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Ashford Borough Council

LOCAL PLAN VIABILITY REPORT UPDATE

MAY 2017

ASHFORD BOROUGH COUNCIL
VIABILITY STUDY

Local Plan Viability Report Update

Three Dragons

May 2017



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 Ashford Borough 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.

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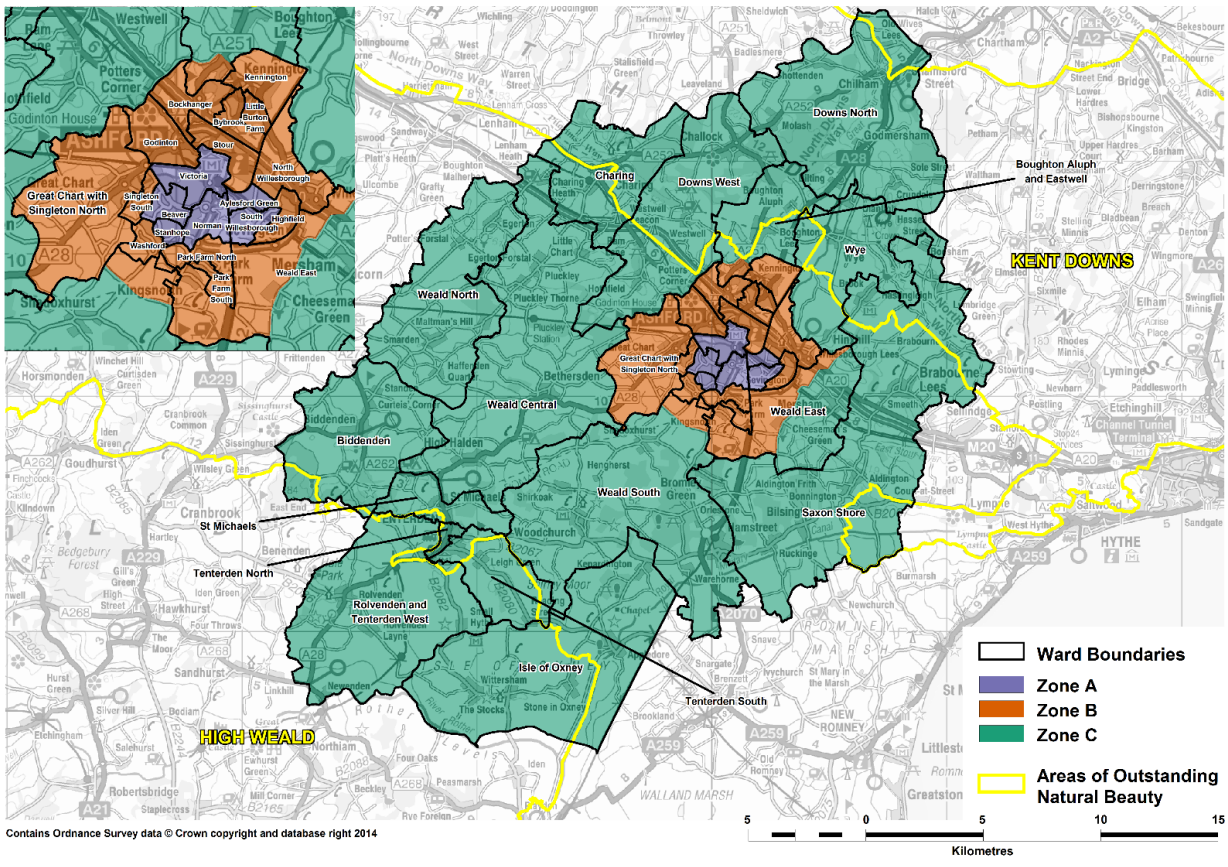
EXECUTIVE SUMMARY

1. The Ashford Viability Study Update provides additional evidence about residential viability in support of the draft Local Plan. This viability study update builds on the work undertaken for the June 2016 Local Plan and Community Infrastructure Levy Viability Report and tests the impact of the plan policy revisions undertaken since then. This update makes use of the same values and costs as the June 2016 study updates the tests undertaken then with the new policies. The main changes are affordable housing tenures and accessibility standards. The non-residential viability testing has not been updated.

2. Since the work reported in June 2016, there have been inevitable changes in costs and values. Both have increased although values have risen more than costs. Therefore, this update is a conservative analysis of viability in the Borough.

3. The June 2016 report included the CIL rates that may be supported by development. This update does not repeat that work, although it does illustrate the potential planning obligations that may be supported by development (expressed as a figure per dwelling).

4. The update continues to use the same house price value areas, which are Ashford Town (Zone A), Ashford Hinterlands (Zone B) and the Rest of the Borough (Zone C). Development costs do not vary across the Borough in the same way as house prices.



5. The testing undertaken uses a standard residual value approach, using the Three Dragons Toolkit for residential development. The residual value of development (total value less all development and policy costs, including planning obligations) is compared to a land value benchmark and the scheme is said to be viable if the residual value exceeds the benchmark. Note that the benchmark land value is an estimate of the lowest value that a landowner may accept, and does not preclude the possibility that some schemes may have enough value to pay more for land. The main residential benchmark land value generally used is £0.7 million per hectare in Ashford Town and Ashford Hinterlands (£1.3 million in Rest of Borough), with a lower benchmark (£0.3 million per hectare) for large-scale greenfield sites and an intermediate benchmark of £0.45 million per hectare in Ashford Hinterlands and £0.8m in Rest of Borough for other large sites which have additional costs to meet.

6. Three types of residential testing were undertaken and the results from all these stages are brought together in the study conclusions. The first set of tests used a notional 1 ha tile with different densities of development, in all of the market areas. These tests provide a picture of the underlying viability of residential development. The second set of tests was a series of generic case studies that were specific to each market value area and were selected to represent the type of development likely to be brought forward over the life of the draft Local Plan. The case studies highlight where a certain type of site has different viability characteristics compared with the average (as shown in the 1ha testing). The third set of tests covers the strategic sites case studies. These are representative of the strategic sites identified in the draft Local Plan and include costs specifically associated with this type of large scale development on greenfield land.

7. Some policies in the draft Local Plan have had an impact on the testing and the key factors include:

    - Affordable housing, with 20% affordable housing required in Ashford Town, 30% in Ashford Hinterlands and 40% in Rest of Borough. The affordable tenure mix varies between market value area but all locations are tested with a combination of Affordable Rent and low cost home ownership (shared ownership/Starter Homes).
    - The testing includes some alternative affordable housing scenarios:
        - 30% affordable housing instead of 40% in Rest of Borough.
        - Reduced affordable housing/changed tenure on flatted development and flats in mixed development in Ashford Town.
    - Self-build plots are required for developments of over 40 dwellings (20 in rural areas).
    - Accessibility standards, with 20% of all dwellings required to provide Part M(4)2 and 7.5% of affordable rented needs to be Part M(4)3 (accessible); and water efficiency standards.
    - Green space standards, which have an impact on the land budgets and other costs for the larger sites.

8. The June 2016 testing included various other costs, such as Junction 10a costs and estimates of infrastructure costs on other larger sites. Ashford Borough Council required that this update work does not include these costs (some of which were early estimates) but instead should

indicate the potential viability 'headroom' available for planning obligations/infrastructure costs.

9. The testing includes a £2,000 per dwelling s106/278 for children's play/informal greenspace/minor local transport direct mitigation. The dwelling sizes used in the testing meet or exceed the Nationally Described Space Standards.

The residential viability testing

10. The viability testing shows that overall the development proposed in the draft Local Plan is viable with the target proportions of affordable housing, and that there is some capacity to support additional planning obligations/infrastructure costs. The viability is strongest in the Rest of Borough (where the values are highest) and weakest in Ashford Town (where the values are lowest).

11. There are some types of development where viability is weak:

- Flatted development in Ashford Town may not be able to provide policy compliant affordable housing or other planning obligations (either as stand-alone flatted schemes or as part of a mixed scheme). The testing suggests that providing only starter homes may not be possible for flatted schemes.
- Single dwelling developments have weaker viability as a result of higher build costs.
- The largest sites also have weaker viability, although all have a positive residual and the two strategic sites tested are viable (Court Lodge and Kennington).

12. Smaller developments which are under the affordable housing threshold are most able to provide additional planning obligations, from £20,000 per dwelling in Ashford Town to £30,000 per dwelling in Ashford Hinterlands and £60,000 in Rest of Borough.

13. Other development that provides affordable housing may also be able to contribute further planning obligations; from £2,000-£10,000 per dwelling in Ashford Hinterlands and £5,000-£28,000 per dwelling in most cases in Rest of Borough. Development in Ashford Town is unlikely to be able to support additional planning obligations.

14. Development in Rest of Borough is able to support the standard 40% affordable housing but if development is also expected to provide significant additional planning obligations the lower 30% affordable housing provides more viability headroom.

1 INTRODUCTION

1.1 The viability evidence provided in this report is to assist Ashford Borough Council test the viability of the development proposed in the new Local Plan. It provides an update to the June 2016 viability report[1] and takes account of the new plan policies with implications for development. This report covers residential development only. For this update, the values and costs remain those used in the June 2016 viability report.

1.2 The policy changes that have been modelled since the June 2016 work was undertaken are:

- Revised affordable housing policy, taking account of the February 2017 housing white paper.
- Revised accessibility standards.

1.3 The research which has been drawn on for the original June 2016 analysis and for this April 2017 update includes:

- A review by Ashford Borough Council of the types of sites planned for development in the draft Local Plan.
- A review of the policies in the Local Plan and central government guidance that may have implications for development viability.
- Desk research to form initial views on the values and costs of residential and non-residential development in Ashford and how these vary across the borough.
- Consultation with the development industry, active in the borough firstly through a workshop in 2015 (a note of the workshop discussions is shown at Annex 2). Subsequently, Three Dragons conducted a survey of Registered Providers (RPs) to get detailed advice on the affordable housing assumptions to be used. Estate agents active in the area were contacted in 2016 to update and refine the sales values used.
- With agreement of the Council to the assumptions used, operation of the Three Dragons residential and non-residential viability models to undertake the viability testing set out in this report.

[1] Three Dragons, 2016, Local Plan and Community Infrastructure Levy Viability Report

2 CONTEXT FOR THE ANALYSIS

National Policy Context

2.1 The National Planning Policy Framework (NPPF) paragraph 173 sets out how Government expects viability to be considered in planning:

2.2 *'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable*.'[2]

2.3 Planning Practice Guidance[3] (PPG) provides further detail about how the NPPF should be used. PPG contains general principles for understanding viability as well as specific CIL viability guidance[4]. It also notes that there is a range of sector-led guidance available[5]. 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[6]. 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[7]. However not every site requires testing and site typologies may be used to determine policy[8]. For private rented sector, self build and older people's housing, the specific scheme format and projected sales rates (where appropriate) may be a factor in assessing viability[9].

2.4 PPG requires that a buffer should be allowed and that current costs and values should be used (except where known regulation/policy changes are to take place)[10]. On retail and commercial development, broad assessment of value in line with industry practice may be necessary[11]. 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, a broad assessment of costs is required, based on robust evidence which is reflective of local market

[2] DCLG, 2012, NPPF Para 173
[3] DCLG, Planning Practice Guidance
[4] PPG Paragraph: 003 Reference ID: 10-003-20140306
[5] PPG Paragraph: 002 Reference ID: 10-002-20140306
[6] PPG Paragraph: 004 Reference ID: 10-004-20140306
[7] PPG Paragraph: 005 Reference ID: 10-005-20140306
[8] PPG Paragraph: 006 Reference ID: 10-006-20140306
[9] PPG Paragraph: 018 Reference ID: 10-018-20150326
[10] PPG Paragraph: 008 Reference ID: 10-008-20140306
[11] PPG Paragraph: 012 Reference ID: 10-012-20140306
[12] PPG Paragraph: 012 Reference ID: 10-012-20140306

conditions. All development costs should be taken into account, including infrastructure and policy costs as well as the standard development costs[13].

2.5 Land values should reflect emerging policy requirements and planning obligations including any Community Infrastructure Levy charge, and provide a competitive return to willing developers and land owners. Where possible land values should be informed by comparable, market-based evidence but excluding transactions above the market norm[14]. Assumptions about brownfield land values should clearly reflect the levels of mitigation and investment required to bring sites back into use[15].

2.6 Developer returns should be proportionate to risk[16]. The return to the landowner will need to provide an incentive for the land owner to sell in comparison with the other options such as current use value or policy compliant alternative use value[17].

2.7 Following the order of the Court of Appeal dated 13 May 2016 there are specific circumstances where contributions for affordable housing and tariff style planning obligations (section 106 planning obligations) should not be sought from small scale and self-build development[18]:

- contributions should not be sought from developments of 10-units or less, and which have a maximum combined gross floorspace of no more than 1000sqm
- in designated rural areas[19], local planning authorities may choose to apply a lower threshold of 5-units or less. No affordable housing or tariff-style contributions should then be sought from these developments. In addition, in a rural area where the lower 5-unit or less threshold is applied, affordable housing and tariff style contributions should be sought from developments of between 6 and 10-units in the form of cash payments which are commuted until after completion of units within the development.

Other Guidance on Viability Testing for Residential Development

2.8 Guidance has been published to assist practitioners in undertaking viability studies for policy making purposes – "*Viability Testing Local Plans - Advice for planning practitioners*"[20]. The Foreword to the Advice for planning practitioners includes support from DCLG, the LGA, the HBF, PINS and POS. PINS and the POS[21] state that:

[13] PPG Paragraph: 013 Reference ID: 10-013-20140306
[14] PPG Paragraph: 014 Reference ID: 10-014-20140306
[15] PPG Paragraph: 025 Reference ID: 10-025-20140306
[16] PPG Paragraph: 015 Reference ID: 10-015-20140306
[17] PPG Paragraph: 015 Reference ID: 10-015-20140306
[18] PPG Paragraph: 031 Reference ID: 23b-031-20160519
[19] As described under section 157(1) of the Housing Act 1985
[20] 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.
[21] Acronyms for the following organisations - Department of Communities and Local Government, LGA Environment and Housing Board, Home Builders Federation, Planning Inspectorate, Planning Officers Society

"*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*."

2.9 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."

2.10 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)

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)*

2.11 In terms of setting a benchmark (or threshold) land value, the advice states[22] "We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values (noting the exceptions below)", with the exceptions being alternative use values where there is competition from different uses; and a higher premium over existing use values for large greenfield sites.

2017 Housing White Paper

2.12 The Housing White Paper[23] contains proposals that may affect development viability:

- Increased densities, particularly for urban development which is well served by public transport.
- A review of the Nationally Described Space Standards to allow smaller dwellings.
- Proposals for better digital infrastructure and utilities provision.
- Reducing development delays.
- Review of the options put forward by the CIL Review Group in the Autumn Budget 2017.
- Potentially include affordable private rent instead of other affordable tenures.
- Longer term rent policy affecting RPs in order to provide confidence.
- Further measures to stimulate demand for housing.
- Require 10% affordable home ownership dwellings (as opposed to the 20% starter home requirement that formed part of an earlier consultation).
- Allow starter homes on rural exception sites.
- Further emphasis on the provision of accessible housing.

[22] Page 29, Viability Testing Local Plans - Advice for planning practitioners, 2012
[23] DCLG, February 2017, Fixing our broken housing market

2.13 Given that most of the proposals are expressed in broad terms and subject to consultation it is not possible to specifically tailor viability testing. The exception is the changing attitude towards starter homes, as Ashford Borough Council had taken account of the likely requirement for 20% starter homes in the March 2016 consultation[24] and used this to inform affordable housing policy. This updated testing uses revised affordable housing tenures, with Starter Homes included as well as other low cost home ownership tenures.

Local Plan Policies

2.14 The NPPF is clear that viability testing should take into account, '*…the costs of any requirements likely to be applied to development,…'* (Para 173). Therefore a planning policy review has been undertaken.

2.15 The draft Local Plan has been through a Regulation 19 consultation, and changes are being prepared prior to further consultation. Ashford Borough Council has highlighted the following policies that have an impact on viability.

2.16 Affordable housing will be provided on developments of 10 or more dwellings[25]. The affordable housing modelled in this update is different from the June 2016 report and is set out in the table below. The revisions have been specified by the Council and take into account the changed priorities for starter homes.

2.17 At the time of this testing it has not yet been decided whether there will be 30% affordable housing or 40% affordable housing in the Rest of Borough value area.

Figure 2-1 Affordable Housing Policy

Value area	Total affordable housing %	Starter homes %	Affordable rent %	Shared ownership %
Ashford Town	20%	10%	0%	10%
Ashford Hinterlands	30%	10%	10%	10%
Rest of Borough Scenario A	40%	10%	10%	20%
Rest of Borough Scenario B	30%	5%	15%	10%

[24] DCLG, March 2016, Starter Homes Regulations Technical Consultation.

[25] This threshold is set by Ashford Borough Council to align with the starter home threshold rather than the NPPG

2.18 Since the June 2016 report the accessibility requirements have been amended and these changes are reflected in this update report. In terms of accessibility standards, the Council has requested that the testing includes:

- 20% of housing (market and affordable) to be built in compliance with building regulations Part M4(2) as a minimum standard.
- 7.5% of affordable rented housing to be needs to be built in compliance with building regulations Part M(4)3b (accessible) standard[26].

2.19 There may be an optional requirement, for wheelchair adaptable housing (Part M4(3a).

2.20 The testing includes an allowance of £29,431 for 7.5% of affordable rented dwellings to meet the Part M(4)3 (accessible) standard[27]. There is an allowance of £1,661 per dwelling for the other dwellings required to meet the PartM4(2) standard[28]. It is assumed that where Part M4(3a) is required this will be on a case by case basis and will be dealt with by specific negotiation. If development is expected to provide more dwellings to Part M(4)2 or Part M(4)3 then it is assumed costs will either be met within the viability headroom or through site-specific negotiation on the overall planning obligations required.

2.21 The draft Local Plan proposes that sites of more than 40 dwellings (20 dwellings in rural areas) will provide 5% of dwelling plots for self build. Self-build plots are therefore included in the case study sites. This approach remains unchanged since June 2016.

2.22 The draft Local plan proposes that development will be required to provide 2 ha of informal greenspace per 1,000 persons for developments of 50 dwellings or more[29], except for town centre sites. Therefore, in addition to the net developable area, at least 0.00494ha/dwelling has been allowed for greenspace to meet the standard required for the case studies of 50 or more dwellings in Ashford Hinterlands and Rest of Borough. In practice this is a generous provision for many of the case studies as some of the greenspace will normally be part of the net developable area as local play space, although it is recognised that the parking standards may also require some space within the net developable area. Ashford Borough Council has advised that town centre sites will generally not be required to provide this quantum of green space on site.

2.23 The draft Local Plan has policies relating to Homes for Family Occupation, Secure by Design, private amenity space (gardens and balconies) and parking standards (space per bedroom up to

[26] Based on an assessment of need undertaken by Ashford Borough Council

[27] Based on the cost for a 2-bed terrace house – EC Harris, 2014, Housing Standards Review Cost Impacts

[28] EC Harris, 2014, Housing Standards Review Cost Impacts

[29] Average household size 2.47 - https://haveyoursay.ashford.gov.uk/consult.ti/draft_housing_framework/viewCompoundDoc?docid=3367796&partId=3369332&voteid=

2 spaces/3-bed dwelling and 3 spaces/4-bed dwelling). These standards were also included in the June 2016 testing as follows:

- Dwellings built to the Nationally Described Space Standards will meet the Homes for Family Occupation draft Local Plan requirements. The dwelling sizes used in the testing meet or exceed the Nationally Described Space Standards.
- The Council has also advised that the costs of the Secure by Design draft Local Plan Requirement will be covered by the new Building Regulations Part Q standard. £320 per dwelling has been allowed for in the testing to meet this standard[30].
- Ashford Borough Council has advised that the main impact of the parking standards will be in higher density flatted town centre development, and that the flatted case study testing should include provision for 60% undercroft car parking, with remainder assumed to be provided on street.
- The Council has advised that development is currently delivering the private amenity space standards. Therefore, no additional costs have been allowed for.

2.24 The draft Local Plan requires new dwellings to meet the 110 litres of water per day standard, as well as including appropriate sustainable drainage. The viability testing includes the £9/dwelling estimated additional cost[31] to meet the water efficiency standard. The Sustainable Drainage requirements are part of standard SuDS practice, which is a standard part of development in most cases. The policies in the draft local plan are less onerous and simpler than the requirements in the adopted 2010 Sustainable Drainage SPD and so no further allowance has been made in the testing.

2.25 The viability testing includes a residual post-pooling restriction s106/278 cost of £2,000/dwelling for items such as local play/green space and minor transport works, and this is the same allowance as in the June 2016 testing.

2.26 In the June 2016 testing, some of the case studies then had additional s106/278/infrastructure costs included in the modelling. At the time this included:

- Junction 10a costs – a £5,500 contribution towards J10a sought from developments generating at least 100 two-way trips between 7am and 7pm within a 5-minute isochrone of the junction.
- The two strategic sites tested (Court Lodge and Kennington) included costs of providing site specific education and social infrastructure. WS11 Court Lodge was tested with additional costs between £3,900/dwelling to £13,620/dwelling; and KE2/KE3 Kennington was tested with additional costs between £11,320 and £14,900/dwelling
- Some case studies were tested with additional levels of S106 to test the opportunity to directly provide infrastructure through s106 and this varied between an additional £8,000/dwelling and £13,000/dwelling.

[30] EC Harris, 2014, Housing Standards Review Cost Impacts
[31] EC Harris, 2014, Housing Standards Review Cost Impacts

2.27 For this update testing the Council has requested that the testing does not include these additional s106/278/infrastructure costs, but instead illustrates the estimated viability headroom per dwelling above the benchmark land value. This can then be used to understand what infrastructure contribution development may be able to make through onsite provision or through s106/278. This change should be noted if findings are compared between the two reports.

3. VIABILITY APPROACH AND KEY ASSUMPTIONS

Principles and approach

3.1 The Advice for planning practitioners summarises viability as follows:

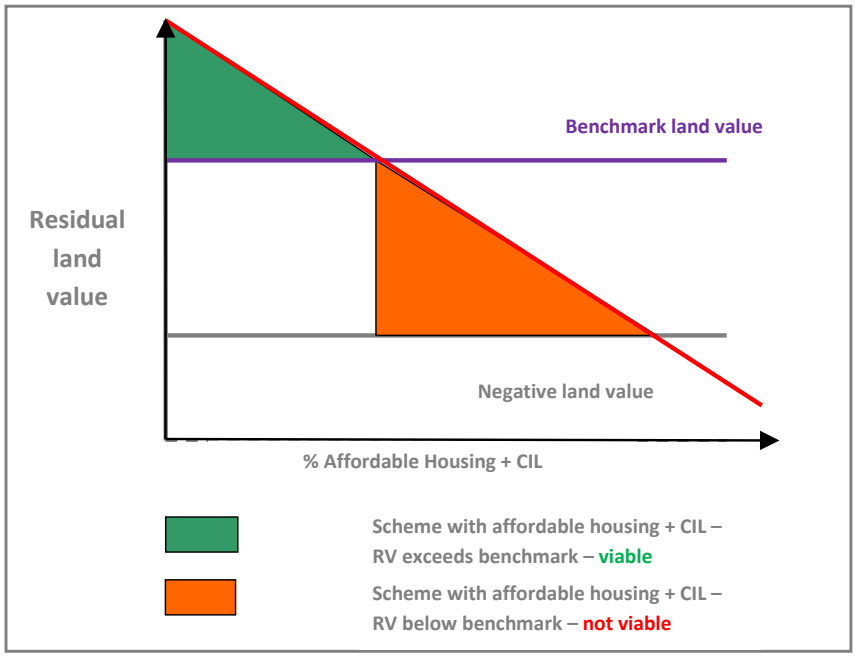
'*An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes 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)

3.2 Reflecting this definition of viability, and as specifically recommended by the Advice for planning practitioners[32], 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. 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, and direct s106 costs etc.) and the greater the planning obligations, the less will be the residual value. Details of the assumptions about values and costs are discussed later in this section and set out in full in Annex 3.

3.3 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 unlikely 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. Figure 3.1 below illustrates this relationship.

[32] See page 25 – "We recommend that the residual land value approach is taken when assessing the viability of plan-level policies and further advice is provided below on the considerations that should be given to the assumptions and inputs to a model of this type."

Figure 3-1: Relationship of residual value and benchmark land value



RV – residual value

Assumptions used in the testing

3.4 A full set of assumptions used in the testing is set out in Annex 3. This includes the market values for the sale housing. Initial house prices were discussed at a developer workshop in April 2015. An update was undertaken using new build dwelling sales data in March 2016, with these estimates checked and refined through interviews with estate agents active in Ashford Borough[33]. These are the values used in both the June 2016 Viability Report and this update report.

3.5 The borough is divided into three value areas – Ashford Town (Zone A), Ashford Hinterlands (Zone B) and Rest of Borough (Zone C) – see Figure 3.2 below. Table 3.2 then sets out the indicative market values for new build properties used in the testing. This is an area wide approach so within all value areas, there will be local variations in selling prices.

3.6 Small scale "one-off" developments (up to three dwellings) are also known to support higher values, related to the bespoke nature of this scale of development. While some one-off developments with special design and space standards will produce very high values, this viability assessment has sought to model dwellings that are similar to the types of dwellings that may also be built as part of larger developments. Based on experience, it has been assumed that these dwellings will command a 5% premium over their estate counterparts.

[33] Saddlers, Geering & Colyer, Martins Estates, Ward & Partners, Gould & Harrison

Figure 3-2: Ashford residential market value areas

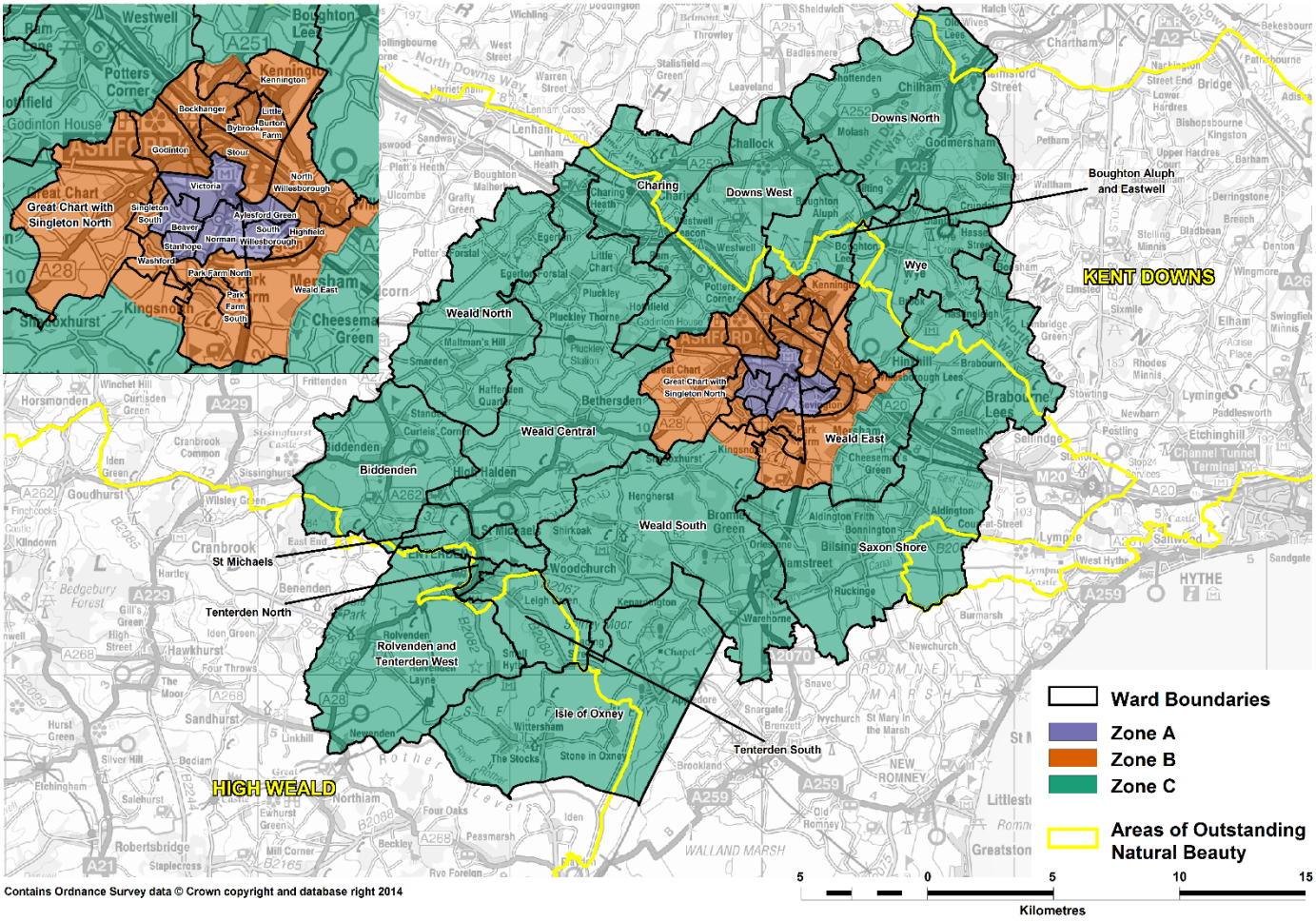


Figure 3-3: Market values used in testing

Location	**Detached**			**Semi-detached**		**Terrace**			**Flats**	
sq m	**140**	**125**	**110**	**106**	**95**	**97**	**84**	**70**	**61**	**50**
	5 Bed	**4 Bed**	**3 Bed**	**4 Bed**	**3 Bed**	**4 Bed**	**3 Bed**	**2 Bed**	**2 Bed**	**1 Bed**
Ashford Hinterlands	£380,000	£345,000	£305,000	£280,000	£265,000	£270,000	£250,000	£215,000	£150,000	£130,000
Ashford Town	£365,000	£325,000	£285,000	£260,000	£240,000	£245,000	£230,000	£200,000	£145,000	£130,000
Rest of Borough	£490,000	£425,000	£380,000	£330,000	£305,000	£290,000	£255,000	£230,000	£180,000	£155,000

3.7 Other key assumptions used in the testing are:

- All of the testing includes policy compliant affordable housing. Developments of 9 dwellings or fewer have no affordable housing[34]. The proportion and tenures of affordable housing for developments of 10 or more dwellings is:

Value area	Total affordable housing %	Starter homes %	Affordable rent %	Shared ownership %
Ashford Town	20%	10%	10%	0%
Ashford Hinterlands	30%	10%	10%	10%
Rest of Borough Scenario A	40%	10%	10%	20%
Rest of Borough Scenario B	30%	5%	15%	10%

- In terms of low cost home ownership, we have included shared ownership and Starter Homes in the testing as the cost and value assumptions for these two tenures are known and easily modelled. However, there may be other forms of low cost home ownership (such as discounted market housing) and we have assumed that there will be some interchangeability with the mix modelled in this study and other low cost home ownership products.
- Rental values and capitalisation have been checked with Registered Providers active in the Borough. This takes account of the changes to rents and benefits announced in the 2015 budget. These are the same values as used in the June 2016 testing.
- Basic build costs are derived from Building Cost Information Service (BCIS) data[35], are adjusted to take into account the location factor for the borough and include an allowance of 15% for external works. Different costs are used for different dwelling types and by scale of development, acknowledging the higher build costs associated with very small developments. Single dwellings used the BCIS 'one-off' costs and developments of 2 and 3 dwellings used a 5% premium over standard build costs[36]. These costs are the same as used in the June 2016 testing.

[34] Ashford Borough Council has elected to use this threshold rather than the 10 dwellings or fewer in the November 2014 Written Ministerial Statement.
[35] Accessed March 2016
[36] Correspondence with BCIS has confirmed the it is single dwellings that are likely to have significantly increased build costs.

- Build costs are also adjusted to take account of the new security requirements forming Part Q of building regulations and the water efficiency standard required as part of the draft Local Plan policies. This is the same as used in the June 2016 testing.
- Further costs are allowed for the requirement that 7.5% of affordable rent dwellings are built to Part M(4)3b (c.£29,341/dwg) and 20% of all affordable, starter and market homes are built to Part M(4)2 accessibility standards (c.£1,661/dwg). These are the same costs as used in the June 2016 testing, although in this testing the Part M(4)2 now applies to a proportion rather than all dwellings.
- We assume development will still have to meet a residual s106 and s278 cost[37] and, on advice from the Council, we have used a general figure of £2,000 per dwelling to cover on site provision for open space and local transport improvements. This is the same allowance as used in the June 2016 testing.
- Strategic sites (Court Lodge and Kennington) are assumed to incur additional costs of £200,000 per net hectare for opening up the sites and providing serviced parcels of land for development. These are in addition to the external works allowance of 15% of construction costs. The larger non-strategic case study sites used in the testing have an allowance £50,000 - £150,000 for opening up costs. These are the same costs as used in the June 2016 testing.
- The testing includes 5% self-build on larger sites. A prudent approach has been taken:
    - The unserviced land for the whole development is assumed to be at the appropriate benchmark, and the appropriate servicing/opening up costs are applied. This includes the proportion of the site taken by self-build.
    - The self-build plots are then assumed to be sold off, with the same value as urban/infill sites
    - Based on self-build plot valuations elsewhere in England, this is a conservative approach to the self-build value. Furthermore, if the developers provide custom build then the values may be comparable to standard estate development.
- The residual values take account of the current Stamp Duty Land Tax requirements

Land Value Benchmarks

3.8 The land value benchmark is an estimate of the lowest cost that a willing landowner would sell land for development. The benchmark land values are the same as used in the 2016 testing except for a new intermediate benchmark used for two additional large case studies included in this testing.

[37] Section 278 agreements allow developers to either pay for or undertake works relating to public highways. Typically this will relate to the works necessary to connect development to the highway network but it may also include offsite works. S278 may also include a bond to ensure works are undertaken.

Figure 3-4 Benchmark Land Values

Location	Type	£/gross ha	Notes
Ashford/Ashford Hinterlands	Urban/edge of urban	£700,000	Based on premium over EUV + review
Ashford Hinterlands	Larger sites intermediate benchmark	£450,000	Mid-point for larger non-strategic sites with additional costs
Ashford Hinterlands and Rest of Borough	Strategic greenfield sites	£300,000	Based on a multiple of agricultural values
Rest of Borough	Infill/edge of settlement	£1,300,000	Based on review
Rest of Borough	Larger sites intermediate benchmark	£800,000	Mid-point for larger non-strategic sites with additional costs

Testing undertaken

3.9 The viability testing undertaken is split into three types:

- Using a notional 1 ha development scheme with different densities of development. For each density tested, there is a different mix of dwelling types with more smaller dwellings (including flats) in the higher density schemes.
- A series of case studies that represent the types of development provided for in the draft Local Plan, but which might be brought forward as windfall schemes or smaller allocations in due course. The case studies were informed by the draft Local Plan, allocated sites and experience of past development patterns. The case studies range in size from 1 dwelling to 600 dwellings.
- Strategic sites testing, based on the sites identified in the draft Local Plan. Ashford Borough Council has advised on the choice of sites to be tested as well as providing details of policy compliant land budgets.

3.10 The 1 ha tile and case study/strategic sites testing are complementary. The 1 ha tiles provide a picture of the underlying viability of residential development and what this means for different densities of development and potential planning obligations. The case studies then highlight where site types differ in their viability compared with the average of the 1 ha tiles and this is then used to review the potential planning obligations.

3.11 This viability testing is undertaken on the same costs and values basis as the June 2016 report and is designed to understand the viability implications of policies as if they had been included at the time. However, we make the point that over the last 12 months both values and costs have increased, but values have increased by more (13% increase in the Borough between February 2106 and February 2017) than costs (BCIS All In Tender Price Index has risen by 5% between February 2016 and the BCIS forecast for February 2017). Therefore, it is likely that the actual viability may be stronger than reported here.

4 VIABILITY TESTING – NOTIONAL 1 HA TILE

Introduction

4.1 This section of the report sets out the viability assessments for the 1 ha notional tiles at different development densities. These are used to explore the underlying viability trends across the borough and arrive at a high-level assessment of viability for policy compliant development.

Types of tile tested

4.2 Fifteen notional 1 ha schemes were tested as follows:

- At 40 dph, 50 dph and 90 dph in Ashford Town.
- At 20 dph, 25 dph, 30 dph, 35dph, 40 dph and 50 dph in the Ashford Hinterlands.
- At 20 dph, 25 dph, 30 dph, 35dph, 40 dph and 50 dph in the Rest of Borough

4.3 As well as taking account of the different values in the different parts of the Borough, the testing uses the different affordable housing requirements (including the two options being considered for the Rest of Borough) i.e.:

Value area	Total affordable housing %	Starter homes %	Affordable rent %	Shared ownership %
Ashford Town	20%	10%	0%	10%
Ashford Hinterlands	30%	10%	10%	10%
Rest of Borough Scenario A	40%	10%	10%	20%
Rest of Borough Scenario B	30%	5%	15%	10%

4.4 The testing is against the £0.7m/ha benchmark in Ashford Town and Ashford Hinterlands and the £1.3m/ha benchmark in the Rest of Borough. Self build is not included in these 1ha tiles, and there is an allowance of £2,000/dwelling s106/278 residual s106 to mitigate any direct impacts – likely to be on site greenspace/local children's plan and minor direct transport measures.

Scenarios

4.5 Ashford Borough Council has requested that:

- The higher density flats and houses tile in Ashford Town (50 dph) includes a scenario where there is no affordable housing provided from the flatted parts of the development, and the houses provide starter homes and shared ownership.
- The flatted scheme tile (90 dph) includes a scenario where 10% starter homes only are provided.

4.6 These scenarios can be seen as part of the findings discussed below.

1 ha tile results

4.7 The results graphs and table presented below show:

- The residual value of the 1 hectare schemes
- The relevant benchmark land value, the net value (residual value less benchmark)
- The viability 'headroom' per dwelling (total affordable and market dwellings).

4.8 The graphs have the alternative scenarios for Ashford Town and Rest of Borough on the right hand side.

Figure 4.1 Net viability headroom per dwelling – Ashford Town

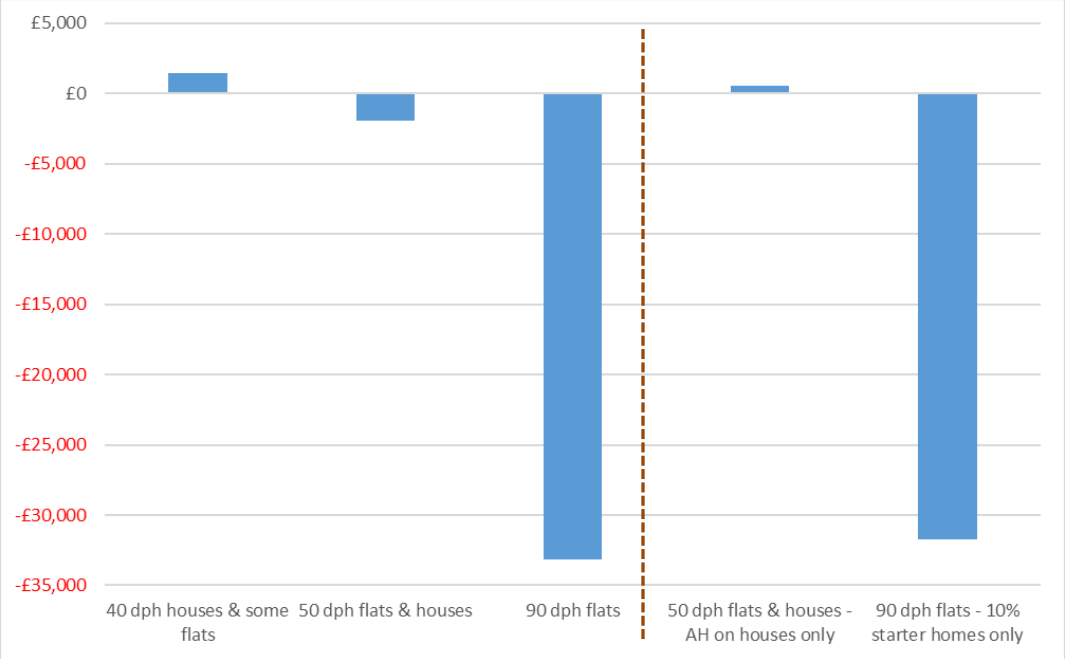


Figure 4.2 Net viability headroom per dwelling – Ashford Hinterlands

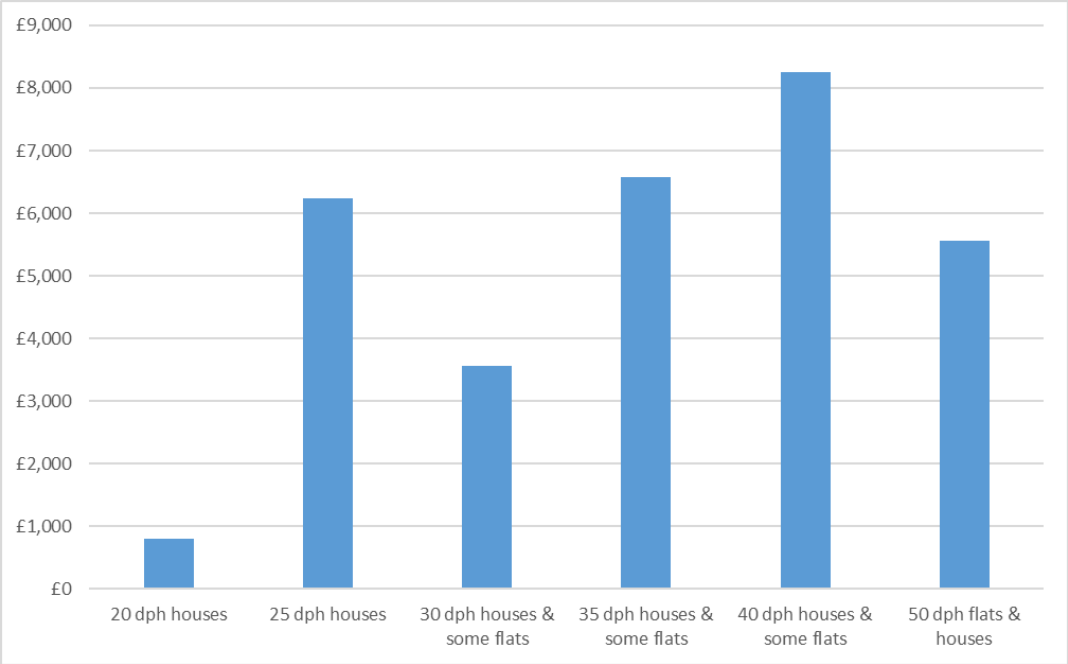


Figure 4.3 Net viability headroom per dwelling – Rest of Borough

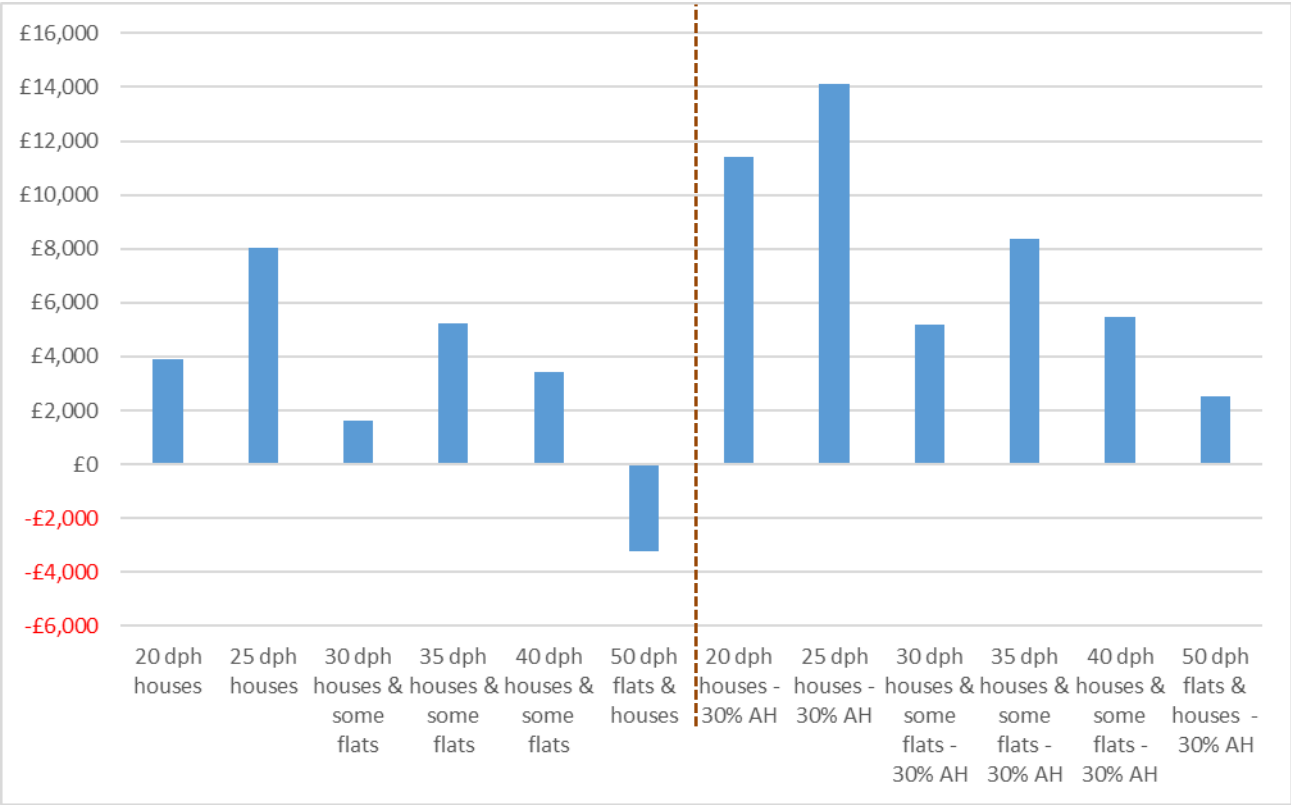


Figure 4.1 1 ha tiles Residual Values and 'Headroom' for further Planning Obligations

Market Value Area	DPH	Total %AH	%Starter Homes (part of the AH)	% Aff Rent	% Shared Ownership	Residual Value(RV) per ha	Main Benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
Ashford Town	40	20%	10.0%		10.0%	£758,000	£700,000	£58,000	£1,450
Ashford Town	50	20%	10.0%		10.0%	£605,000	£700,000	-£95,000	-£1,900
Ashford Town	90	20%	10.0%		10.0%	-£2,285,000	£700,000	-£2,985,000	-£33,167
Ashford Town (AH on houses only)	50	11.2%	5.6%		5.6%	£728,000	£700,000	£28,000	£560
Ashford Town (10% starter homes only)	90	10%	10.0%			-£2,155,000	£700,000	-£2,855,000	-£31,722
Ashford Hinterland	20	30%	10.0%	10.0%	10.0%	£716,000	£700,000	£16,000	£800
Ashford Hinterland	25	30%	10.0%	10.0%	10.0%	£856,000	£700,000	£156,000	£6,240
Ashford Hinterland	30	30%	10.0%	10.0%	10.0%	£807,000	£700,000	£107,000	£3,567
Ashford Hinterland	35	30%	10.0%	10.0%	10.0%	£930,000	£700,000	£230,000	£6,571
Ashford Hinterland	40	30%	10.0%	10.0%	10.0%	£1,030,000	£700,000	£330,000	£8,250
Ashford Hinterland	50	30%	10.0%	10.0%	10.0%	£978,000	£700,000	£278,000	£5,560
Rest of Borough	20	40%	10.0%	10.0%	20.0%	£1,378,000	£1,300,000	£78,000	£3,900
Rest of Borough	25	40%	10.0%	10.0%	20.0%	£1,501,000	£1,300,000	£201,000	£8,040
Rest of Borough	30	40%	10.0%	10.0%	20.0%	£1,349,000	£1,300,000	£49,000	£1,633
Rest of Borough	35	40%	10.0%	10.0%	20.0%	£1,483,000	£1,300,000	£183,000	£5,229
Rest of Borough	40	40%	10.0%	10.0%	20.0%	£1,436,000	£1,300,000	£136,000	£3,400
Rest of Borough	50	40%	10.0%	10.0%	20.0%	£1,139,000	£1,300,000	-£161,000	-£3,220
Rest of Borough (30% AH)	20	30%	5.0%	15.0%	10.0%	£1,528,000	£1,300,000	£228,000	£11,400
Rest of Borough (30% AH)	25	30%	5.0%	15.0%	10.0%	£1,653,000	£1,300,000	£353,000	£14,120
Rest of Borough (30% AH)	30	30%	5.0%	15.0%	10.0%	£1,455,000	£1,300,000	£155,000	£5,167

Market Value Area	DPH	Total %AH	%Starter Homes (part of the AH)	% Aff Rent	% Shared Ownership	Residual Value(RV) per ha	Main Benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
Rest of Borough (30% AH)	35	30%	5.0%	15.0%	10.0%	£1,592,000	£1,300,000	£292,000	£8,343
Rest of Borough (30% AH)	40	30%	5.0%	15.0%	10.0%	£1,518,000	£1,300,000	£218,000	£5,450
Rest of Borough (30% AH)	50	30%	5.0%	15.0%	10.0%	£1,426,000	£1,300,000	£126,000	£2,520

Note AH – Affordable housing

Commentary

4.9 The residual values vary considerable between the different value zones, even with the higher levels of affordable housing required in the higher value areas. For example, a 50 dph scheme has a residual value of £0.6m with 20% affordable housing in Ashford Town compared to £1.1m with 40% affordable housing in Rest of Borough.

4.10 In Ashford town, only the 40 dph scheme is viable with policy compliant affordable housing, and this is with a relatively small headroom for other planning obligations/infrastructure. Reducing the affordable housing on the higher density scheme (50dph) so that only the houses provide affordable housing brings the residual value back above the benchmark, albeit by a small margin. The 90dph flatted scheme is not viable even with 10% starter homes.

4.11 In the Ashford Hinterlands development is viable across the range of densities tested. The strongest densities are in the 25 dph to 40 dph range (which covers most of the likely types of development in the value area).

4.12 In the Rest of Borough, all of the development tested except for 50 dph is viable at 40% affordable housing, although the headroom for planning obligations is typically between £3,000-£5,000 per dwelling. 25 dph is the most viable density. If the affordable housing is reduced to 30% then the viability is strengthened, with the 50dph scheme now viable and with increased headroom generally for planning obligations.

Summary

4.13 The 1 ha tile findings suggest that

- There may be occasions where development in Ashford Town is not able to provide policy compliant affordable housing or other planning obligations. This is particularly so for flats (either as stand-alone flatted schemes or as part of a mixed scheme). Even just providing starter homes may not be possible for flatted schemes. However, some schemes are likely to be viable with policy compliant affordable housing, although with relatively little 'headroom' to support further planning obligations.
- In the Ashford Hinterlands, development is more viable as the values increase and more valuable densities are tested. In most cases, there will be some viability headroom to support planning obligations.
- In the Rest of Borough development is generally viable although with 40% affordable housing the viability headroom is smaller than in the Ashford Hinterlands and the higher density scheme is not viable. If the affordable housing is reduced then viability is strengthened.

5 RESIDENTIAL VIABILITY TESTING – CASE STUDY SITES

Introduction

5.1 The viability assessments use a number of case study sites which reflect typical sites likely to be brought forward in the borough. The case studies were derived in consultation with the Council and draw on information about recent planning permissions and the type of development identified in the draft Local Plan. The large scale strategic sites are tested separately and reported later in this report.

5.2 Figure 5.1 below sets out the case study sites used for testing. The non-strategic case studies with over 50 dwellings in Ashford Hinterlands and the Rest of Borough include policy compliant green space provision as a minimum net to gross adjustment (see Section 2). The flatted case studies in Ashford include provision for undercroft parking (again see Section 2).

5.3 Larger schemes include an allowance for opening up costs, to reflect the higher costs associated with making larger sites ready for development. Larger schemes are also tested against lower benchmark land values, which reflect the additional costs and lower net developable area.

5.4 There are various cost and value differences around the smallest case studies and therefore the case study testing is undertaken either side of the differences. These differences have been discussed in more detail in section 3 and are summarised as:

- Higher build costs for single dwellings, using BCIS 'one off development' build costs.
- 5% build cost premium for 2 and 3 dwelling developments.
- 5% 'exclusivity' premium for 1-3 dwellings.

5.5 The implementation of the affordable housing policy in the draft Local Plan will require developments of 10 dwellings or more to provide affordable housing, in line with the affordable home ownership product threshold set out in the February 2017 Housing White Paper. The viability testing takes this into account as well as providing a sensitivity test in line with the NPPG threshold of 11 dwellings or more.

5.6 Schemes considered to take over a year to complete (10 dwellings or above) are modelled using a discounted cash flow.

Figure 5-1: Non-strategic case study site characteristics

Case study	Site	Market value area	Total dwgs	Net site area (ha)	Dph	Gross site size (ha)	Net to gross	% AH	% self build	Dwg mix	s106 / dwg	Delivery	Opening up/ net ha	Benchmark/ gross ha	Site Specific Infrastructure, including phasing and cost where known.
T1	Houses	Ashford Town	1	0.03	40	0.03	100%	0%	0%	4bd	£2,000	Yr 1		£700,000	
T2	Houses	Ashford Town	2	0.05	40	0.05	100%	0%	0%	2x3bd	£2,000	Yr 1		£700,000	
T3	Houses	Ashford Town	3	0.08	40	0.08	100%	0%	0%	3x3bd	£2,000	Yr 1		£700,000	
T4	Houses	Ashford Town	4	0.10	40	0.10	100%	0%	0%	4x4bd	£2,000	Yr 1		£700,000	
T5	Houses	Ashford Town	10	0.25	40	0.25	100%	0%	0%	40dph mix	£2,000	1 yr to first completion then 10pa		£700,000	
T6	Houses	Ashford Town	10	0.25	40	0.25	100%	20%	0%	40dph mix	£2,000	1 yr to first completion then 10pa		£700,000	
T7	Houses	Ashford Town	20	0.50	40	0.50	100%	20%	0%	40dph mix	£2,000	1 yr to first completion then 20pa		£700,000	
T8	Houses	Ashford Town	100	2.50	40	2.75	91%	20%	0%	40dph mix	£2,000	1 yr to first completion then 50pa		£450,000	
T9	Houses	Ashford Town	200	5.00	40	5.88	85%	20%	0%	40dph mix	£2,000	1 yr to first completion then 50pa		£450,000	
T10	Flatted development	Ashford Town	200	2.22	90	2.22	100%	20%	0%	90dph mix	£2,000	Blocks of 50 with year to first completion and sales over the following year		£700,000	60% undercroft parking (120 spaces)
T11	Houses	Ashford Town	350	8.75	40	10.94	80%	20%	0%	40dph mix	£2,000	1 yr to first completion then 50pa	£150,000	£450,000	

Case study	Site	Market value area	Total dwgs	Net site area (ha)	Dph	Gross site size (ha)	Net to gross	% AH	% self build	Dwg mix	s106 / dwg	Delivery	Opening up/ net ha	Benchmark/ gross ha	Site Specific Infrastructure, including phasing and cost where known.
T12	Flatted development	Ashford Town	600	6.67	90	6.67	100%	20%	0%	90dph mix	£2,000	Blocks of 50 with year to first completion and sales over the following year		£700,000	60% undercroft parking (540 spaces)
H1	Houses	Ashford Hinterlands	1	0.03	35	0.03	100%	0%	0%	4bd	£2,000	Yr 1		£700,000	
H2	Houses	Ashford Hinterlands	2	0.06	35	0.06	100%	0%	0%	2x4bd	£2,000	Yr 1		£700,000	
H3	Houses	Ashford Hinterlands	3	0.09	35	0.09	100%	0%	0%	3x4bd	£2,000	Yr 1		£700,000	
H4	Houses	Ashford Hinterlands	4	0.11	35	0.11	100%	0%	0%	4x4bd	£2,000	Yr 1		£700,000	
H5	Houses	Ashford Hinterlands	10	0.29	35	0.29	100%	0%	0%	35 dph mix	£2,000	1 yr to first completion then 10pa		£700,000	
H6	Houses	Ashford Hinterlands	10	0.29	35	0.29	100%	30%	0%	35 dph mix	£2,000	1 yr to first completion then 10pa		£700,000	
H7	Houses	Ashford Hinterlands	20	0.57	35	0.57	100%	30%	0%	35 dph mix	£2,000	1 yr to first completion then 20pa		£700,000	
H8	Houses	Ashford Hinterlands	55	1.57	35	1.65	95%	30%	5%	35 dph mix	£2,000	1 yr to first completion then 55pa	£50,000	£700,000	
H9	Houses	Ashford Hinterlands	110	3.67	30	4.07	90%	30%	5%	30 dph mix	£2,000	1 yr to first completion then 50pa	£100,000	£450,000	
H10	Houses	Ashford Hinterlands	200	6.67	30	7.84	85%	30%	5%	30 dph mix	£2,000	1 yr to first completion then 50pa	£150,000	£450,000	
H11	Houses	Ashford Hinterlands	300	10.00	30	12.50	80%	30%	5%	30 dph mix	£2,000	1 yr to first completion then 75pa (2 developers)	£150,000	£300,000	

Case study	Site	Market value area	Total dwgs	Net site area (ha)	Dph	Gross site size (ha)	Net to gross	% AH	% self build	Dwg mix	s106 / dwg	Delivery	Opening up/ net ha	Benchmark/ gross ha	Site Specific Infrastructure, including phasing and cost where known.
R1	Houses	Rest of Borough	1	0.04	25	0.04	100%	0%	0%	4bd	£2,000	Yr 1		£1,300,000	
R2	Houses	Rest of Borough	2	0.08	25	0.08	100%	0%	0%	2x4bd	£2,000	Yr 1		£1,300,000	
R3	Houses	Rest of Borough	3	0.12	25	0.12	100%	0%	0%	1x4bd 2x5bd	£2,000	Yr 1		£1,300,000	
R4	Houses	Rest of Borough	4	0.16	25	0.16	100%	0%	0%	2x4bd 2x5bd	£2,000	Yr 1		£1,300,000	
R5	Houses	Rest of Borough	10	0.40	25	0.40	100%	0%	0%	25dph mix	£2,000	1 yr to first completion then 10pa		£1,300,000	
R6	Houses	Rest of Borough	10	0.40	25	0.40	100%	40% (and 30% scenario)	0%	25dph mix	£2,000	1 yr to first completion then 10pa		£1,300,000	
R7	Houses	Rest of Borough	11	0.44	25	0.44	100%	40% (and 30% scenario)	0%	25dph mix	£2,000	1 yr to first completion then 11pa		£1,300,000	
R8	Houses	Rest of Borough	20	0.80	25	0.80	100%	40% (and 30% scenario)	5%	25dph mix	£2,000	1 yr to first completion then 20pa		£1,300,000	
R9	Houses	Rest of Borough	40	1.33	30	1.33	100%	40% (and 30% scenario)	5%	30dph mix	£2,000	1 yr to first completion then 40pa		£1,300,000	
R10	Houses	Rest of Borough	70	2.00	35	2.350	85%	40% (and 30% scenario)	5%	35dph mix	£2,000	1 yr to first completion then 40pa	£50,000	£800,000	
R11	Houses	Rest of Borough	150	5.00	30	5.750	87%	40% (and 30% scenario)	5%	30dph mix	£2,000	1 yr to first completion then 40pa	£100,000	£800,000	
R12	Houses	Rest of Borough	225	7.50	30	8.82	85%	40% (and 30% scenario)	5%	30dph mix	£2,000	1 yr to first completion then 50pa	£150,000	£300,000	

Viability Findings - Smaller Case Studies 1-10 dwellings

5.7 The smaller case studies do not have to provide affordable housing, except for the 10-dwelling scheme where Ashford Borough Council has aligned the affordable housing threshold with the Housing White Paper threshold for low cost home ownership. The testing also includes a sensitivity test around 10 dwellings schemes being exempt from providing affordable housing in case the threshold is changed in line with the 2014 Written Ministerial Statement. Figure 5.2 below illustrates the residual value per hectare for the smaller case study schemes.

Commentary

5.8 All of the 1-10 dwelling case studies are viable in all of the value areas in the Borough, except for the single dwellings, which have a higher build cost.

5.9 The viability of development remains stronger in the higher value rest of borough than in the Ashford Hinterlands and Ashford Town.

5.10 With the exception of the single dwellings, all of the small case studies are also able to support some planning obligations in addition to the £2,000/dwelling site specific mitigation included in the modelling:

- In Ashford Town small scale development may be able to support up to approximately £20,000 per dwelling.
- In Ashford Hinterlands small scale development may be able to support up to approximately £30,000 per dwelling.
- In Rest of Borough small scale development may be able to support up to approximately £60,000 per dwelling.
- The higher build costs associated with single dwellings suggest that they may find it difficult to support planning obligations in any of the three locations.

5.11 The requirement to provide affordable housing makes a considerable difference to the viability of the two alternative 10 dwelling schemes, and this difference increases as market values increase. However, the 10-dwelling case study remains viable when supporting affordable housing albeit with less headroom for further planning obligations.

Viability Findings - Larger Case Studies 20-300 dwellings

5.12 The larger case studies have to provide affordable housing as well as having a proportion of the non-developable site area, and the largest sites are expected to bear additional costs for opening up/site infrastructure in addition to the costs already included in the standard modelling.

5.13 The standard benchmark land value is applied to sites generally (£0.7m in Ashford and Ashford Hinterlands; and £1.3m in Rest of Borough). For larger sites (70+ dwellings) the intermediate benchmark is used (£0.45m/ha in Ashford and Ashford Hinterlands, £0.8m in Rest of Borough), except for the largest development on greenfield land, when the strategic greenfield benchmark is used (£0.3m/ha in all value zones for more than 200 dwellings).

5.14 Larger case studies include 5% self-build (40 dwellings+ in urban areas, 20 dwellings+ in rural areas).

Commentary

Ashford Town

5.15 In Ashford Town the 20, 100 and 200 dwelling developments are viable with 20% affordable housing and £2,000 per dwelling s106. These developments may be able to support up to £5,000-£9,000 per dwelling planning obligations.

5.16 The 350-dwelling case study in Ashford Town produces a positive residual value of £0.55m with 20% affordable housing and £2,000/dwelling s106/278, although this is below the benchmark. With some flexibility about policy standards and/or site value this case study may be able to proceed, but it is unlikely to be able to support further planning obligations.

5.17 The flatted development case studies tested in Ashford Town do not produce a positive residual value and would be unlikely to be able to support planning obligations. In order for these schemes to come forward there may have to be negotiations about the policy standards required and/or some flexibility about the site value.

Ashford Hinterlands

5.18 In the Ashford Hinterlands, all of the larger case studies are viable with a 30% affordable housing and £2,000/dwelling s106/278.

5.19 The case studies suggest that further planning obligations of between £2,000 and £10,000 per dwelling may be supported.

Rest of Borough

5.20 In the Rest of Borough, all of the larger case studies are viable with 40% affordable housing and £2,000/dwelling s106/278. The case studies suggest that further planning obligations of between £2,000 and £28,000 per dwelling may be supported, with most case studies able to support at least £5,000/dwelling.

5.21 Reducing the affordable housing to 30% strengthens the viability and suggests that further planning obligations of between £5,500 and £31,000 per dwelling may be supported, with most case studies able to support at least £10,000/dwelling.

Figure 5-2 Smaller Case Studies Residual Value and 'Headroom' for further Planning Obligations

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	SH % (part of AH)	Density (dph)	Gross to net	Scheme residual value (RV)	Residual value per ha	Land benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
T1	House	Ashford Town	1	0%	0%	40	100%	-£88,000	-£3,520,000	£700,000	-£4,220,000	-£105,500
T2	Houses	Ashford Town	2	0%	0%	40	100%	£74,000	£1,480,000	£700,000	£780,000	£19,500
T3	Houses	Ashford Town	3	0%	0%	40	100%	£110,000	£1,466,667	£700,000	£766,667	£19,167
T4	Houses	Ashford Town	4	0%	0%	40	100%	£162,000	£1,620,000	£700,000	£920,000	£23,000
T5	Houses	Ashford Town	10	0%	0%	40	100%	£239,229	£956,916	£700,000	£256,916	£6,423
T6	Houses	Ashford Town	10	20%	10%	40	100%	£214,654	£858,616	£700,000	£158,616	£3,965
T7	Houses	Ashford Town	20	20%	10%	40	100%	£457,380	£914,760	£700,000	£214,760	£5,369
T8	Houses	Ashford Town	100	20%	10%	40	91%	£2,136,961	£777,854	£450,000	£327,854	£9,007
T9	Houses	Ashford Town	200	20%	10%	40	85%	£4,071,463	£692,149	£450,000	£242,149	£7,122
T10	Flats	Ashford Town	200	20%	10%	90	100%	-£4,377,245	-£1,971,732	£700,000	-£2,671,732	-£29,656
T11	Houses	Ashford Town	350	20%	10%	40	80%	£5,972,986	£546,102	£700,000	-£153,898	-£4,814
T12	Flats	Ashford Town	600	20%	10%	90	100%	-£24,128,833	-£3,617,516	£700,000	-£4,317,516	-£47,996
H1	House	Ashford Hinterland	1	0%	0%	33	100%	-£72,000	-£2,400,000	£700,000	-£3,100,000	-£93,000
H2	Houses	Ashford Hinterland	2	0%	0%	33	100%	£105,000	£1,750,000	£700,000	£1,050,000	£31,500

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	SH % (part of AH)	Density (dph)	Gross to net	Scheme residual value (RV)	Residual value per ha	Land benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
H3	Houses	Ashford Hinterland	3	0%	0%	33	100%	£155,000	£1,722,222	£700,000	£1,022,222	£30,667
H4	Houses	Ashford Hinterland	4	0%	0%	36	100%	£222,000	£2,018,182	£700,000	£1,318,182	£36,250
H5	Houses	Ashford Hinterland	10	0%	0%	34	100%	£353,861	£1,220,210	£700,000	£520,210	£15,086
H6	Houses	Ashford Hinterland	10	30%	10%	34	100%	£261,681	£902,348	£700,000	£202,348	£5,868
H7	Houses	Ashford Hinterland	20	30%	10%	35	100%	£518,185	£909,096	£700,000	£209,096	£5,959
H8	Houses	Ashford Hinterland	55	30%	10%	35	85%	£1,415,157	£766,168	£700,000	£66,168	£2,222
H9	Houses	Ashford Hinterland	110	30%	10%	30	87%	£2,925,513	£693,514	£450,000	£243,514	£9,339
H10	Houses	Ashford Hinterland	200	30%	10%	30	85%	£4,689,320	£597,590	£450,000	£147,590	£5,791
H11	Houses	Ashford Hinterland	300	30%	10%	30	80%	£6,991,339	£559,307	£300,000	£259,307	£10,804
R1	House	Rest of Borough	1	0%	0%	25	100%	-£8,000	-£200,000	£1,300,000	-£1,500,000	-£60,000
R2	Houses	Rest of Borough	2	0%	0%	25	100%	£223,000	£2,787,500	£1,300,000	£1,487,500	£59,500
R3	Houses	Rest of Borough	3	0%	0%	25	100%	£330,000	£2,750,000	£1,300,000	£1,450,000	£58,000
R4	Houses	Rest of Borough	4	0%	0%	25	100%	£454,000	£2,837,500	£1,300,000	£1,537,500	£61,500
R5	Houses	Rest of Borough	10	0%	0%	25	100%	£917,270	£2,293,175	£1,300,000	£993,175	£39,727

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	SH % (part of AH)	Density (dph)	Gross to net	Scheme residual value (RV)	Residual value per ha	Land benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
R6A	Houses	Rest of Borough	10	40%	10%	25	100%	£600,379	£1,500,948	£1,300,000	£200,948	£8,038
R7A	Houses	Rest of Borough	11	40%	10%	25	100%	£659,400	£1,498,636	£1,300,000	£198,636	£7,945
R8A	Houses	Rest of Borough	20	40%	10%	25	100%	£1,136,047	£1,420,059	£1,300,000	£120,059	£4,802
R9A	Houses	Rest of Borough	40	40%	10%	30	100%	£1,812,210	£1,362,564	£1,300,000	£62,564	£2,080
R10	Houses	Rest of Borough	70	40%	10%	35	85%	£2,743,653	£1,167,512	£800,000	£367,512	£12,338
R11	Houses	Rest of Borough	150	40%	10%	30	87%	£6,192,061	£1,076,880	£800,000	£276,880	£10,614
R12	Houses	Rest of Borough	225	40%	10%	30	85%	£8,946,237	£1,013,907	£300,000	£713,907	£27,996
R6B	Houses	Rest of Borough	10	30%	5%	25	100%	£660,005	£1,650,013	£1,300,000	£350,013	£14,001
R7B	Houses	Rest of Borough	11	30%	5%	25	100%	£729,061	£1,656,957	£1,300,000	£356,957	£14,278
R8B	Houses	Rest of Borough	20	30%	5%	25	100%	£1,248,138	£1,560,173	£1,300,000	£260,173	£10,407
R9B	Houses	Rest of Borough	40	30%	5%	30	100%	£1,960,271	£1,473,888	£1,300,000	£173,888	£5,782
R10B	Houses	Rest of Borough	70	30%	5%	35	85%	£2,944,915	£1,253,155	£800,000	£453,155	£15,213
R11B	Houses	Rest of Borough	150	30%	5%	30	87%	£6,760,050	£1,175,661	£800,000	£375,661	£14,400
R12B	Houses	Rest of Borough	225	30%	5%	30	85%	£9,721,965	£1,101,823	£300,000	£801,823	£31,444

Note: AH – Affordable housing; SH – Starter Homes (part of the affordable housing total)

Summary

5.22 All of the smaller case studies under the threshold for affordable housing (except single dwellings) are viable in all of the three value areas. These smaller case studies suggest development may be able to support additional planning obligations, from £20,000 per dwelling in Ashford Town to £30,000 per dwelling in Ashford Hinterlands and £60,000 in Rest of Borough.

5.23 The viability for the larger case studies is not so strong as they have to provide affordable housing as well as having a proportion of the non-developable site area, and the largest sites are expected to bear additional costs for opening up/site infrastructure in addition to the costs already included in the standard modelling. This is offset to some degree by the lower benchmark land values used for larger sites:

- In Ashford Town, most of the larger case studies are viable and may be able to provide a relatively small amount towards additional infrastructure. However, the largest of these generic case studies (350 dwellings) does not produce a high enough residual value to meet the benchmark.
- The flatted schemes tested in Ashford town are not viable with policy compliant affordable housing, or with reduced affordable housing.
- In Ashford Hinterlands the viability is stronger and all the larger case studies tested are viable. There may be opportunities to support additional planning obligations of between £2,000 to £10,000 per dwelling.
- In Rest of Borough the viability is stronger again and all the larger case studies tested are viable. There may be opportunities to support additional planning obligations of between £5,000 to £28,000 per dwelling in most cases.

6. RESIDENTIAL VIABILITY ANALYSIS – STRATEGIC SITES

Introduction

6.1 Two strategic sites are proposed in Ashford Borough – WS 11 Court Lodge and KE2 & KE3 Kennington - in addition to the Chilmington Green strategic site which has recently been consented (and therefore not part of this viability testing).

6.2 Court Lodge is modelled at 950 dwellings and Kennington at 700 dwellings, of which 5% are self-build plots. Both have 10% Affordable Rent, 10% shared ownership and 10% Starter Homes.

6.3 The strategic sites are tested against the £300,000/ha benchmark land value. Figure 6.1 below details the site-specific assumptions made for these two sites.

6.4 The characteristics of these two strategic sites have been discussed with Ashford Borough Council. It is acknowledged that the planning for these sites is at a relatively early stage and it is likely that the details may change as the plans for the sites are refined. The viability testing is therefore used to explore the underlying viability and the likely ability of development on these strategic sites to support some of the extra infrastructure that may be required to support development on these sites.

Figure 6.1 Strategic Sites Case Studies

Case study	Site	Market value area	Total dwgs	Net site area (ha)	Dph	Gross site size (ha)	Net to gross	% AH/ SH	% self build	Dwg mix	s106 / dwg	Delivery	Opening up/ net ha	Benchmark/ gross ha
55-57	Court Lodge (WS11)	Ashford Hinterlands	950	27	36	37.45	72%	10% AR, 10% s/o 10% SH	5%	35dph mix	£2,000	Year to 1st completion then Yr 2 75 dwgs Yr 3 125 dwgs Yr 4 150 dwgs Yr 5 150 dwgs Yr 6 150 dwgs Yr 7 150 dwgs Yr 8 155 dwgs	£200,000	£300,000
58-60	Kenningt on (KE2 and KE3) + J10a	Ashford Hinterlands	700	28	25	38.8	72%	10% AR, 10% s/o 10% SH	5%	25dph mix	£2,000	Year to 1st completion then 100 dwgs pa	£200,000	£300,000

Commentary

6.5 Both Court Lodge and Kennington strategic sites are viable with policy affordable housing and £2,000/dwelling s106/278.

6.6 Both the strategic sites are able to support approximately £6,000 per dwelling additional planning obligations in addition to the affordable housing and £2,000/dwelling allowance already included.

Figure 6.2 Strategic Site Case Studies Residual Value and 'Headroom' for further Planning Obligations

Case Study	Market Value Area	Total dwgs	% AH	% Self Build (part of AH)	s106/ 278 dwg	Opening up / net ha	Gross to net	Scheme residual value	Residual value per ha	Benchmark per ha	RV less benchmark	**Headroom per dwg**
Court Lodge (WS11)	Ashford Hinterland	950	30%	5%	£2,000	200,000	72%	£16,923,243	£451,286	300,000	£151,286	£5,972
Kennington (KE2 & KE3)	Ashford Hinterland	700	30%	5%	£2,000	200,000	72%	£15,890,219	£408,606	300,000	£108,606	£6,034

Note – AH Affordable housing

ANNEX 1 - DEVELOPMENT INDUSTRY WORKSHOP

Ashford Borough Council,
Plan and CIL Viability Review
Developer's Workshop 20th April 2015

Please feedback to Daniel, daniel.carter@ashford.gov.uk **your comments on the material from this workshop by 5th May 2015**

Attending Organisations: Ian Bull Consultancy Ltd; Pentland Homes; Persimmon; Salmon Harvester Properties; Julian Estates Ltd; Orbit Housing; Moat; West Kent HA; DTZ; Taylor Riley Staffford; Smith-Woolley & Perry; BDB Design LLP; Dukelease Properties ltd; Strutt & Parker; - HBF; Ashford Borough Council; Three Dragons.

Introduction (Daniel Carter, Ashford Borough Council) - The emerging Local Plan, currently in its early stages, will cover the period to 2030. It is anticipated the Draft will be published in early 2016 along with the Draft CIL Charging Schedule.

Viability Presentation (Dominic Houston, Three Dragons)

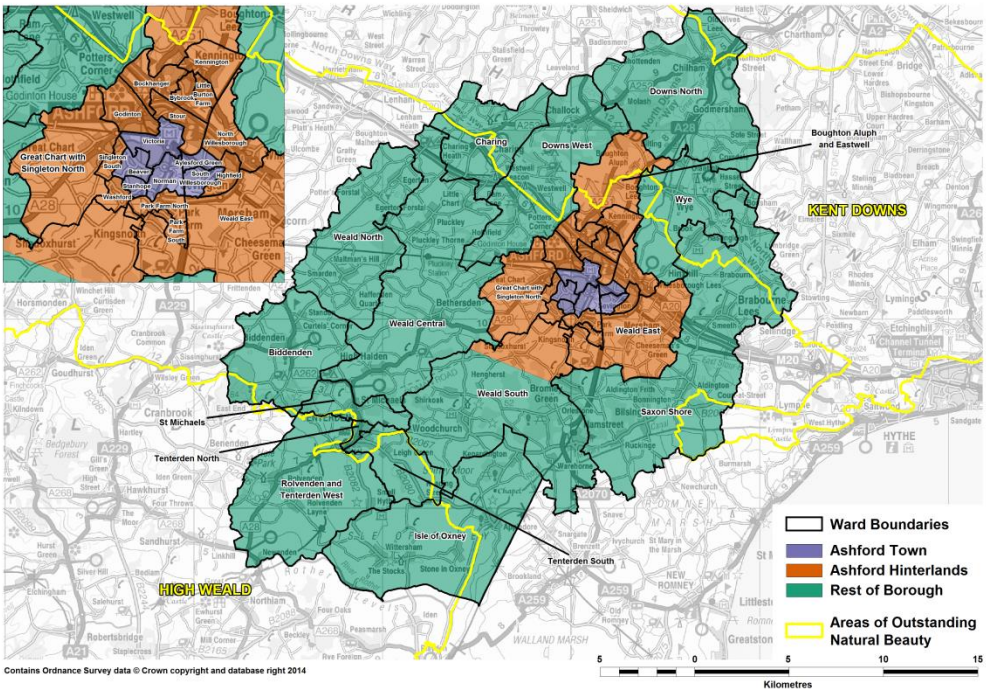
1. Outline of CIL Principles

- *= £ per sq metre – 1 dwelling or more or over 100sq m additional – 'NOT NEGOTIABLE'*
- *Justification for the levy rate(s):*
  - *There is a need (infrastructure funding deficit)*
  - *Viability assessment*
- *Can have different rates for different areas or uses*
- *Exemptions include affordable housing and charities*
- *Regulation 123 list: sets out what money will be spent on*
- *Can collect in one place and spend in another*
- *Identified at planning permission, paid at commencement/instalments*
- *Remaining s106 contributions*

2. Slide showing adopted/proposed CIL rates in neighbouring authorities

3. NPPF
   NPPF / NPPG offers some guidance on viability and plan making:
   "To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide ***competitive returns to a willing land owner and willing developer*** *to enable the development to be deliverable.*
   *"Local planning authorities should ……..****assess the likely cumulative impacts on development in their area of all existing and proposed local standards****, ……"*

4. Map identifying the main market areas identified within Ashford Borough with the AONB boundaries



The market areas identified have been based on new build and existing stock sales using Land Registry (LR) price paid data, in order to use a spread of transactions. It was made clear that the house prices used for modelling would reflect new build values only.
Discussion clarified that the lowest values in the Borough are seen in Ashford, followed by the Ashford Hinterlands. The Rest of Borough area has the highest values. There were no comments about the market areas.

5. Residual Value Approach
Three Dragon use a residual value approach to viability testing as follows:

Total development value
Minus
Development costs (incl. build costs and return to developer)
=
Gross residual value
Minus
CIL + planning obligations (including AH)
=
Net residual value (available to pay for land)

6. Benchmark Land Values

Location	Type	£/gross ha (acre)	Notes
Ashford/Ashford Hinterlands	Urban/edge of urban	£700,000 (£175,000)	Based on premium over EUV + review
Ashford Hinterlands	Strategic greenfield	£300,000 (£120,000)	Based on 15 x agricultural

Location	Type	£/gross ha (acre)	Notes
Rest of Borough	Infill/edge of settlement	£1,300,000 (£525,000)	Based on review
Industrial/office	Accessible	£482,000 (£195,000)	VOA

Bench mark land values have been arrived at by looking at land sales in Ashford and elsewhere in Kent; previous viability testing in the area; DCLG values published 2015[38]. In response to questions, it was clarified that Three Dragons / ABC will be working to the requirements of NPPF, in that land values must be sufficient to satisfy a willing developer and a willing landowner. It was clarified that the benchmark land values represent the lowest value that buyers and sellers might use, rather than inflated land values for premium schemes or those seeking to deliver below policy planning obligations.
There was a query about whether the benchmark for strategic greenfield sites is too low, by about £100K/ha. It was clarified that the value presented is appropriate for large urban extensions in Ashford and elsewhere, and that these values are for gross site areas and reflect the unfavourable net to gross developable areas associated with strategic sites as well as the additional costs of servicing these larger sites.
It was suggested that industrial land value presented may be too high.
Attendees were requested to provide examples of land transactions, to include the values, costs and planning obligations associated with the schemes concerned.
In response to a query about site land area used for infrastructure, e.g. a school building, it was confirmed that these uses would be part of the gross site area included in the viability testing unless there were sources of funding associated (such as Gypsy and Traveller sites or local centres). ABC confirmed on-going discussions were taking place with KCC regarding delivery of education infrastructure.

7. Residential Testing: Dwelling Sizes

House type description	Affordable sq m (sq ft)	Market Sq m (sq ft)
1 Bed Flat	50 (538)	50 (538)
2 Bed Flat	67 (721)	61 (656)
2 Bed Terrace	75 (807)	70 (753)
3 Bed Terrace	84 (904)	84 (904)
4 bed terrace/ semi	100 (1,076)	97 (1,044)
3 Bed Semi	84 (904)	93 (1,001)
3 Bed Detached	84 (904)	110 (1,184)
4 Bed Detached	106 (1,141)	130 (1,399)
5 Bed Detached	125 (1,345)	155 (1,668)

[38] https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal - note that this document presents possible values re for sites unencumbered by CIL, S106 or affordable housing

Assumptions for dwelling sizes are based on national minimum standards but recognise that for larger properties the local market will deliver dwellings above this standard. It was commented that a) national standards are useful and b) the larger sizes are as expected, but it was felt that an inspector may expect national standards all the way through. In addition, there should be attention given to affordability for local residents, as a separate issue from values/sizes. ABC mentioned that members have not yet given a steer on sizes, this is still to be discussed. Findings from the initial testing will inform members regarding the approach to dwelling sizes.

8. Residential Testing: Market Dwelling Mix

Type	20dph	25dph	30dph	50dph
1 bed flat			5%	10%
2 bed flat			10%	20%
2 bed terrace		10%	20%	40%
3 bed terrace		10%	15%	20%
4 bed terrace				10%
3 bed semi	10%	15%	15%	
4 bed semi				
3 bed detached	30%	25%	15%	
4 bed detached	40%	25%	15%	
5 bed detached	20%	15%	5%	

No comments were passed relating to the dwelling mixes proposed.

9. Market Values

	Detached			Semi-detached		Terrace			Flats	
	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	2 Bed	1 Bed
Ashford Hinterlands	£360,000	**£325,000**	£260,000	£270,000	**£240,000**	£250,000	£235,000	**£203,000**	£145,000	£125,000
Ashford Town	£369,000	**£300,000**	£260,000	£249,000	**£227,000**	£245,000	£223,000	**£202,000**	£135,000	£115,000
Rest of Borough	£449,000	**£408,000**	£367,000	£280,000	**£265,000**	£270,000	£250,000	**£222,000**	£193,000	£175,000
Selling Price per sq m (per sq ft)										
Ashford Hinterlands	£2,325 (£216)	**£2,497 (£232)**	£2,368 (£220)	£2,788 (£259)	**£2,583 (£240)**	£2,583 (£240)	£2,799 (£260)	**£2,906 (£270)**	£2,379 (£221)	£2,497 (£232)
Ashford Town	£2,378 (£221)	**£2,303 (£214)**	£2,368 (£220)	£2,573 (£239)	**£2,443 (£227)**	£2,530 (£235)	£2,659 (£247)	**£2,885 (£268)**	£2,217 (£206)	£2,303 (£214)
Rest of Borough	£2,895 (£269)	**£3,143 (£292)**	£3,337 (£310)	£2,885 (£268)	**£2,852 (£265)**	£2,788 (£259)	£2,981 (£277)	**£3,175 (£295)**	£3,165 (£294)	£3,498 (£325)

It was explained that the values are based on Land Registry price paid data, and then checked against current prices for new build dwellings using various property websites, including Rightmove and those for individual developers. While there were price differentials between each of the three areas, the greatest differentials were between the Rest of Borough and Ashford/Ashford Hinterlands.
There was comment that there are some (not specified) market distortions and the date of valuation was requested. It was clarified that that guidance required 'current values' are used and that the figures used in the presentation are based on data that has been assessed back to 2011 and adjusted for market uplifts, then

compared to current property asking prices less an adjustment to estimate achieved prices. Feedback was requested on market values.
In response to a query about delivery rates, it was suggested that a rate of about 1 dwelling per developer per week was generally used. It was acknowledged that when a number of developers were active on a large site, the development rates per developer would be lower. Modelling of delivery on larger sites would be in line with SHLAA trajectories.
Further feedback on delivery rates was requested in follow up responses.

10. Build Costs

Type	Cost	
Flats (1-2 storeys)	£133	sq ft includes 15% for external works (£1431 sqm)
Flats (3-5 storeys)	£147	sq ft includes 15% for external works (£1582 sqm)
Houses	£117	sq ft includes 15% for external works (£1259 sqm)
Professional fees	12%	of build costs
Finance	6%	of development costs
Marketing fees	3%	of GDV
Developer return	20%	of GDV
Contractor return	6%	of build costs
Residual s106/278	£2,000 tbc	Per dwelling for children's play/informal greenspace/minor local transport
Strategic infrastructure costs	£100,000 / £200,000	net ha for larger sites
Affordable Housing	30%/35%	Growth Area/Rest of Borough 60% rent and 40% shared ownership
Agents and legal	1.75%	
Lifetime Homes	£1,661	Per dwelling for 60% of affordable dwellings (Cat 2)
Wheelchair standard	£16,857	Per dwelling for 5% of affordable dwellings (Cat 3 adaptable)

Build costs have been taken from BCIS, with a 15% uplift to cover external works.
Accessibility costs for affordable housing were assessed using the Impact Assessment for recent Housing Standards Review, undertaken by EC Harris. No accessibility has been built in for market housing at present but this could be tested if necessary.
It was noted that some strategic sites may be CIL exempt as site specific infrastructure may be delivered through S106. ABC will consider this further as the testing process is progressed.
Participants expressed a concern that there could be confusion over whether rents will be Affordable or Social. It was confirmed that Affordable Rents will be tested throughout as this is how policy was being implemented.

11. Affordable Housing

For rental properties.	
Management and maintenance	£1,000
Voids/bad debts	3.00%
Repairs reserve	£500
Capitalisation	5.75%
For shared ownership	
Share size	40%
Rental charge	2.75%
Capitalisation	5.75%

Weekly rents	Rent	Mix
1 bed flat	£104	30%
2 bed flat	£136	20%
2 bed house	£136	20%
3 bed house	£172	25%
4 bed house	£212	5%

Three Dragons will be testing at various levels of affordable housing.

12. Non- Residential: Rents and Yields

Type	Rent/sq ft	Yield
Out of centre offices	£18	7.0%
Town centre offices	£24	9.0%
Industrial/warehouse units	£7	7.9%
Town centre comparison shops	£25	7.7%
Retail warehouse	£16	6.3%
Small convenience store	£19	6.5%
Supermarket	£16	5.5%
Budget hotel	£10	6.0%
Leisure development	£14	7.0%
Care home	£7,300/bed	7.0%

Discussion suggested that in comparison with residential development, non-residential development will contribute little CIL in absolute terms.
Rents were based on new non-residential development in Ashford, however some attendees felt that the rents were too high for town centre retail. Also, some town centre retail development has not been fitted out and has been empty for several years.
It was suggested that Town Centre and Out of Centre office rents may be too high.
It was mentioned that there may have been speculative office development at Eureka Park.
Further information will be provided by 3D regarding transactions following the meeting.
Post meeting note
Rental and investment transactions examples related to the discussion above:

- *Variety of lets in older stock in well placed locations in Ashford town centre either side of £24/psf – typically for relatively small units e.g. £25.26psf for 770sf at 73a High Street*
- *County Square - £21.34psf for1,400sf; £34.09psf for 440sf, £22.70psf for 3,300sf (quoting rent)*
- *Office rentals at Northdown - £17psf for 12,500sf; 316.98psf for 3,000 sf; £17.99psf for 1,400sf*
- *Office rentals at the Herald building on Trinity Street - £19.50psf for 24,000sf; £19.50psf for 11,000sf*
- *Office rental at 200 Eureka Park - £15psf for 10,000sf*
- *Office rentals at Pluto House – £25psf for 1,800sf; £23psf for 1,400sf*
- *Office rentals at International House - £33psf for 3,000sf; £28.80 for 500sf; £28.80 for 800sf; £28.85psf for 300sf.*

Further feedback on these rents is invited.

13. Non-residential build and other costs

Type	Cost/sq ft
Out of centre offices	148
Town centre offices	170
Industrial/warehouse units	63
Town centre comparison shops	121
Retail warehouse	74
Small convenience store	97
Supermarket	150
Full service hotel	121
Budget hotel	157
Leisure development	148
Care home	148

Professional fees	12% of build costs
Marketing fees	3% of GDV
Finance	6% of development cost
Developer return	20% of development cost
Purchaser costs	5%
Acquisition costs	Varies – c 2.0% + SDLT
Void periods	Varies

S106/278 on some developments

Non-residential build costs have been based on BCIS, with an uplift of 10% to cover external works.
Comment was received around incentives and that it is standard for 12 months occupier incentives to be applied.

14. General points and questions

Various additional issues and comments were made at the end of the session:

- It was considered important that at least 80% of strategic sites are viable; the emphasis is on deliverability and continual negotiation at planning stage delays the process and stalls delivery
- There was discussion around zero carbon homes and the need to take into account that new homes should be carbon neutral by 2016. Following the Housing Standards Review, no new Building Regulation Standards regarding energy use have been published. The Ministerial Statement accompanying the Housing Standards Review however makes reference to at least the old code 4 CfSH. Reference was made to complying with Code 4.5CfSH, the costings in Zero Carbon Hub report of 2014 as well as the costs in the Impact Assessment for Housing Standards Technical Review. *Post meeting note – the allowable solutions element of zero carbon is still undefined by government at the time of writing and is therefore uncosted. The Zero Carbon Hub report offers some costs but given the uncertainty about how allowable solutions may be implemented it is unclear how this information may be deployed. As further information becomes available through the period of the study it will be included where possible.*
- The phasing of the plan can be critical for developers; it is important to know when CIL is likely to be effective from. The council iterated that it expects to have a preliminary report ready for January 2016, hopefully leading to examination in autumn 2016 and adoption early 2017, if all goes smoothly. 1.09.25
- There was query about how often CIL would be reviewed: it was agreed that it is likely to be triggered by significant changes in the market. There will however be a buffer to help ameliorate such changes in the short term.

- Highway access to J10/ J10a on the M20 is a significant local issue affecting in particular the East Hinterland. Recent land transactions around this area may also have distorted local figures and complicate some issues. At the Core Strategy Hearing the issue was sidelined to the discontent of many. ABC assured participants that it is now a crucial part of the development strategy and a lot of sites will depend upon its delivery. An update note will be provided by ABC.

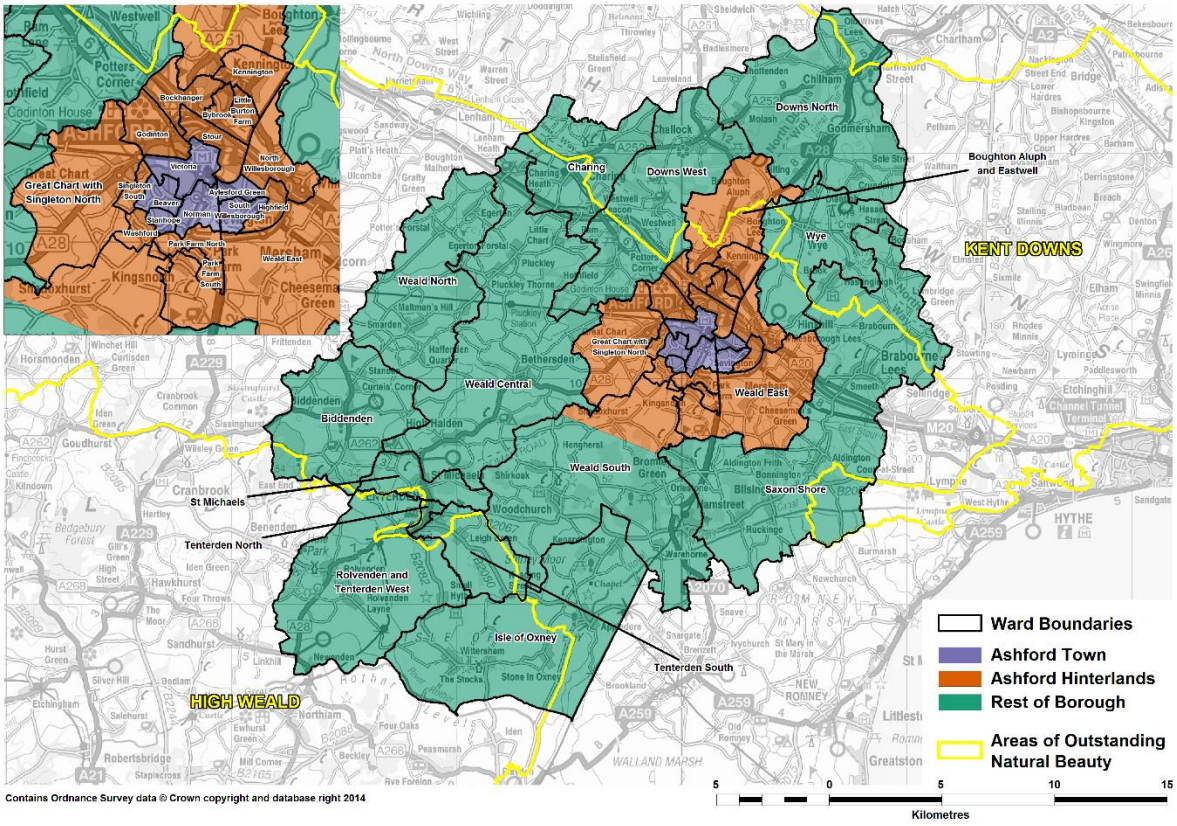
15. Next Steps
    Notes of this workshop will be circulated along with the presentation and comments/ feedback should be sent to Daniel Carter by 5th May 2015. After that assumptions will be reviewed and testing can begin.

Three Dragons/ 21st April 2015

ANNEX 2 - RESIDENTIAL MODELLING ASSUMPTIONS

Ashford Viability Study Testing Assumptions

House Prices Value Zones



Land Values

Location	Type	£/gross ha (acre)	Notes
Ashford/Ashford Hinterlands	Urban/edge of urban	£700,000	Based on premium over EUV + review
Ashford Hinterlands	Strategic greenfield	£300,000	Based on 15 x agricultural
Ashford Hinterlands	Intermediate value for larger non-strategic sites	£450,000	Mid-point between standard urban/edge of urban and strategic greenfield
Rest of Borough	Infill/edge of settlement	£1,300,000	Based on review
Rest of Borough	Strategic greenfield	£300,000	Based on 15 x agricultural

Rest of Borough	Intermediate value for larger non-strategic sites	£800,000	Mid-point between standard Infill/edge of settlement and strategic greenfield
Industrial/office	Accessible	£482,000	VOA

House Prices

	Detached			**Semi-detached**		**Terrace**			**Flats**	
	5 Bed	**4 Bed**	**3 Bed**	**4 Bed**	**3 Bed**	**4 Bed**	**3 Bed**	**2 Bed**	**2 Bed**	**1 Bed**
Ashford Hinterlands	£380,000	£345,000	£305,000	£280,000	£265,000	£270,000	£250,000 *Starter Home - £200,000*	£215,000 *Starter Home - £172,000*	£150,000 *Starter Home - £120,000*	£130,000
Ashford Town	£365,000	£325,000	£285,000	£260,000	£240,000	£245,000	£230,000 *Starter Home - £184,000*	£200,000 *Starter Home - £160,000*	£145,000 *Starter Home - £116,000*	£130,000
Rest of Borough	£490,000	£425,000	£380,000	£330,000	£305,000	£290,000	£255,000 *Starter Home - £204,000*	£230,000 *Starter Home - £184,000*	£180,000 *Starter Home - £144,000*	£155,000
Ground rent on market flats - £250 per flat, capitalised at 5% Selling prices on case studies with 1, 2 or 3 dwellings are increased by 5% to reflect higher value of small scheme.										

Dwelling Sizes

House type description	**Affordable sq m**	**Market sq m**
1 Bed Flat	50	50
2 Bed Flat	61	61
2 Bed Terrace	70	70
3 Bed Terrace	84	84
4 Bed Terrace	106	97
3 Bed Semi		95
4 Bed Semi		106
3 Bed Detached		110
4 Bed Detached		125
5 Bed Detached		140

Sizes meet or exceed Nationally Described Space Standards.

Additional 10% circulation space to be added to low rise flats (1-2 storey); 15% added to 3 storey or more (50dph and 90dph mix).

Dwelling Mix

Market Dwellings	20dph	25dph	30dph	30dph	35dph	40dph	50dph	90dph
1 bed flat					5%	5%	10%	50%
2 bed flat			10%		10%	10%	20%	50%
2 bed terrace		10%	20%		20%	30%	40%	
3 bed terrace		10%	15%		20%	30%	20%	
4 bed terrace							10%	
3 bed semi	10%	15%	15%		15%	15%		
4 bed semi								
3 bed detached	30%	25%	20%		15%	5%		
4 bed detached	40%	25%	15%		15%	5%		
5 bed detached	20%	15%	5%					

Affordable Housing Mix	Affordable rent/shared ownership	Starter homes
1 bed flat	30%	
2 bed flat	20%	30%
2 bed house	20%	40%
3 bed house	25%	30%
4 bed house	5%	

Affordable housing tenure	Total affordable housing %	Starter homes %	Affordable rent %	Shared ownership %
Ashford Town	20%	10%	0%	10%
Ashford Hinterlands	30%	10%	10%	10%
Rest of Borough Scenario A	40%	10%	10%	20%
Rest of Borough Scenario B	30%	5%	15%	10%

Development Costs

Type	**Cost**	
Flats (1-2 storeys)	£1,626	sq m includes 15% for external works
Flats (3-5 storeys)	£1,750	sq m includes 15% for external works
Flats 6+ storeys	£2,141	sq m includes 5% external works
Houses	£1,396 (£1,466 small sites)	sq m includes 15% for external works Add 5% for smaller sites- 2 & 3 dwellings
Houses – single dwellings	£2,362	sq m includes 15% for external works
Professional fees	12% for 1-10 dwgs 10% for 11-100 dwgs 8% for 101+ dwgs	See separate table for tenure mix
Finance	6%	of development costs
Marketing fees	3%	of GDV
Developer return	20%	of GDV
Contractor return	6%	of build costs
Residual s106/278	£2,000	Per dwelling for children's play/informal greenspace/minor local transport
Opening up costs	£50,000 / £200,000	net ha for larger greenfield sites
Agents and legal	1.75%	
Part M(4) 2	C. £1,661 per dwelling - see below for different dwelling mixes	per dwelling for 20% of all market and affordable dwellings.
Wheelchair standard Part M(4)3b ***accessible***	c. £29,341 per dwelling - see below for different dwelling mixes	per dwelling for 7.5% of affordable rent dwellings (Cat 3 accessible)
Water standards 110 ltr/day	£9	per dwelling
Part Q Security	£320	per dwelling
Undercroft parking	£13,500	per space

Affordable Housing

Weekly affordable rents	**Rent pre service charges**	**Net rent**
1 bed flat	£104	97
2 bed flat	£136	129
2 bed house	£136	132
3 bed house	£172	168
4 bed house	£212	208

Service charges

Flats	£7pw
Houses	£4pw

For rental properties.

Management and maintenance	£1,000
Voids/bad debts	3.00%
Repairs reserve	£500
Capitalisation	5.25%

For shared ownership

Share size	40%
Rental charge	2.75%
Capitalisation	5.25%

V8, updated 08 April 2016

ANNEX 3 - BENCHMARK LAND VALUE

Land Value Benchmarks

1. The land value benchmark is an estimate of the lowest cost that a willing landowner would sell land for development. The concept of a benchmark land value attempts to balance two factors: a) land can only be worth what the highest value permissible development can afford to pay for it; and b) landowners will require some premium over the existing use value in order to incentivise a sale. Note that where development is able to pay more for land, then it is likely that transactions will be above the benchmark land value, particularly when different developers are competing for the same piece of land. Establishing suitable land value benchmarks is an important part of any viability testing and the Advice for planning practitioners[39] sets out a preferred approach in the following extract from page 29:

   "We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values (noting the exceptions below…….)."

2. The exceptions referred to in the Advice for planning practitioners reflect the significant differences in the types of current use found within settlements and on greenfield land adjoining settlements. The exceptions are summarised as:

   - Larger scale sites for urban extensions on greenfield land where the uplift on current use value (agricultural land) sought by the landowner will be significantly higher than in an urban context.
   - Edge-of-settlement greenfield sites, where landowners' required returns will be more like those for sites within the settlement.

3. Advice for planning practitioners states 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 recommended that these are used as the basis for the input to a model. This is an important concept and explains why the land value benchmark used to test plan policies (and CIL rates) 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[40]:

   > 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.

4. In addition to the guidance advocating the use of premium over existing use value (particularly the Local Housing Delivery Group, 2012), recent RICS research[41] highlights the issues with using market values to set land benchmarks – "*If market value is based on comparable evidence*

[39] Local Housing Delivery Group, 2012, Viability Testing Local Plans
[40] Report to The Mayor of London, by Keith Holland January 2012
[41] RICS, 2015, Financial Viability Appraisal in Planning Decisions: Theory and Practice

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". Furthermore, there are tangible differences between the types of appraisals supporting market values and those used for area wide viability appraisals such as this CIL study. These differences further highlight the issues with using market value comparables to set benchmarks:

Appraisal Input	**Area-wide viability study**	**Developer appraisal to inform land purchase**
Sales values	Current day	Potentially inflated to take into account of market rises
Build costs	Current day full BCIS cost	Value engineered
Profit	Full target applied	Competitive and not necessarily at target level
Planning requirements	Applied in full	Potentially squeezed
Site costs	Extensive	None/limited
Development Programme	Lengthy	Short

5. Therefore, the basis for establishing the land values is a rounded view including the benchmarks established as part of the local plan process, published reports on land values, consultation with the development industry and a review of the sale price information available from land transactions.

6. Annex 1 (Transparent Viability Assumptions) to the Homes and Communities Agency guidance for its Area Wide Viability Model published in August 2010 states that in relation to the required premium above existing use value (EUV):

   "*Benchmarks and evidence from planning appeals tend to be in a range of 10% to 30% above EUV in urban areas. For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value".* (page 9)[42]

7. Another report in 2011 undertaken for the Department for Communities and Local Government[43] suggested that a premium of 25% over existing use value was required to bring forward industrial land for redevelopment. The premium for greenfield land was said to be higher, recognising that while the existing use value base is low, the costs normally associated with realising new development on unserviced greenfield land are considerable.

[42] Homes and Communities Agency, 2010, Annex 1 (Transparent Viability Assumptions)
[43] Turner Morum, 2011, Cumulative impacts of regulations on house builders and landowners

8. For residential land, current use value is taken as industrial land for urban sites and agricultural land for strategic sites/urban extensions, with appropriate uplifts applied. Sites are taken as being suitable for development but not necessarily consented.

9. The benchmarks refer to sites suitable for development i.e. not constrained by abnormal conditions such as contamination from previous uses or archeological or topographical constraints etc. Where these abnormal constraints can reasonably be judged to form part of any due diligence we have assumed that they will feature in any negotiations about purchasing the land and the price adjusted accordingly. It is of course possible that in some circumstances the costs of dealing with the constraints is greater than any uplift in value from the new use. In these situations, it may be best that either the site remains in its existing use or that if it is strategically important, third party funding is sought to assist redevelopment.

Implications for Benchmark Land Values in Ashford Borough

10. The key factors to be taken into consideration are:

- Premium over existing use values – as specified by the guidance
- Published research reports on land values
- Benchmark land value discussion at the development industry workshop in 2015
- Evidence from transactions, where available.

Premium over existing use values

11. A 45% premium over industrial use value of £482,000/ha gives a value for urban/edge of urban sites of £700,000/ha. 14 times agricultural values suggests a greenfield strategic sites value of £300,000/ha.

12. It is likely that larger greenfield non-strategic sites will have a benchmark value somewhere between the strategic sites and the urban sites. £450,000 represents a mid point between the strategic sites and the urban site benchmarks.

13. Outside Ashford and its hinterlands house prices are higher and it is likely that the benchmark will be also be higher, on the basis that development will consistently be able to pay more for sites. We suggest a benchmark of £1.3m/ha for the Rest of Borough (which would be approximately 2.5 times industrial values).

14. These benchmarks are per gross ha.

Published research reports on land values

15. DCLG has published estimates of residential land values for policy purposes, with an estimate of £1.94m/ha[44] for 35 dph residential development land in Ashford. Note that this value is a nominal figure for market housing development only (i.e. the cost of providing affordable housing is not included) without any s106/278 or CIL; and that the development costs are lower than the standard costs used here (e.g. the DCLG estimates use lower quartile build costs and a

[44] DCLG, 2015, Land estimates for policy appraisal

lower developer return of 17% of GDV). The DCLG report also estimated that agricultural land in SE England was £22,000/ha and that industrial land in SE England was £1.1m/ha[45].

16. The DCLG residential benchmark assumptions indicate that the benchmarks are "'typical' for the local authority area", which we would interpret as being Ashford Hinterlands, as this is where most development is to take place.

17. It is possible to adjust the DCLG residential land estimate by applying the costs of policy compliant affordable housing and s106, and making an adjustment to reflect the different developer return rates used. The costs of providing policy compliant 10% affordable housing and 20% starter housing is estimated by testing a 1 ha scheme at 35 dph both with the affordable housing and starter homes; and then with no affordable housing or starter homes. This takes into account the opportunity cost of not providing market housing as well as the specific costs of providing the affordable housing and starter homes. Through this process it is estimated that the average cost is £45,500 per affordable dwelling/starter home in the required proportions. The Council estimates that current typical s106 costs are £13,000/dwelling and 3% of the wholly market housing GDV is c. £265,000. Applying these adjustments gives an estimate of £0.75m/ha at 35 dph. It would be possible to make further adjustments to take into the account of the lower build costs used by DCLG but the adjustment required is less clear.

18. CIL viability assessments have been undertaken in surrounding locations and these use residual value viability assessments with benchmark land value estimates. Some of these have variations by location/site typology. The table below illustrates the range of benchmarks used. When considering these benchmarks, it is important to note that land value benchmarks will be affected by different affordable housing policies, s106 requirements and house prices in the various authorities. Nonetheless it can be seen that the highest typical benchmarks are £1.2m - £1.5m/ha, secondary benchmarks typically £1.3m - £0.75m/ha, other location benchmarks £0.3m-£0.55m/ha and greenfield £0.25m - £0.5m. Within Kent, estimates of land values are higher in Maidstone and Sevenoaks than elsewhere.

Table 3.1 Benchmark Land Values in surrounding authorities

Location	CIL status	Date	Benchmark 1 £/ha	Benchmark 2 £/ha	Benchmark 3 £/ha	Benchmark 4 £/ha	Strategic sites benchmark £/ha
Sevenoaks	CIL adopted	2014	£3,000,000	£1,300,000			£250,000-£500,000
Dartford	CIL adopted	2013	£1,190,000	£740,000			
Maidstone	PDCS	2014	£1,800,000	£1,650,000	£1,425,000	£1,200,000	£1,125,000
Shepway	Examined	2016	£1,200,000	£750,000	£500,000		£500,000

[45] In February 2015 DCLG published a value of £482,000/ha as the value of industrial land, which was used in the developer workshop.

Location	CIL status	Date	Benchmark 1 £/ha	Benchmark 2 £/ha	Benchmark 3 £/ha	Benchmark 4 £/ha	Strategic sites benchmark £/ha
Thanet		2012	£600,000				£400,000
Dover	PDCS	2012	£1,500,000	£1,000,000	£300,000		
Swale		2015	£1,236,000	£952,000	£695,000	£555,000	

19. Research published by Savills suggests that development land has increased in value in recent years, although this is most apparent in London[46], and that in the short term there has been little change[47]. Demand is flattening as housebuilders have enough consented land for their needs, with on average the listed housebuilders have 5.3 years' worth of land to build out at existing build rates.

20. Research published by Knight Frank in 2015[48] states that development land prices are also moderating, reflecting the increased costs of development, with a sharp rise in the cost of materials and labour in recent years. The research showed an increase in value to late 2013 followed by a fall in value of development land in 2015.

21. Colliers estimates that industrial land may be worth £1.48m/ha in 2015[49]. These values are stated to apply to sites of over 4ha in prime locations.

Development industry feedback

22. Benchmark land values were discussed during the April 2014 development industry workshop. The feedback included:

- Concern that the requirements of the NPPF in terms of a competitive return to the landowner were being met.
- Discussion about whether the benchmark for strategic greenfield sites is too low, by about £100K/ha. It was clarified that these values are for gross site areas and reflect the unfavourable net to gross developable areas associated with strategic sites as well as the additional costs of servicing these larger sites
- It was suggested that industrial land value presented may be too high.

23. Attendees were requested to provide examples of land transactions, to include the values, costs and planning obligations associated with the schemes concerned. No evidence was made available.

[46] http://pdf.euro.savills.co.uk/uk/residential---other/market-in-minutes-development-land-september-2015.pdf
[47] http://pdf.euro.savills.co.uk/uk/residential---other/market-in-minutes-uk-residential-development-land-november-2015.pdf
[48] http://content.knightfrank.com/research/955/documents/en/developmentopportunities2015-3368.pdf
[49] http://www.colliers.com/en-gb/uk/insights/industrial-rents-map

Evidence from land for sale/transactions

24. There is limited information on land for sale in Kent. UK Land directory listings at the beginning of the study in 2015 included nine sites varying between c.£250,000/ha to £5.3m/ha. The average of the sites over 0.5ha was £1.1m/ha. These represent asking prices and it is not known what the actual sales values were.

25. Information from CoStar covers 122 development land transactions in Kent. Excluding those without values, sites clearly for industrial use only, very high value sites (over £5m/ha) and sales before 2010 reduces the number to 34. For these the average value was £1.5m/ha and the median value was £1.2m/ha. The values differed considerably on a £/ha basis, from between £45,000/ha (0.7ha) to £4.8m/ha (0.15ha). For sites over 1 ha, the prices ranged from £0.4m/ha (1.31ha) to £2.7m/ha (1.55ha). There is no clear pattern from this data about different values per ha from different size of sites.

26. A sample of land titles were reviewed for one of the strategic allocations in the Ashford Hinterlands. From the limited information available it can be seen that 10.7 ha had a value of £751,000/ha in November 2014 and 84.5ha had a value of £33,000/ha in March 2005. The £33,000/ha is above agricultural values, suggesting some future development value, but too low to use by itself as the basis for a benchmark.

27. Discussions regarding other strategic greenfield sites suggest that £300,000/ha is a reasonable benchmark to use in this testing.

Benchmark land value summary

28. The range of land factors considered suggests that the benchmark land values based on a premium over existing use are suitable for this viability assessment:

- The adjusted DCLG estimates are close to the main urban/edge of urban benchmarks for Ashford and Hinterlands
- The benchmarks have similarities with the range of benchmarks used in similar viability exercises in nearby authorities.
- The development industry has not suggested other benchmarks or presented other evidence.
- The evidence from transactions shows that some sites will pay more (which is to be expected), but also that some sites will pay less.

29. The benchmark land values used in the residential testing are therefore:

Location	**Type**	**£/gross ha (acre)**	**Notes**
Ashford/Ashford Hinterlands	Urban/edge of urban	£700,000 (£175,000)	Based on premium over EUV + review
Ashford Hinterlands	Larger sites intermediate benchmark	£450,000 (£182,000)	Mid-point for larger non-strategic sites with additional costs

Location	Type	£/gross ha (acre)	Notes
Ashford Hinterlands	Strategic greenfield	£300,000 (£120,000)	Based on approximately 15 x agricultural
Rest of Borough	Infill/edge of settlement	£1,300,000 (£525,000)	Based on review
Rest of Borough	Larger sites intermediate benchmark	£800,000 (£324,000)	Mid-point for larger non-strategic sites with additional costs
Industrial/office	Accessible	£482,000 (£195,000)	VOA

30. Where office and industrial developments are anticipated to be on vacant industrial or office land the benchmark is considered to be £482,000/ha (industrial value suggested by DCLG in 2015). This assumes that these uses will pay the standard rate for this type of land. Where a new non-residential use is proposed (e.g. hotel, leisure or care home) then a premium of 30% over the existing industrial value is applied to release the land to its new use.

31. The exception to this is for uses known to generate high values, where landowner expectations will require a larger premium to provide an incentive to sell. In particular, this will apply to convenience shops and out of centre comparison retail. In the absence of transaction evidence and based on experience elsewhere the testing has used the higher £1.3m/ha residential benchmark for these uses, as this is the highest alternative use benchmark used in the testing.

ANNEX 4 - 1HA RESIDUAL VALUES

Market Value Area	DPH	Total %AH	%Starter Homes	% Aff Rent	% Shared Ownership	s106/dwg	Total market sq m	Residual Value per ha	Main Benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
Ashford Town	40	20%	5.0%	5.0%	10.0%	2,000	2,613.1	£821,000	£700,000	£121,000	**£3,025**
Ashford Town	50	20%	5.0%	5.0%	10.0%	2,000	2,971.2	£537,000	£700,000	-£163,000	**-£3,260**
Ashford Town	90	20%	5.0%	5.0%	10.0%	2,000	4,597.2	-£2,364,000	£700,000	-£3,064,000	**-£34,044**
Ashford Town	40	20%	10.0%		10.0%	2,000	2,613.1	£758,000	£700,000	£58,000	**£1,450**
Ashford Town	50	20%	10.0%		10.0%	2,000	2,971.2	£605,000	£700,000	-£95,000	**-£1,900**
Ashford Town	90	20%	10.0%		10.0%	2,000	4,597.2	-£2,285,000	£700,000	-£2,985,000	**-£33,167**
Ashford Town (AH on houses only)	50	11.2%	5.6%		5.6%	2,000	3,298.0	£728,000	£700,000	£28,000	**£560**
Ashford Town (10% starter homes only)	90	10%	10.0%			2,000	5,171.9	-£2,155,000	£700,000	-£2,855,000	**-£31,722**
Ashford Hinterland	20	30%	7.5%	7.5%	15.0%	2,000	1,687.0	£733,000	£700,000	£33,000	**£1,650**
Ashford Hinterland	25	30%	7.5%	7.5%	15.0%	2,000	1,914.5	£876,000	£700,000	£176,000	**£7,040**
Ashford Hinterland	30	30%	7.5%	7.5%	15.0%	2,000	1,943.6	£834,000	£700,000	£134,000	**£4,467**
Ashford Hinterland	35	30%	7.5%	7.5%	15.0%	2,000	2,198.9	£959,000	£700,000	£259,000	**£7,400**
Ashford Hinterland	40	30%	7.5%	7.5%	15.0%	2,000	2,286.2	£1,067,000	£700,000	£367,000	**£9,175**
Ashford Hinterland	50	30%	7.5%	7.5%	15.0%	2,000	2,599.8	£785,000	£700,000	£85,000	**£1,700**
Ashford Hinterland	20	30%	10.0%	10.0%	10.0%	2,000	1,687.0	£716,000	£700,000	£16,000	**£800**
Ashford Hinterland	25	30%	10.0%	10.0%	10.0%	2,000	1,914.5	£856,000	£700,000	£156,000	**£6,240**
Ashford Hinterland	30	30%	10.0%	10.0%	10.0%	2,000	1,943.6	£807,000	£700,000	£107,000	**£3,567**
Ashford Hinterland	35	30%	10.0%	10.0%	10.0%	2,000	2,198.9	£930,000	£700,000	£230,000	**£6,571**
Ashford Hinterland	40	30%	10.0%	10.0%	10.0%	2,000	2,286.2	£1,030,000	£700,000	£330,000	**£8,250**
Ashford Hinterland	50	30%	10.0%	10.0%	10.0%	2,000	2,599.8	£978,000	£700,000	£278,000	**£5,560**
Rest of Borough	20	40%	10.0%	10.0%	20.0%	2,000	1,446.0	£1,378,000	£1,300,000	£78,000	**£3,900**
Rest of Borough	25	40%	10.0%	10.0%	20.0%	2,000	1,641.0	£1,501,000	£1,300,000	£201,000	**£8,040**

Market Value Area	DPH	Total %AH	%Starter Homes	% Aff Rent	% Shared Ownership	s106/dwg	Total market sq m	Residual Value per ha	Main Benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
Rest of Borough	30	40%	10.0%	10.0%	20.0%	2,000	1,666.1	£1,349,000	£1,300,000	£49,000	**£1,633**
Rest of Borough	35	40%	10.0%	10.0%	20.0%	2,000	1,884.8	£1,483,000	£1,300,000	£183,000	**£5,229**
Rest of Borough	40	40%	10.0%	10.0%	20.0%	2,000	1,959.6	£1,436,000	£1,300,000	£136,000	**£3,400**
Rest of Borough	50	40%	10.0%	10.0%	20.0%	2,000	2,228.1	£1,139,000	£1,300,000	-£161,000	**-£3,220**
Rest of Borough 30% affordable housing	20	30%	5.0%	15.0%	10.0%	2,000	1,687.0	£1,528,000	£1,300,000	£228,000	**£11,400**
Rest of Borough 30% affordable housing	25	30%	5.0%	15.0%	10.0%	2,000	1,914.5	£1,653,000	£1,300,000	£353,000	**£14,120**
Rest of Borough 30% affordable housing	30	30%	5.0%	15.0%	10.0%	2,000	1,943.6	£1,455,000	£1,300,000	£155,000	**£5,167**
Rest of Borough 30% affordable housing	35	30%	5.0%	15.0%	10.0%	2,000	2,198.9	£1,592,000	£1,300,000	£292,000	**£8,343**
Rest of Borough 30% affordable housing	40	30%	5.0%	15.0%	10.0%	2,000	2,286.2	£1,518,000	£1,300,000	£218,000	**£5,450**
Rest of Borough 30% affordable housing	50	30%	5.0%	15.0%	10.0%	2,000	2,599.8	£1,426,000	£1,300,000	£126,000	**£2,520**

ANNEX 5 - CASE STUDY CHARACTERISTICS

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	%SH	% Aff rent	% shared ownership	% Self Build	Residual s106/dwg	Opening up/ net ha	Density (dph)	Net Site area (ha)	Gross Site area (ha)	Market Sq m	DCF applied
T1	House	Ashford Town	1	0%	0%	0%	0%	0%	£2,000		40	0.025	0.025	125.0	No
T2	Houses	Ashford Town	2	0%	0%	0%	0%	0%	£2,000		40	0.050	0.050	220.0	No
T3	Houses	Ashford Town	3	0%	0%	0%	0%	0%	£2,000		40	0.075	0.075	330.0	No
T4	Houses	Ashford Town	4	0%	0%	0%	0%	0%	£2,000		40	0.100	0.100	500.0	No
T5	Houses	Ashford Town	10	0%	0%	0%	0%	0%	£2,000		40	0.250	0.250	816.5	Yes
T6	Houses	Ashford Town	10	20%	10%	0%	10%	0%	£2,000		40	0.250	0.250	726.6	Yes
T7	Houses	Ashford Town	20	20%	10%	0%	10%	0%	£2,000		40	0.500	0.500	1,453.2	Yes
T8	Houses	Ashford Town	100	20%	10%	0%	10%	0%	£2,000		40	2.500	2.747	7,266.1	Yes
T9	Houses	Ashford Town	200	20%	10%	0%	10%	0%	£2,000		40	5.000	5.882	14,532.2	Yes
T10	Flats	Ashford Town	200	20%	10%	0%	10%	0%	£2,000		90	2.220	2.220	9,084.0	Yes
T11	Houses	Ashford Town	350	20%	10%	0%	10%	0%	£2,000	£150,000	40	8.750	10.940	25,431.4	Yes
T12	Flats	Ashford Town	600	20%	10%	0%	10%	0%	£2,000		90	6.670	6.670	27,252.0	Yes
H1	House	Ashford Hinterland	1	0%	0%	0%	0%	0%	£2,000		33	0.030	0.030	125.0	No
H2	Houses	Ashford Hinterland	2	0%	0%	0%	0%	0%	£2,000		33	0.060	0.060	220.0	No

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	%SH	% Aff rent	% shared ownership	% Self Build	Residual s106/dwg	Opening up/ net ha	Density (dph)	Net Site area (ha)	Gross Site area (ha)	Market Sq m	DCF applied
H3	Houses	Ashford Hinterland	3	0%	0%	0%	0%	0%	£2,000		33	0.090	0.090	330.0	No
H4	Houses	Ashford Hinterland	4	0%	0%	0%	0%	0%	£2,000		36	0.110	0.110	500.0	No
H5	Houses	Ashford Hinterland	10	0%	0%	0%	0%	0%	£2,000		34	0.290	0.290	816.5	Yes
H6	Houses	Ashford Hinterland	10	30%	10%	10%	10%	0%	£2,000		34	0.290	0.290	701.7	Yes
H7	Houses	Ashford Hinterland	20	30%	10%	10%	10%	0%	£2,000		35	0.570	0.570	1,403.3	Yes
H8	Houses	Ashford Hinterland	55	30%	10%	10%	10%	5%	£2,000	£50,000	35	1.570	1.847	3,750.5	Yes
H9	Houses	Ashford Hinterland	110	30%	10%	10%	10%	5%	£2,000	£100,000	30	3.670	4.218	7,775.3	Yes
H10	Houses	Ashford Hinterland	200	30%	10%	10%	10%	5%	£2,000	£150,000	30	6.670	7.847	14,069.5	Yes
H11	Houses	Ashford Hinterland	300	30%	10%	10%	10%	5%	£2,000	£150,000	30	10.000	12.500	21,104.3	Yes
H12	Court Lodge (WS11)	Ashford Hinterland	950	30%	10%	10%	10%	5%	£2,000	£200,000	35	27.000	37.500	63,288.8	Yes
H13	Kennington (KE2 & KE3)	Ashford Hinterland	700	30%	10%	10%	10%	5%	£2,000	£200,000	25	28.000	38.889	55,802.1	Yes
R1	House	Rest of Borough	1	0%	0%	0%	0%	0%	£2,000		25	0.040	0.040	125.0	No
R2	Houses	Rest of Borough	2	0%	0%	0%	0%	0%	£2,000		25	0.080	0.080	220.0	No
R3	Houses	Rest of Borough	3	0%	0%	0%	0%	0%	£2,000		25	0.120	0.120	330.0	No

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	%SH	% Aff rent	% shared ownership	% Self Build	Residual s106/dwg	Opening up/ net ha	Density (dph)	Net Site area (ha)	Gross Site area (ha)	Market Sq m	DCF applied
R4	Houses	Rest of Borough	4	0%	0%	0%	0%	0%	£2,000		25	0.160	0.160	500.0	No
R5	Houses	Rest of Borough	10	0%	0%	0%	0%	0%	£2,000		25	0.400	0.400	816.5	Yes
R6A	Houses	Rest of Borough	10	40%	10%	10%	20%	0%	£2,000		25	0.400	0.400	729.7	Yes
R7A	Houses	Rest of Borough	11	40%	10%	10%	20%	0%	£2,000		25	0.440	0.440	802.7	Yes
R8A	Houses	Rest of Borough	20	40%	10%	10%	20%	5%	£2,000		25	0.800	0.800	1,386.5	Yes
R9A	Houses	Rest of Borough	40	40%	10%	10%	20%	5%	£2,000		30	1.330	1.330	2,451.7	Yes
R10A	Houses	Rest of Borough	70	40%	10%	10%	20%	5%	£2,000	£50,000	35	2.000	2.350	4,038.5	Yes
R11A	Houses	Rest of Borough	150	40%	10%	10%	20%	5%	£2,000	£100,000	30	5.000	5.750	9,161.7	Yes
R12A	Houses	Rest of Borough	225	40%	10%	10%	20%	5%	£2,000	£150,000	30	7.500	8.824	13,807.1	Yes
R6B	Houses	Rest of Borough	10	30%	5%	15%	10%	0%	£2,000		25	0.400	0.400	802.5	Yes
R7B	Houses	Rest of Borough	11	30%	5%	15%	10%	0%	£2,000		25	0.440	0.440	882.7	Yes
R8B	Houses	Rest of Borough	20	30%	5%	15%	10%	5%	£2,000		25	0.800	0.800	1,524.7	Yes
R9B Alt	Houses	Rest of Borough	40	30%	5%	15%	10%	5%	£2,000		30	1.330	1.330	2,674.6	Yes
R10B	Houses	Rest of Borough	70	30%	5%	15%	10%	5%	£2,000	£50,000	35	2.000	2.350	4,388.9	Yes
R11B Alt	Houses	Rest of Borough	150	30%	5%	15%	10%	5%	£2,000	£100,000	30	5.000	5.750	9,994.5	Yes

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	%SH	% Aff rent	% shared ownership	% Self Build	Residual s106/dwg	Opening up/ net ha	Density (dph)	Net Site area (ha)	Gross Site area (ha)	Market Sq m	DCF applied
R12B Alt	Houses	Rest of Borough	225	30%	5%	15%	10%	5%	£2,000	£150,000	30	7.500	8.824	15,062.1	Yes

ANNEX 5 - CASE STUDY RESIDUAL VALUES

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	Residual Value per toolkit	Residual Value per ha	Main Benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
T1	House	Ashford Town	1	0%	-£88,000	-£3,520,000	£700,000	-£4,220,000	-£105,500
T2	Houses	Ashford Town	2	0%	£74,000	£1,480,000	£700,000	£780,000	£19,500
T3	Houses	Ashford Town	3	0%	£110,000	£1,466,667	£700,000	£766,667	£19,167
T4	Houses	Ashford Town	4	0%	£162,000	£1,620,000	£700,000	£920,000	£23,000
T5	Houses	Ashford Town	10	0%	£239,229	£956,916	£700,000	£256,916	£6,423
T6	Houses	Ashford Town	10	20%	£214,654	£858,616	£700,000	£158,616	£3,965
T7	Houses	Ashford Town	20	20%	£457,380	£914,760	£700,000	£214,760	£5,369
T8	Houses	Ashford Town	100	20%	£2,136,961	£777,854	£450,000	£327,854	£9,007
T9	Houses	Ashford Town	200	20%	£4,071,463	£692,149	£450,000	£242,149	£7,122
T10	Flats	Ashford Town	200	20%	-£4,377,245	-£1,971,732	£700,000	-£2,671,732	-£29,656
T11	Houses	Ashford Town	350	20%	£5,972,986	£546,102	£700,000	-£153,898	-£4,814
T12	Flats	Ashford Town	600	20%	-£24,128,833	-£3,617,516	£700,000	-£4,317,516	-£47,996
H1	House	Ashford Hinterland	1	0%	-£72,000	-£2,400,000	£700,000	-£3,100,000	-£93,000
H2	Houses	Ashford Hinterland	2	0%	£105,000	£1,750,000	£700,000	£1,050,000	£31,500

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	Residual Value per toolkit	Residual Value per ha	Main Benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
H3	Houses	Ashford Hinterland	3	0%	£155,000	£1,722,222	£700,000	£1,022,222	£30,667
H4	Houses	Ashford Hinterland	4	0%	£222,000	£2,018,182	£700,000	£1,318,182	£36,250
H5	Houses	Ashford Hinterland	10	0%	£353,861	£1,220,210	£700,000	£520,210	£15,086
H6	Houses	Ashford Hinterland	10	30%	£261,681	£902,348	£700,000	£202,348	£5,868
H7	Houses	Ashford Hinterland	20	30%	£518,185	£909,096	£700,000	£209,096	£5,959
H8	Houses	Ashford Hinterland	55	30%	£1,415,157	£766,168	£700,000	£66,168	£2,222
H9	Houses	Ashford Hinterland	110	30%	£2,925,513	£693,514	£450,000	£243,514	£9,339
H10	Houses	Ashford Hinterland	200	30%	£4,689,320	£597,590	£450,000	£147,590	£5,791
H11	Houses	Ashford Hinterland	300	30%	£6,991,339	£559,307	£300,000	£259,307	£10,804
H12	Court Lodge (WS11)	Ashford Hinterland	950	30%	£16,923,243	£451,286	£300,000	£151,286	£5,972
H13	Kennington (KE2 & KE3)	Ashford Hinterland	700	30%	£15,890,219	£408,606	£300,000	£108,606	£6,034
R1	House	Rest of Borough	1	0%	-£8,000	-£200,000	£1,300,000	-£1,500,000	-£60,000
R2	Houses	Rest of Borough	2	0%	£223,000	£2,787,500	£1,300,000	£1,487,500	£59,500
R3	Houses	Rest of Borough	3	0%	£330,000	£2,750,000	£1,300,000	£1,450,000	£58,000

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	Residual Value per toolkit	Residual Value per ha	Main Benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
R4	Houses	Rest of Borough	4	0%	£454,000	£2,837,500	£1,300,000	£1,537,500	£61,500
R5	Houses	Rest of Borough	10	0%	£917,270	£2,293,175	£1,300,000	£993,175	£39,727
R6A	Houses	Rest of Borough	10	40%	£600,379	£1,500,948	£1,300,000	£200,948	£8,038
R7A	Houses	Rest of Borough	11	40%	£659,400	£1,498,636	£1,300,000	£198,636	£7,945
R8A	Houses	Rest of Borough	20	40%	£1,136,047	£1,420,059	£1,300,000	£120,059	£4,802
R9A	Houses	Rest of Borough	40	40%	£1,812,210	£1,362,564	£1,300,000	£62,564	£2,080
R10A	Houses	Rest of Borough	70	40%	£2,743,653	£1,167,512	£800,000	£367,512	£12,338
R11A	Houses	Rest of Borough	150	40%	£6,192,061	£1,076,880	£800,000	£276,880	£10,614
R12A	Houses	Rest of Borough	225	40%	£8,946,237	£1,013,907	£300,000	£713,907	£27,996
R6B	Houses	Rest of Borough	10	30%	£660,005	£1,650,013	£1,300,000	£350,013	£14,001
R7B	Houses	Rest of Borough	11	30%	£729,061	£1,656,957	£1,300,000	£356,957	£14,278
R8B	Houses	Rest of Borough	20	30%	£1,248,138	£1,560,173	£1,300,000	£260,173	£10,407
R9B	Houses	Rest of Borough	40	30%	£1,960,271	£1,473,888	£1,300,000	£173,888	£5,782
R10B	Houses	Rest of Borough	70	30%	£2,944,915	£1,253,155	£800,000	£453,155	£15,213
R11B	Houses	Rest of Borough	150	30%	£6,760,050	£1,175,661	£800,000	£375,661	£14,400

Case Study Ref	Type	Market Value Area	Total dwgs	AH %	Residual Value per toolkit	Residual Value per ha	Main Benchmark per ha	Headroom - RV less main benchmark per ha	Headroom per dwg
R12B	Houses	Rest of Borough	225	30%	£9,721,965	£1,101,823	£300,000	£801,823	£31,444