Local Plan Viability Study

Report Summary

May 2022

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Summary and Recommendations

1. This document summarises the findings and recommendations of the Local Plan Viability Study (May 2022) providing a non-technical summary of the overall assessment. A viability assessment of this type is, by its very nature, a technical document that is prepared to address the very specific requirements of the National Planning Policy Framework so it is recommended the report is read in full.

2. HDH Planning & Development Ltd has been appointed to update the Council's viability evidence and produce this Local Plan Viability Study as required by the National Planning Policy Framework (NPPF) and relevant guidance.

3. As part of its preparation, the new Local Plan needs to be tested to ensure it remains viable and deliverable in line with tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) and the revised Community Infrastructure Levy Regulations. This includes:

   - assessing the cumulative impact of the emerging policies, including affordable housing and open space requirements.
   - testing the deliverability of the key development site allocations that are earmarked to come forward over the course of the Local Plan period.
   - considering the ability of development to accommodate developer contributions alongside other policy requirements.

4. The current adopted CIL Charging Schedule came into effect in April 2020. Consideration will also be given for the scope to review CIL.

5. This document sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the emerging local policies, and the emerging national policies, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

Compliance

6. HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principal pieces of relevant guidance, being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)* and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021). HDH confirms that the RICS Guidance has been followed.

COVID-19

7. This update is being carried out during the coronavirus pandemic. There are uncertainties around the values of property and the costs of construction that are a direct result of the COVID-19 pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect will be. We recommend that the Council keeps the assessment under review.

Viability Testing under the NPPF and Updated PPG

8. The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2021 NPPF. The overall requirement is that *'policy requirements should be informed by evidence of infrastructure and Affordable Housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.*'

9. This study is based on typologies that are representative of the type of development expected to come forward under the adopted Local Plan.

10. The updated PPG sets out that viability should be tested using the Existing Use Value Plus (EUV Plus) approach:

> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).*

11. The Benchmark Land Value (BLV) is the amount the Residual Value must exceed for the development to be considered viable.

12. As this report was being concluded in May 2022, the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability, and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* has yet to be published. It will be necessary for the Council to monitor the progress of the Bill and, in due course, review this report when the Regulations are published.

Viability Guidance

13. There is no specific technical guidance on how to test viability in the 2021 NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions that support the methodology HDH has developed. This study follows the Harman Guidance. In line with the updated PPG, this study follows the EUV Plus (EUV+) methodology, that is to compare the Residual Value generated

by the viability appraisals, with the EUV + an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the market value of the land both with and without the benefit of planning permission for development.

14. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

Gross Development Value
(The combined value of the complete development)
LESS
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)
=
RESIDUAL VALUE

15. The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory return (i.e. profit).

16. The NPPF and the PPG are clear that the assessment of viability should be based on existing available evidence, rather than new evidence. The evidence that is available from the Council has been reviewed. This includes that which has been prepared earlier in the plan-making process, and that which the Council holds, in the form of development appraisals that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of affordable housing or s106 contributions.

17. Consultation formed part of the preparation of this study. An event was held in November 2021. Residential and non-residential developers (including housing associations), landowners and planning professionals were invited to take part.

Residential Market

18. An assessment of the housing market was undertaken. Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for Canterbury is 96th (out of 336) at £361,072. To set this in context, the council at the middle of the rank (168th – Swale), has an average price of £286,555. The Canterbury median price is lower than the average at £325,000.

19. The housing market peaked early in November 2007 and then fell considerably in the 2007/2009 recession during what became known as the Credit Crunch. Locally, average house prices in the area did not recover to their pre-recession peak until August 2013 but are now about 50% above the 2007 peak. These increases are substantial but are less than those seen across London (65%) over the same period. Across England and Wales, average house prices have increased by 37%.

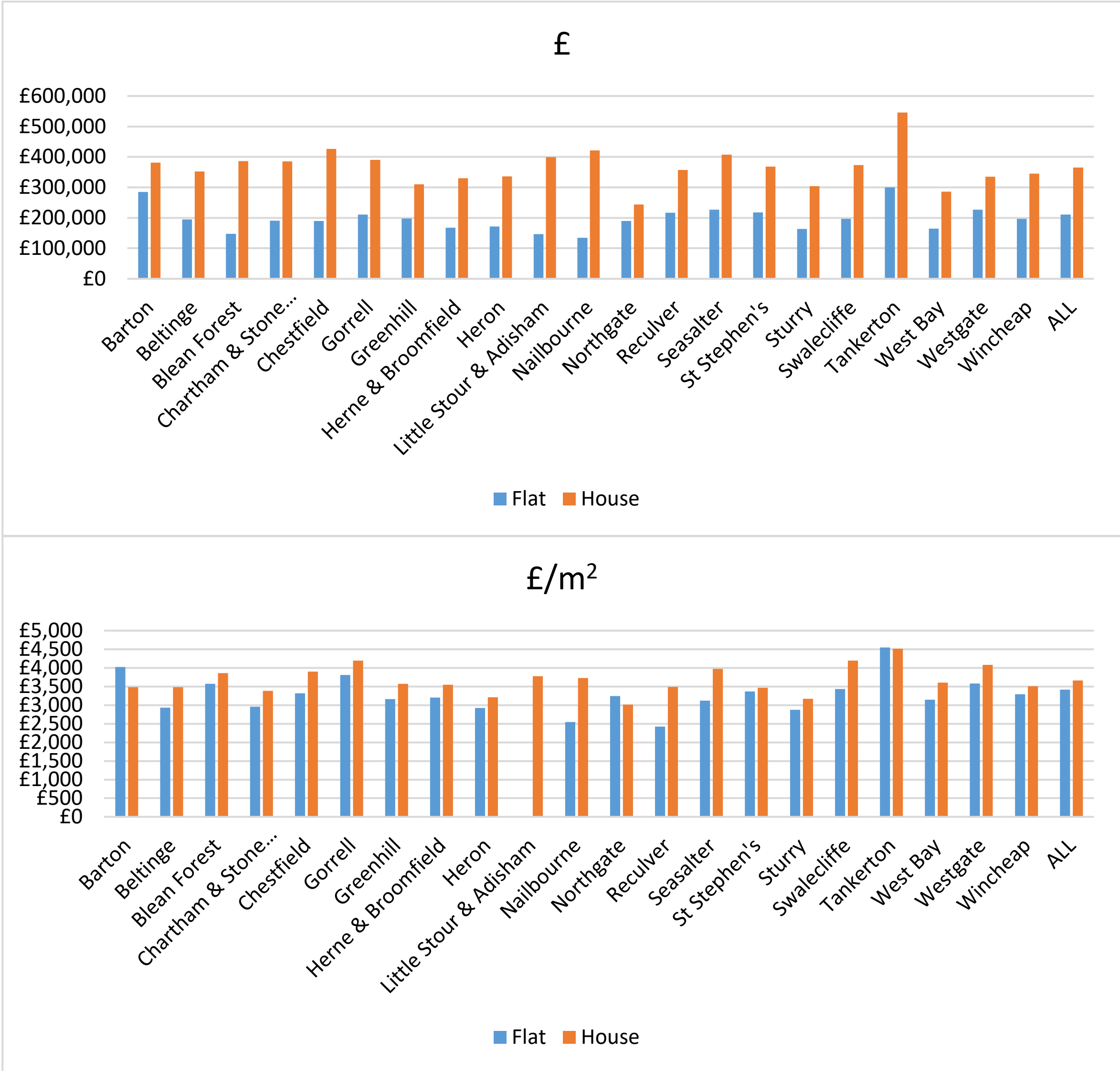
20. This report is being completed after the United Kingdom has left the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK and the UK economy is in a period of uncertainty. A further uncertainty is around the ongoing coronavirus pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect may last. There is anecdotal evidence of an increased demand for larger units (with space for working from home) and with private outdoor space. Conversely, employees in some sectors that have been particularly affected by the coronavirus have found their ability to secure a loan restricted.

The Local Market

21. A survey of asking prices, across the Council area, was carried out. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

22. As part of the research we have used data from Landmark. This brings together data from a range of sources and allows the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms. The data is available for newbuild and existing homes and by ward and summarised as follows:

Figure S1 Residential Prices Paid – From January 2017



Source: Landmark (June 2021)

23. On average, in CCC, newbuild homes are 17% more expensive than existing homes, however when considered on a £/m^2 basis the difference is substantially less at about 2%. Newbuild houses in CCC are shown as 16% are more expensive than existing houses, but newbuild flats are 55% more expensive than existing flats. When considered on a £/m^2 basis, newbuild houses are similar price to existing houses. Newbuild flats are about 30% more expensive than existing flats.

24. Based on prices paid, the asking prices from active developments, and informed by the general pattern of all house prices across the assessment area, and the wider data presented, the following price assumptions are adopted:

<table>
<tr><th colspan="4">Table S1 2021 Residential Price Assumptions – £/m²</th></tr>
<tr><td></td><td>Canterbury and Adjacent Area
Whitstable and Adjacent
Rural CCC</td><td>Sturry</td><td>Herne Bay and Adjacent</td></tr>
<tr><td>Large Greenfield</td><td rowspan="2">£4,000</td><td rowspan="2">£3,250</td><td rowspan="2">£3,700</td></tr>
<tr><td>Medium Greenfield</td></tr>
<tr><td>Small Greenfield</td><td colspan="3">£4,100</td></tr>
<tr><td>Previously Developed Land</td><td>£3,800</td><td></td><td>£3,500</td></tr>
<tr><td>Flatted Development</td><td colspan="3">£4,000</td></tr>
</table>

Source: HDH (August 2021)

Affordable Housing

25. In this study, it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP). The following values are used across the area:

a. Social Rent £1,790/m^2.

b. Affordable Rent £2,500/m^2.

c. First Homes 70% of Market Value.

d. Affordable Home Ownership 70% of Market Value.

Non-Residential Market

26. The following value assumptions have been used:

Table S2 Commercial Values £/m² 2021					
	Rent £/m²	Yield	Rent free period	Derived Value	Assump-tion
Offices - Large	£215	6.00%	1.0	£3,381	£3,400
Offices - Small	£215	7.50%	1.0	£2,667	£2,670
Industrial - Large	£120	5.50%	1.0	£2,068	£2,070
Industrial - Small	£80	7.00%	1.0	£1,068	£1,070
Logistics	£120	4.00%	2.0	£2,774	£2,800
Retail - Central Canterbury and Whitstable	£400	6.00%	1.0	£6,289	£6,300
Retail - Central Herne Bay	£300	6.50%	1.0	£4,334	£4,330
Retail (elsewhere)	£300	8.00%	1.0	£3,472	£3,500
Supermarket	£250	4.50%	0.0	£5,556	£5,550
Retail warehouse	£200	5.50%	2.0	£3,267	£3,250
Hotel (per room)	£5,000	6.00%	0.0	£3,374	£3,375

Source: HDH (July 2021)

Land Values

27. In this assessment the following Existing Use Value (EUV) assumptions are used.

Table S3 Existing Use Value Land Prices - 2021	
PDL	£1,000,000/ha
Agricultural	£25,000/ha
Paddock	£50,000/ha

Source: HDH (July 2021)

28. The updated PPG makes specific reference to Benchmark Land Values (BLV) so it is necessary to address this. The following Benchmark Land Value assumptions are used:

a. Brownfield/Urban Sites: EUV Plus 20%.

b. Greenfield Sites: EUV Plus £350,000/ha.

Development Costs

29. These are the costs and other assumptions required to produce the financial appraisals.

30. The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for the CCC area. The cost figure for 'Estate Housing – Generally' is £1,444/m² (and the costs for Flats - Generally is £1,669/m²), at the time of this study. The appropriate build cost is applied to each house type, with the cost of Estate Housing Detached being applied to detached housing, the costs of flats being applied to flats and so on. Appropriate costs for non-residential uses are also applied. The lower quartile cost is used

for schemes of over 250 units where economies of scale can be achieved, and the median is used for smaller schemes.

31. In addition to the BCIS £/m^2 build cost figures, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). A scale of allowances for site costs has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes within the urban area, to 15% for the larger greenfield schemes.

32. An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs. Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

Fees

33. For both residential and non-residential development we have assumed professional fees amount to 8% of build costs.

34. An allowance of 1.5% is assumed for acquisition agents' and legal fees. Stamp duty is calculated at the prevailing rates. For market and for affordable housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts.

Contingencies

35. For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, previously developed land. So, the 5% figure was used on the brownfield sites, and the 2.5% figure on the remainder.

S106 Contributions and the costs of strategic infrastructure

36. CCC has adopted CIL. In addition, the Council seeks Developer Contributions, for strategic infrastructure and mitigation, under the s106 regime. These are treated separately to abnormal costs.

37. Having discussed this with the Council. a base assumption of £5,000/unit is used in relation to the typologies of 1 to 9 units and £15,000/unit is used in relation to the typologies of 10 units and larger, in addition to CIL, to cover site specific matters (including in relation to the Thanet Coast and Sandwich Bay SPA and Thames, Medway & Swale SPA). Higher allowances of £30,000/house and £20,000/flat and are used in relation to the Strategic Sites.

Financial and Other Appraisal Assumptions

38. The appraisals assume interest of 6% p.a. for total debit balances. No allowance is made for equity provided by the developer.

Developers' return

39. The updated PPG says 'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies'. The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property.

40. An assumption of 17.5% is used across market housing and First Homes, and 6% for affordable housing. A 15% return is assumed for non-residential development, student housing and Build to Rent

Local Plan Policy Requirements

41. The purpose of this study is to consider and inform the development of the emerging Local Plan and then, to assess the cumulative impact of the policies on the planned development. The new Local Plan will replace the *Canterbury District Local Plan* (adopted 2017). At the time of this report the Council has not finalised a full set of policies as that will, in part, be informed by the wider evidence base, including this report. The Council completed a consultation in the options available in *Our Future District 2040*, that ended in August 2021.

42. In this report we have reviewed the options set out in *Our Future District 2040*, and updated these in line with national policy and the Council's emerging preferences.

43. The policy areas that add to the costs of development over and above the normal costs of development, are quantified. In addition, recent changes that may be introduced at a national level are also considered, although at this stage, these are simply options that may or may not be progressed into the new Local Plan.

Modelling

44. The approach is to model a set of development sites (typologies) that are broadly representative of the type of residential and non-residential development that is likely to come forward under the new Local Plan.

45. The following potential Strategic Sites are modelled, based on the limited and high-level information that is available.

Table S4 Potential Strategic Sites				
Site ref	Location	Site name	Area (ha)	Approximate capacity (units)
Site 1	Merton Park	South Canterbury	86.831	1,580
Site 2	W of Hollow Lane	South Canterbury	40.90	773
Site 3	Milton Manor House	South Canterbury	3.81	80
Site 4	S of Littlebourne Rd	East Canterbury	77.30	1,461
Site 5	N of Railway, S of Bekesbourne Ln	East Canterbury	34.07	644
Site 6	At Bekesbourne Ln at Hoath Fm	East Canterbury	3.15	86
Site 7	Uni of Kent B	North Canterbury	63.44	1,199
Site 8	Brooklands Fm	South Whitstable	63.39	1,198
Site 9	S of Thanet Way	South Whitstable	12.54	255
Site 10	At Golden Hill	South Whitstable	5.71	120
Site 12	At Cooting Fm	Aylesham - Adisham GV	90.00	1,638
Site 13	W & E Cooting Ln	Aylesham - Adisham GV	41.16	778
Site 14	SE of Cooting Ln	Aylesham - Adisham GV	12.46	253
Site 15	Aylesham South	Aylesham - Adisham GV	12.00	420
Site 17	Off The Hill, Littlebourne	Littlebourne	15.98	302

Source: CCC (May 2022)

Residential Appraisals

46. The appraisals use the residual valuation approach – they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the Existing Use Value (EUV) by a satisfactory margin, being the Benchmark Land Value (BLV).

47. Sets of appraisals have been run, including the affordable housing requirement and developer contributions and other policy requirements. The initial appraisals are based on the following policy scenario, being following assumptions.

a. Affordable Housing — 30% as 33% Affordable Home Ownership / 67% Affordable Rent – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes.

b. Design — 15% Part M4(2), 5% Part M4(3), Water efficiency, 20% Biodiversity Net Gain, Zero Carbon (regulated), EV Charging (except high density flats)

c.	Developer Contributions	CIL – as adopted (applied to all sites – including Strategic Sites). s106 as £/unit at the following rates:		
		Strategic Sites	Houses	£30,000/unit
			Flats	£20,000/unit
		All other	1-9 dwellings	£5,000/unit
			10+ dwellings	£15,000/unit.

48. The results vary across the typologies and sites, although this is largely due to the different assumptions around the nature of each typology. The higher density sites generally have higher Residual Values, and the additional costs associated with brownfield sites reduces the Residual Value.

49. The output of the appraisals is the Residual Value. The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development as set out in Chapter 6 above.

Table S5a Residual Value v BLV

Canterbury and Adjacent Area, Whitstable and Adjacent, Rural CCC

			EUV	BLV	Residual Value
Site 1	V Large Green 300	Cant. Whit, Rural	25,000	375,000	950,173
Site 2	Large 200	Cant. Whit, Rural	25,000	375,000	457,739
Site 3	Large Green 100	Cant. Whit, Rural	25,000	375,000	463,738
Site 4	Medium Green 50	Cant. Whit, Rural	25,000	375,000	474,075
Site 5	Medium Green 30	Cant. Whit, Rural	25,000	375,000	501,848
Site 6	Medium Green 30 LD	Cant. Whit, Rural	25,000	375,000	414,469
Site 7	Medium Green 20	Cant. Whit, Rural	25,000	375,000	509,336
Site 8	Medium Green 20 LD	Cant. Whit, Rural	25,000	375,000	406,378
Site 9	Medium Green 12	Cant. Whit, Rural	50,000	400,000	845,151
Site 10	Medium Green 12 LD	Cant. Whit, Rural	25,000	375,000	662,543
Site 11	Small Green 9	Cant. Whit, Rural	50,000	400,000	2,062,616
Site 12	Small Green 9 LD	Cant. Whit, Rural	50,000	400,000	1,473,297
Site 13	Small Green 9 LD - DRA	Cant. Whit, Rural	50,000	400,000	1,046,716
Site 14	Small Green 6	Cant. Whit, Rural	50,000	400,000	2,081,787
Site 15	Small Green 6 LD	Cant. Whit, Rural	50,000	400,000	1,578,661
Site 16	Small Green 6 LD - DRA	Cant. Whit, Rural	50,000	400,000	2,605,384
Site 17	Small Green 3	Cant. Whit, Rural	50,000	400,000	2,096,187
Site 18	Large Brown 100	Cant. Whit, Rural	1,000,000	1,200,000	152,231
Site 19	Medium Brown 50	Cant. Whit, Rural	1,000,000	1,200,000	190,344
Site 20	Medium Brown 20	Cant. Whit, Rural	1,000,000	1,200,000	184,027
Site 21	Small Brown 10	Cant. Whit, Rural	1,000,000	1,200,000	163,298
Site 22	Small Brown 6	Cant. Whit, Rural	1,000,000	1,200,000	689,008
Site 23	Large Brown HD 100	Cant. Whit, Rural	1,000,000	1,200,000	-114,138
Site 24	Medium Brown HD 50	Cant. Whit, Rural	1,000,000	1,200,000	-148,348
Site 25	Medium Brown HD 20	Cant. Whit, Rural	1,000,000	1,200,000	-198,721
Site 26	Small Brown 10 HD	Cant. Whit, Rural	1,000,000	1,200,000	-194,438
Site 27	BTR Green 50	Cant. Whit, Rural	25,000	375,000	-832,063
Site 28	BTR 60 - Flats	Cant. Whit, Rural	1,000,000	1,200,000	-3,096,819

Source: HDH (December 2021)

Table S5b Residual Value v BLV Sturry					
			EUV	BLV	Residual Value
Site 1	V Large Green 300	Sturry	25,000	375,000	259,327
Site 2	Large 200	Sturry	25,000	375,000	-260,429
Site 3	Large Green 100	Sturry	25,000	375,000	-274,712
Site 4	Medium Green 50	Sturry	25,000	375,000	-295,508
Site 5	Medium Green 30	Sturry	25,000	375,000	-262,524
Site 6	Medium Green 30 LD	Sturry	25,000	375,000	-261,709
Site 7	Medium Green 20	Sturry	25,000	375,000	-264,286
Site 8	Medium Green 20 LD	Sturry	25,000	375,000	-283,798
Site 9	Medium Green 12	Sturry	50,000	400,000	845,151
Site 10	Medium Green 12 LD	Sturry	25,000	375,000	662,543
Site 11	Small Green 9	Sturry	50,000	400,000	2,062,616
Site 12	Small Green 9 LD	Sturry	50,000	400,000	1,473,297
Site 14	Small Green 6	Sturry	50,000	400,000	2,081,787
Site 15	Small Green 6 LD	Sturry	50,000	400,000	1,578,661
Site 17	Small Green 3	Sturry	50,000	400,000	2,096,187

Source: HDH (December 2021)

Table S5c Residual Value v BLV Herne Bay and Adjacent					
			EUV	BLV	Residual Value
Site 1	V Large Green 300	Herne Bay	25,000	375,000	675,771
Site 2	Large 200	Herne Bay	25,000	375,000	176,244
Site 3	Large Green 100	Herne Bay	25,000	375,000	174,876
Site 4	Medium Green 50	Herne Bay	25,000	375,000	174,043
Site 5	Medium Green 30	Herne Bay	25,000	375,000	204,165
Site 6	Medium Green 30 LD	Herne Bay	25,000	375,000	151,634
Site 7	Medium Green 20	Herne Bay	25,000	375,000	208,079
Site 8	Medium Green 20 LD	Herne Bay	25,000	375,000	137,748
Site 9	Medium Green 12	Herne Bay	50,000	400,000	845,151
Site 10	Medium Green 12 LD	Herne Bay	25,000	375,000	662,543
Site 11	Small Green 9	Herne Bay	50,000	400,000	2,062,616
Site 12	Small Green 9 LD	Herne Bay	50,000	400,000	1,473,297
Site 14	Small Green 6	Herne Bay	50,000	400,000	2,081,787
Site 15	Small Green 6 LD	Herne Bay	50,000	400,000	1,578,661
Site 17	Small Green 3	Herne Bay	50,000	400,000	2,096,187
Site 18	Large Brown 100	Herne Bay	1,000,000	1,200,000	-82,838
Site 19	Medium Brown 50	Herne Bay	1,000,000	1,200,000	-61,696
Site 20	Medium Brown 20	Herne Bay	1,000,000	1,200,000	-68,788
Site 21	Small Brown 10	Herne Bay	1,000,000	1,200,000	-99,525
Site 22	Small Brown 6	Herne Bay	1,000,000	1,200,000	282,229
Site 23	Large Brown HD 100	Herne Bay	1,000,000	1,200,000	-114,138
Site 24	Medium Brown HD 50	Herne Bay	1,000,000	1,200,000	-148,348
Site 25	Medium Brown HD 20	Herne Bay	1,000,000	1,200,000	-198,721
Site 26	Small Brown 10 HD	Herne Bay	1,000,000	1,200,000	-531,944
Site 27	BTR Green 50	Herne Bay	25,000	375,000	-832,063
Site 28	BTR 60 - Flats	Herne Bay	1,000,000	1,200,000	-3,096,819

Source: HDH (December 2021)

50. Across the typologies, the results vary across the modelled sites, although this is largely due to the different assumptions around the nature of each typology.

a. Almost all the typologies generate a positive Residual Value. The exceptions being the Build to Rent schemes (Typologies 27 and 28) and the medium sized sites in the Sturry area, where the values are notably less.

b. The larger greenfield sites generate a Residual Value that is notably greater than the smaller sites. This is due to the lower (BCIS Lower Quartile) cost being used on the sites of 250 units and over.

c. The Residual Values on the brownfield sites are less than greenfield sites. This is due to the additional costs (and contingencies) assumed to reflect the additional costs of bringing forward previously developed land. On the whole, the Residual Value is less than the BLV on the brownfield sites.

d. The Residual Value is about £725,000/ha more on the greenfield sites in the higher value area of Canterbury, Whitstable and Rural than in the lower value Sturry area. The Residual Value is about £260,000/ha more on the greenfield sites in the higher value area of Canterbury, Whitstable and Rural than in the mid-value area of Herne Bay and adjacent.

Table S5d Residual Value v BLV

Potential Strategic Sites

			EUV	BLV	Residual Value
Site 1	Merton Park	South Canterbury	25,000	375,000	540,419
Site 2	W of Hollow Lane	South Canterbury	25,000	375,000	642,610
Site 3	Milton Manor House	South Canterbury	25,000	375,000	692,780
Site 4	S of Littlebourne Rd	East Canterbury	25,000	375,000	573,999
Site 5	N of Railway, S of Bekesbourne Ln	East Canterbury	25,000	375,000	678,647
Site 6	At Bekesbourne Ln at Hoath Fm	East Canterbury	25,000	375,000	916,258
Site 7	Uni of Kent B	North Canterbury	25,000	375,000	617,081
Site 8	Brooklands Fm	South Whitstable	25,000	375,000	616,281
Site 9	S of Thanet Way	South Whitstable	25,000	375,000	797,373
Site 10	At Golden Hill	South Whitstable	25,000	375,000	663,583
Site 11	At Cooting Fm	Aylesham - Adisham GV	25,000	375,000	542,121
Site 12	W & E Cooting Ln	Aylesham - Adisham GV	25,000	375,000	652,149
Site 13	SE of Cooting Ln	Aylesham - Adisham GV	25,000	375,000	798,398
Site 14	Aylesham South	Aylesham - Adisham GV	25,000	375,000	929,485
Site 15	Off The Hill, Littlebourne	Littlebourne	25,000	375,000	716,981

Source: HDH (May 2022)

51. The results vary across the potential strategic sites, however the Residual Value is above the BLV on all of these sites. It is important to note that this analysis allows for both the estimated strategic infrastructure and mitigation costs (£30,000 per house and £20,000 per flat) and CIL

at £187/m^2. The Council can be confident that these sites are deliverable on this basis. Having said this, there is no doubt that the delivery of any large site is challenging. Regardless of these results, it is recommended that that the Council continues to engage with the owners in line with the advice set out in the Harman Guidance (page 23):

> *Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

52. A range of further appraisals have been run, considering the individual and cumulative costs of the policy options.

Cost of Policies

53. Each policy requirement that adds to the cost of development leads to a reduction of the Residual Value. This results in the developer being able to pay the landowner less for the land. A set of appraisals has been run with each individual policy requirement.

54. The cost of some requirements such as the increased water standard or on-site provision of Biodiversity Net Gain on greenfield sites is less than £10,000/ha. The costs of other requirements are very much more. The higher density typologies, which are the brownfield typologies, are subject to a greater impact of each policy than the lower density, greenfield typologies. When considering these it is important to note that the above costs are just the cost of incorporating that element of policy compliance, however these changes can have an impact on the wider economics of the project. By way of example, building to higher environmental standards may have a positive impact on prices.

55. The results show that a 5% increase in the amount of affordable housing, on average, across the typologies, leads to a fall in the Residual Value of about £90,000/ha, although this does vary across the typologies (largely being a factor of the density assumptions) and the price areas. The significance of this is that for each 5% increase in the amount of affordable housing, the developer can afford to pay the landowner about £90,000/ha less.

56. The results show that a £10,000/unit increase in the amount of developer contributions, on average, across the typologies, leads to a fall in the Residual Value of about £245,000/ha on greenfield sites and £475,000/ha on brownfield sites. The amount is more on the brownfield sites as there are more units per hectare. For each £10,000/ha increase in the amount of affordable housing, the developer can, on average, afford to pay the landowner about £325,000/ha less.

57. A further set of appraisals have been run to illustrate the cumulative impact of the polices. The order of the build-up of policies is for illustrative purposes and does not represent the Council's particular priorities. In this analysis the minimum policy request is taken to include:

- The water standard, as these are to be introduced.

- Future Homes Standard Option 2 (increased Part L of Building Regulations), as this is the new national requirement.
- 10% Biodiversity Net Gain, as this is a national requirement.
- Electric Vehicle Charging, as this has become a national requirement.
- The current levels of CIL, as these will apply unless the Council formally reviews or cancels CIL.
- Developer contributions of £5,000/unit (in addition to CIL) the typologies of 1 to 9 units and £15,000/unit (in addition to CIL) for the typologies of 10 units and larger, as this is considered to be a typical requirement on most typologies.

58. It is clear that, even without affordable housing or developer contributions that if the full list of policies tested, were to be introduced, the impact on land values would be substantial at, at least, £1,000,000/ha. To set this in context, the BLV on the larger greenfield sites is £375,000/ha.

59. In terms of developing policies, there is a balance between developer contributions and affordable housing. Two sets of appraisals have been run, being based on Lower and Higher scenarios.

Lower Water Standard, Future Homes Standard Option 2 (31% CO_2), 20% Biodiversity Net Gain, Electric Vehicle Charging, CIL at the current rates, 15% Part M4(2) 5% Part M4(3).

Higher Water Standard, Zero Carbon (Regulated), 20% Biodiversity Net Gain, Electric Vehicle Charging, CIL at the current rates, 15% Part M4(2) 5% Part M4(3), rainwater harvesting.

60. A set of appraisals have been run under each scenario. These show the impact on land value of each scenario.

Affordable Housing Mix and First Homes

61. The base analysis used the Council’s preferred affordable housing mix of 67% affordable housing for rent (as Affordable Rent), 25% First Homes (as per the PPG) and the balance as Shared Ownership housing. Further sets of appraisals have been run at 20%, 25% and 30% affordable housing with a range of mixes.

62. The Residual Value is higher where the affordable housing for rent is provided as Affordable Rent rather than as Social Rent. A move away from this approach, to secure higher levels of Social Rented housing could have significant implications for development viability, leading to a reduction on developer contributions and/or less affordable housing overall.

63. The analysis suggests that increasing the First Homes discount from 30% to 40% is likely to reduce the Residual Value by about £26,000/ha on greenfield sites and by about £70,000/ha on brownfield sites. Increasing the First Homes discount from 30% to 50% has a greater

impact and is likely to reduce the Residual Value by about £52,000/ha on greenfield sites and by about £142,000/ha on brownfield sites.

64. Whilst the Council does not currently plan to seek a greater discount than 30%, if it does, it may be necessary to reconsider viability.

Affordable Housing v Developer Contributions

65. The core balance in the plan-making process is the balance between affordable housing and developer contributions. A set of appraisals has been run with varied levels of developer contribution against varied different levels of affordable housing. The base assumption used above is 30% affordable housing, CIL (at the appropriate local rate) and a s106 payment of £5,000/unit on the typologies of 1 to 9 units, £15,000/unit on the typologies of 10 units and larger, and £30,000/house and £20,000/flat on Strategic Sites. Bearing in mind the uncertainly in this regard, a range of costs of up to £60,000/unit is tested. In this analysis it is assumed that the developer contributions will be in addition to CIL.

66. The results for the lower and higher policy requirements are summarised below. In considering the following it is timely to note that the Council's adopted rate of CIL of £187/m^2 is between £15,000 and £20,000 per unit and the adopted rate of CIL of £82/m^2 is between £5,000 and £10,000 per unit. Those typologies of 1 to 9 units that are unable to bear £5,000/unit and of 10 plus units that are unable to bear £15,000/unit in addition to CIL are shaded red.

Table S6a i Maximum Developer Contributions (in addition to CIL) Lower Policies - Canterbury, Whitstable and Rural					
Affordable	**0%**	**10%**	**20%**	**25%**	**30%**
V Large Green 300	60,000	60,000	60,000	55,000	50,000
Large 200	45,000	40,000	30,000	25,000	25,000
Large Green 100	45,000	40,000	30,000	25,000	25,000
Medium Green 50	45,000	40,000	30,000	30,000	25,000
Medium Green 30	45,000	40,000	30,000	30,000	25,000
Medium Green 30 LD	45,000	35,000	30,000	25,000	20,000
Medium Green 20	45,000	40,000	35,000	30,000	25,000
Medium Green 20 LD	45,000	35,000	30,000	25,000	20,000
Medium Green 12	60,000	60,000	50,000	45,000	40,000
Medium Green 12 LD	60,000	55,000	45,000	40,000	40,000
Small Green 9	60,000	N/A	N/A	N/A	N/A
Small Green 9 LD	60,000	N/A	N/A	N/A	N/A
Small Green 9 LD - DRA/AONB	60,000	60,000	55,000	50,000	45,000
Small Green 6	60,000	N/A	N/A	N/A	N/A
Small Green 6 LD	60,000	N/A	N/A	N/A	N/A
Small Green 6 LD - DRA	60,000	60,000	60,000	55,000	50,000
Small Green 3	60,000	N/A	N/A	N/A	N/A
Large Brown 100	0	Not Viable	Not Viable	Not Viable	Not Viable
Medium Brown 50	2,500	Not Viable	Not Viable	Not Viable	Not Viable
Medium Brown 20	0	Not Viable	Not Viable	Not Viable	Not Viable
Small Brown 10	2,500	Not Viable	Not Viable	Not Viable	Not Viable
Small Brown 6	7,500	N/A	N/A	N/A	N/A
Large Brown HD 100	15,000	10,000	5,000	2,500	0
Medium Brown HD 50	15,000	10,000	5,000	2,500	0
Medium Brown HD 20	15,000	10,000	5,000	2,500	0
Small Brown 10 HD	15,000	10,000	5,000	2,500	0
BTR Green 50	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
BTR 60 - Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable

Source: HDH (December 2021 / May 2022)

Table S6a ii Maximum Developer Contributions (in addition to CIL) Lower Policies - Sturry					
Affordable	**0%**	**10%**	**20%**	**25%**	**30%**
V Large Green 300	20,000	15,000	15,000	15,000	10,000
Large 200	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Large Green 100	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 50	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 30	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 30 LD	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 20	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 20 LD	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 12	60,000	60,000	50,000	45,000	40,000
Medium Green 12 LD	60,000	55,000	45,000	40,000	40,000
Small Green 9	60,000	N/A	N/A	N/A	N/A
Small Green 9 LD	60,000	N/A	N/A	N/A	N/A
Small Green 9 LD - DRA/AONB	60,000	60,000	55,000	50,000	45,000
Small Green 6	60,000	N/A	N/A	N/A	N/A
Small Green 6 LD	60,000	N/A	N/A	N/A	N/A
Small Green 6 LD - DRA	60,000	60,000	60,000	55,000	50,000
Small Green 3	60,000	N/A	N/A	N/A	N/A

Source: HDH (December 2021 / May 2022)

Table S6a iii Maximum Developer Contributions (in addition to CIL)
Lower Policies – Herne Bay

Affordable	0%	10%	20%	25%	30%
V Large Green 300	55,000	50,000	40,000	40,000	35,000
Large 200	20,000	20,000	15,000	10,000	10,000
Large Green 100	20,000	20,000	15,000	10,000	10,000
Medium Green 50	25,000	20,000	15,000	10,000	10,000
Medium Green 30	25,000	20,000	15,000	10,000	10,000
Medium Green 30 LD	20,000	15,000	10,000	10,000	7,500
Medium Green 20	25,000	20,000	15,000	15,000	10,000
Medium Green 20 LD	20,000	15,000	10,000	7,500	5,000
Medium Green 12	60,000	60,000	50,000	45,000	40,000
Medium Green 12 LD	60,000	55,000	45,000	40,000	40,000
Small Green 9	60,000	N/A	N/A	N/A	N/A
Small Green 9 LD	60,000	N/A	N/A	N/A	N/A
Small Green 6	60,000	N/A	N/A	N/A	N/A
Small Green 6 LD	60,000	N/A	N/A	N/A	N/A
Small Green 3	60,000	N/A	N/A	N/A	N/A
Large Brown 100	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Brown 50	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Brown 20	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Small Brown 10	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Small Brown 6	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Large Brown HD 100	15,000	10,000	5,000	2,500	0
Medium Brown HD 50	15,000	10,000	5,000	2,500	0
Medium Brown HD 20	15,000	10,000	5,000	2,500	0
Small Brown 10 HD	10,000	5,000	0	Not Viable	Not Viable
BTR Green 50	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
BTR 60 - Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable

Source: HDH (December 2021 / May 2022)

Table S6a iv Maximum Developer Contributions (in addition to CIL) Lower Policies – Strategic Sites					
Affordable	**0%**	**10%**	**20%**	**25%**	**30%**
Merton Park	60,000	60,000	50,000	50,000	45,000
W of Hollow Lane	60,000	60,000	55,000	55,000	50,000
Milton Manor House	60,000	60,000	55,000	50,000	45,000
S of Littlebourne Rd	60,000	60,000	55,000	50,000	50,000
N of Railway, S of Bekesbourne Ln	60,000	60,000	60,000	55,000	55,000
At Bekesbourne Ln at Hoath Fm	60,000	60,000	60,000	55,000	50,000
Uni of Kent B	60,000	60,000	55,000	50,000	50,000
Brooklands Fm	60,000	60,000	50,000	50,000	50,000
S of Thanet Way	60,000	60,000	60,000	60,000	55,000
At Golden Hill	60,000	60,000	55,000	50,000	45,000
At Cooting Fm	60,000	60,000	50,000	50,000	45,000
W & E Cooting Ln	60,000	60,000	60,000	55,000	50,000
SE of Cooting Ln	60,000	60,000	60,000	60,000	55,000
Aylesham South	60,000	60,000	60,000	60,000	60,000
Off The Hill, Littlebourne	60,000	60,000	60,000	55,000	50,000

Source: HDH (December 2021 / May 2022)

Table S6b i Maximum Developer Contributions (in addition to CIL) Higher Policies - Canterbury, Whitstable and Rural					
Affordable	**0%**	**10%**	**20%**	**25%**	**30%**
V Large Green 300	60,000	55,000	45,000	40,000	40,000
Large 200	25,000	20,000	15,000	10,000	10,000
Large Green 100	25,000	20,000	15,000	10,000	10,000
Medium Green 50	25,000	25,000	15,000	10,000	10,000
Medium Green 30	30,000	25,000	15,000	15,000	7,500
Medium Green 30 LD	25,000	20,000	15,000	10,000	10,000
Medium Green 20	30,000	25,000	20,000	15,000	7,500
Medium Green 20 LD	25,000	20,000	10,000	10,000	7,500
Medium Green 12	50,000	40,000	35,000	30,000	25,000
Medium Green 12 LD	45,000	40,000	30,000	25,000	25,000
Small Green 9	50,000	N/A	N/A	N/A	N/A
Small Green 9 LD	45,000	N/A	N/A	N/A	N/A
Small Green 9 LD - DRA/AONB	50,000	45,000	40,000	35,000	30,000
Small Green 6	50,000	N/A	N/A	N/A	N/A
Small Green 6 LD	50,000	N/A	N/A	N/A	N/A
Small Green 6 LD - DRA	55,000	50,000	40,000	40,000	35,000
Small Green 3	50,000	N/A	N/A	N/A	N/A
Large Brown 100	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Brown 50	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Brown 20	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Small Brown 10	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Small Brown 6	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Large Brown HD 100	2,500	Not Viable	Not Viable	Not Viable	Not Viable
Medium Brown HD 50	2,500	Not Viable	Not Viable	Not Viable	Not Viable
Medium Brown HD 20	2,500	Not Viable	Not Viable	Not Viable	Not Viable
Small Brown 10 HD	2,500	Not Viable	Not Viable	Not Viable	Not Viable
BTR Green 50	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
BTR 60 - Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable

Source: HDH (December 2021 / May 2022)

Table S6b ii Maximum Developer Contributions (in addition to CIL) Higher Policies - Sturry					
Affordable	**0%**	**10%**	**20%**	**25%**	**30%**
V Large Green 300	10,000	7,500	5,000	5,000	2,500
Large 200	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Large Green 100	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 50	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 30	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 30 LD	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 20	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 20 LD	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Green 12	55,000	50,000	40,000	35,000	30,000
Medium Green 12 LD	50,000	45,000	35,000	30,000	30,000
Small Green 9	60,000	N/A	N/A	N/A	N/A
Small Green 9 LD	55,000	N/A	N/A	N/A	N/A
Small Green 9 LD - DRA/AONB	55,000	50,000	45,000	40,000	35,000
Small Green 6	60,000	N/A	N/A	N/A	N/A
Small Green 6 LD	55,000	N/A	N/A	N/A	N/A
Small Green 6 LD - DRA	60,000	55,000	50,000	45,000	40,000
Small Green 3	55,000	N/A	N/A	N/A	N/A

Source: HDH (December 2021 / May 2022)

Table S6b iii Maximum Developer Contributions (in addition to CIL) Higher Policies – Herne Bay					
Affordable	**0%**	**10%**	**20%**	**25%**	**30%**
V Large Green 300	45,000	40,000	30,000	30,000	25,000
Large 200	10,000	7,500	7,500	2,500	0
Large Green 100	10,000	10,000	7,500	2,500	0
Medium Green 50	10,000	10,000	7,500	2,500	0
Medium Green 30	15,000	10,000	7,500	5,000	2,500
Medium Green 30 LD	10,000	5,000	0	Not Viable	Not Viable
Medium Green 20	15,000	10,000	7,500	5,000	2,500
Medium Green 20 LD	10,000	5,000	0	Not Viable	Not Viable
Medium Green 12	55,000	50,000	40,000	35,000	30,000
Medium Green 12 LD	50,000	45,000	35,000	30,000	30,000
Small Green 9	60,000	N/A	N/A	N/A	N/A
Small Green 9 LD	55,000	N/A	N/A	N/A	N/A
Small Green 6	60,000	N/A	N/A	N/A	N/A
Small Green 6 LD	55,000	N/A	N/A	N/A	N/A
Small Green 3	55,000	N/A	N/A	N/A	N/A
Large Brown 100	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Brown 50	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Medium Brown 20	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Small Brown 10	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Small Brown 6	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
Large Brown HD 100	7,500	2,500	Not Viable	Not Viable	Not Viable
Medium Brown HD 50	7,500	2,500	Not Viable	Not Viable	Not Viable
Medium Brown HD 20	7,500	2,500	Not Viable	Not Viable	Not Viable
Small Brown 10 HD	0	Not Viable	Not Viable	Not Viable	Not Viable
BTR Green 50	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable
BTR 60 - Flats	Not Viable	Not Viable	Not Viable	Not Viable	Not Viable

Source: HDH (December 2021 / May 2022)

Table S6b iv Maximum Developer Contributions (in addition to CIL) Higher Policies – Strategic Sites					
Affordable	**0%**	**10%**	**20%**	**25%**	**30%**
Merton Park	55,000	50,000	45,000	40,000	35,000
W of Hollow Lane	60,000	55,000	50,000	45,000	40,000
Milton Manor House	60,000	55,000	45,000	45,000	40,000
S of Littlebourne Rd	60,000	50,000	45,000	40,000	35,000
N of Railway, S of Bekesbourne Ln	60,000	60,000	50,000	45,000	40,000
At Bekesbourne Ln at Hoath Fm	60,000	60,000	50,000	50,000	45,000
Uni of Kent B	60,000	55,000	45,000	45,000	40,000
Brooklands Fm	60,000	55,000	45,000	45,000	40,000
S of Thanet Way	60,000	60,000	55,000	50,000	45,000
At Golden Hill	60,000	55,000	45,000	40,000	40,000
At Cooting Fm	55,000	50,000	45,000	40,000	35,000
W & E Cooting Ln	60,000	55,000	50,000	45,000	40,000
SE of Cooting Ln	60,000	60,000	55,000	50,000	45,000
Aylesham South	60,000	60,000	55,000	55,000	50,000
Off The Hill, Littlebourne	60,000	60,000	50,000	50,000	45,000

Source: HDH (December 2021 / May 2022)

67. To a large extent, the results are as would be expected in an area that has relatively high values (in the top third of England and Wales authority areas) and a 30% affordable housing target. Overall, the Council can be confident that there is scope to move beyond the minimal policy requirements.

68. The majority of planned development is likely to be on the potential Strategic Sites, with relatively little development being planned on other sites. The potential Strategic Sites are able to bear at least £35,000 per unit (in addition to CIL) in the higher policy scenario. This is more than the current estimated cost of £30,000/unit for houses.

69. In the Canterbury, Whitstable and rural areas, the greenfield typologies are able to bear £10,000/ unit or so in addition to CIL, the higher costs of moving towards zero carbon and incorporating measures such as rainwater harvesting.

70. In the Sturry area, new development is likely to be on greenfield sites. The small sites, are shown as being viable so are likely to be forthcoming, the general development on larger sites (above the affordable housing threshold) in this area is unlikely to be viable. The Council should be cautious about over reliance on site allocations in this area. The exception is in relation to larger sites (over 250 units), which are modelled with lower construction costs, where at 30% affordable housing there is limited scope for additional developer contributions over and above CIL.

71. In the Herne Bay area the Residual Values are less than in the Canterbury, Whitstable and rural areas. The large greenfield sites are able to move towards Zero Carbon and still bear developer contributions up to £25,000 per unit or so, however the other housing sites, on the whole, are unlikely to bear developer contributions over and above CIL – although it is important to note that they can bear 30% affordable housing and the adopted rate of CIL.

72. Across the CCC area, the Council should be cautious about relying on conventional development on brownfield sites to deliver the housing requirement, unless there is clear evidence that such sites are coming forward (for example a recent planning consent). However it is important to note that some higher density flatted development is being delivered and there is no reason to suspect that such development will not continue to come forward. There is little development planned (or anticipated) on brownfield sites and it is unlikely to make up a significant element of the land supply, so it would not be proportionate to set separate affordable housing requirements for this type of development, however we recommend that the Council considers accepting viability assessments at the development stage on such schemes.

Suggested Policy Requirements

73. The consideration of viability in the plan-making process is an iterative process, with the results of the viability testing informing the development of policy. In the sections above, the ability of development to bear a range of costs has been considered. How this information is brought together will be a matter for the Council (rather than HDH as viability consultants) – bearing in mind the wider evidence base, its own priorities, and requirements.

74. Of particular importance to this study has been in relation to water efficiency standards. The Council now believes that it will be necessary to go further than the enhanced building regulations, and that this would be achieved through features such as rainwater harvesting. This is assumed to be a base requirement to make development acceptable and to ensure the impact of development is mitigated satisfactorily.

75. It is also timely to set this report into the wider viability context. The Council started charging CIL from 1st April 2020, having been through a full Examination in Public process before then. At that stage, CIL was set at the maximum reasonable rate (having allowed for a buffer as per paragraph 25-2020-20190901 of the PPG). Although this is relatively recent, since then the economics of property development have changed, with house prices and costs increasing. Changes in national policy that will increase the costs of development have been announced, including the move towards Zero Carbon (-31% CO_2), mandatory car charging points and minimum standards for increased biodiversity. Just because values have increased, it does not necessarily follow that there is scope for greater levels of developer contributions – this would only be the case if values had increased by a greater rate than the costs of development, including the costs of extra national and local policy requirements.

76. It is clear that development is coming forward across the Canterbury City Council area and that development is generally policy compliant (i.e. achieving the full affordable housing

requirement) and paying the required levels of CIL. Having said this, the levels of developer contributions, over and above CIL, are generally modest.

77. Having considered the results of the various appraisals reporting the impact of the range of policy aspirations and requirements set out above, the Council recognise that not all the policy areas tested will be deliverable. A further set of appraisals has been run, based on the following requirements.

a. Affordable Housing — 30% as 33% Affordable Home Ownership / 67% Affordable Rent – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes.

b. Design — 15% Part M4(2), 5% Part M4(3), Water efficiency – including rainwater harvesting, 20% Biodiversity Net Gain, Zero Carbon, EV Charging (except high density flats)

c. Developer Contributions — CIL – as adopted (applied to all sites – including Strategic Sites). s106 as £/unit at the following rates:

Strategic Sites	Houses	£30,000/unit
	Flats	£20,000/unit
All other	1-9 dwellings	£5,000/unit
	10+ dwellings	£15,000/unit

78. In the following modelling, the additional developer contributions, over and above CIL are included in the appraisals, however it is understood that this amount could be met, at least in part, through CIL

79. The scope of this project extends to a review of the rates of CIL adopted in 2020. It is important to note that under the adopted CIL Charging Schedule, the Strategic Sites in the extant Local Plan are zero rated for CIL. These sites are identified as specific CIL zones. The proposed Strategic Sites are beyond these areas so will be subject to CIL, unless the Council's CIL is formally reviewed or cancelled. Further appraisals have been run on the assumption that the Local Plan would be reviewed before a new CIL is adopted so CIL is assumed to apply to all of the potential strategic sites. All the potential strategic sites are within the £187/m^2 CIL zone.

80. The following tables are directly comparable with those (Tables 12.6a to d) above.

Table 12.7a Residual Value v BLV – Recommended Policies Canterbury and Adjacent Area, Whitstable and Adjacent, Rural CCC					
			EUV	BLV	Residual Value
Site 1	V Large Green 300	Cant. Whit, Rural	25,000	375,000	813,505
Site 2	Large 200	Cant. Whit, Rural	25,000	375,000	300,619
Site 3	Large Green 100	Cant. Whit, Rural	25,000	375,000	301,525
Site 4	Medium Green 50	Cant. Whit, Rural	25,000	375,000	305,748
Site 5	Medium Green 30	Cant. Whit, Rural	25,000	375,000	333,213
Site 6	Medium Green 30 LD	Cant. Whit, Rural	25,000	375,000	266,373
Site 7	Medium Green 20	Cant. Whit, Rural	25,000	375,000	344,223
Site 8	Medium Green 20 LD	Cant. Whit, Rural	25,000	375,000	259,857
Site 9	Medium Green 12	Cant. Whit, Rural	50,000	400,000	678,633
Site 10	Medium Green 12 LD	Cant. Whit, Rural	25,000	375,000	526,683
Site 11	Small Green 9	Cant. Whit, Rural	50,000	400,000	1,744,503
Site 12	Small Green 9 LD	Cant. Whit, Rural	50,000	400,000	1,246,074
Site 13	Small Green 9 LD - DRA	Cant. Whit, Rural	50,000	400,000	843,560
Site 14	Small Green 6	Cant. Whit, Rural	50,000	400,000	1,763,674
Site 15	Small Green 6 LD	Cant. Whit, Rural	50,000	400,000	1,301,522
Site 16	Small Green 6 LD - DRA	Cant. Whit, Rural	50,000	400,000	1,927,687
Site 17	Small Green 3	Cant. Whit, Rural	50,000	400,000	1,658,592
Site 18	Large Brown 100	Cant. Whit, Rural	1,000,000	1,200,000	-127,421
Site 19	Medium Brown 50	Cant. Whit, Rural	1,000,000	1,200,000	-103,382
Site 20	Medium Brown 20	Cant. Whit, Rural	1,000,000	1,200,000	-118,579
Site 21	Small Brown 10	Cant. Whit, Rural	1,000,000	1,200,000	-152,435
Site 22	Small Brown 6	Cant. Whit, Rural	1,000,000	1,200,000	273,459
Site 23	Large Brown HD 100	Cant. Whit, Rural	1,000,000	1,200,000	-655,955
Site 24	Medium Brown HD 50	Cant. Whit, Rural	1,000,000	1,200,000	-692,769
Site 25	Medium Brown HD 20	Cant. Whit, Rural	1,000,000	1,200,000	-749,790
Site 26	Small Brown 10 HD	Cant. Whit, Rural	1,000,000	1,200,000	-764,011
Site 27	BTR Green 50	Cant. Whit, Rural	25,000	375,000	-1,022,450
Site 28	BTR 60 - Flats	Cant. Whit, Rural	1,000,000	1,200,000	-3,573,129

Source: HDH (December 2021)

Table 12.7b Residual Value v BLV – Recommended Policies Sturry					
			EUV	BLV	Residual Value
Site 1	V Large Green 300	Sturry	25,000	375,000	200,468
Site 2	Large 200	Sturry	25,000	375,000	-325,585
Site 3	Large Green 100	Sturry	25,000	375,000	-341,945
Site 4	Medium Green 50	Sturry	25,000	375,000	-365,124
Site 5	Medium Green 30	Sturry	25,000	375,000	-332,631
Site 6	Medium Green 30 LD	Sturry	25,000	375,000	-322,428
Site 7	Medium Green 20	Sturry	25,000	375,000	-332,793
Site 8	Medium Green 20 LD	Sturry	25,000	375,000	-343,638
Site 9	Medium Green 12	Sturry	50,000	400,000	780,796
Site 10	Medium Green 12 LD	Sturry	25,000	375,000	610,378
Site 11	Small Green 9	Sturry	50,000	400,000	1,940,073
Site 12	Small Green 9 LD	Sturry	50,000	400,000	1,385,767
Site 14	Small Green 6	Sturry	50,000	400,000	1,959,244
Site 15	Small Green 6 LD	Sturry	50,000	400,000	1,474,594
Site 17	Small Green 3	Sturry	50,000	400,000	1,936,001

Source: HDH (December 2021)

Table 12.7c Residual Value v BLV – Recommended Policies

Herne Bay and Adjacent

			EUV	BLV	Residual Value
Site 1	V Large Green 300	Herne Bay	25,000	375,000	618,460
Site 2	Large 200	Herne Bay	25,000	375,000	115,371
Site 3	Large Green 100	Herne Bay	25,000	375,000	112,038
Site 4	Medium Green 50	Herne Bay	25,000	375,000	108,981
Site 5	Medium Green 30	Herne Bay	25,000	375,000	137,801
Site 6	Medium Green 30 LD	Herne Bay	25,000	375,000	93,736
Site 7	Medium Green 20	Herne Bay	25,000	375,000	142,011
Site 8	Medium Green 20 LD	Herne Bay	25,000	375,000	79,375
Site 9	Medium Green 12	Herne Bay	50,000	400,000	780,796
Site 10	Medium Green 12 LD	Herne Bay	25,000	375,000	610,378
Site 11	Small Green 9	Herne Bay	50,000	400,000	1,940,073
Site 12	Small Green 9 LD	Herne Bay	50,000	400,000	1,385,767
Site 14	Small Green 6	Herne Bay	50,000	400,000	1,959,244
Site 15	Small Green 6 LD	Herne Bay	50,000	400,000	1,474,594
Site 17	Small Green 3	Herne Bay	50,000	400,000	1,936,001
Site 18	Large Brown 100	Herne Bay	1,000,000	1,200,000	-192,963
Site 19	Medium Brown 50	Herne Bay	1,000,000	1,200,000	-177,085
Site 20	Medium Brown 20	Herne Bay	1,000,000	1,200,000	-186,500
Site 21	Small Brown 10	Herne Bay	1,000,000	1,200,000	-221,570
Site 22	Small Brown 6	Herne Bay	1,000,000	1,200,000	122,330
Site 23	Large Brown HD 100	Herne Bay	1,000,000	1,200,000	-311,960
Site 24	Medium Brown HD 50	Herne Bay	1,000,000	1,200,000	-346,808
Site 25	Medium Brown HD 20	Herne Bay	1,000,000	1,200,000	-399,090
Site 26	Small Brown 10 HD	Herne Bay	1,000,000	1,200,000	-741,621
Site 27	BTR Green 50	Herne Bay	25,000	375,000	-906,139
Site 28	BTR 60 - Flats	Herne Bay	1,000,000	1,200,000	-3,273,450

Source: HDH (December 2021)

Table 12.7d Residual Value v BLV – Recommended Policies
Potential Strategic Sites

			EUV	BLV	Residual Value
Site 1	Merton Park	South Canterbury	25,000	375,000	494,219
Site 2	W of Hollow Lane	South Canterbury	25,000	375,000	590,336
Site 3	Milton Manor House	South Canterbury	25,000	375,000	624,393
Site 4	S of Littlebourne Rd	East Canterbury	25,000	375,000	524,561
Site 5	N of Railway, S of Bekesbourne Ln	East Canterbury	25,000	375,000	624,740
Site 6	At Bekesbourne Ln at Hoath Fm	East Canterbury	25,000	375,000	828,425
Site 7	Uni of Kent B	North Canterbury	25,000	375,000	565,849
Site 8	Brooklands Fm	South Whitstable	25,000	375,000	565,049
Site 9	S of Thanet Way	South Whitstable	25,000	375,000	736,447
Site 10	At Golden Hill	South Whitstable	25,000	375,000	598,134
Site 11	At Cooting Fm	Aylesham - Adisham GV	25,000	375,000	495,905
Site 12	W & E Cooting Ln	Aylesham - Adisham GV	25,000	375,000	599,979
Site 13	SE of Cooting Ln	Aylesham - Adisham GV	25,000	375,000	736,635
Site 14	Aylesham South	Aylesham - Adisham GV	25,000	375,000	855,151
Site 15	Off The Hill, Littlebourne	Littlebourne	25,000	375,000	661,010

Source: HDH (May 2022)

81. In considering the above it is important to note that on the typologies in each sub area, the additional developer contributions, over and above CIL are included in the appraisals (sites of 1-9 dwellings at £5,000/unit and sites of 10 or more dwellings at £15,000/unit, however it is understood that this amount could be met, at least in part, through CIL. Further, based on the draft SLAA (August 2021), over 80% of planned development is on greenfield sites and that and that over 95% of sites are on greenfield or mixed sites. Just 1.6% of planned development is on brownfield sites.

Table 12.8 SLAA Sites by Existing Use				
	Count of Sites		Yield of Sites	
Brownfield	12	10.71%	296	1.63%
Greenfield	75	66.96%	15,268	84.02%
Mixed	7	6.25%	2,266	12.47%
Not Stated	18	16.07%	342	1.88%
All	112		18,172	

Source: CCC SLAA (August 2021)

82. The Council can continue to be confident that residential development on greenfield sites with be forthcoming, deliver 30% affordable housing, and be policy compliant. This type of development is the predominant type of development that is expected to come forward over the plan-period.

83. There are 12 brownfield sites (out of 112 sites) in the SLAA, but together these have a capacity of just 296 units (out of 18,172 units). These are generally shown as being unviable. The Council should be cautious in assuming they will be delivered early in the plan-period (for example within the 5 year land supply calculation) and should only do so where there is a commitment from a developer to do so, or other evidence such as a recent planning consent.

84. In this study, the Sturry area is treated as a separate area with lower values than other areas around Canterbury. This is a different approach to that taken several years ago when CIL was set, but one based on the more up to date evidence. The analysis shows that the development in the Sturry area likely to be unviable. There are about 1,000 units within the SLAA that are labelled as being in the Sturry Cluster and all of these are less than 200 units. This represents about 5% of the SLAA sites. It is recommended that the Council further engages with the promoters and owners of sites in this area, to before allocating such sites in the Local Plan.

85. Herne Bay is treated as a separate value zone having values that are about 8% lower than the higher value Whitstable to the west and the wider area. The smaller sites and larger sites in this area are shown as viable. The SLAA includes 13 sites in this area of which 10 are greenfield sites and 3 are brownfield sites. The greenfield sites range from 250 units to 10 units. The results show that the higher density schemes perform better than the lower density schemes, and the SLAA assumes that the schemes would be at least 35 units per ha.

86. The 17 potential Strategic Sites have been tested. This has been carried out based on the ownerships, however it is important to appreciate that these are most likely to come forward under an overarching master-planning process. The modelling is based on high-level assumptions around the strategic infrastructure and mitigation costs, although it is important to note that these are based on the Council's most up to date estimates.

87. About 11,260 units are anticipated to be delivered across the Strategic Sites, which is just under 65% of the SLAA units. The Council can be confident that these will be forthcoming

and are able to meet the policy requirements, CIL as per the adopted Charging Schedule and make substantial contributions towards the strategic infrastructure and mitigation costs.

88. It is clear that these sites have capacity to bear both affordable housing and developer contributions. However, there is no doubt that the delivery of any large site is challenging so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance and the PPG.

Review of Residential Rates of CIL

89. The Council started charging CIL from 1st April 2020. Further viability analysis has been carried out in line with the requirements of the NPPF, CIL Regulations and PPG (which includes the CIL Guidance). This is a prescriptive process that is aiming to understand development viability in the plan-making / CIL-setting context in a high-level way. It is a high-level process that does not look at the deliverability of individual sites or any particular developers' business model or methodology.

90. A further set of appraisals have been run that incorporate CIL at a range of levels. In the analysis earlier in this report, it was assumed that the developer contributions under s106, over and above CIL were charged on all units (market and affordable). In this analysis the rates of CIL are only applied to the market housing and are calculated on a £/m^2 basis. When considering these results, it is necessary to have regard to the PPG which refers to a 'buffer'.

91. With this in mind, the BLV has been lifted by 30%, being in line with the assumption used in many other situations. The analysis suggests that the current rates of CIL are higher than would be set now. This is in large part due to the increased assumptions used in relation to s106 costs and the move towards zero carbon and the inclusion of rainwater harvesting. We recommend that the Council does not review CIL now.

Older People's Housing

92. As well as mainstream housing, we have considered the Sheltered and Extracare housing sectors separately. Appraisals were run for a range of affordable housing requirements with the other policy requirements used above.

93. The greenfield and brownfield Sheltered housing sites are able to bear 30% affordable housing and CIL. The Extracare housing is able to bear up to 20% affordable housing on greenfield sites, but not affordable housing on brownfield sites. In considering this analysis it is important to note that this type of development is most likely to come forward on brownfield sites within the towns or on the Strategic Sites, rather than on smaller greenfield sites.

94. When considering the above, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage. It is therefore not necessary to differentiate within policy for this sector.

Student Housing and Shared Living

95. Student housing is a small component of the Canterbury housing market. Historically affordable housing has not been sought on this type of development, although we are advised that the affordable housing policy does apply to all types of housing, including student housing.

96. Appraisals have been run for a range of affordable housing requirements with the other policy requirements used above.

97. Based on this analysis, student housing sites are likely to able to bear 30% affordable housing. Shared living housing is unlikely to be viable with affordable housing.

98. When considering the above, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of non-standard types of housing will be considered at the development management stage. It is therefore not necessary to differentiate within policy for this sector.

Non-Residential Appraisals

99. A set of financial appraisals have been run for the non-residential development types. In the appraisals, the costs are based on the BCIS costs, adjusted for BREEAM Excellent standard. The appraisals include the adopted rates of CIL. In addition, as set out in Chapter 8 above, non-residential development is tested with 5%, 10%, 15% and 20% additional costs so that the impact of moving towards Zero Carbon can be illustrated.

Employment uses

100. The results are reflective of the current market in the Canterbury area and more widely. Office and smaller industrial development are shown as being unviable, but with the larger format industrial and logistics uses being shown as viable. Having said this, employment space of all types is being delivered.

101. Employment development is being brought forward to a limited extent on a speculative basis by the development industry. Much of the development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located town edge properties.

102. The analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. The assumption is that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. The Guidance, as set out in Chapters 2 and 3 above, does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long-term view as to the direction of the market based on the prospects of an area and wider economic factors.

Much of the development coming forward in the Canterbury area is 'user led' being brought forward by businesses, or for specific end users, that will use the eventual space for operational uses, rather than for investment purposes.

103. It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

104. This analysis shows that there is scope to seek higher environmental standards on the large format industrial and logistics uses, but not on office and smaller industrial uses. We would suggest caution in relation to setting policy requirements for employment uses that would unduly impact on viability.

Retail and Hotel Uses

105. The retail development is shown as viable with the Residual Value exceeding the Benchmark Land Value by a substantial margin. Whilst we would expect the larger format and prime uses to be viable, it is surprising that the secondary retail uses are also shown as viable. The emerging Plan supports the development of retail uses in the town centres but there are limited remaining opportunities within the town centres beyond those being currently pursued. The Council wishes to see a broad range of retailing in the towns, and the Plan directs this towards the town centres.

106. The analysis included hotel use. This is shown not to be viable.

107. As with employment uses, the appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

108. This analysis shows that there is scope to seek higher environmental standards on the retail uses, but not on hotel development. We would suggest caution in relation to setting higher policy requirements for hotel uses.

Conclusions

109. This Local Plan Viability Study has been carried out in line with the requirements of the National Planning Policy Framework and the Planning Practice Guidance, including incorporating a period of consultation.

110. In terms of property development, the Canterbury City Council area is perceived to be active, with a strong market for the right scheme in the right place. Having said this, some areas

remain challenging, the low house prices in some areas do make the delivery of new housing less easy. All types of residential and non-residential development are coming forward.

111. The results in the built-up area that brownfield development is generally viable, however it is important to note that some sites in this area are coming forward and delivering housing. In the rural area, and in particular the higher value areas, the Council's experience through the development management process is that affordable housing is routinely delivered on market housing led development sites.

112. Having considered the results of the various appraisals reporting the impact of the range of policy aspirations and requirements set out above, the Council recognise that not all the policy areas tested will be deliverable. Development is viable with the following requirements, however further policy obligations may impinge on viability.

a.	Affordable Housing	30% as 33% Affordable Home Ownership / 67% Affordable Rent – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes.
b.	Design	15% Part M4(2), 5% Part M4(3), Water efficiency – including rainwater harvesting, 20% Biodiversity Net Gain, Zero Carbon, EV Charging (except high density flats)
c.	Developer Contributions	CIL – as adopted (applied to all sites – including Strategic Sites). s106 as £/unit of £30,000/unit for houses and £20,000/unit for flats on strategic sites, £5,000/unit the typologies of 1 to 9 units and £15,000/ for the typologies of 10 units and larger.

113. The base assumption used above is for 30% affordable housing, CIL (at the appropriate local rate) and a s106 payment of £5,000/unit on the typologies of 1 to 9 units and £15,000/unit on the typologies of 10 units and larger, and £30,000/house and £20,000/flat on Strategic Sites.

114. The Council can be confident that there is scope to move beyond the minimal policy requirements in the Canterbury, Whitstable and rural areas. The greenfield sites, including the Strategic Sites are able to move towards Zero Carbon, and incorporate measures such as rainwater harvesting, and still bear developer contributions well above the current levels of CIL, in most cases well in excess of £10,000/unit, but not the £15,000/unit assumption used on sites of 10 units and larger. In making these recommendations it has been assumed that some of the £15,000/unit may be met through CIL.

115. The scope of this project extends to consideration of whether or not there is scope to review CIL. There is not scope at the current time. so we recommend that the Council does not formally review CIL now.

116. It is clear that the delivery of some types of employment uses is challenging in the current market. There is scope to seek higher environmental standards on the large format industrial, logistics uses and retail uses, but not on office, smaller industrial or hotel uses. We would

suggest caution in relation to setting policy requirements for that would unduly impact on viability.

Levelling-up and Regeneration Bill

As this report was being completed, the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* have yet to be published.

It will be necessary for the Council to monitor the progress of the Bill and in due course review this report, as and when the Regulations are published.

HDH Planning and Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, landowners and developers. The firm is regulated by the RICS.
The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments

HDH Planning and Development have clients throughout England and Wales.

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