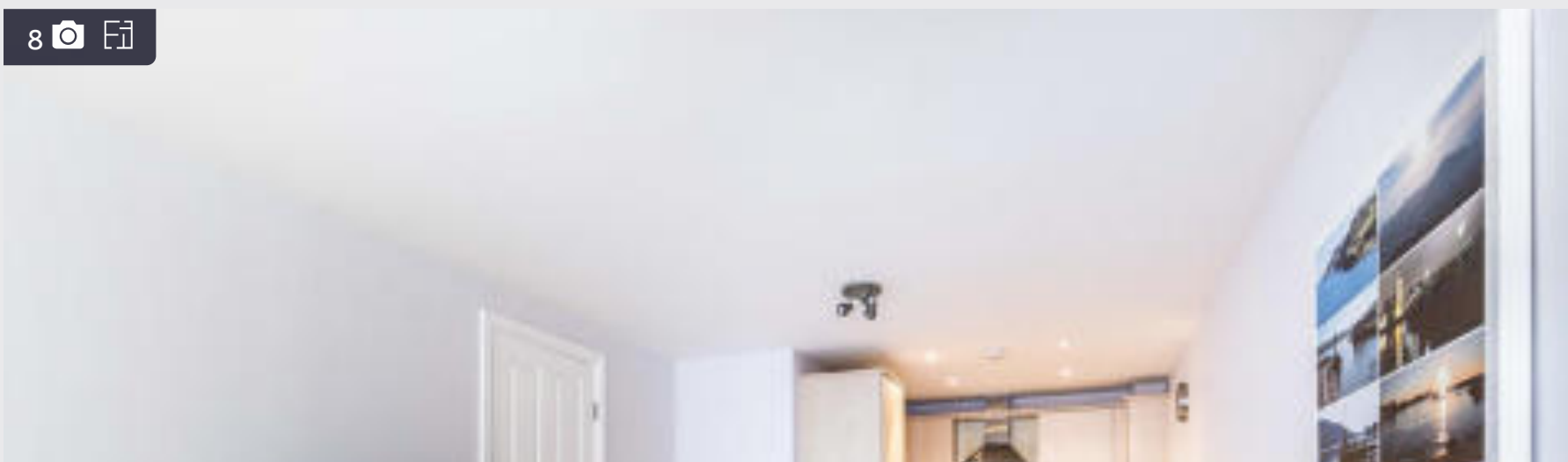
SOLD STC

Reduced on 13/02/2018

**cubitt
& west**



8  





£135,000

PREMIUM
LISTING

1 bedroom flat for sale
West Street, Havant, PO9

0.15 miles

SOLD STC

Added on 28/10/2017



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6  





£135,000

1 bedroom flat for sale
West Street, Havant, Hampshire
0.18 miles

Added on 22/03/2018



£125,000

Guide Price

1 bedroom flat for sale
Elmore Court, 19 East Street, Havant, PO9 1AA

0.16 miles

Reduced on 07/04/2018



£125,000

Guide Price

1 bedroom flat for sale
East Street, Havant

0.15 miles

SOLD STC

Reduced on 03/03/2018





£115,000

Guide Price

1 bedroom flat for sale
East Street, Havant, Hampshire, PO9 1AA
0.16 miles

Reduced on 07/04/2018



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PO9 1PX



Filters (5) ▼

2 Bedroom Flats For Sale in PO9 1PX, within 0.25 miles, including sold STC

> Create Alert

12 results

Highest Price ▼



£219,995

PREMIUM LISTING

2 bedroom flat for sale
West Street, Havant, PO9
0.24 miles



SOLD STC

Added on 12/03/2018



9



£205,000

2 bedroom maisonette for sale
Havant

0.18 miles

UNDER OFFER

Reduced on 18/01/2018



17





£205,000

Offers in Excess of

2 bedroom flat for sale
School Lane, Havant

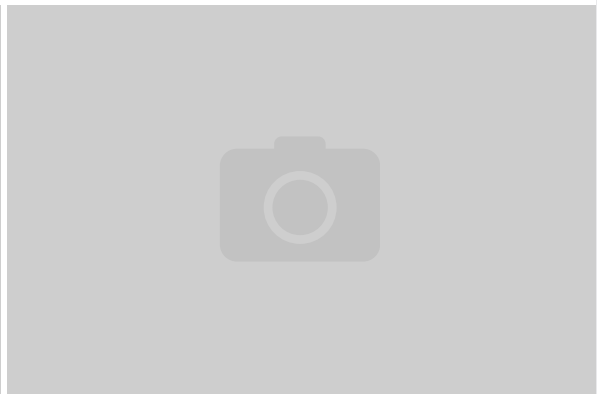
0.23 miles

Reduced on 26/04/2018



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£200,000

Offers in Excess of

PREMIUM LISTING

2 bedroom apartment for sale

10 Bulbeck Road, Havant

0.22 miles

Added on 03/04/2018

9



£175,000

2 bedroom flat for sale
Town Hall Road, Havant

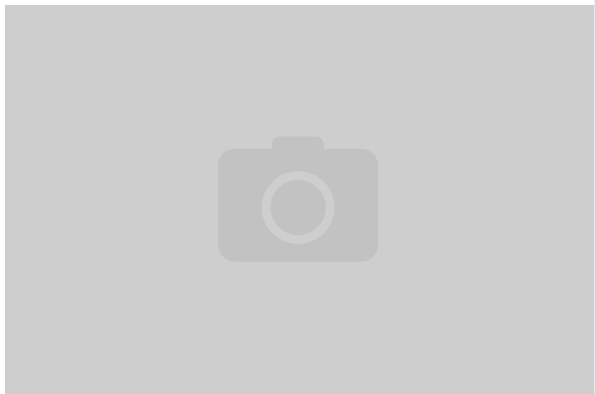
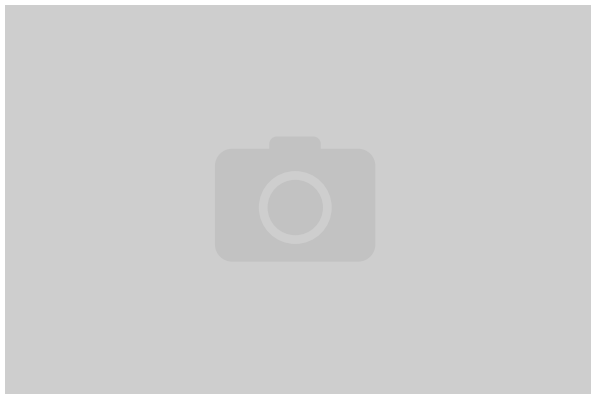
0.22 miles

UNDER OFFER

Added on 05/04/2018



11



£170,000
Offers Over

TOWN
CENTRE
LOCATION

2 bedroom flat for sale
Bulbeck Road, Havant, Hampshire

0.22 miles

Reduced on 28/02/2018





£155,000

2 bedroom ground floor flat for sale

Havant

0.05 miles

SOLD STC

Added on 05/12/2017





£155,000

2 bedroom flat for sale
Wellington Court , Waterloo Road
0.09 miles

Added on 16/04/2018



11  



£154,950

CLOSE TO
SHOPS

2 bedroom flat for sale
West Street, Havant

0.24 miles

SOLD STC

Added on 30/06/2017





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0.9% including VAT**
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No Sale No Fee
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8  



£140,000

2 bedroom flat for sale
Waterloo Road, Havant

0.09 miles

SOLD STC

Added on 10/11/2017



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APPENDIX D

EXISTING USE VALUATION