



Bracknell Forest Borough Council - Community Infrastructure Levy

Strategic sites testing

Prepared for
Bracknell Forest Borough Council

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1 Introduction

This report outlines the results of additional testing of strategic sites in the Bracknell Forest Council ('BFC') area. This work follows consultation by BFC with local stakeholders on the Preliminary Draft Charging Schedule ('PDCS'). This consultation exercise raised queries and comments on the proposed CIL rates and, in particular, whether strategic sites would be able to viably absorb the proposed rates of CIL, in addition to on-site Section 106 obligations.

This report is structured as follows:

- Section 2 identifies the strategic sites that were tested;
- Section 3 details the inputs to our appraisals;
- Section 4 outlines the results of our appraisals and considers the implications for the Council's proposed CIL rates.

2 The strategic sites

BFC requested that we consider the viability of the following strategic sites:

- Land at Broadmoor (SA4);
- Land at TRL (SA5);
- Land at Amen Corner North (SA6);
- Land at Blue Mountain Golf Course (SA7);
- Land at Amen Corner South (SA8);
- Land at Warfield (SA9).

The sites are in a variety of ownerships and are at various stages in the planning system. All site promoters and land owners were given an opportunity to provide information on site-specific costs, although responses were very limited. Information was requested on the following site-specific details:

- Infrastructure costs (including on-site roads, utilities and related costs, but excluding Local Authority requirements)
- Phasing of development, including infrastructure
- Any abnormal costs that will be incurred
- Approach to SANG provision
- The site promoter's views on base build costs and external works
- The site promoter's view on sales values likely to be achieved on their development (if it were brought forward today)

As the CIL Regulations require the Council to have regard to appropriate available evidence, site promoters were asked to support their views on sales values and costs with evidence wherever possible.

As discussed in the next section, we have considered the evidence provided by stakeholders, which relates almost entirely to achieved sales values in the area. We have considered this evidence in section 3.1.

3 Development appraisals

Our assumptions for the development appraisals are set out in the following sections.

3.1 Sales values

The consultation on the PDCS suggested that sales values used at Amen Corner and Warfield were too high in comparison to other developments and neighbouring settlements.

In their representation, Savills suggested Warfield will effectively become a 'suburb of Bracknell' and would therefore attract a similar rate. They consider that the values achieved at Jennett's Park (£2,873 per square metre) could be achieved at Warfield. Savills analysis is somewhat one dimensional, given that development will be marketed as a Warfield settlement and will in itself attract a higher sales value than Jennett's Park, which is distinctly connected to Bracknell. It is likely therefore, that these areas would command values that are more akin to those in Binfield. Taking the Warfield urban extension as a whole, values are likely to average somewhere between the Jennett's Park values and Binfield values of £3,101 per square metre. This suggests an appropriate sales value to be in the region of £2,987 per square metre.

Similar comments are made in reference to values at Amen Corner, which is also located between outer Bracknell and Binfield. We would argue that there is likely to be a range of sales values achieved on this development. However, for testing purposes, we have assumed a sales value of £2,873 per square metre, reflective of Jennett's Park.

Sales values used in the appraisals are summarised on Table 3.1.1.

Table 3.1.1: Sales values used in the appraisals

Site	Sales value (average per sq m)
Land at Broadmoor (SA4);	£2,964
Land at TRL (SA5);	£2,964
Land at Amen Corner North (SA6);	£2,874
Land at Blue Mountain Golf Course (SA7);	£3,101
Land at Amen Corner South (SA8);	£2,873
Land at Warfield (SA9).	£2,987

3.2 Sales rate

Our appraisals assume a sales rate of 3 to 4 units per month, with multiple outlets on some of the larger sites. This is calculated on the private housing only, with the developers assumed to contract with a Registered Provider prior to commencement of construction. The agreed acquisition price for the affordable housing is assumed to be received over the build period.

At Warfield, it is anticipated that developer consortia will be bringing forward different parts of the site concurrently. BFC's Housing Trajectory indicates that all 2,200 units will be completed over a nine year period. After deducting 25% of units that will be pre-sold to an RSL, this leaves 1,650 units for private sale (183 units per annum on average).

3.3 Build costs and infrastructure

Our base build costs are £892 per square metre, which assumes that the sites are predominantly built as housing. On the larger sites, it is likely that the developers will be able to drive costs down to lower levels than we have used.

An allowance of £10,000 per unit has been included for external works, site preparation and site-wide infrastructure.

We have included an allowance of £600 per unit for meeting additional costs associated with Lifetime Homes.

3.4 Other assumptions

The other assumptions in our appraisals are as follows:

- On-site Section 106, combination of on-site infrastructure and site mitigation in accordance with the BFC's infrastructure delivery strategy;
- Allowance for professional fees of 10% of build costs;
- Finance costs of 7% on negative balances; 0% on positive balances;
- Profit of 20% of private housing Gross Development Value (GDV) and 6% on affordable housing GDV;
- Acquisition costs: 4% stamp duty land tax, 1% agent's fee and 0.8% legal fees;
- Marketing costs: 3% of private housing GDV;
- Sales legal fee of £650 per private unit;

3.5 CIL rates

Based on the zones within the PDCS, the sites would attract the following CIL charges:

- Land at Broadmoor: £150 per square metre
- Land at TRL: £150 per square metre
- Land at Amen Corner North: £220 per square metre
- Land at Blue Mountain Golf Course: £220 per square metre
- Land at Amen Corner South: £220 per square metre
- Land at Warfield: £220 per square metre

3.6 Site areas

Parts of the Broadmoor and TRL sites are located within the 400 metre SPA buffer zone. It is reasonable to assume that this land could not be developed for residential or other uses and it should not attract a residential land value. For the purposes of determining the land value generated by the proposed developments on a gross hectare basis, we have removed the land within the SPA buffer zone and attributed a nominal value of £22,000 per hectare, broadly equivalent to agricultural land value.

4 Appraisal results and implications

4.1 Appraisal results

We have run appraisals of all five sites with and without the proposed CIL rates. We have then converted the residual land values for each entire site into a per hectare land value, so that we can determine whether this might be sufficient for the site to be brought forward for development. Our May 2012 report adopted benchmarks of £650,000 per hectare for previously developed sites (which is likely to be relevant to the TRL site) and £400,000¹ per hectare for greenfield sites (relevant to the remaining four sites). The results are provided as Appendix 1 and summarised in Table 4.1.1 below. Copies of the Argus appraisals that support each figure can be made available upon request.

Table 4.4.1: Appraisal results

Site name	No CIL		With CIL		
	Residual land value NET of value of land inside SPA 400m buffer (£m)	Residual land value per ha outside SPA buffer (£m)	Proposed CIL for area (£s per sqm)	Residual land value NET of value of land inside SPA 400m buffer (£m)	Residual land value per ha (£m)
SA4 - Land at Broadmoor	£11,724,703	£1,221,323	£150	£9,120,135	£950,014
SA5 - Land at TRL	£41,029,085	£922,811	£150	£31,517,269	£708,874
SA6 - Land at Amen Corner North	£15,633,571	£641,772	£220	£10,053,305	£412,697
SA7 - Land at Blue Mountain	£21,990,325	£660,370	£220	£16,410,059	£492,795
SA8 - Land at Amen Corner South	£24,962,392	£811,257	£220	£14,843,510	£482,402
SA9 - Land at Warfield	£78,999,504	£631,138	£220	£47,908,347	£382,746
	£78,999,504	£631,138	£200	£50,731,031	£405,297

These results demonstrate that all the sites could absorb the proposed rates of CIL for each location. The Warfield Site generates a marginally lower land value than the £400,000 benchmark with a CIL rate of £220 per square metre. The Council may wish to consider a separate CIL zone for this area with a slightly reduced rate. Our appraisals indicate that a rate of £200 per square metre would increase the residual land value above the £400,000 per hectare benchmark land value.

4.2 Exceptional relief

We are aware that the Council is considering offering exceptional relief which could assist the delivery of development where there are particularly high site-specific costs affecting viability. For a development to qualify for relief, three tests must be met. Firstly, the Developer must enter into a Section 106

¹ Although paragraph 4.35 of the May 2012 report cited a benchmark land value of £300,000 per hectare, the appraisal results were benchmarked against £400,000 per hectare. This can be seen in the appendices to the report.

agreement, the costs of which should exceed the CIL that would otherwise have been paid. Secondly, the Developer would need to demonstrate that the scheme would be unviable if required to meet both the costs of the Section 106 package in addition to CIL. Thirdly, the Council would need to be satisfied that granting exceptional relief does not constitute state aid. Once granted, exceptional relief lasts a year, after which time the Developer would need to submit an updated viability assessment to be granted a further period of relief.

4.2.1 Advantages of offering exceptional relief

The December 2012 Statutory Guidance suggests that charging authorities can if they chose to make use of exceptional relief “*to avoid rendering sites unviable should exceptional circumstances arise*”.

Where exceptional circumstances do arise, if exceptional relief is not offered, a scheme might be delayed until values improve, or alternatively, other requirements might be squeezed (most notably the affordable housing in a residential scheme).

The Council may also in limited circumstances wish to prioritise on-site Section 106 obligations to ensure that they are delivered by the Developer in their entirety. For example, rather than collecting CIL contributions from the development over time and then providing a new school after the money has been collected, the Council may prefer the developer to provide the School. Offering exceptional relief would enable the Council to structure the obligations accordingly.

4.2.2 Issues associated with exceptional relief

Exceptional relief should only be used in exceptional circumstances and should not be relied upon as a means of setting rates of CIL that might be unviable in ‘normal’ circumstances.

The main issue that the Council will need to consider before offering an exceptional relief policy is one of eligibility. One of the three tests that developers have to meet to qualify for relief is that the costs of complying with the Section 106 must exceed the cost that the CIL would have been. If the ‘costs’ of complying with the Section 106 agreement include the affordable housing, then a high volume of sites are likely to qualify. This would potentially result in many larger developments seeking exceptional relief, which would have to be assessed by the Council. The issue of state aid would also need to be considered in relation to each site. This would be an onerous burden that the Council may wish to avoid.

If the Council considers that a site (or sites) might be at risk of being unviable with CIL, it might be preferable to avoid relying on exceptional relief and opt for the Section 106 route instead by adopting a nil rate for that site. Alternatively, rates should be set with sufficient headroom to allow for exceptional costs if they arise (although this has the undesirable effect of reducing CIL income by adopting a ‘lowest common denominator’).

Rather than making exceptional relief widely available, the Council could have a presumption against its use, but switch it on (and then off again) when its use is desirable for a particular site. This is possible under the Regulations, but has been made slightly more difficult by the December 2012 Statutory Guidance, which suggests that developers should ‘consult’ on their exceptional relief policies.

Appendix 1 - Full appraisal results

		1. Areas of SANG and OSPV on the concept plan are for both the SA4 site and Cricket Field Grove (under the ownership of the WLMHT). Because of the proximity of the sites to the SPA, sites will be required to provide SPA Avoidance and Mitigation significantly in excess of the 8ha/1000 resident standard. As this figure has not been agreed between the promoters, Natural England and Bracknell Forest Council, the area on the concept plan designated SANG/OSPV will be used. For this exercise, to apportion the area required for the SA4 site only, the total area has been pro rata split between the two sites.	1. The existing employment area to be retained and Care Home as illustrated on the concept plan have been deducted, so that only residential development and it's associated elements are included.	1. Site has high net developable area due to all education and community infrastructure being off-site. SANG is not shown on concept plan therefore has been assumed to be on-site bespoke according to SPA mitigation standard, extending beyond the concept plan boundary.	1. Net developable area is low due to on-site primary, secondary and SEN schools that will serve a wider area.	1. The majority of SANG and Active OSPV will be provided off-site by financial contribution.	1. OSPV and SANG figure based on standard as extent of areas are unclear by simply referring to the concept plan and masterplan.	
		2. Site has low net developable area due to proximity to SPA.	2. Site has low net developable area due to proximity to SPA.		2. Bracknell Forest Council have a leasehold interest in the site.			
		Calculation notes	Calculation notes	Calculation notes	Calculation notes	Calculation notes	Calculation notes	
		1. 56ha total OSPV/SANG area, therefore 36.4 ha pro rata for SA4 site. 3.64ha outside SPA buffer, therefore 2.37ha pro rata for SA4 site.						
		* This should attract a reduced land value compared with the area outside of the 400m SPA buffer zone that has residential development value.						
		** Area for residential development plus associated uses (to make residential development in planning terms), e.g. land take for education, community facilities, OSPV and SANG. This figure will not always be equal to the overall site area, for reasons of exclusion of elements not associated with residential development and private property not part of the development.						

**BRACKNELL FOREST BOROUGH COUNCIL
ADDITIONAL CIL VIABILITY TESTING - STRATEGIC SITES**

APPENDIX E (b)

		£22,000 per ha									No CIL		With CIL		
SADPD po	Strategic site	Gross site area (ha)	Non-residential site area outside 400m buffer zone (ha)	Site area inside 400m buffer zone (ha)	Net developable (residential) (ha)	Net to gross site area	Number of units	S106 obligations	S106 obligations per unit	Value of land inside SPA 400m buffer zone	Residual land value NET of value of land inside SPA 400m buffer	Residual land value per ha outside SPA buffer	Proposed CIL for area (£s per sqm)	Residual land value NET of value of land inside SPA 400m buffer	Residual land value per ha
SA4	Land at Broadmoor	34.9	1.4	25.3	8.2	23%	270	£2,027,000	£7,507	£556,600	£11,724,703	£1,221,323	£150	£9,120,135	£950,014
SA5	Land at TRL	97.7	8.4	53.2	36.0	37%	1,000	£9,114,000	£9,114	£1,170,400	£41,029,085	£922,811	£150	£31,517,269	£708,874
SA6	Land at Amen Corner North	24.4	11.36	0	13	53%	400	£3,819,000	£9,548	£0	£15,633,571	£641,772	£220	£10,053,305	£412,697
SA7	Land at Blue Mountain	33.3	20.3	0	13	39%	400	£1,134,000	£2,835	£0	£21,990,325	£660,370	£220	£16,410,059	£492,795
SA8	Land at Amen Corner South	30.8	10.23	0	20.54	67%	725	£7,628,000	£10,521	£0	£24,962,392	£811,257	£220	£14,843,510	£482,402
SA9	Land at Warfield	125.2	62.17	0	63	50%	2,200	£23,305,000	£10,616	£0	£78,957,876	£630,805	£220	£47,908,347	£382,746
		125.2	62.17	0	63	50%	2,200	£23,305,000	£10,616	£0	£78,957,876	£630,805	£200	£50,731,031	£405,297