

**COMMUNITY INFRASTRUCTURE LEVY  
– ECONOMIC VIABILITY STUDY ADDENDUM REPORT  
DRAFT CHARGING SCHEDULE**

**PREPARED ON BEHALF OF  
SEFTON COUNCIL**

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**By**



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**AUGUST | 2017**

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## 1.0 INTRODUCTION

### CIL Preliminary Draft Charging Schedule

- 1.1 In February 2016 Keppie Massie in conjunction with WYG published a Community Infrastructure Levy – Economic Viability Study (CILEVS) on behalf of Sefton Council. The study had regard to the evidence base that was prepared for the Local Plan and Community Infrastructure Levy Economic Viability Study December 2014 (LPEVS) together with an update of this evidence base that was carried out in September and October 2015. The report also has regard to 'A Local Plan for Sefton' Publication Version (dated January 2015) as the most up to date version of the Local Plan.
- 1.2 The study report acknowledged that the data and information used in the study would be updated as appropriate prior to the publication of any CIL draft charging schedule. This would enable account to be taken of any significant changes in the property market that impact on viability (both cost and value), the modifications to the Local Plan and any relevant comments made during to the consultation on the Preliminary Draft Charging Schedule.
- 1.3 In May 2016 we also prepared an Addendum Report that considered the Viability of apartments and a potential CIL charge for this form of development.
- 1.4 Based on the conclusions of these two reports Sefton Council undertook consultation regarding a Preliminary Draft Charging Schedule (PDCS) during June and July 2016. Details of the PDCS are contained in table 1.1.

Development Type	South	North	East	Central
<b>New Homes [inc HMOs]</b>	zero	£40	£60	£125
<b>Small Apartments</b>	zero	£48	£20	£125
<b>Large Apartments</b>	zero	zero	zero	£15
<b>Food and Drink Uses [A3, A4 and A5]</b>	£106			
<b>Large Supermarkets [&gt;2,787 sq.m]</b>	£91			
<b>Other Uses</b>	zero			

Table 1.1: Sefton Council Preliminary Draft Charging Schedule

- 1.5 A number of responses were received as a result of this consultation regarding the PDCS which are considered later at **Section 4**.

### Sefton Local Plan

- 1.6 The Sefton Local Plan Examination is now complete and the Inspector's Report was received in March 2017. The report concludes that subject to the main modifications proposed, the Sefton Local Plan satisfies the requirements of Section 20(5) of the 2004 Act and meets the criteria for soundness in the National Planning Policy Framework. Sefton Council adopted the Local Plan on 20 April 2017.
- 1.7 **Policy IN1 Infrastructure and Developer Contributions** of the Local Plan makes provision for contributions for infrastructure to be secured through a legal agreement, CIL or other agreements. In the context of this policy the Council now wish to progress towards adopting a CIL charge for the Borough.

### Purpose of the Addendum Report

- 1.8 The purpose of this report is to firstly update as appropriate the evidence base that supported the earlier LPEVS and CILEVS. This update also has regard to the consultation responses received to the PDCS. The report also considers the policies contained within the Adopted Local Plan dated April 2017 and their impact on development viability. As appropriate we have then undertaken a refresh of the earlier viability testing to reflect any changes in the property market evidence base and to reflect the Adopted Local Plan policies. The results of this viability testing are then used to inform a CIL Draft Charging Schedule (DCS) for the Borough.
- 1.9 This report is intended to bring together into one document all the relevant parts of the earlier studies, together with the updated evidence base and modified local plan policies to inform decisions regarding a DCS.

### Report Format

- 1.10 For ease of reference this report is structured based on the following sections:-
- 1.11 **Section 2.0** For completeness this section briefly summarises the previous viability studies that we have undertaken for Sefton in relation to the Local Plan and CIL.

- 1.12 **Section 3.0** Provides a summary of the key Local Plan Policies that influence viability.
- 1.13 **Section 4.0** Here we have provided an overview of the responses received to the PDCS. In addition we have also consulted on proposals for the updated testing in this study in February 2017 and we provide a brief commentary regarding this here.
- 1.14 **Section 5.0** This section deals with our methodology and approach to the residential testing typologies.
- 1.15 **Section 6.0** Contains a residential property market update, and based on this contains details of our appraisal assumptions for the residential testing.
- 1.16 **Section 7.0** Contains the results of our viability testing for residential development with conclusions regarding any revisions required to the PDCS and a suggested DCS.
- 1.17 **Section 8.0** Here we undertake testing of the DCS in the context of the strategic sites on which the plan relies.
- 1.18 **Section 9.0** Considers the CIL charging rates for commercial developments and any changes to the PDCS rates for certain forms of retail and food and drink.
- 1.19 **Section 10.0** Contains our overall conclusions regarding a DCS for Sefton.

## 2.0 PREVIOUS VIABILITY STUDIES

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- 2.1 For ease of reference we have provided below a brief summary of the Viability Studies that have been undertaken by us for Sefton Council as part of the Local Plan and CIL evidence base.

### Local Plan and Community Infrastructure Levy Economic Viability Study (December 2014) (LPEVS)

- 2.2 Keppie Massie, in conjunction with the White Young Green Group ('WYG') was commissioned by the Council in 2014 to prepare an Economic Viability Assessment of the emerging Local Plan. The study considered the sites and scale of development together with the cumulative impact of the proposed Local Plan Policy requirements on viability and deliverability. Based on the outcome of the viability testing that was undertaken, the Study drew conclusions concerning the overall viability and deliverability of the Local Plan and its policies. The aim of the study was to satisfy the tests of viability and deliverability laid down in the NPPF. The Study was completed in December 2014 and forms part of the Local Plan Evidence Base.
- 2.3 In addition, with reference to the results of the viability testing, the study assessed the extent to which a CIL could be introduced in Sefton without prejudicing future development. Based on this analysis the study drew conclusions about the types of development that could support a CIL charge and any variations in viability that arose due to the location or scale of development.
- 2.4 Based on the results of the viability testing the December 2014 Study concluded that prospects do exist in Sefton to introduce a CIL tariff for new residential and certain forms of commercial development. Prior to the introduction of a CIL charging schedule it was recommended that further scenario testing be undertaken to demonstrate the effects of a CIL charge on development viability and also to consider the effect of an instalments policy on viability.
- 2.5 The Local Plan Inspector makes reference to the LPEVS in his report and in particular notes that the findings of the study were '*broadly accepted by all parties and appear sound*'.

**The Community Infrastructure Levy – Economic Viability Study (February 2016) (CILEVA)**

- 2.6 This report was published in February 2016 and was used to inform the PDCS. The report was based on the policies contained in the January 2015 Publication Version of the Local Plan. It was also informed by an update to the property market evidence base that was undertaken during Autumn 2015.
- 2.7 Based on the results of the further viability testing undertaken as part of the study, the report considered in more detail the maximum surpluses that were available for CIL based on the different types of use and location. Using this data an appropriate buffer was applied to arrive at possible CIL charges. In accordance with the CIL guidance we also undertook direct sampling of an appropriate range of sites across the Borough which was consistent with the viability testing undertaken as part of the plan making.
- 2.8 For these strategic sites the report also considered the impact of the proposed CIL rates on Land Value and also as a percentage of gross development value (GDV) and cost.

**Community Infrastructure Levy Addendum Report – Apartments (May 2016)**

- 2.9 This report was prepared to consider in greater detail the viability of standalone new apartment developments and based on this a CIL charge for apartments in the Borough. The results of our viability testing indicated that there were limited prospects to introduce a CIL charge for larger apartment developments except for the highest value parts of the Borough.
- 2.10 For smaller developments of apartments below the affordable housing policy threshold a CIL charge could be introduced in the north, east and central parts of the Borough.

### 3.0 A LOCAL PLAN FOR SEFTON - ADOPTED VERSION (APRIL 2017)

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- 3.1 The previous viability studies were based in the Preferred Options Version of the Local Plan and the subsequent January 2015 Publication Version of the Plan. During the Local Plan Examination we prepared a number of examination briefing notes that dealt with particular modifications that were proposed to the Local Plan and upon which the Inspector wished to understand the viability impacts. These included modifications in relation to specific development management policies i.e. Accessibility Standard M4 (2) of the Optional Technical Standards, and also site specific policy modifications such as in relation to the Strategic Allocation at Maghull East.
- 3.2 To ensure that the viability testing undertaken as part of the current study is fully reflective of the final version of the Local Plan we have considered in detail the Adopted version of the Local Plan (April 2017) and have provided below details of the key policies both strategic and development management that will impact on development viability. These policies influence both the form and location of the developments that need to be tested, and the development management and site specific policies will also have an impact on the cost of those developments. We have firstly considered the strategic policies that inform the locations for new development and then have considered the development management policies that have a direct impact on development form and cost.

#### Strategic Policies

3.3 **MN1 Housing and Employment Requirements**

During the period 2012 – 2030 provision will be made for the development of a minimum of **11,520 new homes** in Sefton. The policy indicates that the housing requirement will be met from the following sources:-

- a) The housing allocations identified in Policy MN2
- b) Sites with planning permission for housing development
- c) Other sites identified in the Strategic Housing Land Availability Assessment
- d) Unanticipated or 'windfall' sites



3.4 In relation to employment development provision will be made for a total of **81.59 ha** of **employment land**. This will be provided on the following types of land:-

- a) Strategic Employment Locations (identified in Policy MN2)
- b) Employment Allocations (identified in Policy MN2)
- c) Land within Existing Employment Areas (Policy ED3)
- d) Sites with planning permission for employment development
- e) Other suitable sites in Sefton

3.5 **MN2 Housing, Employment, and Mixed Use Allocations**

The policy then contains details of the sites that are being allocated for new residential and employment development. In total there are 47 residential allocations with capacity for 7,290 dwellings which is approximately 63% of the minimum requirement. These sites range in capacity from 15 to 1,400 new dwellings. A number of the sites have their own specific policies and some are subject to site specific requirements as set out in Appendix 1 of the plan.

3.6 In terms of new employment development this policy identifies 4 strategic employment locations providing 67.9 ha of employment land together with a further 4 employment allocations with capacity for 7.2 ha.

3.7 **ED2 Development in Town Centres, District Centres, Local Centres and Local Shopping Parades and Outside Defined Centres**

This policy provides the framework for retail, leisure and other main town centre uses which are to be directed towards the Borough's existing centres in accordance with the following hierarchy:-

- Town Centres: Bootle and Southport
- District Centres: Crosby, Formby, Maghull and Waterloo
- Local Centres: Ainsdale, Birkdale, Churchtown, Netherton and Old Roan

3.8 Bootle Town Centre is identified as the main focus for local convenience and comparison retail development and other town centre uses in the south of Sefton. In the north of the Borough Southport Town Centre is the main focus for comparison and convenience retail development, cultural, education, office and leisure development. The District and Local Centres are the main focus for retail development to serve local convenience shopping needs.

### **Development Management Policies**

#### **3.9 HC1 Affordable and Special Needs Housing**

This policy deals with affordable housing provision in the Borough and provides for differing requirements between Bootle and Netherton and the rest of the Borough as follows:-

##### **3.10 All of Sefton outside Bootle and Netherton**

1. For new developments of 15 dwellings or more (or for residential and other conversions involving 15 or more additional dwellings net) 30% of the total scheme (measured by bedspaces) will be provided as affordable housing.
2. 80% of the affordable housing should be provided as social rented/affordable rented and the remaining 20% provided as intermediate housing.

##### **3.11 Bootle and Netherton**

3. Affordable housing will be required as part of proposals for new developments of 15 dwellings or more (or for residential and other conversions involving 15 or more additional dwellings net) on the basis of 15% of the total scheme (measured by bedspaces).
4. Affordable housing should be 50% social/affordable rented and 50% intermediate housing.

3.12 The policy also makes provision for payments in lieu of on-site provision where this can be robustly justified, and provides that in implementing the policy the Council will amongst other matters have regard to the definitions and provisions of affordable and/or special needs housing contained in relevant national guidance.

3.13 The policy also states that special needs housing can be substituted for up to 50% of the onsite affordable housing contribution on a bedspace for bedspace basis.

#### **3.14 HC2 Housing Type, Mix and Choice**

This policy contains a number of elements that have implications for the physical form and mix of developments tested. These specific elements are as follows:-

1. In developments of 25 or more dwellings, the mix of new properties provided must be as follows unless precluded by site specific constraints, economic viability or prevailing neighbourhood characteristics:-

A minimum of 25% of market dwellings must be 1 or 2 bedroom properties

A minimum of 40% of market dwellings must be 3 bedroom properties

These requirements do not apply to wholly apartment/flatted, extra care, and sheltered housing developments. Any new affordable dwellings are also exempt.

2. In developments of 50 or more dwellings, at least 20% of new market properties must be designed to meet Building Regulation Requirement M4(2) 'accessible and adaptable dwellings'.

**3.15 HC3 Residential Development and Development in Primarily Residential Areas**

This particular policy states that new residential development must achieve a minimum density of 30 dwellings per hectare.

**3.16 EQ8 Managing Flood Risk and Surface Water**

This policy deals with flood risk and surface water management. Amongst other matters it provides that

*'Where reasonably practicable, development must incorporate sustainable drainage systems to manage surface water flooding run-off within the site....'*

**3.17 EQ9 Provision of Public Open Space, Strategic Paths and Trees in Development**

This policy deals with a number of matters but of particular relevance to the viability study are the requirements in terms of public open space which states that:-

1. Appropriate high quality new public open space of at least 40 square metres per new-build home must be provided for the following developments:-
  - Proposals for 150 or more new-build homes
  - Proposals for 11 to 149 new-build homes on sites which are more than 2 kilometres from a main park or Countryside Recreation Area
2. This new public open space must be provided within the site unless it can be demonstrated that enhancement of off-site open space is more appropriate, in terms of:-
  - a) The type and density of housing development and site size, or
  - b) Proximity to existing main, neighbourhood and community parks, or
  - c) Other site-specific factors
3. Development proposals which include new public open space must incorporate suitable arrangements for long-term management and maintenance of, and public access to, the new open space.

### Site Specific Policies

3.18 The Local Plan also includes a number of policies that deal with the specific allocations in terms of the housing related sites. There are specific policies that deal with the following:-

- MN3 Strategic Mixed Use Allocation - Land East of Maghull
- MN5 Land at Moss Lane, Churchtown
- MN6 Land at Brackenway, Formby

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## 4.0 CONSULTATION RESPONSES

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### PRELIMINARY DRAFT CHARGING SCHEDULE CONSULTATION

- 4.1 The Council received 21 responses as part of the consultation in relation to the PDCS. A number of the responses that were received had no particular comments to make in relation to the CILEVA and the PDCS. We have summarised below the main themes from the responses that were received relating to the viability study. The responses mainly related to the residential charges. We have addressed the various points that have been made either below or later in this report under the relevant sections relating to methodology, evidence and the viability testing assumptions.

### Methodology and Testing Typologies

- 4.2 A number of comments were made about the fact the CILVS relies upon the LPEVS from 2014 and that this evidence is now dated and should be brought up to date for the purpose of assessing a draft charging schedule.
- 4.3 It was also suggested that the financial appraisals that had been prepared should be made available for the DCS consultation.

### Small Sites

- 4.4 It was suggested that the profitability of small sites had not been properly investigated and they are not simply pro rata of larger sites. WYG in preparing their construction cost assessment have had regard to the relative expensive of constructing smaller housing schemes. Their cost assessments for the smaller developments are more expensive than the larger schemes that would typically be undertaken by the regional and national housebuilders.

### Housing Mix and Size

- 4.5 One respondent suggested that it was unclear what housing mix had been tested in terms of size and also the approach to affordable housing in the testing. We have clarified our approach in relation to these points later in Section 5.

### Typologies

- 4.6 It was suggested that there was a need to test larger generic sites of 150, 250 and 500 units as there is no guarantee that the larger specific sites that had been tested would be allocated in Local Plan.

- 4.7 The Local Plan has now been adopted and the larger specific sites that were tested have now been allocated, it is not therefore considered necessary to undertake generic testing in relation to larger sites in excess of 100 dwellings.

Gross to Net Site Areas

- 4.8 In assessing the gross to net site areas for the generic typologies that have been tested the approach of the study was to adopt the gross to net site area calculation contained in the Councils SHLAA 2013. The testing for the larger specific sites was based on the site areas and capacities for the actual allocation contained within the Local Plan reflecting densities of 35 dwellings per hectare. One respondent suggested however that the assumptions made are not reflective on larger sites of size and scale of development and open space being provided.
- 4.9 The SHLAA methodology and the capacity and developable areas of the proposed allocations were considered by the Inspector at the Local Plan Examination and found to be appropriate. Our viability testing reflects the gross to net site area methodology taken from the SHLAA and the site area, capacities and densities of the allocations from the recently adopted Local Plan. This is considered a robust basis therefore upon which to base our viability testing.

Apartments

- 4.10 In relation to the testing undertaken in relation to apartments it was suggested that the apartment sizes fall in line with expectations. There was also a point of clarification raised regarding the mix for the 10 unit scheme. To clarify the viability testing that was undertaken for the 10 unit scheme was based on a mix comprising 3no 1 bed units and 7no 2 bed units. A copy of WYGs updated construction cost assessment for this scheme is contained in their report which is at **Appendix 1**.
- 4.11 It was suggested that the ratio that had been adopted between the overall gross internal area and the sales area (excluding common parts) was highly efficient at 85% and that a ratio of 80% was more likely. Based on our experience and that of WYG of flatted developments elsewhere we considered this ratio at 85% to be a reasonable assumption. It also reflected the approach to the testing of apartments contained in the LPEVS that was found to be sound.
- 4.12 A comment was also made that there was a lack of sales and land transaction evidence supporting the testing assumptions for apartments. We as part of this report we have provided updated evidence in relation to apartment sales at **Section 6** and **Appendix 2**.

### Appraisal Assumptions

#### Sales Values

- 4.13 In terms of the sales values that were adopted across the value zones it was suggested that the adopted sales values for each location appear to be appropriate to adopt.
- 4.14 Another respondent suggested that the analysis of sales prices that had been undertaken should not be based on the average of the average.
- 4.15 One respondent suggested that there was no evidence to show whether £220 per sq.ft is appropriate for Crosby and Hightown and that sales values for each ward and zone should be based on current market evidence. They also suggested that values should be discounted by 3-5% to reflect incentives.
- 4.16 In preparing this Addendum Report we have compiled updated evidence in relation to sales prices in the Borough to inform current house prices. Further details regarding this are contained at **Section 6** and **Appendix 2**. In light of this more recent evidence we have then considered whether any changes are required to the sales prices and value zones that have previously been tested.

#### Affordable Housing Values

- 4.17 Some of the comments that were received in relation to the affordable bid prices that had been adopted suggested that further consultation with RPs was required to update the evidence in light of changes since 2014. One respondent suggested that intermediate tenure should be at 60% of market value not 65%.
- 4.18 Following further consultation with active Registered Providers in the area we have provided further information and analysis in relation to affordable housing values at **Section 6**.

#### Sales and Marketing Costs

- 4.19 The only comments received under this heading accorded with the assumptions that had been made and suggested that 3.5% appears to be a reasonable typical market level to adopt. In addition a comment was made by one respondent that they agreed in principle that £500 per dwelling was a reasonable fee for the transfer of the affordable units.

#### Finance Rate

- 4.20 Again the comments received in relation to finance costs supported our assumption of 7% and suggested that this was agreed in principal and should be adopted across all sites.

- 4.21 Reflecting these comments we have now applied a finance rate of 7% to all sites that form part of our testing.

Developers Profit

- 4.22 A number of comments were received in relation to developers profit and again they appeared to be supportive of the profit assumptions. Comments made were that:-

- A developer would typically look to achieve a return of 20% of GDV
- Agree in principle with 20% blended profit
- A typical profit margin lies within the range of 17.5%-20% of GDV
- Small sites will attract lower profit margins but 15% is too low. 17.5% GDV for smaller sites is more appropriate

- 4.23 With reference to these comments we have therefore retained an overall developers profit across the market and also the affordable dwellings at 20% for the schemes tested above 10 dwellings. For the two smallest schemes of 5 and 10 units we have increased the developers profit in accordance with the comments made to 17.5% of GDV.

- 4.24 In our experience the development of affordable dwellings carries less risk and in undertaking viability assessments both for CIL, Local Plan and Development Management purposes we have often seen lower profit returns at 6-8% of GDV for the affordable dwellings adopted. In adopting a profit of 20% our assessment therefore adopts a very robust position in relation to the level of profit return.

Sales Rates and Development Programme

- 4.25 There were a number of comments received under this heading although there appeared to be differences between the approaches being suggested.
- 4.26 In terms of sales rates it was suggested that the market is showing a sales rate of 2.5-3 units per month and a rate in excess of 36 units per annum is too aggressive.
- 4.27 It was also suggested by one respondent that they agreed in principle with construction based on 3-5 per month, but disagreed with sales period adopted which was based on this.



- 4.28 One party suggested that a sales rate of 2.75 per month would be appropriate in Formby which would reduce where multiple sales outlets are in close proximity. Another suggested that new build developments in Formby achieve sales rates of 3 dwellings per month. They also agreed that more brands on a site would increase the sales rate but do not believe it would be possible to achieve 5 or 6 per month.
- 4.29 Another respondent suggested that the sales rate should be 2 to 2.5 per month
- 4.30 In terms of the development programme one respondent suggested that pre-construction and site preparation should run for minimum of 12 months prior to house build, then 6 month build before first completion ie. 18 months to first sale. They acknowledged however that site preparation and set up periods can vary from site to site.
- 4.31 Another party advocated a 6 month pre construction period.
- 4.32 Within the LPEVS our viability testing was based on sales rates for the generic sites ranging from 3 to 5 sales per month. The testing in relation to the Strategic Sites assumed sales rates ranging from 3.5 to 8 per month, dependent on the site size and location. This was carried forward in testing that was used to inform the CILEVS.
- 4.33 Taking on board the responses outlined above we have adjusted the sales rates adopted for the testing in this addendum report and adopted a more pessimistic position. Further details are provided in Section 6 at para 6.57-6.58 however we have now assumed for the generic testing sales rates of 1.67 up to 3 per month. In terms of the sales rates for the site specific testing these are between 2.5 and 5 per month, reflecting the size and location of the sites tested.

#### Threshold Land Values

- 4.34 A number of comments were received in relation to the assumptions that had been made regarding an appropriate threshold land value particularly in relation to greenfield sites, however appropriate available evidence to support these views was not provided. One respondent referred to benchmark land values that had been quoted in a number of 2012 viability assessments undertaken in the North West.

- 4.35 It was suggested that comparable land transactions were more in line with these higher threshold land values adopted by other CIL NW charging authorities and while a discount would be applied for planning risk the deduction made in the LPEVS and CILEVS was viewed as excessive. Based on these earlier CIL assessments a comparison was made with the lowest benchmark land value in Bolton at £600,000 ha (£243,000 per acre). Reference was also made to a Cheshire East Committee report in January 2011 which suggested that land values achieved in Crewe over the second half of 2010 were at £300,000 to £400,000 per acre.
- 4.36 Another respondent suggested that they had researched a number of option and promotion agreements and the minimum price provisions set out within these in the local area, however no evidence was provided of this research. The particular respondent did then go on to provide agreed comparables in 'comparable markets' for greenfield sites in the North West relating to a site of 90 units and a site of 55 units. No further information was provided about the location of these sites, the level of sales prices and the planning policy obligations. Based on their analysis of these transactions they suggest that minimum greenfield land values tend to be agreed within the range of £360-£425,000 per gross acre (£400-£500,000 per net acre). They recommend using £425,000 per gross acre with a viability buffer.
- 4.37 Another respondent suggested that £450,000 per acre for a hypothetical greenfield site in Formby (with a development option agreement in place and without planning permission) could be seen to be overly optimistic.
- 4.38 It was commented by another respondent that the residual land values for strategic sites in table 5.1 of the LPEVS in many instances would not be sufficient to cover existing use value of brownfield sites in the urban area.
- 4.39 Another party suggested that the difference between greenfield and brownfield land values appears counter intuitive and that the adopted land values were not supported by evidence.
- 4.40 The land value assumptions contained in our viability testing were used to viability test the Local Plan and the Inspector concluded that the findings of the LPEVS were '*broadly accepted by all parties and appear sound*'. In this context the land value assumptions were considered as part of the study and considered sound. We have however considered in light of further evidence whether any adjustments are required. We have also contacted the majority of housebuilders that we are aware of with options over the main allocations in the Borough to obtain from them details of the minimum pricing provisions for land in their agreements. With the exception of one housebuilder the others either did not respond or advised us that they couldn't provide us with this information.

Construction Costs

- 4.41 A number of comments were received about the construction costs however in general it was suggested that these should be updated for the purpose of the assessment and that WYGs data base of evidence should be provided to support the construction cost assessments.
- 4.42 It was suggested that the viability assessments in high value areas should include costs of enhanced specification and that the costs should include garages
- 4.43 In terms of the level of contingency the 5% allowance that had been adopted was suggested as being at a typical level that volume house builders would adopt, but that it could be higher on smaller more bespoke schemes. With reference to professional fees 8% was suggested as being a more appropriate level to adopt. Generally it was suggested that the abnormal cost allowances were not sufficient.
- 4.44 Reflecting these comments WYG have updated the construction cost assessments that they prepared for the LPEVS. The costs have been increased as appropriate to reflect construction cost increases over the period and also the inclusion of garages in higher value locations in the Borough. Their updated report and construction cost assessments are contained at **Appendix 2.**

S106 contributions

- 4.45 Some comments were received about the residual S106 contribution that had been adopted for the generic testing that had been undertaken. It was suggested that further information should be provided in relation to anticipated S106 contributions and that £500 per dwelling was too low.
- 4.46 As part of the CIL evidence base the Council have prepared a document titled 'the relationship between the Community Infrastructure Levy and Section 106' which considers historic collection of S106 contributions and anticipated levels of contribution once CIL is introduced. With the exception of the allocation at East of Maghull it is not anticipated that any significant S106 contributions will be required, with future liability for S106 contributions likely to be very limited.
- 4.47 In this context the previous assumption of a contribution of £500 per dwelling is considered fair, however to ensure robustness we have added a further buffer to the level of S106 contributions and have included an allowance of £1,000 per dwelling for the schemes of 100 or less, £1,500 per dwelling for 101 to 500 dwellings and £2,000 per dwelling for schemes over 500 units.

### CIL Rates

- 4.48 A number of comments were received in relation to the proposed CIL rates. It was suggested that there was no further published viability assessment for the East of Maghull Strategic site and the respondent objected to a charging rate for this allocation
- 4.49 There was support for a variable CIL rate but the draft CIL for central area was considered to be particularly excessive. It was suggested that the PDCS fails to distinguish between greenfield and brownfield sites and that it may be more appropriate to set separate CIL rates for greenfield and brownfield sites. One respondent suggested that brownfield sites should be exempt from CIL to reflect the evidence base.
- 4.50 Finally it was suggested by one respondent that a 30% buffer against the maximum CIL charge was not sufficient and that the minimum buffer should be 40%.
- 4.51 We have considered the CIL rates and buffer generally in the context of our updated viability testing.

### Non-Residential CIL Charges

- 4.52 Only one respondent provided any comments regarding the CIL charges for non-residential uses and they suggested that more detailed scenario based testing is required in relation to food and drink uses.

### METHODOLOGY AND ASSUMPTIONS CONSULTATION DOCUMENT (FEBRUARY 2017)

- 4.53 During February 2017 just prior to receipt of the Inspectors Report in relation to the Local Plan we began the exercise of updating the construction and property market evidence base for the viability testing required to inform the DCS. As appropriate reflecting the comments received through the PDCS consultation, we also undertook a web-based consultation exercise for 2 weeks at the end of February 2017. A copy of the consultation document is contained at **Appendix 3** together with copies of the consultation responses that were received. The exercise principally dealt with our initial thoughts at that time about some proposed changes and updated assumptions that we were considering adopting for the residential testing. The document focused on the methodology and appraisal assumptions for the residential viability testing.
- 4.54 In total we received 5 responses to this consultation. We have provided a brief summary in relation to the various comments received and consider these further in the respective sections later in this report.

### Methodology and Typologies

- 4.55 In general the respondents considered that the residual methodology being adopted was appropriate.

#### Typologies

- 4.56 The responses received suggested for generic testing should be undertaken in relation to development typologies of 200, 250, 500 and 1,000 units. One respondent also suggested that testing should be undertaken in relation to one dwelling.

#### Density and Mix

- 4.57 The generic viability testing that was undertaken in the LPEVS was based on densities of 30-40 dwellings per hectare, whilst the site specific allocations were based on the capacities assessed by the Council based on a density of 35 dwellings per hectare. One of the responses received suggested that testing at 35 dwellings per hectare was more appropriate of national housebuilder expectations producing 12,441-13,227 sq.ft per acre based on the proposed adjusted dwelling sizes contained in the consultation document.
- 4.58 This comment is consistent with our experiences and also reflects the approach adopted by the Council in assessing delivery of the allocations sites. As noted at para 5.20 we have therefore prepared our updated viability testing for the generic sites based on 35 dwellings per hectare. We have prepared updated viability assessments for the larger strategic sites based on the previous assumption of 35 dwellings per hectare. This reflects the Local Plan capacities for these sites. We have noted that in certain locations particularly on brownfield sites in the existing built up area higher density development at 40 dwellings per hectare may take place.
- 4.59 Another respondent suggested that densities should be tested at 30-35 dwellings per hectare, whilst one party suggested that densities at 30-40 dwellings per hectare may be too high.
- 4.60 Some comments were also received about the housing mix proposed for testing and in particular it was suggested that the mix does not reflect schemes that developers are likely to bring forward especially smaller schemes as there will not be a range of 1-5 bed units. The mix should look at different scenarios schemes of 2, 3 and 4 bed only for the smaller typologies.

- 4.61 Another party commented that the proposed mix is not reflective of market conditions as generally, the provision of 4 bed houses is higher than 6% in schemes. They noted that the local plan policy outlines a minimum requirement which should be reflected in the typologies tested. A minimum of 25% 1 or 2 bed, in addition to a 40% requirement for 3 bed leaves scope for 35% of market dwellings to be either 4 bed or 5 bed which would still be policy compliant. As a result they suggested that testing should be based on the following dwelling mix:
- 1 bed – 5%
  - 2 bed – 25%
  - 3 bed – 45%
  - 4 bed – 20%
  - 5 bed – 5%
- 4.62 It was also suggested that testing may be required based on the assumption that 4 and 5 bed houses were provided as affordable.
- 4.63 We have considered further these comments regarding the appropriate mix for our viability testing and whether in light of the respective local plan policy (HC2) and the available evidence there is any justification for adjusting the housing mix. Our further comments are contained at para 5.43-5.48.
- 4.64 In terms of the floor areas of the houses one respondent commented that the apartments GIA can be up to 10-15% additional floor area of net internal areas and this need to be clarified. Otherwise no specific comments we received about the dwelling sizes except for one party who confirmed that the sizes are reasonable except for 1 bed (too large) and 5 bed (small for south, and too large for the rest of the Borough).
- 4.65 Some comments were received about the approach to calculating the gross to net site areas taken from the Council's SHLAA. In particular there was concern that the net developable areas adopted for larger sites are much higher than expected. Sites of 300+ dwellings were identified as being likely to yield a much higher land take for public open space than 25% of the gross site area and hence the respondent suggested that they would expect the net developable area for larger sites and particularly strategic sites to be as low as 50 – 60%.
- 4.66 As noted above, all of the site allocations were considered by the Inspector at the Local Plan Examination and in the context of the site characteristics the assumptions made as to capacity, open space etc were found to be reasonable.

### Local Plan Policies

- 4.67 In terms of the specific treatment of certain development management policies it was suggested that the residual S106 allowances are regarded as falling at the low end of expectations and that further evidence was needed to support the use of the allowances proposed. Another party welcomed that an allowance for Section 106 Contributions had been included within the testing to allow for site specific infrastructure works, such as education, POS and other community infrastructure but sought confirmation on how the proposed adjusted allowance of £1,000 - £2,000 per dwelling was calculated.
- 4.68 As noted above at para 4.46 the Council have prepared a paper titled 'the relationship between the Community Infrastructure Levy and Section 106' dealing with future S106 requirements which are likely to be minimal, hence in preparing our viability assessments it is considered appropriate to adopt a more limited allowance.
- 4.69 The provision for Open spaces was considered reasonable, although in relation to SuDS it was suggested that this does not allow for other drainage systems.
- 4.70 In terms of the allowance for M4(2) it was suggested that this may be low and evidence was required to support an allowance of £1,000 per dwelling for M4(2). WYG have addressed this point in their updated construction cost assessment and we have adopted an increased allowance of £1,050 per dwelling to reflect this requirement.

### Appraisal Assumptions

#### Sales Prices

- 4.71 It was noted by one respondent that ongoing new build evidence is the most important source of data, further details should be provided about the schemes and analysis provided.
- 4.72 One party suggested that based on their initial analysis there may be some discrepancies in the sales values that had been assessed. Another cautioned against use of asking prices as it was suggested that they can be 10% higher than sales figures and requested further clarification about the application of sales values in the testing.
- 4.73 We have updated this sales evidence base following this initial consultation in February and we have provided at **Section 6** a residential market commentary including details of residential sales transactions particularly for new build developments. More detailed information is contained at **Appendix 2**.

Affordable Housing

- 4.74 It was suggested that rented units should be at 35% and that 40% of market value was at upper end of expectations.
- 4.75 In terms of intermediate it was also suggested that 60% not 65% of market value should be adopted.
- 4.76 As noted earlier following further consultation with active Registered Providers in the area we have provided further information and analysis in relation to affordable housing values at **Section 6.**

Land Values

- 4.77 There were a number of comments received regarding the land value assumptions. One party felt that the differentiation between lower and higher greenfield testing was still insufficient and that the general assumption that brownfield sites will achieve higher than greenfield sites inappropriate. They suggested that existing use value was not of interest to the agricultural landowner. The respondent also acknowledged that site values will vary dependent on the level of abnormal costs encountered.
- 4.78 It was suggested that the land values proposed are below transactional evidence and that the higher land values on brownfield does not correlate with higher abnormals.
- 4.79 One party welcomed the use of a greater range of threshold land values for greenfield sites based on net developable acre to be tested but re-iterated concerns that may be too low.

Construction Costs

- 4.80 In terms of the construction cost elements it was suggested that professional fees at 4%-7.5% were nominal and insufficient and should be 8-10%.
- 4.81 One respondent suggested that the scale adjustments made by WYG may not accurately reflect cost efficiencies another suggested that adjustments for scale were not substantiated
- 4.82 In terms of construction profit one party agreed that construction profit should not be included in the construction costs adopted in the viability assessment; however given the nature of the evidence base they suggested that this may not be appropriate here.
- 4.83 One respondent commented that the Contingency should be 10%.



- 4.84 In terms of the cost of external works one party suggested that if using BCIS baseline costs they would expect an allowance of 10% for external works.
- 4.85 In preparing the updated construction cost assessments for the current viability testing WYG have adopted the same methodology and approach as for the LPEVS as the findings of the study were found to be sound. We have provided at **Appendix 1** WYGs revised construction cost report. The construction costs have been updated for cost increases since the publication of the LPEVS and any changes to the dwelling mixes, house sizes and for garages.

Other Assumptions

- 4.86 In terms of the other appraisal assumptions proposed one party commented that acquisition costs, finance, disposal and marketing, developers profit, sales rates and ground rents appear appropriate and in line with market expectations.
- 4.87 A minimum construction period of 6 months prior to first sale was appropriate, first sales taking place in month 7. The proposed 6-9 month pre-sale construction period was considered appropriate for 5-100 units. It was noted however that site specifics will have varying levels of infrastructure requirements and 9 months is regarded as insufficient for larger site allocations.
- 4.88 Conversely another party stated that acquisition costs were insufficient and disposal and marketing were at the lower end of range. Developer profit was insufficient and the sales rate should be 2 per month on everything. They also stated that the first sales may be too early.
- 4.89 In terms of profit another party advocated a gross developers profit in excess of 20%.
- 4.90 In relation to the development programme the assumption of the first sales to be 6-9 months following commencement of development was considered to be extremely unrealistic by one party. They suggested that timing allowances should be made for potential remediation works and site preparation to include construction of roads and substructures, timing for the show home to be erected and the release of the first units. There would then be a delay for the reservation, exchange and completion of the units.
- 4.91 The same party also noted in relation to apartments that the assumption that 30% of the apartment schemes would be sold on completion is an optimistic and unrealistic assumption and may only be achievable in prime markets in the Borough.

## Conclusion

- 4.92 We have considered the comments and observations that have been made in relation to the two consultation exercises and have provided some brief comments above in relation to some of the points made. We have also considered some of the points raised in more detail at **Section 5** in formulating our approach to the testing and at **Section 6** in assessing appraisal assumptions to be adopted. Clearly even amongst the respondents there is a difference of opinion in relation to certain items for example profit and development programme so we have endeavoured to reach a balanced and reasonable conclusion based on the evidence that is available and our own experience of such matters.

## 5.0 METHODOLOGY AND TESTING TYPOLOGIES

### Appraisal Methodology

- 5.1 The LPEVS was part of the Local Plan evidence base and the Local Plan Inspector in his report confirmed that the findings of the economic viability study (EVS) prepared on behalf of the Council by Keppie Massie and WYG, *'were broadly accepted by all parties and appear sound'*.
- 5.2 The LPEVS adopted the residual methodology and as noted at paragraph 3.10 of the LPEVS this is *'where the value of the completed development is assessed and the cost of undertaking the development (including the cost of land, finance and planning obligations) is deducted, along with a target developer's profit return. The residual sum that is left represents the development surplus or "headroom". Consideration of this then allows an informed decision to be made about the viability of the development in general, and in particular, the ability to fund other planning policy options, involving additional costs for development, including developer contributions policies and also the prospect for the introduction of a CIL tariff.'*
- 5.3 Table 5.1 below illustrates this approach.

<b>Gross Development Value (value of the completed development scheme)</b>
Less
Cost of Development (inclusive of build costs, fees, finance, 'base input' land cost)
Less
Cost of Plan Policies
Less
Developers Profit Return
<b>= Development Surplus for CIL</b>
<b>Application of 'buffer'</b>

Table 5.1: Residual Approach

- 5.4 The CIL Guidance contained within the PPG suggests that it would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust. Our methodology therefore means that having identified the maximum surplus that is available for CIL we then apply an appropriate 'buffer'.

- 5.5 During the consultation that has taken place regarding the PDCS and then the recent update consultation on the methodology and appraisal inputs, no issues were raised with this methodology and comments received suggested that it was acceptable. We therefore proposed to use this methodology for the purpose of informing the Draft Charging Schedule. It has previously been found sound by the Local Plan Inspector and has been accepted by stakeholders.
- 5.6 The overarching theme of our testing is to ensure viability so that future development in Sefton is not put at risk. In this context we have had regard to the definition of viability contained in the National Planning Policy Framework (NPPF) which states that:-
- 5.7 ***"To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable."***
- 5.8 Furthermore the CIL Guidance contained within the PPG states that:-
- "Charging Authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (the Local Plan in England)"*
- 5.9 The CIL guidance indicates that charging schedules should be consistent with and support the implementation of up-to-date relevant plans (the relevant plan being the Local Plan) and where practical charging schedules should be worked up and tested alongside the Local Plan. Hence we have carried forward the same methodology and approach to that within the LPEVS save as to update the study to reflect more recent appropriate available evidence.

#### **Residential Development Scenarios**

- 5.10 As noted at para 2.10 of the CILEVS the CIL Guidance recommends the use by Charging Authorities of an "area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge." It is also suggests that Charging Authorities should directly sample an appropriate range of site types with a focus on strategic sites on which the plan relies and also those sites where the impact of the levy is likely to be most significant ie. brownfield sites. Fine grained sampling is also likely to be necessary where an authority wishes to set differential rates.

- 5.11 In undertaking the viability testing to inform the DCS we have adopted the testing typologies that were used for the LPEVS. We have however updated these typologies as considered appropriate to reflect changes to the Local Plan Policies and comments received from respondents during the previous consultation exercises.

*Residential Testing Typologies*

- 5.12 The LPEVS adopted a range of generic viability testing for sites of 5 up to 100 dwellings alongside testing of many of the proposed allocations. The approach reflected the guidance and was found to be sound by the Local Plan Inspector.
- 5.13 A number of the consultation responses that have been received have suggested that the generic testing should be extended to consider the viability of larger sites from 250 to 1,000 dwellings. This was suggested because it was not guaranteed that the larger proposed allocation sites that had been tested would in fact be eventually be allocated a part of the Local Plan.
- 5.14 The Inspectors Report has in fact confirmed these allocations and the Council do not anticipate based on the SHLAA evidence that any larger sites are likely to come forward for development in the Borough aside from those that have been allocated. We have therefore updated the viability assessments based on the generic testing up to 100 dwellings and in addition have prepared updated assessments of the Local Plan Allocations that were tested as part of the LPEVS and the previous CILEVS.
- 5.15 Table 5.2 summaries the generic testing typologies that have therefore been adopted. Consistent with the LPEVS we have undertaken the testing based on both greenfield and brownfield sites.

Scheme	No Dwellings
1	5
2	10
3	15
4	20
5	50
6	100

Table 5.2: Generic Residential Typologies Tested

5.16 In terms of the specific sites that have been tested, a number of modifications have been made to the sizes and capacities of these sites through the progress of the Local Plan. Our testing is therefore based on the up to date position contained in Local Plan Policy MN2 of the Adopted Local Plan. Table 5.3 contains a summary of the specific allocations that we have tested together with details of the gross site area and number of dwellings. For ease of reference the sites have been grouped to show their location in the Borough with reference to the zones that were adopted in the PDCS.

Location	(Local Plan Ref) Site Address	Site Area(ha)	Capacity
<b>Formby/ Hightown (Central)</b>	(MN2.17) Land at Liverpool Road	14.2	319
	(MN2.12) Land north of Brackenway	13.7	286
	(MN2.20) Land at Andrew's Close	3.3	87
	(MN2.21) Land at Elmcroft, Hightown	6.5	120
<b>Southport (North)</b>	(MN2.4) Land at Moss Lane – Churchtown South	18.3	450
	(MN2.2) Land at Bankfield Lane – Churchtown North	9.0	300
	(MN2.6) Land adj Dobbies Garden Centre	6.8	174
	(MN2.8) Former Ainsdale Hope School, Ainsdale	9.2	120
	(MN2.11) Land south of Moor Lane, Ainsdale	3.2	69
	(MN2.5) Land At Crowland Street, Southport	25.8	678
	(MN2.3) Former Phillips Factory, Balmoral Drive, Southport	6.0	158
<b>Maghull/Aintree (East)</b>	(MN2.32) Wadacre Farm, Melling	5.5	135
	(MN2.31) Land east of Waddicar Lane, Melling	6.0	178
	(MN2.29) Land North of Kenyons Lane, Lydiate	10.1	296
	(MN2.47) Land East of Maghull	85.8	1,400
<b>Thornton/Aintree (East)</b>	(MN2.26) Land at Lydiate Lane, Thornton	10.2	265
	(MN2.25) Land at Holgate, Thornton	8.4	221
	(MN2.27) Land south of Runnells Lane, Thornton	5.3	137
	(MN2.34) Land at Wango Lane, Aintree	1.8	25
<b>Bootle (South)</b>	(MN2.42) Former St Wilfrid's School, Bootle	6.6	160

Table 5.3: Local Plan Allocations Tested

- 5.17 In addition to the above we have undertaken viability testing in relation to standalone apartment developments of 10 and 50 dwellings. This testing was undertaken in the LPEVS and the CILEVS and has been updated to reflect current market circumstances.

*Density and Site Areas*

- 5.18 **Policy HC3** of the modifications version of the Local Plan requires that new residential development must achieve a minimum density of 30 dwellings per hectare. The viability testing for generic site typologies undertaken for the LPEVS was based on densities of 30 and 40 dwellings per hectare. The capacities identified for the Local Plan sites were based on 35 dwellings per hectare.
- 5.19 As part of the recent consultation exercise a response on behalf of a national house builder suggested that testing at 35 dwellings per hectare is more appropriate of national housebuilder expectations.
- 5.20 As noted at para 4.58 this comment is consistent with our experiences and also reflects the approach adopted by the Council in assessing delivery of the allocations sites. We have therefore prepared our updated viability testing for the generic sites based on 35 dwellings per hectare this brings the testing in line with the density assumptions used for the larger strategic sites at 35 dwellings per hectare to inform the Local Plan capacities.
- 5.21 It likely that in certain locations particularly on brownfield sites in the existing built up area that higher density development at 40 dwellings per hectare will take place.
- 5.22 The gross and net site areas that were adopted for the viability testing of the generic sites in LPEVS were based on the gross and net site area calculation that was contained in the 2013 Strategic Housing Land Availability Assessment (SHLAA). As part of the Local Plan Evidence base this was updated and a 2015 version of the SHLAA was produced. The 2015 SHLAA contained the same calculation as the 2013 version for establishing gross and net site areas. This is summarised in table 5.4.

Total Site Area	Net Developable Area
Less than 0.4ha	100% of site area
0.4ha to 2ha	90% of site area
Sites over 2ha	75% of site area

Table 5.4: SHLAA (2015) Gross and Net Site Area Calculations

5.23 A small number of the consultation responses comment on the land take for larger schemes over 300 dwellings and suggest that they would expect to site a much higher land take for public open space than 25% based on the SHLAA calculation.

5.24 The SHLAA, including the approach to calculating the gross/net site area was considered by the Local Plan Inspector at the Examination Hearing and was found to be sound. We have therefore retained this approach for the purpose of our generic viability testing. In terms of the specific allocations that we have tested each allocation was considered in detail at the examination hearing including consideration of the land take and dwelling capacity and appropriate adjustments have been made through the plan process. For these specific allocations we have adopted the capacities and land areas from the adopted Plan.

#### Dwelling Mix and Sizes

5.25 **Policy HC2** of the Local Plan provides that in developments of 25 or more dwellings, the mix of new properties provided must be as follows unless precluded by site specific constraints, economic viability or prevailing neighbourhood characteristics:-

- A minimum of 25% of market dwellings must be 1 or 2 bedroom properties
- A minimum of 40% of market dwellings must be 3 bedroom properties

5.26 The mix of dwellings that we adopted for the purpose of the LPEVS and the CILEVS is summarised in table 5.5.

No Beds	1	2	3	4	5
% Overall	5%	35%	50%	6%	4%

Table 5.5: LPEVS and CILEVS Overall Dwelling Mix

5.27 In addition the affordable dwelling mix that was assumed for the LPEVS and the CILEVS is contained at table 5.6.

No Beds	1	2	3	4	5
% Overall	5%	35%	60%	0%	0%

Table 5.6: LPEVS and CILEVS Affordable Dwelling Mix

5.28 The number of bedspaces is then used for calculating the number of affordable units. Table 5.7 contains details for the schemes of 15 units and over of the number of market and affordable dwellings contained in the LPEVS and CILEVS testing assuming 30% affordable housing provision by bedspaces.



No Beds		1	2	3	4	5	Total
Scheme 3	Market		3	5	1	1	10
	Affordable	1	2	2			5
	% Market	0%	30%	50%	10%	10%	100%
Scheme 4	Market		4	7	1	1	13
	Affordable	1	3	3			7
	% Market	0%	31%	53%	8%	8%	100%
Scheme 5	Market		12	16	3	2	33
	Affordable	2	6	9			17
	% Market	0%	36%	48%	9%	7%	100%
Scheme 6	Market	2	19	34	6	4	65
	Affordable	3	16	16			35
	% Market	3%	29%	52%	9%	6%	100%

Table 5.7: Market/Affordable Housing Percentages in LPEVS and CILEVS

5.29 Table 5.7 shows that based on the overall housing mix and the affordable housing mix, the percentages of market housing for the 1, 2 and 3 bed units fall within the requirements of Policy HC2. The market housing percentages based on this mix are also broadly similar for the site specific testing undertaken previously.

5.30 In the most recent February 2017 consultation it was suggested that a revised overall dwelling mix should be adopted based on the following which included a greater number of 4 bed dwellings:-

- 1 bed – 5%
- 2 bed – 25%
- 3 bed – 45%
- 4 bed – 20%
- 5 bed – 5%

- 5.31 Adopting a scheme of 100 dwellings we have applied the affordable dwelling mix at table 5.6 to this suggested overall mix. Based on the number of bedspaces we have then calculated the percentages of market houses to determine whether this revised mix would form an appropriate basis for testing of schemes based on Policy HC2. Our calculations show that this mix at 30% affordable housing provision would result in 15% of the 1 and 2 bed houses being market housing and 44% being 3 bed dwellings. This would not meet the requirements of HC2 as the number of 1 and 2 bed units are less than the policy requirement of 25%.
- 5.32 The inclusion of a greater number of 4 and 5 bed dwellings would normally improve the viability of the development. In undertaking the testing for the LPEVS and the CILEVS the mix that was adopted results in generally a slightly higher number of 1, 2 and 3 bed market units than the policy requirement. It is possible that an adjusted mix with a slightly higher number of larger units could be incorporated in the current viability testing which would improve the viability and accord to market expectations.
- 5.33 With reference to the dwelling sizes and mix adopted in the LPEVS and the CILEVS table 5.8 contains details of the built floorspace per net developable acre for the generic developments of 15 units and above assuming a development density at 35 dwellings per hectare.

Scheme	Number of Dwellings	Floorspace (sq.ft per acre)
3	15	12,779
4	20	12,543
5	50	12,493
6	100	12,479

Table 5.8: Built floorspace sq.ft per acre

- 5.34 This amount of built floorspace at around 12,500 sq.ft per acre is comparatively low and a relatively uneconomical use of the site. Typically we would expect to see development floorspace at closer to 13,500 to 14,000 sq.ft per acre. We have therefore considered whether for the purpose of the updated viability testing for the DCS any adjustments to the dwelling sizes and also the mix may be required.
- 5.35 The dwelling sizes that were adopted for the purpose of the LPEVS and CILEVS were based on an analysis of 10 planning applications for larger schemes in Sefton that had been consented in the period prior to the study. We have refreshed this information by considering a sample of more recent planning applications to ensure that the dwelling sizes remain consistent with development in the Borough. Details of the schemes analysed and our overall analysis is contained at **Appendix 4**. The analysis also considers whether there were any differences between dwelling sizes in the more affluent northern and eastern parts of the Borough in comparison with Bootle and Netherton in the south.

- 5.36 Table 5.9 contains the summary analysis of dwellings sizes split between Bootle and Netherton in the south and the rest of the Borough.

No Beds	1	2	3	4	5
Rest of Borough (sq.m)	58	70	92	126	157
Rest of Borough (sq.ft)	627	757	992	1,358	1,695
Bootle/Netherton	0	65	90	112	118
Bootle/Netherton	0	700	970	1,208	1,275

Table 5.9: Dwelling Sizes from Planning Application Analysis

- 5.37 Table 5.10 contains details of the dwelling sizes that were previously tested in the LPEVS and CILEVS across the entire Borough.

No Beds	1	2	3	4	5
Size (sq.m)	56	65	86	116	158
Size (sq.ft)	603	700	925	1,250	1,700

Table 5.10: Dwelling Sizes Assumed in LPEVS and CILEVS

- 5.38 In comparison with the dwelling sizes from the recent planning applications analysed, the dwelling sizes at table 5.10 appear to be low in certain instances particularly in relation to the 3 bed houses, and also in relation to the 4 bed houses in the north of the Borough. By comparison the size of the 5 bed houses in the south of the Borough is significantly less than that assumed in the earlier testing.
- 5.39 In the circumstances we have made some adjustments to the size of the dwellings to be tested and have also adopted slightly different dwelling sizes for the testing in Bootle and Netherton in comparison with the rest of the Borough. Table 5.11 contains details of the dwelling sizes that we have adopted for testing in Bootle and Netherton in the south of the Borough and table 5.12 contains the respective dwelling sizes for testing in the rest of the Borough.

No Beds	1	2	3	4	5
Size (sq.m)	58	70	91	112	119
Size (sq.ft)	625	753	980	1,200	1,275

Table 5.11: Dwelling Sizes Adopted for Bootle and Netherton

No Beds	1	2	3	4	5
Size (sq.m)	58	70	91	125	158
Size (sq.ft)	625	753	980	1,350	1,700

Table 5.12: Dwelling Sizes Adopted for Rest of the Borough

- 5.40 In establishing these dwelling sizes we have also been mindful of the Housing Technical Standards – Nationally Described Space Standards particularly in the context of the smaller dwellings.
- 5.41 These revised dwelling sizes formed part of the February 2017 consultation and no particular issues were raised except that the size of the 1 bed house was too large and that the 5 bed house was too small in the south and too large in the rest of the Borough. The one bed dwelling size now meets the requirements of the space standards whilst the size of the 5 bed house is broadly reflective of the planning application analysis.
- 5.42 One of the comments received as part of the consultation was about the treatment of garages and in particular the expectation that garages would need to be provided for developments in the more affluent parts of the Borough. In undertaking our updated testing we have therefore included garages in our testing outside of Bootle and Netherton. Table 5.13 contains details of the assumptions that we have made regarding the number and size of garages.

No Beds	Percentage with garages	Garage Size (sq.m)
3	50%	14
4	100%	14
5	100%	28

Table 5.13: Assumptions relating to Garages

- 5.43 Having reviewed the sizes of the dwellings to be tested we have then considered whether any adjustments to the dwelling mix can be made to address the comments made that the proposed mix is not reflective of market conditions as generally and the provision of 4 bed houses is higher than 6% in schemes. In considering any adjustments to the mix that might need to be made to address these comments and achieve a more realistic floorspace per acre we have been mindful of Policy HC2 which seeks to achieve a minimum of 25% of market dwellings as 1 and 2 bed and 40% of market properties as 3 bed.

- 5.44 We have considered a number of options to try to achieve an overall mix that accords with the HC2 policy requirements. As a result of this analysis table 5.14 contains details of the updated overall mix that we propose to test for the current viability assessments. We have also included details of the affordable housing mix which is the same as that adopted in the LPEVS and the CILEVS.

	1 bed	2 bed	3 bed	4 bed	5 bed
Overall Mix	5%	31%	42%	20%	2%
Affordable Mix	5%	35%	60%		

Table 5.14: Overall Housing Mix and Affordable Housing Mix

- 5.45 Based on scheme 6 of 100 dwellings table 5.15 contains details of the respective number of market and affordable dwellings based on these mixes.

No Beds	Market	Affordable	% Market Housing	Overall Total %
1	1	4	2%	5%
2	15	16	24%	31%
3	25	17	40%	42%
4	20		32%	20%
5	2		3%	2%
	63	37	100%	100%

Table 5.15: Housing Mix Applied to Scheme 6

- 5.46 Table 5.15 shows that based on the proposed revised mix the number of 1, 2 and 3 bed market houses meets the policy requirements contained at Policy HC2.
- 5.47 We have also calculated the revised floorspace per acre based on this revised mix and the adjusted dwellings sizes for the testing in the Borough (outside Bootle and Netherton). Details of the square footage of floorspace per acre for the generic schemes of 15 dwellings and above is contained at table 5.16.

Scheme	Number of Dwellings	Floorspace (sq.ft per acre)
3	15	13,514
4	20	14,215
5	50	13,895
6	100	13,877

Table 5.16: Built floorspace sq.ft per acre Based on Revised Housing Mix and Dwelling Size

- 5.48 Based on the revised mix and dwelling sizes, table 5.16 shows that the floorspace per acre is now at a more typical market level. The mix still meets the requirements of policy HC2 but the amount of floorspace represents a more market facing and economical site coverage.
- 5.49 In considering the viability of apartments in the current testing we have carried forward the apartment mixes and sizes that were used for the viability testing in the previous studies as generally the consultation comments received appeared to be in broad agreement with the assumptions. For clarity details of the mix are provided in table 5.17.

No Beds	1	2	3
10 dwellings	3	7	
50 dwellings	10	30	10

Table 5.17: Summary of Apartment Mixes

- 5.50 In terms of the apartment sizes the dwelling sizes contained in the LPEVS and CILEVS are outlined at table 5.18.

No Beds	1	2	3
Size (sq.m)	56	70	86
Size (sq.ft)	603	750	925

Table 5.18: Apartment Sizes Assumed

- 5.51 No particular comments have been received regarding the actual sizes of the apartments either through the recent consultation or the PDCS consultation other than one comment that suggested that the apartment sizes fall in line with expectations. Some comments were received relating to the ratio between the sales area of the apartments and the overall gross internal area including common parts. Our assessment is based on a ratio of 85%. One respondent suggested that this was highly efficient and 80% was more likely, whilst another suggested that the gross internal area could be a further 10-15% of the net sales area, which accords with our experiences and the testing proposals. We have therefore not made any adjustments to the ratio proposed at 85%.

### Local Plan Policies

- 5.52 Based on the adopted version of the Local Plan we have provided table 5.19 which provides a summary of the key local plan policies which have an impact on viability and our approach to testing them in the study.

Requirements	Viability Consideration
<b>Affordable Housing</b>	<p>Based on 30% on site provision (measured by bedspaces) on schemes of 15 dwellings or more. Assumes 80% affordable/social rent and the balance of 20% intermediate.</p> <p>In Netherton and Bootle the testing is based on 15% affordable housing provision (measured by bedspaces) with an equal split between rented and intermediate.</p>
<b>Housing Mix, Choice and Type</b>	<p>In developments of 25 or more dwellings, the mix of properties must provide:-  A minimum of 25% of market dwellings as 1 or 2 bed properties  A minimum of 40% of market dwelling as 3 bed properties.</p> <p>The housing mix we have adopted for our testing enables these criteria to be achieved.</p>
<b>Open Space Provision</b>	<p>The development typologies for each site reflect any relevant requirements for public open space, and therefore the construction cost assessments are reflective of this. Provision is also made for play areas, as appropriate, within the construction costs.</p>
<b>Sustainable Urban Drainage Systems (SUDs)</b>	<p>The form of development tested and in particular the inclusion of open spaces addresses this requirement, and the cost assessments make provision for all associated SUDs costs.</p>
<b>Infrastructure Provision</b>	<p>The site specific viability assessments have been prepared to reflect the comments and requirements of the Highways Team at Sefton and any site specific policies contained in the plan.</p> <p>In addition our appraisals are inclusive of a residual S106 contribution. For the generic testing we have increased the residual S106 contribution to £1,000 per dwelling.</p> <p>The larger site specific testing includes residual S106 contributions of £1,500 - £2,000 per dwelling.</p>
<b>Optional Technical Standards M4 (2) (accessible and adaptable dwellings)</b>	<p>For developments of 50 or more dwellings we have assumed that 20% of new market properties will be designed to meet these requirements. We have included an additional allowance of £1,050 per dwelling to meet these requirements.</p>

Table 5.19: Local Plan Policies – Viability Considerations

- 5.53 Our approach to the LPEVS and CILEVS reflected the majority of these policies and our approach to testing reflected the viability considerations outlined. No particular issues were raised to this approach as part of the Local Plan Examination and the Inspector found the study to be sound.
- 5.54 Some of the comments received through the PDCS consultation suggested that the amount that was included in the generic viability testing for residual S106 payments following the introduction of CIL was low at £500 per dwelling. The Council is not expecting there to be any significant requirements for S106 payments following the introduction of CIL, however to allow a more robust position we have included an increased allowance at £1,000 per dwelling for schemes of 100 dwellings or less, £1,500 per dwelling for 101 to 500 dwellings and £2,000 per dwelling for over 500 units.
- 5.55 The requirement for Optional Technical Standard M4(2) was considered during the examination hearings and in conjunction with WYG we prepared a separate briefing note to deal with the impacts of this requirement on the basis of an additional cost of £1,000 per dwelling. During the recent consultation it was suggested that this may be too low. WYG have updated the allowance and have suggested a revised sum of £1,050 per dwelling which we have included in the testing.



## 6.0 RESIDENTIAL PROPERTY MARKET UPDATE AND APPRAISAL ASSUMPTIONS

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### Overview of Sefton

- 6.1 Sefton has five major settlements, Bootle, Crosby, Formby, Maghull and Southport. The borough itself is one of contrasts, with three main identifiable bands. South Sefton includes Bootle and the surrounding areas of Litherland, Seaforth and Netherton. Central Sefton contains a number of settlements sitting in-between both Bootle and Southport, and includes the principal areas of Crosby, Formby and Maghull. North Sefton includes Southport (incorporating Ainsdale, Birkdale and Churchtown).
- 6.2 South Sefton has some of the most deprived areas in the Country, such as Bootle and the surrounding areas of Netherton, Litherland and Seaforth. These areas share the metropolitan character of north Liverpool, and were built at a similar time as the Port of Liverpool expanded northwards during the 19<sup>th</sup> century. As a result, South Sefton retains a high proportion of high density Victorian terraced accommodation. Due to continued urban expansion principally in the 1960's, the area includes significant housing estates, (both public and private) as suburbanisation pushed the 'Greater Liverpool' metropolitan area outwards.
- 6.3 Central Sefton is located at the edge of the 'Greater-Liverpool' metropolitan area, and incorporates a number of towns and villages, which act as commuter settlements for the Liverpool and elsewhere. A number of these towns and villages such as Maghull and Formby are relatively affluent.
- 6.4 North Sefton incorporates Southport, which is one of the North West's largest coastal resorts and both the Seafront and Lord Street continue to act as a destination for shoppers and tourists. Unlike Central Sefton, a high proportion of Southport's inhabitants live and work in Southport. The area is also popular amongst retirees and a significant proportion of the population is over 55.
- 6.5 In the recent past initiatives such as Housing Market Renewal have tended to focus new housing development in Bootle and the immediate areas with a restraint policy in the rest of the Borough limiting the amount of new housing developments. Although this restraint policy was removed a number of years ago the result has been a very limited amount of new housing development in the Borough outside of Bootle. This means that in preparing both the LPEVS and the CILEVS there was very limited transactional information in relation to new housing developments in certain part of the Borough.

### Residential Property Market

#### 6.6 PDCS and Previous Sales Price Assumptions

The PDCS for Sefton seeks to levy a CIL charge mainly in relation to new housing development. Four zones are proposed, namely:-

- a) A south zone which includes Bootle and Netherton in which a zero charge is proposed
- b) A north zone which includes Southport, Birkdale and Ainsdale in which a £40 charge is proposed
- c) An eastern zone which includes the Maghull, Lydiate, Melling, Thornton and Aintree where it is proposed to charge £60, and
- d) A central zone which includes Formby, Crosby and Hightown where a £125 charge is proposed

6.7 In undertaking the viability testing for the LPEVS we assumed the sales values contained at table 6.1.

Zone	Settlement	Sales Value per sq.m	Sales Value per sq.ft
<b>1</b>	Bootle, Seaforth	£1,615	£150
<b>2</b>	Litherland, Orrell, Netherton, Waterloo	£1,830	£170
<b>3</b>	Aintree, Rural Hinterland, Thornton	£2,045	£190
<b>4</b>	Southport, Ainsdale, Hightown, Crosby, Maghull	£2,155	£200
<b>5</b>	Birkdale, Formby, Blundellsands	£2,370	£220

Table 6.1: House Price Zones LPEVS

6.8 The CILEVS retained the same values however noted that at that time Crosby had the highest average prices in the Borough and hence the boundary of Zone 5 was adjusted to include Crosby and Hightown.

6.9 Sometime has now passed since the evidence base was compiled for both the LPEVS and CILEVS and we have therefore considered whether based on the available evidence there is any justification for adjusting the sales prices that were previously tested, or amending the value zones for the purpose of the current testing.

Residential Market Overview (Summer 2017)

6.10 Following national trends, average house prices in Sefton have recovered since the economic decline of 2012 with a new highest average house price of £155,579 recorded in September 2016. This follows the previous high of £155,282 recorded in July 2008. The lowest average house price of £131,783 was recorded in May 2013. The volume of transactions in the Borough has reduced from an average of around 410 per month in 2006 to an average of around 340 per month throughout 2016. This represents a decrease in sales of around 16.8%. The average dwelling sold for £154,590 in May 2017.

6.11 Table 6.2 indicates that detached and semi-detached house prices in Sefton are above that of the North West average but below that of the national average. The average price of terraced houses and flats are lower than the North West average. Table 6.2 shows that the average dwelling price in Sefton is £154,590; slightly higher than the North West average of £153,415; however, both are considerably lower than the national average of £232,889. Detached dwellings in Sefton average £268,337, semi-detached dwellings average £164,245, terraced dwellings average £115,447 and flats average £99,719.

Area	Detached	Semi – Detached (£)	Terraced (£)	Maisonette/ Flat (£)	All (£)
<b>Sefton</b>	£268,337	£164,245	£115,447	£99,719	£154,590
<b>North West</b>	£264,054	£162,360	£116,427	£116,069	£153,415
<b>England &amp; Wales</b>	£347,021	£216,391	£186,044	£223,456	£232,889

Table 6.2: Average House Prices in Sefton, North West and England & Wales (May 2017 – Land Registry)

6.12 We have provided as figure 6.1 a graph taken from Land Registry data which shows average house prices in Sefton over the period since the LPEVS was published in December 2014.

Average price: Sefton from December 2014 to May 2017

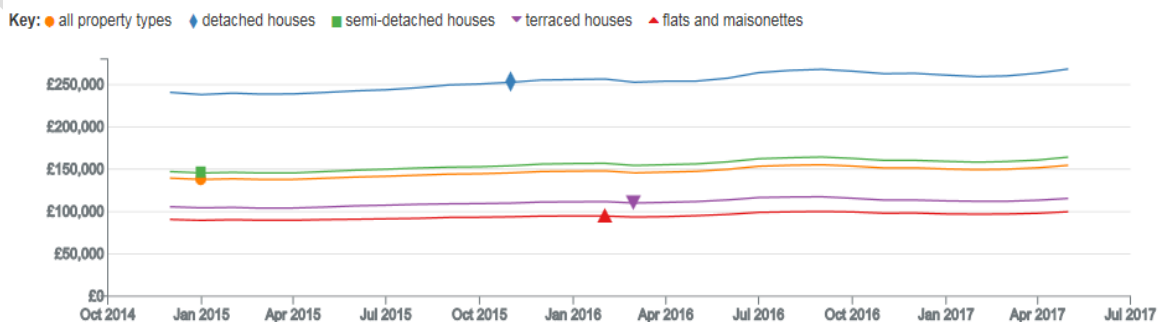


Figure 6.1: House Prices in Sefton December 2014- May 2017 (Source Land Registry)

- 6.13 With reference to the data taken from Land Registry table 6.3 contains details of the average house price in Sefton at the point that the LPEVS was published in December 2014, the average house price at the point that the evidence base refresh was undertaken for the CILEVS in October 2015 and then the most recent data for May 2017.

December 2014	October 2015	May 2017
£139,430	£144,589	£154,590

Table 6.3: Average House Prices December 2014-May 2017 (Source Land Registry)

- 6.14 The average house price data shows that average house prices have increased in Sefton by 10.9% over the period since the publication of the LPEVS and by 6.9% over the period since the CILEVS was prepared. This increase in house prices in Sefton indicates that the sales values that have so far been adopted in the viability testing may need to be increased to reflect higher current house prices in Sefton.

Relative Values within Sefton

- 6.15 We have also considered the pattern of relative house prices within Sefton. Based on data taken from Land Registry we have prepared table 6.4. This is based on all dwelling sales in Sefton over the 12 month period 1 April 2016 to 31 March 2017 and shows average house prices by ward, in ascending order.
- 6.16 For comparative purposes we have included a reference for each ward to the value zone where it is currently situated for the purpose of the CILEVS. Obviously this data relates to all sales not just new build, so the sales prices paid are reflective the character, condition and size of the dwellings. It does however give a useful indication of the hierarchy of values in the Borough.
- 6.17 With reference to table 6.4 we have noted that generally the sales price information is consistent with the value zones that we have adopted. There are however a number of wards where further consideration may be required. Molyneux ward for example includes the settlements of Aintree and Melling and there appears to be some relatively low house prices in certain parts of the ward which could lead to an adjustment in prices and/or CIL charging boundaries.
- 6.18 Victoria is currently included in value Zone 5 although in relative terms the values here are closer to some of the Zone 4 figures. Parts of Victoria do however contain large areas of former Local Authority Housing and also older Victorian houses which tend to be of lower value and in turn reduce the overall average for the ward. The values of these types of houses in Victoria are likely to be very different from the values that would be achieved on the sale of new build properties.

- 6.19 The house prices in Southport and Maghull (Sudell) in Zone 4 appear to be consistent with the average price information. However the house prices in Dukes and Ainsdale are higher than for the rest of Southport and suggest that houses prices here are closer to those for Birkdale and these wards should be moved to Zone 5. The average house prices in Park Ward also indicate that values here may be closer to Zone 5 values.
- 6.20 The most expensive houses are in Ravenmeols and Harrington in Formby and Bludellsands in Crosby. The average prices in these locations appear to be significantly higher than in the rest of the Borough.

Ward Name	Value Zone	No Sales	Min Price	Max Price	Average Price
Linacre	1	176	£25,500	£245,000	£66,831
Derby	1	135	£33,500	£250,000	£82,564
Litherland	2	137	£30,000	£204,665	£89,914
St Oswald	2	97	£28,200	£250,000	£92,541
Ford	2	119	£38,000	£285,000	£108,607
Netherton & Orrell	2	153	£35,000	£210,000	£131,086
Molyneux	3	170	£25,000	£360,000	£154,350
Church	2	177	£34,000	£495,000	£155,422
Norwood	4	216	£62,500	£412,500	£156,457
Cambridge	4	212	£27,500	£624,000	£161,241
Kew	4	228	£40,000	£437,500	£165,337
Victoria	5	254	£39,990	£450,000	£175,874
Sudell	4	138	£75,000	£430,000	£176,099
Meols	4	205	£59,950	£520,000	£180,425
Park	4	202	£29,144	£800,000	£190,785
Ainsdale	4	252	£40,000	£550,000	£200,259
Birkdale	5	202	£77,000	£575,000	£202,075
Manor	5	159	£52,920	£555,000	£202,677
Dukes	4	310	£28,500	£1,100,000	£211,084
Ravenmeols	5	206	£60,000	£675,000	£235,536
Blundellsands	5	189	£42,000	£1,392,000	£277,826
Harrington	5	186	£95,000	£2,800,000	£338,014

Table 6.4: Average Sale Price by Ward 1 April 2016-31 March 2017 (Source Land Registry)

- 6.21 The data from table 6.4 has also been used to prepare figures 6.2 and 6.3 which are a 'heat map' of house prices in the Borough and then a map showing the relative average prices by ward.

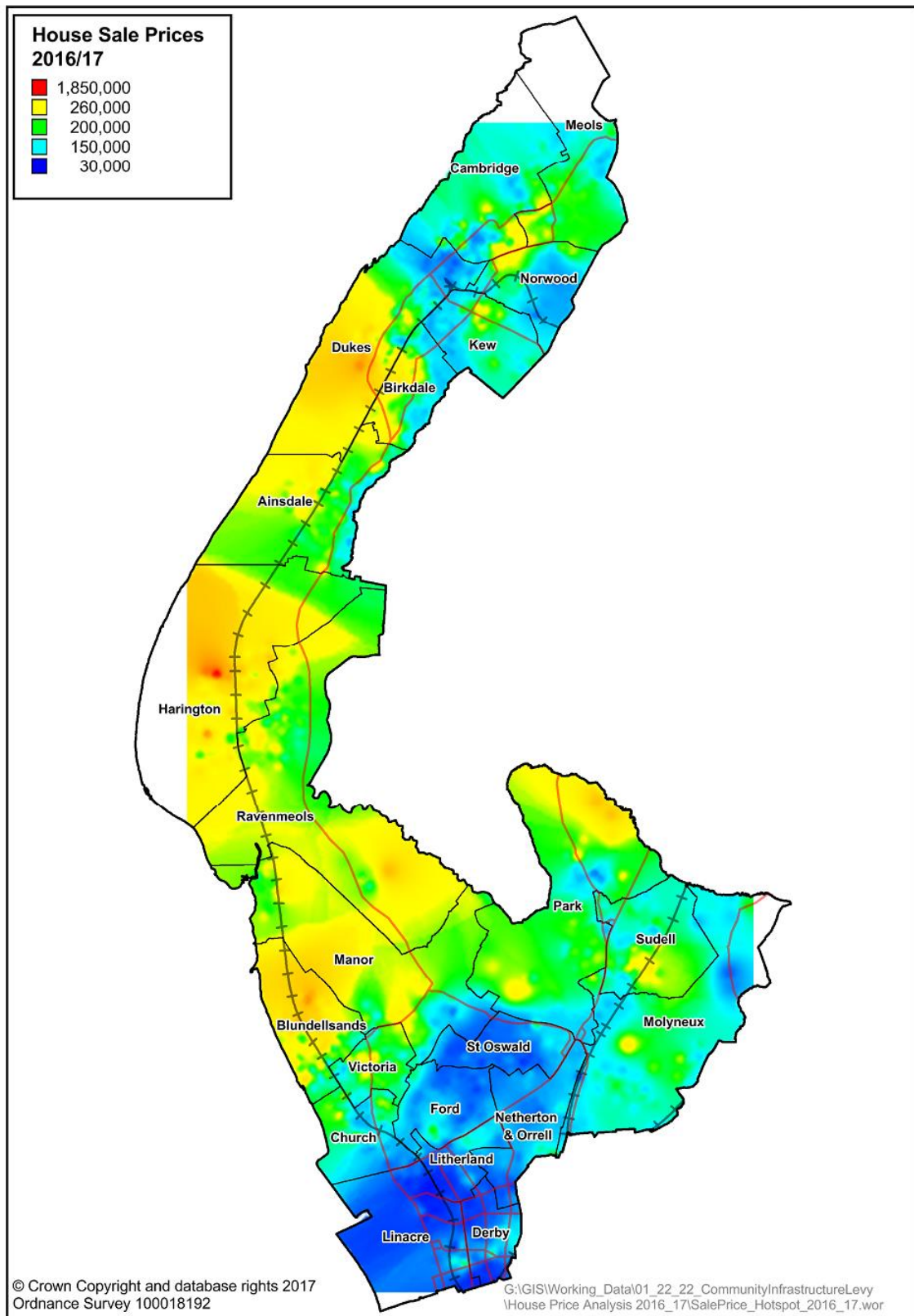


Figure 6.2: House Price 'Heat Map'

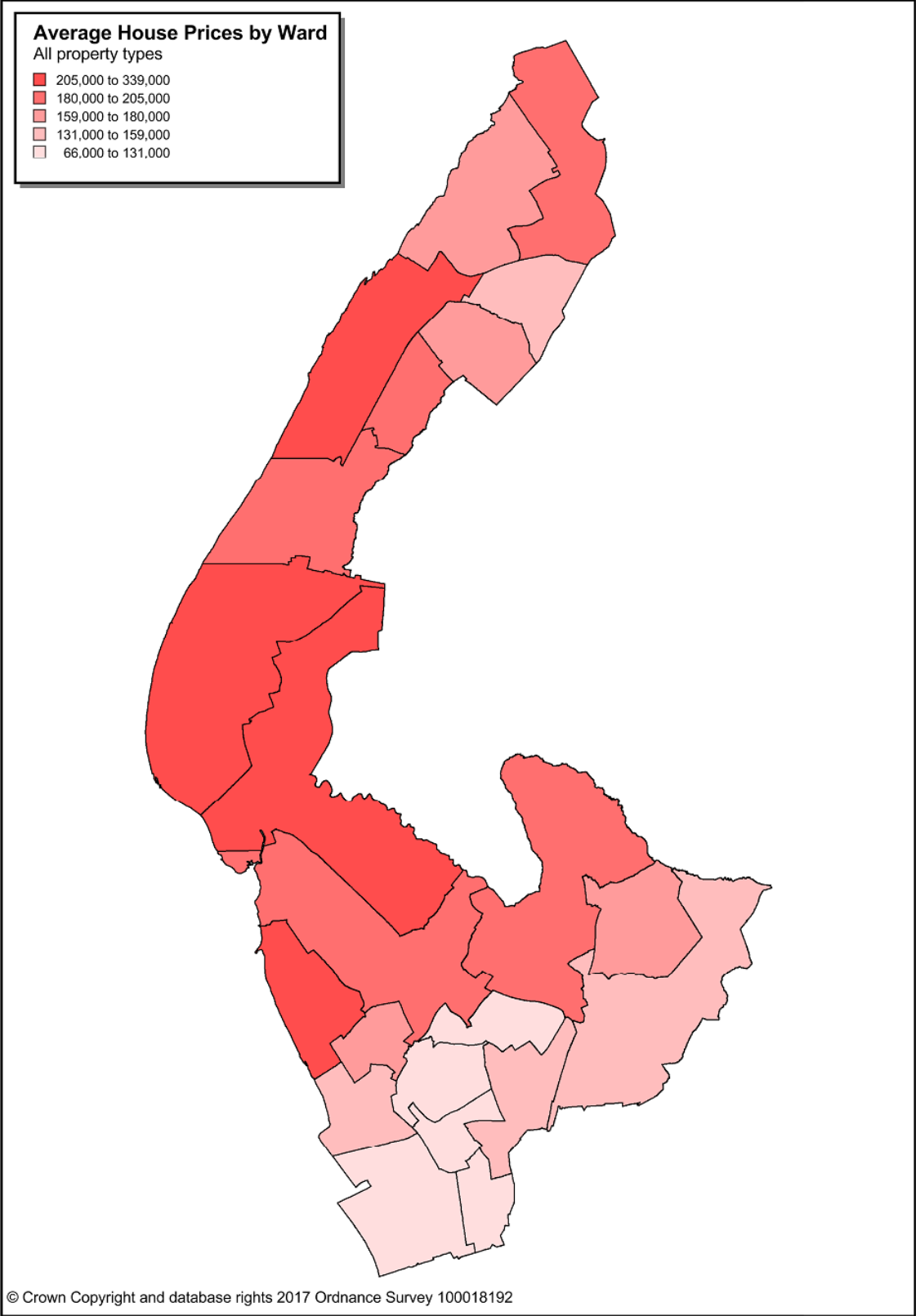


Figure 6.3: Average House Price by Ward

*New Housing Developments*

- 6.22 The data contained in the preceding paragraphs is helpful to gain an understanding of relative house prices in Sefton and provides a useful insight into the characteristics of the types of houses in the Borough. It does however relate principally to re-sales of properties and hence will reflect the condition of those properties. To fully inform the study we also need to understand the prices that are likely to be achieved for the sale of newly constructed dwellings. Therefore, the best evidence of house prices for the purpose of the study comes from sales of new dwellings that have recently taken place in Sefton.
- 6.23 To inform our study evidence base we have undertaken an analysis of sales prices (taken from Land Registry) for these newly built housing developments in Sefton. For ease of reference we have tabulated the new build sales evidence with reference to the respective value Zones 1-5. Further data relating to the sales is contained at **Appendix 2**.



Ward	Scheme	Location	Sale Price per sq.m (per sq.ft)	Asking Price per sq.m (per sq.ft)	Comments
Linacre	Regency Park (Keepmoat)	Bootle	<b>£1,379</b> <b>(£128)</b>		The third phase of a residential development, which consists of no 2, 3 and 4 bed dwellings, located within a short walking distance to Bootle Town Centre. The development completed in 2015.
Linacre	Peel Court	Bootle	<b>£1,722</b> <b>(£160)</b>		A development of no 2, 3 and 4 bed dwellings located to the north west of Bootle Town Centre. The development completed in 2016.

Table 6.5: New Housing Developments in Zone 1

Ward	Scheme	Location	Sale Price per sq.m (per sq.ft)	Asking Price per sq.m (per sq.ft)	Comments
Ford	Field Lane	Ford	<b>£1,647</b> <b>(£153)</b>		A development of 14 no. 3 and 4 bed dwellings located in Ford close to the Canal and on the edge of the Rimrose Valley. The development completed in 2015 and the last sale was in November 2015.
Litherland	Churchfields (Bellway)	Litherland	<b>£2,110</b> <b>(£196)</b>		A development of 88 no. 3 and 4 bed dwellings located adjacent to the main Dunningbridge Road linking the motorway to the docks. The development completed in 2016. The last recorded new build sale was in May 2016 at a price equating to £2,153 (£200 per sq.ft).
Netherton & Orrell	Stirling Chase (Bellway)	Netherton	<b>£1,970</b> <b>(£183)</b>		A development of 96no 3 and 4 bed detached and semi-detached houses. The site is adjacent to an industrial estate and close to Aintree Station. The last recorded sale was in November 2016 at a price equating to £2,089 per sq.m (£195 per sq.ft).
Litherland	The Oaks, Field Lane	Litherland	<b>£1,926</b> <b>(£179)</b>		A development of 15 relatively large 3 and 4 bed dwellings on a gated development adjacent to the canal.
Netherton & Orrell	Orrell Gardens (Bellway)	Orrell		£1,970-£2,099 (£183-£195)	A development of 28no 3 and 4 bed houses currently being marketed by Bellway in Orrell. Current asking prices are: Weston £187,995 - £1,970 per sq.m (£183 per sq.ft) Lansdown £183,995 - £2,099 per sq.m (£195 per sq.ft)
Netherton & Orrell	The Paddocks (Persimmon)	Orrell	<b>£2,142</b> <b>(£199)</b>	£1,766-£2,202 (£164-£204)	A development of 109 dwellings by Persimmon adjacent to an industrial area. Current asking prices are Kendal £221,995 - £2,008 per sq.m (£186 per sq.ft) Rufford £177,995 - £2,202 per sq.m (£204 per sq.ft) Runswick (2.5s) £191,995 - £1,766 per sq.m (£164 per sq.ft)

Table 6.6: New Housing Developments in Zone 2

Ward	Scheme	Location	Sale Price per sq.m (per sq.ft)	Asking Price per sq.m (per sq.ft)	Comments
Park	Daverick Mill, Southport Road	Lydiat	<b>£2,519</b> <b>(£234)</b>	£2,583 (£240)	A development of 10 no. detached houses located on a former garage site. The development is located on the main road north out of Lydiat. The development is being constructed on a plot-by-plot basis, and DMD are in the process of marketing units with a number of the plots being sold off-plan.
Suddell	Poppyfields (Persimmon)	Maghull		Asking Prices 2 storey - £2,314 (£215) 2.5 storey - £1,991 (£185)	A development of 369 no. dwellings located to the east of Maghull Town Centre. Construction of the dwellings is currently ongoing. The site was originally intended for the construction of a new prison and it is adjacent to Ashworth Hospital.
N/A	Aughton Chase, Springfield Rd, Aughton (Robbins Bridge Developments Ltd)	Aughton		£2,896 (£269)	This is a small development of detached houses located on the boundary of Lydiat just in West Lancs. The development is situated just off the main A59 Northway, adjacent to Robbins Island. Although the development is situated in West Lancs it provides good evidence of likely values in the better parts of Maghull and Lydiat.
Meols	Ploughmans Close (Kingswood Homes)	Crossens	<b>£2,067</b> <b>(£192)</b>		This development is situated on a busy roundabout junction to the north of Southport. It is on the site of the former Plough Hotel and comprises. 14 no. 2, 3 and 4 bed dwellings. The development completed in 2016. The last sale was in March 2016 at £2,260 per sq.m (£210 per sq.ft).
Meols	Brookfield Close	Crossens	<b>£2,002</b> <b>(£186)</b>		This is a small development on an infill site to the rear of houses in Crossens.
Kew	Pavillion Gardens	Kew	<b>£2,260</b> <b>(£210)</b>		A development of over 600 dwellings by David Wilson Homes close to the hospital on the eastern edge of Southport. Phase 1 of the development is currently under construction.
Kew	Victoria Mews	Kew		£2,293 (£213)	This is a phase of smaller dwellings being constructed by Barratt as part of the wider David Wilson Homes scheme. The overall asking prices for the dwellings include the 2.5 storey dwellings. Excluding these the average asking price is £2,400 per sq.m (£223 per sq.ft).

Ward	Scheme	Location	Sale Price per sq.m (per sq.ft)	Asking Price per sq.m (per sq.ft)	Comments
Kew	The Fallows, Upper Aughton Road (Kingswood Homes)	Southport	<b>£2,045</b> <b>(£190)</b>		<p>This is a development of 12 houses on an infill site in the older residential area of Southport. The dwellings range from 74 sq.m (790 sq.ft) to 92 sq.ft (1,000 sq.ft).</p> <p>We have been advised by the developer that the average sale price was £2,045 per sq.m (£190 sq.ft) and that the dwellings have sold very well.</p>
Ainsdale	Links View (Bellway)	Ainsdale	<b>£2,282</b> <b>(£212)</b>		<p>This is a development of 96 no. 3 and 4 bed dwellings on the main road in Ainsdale. The development is also situated close to a cemetery. The development is complete and the evidence is now slightly historic with the last sale taking place over 12 months ago in April 2016.</p>

Table 6.7: New Housing Developments in Zone 4

## 6.0 Residential Property Market Update and Appraisal Assumptions

Ward	Scheme	Location	Sale Price per sq.m (per sq.ft)	Asking Price per sq.m (per sq.ft)	Comments
Birkdale	Library Gardens (Kingswood Homes)	Birkdale		Oxford £355,000 - £2,626 (£244) Cambridge £214,950 - £2,433 (£226)	This is a development of 6no 4 bed Cambridge detached houses and 6no Oxford semi-detached houses on the site of Birkdale Library. We are advised by the developer that the Oxford House types are 1,450 sq.ft and the Cambridge is 950 sq.ft. The Oxfords are all sold stc or reserved there are two Cambridges remaining.
Victoria	Hawthorn Park (Bellway)	Crosby	<b>£2,250 (£209)</b>		A development of 83 no. 3 and 4 bed dwellings located to the east of Crosby Town Centre. The development completed in 2016. The sales evidence is now slightly historic however there have been some recent re-sales at prices equating to £2,314 (£215) and £2,583 per sq.m (£240 per sq.ft).
Blundellsands	Hall Road East Blundellsands (Forth Homes)	Blundellsands	<b>£3,197 (£297)</b>		A development of 3 no. 4 bed detached houses located to the north east of Crosby Town Centre. The development completed in 2016 and all three properties sold between September 2016 and December 2016.
Manor	Blundell Hamlet (Chelmere Homes)	Hightown	<b>£2,432 (£226)</b>	Marram £475,000 - £2,390 (£222) Thistlemere £375,000 - £2,551 (£237)	This is a small development of 13 large detached houses close to the railway line in Hightown.
Ravenmeols	Orchid Meadows (Bellway)	Formby	<b>£2,680 (£249)</b>		A development of 75 no. 3 and 4 bed dwellings located to the south of Formby Town Centre. The development completed in 2016. The development is located on a brownfield site adjacent to the railway line and overlooking the water treatment works.
Harrington	Victoria Place Golf Road (Sovini)	Formby		£3,369 (£313) to £3,832 (£356)	This is a small development of 4 large detached houses adjacent to Freshfield Railway Station. The houses range from 2,667 sq.ft to 4,315 sq.ft and the asking prices £950,000 to £1,350,000.
Harrington	Pinewoods, Victoria Road (Investec Plc)	Formby		£4,155 (£386) to £5,059 (£470)	A development of 8 detached houses ranging in size from 1,945 sq.ft to 2,476 sq.ft. The asking prices are £895,000 to £955,000.

Table 6.8: New Housing Developments in Zone 5

Summary**Zone 1**

- 6.24 With reference to the to the information contained at table 6.5 there has been a limited amount of new build sales in the Zone 1 Bootle and Seaforth area. From the information the prices paid for new dwellings range from £1,378 per sq.m (£128 per sq.ft) to £1,722 per sq.m (£160 per sq.ft). The testing undertaken in this area was based on a value of £1,615 per sq.m (£150 per sq.ft) and having regard to the evidence of values in Zone 1 this is considered a reasonable basis on which to continue to test residential viability in the area.

**Zone 2**

- 6.25 The viability testing undertaken in both the LPEVS and the CILEVS for the Zone 2 locations was based on values of £1,830 per sq.m (£170 per sq.ft). With reference to the information contained in table 6.6 the prices paid for new build housing in the Zone 2 areas of Litherland, Orrell, Netherton and Waterloo are now generally in excess of this level. The exception is the development at Field Lane where the prices achieved were lower at £1,647 per sq. m (£153 per sq.ft). This is however a more historic development. More recently sales prices for more traditional dwellings (ie. excluding the Oaks gated development) have been in the region of £1,970 to £2,142 per sq.m (£183 to £199 per sq.ft). Based on the available evidence both in relation to sales and asking prices there is justification for an increase in the sales value to be tested in Zone 2. We have therefore adopted a revised rate of **£1,991 per sq.m (£185 per sq.ft)** for our viability testing in this location.

**Zone 3**

- 6.26 There have been no new residential developments in the Zone 3 area recently. The area principally covers Aintree, Melling and Thornton. As noted at Appendix 1 to the original Local Plan EVS the last new development in this area was Thornton Cross in Thornton which is constructed by Elan Homes during 2013/14. The average sale price achieved at the time for this development was £2,153 per sq.m (£200 per sq.ft).
- 6.27 In the absence of new build sales we have had regard to evidence of modern re-sales in the area and have provided further details at **Appendix 2**. With reference to the sales evidence for Melling this shows prices paid for modern dwellings ranging from £1,614 per sq.m (£150 per sq.ft) for a large 4 bed detached house up to £2,357 per sq.m (£219 per sq.ft) for a smaller 4 bed detached house. If the anomalous result for 41 Dappleheath is excluded the overall average price paid for re-sales of modern houses in Melling is £1,981 per sq.m (£184 per sq.ft). We would normally expect a premium to be paid for new build housing over and above second hand sales of up to 10% and on this basis the evidence suggests that new build houses in Melling could achieve prices in the region of £2,153 per sq.m (£200 per sq.ft).

- 6.28 With reference to the second hand sales data for Thornton this shows an average price of £2,207 per sq.m (£205 per sq.ft). This does however include the sale of a detached bungalow and if this is excluded from the sample the average price is £2,077 per sq.m (£193 per sq.ft).
- 6.29 Again allowing for a new build premium this would suggest new build development in Thornton should be able to achieve as a minimum the £2,153 per sq.m (£200 per sq.ft) that was previously paid for the new houses at Thornton Cross.
- 6.30 Although the evidence of new build sales in this area is limited we considered that based on the evidence of resales there is justification for increasing the Zone 3 values from £2,045 per sq.m (£190 per sq.ft) to **£2,155 per sq.m (£200 per sq.ft)**.

#### **Zone 4**

- 6.31 The Zone 4 area currently includes Southport, Ainsdale, Maghull and Lydiate. The sales price that was adopted for the previous viability testing in this area was £2,155 per sq.m (£200 per sq.ft).
- 6.32 With reference to the information contained at table 6.7 there has been relatively little recent new development in Maghull. Persimmon have just commenced construction of Poppyfields and asking prices are an average of £2,314 per sq.m (£215 per sq.ft) for the 2 storey houses and £1,991 per sq.m (£185 per sq.ft) for the 2.5 storey dwellings. This site is adjacent to Ashworth Hospital to the east of the Merseyrail line in Sudell Ward.
- 6.33 The information at **Appendix 2** also contains some information in relation to modern re-sales in Maghull. We have included details of 2 sales on Gately Drive which was constructed in 2011. The recent re-sales have been at prices equating to £2,358 per sq.m and £2,336 per sq.m (£219 and £217 per sq.ft). Gately drive is also situated in Sudell Ward but is to the west of the Merseyrail line.
- 6.34 The sales information in relation to Daverick Mill shows that values appear to be higher to the west and north of Maghull and in Lydiate. The average prices for Daverick Mill which is situated in Park Ward are at £2,519 per sq.m (£234 per sq.ft). We have also provided asking price information in relation to the Robbin Mill development which is just on the edge of Lydiate. The prices show an average of £2,896 per sq.m (£269 per sq.ft).
- 6.35 The available information in relation to Maghull and Lydiate suggests that values are likely to be higher to the west of the railway line in Park Ward and the western portion of Sudell Ward, rather than to the east of the railway line around Ashworth Hospital and the M58.

- 6.36 In preparing our updated viability assessments the evidence suggests that for sites to the east of the railway line in Sudell Ward there is scope to increase the sales value tested to **£2,260 per sq. m (£210 per sq.ft)**. Values are likely to be higher than this in the rest of Maghull and Lydiate and here we consider sales prices of **£2,370 per sq.m (£220 per sq.ft)** are more realistic.
- 6.37 In terms of Southport the evidence of new build houses suggests that there is a range of values across the town with values generally lower in the northern and eastern areas and higher in Ainsdale. The evidence from the Barratt/DWH development at Kew suggests that values in the north and eastern areas may be in the region of £2,260 per sq.ft (£210 per sq.ft). Indeed we have recently undertaken a viability assessment of another nearby site and agreed a net sales price £2,314 per sq.m (£215 per sq.ft) with the applicant's agent. Similarly just over into West Lancs we considered a site just off Benthams Way and agreed a net sales price of £2,323 per sq.m (£216 per sq.ft).
- 6.38 The sales evidence in Ainsdale is limited and the new build transactional evidence from Links View is now relatively historic. The evidence of relative house prices in the Borough suggests that prices in Ainsdale are closer to those in Birkdale and certainly we would expect new housing development in Ainsdale to achieve higher sales prices than in the north and east of Southport.
- 6.39 In undertaking further viability testing across Southport we consider that the net sales price should be adjusted to **£2,260 per sq. m (£210 per sq.ft)**. In terms of Ainsdale however we consider that the prices for new houses are likely to be higher than this and have therefore included Ainsdale in Zone 5 for the purpose of our viability testing.

#### **Zone 5**

- 6.40 Within Zone 5 we have previously undertaken viability testing based on £2,370 per sq.m (£220 per sq.ft). The Zone 5 area covers Crosby, Hightown, Birkdale and Bludellsands. There has been relatively little new housing development in Crosby in the last few years. The last major development was Hawthorn Park. During 2015 and including the last new build sales in January 2016 the average price paid was £2,250 per sq.m (£209 per sq.ft). Recent modern re-sales here have been at prices of £2,314 (£215 per sq.ft) and £2,583 per sq.m (£240 per sq.ft).
- 6.41 The development by Forth Homes in Bludellsands is in a very high value area and here sales prices equivalent to £3,186 per sq.m (£296 per sq.ft) have been achieved.



- 6.42 Evidence of modern re-sale values contained at **Appendix 2** shows an average price for Crosby of £2,260 per sq.m (£205 per sq.ft). We anticipate that any new build sales are likely to be at a premium to this figure however. Based on the available evidence in Crosby we have retained the sales value for our testing at the price level within the CILEVS at **£2,370 per sq.m (£220 per sq.ft)**.
- 6.43 We have also considered sales prices for new build development in Hightown. Here some sales have taken place of the very large 4 and 5 bed detached houses at Blundell Hamlet. The prices that have been achieved are £2,432 per sq.m (£226 per sq.ft) with asking prices of £2,390 to £2,551 per sq.m (£222 to £237 per sq.ft). Again for the purpose of the current viability assessment we have retained a figure of **£2,370 per sq.m (£220 per sq.ft)** for Hightown.
- 6.44 As noted at para 6.38 we have included Ainsdale along with Birkdale in the Zone 5 value zone. We have also included Park Ward and the western portion of Sudell Ward in Maghull in Zone 5.
- 6.45 With reference to Formby the information at table 6.8 shows that Formby has the highest house prices in the Borough. Harrington Ward had the highest average house prices in 2016 and Ravenmeols ward the third highest average prices. The Bellway Development at Orchid Meadows is situated in Ravenmeols ward. The sales data from the development shows that the average prices that have been achieved here equate to £2,680 per sq.m (£249 per sq.ft). The development is not particularly well located as it is adjacent to the railway line and overlooks a water treatment works. Elsewhere in Formby there are a number of new developments of large houses in Victoria Road and the asking prices for these are over £3,229 per sq.m (£300 per sq.ft).
- 6.46 Given the limited recent new housing development in Formby we consider that any new development in this location is likely to achieve the highest prices in the Borough and based on the evidence from Orchid Meadows it is possible that even in the lower value parts of the settlement prices of £2,691 per sq.m (£250 per sq.ft) or more will be achieved. In undertaking the current viability testing we have therefore included Formby in a new Zone 6 and adopted a net sales price of **£2,583 per sq.m (£240 per sq.ft)**.

**Appraisal Assumptions**

- 6.47 We have provided at table 6.9 details of the Zones and values that we have adopted for the purpose of our current viability testing.

<b>Zone</b>	<b>Settlement</b>	<b>Sales Value per sq.m</b>	<b>Sales Value per sq.ft</b>
<b>1</b>	Bootle, Seaforth	£1,615	£150
<b>2</b>	Litherland, Orrell, Netherton, Waterloo	£1,991	£185
<b>3</b>	Aintree, Rural Hinterland, Thornton	£2,155	£200
<b>4</b>	Southport, Maghull (east)	£2,260	£210
<b>5</b>	Birkdale, Ainsdale, Hightown, Crosby Blundellsands, Maghull (west), Lydiate	£2,370	£220
<b>6</b>	Formby	£2,583	£240

Table 6.9: Updated Value Zones Adopted

**Site Specific Viability Testing**

- 6.48 Having regard to these value zones and the site characteristics and specific locations of the allocations that form part of our testing, table 6.10 contains details of the values that we have adopted for the purpose of our viability testing.

Location	(Local Plan Ref) Site Address	Zone	Sales Price (sq.m)	Sales Price (sq.ft)
<b>Formby</b>	(MN2.17) Land at Liverpool Road	6	£2,583	£240
	(MN2.12) Land north of Brackenway	6	£2,583	£240
	(MN2.20) Land at Andrew's Close	6	£2,583	£240
<b>Hightown</b>	(MN2.21) Land at Elmcroft, Hightown	5	£2,370	£220
<b>Ainsdale</b>	(MN2.8) Former Ainsdale Hope School, Ainsdale	5	£2,370	£220
	(MN2.11) Land south of Moor Lane, Ainsdale	5	£2,370	£220
<b>Lydiat</b>	(MN2.29) Land North of Kenyons Lane, Lydiat	5	£2,370	£220
<b>Maghull</b>	(MN2.47) Land East of Maghull	4	£2,260	£210
<b>Southport</b>	(MN2.4) Land at Moss Lane – Churchtown South	4	£2,260	£210
	(MN2.2) Land at Bankfield Lane – Churchtown North	4	£2,260	£210
	(MN2.6) Land adj Dobbies Garden Centre	4	£2,260	£210
	(MN2.5) Land At Crowland Street, Southport	4	£2,153	£200
	(MN2.3) Former Phillips Factory, Balmoral Drive, Southport	4	£2,260	£210
<b>Melling</b>	(MN2.32) Wadacre Farm, Melling	3	£2,153	£200
	(MN2.31) Land east of Waddicar Lane, Melling	3	£2,153	£200
<b>Thornton</b>	(MN2.26) Land at Lydiat Lane, Thornton	3	£2,153	£200
	(MN2.25) Land at Holgate, Thornton	3	£2,153	£200
	(MN2.27) Land south of Runnells Lane, Thornton	3	£2,153	£200
<b>Aintree</b>	(MN2.34) Land at Wango Lane, Aintree	3	£2,045	£190
<b>Bootle</b>	(MN2.42) Former St Wilfrid's School, Bootle	2	£1,938	£180

Table 6.10: Values Adopted for Strategic Sites Tested

Apartments

- 6.49 We have provided at **Appendix 2** details of recent transactions in relation to apartment developments in the Borough. Table 6.11 contains a summary of the average prices paid for apartments across these developments.

Development	Location	Price (per sq.m)	Price (per sq.ft)
Fairways	Birkdale	£2,626	£244
Charlotte Court	Ainsdale	£2,443	£227
Sandringham Court	Formby	£2,626	£244
Grove Court	Crosby	£2,411	£224

Table 6.11: Summary of New Apartment Sales

- 6.50 In undertaking viability testing for the apartments we have adopted the value zones contained at table 6.9. In addition we have also included an annual ground rent of £150 or £200 per apartment which we have capitalised at 5%.

Affordable Housing

- 6.51 Within the LPEVS and CILEVS we adopted bid prices for the affordable units based on the following:-

Social/Affordable Rent – 40% of market value

Intermediate – 65% of market value.

- 6.52 It was suggested in some of the responses that we received that bid prices would differ slightly from these figures and that further discussions should take place with the RPs active in the Borough to obtain further information from them as to pricing.
- 6.53 In order to verify the position regarding the prices of affordable units we have contacted the following organisations to obtain their views as to pricing in Sefton.

Sovini

Adactus

Plus Dane

Riverside

Regenda

- 6.54 In terms of the responses that were received much of the information is confidential however one of the organisations concerned compiled an analysis of the prices paid for units across Sefton and similar value locations in Cheshire. Overall the average price paid for rented and intermediate units equated to 58% of market value. The particular organisation suggested that they were paying generally 48-50% for rented units and 65% for shared ownership.
- 6.55 Another organisation compiled an analysis of all of their S106 offer values and arrived at averages of 40% for affordable rent and 70% for shared ownership.
- 6.56 The information that has been provided to us suggests that the bid prices that have been assumed for the LPEVS and the CILEVS are reasonable and we have retained them for the current testing.

Sales and Development Programme

- 6.57 As noted at para 4.33 we have adjusted the sales rates that have been adopted for our viability testing. In terms of the generic typologies the sales rates range from 1.67 per month for the smaller sites up to 3 per month for the larger typologies tested. First sales generally take place between either month 8 or 11 again dependent on site size.
- 6.58 In terms of the site specific testing the sales rate adopted has been reduced from that assumed in the LPEVS and CILEVS, and are based on between 2.5 and 5 per month again dependent on site size. Sale generally commence in month 11. For the smaller allocation at Wango Lane we have assumed that sales start in month 8.

Construction Costs

- 6.59 WYG prepared the construction cost assessments that were used in the LPEVS and were subsequently adopted for the CILEVS. The Inspector noted in the context of the LPEVS that the findings of the EVS *'were broadly accepted by all parties and appear sound'*. As a result WYG in preparing the updated construction cost assessments for the current study have not sought to alter their approach and methodology from that contained in the LPEVS and CILEVS. WYG have therefore adopted the same basis for assessing costs.
- 6.60 As noted in the consultation responses these costs have simply been adjusted to reflect the amended housing mix and dwelling sizes and have been updated as appropriate to reflect the cost increases. In addition WYG have included the costs of providing garages in the higher value locations in the Borough. For the greenfield sites an allowance for 'site opening up' costs has also been adopted for sites of 20 dwellings and above.

- 6.61 It should be noted that the WYG costs reflect the fact that the smaller housing schemes are relatively more expensive to construct and do not benefit from the same economies of scale as the larger developments. Hence with reference to the cost assessments that have been prepared the generic schemes of 5 and 10 units are the most expensive schemes to construct.
- 6.62 WYGs construction cost report is contained at **Appendix 1**. In line with the LPEVS the costs that they have prepared in relation to the generic typologies are inclusive of preliminaries, professional fees, and a contingency.
- 6.63 As with the LPEVS, WYG have prepared a specific construction cost assessment for each of the allocations that have been tested. These assessments have been again been updated to reflect changes in construction costs, dwelling mix and size and also any modifications to the Local Plan policies relating to these sites. The site specific construction cost assessments are contained within the Appendices to WYG's report.
- 6.64 The Local Plan contains a requirement for 20% of all market dwellings to meet the requirements of M4 (2) on developments of 50 or more dwellings. WYG have assessed the costs of achieving this as being £1,050 per dwelling and we have included this cost in our viability testing.

### S106 Contributions

- 6.65 The Council are not anticipating that there will be a significant residual S106 requirement once CIL is adopted. The testing in the LPEVS and CIL EVS contained an allowance of £500 per dwelling for these costs and in addition the site specific viability testing also included any known requirements at that time for other S106 or S278 contributions.
- 6.66 As noted at table 5.19 we have now increased the S106 contributions reflecting the consultation comments received. We have included £1,000 per dwelling for schemes of 100 dwellings or less, £1,500 per dwelling for 101 to 500 dwellings and £2,000 per dwelling for over 500 units.

### Other Appraisal Assumptions

- 6.67 In terms of the other appraisal variables there appeared to be broad agreement from consultees regarding these, and they were considered sound for the purpose of the LPEVS. We have therefore carried these forward from the LPEVS save for one or two adjustments as noted below.
- 6.68 *Sales and marketing costs* – these have been retained at 3.5% of GDV of the market housing. An allowance of £500 per unit has been included for the affordable dwellings.

- 6.69 *Finance Costs* – we have now adopted a finance rate of 7% inclusive of arrangement and monitoring fees for all of the schemes.
- 6.70 *Developers Profit and Overhead* – The profit return adopted for the LPEVS was 20% of GDV for the large schemes and 15% of GDV for the smaller schemes of 20 units or less. In preparing the current assessments we have applied a developers profit of 20% for all of our testing except for the generic appraisals of 5 and 10 units where we have adopted a profit of 17.5% of GDV.
- 6.71 As noted at para 4.24 we are aware in viability studies and assessments undertaken elsewhere to inform Local Plans and CIL a lower profit return of 6-8% is often adopted for the affordable dwellings. To ensure consistency with the LPEVS we have however retained the same approach of adopting an overall profit and overhead measure at 20% of GDV for both the market and affordable dwellings. This therefore provides a very robust position in relation to the level of profit return.
- 6.72 *Acquisition Costs* – Stamp duty land tax has now been adjusted to reflect the new rates introduced in March 2016.

Land Values

- 6.73 At paras 5.02 to 5.14 of the LPEVS we considered appropriate 'threshold land values' for the various locations and types of site in Sefton. We noted in particular at para 5.04 that:-

*"The document 'Viability Testing in Local Plans' advocates the use of 'threshold land value'. This should represent the value at which a typical willing landowner is likely to release land for development, before the payment of taxes. The guidance suggests that threshold land value needs to take account of the fact that future plan Policy requirements will have an impact on land values and landowner expectations, and therefore using a market value approach as a starting point carries the risk of building in assumptions of current Policy costs rather than helping to inform the potential for future Policy. As a result it suggests that market values can be a useful 'sense check' and suggests that the threshold land value is based on a premium over current use values and credible alternative use values. The latter would be most appropriate where there is competition for land among a range of alternative uses such as in town centres."*

- 6.74 In preparing our assessment of an appropriate benchmark land value in the LPEVS we noted that future residential sites in the Borough we likely to be either greenfield sites (ie. greenbelt release sites or previously undeveloped sites in the Borough) or previously developed 'brownfield' sites that will have been most likely in previous commercial or residential use.

- 6.75 We noted at para 5.10 of the LPEVS that in arriving at an assessment of value for a previously developed site a landowner and developer would have regard to the site's current use with the landowner requiring an uplift above this level and a developer reluctant to pay full residential value for the site having regard to the risk and cost of obtaining planning consent and the planning contributions that would be sought.
- 6.76 The definition of viability in the context of planning recognises the issue of a landowner receiving an appropriate site value, which whilst being less than full residential value is likely to be higher than current use value. In assessing the 'threshold land value' for previously developed sites we considered the prices that were paid for commercial land as noted at Appendix 1 of the LPEVs. Typically we expected land with extant permissions for industrial/employment uses to sell at prices in the region of £247,000 to £370,000 per hectare (£100,000 to £150,000 per acre) in the Borough.
- 6.77 Having regard to this we have considered the level of current site value and the likely '*premium over current use values and credible alternative use values*' at which a landowner would release a site for development in the urban area. In doing so we also had regard to the likely sales revenues that residential developments would be expected to achieve across the Borough.
- 6.78 We concluded that it is reasonable to assume a site value for Previously Developed land to be in the region of £1,110,000 per hectare (£450,000 per acre) for the highest value area in the Borough and a figure of £495,000 per hectare (£200,000 per acre) for the lowest value locations. Based on a current use value for land in industrial/employment use at £370,000 per hectare (£150,000 per acre) this represented an uplift of between 33% and 3 times current use value.
- 6.79 At para 5.12 to 5.13 of the LPEVS we also considered an appropriate threshold land value for greenfield sites, either infill or outside of the existing built up area. We noted that these sites would normally be used for agricultural or grazing purposes or informal open space and with reference to the agricultural land value evidence that was contained at Appendix 1, site values on this basis were typically in the region of £25,000 - £50,000 per hectare (£10,000 - £20,000 per acre) or less. We also noted that a number of such sites may have had development expectations, since they are at the edge of or within the settlement area and in some cases may already be subject to option agreements. As a result we suggested that the land owner would be unlikely to sell such sites for based on their current use value and would be seeking an uplift in value if they were to release the site for development.



6.80 At para 5.13 of the LPEVS we concluded that:-

*"With reference to the RICS guidance and that from the Housing Delivery Group, it would be inappropriate to assume land values based on sites with full residential planning permission, and in reality the site value for viability purposes will lie somewhere between this and current value. In addition many Greenfield sites may require significant initial expenditure on services and infrastructure to enable them to be developed for residential purposes. We believe that for Greenfield locations it would be reasonable to assume a value in the region of £370,000 per hectare (£150,000 per acre) to £618,000 per hectare (£250,000 per acre) dependent on site size and location as being the level at which a landowner would consider releasing a site for development."*

6.81 The threshold land values on this basis represented an uplift of between 15 and 25 times agricultural values which we considered was a sufficient premium above current use values to incentivise a land owner to sell.

6.82 The LPEVS was found to be sound by the Inspector based on this approach to assessing threshold land value.

6.83 More recently in June 2017, the Inspectors Report in relation to the Draft Charging Schedule for Cheshire West was published. Keppie Massie and WYG prepared the viability assessment to inform the CIL charges for Cheshire West and Chester. The same approach to assessing threshold land value was adopted for the purpose of the Cheshire West and Chester Viability Assessment.

6.84 At paragraph 25 of the Inspectors Report he noted that:-

*"In terms of the benchmark or threshold land values (BLVs) against which residual land values generated by the appraisals have been tested, the Council adopted values which sit between current use values (CUV) and the market prices for recently transacted residential land. For brownfield land, BLVs of between £200,000-500,000 per net acre (pna) were applied, which compare with CUVs for industrial land sold in the borough in 2012-13 of £77,000-200,000 per acre. For greenfield land, BLVs of £150,000-£300,000 pna were used, compared to a CUV for agricultural land of £8,000-22,000 per acre. In comparison the market value of greenfield and brownfield sites sold for residential development during the same period was between £454,500 and £883,800 pna, from transactional evidence in Appendix 1 to the EVS (CIL23)."*

6.85 He then went on to say at paragraph 26 that:-

*"Whilst there is a significant difference between the BLVs adopted by the Council and market prices for residential land, the guidance in the RICS report on Financial Viability in Planning (2012) acknowledges that site value will normally be less than current market prices for land on which planning permission has been secured and planning obligations are known. This was the status of the sites provided as evidence of the market price for residential land in Appendix 1 to the EVS. Ultimately what matters is that the land value assumed for testing is sufficient to incentivise a land owner to sell their land for development. The Harman report is clear that this value can be very different to the headline value a developer might pay for a fully serviced, permissioned parcel of land."*

6.86 At paragraph 27 he concluded that:-

*"The BLVs adopted by the Council are set at a premium above current use value. Although below market values, I am satisfied that market values have been taken into account by the Council as a useful 'sense check', but rightly do not provide the starting point for determining the threshold values for the purposes of viability testing. This is in line with the guidance in the Harman report and in general terms accords with the advice in the RICS report. It is also consistent with the findings of other examinations. Accordingly, is it a reasonable and justified approach to the use of BLVs."*

6.87 The approach to assessing threshold land value in the original LPEVS was found to be sound and the same approach was recently endorsed by the Planning Inspector in relation to the Cheshire West and Chester CIL examination. For the purpose of the current assessment we consider that the approach is therefore sound.

6.88 In light of more recent evidence as to land values we have considered whether any adjustments are required to the threshold land values that have been assumed.

6.89 We have provided at **Appendix 5** details of more recent commercial land transactions that are relevant to Sefton. The evidence shows little change in the values achieved for commercial land over the period, and therefore in the context of current use values for previously developed sites we do not consider that there is any need to alter the assumptions contained in the original LPEVS at £247,000 to £370,000 per hectare (£100,000 to £150,000 per acre).

- 6.90 **Appendix 5** also contains details of agricultural land transactions and asking prices in the local area. We have also provided at **Appendix 5** a copy of the most recent RICS/RAU Rural Land Market Survey – H1 2017. This shows that over the period since the end of 2014 agricultural land values have risen slightly and then declined to a level similar to that in 2014. The trend however does show a continuing decline. The evidence suggests that the current use value for agricultural land hasn't altered significantly since publication of the LPEVS in December 2014 and as a result we do not consider that there is any need to alter the assumptions contained within the original LPEVS.
- 6.91 The LPEVS at Appendix 1 also contained details of residential land sales and for completeness we have provided information relating to more up to date sales of land with residential planning consent. This information is contained at **Appendix 5**. The sales predominantly relate to brownfield sites and the prices paid are in the region of £755,820 to £1,618,005 per net developable hectare (£306,000 up to £655,063 per net developable acre). There is one sale relating to land adjacent to Melling Railway Station which is an area of scrubland.
- 6.92 In terms of the prices paid for greenfield sites in Sefton we have not been able to obtain information in relation to these types of transactions. We have contacted the developers with options in relation to the greenfield allocations around Sefton to obtain details of the minimum price provisions contained within the contracts however with one exception either no information has been forthcoming or we have been advised that this information is confidential.
- 6.93 We are however aware of the recent sale of Grove Farm a greenfield site in West Lancashire. The land was sold at a price equating to £270,500 per net developable acre. The planning consent for the site did not include a policy compliant level of affordable housing. Ormskirk is a very similar market area to much of Zone 5 in Sefton.
- 6.94 In addition to the above we are also have experience of the assessed threshold land value which has been used to inform the North West Preston Masterplan area. This is a strategic site for the development of over 5,000 dwellings on agricultural land to the north west of Preston. Here the masterplan and subsequent planning applications have been assessed on the basis of £150,000 per gross acre. House prices in this area are similar to Zones 4 and 5 in Sefton.

6.95 In the context of the more recent evidence we are satisfied that the threshold land values that were adopted for the LPEVS remain appropriate for the current assessment. Over the period since the LPEVS house prices have increased, but build costs have also increased with the result that land values have remained relatively steady. We have therefore adopted the previous land value range for the current assessment. We have however made two small adjustments, which are reducing the land value in Zone 1 to £370,000 per hectare (£150,000 per acre) due to the lack of growth in house prices here, and in relation to the new Zone 6 we have increased the greenfield threshold land value to £741,000 per net hectare (£300,000 per net acre).

6.96 Table 6.12 contains details of the threshold land values that we have adopted for the purpose of our generic testing both for the housing and apartment developments.

Zone	Settlements	Threshold Land Value per net hectare (per net acre)	
		Greenfield	Brownfield
<b>1</b>	Bootle, Seaforth		£370,000 (£150,000)
<b>2</b>	Litherland, Orrell, Netherton, Waterloo		£495,000 (£200,000)
<b>3</b>	Aintree, Rural Hinterland, Thornton	£370,000 (£150,000)	£741,000 (£300,000)
<b>4</b>	Southport, Maghull (east)	£495,000 (£200,000)	£864,500 (£350,000)
<b>5</b>	Ainsdale, Birkdale, Blundellsands, Hightown, Crosby, Maghull (west), Lydiate	£618,000 (£250,000)	£988,000 (£400,000)
<b>6</b>	Formby	£741,000 (£300,000)	£1,111,500 (£450,000)

Table: 6.12: Threshold Land Values Adopted for Generic Housing and Apartment Testing

6.97 Table 6.13 contains details of the threshold land values that have been adopted for the viability testing of the strategic sites. These are largely unchanged from those adopted for the LPEVS. We have however adjusted the land values for the Formby greenfield allocations as noted above.

## 6.0 Residential Property Market Update and Appraisal Assumptions

Location	(Local Plan Ref) Site Address	Threshold Land Value per net hectare	Threshold Land Value per net acre
<b>Formby</b>	(MN2.17) Land at Liverpool Road	£741,000	£300,000
	(MN2.12) Land north of Brackenway	£741,000	£300,000
	(MN2.20) Land at Andrew's Close	£741,000	£300,000
<b>Hightown</b>	(MN2.21) Land at Elmcroft, Hightown	£618,000	£250,000
<b>Ainsdale</b>	(MN2.8) Former Ainsdale Hope School, Ainsdale	£618,000	£250,000
	(MN2.11) Land south of Moor Lane, Ainsdale	£370,000	£150,000
<b>Lydiat</b>	(MN2.29) Land North of Kenyons Lane, Lydiat	£618,000	£250,000
<b>Maghull</b>	(MN2.47) Land East of Maghull	£495,000	£200,000
<b>Southport</b>	(MN2.4) Land at Moss Lane – Churchtown South	£370,000	£150,000
	(MN2.2) Land at Bankfield Lane – Churchtown North	£370,000	£150,000
	(MN2.6) Land adj Dobbies Garden Centre	£370,000	£150,000
	(MN2.5) Land At Crowland Street, Southport	£370,000	£150,000
	(MN2.3) Former Phillips Factory, Balmoral Drive, Southport	£618,000	£250,000
<b>Melling</b>	(MN2.32) Wadacre Farm, Melling	£495,000	£200,000
	(MN2.31) Land east of Waddicar Lane, Melling	£495,000	£200,000
<b>Thornton</b>	(MN2.26) Land at Lydiat Lane, Thornton	£495,000	£200,000
	(MN2.25) Land at Holgate, Thornton	£495,000	£200,000
	(MN2.27) Land south of Runnells Lane, Thornton	£495,000	£200,000
<b>Aintree</b>	(MN2.34) Land at Wango Lane, Aintree	£370,000	£150,000
<b>Bootle</b>	(MN2.42) Former St Wilfrid's School, Bootle	£495,000	£200,000

Table 6.13: Threshold Land Values Adopted for Strategic Sites Tested

- 6.98 In assessing the appropriate threshold land values here we have had regard to the site specific circumstances of the site. For example in relation to many of the greenfield sites on the edge of Southport the land value has been adjusted to take into account the significant abnormal costs due to the need for dynamic compaction and piled foundations on these sites as a result of the underlying peat.

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## 7.0 RESIDENTIAL VIABILITY TESTING RESULTS

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- 7.1 Based on the assumptions and methodology outlined at Sections 5 and 6 we have prepared viability assessments of the generic typologies and the strategic sites identified for testing. The following tables summarise the outcomes of this viability testing. We have provided copies of the appraisals of the strategic sites at **Appendix 6**. Copies of the generic appraisals have not been included due to the volume but are available on request.
- 7.2 Table 7.1 contains details of the results of the generic viability testing for Zone 1 (Bootle) and Zone 2 (Netherton) at 15% affordable housing provision. We have only tested development on brownfield sites in these locations.
- 7.3 Table 7.2 contains the results of the viability testing for the greenfield generic typologies based on 30% affordable housing provision.
- 7.4 Table 7.3 contains the results of the viability testing undertaken for the brownfield generic typologies in all locations outside Bootle and Netherton based on 30% affordable housing provision. In addition we have also prepared assessments of the brownfield sites assuming lower thresholds of affordable housing in those locations identified in the PDCS as being subject to a CIL charge. These are contained in tables 7.4 and 7.5.
- 7.5 Finally we have provided at table 7.6 the results of the viability testing for the strategic sites in the Local Plan that have been considered.
- 7.6 In all cases the figures within the tables are the maximum CIL rates per sq.m that could be supported based on the floor area of the market housing only (including garages) as affordable housing is subject to relief from the charge. Where the development is not viable we have highlighted the cell red and included a £0 figure for the maximum CIL charge.

**Generic Testing Results**

Scheme	No Dwellings	Affordable Housing %	Zone 1	Zone 2
1	5	0%	£0	£0
2	10	0%	£0	£75
3	15	15%	£0	<b>£15</b>
4	20	15%	£0	£89
5	50	15%	£0	£30
6	100	15%	£0	£26

Table 7.1: Zone 1 and 2 (Netherton) Max CIL Charge (per sq.m) - Brownfield

7.7 The results contained in table 7.1 show that brownfield sites in Zone 1 are not sufficiently viable to support a CIL charge based on the policy compliant level of affordable housing. The PDCS proposed a nil charge for sites in this location and our results suggest that the position has not changed and a nil charge is still appropriate.

7.8 In those Zone 2 areas that are subject to a 15% affordable housing requirement, the results are broadly similar to those undertaken for the PDCS. The lowest surplus for the sites that are at or above the affordable housing threshold is £15 per sq.m compared with £39 per sq.m in the testing for the PDCS. Based on the PDCS the Council does not intend to introduce a CIL charge in these Zone 2 locations and our results indicate that this is still a reasonable position.

7.9 Table 7.2 contains details of the testing undertaken for the greenfield sites in the Borough. In each of the value areas considered we have highlighted in red the lowest surplus available for CIL.

Scheme	No Dwellings	Affordable Housing %	Zone 3	Zone 4	Zone 5	Zone 6
1	5	0%	£194	£230	£268	£376
2	10	0%	£264	£297	£333	£437
3	15	30%	£46	£75	£106	£214
4	20	30%	£69	£99	£133	£244
5	50	30%	<b>£30</b>	<b>£55</b>	£85	£191
6	100	30%	£34	£57	<b>£83</b>	<b>£181</b>

Table 7.2: Zone 3, 4, 5 and 6 Max CIL Charge (per sq.m) at 30% Affordable Housing – Greenfield Sites



- 7.10 In assessing the PDCS we applied buffers of between 30% and 50% to the lowest surpluses to arrive at the charges contained in the PDCS. Taking the least viable results from table 7.2 and assuming buffers at 50% and then 30% the testing suggests that the following ranges of CIL charge per sq. m could be supported in the respective value zones:-

Zone 3	£15 – £21
Zone 4	£28 – £39
Zone 5	£41 – £58
Zone 6	£90 – £127

Scheme	No Dwellings	Affordable Housing %	Zone 2 (rest)	Zone 3	Zone 4	Zone 5	Zone 6
1	5	0%	£0	£21	£58	£97	£206
2	10	0%	£0	£94	£127	£162	£267
3	15	30%	£0	£0	£0	£0	£0
4	20	30%	£0	£0	£0	£0	£58
5	50	30%	£0	£0	£0	£0	£0
6	100	30%	£0	£0	£0	£0	£9

Table 7.3: Zone 2 (rest), 3, 4, 5 and 6 Max CIL Charge (per sq.m) at 30% Affordable Housing – Brownfield Sites

- 7.11 The results at table 7.3 relate to the testing of brownfield sites in the rest of the Borough. In common with the LPEVS and CILEVS the testing shows that based on the policy requirement of 30% affordable housing then development on brownfield sites in the Borough may not be sufficiently viable to support a CIL charge and the Council may need to balance the requirements for CIL and affordable housing in these locations.
- 7.12 To further inform the assessment of the impact of CIL in these locations we have undertaken further viability testing based on lower levels of affordable housing provision to determine at what level of affordable housing provision sites in these locations become viable and are able to support CIL. We have not undertaken further testing in relation to Zone 2 as based on the results of the previous CILEVS it is not proposed to introduce CIL in these locations in any event.

Scheme	No Dwellings	Affordable Housing %	Zone 3	Zone 4	Zone 5	Zone 6
1	5	0%	£21	£58	£97	£206
2	10	0%	£94	£127	£162	£267
3	15	20%	£0	£0	£0	£58
4	20	20%	£0	£0	£29	£136
5	50	20%	£0	£7	£38	£140
6	100	20%	£0	£6	£45	£128

Table 7.4: Zone 3, 4, 5 and 6 Max CIL Charge (per sq.m) at 20% Affordable Housing – Brownfield Sites

Scheme	No Dwellings	Affordable Housing %	Zone 3	Zone 4	Zone 5	Zone 6
1	5	0%	£21	£58	£97	£206
2	10	0%	£94	£127	£162	£267
3	15	10%	£0	£22	£54	£155
4	20	10%	£46	£77	£112	£217
5	50	10%	£62	£90	£122	£220
6	100	10%	£60	£88	£130	£209

Table 7.5: Zone 3, 4, 5 and 6 Max CIL Charge (per sq.m) at 10% Affordable Housing Provision – Brownfield Sites

7.13 The results of the further viability testing based on 20% affordable housing show an improved viability position although in Zone 3 and 4 although viability is still limited on a number of sites. In Zone 5 there is one unviable result and in Zone 6 all results are viable.

7.14 The results including 10% affordable housing show that development is viable in all cases save for one result in Zone 3.

**Strategic Sites**

Zone	Policy Ref	Site Address	Affordable Housing %	Surplus (psm)
<b>1</b>	MN2.42	Former St Wilfreds School, Orrell Road, Bootle	15%	£0
<b>3</b>	MN2.34	Land at Wango Lane, Aintree	30%	£0
	MN2.25	Land at Holgate, Thornton	30%	£34
	MN2.26	Land at Lydiate Lane, Thornton	30%	£52
	MN2.27	South of Runnells Lane, Thornton	30%	£52
	MN2.31	East of Waddicar Lane, Melling	30%	£38
	MN2.32	Wadacre Farm, Chapel Lane, Melling	30%	£46
<b>4</b>	MN2.47	Land East of Maghull	30%	£16
	MN2.2	Land at Bankfield Lane, Churchtown	30%	£71
	MN2.3	Balmoral Drive, Churchtown	30%	-£51
	MN2.3	Balmoral Drive, Churchtown	20%	£53
	MN2.4	Land at Moss Lane, Churchtown	30%	£63
	MN2.5	Crowland Street, Southport	30%	£36
	MN2.6	Land Adj to Dobbies Garden Centre, Southport	30%	£44
<b>5</b>	MN2.8	Former Ainsdale Hope School, Ainsdale	30%	£94
	MN2.11	Land south of Moor Lane, Ainsdale	30%	£88
	MN2.21	Elmcroft, Hightown	30%	£86
	MN2.29	Land North Of Kenyons Lane, Lydiate	30%	£177
<b>6</b>	MN2.12	Land north of Brackenway, Formby	30%	£224
	MN2.17	Land at Liverpool Road, Formby	30%	£203
	MN2.20	Land at Andrew's Close, Formby	30%	£227

Table 7.6: Strategic Sites Testing Results

- 7.15 The results of the strategic sites testing have been presented with reference to the 6 values zones that have been assessed. Within value Zone 1 the testing relating to the St Wilfreds School site shows that development is not viable and supports the introduction of a nil charge in Bootle and Netherton.
- 7.16 With reference to the results for the allocations tested in Zone 3 then the result in relation to the site at Wango Lane is not viable. All of the other sites are viable and would be able to support CIL and the policy compliant level of affordable housing. In the context of the results the Council may wish to consider an amendment to the charging zone boundary to enable the exclusion of the site at Wango Lane. With reference to the remaining sites the lowest surplus relates to the site at Holgate at £34. Adopting buffers of 50% and then 30% this would result in a CIL charge of between **£17 and £24 per sq.m.** This compares with a charge of **£15 – £21 per sq.m** for the generic testing of greenfield sites in Zone 3 based on the least viable result.
- 7.17 In Zone 4 the testing of the allocation at Maghull East shows a maximum amount for CIL of £16 per sq.m. The testing includes a significant package of site specific S106/S278 contributions for the allocation. Given the circumstances of the site we noted at 5.42 of the CILEVS that the Council may wish to consider introducing a separate charging zone for this site. Given the extent of S106/S278 contributions identified for the site and the result of the current viability testing the Council may wish to consider either introducing a nil charge for this site, or exempting it from the charge.
- 7.18 Elsewhere in Zone 4 the site at Balmoral Drive is not currently viable based on 30% affordable housing however at 20% affordable housing provision the site is viable and there is a surplus of £53 per sq.m. The remaining sites in this area are viable and able to support 30% affordable housing and CIL. The lowest result is £36 per sq.m for the site at Crowland Street. Adopting buffers of 50% and then 30% to this result would give a CIL charge of between **£18 and £25 per sq.m.** This compares with a charge of **£28 - £39 per sq.m** for the generic testing of greenfield sites in this location based on the least viable result.

- 7.19 With one or two exceptions the suite of results for value Zones 3 and 4 in the context of both the site specific and the generic greenfield testing are relatively similar. In setting a CIL charge the guidance makes reference to both pragmatism and simplicity and in this context the Council may wish to consider the introduction of a single charge across these locations. With reference to the greenfield and site specific testing then a charge of **£20 per sq.m** could be supported across these two value areas.
- 7.20 As noted at para 7.17 the Council may however wish to adopt a different approach in relation to Maghull East and also exclude the site at Wango Lane from the charging schedule.
- 7.21 In Zone 5 the least viable result is that for Elmcroft at £86 per sq.m. Adopting buffers of 50% and the 30% to this result would give a CIL charge of between **£43 and £60 per sq.m.** This compares with a charge of **£41 - £58** for the generic testing of greenfield sites in this location based on the least viable result. Adopting a 50% buffer in these locations would result in a CIL charge at around **£40 per sq.m.**
- 7.22 The results for Zone 6 show that in relation to the strategic sites the lowest surplus is that for Liverpool Road at £203 per sq.m. Adopting buffers of 50% and then 30% to this result would give a CIL charge of between **£101 and £142 per sq.m.** This compares with a charge of **£90 - £127 per sq.m** for the generic testing of greenfield sites in this location based on the least viable result. Adopting a 50% buffer in these locations to the generic results would result in a CIL charge at around **£90 per sq.m.**
- 7.23 With reference to the results of our brownfield testing the Council will need to consider the extent to which brownfield sites are likely to come forward for development in the Borough. Based on these level of charges then the results of testing show that the smaller windfall would be able to support the suggested CIL rates and remain viable.
- 7.24 On the assumption of 30% affordable housing provision development of many of the brownfield sites is not viable. At 20% affordable housing provision the sites in Zone 6 would generally be able to afford CIL at the suggested rate save for one result based on 15 dwellings. In the other zones the position is more mixed.
- 7.25 At 10% affordable housing provision on brownfield sites all of the schemes tested in zones 3-6 would be viable at the suggested rates save for one result in zone 3 based on 15 dwellings.

- 7.26 With reference to the results relating to the testing of brownfield sites the schemes relating to 20 and in particular 15 dwellings contain the least viable results. Our viability testing for these schemes is based on the overall dwelling mix contained at table 5.14. This mix accords with the minimum market housing mix contained at Policy HC2. It should be noted that the threshold for this policy is 25 dwellings. As a result it would be possible in the context of smaller schemes such as this to adopt an alternative mix that would result in a greater number of larger dwellings with a consequent increase in the amount of floorspace per acre and hence an improvement in viability.
- 7.27 In many cases brownfield sites are likely to be infill sites situated in the existing built up area. It is more likely that such sites will be built to higher densities at 40 dwellings per hectare which again is likely to produce more viable results than the testing undertaken here at 35 dwellings per hectare.

### Apartments

- 7.28 The results of our viability testing for apartments are contained in tables 7.8 and 7.9 below. The results at table 7.8 for brownfield sites show that for the smallest site tested beneath the affordable housing threshold, then the results in Zones 1-3 are unviable. In Zones 4-6 there is a surplus which indicates that smaller schemes of apartments in these locations could support a CIL charge.
- 7.29 The greenfield results show that in Zones 3 to 6 smaller developments of apartments are viable with the surplus range from £28 to £236 per sq.m. Overall the results for the small schemes of apartments suggest that they could support CIL charges similar to those for the housing schemes tested. For the smaller apartment schemes the Council could therefore consider introducing the following charges:-

Zone 4 - £20 per sq.m

Zone 5 - £40 per sq.m

Zone 6 - £90 per sq.m

- 7.30 The results of the testing for the larger apartment schemes show that in all areas they are not sufficiently viable to support a policy compliant level of affordable housing. With the exception of apartment developments on greenfield sites in Zone 6 which can support 10% affordable housing provision, the other results show that the development of larger apartment schemes are not able to deliver any significant amounts of affordable housing provision. With reference to the results of our testing we would not therefore recommend introducing a charge for the larger schemes of apartments above the affordable housing threshold.

Scheme	No Dwellings	Affordable Housing %	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6
1	10	0%	£0	£0	£0	£24	£79	£185
2	50	0%	£0	£0	£0	£0	£0	£67
2	50	10%	£0	£0	£0	£0	£0	£0

Table 7.8: Apartments Testing Brownfield Sites

Scheme	No Dwellings	Affordable Housing %	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6
1	10	0%	Not Tested	Not Tested	£28	£74	£129	£236
2	50	0%	Not Tested	Not Tested	£0	£0	£23	£120
2	50	10%	Not Tested	Not Tested	£0	£0	£0	£32
2	50	20%			£0	£0	£0	£0

Table 7.9: Apartments Testing Greenfield Sites



## Conclusions

- 7.31 The results of our viability testing suggest that there are prospects to introduce a CIL charge on Greenfield sites. Viability on Brownfield sites is however poorer and when incorporating planning policy requirements in relation to affordable housing at 30% is less viable. The results for Brownfield development sites based on the dwelling mix that has been adopted, suggest that for a CIL charge to be introduced on these sites there may need to be a relaxation in the Council's policy requirements in relation to affordable housing to ensure that the introduction of a CIL charge does not put future development at risk.
- 7.32 The proposed housing allocations within the Local Plan are predominantly Green Belt release sites, and therefore a significant proportion of new development is likely to be located on Greenfield sites where development viability is greater and sufficient to support a CIL charge without prejudicing the delivery of either new market houses or affordable dwellings.
- 7.33 Assuming residential development based on a policy compliant position of 30% affordable housing Table 7.10 below contains our recommendations as to appropriate Draft Charging Schedule (DCS) for residential development. In preparing the suggested DCS, we have had regard to the likely form of development that will be provided within the Local Plan period and in particular the extent of new development that will be provided on a small number of large Greenfield strategic sites.

Location	CIL Charge (£/sq.m)
<b>Zone 1</b>	£0
<b>Zone 2</b>	£0
<b>Zone 3 and 4</b>	£20
<b>Zone 5</b>	£40
<b>Zone 6</b>	£90
<b>Apartments All Locations</b>	£0

Table 7.10: Recommended CIL Tariffs, Residential Development

- 7.34 In considering the boundaries of the respective Zones we feel that on reflection there needs to be some adjustments made to the charging zones identified in the PDCS. The boundaries of the highest value Zone 6, should be drawn to include Formby and in particular the wards of Harington and Ravenmeols. In the context of fixing an appropriate southern boundary for Ravenmeols, then the River Alt would appear to be a sensible boundary.

- 7.35 In terms of Zone 5 this should be drawn to include the majority of Ainsdale and Birkdale wards save for the lower value areas to the east of these wards around the existing Local Authority Housing Areas. Dukes ward should also be included so far as the boundary with Southport Town Centre.
- 7.36 Further south the balance of Ravenmeols together Manor, Blundellsands, Victoria, Park and Sudell wards should be included, save for the portion of Manor ward around Thornton and the part of Sudell ward east of the Railway line.
- 7.37 The Zone 3 and 4 charging area would include the balance of Sudell and Manor wards together with Molyneux south to the M57. We recommend that part of Molyneux ward south of the M57 which includes the allocation at Wango Lane should be included in the zero charging zone. This would also include those areas previously included in the nil charging zone in the PDCS.
- 7.38 We have provided at **Appendix 7** a map of the suggested charging zones and boundaries.
- 7.39 The results of our viability testing for generic brownfield sites identifies that in relation to the development of these sites, viability may not be sufficient to support the policy requirement for affordable housing at 30%. The introduction of CIL would therefore lead to a further reduction in viability. The testing results based on lower levels of affordable provision shows that that brownfield sites can generally support a charge at the levels suggested but the Council will need to review the extent of affordable housing that may be lost if CIL is implemented on brownfield sites to ensure that this doesn't put delivery of the Local Plan at risk. In terms of the smaller windfall brownfield sites, these are viable and able to support CIL at the suggested rates.

## 8.0 RESIDENTIAL DRAFT CHARGING SCHEDULE CONCLUSIONS AND TESTING

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- 8.1 The CIL guidance recommends that a charging authority should directly sample an appropriate range of sites across its area, focusing on strategic sites on which the plan relies, and those sites where the impact of the levy is likely to be most significant. The sampling should be consistent with the viability testing undertaken as part of plan making.
- 8.2 To ensure the robustness of the proposed rates we have undertaken some additional viability testing. These additional appraisals have been prepared for the strategic sites that have been tested. The appraisals have again been prepared on a residual basis and assume the policy compliant affordable housing requirement at 30%. The methodology includes the specific CIL rate identified and also a developer's profit at 20%. The residual sum is the land value which is available to pay the landowner for the purchase of the site. The residual land value is then compared with the 'threshold land value'. If the residual land value is greater than this amount then the development is viable based on the CIL rates proposed and the landowner is likely to release the land for development.
- 8.3 Table 8.1 shows for each strategic site the residual land values both with and without the CIL charge, the reduction in land value as a result of CIL and the 'threshold' land value. As noted in Section 7 based on our testing the former Phillips Factory site at Balmoral Drive is not sufficiently viable to support 30% affordable housing, we have therefore prepared our residual appraisal for this site on the assumption of 20% affordable housing provision to understand the impact of a CIL charge at the suggested rates.
- 8.4 The results for each site are presented to show residual land value both with and without CIL on a pounds per hectare and per acre basis (based on the net developable area). This price per hectare is then benchmarked against the 'threshold' land cost. In all cases the development of the sites including the proposed CIL tariff, produces a residual land value per hectare that exceeds the threshold land value and indicates viable development.

- 8.5 The table also includes data regarding the impact of the proposed charge on the residual land value and in particular the percentage reduction in residual land value as a result of the CIL charge. Based on the results for the strategic sites tested this percentage reduction is between 16.29% and 15.66% for those sites in the highest value area, with a range of 6.67% - 15.44% for all other locations. Of the 17 sites tested 10 have reductions in residual land value less than 10%. The reduction is sufficiently small in all cases for the CIL not to be considered to put these developments at risk.
- 8.6 We have also considered the proposed CIL rates as a proportion of both development costs and GDV for the strategic sites tested. The relevant data is contained on table 8.2.

Site Address	CIL (psm)	Threshold Land Value per ha (per acre)	Residual Land Value No CIL		Residual Land Value With CIL		Reduction in Residual Land Value
			Per ha	Per acre	Per ha	Per acre	
Land north of Brackenway, Formby (MN2.12)	£90	£741,000 (£300,000)	£1,274,790	£516,109	£1,075,330	£435,356	16.65%
Land at Liverpool Road, Formby (MN2.17)	£90	£741,000 (£300,000)	£1,222,246	£494,837	£1,023,087	£414,205	16.29%
Land at Andrew's Close, Formby (MN2.20)	£90	£741,000 (£300,000)	£1,287,653	£521,317	£1,085,951	£439,656	15.66%
Land south of Moor Lane, Ainsdale (MN2.11)	£40	£370,500 (£150,000)	£584,453	£236,621	£494,189	£200,076	15.44%
Land at Elmcroft, Hightown (MN2.21)	£40	£617,500 (£250,000)	£823,200	£333,279	£733,789	£297,081	10.86%
Former Ainsdale Hope School, Ainsdale (MN2.8)	£40	£617,500 (£250,000)	£845,704	£342,390	£754,978	£305,659	10.73%
Land North of Kenyons Lane, Lydiate	£40	£617,500 (£250,000)	£1,039,990	£421,049	£950,929	£384,991	8.56%
Land at Crowland Street, Southport (MN2.5)	£20	£370,500 (£150,000)	£455,531	£184,426	£402,699	£163,036	11.60%
Land Adj to Dobbies Garden Centre (MN2.6)	£20	£370,500 (£150,000)	£475,970	£192,701	£431,628	£174,748	9.32%
Land at Moss Lane, Churchtown South (MN2.4)	£20	£370,500 (£150,000)	£520,993	£210,904	£476,403	£192,876	8.55%
Land at Bankfield Lane, Churchtown North (MN2.2)	£20	£370,500 (£150,000)	£540,502	£218,827	£495,632	£200,661	8.30%
Land west of Holgate, Thornton (MN2.25)	£20	£494,000 (£200,000)	£575,603	£233,038	£531,004	£214,981	7.75%
Land east of Waddicar Lane, Melling (MN2.31)	£20	£494,000 (£200,000)	£583,923	£236,406	£539,265	£218,326	7.65%
Wadacre Farm, Melling (MN2.32)	£20	£494,000 (£200,000)	£603,523	£244,341	£558,904	£226,277	7.39%
Land south of Runnells Lane, Thornton (MN2.27)	£20	£494,000 (£200,000)	£617,784	£250,115	£573,135	£232,039	7.23%
Land at Lydiate Lane, Thornton (MN2.26)	£20	£494,000 (£200,000)	£619,081	£250,640	£574,474	£232,581	7.21%
Former Phillips Factory, Balmoral Drive, Southport (MN2.3) (20%)	£20	£617,500 (£250,000)	£763,031	£308,919	£712,133	£288,313	6.67%

Table 8.1: Impact of CIL on Residual Land Value

Site Address	CIL per sq.m	CIL % GDV	CIL % COST
Land north of Brackenway, Formby (MN2.12)	£90	3.17%	3.96%
Land at Liverpool Road, Formby (MN2.17)	£90	3.17%	3.96%
Land at Andrew's Close, Formby (MN2.20)	£90	3.17%	3.97%
Land south of Moor Lane, Ainsdale (MN2.11)	£40	1.54%	1.92%
Land at Elmcroft, Hightown (MN2.21)	£40	1.54%	1.93%
Former Ainsdale Hope School, Ainsdale (MN2.8)	£40	1.54%	1.93%
Land North of Kenyons Lane, Lydiate	£40	1.54%	1.92%
Land at Crowland Street, Southport (MN2.5)	£20	0.85%	1.06%
Land Adj to Dobbies Garden Centre (MN2.6)	£20	0.80%	1.01%
Land at Moss Lane, Churchtown South (MN2.4)	£20	0.81%	1.01%
Land at Bankfield Lane, Churchtown North (MN2.2)	£20	0.80%	1.01%
Land west of Holgate, Thornton (MN2.25)	£20	0.85%	1.06%
Land east of Waddicar Lane, Melling (MN2.31)	£20	0.85%	1.06%
Wadacre Farm, Melling (MN2.32)	£20	0.85%	1.06%
Land south of Runnells Lane, Thornton (MN2.27)	£20	0.85%	1.06%
Land at Lydiate Lane, Thornton (MN2.26)	£20	0.85%	1.06%
Former Phillips Factory, Balmoral Drive, Southport (MN2.3) (20%)	£20	0.86%	1.07%

Table 8.2: CIL Payment as a Percentage of GDV and Cost

- 8.7 Table 8.2 illustrates that the proposed CIL charges generally represent a charge which is equivalent to around 3.17% of GDV and just under 4% of cost for developments in the highest value areas, for the remaining locations the CIL charge equates to less than 1.55% of GDV and between 1.01% and 1.93% of cost. We believe it is unlikely; therefore, that a CIL charge set at the level proposed would be the 'tipping point' that makes these schemes unviable.

## 9.0 CHARGES FOR NON-RESIDENTIAL USES

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- 9.1 The PDCS included a CIL charge for large supermarkets above 2,787 sq.m at £91 per sq.m. No responses or comments have been received through the consultation process regarding the proposed charge. For the purpose of the DCS it is proposed that the charge be retained at £91 per sq.m.
- 9.2 Only one respondent provided any comments regarding the CIL charges for non-residential uses and they suggested that more detailed scenario based testing is required in relation to food and drink uses. The viability testing for food and drink uses that was undertaken in the LPEVS and CILEVS, was based on rents of £188 per sq.m (£17.50 per sq.ft). In the context of the comment received regarding such uses we have considered the range of likely values for newly constructed food and drink units in the Borough. We have provided below a brief summary of relevant transactions relating to differing forms of food and drink operations.
- 9.3 In terms of fast food operators, KFC took a new lease of a drive-thru restaurant unit at Ocean Plaza on Marine Drive in Southport in June 2016. We understand that the initial rent is £77,160 per annum and based on the scale plans of the unit the rent equates to around £250 per sq.m (£23.25 per sq.ft). The McDonalds Restaurant on the Rice Lane Retail Park in Liverpool is let at a rent of £66,600 per annum which equates to £230 per sq.m (£21.35 per sq.ft).
- 9.4 We are aware that elsewhere in Sefton at Aintree Racecourse Retail Park Costa Coffee pay a rent of £47,000 per annum which equates to £269 per sq.m (£24.95 per sq.ft). Nandos agreed a lease of Unit 10a on the Retail Park in February 2015 at an initial annual equating to £278 per sq.m (£25.82 per sq.ft).
- 9.5 In terms of new pubs there have been very few constructed in Sefton recently except for the new pub at Ocean Plaza in Southport. Here Greene King took a 20 year lease at an initial rent of £220 per sq.m (£20.42 per sq.ft) per annum in February 2013. Slightly further afield Marstons agreed to a lease of a new pub in Fleetwood in February 2015. The initial rent of £140,000 per annum equates to £224 per sq.m (£20.84 per sq.ft).
- 9.6 The evidence of rental values for food and drink uses indicates a range of £220 per sq.m (£20.42 per sq.ft) up to £278 per sq.m (£25.82 per sq.ft). This suggests that in the context of the testing for food and drink uses our assumption of rents based upon £188 per sq.m (£17.50 per sq.ft) represents a relatively conservative position in terms of value for considering the ranges of uses and possible locations for this form of development in the Borough. For the purpose of the DCS it is proposed that the charge for food and drink uses be retained at £106 per sq.m.

## 10.0 DRAFT CIL CHARGING SCHEDULE

- 10.1 Based on our conclusions and recommendations we have provided below a summary of the Draft Charging Schedule which we consider would be appropriate to Sefton. For completeness we have also provided at **Appendix 7** a map defining the boundaries of the charging zones which supports this Schedule. .

### Draft Charging Schedule

Charging Zone	CIL Charge (£/sq.m)
<b>Residential (inc Small Apartments)</b>	
<b>Zone A</b> (Bootle/Seaforth/Litherland/Orrell/Netherton/Waterloo/Aintree)	£0
<b>Zone B</b> (Southport north and east/Thornton/Melling/Maghull east)	£20
<b>Zone C</b> (Lydiate/Maghull west and north/Ainsdale/Birkdale/Crosby/Hightown)	£40
<b>Zone D</b> (Formby)	£90
<b>Large Apartments All Locations</b>	£0
<b>Food and Drink (A3/A4/A5)</b>	£106
<b>Large Supermarkets [&gt;2,787 sq.m]</b>	£91

Table 10.1: Draft CIL Charging Schedule



**APPENDIX 1**  
**WYG CONSTRUCTION COST REPORT**

**APPENDIX 2**  
**HOUSING & APARTMENT SALES INFORMATION**

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**APPENDIX 3**  
**METHODOLOGY & ASSUMPTIONS CONSULTATION DOCUMENT**  
**(FEBRUARY 2017) AND RESPONSES**

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## **APPENDIX 4 PLANNING APPLICATION ANALYSIS**

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## **APPENDIX 5 LAND TRANSACTIONS**

- **COMMERCIAL**
- **AGRICULTURAL**
- **RICS REPORT**
- **RESIDENTIAL**

**APPENDIX 6**  
**STRATEGIC SITES APPRAISALS**

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**APPENDIX 7**  
**CHARGING ZONES MAP**

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