Haslemere Neighbourhood Plan
Viability Analysis

Introduction

The Waverley Borough Council viability study was prepared in November 2017 to provide evidence to support the drawing up of a Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule. This analysis builds upon that study in order to demonstrate that the policies presented in the Haslemere Neighbourhood Plan (HNP) do not result in residential development in Haslemere becoming unviable.

The WBC viability study

The rates proposed based on the study were as follows:[1]

Table 1 – WBC draft CIL rates November 2017

Use	CIL rate
Residential dwellings – schemes of more than 10 units	**£395 per sq. m** *(where there is no SANG/SAMM tariff – Zone A)* [(g)] **£372 per sq. m** *(where the SANG/SAMM tariff is charged – Zone B)* [(h)]
Residential dwellings – schemes of 10 or less	**£452 per sq. m** *(where there is no SANG/SAMM tariff – Zone A)* [(g)] **£435 per sq. m** *(where the SANG/SAMM tariff is charged – Zone B)* [(h)]

In setting the rate a 50% buffer was used to reduce the rates. Government policy requires that a buffer is applied in order to ensure that CIL rates are not set at the margin of viability. Normally a buffer of 30% is applied but because there was considered to be uncertainty with respect of delivery a more cautious buffer was used.[2]

Viability Analysis – development inside the settlement boundaries

The analysis below compares the estimated additional development costs per sqm, resulting from the application of the HNP policies, to the rates in Table 1, above, to determine whether applying the plan policies would cause development to be unviable.

Table 2, below, lists the policies that have an additional cost impact, the cause of the additional cost, an estimate of the cost and the additional cost per sqm for a flat and a house.

[1] WBC CIL Draft Charging Schedule November 2017
[2] WBC viability study November 2017 para 3

Table 2 – Estimated additional cost of applying HNP policies inside the settlement boundaries

Policy	Cause of additional cost	Calculation of additional cost	Additional £ per sqm for a typical (50 sqm) flat. £1810/sqm[3]	Additional £ per sqm for a typical (95 sqm) house. £2,000/sqm[4]
H7	Enhanced design and build quality.	The Haslemere Design Statement has been a material consideration since 2012 so all development since that date has had to take its provisions into account. For the purposes of this analysis a 5% uplift in build cost is assumed for houses and 2.5% for flats for the additional policy requirements.	45	100
H8	Consultation requirements	Developers providing 10 or more homes should provide a Statement of Community Involvement according to WBC's requirements list. The extra requirements would not add much additional expense. Assume £95/dwelling.	2	1
H9	Access requirements, non-motorised transport support	No additional cost is expected from the policies relating to routes across development sites as this can be achieved through the design of the site without incremental expense.[5] Adding an EV charging point is estimated to be £976/parking space (Government whitepaper) H6.5 - Additional off-street parking for shopping areas and residents could add cost but would potentially be offset by a future revenue stream from the parking charges. H6.6 - These aims could be met from CIL monies.	20	10
H10.2	Information technology and communication infrastructure	The government has proposed adding to building regulations the requirement to provide gigabit- speed ready infrastructure. The maximum cost would be £2,000 per home.[6] Assume £1,000 for a flat, £2,000 for a house	20	21
H11	Costs to protect trees, hedgerows and woodland	Deemed to be included in achieving a biodiversity net gain of 20% (see H14 below)		
H14	Achieving a biodiversity net gain of 20%	This is predicted to have a cost impact of £246 per home on brownfield sites and £1,128 per home for greenfield sites.[7] Use brownfield rate here.	5	3
H12		Conforming with the dark skies policy should not result in additional cost.		
Estimated additional cost of Neighbourhood Plan policies for development on sites within the settlement boundaries			**92**	**135**
Minimum CIL Buffer			**372**	**372**

[3] WBC viability study November 2017 para 4.1.11

[4] WBC viability study November 2017 para 4.1.11 – used mid-point of costs (£1,532 house, £2,531 One off house) to be conservative.

[5] The WBC viability study November 2017 para 4.1.11. states that an allowance has been made for external works and contingency at 15% and 5% of build costs. External works includes hard and soft landscaping, footpaths and road, drainage and service diversions and parking.

[6] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/872990/New_Build_Developments__HMG_consultation_response.pdf para 1.17

[7] Guildford Borough LPP2 Issues and Preferred Options Consultation 2020 p. 55 para 4.71 - 4.73 http://www2.guildford.gov.uk/councilmeetings/documents/s16571/Item%204%202%20-%20Development%20Management%20DPD%20-%20App%202%20-%20Draft%20Plan%20Inc.%20Appendices.pdf Based on 2017 prices

Since for both housing types (50 sqm Flat and 95 sqm house) the additional cost is less than the CIL rates, there is sufficient buffer such that the homes would still be viable when the Neighbourhood Plan policies are complied with.

Further, the WBC viability study looked at various schemes to ensure they were viable for the CIL rates proposed. The standard residual value approach was used where the residual value of development (total value less all development and policy costs, including planning obligations) is compared to a land value benchmark. Appendix F of the WBC viability study November 2017 demonstrates the surplus above the benchmark land value for various schemes (referred to as the "Headroom"). The following are the most relevant to the Haslemere Neighbourhood Plan Area:

Table 3 – Headroom (£/sqm) for various schemes

Number of dwellings	Headroom £/sqm	Headroom £/sqm after CIL
1	276	(176)[8]
3	1370	918
6	989	537
8	974	522
14	1121	726
26	1126	731
40	980	585

As the maximum estimated costs from Table 2 above is £135/sqm, all except for the 1 dwelling scheme are viable. This is not a concern as the HNP is encouraging more smaller dwellings and higher densities (75 dph within 1km of the station and 45dph elsewhere).

Viability Analysis – development outside the settlement boundaries or on designated land
Policy H3 Sustainable development outside the settlement boundaries or on designated land requires developments in these locations to meet higher standards of sustainability including:

i. more sustainable construction methods and high quality thermally efficient building materials
ii. profiles and exterior materials and treatments that reduce the impact on the visual landscape
iii. high standards of insulation and/or minimal energy requirements
iv. siting and orientation to optimise passive solar gain
v. onsite water storage and sewage treatment, the use of sustainable drainage systems and grey water systems
vi. provisions to retain, protect and enhance the species interest of the site, including commuting routes, and ensure appropriate management to preserve its landscape and ecological value
vii. provisions for the enhancement of an acceptable parcel of land within the Plan area in a manner that will increase wildlife and ecological value if the development proposal causes the loss of priority habitats or compromises biodiversity
viii. avoiding the culverting of streams or rivers within the area and, where possible, removing any existing culverts in order to seek to restore wildlife accessible stream or river margins; and
ix. achieving a biodiversity net gain.

[8] According to Appendix F this is based on one dwelling built at 30dph with a market floor area of 160 sqm.

Costs associated with Items vi – ix are included in the cost for policy H14 so no additional costs are deemed necessary for those items. Regarding items i-iv The Cost of Carbon Reduction in New Buildings Report – 31 October 2018 states "Achieving net zero regulated and unregulated emission is likely to result in a cost impact of 7-11% for homes."[9] Assuming 11% this would add £199/sqm to the cost of a 50 sqm flat and £220/sqm to the cost of a 95 sqm house.

Table 4 – Additional costs for development outside the settlement boundary or on designated land

Policy	Cause of additional cost	Calculation of additional cost	Additional Cost per m^2 for a typical (50 sqm) flat. £1810/sqm[10]	Additional Cost per m^2 for a typical (95 sqm) house. £2,000/sqm
Estimated additional cost of Neighbourhood Plan policies for development on sites within the settlement boundaries			92	135
H14	Achieving a biodiversity net gain of 20% - more costly on greenfield sites	This is predicted to have a cost impact of £246 per home on brownfield sites and £1,128 per home for greenfield sites.[11] Brownfield rate included in amount above so add £882 per home	18	9
H3	Achieving net zero regulated and unregulated emission	"Likely to result in a cost impact of 7-11% for homes."[12] Assuming 11% this would add £199/sqm to the cost of a 50 sqm flat and £220/sqm to the cost of a 95 sqm house.	199	220
Estimated additional cost of Neighbourhood Plan policies for development on sites within the settlement boundaries			309	364

In order to consider the viability of the policies for development outside the settlement boundaries or on designated land, the calculations in Appendix F of the WBC Viability study (November 2017) have been adjusted to take into account the lower land values that are likely in these areas. In an earlier version of the viability study produced in June 2017,[13] a benchmark residual land value of £1.86m was used for potential strategic sites in rural areas[14]. The November 2017 report uses this value for its case study of the Dunsfold site. This rate has, therefore, been used for the consideration of the viability of the policies for development outside the settlement boundaries or on designated land.

[9] Cost of Carbon Reduction in New Buildings – 31 October 2018 page 1
https://www.cse.org.uk/downloads/file/cost-of-carbon-reduction-in-new-buildings.pdf
[10] WBC viability study November 2017 para 4.1.11
[11] Guildford Borough LPP2 Issues and Preferred Options Consultation 2020 p. 55 para 4.71 - 4.73
http://www2.guildford.gov.uk/councilmeetings/documents/s16571/Item%204%202%20-%20Development%20Management%20DPD%20-%20App%202%20-%20Draft%20Plan%20Inc.%20Appendices.pdf Based on 2017 prices

[12] Cost of Carbon Reduction in New Buildings – 31 October 2018 page 1
https://www.cse.org.uk/downloads/file/cost-of-carbon-reduction-in-new-buildings.pdf
[13] https://www.waverley.gov.uk/downloads/file/5770/waverley_viablity_study_june_2017
[14] Waverley Viability Study June 2017 para 3.11

Reworking Appendix F with the benchmark residual value of £1.86m provides the following results :

Table 5 - Headroom (£/sqm) for various schemes. Benchmark residual land value £1.86m/ha (see Appendix 1 for detailed calculations)

Number of dwellings	Headroom £/sqm	Headroom £/sqm after CIL
1	783	331
3	1806	1354
6	1543	1091
8	1542	1090
14	1479	1084
26	1495	1100
40	1338	943

Except for the single dwelling case study all would be viable with additional costs of up to £364/sqm (Table 4, above). Even for a 40 dwelling scheme this amount represents only 39% of the headroom after CIL.

Viability Analysis - Density

Waverley's viability studies considered development schemes at various densities as follows:

- The WBC Viability Study June 2017 considered a 1 ha tile built at various densities (20dph, 40 dph, 60 dph and 120 dph). All densities were viable for the proposed CIL (rate £462/sqm and £493/sqm) with a 40% buffer.[15]

- The WBC Viability Study June 2017 looked at small sites of 10 or fewer units which do not have to provide affordable housing. This study found that a 3 unit development was viable at 30 dph, 45 dph and 60dph as was a 6 unit and 8 unit development[16]. The results for higher densities were not provided.

- The WBC Viability Study November 2017 considered a number of case studies to ensure they were viable with the proposed CIL rates. All case studies used a density of 40dph except the one-unit study which used 30dph. All except the one-unit study were viable.

Based on this evidence the application of policy H2 Housing density would not cause development to be unviable.

Conclusion

The application of the policies in the Haslemere Neighbourhood Plan will not cause development in the Plan area to be unviable.

[15] WBC Viability Study June 2017 para 5.8
https://www.waverley.gov.uk/downloads/file/5770/waverley_viablity_study_june_2017
[16] WBC Viability Study June 2017 para 5.10 and 4.13
https://www.waverley.gov.uk/downloads/file/5770/waverley_viablity_study_june_2017

Appendix 1 – Calculation of Headroom per sqm using greenfield benchmark land value for Table 5.

From Appendix F WBC Viability Study November 2017						Benchmark land value	Headroom per ha	Headroom £ /sqm	Maximum CIL /sqm	Headroom per sqm after CIL
Dwellings	dph	Affordable housing	Net hectares	Market floor area sqm	Residual value per ha					
1	30		0.03	160	5,654,970	1,860,000	3,794,970	783	452	331
3	40		0.08	420	11,971,227	1,860,000	10,111,227	1,806	452	1,354
6	40		0.15	660	8,651,200	1,860,000	6,791,200	1,543	452	1,091
8	40		0.20	860	8,489,530	1,860,000	6,629,530	1,542	452	1,090
14	40	30%	0.35	1000	6,084,809	1,860,000	4,224,809	1,479	395	1,084
26	40	30%	0.65	1800	5,999,775	1,860,000	4,139,775	1,495	395	1,100
40	40	30%	1.00	2850	5,674,660	1,860,000	3,814,660	1,338	395	943

Notes:
Data taken from Appendix F Waverley Viability Study November 2017

Benchmark land value for greenfield sites per para 3.11 Waverley Viability Study June 2017 and para 4.1.40

Maximum CIL rate per draft CIL schedule November 2017. Rate without SANG/SAMM tariff used in order to be conservative since it decreases the Headroom by a larger amount.