



**BNP PARIBAS  
REAL ESTATE**

CONSULTING |

## **Southend-on-sea Borough Council**

### **Local Plan viability: Stakeholder Workshop**



**20 February 2013**



1. Introduction
2. Local Plan testing guidance
3. Viability in Southend-on-Sea – methodology for testing
4. Viability in Southend-on-Sea – proposed appraisal inputs
5. CIL in context
6. Any other feedback/issues from stakeholders
7. Next steps

BNP Paribas Real Estate instructed by Council to undertake viability testing to understand the cumulative impacts of current and emerging policy requirements of:

- Core Strategy (adopted Dec 2007)
- Draft Development Management Policies DPD (emerging)
- Draft Southend Central Area Action plan (emerging)

### **Timescales**

May 2013 - Consultation on Proposed Submission documents

August 2013 - Documents submitted to secretary of State for examination

May 2014 – Adoption subject to Planning Inspectorate and Council approval

- Name
- Organisation
- Interests in the area

### National Planning Policy Framework

#### Para 173 states that:

**“Plans should be deliverable.** Therefore, the sites and the scale of development identified in the plan should **not be subject to such a scale of obligations and policy burdens** that their **ability to be developed viably is threatened**”

“To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, **provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.**”

## Local Plan testing: Guidance

### Para 174 identifies that:

LPA's, 'should set out their policy on local standards in the Local Plan, including requirements for affordable housing.

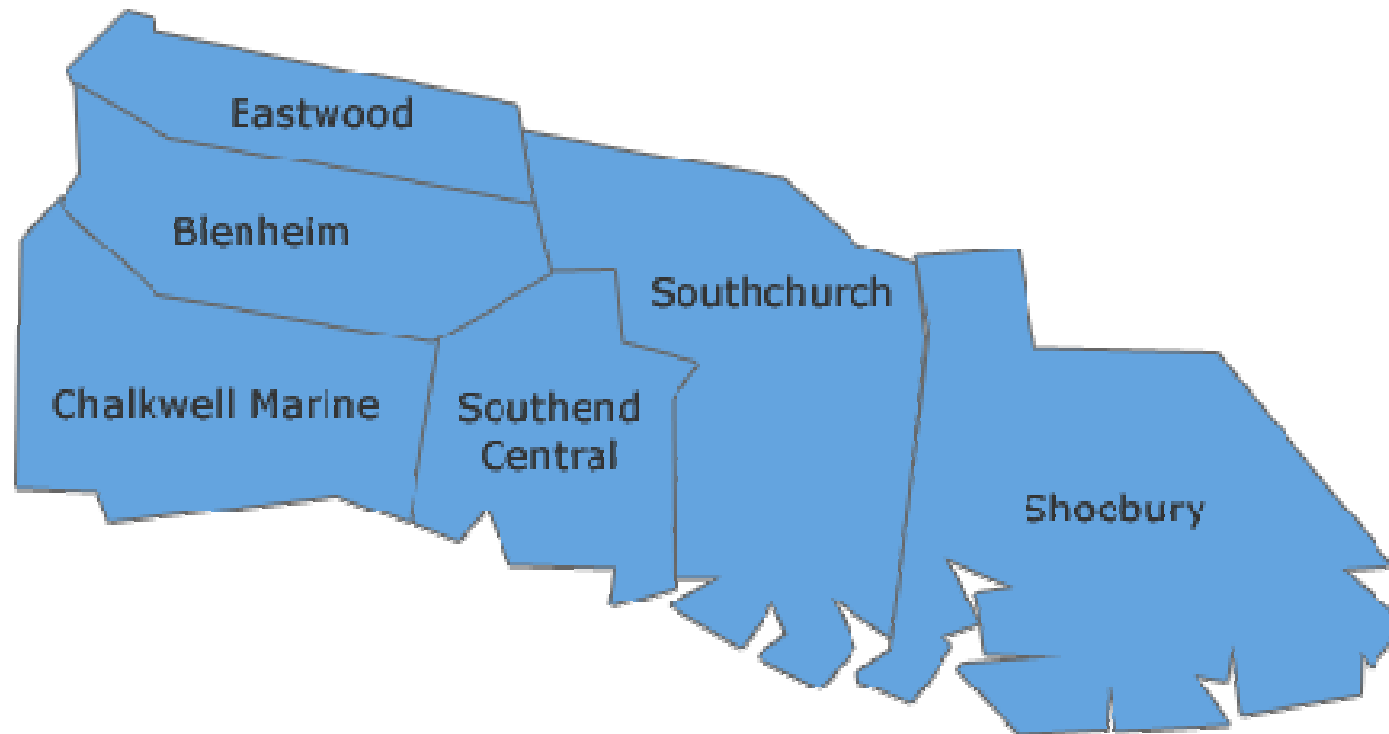
They should **assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards.**

In **order to be appropriate**, the **cumulative impact of these standards and policies should not put implementation of the plan at serious risk**, and should facilitate development throughout the economic cycle. **Evidence supporting the assessment should be proportionate, using only appropriate available evidence.**

## Exercise

**What might the schedule of rates look like in the Southend-on-Sea area?**

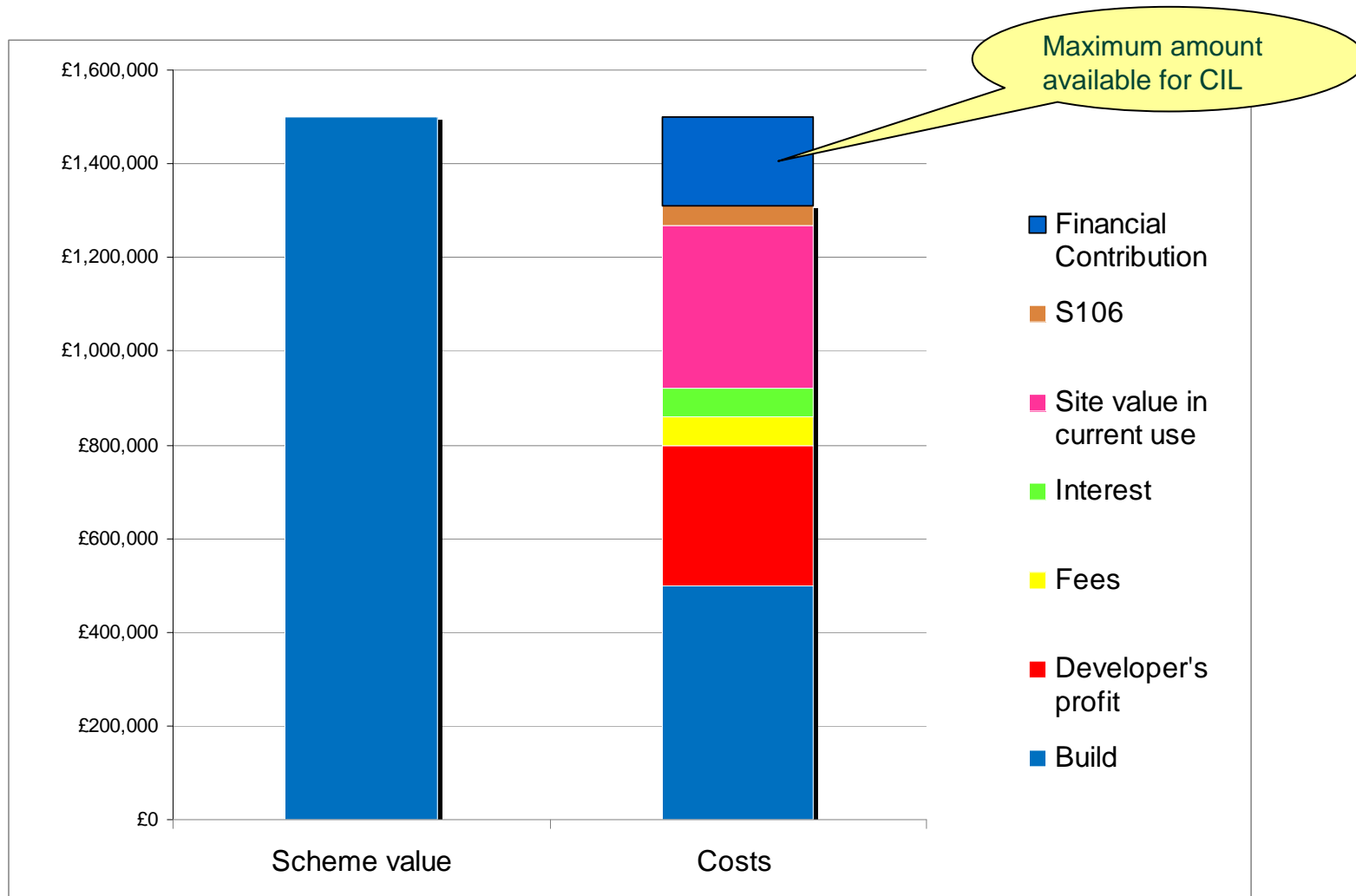
## CIL: viability and rate setting



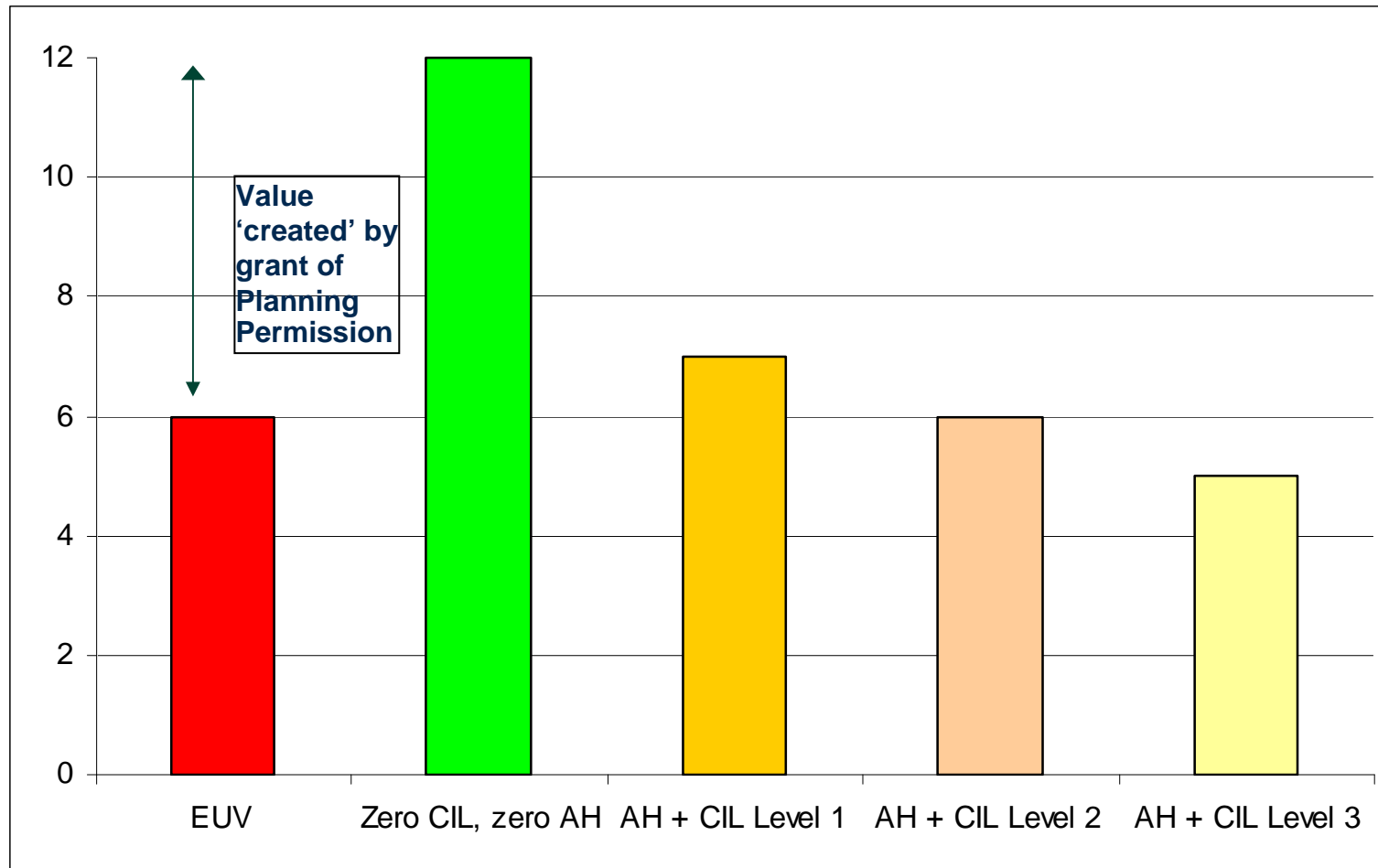


### **3. Proposed methodology**

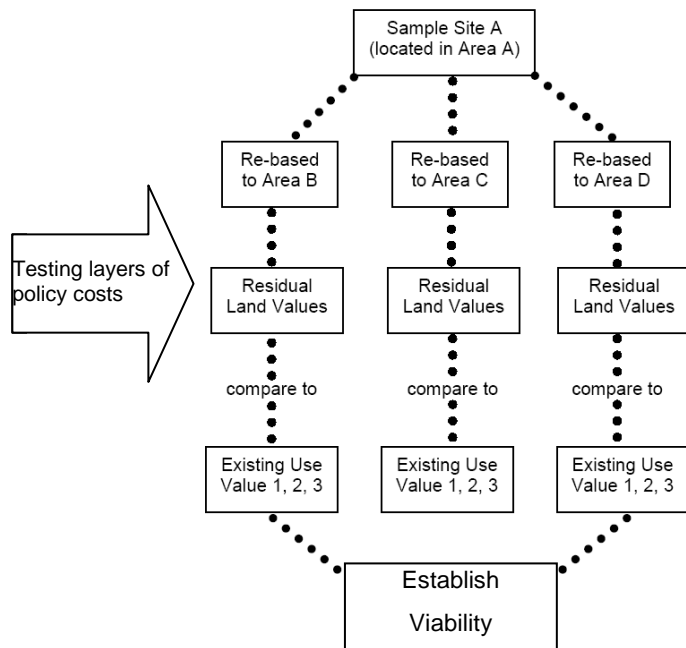
## Study approach: residual value methodology



## Proposed methodology



## Study approach: residual value methodology



	Number of units	Housing type	Development density	Net developable area (ha)
1	2	Houses	50	0.04
2	5	Houses	50	0.10
3	14	Houses	50	0.28
4	50	Flats	120	0.42
5	100	Flats	150	0.67
6	100	Flats	200	0.50
7	100	Flats	200	0.50

# Reporting: residuals and benchmarks

XXX Planning Authority  
LOCAL PLAN VIABILITY TESTING

Site typology 5

Sales value inflation

10%

Build cost inflation

5%

Site location

Area 5

## Residual land values:

NB all appraisals allowance for residual S106 items (site mitigation only)

No Units	100
Site density	4.08 dph

	CSH level 3	CSH level 4	CSH4 and Lifetime Homes	CSH4, LH and CIL	CSH4, LH, CIL and Secured by Design	CSH4, LH, CIL, SbD and Renewable Energy	CSH6, LH, CIL and SbD
0% affordable housing	£4,249,758	£3,788,563	£3,711,626	£2,931,379	£2,914,929	£2,591,864	-£679,468
10% affordable housing (80:20)	£3,670,543	£3,208,518	£3,130,623	£2,430,763	£2,414,315	£2,086,054	-£1,294,164
20% affordable housing (80:20)	£3,090,905	£2,626,107	£2,548,211	£1,926,888	£1,909,961	£1,576,898	-£1,908,860
30% affordable housing (80:20)	£2,511,070	£2,041,863	£1,962,893	£1,418,525	£1,401,321	£1,064,196	-£2,523,557
40% affordable housing (50:50)	£2,323,150	£1,857,549	£1,778,579	£1,312,223	£1,295,295	£958,973	-£2,651,167
40% affordable housing (80:20)	£1,928,658	£1,453,233	£1,372,533	£905,823	£888,620	£551,432	-£3,138,252
100% affordable housing (80:20)	-£1,695,891	-£2,201,988	-£2,286,338	-£2,286,338	-£2,304,461	-£2,659,597	-£6,015,843

## Residual Land values compared to benchmark land values

### Benchmark 1 - Residnetial Land Value

£247,000

	CSH level 3	CSH level 4	CSH4 and Lifetime Homes	CSH4, LH and CIL	CSH4, LH, CIL and Secured by Design	CSH4, LH, CIL, SbD and Renewable Energy	CSH6, LH, CIL and SbD
0% affordable housing	£3,241,998	£2,780,803	£2,703,866	£1,923,619	£1,907,169	£1,584,104	-£1,687,228
10% affordable housing (80:20)	£2,662,783	£2,200,758	£2,122,863	£1,423,003	£1,406,555	£1,078,294	-£2,301,924
20% affordable housing (80:20)	£2,083,145	£1,618,347	£1,540,451	£919,128	£902,201	£569,138	-£2,916,620
30% affordable housing (80:20)	£1,503,310	£1,034,103	£955,133	£410,765	£393,561	£56,436	-£3,531,317
40% affordable housing (50:50)	£1,315,390	£849,789	£770,819	£304,463	£287,535	£48,787	-£3,658,927
40% affordable housing (80:20)	£920,898	£445,473	£364,773	-£101,937	-£119,140	-£456,328	-£4,146,012

## Residual Land values compared to benchmark land values

### Benchmark 2 - offices (second hand)

£1,096,273

	CSH level 3	CSH level 4	CSH4 and Lifetime Homes	CSH4, LH and CIL	CSH4, LH, CIL and Secured by Design	CSH4, LH, CIL, SbD and Renewable Energy	CSH6, LH, CIL and SbD
0% affordable housing	-£223,037	-£684,232	-£761,169	-£1,541,416	-£1,557,866	-£1,880,931	-£5,152,263
10% affordable housing (80:20)	-£802,252	-£1,264,276	-£1,342,172	-£2,042,032	-£2,058,480	-£2,386,741	-£5,766,959
20% affordable housing (80:20)	-£1,381,890	-£1,846,688	-£1,924,584	-£2,545,907	-£2,562,834	-£2,895,897	-£6,381,655
30% affordable housing (80:20)	-£1,961,725	-£2,430,932	-£2,509,902	-£3,054,270	-£3,071,474	-£3,408,599	-£6,996,352
40% affordable housing (50:50)	-£2,149,645	-£2,615,246	-£2,694,216	-£3,160,572	-£3,177,500	-£3,513,822	-£7,123,962
40% affordable housing (80:20)	-£2,544,137	-£3,019,562	-£3,100,262	-£3,566,972	-£3,584,175	-£3,921,363	-£7,611,047

### 4. Proposed appraisal inputs

## Hypothetical Residential developments

	Number of units	Housing type	Location	Development density units per ha
1	5	Flats	Southend central	40
2	9	Flats	Southend central	100
3	35	Flats	Southend central	220
4	60	Flats & Retail	Southend central	185
5	100	Flats & Houses & Commercial (office and retail)	Southend central	70
6	250	Flats & Houses & Commercial (office and retail)	Southend central	335
7	2	Houses	Shoebury & rest of borough	65
8	8	Flats	Shoebury & rest of borough	135
9	12	Houses	Shoebury & rest of borough	50
10	16	Flats	Shoebury & rest of borough	135
11	40	Flats & Houses	Shoebury & rest of borough	65
12	50	Flats & Houses	Shoebury & rest of borough	95
13	100	Flats & Houses & Commercial	Shoebury & rest of borough	65

## Appraisal assumptions

Site type	1 Bed Flat	2 Bed Flat	3 Bed Flat	2 bed house	3 Bed house	4 Bed house
<i>Unit size</i>	<i>37.5 sqm</i>	<i>57 sqm</i>	<i>67 sqm</i>	<i>80 sqm</i>	<i>93 sqm</i>	<i>108 sqm</i>
1	25%	75%	-	-	-	-
2	33%	33%	33%	-	-	-
3	35%	60%	5%	-	-	-
4	20%	70%	10%	-	-	-
5	30%	40%	20%	-	5%	5%
6	30%	30%	20%	-	5%	5%
7	-	-	-	-	100%	-
8	30%	70%	-	-	-	-
9	-	-	-	25%	45%	30%
10	25%	70%	5%	-	-	-
11	15%	25%	5%	20%	25%	5%
12	25%	30%	15%	15%	20%	5%
13	30%	25%	10%	10%	20%	5%



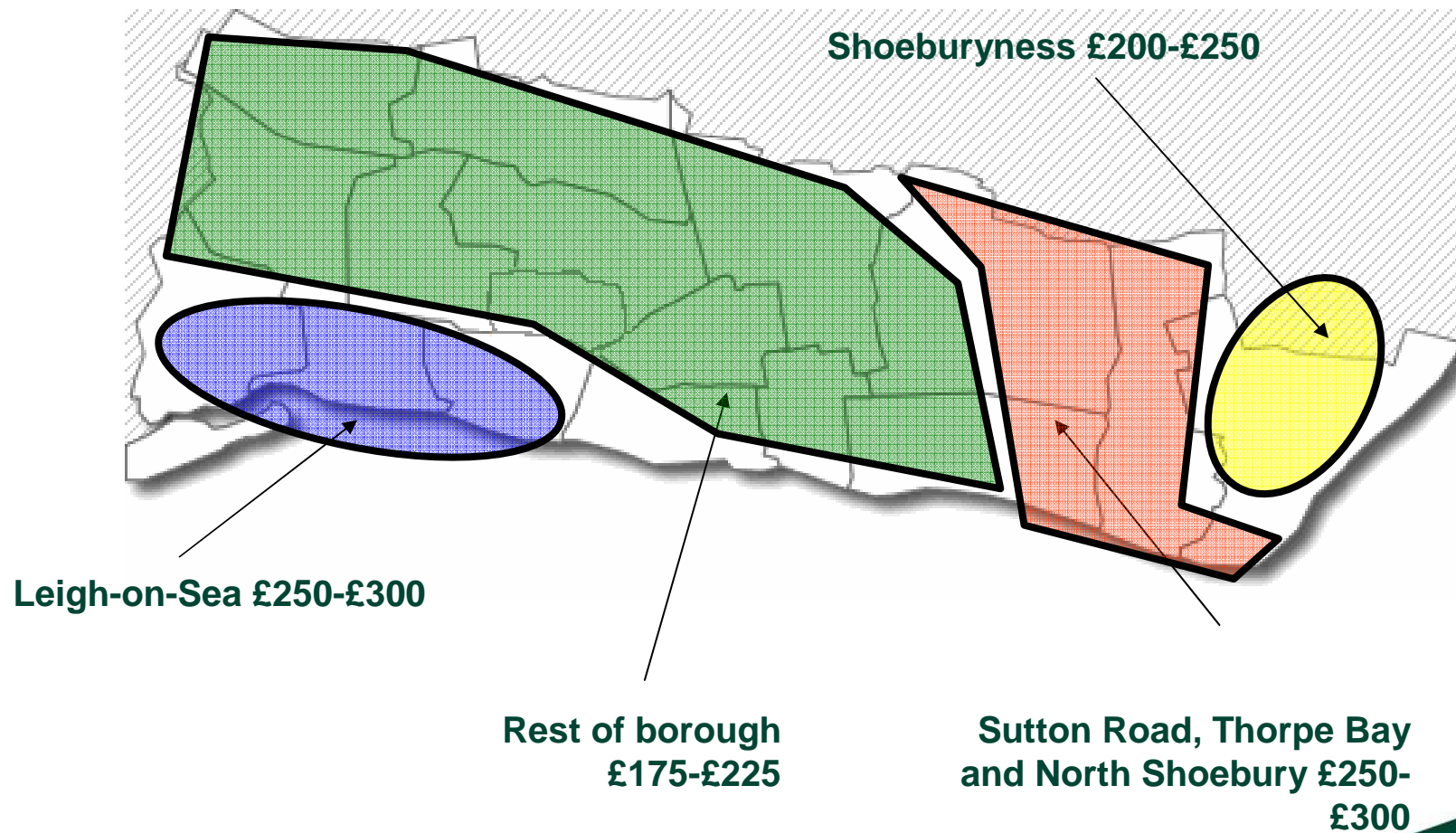
## Appraisal assumptions: residential

- Density: circa 40 uph to 335 uph
- Flats: gross to net ratio 78% - 85%
- Build costs (per sq m) – BCIS (incl external works @ 15%)
  - Houses £834 per sqm
  - Flats Generally £982 per sqm
  - Flats Higher density £1,084 per sqm
- Code for Sustainable Homes Level 4 (6% allowance on build costs)
- Developer's profit: 20%
- Development finance: 7%
- Fees: 10% of build costs

## Appraisal assumptions: Affordable Housing

- Affordable housing on sites of 10-49 units (0.3Ha- 1.99Ha):
  - 20% (70% social rent / 30% intermediate)
- Affordable housing on sites of 50+ units (2Ha+):
  - 30% (70% social rent / 30% intermediate)
- Sensitivity testing 10% and 0% AH
- No grant
- Affordable rent as sensitivity
- Shared ownership: 25-30% equity sale and 2.75% rent

## Appraisal assumptions: Residential values (£psf)

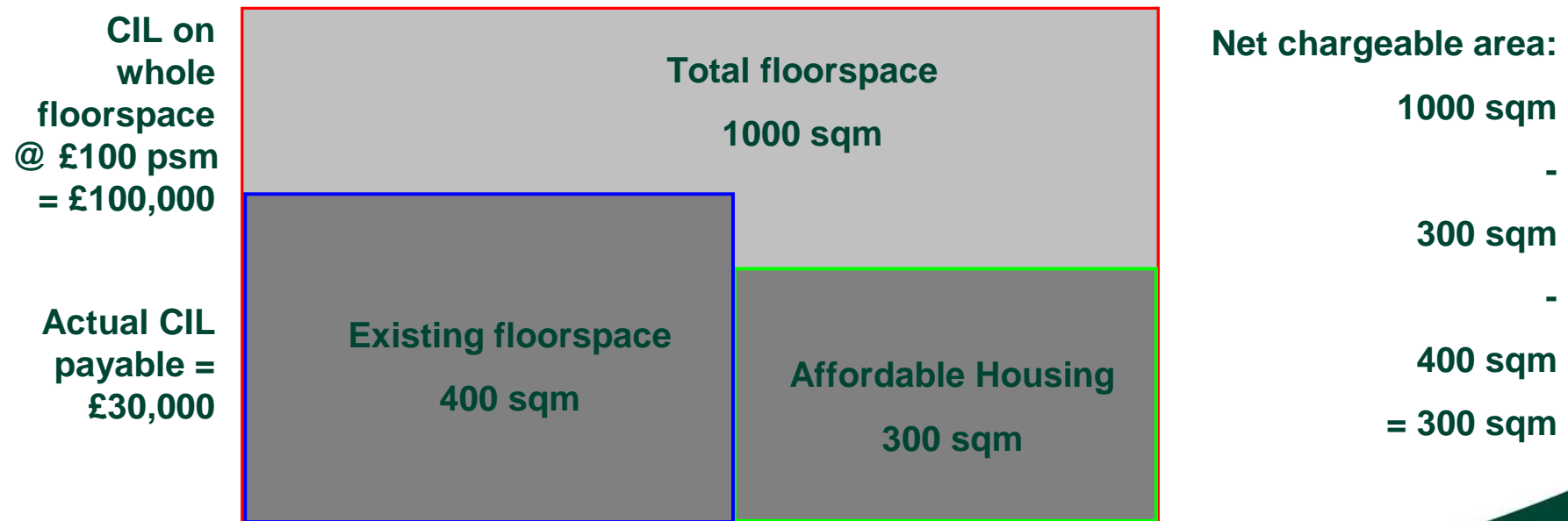


## Proposed appraisal inputs: Commercial

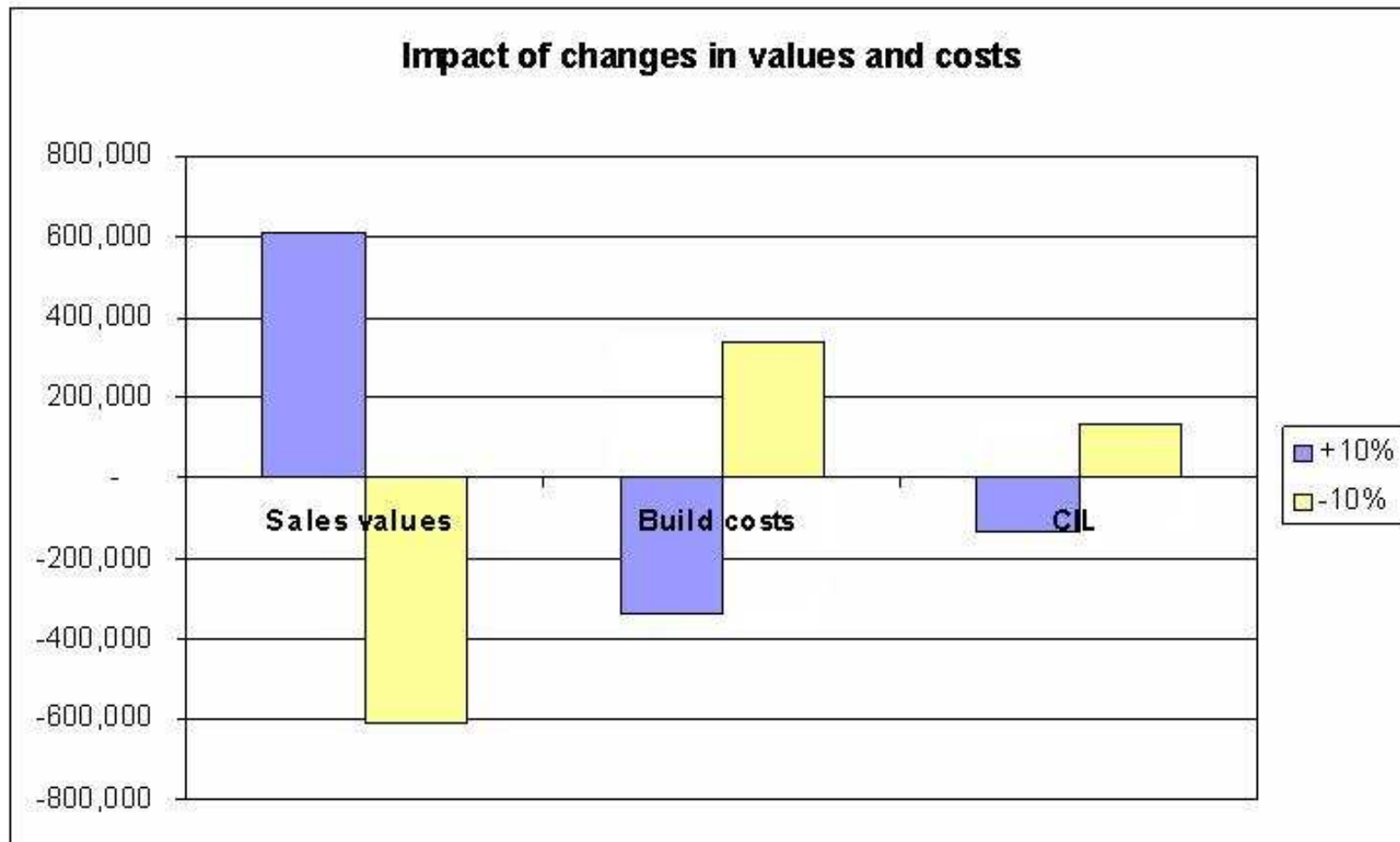
- **Retail:**
  - Rents:
    - £25 - £35 per sq ft (Prime town centre and Leigh-on-sea)
    - Everywhere else £10-£12 per sq ft
  - Yield:
    - 7%-7.5% (Prime)
    - 8% (everywhere else)
  - Build: £115 per sq ft
- **Retail Warehouse/Retail Park/Superstore:**
  - Rents:
    - £20-£25
  - Yield:
    - 6%-6.5%
  - Build: £95 per sq ft
- **Offices:**
  - Rents:
    - £10-15 per sq ft
  - Yield:
    - 9%
  - Build: £150 per sq ft
- **Industrial/warehouse:**
  - Rents:
    - £5 per sq ft
  - Yield:
    - 7.5- 8%
  - Build: £ 60 per sq ft

## CIL in context

- CIL exemptions:
  - Affordable housing
  - Charities (providing development serves charitable objects)
- Instalments policy – set at CA's discretion
- Discount for existing floorspace



## CIL in context



### 6. Other feedback or issues?



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