

**DEVELOPMENT VIABILITY
APPRAISAL**

Former Bedhampton Arts Centre

VIABILITY APPRAISAL

**SOUTHERN PLANNING
PRACTICE LTD**



Client: Mr Cleeve

Date: February 2014

Ref: H/222/ID

SOUTHERN PLANNING PRACTICE LTD

Registered Office: Youngs Yard, Churchfields, Twyford, Winchester, SO21 1NN
Tel: 01962 715770 Fax: 01962 715880 Email: info@southernplanning.co.uk Website: www.southernplanning.co.uk
Registered in England and Wales No. 3862030

<u>Contents:</u>	Page
1.0 INTRODUCTION	1
2.0 PROPOSAL.....	1
3.0 POLICY	1
4.0 COSTS	2
5.0 DEVELOPMENT APPRAISAL	5

1.0 INTRODUCTION

- 1.1 Southern Planning Practice Ltd are instructed by Mr Cleeve to provide a Development Viability Appraisal as part of the current planning application for the erection of 3 dwellings on land at the former Arts Centre, Bedhampton Road, Havant.
- 1.2 This appraisal has been commissioned to assess the financial viability of the application proposal summarising return and costs. The level of profit will be considered as to whether an off-site contribution towards the provision of affordable housing, having regard to particular circumstances of the proposed development, is financially viable.
- 1.3 All dimensions and areas are assumed to be correct and the calculations shown do not constitute a formal valuation. The amounts are general and form a skeleton argument on negotiations of a Section 106 Agreement as part of the application process.
- 1.4 The applicant is a potential owner.

2.0 PROPOSAL

- 2.1 The applicant wishes to erect a terrace of three two bed dwelling adjacent to the former Arts School. Access would be from Kings Croft Lane as shown on the proposed plans. The floorspace of the three dwellings is 75 sq mts.

3.0 POLICY

- 3.1 Before discussing local policy it is worth making the point that the Government recognises that excessive affordable housing obligations can frustrate the ability of developers to implement housing developments by making them unviable. Hence, the reason that Section 7 of the Growth and Infrastructure Act 2013 was formulated was to allow applicants to modify or discharge affordable housing requirements under existing Section 106 agreements. The message is therefore clear that the LPA should consider the viability of the project in relation to affordable housing requirements.
- 3.2 This application is made in relation to the requirements sent out in the following policies of Havant Core Strategy - (March 2011):

Policy CS9 Housing

Part 2 is relevant

Planning permission will be granted for housing proposals that will: -

2. Deliver on average 30-40% affordable housing on sites of 15 dwellings (gross) or more and secure a suitable contribution, or on-site provision, equivalent to on average 30-40% on smaller housing developments between 5 and 14 dwellings (gross), ***unless a lesser requirement has been transparently justified on viability grounds.***

3.3 The viability appraisal with interpretive commentary is provided below.

4.0 COSTS

Developer Costs

4.1 In order to establish the viability of the proposal the 'Base Value' i.e. the existing use value of the building plot subject of this application, should be considered. Details have been provided for similar properties below which have been used as an estimate for the working calculations for the appraisal. This gives the 'Base Value' of the plot to be approx £600000 and the Market Value approx. £235800 as shown.

4.2 Other properties for sale (sold) as shown on the Right Move web site vary from £180,000 to £209,000. An average of £200,000 has therefore been used.

Build Costs

4.3 The cost is per sq mt is £1000. This based on an industry standard for premium build as the material quality requirements will be higher due to the relationship with the listed building.

Sale Costs

- 4.4 Agent's fees and legal fees in respect of the sale of the completed development have been taken at 1.75% of Gross Development Value (GDV).

Finance

- 4.5 This would be applied at a rate of 6% over a 1 year period.

Professional Fees

- 4.6 The professional fees of third parties including architects, planning consultants have been applied.

Contributions

- 4.7 Havant Borough Council have agreed a CIL figure of 80 per sq mt .
- 4.8 Affordable housing contributions are based on the formula attached at appendix A to the Housing Supplementary Planning Document - Adopted 27 July 2011. This is shown below

Calculating the 30-40% Financial Contribution from Sites, Current Open Market Values and Property Size

Equivalents

- This is made up of 3 x 2 bedroom houses (75m²)
- The Open Market Value for the houses is £200,000.
- The guide size for a suitable 2 bedroom affordable home is 75m² .
- Affordable housing contribution is 30%.

Step 1: Open Market Value (OMV) of the relevant or comparative market property divided by the size of that property and multiplied by the affordable housing property size equivalent (to assess the market value of a suitably sized affordable home).

$$£200,000 / 75\text{m}^2 = £2666.66 \text{ per m}^2 \times \text{floorspace} = 75 \text{ m}^2 \quad \textbf{OMV £200000}$$

Step 2: Multiply by the residual land value percentage (30%) – to get to the base plot value for that home.

$$£200000 \times 30\%$$

Base land/plot value = £60,000

Step 3: Add 15% to the step 2 figure, to reflect site acquisition and servicing costs (this gives the per unit sum – approximate value of the serviced plot for that property type – free serviced land basis) .

$\text{£60,000} + 15\% (\text{£9000}) = \textbf{Per unit sum £69,000}$

Step 4: Apply the resulting per unit sum(s) to the relevant site number and proportion (i.e. Step 3 per unit sum x number of dwellings x 30%) .

Step 4: Apply to the relevant site number and proportion $\text{£69000} \times 30\%$

Contribution required per unit £20700 (3 units = £62100)

5.0 DEVELOPMENT APPRAISAL

3 x two bedroom house (£200,000 each)	600000
Less legal and estate agent fees on sale	10500
Net Development Value	589500
Building costs (£1000 per sq mt@ 75 sq mts)	225000
Contingency @ 5%	11250
Architects fees	12020
Professional fees (planning)	3200
Base Value (Plot)	235800
Finance costs £225975@ 6% over a 1 year period	14148
Contributions	
CIL @ 80 sq mts gross internal	18000
Affordable housing	62100
Costs - sub total	581518
Total costs	581518
Profit or loss	7982

- 5.1 The above appraisal is based on the estimated value of the plot and market value of the house. It is clear from the above the scheme would result in a loss. The removal of the affordable housing contribution would provide a 13.5% profit still below the recognised industry figure of 20% but a reasonable return.
- 5.2 The scheme therefore is not viable as a result of the affordable housing contribution and it should therefore be waived.
- 5.3 This report and appraisal has been prepared by Ian Donohue MRTPI, Chartered Town Planner at Southern Planning Practice.