For: Crawley Borough Council

Crawley Borough Local Plan Review: Whole Plan Policies & Community Infrastructure Levy Viability Assessment

Final Report Issued March 2021

DSP19616

Dixon Searle Partnership
Tanshire Park, Shackleford Road
Elstead, Surrey, GU8 6LB
www.dixonsearle.co.uk

Contents

Notes and Limitations

1. The purpose of the assessment reported in this document is to assess the viability of the proposals and policies proposed as part of the Crawley Local Plan Review including a potential review of the Council's Community Infrastructure Levy (CIL) Charging Schedule.

2. This report sets out options to inform the Council's consideration of potential policies and CIL charging rates from a viability perspective whilst taking into account adopted national policies that may impact on development viability.

3. This has been a desk-top exercise based on information provided by Crawley Borough Council (CBC) supplemented with information gathered by and assumptions made by DSP appropriate to the current stage of Local Plan and CIL review.

4. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range of a large quantity of information which rarely fits all eventualities.

5. It should be noted that every scheme is different, and no review of this nature can reflect the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions. Specific assumptions and values applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however, that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council's approach to and proposals for a robust and viable Plan and CIL Charging Schedule.

6. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus / deficit output generated – the indicative surpluses (or other outcomes) generated by the development appraisals for this review

will not necessarily reflect site specific circumstances. Therefore, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments with varying characteristics come forward. Nevertheless, the assumptions used within this study inform and then reflect the policy requirements and strategy of the Council and therefore take into account the cumulative cost effects of policies.

7. The research, review work and reporting for this assessment has been assembled at a time when there remain economic uncertainties associated with Brexit. In terms of the latest context potentially having a bearing on all of this, the Global COVID-19 (Coronavirus) pandemic situation is now dominating all aspects of the news and economy.

8. This may run through into many potential areas of influence on matters affecting viability or deliverability, short term in particular. However, there could be a range of influences and effects, not necessarily all negative in their impact on viability or other matters. At the point of this assessment while there are unknowns, and potentially significantly so, it is possible to work only with the known – i.e. available information at this point in time and as continues to be reflected in the usual way through the stated established information sources. At this stage it appears that it will then be for Local Authorities and others to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course.

9. This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan or CIL preparation/review. In the meantime, this work contains information on the impact of varied assumptions. Additionally, in considering the assessment we have also sought to provide wide sensitivity testing to inform the Council's consideration of development viability in the wider plan delivery context.

10. This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

11. To the extent that the document is based on information supplied by others, Dixon Searle Partnership Ltd (DSP) accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.

12. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies will be applied from case to case.

13. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We currently also undertake site specific viability assessments on behalf of Crawley Borough Council

14. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment. Our project costs are simply built-up in advance, based on hourly/day rates and estimates of involved time.

Executive Summary

Introduction

1. This summary aims to provide a brief overview of the full report that follows (Crawley Borough Local Plan Review: Whole Plan Policies & Community Infrastructure Levy (DSP19682)). The overview set out here is not a substitute for the full detail of the report that should be referred to in that.

2. Crawley Borough Council (CBC) appointed Dixon Searle Partnership (DSP) to prepare the Viability Assessment as part of the wider evidence base informing a review of the Council's Local Plan (the Crawley Local Plan Review) for the borough. Once adopted, the Local Plan will revise the current adopted Crawley 2030 Local Plan in order to update it in accordance with national policies and local changes; ensuring a Plan that can support and direct growth for the next 15 years.

3. 'Viability' in the sense of this study refers to the financial "health" of development. This means that the study looks at the likely strength of the relationship between development values and costs, across a range of proposed development types.

4. In this way, the study assesses the viability impacts of emerging planning policies, so as to inform their further development, and to assess the potential viability and deliverability of development allocations again whilst taking account of emerging policies. Overall, the council requires the assessment in order to demonstrate that the policies proposed do not undermine the deliverability of the Plan.

5. In terms of infrastructure to support the Development Plan, CBC has in place a Community Infrastructure Levy (CIL) charging schedule – implemented in 2016. The indexed CIL rates set out in the Council's adopted Charging Schedule are considered as part of the overall costs of development within this assessment. The collective costs of development overall need to be considered and this viability evidence investigates both the viability of the current CIL (as indexed) as well as discussing the potential for future review.

6. This backdrop and the study approach, conducted by experienced consultants, is consistent with the relevant national policy and accompanying guidance.

7. The National Planning Policy Framework (NPPF) para 34 on *'Development contributions'* states*: '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.'*

8. The Planning Practice Guidance (PPG) on 'Viability', published alongside the updated NPPF in July 2018 and most recently updated on 1st September 2019, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles.

9. The PPG on Viability follows this theme and states: '*These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development…Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan'.*

10. The national guidance on CIL is within the PPG too, which also contains other sections relevant to considering matters relating to plan making and development of various types.

Study (assessment) approach - methodology

11. Responding to the above, the well-established approach involves a method known as 'residual valuation'. This deducts estimated costs (using assumptions that reflect the usual costs of development e.g. build costs, fees, finance, marketing and sale costs and developer's profit) from the expected end value on sale of a scheme (the gross development value or 'GDV'). The approach produces a surplus, hence a 'residual' or (in

some cases where viability is challenging) deficit that points to the amount that could be paid for the development land (site or premises to be developed).

12. A large number of these appraisals are undertaken across scenarios ('typologies') broadly reflecting anticipated development in the area. This approach allows varying potential levels of affordable housing, other planning policy costs and CIL charging to be tested for viability – collectively, as above.

13. The resulting 'residual land value' (RLV) levels are compared with a series of benchmark land values (BLVs) as part of assessing the likely prospects of various policy levels being supportable (viable), and sites therefore being deliverable all in support of the Local Plan. The use of BLVs, again a part of the established assessment approach, helps ensure that the RLV results are viewed in terms that should provide an appropriate level of return to landowners. This is based on the principle, as set out in the PPG, of 'Existing Use Value Plus' (EUV+) whereby the value of land in current use is the basis, and a level of uplift or premium is then considered, as may be appropriate to secure a site for development – to take it out of its current use.

14. This assessment was carried out over several stages to both inform the development of policy and to support the final approach leading to the Draft Crawley Borough Local Plan 2021 – 2037 submission publication consultation document. The following summarises the stages undertaken:

    Phase 1:
    Emerging Findings Stage 1: Sample of site typologies tested against the published first January 2020 Regulation 19 draft Local Plan policies with those applied in full (results are shown in Appendix IIa).

    Emerging Findings Stage 2: Review of policy costs and combinations aimed to explore and inform potentially viable policy options with a matrix of results produced from which CBC were able to determine the supportable extent of policies, and combinations in which they should prove viable overall (sample results from the wider extensive matrix are shown in Appendix IIb).

    Emerging Findings Stage 3: Tests using selected key policy costs cumulatively, to see whether these result in likely positive viability (and still support a surplus) or otherwise (looking out for any deficit i.e. likely unviable outcomes, and their significance). Results are shown in Appendix IIc.

Emerging Findings Stage 4: Stage 3 was updated to include assumptions representing potential affordable housing (AH) tenure adjustments. Results are shown in Appendix IId.

Emerging Findings Stage 5: With a more honed view of potential and likely viable policies and combinations (i.e. tested cumulatively again) we ran a full set of residential typology tests. To inform the Council's continuing policy development work in progress, we provided emerging findings on this. Results are shown in Appendix IIe.

Phase 2 - Full set of site typology tests, undertaken using the narrowed policy requirements as included in the second January 2021 Regulation 19 draft Local Plan. Results are shown in Appendix IIIa.

Phase 3 - viability review of selected proposed site allocations (results are shown in Appendix IIIb) and typologies based review of commercial/non-residential development types (results are shown in Appendix IIIc). The latter undertaken primarily to inform the viability of the current CBC CIL charging schedule and therefore any necessary or suggested potential review points for the Council's consideration of that.

15. The full report and its Appendices set out the details of the approach to the assessment. This includes more on the principles, the assumptions used and their source, an outline of how development industry stakeholders have been consulted and the review and analysis of results leading to the findings; a brief overview as follows.

Findings – overview

Crawley Borough Local Plan

16. Viewed as a whole the emerging Local Plan proposals as now proposed following this viability process are considered to have reasonable prospects of viability and should therefore be able to meet the criteria of the NPPF and be consistent with the national guidance within the PPG in viability terms.

17. With a functioning property and development market in place, the policy area that has most impact on development viability is that of affordable housing (AH). This is almost

always the case and not just a feature in Crawley Borough. The reason for this is due to the fact that affordable housing development costs are essentially the same as for market housing, but in order to ensure affordability to meet the local need, affordable housing creates a much lower level of value (typically around half of the market sale value overall when considering a mix of affordable housing tenure). Conversely however, affordable housing brings wider social benefits and from a development point of view can introduce less risk to a development by creating certainty over cashflow for a proportion of the development.

18. Viewed alongside other emerging policies we consider the following approaches, as now set out in the Local Plan, to be viable at a Plan-wide level:

- Borough-wide (BW) – 40% AH (based on 75% rented/25% intermediate tenure) with potential flexibility exercised for high-density schemes having similar to TC characteristics (as below);

- Town centre (TC) – 25% AH (based on 60% rented/40% intermediate tenure)

19. Reflecting the fact that viability as currently modelled is less than for market housing, build to rent (BTR) housing schemes are to support 20% (TC) to 30% (BW) AH, in the form of the national policy recognised affordable private rent.

20. Linked to the above, it may also be relevant to consider that affordable housing tenure models change over time. For example, at the time of this writing this report, it appears that the Government is going to be confirming the requirement for 'First Homes' to be included within the overall affordable housing mix as another form of affordable home ownership. At this stage, our view is that First Homes may well support a similar level of viability to that currently assumed for the existing 'affordable home ownership' route in the form of shared ownership. Viability may not improve as a result of First Homes, but also appears unlikely to be significantly negatively affected by that proposed new model.

21. In summary, this assessment reviewed the overall viability of the proposed Crawley Borough Local Plan Review and concludes that the residential sites and policies contained with the Plan (unless stated otherwise) have good prospects of delivery. This includes those policies that have potential direct cost impact on development (although noting that

in some cases there may be unquantified value / benefits also associated with the same policies) such as:

- Nationally described space standard (policy DD3);
- Open space requirements (Policy OS2);
- Enhanced accessibility standards (Policy DD2);
- Sustainable Design & Construction (Policies SDC1/SDC2/GI1/GI2/GI3);
- Sustainable Transport (Policy ST1);
- Skills contributions (Policy EC5)

22. Following the results commentary set out in this report, we consider that the strategy and range of policy requirements set out in the revised second Regulation 19 consultation Local Plan provides scope for development to come forward viably.

23. In general terms, the viability of the non-residential proposals / development is more mixed. This was borne out by and consistent with the non-residential typologies tests and findings with only some forms of retail development likely to be viable, particularly relating to CIL charging. This does not necessarily mean that developments would not come forward for development. They may be brought forward on a different basis to that appraised for this or a CIL assessment purpose. Developments will be expected to meet the usual sustainable development criteria but there are considered to be no CBC policy proposals that unduly affect or influence the viability of such schemes.

Community Infrastructure Levy (CIL)

24. The findings of this assessment as they relate to residential CIL rates indicate that the currently charged CIL (as indexed) continues to reflect positive viability in most key respects and should also continue to be appropriate alongside the emerging Local Plan policies. However, although intended for information in response to our Brief and possibly as a secondary consideration pending further progress with the Local Plan, we consider there also to be some justification to revise the current approach to CIL. If pursued, this could see some revisions in relation to elements of the charging rates and the differential approach. This includes:

- Continued use of residential rates (indexed);

- Potential for differential rates for build-to-rent (BTR), extra care and strategic development where a nil or nominal rate CIL and in the latter case a primary use of s.106 may be more appropriate to consider than the prevailing rate.

- Suggested consideration of a significantly reduced (i.e. nil or potentially a nominal rate only) CIL charge for all forms of retail development other than foodstores and retail warehousing.

- Although shown to be more viable than general industrial/warehousing development provision, the potential to not change the CIL approach in relation to any significant distribution use development (e.g. at Gatwick Green) – so that potentially the current nil-rating could continue apply, with s.106 used to provide necessary infrastructure.

- All other forms of development (including of the types most likely within Gatwick airport, if any in the current or short term circumstances) would continue to attract a nil (£0/sq. m) or at most nominal CIL charging rate based on our findings and suggestions for CBC's consideration.

Additional general context

25. This assessment has been worked up and is being reported at a time when more than typical levels of uncertainty may influence matters moving forward. An overview and judgments are always necessary, and indeed are appropriate. However, at this stage both the current COVID-19 pandemic (adding economic uncertainty to that related to the UK's exit from the EU) and the Government's proposals on planning reform (as well as potential temporary adjustments to affordable housing thresholds for example) present a range of extended unknowns.

26. DSP will be happy to assist and input further, working with CBC and advising additionally if required as its Local Plan proposals progress.

Executive summary ends

Final report issued March 2021

1. Introduction

1.1 Introduction & Report Purpose

1.1.1 Crawley Borough Council (CBC) is in the process of reviewing its Local Plan, to cover the period between 2021 and 2037 and in order to update the current Local Plan in accordance with national policies and local changes. Once the new Plan is adopted, it will replace the current Local Plan: Crawley 2030 (Adopted December 2015). The Council is also considering a potential review of its currently adopted Community Infrastructure Levy (CIL) Charging Schedule (CIL)[1] allied to the new Local Plan.

1.1.2 A consultation Draft Local Plan was published in July 2019 and early engagement consultation was completed between 15 July 2019 and 16 September 2019. In addition, a first Regulation 19 pre-submission consultation was undertaken between 20 January and 2 March 2020. Since the close of this consultation, a number of key changes have been made to the draft Local Plan due to emerging evidence (including this study), national aviation policy and advice from the planning inspectorate. On this basis, a further (second) stage of Regulation 19 Publication Consultation of the amended draft Plan is intended. For clarity these documents are referred to in this report as the 'First Regulation 19 draft Local Plan' and 'Second Regulation 19 draft Local Plan'.

1.1.3 The Council's approach is not to start from scratch but has conducted a review of the existing adopted Local Plan; many of the principles and polices of the Crawley Borough Local Plan 2015 (CBLP) remain up to date and 'sound'. The engagement did however seek to consider a wide range of issues and opportunities associated with the future development and potential growth of Crawley over the next 16 years.

1.1.4 The Council state that the new Local Plan will continue to adopt a supply-led approach towards its housing figure (owing to constraints of the borough and its compact nature) with a provisional housing target of 5,320 net dwellings delivered in the borough in the period between 2021 and 2037.

[1] Crawley Borough Council: Crawley Community Infrastructure Levy: Charging Schedule (July 2016)

1.1.5 The purpose of undertaking this study is to assess the viability impacts of emerging planning policies, so as to inform their further development, and to assess the potential viability and deliverability of development allocations again whilst taking account of emerging policies. Overall, the council requires the assessment in order to demonstrate that the policies proposed do not undermine the deliverability of the Plan.

1.1.6 It is in the interests of the Council, local communities, developers and all other stakeholders to ensure that the proposed policies, sites and the scale of development identified in the Plan are deliverable as a whole - to ensure a sound Plan through the examination process and in support of sites having reasonable delivery prospects moving ahead. This is equally true of the level(s) of CIL that will continue to be charged across the borough, following review – as part of the overall costs of and support to suitable developments.

1.1.7 The Local Plan must be prepared in accordance with the requirements set out in National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG) – as updated 2018-19. Viability testing is an important part of the plan-making process. The NPPF includes a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. The key guidance on how to address this is within the national Planning Practice Guidance (PPG), while other publications also provide reference sources.

1.1.8 In light of the above, the Council has therefore commissioned Dixon Searle Partnership (DSP) to carry out this viability assessment (study). The assessment involves the review of financial viability using a site typologies approach (test scenarios representing a range of site types/development schemes likely to come forward through the emerging Local Plan) as well as a more specific review of a number of proposed site allocations, where those are important in delivering the aims and objectives of the Plan overall.

1.1.9 Consistent with this context and DSP's experience, and reflecting the local characteristics, the assessment provides the evidence base for the viability of the Local Plan policies, informing and supporting its deliverability overall. As above, this will help ensure that the development strategy and sites supply identified in the plan are not subject to such a scale of obligations (including CIL) and policy burdens that their ability to be developed viably is unduly threatened.

1.1.10 In summary, the main objectives of this study are to:

- Undertake an assessment of the viability of policies in the new Local Plan as well as review and recommend whether the Council's CIL rates and charging zones as operating should be amended to reflect the new local plan and other updated circumstances;
- Test these using an appropriate sample of sites as represented by development typologies i.e. grouped by shared characteristics such as location, brownfield or greenfield, size of site and current and proposed use of the site;
- Consider the impact of both individual planning policies and the cumulative effect of these and (after any suggested adjustments) demonstrate that the Local Plan (together with any reviewed elements of the CIL) is considered viable – and therefore deliverable from a viability perspective, when considered as whole;
- Inform and justify the viability of setting of policies to address a range of planning issues which includes affordable housing (AH) provision - including unit thresholds, on-site percentages and tenure splits;
- Provide viability analysis relating to the emerging site allocation proposals.

1.1.11 This viability assessment has been produced in the context of and with regard to the NPPF, Planning Practice Guidance (including crucially on 'Viability' but which also contains the CIL Guidance), CIL Regulations, and other Guidance[2] applicable to studies of this nature. After setting out the assessment context and purpose within this 'Introduction' section, the following report structure, on the study detail, is presented over 3 stages as included below (brief outline here):

- **Methodology** – approach to the study, residual valuation methodology, assumptions basis and discussion;

- **Findings Review** – overall results context, detailed analysis of the typology test results, strategic sites review current stage (including the strength of viability in relation to range of AH proportions, potential CIL charging rates and other key policy considerations;

[2] Including the RICS Professional Guidance Note 'Financial viability in planning' (August 2012) and more recent 'RICS Professional statement on Financial viability in planning – conduct and reporting' (1 September 2019) and 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

- **Summary and Recommendations** – including any options/alternatives, and set out in the context of the viability of the whole Plan, i.e. taking account of the associated impact of the Council's emerging policies (including viable affordable housing thresholds and proportions (%s), review of the proposed strategic site allocations (based on the information available to date on these sites). Also covering review of the viability of the existing CIL charging schedule/alternatives, and therefore whether a different approach to that is considered necessary or more suitable, alongside the new Local Plan policies.

1.1.12 The testing of Local Plans for viability does not require a detailed appraisal of every site anticipated to come forward over the plan period, but rather a test of a range of appropriate site typologies that reflect the potential mix of sites likely to come forward. The process should however include more specific consideration of those sites upon which the Plan relies for the delivery of its growth objectives – e.g. site allocations / strategic sites; all as above.

1.1.13 Equally, the Local Plan viability assessment does not require an appraisal of every likely policy but rather potential policies that are likely to have a direct quantifiable bearing on the overall development costs. In our experience this type of assessment involves a focus primarily on the viability prospects and potential policies associated with housing development. This is because the scope of CBC's or indeed other Councils' influence over the viability of other forms of development (i.e. non- residential / employment / commercial) through local planning policy positions is typically much more limited.

1.1.14 The assessment approach applies sensitivity testing to explore the likely impacts of the potential policy costs - including on a range of affordable housing requirements and combined with allowances for meeting the requirements of other policies emerging through the Local Plan review process. This covers areas such as the optional housing / technical standards, including relating to the access to and use of buildings, sustainability, water usage efficiency and space standards.

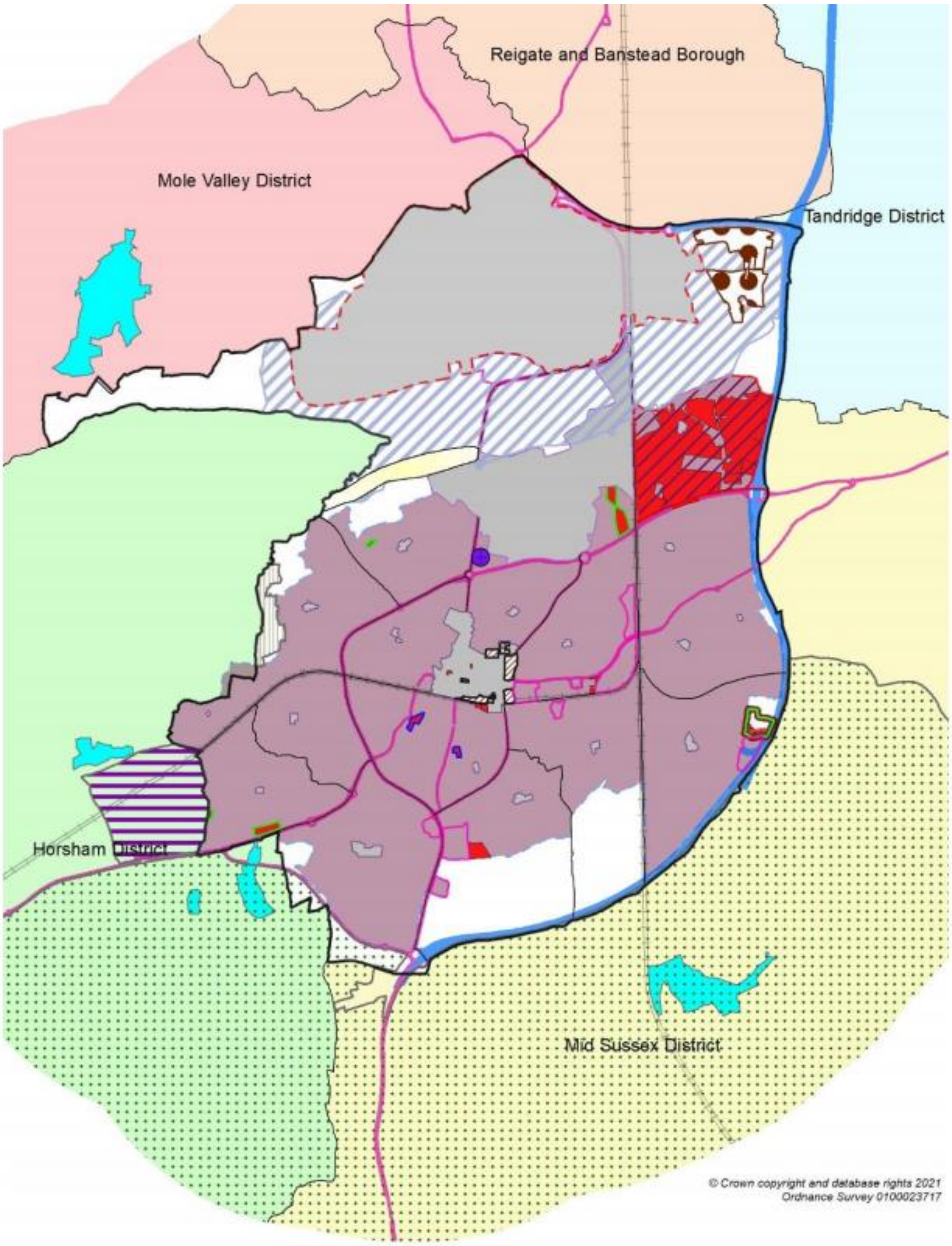
1.1.15 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Acknowledging that, this work provides a high level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.

1.2 Crawley Borough - Profile

1.2.1 The emerging Crawley Borough Local Plan sets out the spatial characteristics of the Borough in detail. This section provides an outline only, feeding into the consideration of the local characteristics that are influencing the emerging Plan direction and therefore the review of policies and their viability in the relevant local context. The Council's wider evidence base provides an extensive range of information on the nature of the borough, and the related planning issues and opportunities.

1.2.2 Crawley is situated in the north eastern part of West Sussex with the districts of Horsham to the west, Mid Sussex to the south and east with the county of Surrey to the north beyond Gatwick Airport. See the overview map at Figure 1 below for general context.

Figure 1: Map of Crawley Borough



Source: Draft Crawley Borough Local Plan 2021 – 2037 (January 2021)

1.2.3 The draft Local Plan states: '*Crawley borough covers 4,497 hectares. Its administrative boundaries are drawn tightly around the town itself, with very little land falling outside of the built up area. This is particularly the case to the west of the urban area, although this location offers some of Crawley's greatest connections, visual and physical, with the open countryside beyond. The M23 motorway forms the borough boundary to the east.*

To the south, beyond the dual carriageway, lies an Area of Outstanding Natural Beauty. Gatwick Airport is located within the borough to the north of the town – the land between the town and the airport is heavily constrained by noise and may potentially be required for the future development of the airport'.

1.2.4 The emerging Local Plan identifies that to meet the needs of its growing population, the town would need a further 12,000 new homes by 2037. The Council's identified land supply allows for close to half of this need to be met within the borough boundaries through the completion of the new neighbourhood in the north east of the borough as well as town centre development and smaller developments within existing neighbourhoods. The Council's unmet need is considered through discussions with neighbouring authorities including across the Gatwick Diamond, West Sussex and Greater Brighton and through potential urban extensions on the boundaries of Crawley Borough but within the administrative areas of neighbouring authorities.

1.2.5 Crawley plays a key role in the economic development of the Gatwick Diamond. The emerging Local Plan indicates a need for a total of 38.7 hectares (154,680sqm floorspace) of new B-class business land in the borough. Of that total, 14.6 hectares of the emerging need can be met by the Council's existing employment land supply pipeline, (5.9ha office and 8.7ha industrial), with an additional 24.1 hectares proposed to be met through the allocation of a Strategic Employment location at 'Gatwick Green'.

1.3 National Policy & Guidance (NPPF, PPG and CIL)

1.3.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF) as refreshed from July 2018[3] which says on *'Preparing and reviewing plans'* at para 31: *'The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.'*

1.3.2 NPPF para 34 on *'Development contributions'* states: *'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*

3 Most recently updated in May 2019.

that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'

1.3.3 The updated national Planning Practice Guidance (PPG) on 'Viability', published alongside the new NPPF in July 2018 and most recently updated on 1 September 2019, provides more comprehensive information on considering viability in plan making, with CIL viability assessment following the same principles. The Planning Practice Guidance on Viability states:

> *'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).*
>
> *These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development…Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan'.*

1.3.4 The PPG states that site promoters should engage in plan making and should give appropriate weight to emerging policies. The latest revision to the PPG (paragraph 006) increases the emphasis on viability at the plan-making stage; therefore, if a planning application is submitted which proposes contributions at below the level suggested by policy, the applicant will need to demonstrate what has changed since the Local Plan was adopted.

1.3.5 The Council adopted a CIL Charging Schedule which came into effect on 17 August 2016. The Charging Schedule sets out rates on residential and retail development taking place anywhere in Crawley outside of the Gatwick Airport Boundary. The CIL charging rates had a base date of August 2016. Indexation applies to the rates relevant to all permissions issued since 2016, in accordance with the CIL Regulation 40. At the point of carrying out this study, the new prescribed approach to indexation (updating of the adopted rates by reference to the 'All-in Tender Price Index' as a standard national approach) has led to CBC's 2020 charging rates increasing as set out in the table below, alongside the 2016 adopted levels:

Figure 2: CBC CIL charging rates

Use	Zone	2016 CIL Charge (per m²)	2020 Indexed rate
Residential	Boroughwide Zone**	£100.00	£123.25
General retail (A1-A5 excluding supermarket)*	Boroughwide Zone**	£50.00	£61.62
Food supermarket A1 (less than 3,000sqm)*	Boroughwide Zone**	£100.00	£123.25
Food supermarket A1 (3,000sqm plus)*	Boroughwide Zone**	£150.00	£184.87
All other uses	Boroughwide Zone**	£0.00	£0.00
All uses	Gatwick Airport Zone	£0.00	0.00

*ancillary commercial car parking spaces will not be subject to CIL charges

**Boroughwide zone excludes land within the defined Airport Zone which is exempt from CIL

1.3.6 As well as testing the viability of the emerging Local Plan policies and strategies, the Council wishes to ascertain whether its adopted CIL Charging Schedule is likely to continue to be suitable, i.e. with charges at a level that will to apply appropriately to relevant development types and locations, and ensure the ability of developments to come forward viably with the policy burdens and other obligations proposed for inclusion in the emerging Local Plan. Any recommendations that should be considered around revisions to the adopted charging schedule (including the charging rates as indexed) are sought by CBC including the relationship between CIL and s106 contributions.

1.3.7 The CIL regulations came into force in April 2010 and have been revised on a number of occasions since, with the most recent revisions (and to the associated guidance) - The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019 – coming into force on 1st September 2019. The Regulation details are not repeated in full here, but we have summarised below some of the key aspects: -

- Local Authorities in England and Wales may put a CIL in place to raise funds from new development in their area to deliver the infrastructure needed to support that development (in this case Crawley Borough Council is and will continue to be the charging authority).
- CIL is charge payable on 'development which creates net additional floor space' over 100sq. m.
- Residential annexes and extensions are exempt regardless of size
- The creation of any new dwelling regardless of size will pay the charge[4]
- The funds raised are to be allocated towards infrastructure needed to support new development in the charging authority's area.
- Charging Authorities must allocate a 'meaningful proportion' of the levy revenue raised in each neighbourhood back to those local areas.
- Where a neighbourhood development plan (NDP) is in place, the neighbourhood will be able receive 25% of the revenues from the CIL arising from the development[5].
- Where an NDP is not in place but CIL is still charged, the neighbourhood will receive a capped share of 15% of the levy revenue arising from development in their area.
- AH and development by charities will not be liable for CIL i.e. in respect of residential development, only market dwellings will be liable to pay CIL at the rate(s) set by the charging authority.
- As reflected above, the CIL rate or rates should be set at a level that ensures development within the authority's area (as a whole, based on the plan provision) is not put at serious risk.

1.3.8 The Council has been working with infrastructure providers and agencies in considering and estimating the costs of the local requirements associated with supporting the anticipated local plan level of growth to be accommodated across the borough as a whole through the development of an Infrastructure Delivery Plan (IDP). The draft IDP (July 2019) available at the start of this project identifies both the current and future infrastructure requirements of the borough and as a live document is continuously updated and kept under review. At the point of finalising this study, the latest version (prepared and intended to be published alongside the Local Plan draft) is dated September 2020.

[4] The latest 2019 amendments have not altered these key points of principle.

[5] The proportion would be paid directly to the neighbourhood planning bodies and could be used for community projects. PPG provides further information on spending of Levy receipts including distribution to local neighbourhoods. Also see https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph: 072 Reference ID: 25-072-20140612 Revision date: 12 06 2014)

1.3.9 Infrastructure is taken to mean any service or facility that supports the Borough Council area and its population and includes (but is not limited to) facilities for transport, education, health, social infrastructure, green infrastructure, public services, utilities and flood defences. In the case of the current scope of the CIL, affordable housing is assumed to be outside that and dealt with in the established way through site specific planning (s.106) agreements.

1.3.10 The CIL Guidance contained within the PPG goes on to state that the levy rate(s) need to be set so that they do not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (Local Plan in England): '*an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments… this balance is at the centre of the charge-setting process*' and '*in meeting the regulatory requirements, charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area*'.[6]

1.3.11 To achieve this: '*a charging authority should use an area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge. The authority will need to be able to show why they consider that the proposed levy rate or rates set an appropriate balance between the need to fund infrastructure and the potential implications for the economic viability of development across their area*.'[7].

1.3.12 Although we have not set out fully the sections of the PPG viability guidance that are relevant in assessing viability in (for both CIL and plan-making), some of the key points are summarised below:

- 'Appropriate available evidence' must be used to inform the charging rate(s);
- An appropriate range of site types (or 'typologies') should be tested based on the range of site types likely to come forward for development over the plan period;
- Costs within the viability assessment should be based on evidence reflective of local market conditions (see paragraph 012 of the 'Viability' PPG);

[6] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph 010 Reference ID: 25-010-20190901 Revision date: 01 09 2019
[7] https://www.gov.uk/guidance/community-infrastructure-levy#evidence-and-setting-rates (Paragraph 020 Reference ID: 25-020-20190901 Revision date: 01 09 2019

- Land value should be based on the Existing Use Value of the site, plus a premium (known as the 'EUV plus' approach);
- There is no requirement for the charging authority to directly mirror the rate(s) proposed within the viability study;
- A 'viability buffer' should be included so that the charges are able to support development through economic cycles;
- Differential rates can be applied if appropriate in relation to geographical zones (including for strategic sites) and/or by varying type and scale of development, although undue complexity should be avoided noting specifically that charging authorities '*should be aware that it is likely to be harder to ensure that more complex patterns of differential rates are State aid compliant*'.
- Stakeholders should be appropriately consulted to inform the viability assessment process;
- The viability assessment should be proportionate, simple, transparent and publicly available.

1.3.13 Within this study, allowances have been made for the cost to developers of providing affordable housing and complying with other planning policies fully (based on assumptions relevant to testing allied to the adopted local plan). This is whilst factoring-in the usual costs of development (build costs, fees, contingencies, finance, costs of sale, profit and land value).

1.3.14 The consideration of the collective planning obligations (including affordable housing, other requirements and CIL, together with any continued use of s.106) cannot be separated. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others, which links back to 'striking a balance'. It follows that the extent to which s.106 will have an on-going role also needs to be considered in determining suitable CIL charging rates, bearing in mind that CIL is non-negotiable.

1.3.15 In most cases, where adopted, CIL replaces or largely replaces s.106 as the mechanism for securing developer contributions towards infrastructure. The 2019 updated CIL Regulations and PPG reflect the greater flexibility that authorities now have to use funds from both section 106 planning obligations and the Levy to pay for the same items of infrastructure, regardless of how many planning obligations have already contributed towards an item of infrastructure (the previous s.106 'pooling restrictions' have been removed).

1.3.16 As noted above, a key requirement of CIL and setting the charging rates is that an appropriate balance should be struck between the desirability of funding infrastructure from the levy and the potential effects that imposing the levy may have upon the economic viability of development (development viability).

'When deciding the levy rates, an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments.

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements, charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area (see regulation 14(1), as amended by the 2014 Regulations).'[8]

1.3.17 The CIL Regulations (Amendment) have been taken into account in the preparation of this report and in our opinion and experience the preparation of this study meets the requirements of all appropriate Guidance.

1.3.18 In addition, further relevant information is contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' report[9]). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact of policies within the Local Plan, requirements of SPDs and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in the Plan making process.

1.3.19 During the course of carrying out this assessment the Government consulted on both short term and longer term major reforms to the planning system in England and Wales. The White Paper: Planning for the Future consultation (August 2020) seeks views on

[8] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph 010 Reference ID: 25-010-20190901 Revision date: 01 09 2019

[9] 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

wholesale reforms to the planning system so that in some respects it would be nearly unrecognisable from the system under which this assessment and the Local Plan are being produced. The second consultation – '*Changes to the current planning system'* looks at shorter term objectives including the introduction of a First Homes policy[10] and temporary increase in the national affordable housing threshold[11]. The results of both consultations were unknown at the time of writing and although additional sensitivity testing[12] has been carried out in terms of affordable housing tenure and thresholds as part of the '*Changes to the current planning system'* consultation, no other allowances are made within this assessment.

[10] Potential for a policy that requires policy that a minimum of 25 per cent of all affordable housing units secured through developer contributions to be First Homes with a minimum discount of 30% of market value.
[11] The government is consulting on whether to increase the current affordable housing threshold (where affordable housing may be sought from developments of 10 dwellings or more) to 40 or 50 dwellings for a temporary period of up to 18 months.
[12] Carried out towards the very end of the assessment period.

2. Methodology & Assumptions

2.1 General Approach

2.1.1 The study as described in this report involved a three phase approach to get to the point where a robust and deliverable set of policies and sites were deemed viable.

2.1.2 Prior to fixing assumptions, necessarily at a point in time, and running appraisals (as outlined in the following paragraphs) we have undertaken an extensive information review, property market research and a development industry stakeholders' survey. As a part of this, a review of the potential policy proposals enabled us to assess which are considered likely to have a particular development cost impact, or additional cost implications over and above the typical costs involved in the development process (for example build costs utilising the costs information from established sources such as the Building Cost Information Service of the RICS (BCIS), associated fees and contingencies, finance, sale costs, development profit; and land costs).

2.1.3 Appendix I to this document also provides a quick reference guide to the assumptions used and includes a policy review schedule for each stage of the assessment as the Local Plan evolved indicating the view taken with respect to the potential policies so far as those were known at each assessment phase.

2.1.4 The early stages of the process involved carrying out initial typology tests and then detailed sensitivity testing using a small number of site typologies considered to best represent potential future development of significant general types in the Borough assuming, as a starting point, that all proposed policies (from the first version Reg. 19 Draft Local Plan) were applicable and therefore included within the development appraisals. The typologies used for this consisted of a 35 dwellings mixed scheme (houses and flats), 100 unit 3-5 storey flatted scheme and higher density 100 unit 6+ storey flatted scheme (details of the development typology / scheme assumptions are set out later in this chapter).

2.1.5 The process required an estimate of the cost of each of those policies and obligations that CBC set out in the First Regulation 19 Draft Local Plan and appended Planning Obligations annex that it was considered had a quantifiable impact on development viability (clearly other policies have indirect cost implications which have been addressed more generally within our appraisal assumptions). These included affordable housing, education contributions, skills contributions, sustainability, access to and use of buildings, open space, tree planting and CIL. Those in turn were tested across a range of sales value levels (VLs) incorporating a high-level assumption on benchmark land values (BLVs) and developer profit.

2.1.6 After the first set of tests had produced residual land values (RLVs) indicating the cumulative impact of the full first draft Plan policies (Appendix IIa), the testing then went on to explore and indicate the influence on RLVs when looking at a very wide range of potential policy combinations.

2.1.7 Using a form of matrix approach, this second Stage very extensive results set then allowed the Council to see the impact of the proposed policies (and level of costs generated by those) on the viability of the typologies as well as how those came together when considering various policy combinations – and therefore in moving on to consider policy refinements and priorities. Samples of the wide-ranging sensitivity testing results (examples from the wide matrix type testing approach) are included as Appendix IIb.

2.1.8 The results of the second Stage of initial testing lead to a more clearly developing picture on the level of affordable housing and other policies that could potentially be viably sought together through the emerging Local Plan. In this way this exercise informed the further development of revised policies for the second Reg. 19 Draft Local Plan version as would be tested in the second phase of the assessment (as per Appendix III and noted below). That was after further initial testing of a proposed refined policy set, this time on the basis of an indicative surplus/deficit analysis after again allowing for all development costs and profit and this time also allowing for the range of indications assumed on benchmark land value (BLV) – results at Appendix IIc. There the assumed refined policy set and costs are set out for the tested typologies at this further initial Stage (3) – again 35 mixed dwellings and 100 flats (lower and higher density).

2.1.9 This exercise was then repeated whilst exploring sensitivity to affordable housing tenure variation (results again reported as potential maximum indicative surplus/deficit outcomes based on the assumptions used and set out) – results at Appendix IId.

2.1.10 To complete the first phase of viability assessment (the initial testing leading to emerging findings, ongoing review and informing policy refinements) and so as to keep sharing emerging findings with CBC, a first sample of the results and presentation format from the full, second phase of typology testing (as below) was made available – as per Appendix IIe.

2.1.11 All in all, therefore, there were 5 Stages to the initial/early assessment process leading to emerging findings developed in steps to consider and inform the refinement of the potential viability impact of the cumulative policy costs and therefore the shaping of an updated, second issue regulation 19 Draft Plan version.

2.1.12 Phase 2 of the assessment considered a wider range of site typologies representative of the forms of development likely to come forward in the Borough and in doing so applied the now settled policy and planning obligation assumptions as reduced and refined following the initial, first phase – emerging findings over 5 Stages as outlined above (and again, as per the initial results sets/samples at Appendices IIa to IIe. Phase 2 produced the results that are set out in Appendix IIIa. The details of all the site typologies and assumptions feeding into the associated development appraisals are set out in this chapter and an outline of these is also provided with Appendix I.

2.1.13 An equivalent set of typologies testing and related assessment work has also been undertaken to consider the viability of commercial/non-residential development in the borough and also inform a potential review of the existing CBC CIL Charging Schedule – commercial/non-residential results at Appendix IIIc and other information commentary included within this report.

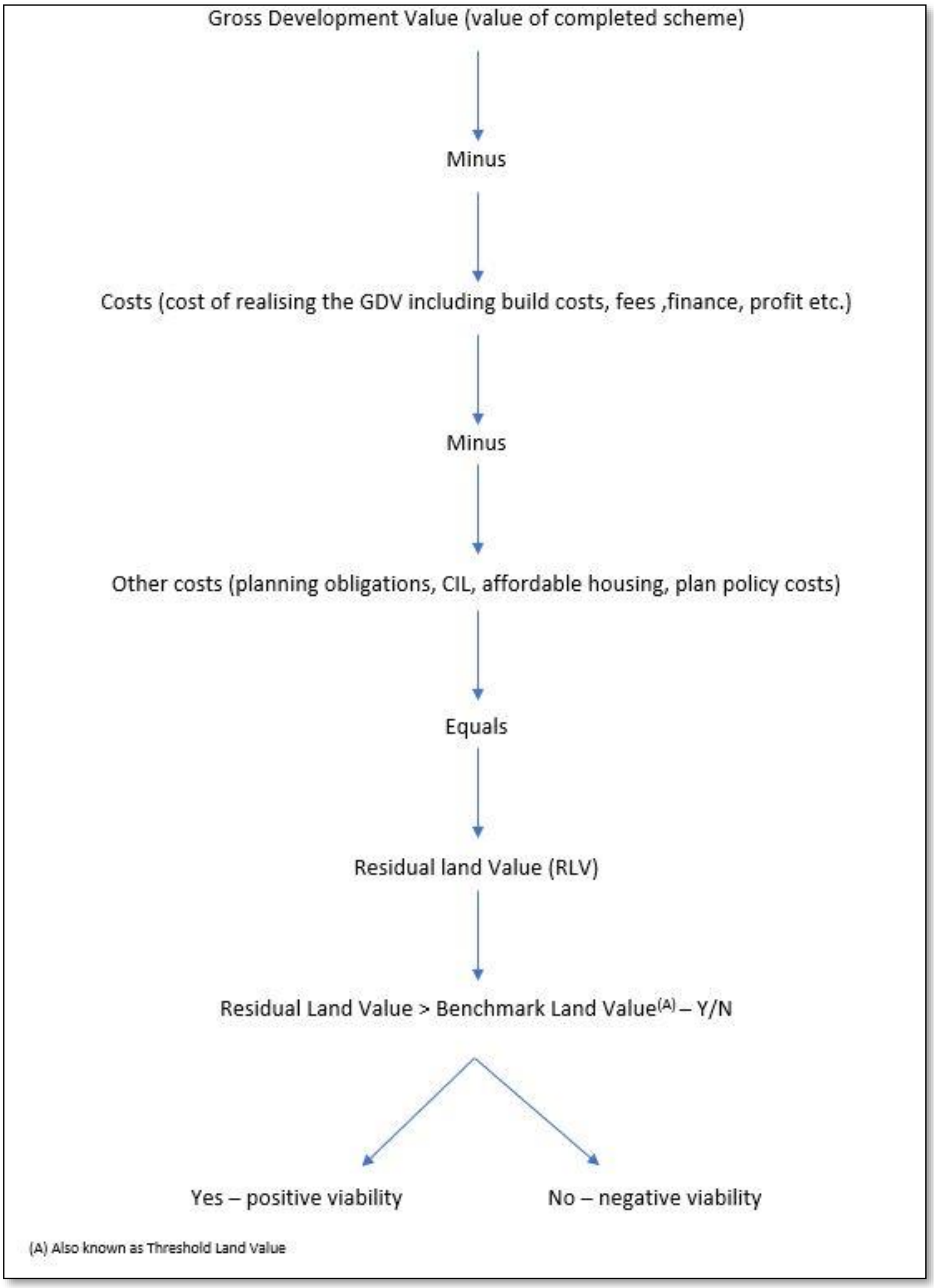
2.1.14 Phase 3 of the process reviewed the viability of a selection of specific site allocations; incorporating the revised policy and planning obligations considerations and assumptions recommended to this point alongside any other site-specific assumptions required to test, at a high level (as appropriate to this stage of the Plan making process), the potential viability and deliverability of those proposed sites.

2.1.15 Collectively, this study therefore investigates the potential viability and, therefore, deliverability of the Local Plan and its policies and obligations - including the affordable housing requirements, a review of the level of CIL across the borough and the viability of those site allocations that are key to the delivery of the plan's housing numbers as a whole.

2.2 Residual Valuation Principles

2.2.1. The most established and accepted route for studying development viability at a strategic level, including for whole plan viability, but also used for site-specific viability assessments, is residual valuation. This is also consistent with the relevant guidance described above. Figure 3 below sets out (in simplified form only) the principles of the residual valuation calculation, which is the methodological basis of the appraisals sitting behind our results and recommendations.

Figure 3: Simplified Residual Land Valuation Principles



(DSP 2020)

2.2.2. Having allowed for the costs of acquisition, development, finance, profit and sale, the results show the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).

2.2.3. This assessment is consistent with the NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a 'willing landowner' and 'willing developer'. The emphasis has moved away from a market value approach to land that may have been used or carried greater influence in the past. The PPG on Viability has for some time now made it clear this benchmark land value (BLV) should be based on Existing Use Value (EUV) and states:

'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. 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+'].

2.2.4. The NPPF and associated PPG on Viability indicate a greater link than previous between the role of strategic level viability work such as this assessment and the decision making (development management of planning applications/delivery) stage. The national approach has moved more towards a general acknowledgement that the main role of viability should be at the plan making stage.

2.2.5. However, and consistent with our experience in practice to date, it appears likely that there will still be a role, albeit at a reduced level, for planning application stage / site-specific viability reviews but that it is '*up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage'*[13]. An indication of the types of circumstances where viability could be assessed in

[13] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment (Paragraph: 006 Reference ID: 10-006-20190509 Revision date: 09 05 2019

decision making is also included in the PPG. These include: '*for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force*'[14]. There is the potential for the development of some sites identified by the Council to need to overcome abnormal issues and support added costs. The NPPF recognises that within this picture there could be sound reasons for site-specific viability evidence to be brought forward at the delivery stage in such circumstances; as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure.

2.2.6. The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available at Appendices I and III.

2.3 Stakeholder Consultation

2.3.1 The national policy and guidance reflects the need for and value of stakeholder engagement. Consistent with our established practice for strategic viability assessments, DSP sought soundings as far as were available from a range of development industry stakeholders as the assumptions were considered. This offered an engagement opportunity to a wide range of locally active organisations and interests, with a view to gathering feedback on our emerging study approach and inputs - to help inform the assessment.

2.3.2 This engagement process was conducted primarily by way of bespoke survey type questionnaires seeking information and views with which to help test our emerging assumptions at the early project stages, followed up with any subsequent dialogue as appropriate. The questionnaires set out our initial draft assumptions and testing parameters, with the opportunity provided for the stakeholders to then comment on

[14] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment (Paragraph: 007 Reference ID: 10-006-20190509 Revision date: 09 05 2019

those emerging positions or suggest alternative assumptions with reasoning. The survey proformas were issued as follows:-

- **Development Industry** – range of active stakeholders in the borough as per the Council's contacts lists and supplemented where appropriate from DSP's experience, including local property agents, developers, housebuilders, planning agents, industry representatives and others.

- **AH Providers** – range of locally active affordable housing providers, again through discussion with the Council. These parties were contacted with a directed survey form requesting guide information on likely AH revenue (payment to developer) levels as well as on underlying investment/valuation assumptions and any other commentary – again, all as far as available.

2.3.3 As part of this process, a full record of all stakeholder interaction is kept, including a log indicating the parties contacted, reminders issued, the feedback responses and level of response overall. Given potential commercial sensitivities/confidentiality in some instances, the details of the responses received are not included within our published report. However, this has all contributed valuably to the overall information review, further informing both the consideration of the assumptions range, and the review of and judgments made around the results in the later assessment stages. All in all, the work is informed by a combination of sources, including the Council and its information, our own extensive research process and experience and the relevant stakeholder sourced feedback.

2.4 Scheme Development Scenarios – Residential Development Scenarios

2.4.1 The site typologies modelled as part of this assessment reflect a variety of different types of development that are thought likely to be brought forward through the planning process across the plan area – as considered with CBC. This enables viability to be tested in a way that reflects the likely range of future housing supply characteristics, informed also by the local experience of development to date. This appropriately informs the development of local plan policy and the residential CIL charge setting (potential review) process, with the key aim of finding an appropriate balance between policy requirements (including provision of affordable housing and the desirability of funding infrastructure) and the ability of developments to continue to come forward viability.

2.4.2 While this cannot be and does not need to be an exhaustive exercise as the guidance recognises, in order to adopt a relevant range of residential development typologies, we reviewed and analysed the housing supply expected to come forward over the emerging plan period – up to 2037. In providing a brief for this assessment the Council identified a number of housing land typologies on which it is anticipated housing development may be proposed during the Plan period including estate regeneration, densification, infill opportunities and small sites, open spaces, town centre residential sites and urban extensions.

2.4.3 Each of the development typologies has been tested over a range of value levels (VLs) representing varying residential sales values as seen at the time of review across the borough by scheme location / type. As well as looking at the influence of location within the borough, this sensitivity testing approach allows us to consider the potential impact on development viability of changing market conditions over time (i.e. as could be seen through falling or rising values dependent on market conditions) as well as how this key assumption may vary by location, development type and scale.

2.4.4 A summary of the general residential scheme typologies tested as part of this study is shown at Figure 4 below, with the full detail set out in Appendix I. The appendices also show the details of the early informative stages of viability testing at the start of this process.

Figure 4: Residential site typologies summary

Scheme Size Appraised	Type	Site Type
9	Houses	Greenfield/PDL
9	Flats	PDL
10	Houses	Greenfield/PDL
10	Flats	PDL
10	Flats	PDL
30	Flats Sheltered	PDL
35	Flats	PDL
35	Mixed	Greenfield/PDL
50	Flats 3-5 Storey	PDL
60	Flats Extra Care	PDL
100	Flats 6+ Storey	PDL
100	Flats 3-5 Storey	PDL
100	Flats (Mixed Use) GF Retail	PDL
250	Flats 6+ Storey	PDL
200	Flats 6+ Storey Build to Rent	PDL
1000	Mixed	Greenfield (potential *'at Crawley'* scenario)

(DSP 2020)

2.4.5 In addition to the use of the site typologies approach as above, more specific viability testing has been undertaken through this viability assessment process on a number of site allocations proposed through the Local Plan Review (see the further detail within the later sections and Appendices).

2.4.6 As part of the considering the site typologies and seeking to make these as representative as possible of the emerging policy approach, an assumption is made in relation to dwelling mix, for which we have adopted the principles set out in Figure 5 below and Appendix I. These dwelling mix principles are based on the detail set out in Local Plan which is informed by the most recent Strategic Housing Market Assessment (SHMA). These dwelling mix assumptions are also applicable to the specific sites test scenarios.

Figure 5: Local Plan Review Dwelling Mix Assumptions

Dwelling Mix as set out in Policy H4*	60% Market Housing Element (Private Sale and Private Rent)		40% Affordable Housing Element (Intermediate and Rental Tenure)
	Town Centre	Borough-Wide	
1 Bed	25% - 30% *(10% Studio Flats)*	10%	25% - 30%
2 Bed	40% - 45%	25%	30% - 35%
3 Bed	25%	40%	25% - 30%
4+ Bed	5%	25%	5% - 10%

(DSP 2020)

2.4.7 In all cases it should be noted that a "best fit" of affordable housing numbers and tenure assumptions has to be made, given the effects of numbers rounding and also the limited flexibility available; particularly in scheme typologies with small dwelling numbers. The assumed scheme mixes are by their nature hypothetical and are not exhaustive. Many other types and variations may be seen, including larger or smaller dwelling types in different combinations, according to particular site characteristics, localised markets and requirements etc. The affordable housing (AH) content assumed within each test scenario is set out in more detail below. Appendix I also provides more information on the assumed dwelling mixes and associated revenue levels. This feeds into the assessment and recommendations of affordable housing policy thresholds, proportions (%s) and tenure types/mix.

2.4.8 For the site-specific appraisals much depends upon the extent, cost and phasing of the infrastructure to be funded by the development, the amount and type of housing that can actually be accommodated on site and the timing of its provision in relation to that of the accompanying infrastructure. At this stage, the finer details are not clear and, as such, the site-specific testing for this viability assessment is based on a mixture of known requirements and costs (as available at the timing of appraisals), and typical assumptions informed by reference to sources such as the Harman Report (as mentioned above), stakeholder engagement and through experience - as is appropriate for this level of viability testing.

2.4.9 The dwelling sizes (on a GIA i.e. gross internal area basis) assumed for the purposes of this study are as set out in Figure 6 below and based on the Nationally Described Space Standard (NDSS). As with the many other variables considered through assumptions, there will be a large range and mix of dwelling sizes coming forward in practice, with these varying by scheme and location. Due to the high-level nature of this study process, a sample of scenarios and assumptions can be tested rather than every potential iteration. This approach is sufficient to generate a suitable overview, in accordance with guidance.

Figure 6: Residential Unit Sizes

Unit Type	Unit Sizes (sq. m)
Studio flats	37
1-bed flat	50
2-bed flat	61
2-bed house	79
3-bed flat	86
3-bed house	93
4-bed house	106

Notes: Retirement/sheltered dwellings assumed 1-beds @ 55 sq. m; 2-beds @ 75 sq. m
(DSP 2020)

2.4.10 Since there is a relationship between dwelling size, value and build costs, it is the relative levels of the values and costs that are most important given the nature and purpose of this study (i.e. with values and costs expressed and reviewed in £/sq. m. terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Value Levels' (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach to focussing on values and costs per sq. m. also fits with a key mode that developers and others tend to use to assess, compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).

2.4.11 The above dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e. 100% saleable floorspace). For flats, the additional cost of constructing communal/shared non-saleable areas also needs to be taken into account. For the general flatted typology development tests, we have assumed a net:gross ratio of 85% (i.e. 15% communal space). The sheltered housing scenario assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e. 25% communal) which is then further reduced through the selected assumptions to 65% saleable (35% communal) for the extra care development typology.

2.4.12 We consider these to be reasonably representative of the types of homes and other space coming forward within the scheme types likely to be seen most frequently providing on-site integrated AH, although again we acknowledge that all such factors will likely vary to some extent from scheme to scheme. It is always necessary to consider the size of new build accommodation in looking at its price per sq. m. rather than its price alone.

2.4.13 At this level of strategic overview, we do not differentiate between the value per sq. m. for flats and houses although in reality we often observe an inverse relationship between the size of a property and its value when expressed in terms of a £ sales value rate per unit area (£/sq. m or £/sq. ft.).

2.5 Specific Site Allocations – Residential/mixed-use and commercial

2.5.1 As part of building their evidence base, the Council also asked DSP to consider the potential viability, at a high level at this stage, of proposed site allocations that are currently intended to be brought forward through the plan.

2.5.2 A number of sites are included as set out in Figure 7 below.

Figure 7: Proposed Site Allocations (as tested in this assessment)

Site Allocations - Bespoke Testing	Existing Use	Site Area (ha)	Indicative Capacity (approx. no. of dwellings)
Land South East of Heathy Farm, Balcombe Road, Forge Wood *Tested at 40% AH*	Greenfield Site	4.15	150
Land Adjacent to Desmond Anderson, Tilgate *Tested at 40% AH*	School (surplus educational land) (PDL)	3.39	150
Tinsley Lane Playing Fields, Three Bridges *Tested at 40% AH*	Greenfield Site	3.3	120
County Buildings, Northgate *(Town Centre)* *Tested at 25% AH* *5,200 sq. m Offices*	Existing office/educational buildings and parking (PDL)	0.58	100
St Catherine's Hospice, Malthouse Road, Southgate *Tested at 40% AH*	Existing Hospice (PDL)	0.73	60 (Sheltered Housing)
21, 25, 27 & 29 Tushmore Lane, Northgate *Tested at 40% AH*	Existing residential properties and adjoining curtilage (PDL)	0.60	63
Wingspan Club Residual Land, Manor Royal **NON-RESIDENTIAL** ***2,787 sq. m Industrial***	Greenfield Site	0.64	n/a
Nexus, Gatwick Road, Manor Royal **NON-RESIDENTIAL** ***2,600 sq. m Industrial***	Existing Car Park	0.64	n/a
Gatwick Green **NON-RESIDENTIAL** ***77,800 sq. m storage/distribution***	Greenfield Site	24.1	n/a

(DSP 2020)

2.5.3 Although specific appraisals have been carried out for the above strategic sites, in reality the length of time over which development is planned (over the lifetime of the emerging plan) in combination with detailed site information (including costings) available at this stage, means that the results can only provide a high-level assessment of the potential viability of these sites.

2.5.4 Appendix I provides a summary of the specific assumptions for each strategic site based on a mixture of available evidence provided by the Council, other key documents (e.g. IDP) and our own experience of similar assessments. As noted above, the necessarily high-level nature of this viability testing process means that any specific costings provided to us at this stage are estimates which, through latter stages of the Plan process, will need to be confirmed once more accurate costings can be ascertained.

2.5.5 The site allocations have been tested using the same principles and a development of the typologies approach, using more tailored assumptions as far as it was possible to consider and assemble those from available information emerging at the time of review. The basis is set out within Appendix IIIb, as below, with Appendix I (3rd assumptions sheet there) provided more information on the assumptions used following liaison with CBC and information review.

2.5.6 The outcomes of the appraisals focused on the proposed site allocations are shown in Appendix IIIb where example summaries of the appraisals are also included – following the results tables (Tables 4a – 4i). These show the indicative residual land value (RLV) produced by each appraisal test (assumptions set) and comparisons with the benchmark land value (BLV) levels relevant to various site types in existing use with the RLVs reflecting the assumed typical build costs, site works and infrastructure, fees, finance, development profit, costs of sale and land purchase, as above. The displayed results show a grid of sensitivity test outcomes, where in each case 3 test levels of sales value assumptions were applied ('lower', 'base' and 'upper') in combination with construction costs increased or decreased from the base position in 2.5% steps (covering a range -10% to +10%).

2.5.7 The 'Findings Review' section (3) below overviews the assessment results for these proposed Site Allocations as well as those relating to the general range of typologies testing (residential results as per Appendix IIIa; commercial/non-residential typologies at Appendix IIIc results tables as per the below).

2.5.8 Within all of these results tables, the appraisal RLVs are compared with the selected range of benchmark land values (BLVs) as 'viability tests', so that the relative strength of the viability outcomes and trends can be viewed. This has a "filtering" type effect with colour shading formatting within the results tables used with the aim of helping to highlight the strength of and variation within the results as both scenarios and test assumptions change.

2.5.9 Consistent with the key areas of review and viability influences seen within the general site typologies assessment, when looking at the potential allocations providing housing the AH remains the single most costly policy to support; purely in terms of the reduction in revenue that AH contributes to the overall GDV. This again tends to have the greatest single policy-based influence on the viability of residential-led schemes i.e. the most significant influence outside the market itself or any viability issues that are inherent in the characteristics of particular sites. However, affordable housing also enables developers to sell the affordable housing proportion of the scheme off-plan, and usually at cost, thereby reducing risk for a significant quota of the scheme. Affordable housing benefits the cash-flow with staged payments and offers a range of savings such as reduced borrowing, reduced costs of marketing and sales, as well as CIL-exemption, and in many cases when the market fails, the developers resort to affordable housing as the fall-back option, which often in the past has sustained the industry and the supply chains when affordable housing can be delivered free of market dynamics.

2.5.10 It is worth noting that as more becomes known about these sites (and the specific mitigation/infrastructure requirements or the need to overcome any abnormal issues to support development) there could need to be compromises considered within the overall process of finally settling the detailed nature of developments and the planning obligations packages they are able to support.

2.6 Scheme Development Scenarios (Typologies) – Non-Residential Development

2.6.1 To provide wider information for the LP and related delivery, but also more specifically related to the Council's potential review of its CIL Charging Schedule, this study also considers a wider range of potential commercial/non-residential development typologies. These scenarios have been developed mainly through the information supplied for review by, and through consultation with, the Council. This was supplemented with and checked against wider information and research analysis, including the local commercial market offer – existing development and any new schemes/proposals. Figure 8 sets out the various scheme types (typologies basis) appraised for this aspect study, covering a range of non-residential development uses in order to test the likely impact on viability of requiring CIL contributions from different types of commercial development; types again as considered potentially relevant. Although necessarily primarily associated with informing a potential review of the CIL charging schedule rather than the LP directly, this is appropriate because the setting of the CIL charging rates is the main scope of direct influence the Council has over the viability of such developments. As above, this area of the assessment is however also complementary to considering the Local Plan review - it provides a review of the potential viability of commercial and other non-residential developments in that wider context too.

2.6.2 As set out at Figure 2 above, in addition to the charges levied on residential developments, the Council currently charges CIL on non-residential development types – with applicable rates £/sq. chargeable development (at 2020, as indexed) of between £61.62 and £184.87 on retail developments; £0/sq. m (nil rate) on all other forms of non-residential development (i.e. including employment related development – B use class schemes) and development within the Gatwick Airport Zone.

2.6.3 The commercial / non-residential aspects of this study adopt the same (residual valuation) methodology as described earlier in this report, considering the variable strength of the relationship between the development values and costs associated with different scheme types. Appendix I provides more information on the scope of assumptions used to assess the typologies outlined in Figure 8 below.

Figure 8: Commercial / Non-residential Development Typologies

Use Class / Type	Example Scheme Type
Large Retail	Large Supermarket - out of town
Large Retail	Retail Warehouse
Town Centre Retail	Comparison shops (general/non shopping centre)
Small Retail	Convenience Store - various locations
Business - Offices - Town Centre	Office Building
Business - Offices - Out of town centre /Business Park	Office Building
Business - Industrial / Warehousing	Distribution Centre (Gatwick Airport/Manor Royal)
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate
Hotel	Hotel - town centre / Gatwick Airport
C2 - Residential Institution	Nursing Home
Student Accommodation	100% Cluster type Accommodation with en-suite (400 rooms)
Other / Sui Generis	Variable - considered on strength of values / costs relationship basis for a range of other development uses including community / clinics / fitness/ leisure / nurseries etc. / car parking (multi-storey)

(DSP 2020)

2.6.4 Following the same principles and general process as the residential scenarios, a variety of sources were researched and considered in support of setting the assumptions. This includes information on rents, yields, sales comparables, land values and other development assumptions. The sources of information include CoStar Commercial Real Estate Intelligence resource, the VOA Rating List, other web-based review as well as feedback as available from the development industry consultation. Supplementary information sources included articles and development industry features sourced from a variety of construction related publications; and in some cases, property marketing details.

2.6.5 Collectively our research enabled us to apply a level of "sense-check" to our proposed assumptions, whilst necessarily acknowledging that this is high level work and that a great deal of variance is seen in practice from scheme to scheme. The full research review is provided within Appendix IV to this report.

2.6.6 In addition to the key set of commercial uses tests as set out above, further consideration was given to other forms of development that may potentially come forward locally. These include for example facilities that are non-commercially driven (community halls, medical facilities, schools etc.) and other commercial uses such as motor sales/garages, depots, workshops, surgeries/similar, health/fitness, leisure uses (e.g. cinemas / bowling) and day nurseries.

2.6.7 Clearly there is potentially a very wide range of such schemes that could be developed over the life of the Local Plan, and any revised CIL charging schedule(s). Alongside viability, it is also relevant for the Council to consider the likely frequency, delivery and distribution of these over the Plan and Schedule periods. In advance of potentially expanded typology test appraisals, it was possible to review (in basic but sufficient terms) the key relationship between likely completed value per sq. m. and the cost of building such schemes – see Section 3 for more detail.

2.6.8 Where it can be quickly seen that the build cost (even before all other costs such as finance, fees, profits, purchase and sale etc. are allowed for) outweighs or is close to the completed value, it becomes clear that a scenario is not financially viable in the normal context that has been discussed above. This extends the iterative process, as an addition to the main appraisals, whereby a deteriorating strength of relationship between values and costs provides an indication of further reducing viability prospects compared with the more viable or marginally viable developments. This starts to indicate schemes that are considered more typically likely to require other financial support; rather than being clearly and consistently able to produce a surplus capable of some level of contribution to CIL, or S106 requirements. Through this process, we were able to determine whether there were any of those scenarios that warranted additional viability appraisals / testing.

2.7 Scheme Revenue (Gross Development Value / GDV) – Residential

2.7.1 A key part of the appraisal assumptions are the market housing sale values. For a proportionate but appropriately robust evidence basis, it is preferable to consider information from a range of sources including those listed below. Our practice is to consider all available sources to inform our independent overview - not just historic data or particular scheme comparables, including:

- Previous viability studies as appropriate;
- Land Registry;
- Valuation Office Agency (VOA);
- Property search, sale/market reporting and other web resources;
- Development marketing web-sites;
- Any available information from stakeholder consultations

2.7.2 A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been carried out in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the borough. This data was collected by ward and analysed using both sold and asking prices for new-build and re-sale property. It must be acknowledged that the scope of the data varies through time and by location. In some instances, data samples are small (e.g. relating to a particular period or geography) and this is not unusual.

2.7.3 We considered this to provide the most appropriate and reflective framework for this data collection exercise, and the subsequent analysis to inform assumptions. This research enabled us to view how the value patterns and levels observed overlay with the areas in which the most significant new housing provision is expected to come forward over the plan period.

2.7.4 Overall, the data indicates that although there is some variation in the resale (second-hand) market across the borough, in terms of new build development, values fall within a fairly narrow range with greater variation seen in the quality of development rather than necessarily location. Appendix III provides more detail but in summary the range of new build values is a fairly narrow one with values typically seen between £3,800 - £4,250/sq. m. with higher values typically seen within the town centre area compared to properties outside that zone. As with all data, there are variations to this with specific properties and areas sometimes showing higher or lower values than discussed here.

2.7.5 To provide a range of sensitivity tests that take into account both the current market conditions as well as an ability to test higher and lower values, we carried out our modelling across nine value levels from £3,250/sq. m. to £5,500/sq. m. in £250/sq. m. steps.

2.7.6 It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the dataset for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in particular data samples (limited house price information) can produce inconsistent results. This is not specific to Crawley borough. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between ward areas in this case, given the varying characteristics of the borough.

2.7.7 The values research for the assessment commenced in February 2020 and was kept open through to (last visited) in September 2020 at the point of preparing our full draft report for CBC’s review. Consistent with the approach to all of our assessments, we use the latest practically available data from a range of sources leading up to the point of needing to settled assumptions before the appraisal running progresses.

2.7.8 This means that whilst the research was initiated at a time that meant effectively viewing pre-COVID 19 data, this has been considered further throughout the study period. At the end of this period (draft reporting September – October 2020 and final reporting November 2020 – January 2021) it has been found that both a look-back and the latest view show that values have not been significantly negatively impacted overall and in fact in terms of both activity levels and prices, the residential market has shown a notable and perhaps unexpected level of resilience – so far at least, and therefore indicates that the latest reportable position remains positive overall. In fact, at the year- end there are reports indicating prices having risen, including for example by the Nationwide Building Society. A current view has to be formed for the assessment purpose, rather than using projections on values and other assumptions). The latest available data shows in any event that it would not have been appropriate to down-grade the available evidence on prices earlier in the assessment process, anticipating a downturn as some anecdotal information or views perhaps suggested, given how the market has continued to perform. Further information is provided within Appendix IV, and the ongoing picture can also be monitored by CBC as the LP progresses.

2.8 Scheme Revenue (Gross Development Value – Affordable Housing (AH) Revenue)

2.8.1 In addition to the market housing, the development appraisals also include affordable housing tested at various levels within the modelling and at various stages within our assessment work. The Council's existing approach (Policy H4 of the adopted Crawley Borough Local Plan 2015 – 2030 as supplemented by the Affordable Housing SPD 2017) requires the provision of affordable housing in accordance with the following:

'40% affordable housing will be required from all residential developments. The council will expect a minimum of 70% of the affordable housing to be Affordable Rent, or Social Rent where other forms of subsidy exist, and up to 30% Intermediate tenure.

In addition, approximately 10% low cost housing will be sought on developments proposing 15 dwellings or more, offering up to 10% discount to first-time buyers.'

2.8.2 Part of the purpose of this assessment is to test and advise the Council on an appropriate and viable level of affordable housing to seek from development through the emerging Local Plan. On this basis, we tested the following affordable proportions against the residential development typologies, also reflecting the latest national policy position as set out in the NPPF and PPG described earlier as well as later stage sensitivity testing on the potential impacts from the Government's current consultation on '*Changes to the current planning system'* (increased affordable housing thresholds and introduction of a First Homes policy). It is also important to note that not every percentage iteration has been tested on every typology as from our results analysis, it is possible to interpolate between results sets. In summary the testing covered the following range:

- Sites of 1-9 dwellings: Tested at 0% on-site affordable housing, but with a 40% broadly equivalent financial contribution.
- Sites of 10 or more dwellings: Tested at 0% 20%, 25%, 30% and 40% AH on-site.

2.8.3 Alongside the affordable housing proportion, the Council also required the affordable housing tenure to be subjected to sensitivity testing with a mix of 75% affordable rent / 25% intermediate housing tested as well as an assumption of 60% affordable rent and 40% intermediate (where the intermediate dwellings were assumed to have a value equivalent to 80% of market value). The 75/25 AH tenure mix in favour of rented homes was taken through to the final policy development stages; adjusted to a more viability sensitive 60/40 in respect of town centre area developments. NPPF (para. 64) also requires a minimum of 10% of homes to be provided as 'affordable home ownership' (AHO) products as part of the overall AH contribution from sites and this has been included within the overall dwelling mix assumptions as closely as possible. The appraisal modelling assumes a policy compliant AH requirement on-site (noting that, as set out above, we have tested both a nil affordable housing requirement on sites of 1-9 and an approach that requires a financial contribution in-lieu of on-site provision). It should however be noted that the AH tenure mix was accommodated as far as best fits the overall scheme mixes and AH proportion in each scenario.

2.8.4 The AH revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (AR) or capitalised net rental stream and capital value of retained equity (shared ownership). Currently Homes England (HE) expects AH of either tenure on s.106 sites to be delivered with nil grant or equivalent subsidy input unless additionality can be proven. This should be the starting assumption pending any review of viability and funding support which becomes available at a later stage for specific scenarios/programmes. We have therefore made no allowance for grant or other public subsidy or equivalent.

2.8.5 The value of the AH (level of revenue received by the developer) is variable by its very nature and is commonly described as the 'transfer payment' or 'payment to developer'. These revenue assumptions are based on our extensive experience in dealing with AH policy development and site-specific viability issues and consultation with local AH providers. The AH revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).

2.8.6 The transfer values for the AR AH units assumed for the study are shown in Appendix I. We have also introduced a revenue level cap by assuming that the Local Housing Allowance (LHA) acts as an upper level above which rents will not be set – i.e. where the percentage of market rent exceeds the LHA rate.

2.8.7 In practice, as above, the AH revenues generated would be dependent on property size and other factors including the AH provider's own development strategies and therefore could vary significantly from case to case when looking at site specifics. The AH provider may have access to other sources of funding, such as related to its own business plan, external funding resources, cross-subsidy from sales / other tenure forms, or recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm for the purposes of setting viability study assumptions – it is highly scheme-dependent and variable and so has not been factored in here. It follows that the transfer values assumed could therefore be a conservative estimate in some cases and in reality on some schemes a Registered Provider could include their own reserves and if so thus improve viability and/or affordability.

2.8.8 At the time of the assessment, final confirmation further details of the Government's 'First Homes' initiative are awaited. Initially our view was that the inclusion of these homes essentially on a discounted sale model would if anything be likely to support or boost viability overall in comparison with other established AH tenure models. However, with a minimum 30% discount from market sale value proposed within the consultation detail to date, this cannot be certain and we consider at this stage a reasonable proxy to assume is perhaps a similar overall influence on viability as that from shared ownership of other intermediate models. Accordingly, we have continued the assessment on the basis of intermediate tenure assumed in the form of shared ownership at this stage.

2.9 Scheme Revenue (Gross Development Value (GDV)) – Commercial / Non-residential

2.9.1 The value (GDV) generated by a commercial or other non-residential scheme varies enormously by specific type of development and location. In order to consider the viability of various commercial development types, a range of assumptions are needed. Typically, these are made with regard to the rental values and yields that would drive the value of completed schemes within each commercial scheme appraisal. The strength of the relationship between the GDV and the development costs was then considered using the following methods:

- For the main commercial scheme typologies under review, consistent with those reviewed in most of our strategic level viability assessments, residual valuation methodology - as per the principles applied to the residential typologies, or;

- A simpler method adopting a value vs cost comparison for other commercial typologies clearly indicating a poor relationship between the two - resulting in full appraisals being unnecessary e.g. for surgeries, community centres, and a range of other development uses either typically provided by public agencies or generally non-commercially viable uses as stand-alone scenarios.

2.9.2 Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was collated from a range of sources including (also see Appendix III for more detail):

- CoStar property intelligence database;
- Valuation Office Agency (VOA);
- Range of property and development industry publications, features and websites.

2.9.3 Figure 9 below shows the range of annual rental values assumed for each scheme typology. These were then capitalised based on associated yield assumptions to provide a GDV for each scheme development, dependent on the combination of yield and rental values applied.

Figure 9: Assumed rental value – key commercial typologies

Use Class / Type	Example Scheme Type	Values Range - Annual Rents £ per sq. m		
		Low	Mid	High
Large Retail	Large Supermarket - out of town	£250	£275	£300
Large Retail	Retail Warehouse	£225	£250	£275
Town Centre Retail	Comparison shops (general/non shopping centre)	£275	£300	£325
Small Retail	Convenience Store - various locations	£150	£185	£220
Business - Offices - Town Centre	Office Building	£175	£215	£250
Business - Offices - Out of town centre /Business Park	Office Building	£175	£215	£250
Business - Industrial / Warehousing	Distribution Centre (Gatwick Airport/Manor Royal)	£90	£110	£130
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£100	£110	£120
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£70	£80	£90
Hotel (budget)***	Hotel – town centre / Gatwick Airport	£4,000	£5,000	£6,000
		Annual Room Rates		
C2 - Residential Institution	Nursing Home	£175	£200	£225
Student Accommodation	100% Cluster type Accommodation with en-suite (150 rooms)	£150	£170	£190
		Weekly rents		

(DSP 2020)

2.9.4 As above, the rental values were tested at three levels representative of low, medium/mid and high test values considered relevant to each scheme type across the study area. This enables us to assess the sensitivity of the viability findings to varying value levels, much like the residential appraisals. These are necessarily estimates and based on an assumption of new build development rather than older stock. This is consistent with the nature of the CIL regulations in that refurbishments/conversions/ straight re-use of existing property will not attract CIL contributions (unless floor-space in excess of 100 sq. m. is being added to an existing building; and providing that certain criteria on the recent use of the premises are met).

2.9.5 The quality and quantum of available information in this regard varies considerably by development type. Again, we do not consider this to be a specific CBC factor and it does not detract from the viability overview process that is appropriate for this type of study.

2.9.6 These varying rental levels were capitalised by applying yields of between 5% and 7% (varying dependent on scheme type). As with the level of rental value, varying the yields enabled the exploration of the sensitivity of results given that in practice a wide variety of rentals values and yields could be seen. This approach also means that it is possible to consider what changes would be needed to rents or yields to sufficiently improve the viability of non-viable schemes or, conversely, the degree to which viable scheme assumptions and results could potentially deteriorate whilst still supporting the collective costs, including CIL.

2.9.7 It is worth noting here that small variations in assumptions can have a significant impact on the GDV available to support the development costs (and thus the viability of a scheme) together with any potential CIL funding scope. We consider this very important bearing in mind the balance that must be found between the desirability of infrastructure funding needs and the potential effect on viability. While it is relevant to assume new development and appropriate lease covenants etc. rather than older stock, using overly positive assumptions in the local context could act against finding that balance.

2.9.8 This approach enabled us to consider the sensitivity of results to changes in the capital value (GDV) of the non-residential typologies and allowed us then to consider the most relevant results in determining the parameters for reviewing non-residential CIL rates for the study area, including any differential rates that could or should be considered by CBC moving ahead. As with other elements of the study, the adopted assumptions will not necessarily match scheme specifics and therefore we need to keep in mind whether and how frequently local scenarios are likely to indicate viable results (including as values vary). See further detail at Section 3.

2.10 Development Costs - Generally

2.10.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. Although the full set of cost assumptions adopted within the appraisals are set out in detail in Appendix I to this report, a summary of the key points is also set out below.

2.10.2 Each cost assumption is informed by data and supporting evidence from such sources as follows in accordance with relevant sections of the PPG:-

- Royal Institution of Chartered Surveyors (RICS) Building Cost Information Service (BCIS);
- Locally available information as far as available following the stakeholder consultation process;
- Other desktop-based research;
- Professional experience.

2.10.3 For site typology testing, we have not allowed for abnormal costs that may be associated with particular sites - these are highly specific and can distort comparisons at this level of review. Where known, those have been applied to the site allocations tests. Contingency allowances have however been made for all appraisals. This is another factor that should be kept in mind in setting policy and reviewing CIL charging rates and ensuring those are not set to the 'limits' of viability. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.

2.11 Development Costs - Build costs

2.11.1 The assumed base build cost level shown below is taken from BCIS; an approach endorsed by the PPG guidance on Viability and considered to be '*appropriate data*'[15] and rebased

[15] https://www.gov.uk/guidance/viability (Paragraph 012 Reference ID: 10-012-20180724 Revision date: 24 07 2018

using a Crawley location factor. The costs assumed for each development type (e.g. houses, flats, mixed as well as non-residential etc.) are as provided in Appendix I – and summarised below – Figure 10.

Figure 10: Base Build Cost Data (BCIS Median)

Development Type		Base BCIS Build Cost £/sq. m.*
Residential	Build Costs Mixed Developments - generally (£/sq. m)	£1,280
	Build Costs Estate Housing - generally (£/sq. m)	£1,259
	Build Costs Flats - generally (£/sq. m)	£1,427
	Build Costs Flats - Extension (£/sq. m)	£1,700
	Build Costs Flats - 3-5 Storeys (£/sq. m)	£1,390
	Build Costs Flats - 6+ Storey (£/sq. m)	£1,669
	Build Costs (Supported Housing - Generally) (£/sq. m)	£1,855
Large Retail	Large Supermarket - out of town	£1,494
Large Retail	Retail Warehouse	£904
Town Centre Retail	Comparison shops (general/non shopping centre)	£1,130
Small Retail	Convenience Store - various locations	£1,130
Business - Offices - Town Centre	Office Building	£1,987
Business - Offices - Out of town centre /Business Park	Office Building	£1,768
Business - Industrial / Warehousing	Distribution Centre (Gatwick Airport/Manor Royal)	£826
Business - Industrial / Warehousing	Smaller / Move-on type industrial unit including offices - industrial estate	£1,249
Business - Industrial / Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£826
Hotel (budget)* **	Hotel - edge of town centre / edge of town	£2,072
C2 - Residential Institution	Nursing Home	£1,819
Student Accommodation	100% Cluster type Accommodation with en-suite (150 rooms)	£2,031

****The above costs exclude external works and contingencies (these are added to the above base build costs).***

(DSP 2020)

2.11.2 BCIS build costs do not include external works/site costs, contingencies or professional fees (all added separately). An allowance for plot and site works has been allowed for on a variable basis depending on scheme type (typically between 5% and 20% of base build cost). These are based on a range of information sources and cost models and generally not pitched at minimum levels so as to ensure sufficient allowance for the potentially variable nature of these works. Specifically, site works and infrastructure costs of £500,000/ha have been assumed for the range of site typologies tested with more specific, higher allowances assumed for large scale greenfield development.

2.11.3 For this broad test of viability, it is not possible to test all potential variations to additional costs. There will always been a range of data and opinions on and methods of describing, build costs. In our view, we have made reasonable assumptions in accordance with relevant guidance which lie within the range of figures we generally see for typical new build schemes (rather than high specification/complex schemes that may require particular construction techniques or materials). As with many aspects of viability assessment, there is no single appropriate figure in reality, so judgements on these assumptions (as with others) are necessary. It is important to note that as with any appraisal input, in practice this will be highly site specific.

2.11.4 In the same way that we have mentioned the potential to see increased costs in some cases, it is just as likely that we could also see cases where base costs, externals costs or other elements will be lower than those assumed. Once again, in accordance with considering balance and the prospect of scheme specifics varying in practice, we aim to pitch assumptions which are appropriate and realistic through not looking as favourably as possible (for viability) at all assumptions areas.

2.11.5 An allowance of 5% of build cost has also been added in all cases (residential and commercial typologies) to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard allowance in our experience, although we do see some assumptions at lower levels. We have seen variations, again, either side of this level in practice, with higher levels usually relevant only for some types of conversions.

2.11.6 It is important to note that the interaction of costs and values levels will need to be considered again at future reviews of CIL or the Local Plan as base build cost levels typically vary over time. Appendix III includes some information on build cost trends, as viewed currently.

2.11.7 At this stage however, we cannot be sure how the UK's decision to leave the European Union or indeed the Coronavirus (COVID-19) pandemic or changes to the planning system will play out in either the short or longer term on the economy, and potentially affecting development viability. The influences on the property market from the perspective of sales values and rates of sales seem likely to be at least as great as those on construction works and build costs. At the time of writing, reports indicate a remarkably resilient housing market as noted above, with Savills stating '*Despite the weak economic backdrop, evidence points to modest price growth in 2020 and far more activity than we previously expected'* – leading to expected growth of 4% across 2020 and which contrasts with a forecast drop in house prices of around 7.5% - 10% only months before. Savills also forecast continued growth in the residential property market with new build prices increasing by 20.4% over the next five years[16].

2.12 Development Costs - Fees, Finance & Profit

2.12.1 Alongside those noted above, the following costs have been assumed for the purposes of this study and vary slightly depending on the scale and type of development. Other key development cost allowances for residential and commercial scenarios are as follows (see Figures 11 and 12 below). Appendix I provides the full detail.

[16] https://www.savills.co.uk/research_articles/229130/305695-0 (30th September 2020)

Figure 11: Residential Development Costs – Fees, Finance & Profit

Residential Development Costs - Fees, Finance & Profit	Cost Allowance
Professional & Other Fees	10% of build cost
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% p.a. interest rate (assumes scheme is debt funded and includes all ancillary fees)
Marketing Costs	3% of GDV sales agent & marketing fees
	£750/unit legal fees
Developer Profit	Open Market Housing – based on range described in PPG of 15% - 20% of GDV (17.5% assumed within testing)
	Affordable Housing - 6% GDV (affordable housing revenue)

(DSP 2020)

Figure 12: Commercial Development Costs – Fees, Finance & Profit

Commercial Development Costs - Fees, Finance & Profit	Cost Allowance
Sustainability Allowance (BREEAM)	5% of build cost
Professional & Other Fees	10% of build cost
Yields	Variable applicability, sensitivity tested across range at 5% to 8%.
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% (including over lead-in and letting/sales period)
Marketing / Other Costs *(Cost allowances - scheme circumstances will vary)*	1% Advertising/ Other costs (% of annual income) 10% letting / management / other fees (% of assumed annual rental income) 5.75% purchasers' costs - where applicable
Developer Profit	15% of GDV

(DSP 2020)

2.13 Build Period

2.13.1 The build period assumed for each development scenario has been based on BCIS data utilising the Construction Duration calculator by entering the scheme typology details modelled in this study. This has then been sense-checked using our experience and informed by site-specific examples where available. The build periods provided in Appendix I exclude lead-in times which have been assumed at 6 months and sales periods off-set accordingly (i.e. running beyond the construction period) – see Appendix I for detail.

2.13.2 The specific site allocations testing, which will be discussed further below, uses bespoke assumptions applied in connection with timings/phasing based on information provided by the Council and DSP experience.

2.14 Key Policy Areas for Testing – Summary

2.14.1 A number of the Council's proposed policies have an impact on development viability, both directly and indirectly. As discussed previously, part of this assessment process was to test whether and to what degree those policies and potential future s106 planning obligations could be absorbed by development whilst maintaining development viability (and therefore viability of the Plan overall). The direct impacts are those policies which ultimately result in a specific fixed cost assumption within the appraisal modelling (including the specific site testing) and those key elements not already considered (e.g. AH proportions, dwelling mix etc.) are discussed below. The appendices show the level of costs assumed by policy / obligation on a per dwelling basis and how those policies altered between the two Regulation 19 Plans following the early stages of our assessment. The following summary sets out the assumptions for those key policy areas as tested through the final iteration of this process i.e. as now set out in the second Regulation 19 draft Local Plan.

- **Nationally Described Space Standard (NDSS)** *(Policy DD3)* - introduces the requirement for all housing to be designed to comply with dwelling sizes to meet the NDSS. The dwelling size assumptions for viability testing are set out in this study at Figure 6, consistent with the NDSS.

- **Open Space requirements** *(Policy OS2)* – we understand that the policy is based on the Open Space, Sport and Recreation Study, Indoor Sports Facilities Study and Playing Pitch Strategy and that they provide an up-to-date evidence base on the surplus and deficits of provision in different neighbourhoods and are to be taken into account in meeting the demand for open space, sport and recreation arising from current and new development. As discussed with CBC and taking into account the above CBC context, our appraisal modelling has assumed OS to be funded outside of CIL via s106 through either onsite provision or a financial contribution, details of which are included at Appendix I.

- **Enhanced accessibility 'Access to and use of Buildings'** *(Policy DD2)* - following the Housing Standards Review, accessibility is now incorporated into Part M of the Building Regulations with all buildings now being built to a minimum of M4(1) 'visitable dwellings' with further enhanced requirements to M4(2) 'Accessible and adaptable dwellings' and M4(3) 'Wheelchair user dwellings' optional with implementation via policy but subject to evidence of need as well as viability. Upon review of the Council's original proposals in the first Regulation 19 draft Local Plan through our first phase of testing, the requirements were altered to the following:

    - **100% of units to be built to M4(2) 'Accessible and adaptable dwellings'** - broadly equivalent to the Lifetime Homes standards, requiring provision is made within new dwellings to meet the needs of occupants with differing needs including some older and disabled people and also allow for the adaptation of the dwelling to meet the changing needs of occupants over time. This means that features are provided to enable common adaptations to be carried out in the future to increase the accessibility and functionality of the building. *Cost of achieving this requirement (extra-over cost) assumed on a per unit basis at £1,646 (Flats) and £2,447 (Houses) based on the EC Harris DCLG Housing Standards Review Cost Impact.*

  For specialist housing for older persons (retirement/sheltered and extra care) it is assumed that the general building specification and costs for that category include provision that would meet the necessary standards.

- **Sustainable Design & Construction** *(Policy SDC1/SDC2/GI1/GI2/GI3)* – the emerging Plan sets out strategic objectives for delivering sustainable development over the Plan period. As part of this, the Council seeks to reduce carbon emissions in all new development alongside promoting renewable energy development. On this basis, we have assumed an overall allowance for sustainable design/construction standards above buildings regulations at 5%, which additional contingency we consider includes also an allowance relating to the requirement for Biodiversity Net Gain as described in Policy GI3. In our view this allowance is sufficient to cover the potential Future Homes Standard Option 2 equivalent to a 31% reduction in CO_2 compared to current standards[17]. However, if the Council decides to pursue further enhanced requirements for sustainability (e.g. moving further towards zero carbon) it is likely that the costs would increase over the above assumed base.

- **Sustainable Transport** *(Policy ST1)* – Policy ST1 states that for '*development which generates a significant demand for travel, and/or is likely to have other transport implications: contributing to improved sustainable transport infrastructure off-site, including, where appropriate, bus priority measures, enhanced passenger information, and routes identified in the council's Local Cycling and Walking Infrastructure Plan*'. The formula for calculating the financial contribution is contained within the Council's Planning Obligations Annex to the Local Plan and following our initial testing at Stage 1 of this process, the figures now included within the new Regulation 19 draft Local Plan were reduced to those set out in Appendix I.

- **Skills Contributions** *(Policy EC5)* - Policy EC4 requires a proportionate financial contribution towards employment and skills initiatives in Crawley. As with other policies, the contribution required is set out in the Council's Planning Obligations Annex to the Local Plan and as above, following our initial testing at Stage 1 of this process, the requirements now included within the new Regulation 19 draft Local Plan were reduced to those now set out in Appendix I.

- **Trees & Landscaping** *(Policy DD4)* – Policy DD4 required the planting of trees for every new dwelling house (or a financial contribution in-lieu of on-site provision). The details are set out in the Council's Planning Obligations Annex to the Local Plan. Following our initial phase of testing (at Stage 1 of this process), the costs were removed for the new

[17] **Option2 - 'Fabric plus technology'**. This would be a 31%reduction in CO_2 from new dwellings, compared to the current standards. This option is likely to encourage the use of low-carbon heating and/or renewables. The performance standard is based on the energy and carbon performance of a home with: i) an increase in fabric standards (but not as high an increase as in Option 1, likely to have double rather than triple glazing); ii) a gas boiler; iii) a wastewater heat recovery system; iv) Photovoltaic panels.

Regulation 19 draft Local Plan and are now assumed to be included within the overall biodiversity net gain assumptions (see above).

- **Education** (Planning Obligations Annex) – The Planning Obligations Annex previously required s106 contributions from all (C3) residential development subject to identification of appropriate projects. Following our initial phase of testing (Stage 1), the costs were removed for the new Regulation 19 draft Local Plan and now assumed to be included within CIL.

- **Custom & Self-build** - From DSP's experience of this type of development, we consider the provision of plots (serviced and ready for development) for custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on viability. Broadly, we would expect it to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process.

  There are a large number of different approaches to this housing type ranging from custom build with minimal involvement from the purchaser, through to an individual building their own home on a single plot. If self-build comes forward as part of a large residential scheme, or as 100% custom/self-build housing, we are of the opinion it should be treated as per market housing - an AH policy target should apply. If a self-build scheme were to come forward as an affordable or community-led project, it would be likely to be subject to restrictions relating to subsidy and would be regarded as an exception to policy, thus not required to provide AH.

- While it is difficult to make a particular assessment at this stage, we think also that the provision of a small number of **Gypsy & Traveller pitches** should also be able to be accommodated viably within the scope of the plan, including in the context of a particular site proposal as is being considered. It is possible that further work could be considered on this, but overall in our view (and similar to self-build/custom-build elements) the influences and provision issues appear more likely to be practical ones around the delivery aspects rather than strictly associated with viability, per-se.

2.15 Community Infrastructure Levy (CIL)

2.15.1 As discussed earlier in this report, CBC currently has a CIL in place as implemented in August 2016 with the charging rates now indexed in accordance with Regulation 40 using the Tender Price Index (TPI), with the 2020 rates confirmed by CBC. These indexed rates were tested through the initial stages of this assessment alongside other planning obligations and policy costs with the final typology and site-specific testing including the indexed CIL rates across all scenarios having taken account of reduced affordable housing and other obligations.

2.15.2 As is the case here, even with CIL in place, there remains a requirement for developments to provide some site-specific mitigation measures (for example potentially relating to matters such as open space, highways work and any other particular requirements needed to make a development acceptable in planning terms). However, care needs to be taken not to add costs assumptions to the degree that those might overlap between this s.106 and what is to be provided for via CIL.

2.15.3 Allied to the above, with the removal of the pooling restrictions on the use of s.106 agreements from September 2019, it will also be important for the Council to keep in mind the greater flexibility of s.106 (as appropriate) balanced with CIL. This approach will help to ensure that the Council maximises the level of funding for essential infrastructure across the borough. We will come back to this wider context when discussing our recommendations.

2.16 Indicative land value comparisons and related discussion

2.16.1 In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of value levels, affordable housing policy targets (%s), CIL rates and other planning obligations.

2.16.2 The process of comparison with land values is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, the values associated with the land will, in practice, vary from scheme to scheme.

2.16.3 Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value where an implementable planning consent forms a suitable basis for an alternative use value (AUV) based approach that could be in place of the primary approach to considering site value (benchmark land value – BLV), which is now always "EUV plus" (existing use value plus) consistent with the updated PPG on Viability.

2.16.4 The levels of land values selected for this context are known as 'benchmark land values' (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results as part of the review. BLVs help to highlight the changing strength of relationship between the values (scheme revenue (GDV)) and development costs as the appraisal inputs (assumptions) change.

2.16.5 As noted above, the recently updated PPG on viability is now very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development.

2.16.6 As part of our results analysis, we have compared the wide scope of resulting residual land values with a range of potential BLVs used as 'Viability Tests', based on the principles of 'existing use value plus' (EUV+). This allows us to consider a wide array of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the Appendix II results tables provides a graded effect intended only to show the general tone of results through the range clearly viable (most positive – boldest green coloured) to likely non-viability scenarios (least positive, where the RLVs show no surplus or a deficit against the BLVs).

2.16.7 The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.

2.16.8 As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies (as well as those conducted for neighbouring/nearby Authorities) both at a strategic level as well as site-specific viability assessments. In addition, we have also had regard to the published Government sources on land values for policy appraisal [18] providing industrial, office, residential and agricultural land value estimates for locations across the country - including Crawley Borough.

2.16.9 It should be noted that the MHCLG *residential* land value estimates require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used by the MHCLG. This study assumes all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher "serviced" i.e. "ready to develop" level of land value.

2.16.10 The MHCLG model provides a much higher level of land value for 'residential land' as it assumes the following:

- All land and planning related costs are discharged;
- Nil affordable housing requirement – whereas in practice the requirement for AH can impact land value by up to around 50% on a 0.5ha site with 35% AH.
- Nil CIL;
- No allowance for other planning obligations;
- Full planning consent is in place – the risk associated with obtaining consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point;
- Lower quartile build costs;
- 17% developer's profit.

2.16.11 The above are additional assumptions that lead to a view of land value well above that used for comparison (benchmarking purposes) in viability assessments. Overall, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our

[18] MHCLG: Land value estimates for policy appraisal 2017 (May 2018 report issue)

view this would lead to a significantly reduced residential land value benchmark when taking into account all of the above factors.

2.16.12 As set out in Appendix II (residential and commercial results overview tables), we have made indicative comparisons at land value levels in a range between £250,000/ha and £2,500,000/ha plus, enabling us to view where the RLVs fall in relation to those levels and to the overall range between them. Typically, we would expect to apply an EUV+ based land value benchmark at not more than approximately £250,000/ha (applied to gross site area) for bulk greenfield land for greenfield land release, based on a circa ten times uplift factor (the "plus" element) from the EUV for agricultural land at not exceeding c. £25,000/ha. The BLVs range above that, from £850,000/ha to £2,500,000/ha, is representative of previously developed land (PDL) i.e. 'brownfield' land. Although some sites in most areas could be in existing residential use, underpinning relatively high BLVs, the mid to upper end of that range is most likely to be relevant in some of the main town/city centre areas with higher existing use values.

2.16.13 At this point, it is also important to consider the wider context of the types of sites that are planned to come forward over the emerging plan period, as above. Taking into account the overall picture of delivery in terms of site type and planned locations, we consider the key BLVs for reviewing the results range from Viability Tests 2 to 5 at £1,500,000/ha to £2,500,000/ha (for PDL scenarios) and £250,000/ha (greenfield 'GF') but bearing in mind that especially for bulk GF land, that should not be regarded as a minimum or absolute cut-off.

2.16.14 Figure 13 below shows, with some explanatory notes, the range of selected BLVs which have been used as 'viability tests' (filters) for the viewing and provision of the results interpretation/judgments informed by Appendix IIa and IIb results tables.

Figure 13: Range of BLVs ('Viability Tests') (DSP 2020)

BLV (EUV+ £/ha)	Notes
£250,000	Greenfield Enhancement
£500,000	Greenfield Enhancement (Upper)
£850,000	Low-grade former industrial/commercial land values.
£1,500,000	Key PDL land values - Industrial Upper / Commercial CBD
£2,000,000	
£2,500,000	Upper PDL benchmark/Residential land values

2.16.15 It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping/double-counting of development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a "raw material" view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

2.16.16 Matters such as realistic site selection for the particular proposals, allied to realistic landowner's expectations on site value will continue to be vitally important. Site value needs to be proportionate to the realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

2.16.17 The PPG[19] states the following:-

'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. 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 comply with policy requirements. This approach is often called 'existing use value plus' (EUV+)…

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*

[19] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment Paragraph: 014 Reference ID: 10-014-20190509 Revision date: 09 05 2019

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).'

3 Findings Review – context and results discussion

3.1. Introduction/overview

3.1.1 Following the comprehensive exercise conducted as described above, the various sets of our appraisal results are included within the assessment Appendices.

3.1.2 Appendices IIa to IIe set out the results either in full or in some cases necessarily in summary/sample form (as noted). Those initial but vital assessment stages used an iterative and progressive process across what were essentially a series of Emerging Findings stages. This informed the Council's further review of the draft plan policies and the cumulative cost burdens and therefore likely viability prospects associated with those; in balance with the other usual considerations of ensuring that suitable, sustainable development and infrastructure provision levels can come forward viably.

3.1.3 This staged process was continually two-way between CBC and DSP, covering a wide range of policy combinations testing and therefore both clarifying the extent of the likely available viability scope and potential choices, and then going on to more targeted testing of a full range of development typologies and selected allocation site proposals using revised, honed policy levels as now set out in the new Regulation 19 draft Local Plan (again tested cumulatively).

3.1.4 Effectively, this approach saw the draft plan policies as set out in the first Regulation 19 draft Local Plan interrogated and applied to the viability testing in full to start with – in order to get a baseline view of how well or otherwise that policy set fully applied would be supported by the locally available strength of relationships between development values and costs.

3.1.5 As will be noted below, on viability grounds the outcomes of that initial round of testing led to a dialogue around a need to significantly reduce the impact of the overall policy and related burdens that were envisaged (i.e. the first Regulation 19 draft Local Plan policies fully tested as set out within the policy audit schedule to the rear of our Appendix I).

3.1.6 From there, working with the Council by looking at the likely cost impact of policies individually, we conducted a very extensive matrix testing approach. That exercise used sample typologies but nevertheless was too wide to include all the results in this full, final stage reporting to the Council. However, it tested all possible draft policy combinations in order to inform a range of examples of what the emerging assessment of the viability scope would be able to support, cost wise. This therefore informed potential options/priorities and compromises, bearing in mind that our wider experience also shows it is rarely possible to viably support all of the desired policy positions and infrastructure needs fully.

3.1.7 Overall, starting with testing the published first Regulation 19 draft Local Plan policies in full, then narrowing down as informed by the viability picture enabled a more refined view of the policy scope that appears supportable, leading to further testing that helped hone the views on the wider range of scenarios and sites. In summary, an overview leading to some significant narrowing of likely viability impacts being necessary in our view, the outcomes from which we then tested more fully – again widened-out the scenarios that the "lighter" cumulative policy costs were then tested with. Each stage of results informed an ongoing dialogue with the Council to refine/develop the potential policy set for the further testing which reflected that through corresponding refined assumptions. This two-way process evolved as set out further below while an adjusted set of potential policy requirements was arrived at, enabling the final full set of viability testing to proceed.

3.1.8 Based on DSP's staged viability findings and CBC's progressive review of potential CBC policy positions and their likely impacts, the results informing this iterative process alongside the Council's wider Local Plan development work and further evolving evidence base are appended as follows:

Phase 1 -

Appendix IIa – Emerging Findings Stage 1: Sample Residential Typology Results using the published first Regulation 19 draft Local Plan policies applied in full cumulatively.

Appendix IIb – Emerging Findings Stage 2: This provides a sample only of the wide matrix testing results that were run. Review of policy costs and combinations aimed to explore and inform potentially viable policy options – the supportable extent of policies, and combinations in which they should prove viable overall.

Appendix IIc – Emerging Findings Stage 3: Tests using selected key policy costs cumulatively, to see whether these result in likely positive viability (and still support a surplus) or otherwise (looking out for any deficit i.e. likely unviable outcomes, and their significance). All results from this much narrower exercise included.

Appendix IId – Emerging Findings Stage 4: Stage 3 was updated to include assumptions representing potential affordable housing (AH) tenure adjustments. Again, all results included.

Then, with a more honed view of potential and likely viable policies and combinations (i.e. tested cumulatively again) we ran a full set of residential typology tests. To inform the Council's continuing policy development work in progress, we provided emerging findings on this, as:

Appendix IIe – Emerging Findings Stage 5: Initial release (sample of residential typology results, building to full results as per Appendix IIIa):

Phase 2 -

Appendix IIIa – Residential Results: Full set of typology tests, undertaken using the narrowed policy requirements as included in the new Regulation 19 draft Local Plan and as set out in Appendices IIc and IId (and as per IIe building on that initial results release)

Phase 3 -

Appendix IIIb – Current stage viability review of selected proposed Site Allocations.

Appendix IIIc – Commercial Results: Typologies based review of commercial/non-residential development types. Undertaken primarily to inform the viability of the current CBC CIL charging schedule and therefore any necessary or suggested potential review points for the Council's consideration of that. Along with the other appraisals and review work, also informs the Plan Making stage more generally – a wider look at the viability of non-residential developments using assumptions appropriate for Plan Making and CIL setting purposes.

3.1.9 Sample appraisal summaries are included to the rear of Appendices IIIa and IIIc (typologies tests – residential and commercial/non-residential respectively). Summaries of the proposed Site Allocations appraisals are included after the results tables in Appendix IIIb. While the appraisals are too numerous to include more than these examples, the aim of including these is to further illustrate the structure of the residual calculations (the methodology) and their content in summary.

3.1.10 The following sections will run through the findings that have been reported to CBC through the iterative emerging findings stages, leading to the final, full residential typologies testing shown at Appendix IIIa and proposed Site Allocations based review at Appendix IIIb. Review of the findings related to the viability review of non-residential/commercial development then follows (as per Appendix IIIc).

3.1.11 In setting this out, the results throughout have been considered and the findings are reported with the following themes in mind:

i. RLVs compared with benchmark land values not exceeding £500,000/ha (range £250,000 – 500,000/ha depending on nature and scale etc.) for greenfield or other land in relatively low value existing use; and a key range £1.5 – 2m/ha for schemes likely to come forward (as in most cases) on previously developed land (PDL) i.e. 'brownfield' sites. A higher benchmark at £2.5m/ha is also included as an upper BLV for the likely highest value PDL regularly relevant in the borough (potentially including residential land, although noting that in our experience there is a relatively low incidence of redevelopment of existing residential here).

ii. The most recent values level (VL) tests overall being our VL3 to VL5 (range £3,750 – 4,250/sq. m i.e. approx. £348 to £395/sq. ft.) with the town centre considered likely to most frequently support the upper part of this range (predominantly for new-build apartments), where we expect that values to £4,500/sq. m (approx. £418/sq. ft.) or perhaps beyond could be seen in some instances.

iii. The cost of the existing CIL has been factored in and reviewed in the same way as that of other obligations. Although currently a given, it was considered as one of a number of areas contributing to the initial view of the (first Regulation 19 draft

Local Plan) cumulative development costs that may need to be looked at again (i.e. potentially reviewed) dependent on how the other policy costs and estimated obligations cumulatively affect the viability of development.

iv. Affordable housing (AH) is and is expected to remain a CBC priority given the high level of affordable housing need within the borough. Accordingly, it has consistently been tested first with the starting policy thrust in mind – i.e. at 40% - and then tested at lower 30% and 20% levels as a key part of exploring viability and hence any necessary or relevant options to consider in arriving at a suitable overall balance to best suit the locally available needs and characteristics.

v. The availability of a functioning housing, property and development market is obviously key and an assumption that underpins any assessment of this type. However, a key theme and a consistent finding of all of our viability assessments, as in this case for CBC, is that the requirement to provide affordable homes is by its nature the policy that can have the largest impact on development viability in terms of the reduced value generated by affordable housing compared to market housing. This is because while these homes cost broadly the same to develop as those for market sale, they create a lower level of revenue (sales income). However, conversely, the level of risk associated with affordable housing is considerably reduced with certainty provided on cashflow amongst other benefits discussed above.

vi. The approach reflects the established principle that a Council's emerging policies have to be considered on a fully 'switched-on' basis rather than tested in a way that assumes reliance on any potential negotiation positions that may be seen at development management stage on a site-specific basis for example.

vii. The base testing all assumes a 17.5% GDV profit on market housing sales (as per the mid-range referred to within the PPG for viability assessment in Plan Making), 6% on AH revenue and 15% GDV in respect of non-residential/commercial schemes.

viii. There are two key areas of influence on viability under review as part of this assessment; the further development including any adjustment of LP policy and review of the scope to support the existing or a potentially revised CIL charging schedule. These elements are interdependent and therefore the overview of the scope for them both can become circular to some extent.

ix. In terms of either a continuing (as adopted and now operational as indexed) or a potentially revised CIL, the rate(s) will need to be a high-level borough-wide response, set strategically as they are implemented strategically. It is not possible for CIL to reflect and respond to all local levels of variation in values or in other matters. How it overlays with the planned site supply is the most important, even if that means some level of misfit in areas not supplying a significant level of development in the overall planned terms. The CIL principles are such that the charging schedule should ideally be as simple as possible, accepting that usually values and other characteristics do not actually respect any particular boundaries in more than a general way. All sites are different and varying values will be seen in practice, between and often even within development sites.

x. Individual results, tests or specific comparisons with BLVs do not necessarily represent either certain positive viability or on the other hand schemes that will be definitely non-viable. Regardless of the level at which policies are set and combined, and of the rate or rates at which CIL is set with those, there can be no guarantee that all schemes will be workable. The viability evidence does not have to be exactly mirrored and there is some room for pragmatism in setting a CIL, for example, as the PPG recognises.

xi. Overall, it is important to note that this is a complex testing process with a range of results combinations/outcomes possible. A degree of judgment is always involved, and necessary. Within this, some further prioritising and consideration of compromises or potential "trade-offs" is very often necessary in our experience.

xii. There will always be some specific sites with inherently poor viability prospects or outcomes, and in such cases this is sometimes seen regardless of the level of planning obligations and/or CIL that are relevant under the adopted approaches. The Planning Practice Guidance is, however, clear that the benchmark land value should reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and that under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.

xiii. This assessment has been carried out using an approach and assumptions that are consistent with the aim in national policy (through the NPPF) of seeking to frontload the consideration of viability largely to the Plan Making phase. However, all sites and schemes are different, and the planning authority is able to consider and set out the types of circumstances that could warrant viability review at decision making (development management – i.e. planning application) stage.

xiv. The extensive scope of the residential review generally represents our main assessment focus in these studies, as is the case here. This reflects the importance of new housing delivery in the borough and the level of influence that the Council's policy selections will have on development viability, as well as ultimately the source of CIL income which again is typically largely weighted towards residential development owing to its quantum overall.

3.2 Residential Results – emerging findings Stage 1 - (Appendix IIa content)

3.2.1 This was the outcome of the first, early stage of our assessment work based on the first Regulation 19 draft Local Plan - March 2020. Key typologies (3 no.) were used for this, selected to broadly represent both mixed housing development and higher density development of apartments (latter in 2 forms as regards potential density and storey heights, to enable consideration of the influence of typically higher development costs involved with taller buildings). The purpose of this testing stage was to understand the likely cumulative impact of CBC's base policy set (as per the first Regulation 19 draft Local Plan) on viability - to inform the consideration of any necessary early refinement of the policy impacts if necessary.

3.2.2 Aside from the cost of affordable housing and the current CIL (included at the 2020 indexed rate of £123.25/sq. m), the assumptions building and testing identified the key draft policies/emerging likely obligations with a direct cost impact on viability as the education (and skills) contributions at the initially envisaged levels (particularly alongside CIL), the open space requirements, together with the emerging expectations on sustainability and accessibility standards.

3.2.3 The Appendix IIa tables (1a, 1b and 1c) each show the typology considered and associated assumptions. The results show the appraisal residual land value (RLV) outcomes produced by the combination of affordable housing (AH) and sales Value Level (VL) tested in each case – VL tests ranging from £3,250 to £5,500/sq. m overall (approx. £302 to £511/sq. ft.). In all cases, the indicated RLVs expressed in £/ha terms may be considered in comparison with the assessment adopted range of BLVs (benchmark land values, placed on an EUV+ basis) – as set out at Figure 13 above, and repeated here for ease of reference:

BLV (EUV+ £/ha)	Notes
£250,000	Greenfield Enhancement
£500,000	Greenfield Enhancement (Upper)
£850,000	Low-grade former industrial/commercial land values.
£1,500,000	Key PDL land values - Industrial Upper / Commercial CBD
£2,000,000	
£2,500,000	Upper PDL benchmark/Residential land values

(DSP 2020)

3.2.4 Run at 40%, 30% and 20% AH across the full range of sales value levels (VLs) considered, these produced RLVs that were largely very positive in relation to any development of typical estate type housing or mixed housing (houses and flats mixed) on greenfield or other land in low value existing use.

3.2.5 Overall, lower density mixed/housing schemes on any such sites indicate positive viability prospects supporting the starting point policy requirements and including 40% AH together with the current indexed CIL liability.

3.2.6 However, with this type of development envisaged to come forward on PDL, the results indicate more challenging viability prospects with the AH proportion considered likely to need to be adjusted downwards to probably no more than 30%.

3.2.7 Continuing this PDL sites theme (so on land in generally higher exiting use value), but also with a less favourable development value:cost relationship, the initial exploration of both flatted typologies indicated challenging viability prospects when looking both inside and outside the town centre (borough wide). These produced some particularly difficult looking results, including when tested with a further reduced AH proportion at 20%, unless supported by a higher VL beyond the range thought to be generally supportable. However, as noted above these results all reflected the fully applied first Regulation 19 draft Local Plan policy set as well as the existing CIL charging.

3.2.8 In order to strive to maintain a better balance between the AH provision priority and other development standards and infrastructure needs, whilst maintaining reasonable prospects of viable development across the Plan as a whole, this first phase of work therefore resulted in DSP recommending a need for the Council to consider a significant reduction within the overall scope of the cumulative policy/estimated obligations costs.

3.2.9 We recommended the Council reviewing (and reducing overall where possible) the policy requirements (policy priorities) that were proposed in the first Regulation 19 draft Local Plan in order for the available viability to support a higher proportion of AH whilst also retaining the CIL. The issue was considered to be the level of policy costs being appraised with the CIL in place. Broadly, we indicated that the magnitude of review needed would likely involve around a halving of the cumulative policy & CIL costs burden that was initially envisaged – pre-testing. Overall, it appeared at this stage that the levels of costs applied as per the first Regulation 19 draft Local Plan policies were similar to that more usually only seen in a strategic development type context, and which would normally be supported by land in low value existing use (usually greenfield – e.g. uplift from agricultural value on the EUV+ basis).

3.3 Residential Results - emerging findings Stage 2 - (Appendix IIb content)

3.3.1 The above findings were discussed with the Council and led to CBC further considering the relative impacts of policies and combinations that could be workable both in wider planning and viability terms – reviewing of policy priorities – June 2020.

3.3.2 To help inform this, a further review of the likely individual impacts of the emerging policies was undertaken, with these considered both in isolation and cumulatively. DSP developed a wide ‘matrix’ allowing the review of and comparison to be made between all potential policy combinations tests. This was in order to assist the Council in understanding what level of policy costs and accordingly which potential combinations of policy requirements could offer reasonable viable prospects overall, when considered together with a meaningful AH proportion.

3.3.3 The review of emerging policy areas expanded so that the potential policy combinations numbered over 120. For the combinations reviewed, draft policies DD4 (Tree Planting) and ST1 (Sustainable transport infrastructure) were included as additions to the Stage 1 testing scope. This matrix type testing, producing a large number of appraisal outcomes for review, was applied to the same 3 development typologies reviewed at Stage 1 – 35 mixed dwellings and 100 no. flats (2 iterations) were appraised across this picture.

3.3.4 The results of this extensive exercise again drew out the stage 1 emerging findings which identified significantly more restrictive viability prospects on PDL sites, and especially so in a town centre flatted scenario, compared to the theme of positive viability prospects on greenfield sites. The sample extract of the matrix results tables (Appendix IIb – 35 mixed dwellings with 40% AH at VL results; viewed in greenfield land (GF) and PDL context) demonstrates this, and consistent with the above this effect becomes much more prominent in the case of town centre (flatted) development.

3.3.5 As seen within the included examples as noted above, the tables show the RLVs produced when appraising the CIL cost or estimated cost of 95% provision of enhanced accessibility to M4(2) standards alongside 4 no. other policy cost areas – as viewed at this stage of assessment and again to inform suggested refinement (reduction) of the policy scope, for further testing through later stages - as described below. Again, the BLVs (as above) may be used to consider the strength of the RLVs – enabling a view on how viable, or otherwise, various policy combinations could be. When considered in a GF context, the RLVs were seen to widely support the tested policy combinations at this stage, hence the green shading indicating RLVs all exceeding the relevant benchmark in these examples. This contrasts with the same scenarios producing RLVs in the range £1.5-2m/ha but not higher, when assuming an example “pick” of 5 potential key policy cost areas rather than the full suite of estimated policy costs related to the first version Reg 19 LP content/approach.

3.3.6 The review stage promoted discussion on the assumptions areas that represented emerging policy requirements that might most readily/appropriately be cut-back for instance by identifying allowances or potential over-allowances for provision that we would typically expect to see supported through CIL (except for in certain specific circumstances such as strategic sites on which direct provision is made) – as an example, regarding the initially envisaged scale of education contributions.

3.3.7 We recommended CBC needed to consider further the level of overall policy burden and the options for potential priorities and combinations within available viability scope, although it was noted a differential approach to affordable housing would need to be considered (subject to further testing).

3.3.8 Notwithstanding the policies/contributions review exercise, the results continued to indicate that in order to restore or rebalance the prospects of viability to reasonable levels, there would need to be further consideration given to potentially reducing the affordable housing requirements for the scenarios and typologies where the 40% or a similar level appeared too onerous in combination with a reasonable level of other policy requirements/obligations.

3.4 Residential Results - emerging findings Stage 3 - (Appendix IIc content)

3.4.1 Following the subsequent discussions at the Council on the potential further Local Plan development and considered necessary refining, an approach was then agreed and established to test a potential preferred combination of policies – July 2020.

3.4.2 The Council had also noted the possibility of a further refined policy position which could be considered in more detail, if necessary, subject to the outcome of this Stage 3 of the initial testing.

3.4.3 As part of this phase, a different approach to the display of the appraisal outcomes was used - with a view to making the relationships with the assumed BLVs and the relativities between the typologies and tested outcomes (e.g. on varying AH%) as simple to review as possible.

3.4.4 The Appendix IIc tables therefore focus on the indicative surplus (or deficit) outcomes resulting from the deduction of the BLV in each case from the RLV result produced by the narrowed testing of a selected policy combination at 40%, 30% and 20% AH for each typology. The surplus outcomes (i.e. selected BLV surpassed by the RLV result) are shown in black type within tables 1 to 3. On the same basis, those RLV outcomes that fall short of the noted BLV level using these assumptions and therefore result in an indicated deficit against that measure, are shown as negatives using red text.

3.4.5 So here we can see the influence of varying VL, AH % and BLV, and how these interact in supporting more or less viable results according to the combination of those key variables.

3.4.6 The refined testing process continued to indicate a similar overall tone of results to that seen from the earlier reviewing as above - previous emerging findings stages, all producing a consistent picture of residential development viability overall in the CBC context. As the results show once more, the tested AH% has a considerable influence. Our findings concluded that the Council should continue to consider the reassessment and reduction of the AH policy requirements in specific locations / situations where necessary; alongside utilising the CIL that is in place for the usual infrastructure provision as far as supportable. Subject to the detail, we considered this could become part of building a more refined policy approach whilst noting that although easing the scope of other policy burdens on viability, this would ease the challenging viability picture as first presented, we continued to indicate that this easing alone would not be sufficient to support the Council's desired 40% AH approach borough-wide. Our findings continued to point to the need to consider a differential AH policy approach in our view, as well as moving ahead with an adjusted policy requirements set having a reduced viability impact collectively – see below.

3.4.7 The revised policy set that was tested alongside the applicable CIL cost (as indexed 2020) and variable AH% is set out in the Appendix IIc tables. For ease of reference, this had been honed down to the following basis (example policy costs assumptions as applied to the 35 mixed dwellings typology – Figure 14 below):

Figure 14: Policy & example related costs assumptions basis as revised for Stage 3 and onward testing

35 Mixed Key Policy Costs *(over base fixed costs)*		Policy Cost Implication £ Total	Policy Cost Implication Approx. £/dwelling
CIL (Indexed Rate @ £123.25)	20% AH	£287,057	£8,202
	30% AH	£246,435	£7,041
	40% AH	£216,391	£6,183
Sustainable Design/Construction 5% of build (Policy SD1/SD2)		£207,099	£5,917
Education Contribution		£204,554	£5,844
Open Space *(Financial Contribution only)*		£135,942	£3,884
M4(2) Accessible and adaptable dwellings (Policy DD2) - 95% of total dwellings		£72,231	£2,064
M4(3) Wheelchair user dwellings (Policy DD2) - 5% of total dwellings		£40,253	£1,150
Skills Contribution (Policy EC4)		£32,110	£917
Tree Planting (Policy DD4)		£24,500	£700
Sustainable Transport		£16,450	£470

DSP 2020

3.4.8 The tables show how the same assumed, refined potential policy set has slightly varied cost and therefore viability impact implications as the tested scheme typology changes and therefore the assumed dwelling types and mix change. In the case of CIL, the assumed cost liability is seen to vary with the tested AH% since the AH element does not pay the CIL.

3.5 Residential Results - emerging findings Stage 4 - (Appendix IId content)

3.5.1 For this phase of information provision to CBC, the Stage 3 review work was updated to include assumptions representing potential affordable housing (AH) tenure adjustments – August 2020.

3.5.2 AH was tested at a 40%, 30%, 25% and 20% with in each case 10% (of the total scheme dwelling number) assumed as an intermediate component based on 80% of market value and with the remaining AH content (so at 30% diminishing to 10% of the overall) based on affordable/social rent as per the Stage 3 review of the emerging findings.

3.5.3 The example test scenarios results at Tables 1 and 2 within this appendix use the same display approach as noted above for Stage 3, Appendix IIc. Again, the relative strength of outcomes can be seen and compared between scenario tests – again looking at the effect of the main variable under review at this stage.

3.5.4 As expected, these results provided a more positive viability picture albeit with the same selected policy combination refinement (following the above stages) remaining challenging in a higher density town centre type scenario particularly – envisaging development of PDL and particularly in the case of flatted schemes (results at Appendix IId Table 2 including a much greater range of deficit outcomes indicated, compared with those at Table 1).

3.5.5 This Stage of the exercise showed both the above noted continuing theme again, as well as the potential for the chosen/target AH tenure mix to significantly positively influence viability, as is seen from the improved results within the top section table compared with the Stage 3 base set as noted above (those results provided beneath the AH tenure sensitivity test outcomes for comparison purposes).

3.5.6 This could be relevant either in the event of CBC considering AH tenure variation, and/or in relation to the current Government consultations on 'Changes to the current planning system' (August 2020) and the Planning White Paper; 'Planning for the Future') that include for example potential measures for 'First Homes'. This could also be relevant to the operation of current para. 64 of the NPPF on a minimum of 10% 'affordable home ownership' which we have to date interpreted shared ownership tenure as meeting.

3.6 Residential Results - emerging findings Stage 5 - (Appendix IIe content)

3.6.1 This stage provided an early (sample) release for the Council of the full residential results typologies – emerging findings relating to those pending the main results reporting as is subsequently set out within the tables at Appendix IIIa.

3.6.2 The above Stage 4 further findings enabled the Council to consider and settle a potential final set of policy requirements for inclusion within the second Regulation 19 draft Local Plan and which we were to then take on into the full set of typology tests (as per Appendix IIIa) and also use as a basis for more specifically testing a sample of proposed key Site

Allocations (as per Appendix IIIb also discussed below). Accordingly, these tests used a further refined potential policy/obligations set and related costs assumptions which included a range of further adjustments and reductions, outlined as follows and as requested by CBC again following further review and discussion: -

i. Assumed s.106 contribution for education removed in its entirety on the basis that this funding need will be met as far as possible from CIL;
ii. Removed the additional tree contribution in its entirety on the basis that biodiversity net gain ('BNG') is addressed within the 5% added contingency for sustainable design and construction costs (e.g. Government consultation related potential Future Homes (Option 2) standard, represented by c. 4% addition to base build costs plus BNG allowance (further contingency) at 1%;
iii. Removed the requirement for 5% of dwellings to be wheelchair accessible (Part M(3)) as a standard requirement, and instead work on the basis of 100% accessible and adaptable homes (part M(2)).
iv. Reduced Sustainable Transport contribution assumption by applying a lower 'cost per km' figure used in the formula in the Planning Obligations Annex from £503,110 to £375,000;
v. Assumed s.106 contribution for Open Space retained (except for high density town centre typologies where contributions towards parks & recreational grounds and natural greenspace will not be sought);
vi. Reduced Skills related contribution (by 50%);

3.6.3 Along with these positions, the refined affordable housing context assumptions agreed for the full, final testing stages were as follows:

- Borough-wide (i.e. outside the town centre): 40% AH but on the basis of reverting to the base position that assumes a more substantially discounted/more affordable home ownership product (e.g. shared ownership) as the 10% intermediate element, with 30% of dwellings as the priority needed affordable/social rent.

- Town Centre: 25% AH requirement, assumed as comprising 15% affordable/social rent and 10% intermediate housing (and in this case assumed based on a likely more viable form of affordable home ownership – e.g. shared equity based on 80% market value).

3.6.4 The 2 extracted example results sets continue to show for example the significantly more positive nature of the results relating to the mixed housing scheme (35 dwellings) compared with those from the 35 flats typology shown here.

3.6.5 The results display format here is as per that used in Appendix IIa, and which is also carried on through the Appendix IIIa tables (full residential typologies tests based on the proposed second version Reg. 19 LP policy set). In these initial sample results tables (Tables 1g and 1h) at Appendix IIe, both the £RLV result and the same figure in RLV £/Ha terms are shown (on the left and right side respectively). The colour shading then acts a guide to the strength of the viability outcome by indicating with increasing boldness of green colour the higher BLVs that are seen to be exceeded as the results improve – with increasing VL (value level) tested in this instance.

3.6.6 In these extract examples we can see that on a greenfield or other low existing use value (EUV) site, the tested 35 mixed dwellings is indicated as likely to be viable at 40% AH with the CIL and above noted policy set at the lowest values tested (VL1). Looking at a PDL scenario, the RLV from that typology test exceeds a BLV ('viability test') of £1.5m/Ha using VL3 market sales values levels, and exceeds £2m/Ha equivalent at VL4 (results at Table 2h extract).

3.6.7 In comparison, using the same testing basis the 35 flats typology (table 2g extract) does not indicate viability until VL4 values are applied and then probably only on a lower value PDL site, with the "cusp" of viability seen at VL5 (£4,250/sq. m and considered the upper end of the typical local range currently) when the RLV £/Ha is considered likely to be sufficient to support most site circumstances. This indicates the extent to which the support of the amended (reduced) policy costs as tested in combination with as much as 40% AH is likely to be reliant on higher values that we have found to be consistently seen at this stage.

3.6.8 This leads into the consideration of the full typologies review findings – as are found at Appendix IIIa, following this same format and overviewed as follows.

3.7 Residential Results – Full typologies testing - (Appendix IIIa content)

3.7.1 The final iteration of this assessment process tested all site typologies with the settled policies included. Following the refinement process in the stages above, the final set of results are shown in Appendix IIIa.

3.7.2 This means that alongside the affordable housing policies the other key areas of policy going into the second version Regulation 19 Draft Local Plan and having a direct detectable impact on development viability have been tested cumulatively.

3.7.3 While it is acknowledged that the actual contributions and costs under these policy headings will of course be at a site and scheme-specific level, and therefore the particular details and impact will be variable, a suitable overview has been made for appropriate available evidence contributing to informing and supporting the Local Plan.

3.7.4 As at previous assessment stages, broad development density assumptions have been made for the purpose of estimating an indicative site area that is then relevant to considering the RLV outcomes in the context of a comparison with varying levels of BLV (benchmark land value) in £/ha terms.

3.7.5 Again, through all of the residential typology and allocation related tests including as discussed below, the 2020 indexed CIL charging rate (at £123.25/sq. m) has been included as our consistent starting point approach to testing using this cost, which is in place pending any review of the current charging schedule, alongside the estimated costs associated with the emerging Local Plan policies.

3.7.6 Approached in this way, the review acts both as a check of the continuing viability of the current CIL charges and a pointer towards any rates that could or should be considered for adjustment should that be considered necessary and appropriate overall in the coming period in support of the new Local Plan 2021 - 2037.

Influence of the proposed on-site AH threshold (fewer than/more than 10 dwellings)

3.7.7 Looking at the results between the 9 dwellings tests and those at 10 (Appendix IIIa Tables 3a – 3d), we can see that these are broadly equivalent with either on-site AH or a financial contribution in-lieu approach assumed.

3.7.8 In general this reflects the nature of schemes too, in that viability does not necessarily switch to lower levels on schemes of fewer than 10 dwellings (or indeed at any other specific threshold unless other policy costs operate on such a threshold and so create a clear differentiator).

3.7.9 The Council's affordable housing proposals (policy H5 within second version Regulation 19 Draft LP wording) are clear that on sites of fewer than 10 dwellings, a payment in-lieu will be the primary route used to support affordable housing enabling.

3.7.10 The results indicate overall that schemes of this scale should have reasonable prospects of supporting the policy, on both any GF and a range of PDL sites. Whilst in some cases it appears that this may need the support of upper-end sales values in the borough, this does not look an unreasonable position bearing in mind that some smaller schemes will be of a more individual nature.

3.7.11 Consistent with the above, the Council's existing CIL charging schedule does not differentiate (with a higher CIL rate) for schemes that do not provide affordable housing. In our experience, and from review of the results here, this might be an element to look at further were the affordable housing policy viewed differently – so as not to affect schemes below a particular threshold. Any such schemes (not providing affordable housing/contributions) could reasonably be expected to show greater viability than those which support it.

Viability of on-site affordable housing provision – sites of 10+ dwellings

3.7.12 Tables 3c to 3p within Appendix IIIa display these results.

3.7.13 Following on from the initial testing phase, the results of the reduced 25% affordable housing proportion and adjusted 60/40 tenure mix on town centre schemes, now show this to be an approach that has a reasonable prospect of supporting viable development in our view – based on reviewing the adjusted cumulative policies impact (again, inclusion of policy cost areas as per 3.6.2 and related commentary above).

3.7.14 Accordingly, a 25% AH policy headline for town centre (TC) area sites and 40% for sites in the remainder of the borough (BW – brough wide) can be supported. The BW scheme typologies assumption, also reflecting the CBC policy development, assumes the 40% AH to be of a 75/25 mix in favour of rented affordable homes over intermediate tenure.

3.7.15 The Council's policy drafting also recognises both the potential role of viability in considering justified cases where circumstances are different to those envisaged in this viability assessment and the possibility that some schemes outside the TC could share similar characteristics to those within it.

3.7.16 Overall, with these assumptions tested, the RLVs are seen to compare suitably with the appropriate range of PDL benchmarks (BLVs or 'viability tests') as shown again throughout the Appendix IIIa results tables.

3.7.17 Consistent with our earlier reporting (of emerging findings over initial review stages), a differential affordable housing policy considered in this way is in our view likely to be more responsive to the varying circumstances in the borough. The level of affordable needs and the priority given to this policy area by CBC accordingly means that the AH policy objectives cannot be further reduced. Reflecting the local characteristics, the proposed approach represents a suitable adjustment as part of the balance between the opposing tensions of needs and viability in our view.

3.7.18 Within this wide set of typology tests, development of types other than the more typical housing and flatted schemes has also been considered. Using the same policy costs basis as far as applicable together with adjusted assumptions reflecting particular development types, we also reviewed at an appropriate level the viability of sheltered and extra care apartments scheme types, mixed uses (including a retail element), build to rent (BTR) and a larger 1,000 mixed dwellings typology representing potential larger scale greenfield development related to the borough's needs. The viability indications from these typology reviews are considered below.

Sheltered/retirement housing and extra care typologies

3.7.19 The review of these schemes types included a number of bespoke assumptions on development values and costs, but most notably incorporating increased and further increased communal areas (to 25% and 35% respectively), larger apartment sizes, adjusted rates of sale (sales timings) and allowance for empty property costs pending full buy-in to the provided services. At 30 and 60 apartments, these typologies also reflect development at potentially around the minimum scale that might typically be pursued commercially in our experience (including undertaking a wide range of site-specific reviews of such scheme proposals).

3.7.20 While both typologies could come forward either in a PDL or greenfield site setting and be either independently progressed or a part of a larger development, these scheme types are also progressed as one-offs on a range of former commercial or existing residential sites.

3.7.21 In our experience (in other Council areas to date) these schemes produce mixed viability outcomes and are frequently the subject of viability review and negotiation resulting in a commuted sum payment route towards affordable housing enabling off-site. Retirement and extra care developments do however typically support premium sales values levels, which tend to go some way to counteracting the often higher than standard development costs.

3.7.22 For the sheltered/retirement housing typology, the results (Appendix IIIa table 3f) suggest that at tested VL10 (apartment sales at £6,000/sq. m i.e. approx. £557/sq. ft.) greenfield development could support 40% AH on the borough wide (BW) basis. Sales values in excess of this would be needed to support PDL site values, although we can see a residual land value equivalent to almost £2.25m/Ha, so exceeding all but the uppermost BLV indication, is reached using VL11 test – sales at £6,500/sq. m (approx. £604/sq. ft.). Points in between these tests may also be viable.

3.7.23 Overall it is considered that whilst outcomes will vary and negotiations may be involved, with any town centre (TC) developments set to attract a lower 25% AH requirement with adjusted tenure mix, the Council's proposed approach would in any event provide a suitable basis for any necessary decision making (application) stage discussions.

3.7.24 The typology results representative of extra care development (60 apartments – Table 3j) do not reach viability with 40% AH and the other assumptions used collectively. The nature of these results appears similar generally to those seen on appraisal of the care home typology reviewed within the scope of the commercial/non-residential tests as reviewed below (results at Appendix IIIc – Table 5k). The indications are that particular consideration may need to be given to such schemes, commencing with an understanding of their characteristics and looking at viability if relevant. From experience there may be a grey area in terms of where these sit between or combining care services and housing. There could be a range of scheme types and within these it may be that some schemes would not be required to provide affordable housing in any event, or might be developed or procured in a way that means they make more accessible provision – meeting a range of needs.

Mixed use development – housing (flats) with retail

3.7.25 The Appendix IIIa results at Table 3m (100 flats with ground floor retail elements) may be compared with those at Table 3k. These results sets are similar in tone, indicating that a retail element could be part of a viable scheme in the right circumstances, although it may be more likely to have a broadly neutral effect rather than very significantly boosting or on the other hand particularly damaging overall viability. This is likely to depend on the particular circumstances and market demand at the time, with the current circumstances of course an example of a phase during which the appetite for retail use space (including for restaurant use of similar) would at best be uncertain.

Build to rent (BTR) development

3.7.26 The results at Table 3o (200 apartments appraised using assumptions bespoke to BTR development – see the specific detail within Appendix I) show that with 20 to 25% AH included (in this case in form of 'affordable private rent' (APR) i.e. rents discounted to 80% market levels) when appraised with nil (£0/sq. m) CIL, residual land values of circa £1.2 – 1.45m/Ha are generated.

3.7.27 Whilst this level of land value generation may be sufficient to support lower value PDL site purchases, or RLVs heading towards the key PDL range, we can see that the application of the current CBC CIL charging schedule has the effect of reducing the outcomes to levels likely to be well below viability with the affordable private rent and other policy costs in place.

3.7.28 In our view this lends support to the policy approach now proposed by the Council (seeking 20% affordable housing on BTR schemes – as long as they remain all-rental; revised positively for viability from an earlier 25% policy iteration). Consistent also with the emerging policy for 30% AH as APR on non-TC located BTR schemes it may be that a higher level of AH (again in the form of affordable private rent) could be viable should schemes come forward with lower overall development costs outside the TC area.

3.7.29 However, the indications are that the current level of CIL charging could contribute to compromised viability which in turn could lead to adjustments being necessary on other planning policy objectives – e.g. potentially on the affordable homes (albeit APR) provision.

3.7.30 Later in this report we will comment further and summarise our findings on the viability of CIL in Crawley Borough as informed by the current assessment.

Potential large scale greenfield based development 'at Crawley'

3.7.31 The results for the final residential typology considered are provided at Table 3p of Appendix IIIa - 1,000 mixed dwellings assumed on c. 60 Ha land overall.

3.7.32 Again, this has been tested at this stage with the adopted CIL applied. Based on the current assumptions, with 40% AH included to the required 75 rented/25 intermediate tenure mix, the results indicated RLVs that support at least £250,000/Ha (i.e. approximately 10x EUV agricultural land) and potentially significantly more land or other development cost.

3.7.33 At this stage, while this is a genuine typology (reflecting no identified site and related details etc.) so that appropriate general assumptions only are being made, the indications are that along with a range of developments as above, this form of development should also have reasonable prospects of coming forward viably whilst supporting the new (second version Reg. 19 consultation) Local Plan policy set.

3.7.34 It may be appropriate to take a different view on the CIL if the scope of that is to be reviewed and the scheme details in due course include a high level of scheme specific and related infrastructure/development mitigation required through s.106. That mechanism may prove to be a more appropriate one to support the specific timely delivery of particular infrastructure. Large scale developments of a likely strategic level of importance are commonly nil-rated or low-rated for CIL as part of a differential charging set up and zoned or described accordingly, with overall viability (particularly once informed by more specific information) and these related factors considered.

3.7.35 In the meantime, a proposal of this nature is considered capable of supporting infrastructure costs. The results indicate that costs at least equivalent to the current CIL charging level and most likely at a significantly higher overall level should be viable. Viewed in this way, based on this review neither the new Plan policy proposals or adopted CIL are considered to be prejudicial to the viability prospects for such development.

3.8 Current stage review of selected proposed Site Allocations (Appendix IIIb viability indications)

3.8.1 Using the particular 'Site Allocations Assumptions' alongside the more generally applicable ones listed within Appendix I and set out above, Tables 4a to 4i at Appendix IIIb provide the results of this element (as part of a third phase) of the overall assessment exercise.

3.8.2 Undertaken with the purpose of reviewing and therefore checking the likely prospects for viable development on a selection of key sites proposed for inclusion as allocations. Not all sites were appraised specifically, as some have progressed into or through planning stages or related discussions; with those processes in themselves indicating confidence in deliverability. Run in this way, the review of the selected sites would however provide an indication of the viability of a variety of site and scheme types, as a further exploration and test of the suitability of the policies that were moving forward for inclusion in the Plan.

3.8.3 Therefore, this phase used RLV appraisals that continued to include the estimated costs associated with the refined emerging Local Plan Policy set (for second issue Regulation 19) – following on from the first phase dialogue and adjustments and as per the second phase (full residential typologies) modelling as above.

3.8.4 This phase was also used to test mixed-use and non-residential allocation proposals. Of the tested sites, 5 are residential development proposals, 1 is mixed-use (residential with offices) and 3 proposals are non-residential (industrial/warehousing/distribution).

3.8.5 The cost of the CIL has been included at the 2020 indexed rates as far as applicable to these proposed development uses – i.e. £123.25/sq. m applied to market sale housing and £0/sq. m applied to proposals/proposal elements for offices, industrial / warehousing / distribution.

3.8.6 The results display follows the process and format described at section 2.5 above, so that we can view the RLV produced by each assumptions combination (with varying sales value level (VL) and sensitivity to build costs as the variables) in comparison with the range of BLV levels.

3.8.7 In practice, the figures behind the viability of particular sites are likely to vary depending on the scheme specific details and circumstances at the relevant time. Related to this, the base assumptions include increased build cost contingency levels as set out in Appendix I – from a base 5% to 10/15%.

Proposed residential allocations tests – Greenfield sites (GF)

3.8.8 **Land South East of Heathy Farm**, Balcome Road, Forge Wood and at **Tinsley Lane** playing fields have both been appraised on the basis of greenfield development – assuming 120 and 150 dwellings providing 40% AH consistent with borough-wide (BW) proposed policy. The results of these appraisals are provided at Appendix IIIb Tables 4a and 4c respectively.

3.8.9 Across the tested VLs, in both cases the RLVs significantly exceed the land value levels likely to be justified for GF based development, with the AH and other draft policies included and therefore indicating some tolerance for supporting further development costs beyond the assumptions made at this stage. The sensitivity outcomes around the base result also indicate good viability prospects with the assumed values and/or costs moving around.

Proposed residential allocations tests – Previously developed land (PDL)

3.8.10 3 residential (only) sites have been appraised on the basis of an influence or part/potential influence of higher land values including at least an element of PDL.

3.8.11 The land adjacent to **Desmond Anderson, Tilgate** appraisals (Table 4b results) produce a base RLV equivalent to just over £1.5m/Ha which as surplus educational land again significantly exceeds the appropriate BLV levels for GF sites and also matches (just exceeds) the key level benchmark for PDL. As above, the sensitivities around this also indicate a range of viable outcomes to be possible with variation in the development values and/or costs. This is as appraised to include the BW level of 40% AH, with the other relevant emerging Local Plan policies allowed for using current assumptions.

3.8.12 The proposed allocation at the **County Buildings site, Northgate** is on PDL albeit with the site likely to support only relatively low existing use values in a town centre context it appears (older public offices/educational/car parking) when considering BLV in the terms of the PPG. Nevertheless, as seen at Table 4d, the proposal as appraised including an element of redeveloped offices or similar use does not indicate positive viability in currently appraised form, with 25% affordable housing from the assumed residential. Whilst the sensitivity tests show how reduced development costs in combination with the upper level of tested sales values could contribute to bringing this around, the provision of a substantial office or similar element here (of c. 5,200 sq. m) is weighing on the viability. This is perhaps not unexpected and it is consistent with both our wider experience and typology reviewing of office and other development use types undertaken within this assessment mainly for the purpose of considering the CBC CIL charging schedule that is currently in place. More follows on this in later sections of this report.

3.8.13 The **St Catherine's Hospice site** (Malthouse Road, Southgate) proposed for sheltered housing (60 units) does not appear viable as currently appraised – i.e. as a market-led scheme including a BW assumed 40% AH on the latest Draft Plan policy basis. The results using current assumptions are provided at Table 4e.

3.8.14 However, rather than this being a case of a firmly non-viable site proposal as an allocation in principle, it may well be that adjustments to the proposed scheme approach and make-up could see a different, more positive outcome.

3.8.15 Appraised on the basis of flatted development of approximately 63 dwellings, at this stage it appears that the potential **Tushmore Lane** site involves the purchase and redevelopment of 4 detached residential dwellings (all bungalows). The results at Table 4f indicate that the most positive sensitivity tested outcomes (with higher than assumed base values and "value engineering" of the scheme and costs) could potentially support the Draft Local Plan policies as considered cumulatively with an RLV reaching a suitable level to match BLV on the required EUV+ basis. However, at this point it appears that for flatted development in this location there could need to be some level of flexibility and potential viability discussion at decision making stage, subject to further considering the specific details and any appropriate justification for an alternative outcome to full policy provision. This is not considered inconsistent with the emerging Plan policy approach on affordable housing, for example.

Proposed commercial/employment use allocations tests

3.8.16 The last 3 sets of results within Appendix IIIb represent the 3 proposed site allocations for industrial/warehousing and distribution development uses. These are the **Wingspan Club residual land, Manor Royal** estate (Table 4g), **Nexus, Gatwick Road** (Table 4h) and the large site at **Gatwick Green** (table 4i).

3.8.17 The review in each of these cases covers a wider range of sensitivity tests looking at how the RLVs could vary dependent on the assumptions made to represent the available rent and yield combination that will drive an assessment of the investment value that could be achieved (the GDV in these cases).

3.8.18 Looking at the **Wingspan** site on Manor Royal, assuming a greenfield basis for land value and therefore BLV, a potential scheme appears viable at the base rental assumption in combination with a yield of up to 5.5%. Higher land values associated with the PDL BLVs could also be supported, if required, with a more positive rental assumption and/or yield. On the other hand, it can also been seen how sensitive the potential outcomes are to moving away from viability with rental assumptions adjusted downwards and/or with a less positive yield assumption in place.

3.8.19 Overall, our assessment is that development here has a reasonable prospect of viability. However, as this has been appraised with the currently applicable CIL rate at £0/sq. m this in our view also indicates that viability could well be too finely balanced to support an alternative approach to fixed CIL charging at an increased rate. The potential CIL charging scope for such a development type more generally (industrial/warehousing) will also be considered below in looking at the review of the commercial/non-residential development uses types.

3.8.20 The current stage assessment of the **Nexus** site on Gatwick Road suggests potentially slightly lower viability in comparison with the above (Table 4h results compared with 4g) but overall the results are very similar at this level of assumption making. At this stage, we consider that essentially the same findings are applicable here too.

3.8.21 The **Gatwick Green** site appears to have the potential to support a more certain or stronger viability outcome, with a wide range of our sensitive tests producing RLVs either well in excess of greenfield land values on the established EUV+ basis again, and values representing serviced, ready to develop industrial land (equivalent to PDL values) also potentially supportable. Although again there are a lot of variables or unknowns at this stage and we assumed that development could take various forms, in our view the viability of a scheme of the nature currently envisaged here (assumed as large scale distribution) would most likely be supported by a positive yield assumption – towards or at the lower yield %s tested (4.5 – 5.5%). The findings indicate that there should be scope for the values and costs to move around, depending on the scheme details and particular circumstances at the point of development and without viability being removed.

3.8.22 Associated with this, as currently appraised with the existing £0/sq. m CIL charging rate these findings indicate that this large Gatwick Green site should be able to support related infrastructure/development mitigation costs. In viability terms alone this means that considering a positive CIL charging rate applicable to this development might be an option available to the Council to consider, should the current charging schedule be reviewed. However, this would mean considering a differential approach to CIL charging between broadly similar development uses, with the actual proposals for sites not known at this stage. A differential approach could be mapped, but in our view now that the pooling restrictions have been lifted and charging authorities have more scope to consider the use of s.106 alongside CIL it might also be appropriate to consider this site in a more specific way. The Council could consider using a similar approach to that for many strategic scale development sites (as per the principles noted at 3.7.34 above in relation to the 'at Crawley' potential strategic scale residential development typology) – i.e. involving the use of s.106 for site specific and related infrastructure requirements, operated alongside a CIL rate continued at £0/sq. m for all such development use types, consistent also with the findings as above on the other employment use allocation sites.

3.9 Current stage review of potential CIL Charging Scope

3.9.1 In our view, it may well be possible and appropriate to look again briefly and check for any necessary review of (or indeed potential scope to support an option to review) the current CIL charging rates – if relevant, for inclusion within any reviewed charging schedule. This could be once the LP policy positions have been further settled based on the parameters set out here for the purposes of informing and then checking the viability of CBC's Local Plan progression or, potentially, picked up and reviewed earlier.

3.9.2 At this stage, however, before going on to look in a fine-grained way at the need or scope (or otherwise) for reviewing the current CIL charging rates and building on the above through the assessment of wider commercial/non-residential typologies as the final part of this assessment, we will briefly overview the above viability findings and suggestions for the Council to consider at in respect of its CIL and residential development.

3.9.3 Currently, this reflects both the circularity that is to some extent always involved in considering both policies and CIL i.e. before the plan basis is fully settled, and the need to strike an appropriate balance between the desirability of funding infrastructure to support the plan and the potential viability of development including the emerging policy set.

3.10 CIL viability – Residential

3.10.1 At this stage, from the assessment and Local Plan development work progression to date, with the Council looking to continue using CIL and comprehensive testing undertaking using the 2020 indexed charging rate that is in operation, we recommend that the headline CIL rate for residential be continued at a level very similar to or not significantly exceeding the current rate, should the charging schedule be reviewed short-term.

3.10.2 This has been shown to be appropriate, given the use throughout the assessment of the indexed rate (2020) of £123.25/sq. m. Alongside the range of Local Plan policies emerging (including the proposed adjusted differential approach to affordable housing), this is seen to contribute to an overall balance whilst not unduly affecting viability. This means that the indexing has moved the rate along appropriately it appears, without having an undue effect on the likely viability of development as part of the cumulative costs. It appears to leave the charge currently placed at a broadly suitable level in the local circumstances in our view, befitting the strategic nature of a CIL.

3.10.3 For further context, Figure 15 below shows indicatively how the first adopted £100/sq. m and currently indexed CIL residential charging rates appear when expressed as a percentage of the tested market sales value levels (VLs) i.e. CIL as % of GDV. DSP has frequently used this sort of guide as background information for clients when considering CIL viability. This is not an extension of the viability testing but tends to be informative as a useful secondary "health-check" as to the scale of the existing and potentially ongoing CIL liability. For viewing purposes, the table shows how this looks with a CIL rate of up to £300/sq. m - i.e. over twice the Crawley charge, which is broadly where we would expect to test to in steps like this, in order to consider and work back to the realistic charging scope. This involves the principles of keeping away from the margins of viability, and setting the rates so as to allow for some buffering.

3.10.4 DSP's view over many years of CIL viability and rates setting experience has been that, as a guide, realistic CIL charging rates should not exceed approximately 3% to 5% of GDV as a maximum. After considering buffering, we tend to see appropriate levels of CIL charging that will remain suitable and realistic as the development values and costs inevitably move around, will often be nearer to 2% to 3% of GDV equivalent. At the current time, this is seen to be the case here, as seen below (Figure 15).

Figure 15: Table of tested CIL rates as % GDV

CIL Rate £/m²	CIL Trial Rates as % GDV								
	VL1 £3,250	VL2 £3,500	VL3 £3,750	VL4 £4,000	VL5 £4,250	VL6 £4,500	VL7 £4,750	VL8 £5,000	VL9 £5,500
	3250	3500	3750	4000	4250	4500	4750	5000	5500
0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
25	0.77%	0.71%	0.67%	0.63%	0.59%	0.56%	0.53%	0.50%	0.45%
50	1.54%	1.43%	1.33%	1.18%	1.18%	1.11%	1.05%	1.00%	0.91%
75	2.31%	2.14%	2.00%	1.88%	1.76%	1.67%	1.58%	1.50%	1.36%
95	2.92%	2.71%	2.53%	2.38%	2.24%	2.11%	2.00%	1.90%	1.73%
100	3.08%	2.86%	2.67%	2.50%	2.35%	2.22%	2.11%	2.00%	1.82%
123.25	3.79%	3.52%	3.29%	3.08%	2.90%	2.74%	2.59%	2.47%	2.24%
125	3.85%	3.57%	3.33%	3.13%	2.94%	2.78%	2.63%	2.50%	2.27%
150	4.62%	4.29%	4.00%	3.75%	3.53%	3.33%	3.16%	3.00%	2.73%
158	4.86%	4.51%	4.21%	3.95%	3.72%	3.51%	3.33%	3.16%	2.87%
175	5.38%	5.00%	4.67%	4.38%	4.12%	3.89%	3.68%	3.50%	3.18%
200	6.15%	5.71%	5.33%	5.00%	4.71%	4.44%	4.21%	4.00%	3.64%
225	6.92%	6.43%	6.00%	5.63%	5.29%	5.00%	4.74%	4.50%	4.09%
250	7.69%	7.14%	6.67%	6.25%	5.88%	5.56%	5.26%	5.00%	4.55%
275	8.46%	7.86%	7.33%	6.88%	6.47%	6.11%	5.79%	5.50%	5.00%
300	9.23%	8.57%	8.00%	7.50%	7.06%	6.67%	6.32%	6.00%	5.45%

KEY:

CBC originally adopted rate (non-indexed)

CBC Indexed CIL Rate (fixed at the point of setting assumptions)

(DSP 2020)

3.10.5 In our view, should the Council proceed to a review of its CIL charging schedule, then based on our findings the elements relevant to residential development that might be appropriately considered for adjustment (potential downward CIL rate differentials) at this stage are likely to be as follows:

- Charging rate applicable to Extra Care housing where applicable – as per 3.7.24 above. However, were this typology to come forward on a greenfield site, we would expect its viability to be improved compared with the more typical PDL situation.
- Charging rate as applies to any BTR developments – see 3.7.29 above.
- CIL charging as could affect an "at Crawley" development of a strategic scale, in relation also to the potential use of s.106 as a primary delivery route for specific infrastructure – noted at 3.7.34 above.

3.10.6 However, with the current as indexed CIL charging rate or a very similar route considered broadly appropriate for continued application in the foreseeable period at least across the bulk of more typical residential developments likely to be continuing to support the planned supply, the need for or appropriateness of any such adjustments may also be dependent on or influenced by their overall plan relevance. This point is noted, again bearing in mind the strategic nature of a CIL, with its characteristics being such that it is not necessary for all developments to be viable with it. Again, the fact that within the guidance there is some room for pragmatism is noted. Indeed, were such developments to come forward now or while the current rates are in place, then the CIL charging schedule would apply to these scheme types – they would attract the prevailing residential CIL charge as stands we assume.

3.11 Non-residential/Commercial results typologies review – Principally for CIL review scope context (Appendix IIIc)

3.11.1 As noted in Section 2, we have undertaken a typical range of commercial/non-residential typology-based testing, applying the same methodology and residual valuation principles as per the residential element of the study. The results are set out in Appendix IIIc and although the mode of the results display remains the same as within Appendix IIIa, the display of appraisal outcomes differs reflecting the following:

- Range of scenario tests are set out by development use type – retail, offices industrial, hotel, and residential institution (care home) and purpose-built student accommodation;

- Tested at 3 trial rental value levels (L – lower, M – mid/medium and H – higher) informed by our research process (discussed at 2.9.3, and see Figure 9 together with Appendices I and IV);

- Tested across a range of investment yields from 5% to 7% - with the results seen to deteriorate with increasing yield % assumption, indicating a less secure, higher risk income stream which is reflected in a lower capitalisation rate (100/assumed yield %). Whilst this range of yield tests does not represent the fullest range possible, as at 3.11.5 below for example, it is sufficient to consider the likely key range most relevant to the CBC context and the sensitivity of results to this varying in combination with other factors;

- Trial CIL rates tested as per residential, from £0/sq. m. to £200/sq. m using £25/sq. m increments;

- The absolute (£) RLV results are seen in the upper table sections, with the green or part green shaded sections showing the RLV £/per hectare equivalent outcomes in the lower tables providing an illustration of the viability outcomes and trends, with the results "filtered" against the above noted BLVs or 'viability tests' range (as per the table footnotes).

3.11.2 Initially through Brexit and politically induced uncertainty, with that remaining, the property market (and more so as affects commercial property investment and development prospects) is now subject to considerably increased negative sentiment and risk owing the Coronavirus (COVID-19) pandemic. Whilst the last year has shown that parts of the market have held up much better than many expectations so that a balanced view is needed and it is not appropriate to project as such, in our view this current and foreseeable future backdrop will need to be considered. This is perhaps particularly relevant in respect of CIL charging given its fixed top-slice nature, as Councils look to strike the appropriate balance for their area. Also of relevance is that a CIL can be relatively responsive as charging schedules may be revisited with relative ease in comparison with the overall Plan process, with now a lighter-touch CIL review approach being possible.

3.11.3 In addition to the above, there are some key points/themes to keep in mind when reviewing and interpreting the commercial results as set out below:

- Relevant direct policy impacts on the viability of commercial/non-residential developments are likely to be limited in scope based on the emerging Plan. The level of policy rooted influence on viability directly is considered to be low. This looks like remaining to be the case, and this is typical in our experience.

- As with residential development, the strength of the market and therefore the strength of relationship between development values and costs is the most significant factor alongside reviewing these results against appropriate, corresponding BLVs – as discussed in section 2, above.

- Broadly, we consider the main results set indicates very mixed prospects for the viability of development, should there be demand to drive its progression. This does not necessarily mean that development will not be delivered through flexibility in actual development appraisal inputs and negotiations – factors that we cannot assume in prudently assessing viability in this strategic context – informing plan making and considering the scope for CIL charging (potential review of rates in this case).

Commercial results discussion (Appendix IIIc)

3.11.4 As noted earlier, alongside the corresponding BLV and value level, the yield rate is also important in reviewing the likely levels of viability indicated by these commercial/non-residential appraisal results. Across all commercial typologies tested, these are highly sensitive to a change in and particularly an increasing yield rate (higher yield % i.e. less positive yield assumption, reflecting higher-risk investment), particularly at the lower rental values.

3.11.5 On this basis and when reviewing results, we have also had regard to the latest available guides on commercial property yields[20] at the point of this review phase, together with analysis provided as part of our own extensive research utilising commercial property resource, Co-star –Appendix IV provides more detail. Following this information review, we consider the following yield levels are relevant to consider on reviewing the currently presented results and findings, as considered through our range of typology tests. The latest available high-level overview on the reported general market sentiment is noted here too - i.e. direction of travel Negative > Stable > Positive in relation to the market view of likely investment prospects and therefore how this yield% overview could move next:

- **Retail**
    - Food store – 4.25 – 4.75% (market sentiment – Stable to Positive)

[20] For example: Knight Frank Investment Yield Guide (August 2020) and Knight Frank Secondary Investment Yield Guide (July 2019)

- Retail warehousing – c. 6.5% (market sentiment – Negative)
- Comparison town centre and smaller convenience stores) – 6 - 10% + (market sentiment – Negative).

- **Offices** –6% - 9.5% (market sentiment – generally Negative)
- **Industrial/Warehousing** – 4.25% - 7.25% (market sentiment – generally Stable, but Negative for secondary locations and investments).
- **Hotels** (budget, edge of centre) – 4% - 6% (market sentiment – Negative).
- **Residential Institution** (nursing home) – 4% - 6% (market sentiment – Stable).
- **Student Accommodation** – 3.75 – 5.5% (market sentiment – Negative to Stable).
- **Other uses** (e.g. community halls, cafes, etc.) – typically 10% + (market sentiment – note, no direct data - not applicable in the same way).

Retail development uses

3.11.6 The outcomes of the larger format retail typologies test results are at Table 5a of Appendix IIIc. These are representative of **foodstore/supermarket** development (of a scale usually well above the Sunday Trading relating floor area threshold, with that referred to as a secondary characteristic for adding clarification if appropriate).

3.11.7 A range of RLVs are indicated from approximately £1.8 to £3.0m/ha with the maximum trial CIL rate of £200/sq. m applied and a currently conservative 5% investment yield assumption.

3.11.8 Appraised at the assumed scale envisaging the smaller and more typical developments that have occurred more frequently in recent years (typology assumed at 1,500 sq. m) this means that the relevant charge (as indexed to c. £123/sq. m in 2020) is considered to be within the viable parameters, allowing for buffering back from a rate of more than £150/sq. m based on a 5% yield and 'M' value level (and accordingly still not at the margins of viability, as above) and when compared against the highest viability test (BLV meeting or exceeding £2.5m/ha).

3.11.9 Although these results are seen to be highly sensitive to the assumed yield % assumption, in our view the results also indicate that CBC's indexed rate of c. £184/sq. m as applied to larger developments (at > 3,000sq. m) is also within appropriate viable parameters so that again the current CIL charging schedule is considered to still be appropriate. As with all other aspects of the charging schedule, it will be important for the Council to also consider the likely level of occurrence of this type of development in terms of overall Local Plan relevance. Again, the principles of CIL are such that it is not possible or necessary to know that all developments will be viable – it involves a strategic level approach.

3.11.10 Should the CIL charging schedule be reviewed, however, in our view as an alternative the Council could consider the use of a single rate applied more broadly to these development types, at not more than c. £150/sq. m and also reflecting the commentary below on both retail warehousing and other retail use development types – in our view a varied differential approach could be considered moving ahead, responding more closely to the current viability overview. A rate of c. £150/sq. m applicable to foodstore developments would amount to applying the same rate as originally adopted for the larger foodstore typology included within the current CIL charging schedule.

3.11.11 The **Retail Warehousing** representative test results (Table 5b) appear stronger still, although according to the data also should be considered in light of a higher (currently less positive) yield % assumption.

3.11.12 Therefore, looking at the 6 – 6.5% yield assumption RLV indications lower down within Table 5b, we can see that the results are closer to and, overall, broadly similar in nature to those considered above for the foodstore typology. Across the rental level sensitivities at these yields and with the maximum £200/sq. m trial CIL rate used, the RLVs range from c. £0.8m to over £5m/ha equivalent.

3.11.13 Overviewing this as is appropriate, the current indexed charge of c. £61/sq. m (as is applied to all non-foodstore forms or retail development – CBC 'General Retail' rate) is therefore well within the current viability parameters and therefore the current charging schedule can be said to be still workable from a viability viewpoint. However, it appears that the current rate under-cuts the potential from this perspective, and could therefore be reconsidered if the charging schedule is to be reviewed. Overall, we suggest that if so the CIL rate for retail warehousing developments could be aligned to that considered suitable as a mid-range charging rate for foodstore developments as above – i.e.

potentially up to around £150/sq. m applied across these types without nearing the margins of viability. Of course the actual receipts and the change in those would be dependent on relevant developments coming forward, again as with all use types, but bearing in mind that they are likely to be sufficiently viable to support such a CIL level if they do.

3.11.14 The above potential approach (considering alignment of rates applicable to any foodstore and retail warehousing developments) would also appear to be practical and appropriate from the point of view that these 2 forms of development could be competing for similar sites or could be brought forward within the same or similar development situations/complexes.

3.11.15 The **Town Centre/Comparison Retail and small retail/convenience store** tests, i.e. looking broadly across a range of other retail types at this time, indicate a more challenging viability position to be likely compared to the above. This, again, is consistent with findings from much of our wider work. Tables 5c and 5d display these results which although positive with the lowest (most positive) tested yield %s are positive and indicate viability, are seen to quickly deteriorate into likely marginal or negative viability with the higher yield %s (representing less positive, higher risk investment prospects) applied. The results show there to be no point in appraising with yields of more than 7%, by which point of the iterative review there is shown to be no headroom for potential CIL scope unless applying only the 'H' rental assumption level.

3.11.16 With the data showing likely appropriate yield % assumptions also going outside (above) our currently tested range and that producing a further range of more difficult/negative outcomes if we envisage extending the results table downwards, in our view a nil or nominal only charging rate could be usefully considered for these development uses within any reviewed charging schedule.

3.11.17 At the current time and in the short term, such uses may be unlikely to come forward as new developments and more likely to come forward as adaptations or extensions to existing premises, where we assume that the existing floor space would have the effect of reducing or potentially removing the CIL cost.

3.11.18 Therefore, these points are again offered for potential CBC consideration should the charging schedule be revisited and in the context of the currently applicable 'General Retail' rate unlikely to be a sole factor impeding any relevant development in practice in our view, and particularly in the current/foreseeable circumstances.

3.11.19 Overall, in reviewing the potential viability of different forms of retail development our view is that there are options for the Council to consider a charging approach that differentiates in an adjusted way (from current) between retail development use types. Informed by the currently available evidence this could see 2 rates considered for any retail development that comes forward: a higher rate (suggested at up to c. £150/sq. m) for foodstores and retail warehousing and lower (suggested nil or nominal only rate) for all forms of retail development use.

3.11.20 In the event the Council decides, on balance, to proceed with a differential approach to CIL rates for retail development on any schedule review, there are particular considerations to be aware of, because it is necessary to set out clearly how the differentiation is set up and described. A differential approach, needs to be informed primarily by viability evidence as included within this report and accompanying appendices.

3.11.21 The extent to which retail of any form is relevant to the subject plan period is relevant. If all forms are likely to be coming forward on an ad-hoc basis only then potentially it may be considered that any non-viability of individual schemes is not critical under the CIL principles.

3.11.22 With a charge maintained for wider retail uses (or indeed any other form of development where viability may be under pressure or at best marginal perhaps) no or limited/uncertain overall plan relevance would also suggest the prospect of a low level of increase in CIL receipts compared with the infrastructure funding outcome from setting a nil or nominal rate. Another way of viewing this is that there would likely be a low level of overall impact within the balance (e.g. bearing in mind potential receipts versus the environment for schemes progressing) compared with setting a higher, potentially more viability impacting charging rate for such uses.

3.11.23 The Council may wish to consider the relevance of any unintended consequences for other forms of development, such as smaller shops in areas of the borough targeted for regeneration type schemes and improving the vitality of the various shopping and community hub type locations – town and neighbourhood centres or other local provision.

3.11.24 Charging authorities are able to set differential CIL rates by reference to varying scale of development as well as varying development use. DSP's consistent experience in line with the guidance is that differentiation can be based on scale where that relates to varying development use (i.e. retail offer, site and unit type associated with that) and clearly justified and appropriately described. The difference between larger and smaller format retail can be clearly defined for the study purpose with type as the key differential and size as a secondary factor relating to scale but acting as a further way of clarifying the differentiating factors.

3.11.25 Looking at size of unit only (i.e. an approach led by or relying solely on different scales of development) can be problematic or lead to inequalities in our view. DSP's experience is such that retail use does not necessarily change characteristics in any readily determinable way at any specific floor area point other than that determined by the Sunday Trading provisions and unless there is other Local Plan policy that introduces a viability differential at a particular threshold or similar. We consider that unless a prospective charging authority has particular planning policies that influence viability (i.e. cause switch points in viability) either side of a certain floor area, the floor area based provisions relating to Sunday trading continue to provide the clear unit size linked switch in viability that is reflected in the type of premises and use – as a secondary part of providing clarity to the charging schedule where differential retail rates are to be included.

3.11.26 Since altering the assumed floor area to any point between say 200 and 500 sq. m. would not trigger varying values or costs with any certainty at this level of review, basically the reported values/costs relationship stays constant; so that we do not see altering viability prospects as we alter the specific floor area assumption over that range but assume development for the same use type. This means that the outcomes for these scenarios are not dependent on the specific size of unit alone.

3.11.27 We find the same at other unit size assumptions. In essence, to support a CIL differential at an alternative threshold point it is necessary to show a distinct change in viability, which would come from different appraisal input applying at a particular point – whether at 500, 1,000, 2,000 sq. m or indeed any particular unit size. So, the same applies on altering the high level testing for floor area variations on supermarkets or similar; the use type does not switch at particular points so that selection of thresholds for the varying scale of development could be arbitrary. This in itself could create inequity. In each case, unless viability was found to be different either side of any such point (a particular floor area), in our view and experience it would not be appropriate to differentiate.

3.11.28 The key factor differentiating the smaller types of retail scenarios that we refer to from the larger ones is that value/cost relationship related to the type of premises and the use of them; they are simply different scenarios where that relationship is not as positive as it is in respect of larger, generally out of town/edge of town stores. Specific floor area will not in itself produce a different nature of use and value/cost relationship unless applied in relation to the Sunday Trading provisions so far as we can see. Related to the opening hours available to an operator, these provisions create a clear threshold and at that a clear differentiator – based on sales area of less than 3,000 sq. ft. (approx. 280 sq. m).

3.11.29 To reiterate, in our view any differentiation is more about the distinct development use – i.e. the different retail offer that it creates and the particular site type that it requires, etc. The description of the use and its characteristics may therefore be more critical than relying simply on a floor area threshold or similar. The latter could also be set out to add clarity to the definition and therefore to the operation of a charging schedule in due course, however.

3.11.30 So, to recap, only if differentiating between these smaller/other and the typically larger (foodstores and retail warehousing) retail formats, we consider that creating a link with the size of sales floor space associated with the Sunday Trading provisions (3,000 sq. ft. / approx. 280 sq. m) may provide the most appropriate threshold as a secondary measure to the development use description that is the most relevant factor in both creating and describing the viability differential. Such an approach may not be considered relevant in Crawley. However, drivers towards this approach in some locations may be the overall plan relevance of different types (as new builds or larger extensions of over 100 sq. m triggering CIL liability) and any concerns over added development risk to smaller shops provision associated with adopting a single rate at too high a level. This approach to setting up a differential approach to CIL charging for retail development assumes the threshold being used for clarity and to further explain the nature of the development use that the viability and a charging rate differential is linked to if CIL is pursued.

3.11.31 There are a range of retail related uses, such as motor sales units, wholesale type clubs / businesses, which may also be seen locally, although not regularly as new builds because these uses often occupy existing premises. Whilst it is not possible to cover all eventualities for ad hoc development, and that is not the intention of the CIL principles, we consider that it would be appropriate in viability terms to also link these to the retail approach that is selected based on the main themes of plan delivery, all as above.

3.11.32 Similarly, we assume that where relevant any new fast food outlets, petrol station shops, etc., provided for example as part of larger retail developments, would be treated as part of the retail scheme. Other uses under the umbrella of wide-ranging retail would be treated similarly too. Individual units or extensions would be charged according to their size applied to the selected rate as per the regulations and standard charging calculation approach. In this case of course as an existing charging authority, CBC will have experience of all the implementation matters having charged its CIL since 17th August 2016.

Employment development uses – Offices, industrial/warehousing and distribution

3.11.33 With the most relevant yield % assumptions used, the Appendix IIIc results includes across Tables 5e to 5j show generally a clear indication that currently as appraised there remains no scope for CIL charging potential based on the viability evidence. At this time, we suggest that a nil-rate charge as per the effect of the current charging schedule remains appropriate and should also be considered for these uses in the event the schedule is reviewed in the near future. The results clearly present likely challenging viability prospects generally.

3.11.34 This is not an unusual finding in our experience, across a wide range of strategic viability assessments. We acknowledge, however, that while a nil-rate charge fully addresses the matter of viability, as far as possible in the CIL context, but does not contribute to addressing the other side of the balance – i.e. the desirability of funding infrastructure.

3.11.35 Within these results, we can see that at Table 5g there are more positive results for the distribution centre typology as appraised. We could reasonably expect the lower-end (more positive) yield % tests to be relevant to this. This reflects the nature of the positive viability indications for the Gatwick Green site allocation proposal as noted at 3.8.21 – 3.8.22 above. With that site thought to be the only significant and specifically Local Plan relevant one for this development use, but in our view potentially applicable in any event when taking a pragmatic approach as the CIL guidance allows some room for, s.106 could be used as appropriate alongside the selected CIL rate (including where that is nil) to secure the necessary development mitigation and infrastructure. As noted above, there is now more flexibility to use s.106 alongside operating the CIL charging schedule.

3.11.36 Viewed in this way, as far as we can see the above would amount to no change from the current CBC approach, with all such developments currently nil rated (charged at £0/sq. m).

Hotels and Residential Institutional (care homes) - C1 and C2-Uses

3.11.37 As seen at Table 5j, the tested **Hotel** typology results do not indicate viability with the assumptions used primarily for CIL testing purposes. Unless the Council were to adopt some form of nominal rate approach across a range of other uses with the overall balance in mind and not exactly following the viability evidence, this points to a continued nil-rated approach (as per current) were the schedule to be reviewed.

3.11.38 In respect of **Care/Nursing Homes (C2 Residential Institution)** typology, assuming full care provision is on-site, our results overall indicate no clear CIL charging potential, which would again reflect a continuation of the existing CBC charging scenario and in our view would also relate appropriately to our Extra Care review findings in this case (as per 3.10.5 and related paragraphs above).

3.11.39 Although in practice there may be scenarios that provide positive viability prospects so that developments come forward, it appears at this stage that these would rely on the most positive assumptions combinations used here, or better, with the positive outcomes seen to be highly sensitive to the development values assumptions reducing (rents reducing and/or yield % increasing). From our review, viability seems likely to be reliant on higher values alongside other site-specific circumstances. For this high-level study purpose and given the findings rather than wider possibilities under certain circumstances, we consider there to be nil CIL charging scope at this stage when looking at viability appropriately for this purpose.

Purpose-built student housing accommodation

3.11.40 While the direct relevance of this typology to the Crawley Local Plan overall is uncertain or most likely limited as far as we can see at this stage, this has been covered within the assessment mainly for the Council's information should it progress to consider a review of the current CIL charging schedule.

3.11.41 The RLV indications overall are amongst the strongest seen within the wide range of testing and certainly indicate CIL charging scope that in theory appears to go well beyond the highest trial rate. This assumes no affordable housing provision and currently also assumes no significant s.106 costs. It also considers one particular model at this stage.

3.11.42 Again, the positive nature of the results from this typology is typical in our experience. However, with the demand and drivers for this or similar housing provision in Crawley are not clear at the current time, not being a town with university/higher education provision, in our view it would be appropriate to consider a CIL charge well within the apparent theoretical results scope, allowing for lower rents and/or higher yields than are typical for these developments. There appear to be uncertain prospects for this to come forward here, which means that as far as we can see the inclusion of a CIL rate for it would be more of a windfall type situation.

3.11.43 With these circumstances in mind, we suggest that if the Council reviews its schedule and considers this development use relevant to include, then the parameters for a suitable CIL rate would in our view be similar to those suggested for residential development and the larger format retail types – so say £125 - 150/sq. m as a guide well within the margins of viability as currently appraised. Taking a pragmatic approach again, this would reflect the possibility of similar sites, e.g. edge of town centre, potentially being considered for a range of uses in some cases.

3.11.44 As with other CIL charging schedule elements, this could be considered further as may be relevant in due course.

Gatwick (Airport) Master Plan

3.11.45 The Crawley CIL charging schedule currently includes a nil rate (£0/sq. m) for 'All Uses' within the Gatwick Airport Zone.

3.11.46 Our assessment information review scope included the Gatwick Master Plan 2019.

3.11.47 The Airport indicated 3 potential scenarios for the future:

- *'Growing by making the best use of the existing main runway If Gatwick remains a single runway airport then we are committed to extracting the maximum value from the existing infrastructure, whilst delivering a sustainable and resilient operation.*

- *Growing by bringing the existing standby runway into regular use alongside the main runway. This is an opportunity which we are still exploring but, based on current findings, it is one which we may choose to progress in the near future.*

- *Growing by building an additional new runway to the south of the existing airport. We are not currently progressing this scheme but believe it is one which is in the national interest to continue to safeguard for the future'.*

3.11.48 Each of those would involve a different approach for future associated development with an option for an additional runway thought to provide greater opportunity for further development of non-residential uses.

3.11.49 The Master Plan indicates the following key projects over a 5 year period:

Airfield

Runway resurfacing; Boeing Hangar; Lima taxiway extension; Rapid exit taxiway; Pier 6 extension; Push and hold stands; Additional remote stands; Flood mitigation

Terminal

Check-in and bag drop; CTA/domestic bag reclaim; Departure lounges

Operational efficiency

ATC technology and process improvements

Surface access

Rail station; Bus and coach facilities; Car rental; Road improvements; Car parking

Commercial

Additional offices and hotels, new hanger

3.11.50 From this overview, there appear to be no currently known proposals that might normally expect to attract CIL charging subject to viability, aside from any further provision of development uses such as offices, hotels (as noted above) and possibly smaller retail units. The nature of these is not known but consistent with the above wider review work, we could reasonably expect these development types to have similar characteristics generally and therefore show similar levels of viability to any that occur elsewhere in the borough.

3.11.51 Whilst of course there may be some particular characteristics that relate to airport development, those development uses would be nil rated under the suggestions made above more generally – again, also as per the existing charging schedule.

3.11.52 Additionally, we have acknowledged the current COVID-19 pandemic situation which has had a very dramatic effect on this sector and which at this stage appears likely to continue doing so for perhaps some time to come.

3.11.53 All in all, were the CIL charging schedule to be reviewed in the short term as the new Local Plan comes in, then we suggest that based on our review the Council considers continuing the effect of its current charging schedule on development within the airport area.

Other development uses

3.11.54 Only the results relating to key commercial/non-residential development typologies and sites (relevant to the emerging Plan) are discussed in detail as above and contained in Appendices IIIb and IIIc. Other minor/less regular development uses (e.g. cafes, community centres, garages etc.) have also been considered at a high-level, based on the strength of the relationship between values and build costs. This is a typical approach taken by DSP in considering the viability of such uses – for information at a strategic viability assessment level (plan making/CIL).

3.11.55 On this basis, we find it is not necessary to carry out full appraisal tests as a simpler comparison of the potential completed value against build cost assumptions from BCIS typically indicates poor to marginal development viability. This is one of the key reasons why these forms of development are generally not seen in isolation but tend to be provided as part of mixed-use schemes that are financially driven by a residential and/or retail development for example; or perhaps procured in a completely different way through other fund raising routes.

3.11.56 Following the commercial results analysis above, we can see that once values fall to a certain level there is simply not enough development revenue to support the costs of development, even before the scope for CIL is explored. Adding CIL cost reduces the marginal surpluses or increases the negative outcomes associated with the residual land value results - the RLVs and therefore the viability prospects are reduced or moved further into negative territory.

3.11.57 In such scenarios, a level of CIL charge or other similar degree of added cost in any form would not usually be the single cause of a lack of viability. Such scenarios are generally unviable in the sense we are studying here – as a starting point. This may often be because they have either a very low or no real commercial value and yet the development costs are often similar to other types of commercial builds. We regularly see that even the build costs, and certainly the total costs, exceed levels that can be supported based on any usual view of development viability. These are often schemes that require financial support through some form of subsidy or through the particular business plans of the organisations promoting and using them. Indeed, some such developments may well be considered as infrastructure themselves.

3.11.58 As will be seen below, there are a wide range of potential development types which could come forward as new builds, but even collectively these are not likely to be significant in terms of “lost opportunity” as regards significant CIL funding receipts overall, even with anything more than a nominal or nil CIL rate in place. We consider also that many of these uses would frequently occupy existing, refurbished or adapted premises.

3.11.59 A clear case in point will be community uses which generally either generate very low or sub-market level income streams from various community groups or clubs etc. and as a general rule require a very significant level of subsidy to support their development cost; in the main they are likely to be a long way from regularly supporting anything other than a nil or nominal type CIL charge.

3.11.60 There are of course a range of other arguments in support of a distinct approach for such uses. For example, in themselves, such facilities may be generally contributing to the wider availability of community infrastructure. They may even be the very types of facilities that the CIL or s.106 contributions will ultimately support to some degree. For all this, so far as we can see the guiding principle in considering the CIL regime as may be applied to these types of scenarios remains their viability as new build scenarios.

3.11.61 As part of this review process, in general terms only we have therefore considered the likely viability prospects associated with a range of other uses. Looking at these at a high-level as developments, we compared their estimated typical values (or range of values) – with reference to values research from entries in VOA Rating Lists and with their likely build cost levels or ranges (base build costs before external works and fees) sourced from BCIS. As has been discussed above, where the relationship between these two key appraisal ingredients is not favourable (i.e. where costs exceed or are not sufficiently outweighed by values) then we can quickly see that we are not dealing with viable development scenarios in the usual sense considered by this assessment or referred to in guidance. The lack of positive relationship is often such that, even with low land costs assumed, schemes will not be viable as developments. Some of these types of new developments may in any event be promoted/owned by charitable organisations and thereby be exempt from CIL charging (as affordable housing is).

3.11.62 On this basis, Figure 16 below provides examples of this high-level review only of the general relationship between values and costs - in a range of these other scenarios. This is not an exhaustive list by any means, but it enables us to gain a clear picture of the extent of development types which (even if coming forward as new builds) would be unlikely to support anything more than a nil or nominal CIL charge (a nil charged based on the viability evidence alone). Otherwise, the added viability burden could be likely to delay or frustrate schemes, mean other compromises or add to funding requirements. The Council may also wish to consider the administrative aspects – CIL charging implementation. These points are not key to the viability assessment overall.

3.11.63 These types of value:cost relationships are not unique to Crawley. Very similar information is applicable and findings are seen in a wide range of locations in our experience, although across the area the Council may be able to consider the likely relevance of certain types of development uses and therefore the potential need to ensure that any essential delivery is not unduly undermined. (See Figure 16 below).

Figure 16: other development uses – viability prospects (indicative cost/value relationship)

Example development use type	Indicative annual rental value (£/sq. m)	Indicative capital value (£/sq. m) before sale costs etc.	Base build cost indications – BCIS**	Viability prospects and Notes
Cafés	£150 - £500 per sq. m.	£1,500 - £5,000 per sq. m.	Approx. £1,600 - £3,000	Insufficient viability to clearly and reliably outweigh the costs - upper values only representative of a town centre location.
Community Centres	£20 - £40/ per sq. m.	£200 - £400 per sq. m.	Approx. £1,700 - £2,600	Clear lack of development viability
Day Nurseries (Nursery School /Creches)	£100 - £300 per sq. m.	£1000 - £3,000 per sq. m.	Approx. £2,100 - £3,000	Insufficient viability to clearly and reliably outweigh the costs

Example development use type	Indicative annual rental value (£/sq. m)	Indicative capital value (£/sq. m) before sale costs etc.	Base build cost indications – BCIS**	Viability prospects and Notes
Garages and Premises	£50 - £90 per sq.	£500 - £900 per sq. m.	Approx. £600 - £1,300	Low grade industrial (B uses) - costs generally exceed values
Halls				
- Community Halls	£20 - £50 per sq. m.	£200 - £500 per sq. m.	Approx. £2,000 - £3,500	Clear lack of development viability – subsidy needed
Leisure Centre - Health and Fitness (Sports Centres/ recreational centres) generally	£90 - £130 per sq. m.	£900 - £1,300 per sq. m.	Approx. £1,500 - £3,500	Likely marginal development viability at best - probably need to be supported within a mixed-use scheme; or to occupy existing premises
Leisure Centre Other - Bowling / Cinema	No information available		Approx. £1,800 - £2,500	Likely marginal development viability at best - probably need to be supported within a mixed-use scheme; or to occupy existing premises
Museums	No information available		Approx. £1,250 - £3,700	Likely clear lack of development viability – subsidy needed
Storage Depot and Premises	£50 - £90 per sq. m.	£500 - £900 per sq. m.	Approx. £300 - £1,500 (mixed storage types to purpose built warehouses)	Assumed (generally low grade) B type uses. Costs generally exceed values - no evidence in support of regular viability.
Car Showroom	£100 - £200 per sq. m.	£1000 - £2,000 per sq. m.	Approx. £1,150 - £2,450	Insufficient viability to clearly and reliably outweigh the costs

Example development use type	Indicative annual rental value (£/sq. m)	Indicative capital value (£/sq. m) before sale costs etc.	Base build cost indications – BCIS**	Viability prospects and Notes
Restaurant	£180 - £500 per sq. m.	£1,800 - £5,000 per sq. m.	Approx. £2,000 - £4,500	Insufficient viability to clearly and reliably outweigh the costs - probably need to be supported within a mixed-use scheme; or to occupy existing premises
Vehicle Repair Centre	£60 - £120 per sq. m.	£600 - £1,200 per sq. m.	Approx. £1,200 - £2,050	Insufficient viability to clearly and reliably outweigh the costs
Surgeries	£70 - £220 per sq. m.	£700 - £2,200 per sq. m.	Approx. £2,000 -£4,500 (Health Centres, clinics, group practice surgeries)	Insufficient viability to clearly and reliably outweigh the costs based on other than high-end looking value assumptions.

*£/sq. m rough guide prior to all cost allowance (based on assumed 10% yield for illustrative purposes - unless stated otherwise).

**Approximations excluding external works, fees, contingencies, sustainability additions etc.

***BCIS Latest available data average of Crawley Location Factor

(DSP 2020)

3.11.64 There are potentially a wide range of considerations here, as above, going beyond viability in the usual development sense. Our recommendation at this stage is indicatively there is insufficient viability scope to support a positive CIL charge i.e. we recommend nil (£0/sq. m.) or at most a nominal charging rate in respect of the range of other uses.

3.11.65 In all cases, the viability scope reported for the different commercial/non-residential typologies tested and as discussed above does not mean that all developments subject to CIL charging will be inherently viable; or that all development types subject to a potential nil CIL charge will not come forward at all. There will always be site-specific circumstances and characteristics at play which cannot be factored into this type of high-level study.

3.11.66 Allied to the above, the Council could also consider the following types of areas and initiatives in relation to more general Local Plan delivery considerations on commercial/employment and non-residential development uses, which are particularly relevant to those sites with marginal/mixed viability prospects:

- Market cycles – Plan delivery is usually about long term growth as well as short term promotion and management of growth opportunities contributing to the wider delivery picture;

- Work with the market – be responsive to changes in demand in the market as suitable opportunities are identified;

- Regenerate/improve and protect key existing employment areas;

- Provide land where assessed to be most needed – consider/explore all options including PDL;

- Choice of sites and opportunities – working with the development industry to facilitate appropriate development and employment/economic improvement generating activity when the timing and market conditions are right;

- Consideration of how location is likely to influence market attractiveness and therefore values available to support development viability. Alignment of growth planning with existing transport links and infrastructure, together with planned improvements. Consideration of high value locations for particular development use types;

- Specific sites/locations and opportunities – for example in relation to Plan proposals and what each are most suitable for. Focus on the most accessible, best and most valuable locations for particular uses;

- Mixed-use development – potential for cross-subsidy for example from residential/retail to help support the viability of employment (business) or other development – balance the element in deficit or with reduced viability;

- Scenarios for particular/specialist uses – e.g. the local Gatwick airport related economy; or that may be non-viable as developments but are business-plan/economic activity led;

- Explore any local specialisms or particular industries/sectors from which economic advantage and stimulation of other activities can be made;
- As with residential, consideration of the planning obligations packages including timings (triggers) as well as the extent of obligations;
- A likely acceptance that business development overall is unlikely to be a significant regular contributor to general community infrastructure provision in the short-term at least;
- Seek other investment and consider incentive schemes.

DixonSearle Partnership

4. Findings Summary

4.1. Overview

4.1.1. As a strategic level viability view, it is important to note that each scenario considered tests a different combination of variables and therefore overall a wide range of outcomes are indicated. Judgements and an overview are necessary, therefore. However, the high-level nature of this assessment is both unavoidable and appropriate for the purpose. Undertaken in an established way, the assessment contributes to the appropriate available evidence used by the Council to inform and support the development of the new Local Plan for Crawley Borough (2021 to 2037).

4.1.2. The earlier report sections set out how the first phase of assessment considered the viability of development typologies through a series of emerging findings stages. That was initially based on reviewing the cumulative impacts of the first Regulation 19 consultation Plan. Those first Regulation 19 draft Plan policy iterations were found through the assessment as likely to be too onerous overall.

4.1.3. Those stages of the process informed a 2-way dialogue that resulted in a refined (reduced overall) set of policies which directly impacted viability and, again viewed cumulatively, would have a manageable level of viability impact overall.

4.1.4. Following the results commentary in Section 3, we consider that the strategy and range of policy requirements set out in the revised second Regulation 19 consultation Local Plan provides scope for development to come forward viably. Overall, the comprehensive review of typologies and sites now indicates these having reasonable viability prospects based on the emerging policies, and therefore whilst considering a suitable mix of seeking to both meet affordable housing and other planning policy costs (including a likely continued CIL) and recognising the commercial needs and drivers, as well as the uncertainties, associated with the development process.

4.1.5. In our view therefore, at a strategic "Whole Plan" level the revised Draft Local Plan proposals appear to be capable of meeting the requirements of the NPPF in terms of viability and deliverability, and also being consistent with the related PPG alongside good practice and other guidance as noted in this report.

4.1.6. Alongside this as a basis, we understand that CBC will continue to implement its policy approach in a practical and adaptable way where that is necessary based on detailed specific information as may be appropriate at the decision making (planning application) stage. The CIL should continue to be viewed in a way that is complementary to the Plan, whether the charging schedule is left unchanged (given our overview that it continues to operate in a way that broadly reflects most of the updated viability information provided here) or reviewed. Landowners' expectations being at realistic levels on land value will also be a key ingredient. These will need to reflect the PPG and be based on the principles of existing value plus premium as far as relevant in the circumstances ('EUV+').

4.1.7. Specific full policy performance cannot be certain to be always achieved at any given policy level. The varying nature of site specifics and viability is such that any policy alternatives set at reduced (lower) levels for affordable housing for example, or other further reduced policy costs could not guarantee that those positions would always be met in any event. This viability information will need to continue to be considered in conjunction with the Council's range of wider evidence and the moving context relating to the planning system and government policy/guidance, changing economic circumstances and so on. We have also noted the current context as relates to the COVID-19 pandemic and although to date the housing market has been seen to hold up remarkably well in light of this, it must also be acknowledged that this in itself adds uncertainty as far as the outlook is concerned and this comes alongside the many potential variables already involved.

4.1.8. As we have commented above, it is not necessary for the Council to exactly follow their viability evidence, rather it should be able to show how the information (along with other sources and drivers) has informed its overall approach. There is some room for Councils to take a pragmatic view as CIL charging authorities, as the national guidance recognises.

Affordable housing (AH) policy basis

4.1.9. As an aspect of policy that is both vital on the needs side and very expensive to provide through the development process, a key point of the assessment over its phases has been to inform a suggested approach to the affordable housing (AH) policies. These have been revised from both the adopted policy basis and the first Regulation 19 consultation Local Plan and are now considered to represent and enable a suitable balance between needs and viability. Alongside the cumulative costs impact when viewed with other proposed policies, this review of the AH approach was driven by the importance of town centre and other developments on PDL (previously developed land – i.e. brownfield sites) and the likelihood that a significant proportion of this would be in the form of flatted schemes where typically the viability pressures are seen to be greater.

4.1.10. The headlines of the revised AH policy (H5) factored into the viability assessment following the earlier stages and now supported so as to be reflected in the second Regulation 19 Local Plan are as follows:

- Borough-wide (BW) – 40% AH (based on 75% rented/25% intermediate tenure) with potential flexibility exercised for high-density schemes having similar to TC characteristics (as below)

- Town centre (TC) – 25% AH (based on 60% rented/40% intermediate tenure)

4.1.11. Reflecting the fact that viability as currently modelled is less than for market housing, build to rent (BTR) housing schemes are to support 20% (TC) to 30% (BW) AH, in the form of the national policy recognised affordable private rent.

Other policies directly influencing viability – accounted for within final stages appraisals

4.1.12. The other key policy areas reviewed through this assessment are those which have a direct viability impact that is influenced by the Council's policies scope (plan making) but also dependent on and usually variable with site-specifics (at decision making stage). So, narrowed/reduced since the earlier appraisal stages and included within the refined policy set tested through the full range of the typologies and a selection of proposed allocation sites are cost assumptions representing the following (in no particular order/priority for the assessment purposes):

i. Sustainable design and construction.
ii. Open space – financial contribution.
iii. Accessible and adaptable dwellings.

iv. Skills – financial contribution.
v. Sustainable transport – financial contribution.
vi. CIL – Residential or other relevant rate (as indexed 2020) applied; full range of iterative trial testing on commercial/non-residential typologies.

4.1.13. As above, the refined assumptions reflect reduced requirements of the Council following the review exercise. The cost levels assumed at this stage – on final assessment - for each of the above vary according to the typology/site appraised and the assumed dwelling types and mix informing the wide range of test scenarios. The assessment detail provides further information.

Community Infrastructure Levy (CIL)

4.1.14. The findings of this assessment as they relate to CIL indicate that the currently charged CIL rates (as indexed) continue to reflect positive viability in most key respects and should also continue to be appropriate alongside the emerging Local Plan policies. However, although intended for information in response to our Brief and possibly as a secondary consideration pending further progress with the Local Plan, we consider there also to be some justification to revise the current approach to CIL. If pursued, this could see some revisions in relation to elements of the charging rates and the differential approach.

4.1.15. This overview and effective viability check of the current charging schedule may be relevant bearing in mind the noted current circumstances and also the possibility that any amended CIL charging schedule may need to be reviewed again in the relatively short term in any event. We have noted the evolving and in many ways uncertain circumstances – with the economic backdrop as it is (reflecting Brexit and now COVID-19, as well as general market cycles) as well as evolving national policy. Final review of any CIL revision proposals may be appropriate once there is a settled LP policy set and also perhaps further clarity on the Government’s planning reform proposals, including its potential review of the CIL. Further clarity is awaited on a number of areas including climate change implications (Future Homes Standards), affordable housing tenure/First Homes, biodiversity and other areas.

4.1.16. Such an approach of running for now with the existing CIL may also offer an opportunity to consider further the latest available information as regards this range of external influences as well as the local circumstances. Alternatively, the Council could decide to move ahead with a review of its charging schedule in the meantime. DSP is working with authorities that are taking a range of approaches at this time.

CIL – Residential development

4.1.17. Looking at viability, the current level of CIL charge (as indexed) at c. £123/sq. m has been found to be suitable for ongoing use at this time, alongside the Draft Local Plan policies reflected as above.

4.1.18. However, we have noted that in respect of some likely very specific circumstances not regularly occurring in the borough, the residential charging rate may be best considered for adjustment on viability grounds. These are build to rent (BTR) schemes, extra care housing and the strategic scale of development envisaged in the "at Crawley" scenario – where a nil or nominal rate CIL and in the latter case a primary use of s.106 may be more appropriate to consider than the prevailing rate. These are suggestions for CBC's review should the decision be taken to revisit the charging schedule at this stage.

CIL – Commercial/non-residential development

4.1.19. The commercial/non-residential results have also been discussed in detail above. Overall, in our experience when tested for the purposes of viability in plan making and CIL review/setting, as is the case here it is not unusual for most of these forms of development to generally show poor viability or at best mixed results.

4.1.20. This is especially relevant to the main employment related uses (offices, industrial, warehousing) tested as part of this study. Such outcomes do not necessarily mean that development will not be delivered through flexibility in development appraisal inputs and negotiations or particular parties' objectives – factors that we cannot assume in prudently assessing viability for the assessment purpose.

4.1.21. On the other hand, some development uses have been identified that would in our view support or continue to support CIL charging should they be progressed locally. The limited exceptions to the above noted general nature of the results here are for the typologies representing certain forms of retail development – i.e. foodstores and retail warehousing units – together with students housing, were these scheme types to come forward locally. For these, if reviewing the schedule, we have indicated suitable CIL charging parameters up to approximately £150/sq. m which would be well within the margins of viability based on the current information.

4.1.22. Other suggestions have also been put forward for CBC to consider in respect of its CIL – again, if it is to be reviewed at this stage and bearing in mind our view that in any event the charging schedule continues to reflect viability reasonably well in most respects (again, alongside review of the new Local Plan policies). CBC would be looking at the appropriate balance for the local circumstances, including Plan relevance.

4.1.23. On considering viability, those other aspects include in our view:

- Suggested consideration of a significantly reduced (i.e. nil or potentially a nominal rate only) CIL charge for all forms of retail development other than foodstores and retail warehousing.

- Although shown to be more viable than general industrial/warehousing development provision, the potential to not change the CIL approach in relation to any significant distribution use development (e.g. at Gatwick Green) – so that potentially the current nil-rating could continue apply, with s.106 used to provide necessary infrastructure.

4.1.24. All other forms of development (including of the types most likely within Gatwick airport, if any in the current or short term circumstances) would continue to attract a nil (£0/sq. m) or at most nominal CIL charging rate based on our findings and suggestions for CBC's consideration. This again indicates the ongoing suitability of the current charging schedule overall, when what appear to be the key respects are considered at this stage.

4.2. Final commentary

4.4.1 Based on the above discussion and subsequent recommendations relating to AH, CIL and key policy areas, we consider the Council's emerging Plan provides scope for residential development to come forward viably on the whole, meeting the relevant criteria and striking an appropriate balance as required by the NPPF and PPG.

4.4.2 For commercial development, although some positive CIL rates can be viably supported (principally on large format retail and student housing), the overall picture presents poor or marginal to mixed viability scope, leading to the wider recommendations for consideration, and not unusually in our broad experience of these matters. On this basis, we consider the Plan does not have the effect of unduly adding development cost to such schemes. Alongside suitably set CIL charging rates, again as are largely in place currently, we consider that the findings reflect the variable (including non) viability of many of these development types at present in both the Crawley Borough and the more general market context. Accordingly, we stress that this is not an unusual set or circumstances or findings in our wide experience of Local Plans (plan making stage) and CIL viability.

4.4.3 It is not necessary for local authorities to exactly follow their viability evidence. Rather, they should be able to show how the information (along with the range of sources and drivers) has informed the selected overall approach. There is some room for prospective charging authorities to take a pragmatic view on CIL charging rates setting as part of striking their appropriate overall balance for the local circumstances, as the guidance notes. These elements have also been considered where relevant alongside our viability findings.

4.4.4 DSP will be pleased to assist CBC further if required – for example with any queries, supplementary information or updating that may be considered appropriate as the Council's further progression of the new Local Plan 2021 – 2037 develops. The same applies as the need or potential to revisit the Crawley Borough CIL charging schedule is also kept under review alongside that.

Report document ends
DSP v8

Final Report Issued March 2021