
Local Plan Viability Assessment

Darlington Borough Council

December 2020

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EXECUTIVE SUMMARY

- i.** Darlington Borough Council (“the Council”) is currently in the process of developing a new Local Plan (2016-2036). To support this process, the Council requires viability testing of its proposed planning policies and site allocations to ensure deliverability and demonstrate that they are economically viable.
- ii.** National policy is set out in the National Planning Policy Framework (‘NPPF’), originally published in 2012. This was revised in July 2018 and February 2019. The NPPF sets out the Government’s planning policies and how these should be applied in plan making. In support of the NPPF, the government has also published Planning Practice Guidance (‘PPG’) on viability which is routinely updated with the last major update taking place in May 2019. This provides detail on how viability assessments should be undertaken, providing guidance on some key aspects of the process.
- iii.** In terms of the testing methodology, central to undertaking viability testing is the residual method of valuation (sometimes referred to as a development appraisal). This is an established valuation approach, where the end value of the scheme once completed is identified and from this all the costs of delivering the project are deducted (such as construction costs, professional fees, planning policies, marketing, developer profit etc). The result or ‘residual’ is equivalent to the price that can be paid for the land. This residual land value is then compared to a separately assessed benchmark land value (which is the minimum price deemed appropriate to encourage a landowner to release the land for development). If the residual land value is below the benchmark land value, the scheme is unviable. If it is above, the scheme is deemed to be viable. This approach has been central to the viability testing adopted for the purposes of this study.
- iv.** In line with the guidance, a series of base appraisals (i.e. with initial assumptions) have been undertaken and then sensitivity analysis where key assumptions are adjusted in the modelling and the appraisals re-run. This is to provide a broader view on viability (recognising the approach can never be entirely robust). The results of the base appraisals and sensitivity analysis are then considered holistically for conclusions to be reached.

- v.** For the testing, the guidance recognises that not every site likely to come forward during the period of the plan can be appraised, this is not considered to be practical. Site typologies are therefore recommended, which reflect the likely scale of schemes coming forward. However; the guidance suggests that site specific viability assessments are undertaken for strategic sites that provide a significant proportion of the planned supply. Therefore, individual site-specific assessments have been undertaken for the Greater Faverdale and Skerningham Strategic Allocation Sites.
- vi.** The approach is applied to both residential and commercial sites.
- vii.** In preparing our appraisals we have identified a variety of primary and secondary data sources. We have also undertaken stakeholder engagement to ensure the assumptions are as robust as possible.
- viii.** For residential development, our appraisals show that most of the site types are viable. However, once affordable housing provisions are factored in and increased this puts a downward pressure on the viability of the schemes, to the extent where some adjustments in policy are necessary to minimise as much as possible the impact on delivery. Some of this flexibility in policy could be through a reduction in required affordable housing provisions.
- ix.** The testing shows that the medium value area typologies are capable of delivering a minimum of 20% on-site affordable housing along with other policy requirements. However, in the low value area typology locations this is likely to be restricted to around 10% and limited to affordable home ownership only. At the other end of the scale, the testing demonstrates that in high value area typologies a 30% affordable housing provision is viable along with other policy requirements.
- x.** For non-residential development, the majority of the appraisals return an unviable result. The only typologies which return a viable position are the retail warehouse and discount supermarket typologies.

1. INTRODUCTION

1.1. Scope of work

1.1.1. Darlington Borough Council (“the Council”) is currently in the process of developing its Local Plan. To support this process, the Council requires viability testing of its policies to ensure they are deliverable and do not render development unviable. In particular, the testing has examined:

- I. Viability of affordable housing quantum and mix.
- II. Viability of other Section 106 policy requirements (such as highways and education contributions, etc).
- III. Other policy provisions which could impact on scheme viability (such as the potential introduction of the Nationally Described Space Standards, certain Building Regulations standards e.g. M4 adaptable and accessible dwellings).

2. NATIONAL POLICY CONTEXT AND PROFESSIONAL GUIDANCE

2.1. Introduction

- 2.1.1. Plan wide viability assessments should be carried out in accordance with national planning policies and take in to account professional guidance.
- 2.1.2. National policy is set out in the National Planning Policy Framework ('NPPF'). This was initially introduced in 2012 but was most recently revised in February 2019. The NPPF sets out the Government's planning policies and how these should be applied in the plan making process.
- 2.1.3. In support of the NPPF, the government has also published (last updated in May 2019) Planning Practice Guidance ('PPG') on viability. This provides detail on how viability assessments should be undertaken, providing guidance on some key aspects of the process.
- 2.1.4. The NPPF and PPG supersede previous guidance documents. These documents set out the importance of viability in plan-making, confirming that Local Planning Authorities should seek to ensure emerging policies are set at achievable levels and do not financially undermine development sites being brought forward. This assessment will provide a brief overview of these documents and particularly the areas relating specifically to viability testing which are of most relevance.
- 2.1.5. However, there are elements of previous guidance documents that remain relevant for a viability assessment (although certain aspects have been superseded by the NPPF and PPG). This includes the 'Harman Review' (discussed below) and the RICS Guidance Note 1 for Financial Viability in Planning. Given that parts of these documents remain relevant we have provided a brief overview of the key aspects.

2.2. Viability Testing Local Plans – Local Housing Delivery Group ('Harman Review' – June 2012)

- 2.2.1. This was previously a key document for providing technical guidance on how to undertake an area wide viability study, although as discussed above this has largely been superseded by the recent NPPF / PPG publications.
- 2.2.2. A key area of the Harman Review related to the concept of the 'benchmark land value' and how this could be assessed. Benchmark land value is different to Market Value and can be defined as being the minimum price that a hypothetical landowner would be willing to release land for development (taking into account the circumstances of the site and the relevant planning policies).
- 2.2.3. The Harman Review indicated the following:

Pg 29 – *“We recommend that the [benchmark land value] is based on a premium over current use values and credible alternative use value...”*

Pg 30 – *“It is widely recognised that this approach [i.e. a percentage increase over the current use value] can be less straight forward for non-urban sites or urban extensions, where landowners are rarely forced or distressed sellers...This is particularly the case in relation to large greenfield sites...Accordingly, the uplift to the current use value sought by landowners will invariably be significantly higher than in an urban context and requires very careful consideration”.*

- 2.2.4. However, the guidance recognises that this is more straight forward for urban / brownfield sites, where a premium (perhaps in the order of 10% – 50%) is deemed sufficient to incentivise a landowner to release the land for development.
- 2.2.5. This, though, would not be the case for non-urban / greenfield land where the current use value may only be a modest agricultural value (for example £10,000 per Ha). For this greenfield land, clearly an uplift of 50% (or £5,000 per Ha) would not be sufficient to release the land for development. The uplift would need to be considerably more.

- 2.2.6. The guidance therefore recommends a clear methodology for determining the BLV, which is to apply a premium to the EUV of the land; although it does not seek to fix parameters as to how the method is applied. The recent PPG on viability builds on this key principle.

2.3. Financial Viability in Planning – RICS Guidance Note 1 – Aug 2012

- 2.3.1. The purpose of this guidance note is more focused on individual viability assessments. Furthermore, key elements of this document have been superseded by the recent PPG on viability. However, there are elements of the guidance which remain relevant.
- 2.3.2. In accordance with the Harman Review, the RICS Guidance Note suggests that the residual method is the most appropriate valuation method for undertaking viability assessments. An assessor therefore needs to identify a variety of appraisal inputs when preparing the modelling, which it suggests should be identified through tangible evidence.
- 2.3.3. Reasonableness is a key aspect of the RICS guidance, which remains the case following the introduction of the new NPPF and PPG. (NPPF para.55)
- 2.3.4. The RICS guidance also recognises the weaknesses within the residual method and promotes the use of sensitivity testing to ensure conclusions reached are as robust as possible. Again, this remains important taking in to account the recent NPPF / PPG.
- 2.3.5. The RICS guidance proposed a different approach to assessing the benchmark land value when compared to the Harman Review. However, as indicated above the PPG on viability has superseded the approach outlined in the RICS guidance.
- 2.3.6. RICS is currently producing updated guidance for viability appraising, to reflect the revisions to the NPPF and PPG. However, at this stage no further details have been provided other than a note to RICS members in May 2019 setting out professional standards on Local Plan viability studies.

2.4. National Planning Policy Framework ('NPPF') (updated February 2019)

24.1. The NPPF sets out the Government's planning policies and how these should be applied in plan making. The latest version was published in February 2019. One of the key changes made was the deletion of paragraph 173 of the old NPPF (2012) which referred to viability and required 'competitive returns to a willing land owner and willing developer to enable the development to be deliverable'

24.2. The NPPF states that developer contributions are to be expected from development:

Para 34 – Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan

24.3. The NPPF also explicitly refers to viability on several occasions. The key paragraphs are set out below:

Para 57 – Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

Para 67 – Strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability. Planning policies should identify a supply of:

a) specific, deliverable sites for years one to five of the plan period; and

b) specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.

Para 76 – To help ensure that proposals for housing development are implemented in a timely manner, Local Planning Authorities should consider imposing a planning condition providing that development must begin within a timescale shorter than the relevant default period, where this would expedite the development without threatening its deliverability or viability. For major development involving the provision of housing, Local Planning Authorities should also assess why any earlier grant of planning permission for a similar development on the same site did not start.

Para 122 - Planning policies and decisions should support development that makes efficient use of land, taking into account:

- the identified need for different types of housing and other forms of development, and the availability of land suitable for accommodating it;
- local market conditions and viability;
- the availability and capacity of infrastructure and services – both existing and proposed – as well as their potential for further improvement and the scope to promote sustainable travel modes that limit future car use;
- the desirability of maintaining an area’s prevailing character and setting (including residential gardens), or of promoting regeneration and change; and

- the importance of securing well-designed, attractive and healthy places.

2.4.4. The underlying general principle and renewed emphasis of the revised NPPF regarding viability is on deliverability. This means that policies set by Local Planning Authorities through their local plan-making should be set at levels which do not undermine the viability of development and at the same time developers should be factoring these planning obligations in when agreeing the purchase price of land. The NPPF is clear that there is a finite level of available monies derived from development which can be used to meet policy requirements. If the Local Planning Authorities set their policies above this finite threshold, then this will undermine scheme delivery. Policies should therefore be carefully considered and set at realistic and deliverable levels and negotiations on the purchase of land should ensure that the agreed purchase price is appropriate and does not undermine the provision of planning obligations.

2.4.5. With regard to affordable housing, the NPPF now explicitly refers to mix of tenure and sets a minimum expectation by stating that at least 10% should be made available for affordable home ownership. There are some exemptions, albeit viability is not referred to as being a reason which qualifies as an exemption (therefore this requirement also applies to sites located within low demand areas).

***Para 64** – Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*

- a) provides solely for Build to Rent homes;*
- b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
- c) is proposed to be developed by people who wish to build or commission*

their own homes; or

- d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.*

24.6. In Annex 2 the types of dwellings that constitutes 'affordable housing' is also set out, which includes the following:

- (a) **Affordable housing to rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).*
- (b) **Starter homes:** is a specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.*
- (c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.*
- (d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other*

low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

2.5. Planning Practice Guidance ('PPG')

- 2.5.1. Planning Practice Guidance is an online tool, which provides planning guidance in the context of the NPPF. The PPG covers a variety of areas including: viability, Build to Rent, CIL, Planning obligations, Housing – optional technical standards, self-build and custom housebuilding and Starter Homes (amongst others).
- 2.5.2. Alongside the publication of the latest version of the NPPF in February 2019, the government also published updated guidance (through the PPG) on viability (latest update September 2019). The PPG is more detailed than previous iterations of the PPG on viability and includes more detail with regards to the practical implementation of viability assessments including specific figures on appraisal inputs such as profit allowance.
- 2.5.3. Of particular note was the explicit guidance on how to establish a benchmark land value ('BLV'), which is a key component of a viability assessment which states:

How should land value be defined for the purpose of viability assessments?

To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called

'existing use value plus' (EUV+).

In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.

What factors should be considered to establish benchmark land value?

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

2.54. The PPG is split into 4 sections, as follows:

Section 1 – Viability and plan making

Section 2 – Viability and decision making

Section 3 – Standardised inputs to viability assessment

Section 4 – Accountability

2.5.5. The key points raised in each section are summarised as follows:

Section 1 – Viability and plan making

- Plans should set out the contributions expected from development. This includes affordable housing and infrastructure (e.g. education, transport, health etc).
- Affordable housing requirements should be expressed as a single figure rather than a range.
- The role of viability assessment is primarily at the plan making stage.
- It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies.
- Drafting of plan policies should be iterative and informed by engagement with stakeholders.
- The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan.
- Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage.
- It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant.

Section 2 – Viability and decision making

- Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable.

- It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.
- Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.

Section 3 – Standardised inputs to viability assessment

- Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available.
- With regards to revenue, for viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. For broad area-wide of site typology assessment at the plan making stage, average figures can be used.
- Assessment of costs should be based on evidence which is reflective of local market conditions. Costs include build costs, abnormals, site-specific infrastructure, policy requirements, finance, professional fees and marketing.
- Explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return.
- To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. This should reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees. This should also be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment

of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing.

- Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).
- Existing Use Value is the first component of establishing the benchmark land value. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. The premium (or the 'plus' in EUV+) is the second component of benchmark land value. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.
- For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its current permitted use, and other than other potential development that requires planning consent, technical consent or unrealistic permitted development with different associated values. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which have an existing implementable permission for that use. Where there is no existing implementable permission, plan makers can set out in which circumstances alternative uses can be used.
- For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.
- The economics of build to rent schemes differ from build for sale as they depend

on a long-term income stream. Scheme level viability assessment may be improved through the inclusion of two sets of figures, one based on a build to rent scheme and another for an alternative build for sale scheme.

Section 4 – Accountability

- The inputs and findings of any viability assessment should be set out in a way that aids clear interpretation and interrogation by decision makers.

- Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.

- In circumstances where it is deemed that specific details of an assessment are commercially sensitive, the information should be aggregated in published viability assessments and executive summaries, and included as part of total costs figures.

3. MARKET CONDITIONS

3.1. Introduction

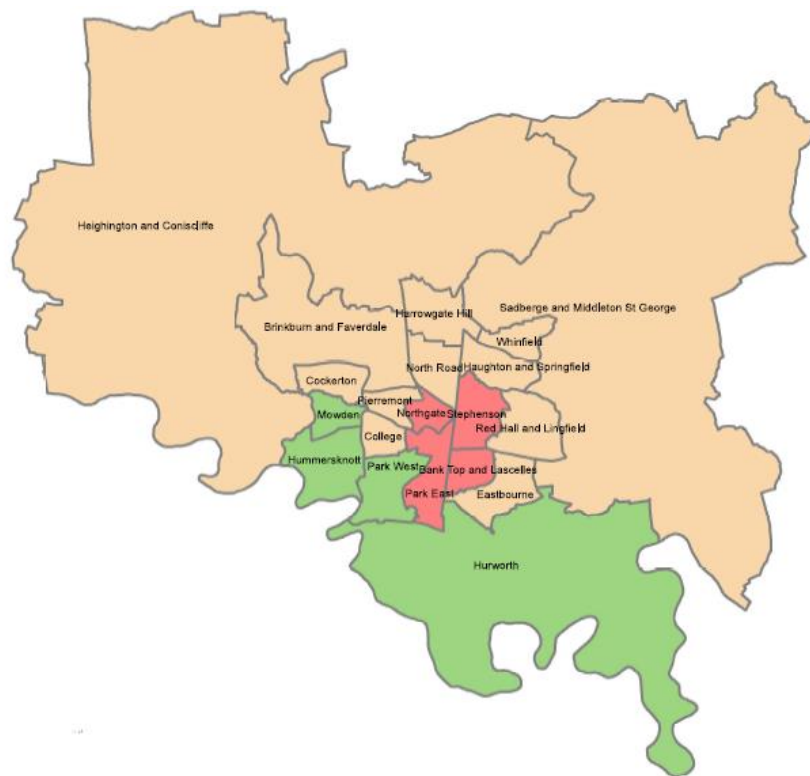
- 3.1.1. In identifying local market conditions, previous studies undertaken on behalf of the Council have been reviewed.
- 3.1.2. In addition, this study has looked at market trends and analysed general economic conditions across Darlington, drawing on a variety of data sources, including the Land Registry, Rightmove and Zoopla (websites which specialise in residential sales and market trends), regional reports undertaken by property agents and CoStar SUITE (a paid for service which provides data on commercial property markets).

3.2. Residential Market

- 3.2.1. According to the Zoopla Zed Index (an index which, using sales data from the Land Registry and asking prices, estimates the value of all residential dwellings across England and Wales) the value of residential property across Darlington has increased by 17.21% during the last 5 years (as at November 2019). This compares with an average increase of 21.55% across England during the same period. This suggests house price inflation has been more modest across Darlington when compared to the national average. However, the average increase for the North East region during the same period equates to 12.60%. Darlington has therefore outperformed the North East region during this period, suggesting that relative demand levels for the Borough are strong.
- 3.2.2. In terms of current average values (as at August 2020), in Darlington the Zoopla data shows a figure of £163,353.
- 3.2.3. There will always be variances in values between settlements and even between neighbourhoods and areas within settlements. For the purpose of this exercise we have categorised the Borough by ward across three broad areas set

out in the list and map below:

- High Value – Hurworth, Hummersknott, Mowden and Park West
- Medium Value – Brinkburn and Faverdale, Cockerton, College, Eastbourne, Harrowgate Hill, Haughton and Springfield, Heighington and Coniscliffe, North Road, Pierremont, Red Hall and Lingfield, Sadberge and Middleton St George and Whinfield
- Low Value – Bank Top and Lascelles, Northgate, Park East and Stephenson



3.2.4. The above areas are considered to reasonably reflect a high-level view of the Darlington residential market. Whilst there is some granularity within the local markets (with some limited examples of large swings in value between areas as close to one another such as the high value in the West End of Darlington and the lower value in Central Darlington) generally speaking the three areas outlined above are considered to be a reasonable reflection of the market dynamics. This allows a starting point on which to consider market fluctuations

across the Borough.

- 3.2.5. In terms of dwelling type, based on comments received from stakeholders and following our research into the market, there remains a limited appetite from developers to bring forward apartment schemes. Prior to the market crash in 2008, demand for apartments was driven by a buoyant buy-to-let investor market. The collapse of the buy-to-let market post 2008 resulted in a sharp fall in values within the apartment sector and in many cases, developers were left with apartment blocks that they were unable to sell unless heavily discounted. With the buy-to-let market having yet to recover (and not expected to within the short to medium term), funders and developers continue to take a cautious approach to this apartment sector, with the market preference mainly focusing on more traditional 2 / 2.5 storey houses.
- 3.2.6. However, the SHMA does point to an increased demand for level access flats/apartments and bungalows from older people looking to downsize from family homes. Throughout the UK, there is an established market for 'over 55s' apartment living, typically delivered by specialist providers such as McCarthy and Stone and Churchill Retirement Living. McCarthy and Stone do have an established presence in Darlington as well as the wider North East and the established demand would suggest there is an opportunity for specialists to provide 'over 55s' apartment living within the Borough.

3.3. Commercial Market

- 3.3.1. This report is written as the UK has entered recession for the first time since 2008 as a consequence of the economic impact of the Coronavirus pandemic and there is uncertainty over all markets. Prior to this, a key focus of market uncertainty was the impact of Brexit, particularly post-2020.
- 3.3.2. This means recent evidence of commercial activity could potentially be misrepresentative of future activity as it becomes increasingly difficult to forecast with prevailing local, national and global conditions subject to volatility. It remains possible to consider industry insight reports such as recent reports

by Costar. However; much of the evidence pre-dates the Coronavirus with a focus on the then anticipated impact of the UK leaving the European Union / Brexit.

333. CoStar produced the Industrial National Report (App R), United Kingdom in August 2020, which states:

“In the months and years ahead, longer-term consumer behavioural change and the localisation of supply chains are expected to drive demand for logistics space, helping to offset weakness in other segments. Upward pressure on vacancies is not expected in our baseline scenario, given the high levels of pre-leasing activity in many markets. Such dynamics are expected to benefit rental growth, which, although slowing, is expected to remain positive and comfortably above expectations for the office and retail sectors”

“Industrial rent growth is expected to fade through 2020 as the coronavirus outbreak hits the economy and puts the brakes on leasing. However, it is expected to remain positive under CoStar's baseline scenario, ending the year at 3.4%, comfortably above expectations for the office and retail sectors”.

334. CoStar’s United Kingdom, Office National report stated for the Office Sector (App S)

“Despite low vacancy, rental growth across the country has slowed over the past few years, a pattern that is set to continue given the coronavirus hit to office demand. CoStar's new Base Case forecast has rent growth turning negative over the next 12 months for the first time in a decade, although only by around 1% or so. Rents then flatten off next year and grow by around 1% per year thereafter. The Severe Downside forecast, on the other hand—where vacancies rise steeply amid a big drop in office demand—has rents falling by more than 20% over the next couple of years, before a modest recovery thereafter” and;

“While the outlook for office demand is increasingly uncertain, UK office owners entered the coronavirus crisis in a strong position. The national

office vacancy rate was below 5% as the lockdown began in late March, its lowest level this century thanks to two strong years of net absorption in 2018 and 2019, and a relatively modest development pipeline compared to the 2008 recession.”

33.5. However, in the period leading into the Coronavirus; CoStar ranked Tees Valley and Durham as 14th of 52 regional markets in terms of delivery of new office space and 21st of 52 for offices under construction.

33.6. CoStar’s Retail National Report, United Kingdom (August 2020) (App T)

“Retailers that have adapted and struck a balance between on- and offline have generally been the most successful, along with big box discount chains like Home Bargains and B&M. Pre-crisis growth in the food sector had been driven by Aldi and Lidl. But with the whole sector receiving a boost in recent months, the outlook looks strong for food and convenience stores, meaning supermarkets are likely to be one of the few resilient areas of UK retail in the near term. Elsewhere in the retail sector, department stores have continued to take the brunt of the downward trend and reduction in footfall, with CVAs and administrations for household names like House of Fraser and Debenhams taking the headlines before the outset of the pandemic, while local independents also fell into trouble as store closures hit revenues. Although traditionally resilient, retail parks have not been immune from the difficulties, with vacancy increasing in certain locations following the demise of a number of occupiers and rent renegotiations for others.” and;

“Alternative uses for empty retail units have been on the rise, and many empty retail park units and shopping centre spaces have been occupied by other operators or converted to the next best alternative use. The growth in last mile logistics and residential demand is set to drive redevelopment of many vacant or underperforming sites, helping to provide some counter balance to rising vacancies. This conversion trend is expanding at pace, with entire retail schemes being considered for conversion to other uses.”

33.7. In terms of deliveries of new retail space, Tees Valley and Durham was ranked 38th of 52 regional markets.

33.8. In August 2020, LaSalle forecast that “the rise of logistics, the decline of apparel retailers and the mainstreaming of alternative sectors continued to drive real estate investment flows” and;

“as a result of the large decline in sales at physical shops, LaSalle said it expects average UK retail property value, which have fallen about 12% since 2018, to drop by an additional 20% to 30% this year.”

(2020)<https://product.costar.com/home/news/821748454>

3.3.9. The evidence above suggests that pre-covid, demand levels remained positive for good quality, modern industrial accommodation, particularly Logistics. This suggests that new industrial development may be well received in the regional market place. The office market activity has mainly focused in major city locations (the most regionally dominant being Newcastle); however, with more employees working from home there is potential for growth in office markets outside the major cities, offering smaller scale and more affordable rent. There continues to be a general fall in demand for out-of-town offices, reflecting a wider trend experienced throughout the UK.

3.3.10. Demand for town centre retail was already in decline pre-covid, however conversion of vacant spaces for alternative uses is an emerging as a feature across the region. Brexit is likely to impact on market conditions in the short to medium term. There is some demand for good quality, modern stock, particularly in the industrial and logistical sector and also retail warehousing. Furthermore, the discount supermarket brands continue to expand their operations. In this regard, there remain opportunities for new commercial development.

4. METHODOLOGY AND EVIDENCE SOURCES

4.1. Introduction

4.1.1. For the purposes of our study we have adhered to the requirements and guidance for plan viability testing as set in the NPPF / PPG (referenced above in Section 2).

4.1.2. This section details the methodology applied and the rationale behind assumptions made.

4.2. The Residual Method of Valuation

4.2.1. Central to undertaking viability testing is the residual method of valuation (sometimes referred to as a development appraisal). This is an established valuation approach, which can be illustrated by the following equation:

Completed Development Value (known as Gross Development Value)

Less

Development Costs

(Construction + Fees + Abnormal Costs + Finance + Developers Profit

Equals

Residue for Land Acquisition

4.2.2. The calculation to arrive at the land value assumes the scheme has been completed. All the costs associated with developing the scheme are deducted from all forecast income. The remaining sum, or 'residue' (if any is left), equates to the value that could be paid for the land based on the development being proposed.

- 4.2.3. Whilst a simple concept, it is stressed that, in reality, the residual method often becomes a complicated and detailed approach. This is because the methodology inherently requires a wide variety of inputs to be factored into the assessment, all of which are subject to variance (e.g. sales values, build costs, professional fees, abnormal works, Council policies, profit, marketing, finance etc). All these inputs need to be considered carefully, as potentially relatively small variances to one or two inputs could have a significant impact on the results of the assessment. This inherent flaw in the methodology is recognised by the RICS and wider industry, and as a result 'sensitivity' testing is recommended to try and minimise the impact of these potential variances. Nevertheless, the industry still considers this to be the most appropriate methodology for assessing development sites and appraising land value.
- 4.2.4. The residual valuation method can be applied to both residential and commercial development and is therefore applicable to Whole Plan viability testing. We have subsequently utilised this approach in undertaking our viability testing.
- 4.2.5. The Harman Review and recent PPG are clear that the appraisal inputs (e.g. revenue, build costs, professional fees, developer's profit etc) should be evidence based and reflect the dynamics of the market being assessed. Stakeholders should be engaged to ensure the adopted inputs are as robust as possible. Stakeholders have been engaged in setting the standardised inputs.
- 4.2.6. The residual method allows an iterative approach to be undertaken, as certain appraisal inputs (such as planning policies) can be varied and tested to determine their impact on overall viability. The method is therefore consistent with the requirements of the NPPF and PPG.

4.3. Evidence

- 4.3.1. Primary data is crucial in ensuring the viability testing is robust. This can include a variety of sources, such as the Land Registry for residential and land sales, services such as Costar SUITE (providing commercial property rents, yields and capital values), build cost databanks such as the Build Cost Information Service (BCIS) part of the RICS, historic viability assessments undertaken within Darlington and the wider region providing accepted parameters for appraisal inputs etc.
- 4.3.2. Likewise appeal decisions from the Planning Inspectorate can provide a useful indication of appraisal inputs, albeit the specific context of each case needs to be understood before conclusions are reached. There have been several cases which we consider to be useful in the context of viability testing:

Parkhurst Road Ltd vs Secretary of State for Communities and Local Government

- 4.3.3. We are aware of the case in the High Court of Justice between Parkhurst Road Limited, the Secretary of State for Communities and Local Government and the Council of the London Borough of Islington (Citation Number [2018] EWHC 991).
- 4.3.4. The claimant (Parkhurst Road Limited) sought to challenge a previous appeal decision relating to the development of a Former Territorial Army Centre in Islington, London, which had previously been dismissed through a Planning Appeal process. The case involved the examination of a number of key viability issues, most notably in relation to establishing Benchmark Land Values (“BLV”).
- 4.3.5. Mr Justice Holgate dismissed the appeal and, in his judgement, supported the approach adopted by the Council to establish the BLV of the site for the purposes of the viability appraisal. The method used involved establishing the existing use value and then applying a premium uplift to this figure to arrive at

a suitable BLV. This, therefore, broadly supports the approach advocated by the PPG.

- 43.6. However, it is stressed that, due to the unique nature of development sites, we do not consider it necessarily appropriate to apply rulings for individual schemes to all projects. The Parkhurst Rd Ltd case had a variety of factors unique that its own particular market and circumstances, which would not necessarily apply to other schemes. That said, this case did bring about the issuing of a letter from government stating that the “PPG’s unambiguous policy position is in all cases land or site value... should reflect policy requirements and planning obligations...”, which was further re-emphasised in the recent changes to the PPG and therefore we have taken this into consideration in the methodology adopted for the purposes of this study.

Land off Poplar Close, Ruskington, Lincolnshire (APP/R2520/S/16/3150756)

- 43.7. This related to a greenfield site comprising 67 dwellings.
- 43.8. The Inspector ruled that it was appropriate to depart from the BCIS median when identifying build costs, on the grounds that the BCIS data can be inherently high and did not represent the savings made by larger regional / volume housebuilders in terms of materials and labour.

Land off Flaxley Rd, Selby (APP/N2739/s/16/3149425)

- 43.9. This related to a greenfield site comprising 202 dwellings.
- 43.10. The Inspector went further than the Ruskington decision outlined above, and ruled that it was appropriate to depart from the BCIS lower quartile when identifying build costs. Again, this was on the grounds that the BCIS has its limitations as a data set and can be regarded as being inherently high for schemes likely to be implemented by larger regional or volume housebuilders.

Land off Lowfield Road, Bolton upon Dearne, Barnsley
(APP/R4408/W/17/3170851)

- 43.11. This related to Phase 3 of a wider scheme and comprised a greenfield site of 97 dwellings.
- 43.12. This case related to the implication of a development in a low value area by a 'low cost developer' specialist (in this case Gleasons, but could also apply to ESH, Persimmon, Keepmoat Homes etc). The Inspector recognised that for this type of development in this location, the developer would implement a different type of product compared to other high value locations.
- 43.13. To reflect this, the viability assumptions should therefore be adjusted to take into account: significantly lower base build costs (particularly when compared to the BCIS rates), a higher percentage allowance for external works, lower professional fees and a lower debit interest charge. These adjustments resulted in the scheme being shown to be viable (which was considered to be appropriate as Phase 1 and 2 of the project had been delivered).
- 43.14. As indicated above, in recent years the Council has commissioned a variety of area wide studies linked to the preparation of its Local Plan. This included the following:
- **Strategic Housing Market Assessment** (2017) - calculates the need for both market housing and affordable housing, within the defined housing market area, and considers whether the household types, tenure and size in the current stock, and in recent supply, would meet future needs.
 - **Strategic Housing Market Assessment** (November 2020) - provides an assessment of the need for housing of specific types to meet particular needs.
 - **The Impact of Growth of Demand for Sports Facilities** (March 2019) - provides a baseline evidence base on potential future requirements for sports facilities to support the planned level of housing growth across the Darlington area.
 - **Darlington Future Employment Needs Report** (September 2017) - Darlington Borough Council commissioned Oxford Economics to revise previously calculated economic forecasts for Darlington to support the development of our local plan.
 - **Darlington Gypsy and Traveller Accommodation Assessment Update** (2017) - identifies the need of accommodation for the Gypsy and Traveller Community in the Local Plan period 2016-2036.

- **Darlington Housing and Employment Land Availability Assessment** (March 2018) - is a technical study that determines the suitability, availability and achievability of land for development.
- **Darlington Landscape Character Assessment** (2015) - presents a description and evaluation of the landscape of the Borough of Darlington. It was prepared on behalf of Darlington Borough Council to provide part of the evidence base for forthcoming development planning documents.
- **Darlington Playing Pitch and Sports Facility Strategy** (June 2015) - sets out the vision for the provision of playing pitches and sports facilities in the next five years.
- **Darlington Retail Study Update** (2017) - sets out the viability and vitality of Darlington Town Centre and the projected need for retail space and uses in the Borough for the Local Plan 2016-2036.

43.15. The above studies along with the proposed Local Plan Policies have been used as a starting point for the viability testing. This therefore has formed part of the wider evidence base.

43.16. We also consider it appropriate to review other area wide studies undertaken on behalf of neighbouring authorities. These provide a useful insight into plan viability testing in the regional market. The studies identified include the following:

- Richmondshire: CIL Viability Study (Peter Brett Associates Jan 16)
- Stockton on Tees: Affordable Housing Viability Study (3 Dragons Oct 16)
- Sunderland: Whole Plan Viability Assessment (HDH Planning Aug 17)
- Gateshead & Newcastle: Viability and Deliverability Report (Feb 16)
- County Durham: Local Plan Viability (draft Apr 18)

4.4. Stakeholder engagement

4.4.1. In addition to appeal decisions and other primary source evidence, the guidance indicates that stakeholders should be engaged to ensure the appraisal inputs are reflective of market conditions and are deliverable.

4.4.2. As part of preparing the evidence base for this study we undertook two stakeholder consultation exercises.

4.4.3. Two e-mail consultations took place with the HELA group, comprising local developers, agents and other stakeholders. Feedback from the consultations has been taken on board in preparing this viability assessment

4.4.4. The Council has also been through a consultation process in relation to its Regulation 18 Draft Local Plan.

4.4.5. The Council also consulted on a Draft version of this Local Plan Viability Assessment alongside the Regulation 19 Proposed Submission Local Plan in Summer 2020 and this update has taken account of the comments and feedback received through this process.

4.5. **Benchmark Land Value**

4.5.1. In short, the BLV represents the minimum land value that a hypothetical landowner would accept to release their land for development, in the context of the prevalent planning policies. A BLV does not therefore attempt to identify the market value, it is a distinct concept.

4.5.2. To identify the BLV, the Harman Review and the PPG recommends using a premium over existing use value (“EUV”) and credible alternative values as a means of determining the BLV.

4.5.3. The PPG goes on to say that the BLV should:

- Fully reflect the total cost of all relevant policy requirements including planning obligations and, where applicable, any Community Infrastructure Levy charge;
- Fully reflect the total cost of abnormal costs; site-specific infrastructure costs; and professional site fees;
- Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types.

4.5.4. This follows the principle that if two identical sites are next to one another, and one has significant abnormal costs and the other does not, the site with abnormal costs will naturally have a lower site value than the land

unconstrained by abnormal costs.

- 4.5.5. In other words, as abnormal costs increase, site value decreases and vice versa (although it is not necessarily the case that cost equals value). This is because a landowner would be forced to reduce their expectations of value as a developer would have to factor in the cost of the undertaking the abnormal costs, resulting in a lower offer. If the landowner still secured a reasonable uplift over the EUV this would represent an acceptable deal and therefore the scheme would be viable. It would become unviable if the offer became too close to the EUV leaving no incentive for the landowner to release the land for development.
- 4.5.6. In terms of assessing the uplift above the EUV, a differential should be made between assessing previously developed land and agricultural (greenfield) land. This is because the underlying EUV of an agricultural field will typically be significantly lower when compared to previously developed land. This means that different premiums will need to be applied to encourage landowners to sell.
- 4.5.7. The Harman Review and PPG are each silent on the precise level of premium. However, based on our experience in the market place a premium in the region of 10% to 30% above the EUV is typically expected for previously developed land (dependent on the nature of the land). For agricultural land, where values will be relatively consistent regardless of locational factors, the level of premium will be significantly higher (and can fluctuate typically from 5 to 25 (or higher) times the EUV).
- 4.5.8. However, the PPG goes on to suggest that one approach to assessing the premium over the EUV is to identify recent, policy compliant, sales of land (to capture the latest market conditions) that have recently secured a planning permission (to capture the most up to date planning policies). This can then be compared to the EUV of that site. The difference between the two figures can be regarded as a guide to premium uplifts in that location. However, there are 2 key difficulties attached to this approach:
- There are a wide variety of factors which impact on land values, including overall site size, gross to net ratios, density, proposed dwelling types,

location, planning policy contributions (which fluctuate from site to site), abnormal costs, infrastructure works, the financial circumstances of the vendor and purchaser, restrictive covenants on the title, easements, whether the sale took place prior to or post achieving planning consent etc. All the factors that impacted on value will not typically be known to an assessor nor available in the public domain. This means analysing land transactions is extremely difficult and not particularly reliable.

- The amount of data available is likely to be limited, reducing the reliability of the evidence.

4.6. Site Types

- 4.6.1. The guidance states that the types of sites assessed as part of the viability testing should represent the likely supply of development over the plan period. Once identified, these are then tested using the residual method, with comparisons to the separately identified BLV, as outlined above.
- 4.6.2. The NPPF / PPG indicates that site testing can either be based on real 'live' sites or hypothetical site typologies, drawing upon historic completions and planning permissions.
- 4.6.3. In either case, a reasonably wide variety of sites should be considered. The guidance indicates several factors which could be considered when assessing hypothetical site typologies, including
- Varying levels of infrastructure dependent on the size of the scheme.
 - The potential for 'abnormal' costs such as remediation and decontamination.
 - Different BLV's dependent on the nature of the land (e.g. greenfield versus previously developed land in an urban area).
 - Geographical locations impacting on revenue and sales rates.

4.6.4. However, the NPPF / PPG recognises that a balance needs to be struck between key viability considerations and ensuring there are a manageable number of site typologies to ensure the testing is as robust as possible. In other words, for the purposes of whole plan viability testing, it is acknowledged that all variations will not be able to be fully tested. However, what is important is that key fluctuations are reflected through the viability modelling as much as possible.

4.7. Iterative Approach

4.7.1. Having identified appropriate sites for the purposes of the modelling (whether real sites or hypothetical or both), the residual method is then used, which generates a land value that can be compared to the BLV. As indicated above, if the land value is above the BLV, the scheme is deemed to be viable, if it is below the scheme is unviable.

4.7.2. Once it has been determined whether a scheme is viable or not, adjustments can be made to the planning policy requirements to adjust the viability of the scheme. For example, if the full aspirational policy provisions are applied and the scheme is shown to be unviable, this would demonstrate that the policy provisions are unlikely to be deliverable (therefore failing to meet the requirements of the NPPF). In this scenario, the policy provisions can be reduced and the scheme re-tested. This can be done on an iterative basis up to the point where the scheme is deemed to be viable. Alternatively, it may be that the aspirational policy provisions are tested and the scheme is comfortably viable, generating a surplus of income. Under this scenario, the policy provision (for example affordable housing) could be increased and the scheme re- tested (again on an iterative basis) until there is a pre-set position of viability is reached.

4.7.3. In adopting an iterative approach, it is therefore important to identify 'base' appraisals, from which adjustments can be made. This can either be based on the full policy aspirations being excluded, and then added back in on an iterative basis up to a pre-determined point of viability. Or alternatively the base appraisals could include the full policy aspirations from the outset, and if

the testing shows there is significant viability pressure the policy provisions could be adjusted down again up to a pre-determined point of viability.

4.8. Our Approach

4.8.1. Based on the above we have adopted the following approach for the purposes of the Local Plan viability testing:

- We have identified hypothetical site types, which we consider to best reflect the future supply of sites across the Borough (both for residential and commercial development sites), having regard to site allocations proposed in the emerging Local Plan.
- We have also incorporated some limited 'real' site appraisals, to ensure the testing is as robust as possible and follow the approach advocated in national guidance.
- For each hypothetical site type or real site we have modelled a base development appraisal, inputting the revenue and costs associated with that scheme. This has been modelled in accordance with the residual method, whereby the outcome is the land value (with all other inputs fixed costs).
- Initially, we look to test base appraisals, building in the emerging policies. We have run each base appraisal at 0%, 10%, 20% and 30% affordable housing and recorded the residual land values for each. If the residual land value is above the BLV, the scheme is deemed to be viable, if below it is deemed unviable.
- Regarding other planning obligation and section 106 requirements, for those base appraisals that show a viable position we have re-run the appraisals applying different s.106 policies, to gain an understanding of the affordability and impact of s.106 policies on viability. This was part of a process of sensitivity testing, where key appraisal inputs are varied to test the impact on viability. This aids the overall analysis and ensures that the conclusions reached are as robust as possible.

- In forming our recommendations, a holistic approach is taken to all testing results.

5. RESIDENTIAL VIABILITY ASSUMPTIONS

5.1. Introduction

5.1.1. This section considers residential development to provide recommendations regarding affordable housing provisions, S106 obligations and any other relevant policies which could impact on viability.

5.2. Typology testing

5.2.1. As indicated above, for the purposes of this study, we have utilised hypothetical sites within the modelling, as follows (see also Appendix A):

Table 1 – Site Typologies

Location	Site Type	Scenario	Dwellings
Urban	Greenfield	1	10
Urban	Greenfield	2	25
Urban	Greenfield	3	50
Urban	Brownfield	4	10
Urban	Brownfield	5	25
Urban	Brownfield	6	50
Urban	Brownfield	7	100
Urban Extension	Greenfield	8	100
Urban Extension	Greenfield	9	250
Urban Extension	Greenfield	10	500
Urban Extension	Greenfield	11	1,000
Village	Greenfield	12	10
Village	Greenfield	13	25
Village	Greenfield	14	50
Village	Greenfield	15	100
Village	Greenfield	16	250

5.2.2. As discussed in Section 3, there is a general lack of activity within the apartment sector in Darlington other than affordable homes. In higher value locations, there may be some opportunities for apartment schemes, however we anticipate these opportunities will be limited. For the purposes of this study,

we have therefore focused mainly on housing for market housing schemes.

- 5.2.3. There will be demand in the future for 'over 55s' apartment living (delivered by specialists such as McCarthy and Stone and Churchill Retirement Living) which will begin to be met by a scheme that is currently in progress on Trinity Road in Darlington.
- 5.2.4. Given the nature of specialist over 55s apartment living, 'on-site' affordable housing is not considered practicable within these types of apartment blocks (due to issues with management), however it may be the case that an off-site affordable housing commuted sum charge could be payable, if viability can be demonstrated.
- 5.2.5. In terms of residential values, to reflect geographical differences between locations we have looked to identify value 'bands' reflecting these value variations being; low, medium and high.
- 5.2.6. To assist in this, we have used the 'current average value' function on the Zoopla website (which is based on data collected from the Land Registry). This gives an average price paid for the Borough of Darlington as a whole (£161,244 as at 5 August 2020 (based on previous 12 months) and a current average value for various main town and service centres within Darlington. The aggregation of new build and after-market sales did not give an accurate reflection of the new-build market.
- 5.2.7. A further detailed analysis was undertaken of new-build residential sales for the years 2018 and 2019. Land Registry records were cross-referenced to new residential registrations for Council Tax and EPC data to identify the absolute sales values of new build properties and the sales values per square metre. This detailed analysis has enabled an accurate price paid for both localities and property types; which has been used in viability testing (see Appendix G.):

Low value area - current average value 80% to 100% of £2,099 / sq.m

Medium value area current average value 100 % to 120% of £2,099 / sq.m

High value area current average value 120% to 200% of £2,099 / sq.m

5.2.8. Please see Appendices A1 and A2 for a map of the different value locations and their average values as shown through Zoopla. The wards considered are as follows:

Table 2 – Value locations

High Value	Medium Value	Low Value
Hurworth	Brinkburn and Faverdale	Bank Top and Lascelles
Hummersknott	Cockerton	Northgate
Mowden	College	Park East
Park West	Eastbourne	Stephenson
	Harrowgate Hill	
	Haughton and Springfield	
	Heighington and Coniscliffe	
	North Road	
	Pierremont	
	Red Hall and Lingfield	
	Sadberge and Middleton St George	
	Whinfield	

5.2.9. A further key variation in the viability outcome is the nature of the land, specifically whether this has been previously developed (often called ‘brownfield’) or undeveloped land (often referred to as ‘greenfield’). As discussed above in Section 4, the underlying existing use value will be significantly different for a greenfield site compared to previously developed land. A greenfield site will typically have an underlying agricultural or amenity land value, typically at a relatively modest level. In comparison, previously developed land will usually have a value based on its existing planning consent, which is likely to be higher than an agricultural land value. It may also have an alternative commercial use, which would need to be factored into any assessment of value.

5.2.10. Greenfield and previously developed land therefore offer different development propositions for house builders / developers. In recognition of these differences we therefore consider it appropriate to model each site type on the basis of both a greenfield site and separately as previously developed land where relevant.

5.2.11. Furthermore, as this is a Local Plan Viability study our assessments separately consider Affordable housing and S106 contributions.

5.2.12. In accordance with the guidance we have looked to ensure our appraisals are

not at the margins of viability, and therefore included suitable ‘buffers’ to help ensure the assessments are robust and policy requirements demonstrably viable.

5.3. Density and gross-to-net ratios

- 5.3.1. Density rates will fluctuate from scheme to scheme and are usually expressed as a rate per net or gross hectare. We have considered this based on dwellings per net hectare.
- 5.3.2. Housing density can depend on a variety of factors, for example higher value locations tend to attract larger homes, therefore lower density rates per net ha (and vice versa). Furthermore, if a scheme has a high proportion of bungalows (which tend to have larger plots) this can also reduce the density of a scheme.
- 5.3.3. The ratio of gross to net applied to the different site typologies in this assessment are set out in the table below.

Table 3 – Developable Area by Site Typology

Location	Site Type	Scenario	Dwellings	Developable Area Assumption
Urban	Greenfield	1	10	100%
Urban	Greenfield	2	25	90%
Urban	Greenfield	3	50	80%
Urban	Brownfield	4	10	100%
Urban	Brownfield	5	25	90%
Urban	Brownfield	6	50	80%
Urban	Brownfield	7	100	75%
Urban Extension	Greenfield	8	100	70%
Urban Extension	Greenfield	9	250	65%
Urban Extension	Greenfield	10	500	60%
Urban Extension	Greenfield	11	1,000	60%
Village	Greenfield	12	10	100%
Village	Greenfield	13	25	85%
Village	Greenfield	14	50	75%
Village	Greenfield	15	100	70%
Village	Greenfield	16	250	65%

- 5.3.4. The gross to net assumptions used by other Local Planning Authorities in the North East can be summarised as follows:

Northumberland County Council (November 2018) – gross to net ratios range from 80% to 90%.

Durham County Council (Apr 2018) – gross to net ratios range from 80% to 90%.

Sunderland City Council (Aug 2017) – for sites up to 0.4Ha the gross to net ratio is 100%, reduced to 75% to 90% for 0.4Ha to 2Ha. For all schemes over 2Ha the ratio ranges from 50% to 75%.

Newcastle City Council and Gateshead Council (Feb 2016) – for sites up to 0.4Ha the gross to net ratio is 100%, reduced to 90% for 0.4Ha to 2Ha. For all schemes over 2Ha the ratio is 75%.

North Tyneside Council (Jun 2016) – for sites up to 0.4Ha the gross to net ratio is 100%, reduced to 75% to 90% for 0.4Ha to 2Ha. For all schemes over 2Ha the ratio ranges from 50% to 75%.

5.3.5.Regarding dwellings per net hectare, we have again looked at the approach of other local authorities:

Durham County Council (Apr 2018 Draft) – 30 to 35 dwellings per net Ha

Sunderland City Council (Aug 2017) – 20 to 40 dwellings per net Ha

Newcastle City Council and Gateshead Council (Feb 2016 – currently being reviewed and updated) – 40 to 50 dwellings per net Ha.

North Tyneside Council (Jun 2016) – 27 dwellings per net Ha

Stockton Borough Council (Oct 2016) – 25 to 50 dwellings per net Ha

5.3.6.For all typologies we have applied 35 dwellings per net hectare.

5.4. Dwelling sizes

5.4.1. As with density and gross-to-net developable area ratios, dwelling sizes will vary from site to site. In higher value locations it may be that the market expects

larger detached housing, increasing the overall average size. Conversely, in lower market areas it may be more appropriate to have a higher proportion of smaller semi-detached / terraced dwellings, which reduces the overall average.

5.4.2. A review of newly built homes from 2017-2019 was undertaken, cross checking land registry data with EPC data.

5.4.3. Dwelling sizes ranged from 62 sq m to 233 sqm. With the average dwelling size being c 95 sqm.

5.4.4. Comparisons have been made with other Local Planning Authority studies:

Durham County Council (2018) – a single average equivalent to 95 sq m was adopted.

Sunderland City Council (Aug 2017) – 68 sq m to 130 sq m

Newcastle City Council and Gateshead Council (Feb 2016 – currently being reviewed and updated) – 45 sq m to 121 sq m

North Tyneside Council (Jun 2016) – 65 sq m to 130 sq m

Stockton Borough Council (Oct 2016) – 70 sq m to 120 sq m

5.4.5. The average dwelling size and allowances made are broadly in line with other Local Planning Authority studies.

5.4.6. The approach taken has been to use average dwelling sizes with adjustments made to reflect the likely mix in typology locations. The adjustments made reflect average dwelling sizes in previous schemes in the typology areas.

5.5. Revenue – Market Value

5.5.1. For market value housing we have identified sales evidence from across the Borough, utilising the Land Registry. Using the online functions, we have limited the data collected to different postcode areas within Darlington, new build dwellings, type of dwelling (i.e. semi, detached, terrace etc) and sales achieved since September 2019. By collating the data in this way, we have been able to undertake a more focused analysis.

5.5.2. In order to identify the size of each property, the Land Registry data has been

cross referenced with dwelling sizes as shown on the respective EPC Register. The size of each dwelling is given as a single figure (in square metres). We consider the use of the EPC register to be appropriate for the purposes of this study when analysing sales values, for the following reasons:

- (i) This approach has been adopted by other authorities in their own area-wide viability testing and accepted through an examination process (Newcastle and Gateshead both adopted this approach in their Core Strategy assessment and CIL testing, each of which was successfully taken through examination).
- (ii) This is an approach used on a wide-spread basis in preparation of viability assessments for individual planning applications and area wide studies. The method is used by Local Authorities, surveyors, landowners and house-builders (albeit it is accepted that not all parties consistently use the approach).
- (iii) For the purposes of an area-wide study the assessor is looking to establish appropriate average sales values. It is accepted that the sales data collected through the Land Registry will reflect a variety of different dwelling types, for example some of dwellings that form the data will comprise garages and some of which will not. The rates per sq m data will therefore show a range of figures to reflect these variations. However, we have not looked to adopt values at the top end of the range, but instead looked to arrive at average values, which mitigates these variations in the data.

5.5.3. There is also a lag of around 3 – 6 months in the Land Registry data, due to the time it takes for new transactions to be submitted to the Land Registry following a sale and to be uploaded onto the database. As such, any house price inflation that has taken place in recent months (over a 1 to 2 quarter period) is not reflected in the evidence. Allowances therefore need to be made in the analysis for this inflation.

5.5.4. Taking into account the previous figures applied, the Land Registry data identified, average settlement values in Zoopla and also house price inflation during the last few years we have arrived at the following adjusted sales values:

Table 4 – Market value average sales values (£ per sq m)

Value banding	Average value (£ per sq m)
Low	£1,776
Medium	£2,099
High	£2,421

5.6. Revenue – Affordable Housing

- 5.6.1. The Local Plan Viability Studies undertaken by other North East Local Planning Authorities make the following allowances:

Durham County Council (Apr 2018) – affordable rent equivalent to 50% of market value, for intermediate / shared ownership 67.50% of market value.

Sunderland City Council (Aug 2017) – for the affordable rent units a ‘rent and yield’ approach has been adopted, whereby the net rental has been arrived at (by deducting management, voids, repairs) before capitalising using an appropriate yield. For the intermediate / shared ownership 65% of market value has been assumed.

Newcastle City Council and Gateshead Council (Feb 2016 – currently being reviewed and updated) – affordable rent equivalent to 55% of market value, for intermediate / shared ownership 70% of market value.

North Tyneside Council (Jun 2016) – have adopted fixed transfer values, ranging from £65,000 to £92,000 for affordable rented units and £70,000 to £80,000 for intermediate / shared ownership.

- 5.6.2. This demonstrates there are several approaches to identifying transfer values, albeit the most favoured tends to be in line with the Council’s existing approach whereby a percentage of the equivalent market value is allowed.
- 5.6.3. Having considered the above, we consider a ‘percentage of market value’ to be an appropriate approach for the purposes of an area-wide viability study. Furthermore, and based on our experience of undertaking individual viability

assessments, we consider there to be scope to increase the affordable rented allowance to 45% of market value. For intermediate / shared ownership the previous allowance of 75% is reasonable.

5.7. Plot construction costs

- 5.7.1. For the purposes of this study, plot construction costs mean the cost of building each dwelling, including preliminaries and contractor's margin, but excluding externals, abnormals and a contingency allowance.
- 5.7.2. With regard to 'plot construction' costs (the cost of constructing a house from foundations up, but excluding any external works) we have considered a variety of evidence, including reviewing past appraisals received by the Council (which remain commercially sensitive, although the average across the sample can be disclosed), comments from stakeholders, regional area wide studies taken on behalf of neighbouring Councils and data sources, in particular the Build Cost Information Service (BCIS) of the RICS.
- 5.7.3. The BCIS is a favoured tool in the industry and in consultation with developers was considered a good indicator of construction costs, particularly for the purposes of an area wide study. This is because the data, which is based on voluntary tender information submitted to the RICS, gives a rate per sq m to apply to an assessment. Furthermore, it also can be rebased to particular locations, and can also be adjusted dependent on the size of your dwellings (for example a rate is given for 2 storey housing and a separate rate for single storey dwellings), therefore giving greater accuracy.
- 5.7.4. The data does however have weaknesses which can often be overlooked. Firstly, the 'rate per sq m' shown in the BCIS includes the plot construction cost, site preliminary costs and the contractor's overhead allowance. However, it excludes external costs, contingency allowance and all abnormal works. If the BCIS is adopted the items excluded therefore need to be added back in. Likewise, it is important that items such as preliminaries are not 'double counted'.

- 5.7.5. It is generally accepted that volume housebuilders are able to construct houses at a cheaper rate than smaller building firms (owing to their ability to bulk-buy materials and their ability to offer more regular work, therefore negotiate cheaper contracts with sub-contractors etc). The BCIS acknowledges this through a note on “Economies of Scale” it published on 25th Oct 2016, which states the following:

Pricing levels on building contracts tend to fall as the size of the project increases.

The latest BCIS Tender Price Study, based on project tender price indices analysed by contract sum, shows that pricing levels fall by as much as 20% between small contracts and multimillion pound schemes.

Compared to the mean value of projects in the study of £1.7million projects, pricing on small projects is 10% higher, while pricing on projects over £40million can be 10% lower.

- 5.7.6. The sample used in the elemental analysis does not include data from larger scale projects, it is mostly derived from schemes comprising 20 or less houses. As the volume house-builder lower costs are not reflected within this sample, the data can be regarded as being inherently high, at least when trying to determine the construction costs for a large scheme (in excess of say 50 units). For this reason, the BCIS is less reliable for larger developments (particularly those which would require implementation by a large volume house builder). To account for this, the BCIS lower quartile figure is often deemed a more appropriate benchmark for larger scale projects.
- 5.7.7. Thirdly, the data is partly estimated and is vulnerable to short-term ‘spikes’ in the wider construction market (regardless of whether this has in fact filtered through to specific tender prices for specific products e.g. housing). This can cause sharp short-term ‘jumps’ in the BCIS rates shown, which then typically level off in the future. For undertaking a study at a specific point in time, this can provide an unbalanced view of the market. As indicated above, at the current time the BCIS rates reflect recent sharp inflationary pressure, but as shown it is expected that the impact of this will level off in the coming months. From a viability testing perspective, applying the current BCIS rates, which

incorporate the recent spikes in the market place, can provide an unbalanced view of scheme viability.

5.7.8. BCIS is a useful tool and is routinely used when undertaking area wide assessments. However, there are weaknesses in the data sampling, particularly when assessing larger scale projects. As such, the context of the data needs to be understood and adjustments are needed to ensure appropriate build costs are applied.

5.7.9. Furthermore, the following appeal decisions are relevant here:

Poplar Close, Ruskington (ref 3150756)

- Greenfield site, 67 dwellings.
- Average sales values £2,100 - £2,300 per sq m.
- Use of lower quartile BCIS agreed and accepted by the Inspector.

Flaxley Rd, Selby (ref 3149425)

- Greenfield site, 202 dwellings.
- Average sales values £2,000 per sq m.
- Inspector ruled that the lower quartile BCIS was not appropriate for determining build costs when a scheme was (i) likely to be delivered by a volume house builder and (ii) other information / data was available.
- A figure below the lower quartile was accepted by the Inspector.

Lowfield Road, Bolton upon Dearne, Barnsley (PINS ref 3170851)

- Greenfield site, Phase3 97 dwellings.
- Low value location.
- Inspector accepted build costs significantly lower than the BCIS lower quartile, on the basis of the scheme was likely to be delivered by a 'low cost' developer.

5.7.10. Two of the three appeal decisions therefore advocate the use of a build cost below the BCIS lower quartile. In the case of a low value location scheme (implemented by a 'low cost' developer), the build costs are some way below

the BCIS lower quartile rate. This is also reflected in our own experience of undertaking individual viability assessments in low value locations, where we typically see build costs below the BCIS lower quartile rate. It also matches evidence held by the Councils from their own records of individual viability schemes being delivered in lower value locations, which support figures below the BCIS lower quartile rate.

- 5.7.11. The Local Plan viability studies undertaken by other Local Planning Authorities in the North East make the following allowances for plot construction costs:

Durham County Council (Apr 2018 Draft) – for schemes of 20 units or less the BCIS median is applied, for schemes of 50 dwellings or more the lower quartile is applied.

Sunderland City Council (Aug 2017) – adopt the mid-point between the median and lower quartile.

Newcastle City Council and Gateshead Council (Feb 2016 – currently being reviewed and updated) – range between BCIS lower quartile and median.

North Tyneside Council (Jun 2016) – consider the BCIS and then adopt a lower rate (equivalent to £830 per sq m).

Stockton Borough Council (Oct 2016) – adopt the BCIS median, although they comment that they consider this to be a conservative approach.

- 5.7.12. The identified evidence broadly supports the use of the BCIS, however it also highlights the limitations of the data and indicates that adjustments are appropriate (dependent on the nature of the site in question) for the purposes of plan viability testing.

- 5.7.13. For the purposes of the testing the BCIS lower quartile has been applied to all schemes (being site types likely to be brought forward by regional and national house builders). However, an uplift to between lower and median has been applied to smaller schemes.

Accessible and adaptable dwellings

5.7.14. In 2015 the government created a new approach to the setting of technical standards for new housing and Local Planning Authorities have the option to set additional requirements exceeding the minimum standards required by building regulations in respect of three areas. One of these areas is adaptable and accessible housing:

5.7.15. Local Planning Authorities can set a requirement for the 3 categories of adaptable and accessible housing which form Part of Approved Document M, defined as follows:

M4 (1) Category 1: Visitable dwellings. Reasonable provision should be made for people to gain access to and use the dwelling and its facilities.

M4(2) Category 2: Accessible and adaptable dwellings. Reasonable provision must be made for people to gain access to and use the dwelling and its facilities. The provision made must be sufficient to meet the needs of occupants with differing needs including some older or disabled people and to allow adaptation of the dwelling to meet the changing needs of occupants over time.

M4 (3) Category 3: Wheelchair user dwellings. Reasonable provision must be made for people to gain access to and use the dwelling and its facilities. The provision must be made sufficient to (a) allow simple adaptation of the dwelling to meet the needs of occupants who use wheelchairs or (b) meet the needs of occupants who use wheelchairs.

5.7.16. The Council's emerging policy relates to M4 (2) and M4 (3) (a) and (b), as described above.

5.7.17. As this is an optional standard, there is limited available evidence to demonstrate the impact meeting this standard would have on overall build costs. For this reason, it is considered the EC Harris "Housing Standards Review – Cost Impacts" report from Sept 2014 undertaken for MHCLG provides an

important evidence base for the construction costings. The report includes a variety of cost estimates related to construction work, process costs, approval costs etc. Table 5 below sets out a breakdown of the costs shown in the EC Harris report.

Table 5 Summary of EC Harris M4 (2) and M4 costs per unit

	1 Bed App	2 Bed App	2 Bed Terr	3 Bed Semi	4 Bed Det
M4 (2)	940	907	523	521	520
M4 (3)	7,607	7,891	9,754	10,307	10,568

5.7.18. Based on forecast mixes of dwellings the following costs have been included, in line with Council Policy H4 in the viability testing:

Table 6 Summary of M4 (2) and M4 costs by Typology

	M3	M4
Urban	559.60	10,065.40
Brown	521.20	10,251.70
Urbex	560.80	9,730.50
Village	520.60	10,065.40

5.7.19. At the time of the EC Harris report there was no minimum dwelling size standard (the NDSS was first introduced in 2015, after the report). In their review, EC Harris subsequently made an additional “access related space cost” for providing slightly larger dwellings. As NDSS already allows for increased dwelling sizes (compared to the assumptions made in the EC Harris report), if NDSS is applied in the viability testing the additional increased dwelling cost referred to by EC Harris can be excluded from the analysis (as inclusion would reflect double-counting).

5.7.20. The EC Harris report also provides costings for M4 (3), which relates to wheelchair-user access. These costs are significantly higher and come in two levels: M4 (3a) adaptable and M4 (3b) accessible. For M4 (3a), the extra-over

construction cost (after allowances for inflation) equates to roughly £9,000 to £12,500 per dwelling. For M4 (3b) this increases to up to circa £25,000 per dwelling. In both cases, the M4 (3) standard would therefore have a greater impact on viability when compared to the M4 (2) standard.

5.7.21. In terms of adaptable and accessible the Council is proposing to modify Policy H4 of the Proposed Submission Local Plan based upon the SHMA update (2020) to require 47% of all dwellings to be M4(2) and 9% of all dwellings to be M4(3). The additional costs identified for achieving these standards have been included in viability appraisal testing and have no material impact on viability.

5.8. **Externals, contingency and professional fees**

5.8.1. Work commissioned by Northumberland County Council undertaken by CP Viability reviewed over one hundred viability appraisals undertaken across the wider Northern and East Midlands region. The results of their analysis are summarised below:

Externals

- Sub 10 dwellings average 9.88%
- 10 to 50 dwellings average 13.40%
- Over 50 dwellings average 18.32%

Contingency

- Sub 10 dwellings average 3.02%
- 10 to 50 dwellings average 3.29%
- Over 50 dwellings average 2.90%

Professional fees

- Sub 10 dwellings average 8.31%
- 10 to 50 dwellings average 6.69%
- Over 50 dwellings average 5.78%

5.8.2. The evidence collected by CP Viability for Northumberland CC suggests external costs in the region of 15%, contingency at 3% and professional fees of circa 6.5%. This gives an overall total of 24.50%. Whilst the individual elements are different the overall allowances are therefore broadly in line with the range

previously adopted by the Council.

- 5.8.3. As further evidence, we have reviewed the Local Plan Viability Studies undertaken by other Local Planning Authorities in the North East which show the following allowances:

Durham County Council (Apr 2018 Draft) – externals 15%, contingency 3% to 5% and professional fees 5% to 10%. Total ranges from 23% to 30%.

Sunderland City Council (Aug 2017) – externals 5% to 20%, contingency 2.5% to 5%, professional fees 10%. Total ranges from 17.5% to 35%.

Newcastle City Council and Gateshead Council (Feb 2016 – currently being reviewed and updated) – externals 10%, contingency 5% and professional fees 10%. Total 25%.

North Tyneside Council (Jun 2016) – externals 20%, contingency 0% to 5%, professional fees 10%. Total ranges from 30% to 35%.

Stockton Borough Council (Oct 2016) – externals 15%, contingency 0%, professional fees 8% to 12%. Total ranges from 23% to 27%.

- 5.8.4. Please note, the above evidence (both the viability appraisals data and local authority studies) include the NHBC warranty and EPC register costs.

- 5.8.5. A differentiation has also been made between greenfield (3%) and brownfield (5%) sites with regards to contingency allowances, as recognition that brownfield sites tend to have a higher risk of hidden costs (such as decontamination works). Likewise, for professional fees, a range of 6% to 10% dependent on the size of the scheme. Larger schemes are allowed a lower professional fee percentage, reflecting some quantum savings and also the fact that regional / volume housebuilders utilise existing product types and therefore have reduced design costs.

- 5.8.6. In total allowances made for contingency, externals and professional fees range from circa 20% to 30%, which is considered a reasonable approach justified by the identified and comparable evidence.

5.9. **Abnormals**

- 59.1. These can be defined as construction costs which are over-and-above the standard requirements of a scheme. This can include a variety of costs, such as remediation works, decontamination, demolition, enhanced foundation solutions, flood mitigation works, 'opening' infrastructure works etc.
- 59.2. There is a relationship between land value and abnormal costs, the general principle being that if two identical sites are next to one another, the site with higher abnormal costs will have a lower site value and vice versa. This follows the way the market works, as a housebuilder / developer would look to negotiate a reduced price if abnormal costs were identified. Likewise, it is reasonable to assume that, if abnormal costs are found, and these abnormal costs will always need to be incurred to bring that site forward (for example identified land contamination), a landowner would need to readjust their expectations and lower their requirements regarding the site value.
- 59.3. In theory, it could be argued that there should be a direct corresponding relationship between the level of abnormal costs and site value. However, there remains a minimum requirement below which landowners may not be incentivised to release the land for development, even if there appears to be a justification to the reduction based on the level of abnormal costs. The market is imperfect in this respect and therefore landowners may look to negotiate a compromise, rather than simply accepting that all the abnormal costs should be deducted from the land price.
- 59.4. Typically, most sites will attract some level of abnormal costs, although this will vary significantly from site to site. This may not necessarily follow preconceptions of where abnormal costs are likely to be incurred. For example, an undeveloped greenfield site may appear to be a straight forward development opportunity, however following investigation enhanced foundations could be found due to adverse ground conditions, flood mitigation works may be required, access issues could be identified etc. For these reasons, abnormal costs will always need to be determined on a site-by-site basis at the planning application stage when actual abnormalities and their additional cost are known.

59.5. For the purposes of a Local Plan viability study, it is considered appropriate to make an allowance within the modelling for abnormal costs.

59.6. The Council previously adopted nil abnormal costs for the purposes of the viability testing however we consider it appropriate to make some allowance for abnormal costs.

59.7. Some authorities do make an allowance for abnormal costs in their Local Plan Viability studies but there is a wide variation of approaches as how best to gauge the abnormal costs, with adopting a percentage of build costs, with others applying a rate per Ha. Some examples of this are shown below:

Durham County Council (Mar 2018 Draft) – £75,000 per net Ha for greenfield and £150,000 per net Ha for brownfield.

Sunderland City Council (Aug 2017) – 10% of build costs for brownfield sites and zero for greenfield sites.

Newcastle City Council and Gateshead Council (Feb 2016 – currently being reviewed and updated) – 5% of build costs.

North Tyneside Council (Jun 2016) – £100,000 per Ha for brownfield, zero for greenfield.

Stockton Borough Council (Oct 2016) – for schemes over 50 dwellings a range of £50,000 to £200,000 per net Ha.

59.8. For the purposes of this exercise, an allowance of 2-3% has been made for abnormal costs for greenfield sites and 10% for brownfield sites. A further contingency allowance of 2-3% has also been made to accommodate any unidentified costs. Any significant site specific abnormal costs identified over and above this can be identified and negotiated upon at the planning application stage as per the approach set out in the NPPF and NPPG.

5.10. **Other policy requirements**

5.10.1. In addition to affordable housing and adaptable and accessible housing there

are a range of other policy requirements that generate additional onsite costs or off-site financial contributions via Section 106 agreements that have been factored in to the viability testing. These can cover a wide variety of policy areas including education, health, public open space, highway works, travel plans, ecology etc.

- 5.102. For the purposes of plan viability testing it is not therefore appropriate to adopt a ‘worst case’ position whereby the maximum policy contributions are applied. Likewise, adopting a nil contribution would be as equally unrealistic. The Harman Review and subsequent PPG guidance again indicates that average costs should be factored into the appraisal testing.
- 5.103. For the purposes of the viability testing undertaken here the proposed Local plan (2016:2036) policies have been reviewed to identify the policy requirements that will be expected to be provided from development and have generally been calculated on an average amount per dwelling basis.
- 5.104. To identify appropriate costs for each of the proposed policy requirements we have reviewed a range of information, including past S106 contributions received, evidence of need and costs from relevant bodies such as the Council’s Education, Highways and Sustainable Transport teams along with policy impact assessments undertaken by government.
- 5.105. Past S106 contributions made by developers on new build residential schemes are summarised in the following table:

Table 7 – Past S106 financial contributions secured by the Council

Location	Development Type*	Site Type	Sum per Dwelling (£/dwelling)
Urban	Residential - Small	Brownfield	£938.46
Urban	Residential - Medium	Brownfield	£7,651.74
Urban	Residential - Medium	Mixed	£4,082.20

Urban	Residential - Large	Greenfield	£5,038.43
Urban	Residential - Large	Brownfield	£3,435.90
Urban Average - All Site Types:			£4,229.35
			Greenfield: £5,038.43
			Brownfield: £4,008.70
			Mixed: £4,082.20
Urban Extension	Residential - Medium	Greenfield	£10,632.47
Urban Extension	Residential - Large	Greenfield	£3,520.40
Urban Extension Average - Greenfield:			£7,076.44
Rural	Residential - Small	Greenfield	£4,344.79
Rural	Residential - Medium	Greenfield	£5,024.42
Rural	Residential - Medium	Mixed	£6,621.91
Rural	Residential - Large	Greenfield	£5,794.51
Rural	Residential - Large	Mixed	£1,737.05
Rural Average - All Site Types:			£4,704.54
			Greenfield: £5,054.57
			Mixed: £4,179.48

5.10.6. Considering the future Proposed Submission Local Plan policy requirements, the following table sets out the Section 106 requirements that have been accounted for in the viability testing undertaken.

Table 8 – Other Policy Requirements

Section 106 Type	Amount
Education	£2,400 per dwelling covering both Primary and Secondary Schools and based on approach set out in Policy IN 10, and an assumption that around 50% of need can be met by existing school capacity over the plan period.
Highways and Offsite Infrastructure	£2000 per dwelling based on analysis of past S106 provision and likely costs to deliver highways projects set out in the Infrastructure Delivery Plan. The estimated costs of these Highways schemes are currently being reviewed.
Biodiversity Net Gain	£1159 per dwelling on greenfield sites and £233 per dwelling on brownfield sites based on MHCLG's Biodiversity Net Gain Impact

	Assessment (2019)
Sustainable Transport	£250 per bedroom applied to urban extension and village typologies only based on past provision and proposed requirements
Open Space	Nil allowance – Where required open space will be expected to be provided on site and forms part of the overall construction works costs allowances such as externals.
Affordable Housing	Nil allowance – assumed provision will be made on site
Electric Charging Points	Nominal additional cost that can be accommodated within the build cost used.

5.11. Marketing and legal fees

5.11.1. Allowances made for marketing fees within Local Plan Viability studies undertaken by other North East Local Planning Authorities are the following:

Durham County Council (Apr 2018 Draft) – marketing 2% to 3%

Sunderland City Council (Aug 2017) – marketing 3.5% (reduced for affordable)

Newcastle City Council and Gateshead Council (Feb 2016 – currently being reviewed and updated) – marketing 3.5%

North Tyneside Council (Jun 2016) – marketing 3%

Stockton Borough Council (Oct 2016) – marketing 3%

5.11.2. For larger schemes there will be economies of scale which will reduce the overall marketing cost. Furthermore, for small projects the developer would likely use a local agent, rather than incurring the cost of a marketing suite etc (which would minimise the costs involved). 3% of gross development value (applied to the market value dwellings) has been adopted as the marketing cost

allowance for schemes.

5.11.3. A £500 per unit legal fee is considered to be reasonable for the market value dwellings.

5.12. Finance

5.12.1. Debit interest charges will fall as the size of the scheme increases. This reflects the fact that smaller schemes are likely to be implemented by local / small house builders, generally regarded as being a higher risk by lenders. For the largest schemes, it is normally the case that these are delivered by national volume house builders, regarded as lower risk borrowers, (which serves to reduce the interest rate charged).

5.12.2. Other Local Plan Viability studies undertaken in the region include the following debit interest rates:

Durham County Council (Apr 2018 Draft) – 5.5% to 6.5% debit

Sunderland City Council (Aug 2017) – 6% debit plus 1% arrangement

Newcastle City Council and Gateshead Council (Feb 2016 – currently being reviewed and updated) – 6.5% debit and 1.5% credit

North Tyneside Council (Jun 2016) – 6.5% debit and 6.5% credit

Stockton Borough Council (Oct 2016) – 6% debit

5.12.3. Based on CP Viability's research for Northumberland County Council a 6.5% debit allowance was considered to be cautious. However, this allowance is generally in line with the approach adopted by other Local Planning Authorities in their own viability studies. For this reason, and assuming the rate would also cover arrangement fees / exit fees etc, an average 6.0% debit charge is considered appropriate for the purposes of the testing.

5.12.4. In addition, we consider it appropriate to factor a credit rate. For larger schemes, there will come a point in time when the level of revenue exceeds costs. When this occurs, it is reasonable to assume that the developer would

invest the surplus into 'something', rather than leaving the money to be eroded by inflation. It may be that this is regarded as an opportunity cost and therefore inputted into another scheme the developer is involved with. Alternatively, there may be an opportunity to invest the money into a yield generating investment, such as bonds, shares, property etc.

5.12.5. For the purposes of the viability testing we consider an average credit rate of 0.5% to be appropriate (reflecting the fact that developers are typically sophisticated businesses and would not simply input the money into a savings account but would look to maximise the return from this surplus, such as using it to reduce the borrowing on a future scheme). It is stressed, however, that in reality this is only likely to impact on the larger projects (likely to be 100 dwellings or more).

5.13. **Developer Profit**

5.13.1. The PPG refers to a range of developer's profit from 15% to 20% on revenue (gross development value). It is stressed that profit is a function of risk and therefore it is appropriate to allow some fluctuation from site to site (as different sites carry different risks).

5.13.2. The Council's previous assumptions were based on the following:

- 20% (larger scale) on Gross Development Value applied to the market value dwelling sales

5.13.3. Based on viability assessment received by the Council, the average rates fall broadly within the 15% to 20% on revenue range referred to in the PPG.

5.13.4. Furthermore, there are examples from appeal decisions where a variety of profit margins have been accepted. For example, at the *Poplar Close, Ruskington (ref 3150756)* appeal decision a 17.5% profit margin was deemed acceptable by the Inspector. In contrast, at the *Flaxley Rd, Selby (ref 3149425)* appeal the Inspector agreed to a 20% rate. This therefore highlights the nature of development and the fact that risk will differ from site to site. For example,

it is reasonable to assume that a 50 dwelling scheme in a high value greenfield location would carry a lower risk than a 50 dwelling scheme in a low value brownfield location. The variation of risk and profit therefore reflects the workings of a free market.

- 5.13.5. As for other Local Plan Viability studies undertaken in the region, these assume the following:

Durham County Council (Apr 2018 Draft) – 15% to 20% on revenue for market value and 6% for affordable housing.

Sunderland City Council (Aug 2017) –20% on revenue

Newcastle City Council and Gateshead Council (Feb 2016 – currently being reviewed and updated) – 20% on revenue for market value and 6% for affordable housing

North Tyneside Council (Jun 2016) –20% on revenue for market value and 6% for affordable housing

Stockton Borough Council (Oct 2016) –20% on revenue for market value and 6% for affordable housing

- 5.13.6. The majority of the above studies therefore advocate a ‘split’ profit approach, applying a higher rate to the market value dwellings and a lower rate to the affordable units. This approach is considered to be logical as there is a different risk profile attached to market value dwellings, which are sold speculatively in the open market, compared with affordable units which are often ‘pre-sold’ before construction and transferred in bulk to a single party (therefore a much lower risk).

- 5.13.7. However, we would stress that the above profit split is not appropriate when considering Built to Rent or Private Rented Sector (PRS) development. This is where a multi-storey apartment block is sold, as a single entity, to an institutional investor (such as a pension fund). As the dwellings are sold in bulk, to a single party (with a deal often agreed prior) the risk profile is different to

houses, which are sold speculatively and individually. This general principle is also supported in the PPG. From our experience and also from schemes appraised by the Council, a profit margin of closer to 10% on revenue is considered to be more appropriate.

5.13.8. Having considered all of the above, there is a legitimate argument to support a range of developer profit rates, at least for the market value dwellings. For the purposes of this plan-making study in this case we consider the split allowance of 20% on GDV for market housing and 6% on affordable housing to be reasonable and in line with local experience and developer feedback. In terms of sensitivity, it is assumed that developers will accept a small reduction in forecast profit on GDV of up to 2.5% making the lowest level of acceptable profit on GDV being 17.5%.

5.14. **Residential Benchmark Land Value (BLV)**

5.14.1. BLV represents the minimum land value that a hypothetical landowner would accept to release their land for development, in the context of the prevalent planning policies. A BLV does not therefore attempt to identify the market value, it is a distinct concept.

5.14.2. To identify the BLV, the PPG recommends using a premium over existing use value (EUV) and credible alternative values as a means of determining the BLV.

5.14.3. In terms of assessing the uplift above the EUV, a differential should be made between assessing previously developed land and agricultural (greenfield) land. This is because the underlying EUV of an agricultural field will typically be significantly lower when compared to previously developed land. This means that different premiums will need to be applied to encourage landowners to sell.

5.14.4. The guidance is silent on the precise level of premium. A premium in the region of 10% to 30% above the EUV is typically expected for previously developed land (dependent on the nature of the land). For agricultural land, where values

will be relatively consistent regardless of locational factors, the level of premium will be significantly higher (and can fluctuate typically from 5 to 25 times the EUV).

5.14.5. By way of evidence prepared by CP Viability for Northumberland County Council the following was found:

Durham County Council (Apr 2018 Draft) – range of £200,000 to £900,000 per Ha for greenfield sites, reduced to £175,000 to £800,000 per Ha for previously developed land.

Sunderland City Council (Aug 2017) – range of £370,000 to £900,000 per net Ha.

Newcastle City Council and Gateshead Council (Feb 2016 – currently being reviewed and updated) – for ‘urban’ sites a range for £200,000 to £2,100,000 per gross Ha, for ‘non-urban’ sites £360,000 to £530,000 per gross Ha.

North Tyneside Council (Jun 2016) –adopt an EUV plus incentive approach whereby for greenfield sites an EUV of £20,000 per Ha is applied and then 50% of the scheme revenue is added. For brownfield, an EUV of £350,000 per Ha is applied, plus 20% of scheme revenue.

Stockton Borough Council (Oct 2016) – range from £250,000 to £600,000 per net Ha.

5.14.6. Having considered the evidence identified above we have adopted the following BLV allowances in the appraisal testing (please note for the brownfield sites we have worked on the basis of a circa 25% uplift over the EUV).

Table 9 – Recommended BLV assumptions

Value area (per acre)	Greenfield	Multiple of EUV	Brownfield (reduced by abnormal costs)	Multiple of EUV

High	£250,000	25	£250,000	1.33
Medium	£200,000	20	£200,000	1.33
Low	£150,000	15	£150,000	1.33

6. RESIDENTIAL VIABILITY TESTING AND RESULTS

6.1. Base appraisals

- 6.1.1. The results for the residential base appraisals are shown in the attached Appendices A to B15.
- 6.1.2. For clarity, the base appraisals adopt the assumptions outlined above in Section 5. Furthermore, for each typology we have varied the amount of on-site affordable housing between 0% and 30%. The tenure mix is also variable based on the high, medium and low value areas with 100% affordable home ownership applied for sites in the lower value areas, 50% affordable rented and 50% affordable home ownership in the medium value areas and 65% affordable rented and 35% affordable home ownership in the higher value areas. Other forms of affordable home ownership include discounted market sales (DMS), Starter Homes and intermediate shared ownership / equity dwellings). This approach to tenure split ensures consistency with the 10% requirement for affordable home ownership in the National Planning Policy Framework with specific regard to the lower and medium value areas and applies the tenure mix set out in the SHMA Update (2020) in the higher value areas.
- 6.1.3. The appraisals are also adjusted to reflect the three values areas (high, medium and low), as well as greenfield and brownfield distinctions. The residual land value is then compared with the separately assessed BLV. If the residual land value is below the BLV, the scheme is deemed to be unviable. Consideration was then taken of adjusting the mix of affordable between affordable ownership and other products. Furthermore; it is assumed that when the residual value of the scheme falls below the BLV and that small adjustment to profit on GDV can make the projects viable, that that a developer may be prepared to take a slightly reduced profit in order to bring a project forward.

6.14. By way of a summary for each typology:

Typology 1 – 10 dwellings Urban Greenfield (Appendix B1)

- Schemes in low value areas are considered unviable
- Schemes in medium value areas are shown to be marginal with up to 20% affordable housing
- Schemes in high value areas are shown to be potentially viable with up to 30% affordable housing

Typology 2 – 25 dwellings Urban Greenfield (Appendix B2)

- Schemes in low value areas are considered unviable
- Schemes in medium value areas are shown to be marginal with up to 20% affordable housing
- Schemes in high value areas are shown to be potentially viable with up to 30% affordable housing

Typology 3 – 50 dwellings Urban Greenfield (Appendix B3)

- Schemes in low value areas are considered unviable
- Schemes in medium value areas are shown to be marginal with up to 10% affordable housing
- Schemes in high value areas are shown to be potentially viable with up to 30% affordable housing

Typology 4 – 10 dwellings Brownfield (Appendix B4)

- Low and medium value areas are shown to be not viable.
- High value areas are viable with 20% affordable housing provision

Typology 5 – 25 dwellings Brownfield(Appendix B5)

- Tests were conducted on affordable housing provisions from 0% up to 30%, at 10% intervals.
- Affordable housing provision is shown to be unviable in the low value

areas

- Affordable housing provision is shown to be unviable in the medium value areas
- High value areas are shown to be viable with 30% onsite affordable

Typology 6 – 50 dwellings brownfield (Appendix B6)

- Tests were conducted on affordable housing provisions from 0% up to 30%, at 10% intervals.
- Affordable housing provision is shown to be unviable in the low value areas
- Affordable housing provision is shown to be unviable in the medium value areas
- High value areas are shown to be viable with 30% onsite affordable

Typology 7 – 100 dwellings brownfield (Appendix B7)

- Tests were conducted on affordable housing provisions from 0% up to 30%, at 10% intervals.
- Affordable housing provision is shown to be unviable in the low value areas
- Affordable housing provision is shown to be unviable in the medium value areas
- High value areas are shown to be viable with 30% onsite affordable

Typology 8 – 100 dwellings urban extension (Appendix B8)

- Tests were conducted on affordable housing provisions for 20% and 30% for medium and high value areas only
- Affordable housing provision can be achieved at 20% in the medium value areas but with marginal viability
- High value areas are shown to be viable with 30% onsite affordable

Typology 9 – 250 dwellings urban extension (Appendix B9)

- Tests were conducted on affordable housing provision for 20% and 30% for medium and high value areas only
- Affordable housing provision can be achieved at 20% in the medium value areas.
- High value areas are shown to be capable of viably providing 30% onsite affordable

Typology 10 – 500 dwellings urban extension (Appendix B10)

- Tests were conducted on affordable housing provisions for 20% and 30% for medium and high value areas only
- Affordable housing provision can be achieved at 20% in the medium value areas
- High value areas are shown to be viable with 30% onsite affordable

Typology 11 – 1,000 dwellings urban extension (Appendix B11)

- Tests were conducted on affordable housing provisions at 20% and 30% for medium and high value areas only
- Affordable housing provision can be achieved at 20% in the medium value areas but with marginal viability
- High value areas are shown to be viable with 30% onsite affordable provision

Typology 12 – 10 dwellings village (Appendix B12)

- Tests were conducted on affordable housing provision for 20% and 30% for medium and high value areas only
- Affordable housing provision in the medium value areas can be achieved at 20%.
- High value areas are shown to be viable with 30% onsite affordable

Typology 13 – 25 dwellings village (Appendix B13)

- Tests were conducted on affordable housing provision at 20% and 30% for medium and high value areas only
- Affordable housing provision in the medium value areas can be achieved

at 20% with marginal viability

- High value areas are shown to be viable with 30% onsite affordable

Typology 14 – 50 dwellings village (Appendix B14)

- Tests were conducted on affordable housing provision for 20% and 30% for medium and high value areas only
- Affordable housing provision in the medium value areas can be achieved at 20% with marginal viability
- High value areas are shown to be viable with 30% onsite affordable

Typology 15 – 100 dwellings village (Appendix B15)

- Tests were conducted on affordable housing provision for 20% and 30% for medium and high value areas only
- Affordable housing provision in the medium value areas can be achieved at 20% with marginal viability
- High value areas are shown to be viable with 30% onsite affordable

Typology 16 – 250 dwellings village (Appendix B16)

- Tests were conducted on affordable housing provision for 20% and 30% for medium and high value areas only
- Affordable housing provision in the medium value areas can be achieved at 20% with marginal viability
- High value areas are shown to be viable with 30% onsite affordable

6.2. Sensitivity Test Affordable housing mix

6.2.1. The proposed changes to the NPPF and PPG places a greater emphasis on affordable housing ownership, rather than rental products.

6.2.2. We have therefore looked to test how varying the level of affordable housing ownership (to include products such as Starter Homes) could impact on the viability outcomes.

6.2.3. These tests are incorporated in the typology results set out in section 6.1.4 above.

6.3. Conclusions from residential site testing

- 6.3.1. A plan-level appraisal testing can only provide a general overview on viability at a specific point in time. Individual site testing will still be appropriate to take into account site specific circumstances and fluctuations in market conditions where a developer can demonstrate exceptional circumstances, which are not captured in this plan level assessment.
- 6.3.2. The following table summarises the outcome of our appraisals taking account of all policy requirements tested and based on the affordable housing provision of 10% in the low value areas, 20% in the medium value areas and 30% in the higher value areas:

Table 10 – Summary of Residential Viability Testing

Location	Site Type	Scenario	Dwellings	Low	Medium	High
Urban	Greenfield	1	10	Not Viable	Marginal	Viable
Urban	Greenfield	2	25	Not Viable	Marginal	Viable
Urban	Greenfield	3	50	Not Viable	Marginal	Viable
Urban	Brownfield	4	10	Not Viable	Not Viable	Viable
Urban	Brownfield	5	25	Not Viable	Not Viable	Viable
Urban	Brownfield	6	50	Not Viable	Not Viable	Viable
Urban	Brownfield	7	100	Not Viable	Not Viable	Viable
Urban Extension	Greenfield	8	100	-	Marginal	Viable
Urban Extension	Greenfield	9	250	-	Viable	Viable
Urban Extension	Greenfield	10	500	-	Viable	Viable
Urban Extension	Greenfield	11	1,000	-	Marginal	Viable
Village	Greenfield	12	10	-	Marginal	Viable
Village	Greenfield	13	25	-	Marginal	Viable
Village	Greenfield	14	50	-	Marginal	Viable
Village	Greenfield	15	100	-	Marginal	Viable
Village	Greenfield	16	250	-	Marginal	Viable

6.3.3. This shows that in the **low value areas**, which include urban and brownfield sites, schemes are unable to contribute to either Section 106 requirements or have any affordable provision. In practice lower value house builders may be able to achieve lower build costs but for the purposes of this whole plan viability assessment, it is concluded that schemes in low value areas cannot contribute to Section 106 requirements or have significant affordable housing.

6.3.4. In medium **value areas**, apart from brownfield schemes, 20% affordable can be

achieved but with marginal viability in all but scenarios 9 and 10.

63.5. For higher value areas, 30% affordable provision is considered viable.

63.6. In accordance with the guidance, we have adopted a cautious position, for example:

- By adopting BCIS figures, which are considered to be typically above the build costs incurred in reality by regional / national volume housebuilders.
- Contingency rates are included. The PPG on viability infers that contingencies are only appropriate for decision making viability testing.
- Abnormals allowance made across all sites

7. NON-RESIDENTIAL VIABILITY TESTING AND RESULTS

7.1. Scheme typologies

7.1.1. For the purposes of testing the following non-residential site typologies were applied:

Table 11 – Non-residential site typologies

	GIA sq m	Coverage	Gross	Net Ha
A1 – Large supermarket	2,500	40%	0.64	0.26
A1 – small supermarket	1,200	30%	0.40	0.12
A1 – mini supermarket	270	70%	0.04	0.03
A1 – retail warehouse	2,300	40%	0.58	0.23
A1-A5 – small retail	270	70%	0.04	0.03
B1a – town centre office	1,150	115%	0.05	0.05
B1a – out of town office	3,200	50%	0.64	0.32
B2 – industrial	2,900	40%	0.73	0.29
B1c – light industrial	3,600	40%	0.90	0.36
B8 – storage distribution	6,900	35%	1.9	0.70
C1 – Hotel	2,500	60%	0.42	0.25
D2 – Leisure	2,800	40%	0.70	0.28

7.1.2. The above typologies are broadly considered to be appropriate in the current market for non-residential viability testing.

7.2. Revenue

7.2.1. In assessing non-residential revenues, we have mostly adopted a ‘rent and yield’ approach, whereby the Market Rent is identified for the completed accommodation and then capitalised using an appropriate yield. This reflects standard practice within the industry.

7.2.2. The rental and investments yield market evidence is shown in Appendices H to Q.

7.2.3. Having considered the evidence, we have adopted the following revenue inputs in the appraisals:

Table 12 – Revenue inputs

	Rent per £ psf	Yield
A1 – discount supermarket	£15	5.75%
A1 – retail warehouse	£10	7%
A1-A5 – small retail	£15	8%
B1a – town centre office	£12	7.5%
B1a – out of town office	£8	8%
B2 – industrial	£5	7.5%
B1c – light industrial	£5	7.5%
B8 – storage distribution	£4	7.5%
C1 – Hotel	£18	5.75%
D2 – Leisure	£5.50	7%

7.2.4. Furthermore, in the current market it is commonplace for landlords to attract tenants through rental incentives, such as rent-free periods. In recognition of this we have allowed rent free periods ranging from 6 to 12 months.

7.3. Construction costs

7.3.1. The allowances are based on BCIS data. For all typologies the BCIS median has been utilised. The BCIS is considered to be reliable as a data set for non-residential development. For this reason, we consider it appropriate to favour the median rates for the site typologies.

7.4. Other non-residential development costs

7.4.1. We have adopted the following assumptions in the modelling:

Externals – expressed as a percentage of the BCIS median rate. We have applied a range from 5% to 15% dependent on the typology (for example a retail warehouse where there would be a large external loading / parking area 15% has been applied, however for a cinema where there is limited external space

5% has been applied).

Contingency – expressed as a percentage of the BCIS median rate and externals. A rate of 3% has been applied

Professional fees – expressed as a percentage of the BCIS median rate and externals. We have applied 8% to all typologies.

Disposal / letting fees – expressed as a percentage of revenue. Sales agent fees at 1% of capital value, plus 0.5% to cover legal costs. Letting agents fees at 10% of first years rent, plus 5% to cover legal costs.

Profit – for non-residential development this is typically expressed as a percentage rate based on development cost. The appropriate level will fluctuate dependent on the nature of investment. For example, a pre-let scheme (where the tenant moves in immediately upon completion of the construction works) carries a significantly lower risk than a speculatively built project where the occupier has to be identified after the construction works have commenced. For pre-let schemes, in our experience profit margins tend to be sub 15% on cost. For speculative schemes the profit is adjusted to typically above 15% on cost. For the purposes of this modelling we therefore have typically applied an average of 15% on cost (except for the small retail model, which is considered to carry a higher risk and has therefore been adjusted to 20%).

7.5. Non-residential Benchmark Land Value ('BLV')

- 7.5.1. We refer to the analysis above in Section 5. The same approach and land transactions analysis applies to non-residential sites.
- 7.5.2. We have adopted the following rates for each typology (please note the adopted figures reflect the size of the schemes, with the smallest schemes carrying higher rates per Ha for reasons of quantum):

Table 13 – Non-residential BLVs

	Rate per Ha
A1 – discount supermarket	£400,000
A1 – retail warehouse	£800,000
A1-A5 – small retail	£12,500,000
B1a – town centre office	£5,000,000
B1a – out of town office	£500,000
B2 – industrial	£300,000
B1c – light industrial	£300,000
B8 – storage distribution	£300,000
C1 – Hotel*	£1,000,000
D2 – Leisure	£1,000,000

7.6. Non-residential appraisal results

7.6.1. Based on the above appraisal inputs the schemes returns the following outcomes:

Table 14 – Non-residential appraisal results

	Outcome
A1 – discount supermarket	Viable
A1 – retail warehouse	Viable
A1-A5 – small retail	Unviable
B1a – town centre office	Unviable
B1a – out of town office	Unviable
B2 – industrial	Unviable
B1c – light industrial	Unviable
B8 – storage distribution	Unviable
C1 – Hotel	Unviable
D2 – Leisure	Unviable

7.7. Non-residential conclusions

7.7.1. As shown above, the majority of the non-residential modelling returns an unviable result (with the residual land value below the BLV).

8. CONCLUSIONS AND RECOMMENDATIONS

- 8.1. For residential sites, the overwhelming majority of our hypothetical tests show that development across the Borough is viable and able to deliver some level of policy contribution.
- 8.2. However; schemes in low value locations attract the greatest pressure on viability and therefore will be unable to support the same policy contributions than schemes in higher value areas. Adjustments should therefore be made to policy levels dependent on locational factors. Our approach suggests that three locational categories (low, medium and high) would be appropriate for the Darlington area market and enable robust policies to be reflective of value fluctuations across the Borough.
- 8.3. Having adopted a rigorous appraisal testing approach, where each policy has been assessed plus sensitivity analysis, we conclude that affordable housing provision is likely to vary dependent on the nature of the location. In the lowest value areas, a 10% affordable provision (all affordable home ownership) is likely to be the maximum level of delivery. In the higher value areas, as high as 30% is shown to be viable whilst retaining a suitable buffer.
- 8.4. The modelling undertaken on the different types of non-residential commercial development demonstrates that only A1 use class Discount Supermarkets and Retail Warehouses are likely to be currently viable in the Borough and capable of providing any Section 106 or CIL contributions should it be adopted.