

APPENDIX 2

LA2 OLD TOWN

VIABILITY ASSESSMENT REPORT



DACORUM Borough Council

LA2: Old Town VA

Viability Assessment Report

EXECUTIVE SUMMARY

Site LA2 forms part of the Dacorum Borough Council (DBC) local allocations to accompany the Core Strategy Local Plan. The need to undertake a viability assessment is based on national planning policy guidance, and this assessment provides an integral part of the evidence base to inform the local allocations process.

A strategic development appraisal of the site has been undertaken, to enable strategic conclusions to be made regarding the viability of development at each site. This study does not test the absolute viability of this site, but does assess the broad viability of the sites tested at a strategic level.

This strategic viability assessment concluded a positive land value for the LA2: Old Town site, thus passing tests as set out in national planning policy that **this site is viable to deliver housing with a net strategic residual value of £2,262,254**. This positive land value does not ensure that this site will be brought forward for development, as site delivery is based on several factors, including land price aspirations, a willing developer, and issues that have not been identified at this strategic level.

INTRODUCTION

The Strategic Housing section at Dacorum Borough Council was instructed to undertake a viability assessment of LA2: Old Town in June 2012. This viability assessment would include a HCA Development Appraisal Toolkit, based on industry assumptions, and a viability assessment report, which summarised the report findings and concluded whether the site was viable for development.

This viability assessment report is in line with previous PPS12 and PPS3 guidance, as taken forward in NPPF, which requires DPDs to be 'sound'. This viability assessment report forms part of the identification of specific sites to ensure a continuous delivery of housing for at least 15 years of adoption of the Core Strategy Local Plan.

METHODOLOGY

Development viability is a term which lacks single definition. The concept of development viability is based on the feasibility of development, which in turn is based on industry averages, estimated costs and required contributions.

In order for a site to be viable, the total development costs (including developer profit) should be deducted from the total development revenue. The net result provides a residual value, which is the price a developer would be willing to pay for a site. As this land is owned by Dacorum Borough Council, aspirational land values do not feature in this report, as it is assumed that the Council would accept a value of a minimum of £1,000,000 in order to develop at this site, providing all obligations can be met.

Negative residual value indicates that development with the required obligations is not viable, and requires a range of options with reduced obligations to be explored. If obligations are reduced to zero, and a negative residual value is still achieved, it is assumed that development is not viable.

The majority of the assumptions made in the viability appraisal are based on the recommendations made within the guidance that accompanies the HCA Development Appraisal Toolkit 3.0. The table below outlines the assumptions required and made within the viability assessment, and the source from which the assumption has been derived:

Required Assumption	Value Assumption	Reference
Size of units	50sqm 1B* 60sqm 2B* 76sqm 3B* 90sqm 4B* 105sqm 5B*	Housing Quality Indicators *10% size added for Open Market

Site size and Development	80 Units on 2.6ha gross 20x1B, 33x2B, 15x3B, 12x4B	Advice from Tibbalds Report
S106/CIL Contributions	£400k* *Subject to change with CIL	Dacorum Planning Obligations SPD 2011
Car Parking Spaces	Avg 2 per dwelling	SPG Advice from Strategic Planning
Site Abnormals	Potential gradient issues – NOT BUDGETED	Advice from Strategic Planning
Sales Prices	£3460 psqm	Zoopla - £Avg Price (£262,965) / Avg sqm (76)
Build Costs	£1,000psqm* *10% added for Open Market	BCIS Residential Rebuilding Cost Calculator £Avg Cost (£76,000) / Avg sqm (76)
Affordable Rent	£120pw – 1B £147pw – 2B £185pw – 3B £286pw – 4B	80% of Local Housing Allowance – SW Herts
Housing Association Cross Subsidy	£25k per unit on Affordable Rent £0k per unit on Shared Ownership	From conversion of existing dwellings to Affordable Rent Not included in viability assessment as could be £0
Land Values	£1,000,000 minimum	Advice from DBC

Developer Profit	17.5%	Toolkit guidance
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The estimated costs as set out above are base values, meaning that they do not account for higher build quality, marketing costs etc. The HCA Economic Appraisal Toolkit (EAT) 2.0 recommended figures are applied to these base estimates within the toolkit for transparency. (e.g. 3% additional to build costs for Code for Sustainable Homes L3)

The lack of a defined method for the calculation of strategic development viability indicates that the estimated costs in the viability assessment may move slightly up or down depending on methods used and market conditions. These figures are used to provide an outline indication of viability only, and all factors should be subject to further study as sites are brought forward for development. This viability report does not include additional factors, such as:

- Noise/Air Quality
- Listed Buildings
- Archaeology
- Abnormal Development Costs
- Comprehensive Development

This assessment is not, and is not intended to be a formal valuation. This advice is exempt from the current RICS Valuation Standards (Practice Statement 1.2) and as such cannot be regarded upon as a valuation. This advice has not been based on full research on assets, and provides only a guidance for feasibility purposes should the asset be placed on the market.

VIABILITY ASSESSMENT

The output table below has been generated from the HCA Development Appraisal Toolkit that has been run in accordance with the methodology above, and the toolkit guidance. The full Development Appraisal Toolkit has been submitted to the Council to accompany this report. The outputs in the summary below are from the GLA toolkit style Scheme Results format for ease of reading. The full DAT can be found in Appendix V of this report, with the full output sheet available in Appendix IV.

The total number of units, including density and affordable unit mix is laid out below:

TOTAL NUMBER OF UNITS		AFFORDABLE UNITS	
Dwellings	80	Quantity	% all units
		Total	32 40%

DENSITY (per hectare)			Social Rented	0	0%
Dwellings	30.8		Affordable Rent	24	30%
			Shared Ownership	8	10%

The total net scheme revenue is £15,355,645 based on the information put through the viability assessment. The total scheme costs total £12,473,231.

REVENUES AND COSTS		
Total Scheme Revenues		15,355,645
Total Scheme Costs	12,473,231	

A breakdown of the revenue streams is set out in the table below:

Contribution to Revenue from		
Market Housing		11,864,340
Affordable Housing		3,491,305
Social Rent	-	
Shared Ownership	1,249,804	
Affordable Rent	2,241,501	
Other Contributions		0
Non Residential Values		0

A breakdown of the scheme costs is set out in the table below. This includes construction costs (core and other), planning obligations, fees, acquisition costs and developer profit, which is set at 17.5%.

Contribution to Costs from		
Market Housing		4,156,253
Affordable Housing		2,294,235
Social Rent	-	
Shared Ownership	590,824	
Affordable Rent	1,703,412	
Other Construction costs		1,527,826
Planning Obligations		400,000
Fees		617,217
Non Residential Costs		-

Finance and Acquisition Costs		1,401,440
Developer's return for risk and profit		2,076,260

The final table below details the surplus that the scheme generates. The scheme generates a positive residual value of £2,262,254, which includes a £1,000,000 receipt for the land.

Surplus/(Deficit) Present Value		
Whole Scheme	2,262,254	
Per net hectare	870,098	
Per dwelling	28,278	
Per market dwelling	47,130	
Alternative Site Value		
Other -please note below	1,000,000	

This strategic viability assessment does not look into the detailed nature of the site, and does not factor in actual estimates from contractors, professionals etc. Whilst this is the case, the high strategic residual value implies that the scheme would still be viable even in the instance that up to £2,262,254 in additional costs were incurred as a result of development or a full viability assessment based on actual figures.

Strategic Planning have advised that the s106 charges for LA2 could be subject to change upon the implementation of CIL to a figure in the region of £625k from the £400k estimated in this report. Should this change be implemented the scheme would still have a net residual value of over £2m making it viable for development. The report may also be subject to amendments based on future rises to sustainability requirements, for example to Code for Sustainable Homes Level 4 or 5, this report has not considered these future rises, although there is enough positive residual value in the scheme to allow for these rises in the future and for the site to remain viable.

CONCLUSION

The purpose of this assessment was to examine whether development at LA2: Old Town was viable, and to what extent the scheme could provide the obligations sought through planning policy.

This report concludes that the positive residual value of £2,262,254 on this site is sufficient for this site to be developed with the provision of all sought planning obligations. This residual value is not intended to be an accurate RICS valuation, but does provide an indicative strategic indicator that development at LA2: Old Town is viable.

Mr. J Burnham AssocRICS CIHCM MIED

APPENDIX i – S106 OBLIGATIONS

The s106 obligations for this site were calculated using the Dacorum Planning Obligations SPD 2011 Calculator. This calculator is based on the County Council toolkit, the Dacorum 2011 SPD. The breakdown is provided below:

Borough wide - DBC		1 bed	2 bed	3 bed	4 bed	5 bed	6+ bed
Child play space	0.8ha per 1000 pop	896.0	1216.0	1600.0	1728.0	1856.0	1984.0
Natural Green Space	1 ha per 1000 pop	14.0	19.0	25.0	27.0	29.0	31.0
Travel Smart	£25 per dwelling	25.0	25.0	25.0	25.0	25.0	25.0
Police	£74 per dwg	74.0	74.0	74.0	74.0	74.0	74.0
		1009.0	1334.0	1724.0	1854.0	1984.0	2114.0
Libraries	Market houses	98.0	147.0	198.0	241.0	265.0	265.0
	Market flats	77.0	129.0	164.0			
	Social rent houses	48.0	91.0	130.0	156.0	155.0	
	Social rent flats	38.0	82.0	107.0			
Hemel		1 bed	2 bed	3 bed	4 bed	5 bed	6+ bed
Allotments	0.25 ha per 1000 pop	35.0	48.0	63.0	68.0	73.0	78.0
Outdoor pitches - HH	1.47 ha per 1000 pop	257.0	349.0	459.0	496.0	533.0	570.0
Cycles - Hemel	£74 per dwg	38.0	52.0	68.0	73.0	79.0	84.0
		330.0	449.0	590.0	637.0	685.0	732.0
Primary schools	Market houses	231.0	1036.0	2469.0	3721.0	4629.0	4629.0
	Market flats	93.0	816.0	1392.0			
	Social rent houses	247.0	2391.0	3860.0	5048.0	5673.0	5673.0
	Social rent flats	44.0	1167.0	2524.0			

Hemel Hempstead	1 bed	2 bed	3 bed	4 bed	5 bed	6+ bed
Market houses	20	33	15	12		
Market flats						
Social rent houses						
Social rent flats						
Total	20	33	15	12	0	0

HEMEL HEMPSTEAD	£
Allotments	£5,040.00
Outdoor pitches - HH	£36,730
Cycles - Hemel	£5,440
Primary schools	£181,880
Borough wide	
Child play space	£128,000
Natural Green Space	£2,000
Travel Smart	£2,250
	£6,660.00
Police	0
Libraries	£16,150
TOTAL Without police contributions	£377,490
TOTAL With police contributions	£384,150

APPENDIX ii – BCIS Rebuilding Costs

The strategic development costs have been taken from the BCIS rebuilding costs calculator. The calculator provided a figure of £76,000 for a 76sqm house.

Rebuild Calculator Results

Estimate of Rebuilding Cost from BCIS.

The rebuilding cost is estimated to be £76,000 based on the information and assumptions listed below (1).

Quality and facilities make a big difference to the rebuilding cost. While the figure above is a reasonable estimate of the likely cost for a good quality house with typical facilities, a basic quality house of the same size with minimal facilities might be rebuilt for £64,000 while an excellent quality house might cost £101,000 to rebuild.

The information we based this estimate on was:

Semi-detached 2 storey house built with brick external walls (2) and tile roof built around 2012 (3). The property is not listed and does not include any special or unusual features.

Postcode HP1 1HH.

Gross external floor area: 38m² (4).

2 bathrooms.

No separate garage.

BCIS has assumed the following:

There is no cellar.

An allowance for external works has been made which might typically comprise drive or hardstanding, paths and patio, walls and fences, drainage. However there can be big differences in the scale and cost. Special or unusual features, such as long boundary walls, swimming pools etc have not been allowed for.

The prices used are for June 2012. This report was generated at 11:39:59 on 09-Jul-2012.

APPENDIX iii – Zoopla Average Property Sales Prices

The Zoopla search function assesses land registry sales information. The average sales price for Hemel Hempstead was £262,965, which divided by the average house size of 76sqm, created the sales price estimate of £3460psqm.

House prices in Hemel Hempstead, Hemel Hempstead house prices - Zoopla

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Zoopla

Sold house prices in Hemel Hempstead

Hemel Hempstead Zed-Index

£262,965

stats for

Value change

£711 (0.27%)

from

Avg. asking price in Hemel Hempstead: £278,367

No. of properties for sale in Hemel Hempstead: 718

for monthly updates of the latest sold house prices in areas you are interested in.

APPENDIX iv – Scheme Viability Results

**Site Area is gross (1.7-1.9ha is estimated as net site size)

Scheme Results

'GLA toolkit' style Scheme Results

Site Reference Details	
Site Reference	LA2
Local Planning Authority	Dacorum
HCA Investment Partner	Developer

Site Details	
Site Address	LA2 - Old Town, Heme
Scheme Description	Viability Assessment

TOTAL NUMBER OF UNITS	
Dwellings	80

AFFORDABLE UNITS		
	Quantity	% all units
Total	32	40%
Social Rented	0	0%
Affordable Rent	24	30%
Shared Ownership	8	10%

DENSITY (per hectare)	
Dwellings	30.8

REVENUES AND COSTS		
Total Scheme Revenues		15,355,645
Total Scheme Costs	12,473,231	

Surplus/(Deficit) Present Value	
Whole Scheme	2,262,254
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Alternative Site Value	
Other -please note be	1,000,000

Contribution to Costs from		
Market Housing		4,156,253
Affordable Housing		2,294,235
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Shared Ownership	590,824	
Affordable Rent	1,703,412	
Other Construction costs		1,527,826
Planning Obligations		400,000
Fees		617,217
Non Residential Costs		-
Finance and Acquisition Costs		1,401,440
Developer's return for risk and profit		2,076,260

APPENDIX v – Full Development Appraisal Tool

Input Sheet 1 – Site Details:

Site Address	LA2 - Old Town, Hemel Hempstead	
OS X coordinate		
OS Y coordinate		
Site Reference	LA2	
File Source		
Scheme Description	Viability Assessment	
Date of appraisal	30/08/2012	
Gross Site Area (hectares)	2.60	
Net Residential Site Area (hectares)	1.70-1.90	
Author & Organisation	Jack Burnham AssocRICS, Strategic Housing	
Local Planning Authority	Dacorum	
Land Purchase Price	1,000,000	
Land Purchase date	01/01/1974	
Most recent valuation of the site £	1,000,000	
Basis of valuation	Other -please note below	
Date of valuation	12/07/2012	
Any note on valuation	Minimum site value by client is £1,000,000	
Developer of sale units	TBA	
Developer of affordable units	Developer	
Manager of affordable units	TBA	

HCA Investment Partner Note on applicant(eg sub partner status) HCA Operating Area	TBC
	DACORUM BC - TBA
	East and South East

Input Sheet 2 – GLA Toolkit Style:

Description of Property type	No units	m2	DAT category	Tenure/phase	Sales Valuation £	Weekly Rent Chargeable
1 Bed Affordable Rent	6	50	1 Bed Flat Low rise	Affordable Rent phase 1		120.00
2 Bed Affordable Rent	11	60	2 Bed Flat Low rise	Affordable Rent phase 1		147.00
3 Bed Affordable Rent	4	76	3 Bed House	Affordable Rent phase 1		185.00
4 Bed Affordable Rent	3	90	4 Bed + House	Affordable Rent phase 1		286.00
1 Bed Shared O	2	50	1 Bed Flat Low rise	Shared Ownership phase 1	173,000	
2 Bed Shared O	2	60	2 Bed Flat Low rise	Shared Ownership phase 1	207,600	
3 Bed Shared O	2	76	3 Bed House	Shared Ownership phase 1	262,960	
4 Bed Shared O	2	90	4 Bed + House	Shared Ownership phase 1	311,400	
1 Bed Open Market	12	55	1 Bed Flat Low rise	Open Market Build phase 1	190,300	
2 Bed Open Market	20	66	2 Bed Flat Low rise	Open Market Build phase 1	228,360	
3 Bed Open Market	9	84	3 Bed House	Open Market Build phase 1	290,640	
4 Bed Open Market	7	99	4 Bed + House	Open Market Build phase 1	342,540	

Annual Costs	Management %	Void & Bad Debt%	Repairs Fund	Yield %	Initial tranche sold %	Rent % unsold equity	Affordable % Market
Social Rented							
Shared Ownership	6.0%	1.5%		6.0%	40.0%	2.75%	
Affordable Rent	12.0%	4.5%	18.0%	6.0%			80%
Private Rent							

Input Sheet 3 – Phasing

	Construction Start Date	Construction End Date
Affordable Low rise flats	01-Jan-15	01-Jun-16
Affordable Houses	01-Jan-15	01-Jun-16
OM 1:Build phase 1	01-Jan-15	01-Jun-16
	RP Purchase (transfer) start date	Purchase end date
Shared Ownership phase 1 Purchase Payment	01-Jan-15	01-Jun-16
Affordable Rent phase 1 Purchase Payment	01-Jan-15	01-Jun-16

	Open Market Sale Start Date	Sale End Date
OM Sales1:Build phase 1	01-Jan-16	31-Dec-16

Input Sheet 4 – Other Funding

Other sources of funding		
-	Must be between	12-Jul-12
-	and	13-Jul-22
-		
	Value (£)	Date of receipt
RP Cross Subsidy (use of own assets)		
LA s106 commuted in lieu		
RP Re-cycled SHG		
Other source of funding 2		
Land Remediation Tax Relief		

Input Sheet 5 – Residential Costs

		Building Cost £ per Sq m GROSS area	Net to Gross Adjustment
Shared Ownership phase 1	Low rise flats	1,000	15%
	Houses	1,000	
Affordable Rent phase 1	Low rise flats	1,000	15%
	Houses	1,000	

Open Market Phase 1:	Low rise flats	1,100	15%
	Houses	1,100	

Fees & Contingencies as % of Building Costs	%		
Design and Professional Fees % (Architects, QS, Project Management)	10.00%		
Building Contingencies (% of Building Costs)	5.00%		
* This section excludes Affordable Housing section 106 payments		All Dates within ten years	12-Jul-12 13-Jul-22

External Works & Infrastructure Costs (£)	Comment on nature of issue	Cost (£)	Payment Start Date	Payment end date
Site Preparation/Demolition	Included in costs/106	£0		
Roads and Sewers	Included in costs/106	£0		
Services (Power, Water, Gas, Telco and IT)	Included in costs/106	£0		
Strategic Landscaping	Included in costs/106	£0		
Off Site Works	Included in costs/106	£0		
Public Open Space	Included in costs/106	£0		
Site Specific Sustainability Initiatives	Included in costs/106	£0		
Other 1				
Other 2				
Other 3				

Site Abnormals (£)	Comment on nature of issue	Cost (£)	Payment Start Date	Payment end date

De-canting tenants	N.A	£0	
Decontamination	N.A	£0	
Other			
Other 2			
		Building Costs (£ / car parking space)	Payment Date
Residential Car Parking Building Costs (average cost / car parking space)		£3,000	01-Jan-16
Total number of residential car parking spaces		160	<i>(Open Market and Affordable)</i>

Sustainability

			Additional information
Enter the Code level to which the affordable rented units are to be built		3	
Enter the Code level to which the intermediate tenure units are to be built		3	
Enter the Code level to which the market sale units are to be built		3	
Certification Costs		£0	Included in other costs

Statutory Payments (£)	Additional information	Cost (£)	Payment start date	Payment end date
Education	TOTAL 106 PAYMENTS	£400,000	01-Jan-15	01-Jun-16
Sport & Recreation		£0		
Social Infrastructure		£0		
Public Realm		£0		

Affordable Housing		£0
Transport		£0
Highway		£0
Health		£0
Public Art		£0
Flood work		£0
Community Infrastructure Levy	per sq metre	£0
Other Tariff	per unit	£0
Other 1		£0
Other 2		£0

OTHER COSTS

SITE PURCHASE COSTS

	%
Agents Fees (% of site cost)	1.00%
Legal Fees (% of site cost)	0.75%
Stamp Duty (% of site cost)	4.00%

Other Acquisition Costs (£)	Comment on nature of issue	Cost (£)	Payment start date	Payment end date

FINANCE COSTS

Arrangement Fee (£)	£0
Interest Rate (%)	5.75%
Misc Fees - Surveyors etc (£)	
Credit balance reinvestment %	5.75%

MARKETING COSTS

Affordable Housing Marketing Costs

	Cost (£)	Payment start date	Payment end date
Developer cost of sale to RP (£)	£0		
RP purchase costs (£)	£0		
Intermediate Housing Sales and Marketing (£)	£0		

Open Market Housing Marketing Costs

Sales Fees (agents fees & marketing fees) - %	5.00%
Legal Fees (per Open Market unit) - £	£500

<u>DEVELOPER'S OVERHEAD AND RETURN FOR RISK (before taxation)</u>		
-		
Developer O/head (£)		
Open Market Housing (%)	17.50%	17.5% 47,380
Affordable Housing (%)	0.00%	