East Devon District Council

CIL Review and Cranbrook Plan DPD Viability Study

January 2019

Three Dragons with Ward Williams Associates

This report is not a formal land valuation or scheme appraisal. It has been prepared using the Three Dragons Toolkit and is based on district level data supplied by East Devon Council, consultation and quoted published data sources. The toolkit provides a review of the development economics of illustrative schemes and the results depend on the data inputs provided. This analysis should not be used for individual scheme appraisal.

No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.

January 2019
Three Dragons with WWA

ANNEXES

EXECUTIVE SUMMARY

1. Three Dragons with Ward Williams Associates were commissioned by East Devon District Council to undertake a viability assessment at a strategic level and provide the following outputs:
    - Viability assessment of typical sites, considering the Local Plan requirements and other costs, to inform the reassessment of Community Infrastructure Levy (CIL) rates
    - Viability assessment of Cranbrook expansion areas based on the draft DPD and masterplan prepared by the Council
2. The viability testing for this report has:
    - Reviewed broad costs associated with addressing policies set out in the draft Cranbrook masterplan and DPD, and the Local Plan
    - Tested the quantum and broad form of proposed development at Cranbrook, taking account of site-specific costs and values
    - Been designed to assess the amount of CIL that other residential and non-residential development can support, including whether there are differences in viability across the district or between different types of development that are sufficient to justify different CIL rates
3. Based on the viability testing and with suitable buffers and reasonable tests we have recommended a set of *general residential* CIL rates that represent an increase on the current indexed rates, but still comfortably within the viability headroom. Within this, some of the uses that were not identified in the current schedule now have lower recommended charges.
4. We have also tested the expected forms of non-residential development and this has confirmed that retail is the only type of development with enough viability to support a CIL. However, retail viability is weaker than it has been in the past and as a result the recommended rates are lower than the current indexed CIL. As before, the rates apply to out of town centre retail development.
5. Development of the expansion areas for Cranbrook has been viability tested, based on the requirements in the draft DPD and masterplan. This testing suggests that the development will be viable with a lower rate of affordable housing (15%) but will not be able to support a CIL. This CIL rate would apply to all development in Cranbrook.
6. Where larger strategic sites may have to provide additional infrastructure through s106 then the recommended CIL rates for these locations is lower than the general recommended rates. However, this lower rate is only appropriate if the government implements the proposed changes to CIL regulations and the Council wishes to fund infrastructure on strategic sites (other than Cranbrook) through s106. Alternatively, if the Council is concerned about delivery on these sites it may choose a zero or low rate for CIL, which would allow more for onsite infrastructure and other planning obligations.

7. The potential residential and non-residential CIL rates are:

Type and location of development	**Proposed new CIL rate £/sq m**
All development in Cranbrook	£0
General residential development in Sidmouth and Budleigh Salterton	£200
General residential development elsewhere in East Devon	£150
Sheltered housing, extracare housing and care homes in East Devon	£0
Strategic sites (allocated) with additional s106 costs in Sidmouth and Budleigh Salterton	£175
Strategic sites (allocated) with additional s106 costs elsewhere in East Devon (except Cranbrook)	£100
Retail (out of centre)	£84
All other non residential uses	£0

1 Introduction

1.1.1 Three Dragons with Ward Williams Associates were commissioned by East Devon District Council to undertake a viability assessment at a strategic level and provide the following outputs:

- Viability assessment of typical sites, considering the Local Plan requirements and other costs, to inform the reassessment of Community Infrastructure Levy (CIL) rates.
- Viability assessment of Cranbrook expansion areas to inform the preparation of the masterplan and accompanying DPD, and the Local Plan.

1.1.2 Cranbrook is a new community in East Devon close to the City of Exeter. The first 3,500 dwellings already have outline consent and around 1,800 of these have now been completed. In order to guide the next stage of development East Devon District Council has developed a masterplan and a draft DPD. The plan includes:

- 4,000 new dwellings
- Two primary schools and a Special Educational Needs school
- Two neighbourhood centres
- Employment land
- Two gypsy and traveller sites
- Open space and sports provision
- Suitable Alternative Natural Greenspace (SANGs)

1.1.3 Previous viability evidence was set out in the January 2013 East Devon Community Infrastructure Levy Viability Study[1]. This covered residential and non-residential development and was examined in 2015. Since adoption in April 2016 the rates have been indexed in line with the BCIS All In Tender Price Index.

Table 1.1 East Devon Adopted CIL Charging Schedule

Residential	**Original CIL £/sq m**	**2019 CIL £/sq m**
Axminster, Cranbrook ("existing" town), Exmouth, Honiton, Ottery St Mary, Seaton and edge of Exeter allocation sites (defined by new Built-up Area Boundaries and proposed Strategic Allocations)	£80	£94.23
Allocated Cranbrook expansion areas	£68	£80.09
Sidmouth, Coast, and Rural (the rest of East Devon)	£125	£147.23
Retail		
Inside Town Centre Shopping Areas (as defined in the New Local Plan)	£0	£0
Cranbrook (as defined by the "existing town" plus expansion areas)	£0	£0
Rest of East Devon	£150	£176.67
All other Non-residential Uses		
Inside Town Centre Shopping Areas (as defined in the New Local Plan)	£0	£0
Cranbrook (as defined by the "existing town" plus expansion areas)	£0	£0
Rest of East Devon	£0	£0

[1] Three Dragons on behalf of East Devon District Council 2013

1.1.4 This report updates the assumptions and typologies, reflecting latest available information and where appropriate addresses points made during the consultation undertaken in 2017 and 2018.

1.1.5 The viability testing for this report has:

- Reviewed broad costs associated with addressing policies set out in the draft Cranbrook masterplan and DPD, and the Local Plan
- Tested the quantum and broad form of proposed development at Cranbrook, taking account of site-specific costs and values
- Been designed to assess the amount of CIL that residential and non-residential development can support, including whether there are differences in viability across the district or between different types of development that are sufficient to justify different CIL rates.
- Drawn on the following for analysis:
- A review of the types of sites planned for development in the Local Plan.
- A review of the policies in the Local Plan and central government guidance that may have implications for development viability.
- A review of recent developer contributions agreed by the Council as well as discussion with the Council's Development Manager and retained site specific viability consultants.
- Desk research to form initial views on the values and costs of residential and non-residential development in East Devon and how these vary across the district.
- Consultation with the development industry including Registered Providers, developers and agents active in the district firstly through a workshop and continued dialogue following the workshop. A note of the workshop discussions is shown at Annex 2. Subsequently we also undertook a survey of Registered Providers (RPs) to get detailed advice on the affordable housing assumptions to be used, as well as discussions with the landowners making up the expansion areas for Cranbrook.
- Utilised the Three Dragons residential and non-residential viability models to undertake the viability testing set out in this report.

2 Requirements of viability assessment

2.1 National and local policy context

National framework

2.1.1 Our understanding is that for the purposes of CIL preparation the 2018 revised National Planning Policy Framework and associated revisions within the National Policy Practice Guidance will apply.

2.1.2 The National Planning Policy Framework (NPPF) recognises the importance of positive and aspirational planning but states that this should be done *'in a way that is aspirational but deliverable'*[2].

2.1.3 The NPPF advises that cumulative effects of policy should not combine to render plans unviable:

'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'[3]

2.1.4 The government has long signalled its desire to simplify the planning process, including development contributions. The NPPF advises that:

'All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.'[4]

2.1.5 In terms of affordable housing the government has reiterated previous policy on affordable housing thresholds and a desire to increase affordable housing products that can potentially lead to home ownership:

'Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount'[5]

'Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.'[6]

[2] MHCLG, 2018 NPPF Para 16
[3] MHCLG, 2018 NPPF Para 34
[4] MHCLG, 2018 NPPF Para 57
[5] MHCLG, 2018 NPPF Para 63
[6] MHCLG, 2018 NPPF Para 64

2.1.6 With regard to non-residential development, the NPPF states that local planning authorities should:

'set out a clear economic vision and strategy which positively and proactively encourages sustainable economic growth…local policies for economic development and regeneration…seek to address potential barriers to investment, such as inadequate infrastructure, services or housing, or a poor environment…be flexible enough to accommodate needs not anticipated in the plan, allow for new and flexible working practices (such as live-work accommodation), and to enable a rapid response to changes in economic circumstances.'[7]

2.1.7 Note the NPPF does not state that all sites must be viable now in order to appear in the plan. Instead, the NPPF is concerned to ensure that the bulk of the development is not rendered unviable by unrealistic policy costs. It is important to recognise that economic viability will be subject to economic and market variations over the local plan timescale. In a free market, where development is largely undertaken by the private sector, the local planning authority can seek to provide suitable sites to meet the needs of sustainable development. It is not within the local planning authority's control to ensure delivery actually takes place; this will depend on the willingness of a developer to invest and a landowner to release the land. So, in considering whether a site is deliverable now or developable in the future, we have taken account of the local context to help shape our viability assumptions.

Planning Practice Guidance

2.1.8 Planning Practice Guidance[8] (PPG) provides further detail about how the NPPF should be applied. PPG contains general principles for understanding viability (also relevant to CIL viability). The approach taken reflects the latest version of PPG, which was updated in July 2018. In order to understand viability, a realistic understanding of the costs and the value of development is required and direct engagement with development sector may be helpful[9]. Evidence should be proportionate to ensure plans are underpinned by a broad understanding of viability, with further detail where viability may be marginal or for strategic sites with high infrastructure requirements[10]. However not every site requires testing and site typologies may be used to determine policy[11].

2.1.9 Generally, values should be based on comparable, market information, using average figures and informed by specific local evidence[12]. For an area wide viability assessment, such as CIL, a broad assessment of costs is required, based on robust evidence which is reflective of local market conditions. All development costs should be taken into account, including within setting of benchmark land values, in particular para 011 within the PPG Viability section states that:

'Costs include:

- build costs based on appropriate data, for example that of the Building Cost Information Service

[7] MHCLG, 2018 NPPF, para 81
[8] MHCLG, Planning Practice Guidance
[9] PPG Paragraph: 001 Reference ID: 10-001-20180724
[10] PPG Paragraph: 004 Reference ID: 10-004-20180724
[11] PPG Paragraph: 002 Reference ID: 10-002-20180724
[12] PPG Paragraph: 010 Reference ID: 10-010-20180724

- abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value
- site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value
- the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value
- general finance costs including those incurred through loans
- professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value
- explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return'

2.1.10 Land values[13] should be defined using a benchmark land value that is established on the basis of Existing Use Value plus a premium for the landowner. The premium should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The benchmark should reflect the implications of abnormal costs, site specific infrastructure and fees. It should be informed by market evidence including current costs and values but that this should be based on development that is compliant with policies, where evidence is not available adjustments should be made to reflect policy compliance.

2.1.11 PPG states that developer return should be 15 – 20% of gross development value and that where affordable housing is provided a lower figure is more appropriate[14].

2.1.12 PPG identifies circumstances where contributions for affordable housing and s106 obligations should not be sought[15]. These circumstances include developments of 10-units or less with GIA of no more than 1000sq m (more than 5 units in rural areas) and custom & self-build (see also NPPF paragraph 63 reviewed earlier).

2.1.13 CIL is payable on development which creates net additional floor space, where the gross internal area of new build exceeds 100 square metres (this limit does not apply to new houses or flats)[16]. Custom & self-build is exempt, along with affordable housing, charitable development, buildings into which people do not normally go and vacant buildings brought back into the same use[17].

2.1.14 CIL rates should be set so that they do not threaten the viability of the sites and scale of development identified in the Local Plan[18]. Instead an appropriate balance should be set

[13] PPG Paragraph: 012&013 Reference ID: 10-012-20180724
[14] PPG Paragraph: 018 Reference ID: 10-017-20180724
[15] PPG Paragraph: 031 Reference ID: 23b-031-20161116
[16] PPG Paragraph: 002 Reference ID: 25-002-20140612
[17] PPG Paragraph: 003 Reference ID: 25-003-20140612
[18] PPG Paragraph: 008 Reference ID: 25-008-20140612

between the desirability of funding infrastructure from the levy and the potential viability impact[19].

2.1.15 At examination, the charging authority should also set out any known site-specific matters for which Section 106 contributions may continue to be sought[20].

2.1.16 For the purposes of CIL, a charging authority should use an area-based approach, involving a broad test of viability across their area. This should use appropriate available evidence, recognising that the available data is unlikely to be fully comprehensive. A sample of site types should be used, with a focus on strategic sites. More fine-grained sampling may be required where differential CIL rates are set. Rates should be reasonable and include a buffer, but there is no requirement for a proposed rate to exactly mirror the evidence[21].

2.1.17 Differential rates may be set in relation to geography, development type and/or scale. However undue complexity and disproportionate impact should be avoided. The charging authority should consider a zero CIL rate for locations, strategic sites and specific development types with low, very low or zero viability (subject to state aid compliance)[22].

Other guidance on viability testing for development

2.1.18 Guidance has been published to assist practitioners in undertaking viability studies for policy making purposes – "Viability Testing Local Plans - Advice for planning practitioners"[23]. The foreword to the Advice for planning practitioners includes support from DHCLG, the LGA, the HBF, PINS and POS. PINS and the POS24 state that:

"The Planning Inspectorate and Planning Officers Society welcome this advice on viability testing of Local Plans. The use of this approach will help enable local authorities to meet their obligations under NPPF when their plan is examined."

2.1.19 The approach to viability testing adopted for this study follows the principles set out in the Advice. The Advice re-iterates that:

"The approach to assessing plan viability should recognise that it can only provide high level assurance."

2.1.20 The Advice also comments on how viability testing should deal with potential future changes in market conditions and other costs and values and, in line with PPG, states that:

"The most straightforward way to assess plan policies for the first five years is to work on the basis of current costs and values". (page 26)

2.1.21 But that:

"The one exception to the use of current costs and current values should be recognition of significant national regulatory changes to be implemented………" (page 26)

Guidance on Land Value Benchmarks

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[19] PPG Paragraph: 009 Reference ID: 25-009-20140612
[20] PPG Paragraph: 017 Reference ID: 25-017-20140612
[21] PPG Paragraph: 019 Reference ID: 25-019-20140612
[22] PPG Paragraph: 021 Reference ID: 25-021-20140612
[23] The guide was published in June 2012 and is the work of the Local Housing Delivery Group, chaired by Sir John Harman, which is a cross-industry group, supported by the Local Government Association and the Home Builders Federation.
[24] Acronyms for the following organisations - Department of Communities and Local Government, LGA Environment and Housing Board, Home Builders Federation, Planning Inspectorate, Planning Officers Society

2.1.22 Planning Practice Guidance sets out the principles that area wide viability studies should follow when taking land values into account:

‘To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called ‘existing use value plus’ (EUV+). ‘[25]

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*
- *be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.’*[26]

2.1.23 PPG goes on to define a ‘premium’ for a landowner as being:

‘*…reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements****’***[27]

2.1.24 The benchmark land values should therefore both reflect emerging policy requirements and planning obligations, and be informed by comparable market evidence which may or may not have taken current and or emerging policy requirements into account.

2.1.25 Advice for Planning Practitioners is similar to that contained within the PPG and states:

‘*We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values…….).****’***

2.1.26 Advice for Planning Practitioners also notes that reference to market values can still provide a useful ‘sense check’ on the benchmark values that are being used for testing, but it is not necessarily recommended that these are used as the basis for the input to a model. Therefore, land value benchmarks used to test plan policies can be less than the value at which land is being traded in the market. This point was highlighted in the London Mayoral CIL examiner’s report (also from 2012) which, sets out important principles in the treatment of benchmark land values

[25] PPG Paragraph 012 Reference ID: 10-012-20180724
[26] PPG Paragraph 013 Reference ID: 10-013-20180724
[27] PPG Paragraph 015 Reference ID: 10-015-20180724

'Finally the price paid for development land may be reduced. As with profit levels there may be cries that this is unrealistic, but a reduction in development land value is an inherent part of the CIL concept. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the prospect of raising funds for infrastructure would be forever receding into the future. In any event in some instances it may be possible for contracts and options to be re-negotiated in the light of the changed circumstances arising from the imposition of CIL charges'.

2.1.27 Recent RICS research also highlights the drawback in using market evidence to set land value benchmarks:

'If market value is based on comparable evidence without proper adjustment to reflect policy compliant planning obligations, this introduces a circularity, which encourages developers to overpay for sites and try to recover some or all of this overpayment via reductions in planning obligations'.[28]

2.1.28 Recent guidance in London[29] is also consistent with these views, stating that:

'The Mayor considers that the 'Existing Use Value plus' (EUV+) approach is usually the most appropriate approach for planning purposes. It can be used to address the need to ensure that development is sustainable in terms of the NPPF and Development Plan requirements, and in most circumstances the Mayor will expect this approach to be used.' Para 3.47

Local policy requirements

2.1.29 The NPPF is clear that viability testing should take into account the costs of any requirements likely to be applied to development. Therefore, a planning policy review has been undertaken. The East Devon District Local Plan is the main planning document for East Devon District Council. It sets out the overarching spatial strategy and development principles for the area together with more detailed policies to help determine planning applications. An analysis of the Local Plan policies is set out in Annex E which provides a summary of each policy, potential impact on viability and implications for viability testing. Policies that have been identified as having implications for viability testing include:

- **Strategy 9 - Major Development at East Devon's West End**, which refers to funding contributions sought from development to secure infrastructure. Infrastructure funding allowances included in viability testing for strategic West End sites including Cranbrook.
- **Strategy 10 - Green Infrastructure in East Devon's West End**, which refers to mitigation provision from development. Provision of open space, SAMMS and SANGS is included in the modelling.
- **Strategy 11 - Integrated Transport and Infrastructure Provision at East Devon's West End**, which refers to requirements for transport infrastructure to support development in the West End; plus low carbon heat and power supply; waste management facilities and waste water treatment; data service infrastructure provision; health and education provision. Infrastructure costs are included in testing in line with the IDP.
- **Strategy 12 - Development at Cranbrook**, which refers to gypsy and traveller provision, phased delivery of 18.4ha employment land, town centre, social/community/education,

[28] RICS, 2015, Financial Viability Appraisal in Planning Decisions: Theory and Practice
[29] GLA, 2017, Affordable Housing and Viability SPD 2017

district heating, transport and other infrastructure. The viability testing is based on the Cranbrook Plan, with infrastructure costs included.

- **Strategy 13 - Development North of Blackhorse/Redhayes** and **14 - Development of an Urban Extension at Pinhoe**. These refer to neighbourhood centre, social & community facilities, low carbon heat and energy network (Blackhorse/Redhayes, contributions to education and transport infrastructure; plus employment provision. The viability testing includes West End strategic case studies with infrastructure costs from the IDP.
- **Strategy 17 - Future Development at or near Exeter International Airport**, which refers to noise mitigation requirements. Noise mitigation costs are included for Cranbrook.
- **Strategy 20 – Development at Axminster**, which refers to 8 ha employment/mixed use; 1FE primary school, North-South relief road, 15 ha employment at Millwey Rise, plus mitigation for the River Axe phosphate load. Infrastructure costs included in testing (in line with the IDP), plus mitigation costs.
- **Strategies 22-26 Development at Exmouth, Honiton, Ottery St Mary, Seaton and Sidmouth**, which variously require transport, education and open space. Allowances are included for the larger case studies in these locations.
- **Strategy 31- Future Job and Employment Land Provision**, which requires that large scale housing development should include 1 job/dwelling and 1ha employment land for every 250 homes. The strategic site case studies include allowances for employment land in gross site area.
- **Strategy 34 - District Wide Affordable Housing Provision Targets**, with 25% affordable housing in Axminster; Exmouth; Honiton; Ottery St Mary; Seaton; and major strategic 'West End' development sites. 50% affordable housing elsewhere. Mix is 70% social/affordable rented and 30% intermediate or other. Affordable housing is included in dwelling mix for case studies above 10 dwellings.
- **Strategy 35 – Exception Mixed Market and Affordable Housing at Villages, Small Towns and Outside Built-up Area Boundaries**, with 66% minimum affordable dwellings. The viability testing includes RES sites with 66% affordable housing.
- **Strategy 36 - Accessible and Adaptable Homes and Care/Extra Care Homes**, which requires that for 10 dwellings all of the affordable housing and around 20% of market units will meet part M4(2). M4(2) costs are included in testing.
- **Strategy 38 - Sustainable Design and Construction** - larger developments in the West End which will include allowances for district heat. Larger commercial developments includes BREEAM Very Good.
- **Strategy 40 - Decentralised Energy Networks**, which requires that new development of 1,000 sq m or ten plus dwellings to connect to any existing, or proposed, decentralised energy network. The viability testing of larger sites includes district heat connection costs.
- **Strategy 43 - Open Space Standards**, which set 3.0-3.5 sq m amenity, 1 sq m children/youth and 29-32 sq m other open space per person, with different requirements for size and location of development. Open space standards are included in the case studies.
- **Strategy 47 - Nature Conservation and Geology**, which requires mitigation for impacts on Exe Estuary or Pebblebed Heaths European sites if within 10 km. SAMMS allowances included in testing, along with onsite SANGS for Cranbrook.

2.1.30 In addition to the Local Plan, the Cranbrook DPD also contains requirements that have an impact on viability. These include:

- Secondary and primary schools, with special educational need provision
- Provision of community buildings
- Provision of employment land
- Open space (children's play, open space and allotments)
- Space for retail development
- Sports hub and pitches/courts
- Space for the expansion of the energy centre
- Gypsy and traveller sites
- Cemetery
- Undergrounding of power lines
- Self/custom build plots
- Transport enhancements including facilities for additional rail services as well as London Road enhancements
- Enhanced carbon standards
- Parking standards
- Electric vehicle charging
- SANGS provision
- Nationally Described Space Standards

2.2 Principles of viability testing

2.2.1 The Advice for planning practitioners summarises viability as follows:

'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 the developer to ensure that 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.' (page 14)

2.2.2 Reflecting this definition of viability, and as specifically recommended by the Advice for planning practitioners, we have adopted a residual value approach to our analysis. Residual value is the value of the completed development (known as the Gross Development Value or GDV) less the costs of undertaking the development. The residual value is then available to pay for the land. The value of the scheme includes both the value of the market housing and affordable housing (and other non-residential values). Scheme costs include the costs of building the development, plus professional fees, scheme finance and a return to the developer. Scheme costs also include planning obligations (including affordable housing, direct s106 costs) and the greater the planning obligations, the less will be the residual value.

2.2.3 The residual value of a scheme is then compared with a benchmark land value. If the residual value is less than the benchmark value, then the scheme is less likely to be brought forward for development and is considered unviable for testing purposes. If the residual value exceeds the benchmark, then it can be considered viable in terms of policy testing.

2.2.4 The benchmark land values used in the testing are a measure of a competitive return to a landowner for the purposes of viability testing. PPG paragraph 012 – 015 sets out that benchmark land values should be based on the current use value of a site plus an appropriate site premium in most cases. The principle of this approach is that a landowner should receive at least the value of the land in its ‘pre-permission’ use, which would normally be lost when bringing forward land for development. The benchmark land values used in this study are based on the principle of 'Existing Use Value Plus' which is considered further, along with other approaches to determining land value in a later chapter.

2.2.5 Note the approach to Local Plan level viability (or CIL) assessment does not require all sites in the plan to be viable. The Harman Report says that a site typologies approach (i.e. assessing a range of example development sites likely to come forward) to understanding plan viability is sensible, a view echoed in CIL guidance. Viability *'…is to provide high level assurance that the policies with the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan”*.

2.2.6 The residual land value assessments carried out in this study to model the viability of case studies have been undertaken using the Three Dragons Toolkit. The range of development scenarios in East Devon could be extensive and therefore it is not possible to model each of these. In line with national guidance set out in the PPG, typical typologies have been developed and tested using a range of value and cost assumptions, to give a broad understanding of viability across East Devon.

3 Approach to testing and case studies

3.1 Uses included in the testing

3.1.1 The uses tested are listed below and focus on developer-led forms of development rather than publicly led uses such as new infrastructure facilities or development types that are not common:

Residential

- Residential for sale

Specialist housing

- Sheltered housing
- Extra care housing
- Care homes

Non-residential

- Offices
- Industrial/warehouse
- Retail – in town and edge of town
- Leisure
- Hotel

3.2 Case study selection

3.2.1 The study uses a case study approach for the testing undertaken. The case studies selected for testing were identified in discussion with East Devon District Council. They are not intended to represent specific development proposals, but to reflect typical forms of development that are likely to come forward over the plan period. The exception is Cranbrook, where the development in the new Cranbrook Plan is specifically tested, and this is discussed separately in section 6.

3.2.2 The case studies are set out below, organised in the three broad groups of development types (residential, specialist housing and non-residential).

Residential and specialist housing case studies

3.2.3 The residential case studies are set out in table 3.1. These include a set of small sites which are below the affordable housing threshold (10 dwellings) as well as some medium and large sites. These site typologies have been developed in discussion with the East Devon District Council and the large sites were developed to be representative of the strategic sites in the Local Plan. The site typologies were also discussed in the July 2017 developer workshop, where it was suggested that a higher density town centre scheme should be included, and this has been added. The proportions of net developable reflect policy requirements as well as typical characteristics[30].

3.2.4 The specialist housing case studies in Table 3.2 include sheltered and extra care housing[31]. The care home typology covers residential care homes or nursing homes and is where integral 24-hour personal care and/or nursing care are provided together with all meals.

3.2.5 At the July 2017 workshop it was suggested that age-restricted market housing/retirement villages might also be included. Retirement villages can include age-restricted market housing, sheltered/extra care and care home accommodation, as well as a range of communal facilities. Whilst we indicate what a Village might comprise of, it is difficult to develop a typical scheme and the variance could be considerable. Therefore, in terms of charging we consider that the separate uses within a Village have been tested and in terms of CIL, these would each be charged at the prevailing rate for that use e.g. retail, general housing or supported housing.

3.2.6 Rural exceptions sites (Local Plan Strategy 35) are not included in the viability testing as the priority for these sites is maximum delivery of affordable housing[32].

Table 3.1 Residential case studies

Case study number	Description	Dwellings	Density	Net site ha	Gross site ha	Net to gross
1	Small site no AH	2	30	0.067	0.067	100%
2a	Small site no AH	8	35	0.229	0.229	100%
2b	Small site with AH	8	35	0.229	0.229	100%
3	Medium site	30	35	0.857	0.9	95%
4	Medium site	50	35	1.429	1.587	90%
5	Large site	150	35	4.286	5.357	80%
6	Large site (2 developers)	500	35	14.286	20.408	70%
7	Large site (3 developers)	900	35	25.714	46.753	55%
8	High density infill	16	80	0.20	0.25	80%

Table 3.2 Specialist Housing case studies

Case study number	**Description**	**Dwellings**	**Density**	**Net site ha**	**Gross site ha**	**Net to gross**
9	Retirement housing (Sheltered)	60	120	0.50	0.50	100%
10	Supported housing (Extracare)	50	100	0.50	0.50	100%

[30] This approach is different to the HELAA methodology, which is an indicative approach to approximate site capacity
[31] As defined by the retirement housing group https://retirementhousinggroup.com/advice-retirement-housing/
[32] The preamble for Strategy 35 makes it clear that the only justification for market housing in these rural sites is to subsidise the provision of affordable housing. Infrastructure contributions or other planning obligations are not part of Strategy 35, and therefore including CIL on these sites may require additional market housing to be deliverable.

Case study number	Description	Beds	Floorspace	Gross site ha
11	Care Home	60	3,000	0.38

3.2.7 Table 3.3 shows what case studies are tested in different value areas (value areas are discussed further in section 4).

Table 3.3 Case studies by value area

			Apply in which value area?				
Case study	**Description**	**Dwellings**	**East of Exeter**	**Cranbrook**	**Exmouth, Ottery Honiton, Axminster and Seaton**	**Sidmouth and Budleigh Salterton**	**Rural**
1	Small site no AH	2	-	-	Yes	Yes	Yes
2a	Small site no AH	8	-	-	Yes	Yes	Yes
2b	Small site with AH	8	-	-	Yes	Yes	Yes
3	Medium site	30	-	-	Yes	Yes	Yes
4	Medium site	50	-	-	Yes	Yes	Yes
5	Large site	150	Yes	-	Yes	Yes	Yes
6	Large site	500	Yes	-	Yes	-	-
7	Large site	900	Yes	-	-	-	-
8	High density infill	16	-	-	Yes	Yes	-
9	Sheltered housing	60	Yes			Yes	
10	Extracare housing	50	Yes			Yes	
11	Care Home	60 (rooms)	Yes				

3.2.8 The Cranbrook extension testing assumptions are detailed separately in section 6.

Non residential case studies

3.2.9 As with the residential and older person housing case studies the testing has been conducted on a hypothetical typical site basis. This is because it is impossible for this study to consider viability on a site-specific basis at this stage, given that there will be insufficient data on site-specific costs and values. Site-specific testing would also be considering detail on purely speculative/assumed scenarios, producing results that would be of little use for a study for strategic consideration.

3.2.10 Retail case studies include convenience and comparison, in and out of town centre locations. There is no primary retail centre in East Devon, with the nearest prime location being Exeter City. Our town centre comparison analysis is therefore based on the small town high streets in Honiton, Exmouth, and Sidmouth and where data is available Ottery St Mary, Budleigh Salterton, Axminster and Seaton.

3.2.11 In the past leases to the main supermarket operators have commanded a premium with investment institutions. Although there are some small regional variations on values, they are reasonably standard across the country with investors focusing primarily on the strength of the operator covenant and security of income. As a result, it is reasonable to use a broad geographical evidence base for convenience retail.

3.2.12 There has been a structural change in convenience retailing in recent years with an end to the expansion of the largest format convenience retailing and more emphasis on smaller supermarket formats (as used by both discount and premium convenience operators) and greater provision of small format stores, often within the Sunday trading threshold (280 sq m display floor area), also often in existing floorspace. These changes reflect the alterations in shopping habits.

3.2.13 Whilst it is acknowledged that some of the larger urban extensions and Cranbrook will have ‘new’ local and town centres these have not been tested separately as there is little or no comparable evidence to test the potentially different economic dynamic. However, emerging information from Cranbrook in particular suggests that this type of development is generally cross subsidised by the housing and therefore it is unlikely to have sufficient value to support separate charging in any event.

3.2.14 There is significant employment activity and planned growth in the west of the district around the airport and the periphery of Exeter. We have therefore tested office, industrial and warehouse uses in these locations as well as more traditional centres. Whilst potentially office development could be in both in and out of centre, it is anticipated that industrial uses and warehouses will be located only in out of centre locations but will vary in size.

3.2.15 Nationally, there has been significant growth in the provision of budget hotels[33], with relatively few full-service hotels outside the major conurbations. The most likely new-build hotel development in East Devon is a budget hotel[34] and the testing has used a budget hotel development of 70 rooms over two storeys, this could be in either a coastal centre or near business activity in an out of centre location.

3.2.16 The following table sets out not only the case study descriptions but also the assumed net developable site area for each development type and the amount of floorspace this is likely to support on typical sites across East Devon.

Table 3.4 Non residential case studies

Ref.	Use	Description	Gross floorspace (sqm)	Gross site area (h)
NR1	Office	Prime/Exeter Fringe	2,500	0.08
NR2	Office	East Devon towns	1,000	0.07
NR3	Industrial	Out of centre	1,600	0.40
NR4	Warehouse	Prime/Exeter Fringe	5,000	1.25
NR5	Retail convenience	Small local store	300	0.05
NR6	Retail convenience	Supermarket	1,100	0.2
NR7	Retail comparison	Town centre	200	0.1
NR8	Retail comparison	Out of centre/retail warehouse/park	1,000	0.25

[33] The British Hospitality Association Trends and Developments Report 2012 indicates that budget hotels are defined as a property without an extensive food and beverage operation, with limited en-suite and in-room facilities (limited availability of such items as hair dryers, toiletries, etc.), low staffing and service levels and a price markedly below that of a full service hotel.
[34] https://www.knightfrank.co.uk/blog/2018/07/12/knight-frank-launches-uk-hotel-development-opportunities-2018-report

Ref.	Use	Description	Gross floorspace (sqm)	Gross site area (h)
NR9	Hotel	Budget/business	2,800 (70 rooms)	0.16

4 Residential and specialist housing testing assumptions

4.1 Residential - testing assumptions

Mix of dwellings

4.1.1 For each case study, a mix of dwellings was devised which varied with the density of the scheme. These mixes were agreed with East Devon District Council.

Table 4.1 Market dwelling mix

Type	30 dph	35 dph	40 dph	80 dph
2 bed flat		5%	5%	80%
2 bed terrace	10%	15%	15%	20%
3 bed terrace	10%	10%	20%	
4 bed terrace			20%	
3 bed semi	25%	20%	20%	
3 bed detached	20%	20%	10%	
4 bed detached	25%	20%	10%	
5 bed detached	10%	10%	0%	

Table 4.2 Affordable rented dwelling mix

Type	30 dph	35 dph	40 dph	80 dph
2 bed flat	50%	50%	50%	100%
2 bed terrace	25%	25%	25%	
3 bed terrace	25%	25%	25%	

Table 4.3 Shared ownership dwelling mix

Type	30 dph	35 dph	40 dph	80 dph
2 bed flat				100%
2 bed terrace	50%	50%	50%	
3 bed terrace	50%	50%	50%	

Size of dwellings

4.1.2 The size of dwelling affects both their market value (as sale values were assessed on a per sq m basis) and their development costs. For schemes of 35 and 40dph, an allowance of 10% of floor area in table 4.4 is added to the 1-2 storey flats for circulation and common areas. An allowance of 15% circulation is made for the 4-5 storey 80dph scheme. An allowance of 25% floor area is added to Sheltered housing, and 35% for ExtraCare housing to allow for circulation, common and service areas.

Table 4.4 Market and affordable dwelling sizes

Dwelling sizes	sq m net of circulation	
	Market	Affordable
1 bed flat	50	50
1 bed flat (Sheltered)	50	50
1 bed flat (Extracare)	65	65
2 bed flat	61	61
2 bed flat (Sheltered)	75	75
2 bed flat (Extracare)	80	80

Dwelling sizes	**sq m net of circulation**	
	Market	**Affordable**
2 bed terrace	70	70
3 bed terrace	93	93
4 bed terrace	115	
3 bed semi	100	
3 bed detached	105	
4 bed detached	125	
5 bed detached	160	

Values

4.1.3 The set of the market values in East Devon was derived from an analysis of new build Land Registry data for the period June 2014 to April 2018, indexed to May 2018 using Land Registry House Price Index (details in Appendix B). The Land Registry data was matched to Energy Performance Certificates to enable a value per sq m to be generated for the different house types. This is then grossed up by the dwelling sizes to provide an approximate dwelling value.

4.1.4 Analysis of the house price data shows that there are different house price value areas in East Devon. These are shown in Figure 4.1 below.

Figure 4.1 East Devon Value Areas

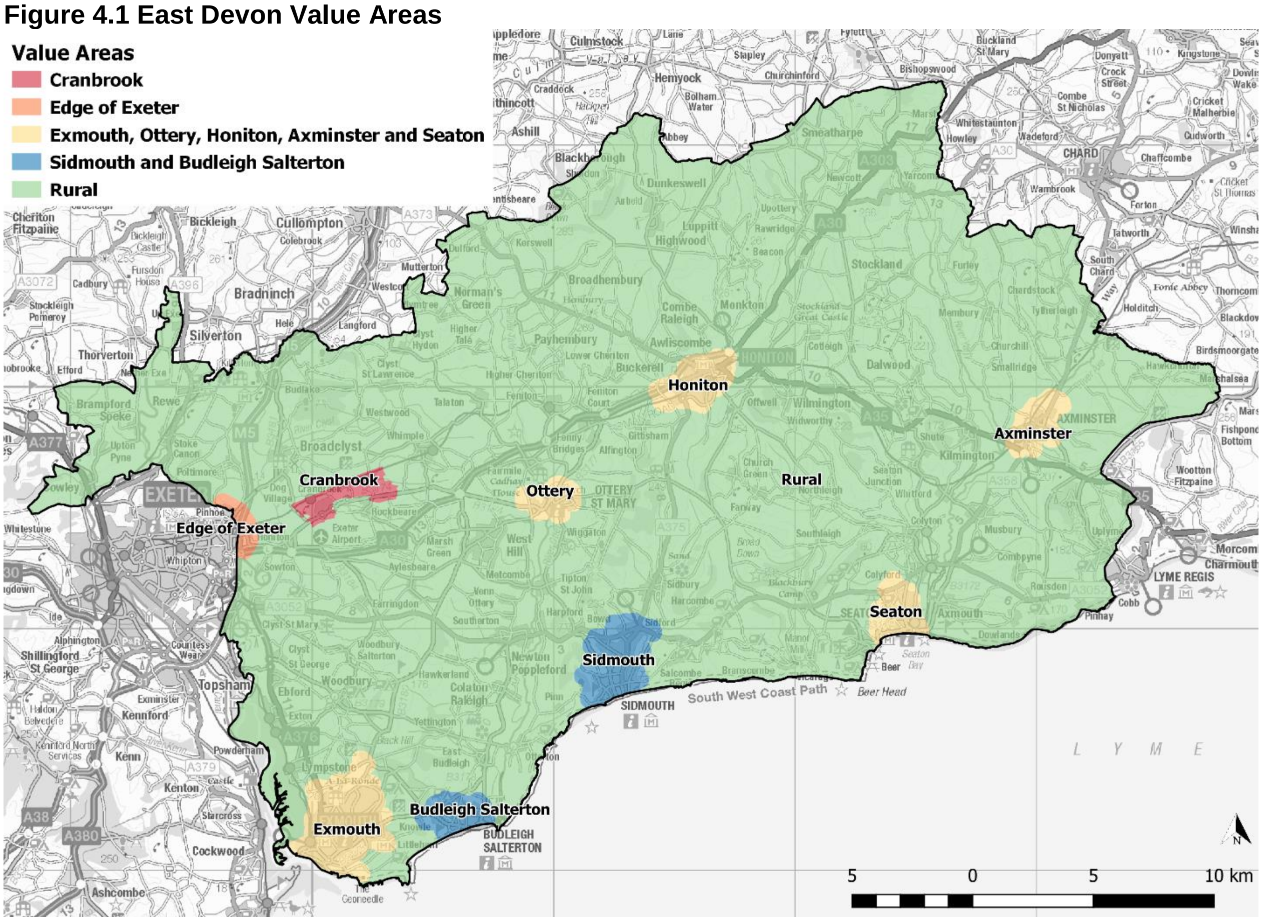

Table 4.5 Market values by dwelling types

Dwelling value estimates	**1 bed flat**	**2 bed flat**	**2 bed terrace**	**3 bed terrace**	**4 bed terrace**	**3 bed semi**	**3 bed detached**	**4 bed detached**	**5 bed detached**
Edge of Exeter[35]	£157,000	£191,000	£200,000	£266,000	£328,000	£333,000	£344,000	£409,000	£524,000
Cranbrook	£144,000	£176,000	£202,000	£268,000	£332,000	£299,000	£309,000	£368,000	£471,000
Exmouth, Ottery, Honiton, Axminster & Seaton	£175,000	£213,000	£197,000	£262,000	£324,000	£310,000	£340,000	£405,000	£518,000
Sidmouth and Budleigh Salterton	£219,000	£267,000	£279,000	£371,000	£459,000	£370,000	£451,000	£537,000	£687,000
Rural	£105,000	£128,000	£212,000	£282,000	£349,000	£314,000	£359,000	£428,000	£548,000

4.1.5 For small sites of three dwellings or less a 5% value premium is included for exclusivity.

4.1.6 Sheltered and extracare values are based on the Retirement Housing Group (RHG) guidance[36]. Selling prices for sheltered schemes (CS9) are based on the selling price of a 3-bed semi in each market area. The selling price of a 2-bed sheltered flat is the same as the 3-bed semi, with the value of a 1 bed sheltered flat set at 75% of a 3-bed semi. For extracare schemes, selling prices are 125% of the selling prices for sheltered housing. These values were checked against the limited sales evidence available, which included two sheltered schemes in Exeter and an extracare scheme in Exmouth. This cross check suggested that extracare values in this area may be lower than the values indicated by the RHG method and so these have been adjusted accordingly. Because of the paucity of local evidence, the value areas for sheltered and extracare housing have been grouped and the values are in Table 4.6.

4.1.7 The viability testing for sheltered and extracare schemes includes affordable housing at policy levels and the value of the affordable housing is the same as for general housing. However, affordable housing may not be required in all cases (for example if the use class is C2 rather than C3).

[35] Edge of Exeter value area draws from new build on the periphery of Exeter, identified area is illustrative of broad location.
[36] Three Dragons for RHG, 2016, CIL and Sheltered/Extracare Developments briefing note.

Table 4.6 Sheltered and extracare values

Location	Market				Affordable Rent				Shared ownership			
	Sheltered		Extracare		Sheltered		Extracare		Sheltered		Extracare	
	1bf	2bf	1bf	2bf	1bf	2bf	1bf	2bf	1bf	2bf	1bf	2bf
Sidmouth Budleigh Salterton/ Rural	244,985	326,647	306,231	408,309	67,000	100,000	67,000	100,000	183,739	244,985	229,674	306,231
East of Exeter/ Exmouth, Ottery, Honiton, Axminster & Seaton	235,651	314,202	294,564	392,752	67,000	100,000	67,000	100,000	176,738	235,651	220,923	294,564

Care home

4.1.8 Care homes are assumed to have a capital value of £95,000 per bedroom, based on a review of data from Costar Suite. We have tested a care home of 60 beds with a floorspace of 3,000 sq m[37].

Affordable housing values

4.1.9 The viability testing is based upon 25% affordable housing split 70% affordable rent and 30% shared ownership[38]. In rural areas, Budleigh Salterton and Sidmouth the proportion of affordable housing is tested at 50% in line with policy.

4.1.10 Discussion with the Council's Housing Enabler in November 2017 and a survey of local Registered Providers in January 2018 was used to provide the transfer values for affordable housing in East Devon (i.e. an estimate of how much the RPs may pay for the affordable units).

Table 4.7 Affordable housing transfer values

Affordable rent	**Edge of Exeter**	**Cranbrook**	**Exmouth, Ottery, Honiton, Axminster & Seaton**	**Sidmouth & Budleigh Salterton**	**Rural**
1 bed flat	£90,000	£90,000	£67,000	£67,000	£67,000
2 bed flat	£121,000	£121,000	£100,000	£100,000	£100,000
2 bed terrace	£146,000	£146,000	£108,000	£108,000	£108,000
3 bed terrace	£163,000	£163,000	£136,000	£136,000	£136,000
4 bed terrace	£186,000	£186,000	£183,000	£183,000	£183,000
Shared ownership					
2 bed terrace	£168,200	£156,800	£159,400	£212,800	£175,900
3 bed terrace	£198,000	£184,600	£187,700	£250,500	£207,100

Build costs

4.1.11 Build costs can vary due to location, development type, proposed tenure type, proposed tenure mix, storey height, and building use. The Build Cost Information Service (BCIS)[39] is used to provide benchmarking information for build costs. A BCIS factor can also be utilised to adjust data for its location. Residential build costs are based on actual tender prices for new builds over a 15-year period and the tender price data is rebased to East Devon prices using BCIS defined adjustments, to give the build costs for small and large schemes.

4.1.12 We understand from various cost consultants that volume and regional house builders can comfortably operate within the BCIS lower quartile cost figures, especially given that they are likely to achieve significant economies of scale in the purchase of materials and the use of

[37] Note that the care home case study is tested using the non-residential toolkit and therefore the appraisal summary can be found in Annex F
[38] Note that the policy allows social or affordable rent, and intermediate or other
[39] Published by the Royal Institution of Chartered Surveyors (RICS)

labour. Many smaller and medium sized developers of houses are usually unable to attain the same economies, so their construction costs may be higher although this will vary between housebuilders and sites. We have worked with BCIS to identify how costs change according to the size of the development. We have used this analysis by BCIS to inform our approach to testing in East Devon. Note that the variable build costs by site size is applied to houses only, as flat build costs do not show the same pattern – instead flat build costs vary by height.

4.1.13 In addition to the dwelling build costs, allowances are made of 10-15% on build costs for external works[40] and contingency. For smaller schemes, the higher build costs are combined with higher allowances for external works and contingency, while for larger sites we use lower dwelling costs and external works allowances but with additional allowances for site infrastructure costs. For larger sites, specific allowances are also made for garages, with £7,500 for each detached house. Table 4.8 illustrates the BCIS rates and Table 4.9 shows how they are applied to the different case studies in the testing, along with the further allowances for site infrastructure and garages.

Table 4.8 Residential development costs

Type	Base build costs £/sq m	Site size dwellings
Estate Housing Mean +5%	£1,274	2-5
Estate Housing Mean	£1,213	6-10
Estate Housing Mean 95%	£1,152	11-50
Estate Housing Mean 92%	£1,116	51-100
Estate Housing Mean 89%	£1,080	101-200
Estate Housing Lower Quartile	£1,038	201+
Flats 1-2 storey	£1,384	All
Flats 3-5 storey	£1,392	All
Supported housing mean	£1,554	All

[40] External works include local hard and soft landscaping, footpaths and internal road, drainage and service diversions and parking

Table 4.9 Other construction costs

Case Study Details								
Case study	Description	Dwellings	BCIS rate	Prof Fees	Residual s106/dwg [41]	External works+ contingency%/ site infrastructure%	Garages allowance (total)	District Heating Cost (East of Exeter only)/ dwelling
1	Small site no AH	2	Mean + 5%	8%	£0	15%/0%	£8,250	-
2a	Small site no AH	8	Mean	8%	£0	15%/0%	£33,000	-
2b	Small site with AH	8	Mean	8%	£0	15%/0%	25% AH £24,750 50% AH £15,000*	-
3	Medium site	30	95% Mean	8%	£1,500	15%/0%	25% AH £84,375 50% AH£56,250*	-
4	Medium site	50	95% Mean	8%	£1,500	15%/0%	25% AH £140,625 50% AH %93,750*	-
5	Large site	150	89% Mean	6%	£1,500	15%/10%	25% AH £421,875 50% AH £281,250*	£5,000
6	Large site (2 developers)	500	Lower quartile	6%	£1,500	15%/15%	£1,406,250	£5,000
7	Large site (3 developers)	900	Lower quartile	6%	£1,500	15%/15%	£2,531,250	£5,000
8	High density infill	16	Mean 3-5 storeys	8%	£1,500	15%/0%	-	-
9	Sheltered housing	60	Mean	6%	£1,500	15%/0%	-	-
10	Extracare housing	50	Mean	8%	£1,500	15%/0%	-	-
* There is no garages allowance for affordable housing								

[41] Note that case studies 5-7 have also been tested with an allowance of £20,000 for s106 as a sensitivity test

Other residential development costs

4.1.14 There are a range of other standard costs that need to be applied when undertaking the testing, and these include:

Table 4.10 Other development costs

Type	Cost	Comment
Professional fees	Up to 50 dwellings 8% 51+ dwellings 6%	of build costs
Finance	6%	of development costs (net of inflation)
Marketing fees	3%	of GDV
Developer return	15-20%	of GDV
Contractor return	6%	of build costs
Residual s106/278	£1,500 for all case studies over 10 dwellings	Per dwelling for children's play/informal greenspace/minor local transport
Affordable Housing	25% except in Rural Areas, Budleigh Salterton and Sidmouth 50%	70% affordable rented and 30% shared ownership
Agents and legal	1.75%	
Allowance for habitats (non CIL) and accessibility	£201.61	Per dwelling allowance for Strategic Access Management and Monitoring (SAMMs)[42].
Garages	£7,500	Applied for each detached house – see case study listing Assumed floor area 6m x 3m = 18sqm
DCF debit rate	6%	
DCF credit rate	0%	
Development rate per annum	Average 50 dwellings per developer/outlet per annum	First year will have reduced completions

4.1.15 Sales periods are typically longer for retirement housing than for general needs housing. In line with the RHG guidance we have assumed that 40% of units are sold at the end of the first year of sales, 30% during the second year of sales and 30% during the third year; with an 18 month build period before sales commence.

[42] http://eastdevon.gov.uk/media/2095279/plg_eeph10kzones-1.pdf. Note that this amount is based on development falling within 10km of both the Pebblebed Heaths and Exe Estuary – development outside this area will pay less (or nothing).

Additional costs

4.1.16 The proposed changes to the CIL regulations published as a consultation by MHCLG in December 2018 abolish regulation 123 lists and remove s106 pooling restrictions. If these proposed changes are adopted, development may make appropriate contributions to infrastructure delivery through s106 where it meets legal tests (directly related, fair, etc.), whilst CIL can also be spent to help meet funding gaps.

4.1.17 We are aware that some of the strategic sites in East Devon have policy requirements with viability implications (see the review of the Local Plan policies in sections 2). These include education, community and transport requirements. Based on discussion with East Devon District Council about the gap funding for these schemes we have allowed £20,000 per dwelling against these costs for the three large case study sites (CS5, CS6 and CS7).

Policy requirements

4.1.18 Housing has been assumed to meet Building Regs M4(2) Category 2, for all affordable and 20% of market housing. This allowance in based on the DCLG Housing Standards Costs Impact Document published in September 2014. However, whilst an allowance has been made this is a conservative approach as it is likely that these standards are starting to filter through general build costs prepared by BCIS.

4.2 Benchmark land values

4.2.1 Benchmark land values have been developed in accordance with the guidance discussed in section 2.1.

4.2.2 The previous CIL viability study in East Devon included a set of residential land value benchmarks that varied between £300,000 per ha for strategic sites to £1,000,000 per ha for smaller residential sites in higher value areas.

4.2.3 Land values were discussed at the July 2017 workshop. The residential land values discussed were as follows:

- Rural, Coast and Sidmouth £900,000 - £1,000,000 per ha
- Axminster, Honiton, Ottery, Exmouth, Seaton £500,000 - £600,000 per ha
- Large allocated/strategic sites including Cranbrook £300,000 per ha

4.2.4 The workshop discussion considered these values and while there was some suggestion that they could be too low in some circumstances, no alternative figures were suggested.

4.2.5 A review has been undertaken of market land transactions in East Devon and the edge of Exeter, using the Costar data basis. See Annex A for details. The land sales cover a broad spread of values, with the values per ha both above and below the benchmarks discussed in the workshop. A review was also undertaken of land titles for development sites (also in Annex A), and this also provided examples of values per ha. The land titles evidence suggested that it is not uncommon for land to be worth less than the benchmarks discussed at the workshop, with most of the values/transactions above agricultural values of £19,750/ha[43] but less than the benchmarks.

4.2.6 Industrial land in Exeter may be worth in the region of £0.8m/ha, for serviced and consented unconstrained industrial/warehouse sites that are in a typical urban, brownfield location, with nearby uses likely to include later, modern residential developments[44]. It is likely that industrial land in the less well-connected or sought-after locations in East Devon will be worth significantly less. The benchmark of £1m/ha is 25% above this industrial value and it is considered that this is sufficient to incentivise a sale for alternative uses (see the discussion in section 2.1).

4.2.7 In the parts of East Devon where industrial land is worth less then a lower benchmark will be appropriate, and we have used the £0.6m/ha discussed at the workshop.

4.2.8 Site values for strategic greenfield sites will reflect the lower agricultural values as well as the reduced proportion of developable land and the policy requirements typically associated with these larger developments. The benchmark of £0.3m/ha is just over 15 times agricultural values and remains a generous benchmark in the light of some of the land titles. Where there are higher than usual costs or policy requirements for strategic sites then the benchmark may need to be lower than the £0.3m in order to meet the guidance discussed in section 2.1.

4.2.9 As discussed in section 6 the land budget for the expansion of Cranbrook includes land for suitable alternative natural green space (SANG) and we are aware that a range of prices are being paid for land intended to perform as SANG. We have assumed that there is a small premium above agricultural value and therefore propose for the purposes of testing to allow for £25,000 per hectare (based on examples across the South of England) for the 78 hectares that are identified as land for SANG at Cranbrook. When this is included within the standard residential benchmark land value of £300,000 per gross hectare the total gross benchmark land value for all 227.94 hectares at Cranbrook is £205,414 per gross hectare.

[43] MHCLG, 2018, Land Value Estimates for Policy Appraisal
[44] MHCLG, 2018, Land Value Estimates for Policy Appraisal

4.2.10 Table 4.11 details the benchmarks used for the different case studies by value area.

Table 4.11 Benchmark Land Values

Case study	Description	Dwellings	East of Exeter £/ha	Cranbrook £/ha	Exmouth, Ottery Honiton, Axminster and Seaton £/ha	Sidmouth and Budleigh Salterton £/ha	Rural £/ha
1	Small site no AH	2	n/a	n/a	£0.6m	£1m	£1m
2a	Small site no AH	8	n/a	n/a	£0.6m	£1m	£1m
2b	Small site with AH	8	n/a	n/a	£0.6m	£1m	£1m
3	Medium site	30	n/a	n/a	£0.6m	£1m	£1m
4	Medium site	50	n/a	n/a	£0.6m	£1m	£1m
5	Large site	150	£0.3m	n/a	£0.3m	£0.6m	£0.6m
6	Large site	500	£0.3m	n/a	£0.3m	n/a	n/a
7	Large site	900	£0.3m	n/a	n/a	n/a	n/a
8	High density infill	16	n/a	n/a	£0.6m	£1m	n/a
9	Sheltered housing	60	£1m	n/a	£0.6m	£1m	£1m
10	Extracare housing	50	£1m	n/a	£0.6m	£1m	£1m
11	Care home	60 (rooms)	£0.8m				
12	Cranbrook extension	4,170	n/a	£0.2m	n/a	n/a	n/a

5 Results of the residential and older person testing

5.1 Introduction

5.1.1 This chapter summarises results of the residential viability appraisals for East Devon. The generic case studies are tested in the different value areas as set out in table 3.3.

5.1.2 The results of the testing are presented here as the residual value less the benchmark land value. This is expressed as a net residual value per sq m and provides the theoretical 'headroom' from which a CIL charge may be drawn.

5.1.3 Whilst there is no method prescribed to setting the CIL rate, guidance[45] suggests that the rate should not be at the margin of viability. Therefore, the CIL rate should not generally be set the same as the total headroom available and a buffer should be incorporated. The buffers used in other CIL studies have varied, but generally fall around 30-50%. The results presented here include figures with a buffer.

5.1.4 Some councils (and Examiners) have come to a view that a CIL rate which costs approximately 5% of GDV is generally acceptable and unlikely to put development at risk (although this does not appear in any formal guidance). We have presented 5% of the GDV per market sq m as a possible yardstick.

5.1.5 Each generic case study has been subjected to a detailed appraisal, complete with cashflow analysis for the larger case studies. A range of different scenarios are then presented, including residential and older person housing. Each set of scenarios sets out the maximum headroom for development contributions through a CIL charge. The testing has been simplified from previous viability studies to help provide a clearer set of results from which to recommend a CIL charge. The residential testing results are in Annex G and the summary appraisals are in Annex H, and the maximum potential CIL is based on dividing the net residual value less the benchmark land value by the market floor area[46].

5.2 Small sites

5.2.1 Case studies were tested at 2 and 8 dwellings in the following value areas:

- Exmouth, Ottery, Honiton, Axminster & Seaton
- Sidmouth & Budleigh Salterton
- Rural

5.2.2 Small sites are of particular interest because in most circumstances there will be no affordable housing on small sites of 9 or less units, as the threshold for affordable housing is the same as for major development (10 or more dwellings or site area of 0.5ha or more). Schemes of 6-9 units in designated rural areas are expected to make an affordable housing contribution and in-line with government policy the Council will seek such a contribution in the form of a commuted sum payment. In East Devon most of the coastal countryside is covered by Area of Outstanding

[45] Paragraph: 019 Reference ID: 25-019-20140612
[46] Please note in the summary appraisals the 'Affordable Rent Transfer Values' are listed under the 'Equity Share' heading within the summary

Natural Beauty designation[47], and East Devon also includes the Blackdown Hills AONB[48]. The eight-dwelling case study is therefore tested with and without affordable housing.

Table 5.1 Small sites results – theoretical maximum CIL

Case study	% AH	Max CIL/ sq m £s	CIL with 50% buffer /sq m £s	5% of GDV/sq m £s
Exmouth, Honiton, Axminster, Seaton & Ottery CS1 2 dwgs	0%	577	289	152
Exmouth, Honiton, Axminster, Seaton & Ottery CS2a 8 dwgs	0%	518	259	143
Exmouth, Honiton, Axminster, Seaton & Ottery CS2b 8 dwgs	25%	454	227	162
Sidmouth & Budleigh Salterton CS1 2 dwgs	0%	1,153	577	198
Sidmouth & Budleigh Salterton CS2a 8 dwgs	0%	1,065	532	188
Sidmouth & Budleigh Salterton CS2b 8 dwgs	50%	827	413	249
Rural CS1 2 dwgs	0%	580	290	159
Rural CS2a 8 dwgs	0%	495	248	148
Rural CS2b 8 dwgs	50%	252	126	209

5.2.3 The testing shows how the higher values in Sidmouth and Budleigh result in higher potential CIL rates, and this is also apparent to a lesser extent in Rural. The provision of affordable housing in designated rural areas reduces the potential maximum CIL rates. Generally, the potential CIL rates with a 50% buffer are above the 5% of GDV[49].

5.2.4 Taking into account the 'reasonableness' of the 5% of GDV, the testing of these small sites suggests that a CIL rate of £150/sq m may be suitable for the Exmouth, Ottery, Honiton, Axminster & Seaton value area, and the Rural value area. A rate of £200sq m may be suitable for the Sidmouth & Budleigh value area.

5.3 Medium sites

5.3.1 Three medium case studies have been tested with sites of 16, 30 and 50 dwellings in the following value areas:

- Exmouth, Ottery, Honiton, Axminster & Seaton
- Sidmouth & Budleigh Salterton
- Rural (except the higher density 16 dwelling infill scheme)

5.3.2 This covers sites with affordable housing that are mainly likely to come forward in villages and small towns, and a higher density infill flatted scheme.

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[47] http://www.eastdevonaonb.org.uk/our-work/policy-planning
[48] http://eastdevon.gov.uk/planning/planning-policy/environment-and-green-infrastructure/landscape/
[49] Note that the 5% of GDV/sq m is higher for some of these case studies with affordable housing as although the GDV decreases, the market floor space decreases to a greater extent.

Table 5.2 Medium sites – theoretical maximum CIL

Case study	% AH	Max CIL/ sq m £s	CIL with 50% buffer /sq m £s	5% of GDV/sq m £s
Exmouth, Honiton, Axminster, Seaton & Ottery CS3 30 dwgs	25%	503	251	163
Exmouth, Honiton, Axminster, Seaton & Ottery CS4 50 dwgs	25%	563	281	163
Exmouth, Honiton, Axminster, Seaton & Ottery CS8 16 dwgs	25%	177	89	185
Sidmouth & Budleigh Salterton CS3 30 dwgs	50%	864	432	249
Sidmouth & Budleigh Salterton CS4 50 dwgs	50%	949	475	249
Sidmouth & Budleigh Salterton CS8 16 dwgs	50%	340	170	293
Rural CS3 30 dwgs	50%	291	145	209
Rural CS4 50 dwgs	50%	355	177	209

5.3.3 The higher density infill scheme is less viable than the lower density schemes although still able to support a CIL rate.

5.3.4 The testing again suggests that a rate of £150/sq m may be suitable for the Exmouth, Ottery, Honiton, Axminster & Seaton value area, and the Rural value area. While the buffer would be smaller at this CIL rate for the higher density scheme (15%), it would still be able to support £150/sq m and this rate would be 4% of GDV. A rate of £200/sq m may be suitable for the Sidmouth & Budleigh value area, although the buffer for the higher density scheme would again be smaller (41%), and this rate would be 3% of GDV.

5.4 Large sites

5.4.1 The 150 dwelling case study is tested in the following value areas:

- East of Exeter
- Exmouth, Ottery, Honiton, Axminster & Seaton
- Sidmouth & Budleigh Salterton
- Rural

5.4.2 In addition, the 500- and 900-dwelling case studies are tested in the East of Exeter value area and the 500-dwelling case study in the Exmouth, Ottery, Honiton, Axminster & Seaton value area.

Table 5.3 Large sites – theoretical maximum CIL

Case study	% AH	Max CIL/ sq m £s	CIL with 50% buffer /sq m £s	5% of GDV/sq m £s
East of Exeter CS5 150 dwgs	25%	550	275	169
East of Exeter CS6 500 dwgs	25%	505	253	169
East of Exeter CS7 900 dwgs	25%	463	232	169
Exmouth, Honiton, Axminster, Seaton & Ottery CS5 150 dwgs	25%	503	252	163

Case study	% AH	Max CIL/ sq m £s	CIL with 50% buffer /sq m £s	5% of GDV/sq m £s
Exmouth, Honiton, Axminster, Seaton & Ottery CS6 500 dwgs	25%	400	200	163
Sidmouth & Budleigh Salterton CS5 150 dwgs	50%	878	439	249
Rural CS5 150 dwgs	50%	288	144	209

5.4.3 The testing again suggests that a rate of £150/sq m may be suitable for the Exmouth, Ottery, Honiton, Axminster & Seaton value area, and the Rural value area. A rate of £200/sq m may be suitable for the Sidmouth & Budleigh value area.

Large site sensitivity testing

5.4.4 Larger sites generally have the majority of their infrastructure provision on or near to the site and wholly related to directly mitigating the impact of the development. For this reason, the development industry generally has expressed a preference for such provision to be funded through s106 where there is more control over delivery. This view was echoed through the Peace review[50] which noted a number of issues when a high CIL was applied to larger sites. A number of charging authorities have responded by zero rating this type of development.

5.4.5 Additional sensitivity testing has been undertaken for the larger sites, to take account of the possibility that the r123 lists may be abolished and larger strategic sites may have to directly provide infrastructure. The sensitivity tests deduct £20,000 per dwelling from the residual value and are applied to the case studies in the East of Exeter value area, the Exmouth, Ottery, Honiton, Axminster & Seaton value area, and the Sidmouth and Budleigh value area.

Table 5.4 Large sites – theoretical maximum CIL with additional costs

Case study	% AH	Max CIL/ sq m £s	CIL with 50% buffer /sq m £s	5% of GDV/sq m £s
East of Exeter CS5 150 dwgs	25%	316	158	169
East of Exeter CS6 500 dwgs	25%	271	136	169
East of Exeter CS7 900 dwgs	25%	229	115	169
Exmouth, Honiton, Axminster, Seaton & Ottery CS5 150 dwgs	25%	269	135	163
Exmouth, Honiton, Axminster, Seaton & Ottery CS6 500 dwgs	25%	166	83	163
Sidmouth & Budleigh Salterton CS5 150 dwgs	50%	527	264	249

5.4.6 This sensitivity testing shows that if there are additional costs of this magnitude then it would be prudent to reduce the CIL rates for strategic sites. This suggests the CIL rate for strategic sites in the East of Exeter and the Exmouth, Ottery, Honiton, Axminster & Seaton value areas should be c.£100/sq m, although this would see a reduced buffer for the 500-dwelling case study in the Exmouth, Honiton, Axminster, Seaton & Ottery value area (40%). It would also be prudent to

[50] Government commissioned review of CIL - A new approach to developer contributions: A report by the CIL review team, Chaired by Liz Peace – Para 4.1.5

reduce the rates for strategic sites in Sidmouth and Budleigh to say £175/sq m, although the figures suggest that the case study may still be able to support the general £200/sq m rate. Alternatively, if the Council is concerned about delivery on these sites it may choose to zero rate them for CIL, which would allow more for onsite infrastructure and other planning obligations.

5.4.7 However, these reduced rates would only apply if the government makes the proposed changes to the regulations and East Devon District Council chose to amend the s106/278 requirements for strategic sites.

5.5 Older Persons Housing

5.5.1 Three older person housing case studies were tested - sheltered, extracare and care homes. The sheltered and extracare housing case studies were tested in amalgamated value areas and the care home in a composite East Devon value area as the evidence of values does not enable any further disaggregation. The testing for sheltered and extracare assumes a C3 use class and includes affordable housing. However, sometimes extracare is considered C2[51] and if so, viability would be improved. Care homes do not include affordable housing.

Table 5.5 Older persons housing – theoretical maximum CIL

Case study	% AH	Max CIL/ sq m £s	CIL with 50% buffer /sq m £s	5% of GDV/sq m £s
Sidmouth & Budleigh Salterton older persons & Rural older persons CS9 60 dwgs sheltered	50%	0	0	262
East of Exeter, Exmouth, Honiton, Axminster, Seaton, Ottery & Feniton older persons CS9 60 dwgs sheltered	25%	117	58	202
Sidmouth & Budleigh Salterton older persons & Rural older persons CS10 50 dwgs extracare	50%	0	0	253
East of Exeter, Exmouth, Honiton, Axminster, Seaton, Ottery & Feniton older persons CS10 50 dwgs extracare	25%	75	37	199
East Devon CS11 60 rooms care home	0%	0	0	209

5.5.2 The sheltered and extracare housing case studies are able to support a relatively small CIL in the combined East of Exeter, Exmouth, Honiton, Axminster, Seaton and Ottery value area. However, in Sidmouth & Budleigh Salterton and in the Rural value area (where 50% affordable housing is required), older persons' housing is not able to support a CIL.

5.5.3 Care homes are not viable and are not able to support a CIL.

5.6 Summary

5.6.1 For most residential development in East Devon a CIL rate of £150/sq m can be supported. In Sidmouth and Budleigh Salterton viability is stronger and a higher rate of £200/sq m can be supported. There is no clear case for varying the rates between smaller developments without affordable housing, or larger developments with affordable housing. The viability is affected by the proportion of affordable housing required as well as the difference in market values.

[51] https://acp.planninginspectorate.gov.uk/ViewCase.aspx?caseid=3177340

5.6.2 The exceptions to these general rates are older persons housing, where a CIL of £0/ sq m may be appropriate for sheltered and extracare housing in East Devon.

5.6.3 If East Devon District Council plans to amend the r123 list to require additional infrastructure for strategic sites or the Government abolishes r123 (as proposed in the consultation), then it will be appropriate to reduce the CIL rates for the strategic sites that may be affected. A reduced CIL rate for strategic sites with additional s106 costs in the East of Exeter and the Exmouth, Ottery, Honiton, Axminster & Seaton value areas should be c.£100/sq m, and the CIL rate for strategic sites with additional s106 costs in Sidmouth and Budleigh should be £150-£175/sq m.

6 Cranbrook Testing

6.1 Introduction

6.1.1 Cranbrook is a new community in East Devon close to the City of Exeter. The first 3,500 dwellings already have outline consent and approximately 1,800 of these have been completed at the time of writing. In order to guide the next stage of development East Devon District Council has developed a masterplan and a draft DPD for 4,170 dwellings and supporting facilities.

6.1.2 Within the viability study the testing for Cranbrook is undertaken in more detail because part of the purpose of the study is to test the viability of the new Cranbrook Plan DPD and masterplan.

6.1.3 There are four areas identified for the expansion of Cranbrook (Bluehayes, Treasbeare, Cobdens and Grange). The masterplan and draft DPD have different requirements for the various areas in terms of development characteristics and infrastructure. For the purposes of testing the viability of the plan and any CIL implications all of these four areas have been tested jointly. The draft DPD key requirements are set out in Table 6.1.

Table 6.1 Key Cranbrook DPD Requirements

	Bluehayes	**Treasbeare**	**Cobdens**	**Grange**
Dwellings	977	914	1,491	788
Nationally described space standards	New dwellings required to achieve nationally described space standards			
Education	Secondary school contributions	Primary school and early years; secondary school contributions	Primary school and early years, SEN; secondary school contributions	Secondary school contributions
Community				Community building
Open space	Formal open space and play; allotments	Formal open space and amenity, play, allotments	Formal open space and amenity, play, allotments	Formal open space and amenity, play, allotments
Sports		Sports hub with facilities and pitches	Extension of existing sports hub	
Mixed use	Business spaces	Business spaces, shops	Business spaces, shops	Business spaces, shops
Other		Land for energy centre, Gypsy and traveller pitches, noise mitigation	Gypsy and traveller pitches, site for worship, underground power lines, cemetery	Underground power lines
Self-build	4% of all dwellings will be custom/self-build			
Transport	Space for rail improvements and contributions for sustainable transport, enhancement of London Road, footbridge			
Carbon/energy	Higher carbon standards District heat			

	Bluehayes	Treasbeare	Cobdens	Grange
Suitable Alternative Natural Green Space (SANGS) and management	8ha per 1000 population generated by residential development schemes			
Town centre/other	Health & well-being hub, extracare, emergency services			

6.2 Cranbrook Testing Assumptions

6.2.1 Table 6.2 provides the land budget developed by East Devon District Council as part of the masterplanning. The residential areas make up 66% of the development area (43% of the total area including SANGS).

Table 6.2 Cranbrook Land Budget

Description	Total (Ha/dwgs)
Total Houses	4,170
Land Areas (ha)	
Residential (excluding Mixed use areas)	99.11
Mixed Use land (incl land for housing)	4.57
Gypsy and Traveller Site	3.56
B Class employment	4.93
Education	6.25
Sports Hub	11.40
Allotments	2.45
Amenity Open Space	3.43
Formal Recreation	9.80
Play Space (children)	0.49
Play Space (Youth)	0.49
Cemetery Land	1.00
SANGS	78.40
Energy Centre expansion	2.06
Total area (ha)	227.94

6.2.2 Ward Williams Associates has developed a cost plan for the Cranbrook masterplan. Following the completion of this work there have been some revisions to the estimated costs of some of the s106 items. Annex I contains the cost plan and the notes in table 6.3 and table 6.4 explain where revisions have taken place since the cost plan was produced.

Table 6.3 Cranbrook Development Costs (WWA cost plan with s106 revisions)

Item		Cost £'s	Notes
A	Surveys	1,660,000	Topo, Getotech, Nuisance, Archaeological, Ecological
B	Enabling Works	1,480,000	Site Clearance & Tree Protection Works

Item		Cost £'s	Notes
C	Housing	463,672,500	4,000nr Dwellings, 170nr Self-Build Plots & 15nr Traveller's Pitches[52]. Dwelling costs based on BCIS lower quartile. Costs are lower than WWA report as G&T pitches reduced.
D	Infrastructure	70,630,000	Primary, secondary and tertiary roads, lighting, foul and surface drainage, adoption/maintenance
E	Section 278 Works	10,540,000	Footbridge, Roundabout to Existing B3174 London Road (West), Roundabout to Existing B3174 London Road (West), Unsignalised Junction on London Road (west), Upgrading of Existing London Road, Roundabout to London Road (Adjacent Health Hub), Unsignalised Junction on London Road (east), Upgrading of 'T' Junctions on London Road, Crossing Junctions on London, Toucan crossings, Service diversions, adoption/maintenance.
F	Landscaping	31,300,000	Formal and informal greenspace, public realm, SANGS, mixed-use/employment, cemetery, energy centre land
G	Section 106	70,173,400	See separate list. Reduced from WWA report as various requirements changed by EDDC.
H	Utilities	37,820,000	District heat, electricity, water, telecoms
I	Site Wide Abnormals	22,200,000	Allowances for earthworks and strategic retaining, attenuation, undergrounding power lines, pumping stations. Power line cost is net of estimated rebate allowance and so total is less than WWA report.
J	Abnormal Plot Costs	16,990,000	Allowance for additional foundations, garages, carbon reduction over building regulations.
K	Sewage Treatment Plant and Outfall Provision Therefrom	n/a	
L	Professional Fees	43,072,196	Fees at 6%, to cover A-J above but note that in some cases the fees are only applied to selective items and not where 3rd party allowances are provided – e.g. where there are s106 *contributions* then this does not include an additional allowance for fees. Within the overall 6%, rates of fees will vary depending on the cost item. This total is less than the WWA report as the cost of some of the s106 items has reduced with commensurate reductions in fees, and some s106 items have been changed from project costs to contributions to other projects. Note that this estimated fee total is for 25% affordable housing and where other proportions are tested the fees associated with the housing will vary slightly with costs but are maintained as the same percentage rate.
Total Estimated Development Cost		769,538,096	As at 3rd quarter 2018

[52] Note that the cost plan and land budget allow for up to 20 pitches

6.2.3 The draft DPD and the East Devon Infrastructure Delivery Plan[53] have been used as the basis for the s106 items to be included in the viability testing. Where items are already part-funded, the remaining funding gap is used. Note that there are minor amendments included here that postdate the publication of the cost plan by WWA.

Table 6.4 Cranbrook s106

S106 item		**Cost £'s**	**Notes**
1	West End Cycle Routes Connecting to Cranbrook Development	2,990,000	
2	Sustainable Transport Provision	8,970,000	Reduced requirement for EV charging
3	Provision of Community Centre (Shell & Core Only) - Bluehayes	0	No longer required (differs from WWA report)
4	Provision of Community Centre (Shell & Core Only) - Treasbere	0	No longer required (differs from WWA report)
5	Provision of Neighbourhood Centres (Shell & Core Only) - at Cobdens & Grange at 1,250m2 and 1,600m2 respectively	Omitted	Allowances in landscaping and utilities
6	Provision of Community Centre (Shell & Core Only) - Grange	1,100,000	
7	Retail Asset Endowment for the Town Council	2,000,000	
8	Fitting Out Only of Childrens' Centre (Contribution Only)	30,000	
9	Provision of Primary School (420 Places)	7,200,000	
10	Provision of Primary School (630 Places)	10,770,000	
11	Enhanced Secondary Education Provision	2,740,000	
12	Special Educational Needs (SEN) Provision	1,000,000	
13	Country Park Resource Centre	-	Funded separately
14	Health and Well-being Hub building	8,769,400	Revised cost - reduced from total in WWA report
15	Extra Care Housing x 55 flats	3,500,000	Reduced contribution to DCC scheme - reduced from total in WWA report
16	"Blue Light" Emergency Services Facility	1,900,000	
17	Youth Services Facility (Build)	-	Funded separately

[53] Including updated items for Cranbrook provided by EDDC October 2018

S106 item		Cost £'s	Notes
18	Youth Services Facility (Fit-Out)	30,000	
19	Town Council Office	-	Included within item 7
20	Library Facility (Build)	-	Funded separately
21	Library Facility (Fit-Out)	480,000	
22	Public Convenience Buildings	-	Funded separately
23	Place of Worship	-	Land only
24	Cemetery	-	Land only
25	Sports Centre & Swimming Pool	3,930,000	
26	Allotments	740,000	
27	Play Areas (Children & Youth - 0.98Ha Included in Land Budget)	1,560,000	
28	Natural Grass Sports Pitches	1,370,000	
29	Artificial Grass Sports Pitches (Off Site Contribution)	280,000	
30	Changing/Clubhouse Facilities and Parking for Sports Pitches	670,000	
31	Cricket Pitch(es) Provision	310,000	
32	Tennis Courts Provision	370,000	
33	Bowling Green(s) Provision	50,000	
34	Amenity Open Space	510,000	
35	Parks & Recreation Grounds	1,764,000	Revised cost - reduced from total in WWA report
36	Natural & Semi-Natural Green Space	1,390,000	
37	Level Crossing Highway Reprofiling	-	Funded separately
38	Second Train Station; OR Improvements to Existing Station	-	Included in item 2 above
39	Car, Cycle and Coach Parking in the Town Centre	-	Funded separately
40	Multi-Functional Cultural Space	-	
41	Plug-in and Ultra Low Emission Vehicle Charging	-	Included in item 2 above
42	Carbon Reduction Over Building Regulations	-	In plot abnormals
43	Engine Testing Bay Noise Mitigation	1,200,000	
44	Non Infrastructure & Infrastructure Habitat Mitigation	2,050,000	
44a	SANGS maintenance	2,500,000	Not included in WWA report
Total		**70,173,400**	

6.2.4 In addition, the DPD includes a policy that requires dwellings to meet the nationally described space standards (NDSS). The dwelling sizes that have been applied for the viability testing (in table 4.4) are consistent with the NDSS, ensuring that the viability impact of adopting the space standard has been considered, in accordance with Planning Practice Guidance 56-020-20150327.

6.2.5 East Devon District Council has provided a housing delivery trajectory for Cranbrook. Housing delivery under the existing outline consent is anticipated to continue to 2022/23. The additional development at Cranbrook is anticipated to have the first completions in 2020/21 and continue to 2030/31 (the end of the Local Plan period). Table 6.5 details this delivery.

Table 6.5 Cranbrook housing trajectory

	Year													**Totals**
	Yr 1	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**	**Yr 7**	**Yr 8**	**Yr 9**	**Yr 10**	**Yr 11**	**Yr 12**	**Yr 13**	
Area	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	
03/P1900	150	300	400	400	400	94								**1744**
Bluehayes						50	150	150	150	150	150	150	27	**977**
Treasbeare				12	100	150	150	150	150	150	48	4		**914**
Cobdens			20	80	125	175	175	175	175	175	130	130	131	**1491**
Grange				12	55	110	110	110	110	110	110	53	8	**788**
Extension areas	*0*	*0*	*20*	*104*	*280*	*485*	*585*	*585*	*585*	*585*	*438*	*337*	*166*	***4170***
Total	**150**	**300**	**420**	**504**	**680**	**579**	**585**	**585**	**585**	**585**	**438**	**337**	**166**	**5914**

6.2.6 The housing delivery trajectory is used to inform the programme of costs over the development. Housing delivery is programmed to start in year 3 (2020/21).

Table 6.6 Cranbrook cost programme

Item		**Programme**
A	Surveys	Year 1
B	Enabling Works	Apportioned by units and incurred year before delivery – 36% year 2, 41% year 3 and 23% year 5
C	Housing	Starting year before delivery, then as per housing trajectory, except traveller sites in year 5 and year 12
D	Infrastructure	Starting year before delivery, then as per housing trajectory
E	Section 278 Works	Apportioned by units and incurred year before delivery – footbridge cost in year 6 and remainder split 36% year 2, 41% year 3 and 23% year 5
F	Landscaping	As per housing trajectory
G	Section 106	As required by EDDC infrastructure planning. 39% of the s106 spend is in years 1-5 and 47% in years 6-10, and the balance in years 11 onwards.
H	Utilities	Starting year before delivery, then as per housing trajectory
I	Site Wide Abnormals	Starting year before delivery, then as per housing trajectory
J	Abnormal Plot Costs	Starting year before delivery, then as per housing trajectory
K	Sewage Treatment Plant etc.	n/a

Item		Programme
L	Professional Fees	In line with housing and other cost items above

6.3 Other Development Costs and Value Testing Assumptions

6.3.1 In addition to the Cranbrook-specific costs noted above, many of the testing assumptions for the generic typologies are the same as the testing assumptions noted in section 4.

Table 6.7 Other development costs

Type	Cost	Comment
Finance	6%	of development costs overall although varied between different cost elements
Marketing fees	3%	of GDV
Developer return	15-20%	of GDV
Contractor return	6%	of build costs
Affordable Housing	25%	70% affordable rented and 30% shared ownership
Agents and legal	1.75%	
DCF debit rate	6%	
DCF credit rate	0%	
Annual Discount Rate	0%	

6.3.2 The market and affordable values for Cranbrook are in Table 4.5 and 4.7. In addition to the values from the general market and affordable housing there are also values associated with the gypsy and traveller pitches, the self-build plots and the commercial land to be provided:

- Self-build plot values at £72,000/plot = £12.24m, split evenly between years 3 and year 7 inclusive. Self-build plot values are estimated as the residual value for custom build three/four bed houses[54].
- Employment land at £0.8m/ha (as per Exeter area employment land benchmark) for 9.5ha employment and mixed use totalling £7.6m split 50:50 in years 5 and 7.
- Gypsy and traveller plot values £825,000 split 50:50 years 6 and 13[55].

6.4 Cranbrook Testing Results

6.4.1 The extension to Cranbrook is tested at different proportions of affordable housing and at different amounts of developer return for market housing:

- 25% affordable housing with 20% developer return
- 20% affordable housing with 20% developer return
- 20% affordable housing with 17.5% developer return
- 15% affordable housing with 20% developer return
- 15% affordable housing with 17.5% developer return

[54] Sales values at 5% over general estate housing, build costs at 5% over median, 10% professional fees, 3% marketing and 15% developer return.
[55] See Annex C

Table 6.8 Cranbrook expansion – theoretical maximum CIL

Case study	% AH	Max CIL/ sq m £s	CIL with 50% buffer /sq m £s	5% of GDV/sq m £s
CS12 Cranbrook - 17.5% return 15% AH	15%	25	13	157
CS12 Cranbrook - 20% return 15% AH	15%	-56	-	157
CS12 Cranbrook - 17.5% return 20% AH	20%	-11	-	162
CS12 Cranbrook - 20% return 20% AH	20%	-94	-	162
CS12 Cranbrook - 20% return 25% AH	25%	-139	-	168

6.4.2 The testing shows that the proposed expansion of Cranbrook is not viable as tested with 25% affordable housing. However, the viability is improved by reducing the proportion of affordable housing.

6.4.3 As noted in section 2, PPG suggests a range of 15%-20% developer return. Given that the initial development at Cranbrook is now well under way it is justifiable to assume that the overall level of risk is reduced and therefore the developer return need not be at the top of the range suggested by PPG:

- With a 17.5% developer return for market housing and 15% affordable housing, the proposed expansion of Cranbrook is viable.
- With a 17.5% developer return for market housing and 20% affordable housing, the proposed expansion of Cranbrook is marginally unviable.

6.4.4 While there is some viability headroom at 15% affordable housing and 17.5% developer return, it does not seem appropriate to suggest a CIL as any additional value may be best used to bring up the proportion of affordable housing to the overall district target. Even without CIL, development at Cranbrook is providing significant infrastructure contributions directly.

6.4.5 The current development at Cranbrook has benefited from significant public sector investment, some of it repayable. Should the expansion of Cranbrook also receive public support this may be used to increase the proportion of affordable housing or bring forward the delivery of the infrastructure required.

7 Setting a residential CIL charge

7.1.1 In coming to a view over an appropriate CIL charge the council will need to consider as to what an examiner will be considering when reviewing the proposed charges and supporting evidence. The Examiner will consider whether the schedule is compliant in legal terms with the 2008 Act and 2010 Regulations (as amended) and whether it is reasonable, viable and consistent with national guidance in the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG). To fulfil relevant legislative requirements the charging schedule should set an appropriate balance between helping to fund necessary new infrastructure and the potential effects on the economic viability of development across the district.

7.1.2 There is no prescribed approach to setting a CIL rate and the preferred method varies across councils that have implemented CIL. As per best practice the council will need to be informed by the evidence on CIL headroom but does not have to follow prescriptively the results of the testing. A judgement needs to be made based on a range of factors that are bespoke to east Devon and ultimately the balance between funding infrastructure and delivering the plan. Therefore, there are a number of considerations for the council:

- The data on house prices shows that the Sidmouth and Budleigh Salterton value area clearly achieves higher values than other locations on average.
- Simplicity of charging zones – the guidance suggests that CIL should be easily understandable and minimise the need for multiple charging zones and development types. In terms of value area alone and largely as a result of achievable values, the CIL headroom results show a clear distinction, with the Sidmouth and Budleigh Salterton value area consistently with improved viability compared to other locations in East Devon. However, there is less distinction between sites of 1-9 dwellings and those of 10 plus (except for the strategic sites with additional costs).
- Market shock. A large step change in CIL could potentially have an effect on future delivery.
- Strategic sites – Evidence from the Peace review[56] suggests infrastructure provision for strategic sites may be best dealt with through s106, and the proposed changes to CIL regulations suggest r123 list may be abolished. The majority of impacts are localised, and delivery of mitigation is more assured through s106 mechanisms where funding is ringfenced. The testing with allowances for additional costs suggests that the CIL rate should be lower if the Council is minded to seek more infrastructure directly from strategic site development. Alternatively, a zero or very low CIL rate could be sought by the Council if they consider that higher CIL rates may risk delivery of the plan.
- Rural exception schemes generally rely on cross subsidy, using the sale of a small number of market dwellings to enable the development to go ahead – a CIL rate on the market elements would simply require more market housing for the cross subsiding.
- Buffer – whilst there is no method prescribed to setting the CIL rate, guidance does suggest that the rate should not be at the margin of viability. In other words, the CIL rate should not generally be set the same as the total headroom available – a buffer should generally be

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[56] Government commissioned review of CIL - A new approach to developer contributions: A report by the CIL review team, Chaired by Liz Peace – Para 4.1.5

incorporated. The buffers used in other CIL studies have varied, but generally fall around 30-50%.

- Reasonableness – some councils (and Examiners) have come to a view that a CIL rate which costs no more than 5% of GDV is generally acceptable and unlikely to put development at risk.
- Discussions with the Council's development manager and the retained site-specific viability consultant have identified a number of recent schemes where both CIL liable and non-CIL liable schemes have provided less than policy compliant affordable housing for viability reasons. The reasons varied significantly between sites and included the need to provide mixed use and on-site education, listed building costs and flood mitigation, lower than expected local values, and higher existing use values in combination with lower development values. Whilst this review did not identify any systematic factors that needed to be taken into account within this study, it did indicate that some caution should be exercised in setting new rates.

General residential CIL rate setting

7.1.3 For these reasons it is recommended that the Council limit residential CIL charging zones to four main zones:

- Cranbrook, including expansion area
- Sidmouth and Budleigh Salterton
- Strategic Sites
- Elsewhere in East Devon

7.1.4 The discussion within section 6 clearly indicates that the expansion of the new settlement at Cranbrook is not able to support a CIL. Should the development at Cranbrook become more viable (such as through receipt of grant) then this viability could be used to support more affordable housing and/or bring forward the early provision of infrastructure. Therefore, the recommended CIL rate for the extension of Cranbrook is £0/sq m, and this should apply to all development in order to enable the affordable housing provision. Although the current development at Cranbrook is subject to CIL, most was consented before the schedule was adopted and therefore has not paid CIL. Therefore, it is recommended that the £0 rate for Cranbrook should cover the whole of the town and that infrastructure is funded through s106 as appropriate for any new consents within the existing or expansions areas.

7.1.5 For most residential development in East Devon a CIL rate of £150/sq m can be supported. In Sidmouth and Budleigh Salterton viability is stronger and a higher rate of £200/sq m can be supported. There is no clear case for varying the rates between smaller developments without affordable housing, or larger developments with affordable housing.

Strategic sites residential rates

7.1.6 If the national proposals to abolish r123 lists are put into place and the Council requires additional infrastructure for strategic development, then it will be appropriate to reduce the CIL rates for the sites that may be affected. A reduced CIL rate for strategic sites with additional s106 costs in the East of Exeter and the Exmouth, Ottery, Honiton, Axminster & Seaton value areas should be c.£100/sq m, and the CIL rate for strategic sites with additional s106 costs in Sidmouth and Budleigh should be £175/sq m.

7.1.7 Alternatively, if the Council is concerned about delivery on these strategic sites it may choose to zero rate them for CIL, which would allow more for onsite infrastructure and other planning obligations.

Rural exception schemes

7.1.8 Rural exception schemes are an important policy aspiration but require careful management to minimise the inclusion of market housing. The inclusion of CIL could lead to a greater number of market units being required to facilitate development. As the purpose of the policy is to maximise affordable housing it is considered that the council should set a zero CIL rate for this specific use or clearly define that Rural Exception Sites, regardless of tenure are affordable housing schemes for the purpose of CIL. There are examples of this elsewhere which have been successfully introduced following public examination, including Cornwall CIL[57] .

Older person housing rate setting

7.1.9 For older persons housing the viability is less strong and overall a CIL of £0/ sq m is appropriate. This includes sheltered, extracare and care homes.

7.2 Potential residential CIL rates

7.2.1 The table below summarises the potential CIL rates in comparison with the current indexed rates. This includes the potential rates for strategic sites with additional s106 costs, although these rates are subject to national proposals for changes to r123 lists.

7.2.2 The recommended rate of £0/sq m for Cranbrook is clearly less than the current £78.83/sq m and reflects the Council's intentions to fund the infrastructure required through s106 rather than through CIL. It also reflects the relative lack of known public sector funding compared to the existing Cranbrook consent currently being built out.

7.2.3 The recommended general residential rates are an increase of £50-£60/sq m over the current rates. However, these proposed rates are well within the theoretical maximums and will reflect the change in values since the last report was published in at the beginning of 2013.

7.2.4 The reduced rates for sheltered and extracare older persons housing result from these being separately tested, whereas they were not specifically identified as a separate use in the 2013 report. Care homes would be charged £0/sq m under the current rates and so there is no change for this use.

7.2.5 The separate potential rates for strategic sites with additional s106 costs are still above the rates that would be charged under the current schedule. However, these are well within the viability 'headroom' for these case studies even with the additional costs included.

7.2.6 The new rates take into account 5% of GDV 'reasonableness' benchmark.

Table 7.1 Current and potential residential CIL rates

Type and location of development	Current indexed CIL rate £/sq m	Proposed new CIL rate £/sq m
All development in Cranbrook	£80.09	£0

[57] Cornwall Council CIL Charging Schedule July 2018: 3.2 Definitions and Application of CIL, page 6 (https://www.cornwall.gov.uk/media/33845920/community-infrastructure-levy-charging-schedule-final.pdf)

Type and location of development	**Current indexed CIL rate £/sq m**	**Proposed new CIL rate £/sq m**
General residential development in Sidmouth and Budleigh Salterton	£147.23	£200
General residential development elsewhere in East Devon	£94.23	£150
Sheltered, extracare housing and care homes	£0-£147.23	£0
Rural Exception Schemes in East Devon (Local Plan Policy 35)	£147.23	£0
Strategic sites with additional s106 costs in Sidmouth and Budleigh Salterton	£147.23	£175
Strategic sites with additional s106 costs elsewhere in East Devon (except Cranbrook)	£94.23	£100

8 Non residential assumptions and results

8.1.1 None of the Local Plan policies considered are seen to significantly burden the viability for delivering non-residential uses in the Plan period. Therefore, this section sets out the assumptions used for the non-residential viability testing work to scope solely the potential for collecting CIL.

8.2 Establishing Gross Development Value (GDV)

8.2.1 In establishing the GDV for non-residential uses, this report has also considered historical comparable evidence to inform new values on a local and for some uses, national, level.

8.2.2 The following table illustrates the values established for a variety of non-residential uses, expressed in sq m of net rentable floorspace and yield. The table is based on our knowledge of the market and analysis of comparable transaction data provided by Costar Suite[58] and relevant market reports. The Costar data covers both new and existing stock, however, in order to consider the values that are most likely to be associated with new development generally, only the 4 & 5-star properties have been included, where there is sufficient transactional data. The rents and yields are capitalised within the toolkit to provide GDV for all the development types. The rents and yields used are as follows:

Table 8.1 Non residential rents and yields

Ref	Use	Rent (£ per sqm)	Yield (%)
NR1	Office (prime/Exeter Fringe)	£210	5.75
NR2	Office (town centre)	£92	7.52
NR3/4	Industrial/warehouse	£52 - £86	7.3 – 5.15
NR5	Retail convenience (local)	£206	6.75
NR6	Retail convenience (supermarket)	£210	5.5
NR7	Retail comparison (town centre)	£176	6.8
NR8	Retail comparison (out of centre)	£159	5.5
NR9	Hotel (budget)	£96,000 per room	N/A

[58] CoStar is a provider of information, analytics and marketing services to commercial estate agents, including information about space available for lease, comparable sales information, tenant information, information about properties for sale, and industry news

8.3 Costs

8.3.1 **Build cost** inputs have been established from the RICS Build Cost Information Service (BCIS) at values set at the time of this study (current build cost values) and rebased (by BCIS) to East Devon prices. The build costs adopted are based on the BCIS median values shown in the following table.

Table 8.2 Build costs

Ref	**Use**	**£ per sqm**
NR1	Office (out of centre)	£1,856
NR2	Office (town centre)	£1,889
NR3/4	Industrial/warehouse	£813-£873
NR5	Retail convenience (local)	£1,401
NR6	Retail convenience (supermarket)	£1,554
NR7	Retail comparison (town centre)	£1,061
NR8	Retail comparison (out of centre)	£848
NR9	Hotel (budget)	£1,288

8.3.2 Other costs – there are a range of other costs that are included within the assessment, these are as follows:

Table 8.3 Other costs

Cost type	Assumption	Notes
Professional fees and contingency	8% of build costs	incorporates all professional fees associated with the build, including fees for designs, planning, surveying, project managing and contingency
Sales and letting	3% of GDV	Includes any agent and legal costs and inclusive of arrangement fees
Developer return	20% of GDV	General standard in strategic assessments
Interest rates (debit and credit)	6%	General standard in strategic assessments
Acquisition fees	2% land cost	General standard in strategic assessments
Environmental standards	£25 per sqm	Applies to development 1,000 sqm plus
Stamp Duty Land Tax	As per HMRC rates	n/a
Void/rent free	Allowance for voids/rent free periods has been made for each case study.	n/a

8.4 Non residential benchmark land values

8.4.1 After systematically removing the various costs and variables detailed above from the GDV of a scheme, the result is the residual land value. This is measured against a benchmark/threshold value which reflects a value range that a landowner would reasonably be expected to sell/release their land for development.

8.4.2 Establishing the existing use value (EUV) of land and in setting a benchmark/threshold at which a landowner is prepared to sell to enable a consideration of viability can be a complex process. There are a wide range of site specific variables which affect land sales (e.g. position of the landowner – are they requiring a quick sale or is it a long term land investment). However, for a strategic study, where the land values on future individual sites are unknown, a pragmatic approach is required.

8.4.3 From discussions in previous studies, including discussions with agents it confirmed that land values vary according to both location and use. Our starting point for non-residential benchmark land values is to draw from the work undertaken to inform the residential values. In particular we refer to para 4.2.6 which sets out a figure of £800,000 per gross hectare for industrial land around Exeter. We have therefore used this for employment and hotel uses in the Exeter fringe and prime areas with a reduction to £600,000 per gross hectare in less desirable locations around the main East Devon towns. For retail development there is a greater premium, for example a town site will be greater as it will already have a comparatively high existing use value and if the potential use is retail then it will also have a higher uplift value as the landowner's expectation of a return will be higher.

8.5 Non residential results

8.5.1 The tables below summarise the results from the detailed assessments for each non residential development type. The assessments can be found in Annex F. The summary tables provide the following information:

- Net value per square metre.
- Net costs per square metre - including an allowance for land cost and s106 to deal with site specific issues (e.g. On-site highways, travel plan etc. to make development acceptable).
- Residual value per sq m (i.e. Value less costs).
- The land value benchmark for that use - presented £s per sq m of development to take into account differences in site coverage and the number of storeys for the notional developments.
- The viability headroom and maximum potential for CIL.

8.5.2 It is important to note that the analysis considers development that might be built for subsequent sale or rent to a commercial tenant. However, there will also be development that is undertaken for specific commercial operators, either as owners or pre-lets. In these circumstances the economics of the development relate to the profitability of the enterprise accommodated within the buildings rather than the market value of the buildings. Therefore, it should be noted that while the testing suggests that some types of development are not viable or marginal, developments of these types may still be brought forward for individual occupiers to meet their specific requirements. In particular if development profit is reduced to a contractor return, then unviable sites are likely to be marginal or show a small overage.

B Class Uses – Offices, industrial and warehouses

8.5.3 The viability assessments indicate that all of these B class uses produce a negative residual value. There is no possibility of charging CIL. The lack of viability for B class uses is common across many areas of the country. However, it should be noted that in prime areas if profit is reduced to a contractor return of 6% then these become either viable or marginal – therefore it is likely that these types of development will continue to come forward if prime rents are achieved.

Table 8.4 Office

	Office Prime	Town centre office
Value per sq m	£3,279	£1,099
Costs per sq m	£3289	£2,823
Residual per sq m	-£10	-£1,725
Land benchmark per sq m	£21	£40
Viability 'headroom' per sq m – theoretical maximum CIL	None	None

Table 8.5 Industrial/warehouse

	Industrial/warehouse Prime	Industrial/warehouse Town
Value per sq m	£1,499	£640
Costs per sq m	£1,515	£1,333
Residual per sq m	-£16	-£694
Land benchmark per sq m	£200	£150
Viability 'headroom' per sq m – theoretical maximum CIL	None	None

Retail uses

8.5.4 The viability of retail development will depend primarily on occupier demand and the type of retail being promoted. For this reason, we have tested different types of retail provision.

8.5.5 **Supermarkets and local convenience –** convenience retailing is defined as the provision of everyday essential items, including food, drinks, newspapers/magazines and confectionery; and within this category larger stores provide the range required for weekly shops and smaller stores provide more of a 'top-up' function.

8.5.6 Local convenience retail is considered sufficiently viable to support a theoretical CIL of £167 and supermarkets £169.

Table 8.6 Convenience retail

	Small local convenience	Supermarket
Value per sq m	£2,740	£3,428
Costs per sq m	£2,381	£2,896
Residual per sq m	£360	£532
Land benchmark per sq m	£192	£364
Viability 'headroom' per sq m – theoretical maximum CIL	£167	£169

8.5.7 **Town centre comparison** retail —whilst the values are higher than the development costs, the land values with high existing use values mean it is not viable for a CIL charge

8.5.8 **Retail warehouse –**the development is viable and able to support a theoretical maximum CIL of £168.

Table 8.7 Comparison retail

	Town Centre	Retail Warehouse
Value per sq m	£2,350	£2,596
Costs per sq m	£1,969	£1,928
Residual per sq m	£382	£668
Land benchmark per sq m	£955	£500
Viability 'headroom' per sq m – theoretical maximum CIL	None	£168

Other Uses

8.5.9 The other use tested is a budget hotel. Here, development is marginal and unable to support a CIL.

Table 8.8 Other uses

	Budget hotel
Value per sq m	£2,268
Costs per sq m	£2,214
Residual per sq m	£55
Land benchmark per sq m	£53
Viability 'headroom' per sq m – theoretical maximum CIL	£1

Other Uses

8.5.10 The viability testing has been based on the development expected to come forward and discussions with the development industry. It is acknowledged that there are other uses that could arise and it is recommended that the following approach is taken:

- A2 Financial and Professional Services – treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- A3 Restaurants and Cafes – again treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- A4 Drinking Establishments - again treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- A5 Hot Food Takeaways - again treat as A1 in viability terms as many of these uses are likely to occupy the same sorts of premises as some town centre retail.
- Selling and/or displaying motor vehicles - sales of vehicles are likely to occupy the same sorts of premises and locations as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.
- Retail warehouse clubs – these retail uses are likely to be in the same type of premises as the out of town A1 retail uses and covering the same purchase or rental costs.
- Nightclubs – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs.
- Scrapyards – there may be new scrapyard/recycling uses in the future, particularly if the prices of metals and other materials rise. These are likely to occupy the same sorts of premises as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.

- Taxi businesses – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore, they are covered by this viability assessment.
- Amusement centres – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore, they are covered by this viability assessment.
- For community facilities that are ultimately paid for by the public sector such as community centres, health centres, hospitals and schools there is a relatively simple approach. The commercial values for community uses are £0 but there are build costs of around £2,400 to £2,900 per sq m plus the range of other development costs; with a net negative residual value. Therefore, we recommend a £0 CIL for these uses.
- Farm shops and garden centres are treated as other out of centre retail. It is anticipated that small scale ventures using existing buildings would not be liable for CIL while larger retail complexes in new permanent buildings would pay the out of centre retail rates.

8.5.11 Tourism is an important part of East Devon's economy. Regarding holiday accommodation we take the following approach:

- If the development consists of standard dwellings that the purchaser intends will be used for holiday accommodation then it would pay the standard residential CIL rate applying in that location
- If it is a single new build being used for holiday purposes it would likely come forward as custom/self-build and therefore CIL exempt

8.5.12 Holiday parks are not specifically included in the testing as generally there is little evidence and they will vary hugely e.g. scope and scale of common facilities as well as the type of accommodation – from wooden lodges to more permanent structures. In addition, holiday homes are liable for VAT while new residential dwellings are not. This means that depending on the owner's tax status, the build costs will be 20% higher. It is assumed that holiday parks will be part of the 'All other uses category' which is typically zero rated, and examples of this approach include the Cornwall CIL[59].

8.6 Summary and ability to support a CIL charge

8.6.1 With the exception of town centres, retail development can support a CIL charge. The table below shows both the maximum CIL charge and the CIL charge which could be set if a buffer of around 50% of the maximum possible charge was applied. A 50% buffer is suggested as there is a wide variance in costs and values with non-residential development and uncertainty in respect of anticipated S106 requirements.

Table 8.9 Potential non residential CIL rates

Use	Maximum CIL £ per sqm	CIL with a 50% buffer £ per sqm	Recommended rates
Retail (out of centre)	£167-169	£84	£84
All other non residential uses	None	£0	£0

[59] https://www.cornwall.gov.uk/media/31809834/final-report-to-cornwall-council-cil-mar-2018-pdf.pdf

8.6.2 East Devon's current CIL has a single rate of £173.89 for all retail development outside of town centres and Cranbrook. The retail sector is not as strong as it was and with greater development costs it is clear that the rate will need to be reduced from current level. For consistency it is recommended that a single CIL rate is used for out of centre retail but that this is reduced from the current rate to £84 per square metre.

8.6.3 The decision on the level of CIL needs to be informed by this evidence but ultimately taken by East Devon District Council. In theory, the amount a scheme can afford to contribute CIL is to a maximum of all of the difference between the residual value and the threshold land value after taking into account all costs. However, it is clear from the guidance that it is not appropriate to charge up to the maximum viability headroom in order to allow for margins of error and the likelihood of different costs and values affecting different locations and sites.

9 Summary and conclusions

9.1.1 Based on the viability testing and with suitable buffers and reasonable tests we have recommended a set of residential CIL rates that represent an increase on the current indexed rates, but still comfortably within the viability headroom. Within this, some of the uses that were not identified in the current schedule (older persons housing) now have lower recommended charges.

9.1.2 We have also tested the expected forms of non-residential development and this has confirmed that retail is the only types of development with enough viability to support a CIL. However, retail viability is weaker than it has been in the past and as a result the recommended rates are lower than the current indexed CIL.

9.1.3 Development of the expansion areas for Cranbrook has been viability tested, based on the requirements in the draft DPD and masterplan. This testing suggests that the development will be viable with a lower rate of affordable housing and a developer return around the middle of the range suggested by PPG (reflecting the lower risk of continuing the already established new settlement). Development of the expansion areas for Cranbrook will not be able to support a CIL, and it is recommended that this applies to all development in this location.

9.1.4 Where strategic sites may have to provide additional infrastructure through s106 under a revision of the r123 list then the potential CIL rates for these locations are lower than the general recommended rates. We suggest that this would apply to sites allocated for development by the Council except for Cranbrook which has its own rate. There is also the option to set a lower or £0 CIL rate for strategic sites if the Council is concerned about risk to delivery on these sites under proposed changes to new CIL regulations.

9.1.5 The recommended residential and non-residential CIL rates are:

Table 9.1 Current and potential residential and non residential CIL rates

Type and location of development	Current indexed CIL rate £/sq m	Proposed new CIL rate £/sq m
All development in Cranbrook	£80.09	£0
General residential development in Sidmouth and Budleigh Salterton	£147.23	£200
General residential development elsewhere in East Devon	£94.23	£150
Sheltered housing, extracare housing and care homes(a)	£0-£147.23	£0
Rural Exception Schemes in East Devon (Local Plan Policy 35)	£94.23	£0
Allocated strategic sites with additional s106 costs in Sidmouth and Budleigh Salterton	£147.23	£175
Allocated strategic sites with additional s106 costs elsewhere in East Devon (except Cranbrook)	£94.23	£100
Retail (out of centre)(b)	£176.67	£84
All other non residential uses	£0	£0
Note that the comparison between the current and recommended rates is to inform the Council's decision and that the use categories for the current CIL and the recommended CIL may not always be exactly the same – for example the current charging schedule the current charging schedule refers to "residential" which the Council has been implementing as C3 use, which may not be directly comparable with the recommendations for sheltered/extra care which may be C2 or C3.		

Table 9.2 Notes on proposed CIL charges

Ref.	**Notes**
(a)	These uses are defined as follows: Retirement housing - This is often known as “Sheltered Housing” or “Retirement Living”. Retirement Housing usually provides some facilities that you would not find in completely independent accommodation. These can include (secure main entrance, residents’ lounge, access to an emergency alarm service, a guest room. Extra facilities and services are paid for through a service charge on top of the purchase price or rent. To move into retirement housing, occupants are assumed to be independent enough not to need care staff permanently on site. Supported housing - This is often known as “Extra Care Housing” or “Assisted Living”. Everyday care and support will be available. Facilities will include those available in retirement housing plus others (such as a restaurant, communal lounges, social space and leisure activities, staff on site 24 hours a day). Service charges are likely to be higher than in retirement housing but this reflects the more extensive range of facilities. ‘Care homes’ are defined as residential care homes or nursing homes where integral 24 hour personal care and/or nursing care are provided together with all meals. A care home is typically a residential setting where a number of older people live, usually in single rooms and people occupy under a licence arrangement.
(b)	Applies to qualifying floorspace outside of town centres and to all retail development within A use class.

9.1.6 The analysis in this report has used current values and costs. But we and the Council are aware that both can change over time. It is important that the Council keeps values and costs under review. We recommend that the main build costs and market and rental values are monitored regularly (at least annually) using published sources and that the development industry is consulted on these and other changes that can affect viability (e.g. interest rates and developer returns). A sustained change in the key variables should trigger a review of CIL and/or the affordable housing policy. In any case, the Council should consider a regular review of CIL (say in 2-3 years’ time) but noting that a review does not have to lead to a revised rate.