

Community Infrastructure Levy:

**A Stage 2 Economic Viability Assessment
(post 1st Public consultation) prepared for:**

Hertsmere Borough Council

Report by: Lambert Smith Hampton

July 2013

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www.lsh.co.uk

Community Infrastructure Levy

Stage 2

Economic Viability Assessment

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Hertsmere Borough Council

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Executive Summary

Introduction

- a Lambert Smith Hampton (LSH) was commissioned by Hertsmere Borough Council (“the Authority”) to undertake further investigation into the proposed Community Infrastructure Levy (CIL) rates presented as part of the initial CIL Assessment Stage 1 study. The Stage 1 Study was undertaken for 8 of the 10 Hertfordshire Local Authorities to provide them an indication of the potential CIL rates they could viably deliver within the various Authorities based on a set of agreed assumptions.
- b This Stage 2 study expands upon the assumptions, methodology, sensitivity and outcomes of the Stage 1 study and investigates in further detail the assumptions used to identify reasonable CIL rates. In particular, this Stage 2 study investigated the impact on potential CIL rates from the following:

- The anticipated development over the plan period.
- The anticipated distribution of development across the authority.
- The anticipated density and type of development over the plan period.
- Of a finer grain analysis of the anticipated revenue streams within the proposed development areas.

Our viability methodology

- c Building upon the work undertaken in the Stage 1 Study; the residual land value (RLV) of a number of generic development schemes were compared to a range of reasonable land value benchmarks. The set of development scenarios established in the Stage 1 Study were used to determine whether, having deducted construction costs, planning requirements (including CIL) and a developer’s profit, that the residual value remained sufficient to incentivise landowners into releasing that land for development. This RLV approach is the same as that used by Developers to identify the potential purchase price of land for a varying number of uses and is consistent with other CIL assessment models.
- d Should a resulting residual value fail to meet an appropriate benchmark, then the scheme is either considered unviable at a chosen CIL rate or, potentially, the value of 'negotiated' elements of development cost (which will be the planning requirements such as s106 contributions to deal with the cost of site related infrastructure as well as the provision of affordable housing) may be reduced with the consequence that they cannot reasonably be secured (or only in part) from the development.

- e Viability assessments are based on factors, which are impacted by economic variations over time and therefore will be affected by fluctuations in the wider economic climate. The current market conditions are below that of the height of 2007 and there is current uncertainty over the recovery rate of the economy from the recent economic recessions. As part of the Stage 1 assessment sensitivity testing was undertaken to ensure that the proposed CIL rates were viable in an uncertain market.

Modelling the outputs and the conclusions

- f In the wider area CIL study in Stage 1, a total of 11 different development types were established (5 residential, and 6 other property uses - offices, industrial/distribution, hotels, private care homes and gyms). This study focuses its investigation primarily on the impact of distribution and density of anticipated residential development within the Authority over the plan period.

Residential

- g As part of this report the distribution of proposed residential development was aggregated into 5 key market areas. The table below sets out the breakdown of anticipated development by key area and by density.

Anticipation residential development distribution in Hertsmere Borough

Area	Post Code	Total units by Density				Total Units	% of Total
		25 dpha	40dpha	70dpha	100dpha		
Borehamwood	WD6		555	555	800	1913	66%
Potters Bar, Ridge, South Mimms	EN6	54	214			268	9%
Bushey, Aldenham and Patchetts Green	WD23/WD25		571			571	20%
Elstree and Shenley	WD6/WD7		65			65	2%
Radlett	WD7		98			98	3%
						2915	

- h Using this assessment of residential distribution LSH undertook a further investigation of residential sales values specifically reviewing post code areas where residential development is anticipated. This fine grain analysis of residential values within the Authority enabled LSH to conclude more accurately potential sales rates which should be attributed to proposed development, both by geography and density.
- i LSH were therefore able to conclude achievable residential CIL rates within the Authority with more accuracy than identified in the Stage 1 Study. Furthermore, reasonable consideration was given to the distribution of overall residential development across the authority. It is

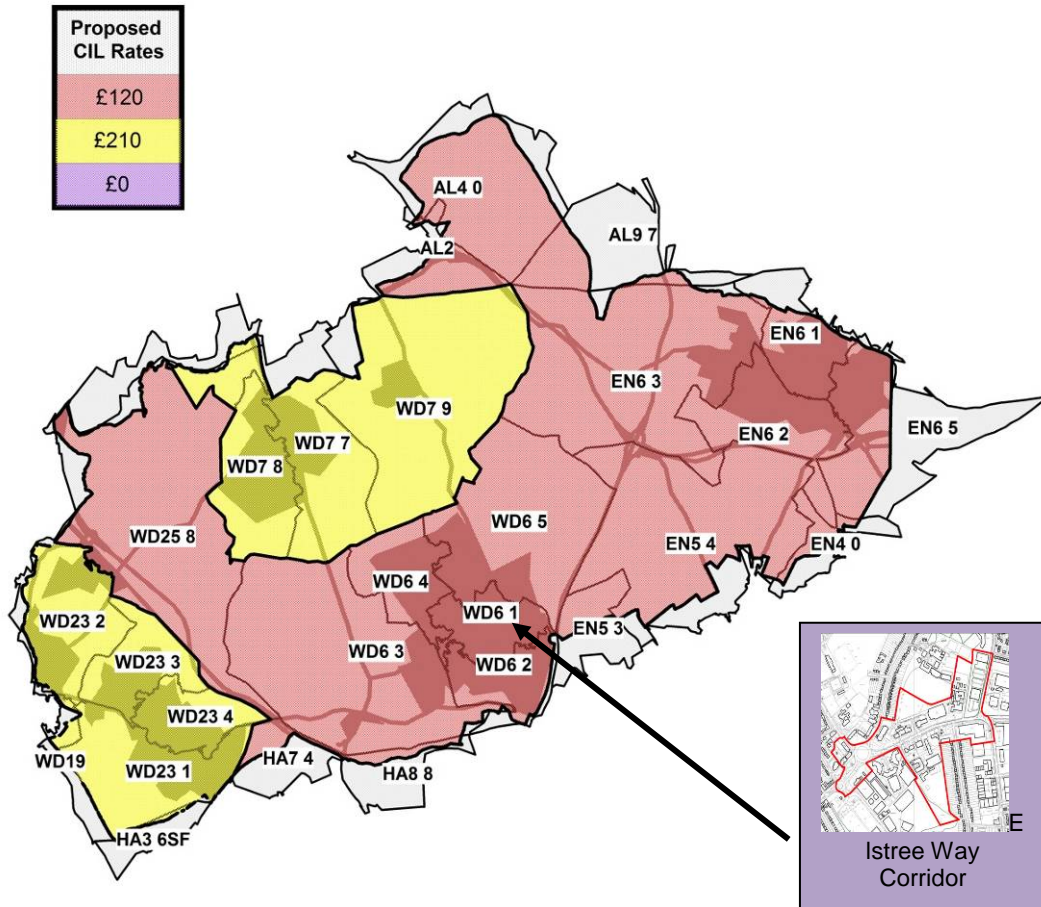
notable that 68% of the proposed development (non-committed) is anticipated to occur in the key market area Borehamwood and Elstree and only 3% in Radlett.

- j Therefore, based on the results of the Stage 1 and this Stage 2 study LSH conclude that CIL charges for residential development taking account of geographical distribution and variations can be expressed in three CIL zones as set out in the table and map below:

Proposed CIL rates

Residential Development	
Area	CIL Rate
Area A	£120
Area B	£210
Elstree Way Corridor	£0
Commercial Development	
Type	CIL Rate
Hotel	£120
Private Retirement Care Home	£120
Retail	£80
Office	£0
Industrial	£0
Non Defined Uses	£0

Map showing the geographical distribution of proposed residential CIL rates



Major Development Sites

- k LSH investigated the specific development opportunity proposed for the Elstree Way Corridor of circa 800 new residential units. Although the design detail of this scheme remains limited at this time, a model was run on reasonable assumptions based on a phased basis. Following discussions with Hertfordshire County Council (HCC) it is anticipated that this major development will incur significant on site and scheme specific infrastructure/ S106 costs. It is anticipated such costs will exceed £6k per unit and may be significantly more. Based on this LSH conclude that no contribution towards CIL can be made in addition to on site infrastructure works and policy compliant affordable housing, therefore LSH proposed a £0 rate for this area of development.

Commercial

- l LSH concluded that at current rent levels, office and industrial development is unlikely to come forward in the short or medium term as the development costs do not support viable schemes. Therefore, for the purposes of administration LSH proposed that commercial uses other than Hotel, Private Care/retirement Homes and Retail are incorporated into a £0 psqm CIL rate.

- m Following on from the Stage 1 Study, LSH conclude that owner occupied hotels and private and retirement homes and private care homes could deliver CIL charges of circa £145 psqm and £163 psqm respectively.

- n LSH furthermore conclude that, on balance, retail developments are able to support a CIL rate between £84 psqm (<500 sqm) and £170 psqm (>500sqm) and in the Stage 1 study proposed the use of the mean point of £125 psqm for a reasonable single CIL rate for Retail uses. The below table sets out the conclusions of this Stage 2 study for commercial and property, however the Regulations encourage the setting of grouped rates, which have therefore been proposed as below.:

Group CIL rates

	Achievable CIL Rate	Grouped Rates
Office	£0	£0
Industrial	£0	£0
Hotel	£145	£120
Private Retirement/Care Home	£163	£120
Retail	£170/ 84 *	£80
Other Commercial uses	£0	£0

*+500 sqm / -500sqm

[End of Executive summary]

1. Introduction

Instruction

- 1.1 Lambert Smith Hampton was commissioned to undertake a Stage 2 Community Infrastructure Levy (CIL) Economic Viability Assessment (EVA) on behalf of Hertsmere Borough Council (“the Authority”) the EVA will form part of the supporting evidence that will be used in the preparation of the authority’s CIL Charging Schedule. The Stage 2 Study builds on the findings of the Stage 1 Study which was undertaken for eight Hertfordshire authorities to give an indication of the level of CIL achievable.
- 1.2 The Study is in response to the Secretary of State’s enabling powers in the Planning Act of 2008¹ with regard to the introduction of a Community Infrastructure Levy. This Stage 2 Study provides further detailed assessment of the appropriate assumptions for assessing CIL as well as identifying appropriate CIL rates.
- 1.3 When undertaking this study, consideration was given to the appropriate use of agreed assumptions and data assessed in the Stage 1 study. The Stage 1 study identified some reasonable CIL rates based on the evidence collected, although it was a generic area wide study across 8 authorities.
- 1.4 In particular the Stage 1 study limited the level of investigation into the anticipated distribution of development across the individual authorities. The Stage 1 study also identified the opportunity to undertake a finer grain analysis of both the proportion of the anticipated development types tested and sales values in the areas where most development was anticipated.
- 1.5 Furthermore, additional consideration was highlighted for proposed major developments within the Authority, where significant anticipated infrastructure required for delivery would add additional costs to those schemes tested in the Stage 1 and therefore potentially impact the delivery of a CIL from such a scheme.

¹Section 205-225 and CIL regulations February 11th 2011.

1.6 The primary areas of additional investigation this Stage 2 study provides over stage 1 are:

- Proposed Development distribution across the authority.
- Review of the appropriate tested schemes based on density identified by the Authority (eg. SHLAA).
- Assessment of residential values based on proposed geography of anticipated development.
- Impact of major development areas
- Further analysis of commercial uses.

1.7 The maps below highlight the area of investigation for this Stage 2 study:



Our Advice

- 1.8 This report has been prepared using standard industry residual valuation techniques, taking account of previous CIL reviews and RICS guidance, building upon evidence collected and used in the Stage 1 report.

- 1.9 The advice provided herein is to inform the CIL policy decision-making process and must only be regarded as an indication of potential value, on the basis that all assumptions are satisfied. In accordance with Valuation Standards 1 of the Royal Institution of Chartered Surveyors (RICS) Valuation Professional Standards – Global and UK 7th Edition (2012 amended) advice given expressly in preparation for, or during the course of negotiations or possible litigation does not form part of a formal “Red Book” valuation and should not be relied on as such.

- 1.10 This report expands upon information previously provided to the Authority and although significant care has been given to ensure the outcomes are accurate and reasonable, it should be acknowledged that chosen assumptions will rarely fit all eventualities. LSH recognise that every development scheme will be unique and the assumptions of this report will not necessarily reflect the outcomes of specific cases. The Authority should consider using the information provided within this report to consider the appropriate balance for a chargeable CIL rate when establishing their proposed CIL charging Schedule.

2. CIL in context

Community Infrastructure Levy

- 2.1 The Planning Act 2008 introduced CIL as a mechanism to enable the funding of infrastructure needed to support growth from developer contributions. This led to the publication of the CIL Regulations in March 2010 and the introduction of CIL from 6th April 2010. The Regulations set out the requirements for CIL, including the production of a Charging Schedule, which has to be supported by background evidence on economic viability and infrastructure planning. Amendments were made in April 2011 and November 2012 to clarify the 2010 Regulations.
- 2.2 This report provides economic viability evidence that identifies appropriate CIL rates that could charge by assessing “*the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across the Authority*”² and in appropriate circumstances provides them with options for potential charging rate(s).
- 2.3 This study will support the future consideration of a CIL charging schedule at Examination in Public (EiP). The regulations require a local authority to have used appropriate evidence to inform the draft charging schedule which should both include information on the infrastructure requirements that CIL will help fund as well as evidence that the economic viability of the proposed CIL charge has been properly considered.
- 2.4 The introduction of CIL is intended to provide a more transparent and effective way of providing for major infrastructure, addressing some concerns that have been expressed about the previous reliance on the use of 'tariff style' s106 obligations to support the funding of new infrastructure. When introduced, the expectation is that CIL will be used for general infrastructure contributions across the local authority area (and beyond it as well, since the Regulations allow for the pooling of CIL to deliver strategic infrastructure). S106 obligations will still be available to local planning authorities to be entered into for site specific mitigation - including the securing of affordable housing - but on a reduced scale when they introduce CIL (or from 6 April 2014, whichever is the earliest date).

² (CIL Regs 2010, R.14.1.b)

How does CIL work and how is it calculated?

- 2.5 The CIL rate or rates are set out in the 'charging schedule' and must be expressed as £/square metre. CIL is levied on the gross internal floor-space of the net additional liable development. Existing floor-space in current use to be demolished on a site is deducted from the gross new floor-space to arrive at a net new floor-space to which the CIL rate is to be applied. Any existing floor-space on a site must have been in lawful use for at least 6 of the last 12 months from when planning permission is granted in order for it to be deducted from the gross floor-space of the new development
- 2.6 The levy can be varied for different areas within the charging authority's area and for different types of development (e.g. residential, commercial). The Stage 1 study has already identified that it would appear appropriate to have variable rates between various types of development and has also identified that it may be appropriate to vary CIL rates by geography to reflect the changing affluence across the Authority.
- 2.7 In setting the rate(s) of CIL in an area, the charging authority must consider the "appropriate balance" between:
- (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
 - (b) The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area."³
- 2.8 This means that in setting the CIL rate, charging authorities need to demonstrate that their proposed CIL rate(s) will not put development across their area, taken as a whole, at undue risk. Therefore in this assessment consideration has been given to the impact of viability of development in various locations within the authority, where it is identified most development will occur over the plan period. By considering type and distribution of development proposed CIL charging rates will minimise risk to development delivery across the Authority and help to provide support in achieving an "appropriate balance" for any chargeable CIL rates.

³ CIL Regs 2010, R14.1.(a) and (b)

3. Planning Assumptions

- 3.1 In addition to any proposed CIL it is anticipated that the Authority will require other planning policies to be met by a Developer. The two primary planning policies which have been considered for this assessment have been the Authority's current level of affordable housing and Section 106 contributions, which will remain for on site contributions once the CIL has come into force. Other policy considerations include the code for sustainable homes (CSH) level 4.
- 3.2 The viability assessment and CIL outputs aim to ensure that any proposed CIL rate enables the scheme to remain viable whilst meeting other planning policies. It is recognised that the higher the affordable housing within a scheme the more susceptible it is to negative fluctuations in economic conditions. Furthermore, the Stage 1 Study sensitivity assessment showed that lower affordable housing thresholds could support higher CIL rates and remain viable. The table below sets out the current Hertsmere Borough Council affordable housing policy used in this assessment:
- 35% of all new residential development to be Affordable Housing, apart from Radlett and Bushey where 40% is sought
 - 75% of affordable units to be Social Rented Units
 - 25% of affordable units to be Intermediate Tenure (Shared Ownership)
- 3.3 In order to estimate standard capitalised rates for affordable tenures - such as social rented, affordable rent or shared ownership (intermediate) - a blended mix of unit sizes was discussed and agreed with the authority as part of Stage 1 and calculated on assumptions similar to the Three Dragons Toolkit and the HCA Economic Appraisal Toolkit. No grant funding was included in the viability testing. By not including any grant funding in assessing the development viability LSH have ensured that irrespective of future decisions regarding grant availability, viability will not be adversely impacted.
- 3.4 Anticipated average capitalised affordable values applied in the model are set out in the table overleaf. LSH recognise that such rents and achievable revenue from affordable units can fluctuate between schemes, Registered Providers, and time. However the assumptions used reasonably reflect the average capital income received over the Authority as a whole at the time of this assessment. Any improvement in the achievable values will improve the overall viability of a development.

Summary of Affordable housing assumptions

Tenure	Rent pw.	Size (sqm)	Deductions	Yield	Cap Rate per m ² (£)	Cap rate per ft ² (£)
Social Rented Units	£75-110	50-120 sqm	25%	5.5%	£818	£76
	%of OMV	Rent Cap	Applied			
Shared Ownership Units	30%	2.75%	25%	6%	£2,433	£226

3.5 In addition to affordable housing, an allowance has been made for a Section 106 payment to be made by a development in regard to on site matters. As part of the Stage 1 study the Authority reviewed its previous Section 106 contributions collected and requested from previous planning applications and identified a reasonable level of Section 106 contribution that would remain applicable after the introduction of a CIL charge as the basis of this assessment.

3.6 The average sum was then assessed against proposed units to enable a calculation of Section 106 contribution anticipated by unit. For the purposes of this assessment the Authority has proposed that it would be reasonable to assume the following Section 106 in addition to CIL on the various schemes below:

Summary of proposed Section 106 costs

Residential Scheme	No Units.	Section 106 per unit	Total S.106
1	25	£2,000	£50,000
2	40	£2,000	£80,000
3	70	£2,000	£140,000
4	100	£2,000	£200,000

3.7 This study also takes into account identified Section 106 contributions proposed for major development schemes in the Authority and the impact of on site major infrastructure costs, which will have an impact both on the schemes viability and potential ability to provide an additional CIL charge. This is particularly relevant to the Elstree Way Corridor. In discussions with the Authority and HCC it has become clear that the anticipated infrastructure costs and Section 106 sum required on this scheme will be in excess of £6,000 per unit. Therefore for this major development area a number of costs per units above this sum were tested.

4. Our Methodology

Assessing Viability

- 4.1 ***“An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to ensure that the development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered”.***⁴
- 4.2 In discussing the impact of planning policy on development viability, the National Planning Policy Framework (NPPF) states that: ***“the cumulative impact of these standards and policies should not put implementation of the plan at serious risk***⁵and is echoed in the requirement in CIL guidance for charging authorities to set rates that: ***“will not put the overall development across their area at serious risk”***.
- 4.3 Estimating a potential CIL charge therefore requires an understanding of the impact on viability of a CIL charge for a notional development. This can be achieved through undertaking a valuation of a development and assessing its viability through review of the impact on land value. In line with the RICS (Valuation Information paper 12: Valuation of Development land); and as recommended the paper “Viability Testing Local Plans – advice for practitioners” (June 2012); this assessment uses a residual method to assess land value, however we have also considered a comparison of recent land sale prices in the general vicinity for development purposes.
- 4.4 The residual method requires the input of a large amount of data, which is rarely absolute or precise, coupled with making a large number of assumptions, particularly when reviewing generic developments over wide geographical areas. Small changes in any of the inputs can cumulatively lead to a large change in the land value. Some of these inputs can be assessed with reasonable objectivity, but others present great difficulty as they may vary by developer, as well as development. Furthermore, consideration is needed for the passage of time and the risks associated with the development.

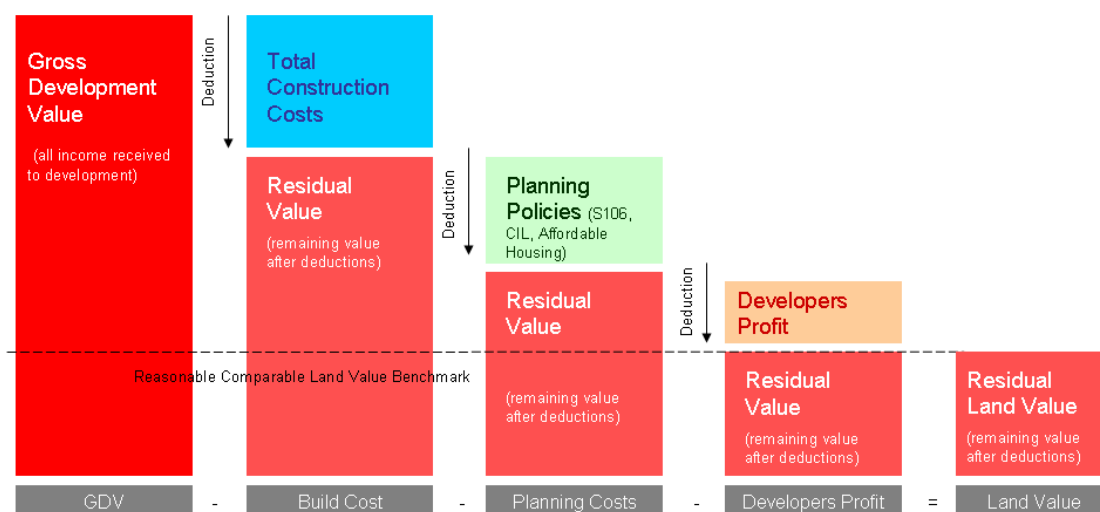
⁴Viability Testing Local Plans, advice for planning practitioners (June 2012) LGA and HBF.

⁵NPPF, para 174.

Residual Appraisal Methodology

- 4.5 The residual appraisal method essentially deducts the total costs - in the form of construction costs, planning obligations and profit - from the total value generated by the development opportunity. The remaining sum is described as the residual land value and this is available to pay a landowner to enable the site to be developed and guides a developer in determining an appropriate offer price for a site. The diagram below sets out this approach.

Diagram 3: Calculating residual value



- 4.6 To establish whether the resulting residual land value, including a CIL charge, is appropriate and does not render the scheme unviable, proper allowance has been made to the level of value of which a landowner would reasonably release/dispose of their land for development. Therefore, it is important to identify a reasonable “Land Value Benchmark” (shown as a dotted line on diagram above) which reflects what the site should reasonably anticipate to transact for (Market Value⁶) in order to assess the viability of a development.

⁶Market Value is described as *"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. ... Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase, and without offset of any associated taxes"*⁶ The Royal Institution of Chartered Surveyors, Appraisal & Valuation Standards, PS 3.2., 3.3.2 (5th ed. London: 2003, as amended). A detailed Commentary on the definition is set out in the Appraisal & Valuation Standards. This definition has been accepted by the International Valuation Standards Committee (International Valuation Standards (8th ed. London: IVSC, 2007)).

4.7 Reasonable consideration of Market Value and therefore Land Value benchmarks can be achieved in a number of ways which include:

- Comparison to similar sites.
- Existing Use Value with and without a premium.
- Alternative Use Value.
- Evidenced assessment of Development Value.

4.8 It is reasonable to assume that a development is unlikely to come forward unless a reasonable value is achieved through the residual valuation which is in excess of Existing Use Value. The Homes and Community Agency (HCA) guidance on good practice (2009)⁷ proposes that ***“a viable development will support a residual land value at a sufficient level sufficiently above the sites Existing Use value (EUV) or Alternative Use Value (AUV) to support a land acquisition price acceptable to the land owner”***.

4.9 Furthermore the Local Housing Delivery Group (LGDG) (June 2012) also promote that EUV plus an appropriate premium is appropriate for benchmark testing CIL and planning policy requirements. However, the paper also indicates that it is best not to determine a reasonable land value benchmark from one approach in isolation.

4.10 Whilst there appears to be consistency that a reasonable land value benchmark should reflect a value over and above Existing Use Value, the level at which the appropriate premium should be set will vary to reflect the value at which the property will be sold (Market Value) from site to site and area to area.

4.11 Given the addition of a premium to EUV is to reflect what value a landowner should reasonably be anticipated to release land for development at, it can be assumed that the premium should reflect the Market Value of the land.

4.12 This conclusion is not to assume that the Market Value will reflect historic land purchases where CIL and other planning policies may not have been taken into account. Instead in line with RICS guidance, Market Value should be evidenced based having regard to development plan policies, including CIL and all other material planning considerations and disregard those matters which are contrary to the development plan.

⁷Investment and Planning Obligations: Response to the Downturn: HCA 2009.

4.13 Therefore to ascertain what the reasonable value of land will transact for, for development purposes (Market Value), LSH have not simply attributed various percentage premiums to the proposed a EUV, but rather have given consideration to Existing Use Values, Alternative Use Values, Comparable Evidence and land values generated from policy compliant schemes (without CIL); to calculate what appears to be the most appropriate land value for a tested scheme, taking into account density and geography. Where an alternative land value (AUV) (in this assessment Industrial land value were used as a benchmark) is greater than a residual development value, AUV has been used to assess the potential of CIL.

4.14 It should however, be recognised that achievable land value is specific to individual development opportunities and the ability for developments to come forward will be predicated on a number of factors including; the land owner, market demand, design, policies, geography, experience and finance. The purpose of this assessment is to judge a reasonable CIL rate which, “on balance” will enable future development to come forward.

4.15 Clearly, determining factors may also change with time and therefore the assumptions used in this assessment should be considered as a “snap shot in time”, but aim to best support the delivery of an appropriate CIL across the Authority and plan period. However, it is extremely difficult for policy makers to determine appropriate assumptions including land value which will be suitable in all cases. Therefore, the assumptions used and conclusions reached are ultimately a matter of judgement for the Authority.

Stage 2 – Residential assumptions

4.16 LSH have set out their approach and assumptions in detail as part of the Stage 1 report. Stage 1 identified a number of generic residential schemes which were agreed to best reflect the types of development broadly anticipated across the study area. Each of these types of schemes were then tested against varying planning assumptions by Authority and by variations in values by geography, based on data collected across the study area.

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- 4.17 The results of the Stage 1 assessment provided a wide range of results, demonstrating that certain types of development would not be achievable in certain locations within the study area and that potential deliverable CIL rates varied widely. The Stage 1 identified, through its results, that the study was limited through the level of detail reviewed over 8 authorities.
- 4.18 The Stage 1 study, assessed average sales values for units based at a post code level and did not distinguish between variations in value within post codes. In other words, the high value areas masked the impact of low value areas within the same post code.
- 4.19 In addition, although the proposed CIL rates did give consideration towards anticipated dominant types of development within a specific Authority, detailed assessment of the proportion of each type of development scenario was not undertaken.
- 4.20 The Stage 1 study also identified that a further investigation into the geographical distribution of the development and type of development across the authority would provide a clearer understanding into the potential delivery of anticipated development over the plan period.
- 4.21 Finally the Stage 1 study highlighted that there may be cases, more specifically major project developments within the Authorities which did not reflect the average assumptions used in the testing. It was therefore suggested that major development sites were investigated in further detail to ensure any proposed CIL rate did not limit the delivery of important schemes within the Authority.
- 4.22 Therefore, as part of the Stage 2 study further investigation was given to the anticipated type of development and its expected geography across the authority. The Authority provided an estimate of housing development over the plan period based upon its allocations, Strategic Housing Land Availability Assessment (SHLAA) and other evidence on land supply.
- 4.23 In addition to identifying the location of anticipated schemes the information provided an indication of individual site areas, development capacity and density. Based on this information it was possible to plot by areas within the Authority the anticipated proportion of development attributable to the various development scenarios identified in the Stage 1 study.

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- 4.24 It was therefore possible to identify the distribution of development across the Authority. For the purpose of this assessment the distribution of units was aggregated into 5 key areas and it was noticeable that in some areas of the Authority anticipated development was negligible.
- 4.25 Further residential sale value evidence was then investigated to reflect the anticipated distribution of sites. This investigation specifically looked at average sale values in the immediate vicinity of proposed development. This assessment was undertaken at a finer grain than at Stage 1 which focused upon post code data – i.e. WD7 WD6 etc. As part of the Stage 2 assessment, sale values were investigated in the appropriate locations at a local level- i.e. WD6 1, WD6 2, WD6 3 etc.
- 4.26 Each post code area (e.g. WD6 1 and WD6 2) provided an average sales value to which the proportion of anticipated development within that area was calculated. To this end an average sale value for an individual post code (e.g. WD6) could be calculated which was weighted by distribution. In addition to this, further investigation was undertaken into the value variation between flats and houses and the impact of size, density and height within post code area.
- 4.27 This approach gave a higher level of accuracy to the anticipated sales rates within post codes. It took reasonable consideration of the anticipated type and distribution of residential development within the Authority.
- 4.28 These new assumptions were then tested to provide CIL rates for the various key areas making allowances for variations in the proposed development types within them. The results were then reviewed against the proportion of development anticipated within the key areas allowing the Authority to consider impact of variable CIL rates across the Authority.
- 4.29 In addition to this finer grain analysis LSH also investigated the residual value of proposed major developments within the Authority (schemes over 250 units). LSH reviewed publicly available information regarding the proposed development of these sites and specifically investigated their anticipated infrastructure requirements and proposed Section 106 contributions. The impact of a CIL rate was then considered on the delivery of these key development opportunities to see if it required varying from the general concluded CIL results.

Stage 2 –Commercial assumptions

4.30 It was concluded that no additional assessment was required for non-residential development uses (commercial development) beyond that presented in the Stage 1 report. However, for the purposes of consistency this report reaffirms the assumptions used and the outcomes produced.

Viability Cushion

4.31 LSH have become increasingly aware that at CIL examinations examiners have concluded that flexibility should be built into appraisals to ensure that proposed CIL rates minimise the potential for unviable development. In a number of cases, where chosen land values have been significantly lower than transacting values and contingency allowances have been minimal, Examiners have proposed a blanket discount to the proposed rates or “Viability Cushion”.

4.32 However, the necessity for a viability cushion to be applied to a proposed CIL rate should be considered in the round of all allowances made with a viability appraisal. A reasonable appraisal, should, on the whole, already make allowances mitigating the need for an additional viability cushion to be applied to the proposed CIL rate.

4.33 In the methodology applied to the appraisals used within this scheme a number of allowances have been made which mitigate the need for a viability cushion to be applied. These include:

- Market achievable land values adjusted for location and type.
- Sales values based on Q1 2012 data; adjusted for location and type.
- Type specific base build costs a medium of BCIS index Q1 2012.
- 4% allowance for Sustainable Code 4.
- Externals allowance of 5% over BCIS
- 10% abnormal/unknowns allowance
- 1% Planning Costs
- 12% professional fees – usually lower for non-bespoke developments.
- 5% Contingency allowance on all costs
- Grouping of residential values into geographical areas.
- Grouping of uses under achievable CIL rates.

5. Development Assumptions

5.1 The Stage 2 study uses the standard development types established in agreement with the Authorities in the Stage 1 study. The below tables summarise the Stage 1 assumptions for the Authority also used in this assessment:

Assumed Development Scenarios

Activity	Type	Density per Ha	Av. House size (Sqm)	Av. Flat size (Sqm)	GIA (Sqm)	Comment
Residential	Rural/Greenfield	Up to 25	95	-	2,375	100% Houses
	Urban/Brownfield	26-40	95	-	3,800	100% houses
	Medium density	41-70	95	67	4,690	Mixed Houses & Flats
	High Density	71-100+	-	67	6,700	100% flatted scheme
Commercial	Shop/Retail	-			92	Single Shop unit
	Office	-			2,800	Two storey block
	Industrial	-			6,000	One storey 60% coverage
	Hotel	-			2,600	3 storey hotel
	Care Home	-			1,700	2 storey retirement home

Assumed Development Build Costs (Based upon BCIS Q2 2012 adjusted for Herts)

Activity	Type	Standard Build Cost (£psqm)	Externals allowance *	CSH L4*	Abnormals allowance*	Contingency 5%**
Residential	Rural/Greenfield	£1,022	5%	4%	10%	5%
	Urban/Brownfield	£1,022	5%	4%	10%	5%
	Medium density	£1,022/ £1,195	5%	4%	10%	5%
	High Density	£1,195	5%	4%	10%	5%
Commercial	Shop/Retail	£748	5%	N/A	5%	5%
	Office	£1,345	5%	N/A	5%	5%
	Industrial	£484	0%	N/A	5%	5%
	Hotel	£1,345	5%	N/A	5%	5%
	Care Home	£1,300	5%	N/A	5%	5%

* Percentage over standard build cost

** Percentage over aggregated build costs

Assumed Other Development Costs

Assumption		Comment
Professional Fees	12%	Reflects GLA TDTK
Marketing & Sales Fees	3%	Standard Industry Assumption
Finance Costs	7%	100% of cost Incorporates all finance costs
Stamp Duty	4%	Standard Industry Assumption
VAT on Stamp	0.8%	Standard Industry Assumption
Purchase Fees	1.5%	Standard Industry Assumption
Consultant Fees	1%	Reflects planning costs
Ground Rent	£100 per unit	LSH estimate for private flats
Ground Rent Yield	5.5%	LSH estimate for private flats

Profit

- 5.2 Profit is closely reflective of risk, and the larger the risk to development, the higher the required profit level. The model enables profit to be varied, both for private elements of the scheme and for affordable elements.
- 5.3 Over the last 5 years private profit return on total GDV was circa 15-17% (17-20% on Cost). However, with the collapse of finance, investors have recently been requesting higher profit margins to reflect the potential risk. As a result many developers have been advocating the general profit requirement to increase to circa 20% on GDV (25% on cost).
- 5.4 LSH considered the impact of risk on their profit assumptions when producing their Stage 1 report and concluded that a private return of 17% was a reasonable assumption to apply to their model on the assumption that economic markets fluctuate and that Hertfordshire is seeing house prices return to those similar to that of 2007 and that significant allowances have been made in the other development cost assumptions to ensure that a net return of 17% on GDV (20% on cost) remains reasonable.
- 5.5 Furthermore, as highlighted, assumed profit return is to reflect project risk, whilst this will vary from scheme to scheme, the assumptions used have already factored in additional costs to reflect this risk. Therefore, in considering a reasonable profit level it is important to consider where else risk has been recognised in the appraisal. Developers will assess and apply risk in different ways; therefore the whole appraisal should be considered rather than simply applying a high profit on top of any other risk mitigation measure applied to costs, land or sales values. Profit level is also correlated to land values, therefore, if profits increase then residual value is likely to fall. Therefore, LSH believe the approach taken with this assessment is balanced, and the level of profit proposed, both represents a competitive return and a reasonable level of risk mitigation through profit.

5.6 A lower return has, however been distinguished where development profit is not the primary driver for development (non-profit making organisations), such as affordable housing and owner occupied development (such as major retail and hotel development). A profit level of 6% on cost has been applied in these circumstances to reflect the lowered development risk. This again reflects GLA Development Control Toolkit and HCA guidance.

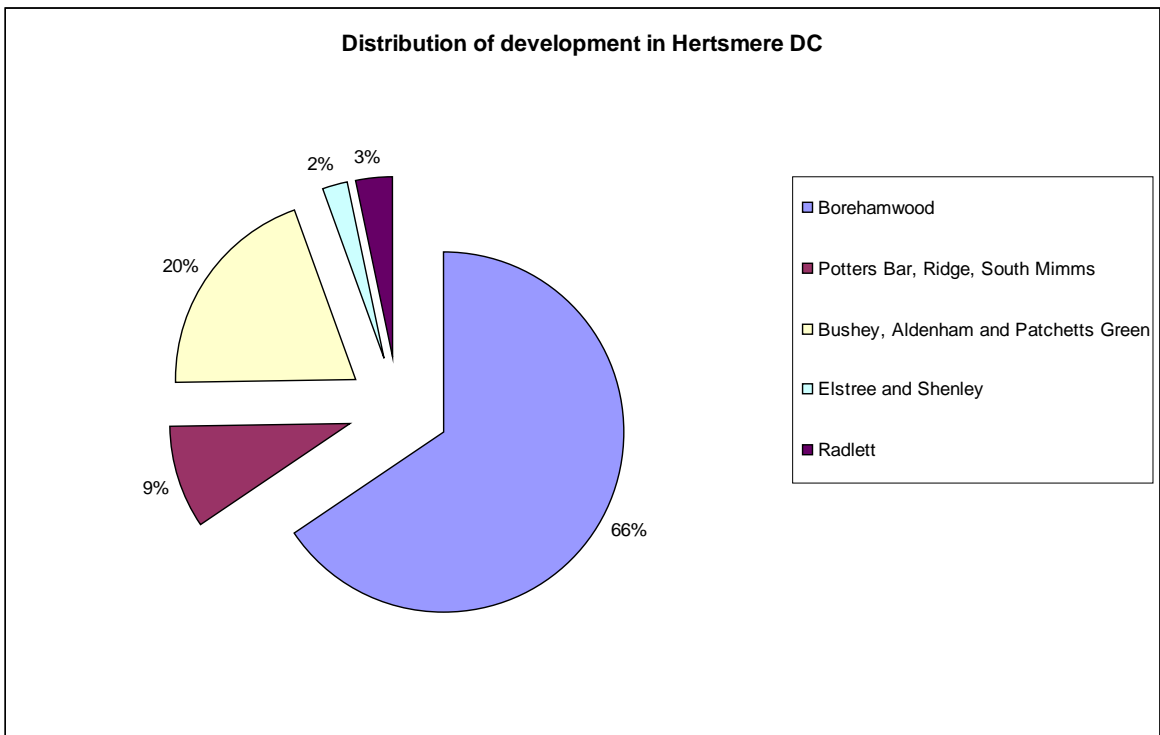
Residential development distribution

5.7 LSH undertook an assessment of the proposed land supply provided by the Authority and concluded that circa 2,195 units are anticipated to be delivered over the remaining plan period. The units can be sorted into 5 key areas:

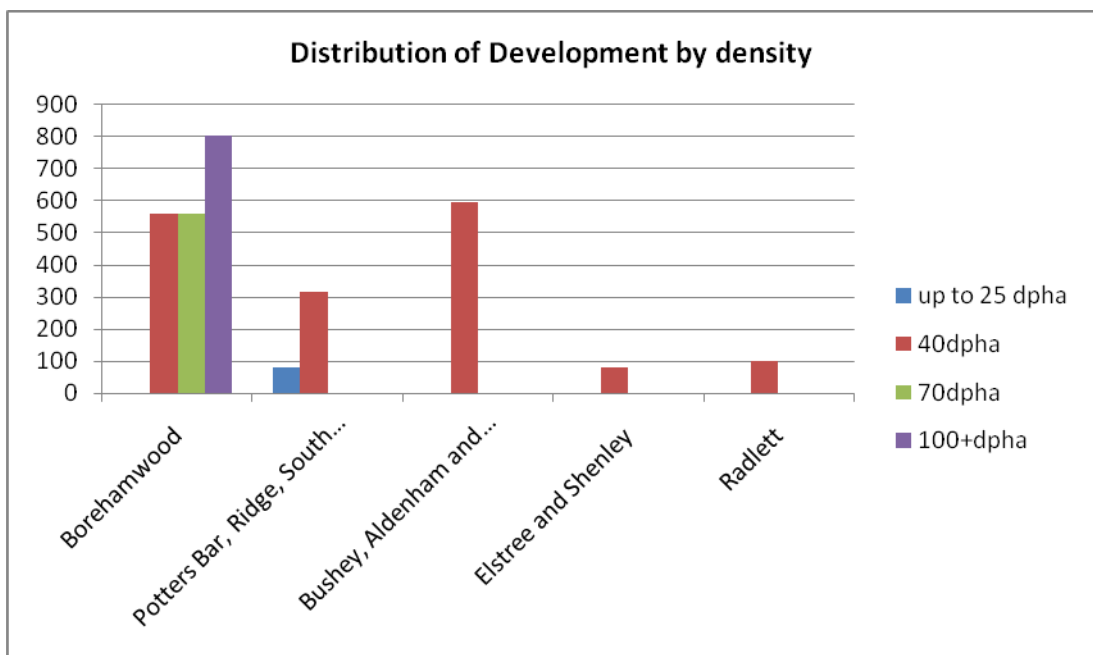
• Borehamwood	WD6	1913 units
• Potters Bar, Ridge, South Mimms	EN6	268 units
• Bushey, Aldenham and Patchetts Green	WD23/WD25	571 units*
• Elstree and Shenley	WD6 /WD7	65 units
• Radlett	WD7	98 units
		2915 units

5.8 Within the Core Strategy the villages of Aldenham and Patchetts Green are grouped with Bushey. The settlement of Bushey is within postcode area WD23 whilst Aldenham and Patchetts Green are within WD25. As identified within the Core Strategy, Aldenham and Patchetts Green are small rural villages within the Green Belt. They are not envisaged to contribute significant levels of development over the plan period; it is therefore considered appropriate that in demonstrating the distribution of development within Hertsmere the postcode area WD23 relates to the 571 units.

5.9 The chart overleaf demonstrates the distribution of anticipated development across the Authority and it is apparent that a significant proportion of development is anticipated in Borehamwood (66%) and Bushey, (20%) with the remaining areas making up circa 14% of development.



5.10 LSH also assessed the density of the anticipated development by the key areas to provide insight into the makeup of the anticipated development within the Authority. The below chart shows that 31% of development is anticipated to be below 25 units per hectare; that 29% of development will be circa 40 units per hectare; that 38% will be circa 70 units per hectare; with only 2% of all development around 100 per hectare.



Major Development Opportunities

5.11 LSH are aware that the Authority propose the redevelopment of the Elstree Way Corridor, therefore this was investigated in detail in line with the emerging Elstree Way Corridor Area Action Plan (AAP). The table below summarises the non standard assumptions used to assess the viability of the scheme:

Assumed assumptions for major development opportunity

Assumption	Input
Units	800 (total) tested on single phase
Land Value benchmark	£2.0m ha
Density per hec	100
Sales values	Av. £3,882psm
Affordable Housing	35%

5.12 Following discussions with Hertsmere Boroug Council and Hertfordshire County Council it is estimated that the required on site infrastructure and Section 106 contributions will exceed £6,000 per unit. For the purposes of this exercise LSH undertook sensitivity testing varying the onsite infrastructure/ a number of scenarios set out below to consider the impact of various costs on the viability of a sample of the major development opportunity.

Tested Infrastrucure/Section106 Costs per unit

Cost of required Infrastrucure/S106 per unit
£6,000
£8,000
£10,000

Revenue inputs

5.13 Assessing revenue values is largely dependent on comparable evidence, furthermore, such evidence only represents a snapshot in time, reflecting the market conditions and planning policies at the time of review. Therefore careful consideration needs to be given to the current market conditions to identify any trends or anomalies that may distort this assessment. This report relies upon information collected for the Stage 1 study (January to June 2012), which is regarded as still relevant for this assessment. In addition to this a

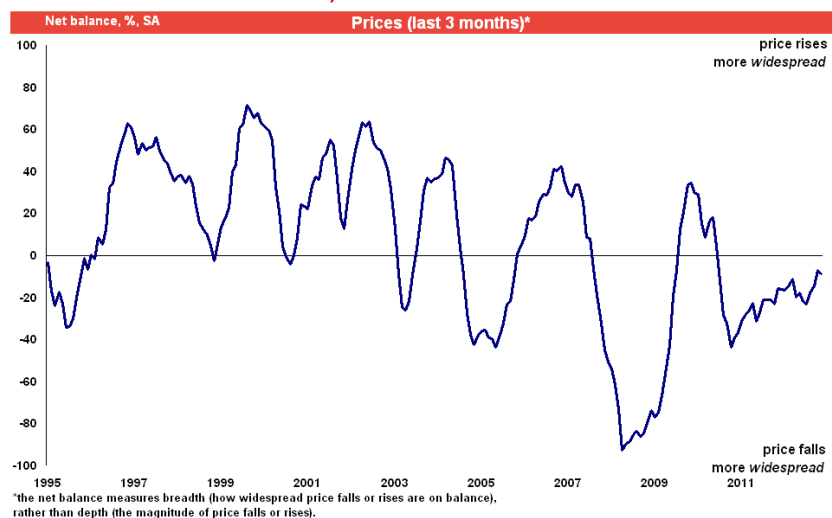
finer grain review was undertaken of residential sale values in the primary locations of anticipated development. Data was collected from the following sources:

- o Current and proposed development schemes in the study area.
- o LSH land dataset for Hertfordshire
- o Land Registry entries of recent property transactions.
- o Advertised residential properties in the study area.
- o Circa 450 various commercial properties advertised and sold in study area
- o National data set reviews – Focus, PIP, VOA Property Market Reviews
- o Discussions with local agents.

Residential Market

5.14 The UK residential housing market has demonstrated that it has been inherently cyclical in nature over the last 15 years with regular periods of house price growth and sharp falls at relatively regular periods. Current RICS Housing Market data shows that UK average values are currently similar those of 1995 after a significant reduction in values since 2007. Although house prices did begin to surge in late 2010, entering a second recession at the end of 2011 has seen current prices fall from those of even 2 years ago. Data suggests that average annual growth in the UK is relatively flat from 2011 to 2012.

UK House Price variation 1995-2012; Source RICS

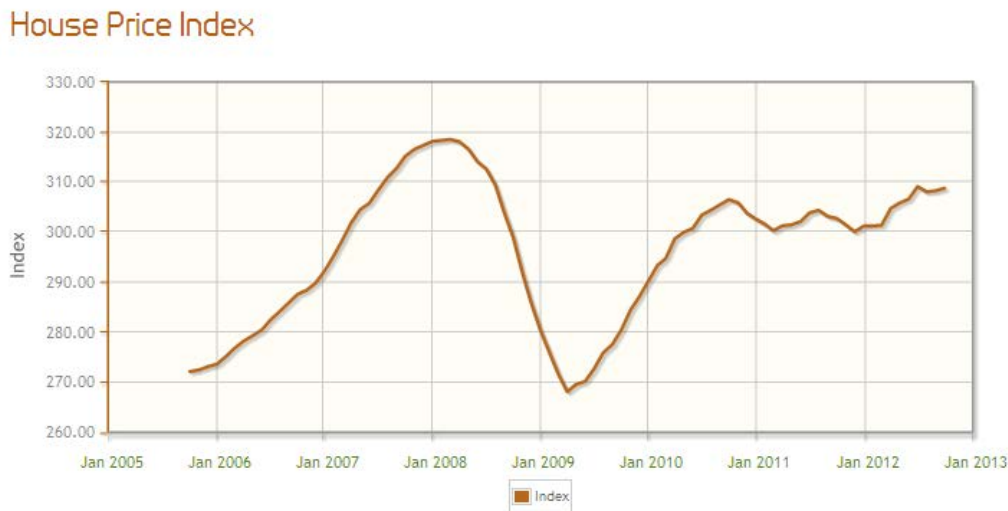


5.15 Long term housing price predictions vary significantly from assuming values will return to peak levels within five years time, to the assumption that net annual house growth will be

minimal over the same period. This lack of clarity does make it difficult to conclude a potential CIL rate which is to last over an entire plan period. Therefore LSH would suggest that the local market is regularly assessed to ensure that the CIL rate remains appropriate against the wide economic back drop. For the purposes of this assessment it seems reasonable to assume current housing prices without anticipating any inflationary element within the model to ensure that the CIL remains suitable for circa 5 years.

5.16 At a local level, house prices in Hertfordshire saw a significant rise and fall between 2006 and 2009, with prices again rising in 2010 and levelling out over 2011 and 2012. It is anticipated that house prices may increase by circa 2% over the next 12 months, however most economic predictions have been rounded down as more data has become available in 2012.

Land Registry House price index (2006-2012) for Hertfordshire.



Source: Land Registry

5.17 In addition to overall market trends house prices vary by geography. The below heat map highlights the value variation in house prices in and around the Authority. The heat map shows the cooler areas marked in green and yellow where house prices do not exceed on average £250,000 per dwelling. It is possible to see that Elstree and parts of Borehamwood have low sale values, whilst areas including Radlett and Bushey achieve average values over £500,000 per dwelling and are some of the most affluent areas in Hertfordshire. Potters Bar appears to have an average value of circa £250,000.

5.18 The heat map overlay clearly shows the impact of sale value variation and why it is important to consider the proposed/anticipated distribution of development when considering assumptions such as an appropriate sales value and land value for assessing a reasonable CIL rate.

Heat Map showing distribution of average house prices (Hertsmere Borough)



Data Source: Land Registry

5.19 As part of Stage 2 LSH undertook further assessment of the 5 key areas identified where proposed development is anticipated to take place over the plan period. Average sales values in these locations were then assessed (Appendix 1). The table below sets out the average sales values identified in the Stage 1 study by post code and the new average by post code calibrated to reflect the average.

Table showing average sales rate per sqft in areas of the Authority.

Area	Post Code	Stage 1	1	2	3	4	5	7	8	9	New average
Borehamwood	WD6	354	330	322		322	323				324
Potters Bar, Ridge, South Mimms	EN6	402	362	366			335				354
Bushey, Bushey, Aldenham and Patchetts Green	WD23/WD27	416	375	330	347	366					360
Elstree and Shenley	WD6/WD7	354			353						353
Radlett	WD7	543						445	439	367	417

5.20 These new averages were applied to the model in assessing the appropriate CIL rate for the above areas. LSH also concluded that flatted units delivered a higher value per sqm/sqft sales value than houses in an equivalent area, therefore the figures used in the model were increased to reflect flatted developments.

Applied Residential Land Value Benchmark

5.21 As expressed in the Stage 1 study, this assessment has attempted to estimate land value benchmarks through assessing and combining a variety of approaches; making sure we have taken account of emerging planning policies including CIL. This combined approach endeavours to minimise objections to identifying a reasonable Market Land Value at which landowners will sell land.

5.22 As with Stage 1 we have concluded proposed land value benchmarks on the assumption of a value per hectare of development. An estimate of land value per hectare by geography follows a similar approach to that of the bi-annual VOA Property Market report. The potential for alternative use value to be higher than that of a proposed development type has been considered.

5.23 We recognised that residential land values are directly impacted by geography, therefore rather than applying a single land value across the Authority the land value benchmarks were adjusted to reflect market variation. The proposed land value benchmarks are built upon data collected as part of the Stage 1 assessment; however, where appropriate they have been adjusted to take account of sale values reflecting geographical distribution in the Authority. The table below sets out the proposed land value benchmarks for this assessment based on the anticipated distribution and density of development.

	Land Value Bench Mark Per hectare £,000,000				
	WD6	EN6	WD23	WD6 (Elstree)	WD7
Residential <25 units		£2.2			
Residential 40 units	£2.7	£3.6	£4.0	£2.0	£6.0
Residential 70 units	£2.0				
Residential 100 units	£1.8				

Commercial Market

National Level

5.24 As previously discussed in the Stage 1 study there has been a 21% drop in investment activity in commercial property over the first quarter of the year (2012) in the UK. Investor activities have been limited by the European economic crisis, worries over the UK economic recovery and the squeeze on consumer spending. In contrast, both industrial and office sectors within Central London have performed well, with an increase in both transaction volumes and inward yield movement. Unfortunately Hertfordshire has not reflected this Central London trend, partly due to the location dynamics of Hertfordshire, but also because commercial property across the UK has looked less attractive against other asset classes, such as residential and student accommodation.

Local level

5.25 At a local level LSH undertook research as part of their Stage 1 CIL study into available retail, office, and warehouse space, which gave a view of the market dynamics in and around Hertfordshire and an indication of those uses that are capable of paying CIL. LSH concluded that there is less geographical variation in rents in some property types such as private care/retirement homes, leisure uses, and hotels compared to that found in residential development over the study area. This was partly a result of the dearth of comparable evidence for some uses such as care homes, leisure uses and hotels.

5.26 When undertaking the Stage 1 a number of hypothetical commercial scenarios reflecting a range of use classes were assessed. An assumption was made that the construction of new commercial space would be on previously developed land. The table overleaf sets out the conclusions of the Stage 1 study with regard to average rents and yields anticipated across the Authority for various commercial developments. LSH assumed net rents, which made an allowance for rent free and void periods.

Summary of Revenue and Land assumptions used in the Stage 1 study.

Type	Net Rent (p/m ²)	Est. Yield	Rate per room	Room Size (m ²)	Applied Land Value benchmark
Hotel		6%	£5,000	33	£2m pha
(Private Retirement) Care Home	£323	6%			£4.5m pha
Office	£176	8%			£1.6m pha
Small Single unit Retail	£775	6.5%			£1.65m pha
High St Retail	£322	6.5%			£4.7m pha
Superstore Retail	£235	£5.5%			£3.75m pha
Industrial	£50-95	7-7.5%			£1.6m pha

5.27 With regard to office space, the current market conditions have seen an increase in available commercial space, which has reduced the demand for new build commercial property. As part of Stage 1 LSH was able to identify c.200 office properties currently available across the study area.

5.28 Stage 1, identified that private care homes generally achieve similar income levels and build costs over the study area, this review also included private retirement homes. Such development opportunities were found to often be specific and similar income producing areas of the Authority. Given the anticipated number of private retirement and care homes across the authority it was considered that it would not be necessary to separate out this type of development by geography. Furthermore, retirement homes are classed in most cases as C3 and compete directly against residential schemes for potential development opportunities. Private retirement homes therefore are able to compete against and sometime outperform residential schemes, despite their design differences to private residential and the net saleable floor area.

6. Modelling Outputs

This section identifies the results of testing the agreed assumptions on CIL rates, by location and for different types of development.

- 6.1 LSH ran 25 separate tests for the 5 residential development scenarios across the 5 postcodes covering the Authority as part of stage 1, which demonstrated a wide range of CIL results across the Authority. Furthermore, LSH have undertaken 7 sensitivity tests on the original residential results, thus providing circa 175 variations to the CIL outputs across the Authority. The standard results of Stage 1 are set out below:

Stage 1 Authority outputs showing potential residential CIL rates (£/sqm)

		25 dpa	40 dpa	70 dpa	100 dpa	Mixed use
EN6	HERTSMERE	£ 194	£ 161	£ 183	£ 197	£ 301
WD23	HERTSMERE	£ 113	£ 113	£ 149	£ 156	£ 151
WD25	HERTSMERE	£ 212	£ 187	£ 0	£ 0	£ 0
WD6	HERTSMERE	£ 128	£ 136	£ 141	£ 155	£ 286
WD7	HERTSMERE	£ 160	£ 328	£ 144	£ 144	£ 275

- 6.2 Based on these results LSH proposed that if the Authority was minded to set a single residential CIL rate across the Authority circa **£120/sq.m** would appear reasonable. The results however, also suggested certain areas of the authority were unable to reasonably support a CIL, particularly at the high density range of development.
- 6.3 As part of the Stage 2 assessment appropriate CIL rates were tested giving consideration to the anticipated distribution of development both by geography and density to ensure the resulting CIL outcomes gave allowed “on balance” development to be viable within the Authority.
- 6.4 The CIL results took into account the adjusted sales rates concluded as part of this Stage 2 study and the anticipated impact of differing density scenarios on the CIL outputs. The results deliver a number of potential CIL rates per area depending on density. The table overleaf shows the results of considering the proposed density for various areas was taken into account to provide a singular appropriate CIL rate by key area:

Stage 2 Authority outputs showing potential residential CIL rates (£/sqm)

Post Code	CIL	Approximate % of units	Area/Settlement
WD6	£120	66%	Borehamwood
EN6	£121	9%	Potters Bar, Ridge, South Mimms
WD23	£210	20%	Bushey
WD6/WD7	£120	2%	Elstree and Shenley
WD7	£224	3%	Radlett

6.5 Following an investigation into the viability of the major regeneration area Elstree Way Corridor it was concluded, (based 800 units and 35% of these being affordable and a Section 106 contribution of above £6,000 per unit as discussed with the Authority), the potential CIL for this scheme reduced to circa £0 per sqm (see Appendix 3).

6.6 On concluding a reasonable CIL rate by geography, density and proportional split of development type, LSH investigated the overall impact in the resulting CIL rates based on overall estimated development within the Authority over the plan period, as shown in the table below.

Summary of Stage 1 and Stage 2 CIL outputs by key area and associated quantum of development.

Area	Post Code	Stage 1 CIL (£/sqm)	Stage 2 CIL (£/sqm)	% of total development
Borehamwood	WD6	£364	£120	66%
Potters Bar, Ridge, South Mimms	EN6	£402	£121	9%
Bushey	WD23	£416	£210	20%
Elstree and Shenley	WD6/WD7	£354	£120	2%
Radlett	WD7	£543	£224	3%

Non Residential Development

- 6.7 For non-residential development the results in this Stage 2 assessment reflect those concluded in the Stage 1 Study. LSH focused at Stage 1 on assessing a number of generic commercial property types based on property market research. Representative rents and yields were then applied to the various types of development to provide an indication of the anticipated potential achievable CIL.
- 6.8 Due to the wide range of potential other development uses/types that may be undertaken and due to the limitations of this Stage 1 Study, LSH concentrated on what were regarded as the key (and most likely) types of development including offices, shops and hotels.
- 6.9 LSH found through its research - although limited by lack of recent evidence - that there was limited or no real variation in the overall impact on delivery of CIL on individual commercial developments across the Authority as office and industrial development tended to cluster around major conurbations. There was however, some notable variation in anticipated values generated from retail development.
- 6.10 The Authority's Policy is for a low level increase in commercial development space over the Core Strategy period, the level of commercial development would be significantly smaller than that of residential. Furthermore, it is anticipated that due to the current recession there is significant available space in retail and office space to support an increase in requirement over the next few years. It is, however, anticipated that commercial space will require refurbishment to meet current standards and that the level of additional floor-space upon which CIL can be calculable in these schemes is expected to be minimal.

Offices

- 6.11 In the Stage 1 assessment LSH did note that although office rents showed some variation across the study area it became apparent early in the testing that speculative new office development was in the most part unviable and therefore unable to support a CIL charge. LSH concluded, however, that at some point this market will change, much of the available space will either be taken up or converted to alternative uses and at this point the viability for office development will re-emerge. Therefore the Authority will need to regularly monitor the market to ensure that when it returns, they are well placed to introduce a CIL charge at the appropriate time.

6.12 LSH concluded that the commercial market is regularly reviewed (in line with the CIL charging schedule review); at 2-5 year intervals to ensure that CIL rates can be adjusted to take advantage of any improvement in market conditions and to ensure that development remains viable once CIL has been set in the Authority. This recommendation reflects the conclusions of many other CIL viability studies.

Industrial land

6.13 LSH concluded in the Stage 1 Study that general industrial properties appeared to be able to support a notional CIL charge of £20/m² based on average rental values across the Study area. However, to achieve this, a rent of circa £95 per sqm was required which on further investigation into the data collected in the Stage 1 Study, does not appear currently achievable in this Authority. Furthermore, through the Stage 1 sensitivity assessment it became apparent that a 5% drop in revenue or 5% increase in costs made this notional CIL rate unviable. Therefore LSH conclude, like much of the rest of Hertfordshire, industrial development does not provide sufficient headroom in viability to ensure that industrial land can reasonably support a CIL at this time.

Retail

6.14 The Stage 1 report concluded that on reviewing retail evidence in the study area, it became apparent that there were two clear types of retail occupiers, the first being; the larger national organisations, such as Tesco, Waitrose, Debenhams and Boots and the second being smaller local shop traders. These two groups of retail providers/occupiers have significantly different characteristics (leaseholder covenants etc) which affect both anticipated rents and yields and would appear to operate in different markets. These variations were ultimately reflected in the development viability assessments.

6.15 The Stage 1 report concluded that multiple retailers in the High Street and the major convenience chains could generate more viable developments and therefore potential CIL rates whereas secondary retail locations and the independent sector appeared to be marginally viable.

6.16 The Stage 1 assessment also concluded that although larger retail units over 500 sqm including supermarkets/superstores and large High Street stores were assessed on different assumptions they delivered similar CIL rate results. This however did not appear to be the same for smaller, local operators below 500sqm. In the case of the smaller units viable schemes produced a CIL rate approximately half that of national corporate retailers.

6.17 Based on these findings it was concluded it could be feasible to separate retail development into two distinct groups based the size of the unit. Notwithstanding this the results of the recent Poole CIL charging schedule public examination (and a challenge by J Sainsbury) suggests that it may not be possible, within the CIL regulations, to differentiate between the size of property or development types within in the same use class. The table below summarises the range of potential retail CIL rates based on development size concluded in the Stage 1 report.

Proposed Retail CIL Rates

Retail size (sqm)	Proposed CIL rate (£/sqm)
<500 sqm	£84
> 500 sqm	£170
Medium	£125

6.18 The Authority's Policy is for low level increase in retail development and a focus on development within existing town, district and neighbourhood centres, and furthermore it was anticipated given the current market conditions and amount of available high street retail space it was unlikely there would be any significant retail development.

Other property types

6.19 The Stage 1 assessment also concluded that several other uses could generate a CIL rate, namely hotel and care homes (private retirement homes). Assumptions used concluded that currently hotels and private care homes (eg. a BUPA care home), would not be constructed speculatively, with the schemes instead being built by owner occupiers and or with pre-lets in place. These types of development were therefore seen as investment opportunities and therefore their profit assumptions were reduced to reflect this.

6.20 Hertsmere consider Private retirement homes as a C3 use and, although constructed speculatively, often compete successfully against standard private residential development. The research undertaken in Stage 1, suggested that private retirement homes are often located in more affluent areas and may be able to support a CIL rate at circa £165 sqm. However, given that LSH support a singular rate across the authority for private retirement homes, LSH propose that this should reflect the residential rate of £120 sqm.

6.21 The Use Classes Order sets out different categories of residential use and makes a distinction between Class C2 and Class C3. At the time of a planning application Hertsmere will decide, depending on the individual circumstances of each case, which class a particular use falls into. Our appraisals of private retirement homes (C3) is based on a type of development, where residents have their own flat or house and buy in additional services and support as required.

6.22 The table below sets out the anticipated achievable CIL rate based on the assumption of Hotel and Care/retirement home development opportunities.

Summary of proposed achievable Hotel and Private Care Home CIL rates

	Owner occupied	Speculative Development
Retail size (sqm)	Proposed CIL rate (£/sqm)	
Hotel	£145	£0
Private Care Home	£165	£0
Private Retirement Homes	-	£165

6.23 On further investigation, the Authority was unable to conclude the proportion of development anticipated from owner occupied and speculative. However, it was concluded from talking to agents that it was unlikely the Authority would see any speculative hotel or private care home development over the next few years and therefore, there is no evidence that any development brought forward in the next 5 years would not be able to support the above CIL charges. LSH do however; recognise that extra care scheme requiring public funding is unlikely to be able to support a CIL charge.

6.24 LSH concluded in the Stage 1 Study that the above commercial uses, whilst anticipated to provide less new floor space than from residential, did reflect the major non residential development that the authorities can anticipate over the plan period.

6.25 However, there are many other types of property which may get developed over the plan period, including agriculture, community use, surgeries, day nurseries, hospitals, cinemas, leisure centres, petrol stations etc. For the most part such uses do not in LSH's experience, produce revenue which outweighs the costs at a level which would enable a CIL to be included whilst the schemes remain viable, this is because they are often not built to generate profit, but to facilitate a service. LSH were not requested as part of this Stage 2 assessment to investigate such uses, but suggest they could be addressed in a later CIL charging review.

7. Conclusions

- 7.1 The purpose of this study was to investigate in more detail the impact of development distribution and anticipated type of development on the proposed Community Infrastructure Levy (CIL) rates presented in the Stage 1 Study. This report relies and expands upon the evidence base presented in the Stage 1 study to conclude a reasonable approach to chargeable CIL rates within the Authority, whilst maintaining the viability of potential development (taken as a whole).
- 7.2 On the whole it was concluded that the assumptions, scenarios and methodology, supported with evidence presented in the Stage 1 report remained appropriate to this study. Therefore Stage 2 represents a refinement of these conclusions based on further investigations into the nature and geography of anticipated development proposed in the authority over its Plan period. This primarily relates to conclusions relating to residential development, whilst the conclusions of the Stage 2 report in regards to Commercial and other uses remain valid.
- 7.3 LSH updated the proposed CIL rates for residential to reflect a finer grain analysis of property values within the key areas development is anticipated and also took account of the proportional split of different development scenarios within each key area. As a result a single reasonable CIL rate was reconsidered for the 5 key market areas within the Authority.
- 7.4 On the whole this refinement of proposed CIL rates has seen a reduction in potential CIL rates of 20-30%. This is primarily a result of the finer grain analysis identifying slightly lower sale values in the specific areas where residential development is anticipated. Previously residential values were only identified at a post code level, which masked any variations within the various post codes. By more accurately assessing the sale values within postcodes and matching them to where development is anticipated to occur as well as the type of development which is to occur it has been possible to recalibrate the reasonable appropriate CIL rate for each area, as set out in the table below:

Summary of proposed achievable CIL rates by Key market area.

Area	Post Code	CIL	Approx. % of Units
Borehamwood	WD6	£120	66%
Potters Bar, Ridge, South Mimms	EN6	£121	9%
Bushey	WD23	£210	20%
Elstree and Shenley	WD6/WD7	£120	2%
Radlett	WD7	£224	3%

7.5 As presented in the table above the level of overall development in each key market area varies, with a significant proportion of the total development occurring in Borehamwood (62%). Furthermore it appeared that achievable CIL in Radlett and Bushey could support a higher CIL than that of the rest of the Authority at circa £210 psqm. It should be noted Bushey are estimated to provide circa 20% and Radlett 3% of the overall proposed development in the plan period.

7.6 The remaining areas make up the Authority (including Borehamwood) and will deliver circa 77% of the proposed development with distribution heavily weighted toward Borehamwood. LSH conclude that on balance this proportion of the anticipated development can be aggregated together support a CIL of circa £120 per sqm.

7.7 However, it is also recognised that Elstree/Borehamwood is anticipated to deliver a major regeneration scheme of circa 800 units. This scheme was assessed independently (Appendix 3). Following discussions with the HCC and the Borough Council, taking account of the anticipated additional costs required for on site infrastructure and Section 106 contributions, it was concluded that the major development area is unable to support a CIL rate and remain viable. Whilst the proposed CIL rate is zero, it is anticipated that the scheme will provide a significant amount of contributions on site. It therefore seems reasonable to conclude that unlike the wider area, the regeneration area can not support a CIL rate without a reduction in the necessary infrastructure and Section 106 provisions proposed.

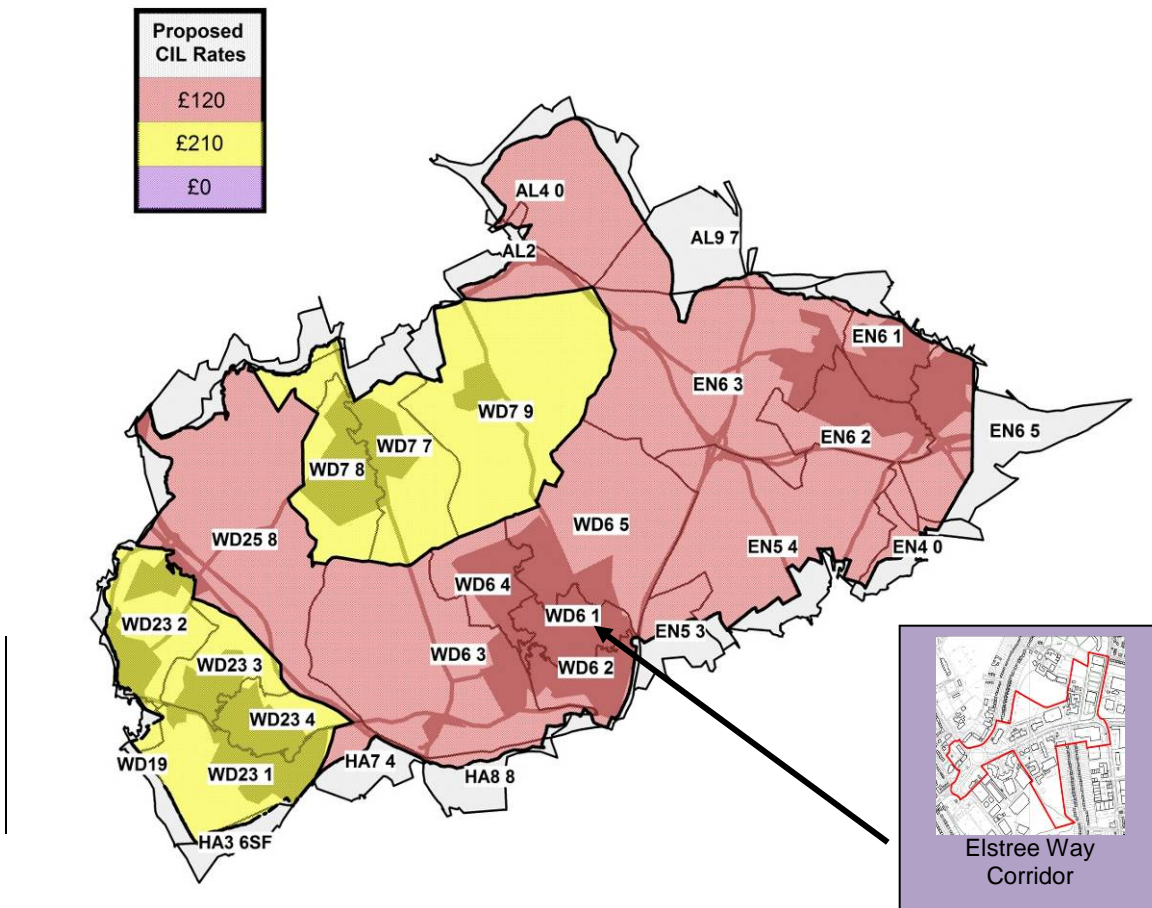
7.8 LSH therefore conclude that the Stage 1 single CIL rate should be expanded to three residential CIL bands to reflect geographical variation in values and development distribution as set out in the table overleaf:

Summary of proposed achievable CIL rates for residential

Development Type	CIL rate (per square metre of chargeable floorspace)		
	Area A	Area B	Area C
Residential	£120	£210	£0

7.9 The geographical impact of these proposed CIL bands on the CIL delivery within the Authority are presented below in the map below:

Map showing the geographical distribution of proposed residential CIL rates



Commercial CIL

- 7.10 It should be highlighted that the Stage 1 Study identified CIL rates for other uses to be applied across the District. LSH conclude that these remain reasonable. It was concluded that office uses could not currently support a CIL rate, which was also felt to be the case in any new industrial development within the Authority.
- 7.11 Rates of £145 psqm and £163 psqm were identified for owner occupied hotels and private care homes/ private retirement homes respectively. However, the CIL Regulations suggest it is reasonable to keep charging schedules simple. Therefore, because of this and given the administration and management of having different rates, the Authority could consider aggregating these uses within the proposed CIL rates of residential, either at £0 per sqm or £120 psqm.
- 7.12 Stage 1 concluded that a retail CIL rate ranged between £84 psqm and £170 psqm depending on the size and activity anticipated. There are therefore several alternatives to the authority to address the variation in potential CIL.
- 7.13 In choosing and assessing the assumptions used to conclude the above CIL rates allowance has been made for variations both specifically and economically to enable the proposed CIL rates to remain viable. However, the results are determined on a number of variable factors and which may change over time. It is therefore important that the Authority considers a mechanism to review any chosen CIL rate over the plan period. LSH would suggest this was done circa every 2-5 years or when the Authority engage in varying a planning policy, such as Section 106 contributions and Affordable Housing.
- 7.14 Given the nature of the factors affecting development, viability will vary from scheme to scheme and from area to area. It is therefore important to recognise that ultimately the Authority will be making a balanced judgement to enable the maximum CIL to be achieved whilst maximising the potential of development opportunities with the Authority over the plan period and this report should be used to support conclusions reached.

Summary of achievable CIL rates for commercial uses

Development Type	CIL rate (per square metre of chargeable floorspace)
	Borough Wide
Hotel	£145
Private retirement and Care Home	£163
Retail	£84
Office	£0
Industrial	£0

7.12 In line with the CIL Regulations, for the purposes of a simple Charging Schedule and administration, the Council may look to group various uses within a number of CIL rates. An additional benefit of grouping uses within rates is it can act as an additional buffer to the above achievable rates to maximise the potential of these uses coming forward over the plan period. LSH recognise that their a number of other uses which may from time to time be developed within the Authority, however, the specific nature of such development has meant that no evidence could be collected to suggest a CIL charge was achievable. Therefore, LSH would propose that for non defined uses (and including extra care units) that no CIL is charged at this time – although it would be possible to reconsider other uses on subsequent CIL reviews.

Summary of proposed CIL rates for commercial uses

Commercial Development	
Type	CIL Rate
Hotel	£120
Private retirement and Care Home	£120
Retail	£80
Office	£0
Industrial	£0
Extra Care Homes and other non defined uses.	£0

Appendix 1:

Additional Market Research

**BOREHAMWOOD COMPARABLES - WD6-2
NOVEMBER 2012**

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
								907	322
26 Cleveland Crescent	WD6 2ER	Mid-Terrace	3				235,000	799	294
32 Masfield Avenue	WD6 2HQ	Semi	3				350,000	917	382
19 Arundel Drive	WD6 2LE	Mid-Terrace	2				215,000	690	312
147 Coleridge Way	WD6 2AF	Mid-Terrace	3				336,000	1073	313
43 Ripon Way	WD6 2HY	Semi	3				275,000	783	351
68 Buckingham Road	WD6 2QY	Mid-Terrace	3				231,000	729	317
41 Balmoral Drive	WD6 2QJ	Mid-Terrace	3				250,000	781	320
124 Balmoral Drive	WD6 2QT	Mid-Terrace	3				235,000	808	291
12 Melrose Avenue	WD6 2BJ	Semi	4				462,000	1228	376
14 Dunster Court	WD6 1LF	Mid-Terrace	2				245,000	646	379
4 Brownlow Road	WD6 2DE	Mid-Terrace	2				247,000	796	310
45 Penscroft Gardens	WD6 2QZ	Mid-Terrace	3				227,000	958	237
9 Shelley Close	WD6 2AU	Mid-Terrace	3				275,500	872	316
107 Furzehill Road	WD6 2DW	Semi	4				500,000	1615	310

**BOREHAMWOOD COMPARABLES - WD6-3
NOVEMBER 2012**

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
								1015	353
14 Watford Road	WD6 3FE	Flat	2				270,000	840	321
18 Coates Road	WD6 3DS	End-Terrace	2				238,000	614	388
23 The Rise	WD6 3JR	Detached	4				842,000	2168	388
18 Delius Close	WD6 3DW	Semi	3				249,995	821	305
2 The Stabling, Barnet Lane	WD6 3HJ	Detached	2	384,950	19248	365,703		904	405
5 Boreham Holt	WD6 3QF	Flat	3	255,000	12750	242,250		926	262
6 West View Court, High Street	WD6 3DB	Flat	2	235,000	11750	223,250		581	384
15 Grange Road	WD6 3LY	Detached	4				690,000	1711	403
2a Sullivan Way	WD6 3DH	End-Terrace	3				315,000	798	395
52 Sullivan Way	WD6 3DJ	Mid-Terrace	4				310,000	1054	294
5 The Bartons, Elstree Hill North	WD6 3EN	Flat	2				250,000	744	336

**BOREHAMWOOD COMPARABLES - WD6-5
NOVEMBER 2012**

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
								847.75	323
27 Alexandra Road	WD6 5PB	Detached Bungalow	4				389,950	1106	353
12 The Champions	WD6 5QB	Semi	3	309,950	15498	294,453		893	330
51 The Champions	WD6 5QE	Semi	3				309,000	989	312
56 The Champions	WD6 5QE	Detached	3	369,950	18498	351,453		926	380
80 The Champions	WD6 5QE	Mid-Terrace	1				175,000	398	440
6 Lamberton Court, Gateshead Road	WD6 5EE	Flat	2				163,000	664	245
51 Brook Road	WD6 5HJ	Flat	2				166,000	629	264
34 Grove Road	WD6 5DY	Flat	2				195,000	596	327
43 Cowley Hill	WD6 5LQ	Semi	3				330,000	938	352
185 Cowley Hill	WD6 5ND	Detached	3				435,000	1282	339
189 Cowley Hill	WD6 5ND	Semi	3				375,000	1233	304
10 Barkston Path	WD6 5BB	Semi	3				265,000	779	340
11 Barkston Path	WD6 5BB	Semi	3	279,950	13998	265,953		958	278
244 Gateshead Road	WD6 5LJ	Semi	3				200,000	849	236
13 Gate Close	WD6 5DH	Semi	2				222,000	565	393
36 Oberon Close	WD6 5RU	End-Terrace	3	289,950	14498	275,453		764	361
47 Oberon Close	WD6 5RU	Mid-Terrace	2				230,000	743	310
10 Birch Walk	WD6 5EB	Mid-Terrace	3				250,000	936	267

**BUSHEL COMPARABLES - WD23-1
NOVEMBER 2012**

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
								1176	375
11 Chestnut Rise	WD23 1AB	Detached	4	750,000	37500	712,500		1916	372
Evergreen, Belle Vue Lane	WD23 1GD	Detached	3	665,000	33250	631,750		1550	408
25 Belle Vue Lane	WD23 1GD	Detached	4	599,950	29998	569,953		1615	353
The Old White Horse, 10a Sparrows Herne	WD23 1FU	Semi	3	579,950	28998	550,953		2174	253
25 Wren Crescent	WD23 1AN	Semi	3	449,950	22498	427,453		1259	340
7 Merry Hill Mount	WD23 1DJ	Detached	3	439,950	21998	417,953		807	518
110 School Lane	WD23 1BX	Mid-Terrace	3				355,000	1119	317
128 School Lane	WD23 1BX	Semi	3	429,999	21500	408,499		1076	380
144 School Lane	WD23 1BX	End-Terrace	3	365,000	18250	346,750		969	358
3 Langholme	WD23 1AR	Mid-Terrace	4	385,000	19250	365,750		1496	244
Flat 3, Windmill Court, Windmill Lane	WD23 1AQ	Flat	2	375,000	18750	356,250		818	436
16 Heathside Court	WD23 1EN	Flat	2	375,000	18750	356,250		850	419
6 Montague Hall Place	WD23 1QG	Mid-Terrace	3	349,950	17498	332,453		743	447
2 Pinewood Lodge, The Rutts	WD23 1EQ	Flat	2	299,950	14998	284,953		786	363
8 Primrose Gardens	WD23 1BU	End-Terrace	2	294,950	14748	280,203		689	407

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
4 Osborne Terrace	WD23 1GA	End-Terrace	3				390,000	1083	360
9 Willow Dene	WD23 1PS	Detached Bung	3				520,000	1281	406
23 Paynesfield Road	WD23 1PQ	Detached	3				475,000	1324	359
8 Rosebery Road	WD23 1DA	Mid-Terrace	2				302,000	786	384

**BUSHEL COMPARABLES - WD23-2
NOVEMBER 2012**

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
								1132	330
20 The Moorings	WD23 2NR	Flat	2	499,000	24950	474,050		1679	282
4 Silverdale Road	WD23 2LZ	Semi	4	469,950	23498	446,453		1249	357
8 St Leonards Close	WD23 2DB	Detached	4	465,000	23250	441,750		1432	308
2 Bendysh Road	WD23 2HY	Detached	4	465,000	23250	441,750		1098	402
10 Bennett's Field	WD23 2GX	Flat	2	385,000	19250	365,750		1259	291
41 Duncan Way	WD23 2BE	Detached	3	380,000	19000	361,000		1012	357
5 Park Close	WD23 2DE	Semi	3	334,999	16750	318,249		990	321
468 Bushey Mill Lane	WD23 2AS	Semi	3	325,000	16250	308,750		1055	293
471 Bushey Mill Lane	WD23 2AT	Detached	3	329,995	16500	313,495		936	335
37 Malden Fields	WD23 2QA	End-Terrace	3	329,950	16498	313,453		883	355
8 Scottswood Close	WD23 2DW	Semi	3	289,950	14498	275,453		915	301
50 Greatham Road	WD23 2HP	Semi	3	285,000	14250	270,750		753	360
20 Ashlyn Close	WD23 2EJ	Detached	3				470,000	1455	323

**BUSHEL COMPARABLES - WD23-4
NOVEMBER 2012**

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
								1177	386
2 Goodison Close	WD23 4DN	Detached	4	629,950	31498	598,453		1550	386
96 Elstree Road	WD23 4GQ	Detached	4	585,000	29250	555,750		1442	385
98 Elstree Road	WD23 4GQ	Detached	4	599,995	30000	569,995		1679	339
1 Caldecote Gardens	WD23 4GP	Detached Bung	3	569,950	28498	541,453		840	645
28 Little Bushey Lane	WD23 4JU	Semi	4	539,950	26998	512,953		1432	358
80 Little Bushey Lane	WD23 4SE	Detached	4	419,950	20998	398,953		1033	386
44 Wayside Avenue	WD23 4SQ	Detached	4	499,950	24998	474,953		1238	384
4 Catsey Woods	WD23 4HS	End-Terrace	3	499,950	24998	474,953		915	519
7 Clarks Mead	WD23 4JZ	Detached	2	450,000	22500	427,500		969	441
50 Oundle Avenue	WD23 4QQ	Semi	3	420,000	21000	399,000		926	431
7 Pentland Road	WD23 4QN	Semi	4	369,950	18498	351,453		1270	277
2 Coldharbour Lane	WD23 4NS	End-Terrace	4	355,000	17750	337,250		1141	296
3 Fidler Place	WD23 4UF	Mid-Terrace	3	299,950	14998	284,953		926	308
8 Fidler Place	WD23 4UF	End-Terrace	3	299,999	15000	284,999		1119	255

**POTTERS BAR COMPARABLES - EN6-1
NOVEMBER 2012**

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
								1189	362
48 Heath Road	EN6 1LW	Detached	4	629,950	31498	598,453		1432	418
22 Heath Drive	EN6 1EH	Semi	4	469,950	23498	446,453		1087	411
51 Billy Lows Lane	EN6 1UX	Semi	3	569,950	28498	541,453		1259	430
12 Ladbrooke Drive	EN6 1QP	Detached	4	520,000	26000	494,000		1421	348
Highfield Way	EN6 1UN	Detached Bung	4	500,000	25000	475,000		1475	322
1 The Walk	EN6 1QL	Semi	4	389,950	19498	370,453		1410	263
3 Cedar Close	EN6 1EW	Semi	3	345,000	17250	327,750		829	395
20 Frampton Road	EN6 1JE	Semi	3				290,000	1058	274
39 Frampton Road	EN6 1JF	Mid-Terrace	3	315,000	15750	299,250		958	312
19 Birch Grove	EN6 1SY	Semi	2	299,500	14975	284,525		592	481
56 Heathfield Close	EN6 1SR	Flat	2	225,000	11250	213,750		893	239
9 Green Meadow	EN6 1LL	Detached	4				650,000	1169	556
93 Byng Drive	EN6 1UJ	Semi	3				410,000	1322	310

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
61 Hatfield Road	EN6 1HS	Semi	3				355,000	1180	301
13 Grangewood	EN6 1SJ	Detached	3				480,000	1355	354
5 Wain Close	EN6 1NF	Detached	4	640,000	32000	608,000		1582	384

**RADLETT SHENLEY COMPARABLES -WD7-7
NOVEMBER 2012**

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
								1419	445
4a Beech Avenue	WD7 7DE	Detached	4				757,500	2250	337
34a The Avenue	WD7 7DW	Detached	4				1,250,000	1905	656
41 The Avenue	WD7 7DQ	Detached	4				1,450,000	3050	475
Flat 18, Slade Court, Watling Street	WD7 7BT	Flat	1				280,000	577	485
Hillock The Warren	WD7 7DU	Detached Bung	4	1,150,000	57500	1,092,500		1464	746
8 Brendon Court, The Avenue	WD7 7DP	Flat	2	434,950	21748	413,203		934	442
Broadlands, Hillside Road	WD7 7BX	Flat	2	715,000	35750	679,250		1572	432
7 Highbridge Close	WD7 7GW	End-Terrace	4				649,950	1323	491
163 Watling Street	WD7 7NQ	Flat	3				220,000	783	281
27 Radlett Park Road	WD7 7BG	Detached	4				500,000	1623	308
12 Athlone Close	WD7 7JF	Mid-Terrace	2				295,000	776	380
Brook Court, Watling Street	WD7 7JA	Flat	2	249,950	12498	237,453		770	308

**RADLETT SHENLEY COMPARABLES -WD7-8
NOVEMBER 2012**

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
								1271	439
12 Beagle Close	WD7 8PG	End-Terrace	3				250,000	814	307
Glaslyn, Brook Drive	WD7 8ET	Detached	2				500,000	965	518
3 Dellfield Close	WD7 8LS	Detached	4				1,050,000	2090	502
111 Loom Lane	WD7 8NY	Semi	4				675,000	1570	430
15 Nightingale Close	WD7 8NT	Detached	5				1,285,000	2975	432
12 Park Road	WD7 8EQ	Detached	4				655,000	1879	349
10 Scrubbitts Park	WD7 8JP	Semi	4				635,000	1540	412
73 Scrubbitts Square	WD7 8JU	Flat	2				216,000	610	354
32 Station Road	WD7 8JX	Mid-Terrace	2				322,500	764	422
39 Station Road	WD7 8JY	Mid-Terrace	2				370,000	889	416
4 Upper Station Road	WD7 8BX	Mid-Terrace	3				460,000	1235	372
10 Upper Station Road	WD7 8BX	Mid-Terrace	3				442,000	1004	440
39 Oakridge Avenue	WD7 8EW	Detached Bungalow	4	1,495,000	74750	1,420,250		1938	733
39 Gills Hill Lane	WD7 8DG	Detached	4	775,000	38750	736,250		1249	589

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
19 Hawkesley Court	WD7 8HH	Flat	2	710,000	35500	674,500		1259	536
3 Gills Hollow	WD7 8JJ	Semi	3	679,950	33998	645,953		1464	441
12 Manor Court, Common Lane	WD7 8PU	Mid-Terrace	3	625,000	31250	593,750		1270	468
Flat 10 Nightingale Court	WD7 8EA	Flat	2	385,000	19250	365,750		915	400
5a Phillimore Place	WD7 8NH	Flat	2	205,000	10250	194,750		614	317
21 Battlers Green Drive	WD7 8NE	Semi	3				330,000	967	341
7 Farm Cottages, Battlers Gr	WD7 8PQ	Semi	2				300,000	675	444

**RADLETT SHENLEY COMPARABLES -WD7-9
NOVEMBER 2012**

Location	Postcode	Type	Beds	On Market £	Discount 5%	Potn Sale Price	Sold £	Sq ft	£psf
								1150	367
39 Harris Lane	WD7 9EF	Mid-Terrace	3				237,000	725	327
4 Juniper Gardens	WD7 9LA	Semi	3				390,000	954	409
16 Juniper Gardens	WD7 9LA	Detached	5				665,000	2125	313
36 Mulberry Gardens	WD7 9LB	Detached	4				615,000	1917	321
1 Headingley Close	WD7 9HY	Detached	4	499,950	24998	474,953		1087	437
2 New Road	WD7 9EA	Semi	3	429,950	21498	408,453		969	422
12 New Road	WD7 9EA	Detached	3	499,950	24998	474,953		1335	356
30 New Road	WD7 9EA	Mid-Terrace	2				350,000	996	351
17 Anderson Road	WD7 9EQ	Semi	3	439,950	21998	417,953		1195	350
8 London Road	WD7 9EN	Detached	2	439,950	21998	417,953		743	563
8 Hadleigh Close	WD7 9LT	Detached	3	400,000	20000	380,000		1066	356
20 Hadleigh Close	WD7 9LT	Semi	4	400,000	20000	380,000		1367	278
3 Shenleybury Farm Cottages, Shenleybury	WD7 9DL	Mid-Terrace	3	369,950	18498	351,453		893	394
18a Andrew Close	WD7 9LP	Flat	3	225,000	11250	213,750		1012	211
Flat 23, Nell Gwynn Close	WD7 9JA	Flat	1	169,950	8498	161,453		484	334

Appendix 2:

Example Summary Viability Sheets

Scheme Name	Borehamwood
Local Authority	Hertsmere DC

TEST	Herts C3XU
SCHEME	C3XU

		Per Hec	Per Acre
TOTAL RESIDENTIAL UNITS	70	70	26
Developable Hectares	1	2.74	Acres
LAND VALUE BENCHMARK	£ 2,000,000		£ 809,389

	Achievable CIL	Maximum CIL
CIL RATE	£ 120	£ 120

**Lambert
Smith
Hampton**

		£/sqm	
Affordable Housing Percentage %	35%	no Grant	Plus Grant
Affordable tenure 1	75%	£ 860	
Affordable tenure 2	0%	£ 1,300	£ 1,300
Affordable tenure 3	25%	£ 2,500	
AFF/sqft	100%	£ 1,270	
Social Grant	NO		

GDV	£ 14,667,298
Residual Cost	£ 10,640,139
Residual Return (Cost)	15.5%
Residual Profit	£ 1,644,788
Residual Land Value	£ 2,000,000
RLV per hec	2,000,000

		CIL GIA
Existing Soft on Site %	15%	3,119
Non Residential Space in Scheme %	0%	

Benchmark Land Value	£ 2,000,000
Benchmark per Hec	£ 2,000,000

LSH CIL CALCULATOR

REVENUE/BUILD COST

No Beds	Av. Unit (SqM)	Rev £/SqM	Build Cost	Mix	Net to Gross
Private Apartments	67	£ 3,824	£ 1,195	52%	85%
Private Houses	95	£ 3,488	£ 1,022	13%	100%
	Rent	Yield			
Ground Rent	£ 100	5.5%			

PD Units	PD NIA	PD Revenue	PD Build Cost
36	2,439	£ 9,326,791	£ 3,428,666
9	865	£ 3,015,376	£ 883,519

Ground units	Ground Rev
36	£ 66,182

T PD Units	TOTAL PD NIA	Total PD Revenue	Total PD build cost
46	3,303	£ 12,408,349	£ 4,312,185

No Beds	Av. Unit (SqM)	Rev £/SqM	Build Cost	Mix	Gross to Net
Affordable Apartments	67	£ 1,270	£ 1,255	28%	85%
Affordable Houses	95	£ 1,270	£ 1,073	7%	100%

AF Units	AF NIA	AF Revenue	AF Build Cost
20	1,313	£ 1,667,764	£ 1,938,515
5	466	£ 591,185	£ 499,528

T AF Units	Total AF NIA	Affordable Revenue	Standard Cost
25	1,779	£ 2,258,949	£ 2,438,043
70	5,082	£ 14,667,298	£ 7,020,237

CODE LEVEL	4
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OTHER USE	Rent psqm /Rooms (£)	Yield (%)	GIA	NIA	Build Cost
Supermarket	£ -	0.0%	-	0%	-
Shops	£ -	0.0%	-	0%	-
Community	£ -	0.0%	-	0%	-
Care Home	£ -	0.0%	-	0%	-
Hotel	£ -	0.0%	-	85%	-
Community	£ -	0.0%	-	0%	-
1	£ -	0.0%	-	0%	-
2	£ -	0.0%	-	0%	-

NIA	REVENUE	COST
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -

GIA	3,669	100%
TOTAL GIA	5,645	

TOTAL NIA	TOTAL REVENUE	TOTAL COST
5,082	£ 14,667,298	£ 7,020,237

SITE COSTS

Professional Fees	12%
Abnormals/Externals	15%
Marketing	3%
Disposal Fees	1.75%
Contingency	5%

PD+COM	AF	Site Costs
549,863	292,565	£ 842,428
687,329	365,706	£ 1,053,036
£ 372,250	67,768	£ 440,019
£ 10,346		£ 10,346
£ 278,110	121,902	£ 400,012
£ 1,897,898	847,942	£ 2,745,841

SECTION 106	Per unit	By Sqm	0.35
Residential S.106	£ 2,000	£ 28	
Commercial S.106		£ 28	

Section 106	Section 106	Section 106	
£ 91,000	49,000	£ 140,000	
£ -		£ -	
TOTAL 106	£ 91,000	£ 49,000	£ 140,000

CIL	CIL SQM	CIL psqm
CIL RATE	3,119	£ 120

CIL	CIL	CIL	
£ 374,250		£ 374,250	
TOTAL CIL	£ 374,250	£ -	£ 374,250
£ 6,945,343	£ 3,334,985	£ 10,280,328	

FINANCE COSTS

Finance Costs	7%
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Finance Cost	£ 243,087	£ 116,724	£ 359,811
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PROFIT

Private Profit on Cost	20%
Affordable Contractor on cost	6%

TOTAL PROFIT	£ 1,437,686	£ 207,102.58	£ 1,644,788
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LAND PURCHASE

GROSS LAND VALUE	£ 2,382,370
Land Interest	7%
Stamp Duty	4.80%
VAT on Stamp	0.80%
Purchase Fees	1.50%
Additional Fees	5%

Land Cost	£ 83,383
	£ 125,074
	£ 19,059
	£ 35,736
	£ 119,119

RESIDUAL LAND VALUE

£ 2,000,000

Note: Blue assumptions on Data Input Sheet
Black assumptions are based on formula/input page

Equals Viable
Equals Non Viable
Variable Cell

**Lambert
Smith
Hampton**

Scheme Name	Bushey
Local Authority	Hertsmere DC

TEST	Herts C3U
SCHEME	C3U

		Per Hec	Per Acre
TOTAL RESIDENTIAL UNITS	40	40	15
Developable Hectares	1	2.74	Acres
LAND VALUE BENCHMARK	£ 3,000,000		£1,214,083

	Achievable CIL	Maximum CIL
CIL RATE	£ 210	£ 210

**Lambert
Smith
Hampton**

		£/sqm	
Affordable Housing Percentage %	35%	no Grant	Plus Grant
Affordable tenure 1	75%	£ 860	
Affordable tenure 2	0%	£ 1,300	£ 1,300
Affordable tenure 3	25%	£ 2,500	
AFF/sqft	100%	£ 1,270	
Social Grant	NO		

GDV	£ 11,260,449
Residual Cost	£ 6,642,729
Residual Return (Cost)	15.7%
Residual Profit	£ 1,044,164
Residual Land Value	£ 3,000,000
RLV per hec	3,000,000

		CIL GIA
Existing Sqft on Site %	0%	2,470
Non Residential Space in Scheme %	0%	

LSH CIL CALCULATOR

REVENUE/BUILD COST

No Beds	Av. Unit (SqM)	Rev £/SqM	Build Cost	Mix	Net to Gross
Private Apartments	67	£ 4,069	£ -	0%	85%
Private Houses	95	£ 3,875	£ 1,022	65%	100%
	Rent	Yield			
Ground Rent	£ 100	5.5%			

PD Units	PD NIA	PD Revenue	PD Build Cost
0	-	£ -	£ -
26	2,470	£ 9,571,349	£ 2,524,340

Ground units	Ground Rev
0	£ -

T PD Units	TOTAL PD NIA	Total PD Revenue	Total PD build cost
26	2,470	£ 9,571,349	£ 2,524,340

No Beds	Av. Unit (SqM)	Rev £/SqM	Build Cost	Mix	Gross to Net
Affordable Apartments	67	£ 1,270	£ -	0%	85%
Affordable Houses	95	£ 1,270	£ 1,073	35%	100%

AF Units	AF NIA	AF Revenue	AF Build Cost
0	-	£ -	£ -
14	1,330	£ 1,689,100	£ 1,427,223

T AF Units	Total AF NIA	Affordable Revenue	Standard Cost
14	1,330	£ 1,689,100	£ 1,427,223

CODE LEVEL	4
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		£ 158,063
40	3,800	£ 11,260,449
		£ 4,109,626

OTHER USE	Rent psqm / Rooms (£)	Yield (%)	GIA	NIA	Build Cost
Supermarket	£ -	0.0%	-	0%	-
Shops	£ -	0.0%	-	0%	-
Community	£ -	0.0%	-	0%	-
Care Home	£ -	0.0%	-	0%	-
Hotel	£ -	0.0%	-	85%	-
Community	£ -	0.0%	-	0%	-
1	£ -	0.0%	-	0%	-
2	£ -	0.0%	-	0%	-

NIA	REVENUE	COST
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -

GIA	2,470	100%
TOTAL GIA	3,800	

TOTAL NIA	TOTAL REVENUE	TOTAL COST
3,800	£ 11,260,449	£ 4,109,626

SITE COSTS

Professional Fees	12%
Abnormals/Externals	15%
Marketing	3%
Disposal Fees	1.75%
Contingency	5%

PD+COM	AF	Site Costs
321,888	171,267	£ 493,155
402,360	214,083	£ 616,444
£ 287,140	50,673	£ 337,813
£ 29,559		£ 29,559
162,120	71,361	£ 233,481
£ 1,203,069	507,384	£ 1,710,453

SECTION 106	Per unit	By Sqm
Residential S.106	£ 2,000	£ 21
Commercial S.106	£ -	£ 21

Section 106	Section 106	Section 106
£ 52,000	28,000	£ 80,000
£ -		£ -
TOTAL 106	£ 52,000	£ 28,000
		£ 80,000

CIL	CIL SQM	CIL psqm
CIL RATE	2,470	£ 210

CIL	CIL	CIL
£ 518,017		£ 518,017
TOTAL CIL	£ 518,017	£ -
		£ 518,017
£ 4,455,488	£ 1,962,607	£ 6,418,096

FINANCE COSTS

Finance Costs	7%
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Finance Cost	
£ 155,942	£ 68,691
	£ 224,633

PROFIT

Private Profit on Cost	20%
Affordable Contractor on cost	6%

TOTAL PROFIT	
£ 922,286	£ 922,286
£ 121,877.92	£ 121,878
	£ 1,044,164

LAND PURCHASE

GROSS LAND VALUE	£ 3,573,556
Land Interest	7%
Stamp Duty	4.80%
VAT on Stamp	0.80%
Purchase Fees	1.50%
Additional Fees	5%

Land Cost	
£ 125,074	
£ 187,612	
£ 28,588	
£ 53,603	
£ 178,678	

RESIDUAL LAND VALUE

£ 3,000,000

Note: Blue assumptions on Data Input Sheet
Black assumptions are based on formula/input page

Equals Viable
Equals Non Viable
Variable Cell

**Lambert
Smith
Hampton**

Scheme Name	EN6 /Pottersbar
Local Authority	Hertsmere DC

TEST	Herts C3U
SCHEME	C3U

		Per Hec	Per Acre
TOTAL RESIDENTIAL UNITS	40	40	15
Developable Hectares	1	2.74	Acres
LAND VALUE BENCHMARK	£ 3,100,000		£1,254,553

	Achievable CIL	Maximum CIL
CIL RATE	£ 121	£ 121



		£/sqm	
Affordable Housing Percentage %	35%	no Grant	Plus Grant
Affordable tenure 1	75%	£ 860	
Affordable tenure 2	0%	£ 1,300	£ 1,300
Affordable tenure 3	25%	£ 2,500	
AFF/sqft	100%	£ 1,270	
Social Grant	NO		

GDV	£ 11,100,926
Residual Cost	£ 6,410,528
Residual Return (Cost)	15.6%
Residual Profit	£ 997,724
Residual Land Value	£ 3,100,000
RLV per hec	3,100,000

		CIL GIA
Existing Soft on Site %	0%	2,470
Non Residential Space in Scheme %	0%	

Benchmark Land Value	£ 3,100,000
Benchmark per Hec	£ 3,100,000

LSH CIL CALCULATOR

REVENUE/BUILD COST

No Beds	Av. Unit (SqM)	Rev £/SqM	Build Cost	Mix	Net to Gross
Private Apartments	67	£ 4,001	£ -	0%	85%
Private Houses	95	£ 3,810	£ 1,022	65%	100%
Ground Rent	Rent	Yield			
	£ 100	5.5%			

PD Units	PD NIA	PD Revenue	PD Build Cost
0	-	£ -	£ -
26	2,470	£ 9,411,826	£ 2,524,340

Ground units	Ground Rev
0	£ -

T PD Units	TOTAL PD NIA	Total PD Revenue	Total PD build cost
26	2,470	£ 9,411,826	£ 2,524,340

No Beds	Av. Unit (SqM)	Rev £/SqM	Build Cost	Mix	Gross to Net
Affordable Apartments	67	£ 1,270	£ -	0%	85%
Affordable Houses	95	£ 1,270	£ 1,073	35%	100%

AF Units	AF NIA	AF Revenue	AF Build Cost
0	-	£ -	£ -
14	1,330	£ 1,689,100	£ 1,427,223

T AF Units	Total AF NIA	Affordable Revenue	Standard Cost
14	1,330	£ 1,689,100	£ 1,427,223

CODE LEVEL	4
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		£ 158,063
40	3,800	£ 11,100,926
		£ 4,109,626

OTHER USE	Rent psqm /Rooms (£)	Yield (%)	GIA	NIA	Build Cost
Supermarket	£ -	0.0%	-	0%	-
Shops	£ -	0.0%	-	0%	-
Community	£ -	0.0%	-	0%	-
Care Home	£ -	0.0%	-	0%	-
Hotel	£ -	0.0%	-	85%	-
Community	£ -	0.0%	-	0%	-
1	£ -	0.0%	-	0%	-
2	£ -	0.0%	-	0%	-

NIA	REVENUE	COST
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -

GIA	2,470	100%
TOTAL GIA	3,800	

TOTAL NIA	TOTAL REVENUE	TOTAL COST
3,800	£ 11,100,926	£ 4,109,626

SITE COSTS

Professional Fees	12%
Abnormals/Externals	15%
Marketing	3%
Disposal Fees	1.75%
Contingency	5%

PD+COM	AF	Site Costs
321,888	171,267	£ 493,155
402,360	214,083	£ 616,444
£ 282,355	50,673	£ 333,028
£ 29,559		£ 29,559
162,120	71,361	£ 233,481
£ 1,198,283	507,384	£ 1,705,667

SECTION 106	Per unit	By Sqm
Residential S106	£ 2,000	£ 21
Commercial S.106		£ 21

Section 106	Section 106	Section 106
£ 52,000	28,000	£ 80,000
£ -		£ -
TOTAL 106	£ 52,000	£ 28,000
		£ 80,000

CIL	CIL SQM	CIL psqm
CIL RATE	2,470	£ 121

CIL	CIL	CIL
£ 298,454		£ 298,454
TOTAL CIL	£ 298,454	£ -
		£ 298,454

£ 4,231,140	£ 1,962,607	£ 6,193,747
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FINANCE COSTS

Finance Costs	7%
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Finance Cost	£ 148,090	£ 68,691	£ 216,781
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PROFIT

Private Profit on Cost	20%
Affordable Contractor on cost	6%

TOTAL PROFIT	£ 875,846	£ 121,877.92	£ 997,724
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LAND PURCHASE

GROSS LAND VALUE	£ 3,692,674
Land Interest	7%
Stamp Duty	4.80%
VAT on Stamp	0.80%
Purchase Fees	1.50%
Additional Fees	5%

Land Cost	£ 129,244
	£ 193,865
	£ 29,541
	£ 55,390
	£ 184,634

RESIDUAL LAND VALUE

£ 3,100,000

Note: Blue assumptions on Data Input Sheet
Black assumptions are based on formula/input page

Equals Viable
Equals Non Viable
Variable Cell



Appendix 3:

Major Development Site – Viability Sheet

