



Report for Herefordshire Council

Local Plan Viability Assessment

March 2024

Three Dragons



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Quality statement	In preparing this report, the authors have followed national and professional standards, acted with objectivity, impartially, without interference and with reference to appropriate available sources of information. No performance-related or contingent fees have been agreed and there is no known conflict of interest in advising the client group.
Use of this report	<p>This report is not a formal land valuation or scheme appraisal. It has been prepared using the Three Dragons toolkit and is based on county level data supplied by Herefordshire Council, consultant team inputs and quoted published data sources. The toolkit provides a review of the development economics of illustrative schemes and the results depend on the data inputs provided. This analysis should not be used for individual scheme appraisal.</p> <p>No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.</p>

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EXECUTIVE SUMMARY

1. Three Dragons was commissioned by Herefordshire Council to undertake a viability assessment of the new Local Plan and to consider the potential for development to fund infrastructure. This March 2024 report is a continuation of a draft report provided to the Council in 2023 and reflects further policy development by the Council in February 2024.
2. There are a number of policies in the draft Local Plan that have viability implications, including the provision of affordable housing, higher future building standards, provision of custom and self-build, nutrient neutrality and biodiversity.
3. Values and costs used in the viability assessment have been based upon publicly available information and refined through consultation with the development industry and separate consultation with housing associations active in the county.
4. The testing has used a generic typologies approach with a variety of residential typologies of different sizes as well as site specific testing of strategic allocations and a set of non-residential development typologies. The residential typologies include some below the affordable housing threshold as well as some larger typologies and strategic allocated sites.
5. The overall conclusions from the viability testing is that the majority of residential development tested is viable and that in viability terms, the policies proposed in the new local plan do not put delivery at risk. However, it is recommended that affordable housing policy should be set at 35% in Hereford, Ledbury, Bromyard, Ross-on-Wye and the rural areas but reduced to 15% in Kington and Leominster. The strategic allocations in Hereford, Ledbury and Ross-on-Wye are also viable at 35% affordable housing but in Kington and Leominster the affordable housing for the allocations should be lower and alternative affordable housing delivery mechanisms considered.
6. Flats, purpose built student accommodation and housing for older people have weaker viability and the council may wish to consider a different set of affordable housing and infrastructure funding arrangements for these forms of development.
7. The non-residential testing shows a mixed viability picture, with only retail (except town centre retail) viable.

Chapter 1 Introduction

Context

- 1.1 Three Dragons was commissioned by Herefordshire Council to undertake a viability assessment of the Local Plan being prepared by the council. Three Dragons was also asked to consider potential CIL rates, or the opportunity for new Infrastructure Levy charges.
- 1.2 The assessment includes an analysis of the potential impact of the policies set out in a draft Regulation 18 document and has been undertaken in accordance with national policy and guidance - including the 2021 National Planning Policy Framework and Planning Practice Guidance.
- 1.3 The council is also seeking evidence to potentially introduce the Community Infrastructure Levy (CIL), for both residential and non-residential uses. National guidance indicates that this is best addressed at a plan making stage so decisions around priorities for funding can be considered within this strategic context.
- 1.4 Underlying the assessment is a series of tests that calculate the viability of a set of notional and potentially allocated sites, representative of the types of development likely to come forward over the life of the Local Plan.
- 1.5 An earlier draft version of this report was prepared for the Council in 2023. In February 2024, following further policy development by the Council, there were changes to the proposed allocations and some general policies in the draft plan, and this report has been amended to take account of these.

Viability in plan making

- 1.6 An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient for the landowner to sell the land for the development proposed. If these conditions are not met, a scheme will not be viable.
- 1.7 This report sets out the typologies and assumptions used to inform the viability testing reflecting latest available information. The viability testing for this report has:
 - reviewed broad costs associated with addressing the proposed policies in the Regulation 18 Consultation Draft
 - tested the quantum and broad form of proposed development
 - been designed to assess the balance around development contributions including the amount of CIL that development can support and whether there are differences in viability across the local authority area or between different types of development that are sufficient to justify different policy approaches
- 1.8 The testing has drawn on the following evidence:
 - review of the types of sites outlined in the draft Local Plan

- review of the policies in the draft local plan and central government guidance that may have implications for development viability
- a review of recent developer contributions agreed by the council as well as discussion with council officers about the proposed use of s106 going forward
- consultation with Herefordshire officers, including planning, education and housing
- desk research to form initial views on the values and costs of residential development in Herefordshire
- a range of consultation exercises with the development industry and registered providers including one to one discussion with potential allocated site promoters

1.9 In addition to this report a technical appendix provides further evidence and background information in support of the analysis undertaken.

Chapter 2 Local and national policy context

National policy

2.1 National policy and guidance on viability for plan making and Community Infrastructure Levy is set out in National Planning Policy Framework (NPPF¹) and the Planning Practice Guidance (PPG²). There is also useful guidance contained within 'Viability Testing Local Plans - Advice for planning practitioners' (Harman 2012³). The viability testing undertaken within this study complies with this national policy and guidance, the details of which are set out in Appendix A.

Local policy

- 2.2** The NPPF is clear that viability testing should take into account the costs of any requirements likely to be applied to development. The Local Plan will be the overarching county wide planning document for Herefordshire and it will set out the spatial strategy and development principles for the area, together with more detailed policies to help determine planning applications (the scope of which may be subject to the introduction of national development management policies). It is intended that the new Local Plan will replace the existing development plan.
- 2.3** Herefordshire Council has provided a proposed draft Local Plan in February for the purposes of viability testing, which includes strategic policies as well as spatial policies, with specific policies for allocated sites. The policies in this draft version provided by the Council for review have been discussed with the Council in order to understand how they may be applied and the impact that this would have on viability. Table 2.1 below summarises those strategic policies with viability implications.

Table 2.1 Draft Local Plan strategic policies with viability implications

Policy	Response
CC1: A Net Zero Herefordshire	Viability testing includes costs for the recent changes to Building Regulations (effective from 2022) as well as allowances for Future Homes – which will enable net zero in line with grid decarbonisation. The testing identifies the viability headroom available for additional net zero costs. Costs for EVCs are included.
EE1: Protecting and enhancing the quality of the natural environment	Viability testing includes costs for nutrient neutrality and biodiversity net gain, based on recent mitigation costs in Herefordshire (for nutrients) and the national impact assessment (for BNG).

¹ <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

² <https://www.gov.uk/government/collections/planning-practice-guidance>

³ <https://www.local.gov.uk/sites/default/files/documents/viability-testing-local-p-42b.pdf>

Policy	Response
BC1: Housing mix and range	The viability testing includes dwelling sizes that meet NDSS, with costs to meet M4(3) accessibility standards for 5% of homes with the remainder meeting M4(2) accessibility standards.
BC2: Affordable Housing	<p>The viability testing includes affordable housing on sites with more than 10 dwellings plus an additional rural areas test with affordable housing on development of more than 5 dwellings⁴ in anticipation of the Secretary of State designation. The affordable housing tests use a tenure mix proposed by the council:</p> <ul style="list-style-type: none"> • 25% First Homes • Remaining 75% share split 70:30 Social Rent and shared ownership <p>Some of the testing also uses a specific mix of First Homes and low cost home ownership to explore the viability in lower value areas.</p> <p>The generic typology testing includes 15% and 35% affordable housing depending on value area.</p>
BC3: Diversity of housing delivery	The inclusion of 5% self build and custom housing (SBCH) is applicable on development of 20 dwellings. This is included as a sensitivity test for generic typologies, as well as in the allocated sites tested.
HSC2: Infrastructure Delivery	The testing for generic typologies includes allowance for planning obligations based on previous s106 agreements. Additional allowances are made for the testing of allocated sites.
HSC3: Green & Blue Infrastructure	The testing for generic typologies includes allowance for planning obligations based on previous s106 agreements. Requirements for multifunctional SuDS within allowances for non-developable areas on larger sites.

Allocated sites

2.4 The draft local plan includes a set of allocated sites. The table below summarises the sites and the policy requirements as well as the approach taken in the testing in response. This has been informed by discussion with council staff and with the consultation with site promoters.

⁴ See Appendix B for the map of parishes where this may apply. <https://councillors.herefordshire.gov.uk/mgIssueHistoryHome.aspx?IID=50043021&Opt=0>

Table 2.2 Draft Local Plan site allocations

Policy	Summary of requirements	Notes	Approach to viability testing
HERE1 Strategic Development for Hereford	Overarching policy for development in Hereford through allocations and windfall infill sites.	See specific policies below	Testing includes generic typologies for infill sites on brownfield land as well as allocated sites.
HERE2 Supporting the vitality of Hereford city centre	800 new homes using infill brownfield sites. Policy suggests locations for new student accommodation		Testing includes some generic typologies for infill sites on brownfield land, including flatted and general housing development on brownfield land, older persons housing and student accommodation.
HERE3 Supporting jobs in Hereford	Support for a 7ha expansion of the existing Enterprise Zone, and the inclusion of employment land within other strategic allocations around the city. Safeguarding existing employment land		Testing includes office and industrial development.
HERE4 Supporting movement in and around Hereford	Proposal to introduce a package of sustainable and walking, cycling and wheeling measures.		n/a
HERE5 Homer North	900 dwellings with 300 in the first phase. 35% affordable housing and 5% SBCH. Transport interchange and bus compatible road linking A49 and A4110. Employment land. Local centre and community facilities. Provision for new primary school. 20% BNG.	Initial development of 460 dwellings at this location provided bus compatible road without viability concerns. First phase expected to be continued build out of existing development. Development is not expected to deliver the whole A49-A4110 link, which will be completed as part of the western relief road/subsequent development.	900 dwgs tested with education contributions and gross site area suitable for provision of land for new primary school (2ha) and transport interchange. Testing includes allowances for nutrient mitigation, 20% BNG and a community facility. Local centre assumed to be cost neutral and excluded from testing.
HERE6 Three Elms	950 dwellings. 35% affordable housing and 5% SBCH. Transport interchange. Contributions to education/community/recreational facilities. Employment land. 20% BNG.	Allocation has a live policy planning application for 350 dwgs, as well as an application for 1,000 dwgs.	Site is clearly considered deliverable by developers and is subject to live application(s) which may be determined before the plan is adopted. Not included in viability testing.

Policy	Summary of requirements	Notes	Approach to viability testing
HERE7 Lower Bullingham	1,000 dwellings with c.500 in the plan period. 35% affordable housing and 5% SBCH. Employment land adjacent to the Enterprise Zone. Creation of a country park. Contributions for a primary school/pre-school. Community hub and convenience retail. 20% BNG.	Allocation has a live planning application (2021) for the whole scheme, subject to a holding objection by National Highways because of the cancellation of the Western Relief Road. New application for c.500 dwellings (to meet highways capacity) expected.	Site is clearly considered deliverable by developers and is subject to live application(s) which may be determined before the plan is adopted. Not included in viability testing.
HERE8 Supporting education and community facilities in Hereford	Development proposals are required to contribute to a co-ordinated approach to the delivery of educational and community facilities.		Average s106/dwelling included in generic typologies; specific allowances for education and community facilities included in allocated sites viability testing.
HERE9 Supporting greening of the city in Hereford	Development proposals will be supported to enhance opportunities to increase and improved the natural environment.		Average s106/dwelling included in generic typologies and adjusted s106 included in allocated sites viability testing.
BROM1 Strategic development for Bromyard	Overarching policy for development in Bromyard through allocations and windfall infill sites.		Testing includes generic typologies for infill sites as well as allocated sites.
BROM2 Hardwick Bank	250 dwellings initially, with another 250 when water supply available. 35% affordable housing and 5% SBCH. 1ha land for primary school expansion. Contributions to community facilities. 20% BNG.	Allocation has a live policy planning application (2017) originally for the whole scheme but now for the initial 250 dwgs. Phase 2 will include land for a primary school expansion.	Site is clearly considered deliverable by developers and is subject to live application(s) which may be determined before the plan is adopted. Not included in viability testing.
BROM3 Land west of Linton Trading Estate	4ha of employment land.	Site proposed to be developed for electric vehicle distribution/manufacture plus other uses. New buildings likely to be on a design and build basis for owner occupier, plus sales of serviced land in line with demand. Site will use existing access arrangements.	No specific policy requirements with viability implications. No specific testing undertaken.
KING1 Strategic development for Kington	Overarching policy for development in Kington through allocations and windfall infill sites.		Testing includes generic typologies for infill sites as well as allocated sites.
KING2 Land east of Kingswood Road	50 dwellings. 15% affordable housing and 5% SBCH. Contributions to community facilities. Play space. 20% BNG.	Requirements for pre-school, primary and secondary education contributions.	Testing based on generic 50 dwelling typology with s106 allowances for education.

Policy	Summary of requirements	Notes	Approach to viability testing
LEDB1 Strategic development for Ledbury	Overarching policy for development in Ledbury through allocations and windfall infill sites.		Testing includes generic typologies for infill sites as well as allocated sites.
LEDB2 Land to the south of Ledbury	450 dwellings. 35% affordable housing and 5% SBCH. Leadon Way crossing. Community facility. Neighbourhood retail facility. 20% BNG.	The site is adjacent to the current site for 140 dwellings. The roundabout access (and signalised pedestrian crossing) to the existing site on Leadon Way has been designed to also provide access for the allocation and it is planned to also include a standard T-junction access on the A417. The developers have secured the land on either side of Leadon Way for a crossing and have provided a cost estimate.	Testing for 450 dwgs includes s106 allowances for education as well as costs for a community facility and for a Leadon Way crossing, assumed to be delivered after 100 dwellings; and community facility at 300 dwellings. This site is not affected by nutrient neutrality issues and so the standard allowance for mitigation is excluded. Gross site area suitable for provision of local centre and community facility, with the former assumed to be cost neutral serviced land.
LEDB3 Land south of Little Marcle Road	17ha of employment land.	Site is in two land holdings and it is understood that proposals are being developed for some of the allocation. Site is likely to come forward as owner occupier development or serviced land as demand requires.	No specific policy requirements with viability implications. No specific testing undertaken.
LEDB4 Lawnside and Market Street regeneration area	Some housing-led redevelopment.	Development in this regeneration area likely to be flatted urban infill although it is understood that there are no specific sites agreed at this stage.	Likely development in this regeneration area is covered by the generic flatted typology Res10 as well as other residential typologies on brownfield land. No further testing needed.
LEDB5 Community services and facilities	Development to contribute to a co-ordinated delivery of community facilities.		Site viability testing includes policy community and education requirements. Generic typology testing includes average s106 contributions.
LEOM1 Strategic development for Leominster	Overarching policy for development in Leominster through allocations and windfall infill sites.		Testing includes generic typologies for infill sites as well as allocated sites.
LEOM2 Leominster sand south of primary school	200 dwellings. 15% affordable housing and 5% SBCH. Contributions to education. Primary school and pre-school. 20% BNG.	Link road is not yet specified or costed. New primary/pre-school at an early stage in the development (assumed at 400 of the 1,500 total). Community hub assumed at 600 dwellings.	Viability tested with 200 dwgs, with s106 for education. Testing includes allowances for nutrient mitigation.

Policy	Summary of requirements	Notes	Approach to viability testing
LEOM3 Land south of Leominster Enterprise Park	10ha of employment land.		No specific policy requirements with viability implications. No specific testing undertaken.
ROSS1 Strategic development for Ross on Wye	Overarching policy for development in Ross on Wye through allocations and windfall infill sites.		Testing includes generic typologies for infill sites as well as allocated sites.
ROSS2 East of Ross on Wye	1,000 dwellings. 15% affordable housing and 5% SBCH. Older persons housing. 33ha employment land. Road linking Travellers Rest roundabout with A40 west of Hildersley. Community facility. Small scale retail facilities. 20% BNG.	No significant issues affecting deliverability of target housing numbers on the north of the allocation. Access from new arm off Travellers Rest Roundabout after 200 dwgs. Delivery of southern part less clear. Proposed density 38dph.	Tested with allowance for access infrastructure and community facilities. Gross site area suitable for provision of local centre and employment, which are assumed to be cost neutral serviced land, as well as land and cost for community facility. Testing includes s106 for education, as well as standard generic s106 plus 1.6ha land within the gross site area for the new school. Older persons housing tested through provision of 10% market bungalows.
ROSS4 Community services and facilities	Development to contribute to a co-ordinated delivery of community facilities.		Site viability testing includes policy community and education requirements. Generic typology testing includes average s106 contributions.

Consultation with the development industry

2.5 The PPG sets out that:

“Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.”⁵

2.6 Consultation with the development industry, undertaken for this assessment, involved different activities which provided opportunities for the development industry to engage with the process. The activities were:

- A workshop consultation exercise with developers and agents active in Herefordshire in April 2023.
- Follow up consultation with site promoters in June 2023⁶.

⁵ Planning Practice Guidance, Paragraph: 006 Reference ID: 10-006-20190509

⁶ Plus a follow up consultation in March 2024 for one site promoter.

- Consultation between April and June 2023 with housing associations active in Herefordshire to discuss transfer values for affordable housing.

2.7 The industry consultation provided estimates of affordable housing transfer values and also raised the following issues:

- Some smaller rural sites may have lower densities (e.g. 25dph). Post workshop responses also referred to lower densities and suggested that smaller rural premium market schemes may also have higher build costs and that dwelling sizes may be larger than those proposed, especially for some rural locations.
- Existing use values for agricultural land in Herefordshire may be higher than the average for the Marches LEP area, although increasing development costs and nutrient neutrality costs will constrain development land values.
- Higher finance rates should be used in the testing in response to recent changes, with 8% suggested.
- Some sites have had higher costs for nutrient neutrality mitigation than the averages presented.
- Some example sites have higher s106 costs than the averages presented at the workshop.
- Although the workshop discussion suggested that the market housing values were broadly as expected, subsequent responses indicated that Hereford values and Bromyard values may be lower than those presented.
- The individual site promoter consultation discussed the relevant sites and whether there were specific constraints.

2.8 The viability testing responds to these comments as follows:

- The inclusion of a small premium lower density market typology with large dwellings and higher build costs.
- Review of Herefordshire agricultural land for sale.
- Further discussion with Herefordshire Council about the s106 and nutrient neutrality requirements for new development.
- Use of a higher 8% finance rate in the viability testing.
- Review of new build dwellings currently for sale in Hereford and Bromyard.

2.9 The new small site typology has been based upon the discussion at the workshop and subsequent feedback. The new typology has three 180sq m premium dwellings on a greenfield site at 20dph, with an all-in build cost of £2,000/sq m.

2.10 The review of agricultural land for sale in Herefordshire indicated that values can be higher than the LEP regional average, although there was considerable variance. The existing use value of agricultural land has been increased from £22,000/ha to £27,000/ha.

2.11 Discussion with Herefordshire Council confirmed that the estimates of general s106 payments per dwelling based on average payments for past s106 agreements were suitable for use in the generic testing. The

example sites with higher s106 costs mentioned in the consultation were subject to higher education mitigation costs than average because of lack of school capacity in those particular locations. Within reason we would expect higher policy requirements such as these to be reflected in land costs and so it is not proposed to change the s106 allowances for generic typologies.

- 2.12** In relation to nutrient neutrality, the council has signed further agreements for nutrient mitigation since the initial development industry workshop consultation and the average has been updated to include these additional agreements.
- 2.13** We also note that there is an ongoing programme of upgrades to sewerage treatment works (such as the recent upgrade at Weobley, which discharges into the Lugg) and that this will reduce the mitigation needed from housing development.
- 2.14** In addition, government intends that nutrient impacts and the costs of mitigation are significantly reduced by requiring water companies to upgrade wastewater treatment works in the Levelling Up and Regeneration Act. This recognises that nutrient neutrality from new development can only be an interim solution and that action to tackle pollution at source is needed. Measures been undertaken include funding for high quality, local mitigation schemes and in the medium term the government has introduced a new duty on water companies by 2030 to achieve the highest technological levels for nutrient removal by 1 April 2030⁷. This will significantly reduce the mitigation costs to developers, although discussion with the Council raises the concern that Welsh Water (which provides the majority of sewerage treatment in Herefordshire) may not necessarily be covered by this obligation and in any event, some smaller facilities are not always under the control of the water companies subject to the new duty.
- 2.15** The review of new build houses for sale found that:
- In Hereford the values of new build dwellings for sale supported the estimates presented and that they could potentially be slightly higher.
 - In Bromyard there is little new build housing on the market and there may be a case for caution about values in this location.
- 2.16** The discussion about market value areas later in this report takes this additional value analysis into account.

⁷ <https://www.gov.uk/government/publications/nutrient-pollution-reducing-the-impact-on-protected-sites/nutrient-pollution-reducing-the-impact-on-protected-sites>

Chapter 3 Approach to testing and typologies

Uses included in the testing

3.1 The uses tested are listed below and focus on developer-led forms of development rather than publicly led uses such as new infrastructure facilities or development types that are not common:

Residential

- residential for sale
- older person homes
- student accommodation

Non-residential

- offices
- industrial/warehouse
- retail
- hotel

Typology and allocated sites selection

3.2 The study uses a typology and allocated sites selection approach for the viability testing. The typologies selected for testing were identified in discussion with Herefordshire Council including those suggested by a review of the HELAA, and then discussed at the development industry workshop. The generic typologies are not intended to represent specific development proposals but to reflect typical forms of development that are likely to come forward over the plan period.

3.3 The allocated sites tested are those without any form of planning permission/application that are proposed to be taken forward through the plan making process. These typically have specific policy requirements or characteristics which indicate a need for a specific assessment (see the allocated sites policy review in Chapter 2 above).

3.4 The typologies are set out below, organised in the three broad groups of development types (residential, specialist homes and non-residential).

Residential and specialist homes typologies

3.5 The generic residential typologies are set out in table 3.1. These include a set of small sites which are below the affordable housing threshold as well as some medium, large sites and high density town centre schemes. The proportions of net developable area reflect policy requirements as well as typical characteristics of this site type.

3.6 Typologies are tested on both brownfield (BF) as well as greenfield (GF) sites except for flatted only schemes which are only on brownfield sites. On a conservative basis, the brownfield site testing does not assume any existing floorspace to be netted off against the CIL liability although it is likely that this will

be the case in practice⁸. Two typologies represent potential higher density flat only development, akin to those most likely to be found in an existing urban setting such as a town/city centre. It is not anticipated by the Council that flatted developments will exceed five storeys. Please note that not all typologies will apply to all the value areas.

- 3.7** The allocated sites typologies are based on site requirements set out in draft policies, as well as further detailed discussions with both council officers and the site promoters. Site sizes are based on required housing numbers and density expectation, with allowances for net to gross site area adjustments based on a review of typical proportions set out in planning applications for similar sized developments.
- 3.8** Older persons homes, especially in relation to CIL, need to have a clear set of definitions, as set out in the following paragraphs. It is important to note that CIL regulations and guidance are concerned with 'use' in its normal meaning and not 'use class' as is sometimes wrongly considered. However, in testing viability it is noted that whilst CIL is not bound by use class, other policy wording e.g. affordable housing does describe requirements with 'use class' definitions.
- 3.9** There are a number of different types of older person homes. These are helpfully set out by the older person industry through the Retirement Housing Group:
- Retirement housing - This is often known as "Sheltered Housing" or "Retirement Living". Retirement Housing usually provides some facilities not found in completely independent accommodation. These can include a secure main entrance, residents' lounge, access to an emergency alarm service, a guest room. Extra facilities and services are paid for through a service charge on top of the purchase price or rent. To move into retirement housing residents are assumed to be independent enough not to need care staff permanently on site.
 - Supported Housing - This is often known as "Extra Care Housing" or "Assisted Living". Everyday care and support will be available. Facilities will include those available in retirement housing plus others (such as a restaurant, communal lounges, social space and leisure activities, staff on site 24 hours a day). Service charges are likely to be higher than in retirement housing but this reflects the more extensive range of facilities.
 - Care Homes - This includes what have traditionally been described as residential care homes or nursing homes and is where integral 24-hour personal care and/or nursing care are provided together with all meals. A care home is a residential setting where a number of older people live, usually in single rooms and people occupy under a licence arrangement.
- 3.10** It has been suggested elsewhere that age-restricted market homes/retirement villages might also be included. Retirement villages can include age-restricted market homes, sheltered/extra care and care home accommodation, as well as a range of communal facilities. Whilst we indicate what a retirement village might comprise of, it is difficult to develop a typical scheme and the variance could be considerable. Therefore, in terms of potential affordable homes and CIL charging we consider that the main separate uses

⁸ In practice it is likely that brownfield land development would have a reduced CIL obligation once existing floorspace is netted off the new floorspace created by the project.

within a Village have been tested and in terms of CIL, these would each be charged at the prevailing rate for that use e.g. general homes or supported homes.

- 3.11** For this study, we have tested a Retirement Housing scheme, a Supported (Extra Care) Homes scheme and a Care Home scheme.
- 3.12** Student accommodation is defined as purpose built student accommodation where there is professional management either by the education provider or a private company that specialises in such provision. Whilst the scope for this type of development is limited in Herefordshire, the council has indicated that there may be potential for some such provision to come forward in Hereford over the plan period.
- 3.13** The general homes generic typologies are labelled Res1 through to Res12 and the site allocations tested with individual references. The older persons typologies are labelled OP1 through to OP3. Student accommodation is considered separately as STU1 and STU2. Allocations are identified by their draft plan policy number. The dwelling sizes and mixes are set out in the testing assumptions in Chapter 4.

Table 3.1 Generic typologies

Typology	Description <i>GF greenfield</i> <i>BF brownfield</i>	Homes	Density (dwellings/per hectare)	Net site (hectare) ⁹	Gross site (hectare)
Res1a/b	GF/BF small scheme	3	30	0.01	0.01
Res2a/b	GF/BF small scheme	8	30	0.27	0.27
Res3a/b	GF/BF small scheme	15	30	0.50	0.50
Res4a/b	GF/BF medium scheme	25	35	0.708	0.92
Res5a/b	GF/BF medium scheme	50	35	1.424	1.950
Res6	GF/BF medium scheme	80	35	2.275	3.25
Res7	GF large scheme	150	35	4.288	6.4
Res8	GF large scheme	350	35	10.067	15.98
Res9	GF large scheme	1,000	35	28.797	49.65
Res10	BF town centre flat scheme	15	150	0.10	0.10

⁹ Net and gross figures are based on density of development and adjusted according to site type and size, based on the general principle that as the development gets larger the net to gross decreases to take into account non-residential space required for creating sustainable places, such as open space or education. The adjustment is based on experience and reviewing of submitted applications.

Typology	Description <i>GF greenfield</i> <i>BF brownfield</i>	Homes	Density (dwellings/per hectare)	Net site (hectare) ⁹	Gross site (hectare)
Res11	Rural premium house small scheme	3	20	0.15	0.15

Table 3.2 Allocated sites typologies

Typology	Description <i>GF greenfield</i> <i>BF brownfield</i>	Homes	Density (dwellings/per hectare)	Net site (hectare)	Gross site (hectare)
HERE5	Homer North	900	35	25.5	44.0
KING2	Land east of Kingswood Rd	50	30	1.6	2.2
LEDB2	Land south of Ledbury	450	35	12.9	21.0
LEOM2	Land south of primary school	200	35	5.7	8.7
ROSS3	East of Ross on Wye	1,000	35	28.8	50.0

Table 3.3 Specialist housing typologies

Typology	Description <i>GF greenfield</i> <i>BF brownfield</i>	Homes	Density (dwellings/per hectare)	Net site (hectare)	Gross site (hectare)
OP1a/b	GF/BF Sheltered accommodation	40	111.11	0.36	0.36
OP2a/b	GF/BF Supported accommodation	50	79.37	0.63	0.63
OP3	BF Carehome	60	-	0.25	0.25
STU1	BF Purpose built student accommodation	40	-	0.05	0.05

Typology	Description <i>GF greenfield</i> <i>BF brownfield</i>	Homes	Density (dwellings/per hectare)	Net site (hectare)	Gross site (hectare)
STU2	BF Purpose built student accommodation	100	-	0.09	0.09
STU3	BF Purpose built student accommodation	250	-	0.27	0.27

Affordable homes requirements

3.14 This report is to inform the submission version of the local plan and therefore the Council wanted to understand the impact of different proportions of affordable housing to inform their affordable housing requirements policy. The percentages and tenures of affordable homes used in the testing are based on discussions with the council and reflect the range of options previously considered. In terms of the testing affordable housing is not sought from sites under 10 dwellings except in AONB/designated rural areas where sites of 6-9 are also tested with the same affordable requirements as sites of 10 or more (applies to RES2 in respect of the testing). The percentage tested are as follows:

- Value Zone 1 Hereford & Ledbury – 35%
- Value Zone 2 Kington & Leominster – 15%
- Value Zone 3 Bromyard, Ross-on-Wye & rural – 35%

3.15 Further discussion about the Value Zones and a map can be found in Chapter 4.

3.16 Sites with affordable housing are tested with a tenure mix of 25% first homes with the remainder split 52.5% social rent and 22.5% shared ownership. In zone 2 Kington & Leominster an alternative tenure mix of 50% First Homes/other discount market sale and 50% shared ownerships is applied to RES3, RES4 and the two allocated sites, following discussion with the Council's Strategic Housing Team. It is noted that there may be some variation in the affordable tenure mix for individual applications based on the location-specific assessment of housing need at that time as well as the appetite by RPs for affordable housing on that development; and that if this results in changes to the value of the affordable units to the overall development this will be accommodated by the viability headroom and/or changes to the land value.

3.17 Where there is limited viability on allocated sites in the lower value areas, the 15% affordable housing is split 10% as standard on site delivery using the relevant tenure and dwelling mix with the remaining 5% accounted for as serviced land only with separately funded affordable housing construction.

Non-residential typologies

3.18 As with the residential and specialist typologies, the testing has been conducted on a hypothetical typical site basis. This is because it is impossible for this study to consider viability on a site-specific basis at this stage, given that there will be insufficient data on site-specific costs and values. Site-specific testing would also be considering detail on purely speculative/assumed scenarios, producing results that would be of little use for a study for strategic consideration.

- 3.19** Retail typologies include convenience and comparison, in and out of town centre locations. Hereford is the highest order centre in the county, with further centres at Ledbury, Ross on Wye, Leominster and to a lesser extent at Bromyard and Kington. Data on town centre retail values has been taken from transactions in locations across the county, while out of centre retail data has looked more widely on a regional basis to base estimates on sufficient transactions.
- 3.20** In the past leases to the main supermarket operators have commanded a premium with investment institutions. Although there are some small regional variations on values, they are reasonably standard across the country with investors focusing primarily on the strength of the operator covenant and security of income. As a result, it is reasonable to use a broad geographical evidence base across the Midlands for convenience retail.
- 3.21** There has been a structural change in convenience retailing in recent years with an end to the expansion of the largest format convenience retailing and more emphasis on smaller supermarket formats (as used by both discount and premium convenience operators) and greater provision of small format stores, often within the Sunday trading threshold (280 sq m display floor area), also often in existing floorspace. These changes reflect the alterations in shopping habits. This trend appears to be continuing even with the recent general downturn in retail due to the pandemic and the typologies chosen reflect these changes.
- 3.22** There is the potential for employment development in various locations across the county. We have therefore tested office, industrial and warehouse uses in edge of settlement/transport nodes as well as office development in more traditional centres. Whilst potentially office development could be in both in and out of centre, it is anticipated that industrial uses and warehouses will be located only at out of centre locations.
- 3.23** Nationally, there has been significant growth in the provision of budget hotels¹⁰, with relatively few full-service hotels. The most likely new-build hotel development in Herefordshire is a budget hotel¹¹ and the testing has used a budget hotel development of 70 rooms over three storeys, this is most likely at tourist destinations, transport nodes or near business activity in an out of centre location.

Table 3.4 Non-residential typologies

Typology	Use	Description	Gross floorspace (sq m)	Gross site area (hectare)
NR1	Office	Fringe and transport nodes	1,500	0.19
NR2	Office	Town centre	2,000	0.06
NR3	Small employment (industrial/warehouse)	Fringe and transport nodes	1,600	0.40

¹⁰ The British Hospitality Association Trends and Developments Report 2012 indicates that budget hotels are defined as a property without an extensive food and beverage operation, with limited en-suite and in-room facilities (limited availability of such items as hair dryers, toiletries, etc.), low staffing and service levels and a price markedly below that of a full service hotel.

¹¹ <https://www.knightfrank.co.uk/blog/2018/07/12/knight-frank-launches-uk-hotel-development-opportunities-2018-report>

Typology	Use	Description	Gross floorspace (sq m)	Gross site area (hectare)
NR4	Large employment (industrial/warehouse)	Fringe and transport nodes	5,000	1.25
NR5	Retail convenience	Small local store	300	0.03
NR6	Retail convenience	Supermarket	1100	0.31
NR7	Retail comparison	Town centre	200	0.01
NR8	Retail comparison	Out of centre/retail warehouse/park	1,000	0.25
NR9	Hotel	Budget/business	2,800 (70 rooms)	0.19

Chapter 4 Residential assumptions

Dwelling mix and unit size

- 4.1** For each typology, a mix of dwellings was devised. The market dwelling mix is based upon the land registry price paid data, which provides a breakdown of dwelling types; and then refined in line with the industry consultation. In low value areas an alternative mix is used on small sites to reflect market responses to the lower values and there is a large sized, detached only mix in response to the development industry consultation. Market flats are only included in the flatted typologies as an analysis of the recent provision of market flats shows that these dwellings are typically provided as flat development schemes rather than mixed developments. The affordable dwelling mix is based upon discussion with the Council's Strategic Housing Team. All the standard mixes include bungalows at 5% of all dwellings to meet accessibility requirements. The allocated typologies, whilst based on the standard testing are subject to some changed individual mixes according to site specific circumstances forthcoming from the consultation.
- 4.2** For the standard typologies and the allocations market dwelling sizes used are based on averages derived from past transactions (taken from Land Registry and Energy Performance Certificates or EPC records) but meet at least minimum requirements set out in the Nationally Described Space Standards (NDSS). Affordable units are based on the NDSS. The rural premium typology uses larger dwelling sizes based on the range of sizes typically expected from these types of schemes.
- 4.3** The size of home affects both their market value (as sale values were assessed on a per sq m basis) and their development costs. The average floor areas and value per sq m were derived from the same sources and so the relationship is consistent. Construction costs for flats will include non-saleable circulation and common areas, and for schemes with 3 plus storeys flats, an allowance of 15% on top of the flats 'saleable floor' area for circulation and common areas. For schemes where flats are 2 storeys the allowance is 10%. An allowance of 25% floor area is added to sheltered homes, and 35% for extra care homes to allow for circulation, common and service areas.

Table 4.1 Market home mix and size for generic typologies (all figures are rounded and may not sum)

Unit type and size	Market mix for Res 1 – Res 9	Alternative mix Res 1 – Res 2 (low value area)	Alternative mix Res 3 – Res 4 low value area
Flats	-	-	-
Terrace – 77sqm	9.5%	0%	0%
Semi – 82sqm	28.5%	0%	19%
Detached – 123sqm	57%	95%	76%
Bungalow – 70sqm	5%	5%	5%

Table 4.2 Affordable home mix and size for generic typologies (all figures are rounded and may not sum)

Unit type and size	Affordable mix for Res 1 – Res 9 – AH rented	Affordable mix for Res 1 – Res 9 – AH ownership
Flats	-	-
2 bed terrace – 79sqm	90%	45%
3 bed terrace – 84sqm	0%	50%
4 bed terrace – 97sqm	5%	0%
2 bed bungalow – 70sqm	5%	5%

Table 4.3 Market and affordable home mix for non-standard typologies (all figures are rounded and may not sum)

Unit type and size	Market mix for Res 10	Affordable mix for Res 10	Market mix for Res 11*	Market mix for OP1/OP2
Flats – (NIA 52sqm) GIA 61sqm	0%	100%	-	-
Flats – (NIA 58sqm GIA 68)	100%	0%	-	-
Detached 180sqm	-	-	100%	-
1 bed sheltered/extra care 50sqm/65sqm	-	-	-	50%
2 bed sheltered/extra care 75sqm/8065sqm	-	-	-	50%

*Note there is no affordable housing requirement for Res 11 as it is under the threshold

Table 4.4 Market and affordable home mix for allocated sites (all figures are rounded and may not sum)

Unit type and size	Total	Market mix	Affordable mix
HERE5 & LEDB2			
Terrace	39%	9%	95%

Unit type and size	Total	Market mix	Affordable mix
Semi	17%	26%	0%
Detached	34%	52%	0%
Bungalow	5%	5%	5%
CSB	5%	8%	-
ROSS3*			
Terrace	36%	4%	95%
Semi	16%	25%	0%
Detached	33%	50%	0%
Bungalow	10%	13%	5%
CSB	5%	8%	-
KING2**			
Terrace	18%	9%	95%
Semi	24%	27%	0%
Detached	48%	54%	0%
Bungalow	5%	5%	5%
CSB	5%	6%	-
LEOM2**			
Terrace	18%	9%	95%
Semi	24%	27%	0%
Detached	48%	53%	0%
Bungalow	5%	5%	5%
CSB	5%	6%	-

***ROSS3 has a different mix owing to 5% of the terrace houses changed to additional bungalows **LEOM2 and KING2 have a different mix as they are a 200 and 50 dwelling schemes respectively with 10% AH, with an additional 5% delivered separately and outside the modelling - therefore 5% CSB and 5% Bungalows should each be 75 and 2.5 units respectively, but sum to a slightly higher % as they are calculated on the full allocation dwelling number rather than the 1,425 and 47.5 modelled.**

Values – standard residential market

- 4.4** The market values in Herefordshire were derived from an analysis of new build Land Registry data for past five years. The Land Registry data was matched to Energy Performance Certificates to enable a value per sq m to be generated for the different house types, based on over 1,000 new build records. This is then grossed up by the dwelling sizes to provide an approximate home value. Sales values are indexed to align with the base date of the build cost information, so that cost and values have the same base date of 1Q2023 – the most recent date with value information at the time of the study data collection.
- 4.5** As part of the exercise determining sales values, the value zones previously used as well as a town by town analysis informed the assessment. The sales data suggests that the relative values in different parts of Herefordshire had changed and that the original set of value zones established in the 2014 viability work for the adopted core strategy could be simplified as the original differences have now changed. The analysis suggested it could be appropriate to simplify into three residential value zones rather than the 7 submarket areas that have been used previously¹². This is on the basis that there is insufficient current evidence to split the rural locations into different value areas; and where values for different settlement are similar it is reasonable to group them together. However, it is acknowledged that within these value zones there will be some localised variations. The three value zones are (the detailed transactions are set out in Appendix C):
- Value zone 1 Hereford & Ledbury
 - Value zone 2 Kington & Leominster
 - Value zone 3 Bromyard, Ross-on-Wye & rural
- 4.6** Figure 4.1 sets out the boundaries of the value areas with settlements mapped as their current built-up urban areas. However, Herefordshire Council is likely to consider that different boundaries are appropriate for policy application (e.g. built-up urban areas or settlement boundaries may be extended to include allocations). Figure 4.1 also uses separate labelling 3a and 3b labelling for value zone 3 in order to differentiate the settlements and the rural area.

¹² These new value zones used for this viability assessment are different to the seven local housing market areas suggested in the 2013 Local Housing Market Assessment and the subsequent Herefordshire Housing Market Needs Assessment 2021.

Figure 4.1 Herefordshire Value Zones

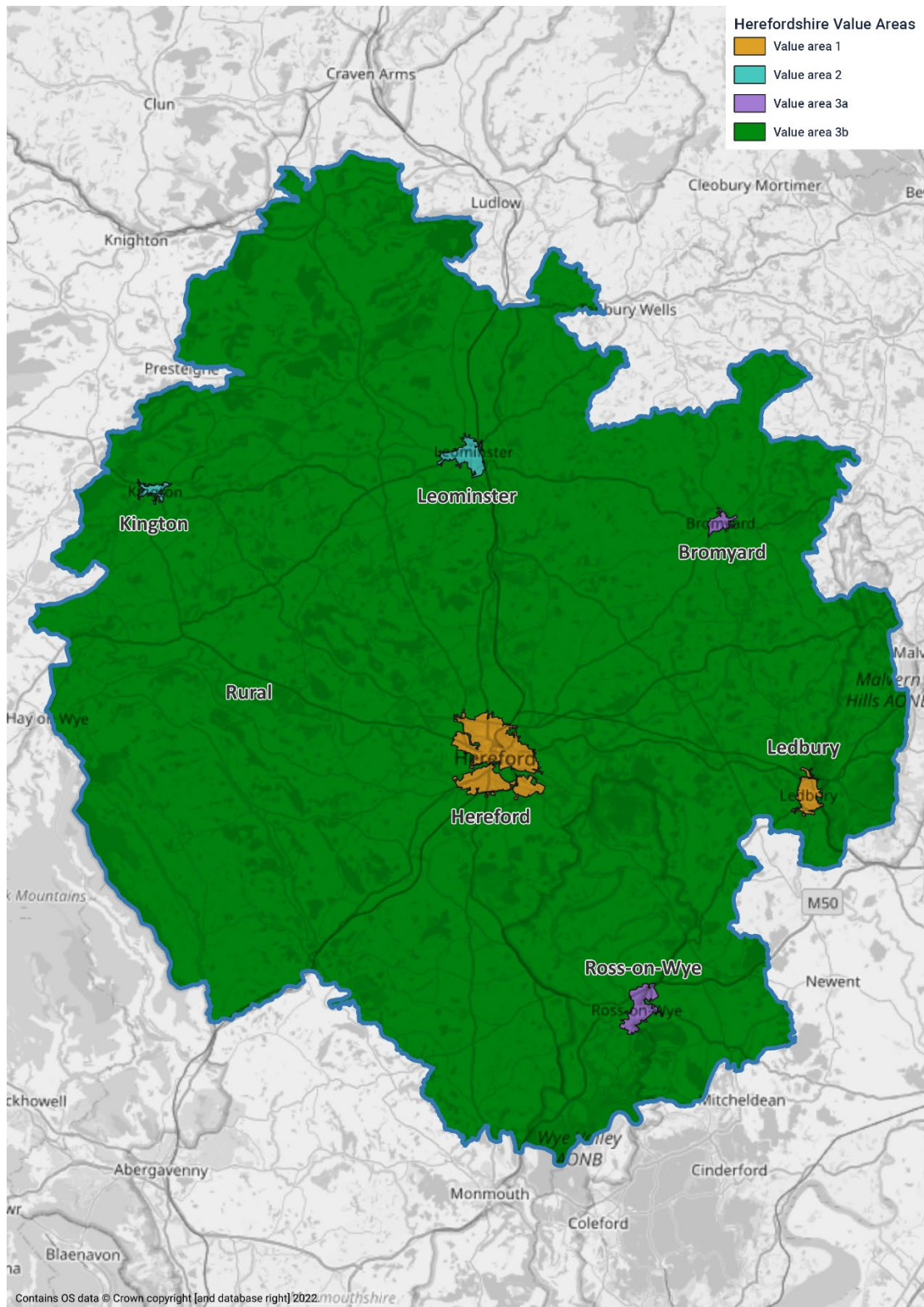


Table 4.5 Market values comparison

Unit type	Zone 1 Hereford & Ledbury	Zone 2 Kington & Leominster	Zone 3 Bromyard, Ross-on-Wye & rural
Flats	£2,641/sq m £160,000/dwg	-	-
Houses (£/sqm)	£3,788	£2,861	£3,466
Terraced (£/unit)	£292,000	£220,000	£267,000
Semi-detached (£/unit)	£311,000	£235,000	£284,000
Detached houses (£/unit)	£466,000	£352,000	£426,000
Bungalow (£/unit)	£265,000	£200,000	£243,000
Rural premium detached house	-	-	£4,200/sq m £756,000

Source: Land Registry/EPC and local data

- 4.7** To 'sense' check these values, advertising prices shown on Right Move (summer 2023) for properties in Herefordshire were reviewed. At the time several new build properties were being advertised in Zone 1 and Zone 3, however there were no new builds advertised in Zone 2 during this period.
- 4.8** Where comparable, Table 4.6 suggests that generally the advertised prices are not significantly different to those set out in Table 4.5. Therefore, the assumptions around values, which are driven by an extensive evidence base are considered to be realistic.

Table 4.6 Advertised market values by home types

Scheme	Home type	Price advertised
Zone 1 Hereford & Ledbury	The home types advertised are predominant semi-detached and detached	Only one terrace advertised but that was similar to the values set out in Table 4.5. The proposed semi-detached value in Table 4.5 is within the range shown below. The detached advertised prices are generally below the unit price in Table 4.5 but from the information available the floor area is often lower, so £/sqm values are closer.
Roman Road	2 bed semi-detached	£272,000 - £275,000
	3 bed semi-detached	£305,000 - £329,000
	3 bed detached	£330,000
	4 bed detached	£400,000 - £455,000
Leadon Way	3 bed terrace	£295,000
	2 bed semi-detached	£240,000 - £253,000
	3 bed semi-detached	£294,000
	3 bed detached	£340,000 - £345,000

Scheme	Home type	Price advertised
	4 bed detached	£409,000
Canon Pyon Road	3 bed semi-detached	£320,000
	3 bed detached	£359,000
	4 bed detached	£427,000 - £464,000
Holmer House Farm	2 bed semi-detached	£300,000
	3 bed semi-detached	£350,000
	4 bed semi-detached	£640,000
	4 bed detached	£645,000
Zone 3 Bromyard, Ross-on-Wye & rural	The home types advertised are predominant semi-detached and detached	Whilst the semi-detached unit price is generally lower than in Table 4.5, the unit sizes for advertised prices, where known are also smaller. The proposed detached value set out in Table 4.5 is generally within the ranges set out below – where unit prices are higher below, they are generally larger units above the average size assumption.
Old Road	4 bed detached	£450,000 - £465,000
	5 bed detached	£550,000
St Mary's Garden Village	3 bed terrace	£255,000
	2 bed semi-detached	£250,000
	3 bed semi-detached	£285,000 - £300,000
	4 bed detached	£350,000 - £500,000
Hildersley Farm	3 bed terrace	£300,000
	2 bed semi-detached	£250,000
	3 bed detached	£368,000 – £499,000
	4 bed detached	£500,000
Twickenham Close	4 bed detached	£575,000

Values – older persons residential market

- 4.9** Sheltered and extra care values are based on the Retirement Housing Group (RHG) guidance. Selling prices for schemes in Hereford (Friars Street & William Grange) were compared with the value of existing stock semi-detached properties. RHG guidance suggests that the selling price of a 2-bed sheltered flat is the same as an existing stock semi-detached, with the value of a 1 bed sheltered flat set at 75% of an existing stock semi-detached. For extra care schemes, selling prices are 125% of the selling prices for sheltered homes.
- 4.10** The average value for an existing stock semi detached in Herefordshire was £286,000. The recent Hereford schemes suggested slightly lower values than the existing stock approach (with an average of £263,000 for a two bed flat). However, with only 4 units advertised for sale the data is limited. Therefore for the purposes of this study, we have reverted to using just the existing semi detached stock as the basis for the testing. Separate value areas are not identified for older person housing, but the most likely location for new development is likely to be in Hereford.

Table 4.7 Older persons market values comparison

Type	1 bed flat (£)	2 bed flat (£)
Sheltered	£214,000	£286,000
Extracare	£268,000	£357,000

- 4.11** Care homes are assumed to have a capital value of £95,000 per bedroom based on a review of data from EGi¹³, trade press and market commentary. We have tested a care home of 60 beds with a floorspace of 3,000 sq m

Values – Purpose Built Student Accommodation market

- 4.12** Purpose Built Student Accommodation (PBSA) values are taken from the room rates for the 2023-24 academic year, based on the only PBSA scheme in Hereford. The rental periods are derived from the same scheme, as are the proportion of cluster (3%) and studio flats (97%). The yield is drawn from agents reports, using the tertiary regional figures.

Table 4.6 Market sales values £/sqm

Unit Type	PBSA
Weekly rent	Cluster flat ensuite £157.5 (42 weeks) Studio £181 (42 weeks)
Rent per annum (assumes 42 weeks occupancy)	Cluster flat ensuite £6,623 Studio £7,602
Less operating costs/sinking fund	30%
Yield	7.5%
Per Room (blended & rounded)	£66,200

Values - Affordable housing

- 4.13** Initial estimates of the value of affordable housing were produced using a capitalised net rent approach, and these were then used as the basis of consultation with RPs active in Herefordshire. First Homes and Shared

¹³ Estates Gazette is a subscription service providing information about commercial property sales and leases.

Ownership have the same 70% of market value. The transfer values in Table 4.8 are used for this assessment.

Table 4.8 Affordable homes values (figures are rounded)

Location	Dwelling type	Unit value	Dwelling type	Unit value
All zones - unit value for social rent	Bungalow and small terrace	£87,000	Large terrace	£120,000
Zone 1 – unit value First Homes/Shared ownership	Bungalow	£186,000	Small terrace Large terrace	£209,000 £223,000
Zone 2 – unit value First Homes/Shared ownership	Bungalow	£140,000	Small terrace Large terrace	£158,000 £168,000
Zone 3 – unit value First Homes/Shared ownership	Bungalow	£170,000	Small terrace Large terrace	£192,000 £204,000

Development costs

Build costs

4.14 Build costs can vary due to location, development type, proposed tenure type, proposed tenure mix, storey height, and building use. The Build Cost Information Service (BCIS)¹⁴ provides benchmarking information for build costs, adjusted for the location. Residential build costs are based on actual tender prices for new builds over a 5-year period and the tender price data is rebased to 1Q2023 (in line with values) and Herefordshire prices using BCIS defined adjustments, to give the build costs for different types of schemes.

4.15 We understand from work with housebuilders and cost consultants that volume and regional house builders can comfortably operate within the BCIS lower quartile cost figures, especially given that they are likely to achieve significant economies of scale in the purchase of materials and the use of labour. Many smaller and medium sized developers of houses are usually unable to attain the same economies, so their construction costs may be higher although this will vary between housebuilders and sites. We have worked with BCIS to identify how costs change according to the size of the development. We have used this analysis by BCIS to inform our approach to testing in Herefordshire. The variable build costs by site size is applied to houses only, as flat build costs primarily vary by height.

Table 4.9 Residential development costs

Type	Base build cost £/sq m	Site sizes (homes)
Estate housing mean +5%	£1,491	2-5
Estate housing mean	£1,420	6-9
Estate housing mean 95%	£1,349	10-50

¹⁴ BCIS is a subscription service providing estimates of build costs for different residential and non-residential developments

Type	Base build cost £/sq m	Site sizes (homes)
Estate housing mean 92%	£1,306	51-100
Estate housing mean 89%	£1,264	101-250
Estate housing lower quartile	£1,210	251+
Bungalows	£1,615	-
Premium rural ¹⁵	£2,000	-
Flats mean 1-2 storey	£1,581	All
Flats mean 3-5 storey	£1,643	All
Flats mean 6+ storey	£1,972	All
Supported housing mean	£1,726	All
Care home ¹⁶	£1,998	All
PBSA ¹⁷	£2,106	All

Source: BCIS – see Appendix D for BCIS report

Other residential development costs

- 4.16** There is a range of other standard costs that need to be applied when undertaking the viability testing. These were part of the development industry consultation and are based on PPG and experience of other high level plan making viability testing. Further information providing background to some of the costs is set out in the following table¹⁸.
- 4.17** Allowances are made for 15-25% on build costs for plot costs, site infrastructure works and contingency¹⁹, with 15% used for the smaller schemes and 25% used for the larger schemes.
- 4.18** Separate allowances are made for garages, with the proportion of dwellings with garages based on recent major consents in Herefordshire. For detached homes we have assumed that 100% will have a single garage and for semi-detached it will be 50% of homes with a single garage at a cost of £8,300/garage. This is on the basis that not all detached homes will have a garage but some may have a double. No allowances are made for garages for terraces or within the flat led developments.

Table 4.10 Other residential development costs (excluding OP3 & PBSA1-3)

Type	Cost	Metric
Site costs		
Plot costs, site infrastructure works and contingency	1 – 100 homes 15% 101-250 dwgs 20% 251 dwgs+ 25%	On build cost
Garages	£8,300 per single garage	see para 4.18
Fees and finance costs		
Professional fees	1 – 9 units – 10% 10 – 100 units – 8% 101 plus units – 6%	of build costs including plot costs/contingency

¹⁵ Premium rural build cost was provided through the development industry consultation and is comparable with the average of BCIS mean build cost for a 1 off dwelling and 2-5 dwellings

¹⁶ Please note that for care homes, in common with the non-residential testing, the 15 year default period is used from BCIS due to the limited number of tenders within the 5yr period.

¹⁷ Ibid

¹⁸ Please note OP3 care home and PBSA1-3 uses other cost assumptions set out in non-residential testing

¹⁹ For allocated sites

Type	Cost	Metric
Finance	8%	of total development costs including land purchase
Marketing/legal/sales fees	3% 6%	of market GDV of older persons GDV
Affordable home legal fee	£500	per affordable unit
First Home eligibility costs	£150	per First Homes unit
Developer return	17.5% 6% 10%	market GDV affordable homes GDV First Homes GDV
Agents and legal	1.75%	land cost (BLV)
Stamp duty	prevailing rate	land cost (BLV)
Policy and mitigation costs		
Biodiversity net gain (10%)	£1,003	per unit (greenfield)
	£68	per unit (brownfield)
Biodiversity net gain (20%)	£1,194	per unit (greenfield)
EV charging points Part S	£865	per dwelling
Accessibility		
M4(2)	£1,400	per unit except for those with M4(3)
M4(3a)	Flat £10,000 House £14,500	per unit on 5% of all market and affordable unit
Sprinklers	£1,500	per unit on 5+ storey flats
General s106 (mitigation for education, open space, transport)	£3,200	per unit
Nutrient neutrality	£2,523	per unit
Recycling bins	£135	per unit
Building standards Part L 2021 & Future Homes 2025	Flat £8,000 House £12,000	per unit per unit
Self & custom build		5% of units on sites of 20 homes plus (not flats)

National and local policy requirements

4.19 Biodiversity net gain - The allowance for biodiversity gain is drawn from the government's impact assessment²⁰ which was published with the consultation on the amendments to the Environment Act. A cross typology allowance, split by greenfield and brownfield is used. However, it should be noted that, as biodiversity net gain is site specific depending on both the existing site characteristic and the ability of development form to both mitigate and provide additional gain, it is difficult to gauge a suitable allowance for meeting the requirements. It is also of note that the NHBC with the RSPB have issued guidance on how to achieve net gain within new development. At the launch of the guidance both the authors and one of the major housebuilders (Barratt Homes) emphasised that incorporating measures for biodiversity net gain during the design phase meant additional costs were minimal. This suggests that, whilst an allowance is included, the actual cost could be much lower and therefore the testing allowances are a conservative estimate. We also note recent changes to PPG (2024) suggesting BNG costs may come out of land value.

4.20 Herefordshire Council is considering a requirement for 20% biodiversity net gain. The government's

²⁰ MHCLG, 2019, Biodiversity net gain and local nature recovery strategies impact assessment

impact assessment suggests²¹ that doubling net gain to 20% increases costs to developers by 19%. For greenfield development this would be in the region of £191/dwelling in addition to the £1,003/dwelling to achieve 10% net gain. This would constitute a de minimis increase²² and Appendix J illustrates the potential impact on a £/typology basis for the medium sized typologies. Larger typologies and strategic allocations would be expected to deal with BNG on site, with the response designed in at the outset. Allocations have a specific policy requirements for 20% BNG and this is included in the testing.

- 4.21 Part S EV charging** - An allowance for ‘fast charge’ electric vehicle charging points is made for all dwellings at a ratio of 1 per dwelling for general housing. On this basis the total allowance on a site basis is considered sufficient to meet need and both national and local policy. It is recognised that there is also a desire for rapid chargers, however these are generally operated (and brought forward) on a commercial basis and therefore have not been included within the costs. The EV charger costs are based upon the impact assessment produced by the government²³.
- 4.22** In respect of EV charging there have been comments in the past in terms of the wider electricity network and its capacity for accommodating a high number of chargers and whether development will have to also contribute to those costs. However, it is understood that in general, planned development and any required upgrades or new provision should already be a consideration in terms of the Distribution Network Operators (DNOs) and their statutory responsibilities. Ofgem’s 2022 Significant Code Review also makes it clear that Distribution Network Operators will have to bear a greater proportion of the costs of network reinforcement²⁴, rather than those connecting to the network. Where development does have to contribute, these will be site specific matters and it is not possible to quantify in terms of strategic generic site testing. As an abnormal cost this should come off land value, rather than a direct impact on viability in terms of meeting policy requirements. Furthermore, the government in its EV smart charging consultation indicated that a new generation of ‘smart’ charging points could assist with demand and help reduce the need for grid reinforcement.
- 4.23 Part M Accessibility** - The accessibility costs are based on the 2020 consultation report²⁵ for M4(2) and cost consultant assessment used for other plan wide assessments for M4(3). An allowance is made for all dwellings as at least M4(2) as the government have signalled a change that M4(2) will apply to all dwellings, and it is also part of the draft local plan policies. These costs are a significant allowance and considered a conservative approach as it is likely that M4(2) in particular are already starting to filter through general build costs prepared by BCIS. It should also be noted that the M4(3) allowance used is effectively applied to the bungalows included within the housing mix, which at 5% of the housing match the policy requirements of 5% of dwellings to meet M4(3).
- 4.24 Self and custom build (SBCH)** – This applies to typologies with 20 or more mixed homes, where 5% of dwellings will be self and custom build houses, modelled as detached dwellings. SBCH is a sensitivity test within the generic testing but included within all the allocated sites tested. The self and custom build houses used build and external works costs associated with a 2-5 home scheme, with selling prices assuming a 5% premium over a standard market detached house.
- 4.25 Nutrient neutrality** - Natural England have produced a methodology to enable an assessment of nutrient neutrality for new development. Where developers are not able to demonstrate that their proposals maintain

²¹ Section 6.11.2

²² The increase would amount to 0.16% of the cost of a 82 sq m semi at BCIS mean and 0.06% of value (in Hereford).

²³ DfT/MHCLG, 2021, Residential charging infrastructure provision impact assessment

²⁴ Ofgem, 2022, The Access and Forward-Looking Charges Significant Code Review

²⁵ MDCG, 2020, Raising accessibility standards for new homes

or reduce the levels of nutrients leaving their site, mitigation measures will be required. For the purposes of assessing viability on a strategic basis, using a set of generic case studies it is not possible to identify site specific requirements relating to nutrient neutrality. Therefore, to make an allowance within the viability assessment it is assumed that mitigation is required, and Herefordshire Council is operating a phosphate credit trading system for developments in the Lugg catchment in this respect. On the basis of recent schemes before the council, the mitigation cost including administration fees varies on a per dwelling basis when mitigation is required according to individual site circumstances and location, with a figure of £2,523 per unit agreed with the Council. We note that this figure is not dissimilar to similar requirement elsewhere such as Fareham²⁶ and therefore considered as a reasonable estimate to be used in this testing. It is noted that there has also been a proposed change²⁷ in approach to funding any necessary mitigation, whereby it will become the water companies' responsibility to upgrade wastewater treatment works by 2030 in 'nutrient neutrality' areas to the highest achievable technological levels, reducing mitigation burdens placed on development²⁸. There have also been more recent announcements (summer 2023) from the government setting out intention to reduce cost for development associated with achieving nutrient neutrality although at the time of writing these have been rejected by the House of Lords and did not go on to form part of the Levelling-up and Regeneration Act. As the cost used in the testing are 'lifetime' costs for all the mitigation and it is also of note that not all sites will require additional mitigation measures it is considered that inclusion of the allowance is a conservative estimate of likely cost for development over the plan period.

4.26 Part L Building standards - the government introduced new Part L building regulations in 2021, effective from June 2022. In time these new standards will be within the base build costs that are taken from BCIS. It is also likely that further changes will take place within the plan period, with the implementation of Future Homes 2025. There is no clarity about how the 2025 standard (of 75% reduction) is to be achieved²⁹. It is reasonable to assume another update to the Building Regulations but this has yet to emerge. The Future Homes Standards 2019 Consultation indicated that it will not be until 2024 that there will be 'implementation consultation'.³⁰ Therefore, whilst Herefordshire Council is seeking improved standards through plan policy it is important to consider any potential impact is within the context of yet to be published standards and a development industry that will be responding with the most economically advantageous approach. Indeed, the government's own impact assessment on the costs of implementing the changes to Building Regulations Part L this June, states that:

*".....Over the longer-term, Currie & Brown estimate that the costs associated with both heat pumps and solar PV will fall, as supply chains mature and become more integrated, and learning rates take effect.
....."*³¹

4.27 This testing assumes an allowance of £12,000 per house and £8,000 per flat to meet the uplift costs from Part 2013³² to a Future Homes 2025 standard (this therefore includes any increase associated with Part L

²⁶ See http://planningpdf.fareham.gov.uk/PDF/planning/local_plan/Examination/FBCreply-re-WMSon-nutrients_Redacted.pdf

²⁷ <https://www.gov.uk/government/news/government-sets-out-plan-to-reduce-water-pollution>

²⁸ Written Ministerial Statement 21st July 2022 and the Environmental Improvement Plan (EIP) 2023 for England

²⁹ A consultation on Future Homes was being undertaken in 2024 as this report was being finalised, presenting options for implementation. The allowances made within this testing are broadly comparable with the costs suggested for the options in the consultation impact assessment.

³⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040925/Future_Buildings_Standard_response.pdf

³¹ Para 7.17, Department for Levelling UP, Housing & Communities, 2021 changes to the energy efficiency requirements of the Building Regulations for domestic buildings, Final Stage Impact Assessment, December 2021,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040631/Domestic_Part_L.pdf

³² The uplift is from BR 2013 as at the time of writing this will be the standard to which the BCIS build costs will apply

2021). Details regarding the approach to costs are set out in Appendix E, which draws upon cost research undertaken by the government and a number of local authorities.

- 4.28 Sprinklers** – an allowance for the costs of sprinklers is included for the 5-storey flatted typology, in line with Part B of the building regulations. The £1,500 per unit allowance is based on a review of the MHCLG impact assessment³³ as well as other sources.
- 4.29 S106 requirements** - The level of s106 allowed for in the viability testing is based on a review of s106 agreements provided by the council since 2013. Excluding contributions for offsite affordable housing provision, the information suggested that on average the s106 request was £3,200 per unit.

Sales and build cashflow

- 4.30** It is assumed that first sales will be at nine months after start on site, which allows for approximately three months lead in and six months construction. There is then a delivery rate of 3.3 completions per month (market and affordable combined) on sites of up to 100 units, 6.6 completions per month on sites of 101-700 units and 9.9 units per month on sites of over 700 units - for larger sites it is assumed that sales rates will be higher due to multiple outlets.
- 4.31** It is assumed that build costs are in line with house sales minus 6 months. Site costs, including land purchase, site infrastructure and preparation are incurred at the beginning of the development period except for the largest schemes, where approximately 40% of the costs are incurred halfway through the development. Policy and mitigation costs are spread evenly in line with build costs.
- 4.32** Sales periods are typically longer for retirement housing than for general needs housing. In line with the RHG guidance we have assumed that 40% of units are sold at the end of the first year of sales, 30% during the second year of sales and 30% during the third year; with an 18 month build period before sales commence. The care home typology is assumed to have a 12 month build with the PBSA at 12 to 24 months depending on the scheme size.

Allocations – site specific costs

- 4.33** The testing for allocated sites has a range of site-specific considerations including costs – these are set out in detail in Appendix F.

Benchmark land values

- 4.34** The viability testing includes estimates of the benchmark land value (BLV). These are estimates of the lowest value that sites may come forward for development. Where the viability is strong enough, higher land values may be achievable and in many cases the market value may be higher than the benchmarks used here. Conversely, where sites have extensive constraints, it is possible that the site value may be less than the benchmarks suggested here. The BLVs have been developed in accordance with the guidance in PPG.

³³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/887225/Impact_Assessment_-_Sprinklers_and_other_fire_safety_measures_in_high-rise_blocks_of_flats_2020.pdf

Greenfield land

- 4.35** Information on the existing use of larger-scale greenfield land was originally drawn from the MHCLG estimates produced by the VOA³⁴, covering the Marches LEP area (£22,000/ha).
- 4.36** As part of the workshop discussion, it was suggested that agricultural land may be worth more in Herefordshire than the regional average, and subsequent feedback provided some examples where land was sold for more than the regional average although it appears that some of the feedback includes land that may include dwellings or development hope value.
- 4.37** Further research was undertaken, including reviewing agricultural land for sale in Herefordshire and market commentators:
- A review of 22 parcels of land either for sale or sold (based on uklandandfarms.co.uk and data from workshop participants) suggested that while there was land for sale at or around the MHCLG averages, many of the parcels were for more on a £/ha basis. The average was £32,400/ha and the feedback from the participants was at the higher end of the range of values per ha.
 - Estimates from commentators³⁵ included Herefordshire and the wider West Midlands. This suggested a mean of £22,700/ha and although the commentary was a combination of regional and national values, the Herefordshire specific information was below the mean.
- 4.38** For the purposes of this study, we have taken the mid-point between the local data and MHCLG/market commentators of £27,400/ha for larger agricultural land as the existing use value for larger greenfield sites, whilst acknowledging that there is clearly some variation around this value depending on the specific site.
- 4.39** For paddock land, there is less data available, with three parcels reviewed from uklandandfarms.co.uk, with an average of £52,000/ha. This value per ha is not dissimilar to average paddock values seen elsewhere although we note that it is higher than the West Midlands average of £39,500/ha suggested by Carter Jonas³⁶. For the purposes of this study, we have used the local paddock existing value of £52,000/ha for smaller greenfield sites, acknowledging that this may be lower in some cases.

Brownfield land

- 4.40** The existing use value of brownfield land can vary and we have used various sources;
- For the highest value brownfield land (e.g. town centre sites with some existing activity) we have drawn upon the DHLUC data³⁷. Although this does not provide Herefordshire-specific information we have used the £865,000/ha estimate for Telford CBD land as a basis for the town centre sites existing use value.
 - For ‘standard’ brownfield existing use value we have also used the MHCLG data, this time for out-of-

³⁴ <https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019>

³⁵ Farmers Week based on Knight Frank data 2021 (Herefordshire), Carter Jonas and Strutt & Parker (both West Midlands 2022)

³⁶ <https://www.carterjonas.co.uk/rural-research/farmland-market-update-q4-2022>

³⁷ <https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019>

centre offices in Telford with a value of £500,000/ha.

- For lower value brownfield land we have used a residual value approach on a nominal scheme using value data from EGI with refurbishment costs³⁸.

Premium over existing use

4.41 PPG requires that the estimates of BLV include a premium over existing use and we have used 10, 15 and 20 times greenfield existing uses; and 10%, 20% and 30% over brownfield existing uses³⁹.

Table 4.11 Benchmark land values

Site type	Existing Use Value/ ha	Premium	Benchmark land Value/ha	Based on	EUV Source	Application
Large greenfield 1	£27,400	10 times	£274,000	10 times agricultural value	VOA agriculture (The Marches), farmland sales, commentators	Sites>1ha
Large greenfield 2	£27,400	15 times	£411,000	15 times agricultural value	VOA agriculture (The Marches), farmland sales, commentators	Sites>1ha
Large greenfield 3	£27,400	20 times	£548,000	20 times agricultural value	VOA agriculture (The Marches), farmland sales, commentators	Sites>1ha
Small greenfield 1	£52,000	10 times	£520,000	10 times paddock value	Sales review (Herefordshire)	Sites<1ha
Small greenfield 2	£52,000	15 times	£780,000	15 times paddock value	Sales review (Herefordshire)	Sites<1ha
Small greenfield 3	£52,000	20 times	£1,040,000	20 times paddock value	Sales review (Herefordshire)	Sites<1ha
Town centre brownfield 1	£865,000	10 %	£951,500	Town centre EUV + 10%	VOA CBD land The Marches	Flatted schemes
Town centre brownfield 2	£865,000	20 %	£1,038,000	Town centre EUV + 20%	VOA CBD land The Marches	Flatted schemes
Town centre brownfield 3	£865,000	30 %	£1,124,500	Town centre EUV + 30%	VOA CBD land The Marches	Flatted schemes
Standard brownfield 1	£500,000	10 %	£550,000	Standard brownfield EUV + 10%	VOA OoC land The Marches	Sites<1ha
Standard brownfield 2	£500,000	20 %	£600,000	Standard brownfield EUV + 20%	VOA OoC land The Marches	Sites<1ha
Standard brownfield 3	£500,000	30 %	£650,000	Standard brownfield EUV + 30%	VOA OoC land The Marches	Sites<1ha

³⁸ 5,000 sq m on 1ha with £60/sq m rent at 9% yield plus £379/sq m refurb (BCIS mean).

³⁹ Homes and Communities Agency, 2010, Annex 1 (Transparent Viability Assumptions) - "Benchmarks and evidence from planning appeals tend to be in a range of 10% to 30% above EUV in urban areas. For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value". (page 9)

Site type	Existing Use Value/ ha	Premium	Benchmark land Value/ha	Based on	EUV Source	Application
Lower brownfield 1	£413,000	10 %	£454,300	Low value EUV + 10%	3D based on Egi data with BCIS refurb	Sites>1ha
Lower brownfield 2	£413,000	20 %	£495,600	Low value EUV + 20%	3D based on Egi data with BCIS refurb	Sites>1ha
Lower brownfield 3	£413,000	30 %	£536,900	Low value EUV + 30%	3D based on Egi data with BCIS refurb	Sites>1ha

Table 4.12 Benchmark land values for typologies

Typology	Greenfield BLV 1 £/gross ha	Greenfield BLV 2 £/gross ha	Greenfield BLV 3 £/gross ha	Brownfield BLV 1 £/gross ha	Brownfield BLV 2 £/gross ha	Brownfield BLV 3 £/gross ha
Res 1a	£520,000	£780,000	£1,040,000			
Res 1b				£550,000	£600,000	£650,000
Res2a	£520,000	£780,000	£1,040,000			
Res2b				£550,000	£600,000	£650,000
Res3a	£520,000	£780,000	£1,040,000			
Res3b				£550,000	£600,000	£650,000
Res4a	£520,000	£780,000	£1,040,000			
Res4b				£550,000	£600,000	£650,000
Res5a	£274,000	£411,000	£548,000			
Res5b				£454,300	£495,600	£536,900
Res6	£274,000	£411,000	£548,000			
Res7	£274,000	£411,000	£548,000			
Res8	£274,000	£411,000	£548,000			
Res9	£274,000	£411,000	£548,000			
Res10				£951,500	£1,038,000	£1,124,500
Res11	£520,000	£780,000	£1,040,000			
Res 1a2	£520,000	£780,000	£1,040,000			
Res 1b2				£550,000	£600,000	£650,000
Res2a2	£520,000	£780,000	£1,040,000			
Res2b2				£550,000	£600,000	£650,000
Res3a2	£520,000	£780,000	£1,040,000			
Res3b2				£550,000	£600,000	£650,000
Res4a2	£520,000	£780,000	£1,040,000			
Res4b2				£550,000	£600,000	£650,000
OP1a	£520,000	£780,000	£1,040,000			

OP1b				£951,500	£1,038,000	£1,124,500
OP2a	£520,000	£780,000	£1,040,000			
OP2b				£951,500	£1,038,000	£1,124,500
OP3				£550,000	£600,000	£650,000
PBSA1-3				£550,000	£600,000	£650,000
HERE5	£274,000	£411,000	£548,000			
KING2	£274,000					
LEDB2	£274,000	£411,000	£548,000			
ROSS2	£274,000	£411,000	£548,000			
ROSS3	£274,000	£411,000	£548,000			
LEO2	£274,000					

4.42 Whilst the benchmark land values assumed through this study are well informed, circumstances will vary, particularly on the largest sites and for some brownfield land. For example, the ratio of net developable land to gross site area may vary due to site specific circumstances e.g. where there are higher proportions of non-developable land in specific circumstances, we would expect that the site value would adjust accordingly. Brownfield existing use values can vary depending on the site current use.

Chapter 5 Residential testing and analysis

Introduction

- 5.1** This chapter summarises results of the residential viability appraisals for Herefordshire, split by the three value areas as well as between generic typologies and high-level allocation testing. As noted in the testing assumptions earlier, the modelling includes affordable homes, s106, as well as a base set of additional national and local policy costs. The results are presented as net residual value on a £/sq m basis (potential CIL headroom) and on a £ per typology residual basis, including land, finance and developer return.
- 5.2** Each typology has been subjected to a detailed appraisal, complete with cashflow analysis. A range of different scenarios are then presented, including residential and older person homes.
- 5.3** In terms of policy costs the base scenario covers:
- accessibility costs
 - affordable homes
 - standard s106 (education, transport and open space)
 - provision for EV chargers.
 - provision for biodiversity net gain
 - phosphates mitigation (except for the allocated sites unaffected)
 - allowances for Future Homes 2025 building standards
 - the specific s106 costs for the allocated sites, where known
- 5.4** Custom build at 5% of homes is included as a sensitivity test for the generic testing on two of the typologies, and within all of the tested residential allocated sites. The affordable housing varies depending on values, with rates discussed with Herefordshire Council.
- 5.5** It should be noted that phosphates mitigation may not be required on all sites. In this context the generic typology testing shows worst case scenario, so the council can consider its impact when setting CIL rates. Because it is clear which allocated sites will require phosphates mitigation, this has been applied where appropriate (KING2 and LEOM2).
- 5.6** The testing results are presented below, grouped by value area and scale/type of development:
- Small sites (3 and 8 dwellings below the affordable housing threshold; plus the designated rural area 8 dwelling small site with affordable housing)
 - Medium sites (15 to 80 dwellings)
 - Large sites (150-1,000 dwellings)
 - Typology self-build and custom housing (tested in RES4 and Res6)
 - Allocated sites (HERE5, KING2, LEDB2, LEOM2, ROSS3)

- Specialist development (flatted development, small premium rural development, older persons housing, purpose built student accommodation)

5.7 The results for the standard typologies are grouped by value area. Testing is against the relevant lower, mid and upper BLVs except for the Kington & Leominster typologies, which just use the lower BLVs because of the lower values. The larger generic typologies are not tested in Kington & Leominster as this form of development is not planned in this location.

Hereford & Ledbury testing results

Table 5.1 Hereford & Ledbury small schemes typology with 0% affordable housing

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
RES1a	GF small housing scheme	3	190,960	534	£163,467	457	135,974	380
RES1b	BF small housing scheme	3	190,079	531	£184,792	517	179,505	502
RES2a	GF small housing scheme	8	585,194	613	£510,962	536	436,732	458
RES2b	BF small housing scheme	8	582,622	611	£568,348	596	554,073	581

Commentary on testing

- The small typologies below the affordable housing threshold are all viable with significant headroom for contributing to a potential CIL.

Table 5.2 Hereford & Ledbury medium schemes typology testing at 35% affordable housing

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
RES3a	GF medium housing scheme	15	562,755	484	£412,878	355	263,001	226
RES3b	BF medium housing scheme	15	557,066	479	£528,244	454	499,421	430
RES4a	GF medium housing scheme	25	882,017	455	£606,243	313	329,993	170
RES4b	BF medium housing scheme	25	869,364	449	£816,331	421	763,297	394
RES5a	GF medium housing scheme	50	2,316,720	598	£2,008,723	518	1,700,725	439
RES5b	BF medium housing scheme	50	1,949,863	503	£1,857,014	479	1,764,164	455
RES6	GF medium housing scheme	80	4,197,488	677	£3,684,159	594	3,145,697	507

Commentary on testing

- The medium sized typologies with 35% affordable housing threshold are all viable with headroom for contributing to a potential CIL.

Table 5.3 Hereford & Ledbury large schemes typology testing at 35% affordable housing

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
RES7	GF large housing scheme	150	7,982,483	687	£6,971,621	600	5,939,918	511
RES8	GF large housing scheme	350	18,238,374	672	£15,512,457	572	12,710,716	468
RES9	GF large housing scheme	1,000	52,800,468	681	£44,645,887	576	36,253,208	468

Commentary on testing

- The larger typologies with 35% affordable housing threshold are all viable with headroom for contributing to a potential CIL.

Kington & Leominster testing results

Table 5.4 Kington & Leominster small schemes typology testing with 0% affordable housing

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
RES1a	GF small housing scheme	3	7,609	18	n/a	n/a	n/a	n/a

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
RES1b	BF small housing scheme	3	8,948	21	n/a	n/a	n/a	n/a
RES2a	GF small housing scheme	8	9,471	8	n/a	n/a	n/a	n/a
RES2b	BF small housing scheme	8	6,900	6	n/a	n/a	n/a	n/a

Commentary on testing

- The small typologies in Kington & Leominster below the affordable housing threshold are all marginally viable at the lowest benchmark land value.
- There is limited opportunity for collecting CIL from small developments in this value area.

Table 5.5 Kington & Leominster medium schemes typology testing at 15% affordable housing

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
RES3(ii)a	GF medium housing scheme	15	26,176	16	n/a	n/a	n/a	n/a
RES3(ii)b	BF medium housing scheme	15	20,487	12	n/a	n/a	n/a	n/a

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
RES4a(i)	GF medium housing scheme	25	-11,343	-4	n/a	n/a	n/a	n/a
RES4b(i)	BF medium housing scheme	25	-24,242	-9	n/a	n/a	n/a	n/a
RES5(ii)a	GF medium housing scheme	50	149,300	29	n/a	n/a	n/a	n/a
RES5(ii)b	BF medium housing scheme	50	-217,557	-43	n/a	n/a	n/a	n/a
RES6(i)	GF medium housing scheme	80	638,223	79	n/a	n/a	n/a	n/a

Commentary on testing

- The medium sized typologies in Kington & Leominster tested with 15% affordable housing are marginal at the lower benchmark land value.
- This suggests that development in this area should be able to provide affordable housing at the lower rate of 15% in most cases.
- There is limited opportunity for collecting CIL from medium developments in this value area without unduly risking the delivery of affordable housing.

Bromyard, Ross-on-Wye & Rural testing results

Table 5.6 Bromyard, Ross-on-Wye & Rural small schemes typology testing at 0% and 35% affordable housing

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
RES1a	GF small housing scheme	3	110,923	310	£83,430	233	55,938	156
RES1b	BF small housing scheme	3	110,042	308	£104,755	293	99,468	278
RES2a	GF small housing scheme	8	371,762	390	£297,531	312	223,301	234
RES2b	BF small housing scheme	8	369,191	387	£354,916	372	340,624	357
RES2a(i)	Designated rural area GF small housing scheme	8	67,334	109	-£6,898	-11	-81,128	-131
RES2b(i)	Designated rural area BF small housing scheme	8	64,762	104	£50,488	81	36,213	58

Commentary on testing

- The small typologies without affordable housing threshold are all viable with significant headroom for contributing to a potential CIL.

- The 8 dwelling typology (RES2a/b [i]) in designated rural areas with 35% affordable housing is marginal at the middle benchmark land value and viable at the lower benchmark land value. At the lower benchmark land value this typology is still able to support a CIL.

Table 5.7 Bromyard, Ross-on-Wye & Rural medium schemes typology testing at 35% affordable housing

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
RES3a	GF medium housing scheme	15	257,071	221	£101,194	87	-42,683	-37
RES3b	BF medium housing scheme	15	251,382	216	£222,560	191	193,737	167
RES4a	GF medium housing scheme	25	375,566	194	£95,371	49	-185,760	-96
RES4b	BF medium housing scheme	25	362,913	187	£309,540	160	255,476	132
RES5a	GF medium housing scheme	50	1,294,628	334	£986,631	255	678,633	175
RES5b	BF medium housing scheme	50	927,771	239	£834,922	215	742,072	191
RES6	GF medium housing scheme	80	2,533,140	408	£1,978,744	319	1,424,350	230

Commentary on testing

- The medium sized typologies with 35% affordable housing threshold are generally viable with headroom for contributing to a potential CIL.
- Two of the typologies are not viable at the highest benchmark land value, although they are viable and able to support a CIL charge at lower benchmark land values.

Table 5.8 Bromyard, Ross-on-Wye & Rural large schemes typology testing at 35% affordable housing

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
RES7	GF large housing scheme	150	4,880,745	420	£3,789,014	326	2,697,282	232
RES8	GF large housing scheme	350	10,977,360	405	£8,034,074	296	5,090,083	188
RES9	GF large housing scheme	1000	32,059,288	414	£23,666,608	305	14,564,577	188

Commentary on testing

- The larger typologies with 35% affordable housing threshold are all viable with headroom for contributing to a potential CIL

Generic typologies with SBCH**Table 5.9 SBCH typology testing (5% of dwellings)**

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	Value area	% affordable housing	Benchmark Land Value	Scheme Headroom (£/ typology)	CIL headroom (£/sq m)
RES4a	GF small housing scheme	25	Hereford & Ledbury	35%	BLV2	606,612	345

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	Value area	% affordable housing	Benchmark Land Value	Scheme Headroom (£/ typology)	CIL headroom (£/sq m)
RES4b	BF small housing scheme	25	Hereford & Ledbury	35%	BLV2	819,669	466
RES4a	GF small housing scheme	25	Kington & Leominster	15%	BLV1	-10,257	-4
RES4b	BF small housing scheme	25	Kington & Leominster	15%	BLV1	-23,156	-9
RES4a	GF small housing scheme	25	Bromyard, Ross- on-Wye and Rural	35%	BLV2	93,725	53
RES4b	BF small housing scheme	25	Bromyard, Ross- on-Wye and Rural	35%	BLV2	307,894	175
RES6	GF medium housing scheme	80	Hereford & Ledbury	35%	BLV2	3,688,835	656
RES6	GF medium housing scheme	80	Kington & Leominster	15%	BLV1	663,205	87
RES6	GF medium housing scheme	80	Bromyard, Ross- on-Wye and Rural	35%	BLV2	1,976,226	351

Commentary on testing

- The inclusion of SBCH within the 25 dwelling RES4 and the 80 dwelling RES 6 is viable and continues to allow a CIL.
- The inclusion of SBCH slightly improves the viability headroom compared to the standard testing results discussed above, and this is apparent across all three value areas.

Allocated sites testing

Table 5.10 Allocated sites testing

Typology	Dwgs	% affordable housing	BLV 1 Scheme Headroom (£/ typology)	BLV 1 CIL headroom (£/ sq m)	BLV 2 Scheme Headroom (£/ typology)	BLV 2 CIL headroom (£/sq m)	BLV 3 Scheme Headroom (£/ typology)	BLV 3 CIL headroom (£/sq m)
HERE5 Homer North	900	35% AH	41,854,077	651	34,731,626	540	27,294,005	425
KING2 Land east of Kingswood Road	50	10% AH plus land for 5%AH	-266,760	-55	-606,348	-126	-945,934	-197
LEDB2 Land to the south of Ledbury	450	35% AH	19,056,921	593	15,188,096	473	11,319,272	352
LEOM2 Land south of primary school	200	10% AH plus land for 5%AH	955,605	47	-528,467	-26	-2,012,540	-100
ROSS3 East of Ross on Wye	1000	35% AH	22,732,134	324	13,878,531	198	4,118,237	59

Commentary on testing

- The Hereford, Ledbury and Ross-on-Wye allocations (HERE5, LEDB2 and ROSS3) with 35% affordable housing and SBCH are all viable as tested and have the potential to support a CIL or additional policy requirements/costs beyond those included in the testing.
- The two Kington and Leominster allocations (KING2 and LEOM2) are less viable, even with 10% affordable housing and space for separately delivered balance of 5% affordable housing, and SCBH. While LEOM2 is viable, the headroom is limited, and KING2 is not viable. There is limited opportunity to support a CIL or additional policy requirements for these two allocations.
- Whilst KING2 is not viable as tested in this base case, there would only need to be a relatively small change in circumstances for the site to be viable against the lower BLV, for example:
 - A change in market values of 3% would give a positive residual value for the allocation

- A reduction in the £641,000 s106 contributions (education, health & general mitigation) may be possible – e.g. if there is local school capacity at the time of an application and the education mitigation was reduced to 45% of the current then the scheme would have a positive residual
- A site and policy constraints adjustment to the land value from the current £274,000/ha to £160,000/ha would give a positive residual. £160,000/ha would remain as a premium over EUV
- An adjustment to the market housing developer return from 17.5% to 15% (still within the PPG range) would give a positive residual

On this basis it is reasonable to assume that the allocation is deliverable, assuming some limited flexibility.

Table 5.11 KING2 sensitivity testing

KING2	Scheme Headroom (£/ typology)
Base case	-266,760
3% increase in market values	25,255
Reduction in education contributions	12,952
BLV adjustment	15,815
15% return on market units	34,119

Specialist housing typologies testing

5.8 The specialist housing typologies cover brownfield higher density flatted development, the premium small rural typology, the older persons housing and the purpose built student accommodation.

Table 5.12 specialist housing typology testing

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	Value area	% affordable housing	Benchmark Land Value	Scheme Headroom (£/ typology)	CIL headroom (£/sq m)
RES10	BF Flatted scheme	15	Hereford & Ledbury	35%	BLV1	-341,497	-513
RES10	BF Flatted scheme	15	Hereford & Ledbury	0%	BLV1	108,785	106

Typology	Description (GF: greenfield, BF: brownfield)	Dwgs	Value area	% affordable housing	Benchmark Land Value	Scheme Headroom (£/ typology)	CIL headroom (£/sq m)
RES11	GF Premium small rural scheme	3	Premium rural	0%	BLV3	150,216	249
OP1a	GF sheltered older persons housing	40	Pan-Herefordshire	35%	BLV1	-3,838,609	-1,772
OP1b	BF sheltered older persons housing	40	Pan-Herefordshire	35%	BLV1	-4,112,691	-1,898
OP2a	GF supported older persons housing	50	Pan-Herefordshire	35%	BLV1	-6,525,901	-1,800
OP2b	BF supported older persons housing	50	Pan-Herefordshire	35%	BLV1	-6,790,724	-1,873
OP1a	GF sheltered older persons housing	40	Pan-Herefordshire	0%	BLV1	-2,106,869	-632
OP1b	BF sheltered older persons housing	40	Pan-Herefordshire	0%	BLV1	-2,380,951	-714
OP2a	GF supported older persons housing	50	Pan-Herefordshire	0%	BLV1	-3,619,763	-649
OP2b	BF supported older persons housing	50	Pan-Herefordshire	0%	BLV1	-3,884,586	-697
OP3	BF care home		Pan-Herefordshire	0%	BLV1	-3,905,377	-1,302
STU1	BF student accommodation	40 beds	Hereford	0%	BLV1	-1,417,465	-1,090
STU2	BF student accommodation	100 beds	Hereford	0%	BLV1	-3,869,866	-1,190
STU3	BF student accommodation	250 beds	Hereford	0%	BLV1	-10,312,650	-1,269

Commentary on testing

- The brownfield higher density flatted typology in Hereford & Ledbury (RES10) is not viable with 35% housing but is viable with 0% affordable housing, with some headroom to support additional costs.
- The greenfield small rural premium scheme below the affordable housing threshold (RES11) is viable even at the highest benchmark land value, with some headroom to support a CIL or additional costs.
- None of the older persons housing is viable as tested even at the lower benchmark land value. This remains the case even with 0% affordable housing, and there is no opportunity to collect CIL from these types of development.
- The student accommodation is not viable as tested. There is no opportunity to collect CIL from this form of development.

Additional Biodiversity Net Gain

5.9 As part of this report some illustrative testing of 20% BNG has been undertaken, using the medium sized typologies in all three value areas. This shows that the impact is minimal e.g. for the 50 dwelling RES5a in Bromyard, Ross and Rural, the net residual value at BLV2 changes from £986,632 with 10% BNG to £974,131 with 20% BNG (a decrease of 1.3%). Appendix K has more details. Note that all the allocations tested include 20% BNG.

Residential testing summary

- 5.10** The standard development typologies in Hereford and Ledbury are viable with 35% affordable housing and are able to support a CIL.
- 5.11** Development is less strong in Kington and Leominster although most of the standard typologies are viable or marginal at the lower benchmark land value with 15% affordable housing. Given the lower house prices in these locations this lower benchmark is reasonable.
- 5.12** Development in Bromyard, Ross-on-Wye and Rural is generally viable with 35% and able to support a CIL. The viability of the small typology with 35% affordable housing in a designated rural area (RES2a/b [i]) is viable at the lower benchmark land value, and two of the other medium typologies are only viable with 35% affordable housing at the medium and lower benchmark land values. Within this it is still possible to have a CIL in this value area.
- 5.13** The inclusion of 5% SBCH does not change the overall viability picture.
- 5.14** There is a mixed viability picture for the allocated sites depending on the value area concerned.
- The allocations in Hereford, Ledbury and Ross-on-Wye (HERE5, LEDB2 and ROSS3) are all viable as tested with 35% affordable housing and 5% SBCH, as well as the allocation specific policy requirements (where costs are known).

- The allocations tested in Kington and Leominster (KING2 and LEOM2) are less viable. KING2 is unviable at the lower benchmark land value even with 10% affordable housing and space for separately delivered balance of 5% affordable housing, and SCBH. However, this allocation would only required a limited favourable change in values, or flexibility in s106, land value or developer return to be viable.
- 5.15** There may be an opportunity to have a positive CIL for the allocations in Hereford, Ledbury and Ross-on-Wye, but limited opportunity to have a positive CIL for the allocations in Kington and Leominster.
- 5.16** While most development is viable in Hereford and Ledbury with 35% affordable housing, higher density flatted development is less viable and unable to support 35% affordable housing. It is however viable with no affordable housing and therefore this type of development should be able to proceed in this value area, potentially with a low CIL if no affordable housing is sought.
- 5.17** Older persons housing is not viable even with no affordable housing. There is no opportunity to support a CIL from this form of development The small premium rural typology is viable with some opportunity to support a CIL even at higher benchmark land values.
- 5.18** Purpose built student accommodation is not viable and there is no opportunity to support a CIL from this form of development.
- 5.19** In terms of the details around CIL setting for all types of residential uses, this is considered in the appendices to this report.

Chapter 6 Non-residential assumptions, testing & analysis

Introduction

- 6.1** A set of non-residential development typologies have been viability tested as part of the study. The proposed policies within the draft Local Plan are not considered to significantly add to the development costs for non-residential uses. However within the testing we have made some allowances for s106 contributions (e.g. minor highways and travel planning) and included costs to account for biodiversity net gain, and EV charging and improved building standards. This section sets out the assumptions used for the non-residential viability testing.
- 6.2** The viability analysis undertaken has been based on a residual value approach in which scheme costs are deducted from scheme revenue to arrive at a gross residual value. Scheme revenue is based on revenue from the property and scheme costs assume a return to the developer and ‘development costs’ include build costs and other costs such as professional fees, finance costs and marketing fees.
- 6.3** From the ‘gross residual value’ calculated an allowance for site purchase is deducted based on existing use value plus site purchase costs (agents and legal fees) to assess the ‘residual balance’ against which a scheme could support any additional costs (or a CIL contribution). This residual balance shows the level of affordability or financial headroom available from which additional contributions can be met.
- 6.4** This report section summarises the non-residential testing and further detail can be found in Appendix G.

Establishing Gross Development Value (GDV)

- 6.5** In establishing the GDV for non-residential uses, this report has also considered historical comparable evidence to inform new values on a local, regional and, for some uses, national, level. The following table illustrates the values established for a variety of non-residential uses, expressed in sq m of net rentable floorspace and yield. The table is based on our knowledge of the market and analysis of comparable transaction data provided by EGi and relevant market reports. The rents and yields are capitalised within the toolkit to provide GDV for all the development types. The rents and yields used are set out in the table below.

Table 6.1 Non-residential typologies

Typology	Use	Description	Rent £/sq m	Yield
NR1	Office	Fringe and transport nodes	£167	7.75%
NR2	Office	Town centre	£95	7.75%
NR3	Small employment (industrial/warehouse)	Fringe and transport nodes	£72	8.99%
NR4	Large employment (industrial/warehouse)	Fringe and transport nodes	£60	8.99%
NR5	Retail convenience	Small local store	£204	5.75%
NR6	Retail convenience	Supermarket	£185	4.35%

NR7	Retail comparison	Town centre	£167	7.57%
NR8	Retail comparison	Out of centre/retail warehouse/park	£214	6.83%
NR9	Hotel	Budget/business	£93,000/room	

Development costs

6.6 Build costs have been taken from the RICS Build Cost Information Service (BCIS) for 1Q 2023 and rebased (by BCIS) to Herefordshire prices. The build costs adopted are based on the BCIS mean values shown in the following table.

Table 6.2 Build costs.

Typology	Build cost £/sq m 1Q 2023
NR1 Office (Fringe & Transport nodes)	2,121
NR2 Office (Central)	2,092
NR3 Industrial	1,256
NR4 Warehouse	917
NR5 Retail convenience (Small local store)	1,796
NR6 Retail convenience (Supermarket)	1,765
NR7 Retail comparison (Town Centre)	1,797
NR8 Retail comparison (Out of centre / Retail Park)	1,115
NR9 Hotel	1,539

6.7 Other costs - there are a range of other costs that are included within the assessment. The costs identified reflect typical/industry-standard costs and appraisal inputs for the typologies tested. As indicated in the section (Chapter 4) on residential assumptions these 'other' costs also apply to OP3 and PBSA 1-3.

Table 6.3 Other costs

Cost type	Assumption	Notes
Plot externals	10% of build costs	Incorporates costs immediately outside the property such as landscaping, car park provision, lighting, fencing, and external services
Professional fees and contingency	8% of build costs	Incorporates all professional fees associated with the build, including fees for designs, planning, surveying, project managing and contingency
Sales and letting	3% of GDV	Includes any agent and legal costs and inclusive of arrangement fees

Cost type	Assumption	Notes
Developer return	15% of GDV	General standard in strategic assessments for non-residential development
Interest rates (debit only)	8%	Includes arrangement costs
Stamp Duty Land Tax	As per HMRC rates	A nationally set tax levied on the purchase of property or, in this case, land.
Agents and Legal Fees	1.75% of land value	Costs involved in the acquisition of land through agents and legal fees
Void/rent free	Various allowances - 6m	Allowances for voids/rent free periods have been made in the testing
S106	£25,000 for NR1, NR3, and NR4 £250,000 for NR6 and NR8 £12,000 - £75,000 for PBSA1-3	This would cover planning obligations to fund items such as travel planning, public transport or highways
Biodiversity Net Gain	£14,333/ha	Reflects Environment Act requirement, utilising the government impact assessment central estimate on cost ⁴⁰
Electric Charging Provision - Building Regulations Part S	NR1 £11,160 NR2 £4,556 NR3 £5,957 NR4 £5,423 NR5 £0 NR6 £9,892 NR7 £0 NR8 £9,359 NR9 £6,157 OP3 £5,824	Cost assumed as £3,823/EVC and ducting £334/space derived from the Government's Impact assessment and relating to the mid-point cost for new build charge points and ducting for full for multi occupancy surface parking ⁴¹ . Based on one charger in shared parking area plus ducting for 20% of spaces to account for future provision.
Building standards – BREEAM Excellent	NR1 0.77% NR2 0.77% NR3 0.40%	As an additional % of build cost Based on BRE research ⁴² PBSA uplift based on residential flats uplift for Part L 21

⁴⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf

⁴¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040263/Non-residential-charging-infrastructure-provision-final-impact-assessment.pdf

⁴² BRE Global, 2016, The value of BREEAM

Cost type	Assumption	Notes
	NR4 0.40% NR5 1.76% NR6 1.76% NR7 1.76% NR8 1.76% NR9 0.77% PBSA1-3 2.5%	

Non-residential benchmark land values

- 6.8** The viability testing of the non-residential development uses a standard residual value approach, which considers whether the value of development can meet all the development costs including a benchmark land value. This is a benchmark/threshold value which reflects a value range that a landowner would reasonably be expected to sell/release their land for development.
- 6.9** Establishing the existing use value (EUV) of land, and in setting a benchmark/threshold at which a landowner is prepared to sell, can be a complex process. There are a wide range of site-specific variables which affect land sales (e.g. whether the landowner requires a quick sale or is seeking a long-term land investment). However, for a strategic study, where the land values on future individual sites are unknown, a pragmatic approach is required.
- 6.10** Our starting point for non-residential benchmark land values is to draw from the work undertaken to inform the residential benchmark land values. The benchmarks for some retail uses are higher than some residential benchmarks, reflecting the relative lack of suitable sites for some schemes.

Table 6.4 Non-residential benchmark land values

Typology	Benchmark £/ha
NR1 Office (Fringe & Transport nodes)	£600,000
NR2 Office (Central)	£1,038,000
NR3 Industrial	£600,000
NR4 Warehouse	£600,000
NR5 Retail convenience (Small local store)	£1,038,000
NR6 Retail convenience (Supermarket)	£600,000
NR7 Retail comparison (Town Centre)	£1,038,000
NR8 Retail comparison (Out of centre / Retail Park)	£600,000
NR9 Hotel	£600,000

Results of the non-residential testing

- 6.11** This section summarises results of the non-residential viability appraisals. As described, there are no policies that directly affect the viability of non-residential development however the council wants to understand the viability of non-residential development as well as any scope for CIL.
- 6.12** The table below summarises the results from the detailed assessments for each non-residential development type, indicating whether the use is viable or not. The assessments can be found in appendices to this report.
- 6.13** It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant. However, there will also be development that is undertaken for specific commercial operators, either as owners or pre-lets. In these circumstances the economics of the development relate to the profitability of the enterprise accommodated within the buildings rather than the market value of the buildings. Therefore, it should be noted that while the testing suggests that some types of development are not viable or marginal, developments of these types may still be brought forward for

individual occupiers to meet their specific requirements. In particular, if the required return is reduced to the level of a contractor return, then unviable sites may be marginal or (marginally) positive.

- 6.14** Of the uses tested only ‘NR5 Retail Convenience (Small local store)’, ‘NR6 Retail Convenience (supermarket)’ and ‘NR8 Retail Comparison (Out of centre)’ are viable. The figures shown within Table 6.5 show the scheme headroom and is therefore the theoretical maximum amount that a CIL rate could be. The Planning Policy Guidance warns against charging “at the margins of viability” and advises the use of a buffer or a margin “so that the levy rate is able to support development when economic circumstances adjust”⁴³.
- 6.15** Table 6.5 shows some similarity in headroom between NR6 and NR8 but a lower headroom for smaller convenience stores NR5. Whilst the council could set two separate rates based on this evidence, the council could also find merit in setting a single low rate for retail outside of the town centre boundary that could be accommodated by these three types of retail development.

Table 6.5 Non-residential testing results

Typology	Headroom £/sq m
NR1 Office (Fringe & Transport nodes)	-£1,387
NR2 Office (Central)	-£2,126
NR3 Industrial	-£1,290
NR4 Warehouse	-£975
NR5 Retail convenience (Small local store)	£65
NR6 Retail convenience (Supermarket)	£245
NR7 Retail comparison (Town Centre)	-£883
NR8 Retail comparison (Out of centre / Retail Park)	£301
NR9 Hotel	-£248

Summary for non-residential testing

- 6.16** The results show that on the basis of speculative build that only the larger format and food retail typologies are viable. This is not uncommon in this type of generic assessment that has to be based on a speculative approach to sale and rent, rather than specific operator circumstance (as set out in para 6.13).
- 6.17** However, for the purposes of plan viability the aim is to test whether plan policy puts at risk development sought by the plan. As indicated at the beginning of this chapter there are a limited number of policies that directly impact (in terms of viability) non-residential development. Those that do include building standards, planning obligations, EV charging and BNG – however, whilst these do all have varying costs, in most of the typologies these are around only 2% of GDV – the exception is supermarkets and out of centre retail where the s106 requirement is much higher. The impact of these policies is therefore considered as minimal and would not either on their own or in combination effect delivery of these forms of development.

⁴³ PPG (2019) Paragraph: 020 Reference ID: 25-020-20190901

6.18 In respect of CIL setting this is considered further in the separate appendices to this report.

Appendix A - L

Please see separate document 'Technical Appendices'