Final Report

GVA
City Point, First Floor
29 King Street
Leeds
LS1 2HL

The Leeds Community Infrastructure Levy – Economic Viability Study

January 2013

Leeds City Council

Prepared by Dale Robinson Status Associate Date 3rd January 2013

Reviewed by Richard Laming Status Director Date 3rd January 2013

For and on behalf of GVA Ltd

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1. Executive Summary

1.1 The Council wishes to put in place appropriate evidence to support the level of CIL charge having considered the cumulative impact of other policy requirements, as set out within The Leeds Core Strategy, Publication Version (June 2011). The EVS has considered the Core Strategy requirements relating to Code for Sustainable Homes, BREEAM and carbon reduction standards, accessibility and green space.

1.2 To meet the requirements and satisfy the examination process, a CIL charging schedule should aim to strike and an appropriate balance between the need to fund infrastructure and the impact of CIL in association with other policy obligations. The guidance is clear in that the imposition of CIL should also not put at serious risk the overall growth projections.

1.3 Regulation, legislation and guidance advise that:

- Charging authorities should avoid setting charges at the margins of viability for the majority of sites;
- CIL charges may vary across geographical zones and land uses. However, there are restrictions on this differential charging and it must be justified by differences in development viability, not by policy.
- Charging rates should be based / informed by 'appropriate available evidence' which need not be 'fully comprehensive or exhaustive'.
- Whilst charging rates should be consistent with the evidence, they are not required to 'mirror' the evidence. In this and other ways charging authorities have significant discretion in setting their rates.

1.4 In order to test the viability of future planning obligations (including CIL) the EVS has appraised a series of hypothetical development schemes ('development typologies') representing the scale, nature and characteristics of the current and future development envisaged to come forward across the city. The Council has confirmed that the great majority of development is expected to fall within a limited number of development types, which are expected to create the greatest amount of new floor space over the plan period, or be strategically important to the broader objectives of the Core Strategy. In this context the most important development types were considered to be:

- Offices;
- Industrial (including warehousing);
- Comparison retail;
- Retail warehouse;
- Convenience retail;
- Hotels; and
- Residential (including care homes and student accommodation).

Overall Approach

1.5 The purpose of the EVS is to determine what development standards can justifiably be included within the Core Strategy, without significant adverse impact on viability, and against this what level of CIL charge might be applied for the city. The objectives of this exercise are:

- To undertake a high level appraisal of developer contributions, rather than a detailed analysis of individual sites or schemes;
- To assess the potential overall level of contributions by testing key "what if" questions by varying a number of underlying assumptions; and
- To use this analysis to assess potential CIL levels on the basis of clearly reasoned evidence.

Appraisal Model

1.6 A residual development appraisal model has been used to determine development viability. The model assumes that the land value is the difference between Gross Development Value and the Development Costs, once an element of developer profit has been taken into account. This can be expressed through the following calculation.

Gross Development Value (GDV) – Total Costs – Developers Profit = Residual Land Value (RLV)

- Gross Development Value includes all income generated by the development, including temporary revenue and grant (for example payments by HCA through the National Affordable Housing Programme).
- Total Costs include construction costs, fees, planning, finance charges, and also payments under S106, S278 and CIL.
- Developer's Profit is expressed by reference to a percentage of the Total Costs or Gross Development Value. It can also be expressed by reference to an Internal Rate of Return (IRR).

1.7 Through the use of the appraisal model we have examined scheme viability by testing the impact of policy requirements and differing levels of CIL contributions on benchmark land values. A summary of our findings are set out below.

Summary of CIL Charges

Use Class / Type of Development	Maximum CIL Charge per sq.m[1]
Residential – Golden Triangle	£100 /sqm
Residential – Inner suburbs	£25 /sqm
Residential – Outer suburbs	£50 /sqm
Residential – Inner Area	£0 /sqm
Residential – City Centre	£0 /sqm
Retail – City Centre >500 sqm gross	£175 /sqm
Retail – City Centre ≤500 sqm gross	£0 /sqm

[1] It is important to recognise that whilst robust assumptions (see Appendix III) have been used, which generally align with normal or usual figures expected in the majority of developments they may differ, in some case, from the figures that may be used in actual development schemes. To allow for such circumstances it is important to ensure that CIL charges include an element of tolerance and should, therefore, not be set at maximum charges, which could place development at the margins of viability.

Use Class / Type of Development	Maximum CIL Charge per sq.m[1]
Retail – outside of City Centre >500sq.m	£275 /sqm
Retail – outside of City Centre <500sq.m	£0 / sqm
Offices in City Centre	£100 /sqm
Offices outside city centre	£0 / psm
All other development	£0 /sqm

Review

1.8 The CIL Regulations explicitly make no provisions as to when or why authorities should revise the charging schedule. To encourage the ability of the charging schedule to respond to market changes, the Government has stated that it will encourage authorities to avoid setting CIL charges at the very limit of viability, so that they can respond to regular market variation without necessitating a formal revision. The charge is required to be index linked. One of the intentions of the CIL is for it to allow more certainty than the current S106 system so it would not be appropriate to revise to regularly.

1.9 It is recommended that there is an early review of potential charges, following an initial operating period, in around 2016/2017 when there will be evidence as to how the local market, landowners and developers have responded to the charges, which the adoption of CIL will bring. Monitoring information will need to be published each year in the Annual Monitoring Report. The review will require Leeds City Council to go through all the stages of public consultation and Examination again based on up to date evidence.

2. Introduction

2.1 Leeds City Council is preparing for the introduction of its Community Infrastructure Levy (CIL) in accordance with Part II of the Planning Act 2008 (as amended by Part 6 of the Localism Act) and supporting CIL Regulations, as amended.

2.2 The Council also requires support and advice to help understand the costs associated with a range of policy requirements, set out in the Leeds Publication Draft Core Strategy, and determine how these will impact on the viability of development taken alongside CIL.

2.3 GVA was appointed by the Council to provide this specialist support and advice and to undertake an area wide economic viability study (EVS). In particular, GVA has sought to advise the Council on the level of CIL that would be viable to charge for new build development across the city. We have also considered the cumulative impact of other policy requirements in the draft Core Strategy and whether CIL should be charged as a single levy, or by differential rates, with reference to different value zones and land uses across the city.

2.4 GVA has acted in an independent advisor capacity to undertake the EVS and the results of this study will used by the Council to inform the development of a Preliminary Draft Charging Schedule.

2.5 At this stage it is important to recognise that viability appraisals undertaken in this study do not constitute formal valuations and should not be regarded or relied on as such. They provide a guide to viability in line with the purpose for which the assessment is required / being undertaken.

Report Structure

2.6 The remainder of this report is structured as follows:

- Section 2 provides a summary of the Community Infrastructure Levy (including the Regulations that are particularly relevant);

- Section 3 provides a summary of the policy requirements that are being tested within the EVS;
- Section 4 summarises the key issues that need to be taken into account when considering the impact of applying the policy requirements on development viability and when establishing a viable CIL;
- Section 5 summaries the assumptions with respect to `development typologies;
- Section 6 examines the results from the viability assessments
- Section 7 considers the implications of various sensitivities; and
- Section 8 outlines our conclusions and principal recommendations.

3. Community Infrastructure Levy in Context

3.1 The Council has determined that it wishes to charge a Community Infrastructure Levy (CIL) and therefore wishes to put in place appropriate evidence to support the level of charge having considered the cumulative impact of other policy requirements, as set out within Section 3. Understanding the context and background to the Community Infrastructure Levy is, therefore, essential.

3.2 In this section we set out that context in summary. We review the relevant Planning Act Legislation and Regulations that have enabled a CIL to be implemented, giving consideration to how CIL may be set, the calculation of the Levy, its enforcement and the implications for CIL working in conjunction with a S106 regime.

3.3 We identify the key benefits of CIL as the transparency and certainty the Levy provides to landowners, developers and investors in assessing the viability of their individual proposals; the improvements to decision-making through a reduction in the time spent in negotiations on contributions; and to the charging authorities in being able to easily calculate the levels of capital finance generated through the Levy and to be able to apply such funds to both strategic (sub regional) and local transport and community infrastructure needs.

The Principles and Purpose of CIL

3.4 Part II of the Planning Act 2008 (as amended by Part 6 of the Localism Act 2011) provides for the imposition of a charge to be known as Community Infrastructure Levy. The Act specifies who may charge CIL, and includes provisions for aspects of the charge including how liability is incurred, how it is to be charged, collected and spent.

3.5 CIL came into force on 6th April 2010, under the Community Infrastructure Levy Regulations 2010 (SI 948). The Regulations were amended by the Community Infrastructure Levy (Amendment) Regulations 2011 (SI 987), which came into force on 6th April 2011 and subsequently by The Community Infrastructure Levy (Amendment) Regulations 2012, which came into force on the 6th April 2012. These set out the detailed provisions which will enable local authorities in England and Wales to introduce a CIL. Further guidance was issued in December 2012 and the consolidated Regulations are expected in early 2013.

3.6 The Levy will apply to all new buildings above 100sq.m (1,076sq.ft) and any development that constitutes the formation of a single dwelling even when this is below the size threshold of 100 square metres. The revenue from the Levy must be applied to infrastructure needed to support the future development of the area. The Levy is non negotiable when a CIL regime is adopted and, other than for particular exemptions, is chargeable on all forms of development. Exemptions include:

- New development below the threshold of 100sq.m (1,076sq.ft) However, as outlined previously, this provision will not apply where the chargeable development comprises one or more dwellings; However, CIL will also not be charged when the calculated amount of CIL is £50 or less.
- Social housing;
- Development if the owner of the land is a charitable institution and that the development will be used mainly for charitable purposes or not-for-profit charitable purpose; and
- The Council may also offer relief in exceptional circumstances, limited by certain conditions.

3.7 A key benefit of CIL is its ability to fund strategic infrastructure - a provision not easily achieved through the existing S106 and S278 regimes.

3.8 Section 216 of the Planning Act 2008 (as amended by CIL Regulation 63) provides a wide definition of the types of infrastructure that can be funded by CIL, including roads and other transport facilities, flood defences, schools and other educational facilities, medical facilities, sporting and recreational facilities, and open spaces. CLG has confirmed that this list is not absolute and that the definition has been left open in order to avoid having to update the Regulations on a regular basis. The only restriction is that the infrastructure has to support new growth and not remedy existing deficiencies. Clause 115 of the Localism Act 2011 also clarifies that CIL can be spent on the ongoing costs of providing infrastructure, including maintenance and operational activities, as well as the initial upfront costs.

3.9 The Regulations provide for the reform of the current system of developer contributions towards infrastructure, principally through S106 Agreements, so that the two regimes operate alongside each other. Even under a CIL charging regime many developments will still require a S106 Agreement to provide for affordable housing[2] for example, and S38 and S278 Agreements, for instance, will still be used by highway authorities.

3.10 The Council will need to outline those items of infrastructure which can or will have to be funded through CIL and which items will continue to be funded through S106/S278 Agreements or planning conditions.

3.11 After 6th April 2014 the Regulations state that it will not be possible to pool developer contributions from more than five sites for any individual infrastructure project or type of infrastructure under Section 106. Any mechanism that attempted to fund significant strategic infrastructure across more than five sites would have to be through a CIL. This effectively eliminates the potential for a S106 planning tariff to be used after April 2014.

3.12 The use of CIL will help the Council deliver the growth established in existing and emerging local planning policy. As well as raising revenue for infrastructure, CIL will provide greater transparency and certainty for landowners, developers and investors on the level of contributions that are required, and reduce delays in the granting of planning permission by removing negotiations over the amounts sought. CIL will also provide the Council with a source of revenue that can be used more flexibly than contributions under S106 Agreements to bring forward infrastructure.

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[2] Under the current CIL regulations, receipts may not be spent on affordable housing. However, a Government consultation in October 2011 invited views on whether CIL should be available to deliver affordable housing where there is robust evidence that doing so would "demonstrably better support its provision and offer better value for money".

It also sought views on the "appropriate balance, or combination, between the Community Infrastructure Levy and Section 106 planning obligations to best support the delivery of affordable housing".

The Government has yet to tie together the various loose threads following its October 2011 consultation on proposed reforms to the CIL Regulations and is currently being urged to clarify the relationship between the Community Infrastructure Levy and Section 106 agreements, and how together they can be used to maximise affordable housing delivery.

3.13 CIL is intended for use alongside other funding streams. The Government proposed that "while CIL will make a significant contribution to infrastructure provision, core public funding will continue to bear the main burden, and the Council will need to utilise CIL alongside other funding streams to deliver infrastructure plans locally."

Setting up a CIL

3.14 For a CIL to be implemented the following are required:

- A current, adopted Development Plan for the area; the saved Unitary Development Plan (UDP Review 2006) provides the current policy context but the UDP policies are in the process of being replaced by the Development Plan Documents as part of the Local Development Framework (LDF), including the Core Strategy.
- An up to date infrastructure needs assessment that establishes the requirements, timing and costs of transport and community infrastructure; preparation of a CIL system needs to be done on the basis that there is an established infrastructure funding deficit. The Council has identified the funding deficit in a separate document/paper. This was based on updated information from the draft Infrastructure Delivery Plan (IDP) (February 2012) which supported the Publication draft of the Core Strategy (albeit acknowledging that it is a 'living' document). In preparing for the CIL the Council will also need to establish a list of infrastructure (known as the Regulation 123 list) to which CIL may contribute.
- The results of a viability and impact assessment of the likely effects of the CIL. The key element of this commission is concerned with testing the potential impact of a range of possible CIL charges, alongside other policy requirements, on the viability of development in the city. This will reveal the appropriate balance between the desirability of funding infrastructure from CIL and the potential effects of CIL and other policy requirements on the economic viability of development across the city. The overriding factor in setting a CIL charge is the impact of the charge on the economic viability of development.

This process of setting CIL should start with the vision for the area established in a Development Plan, and infrastructure planning should *identify the likely cost of infrastructure coming forward. Taking other funding sources into account, the Council must identify gaps in funding to arrive at a proposed amount to be raised from CIL. An assessment of development viability at the plan level must also be undertaken.*

3.15 The Council can then prepare a draft Charging Schedule. The schedule will not formally be part of the Development Plan, but its treatment will be the same as that for Development Plan Documents.

- The Charging Schedule will require the same level of testing as development plan documents, including a requirement to consult publicly and a Public Examination to hear representations; and
- Clause 212A of the Localism Act advocates that an examiner must recommend a draft charging schedule for approval if the drafting requirements have been complied with. If the requirements have not been followed but the issues of non compliance can be remedied the examiner can also recommend that the schedule be approved subject to further refinement / modifications. In the event such issues can not be remedied the examiner must recommend that the draft be rejected.

3.16 The Charging Schedule must identify the chargeable land uses and the appropriate rates. Charges will be expressed as a cost per square metre of floor space and will be linked to an index of inflation.

3.17 To ensure consistency and simplicity the Regulations define the units of development that may be charged, the exemptions, and other similar matters. There is some degree of flexibility so that Charging Schedules can be tailored to local circumstances. These include a facility to set differential CIL rates geographically. However, the Guidance is clear in that differential rates are only permitted on the grounds of economic viability.

3.18 The Guidance also makes it clear that when drawing up a Charging Schedule the Council will need to ensure that CIL is not set at such a level that it risks the delivery of its Development Plan, because development is rendered unviable by the charge proposed.

Setting CIL Rates and the Appropriate Balance

3.19 Regulation 14 requires the Council (charging authority) to 'aim to strike an 'appropriate balance' between:

a) The desirability of funding from CIL the cost of infrastructure required to support the development of its area; and
b) The potential effects of the imposition of CIL on the economic viability of development across its area.

3.20 The guidance provides further advice when considering this issue, as set out below.

'By providing additional infrastructure to support development of an area, CIL is expected to have a positive economic effect on development across an area in the medium to long term. In deciding the rate(s) of CIL for inclusion in its draft charging schedule, a key consideration for authorities is the balance between securing additional investment for infrastructure to support development and the potential economic effect of imposing CIL upon development across their area. The CIL regulations place this balance of considerations at the centre of the charge-setting process. In view of the wide variation in local charging circumstances, it is for charging authorities to decide on the appropriate balance for their area and how much potential development they are willing to put at risk through the imposition of CIL. The amount will vary. For example, some charging authorities may place a high premium on funding infrastructure if they see this as important to future economic growth in their area, or if they consider that they have flexibility to identify alternative development sites, or that some sites can be redesigned to make them viable. These charging authorities may be comfortable in putting a higher percentage of potential development at risk, as they expect an overall benefit.

In their background evidence on economic viability to the CIL examination, charging authorities should explain briefly why they consider that their proposed CIL rate (or rates) will not put the overall development across their area at serious risk'.

3.21 In this context the 'appropriate balance' is essentially the level of CIL which maximises the quantum of development in the area. If the CIL is above this appropriate level, there will be less development than there could otherwise be, because CIL will make too many potential developments unviable. Conversely, if CIL is below the appropriate level, development will also be less than it could be, because it will be constrained by insufficient infrastructure.

3.22 This is a matter of judgment rather than a rigorous calculation and charging authorities are allowed considerable discretion in this matter. For example, the guidance states:

'It is for charging authorities to decide what CIL rate, in their view, sets an appropriate balance between the need to fund infrastructure and the potential implications for the economic viability of development…'The legislation… only requires a charging authority to use appropriate available evidence to 'inform the draft charging schedule'. A charging authority's proposed CIL rate (or rates) should appear reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence… there is room for some pragmatism'

Calculation, Payment and Enforcement

Calculation

3.23 The amount of CIL due will be calculated with reference to the Charging Schedule when a planning permission is granted. The planning permission will determine the number of chargeable units and the charging schedule will determine the rate per square metre (CIL is calculated on the net increase in Gross Internal Area)[3], and the CIL calculated by multiplying these two factors. An inflation index will then be applied. Landowners and developers would be advised of the amount of liability when planning permission is granted.

Payment

3.24 CIL payment is not due until the commencement of development defined in the Town and Country Planning Act 1990. Developers will be required to notify the charging authority of their intention to commence development and to provide

[3] Gross internal floor area includes everything within the external walls of the buildings and includes things like lifts, stairwells and internal circulation areas. It does not include things like external balconies or the thickness of external walls.

details of the entity that will pay CIL in advance of commencement. If no details are provided, landowners will be liable in default.

3.25 Initial proposals set out that payment was to be required 60 days after commencement, or, if the contribution was more than £10,000, to be paid in equal instalments up to 240 days after commencement, depending on the amount. However, the Council will now be allowed to set their own flexible payment deadlines and offer developers the option to pay by instalments. Where development is phased (on the basis of an outline planning permission followed by reserved matters approvals), each phase would pay CIL separately.

Enforcement

3.26 Enforcement measures are based on existing legislation. The CIL liability must be registered as a Local Land Charge, to ensure that subsequent purchasers of developed land and property are aware of the existence of an outstanding liability.

3.27 To ensure that those paying CIL promptly do not suffer because of late payment by others, charging authorities have powers to add interest and surcharges to CIL. Levels – surcharges up to 20% of the applicable CIL charge (up to a maximum of £2,500) can be charged. Other planning enforcement and Stop Notice powers may also be used.

Other Considerations

3.28 Other relevant considerations include:

- Double charging: Once the Council has adopted a CIL charge, it will be unlawful to seek contributions for the same item of infrastructure through both the CIL and a S106. This is the key purpose of the R123 List.
- Use of S106 alongside CIL**:** The Regulations state that Section 106 will remain, but contributions sought by this mechanism must be a) necessary to make development acceptable in planning terms, b) directly related to the development and c) fairly and reasonably related in scale and kind to the development.

3.29 S106 will continue to apply for direct site acceptability matters such as those which are needed to make the development work in physical terms, such as access, flood protection and wildlife measures. Where possible a planning condition should be pursued rather than a S106 Agreement to secure site mitigation matters. However, some matters, such as highway works or water infrastructure may be provided under other legislation (e.g. S278 of the Highways Acts).

3.30 Offsite mitigation or provision of contributions may still be sought as S106 contributions so long as they satisfy the tests outlined above and are not items the Council has identified as being funded through CIL. For example an urban extension that gave rise to the need for a school could justify a S106 education contribution, if the school was not identified as a CIL funded item.

Identifying the Infrastructure Funding Deficit

3.31 Preparation of a CIL system needs to be done on the basis that there is an established infrastructure funding deficit. In preparing for CIL the Council will, as outlined previously, need to establish a list of infrastructure (know as the Regulation 123 List) to which CIL may contribute.

3.32 The Council has already made significant progress on this matter, with the preparation and publication of its Draft Infrastructure Delivery Plan (IDP) - March 2012. The IDP identifies the current infrastructure provision across the District, and where possible the critical infrastructure which is required to support the future housing and employment growth envisaged by the Local Development Framework Core Strategy up to 2028.

3.33 The current IDP is not the final document, which is intended to support the Submission stages of the Core Strategy, or by implication the Examination stage of the CIL. Instead the Council has advised that this is a working draft, which will be updated as necessary.

3.34 Taking into account the list of infrastructure needs from the IDP, the Council has recently undertaken a further assessment of potential funding sources, for each item of infrastructure, and identified the potential for CIL once all other sources of funding had been explored. This exercise resulted in a refined infrastructure list/delivery schedule. However, this schedule is not the Council's definitive list of infrastructure items that CIL will contribute towards[4]. It is acknowledged that infrastructure requirements and costs may change over the plan period and will, therefore, need to be updated accordingly in future revisions of the IDP or supporting CIL documentation.

3.35 Previously the list of infrastructure used to justify the funding deficit did not need not be reflected in the final Regulation 123 List once CIL is adopted. However, the December 2012 guidelines are more onerous in this respect and require the 123 List to be based on the draft list that is intended to support the Examination stage of the draft charging schedule. If the Council wish to make subsequent revisions to their 123 List they will need to make sure that any changes are clearly explained and subject to appropriate local consultation. The Regulations are quite clear in that the Council should not remove an item from their 123 List just so they can fund this item through a new Section 106 Agreement. Where a change to the list would have a significant impact on the viability evidence, that supported the examination of the charging schedule, this should only be made as part of a review to the charging schedule.

3.36 In developing the EVS and the subsequent Preliminary Draft Charging Schedule, the Draft IDP (February 2012) was used as the main piece of evidence, albeit this was updated with amendments and refinements as a result of further consultation and discussion with infrastructure service providers, as appropriate.

3.37 Drawing on the results of this study the Council will need to establish the likely revenue potential from CIL over the plan period. Subject to the findings of this exercise the Council may need to prioritise infrastructure needs across the District in order to decide what projects the money will be best spent on.

[4] The infrastructure projects or types of infrastructure that CIL is intended to contribute towards will be set out in the Council's Regulation 123 list.

4. Future Policy Requirements

4.1 As outlined previously the Council wishes to put in place appropriate evidence to support the level of CIL charge having considered the cumulative impact of other policy requirements, as set out within The Leeds Core Strategy, Publication Version (June 2011).

Core Strategy Policy Requirements

4.2 The EVS has considered the Core Strategy requirements relating to Code for Sustainable Homes, BREEAM and carbon reduction standards, accessibility and green space. The respective policies and how they have been considered within the EVS are set out below.

A Well Connected District / Accessibility

Policy T2 (Accessibility Requirements and New Development) requires new development to be located in accessible locations

(i) in locations where development is otherwise considered acceptable new infrastructure may be required on/off site to ensure that there is adequate provision for access from the highway network…

(ii) Developer contributions may be required for, or towards, improvements to the off site highway and the strategic road network and to pedestrian, cycle and public transport provision. There will be secured where appropriate through S016 Agreements and / or CIL and by planning conditions.

(iii) Significant trip generating sites will need to provide Transport Assessments / Transport Statements ….

(iv) Travel Plans will be required to accompany Transport Statements….

(v) Parking provision will be required for cars, motorcycles and cycles in accordance with current guidelines

4.3 Point ii is the most significant in terms of Policy T2. As outlined the in previous section the use of S106 alongside CIL will still be permitted but the Regulations state that contributions sought by this mechanism must be a) necessary to make development acceptable in planning terms, b) directly related to the development and c) fairly and reasonably related in scale and kind to the development.

4.4 In this context S106 will continue to apply for direct site acceptability matters such as those which are needed to make the development work in physical terms. Offsite mitigation or provision of contributions may also be sought as S106 contributions so long as they satisfy the tests outlined above and are not items the Council has identified as being funded through CIL..

4.5 The EVS assumes that all strategic types of infrastructure are funded by CIL (the viability of which is being determined through this study) or alternative sources of funding. However, it is more difficult to deal with direct site acceptability matters in a study of this nature, as they are invariably dealt with on a site by site basis and specific to the circumstances and individual development proposals. In this respect the EVS has taken into consideration average contributions, based on historic S106 receipts, when setting the CIL rates. Further detail is provided within Section 6. In addition it will also be important not to set the rates at the margins of viability thus allow a margin of tolerance, which would also take into account factors / additional cost items such as these

Greenspace

Policy G4 (New Greenspace provision) requires an on site provision of greenspace of 80sq.m (860sq.ft) per residential unit, for development sites of 10 or more dwellings that are outside the City Centre and in excess of 720 metres from a community park and which are located in areas deficient of greenspace. In areas of adequate supply, contributions of an equivalent value towards safeguarding and improvement of existing greenspace will take priority over the creation of new areas.

4.6 It is very difficult to assess the impact of this policy within a study such as this, as the schemes are hypothetical and, therefore, it is not possible to conclude whether the scheme is within an area of 'adequate supply' or within close proximity to an existing community park. For the purpose of this assessment it is assumed that all sites fall within areas of adequate supply meaning priority will be given to the provision of an equivalent contribution towards safeguarding and improving an existing green space. This payment would effectively fall out of CIL and, therefore, there is no requirement to consider any further impacts associated with this policy.

Policy G5 (Open Space Provision in the City Centre) requires open space provision on sites over 0.5 hectares as follows:

(i) Commercial developments to provide an equivalent of 20% of the total site area;
(ii) Residential development to provide an equivalent of 0.41 hectares of open space per 1,000 population.
(iii) Mixed use development to provide the equivalent of either 20% of the total site area, or a minimum of 0.41 hectares per 1,000 population of open space.

Contributions towards the City Centre Park and new pedestrianisation will take priority.

4.7 For the purpose of the EVS it is assumed that all sites will contribute towards the City Centre Park and new pedestrianisation. This payment would also fall out of CIL and, therefore, there is no requirement to consider any further impacts associated with this policy.

Energy and Natural Resources

Policy EN1 (Climate Change – Carbon Dioxide Reduction) requires all new developments of 10 dwellings or more, or over 1,000sq.m of floorspace ……to:

(i) Reduce total predicted carbon dioxide emissions to achieve 20% less than the Building Regulations Target Emission Rate until 2016 when all development should be zero carbon; and

(ii) Provide a minimum of 10% of the predicted energy needs of the development from low carbon energy

4.8 The UK Government has set an ambitious and legally binding target[5] to reduce national greenhouse gas emissions[6] by at least 80% by 2050 with an intermediate target of 34% reduction by 2020 (against a 1990 baseline).

4.9 A strategy for how this was to be achieved was set out in The Carbon Plan published in December 2011. Buildings form a significant part of the plan as they account for around 45% of our total carbon emissions.

4.10 In December 2006, the Labour government committed that from 2016 all new homes would be 'zero carbon' (compared to 2006 standards).

Residential

4.11 The code for sustainable homes is the guide to achieve this new commitment and the transition to zero carbon emissions is being implemented in 3 steps.

1. 2010: 25% improvement in energy / carbon performance
2. 2013: 44% improvement
3. 2016: zero carbon emissions.

[5] Climate Change Act 2008
[6] These include carbon dioxide and emissions of other targeted greenhouse gases.

4.12 The Code for Sustainable Homes is closely linked to Building Regulations (Approved Document L) and takes into account 9 design categories, rating the whole home as a complete package. The Code uses a star rating system from 1 to 6 to communicate the overall sustainability performance of a new home according to a percentage improvement in CO2 emissions:

- 1 star = Code Level 1, 10% reduction
- 2 stars = Code Level 2, 18% reduction
- 3 stars = Code Level 3, 25% reduction
- 4 stars = Code Level 4, 44% reduction
- 5 stars = Code Level 5, 100% reduction
- 6 stars = Code Level 6, zero carbon

4.13 Policy EN2 (see later) sets out the Council's current requirements with respect to Code for Sustainable Homes. To avoid duplication the EVS has not considered the impact of this policy, from a residential perspective, and instead appraises the impact of Policy EN2 (see later).

Non Domestic Uses

4.14 The Labour budget in 2008 announced the government's intention that all new non-domestic buildings should also be zero carbon from 2019. This commitment was confirmed by the Coalition government in December 2010. This means that the timeframe for zero carbon non domestic buildings is three years behind that for zero carbon homes. Consequently, progress towards defining a zero carbon standard for non-domestic buildings is similarly behind, with a series of consultations ongoing.

4.15 At present, it is considered that the overall approach to achieving zero carbon non domestic buildings should adopt a similar 'fabric first' hierarchy of measures to those proposed for domestic buildings:

- Fabric efficiency to reduce the demand for heating, cooling, mechanical ventilation and electric lighting.
- Meeting the remaining demand for services with high efficiency equipment.
- Supplying that equipment with low carbon energy.

- Offsetting remaining emissions by generating further renewable energy off site (such offsetting measures are called 'allowable solutions').

4.16 However, there are a number of key questions that must then be answered relating to the application of these measures:

- What standards should be set for the different levels of the hierarchy? A range of possible standards exist for 'carbon compliance' (the first two elements of the hierarchy) each achieving different overall reductions in carbon emissions compared to the 2006 Building Regulations;
- How those standards should be defined and assessed;
- Whether minimum standards should be set for different elements; and
- How to differentiate between types of non-domestic building.

4.17 These questions are highly complex and involve detailed cost benefit analysis.

4.18 For example, technically, it may be possible to comply with a zero carbon requirement by adopting low carbon technologies rather than by a creating an energy efficient fabric, and from the developers perspective this might be cheaper in the short term. However this might not minimise whole-life costs (due to the ongoing costs of fuel, maintenance and replacement). In addition, technological solutions are prone to operate below their optimal level of efficiency because of the behaviour of occupants, poor commissioning and maintenance. Furthermore, optimising the building fabric would be likely to give a building better resilience to climate change and continuity of energy supply.

4.19 On the other hand, build quality has a big impact on the effectiveness of energy efficient fabric, and is much more difficult to correct than user behaviour. Also, technology replacement offers the potential for future improvement in efficiencies that are difficult to achieve with building fabric.

4.20 These are more difficult questions to answer than for domestic buildings, as there are such a diverse range of possible building sizes, forms, types and locations to consider. In addition, unlike domestic buildings, electric lighting is a very significant component of energy use and this results in a more complex trade off between natural lighting and fabric thermal efficiency. It is also becoming apparent that continually increasingly standards for U-values has a diminishing return relative to cost whilst there is considerable scope for efficiency in services equipment.

4.21 There are also a number of options for how a zero carbon standard might be enforced, however it is likely to be based on assessing carbon compliance using existing techniques which compare the relative performance of the proposed building with a notional building of the same size, shape and use. Notional buildings may be defined as 'mixed mode' as standard to give some incentive for developing an energy efficient building form. In addition, minimum efficiencies are likely to be set for key measures such as U-values and solar gain as well as the main services equipment and electric lighting.

4.22 As with zero carbon homes, unregulated energy (such as appliances) are likely to be excluded from emissions calculations.

4.23 The standards to be achieved will be set out in the Building Regulation and associated approved documents, in particular Part L, the conservation of fuel and power. The overall standards set in the current 2010 Part L are based on achieving a percentage reduction in carbon emissions compared to the carbon emissions of a building of the same type, size and shape built to 2006 standards. Revisions of Part L in 2013 and 2016 will require larger reductions in these carbon emissions compared to the 2006 standards, progressing towards the ultimate national goal of 'zero carbon' by 2019.

4.24 This is clearly a very complex and evolving arena and it has been difficult to quantify the impact, in terms of extra over costs, against current base requirements. In this respect we have sourced information from Target Zero[7] who have issued guidance on the design and construction of sustainable, low and zero carbon buildings in the UK. Their work relates to five non domestic building types including a school, a distribution warehouse, a supermarket, a medium to high rise office building and a mixed use building.

[7] Target Zero is a programme of work, funded by Tata Steel and The British Constructional Association (BCSA). The research has been undertaken by a consortium of leading organisations in the field of sustainable construction including AECOM and Cyril Sweet with steel construction expertise provided by Tata Steel RD&T and the Steel Construction Institute (SCI)

Low Carbon Office Buildings

4.25 The targets for operational carbon reduction is office buildings required from 2010 as a result of changes to Part L can be achieved by using energy efficient measures only. The package of measures predicated to achieve the 2010, 25% reduction target most cost effectively include:

- Vertically reduced glazing by 2m
- Specific fan powers reduced by 20%
- Daylight dimming lighting controls
- Improved chiller efficiency SEER = 6
- Improved boiler efficiency to 95%
- Improved lighting efficient to 2.0W/m2 per 100lux
- Improve wall insulation to 0.25w/m2k

This package of works results in a reduction in base costs of approximately -1.4%

Source: Target Zero (Guidance on the Design and Construction of Sustainable, Low Carbon Office Buildings

Low Carbon Warehouse Buildings[8]

4.26 The likely target for operational carbon reductions in warehouse buildings required from 2010 as a result of changes to Part L can be achieved relatively easily by using high efficiency lamps and luminaries. The full package of measures predicated to achieve the 2010 reduction target most cost effectively includes:

- High efficiency lamps and luminaries 1.79w/m2 per 100lux
- Glazing (roof light) performance 1.50W/m2K
- Improved air tightness 5m3/h/m2@50pa
- 10% roof-lights with daylight dimming
- Advanced thermal bridging (0.014W/m2K)

This package of works results in a reduction in base costs of approximately -0.98%

Source: Target Zero (Guidance on the Design and Construction of Sustainable, Low Carbon Warehouse Buildings

[8] In the absence of any other information this data is assumed to be applicable for all forms of industrial buildings

Low Carbon Supermarket Buildings[9]

4.27 The targets for operational carbon reduction in supermarkets required from 2010 as a result of changes to Part L can be achieved by using energy efficiency measures only. The package of measures includes:

- Composite internal floor
- High efficiency lamps and luminaries
- Specific fan powers reduced by 20%
- Motion sensing controls throughout
- Improved chiller efficiency SEER = 6
- Improved boiler efficiency to 95%
- Building orientated so that glazed faced faces South

This package of works results in a reduction in base costs of approximately -0.36%

Source: Target Zero (Guidance on the Design and Construction of Sustainable, Low Carbon Supermarket Buildings

Low Carbon Mixed Use Buildings[10]

4.28 The targets for operational carbon reduction in mixed use buildings required from 2010 as a result of changes to Part L can be achieved by using energy efficiency measures only. The package of measures predicted to achieve the 25% reduction in target most cost effectively as set out below.

- Vertically reduced glazing by 2m
- Specific fan powers reduced by 20%
- Improved boiler efficiency to 95%
- Improved lighting efficiency to 2.0W/m2 per 100lux
- Improved chiller efficiency

This package of works results in a increase in costs of approximately 1.3%

[9] In the absence of any other information this data is assumed to be applicable for all forms of convenience retail. With reference to our development typologies (see Section 5) this would include convenience stores, supermarkets, superstores and hypermarkets.
[10] In the absence of any other information this data is assumed to be applicable for all other forms of development as outlined in Table x at Section 5).

- Active chilled beams

Source: Target Zero (Guidance on the Design and Construction of Sustainable, Low Carbon Mixed Use Buildings

4.29 The EVS assumes these work packages and models the associated cost variations when considering the impact of policy EN1 on non domestic buildings.

Policy EN2 (Sustainable Design and Construction) requires developments of 1,000 or more square metres or 10 or more dwellings (including conversion) where feasible to meet at least the standard set by BREEAM or Code for Sustainable Homes as shown below….

	2012	2013	2016
Code for Sustainable Homes requirement	Code 3	Code 4	Code 6
BREEAM Standards for non residential building requirements	Very Good	Excellent	Excellent

4.30 As outlined previously the Code is a national standard for the sustainable design and construction of new homes. The Code aims to reduce our carbon emissions and create homes that are more sustainable. The typical costs associated with achieving the various Code ratings, over and above Building Regulations Part L, and relevant to our development typologies (see Section 5) are set out in Table 1[11]. It should be noted that these costs (particularly costs associated with Code 6) may reduce in the future, due to economies of scale and new technologies etc, but the current assumptions are based on the most appropriate available evidence at the present time.

[11] It should be noted that future revisions to Building Regulations in 2014 (Code 4) and 2016 (Code 6) will make around 70% of the code mandatory. The remainder can be made up of credits from a choice of options and this is what Policy EN2 seeks to encourage, subject to viability. The EVS considers the full cost implications and does not distinguish between the proportion covered by Building Regulations or Policy EN2. However, the importance of this needs to be considered when assessing the impact of Code 4 and 6 (see Section 6) as the impact will largely be as a result of National Legislation and not local plan policies, which would only seek the additional 30% if it was viable to do so.

Table 1 – Code for Sustainable Homes Costs

House Type	Code 3	Code 4	Code 6
Studio Flat	£750	£3,400	£27,050
1 Bed Flat	£750	£3,400	£27,050
2 Bed Flat	£750	£3,400	£27,050
3 Bed Flat	£750	£3,400	£27,050
2 Bed House	£840	£3,500	£31,870
3 Bed House	£1,050	£4,220	£33,770
4 Bed House	£1,000	£5,140	£38,170
5 Bed House	£1,000	£5,140	£38,170

Source: Davis Langdon

4.31 The capital cost increases associated with BREEAM are set out in Table 2

Table 2 – BREEAM Cost Increases (over base case)

Development Type	Very Good	Excellent	Outstanding
Offices	0.17%	0.77%	9.83%
Industrial Buildings (including Warehousing)	0.04%	0.4%	4.8%
Supermarkets[12]	0.24%	1.76%	10.1%
Mixed / Other Use[13]	0,14%	1.58%	4.96%

Source: Target Zero

4.32 The EVS has appraised the cumulative impact of these policies, alongside CIL, on development viability by reference to their impact on current market values for each land use. Our overall approach / methodology is considered in further detail at Section 6.

[12] With reference to Table 11 at Section 5 this development typology would also include convenience stores, superstores and hypermarkets

[13] In the absence of any other data we have applied these assumptions to all the other land uses / development typologies within Table 11.

5. The Key Issues

5.1 The main issues / challenges likely to be encountered when considering the impact of enhanced design standards and future policy requirements (including CIL) on development viability include:

- **Developing an effective and transparent charging mechanism:** This is relatively straightforward for most housing and employment developments but becomes harder, say, with mixed use developments, sui generis uses and uses where their size and impact are unrelated (e.g. large warehouses that employ few people);
- **Benchmarking** potential CIL charges and other policy requirements with neighbouring Local Authorities to ensure development is not displaced out of the area and to encourage growth in Leeds in line with the Core Strategy;
- **Establishing Market Value Areas:** Different land and sale values will apply in various locations across the city. These market value areas can be a function of many different interacting factors, such as accessibility and connections to national transport networks, business clustering effects and scale/ scope of development land available. These differences are more pronounced within the residential markets and the viability assessment takes into account this variation by dividing the study area into different value areas[14]. However, it is also important to remember that not all schemes within a given market value area will be equally viable. It must be anticipated that there will be schemes, even within higher value areas that are marginal (particularly Brownfield sites) due to site specific circumstances and abnormal costs.
- **Ensuring that development viability is not adversely affected** so as both to stymie the collection of CIL itself (i.e. act against the very purpose of CIL) and to negatively affect development viability;
- **Ensuring that the CIL Charging Schedule** and future policy requirements are broadly accepted by the developer and landowner community.
- **Ensuring that CIL is invested**. Most authorities are adopting ten year timeframes, but even after this period elapses insufficient funds may have been collected to

[14] This fact was recognised within the Council's Affordable Housing Economic Viability Assessment (June 2010), which identified a series of sub markets across the city which were considered to broadly reflect the different market value areas, based on an analysis of house prices across the City. For consistency the EVS aligns itself with these market geographies.

implement larger scale infrastructure projects, particularly in the current economic climate. Particular challenges come when 'match funding' is required from Local Authorities at a time of severe public sector budgetary pressures.

Affordable Housing

5.2 There is a concern (at both the national and local level) that the introduction of CIL and other policy requirements could result in a reduction in the amount of affordable housing also secured from developments through Section 106 Agreements (developer contributions). Although the affordable housing policy requirements have been taken into account in setting the CIL rates, the concern is because the CIL rates will be fixed whereas affordable housing will remain open to negotiation, and therefore will be the key aspect which can be reduced in order to improve viability where there are issues in this regard with particular sites.

5.3 If CIL was to be set at a level that is too high, then Section 106 affordable housing proposals will become extremely challenging to secure and could lead to a potentially substantial reduction in new affordable housing. The issue could be substantially compounded when the cumulative impact of or enhanced design standards are taken into consideration.

5.4 In setting appropriate charges, the Council will not only need to be mindful of the potential trade-off between infrastructure, which is funded via CIL, and affordable housing, which is currently funded by Section 106 they will also need to consider the cumulative impact of other policy requirements on development viability.

5.5 In responding to this issue, a Government consultation in October 2011 invited views on whether CIL should be available to deliver affordable housing where there is robust evidence that doing so would "demonstrably better support its provision and offer better value for money". It also sought views on the "appropriate balance, or combination, between the Community Infrastructure Levy and Section 106 planning obligations to best support the delivery of affordable housing."

5.6 The Government has yet to tie together the various loose threads following its October 2011 consultation on proposed reforms to the CIL Regulations and is currently being urged to clarify the relationship between the Community Infrastructure Levy and

Section 106 agreements, and how together they can be used to maximize affordable housing delivery.

The Viability Assessment takes into account the Council's current requirements for the delivery of affordable housing and is consistent with the work undertaken as part of the 2010 Economic Viability Assessment.

Benchmark Land Value

5.7 The costs associated with future policy requirements (including CIL) will be extracted from the residual land value and this is generally accepted between all parties. However, the difficulty with this approach is establishing a realistic land value that provides an incentive for the landowner to release their site for development, whilst also taking into account the contributions that the Council may require in terms of CIL, affordable housing and other policy obligations such as enhanced design standards etc.

5.8 The stating point in many affordable housing studies (including the Council's Economic Viability Assessment) has been to adopt existing / current use values with the assumption that landowners will release land based on a modest 20% uplift. This approach has generally been justified in affordable housing studies as they only ever set policy 'targets', which could be further challenged, on viability grounds, at the planning application stage. In this context it seems reasonable that such appraisals attempt to maximise affordable housing by taking an approach to minimise base / benchmark land values.

5.9 However, once adopted, CIL is a fixed charge and will not be subject to further assessment meaning the previous approach of adopting low base values is less robust. In considering an alternative approach we have had regard to the following:

- Viability Testing Local Plans (June 2012) published by the Local Housing Delivery Group; and
- RICS Professional Guidance on Financial Viability in Planning (1st Edition) and
- Leeds City Council: Economic Viability Assessment Final Report (June 2010)

Viability Testing Local Plans (June 2012)

5.10 The Local Housing Delivery Group recently published advice on area wide viability testing entitled 'Viability Testing Local Plans' (June 2012). The document considers the issue of benchmarking and states that the benchmark value should represent the value at which a typical willing landowner is likely to release land for development. The report also advocates that when considering an appropriate benchmark consideration should be given to the fact that future plan policy requirements will have an impact on land values and owners' expectations.

5.11 In this context the report concludes that using a market value approach to benchmarking carries the risk of building in assumptions of current policy costs rather than helping to inform the potential for future policy. Whilst the report acknowledges that reference to market values will still provide a useful 'sense check' on the benchmark values that are being used in the model(s) it does not recommend that these are used as the basis for input into the model.

5.12 The report recommends a benchmark which is based on a premium over current use values and 'credible' alternative use values. The report accepts that alternative use values are most likely to be relevant in cases where the Local Plan is reliant on sites coming forward in areas (such as town and city centres) where there is competition for land among a range of alternative uses.

5.13 Whilst the report does not recommend or provide guidance on what is considered an appropriate premium it advocates that this will need to be sufficient to persuade landowners to sell. The guidance further recognises that in certain circumstances, particularly in areas where landowners have long term investment horizons and are content with the current land use, the premium will need to be higher than in those areas where landowners are more minded to sell. An example of this is in relation to large Greenfield sites where a prospective seller is potentially making a once in a lifetime decision over whether to sell an asset that may have been in the family or a Trust's ownership for many generations. In this scenario the uplift on current use value will invariably be significantly higher than those in an urban context. In reconciling such issues the Guidance stresses the importance of using local sources to provide views on market values as a means of providing a sense check on the approach of the current use value plus premium calculation.

5.14 The report also advises against setting benchmarks, which are at the margins of viability. To guard against this it is recommended that an appropriate 'viability cushion' be considered to ensure that sites upon which the Local Plan relies in the first five years will, on the balance of probability, come forward as required. No recommendation as to what constitutes an appropriate cushion is provided. Instead the guidance advocates that this will be left for the local planning authority to decide in collaboration with their partners and consultees.

5.15 Whilst the report clearly favours an approach to benchmarking which is based on current / existing use value plus premium it also advocates, at numerous points throughout the document, that the outcome of this approach will need to be 'sense checked' against market values. Indeed the report does acknowledge that if market evidence substantially exceeds the initial benchmark assumptions then there will be an increasing risk that land will not be released for development and consequently the plan is at risk of being unsound unless the benchmarks are placed at a higher level, which reflects the market evidence.

5.16 In conclusion the Harman Report is quite ambiguous – it recommends that the benchmark should be based on current use value plus a premium (which is inclusive of a viability cushion), both of which need to be considered / sense checked with reference to local circumstances/evidence. The report also acknowledged that if such benchmarks are considerably below market value they should be reassessed and placed at a higher level, which reflects the market evidence otherwise there is a risk that land will not be released for development thus undermining the soundness of the plan.

RICS Professional Guidance: Financial Viability in Planning (1st Edition)

5.17 The Royal Institute of Chartered Surveyors (RICS) has recently produced its Guidance Note *Financial Viability in Planning (1st Edition GN 94/2012)* which provides a definitive and objective methodological framework and set of principles that can be applied mainly to development management. However, the principles are also applicable to the plan making and CIL (area wide) viability testing.

5.18 The guidance is grounded in the statutory and regulatory planning regime that currently operates in England and is consistent with the Localism Act 2011, the NPPF and Community Infrastructure Levy (CIL) Regulations 2010.

5.19 Whilst the RICS Guidance and that from the Local Housing Delivery Group can be seen as complimentary the RICS guidance provides more technical guidance on determining an appropriate site / benchmark value.

5.20 The Guidance defines financial viability for the purposes of town planning decisions as:

"An objective financial viability test of the ability of development to meet its costs including the cost of planning obligations, whilst ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer"

5.21 In assessing the impact of planning obligations on the viability of the development process, the guidance does not specficy a prescriptive tool or financial model (albeit it does recognise that it is accpeted practice to use a residual valuation model). However, it does emphasise the importance of using market evidence as the best indictor of the behaviour of willing buyers and willing sellers in the market, as envisaged by the NPPF. The guidance also recognises that the financial viability test can use the level of developers return or the Site Value as the benchmark for assessing the impact of planning obligations on viability. However, the guidance warns that where planning obligation liabilities reduce the site value to the landower and return to the developer below an appropriate level, land will not be released and / or development will not take place.

5.22 The guidance defines 'site value', whether this is an input into a scheme specific appraisal or as a benchmark, as follows:

Site value should equate to the market value[15] subject to the following assumption: That the value has regard to development plan policies and all other material

[15] The RICS Valuation – Professional Standards 2012 (Red Book) definition of market value is as follows: *The estimated amount for which an asset or liability should exchange on the*

planning consideration and disregards that which is contrary to the development plan'

5.23 The guidance also advocates that any assessment of site value will need to consider prospective planning obligations and recommends that a second assumption be applied to the aforementioned definition of site value, when undertaking Local Plan of CIL (area wide) viability testing. This is set out below:

Site value (as defined above) may need to be further adjusted to reflect the emerging policy / CIL charging level. The level of the adjustment assumes that site delivery would not be prejudiced. Where an adjustment is made, the practitioner should set out their professional opinion underlying the assumptions adopted…..

5.24 The guidance acknowleges that, in the absence of any guidance, practiioners and local authorities have tended to adopte a variety of approaches, with repsect to benchmark land value, but with most favouring the current use value (CUV) plus margin[16] or a variant of this (i.e. Existing Use Value (EUV) plus premium).

Current Use Value (CUV) plus premium

5.25 The Guidance does not favour this approach, as it does not reflect the workings of the market (land does not sell for its CUV but rather at a price reflecting its potential for development). It is accepted that CUV plus premium approach does, in effect, recognise development potential by the application of a percentage increase over and above the CUV. However, this is considered to be a very unsatisfactory methodology, when compared to the market approach, as it assumes land would be released for a fixed percentage above CUV , which is generally decribed as arbitary, inconsistently applied and not reflective of the workings of the market.

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valuation date between a willing buyer and a willing seller in an arms length transaction after properly marketing and where the parties had each acted knowledgeably, prudently and without compulsion

[16] The guidance states that margins typically range between 10% and 40% above CUV but accepts that in certain circumstances higher percentages have been used (i.e. Greenfield and rural sites).

5.26 The guidance also had regard to other definitions such as Existing Use Value (EUV) and Alternative Use Value (AUV) in order to clarify the distinction when assessing financial viability in a planning context.

Existing Use Value (EUV) plus premium

5.27 Existing Use value (EUV) is defined by the Red Book as:

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arms-length transaction after properly marketing and where the parties had each acted knowledgeably, prudently and without compulsion assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alterantive uses and any other characteristics of the property that would cause market value to differ from that needed to replace the remaining service potential at least cost.

5.28 In this context the Guidance concludes that it is inappropriate to consider EUV when considering financial viability in a planning context. In particular the Guidance concludes that it is an accounting definition of value for business use and, as such, hypothetical in a market context (property does not transact on an EUV basis).

Alternative Use Value (AUV)

5.29 The Red Book is quite clear in that where a purchaser in the market would acquire the property (site) for an alternative use of the land because that alternative use can be readilly identified as generating a higher value than the current use, and it is both commercially and legally feasible, the value for this alternative use would be the market value[17].

5.30 In context of the above the Guidance adopts the definition of market value as the appropriate basis to assess Site Value (see previous definition). The guidance claims this is consistant with the NPPF, which ackowledges that 'willing sellers' of land should

[17] In other words 'hope value' is also reflected and the answer is still market value. Again in arriving at market value via alternative use vale the planning status associated with the development of the land should be considered

receive competitive returns'. The guidance is quite clear in that competitive returns can only be achieved in a market context (i.e. market value) and not one which is is hypothetically based with an 'arbitary mark up applied, as in the case of EUV (or CUV) plus premium.

Exitsing Evidence Base (Leeds Economic Viability Assessment (June 2010).

5.31 The Council's Economic Viability Assessment (June 2010) assumed that 20% of a scheme's GDV would be the minimum value at which a land owner would release their site for development[18] and this was set as a constant within the modelling exercise. By fixing the percentage of GDV which is attributable to land value the study sought to modify the 'traditional residual' appraisal and test viability based on a measure of return / developers profit, albeit it was recognised this produced the same results as determining residual land values and then comparing these to Existing Use Value (EUV).

5.32 The EVA operates on the basis of a target IRR (Internal Rate of Return) and the level at which a scheme is considered viable was set at 20%[19]. Where a site generated an IRR of 20% or above it was considered viable. Between 17.5% and 20% the site was marginal and below 17.5% the site was considered unviable.

5.33 In those scenarios where an IRR of 20% of higher was generated, the EVA then 'sense checked' the actual land value (based on 20% of GDV) to ensure this was at a level which would allow a site to come forward for residential development, as opposed to alternative use. In doing this the EVA applied a range of Alternative Use Values (AUV) as benchmarks for assessing scheme viability. The AUV benchmarks adopted within the EVA included:

- City Centre = £1,000,000 per acre;
- Inner Area = £400,000 per acre and

[18] In the context of this study development was solely related to residential uses.
[19] The target of 20% was based on the consultant's experience of past development projects and in consultation with Stakeholders. We would concur that a target of 20% is not unreasonable.

- Outer Areas (including Golden Triangle) = £500,000 per acre. The EVA recognised that some sites (particularly green field sites in suburban areas) are unlikely to be developed for alternative uses due to planning constraints and other commercial requirements. In these scenarios the EVA advocated that Alterantive Use Value would be that of an agricultural use, which at the time of the study was considered to be £5,000 per acre.

5.34 As outlined previously, the approach adopted within the EVA is consistent with many affordable housing studies and in our opinion this is justified as these studies only ever set policy 'targets', which could be further challenged, on viability grounds, at the planning application stage. In this context (albeit ignoring the arguments currently outlined with the RICS Guidance) it seems reasonable that such appraisals attempt to maximise affordable housing by taking an approach to minimise base / benchmark land values.

5.35 However, once adopted, CIL is a fixed charge and will not be subject to further assessment. CIL will also be charged on the majority of land uses meaning the impact of CIL needs to be judged in the context of the chargeable category of development rather than by reference to alternative, current or existing use values.

The Impact of National Planning Policy Framework & Localism

5.36 Viability is an important theme in the National Planning Policy Framework (NPPF). Indeed, the framework specifically states that the costs of any requirements likely to be applied to development, such as local infrastructure contributions, should, when taking account of the normal costs of development and on-site mitigation, provide competative returns to a willing land owner (i.e. not a distressed seller) and willing developer to enable the development to be deliverable.

5.37 The NPPF also seeks to ensure that, where practical, CIL charges are worked up and tested alongside the Local Plan. It states that the CIL should support and incentivise new development, particularly by placing control over a meaningful proportion of the funds raised within the neighbourhoods where development takes place.

6. Development Typologies

6.1 In order to test the viability of future planning obligations (including CIL) a series of hypothetical development schemes ('development typologies') representing the scale, nature and characteristics of the current and future development envisaged to come forward across the city have been created[20].

6.2 The Council has confirmed that the great majority of development is expected to fall within a limited number of development types, which are expected to create the greatest amount of new floor space in the District over the plan period, or be strategically important to the broader objectives of the Core Strategy. In this context the most important development types are:

- Offices
- Industrial (including warehousing)
- Comparison retail
- Retail warehouse;
- Convenience retail;
- Hotels; and
- Residential (including care homes and student accommodation)

6.3 The viability assessment focuses on these types of developments and ensures that they remain broadly viable having taken into consideration the proposed policy requirements. However, we do not need to prove that each and every development scenario will be deliverable. Instead, we need to show that the majority of these types of developments are viable, when seen at a strategic city wide level.

[20] For the purposes of CIL the Planning Advisory Committee (PAS) previously recommended that all uses be tested but they now take a more flexible approach and advocate that assessments be restricted to the conventional / major land uses that are most commonly developed. In addition use classes which do not contribute significant levels of new floorspace are unlikely to have a significant impact on existing infrastructure nor contribute significant levels of CIL funding and, therefore, there is little justification for conducting a viability appraisal on such use types. The assessment should focus on the use classes which are likely to see the greatest amount of new build development over the plan period.

6.4 Our assumptions with respect to the various development typologies are set out below.

Residential

Site Size

6.5 The Council's Economic Viability Assessment (EVA) considered a range of site sizes, which were differentiated between four distinct geographies / market value areas (referred to as 'value geographies). The extent of these areas is shown in Figure 1 at Appendix I. Based on an analysis of the Strategic Housing Land Availability Assessment (SHLAA) and in consultation with the Council and its stakeholders the EVA incorporated the following thresholds. .

Table 3 – Site Thresholds

Scenario	City Centre	Other Market Areas[21]
A	0.5ha (1.24 acres)	0.135ha (0.33 acres)
B	1,5ha (3.71 acres)	0.27ha (0.66 acres)
C	3.5ha (8.65 acres)	0.45ha (1 acre)
D	-	1.214 ha (3 acres)
E	-	3 ha (7.41 acres)
F	-	10ha (24.71 acres)

Source: Economic Viability Assessment Final Report (June 2010)

6.6 These thresholds are considered appropriate in the context of this EVS and have been incorporated within the modelling for consistency.

Density

6.7 Within each market area the EVA applied a range of density assumptions. For the City Centre only high and medium densities were assessed reflecting the nature of the market and the unlikelihood of low density schemes coming forward. Within the other market areas low, medium and high densities were appraised. Table 4 outlines the densities applied within the EVA.

[21] Includes inner city area, golden triangle and outer area (refer to Figure 1 at Appendix I)

Table 4 – Value Geographies: Density

Scenario	City Centre	Other Market Areas
High Density	350dph	40dph and (65dph in fringe)
Medium Density	175dph	35dph
Low Density	65dph	30dph

Source: Economic Viability Assessment Final Report (June 2010)

6.8 Outside of the city centre a density of 30 dwellings per hectare (dph) was adopted for low density schemes based on the minimum requirements outlined within PPS3 (extant at the time). Whilst acknowledging that PPS3 advocated an upper level density of 50dph the EVA applied a maximum density of 40dph, which, following representations and discussion with the Council[22], was considered a reasonable assumption upon which to undertake the modelling.

6.9 The introduction of the National Planning Policy Framework removes reference to both maximum and minimum thresholds and places the emphasis on local authorities to set out appropriate housing densities based on local circumstances. However, the densities adopted within the EVA are considered reasonable and to maintain consistency the same assumptions have been applied within CIL assessment.

6.10 In addition Policy H3 of the Core Strategy also introduces an additional density band of 65dph for the City Centre and fringe (the fringe being a zone of 500m stretching out from the City Centre boundary). This is to reflect discussions coming through the SHLAA and has also been used as the basis for the SHLAA assumptions. For the purpose of this assessment we have restricted this density to the Inner Area, as defined in Figure1 at Appendix I. .

Site Classification

6.11 The EVA did not vary the base assumptions for site size(s) or density to reflect Greenfield and Brownfield scenarios. Whilst we agree with this approach for the EVA the EVS seeks to distinguish between Greenfield and Brownfield scenarios; the impact of which is reflected through additional costs such as remediation and site

[22] Evidence suggested that developments greater than 40dph were few and far between outside of the city centre.

preparation etc- further information is provided within the Technical Annex provided at Appendix III.

Property / Unit Sizes

6.12 The housing typologies and average unit sizes applied within the EVA are set out in Table 5. Whilst the EVA accepted that unit sizes would vary, especially when breaking down further to reflect semi detached, detached and terraced properties, the assumptions are considered to represent the average unit sizes for most new build developments. No distinction was made between affordable and private sale dwellings. In this context and to ensure consistency with the existing evidence base the CIL assessment applies these assumptions.

Table 5 – Property / Unit Sizes

Property Type	City Centre		Other Areas	
	Sq.m gross (net)	Sq.ft gross (net)	Sq.m gross (net)	Sq.ft gross (net)
Studio Flat	52(44)	559 (475)	-	-
1 Bed Flat	62 (53)	670 (570)	62 (53)	670 (570)
2 Bed Flat	71 (60)	765 (650)	71 (60)	765 (650)
3 Bed Flat	87 (74)	941 (800)	-	-
2 Bed House	-	-	65	700
3 Bed House	-	-	88	950
4 Bed House	-	-	102	1,100
5 Bed House	-	-	135	1,450

Apartment Efficiency

6.13 The EVA does not include a gross to net discount to reflect the difference between the total building floor area and the net sales area. This is only applicable in relation to apartment schemes, to reflect the additional non saleable areas such as corridors and core areas. Therefore, we have applied a net to gross ratio of 15% and show the net areas in brackets.

Affordable Housing

6.14 The Council's current affordable housing policy comprises both the Interim Housing Policy and Supplementary Planning Guidance (SPG)[23]. The interim policy was approved by Executive Board on 18th May 2011 and came into effect on 1st June 2011. The current targets (for applications of 15 dwellings or more) are split between five housing market zones as outlined in Table 6. The extent of the market zones are shown in Figure 2 at Appendix I.

Table 6 – Affordable Housing Interim Targets

Affordable Housing Market Zone	Total Affordable Housing Required	Proportion of Social Rented	Proportion of submarket / Intermediate
Outer area / rural north	35%	50%	50%
Outer suburbs	15%	50%	50%
Inner suburbs	15%	40%	60%
Inner areas	5%	0%	100%
City centre	5%	40%	60%

Source: Leeds City Council

6.15 The affordable housing zones which relate to the interim targets do not align exactly with those identified within the EVA.[24] Instead the Council interpreted the results of this study and applied these to the original housing market areas, as defined within the 'Assessment of Need for Affordable Housing' (November 2003). The Council have acknowledged that this assessment is outdated and differences in the 3 outer housing market zones have decreased over time in terms of demand, prices and dwelling types etc.

6.16 In this context it is difficult to align the interim requirements with the market value geographies identified within the EVA.

[23] SPG February 2003 and SPG Annex July 2005, revision April 2012)
[24] Refer to Figure 1 – Appendix I).

6.17 However, In terms of the future policy the Council intends to replace the existing SPG and Interim Policy with a Supplementary Planning Document (SPD). A Public Consultation Draft of the Affordable Housing SPD was produced in September 2008. The SPD identifies three main housing areas across the District, within which different affordable housing requirements apply. The three market areas are categorised as the City Centre Housing Zone[25], the Inner Areas Housing Zone and the Outer Housing Zone[26]. The affordable housing targets (for applications of 15 dwellings or more) within each zone are shown in Table 7.

Table 7 – SPD Affordable Housing Targets

Affordable Housing Market Zone	Total Affordable Housing Required	Proportion of Social Rented	Proportion of submarket / Intermediate
City Centre	15%	30%	70%
Inner Areas	25%	30%	70%
Outer Zone	35%	30%	70%

Source: Leeds Affordable Housing SPD

6.18 However, representations made in the public consultation period on the Draft SPD (29th September to 7th November 2008) included several comments that the Outer Zone was too large and should be split further. The majority of comments suggested a north / south split, based on apparent housing markets and characteristics. The northern half is generally recognised as an area of higher house prices, being closely linked with the Golden Triangle area, which also includes York and Harrogate.

6.19 Having taken the representations on the draft SPD into account the outer housing zone has been divided into the Golden Triangle Area (the northern part) and the Outer Area (the southern part) resulting in the 4 housing market areas. These housing areas have been used as the basis for analysis for producing key sources of evidence including the EVA (as outlined previously) and the SHMA update 2010.

6.20 To ensure consistency this study aligns itself with the EVA and applies the same market geographies. It is the future intention for the affordable housing boundaries to be

[25] The City Centre Housing Zone is based on the UDP City Centre Boundary
[26] Please refer to Figures 3 and 4 at Appendix I

aligned with the CIL charging zones. However, in order to appraise the cumulative impact inclusive of affordable housing we have modelled a range of alternative affordable housing requirements (refer to Table 8), which seek to 'best fit' both the interim and future targets, within the EVA market geographies.

Table 8 – Affordable Housing Scenarios

Affordable Housing Market Zone (based on EVA)	Total Affordable Housing Required	Proportion of Social Rented	Proportion of submarket / Intermediate	Policy Requirement
City Centre	15%	30%	70%	SPD
Inner Areas	25%	30%	70%	SPD
Outer Area	35%	30%	70%	SPD
Golden Triangle Area	35%	30%	70%	SPD
City Centre	5%	40%	60%	Interim
Inner Areas	5%	0%	100%	Interim
Outer Area	15%	50%	50%	Interim
Golden Triangle Area	35%	50%	50%	Interim

Development Mix

6.22 The EVA appraised the development mix set out in Table 9, for both open market and affordable housing. To ensure consistency between the assessments the same housing mix has been adopted.

Table 9 – Property Mix Assumptions

Value Area	Density	Studio Apartments	1 bed apartments	2 bed apartments	3 bed apartments	2 bed house	3 bed house	4 bed house	5 bed house	Totals
City Centre	High	15%	40%	45%	-	-	-	-	-	**100%**
City Centre	Medium	10%	30%	50%	10%	-	-	-	-	**100%**
City Centre	Low/Fringe	5%	35%	45%	15%	-	-	-	-	**100%**
All Other Areas	Fringe (3)	-	-	15%	-	30%	30%	20%	5%	**100%**
	High (4)	-	-	10%	-	30%	30%	20%	10%	**100%**
	Medium	-	-	5%	-	30%	35%	20%	10%	**100%**

Value Area	Density	Studio Apartments	1 bed apartments	2 bed apartments	3 bed apartments	2 bed house	3 bed house	4 bed house	5 bed house	Totals
	Low	-	-	-	-	30%	35%	25%	10%	**100%**

Source: Economic Viability Assessment Final Report (June 2010)

(1) Development mix based on 65dph and limited to Inner Area

(2) Development mix based on 40dph

Other / Non Residential Development Typologies

6.23 The other land uses / development typologies modelled within the CIL appraisal are outlined in Table 10.

Table 10: Commercial Development Typologies

Description	Gross Size sq.m (sq.ft)	Site Area Ha	
		City Centre	Other Areas
Offices (B1)	6,968 (75,000)	1.16	1.75
	4,645 (50,000)	0.77	1.16
	2,322 (25,000)	0.39	0.58
	1,500 (16,150)	0.25	0.38
Industrial (B2)	9,290 (100,000)	n/a	2.65
	4,645 (50,000)	n/a	1.33
	2,500 (27,000)	n/a	0.71
	929 (10,000)	n/a	0.27
Storage and Distribution (B8)	23,225 (250,000)	n/a	6.64
	13,935 (150,000)	n/a	3.98
	6,968 (75,000)	n/a	1.99
	3,000 (32,000)	n/a	0.86
Traditional Retail (non food) A1	800 (8,600)	0.09	0.09
Financial and Professional Services (A2)	1000 (10,765)	0.11	0.11
Restaurants and Cafes (A3)	300 (3,230)	0.03	0.03

Description	Gross Size sq.m (sq.ft)	Site Area Ha	
		City Centre	Other Areas
Drinking Establishments (A4)	300 (3,230)	0.03	0.03
Hot Food Take away (A5)	250 ((2,690)	0.03	0.03
City Centre Comparison Retail[27]	4,645 (50,000)	0.58	n/a
Retail Warehouse[28]	1,500 (16,146)	0.38	0.38
Convenience Stores[29]	372 (4,000)	0.09	0.09
Supermarkets[30]	2,500 (26,900)	0.63	0.63
Superstores	4,000 (43,000)	1.00	1.00
Hypermarkets	6,000 (64,500)	1.50	1.50
Hotels[31]	1,740 (18,750)	0.44	0.44
Care Homes	65 Bed	0.95	0.95
Student Accommodation	80 Bed	0.50	0.50

D2 Leisure Uses

6.24 The EVS not appraised D2 (Assembly and Leisure) uses as, in our experience, they are valued on a profits / sales basis and not the residual method. Consequently such uses show marginal viability and rarely show a land receipt when using the residual appraisal methodology (refer to Section 7). Also, 'big box' leisure uses such as cinemas and bowling alleys are increasingly recognised as enabling development and anchors to larger schemes based on their capacity to generate high footfall. In

27 The Leeds City Centre, Town and Local Centres Study (2011) concludes that outside of the two main shopping schemes – Trinity and Eastgate - capacity will based on the remodelling / extension of existing floorspace / arcades

28 A large store, typically on a single level and ranging in size between 8,000 and 20,000sq.ft. Specialise in the sale of bulky goods, such as carpets, furniture, electrical goods, or bulky DIY items

29 Typically stores with a net sales / trading area of less than 280sq.m (3,000sq.ft) open for long hours (including Sundays) and selling products from at least 8 different grocery categories (E.g. SPAR, Co-operative Group and Londis etc).

30 Supermarkets generally have a sales area of 3,000 – 25,000sq.ft (280 – 2,325sq.m). The PPS4 glossary for supermarkets included stores up to 2,500sq.m and superstores were stores above 2,500sq.m. Although superseded by the NPPF, which no longer includes definitions, it does still use the 2,500sq.m rate as the impact test threshold and therefore this distinction is implicit. Hypermarkets are over 60,000sq.ft (5,575sq.m). All sell a broad range of mainly grocery items, non food is also sold (e.g. Tesco and Asda.

31 Based on budget operator's specification (i.e. Travel Lodge) whose average room size is 250sq.ft GIA (inclusive of circulation space etc). We have assumed a 75 bed hotel.

some circumstances, operators are therefore able to negotiate favourable lease terms particualrly in terms of passing rents. tested.

6.25 The Council has provided a schedule of previous planning applications for D2 uses and a significant proportion involved applications for change of use, which are not covered by the CIL Regulations. From the remaining applications most of the developments are not commercial in nature (i.e. they do not have a commercial value in themselves and, therefore, do not create a significant residual site value). In this context, such developments are not viable when considered from a commercial perspective and have, therefore, not been considered within the CIL appraisal.

6.26 It could reasonably be expected that health and fitness clubs will come forward over the plan period. However, the latest trend enveloping this industry is budget gyms which offer a stripped down package (i.e. no swimming pools, sauna's etc.). Current operators include Pure Gym, Exercise for Less and others. In the current economic climate these formats are more viable / cost effective than traditional gyms. A key requirement of the budget operator is conversion of existing space, often non prime, (basements and old retail / industrial units), which enables operators to be extremely competitive on membership fees. In this context health and fitness clubs would be exempt from CIL as the conversion of existing space is currently not liable for a charge. Taking these factors into consideration the EVS does not appraise this form of land use.

6.27 We note there have recently been consents for a cinema, within the Trinity Quarter, and the Leeds Arena venue in addition to emerging proposals for a cinema in the White Rose Centre and an ice rink at Elland Road. However, these are effectively 'one off' proposals and if the emerging proposals do gain consent it is anticipated this will be prior to the introduction of CIL.

Sui Generis Uses

6.28 As outlined previously; for the purposes of CIL all uses are potentially liable. In this context the assessment has considered a range of Sui Generis and non commercial land uses but not included them within the analysis for the reasons set out below.

6.29 By their very nature these uses cover a very wide range of development types. Our approach to this issue, which is consistent with other CIL viability assessments, has been to consider the types of properties and locations that may be used for Sui generis uses and assess whether the costs and value implications have any similarities with other uses. Within this assessment we have considered the following uses:

6.30 Hostels – these are likely to be either charitable (CIL exempt) or public sector uses such as probation hostels, half-way houses, refuges etc., or low cost visitor accommodation such as youth hostels. The charitable uses are dependent upon public subsidy for development and operation, and therefore not viable in any commercial sense. They are also exempt from CIL under the current Regulations. Youth Hostels generally don't offer the prospect for significant commercial returns / viability and invariably don't generate positive land values.

6.31 Scrap yards – it is considered unlikely that there would be new scrap yard/recycling uses in the future due to the relatively low value compared to existing and alternative uses in Leeds. A further consideration is that these uses are likely to occupy the same sorts of premises as many industrial uses and, therefore, the viability will be covered by our viability assessment of industrial uses. It is also more likely that these uses will come forward through a change of use and, therefore, would not liable for CIL.

6.32 Petrol filling stations – new filling stations generally come forward as part of larger supermarket developments. It seems very unlikely that there will be significant new stand-alone filling station development across the city over the plan period and in this context the CIL assessment excludes these uses. Again it is more likely that these uses will come forward through a change of use and, therefore, would not be liable for CIL.

6.33 Selling and/or displaying motor vehicles – sales of vehicles are likely to occupy the same sorts of premises and locations as many industrial uses and, therefore, the viability will be covered by our viability assessment of industrial uses.

6.34 Nightclubs, launderettes, taxi businesses and amusement arcades – these uses are likely to be in the same type of premises as A1 town centre uses and exhibit similar purchase or rental costs. Therefore they are covered under our assessment of the A1 to A5 use classes. Again they may also be brought forward via a change of use and would, therefore, be exempt from CIL.

6.35 Casinos – under the current law casinos can only be built in 53 permitted areas or one of the 16 local authorities allocated one of eight large and eight small casinos under the provisions of the Gambling Act 2005. Leeds is one of the eight local authorities with powers to grant a large casino licence, which permits a table gaming area of up to 1,000sq.m (10,764sq.ft). We understand that the large casino licence came to the market in January 2012 and that the Council intends to make a final decision on the casino site in spring 2013. For the purposes of the CIL assessment it has been assumed that planning permission will already be in place for this development and, therefore, it will not be liable for CIL..

Other non Commercial Land Uses

6.36 In addition to the residential, commercial and sui generis land uses the city is also likely to see traditional forms of non commercial development, including:

- Schools, including free schools
- Community facilities, including community halls, community arts centres, and libraries;
- Medical facilities; and
- Emergency services facilities.

6.37 Whilst it is recognised that these forms of development could come forward they have not been included (tested) within the CIL assessment for the following reasons:

6.38 Both the state-funded health and education sectors face the pressure of on-going constrained public resources and this is likely to have an effect on the viability of development of such uses. These facilities will be developed in Leeds over the plan period and, therefore, will occupy net additional floor space, which would be liable for CIL.

6.39 Ordinarily it is not possible to deliver new capital build state-led community, health, emergency services or education projects (including free schools, which are state provided) without public sector funding support.

6.40 Completed developments of these types are also not commercial in nature. They do not have a commercial value in themselves and, therefore, do not create a residual site value. In this context, such developments are not viable when considered from a commercial perspective.

6.41 Non-state education projects such as private schools generally have charitable status. They will therefore be exempt from CIL meaning there is little point in appraising these uses. Again this approach accords with the approach adopted by other Local Authorities.

6.42 There is a commercial market for primary care facilities that are predominantly occupied by GPs. However, the sites used are usually sourced on a preferential basis and the land values generated are not significant in most cases.

7. Methodology and Principal Viability Results

Overall Approach

7.1 The purpose of the assessment is to determine what development standards can justifiably be included within the Core Strategy, without significant adverse impact on viability, and against this what level of CIL charge might be applied for the city. The objectives of this exercise are:

- To undertake a high level appraisal of developer contributions, rather than a detailed analysis of individual sites or schemes;
- To assess the potential overall level of contributions by testing key "what if" questions by varying a number of underlying assumptions; and
- To use this analysis to assess potential CIL levels on the basis of clearly reasoned evidence.

7.2 The underlying principles of our viability appraisals are to:

- Reflect the character and scale of current and future developments in the area. This will ensure that viability is tested against scheme designs that while notional are realistic and representative of the policy environment;
- Examine viability for the area as a whole and to distinguish differential impacts that may arise due to the range of values and costs within different value areas; and
- Reflect both current (recessionary) market values but also the potential for different, possibly higher values in future.

Appraisal Model

7.3 A residual development appraisal model has been used to determine development viability. The model assumes that the land value is the difference between Gross Development Value and the Development Costs, once an element of developer profit has been taken into account. This can be expressed through the following calculation.

Gross Development Value (GDV) – Total Costs – Developers Profit = Residual Land Value (RLV)

- Gross Development Value includes all income generated by the development, including temporary revenue and grant (for example payments by HCA through the National Affordable Housing Programme).
- Total Costs include construction costs, fees, planning, finance charges, and also payments under S106, S278 and CIL.
- Developer's Profit is expressed by reference to a percentage of the Total Costs or Gross Development Value. It can also be expressed by reference to an Internal Rate of Return (IRR)[32].

7.4 Through the use of the appraisal model we have examined scheme viability by testing the impact of policy requirements and differing levels of CIL contributions on current market value benchmarks.

Current Viability / Establishing the Market Value Benchmark

7.5 Establishing the benchmark land value against which to compare the viability appraisal results is one of the most significant challenges. The Benchmark represents a judgement on the level of value required in order to incentive a landowner to sell land for development.

7.6 As outlined within Section 4 of this report the RICS Guidance defines 'site value', whether this is an input into a scheme specific appraisal or as a benchmark, as:

The market value[33] subject to the following assumption: That the value has regard to development plan policies and all other material planning consideration and disregards that which is contrary to the development plan'

[32] Internal rate of return (IRR) is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero. Internal rate of return is used to evaluate the attractiveness of a project or investment. If the IRR of a new project exceeds a company's required rate of return, that project is desirable. If IRR falls below the required rate of return, the project should be rejected

7.7 At the current point in time there have been very few transactions / sales upon which to gauge comparable land / market values in Leeds. As part of its Property Market Report the Valuation Office Agency (VOA) has been recording average land values since 1983 but their coverage is limited to agricultural, residential and industrial land values. The most current data is only available up to January 2011 and shows the average value of residential land, at £1,360,000 per hectare (£550,000 per acre) and industrial land at £600,000 per hectare (£242,807 per acre).

7.8 Their data on residential land values has been used extensively throughout the industry and various government departments (including DCLG) as comparable benchmarks, particularly in affordable housing studies. However, their methods of valuation are limited. For example their residential land methodology is based on one 'beacon type' (a suburban site of 0.5ha / 1.23 acres). In addition their methodology is based on the following assumptions:

- Values are based upon a maximum of 2 storey construction
- Density, S106 (planning gain) provision and affordable housing ratios are based on the market expectations for the locality.

7.9 For the purposes of the CIL assessment the benchmark / market values have been calculated through residual appraisals[34]. This mimics the approach of virtually all developers when purchasing land and establishes / determines the current market value for each category of development, within each value area (where applicable). This value is then used as the benchmark for assessing future / prospective planning obligations (including CIL). Essentially the Market Value is the residual value of the site with the proposed planning permission after development profit and all development expenses (including current development plan policies and all other material

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[33] The RICS Valuation – Professional Standards 2012 (Red Book) definition of market value is as follows: *The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arms length transaction after properly marketing and where the parties had each acted knowledgeably, prudently and without compulsion*

[34] Each appraisal has been undertaken on the basis of the cost and value assumptions (including allowances for existing S106 / planning obligations) outlined within the Technical Annex at Appendix III. All of the assumptions have been presented to Stakeholders (including members from the property and development industry) and are thought to be reflective of the current market.

planning considerations) have been deducted from the GDV of the proposed scheme.

Residential

7.10 In addition to the Council's interim Affordable Housing Targets (See Table 8) the Council currently seeks S106 obligations (including tariff style obligations with respect to green space / public realm, education and public transport improvements) from new housing schemes. Based on information[35] provided by the Council (please refer to Appendix II) the average S106 contribution, for schemes of less than 50 dwellings, was £2,153 per dwelling rising to £5,673 per dwelling for schemes greater than 50 dwellings.

7.11 In this context the EVS has applied the Council's interim affordable housing targets and the average S106 contributions, as set out above, when establishing the current market value benchmarks.

Greenfield / Unconstrained Benchmark[36]s

7.12 The EVS has established the current average market values for a range of densities[37], within each of the market value geographies/areas. Over 140 different scenarios / permeations have been modelled and the resulted are summarised in Tables 11 to 14.

[35] The year June 2011 to May 2012 was used for residential permissions, and as these schemes were primarily Brownfield, they were balanced against Phase 2 and 3 UDP Greenfield sites permitted (since November 2009) to better reflect the type of sites which will come forwards through the Core Strategy.
[36] For the purposes of the EVS 'unconstrained sites' represent possible scenarios where 'urban sites' are not constrained by site preparation and contamination issues. This is for comparison purposes only as in all likelihood sites within the urban area will require an element of site preparation, at least.
[37] The density assumptions are set out within Table 4.

Table 11 - High Density Average Benchmarks (£/ acre)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15	-	£29,482	£211,107	£451,497
Medium Sites	16 - 50	-	£18,169	£149,368	£224,533
Large Sites	>50	-	£1,086	£101,999	£154,668
City Centre	-	-£0	-	-	-

Table 12 - Medium Density Average Benchmarks (£/ acre)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15	-	£32,139	£191,329	£406,538
Medium Sites	16 - 50	-	£22,166	£137,612	£202,801
Large Sites	>50	-	£6,612	£96,090	£146,870
City Centre	-	-£0	-	-	-

Table 13 Low Density Average Benchmarks (£/ acre)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15	-	£33,228	£171,714	£359,653
Medium Sites	16 - 50	-	£26,009	£125,741	£172,273
Large Sites	>50	-	£10,316	£89,480	£134,715
City Centre	-	£12,641	-	-	-

Table 14 Fringe Density Average Benchmarks (£/ acre)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15	-	£45,887	-	-
Medium Sites	16 - 50	-	£28,822	-	-
Large Sites	>50	-	£1,753	-	-
City Centre	-	£12,641	-	-	-

7.13 Based on the current available evidence, it is apparent that development within the city centre and inner areas is unviable in the current market[38]. Whilst the inner area generates positive land values, in all scenarios, these are nominal (less than £50,000 per acre) and it is extremely unlikely that land would be sold willing on the open market at these prices. The lack of viability within the city centre and inner area is not surprising as both these areas are typically associated with flatted / apartments schemes, which is the sector of the housing market hit hardest since the onset of the recession. In recent times there has also been media reports of an over supply within the city's apartment market which, if prevalent, will have only served to compound the downturn in the apartment market.

7.14 The Outer Area(s) and Golden Triangle Area (GTA) generate positive land values which in the majority of cases exceed £100,000 per acre[39]. The only exception is large sites within the Outer Area, which fall slightly below this threshold under medium and low density schemes and, therefore, are considered marginal.

7.15 Whilst the values are clearly influenced by market geography the link between density and value is not as pronounced. On this basis the EVA has considered the impact of future policy requirements and potential CIL charges with reference to the medium density scenario, as this is thought to represent the majority of development schemes that are likely to be brought forward over the plan period.

[38] Referring back to the formula at Section 6.3 this essentially means that the total value (revenue) generated from the scheme does not cover the total development costs and, therefore, does not generate a positive land value. Instead a negative value is created meaning the scheme is essentially losing money.

[39] The EVS assumes that all Greenfield/unconstrained sites are in agricultural use and, therefore, have relatively low existing use values (i.e. agricultural). A threshold of £100,000 is considered to be the threshold at which a landowner would release land for development.

Medium Density Scenario

Table 15 - Market Value Benchmarks (£/acre)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15	-	£32,139	£191,329	£406,538
Medium Sites	16 - 50	-	£22,166	£137,612	£202,801
Large Sites	>50	-	£6,612	£96,090	£146,870
City Centre	-	-£0	-	-	-

- Based on the available evidence development within the city centre and inner areas of the city is considered unviable in the current market. Whilst the inner area generates positive land values these are nominal (less than £35,000 per acre) and it is extremely unlikely that land would willingly be sold on the open market at these prices.
- Within the Outer Area the average value for small sites is just over £190,000 per acre falling to around £135,000 per acre for medium sites and just under £100,000 per acre for large sites. The value of large sites may be at the margins of what a willing landowner would sell for in the open market.
- As expected the Golden Triangle Area (GTA) generates the highest land values; averaging around £400,000 per acre for small sites, £200,000 per acre for medium sites and £150,000 per acre for large sites.
- The values for small sites are significantly higher than medium and large sites because the current policy on affordable housing is only triggered when a scheme provides more than 15 units.

Impact of Future Policy Requirements

7.16 When undertaking Local Plan or CIL (area wide) viability testing the market value will need to be adjusted to reflect the emerging policy / CIL charging level and this issue is recognised in the RICS Guidance. However, it is also accepted that there must also be a 'boundary' placed on the effect on land value to reflect new policy or the burden of CIL charge, in terms of restricting the reduction so that it does not go below what land would willingly transact at in order to provide competitive returns to a willing landowner (this point is recognised in the NPPF – para 173). This is a judgement for the practitioner , which must be reasonable, having regard to the workings of the property market.

7.17 We suggest that if Local Plan Policies / CIL are promoted that reduce the benchmark / market values (see Table 15) by more than 25%[40], at the present time, then it risks causing land to be withheld from development, or delayed in coming forward. It is acknowledged that there may be schemes that are promoted notwithstanding a larger decline in the Residual Land Value but on balance we believe that this approach and the thresholds adopted are a reasonable reflection of the likely market reaction across the city.

7.18 As outlined at Section 3 the future planning obligations are set out in The Leeds Core Strategy, Publication Version (March 2011). The EVS has considered the relevant Core Strategy requirements and appraised the cumulative impact of these policies alongside CIL, by reference to their impact on the current market / benchmark values.

7.19 In the first instance we have assessed the impact of Policy EN2 which requires all new developments to achieve Code for Sustainable Homes Level 4 from 2014 onwards. The results of our assessment are summarised in Table 16.

[40] This is the opinion of GVA and others may disagree. However, the examiner recently accepted this approach in the Broadhurst District Council, South Norfolk Council and Norwich City Council – Community Infrastructure Levy Examination. One scenario, in which this could be challenged, is Greenfield sites which have relatively low existing use values (agricultural land values) which typically average £20,000 per hectare. In these circumstances it could be argued that benchmark values can sustain a much larger reduction whilst still demonstrating a significant uplift when compared to the existing use values. As outlined previously the EVS assumes that all Greenfield sites are in agricultural use and, therefore, have relatively low existing use values (i.e. agricultural at circa £20,000 per acre). A threshold of £100,000 per acre is considered to be the threshold at which a landowner would release land for development. This is 5 times the agricultural value and whilst this may seem high it is not uncommon for Greenfield benchmarks to be between 10 and 20 times agricultural value.

Table 16 – Policy EN2 (Introduction of Code 4)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15	-	£32,139 (0%)	£191,329) (0%)	£406,538 (0%)
Medium Sites	16 - 50	-	-£0 (-100%)	£111,848 (-18.72%)	£172,600 (-14.89%)
Large Sites	>50	-	-£0 (-100%)	£74,460 (-22.51%)	£124,375 (-15.32)
City Centre	-		-	-	-

- Policy EN2 does not impact on the value of small sites as the policy only applies to developments of 10 units or more[41].
- Clearly the imposition of Policy EN2 just further compounds the viability issues within the city centre and inner area.
- Within the Outer Area medium and large sites see reductions in base (benchmark) values of 18.72% and 22.51% respectively. Whilst these reductions are within acceptable tolerances (see Section 7.16) the 'absolute land values' for large sites are below £100,000 per acre, which is thought to be the limit at which a willing seller would transact land for in the current market.
- The impact of Policy EN2 is much less pronounced within the Golden Triangle Area with the average value of medium and large sites falling by around 15%. Whilst the absolute land values are also reduced they are still at values in excess of £100,000 per acre, which should encourage landowners to sell.

7.20 At this stage it is important to recognise that the Code for Sustainable Homes is closely linked to Building Regulations (Approved Document L) and from 2014 the Government intends to amend the Regulations to require all new homes to achieve Code Level 4. In this context the requirement will become mandatory and any impact on scheme viability will be associated with National Legislation and not local plan policy.

[41] Under the medium density scenario the small sites do not yield sufficient housing numbers to exceed the threshold for triggering this policy.

Impact of CIL Charges in association with Policy Requirements

7.21 When establishing the benchmark values (see Table 15) the EVS includes allowances for S106 contributions, which include tariff style obligations relating to green space/ public realm, education and public transport improvements. However, from April 2014 the Council will no longer be able to charge these tariff style obligations (for more than five pooled obligations), which will be directly superseded by the CIL. Table 17 sets out what would be replaced by CIL and what would remain as eligible site specific S106 which would be continually sought, as necessary, alongside CIL. Further detailed information is provided at Appendix II.

Table 17 – CIL / S106

	Current Average S106 per dwelling	To be replaced by CIL per dwelling	Residual Site Specific S106 per dwelling
< 50 dwellings / units	£2,153	£1,920	£233
> 50 dwellings / units	£5,673	£5,048	£625

7.22 In this context the EVS has modelled the impact of Policy EN2 excluding the proportion of S106 that will be replaced by CIL and testing the sensitivity of four separate CIL charges – £25psm, £50psm, £75psm and £100psm. The results of this exercise are set out in Tables18 to 21.

Table 18 - Policy EN2 with CIL at £25psm (S106 reapportioned)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15	-	£31,135 (-3.125%)	£190,394 (-0.49%)	£419,023 (+3.07%)
Medium Sites	16 - 50	-	-£0	£112,423 (-18.30%)	£179,959 (-11.26%)
Large Sites	>50	-	-£0	£88,003 (-8.42%)	£141,403 (-3.72%)
City Centre	-	-£0	-	-	-

Table 19 - Policy EN2 with CIL at £50psm (S106 reapportioned)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15	-	£18,887 (-41.23%)	£178,145 (-6.89%)	£393,286 (-3.26%)
Medium Sites	16 - 50	-	-£0	£102,012 (-25.87%)	£171,998 (-15.19%)
Large Sites	>50	-	-£0	£77,591 (-19.25%)	£133,441 (-9.14%)
City Centre	-	-£0	-	-	-

Table 20 - Policy EN2 with CIL at £75psm (S106 reapportioned)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15	-	£6,638 (-79.35%)	£165,896 (-13.29%)	£381,037 (-6.26%)
Medium Sites	16 - 50	-	-£0	£91,601 (-33.44%)	£164,035 (-19.12%)
Large Sites	>50	-	-£0	£67,180 (-30.09%)	£125,480 (-14.56%)
City Centre	-	-£0	-	-	-

Table 21- Policy EN2 with CIL at £100psm (S106 reapportioned)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15		-£0	£153,648 (-19.69%)	£368,789 (-9.29%)
Medium Sites	16 - 50		-£0	£81,190 (-41.00%)	£156,075 (-23.04%)
Large Sites	>50		-£0	£58,101 (-39.54%)	£117,519 (19.98%)
City Centre		-£0			

7.23 When taking into consideration the cost implications associated with Policy EN2 (Code Level 4) and the replacement of the Current S106 tariff style obligations with CIL the above tables demonstrate that:

- CIL is not feasible within the city centre and inner areas;
- CIL is considered feasible within the Outer Area(s) at rates between £25psm and £50psm although some sites, particularly large sites, may not come forward for development at these rates, especially at the higher rate of £50psm. However, even at the higher rate (£50psm) the land values are almost four times higher than Greenfield / agricultural land values.
- CIL is considered feasible within the Golden Triangle Area at rates up to £100psm. Again the values generated are significantly higher than Greenfield agricultural land values.

Brownfield / Constrained Benchmarks

7.24 The EVS seeks to distinguish between Greenfield / unconstrained and Brownfield / constrained sites and our assumptions with respect to Brownfield developments are set out within the Technical Annex provided at Appendix III. Again over 140 different scenarios / permeations[42] have been modelled and the resulted, based on current available evidence, are summarised in Tables 22 to 25.

Table 22 - High Density (£ per acre)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15		-£0	£152,417	£392,806
Medium Sites	16 - 50		-£0	£90,843	£165,954
Large Sites	>50		-£0	£51,541	£97,002
City Centre		-£0			

42 When combined with the Greenfield analysis the EVS has considered more than 280 permeations to establish the benchmark land values.

Table 23 - Medium Density (£ per acre)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15		-£0	£133,075	£348,216
Medium Sites	16 - 50		-£0	£79,433	£144,581
Large Sites	>50		-£0	£45,780	£89,423
City Centre		-£0			

Table 24 - Low Density (£ per acre)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15		-£0	£113,788	£301,727
Medium Sites	16 - 50		-£0	£67,978	£114,458
Large Sites	>50		-£0	£39,435	£77,484
City Centre		-£0			

Table 25 - Fringe (£ per acre)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15		-£0		
Medium Sites	16 - 50		-£0		
Large Sites	>50		-£0		
City Centre		-£0			

7.25 Based on the available evidence it is clear that the development of Brownfield land is unviable within the city centre and inner areas. Whilst it is acknowledged that not all Brownfield sites will exhibit the same extent of remediation / contamination and site preparation issues it is worth noting that the majority of Brownfield housing land is located within the city centre and inner areas and, as outlined in Tables 11 to 14, it is currently unviable to develop unconstrained sites within these areas.

7.26 It must also be recognised that there are Brownfield sites outside of the city centre and inner areas. The current evidence suggests (with the exception of small sites) that Brownfield development outside of the GTA is likely to be marginal.

Impact of Future Policy Requirements

7.27 Once again the EVS has considered the impact of Policy EN2 (introduction of Code 4) in association with replacing the S106 Tariff style obligations with CIL charges by reference to the medium density scenario. The results of this assessment is summarised in Tables 26 to 30.

Table 26 – Policy EN2 (Introduction of Code 4)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15		-£0	£133,075 (0%)	£348,216 (0%)
Medium Sites	16 - 50		-£0	£59,326 (-25.31%)	£118,629 (-17.95%)
Large Sites	>50		-£0	£31,412 (-31.39%)	£67,974 (-23.99%)
City Centre		-£0			

- The imposition of Policy EN2 further compounds the viability issues within the city centre and inner areas of the city.
- Policy EN2 does not impact on the value of small sites as the policy only applies to developments of 10 units or more[43].
- Within the Outer Area medium and large sites see reductions in base (benchmark) values of 25.31% and 31.39% respectively resulting in absolute land values of circa £60,000 per acre for medium sites and £30,000 per acre for large sites.
- The impact of Policy EN2 is much less pronounced within the Golden Triangle Area with the average values falling by 18% and 24% for medium and large sites respectively. Absolute land values are also reduced to around £120,000 per acre for medium sites and £70,000 per acre for large sites.

43 Under the medium density scenario the small sites do not yield sufficient housing numbers to exceed the threshold for triggering this policy.

Table 27 - Policy EN2 with CIL at **£0psm** (S106 reapportioned)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15		-£0	£144,320 (+8.45%)	£359,461 (+3.23%)
Medium Sites	16 - 50		-£0	£66,650 (-16.09%)	£129,700 (-10.29%)
Large Sites	>50		-£0	£47,321 (+3.37%)	£91,917 (+2.79%)
City Centre		-£0			

Table 28 - Policy EN2 with CIL at £**25psm** (S106 reapportioned)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15		-£0	£132,072 (-0.75%)	£347,212 (-0.29%)
Medium Sites	16 - 50		-£0	£59,709 (-24.83%)	£121,739 (-15.80%)
Large Sites	>50		-£0	£40,381 (-11.79%)	£83,282 (-6.87%)
City Centre		-£0			

Table 29 - Policy EN2 with CIL at £**50psm** (S106 reapportioned)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15		-£0	£119,823 (-9.96%)	£334,964 (-3.81%)
Medium Sites	16 - 50		-£0	£52,768 (-33.57%)	£113,777 (-21.31%)
Large Sites	>50		-£0	£33,440 (-26.96%)	£75,991 (-15.02%)
City Centre		-£0			

Table 30 - Policy EN2 with CIL at £**75psm** (S106 reapportioned)

	# Dwellings	City Centre	Inner Area	Outer Area	Golden Triangle Area
Small Sites	<15		-£0	£107,211 (-19.44%)	£322,715 (-7.32%)
Medium Sites	16 - 50		-£0	£41,742 (-47.46%)	£105,816 (-26.81%)
Large Sites	>50		-£0	£9,931 (-74.43%)	£68,033 (-23.92%)
City Centre		-£0			

7.28 The above analysis suggests, when taking into consideration the cost implications associated with Policy EN2 (Code Level 4) and the replacement of the Current S106 tariff style obligations with CIL, that:

- CIL is not feasible on Brownfield sites within the city centre and inner areas. This is not surprising, as CIL has already been found to be unfeasible on unconstrained sites within these areas.
- CIL is considered unfeasible on Brownfield / constrained sites within the Outer Area(s). Whilst the impact on current benchmarks is within tolerance levels when CIL is at 25psm (see Table 28) absolute site values are very low/marginal at best.
- CIL is considered feasible on Brownfield sites, within the Golden Triangle Area at rates up to £50psm.

Provisional CIL Rates (Residential)

7.29 Taking into consideration the previous findings it is recommended that:

- CIL be set at £0psm within the city centre and inner areas;
- A rate of between £25psm and £50psm is considered within the outer area. However, at £50psm this would be an absolute charge and may render some schemes unviable, particularly Brownfield / constrained and large sites. It is recommended that the outer area be split into two charging zones, as set out below.

- A charge of up to £100psm is considered feasible within the Golden Triangle Area. Again Brownfield sites are unlikely to be able to sustain these charges.

7.30 At this stage it is important to note that the CIL Regulations recognise that not all developments will be viable under a specific CIL charge. Instead the Regulations recommend that charges should be set at levels which do not put the majority of development at risk.

7.31 The rates set out at Section 7.29 have been established having made additional allowances for site specific S106 issues (refer to Table 17). The rates are also inclusive of the current interim affordable housing targets / requirements and should, therefore, not undermine the delivery of affordable housing across the City. However, not all sites will be viable based on the rates set out above and this, could in some circumstances, lead to the current requirements being challenged. The biggest risk to affordable targets is within the Outer Area (particularly if CIL is set at the absolute maximum of £50psm), which is very diverse in terms of value geography. In this context it is recommended that the Council consider further subdivision of the Outer Area into two charging zones to tie in with the affordable housing market zones. On this basis the outer area would be split into inner and outer suburbs with charges of £25psm and £50psm respectively. However, another point to note is that CIL is only charged on private sale units so in the event a developer seeks to challenge affordable housing they will conversely be incurring a higher CIL liability, although it would still be lower than the affordable housing charge.

Other Land Uses

7.32 Once again the benchmark values have been derived via a residual appraisal, which determines the market value of the site after deducting development profit and all development expenses (including current development plan policies and all other material planning considerations) from the GDV of the proposed scheme. Note the EVS has been undertaken on the assumption that all schemes are speculative.

7.33 Mirroring the requirements for residential the Council also seeks S106 obligations (including tariff style obligations with respect to green space / public realm, and public transport improvements) from new commercial / non residential schemes (please refer to Appendix II). When establishing the market values the EVS has included average contributions based on this data. The benchmarks for non residential land use are shown in Tables 31 and 32.

Table 31: Other Development Typologies (Unconstrained Sites[44])

Description	RLV / Benchmark £/pha	
	City Centre	Other Areas
Offices (B1)	£1,300,000	-£0
Industrial (B2)	n/a	-£0
Storage and Distribution (B8)	n/a	£99,000
Traditional Retail (non Food A1)	£1,750,000	£415,000
A2	-£0	-£0
A3	-£0	-£0
A4	-£0	-£0
A5	-£0	-£0
City Centre Comparison Retail	£3,000,000	n/a
Retail Warehouse	£2,100,000	
Convenience Stores	£930,000	
Supermarkets, superstores and hypermarkets	£2,435,000	
Hotels	-£0	
Care Home	-£0	
Student Accommodation	£222,000	

Table 32: Other Development Typologies (Brownfield / Constrained Sites)

Description	RLV / Benchmark £/pha	
	City Centre	Other Areas
Offices (B1)	£712,000	-£0
Industrial (B2)	n/a	-£0
Storage and Distribution (B8)	n/a	-£0
Traditional Retail (non Food A1)	-£0	-£0

[44] For the purposes of the EVS 'unconstrained sites' represent possible scenarios where 'urban sites' are not constrained by site preparation and contamination issues. This is for comparison purposes only as in all likelihood sites within the urban area will require an element of site preparation, at least. Table 32 updates the analysis to show the impact of site preparation and contamination.

Description	RLV / Benchmark £/pha	
	City Centre	Other Areas
A2	-£0	-£0
A3	-£0	-£0
A4	-£0	-£0
A5	-£0	-£0
City Centre Comparison Retail	£2,860,000	n/a
Retail Warehouse	£1,900,000	
Convenience Stores	-£0	
Supermarkets, superstores and hypermarkets	£2,265,000	
Hotels	-£0	
Care Home	-£0	
Student Accommodation	-£0	

Offices and Industrial

7.34 Based on the available evidence the development of out of centre offices and industrial schemes (including distribution and storage[45]) is currently unviable. In contrast City Centre offices are viable and generate land values of approximatley £1,300,000 per ha (£525,000 per acre) for unconstrained sites. However, the majority of the sites within the City Centre will be Brownfield (constrained) in nature for which our modelling shows san average value of £712,000 per hectare (£290,000 per acre)

Hotels

7.35 In the current market our appraisals, and the evidence upon which they are based, show that hotel developments do not generate a land value and are, therefore, considered unviable. However, as outlined at Section 6.24 this is a consequence of method of valutation. Hotels are valued on a profits basis and not a residual approach, which is used within the EVS. To put this into context we are aware that a number of hotel developments have recently received planning permission and

[45] Whilst the modelling generates a land value on Greenfield / unconstrained sites this value is nominal at £90,000 per hectare (£40,000 per acre) and no landowner would sell in the open market at these prices.

agreed to S106 contributions ranging from between £5psm upto £23psm (refer to Appendix II). This is additional evidence, which the Council will need to consider in deciding whether to set a CIL rate on hotels.

Care Homes

7.36 Once again, our appraisals and the evidence upon whuch they are based show that development of Care Homes, in the city, are not viable in the current market. However, the Council has recently approved planning permissions for a number of care homes suggesting some schemes are viable. These recent permissions also included planning obligations of between £7psm and £10psm and this is additional evidence, which the Council will need to consider in deciding whether to set a CIL rate on care homes.

Commercial (Retail)

7.37 Unsurprisingly major Convience Retail[46] is viable and generates land values of circa £2,435,000 per hectare (£950,000per acre) for unconstrained / greenfield sites. As a comparator / sense check we are aware that supermarket opertors are currently offering between £1,000,000 and £1,500,000m per acre (£2,471,000 and £3,700,000 per hectare). On this basis the residual values appear reasonable. Brownfield sites[47] are also viable but generate a reduced land value of circa £2,265,000 per hectare (£917,000 per acre).

7.38 Other viable forms of retail development include:

- Traditional non food retail (A1) is viable on unconstrained sites and generates value of £1,750,000 per hectare (£700,000 per acre) in the city centre and £415,000 per hectare (£165,000 per acre) in other areas. Development becomes unviable on constrained / brown field sites. As the majority of city centre sites will be Brownfield / constrained the evidence suggests that traditional (A1) non food retail is only feasible, in the current market, on unconstrained sites outside of the city centre.

[46] Supermarkets, Superstores and Hypermarkets

- Convenience stores are viable on unconstrained sites and generate land values of circa £930,000 per hectare (£375,000 per acre). Development is unviable on constrained /Brownfield sites.
- City Centre comparison retail is viable on both constrained and unconstrained sites generating land values of circa £2,860,000per ha (£1,157,000 per acre) and £3,000,000 per ha (£1,200,000 per acre) respectively. It should be noted that the majority of city centre sites will be constrained to varying degrees and the unconstrained analysis is provided for reference only.
- Retail warehousing, which generates land values of circa £2,100,000 per ha (£850,000) for unconstrained sites and £1,900,000 per ha (£768,000 per acre) for constrained sites.

Student Accomodation

7.39 Our anslysis shows that student accomodation is only viable on Greenfield / unconstrained sites and generates land value of circa £220,000 per ha (£90,000) per acre. The likely location of student accommodation bearing in mind the location of the universities, is in the city centre and inner areas, and therefore these are unlikely to be greenfield/unconstrained. However, we are aware that some schemes have come forwards in the current market. While not reflected in this Study, this is evidence which the Council will need to weigh up in deciding whether to set a CIL rate on student accommodation.

Impact of Future Policy Requirements

7.40 As outlined at Section 4 the future planning obligations are set out in The Leeds Core Strategy, Publication Version (June 2011). The EVS has considered the Core Strategy requirements relating to BREEAM[48] and carbon reduction standards. As per our approach to the residential assessments we suggest that if Local Plan Policies / CIL are promoted that reduce the benchmark / market values by more than 25%, at the

[48] Policy requires all commercial developments >1,000sq.m to achieve Excellent

present time, then it risks causing land to be withheld from development, or delayed in coming forward[49].

7.41 The EVS has appraised the cumulative impact of these policies alongside CIL, by reference to their impact on the current market values for each land use. However, as outlined in Tables 32 and 33, the forms of development which generate positive land values, and thus are considered viable, in the current market are limited. We have, therefore, only modelled the impact of these polices on the viable land uses and set out the results of our analysis within Tables 33 to 34.

Table 33: Other Development Typologies (Greenfield/Unconstrained)

	Market Value £per ha	Impact of EN1 and EN2	
		£ value	% diff
Offices (city centre)	£1,300,000	£1,325,000	+1.9%
Traditional Retail (non Food A1) City Centre	£1,750,000	£1,750,000	0%
Traditional Retail (non Food A1) – other areas	£410,000	£415,000	+1.2%
City Centre Comparison Retail	£3,000,000	£3,000,000	0%
Retail Warehouse	£2,100,000	£2,100,000	0%
Convenience Stores	£930,000	£930,000	0%
Supermarkets	£2,435,000	£2,405,000	-1.2%
Superstores			
Hypermarkets			
Hotels	£220,000	-£0	100%

7.42 As evidenced above the impact of Policies EN1 and EN2 are minimum / almost neglible. This is because it is possible to reduce operational carbon emissions by using energy efficiency measures that actually result in cost savings or minimal cost

[49] It is acknowledged that there may be schemes that are promoted even with a larger decline in the Residual Land Value but on balance we believe that this approach and the thresholds adopted are a reasonable reflection of the likely market reaction across the city.

increases (please refer to Section 3). On this basis the EVS has assumed that the impact on Brownfield / constrained sites will also be negligible / minimal.

7.43 Based on a 25% reduction in benchmark values the maximum CIL rates for unconstrained sites are set out in Table 35.

Table 34 – Other Land Uses: Greenfield / Unconstrained Sites (Maximum CIL rates)

	Maximum CIL Rate (£psm)
Offices - City Centre	£150psm
Traditional Retail (non Food A1) City Centre	£175psm
Traditional Retail (non Food A1) – other areas	£65psm
City Centre Comparison Retail	£300psm
Retail Warehouse	£350psm
Convenience Stores	£200psm
Supermarkets	£425psm
Superstores	
Hypermarkets	
Student Accommodation	£25psm

7.44 Following the same principle the maximum CIL rates for Brownfield / Constrained sites (where uses are viable) are set out in Table 35.

Table 35: Other Land Uses: Brownfield / Constrained Sites (Maximum CIL rates)

Description	**Maximum CIL Rate (£psm)**
Offices - City Centre	£100psm
City Centre Comparison Retail	£225psm
Retail Warehouse	£275psm
Supermarkets	£350psm
Superstores	£350psm
Hypermarkets	£350psm

7.45 In considering the rates it is worth remembering that a lot of the sites within the city centre will be constrained and even on those sites within other areas of the city retail is often promoted as enabling development and whilst this land use is clearly capable of affording much higher levels of CIL contribution (as evidenced through this assessment) this could adversely impact on their ability to enable wider development opportunities. In this regard it is recommended that rates be set with reference to the constrained / Brownfield assessments. By taking this approach it is hoped that the impact on their enabling qualities is not adversely affected.

8. Sensitivity Analysis

8.1 The NPPF is clear that for policy standards to be appropriate (including CIL), their cumulative impact should not put the implementation of the plan at serious risk and should facilitate development throughout the economic cycle. The CIL Regulations and guidance are also clear that a CIL charge should not be set at the margins of viability thus preventing development from coming forward.

8.2 In this respect it is important to understand the results deriving from discreet alterations to some of the key variables within our assumptions. However, it is also important, given significant market uncertainties, that modelling of sensitivities be used for illustrative / comparison purposes only and should not form the basis of any policy decisions.

8.3 The model used to appraise the impact of policy standards and to understand a potential CIL charge is, in common with other models that assess the residual development value, very sensitive to changes in a number of variables used within the model. Sensitivity testing within this section of the report does not seek to review all such variables and permeations thereof[50]. Instead we focus on:

- Changes to affordable housing provision; and
- The impact of cost increases associated with the zero carbon agenda

Affordable Housing

8.4 As outlined in the previous section the `provisional rates are inclusive of the current interim affordable housing targets / requirements and should, therefore, not undermine the delivery of affordable housing across the City. However, the Council

[50] It is considered that robust assumptions have been used for other elements of the EVS in relation to development costs and, at this stage, it is not considered appropriate to model variations in these elements. This is additionally because assumptions were presented to the development industry at a workshop in September 2012 and no particular comments requiring a change in approach were received.

has aspirations to increase the affordable housing requirements through the Supplementary Planning Document (SPD). On this basis the EVS considers the impact of the SPD targets on the 'provisional rates'.

Outer Area

8.5 A provisional rate of between £25psm and £50psm is considered feasible within the Outer Area. However, it is recognised that a rate of £50psm would be an absolute maximum and may render some schemes unviable, particularly Brownfield / constrained and large sites. These rates were set inclusive of interim affordable housing targets at 15% split 50:50 between social rent and sub market housing. The SPD proposes a target for affordable housing at 35% split 30% social rent and 70% sub market. The impact of the SPD targets (assuming no CIL) is set out in Table 36.

Table 36 – Inclusion of SPD Targets and CIL at **£0psm** (Outer Area)

	# Dwellings	Benchmark (£per acre)	Impact / £per acre	% difference
Small Sites	<15	£191,329	£202,642	+5.91%
Medium Sites	16 - 50	£137,612	£56,241	-59.13%
Large Sites	>50	£96,090	£39,028	-59.38%

- With the exception of small sites is very clear that CIL becomes unfeasible with the introduction of SPD targets for affordable housing. We understand that the Council intend to introduce a requirement for all housing developments (including small sites) to pay an affordable housing contribution. Whilst the evidence presented in Table 36 would justify this approach it would more than likely mean that CIL would also become unfeasible on small sites.

Golden Triangle Area

8.6 Within the GTA the provisional rates were set inclusive of affordable housing at the interim targets of 35% split 50% social rent and 50% sub market. The SPD maintains the 35% requirement but the split changes in favour of sub market housing at 70% and 30% social rent. In this respect the impact of the SPD targets slightly improves viability even when assuming the 100psm CIL rate. This is because the tenure split is more favourable with an emphasis on the more valuable submarket housing as opposed to the social rented housing. Therefore the imposition of the SPD targets should not impede the ability of the Council to secure CIL of between £75psm and £100psm

Introduction of Code Level 6

8.7 Policy EN2 requires that all new housing developments be zero carbon by 2016. As outlined in Section 3 the improvement in carbon emissions for residential schemes is assessed via the Code for Sustainable Homes rating. To be zero carbon a scheme must achieve Code Level 6. The impact of Code Level 6 including interim affordable housing targets but excluding CIL is set out in Tables 37 and 38.

Table 37 – Inclusion of Code 6, Interim AH Targets and CIL at **£0psm** (Outer Area)

	# Dwellings	Benchmark (£per acre)	Impact / £per acre	% difference
Small Sites	<15	£191,329	£202,642	+5.91%
Medium Sites	16 - 50	£137,612	-£60,173	-100.00%
Large Sites	>50	£96,090	-£60,892	-100.00%

Table 38 – Inclusion of Code 6, Interim AH Targets and CIL at **£0psm** (GTA)

	# Dwellings	Benchmark (£per acre)	Impact / £per acre	% difference
Small Sites	<15	£406,538	£420,480	+3.43%
Medium Sites	16 - 50	£202,801	£4,307	-97.88%
Large Sites	>50	£146,870	-£11,635	100.00%

- As policy EN2 only applies schemes of 10 units or more the impact on small sites is positive as the requirement for Code 6 is not triggered because under the medium density scenario the small sites do not yield sufficient housing numbers to exceed the threshold for triggering this policy. Because we are modelling the impact of Code 6 without a CIL payment the small sites, therefore, become more viable.

- With the exception of small sites the imposition of Code 6 renders all developments unviable within both the Outer Area and GTA[51]. However, it should be noted that the Government intends to make this requirement mandatory for all schemes and the intention is to update Building Regulations in 2016 to make Code 6 a mandatory requirement. In this context the impact on smaller sites will follow that for the larger sites.

8.8 To understand the impact of Code 6 further we have remodelled the results on the assumption of more normal market conditions (i.e. Pre Recession albeit there is some debate around whether this is actually a true reflection of normal market conditions). The results from this exercise are shown in Tables 39 and 40. .

Table 39 – Inclusion of Code 6, Interim AH Targets and CIL at **£0psm** assuming Height of market conditions (Outer Area)

	# Dwellings	Benchmark (£per acre)	Impact / £per acre	% difference
Small Sites	<15	£191,329	£380,557	98.90%
Medium Sites	16 - 50	£137,612	£89,054	-35.29%
Large Sites	>50	£96,090	£70,859	-26.26%

- Even assuming a return to more normal market conditions (which is unlikely to occur in the short to medium term and certainly not before the introduction of Code 6 in 2016), the land values generated fall way below the target threshold of £100,000 per acre and still demonstrate significant reductions on current benchmarks. Whilst the policy does not apply to small sites, hence why the impact on land values is negligible, changes in Building Regulations in 2016 will require all developments to adhere to the new standards thus these sites will also be impacted.

[51] Medium sites generate a positive land value within the GTA but this is nominal at £4,000 per acre and, therefore, considered unviable.

Table 40 – Inclusion of Code 6, Interim AH Targets and CIL at **£0psm** assuming Height of market conditions (Outer Area)

	# Dwellings	Benchmark (£per acre)	Impact / £per acre	% difference
Small Sites	<15	£406,538	£612,748	50.72%
Medium Sites	16 - 50	£202,801	£129,659	-36.07%
Large Sites	>50	£146,870	£99,571	-32.21%

- Assuming a return to more normal market conditions results in land values which are above or slightly below the target threshold for medium and large sites respectively. However, as highlighted earlier the market is not expected to recover to anywhere near pre recession levels within the short to medium term and in this context CIL would not be feasible in association with Code 6.

8.9 The introduction of Code 6 clearly has a huge impact on project viability and would mean CIL would not be feasible even with a return to precession market conditions. Whilst the costs associated with Code 6 are excessive (refer to Table 1), based on the current available evidence, it is possible and indeed likely that these will be reduced over time (up to 2016) as the requirements become embedded within normal working practices resulting in economies of scale. Also the possibility of shared services could mean that low carbon solutions are more attractive financially. For example an Energy Services Company (ESCo) could be created to provide a low carbon infrastructure (i.e. District Heating System) which would significantly reduce the costs associated with the individual 'red line' approach. At this stage it is also unclear as to whether the Government will actually press ahead with its current programme for all homes to be zero carbon by 2016 in view of the current economic circumstances.

8.10 In this respect it would seem sensible to set the CIL charges excluding any impact that Code 6 may have on the condition that the charges are reviewed in say 2016/2017 when more qualitative information is hopefully available. At this stage the Governments aspirations around the zero carbon agenda and programme for implementation will also have been crystallised.

Stakeholder Workshop

8.11 A stakeholder workshop was held on 14th September 2012 in the Carriageworks, Leeds. The purpose of this workshop was to present the costs and value assumptions adopted within the assessment.

8.12 A summary of the responses received is provided at Appendix VI. In the main their responses related more to process rather than specific assumptions. However, some representations were received on the main assumptions and this is to be expected in studies of this nature. However it is important to recognise that whilst robust assumptions (see Appendix III) have been used, which generally align with normal or usual figures expected in the majority of developments they may differ, in some case, from the figures that may be used in actual development schemes.

8.13 To allow for such circumstances we have ensured that our advice and recommendations (as outlined in Section 8) include an element of tolerance and should, therefore, not place development at the margins of viability.

9. Conclusions and Recommendations

9.1 The Viability Study is intended to establish an understanding of the approach, evaluation and implications of applying certain Local Plan standards alongside an affordable housing requirement, as well as establishing a Community Infrastructure Levy to fund necessary infrastructure in support of future growth across the city.

9.2 The timing of the Local Plan / CIL Viability Study coincides with a significant downturn in the national and local housing market coupled with a prolonged period of economic uncertainty and periods of recession. The Council therefore faces a dilemma: how to encourage the levels of future growth envisaged by the Core Strategy whilst raising the design quality of housing and delivering an appropriate proportion of affordable housing as well as ensuring that the necessary infrastructure is delivered in tandem. This has to be undertaken against a background of public sector capital and revenue funding cuts, and difficulties in the private sector, especially for the development of new housing and commercial accommodation.

9.3 The conclusions and recommendations in this section address this context, as well as the underlying economic and policy drivers which point towards a medium and long term need for residential and economic development across the city for which a CIL can play a valuable role in funding infrastructure.

The Development Market Context

9.4 Determining an appropriate policy framework and setting a Community Infrastructure Levy must take account of the area's market context. For both residential and commercial development the market remains fragile and subject to volatility as a result of the economic recession affecting demand. There have been some periods of relatively, short lived stability, but little evidence that represents a solid signal of sustained market recovery.

9.5 Land values have been subject to a marked decline since mid-2007 as landowner expectations of value have been affected by the recession and implications of the slow down in demand. Values for potential residential land have also been somewhat artificially supported by the availability of NAHP grant which will be less easily available in the future.

9.6 Market demand for business and employment floor space remains sensitive to the national and regional economic situation. It is a fragile position that shows only slow signs of recovery in terms of demand and the values achievable.

Setting Policy Requirements and CIL

9.7 Provided the effects of introducing design standards and policy requirements, including CIL, do not result in a reduction in land values of more than 25% it is our view that landowners will not ultimately withhold their land from the development market beyond the immediate period when policies and CIL are introduced. Where land value is affected by a greater proportion it is our opinion that landowners will reasonably seek alternative uses for their land or will withhold it from development.

9.8 There is a balance of judgment to make in setting policy requirements and a CIL charge at an appropriate level. In particular the NPPF states at paragraph 1.74 that.

Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.

9.9 Paragraph 175 of the NPPF also states that:

Where practical, Community Infrastructure Levy (CIL) charges should be worked up and tested alongside the Local Plan…..

9.10 The CIL Regulations are also quite clear in that the charge should not be set at the limits of development viability to avoid stalling development activity. Equally, it should not be set at too low a level as to fail to secure the necessary contributions to infrastructure funding.

9.11 The guidance also advocates that charging authorities should 'take a strategic view across their area and should not focus on the potential implications of setting a CIL based on individual development sites.

9.12 Given that the CIL, once set, is non negotiable, the onus will be with the Council to demonstrate that they have not set the levy at a level that causes development activity to stall or cease. However, Regulation 14 recognises that the introduction of CIL may put some potential development sites at risk'. In fact it is accepted that the levy may put some schemes at risk but as long as it strikes an appropriate balance overall, and does not put the overall development of the area at risk it will accord with the Regulations

The Impact of Policy Requirements (including CIL)

Residential

9.13 Taking into consideration the previous findings it is recommended that:

- CIL be set at £0psm within the city centre and inner areas;
- A rate of between £25psm and £50psm is considered within the outer area. However, at £50psm this would be an absolute charge and may render some schemes unviable, particularly Brownfield / constrained and large sites. It is recommended that the outer area be split into two charging zones; split between the outer and inner suburbs (similar to the affordable housing market zones) with charges of £25psm and £50psm respectively.
- A charge up to £100psm is considered within the Golden Triangle Area. Again Brownfield sites are unlikely to be able to sustain these charges.

9.14 At this stage it is important to note that the CIL Regulations recognise that not all developments will be viable under a specific CIL charge. Instead the Regulations recommend that charges should be set at levels which do not put the majority of development at risk. To counter balance the viability arguments relating to

Brownfield / constrained sites and ensure they continue to be brought back into economic use the Council could consider lower affordable housing targets on Brownfield sites albeit developers do currently have the ability to negotiate their affordable housing provision on viability ground.

9.15 The recommended rates have been established / determined inclusive of allowances for site specific S106 issues. The rates are also inclusive of the current interim affordable housing targets / requirements and should, therefore, not undermine the delivery of affordable housing across the City[52]. However, not all sites will be viable based on the rates set out above and this, could in some circumstances, lead to the current requirements being challenged. The biggest risk to affordable targets is within the Outer Area (particularly if CIL is set at the maximum rate of £50psm), which is very diverse in terms of value geography. However, another point to note is that CIL is only charged on private sale units so in the event a developer successfully challenges their affordable housing contribution they will conversely be incurring a higher CIL liability.

9.16 The Council should split the Outer Area into two charging zones – one zone of £50psm in the higher value areas and the other zone of £25psm in the lower value areas.

9.17 If the Council elects to set differential rates, the regulations require the Council to attach a map (see regulation 12(2)(c)) to the formal charging schedule, which defines the location and boundaries of the charging zones that have been selected for differential rates.

The map must have an Ordnance Survey base, because it needs to be sufficiently precise to ensure that it is immediately clear in which charging zone any particular

[52] The imposition of SPD targets will make CIL unfeasible within the Outer Area but the rates within the Golden Triangle Area are not impacted. This is because the SPD maintains the overall provision at 35% buts changes the tenure split in favour of the more valuable submarket housing as opposed to the social rented housing. Therefore the imposition of the SPD targets should not impede the ability of the Council to secure CIL of between £75psm and £100psm

development fits. This then provides developers with certainty about what rate they need to pay.

9.18 The introduction of Code 6 clearly has a huge impact on project viability and would mean CIL would not be feasible even with a return to precession market conditions. Whilst the costs associated with Code 6 are excessive, based on the current available evidence, it is possible and indeed likely that these will be reduced over time (up to 2016) as the requirements become embedded within normal working practices resulting in economies of scale. Also the possibility of shared services could mean that low carbon solutions are more attractive financially. For example an Energy Services Company (ESCo) could be created to provide a low carbon infrastructure (i.e. District Heating System) which would significantly reduce the costs associated with the individual 'red line' approach. At this stage it is also unclear as to whether the Government will actually press ahead with its current programme for all homes to be zero carbon by 2016 in view of the current economic circumstances.

9.19 In this respect it would seem sensible to set the CIL charges excluding any impact that Code 6 may have on the condition that the charges are reviewed in say 2016/2017 when more qualitative information is hopefully available. At this stage the Governments aspirations around the zero carbon agenda and programme for implementation will also have been crystallised.

Other Land Uses

Industry (B2 – B8)

9.20 The viability study shows that speculative development in Leeds is currently unviable and will not be able to sustain a CIL rate and this is a situation mirrored in most of the Country. Whilst a nominal charge could be applied (as some local authorities have sought to pursue) this could put the viability of development at risk. Therefore, we believe a CIL rate of £0 to be appropriate.

Office (B1 Use)

9.21 Our appraisals also indicate that in the current economic climate only city offices are likely to be viable in the immediate future. Based on our assessment unconstrained sites are capable of supporting a maximum CIL charge of £150psm which falls to £100psm on constrained sites. Because the majority of sites are likely to be constrained to varying degrees a maximum CIL rate of £100psm is recommended for city centre developments with a £0 charge elsewhere.

Retail (A1)

9.22 Viability evidence has shown that a maximum CIL rate of £425psm (based on unconstrained sites) on net additional floor space for major convenience retail (Supermarket, Superstores and hypermarkets) would not have a negative impact on viability in the current market. The maximum CIL rate for constrained sites is £350psm.

9.23 For smaller convenience stores a much reduced CIL charge of circa £200psm could be sustained on unconstrained sites but CIL is not feasible on constrained sites. City Centre Comparison retail could sustain CIL at a maximum charge of £300psm on constrained sites and £225psm on constrained sites. Retail warehousing could sustain a maximum charge of £300psm on unconstrained sites and £275psm on constrained sites. Traditional forms of retail are also viable at £175psm in the city centre and £65psm in other areas of the city on the basis of unconstrained sites. CIL is not viable for traditional retail on constrained sites.

9.24 In considering the rates it is worth remembering that the majority of sites within the city centre will be constrained, to varying degrees, and even on those sites within other areas of the city retail is often promoted as enabling development and whilst this land use is clearly capable of affording much higher levels of CIL contribution (as evidenced through this assessment) this could adversely impact on their ability to enable wider development opportunities. In this regard it is recommended that rates be set with reference to the constrained / Brownfield assessments. By taking this approach it is hoped that the impact on their enabling qualities is not adversely affected.

9.25 It is proposed that a distinction is made as to the size of unit to which a charge would apply. The size distinction arises from the type of occupier likely to take a larger unit, bringing a stronger covenant and better rents and yields. Smaller units are likely to come forward with a local covenant (i.e. they are unable to provide the covenant strength of a national retailer). It is recommended that a threshold of 500sq.m (5,382sq.ft) be adopted, as this would allow flexibility for both slightly larger convenience stores and smaller supermarkets to be developed providing an appropriate margin between different types of store able to support a CIL charge.

9.26 Having considered the evidence the Council could then consider a zero charge for all A1 retail developments under 500sq.m (5,382sq.ft). Development of large format 'A1' retail (convenience and comparison) over 500sqm (5,382sq.ft) would have a maximum charge of £175psm inside the city centre boundary and £275psm outside of the city centre.

Hotels (C1)

9.27 The EVS assumes that any development likely to come forward will be in the form of a budget operator and the viability work shows that hotels of this type are not likely to be able to support a CIL contribution. Therefore, we consider a CIL rate of £0 to be appropriate. However, we are aware that some schemes have come forwards in the current market. While not reflected in this Study, this is evidence which the Council will need to consider in deciding whether to set a CIL rate on Hotel developments.

Residential Institutions / Care Homes (C2)

9.28 Evidence suggests these uses are not able to support CIL, therefore, there is no justification for setting a charge. We recommend a £0 CIL rate. Once again we are aware that some schemes have come forwards in the current market and the Council will need to consider this additional evidence in deciding whether to set a CIL rate on this form of development.

Student Accommodation

9.29 Our anslysis shows that student accomodation is only viable on Greenfield / unconstrained sites. Unfortunatley the likely location of student accommodation bearing in mind the location of the universities, is in the city centre and inner areas, and therefore these are unlikely to be greenfield/unconstrained. However, we are aware that some schemes have come forwards in the current market. While not reflected in this Study, this is evidence which the Council will need to weigh up in deciding whether to set a CIL rate on student accommodation.

Sui Generis and Other Uses

9.30 All other uses that do not fit within other categories are legally referred to as sui generis. It is not anticipated that there will be a significant provision in the market for new build of other uses not discussed previously. There are also no allocations made for these uses in the Local Development Framework. Therefore these uses were not modelled in the viability assessment and should be subject to a £0 CIL charge.

9.31 A summary of the potential CIL rates based on the above is set out in Table 41.

Table 41 – Summary of CIL Charges

Use Class / Type of Development	Maximum CIL Charge per sq.m[53]
Residential – Golden Triangle	£100 /sqm
Residential – Inner suburbs	£25 /sqm
Residential – Outer suburbs	£50 /sqm
Residential – Inner Area	£0 /sqm
Residential – City Centre	£0 /sqm
Retail – City Centre >500 sqm gross	£175 /sqm

[53] It is important to recognise that whilst robust assumptions (see Appendix III) have been used, which generally align with normal or usual figures expected in the majority of developments they may differ, in some case, from the figures that may be used in actual development schemes. To allow for such circumstances it is important to ensure that CIL charges include an element of tolerance and should, therefore, not be set at maximum charges, which could place development at the margins of viability.

Use Class / Type of Development	Maximum CIL Charge per sq.m[53]
Retail – City Centre ≤500 sqm gross	£0 /sqm
Retail – outside of City Centre >500sq.m	£275 /sqm
Retail – outside of City Centre <500sq.m	£0 / sqm
Offices in City Centre	£100 /sqm
Offices outside city centre	£0 / psm
All other development	£0 /sqm

Review

9.32 The CIL Regulations explicitly make no provisions as to when or why authorities should revise the charging schedule. To encourage the ability of the charging schedule to respond to market changes, the Government has stated that it will encourage authorities to avoid setting CIL charges at the very limit of viability, so that they can respond to regular market variation without necessitating a formal revision. The charge is required to be index linked. One of the intentions of the CIL is for it to allow more certainty than the current S106 system so it would not be appropriate to revise to regularly.

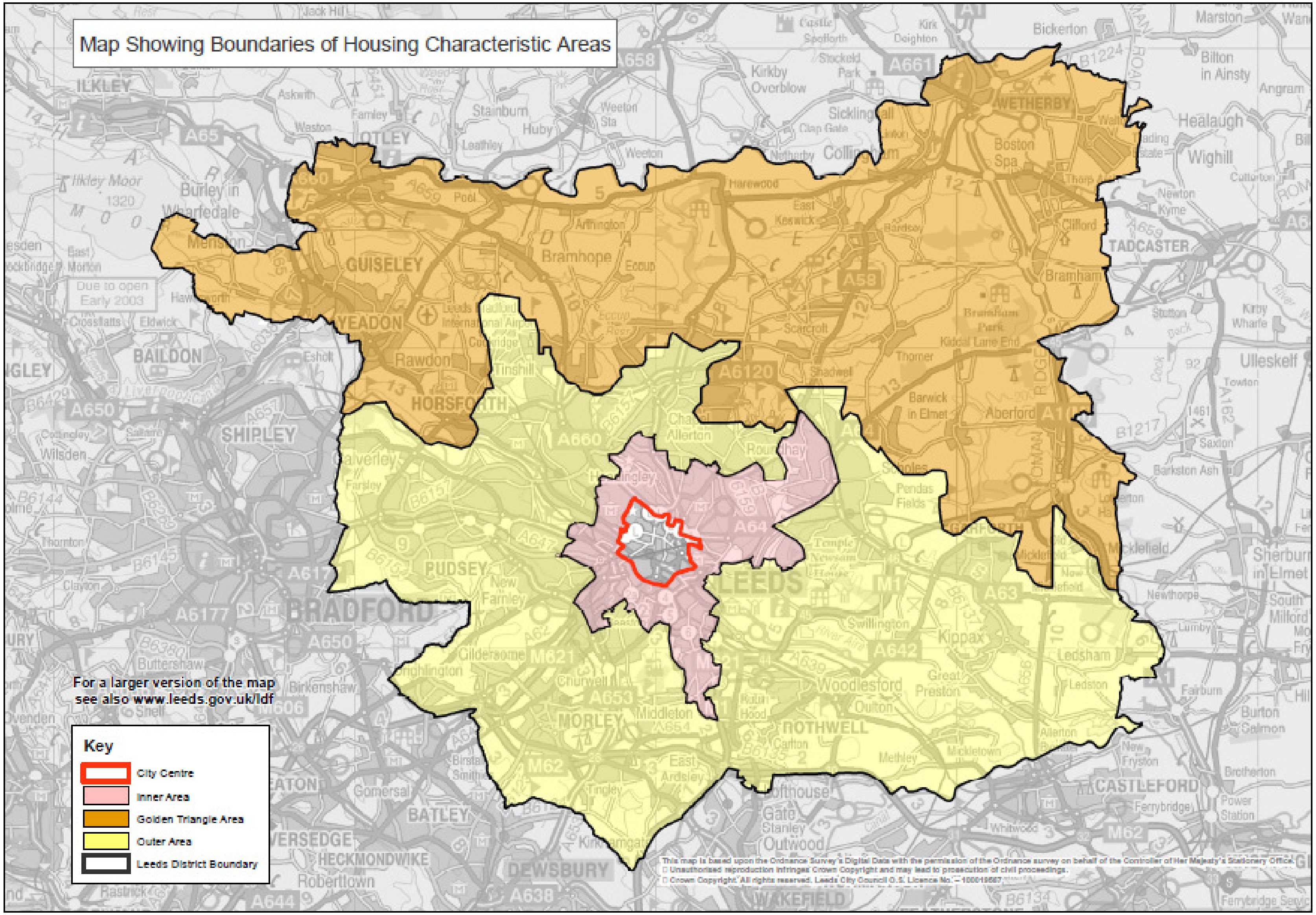
9.33 It is recommended that there is an early review of potential charges, following an initial operating period, in around 2016/2017 when there will be evidence as to how the local market, landowners and developers have responded to the charges, which the adoption of CIL will bring. This will also allow some time to explore the implications of Code 6 and for the implications of the public capital funding cuts to work through and for other ways in which infrastructure might be funded (such as through Tax Incremental Financing) to be more fully explored. Monitoring information will be published each year in the Annual Monitoring Report. The review will require Leeds City Council to go through all the stages of public consultation and Examination again based on up to date evidence.

Appendices

Appendix I

Plans of Housing Areas

Figure 1: Map of Market Areas / Value Geographies relevant to the EVA



(Source Leeds City Council)

Figure 2 – Interim Affordable Housing Policy: Housing Market Zones (source Leeds City Council

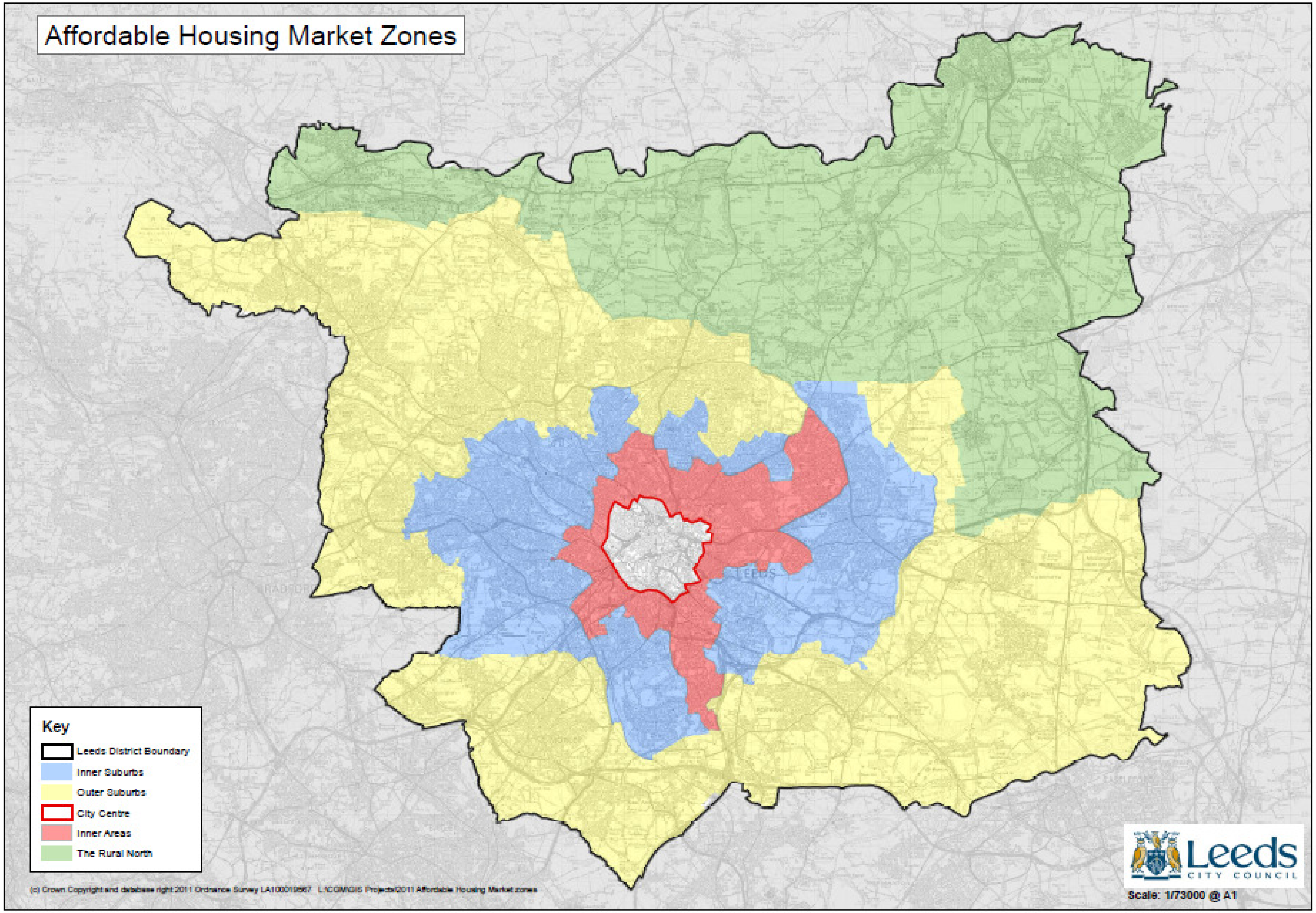


Figure 3 – Housing Market Areas (Source Affordable Housing SPD – Draft for Public Consultation (September 2008)

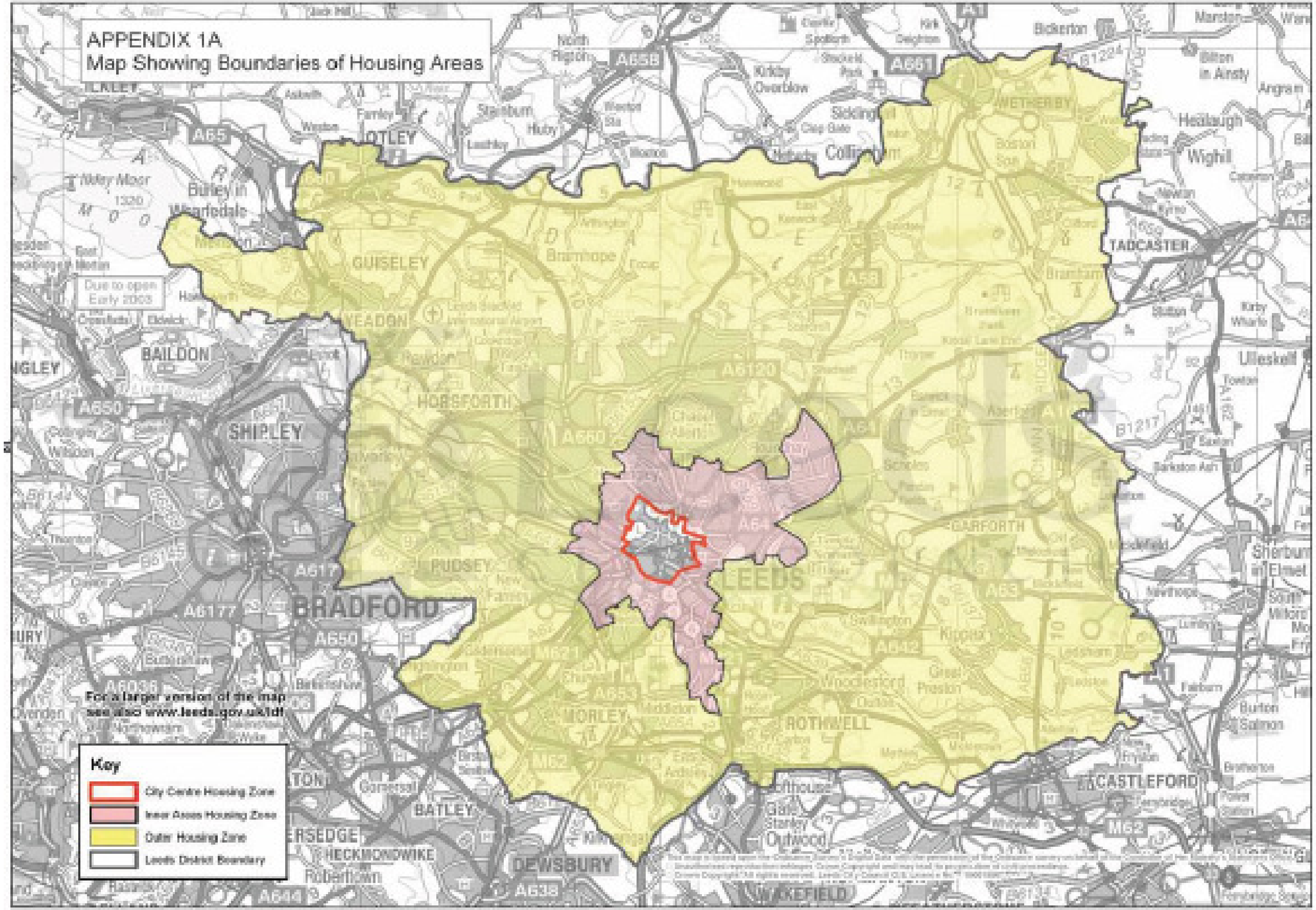
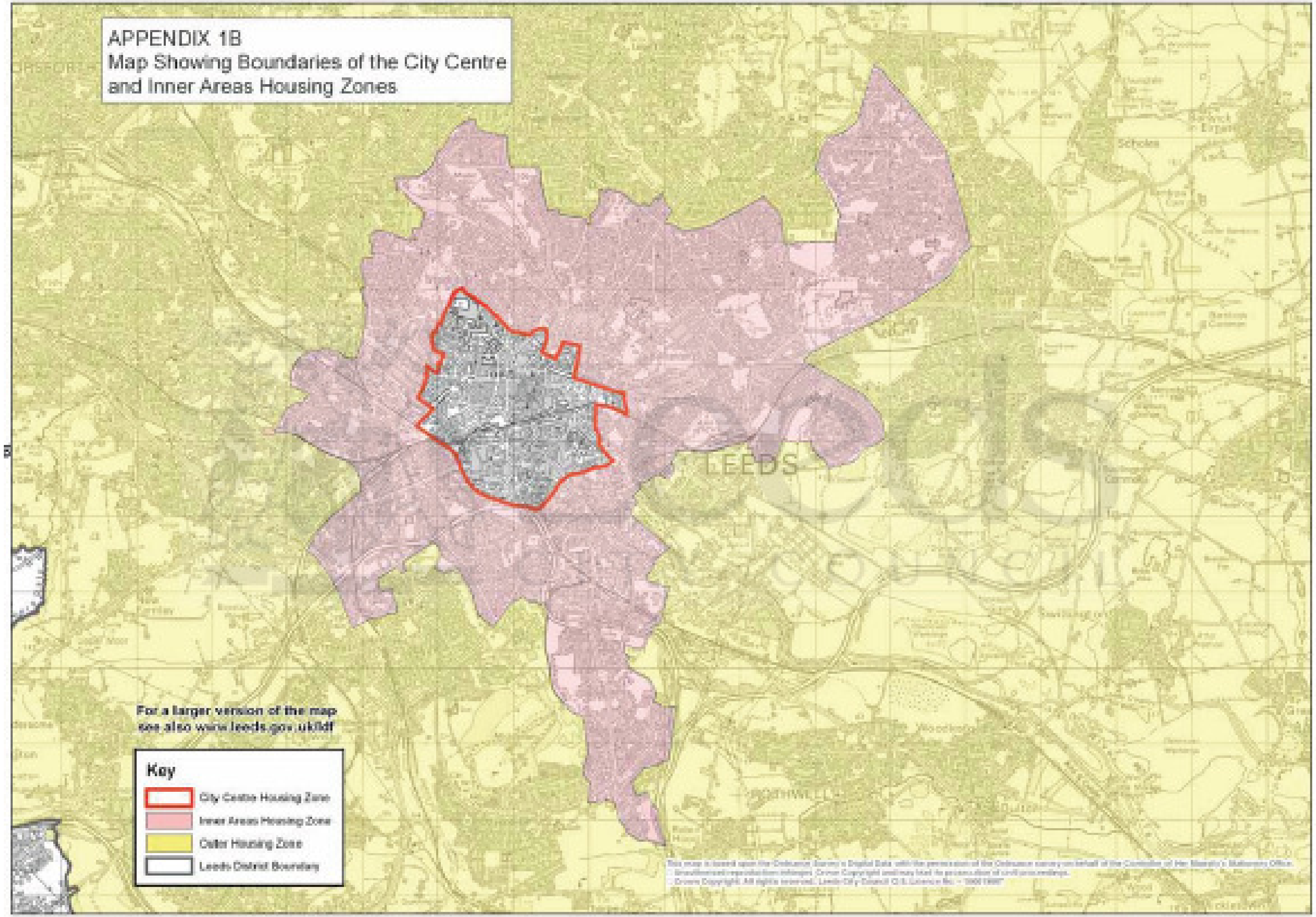


Figure 4 – Housing Market Areas (City Centre and Inner Areas Housing Zones)



Appendix II

Schedule of Previous S106 Contributions

SUMMARY OF RESIDENTIAL SIGNED S106s

	Overall S106 Value (a)	Total No. dwellings	S106 per dwelling	S106 tariff: Greenspace / Public Realm	S106 tariff: Education	S106 tariff: Public Transport Improvements	Total to be replaced by CIL (Gspace/ Educ / PTI)	S106 per dwlg to be replaced by CIL	Average from all S106s psm (b)	Average tariff S106s psm (b)
RESIDENTIAL - UNDER 50 UNITS - 01/06/11 - 31/05/12	£524,661	231	£2,271	£477,167	£0	£0	£477,167	£2,066	£26	£23
RESIDENTIAL - OVER 50 UNITS - 01/06/11 - 31/05/12	£4,005,894	771	£5,196	£174,820	£1,536,557	£1,878,168	£3,589,545	£4,656	£59	£53
UDP PHASE 2 AND 3 - since Nov 2009	£6,751,722	1212	£5,571	£941,323	£4,033,671	£998,482	£5,973,476	£4,929	£63	£56
OVERALL TOTAL	£11,282,277	2214	**£5,096**	£1,593,310	£5,570,228	£2,876,650	£10,040,188	**£4,535**	**£58**	**£52**

RESIDENTIAL - Total under 50 units (incorporating Phase 2 and 3)	£781,380	363	**£2,153**	£676,862	£20,000	£0	£696,862	**£1,920**	**£24**	**£22**
RESIDENTIAL - Total over 50 units (incorporating Phase 2 and 3)	£10,500,897	1851	**£5,673**	£916,448	£5,550,228	£2,876,650	£9,343,326	**£5,048**	**£64**	**£57**

SIGNED S106 AGREEMENTS

RESIDENTIAL - Schemes under 50 units - 1st June 2011 - 31st May 2012

(a) Overall S106 value excludes affordable housing

(b) EVA and EVS assumptions, using average 88 sqm (3 bed house)

S106 File No	Developer	Site	Housing Mkt Area	Date	Plan App Ref	Overall S106 Value (a)	Total No. dwellings	S106 per dwelling	S106 tariff: Greenspace / Public Realm	S106 tariff: Education	S106 tariff: Public Transport Improvements	Total to be replaced by CIL (Gspace/ Educ / PTI)	S106 per dwlg to be replaced by CIL	Average from all S106s psm (b)	Average tariff S106s psm (b)	S106 paid / Scheme commenced?
388165	Stonebridge Homes Ltd	30-34 Barrowby Lane, Austhorpe	East Leeds	15-Jun-12	12/00646/FU (revised from 11/01963/EXT to 08/01087/FU)	**£37,563**	11	**£3,415**	£30,882	£0	£0	£30,882	£2,807	£39	£32	No (at Nov 2012)
387988	Maple Properties Headingley	Pepper Road Hunslet	Inner Area	17-Jun-11	10/03728/EXT to 06/06269/FU	**£32,814**	14	**£2,344**	£32,214	£0	£0	£32,214	£2,301	£27	£26	No (at Nov 2012)
		1 - 41 And 2 - 20 St Lukes Green, Beeston	Inner Area	28-Jul-11	10/05219/RM	**£2,500**	19	**£132**	£0	£0	£0	£0	£0	£1	£0	No (at Nov 2012)
		Leeds Girls High School - Rose Court	Inner Area	23-Jun-11	08/04214/OT	**£1,653**	12	**£138**	£1,053	£0	£0	£1,053	£88	£2	£1	No, reserved matters under consideration (at Nov 2012)
388199	Keyland Developments Ltd	School, Church Street, Boston Spa	Outer North East	16-Jun-11	11/01086/EXT to 08/02322/FU	**£37,492**	13	**£2,884**	£36,492	£0	£0	£36,492	£2,807	£33	£32	No (at Nov 2012)
	HF Trust Ltd	Bramley Gardens, Skeltons Lane	Outer North East	06-Jun-11	11/00934/FU	**£21,970**	14	**£1,569**	£14,162	£0	£0	£14,162	£1,012	£18	£11	No (at Nov 2012)
388182	Aldi Stores Ltd	The Tannery, Leeds Road, Otley	Outer North West	09-Jan-12	11/04382/FU	**£36,107**	10	**£3,611**	£23,902	£0	£0	£23,902	£2,390	£41	£27	No (at Nov 2012)
388204	University of Leeds	Manor House Farm, Great North Road, Micklefield	Outer South East	19-Jul-11	10/03358/EXT to 07/01571/FU	**£35,549**	14	**£2,539**	£35,549	£0	£0	£35,549	£2,539	£29	£29	No (at Nov 2012)
388155	Diocese of Leeds Trustee	Methley Infants School	Outer South East	19-Dec-11	11/04226/FU	**£34,439**	12	**£2,870**	£33,689	£0	£0	£33,689	£2,807	£33	£32	No but on site so due in January
	Duffield Printers Ltd	Carlisle Road, Pudsey	Outer West	29-May-12	11/01860/FU	**£73,820**	23	**£3,210**	£64,570	£0	£0	£64,570	£2,807	£36	£32	No (at Nov 2012)
388238	Tradewell Carpets Ltd	Morrisons, Swinnow Road	Outer West	30-Jun-11	11/00991/OT	**£72,685**	25	**£2,907**	£70,185	£0	£0	£70,185	£2,807	£33	£32	No (at Nov 2012)
388239	The Gateway Leeds Ltd	Elder Road, Bramley	Outer West	05-Mar-12	08/05924/FU	**£47,514**	22	**£2,160**	£46,514	£0	£0	£46,514	£2,114	£25	£24	No (at Nov 2012)
388201	Campus Link LP PLC	Broad Lane, Bramley	Outer West	12-Jan-12	11/04358/FU	**£40,087**	19	**£2,110**	£39,087	£0	£0	£39,087	£2,057	£24	£23	No (at Nov 2012)
	Ashford Homes (Leeds) Ltd	The Former Weasel Public House, 94 Roker Lane, Pudsey	Outer West	11-Aug-11	11/00108/EXT to 07/03657/FU	**£28,306**	12	**£2,359**	£27,706	£0	£0	£27,706	£2,309	£27	£26	No (at Nov 2012)
388202	Ms V Oldham	St Lawrence House, Crawshaw Road, Pudsey	Outer West	11-Apr-12	11/05295/FU	**£22,162**	11	**£2,015**	£21,162	£0	£0	£21,162	£1,924	£23	£22	No (at Nov 2012)
					TOTAL	**£524,661**	**231**	**£2,271**	**£477,167**	**£0**	**£0**	**£477,167**	**£2,066**	**£26**	**£23**	-

RESIDENTIAL - Schemes over 50 units - 1st June 2011 - 31st May 2012

S106 File No	Developer	Site		Date	Plan App Ref	Overall S106 Value (a)	Total No. dwellings	S106 per dwelling	S106 tariff: Greenspace / Public Realm	S106 tariff: Education	S106 tariff: Public Transport Improvements	Total to be replaced by CIL (Gspace/ Educ / PTI)	S106 per dwlg to be replaced by CIL	Average from all S106s psm (b)	Average tariff S106s psm (b)	S106 paid / Scheme commenced?
	Mone Bros Ltd	Albert Road, Morley	Outer South West	30-Nov-11	10/03141/OT	**£155,187**	70	**£2,217**	£99,960	£0	£0	£99,960	£1,428	£25	£16	No (at Nov 2012)
388223		Netherfield Road, Guiseley (Factory site)	Aireborough	23-Mar-12	11/01843/FU	**£509,075**	74	**£6,879**	£74,860	£347,757	£44,400	£467,017	£6,311	£78	£72	Aug 2012
	Direct Investments (Yorkshire) Ltd	Saxton Lane	City Centre	02-Aug-11	11/01442/EXT for 08/01844/FU	**£37,367**	80	**£467**	£0	£0	£27,107	£27,107	£339	£5	£4	No (at Nov 2012)
387976	Barratts	Former Bellows Engineering Site, East Street	Inner Area	22-Jun-11	10/03179/EXT to 07/04987/FU	**£19,596**	147	**£133**	£0	£0	£13,661	£13,661	£93	£2	£1	No (at Nov 2012)
	Redrow Homes	Clariant, Calverley Lane, Horsforth	North Leeds	21-Mar-12	10/04068/OT	**£3,284,669**	400	£8,212	£0	£1,188,800	£1,793,000	£2,981,800	**£7,455**	**£93**	**£85**	No (at Nov 2012)
					TOTAL	**£4,005,894**	**771**	**£5,196**	**£174,820**	**£1,536,557**	**£1,878,168**	**£3,589,545**	**£4,656**	**£59**	**£53**	-

388233	Stonebridge Homes Ltd	Haigh Moor Road, West Ardsley	Outer South West	14-Mar-12	11/01014/OT*	**£23,750**	32	**£742**	£0	£20,000	£0	£20,000	£625	£8	£7	No (at Nov 2012)

* Haigh Moor Road is also a UDP Phase 3 scheme so is not included in this worksheet in order to avoid double counting

SIGNED S106 AGREEMENTS

(a) Overall S106 value excludes affordable housing

RESIDENTIAL - Schemes under 50 units - 1st June 2011 - 31st May 2012

(b) EVA and EVS assumptions, using average 88 sqm (3 bed house)

S106 File No	Developer	Site	Housing Mkt Area	Date	Plan App Ref	Overall S106 Value (a)	Total No. dwellings	S106 per dwelling	S106 tariff: Greenspace / Public Realm	S106 tariff: Education	S106 tariff: Public Transport Improvements	Total to be replaced by CIL (Gspace/ Educ / PTI)	S106 per dwlg to be replaced by CIL	Average from all S106s psm (b)	Average tariff S106s psm (b)	S106 paid / Scheme commenced?
388165	Stonebridge Homes Ltd	30-34 Barrowby Lane, Austhorpe	East Leeds	15-Jun-12	12/00646/FU (revised from 11/01963/EXT to 08/01087/FU)	**£37,563**	11	**£3,415**	£30,882	£0	£0	£30,882	£2,807	£39	£32	No (at Nov 2012)
387988	Maple Properties Headingley	Pepper Road Hunslet	Inner Area	17-Jun-11	10/03728/EXT to 06/06269/FU	**£32,814**	14	**£2,344**	£32,214	£0	£0	£32,214	£2,301	£27	£26	No (at Nov 2012)
		1 - 41 And 2 - 20 St Lukes Green, Beeston	Inner Area	28-Jul-11	10/05219/RM	**£2,500**	19	**£132**	£0	£0	£0	£0	£0	£1	£0	No (at Nov 2012)
		Leeds Girls High School - Rose Court	Inner Area	23-Jun-11	08/04214/OT	**£1,653**	12	**£138**	£1,053	£0	£0	£1,053	£88	£2	£1	No, reserved matters under consideration (at Nov 2012)
388199	Keyland Developments Ltd	School, Church Street, Boston Spa	Outer North East	16-Jun-11	11/01086/EXT to 08/02322/FU	**£37,492**	13	**£2,884**	£36,492	£0	£0	£36,492	£2,807	£33	£32	No (at Nov 2012)
	HF Trust Ltd	Bramley Gardens, Skeltons Lane	Outer North East	06-Jun-11	11/00934/FU	**£21,970**	14	**£1,569**	£14,162	£0	£0	£14,162	£1,012	£18	£11	No (at Nov 2012)
388182	Aldi Stores Ltd	The Tannery, Leeds Road, Otley	Outer North West	09-Jan-12	11/04382/FU	**£36,107**	10	**£3,611**	£23,902	£0	£0	£23,902	£2,390	£41	£27	No (at Nov 2012)
388204	University of Leeds	Manor House Farm, Great North Road, Micklefield	Outer South East	19-Jul-11	10/03358/EXT to 07/01571/FU	**£35,549**	14	**£2,539**	£35,549	£0	£0	£35,549	£2,539	£29	£29	No (at Nov 2012)
388155	Diocese of Leeds Trustee	Methley Infants School	Outer South East	19-Dec-11	11/04226/FU	**£34,439**	12	**£2,870**	£33,689	£0	£0	£33,689	£2,807	£33	£32	No but on site so due in January
	Duffield Printers Ltd	Carlisle Road, Pudsey	Outer West	29-May-12	11/01860/FU	**£73,820**	23	**£3,210**	£64,570	£0	£0	£64,570	£2,807	£36	£32	No (at Nov 2012)
388238	Tradewell Carpets Ltd	Morrisons, Swinnow Road	Outer West	30-Jun-11	11/00991/OT	**£72,685**	25	**£2,907**	£70,185	£0	£0	£70,185	£2,807	£33	£32	No (at Nov 2012)
388239	The Gateway Leeds Ltd	Elder Road, Bramley	Outer West	05-Mar-12	08/05924/FU	**£47,514**	22	**£2,160**	£46,514	£0	£0	£46,514	£2,114	£25	£24	No (at Nov 2012)
388201	Campus Link LP PLC	Broad Lane, Bramley	Outer West	12-Jan-12	11/04358/FU	**£40,087**	19	**£2,110**	£39,087	£0	£0	£39,087	£2,057	£24	£23	No (at Nov 2012)
	Ashford Homes (Leeds) Ltd	The Former Weasel Public House, 94 Roker Lane, Pudsey	Outer West	11-Aug-11	11/00108/EXT to 07/03657/FU	**£28,306**	12	**£2,359**	£27,706	£0	£0	£27,706	£2,309	£27	£26	No (at Nov 2012)
388202	Ms V Oldham	St Lawrence House, Crawshaw Road, Pudsey	Outer West	11-Apr-12	11/05295/FU	**£22,162**	11	**£2,015**	£21,162	£0	£0	£21,162	£1,924	£23	£22	No (at Nov 2012)
					TOTAL	**£524,661**	**231**	**£2,271**	**£477,167**	**£0**	**£0**	**£477,167**	**£2,066**	**£26**	**£23**	-

RESIDENTIAL - Schemes over 50 units - 1st June 2011 - 31st May 2012

S106 File No	Developer	Site		Date	Plan App Ref	Overall S106 Value (a)	Total No. dwellings	S106 per dwelling	S106 tariff: Greenspace / Public Realm	S106 tariff: Education	S106 tariff: Public Transport Improvements	Total to be replaced by CIL (Gspace/ Educ / PTI)	S106 per dwlg to be replaced by CIL	Average from all S106s psm (b)	Average tariff S106s psm (b)	S106 paid / Scheme commenced?
	Mone Bros Ltd	Albert Road, Morley	Outer South West	30-Nov-11	10/03141/OT	**£155,187**	70	**£2,217**	£99,960	£0	£0	£99,960	£1,428	£25	£16	No (at Nov 2012)
388223		Netherfield Road, Guiseley (Factory site)	Aireborough	23-Mar-12	11/01843/FU	**£509,075**	74	**£6,879**	£74,860	£347,757	£44,400	£467,017	£6,311	£78	£72	Aug 2012
	Direct Investments (Yorkshire) Ltd	Saxton Lane	City Centre	02-Aug-11	11/01442/EXT for 08/01844/FU	**£37,367**	80	**£467**	£0	£0	£27,107	£27,107	£339	£5	£4	No (at Nov 2012)
387976	Barratts	Former Bellows Engineering Site, East Street	Inner Area	22-Jun-11	10/03179/EXT to 07/04987/FU	**£19,596**	147	**£133**	£0	£0	£13,661	£13,661	£93	£2	£1	No (at Nov 2012)
	Redrow Homes	Clariant, Calverley Lane, Horsforth	North Leeds	21-Mar-12	10/04068/OT	**£3,284,669**	400	£8,212	£0	£1,188,800	£1,793,000	£2,981,800	**£7,455**	**£93**	**£85**	No (at Nov 2012)
					TOTAL	**£4,005,894**	**771**	**£5,196**	**£174,820**	**£1,536,557**	**£1,878,168**	**£3,589,545**	**£4,656**	**£59**	**£53**	-

388233	Stonebridge Homes Ltd	Haigh Moor Road, West Ardsley	Outer South West	14-Mar-12	11/01014/OT*	**£23,750**	32	**£742**	£0	£20,000	£0	£20,000	£625	£8	£7	No (at Nov 2012)

* Haigh Moor Road is also a UDP Phase 3 scheme so is not included in this worksheet in order to avoid double counting

SIGNED S106 AGREEMENTS

(a) Overall S106 value excludes affordable housing
(b) EVA and EVS assumptions, using average 88 sqm (3 bed house)

RESIDENTIAL - Schemes on UDP Phase 2 and 3 greenfield sites - since Nov 2009

S106 File No	Developer	Site	Date	Plan App Ref	Overall S106 Value (a)	Total No. dwellings	S106 per dwelling	S106 tariff: Greenspace / Public Realm	S106 tariff: Education	S106 tariff: Public Transport Improvements	Total to be replaced by CIL (Gspace/ Educ / PTI)	S106 per dwlg to be replaced by CIL	Average from all S106s psm (b)	Average tariff S106s psm (b)	S106 paid / Scheme commenced?
		Bagley Lane, Farsley	08-Mar-12	09/01601/OT	**£81,441**	45	**£1,810**	£64,584	£0	£0	£64,584	**£1,435**	**£21**	**£16**	March 2012
		Greenlea, Yeadon	15-Dec-11	11/02980/FU	**£98,840**	30	**£3,295**	£84,223	£0	£0	£84,223	**£2,807**	**£37**	**£32**	Sept 2012 ongoing
	Redrow	Netherfield Road, Guiseley (Phase 3 site)	07-Feb-12	11/02690/FU following 10/02762/OT	**£706,053**	87	**£8,116**	£136,538	£414,452	£106,662	£657,652	**£7,559**	**£92**	**£86**	Sept 2012 ongoing
		Queen Street, Allerton Bywater	26-Jan-11	09/04353/OT	**£755,955**	120	**£6,300**	£150,380	£356,679	£94,680	£601,739	**£5,014**	**£72**	**£57**	Oct 2012 ongoing
388233	Stonebridge Homes Ltd	Haigh Moor Road, West Ardsley	27-Sep-12	11/01014/OT	**£23,750**	32	**£742**	£0	£20,000	£0	£20,000	**£625**	**£8**	**£7**	No (at Nov 2012)
		Syke Lane, Scarcroft	01-Feb-11	09/05551/OT	**£21,206**	14	**£1,515**	£20,006	£0	£0	£20,006	**£1,429**	**£17**	**£16**	No (at Nov 2012)
	Barwick Investments	Pudsey Road, Swinnow	29-Nov-09	08/06785/OT	**£31,482**	11	**£2,862**	£30,882	£0	£0	£30,882	**£2,807**	**£33**	**£32**	No (at Nov 2012)
	Taylor Wimpey	Church Fields, Boston Spa	08-Mar-11	09/04531/FU	**£793,195**	153	**£5,184**	£115,815	£454,765	£101,597	£672,177	**£4,393**	**£59**	**£50**	No (at Nov 2012)
	Ben Bailey Homes	Selby Road, Garforth	27-Nov-09	11/03814/FU following from 08/06019/OT	**£547,464**	78	**£7,019**	£97,158	£322,938	£79,016	£499,112	**£6,399**	**£80**	**£73**	No (at Nov 2012)
	Persimmon	Milner Lane, Robin Hood	31-Mar-10	12/00161/FU following from 08/04184/OT	**£505,724**	72	**£7,024**	£141,777	£214,007	£88,207	£443,991	**£6,167**	**£80**	**£70**	No (at Nov 2012)
	David Wilson Homes	Holt Lane, Adel	09-May-11	09/04190/FU	**£599,244**	70	**£8,561**	£99,960	£308,946	£85,820	£494,726	**£7,068**	**£97**	**£80**	No (at Nov 2012)
	Taylor Wimpey	Grimes Dyke, York Road	26-May-11	09/03238/OT	**£2,587,368**	500	**£5,175**	£0	£1,941,884	£442,500	£2,384,384	**£4,769**	**£59**	**£54**	No, reserved matters under consideration (at Nov 2012)
				TOTAL	**£6,751,722**	**1,212**	**£5,571**	£941,323	£4,033,671	£998,482	**£5,973,476**	**£4,929**	**£63**	**£56**	-

RESIDENTIAL - Schemes on UDP Phase 2 and 3 greenfield sites (since Nov 2009) and all schemes 1st June 2011 - 31st May 2012

(a) Overall S106 value excludes affordable housing

(b) EVA and EVS assumptions, using average 88 sqm (3 bed house)

Yellow is Phase 2 and 3 site

Schemes below 50 units:

S106 File No	Developer	Site		Date	Plan App Ref	Overall S106 Value (a)	Total No. dwellings	S106 per dwelling	S106 tariff: Greenspace / Public Realm	S106 tariff: Education	S106 tariff: Public Transport Improvements	Total to be replaced by CIL (Gspace/ Educ / PTI)	S106 per dwlg to be replaced by CIL	Average from all S106s psm (b)	Average tariff S106s psm (b)	S106 paid / Scheme commenced?
388182	Aldi Stores Ltd	The Tannery, Leeds Road, Otley	Outer North West	09-Jan-12	11/04382/FU	£36,107	10	£3,611	£23,902	£0	£0	£23,902	£2,390	£41	£27	No (at Nov 2012)
388202	Ms V Oldham	St Lawrence House, Crawshaw Road, Pudsey	Outer West	11-Apr-12	11/05295/FU	£22,162	11	£2,015	£21,162	£0	£0	£21,162	£1,924	£23	£22	No (at Nov 2012)
	Barwick Investments	Pudsey Road, Swinnow		29-Nov-09	08/06785/OT	£31,482	11	£2,862	£30,882	£0	£0	£30,882	£2,807	£33	£32	No (at Nov 2012)
388165	Stonebridge Homes Ltd	30-34 Barrowby Lane, Austhorpe	East Leeds	15-Jun-12	12/00646/FU (revised from 11/01963/EXT to 08/01087/FU)	£37,563	11	£3,415	£30,882	£0	£0	£30,882	£2,807	£39	£32	No (at Nov 2012)
		Leeds Girls High School - Rose Court	Inner Area	23-Jun-11	08/04214/OT	£1,653	12	£138	£1,053	£0	£0	£1,053	£88	£2	£1	No, reserved matters under consideration (at Nov 2012)
	Ashford Homes (Leeds) Ltd	The Former Weasel Public House, 94 Roker Lane, Pudsey	Outer West	11-Aug-11	11/00108/EXT to 07/03657/FU	£28,306	12	£2,359	£27,706	£0	£0	£27,706	£2,309	£27	£26	No (at Nov 2012)
388155	Diocese of Leeds Trustee	Methley Infants School	Outer South East	19-Dec-11	11/04226/FU	£34,439	12	£2,870	£33,689	£0	£0	£33,689	£2,807	£33	£32	No but on site so due in January
388199	Keyland Developments Ltd	St Vincents School, Church Street, Boston Spa	Outer North East	16-Jun-11	11/01086/EXT to 08/02322/FU	£37,492	13	£2,884	£36,492	£0	£0	£36,492	£2,807	£33	£32	No (at Nov 2012)
		Syke Lane, Scarcroft		01-Feb-11	09/05551/OT	£21,206	14	£1,515	£20,006	£0	£0	£20,006	£1,429	£17	£16	No (at Nov 2012)
	HF Trust Ltd	Bramley Gardens, Skeltons Lane	Outer North East	06-Jun-11	11/00934/FU	£21,970	14	£1,569	£14,162	£0	£0	£14,162	£1,012	£18	£11	No (at Nov 2012)
387988	Maple Properties Headingley	Pepper Road Hunslet	Inner Area	17-Jun-11	10/03728/EXT to 06/06269/FU	£32,814	14	£2,344	£32,214	£0	£0	£32,214	£2,301	£27	£26	No (at Nov 2012)
388204	University of Leeds	Manor House Farm, Great North Road, Micklefield	Outer South East	19-Jul-11	10/03358/EXT to 07/01571/FU	£35,549	14	£2,539	£35,549	£0	£0	£35,549	£2,539	£29	£29	No (at Nov 2012)
		1 - 41 And 2 - 20 St Lukes Green, Beeston	Inner Area	28-Jul-11	10/05219/RM	£2,500	19	£132	£0	£0	£0	£0	£0	£1	£0	No (at Nov 2012)
388201	Campus Link LP PLC	Broad Lane, Bramley	Outer West	12-Jan-12	11/04358/FU	£40,087	19	£2,110	£39,087	£0	£0	£39,087	£2,057	£24	£23	No (at Nov 2012)
388239	The Gateway Leeds Ltd	Elder Road, Bramley	Outer West	05-Mar-12	08/05924/FU	£47,514	22	£2,160	£46,514	£0	£0	£46,514	£2,114	£25	£24	No (at Nov 2012)
	Duffield Printers Ltd	Carlisle Road, Pudsey	Outer West	29-May-12	11/01860/FU	£73,820	23	£3,210	£64,570	£0	£0	£64,570	£2,807	£36	£32	No (at Nov 2012)
388238	Tradewell Carpets Ltd	Land North of Morrisons, Swinnow Road	Outer West	30-Jun-11	11/00991/OT	£72,685	25	£2,907	£70,185	£0	£0	£70,185	£2,807	£33	£32	No (at Nov 2012)
		Greenlea, Yeadon		15-Dec-11	11/02980/FU	£98,840	30	£3,295	£84,223	£0	£0	£84,223	£2,807	£37	£32	Sept 2012 ongoing
388233	Stonebridge Homes Ltd	Haigh Moor Road, West Ardsley		27-Sep-12	11/01014/OT	£23,750	32	£742	£0	£20,000	£0	£20,000	£625	£8	£7	No (at Nov 2012)
		Bagley Lane, Farsley		08-Mar-12	09/01601/OT	£81,441	45	£1,810	£64,584	£0	£0	£64,584	£1,435	£21	£16	March 2012
					TOTAL	**£781,380**	**363**	**£2,153**	**£676,862**	**£20,000**	**£0**	**£696,862**	**£1,920**	**£24**	**£22**	-

Schemes above 50 units:

	Mone Bros Ltd	Albert Road, Morley	Outer South West	30-Nov-11	10/03141/OT	**£155,187**	70	**£2,217**	£99,960	£0	£0	£99,960	£1,428	£25	£16	No (at Nov 2012)
	David Wilson Homes	Holt Lane, Adel		09-May-11	09/04190/FU	**£599,244**	70	**£8,561**	£99,960	£308,946	£85,820	£494,726	**£7,068**	**£97**	**£80**	No (at Nov 2012)
	Persimmon	Milner Lane, Robin Hood		31-Mar-10	12/00161/FU following from 08/04184/OT	**£505,724**	72	**£7,024**	£141,777	£214,007	£88,207	£443,991	**£6,167**	**£80**	**£70**	No (at Nov 2012)
388223		Netherfield Road, Guiseley (Factory site)	Aireborough	23-Mar-12	11/01843/FU	**£509,075**	74	**£6,879**	£74,860	£347,757	£44,400	£467,017	£6,311	£78	£72	Aug 2012
	Ben Bailey Homes	Selby Road, Garforth		27-Nov-09	11/03814/FU following from 08/06019/OT	**£547,464**	78	**£7,019**	£97,158	£322,938	£79,016	£499,112	**£6,399**	**£80**	**£73**	No (at Nov 2012)
	Direct Investments (Yorkshire) Ltd	Saxton Lane	City Centre	02-Aug-11	11/01442/EXT for 08/01844/FU	**£37,367**	80	**£467**	£0	£0	£27,107	£27,107	£339	£5	£4	No (at Nov 2012)
	Redrow	Netherfield Road, Guiseley (Phase 3 site)		07-Feb-12	11/02690/FU following 10/02762/OT	**£706,053**	87	**£8,116**	£136,538	£414,452	£106,662	£657,652	**£7,559**	**£92**	**£86**	Sept 2012 ongoing
		Queen Street, Allerton Bywater		26-Jan-11	09/04353/OT	**£755,955**	120	**£6,300**	£150,380	£356,679	£94,680	£601,739	**£5,014**	**£72**	**£57**	Oct 2012 ongoing
387976	Barratts	Former Bellows Engineering Site, East Street	Inner Area	22-Jun-11	10/03179/EXT to 07/04987/FU	**£19,596**	147	**£133**	£0	£0	£13,661	£13,661	£93	£2	£1	No (at Nov 2012)
	Taylor Wimpey	Church Fields, Boston Spa		08-Mar-11	09/04531/FU	**£793,195**	153	**£5,184**	£115,815	£454,765	£101,597	£672,177	**£4,393**	**£59**	**£50**	No (at Nov 2012)
	Redrow Homes	Clariant, Calverley Lane, Horsforth	North Leeds	21-Mar-12	10/04068/OT	**£3,284,669**	400	£8,212	£0	£1,188,800	£1,793,000	£2,981,800	**£7,455**	**£93**	**£85**	No (at Nov 2012)
	Taylor Wimpey	Grimes Dyke, York Road		26-May-11	09/03238/OT	**£2,587,368**	500	**£5,175**	£0	£1,941,884	£442,500	£2,384,384	**£4,769**	**£59**	**£54**	No, reserved matters under consideration (at Nov 2012)
					TOTAL	**£10,500,897**	**1,851**	**£5,673**	**£916,448**	**£5,550,228**	**£2,876,650**	**£9,343,326**	**£5,048**	**£64**	**£57**	-

SIGNED S106 AGREEMENTS

STUDENT HOUSING SCHEMES - 1st June 2011 - 31st May 2012

(a) Overall S106 value excludes affordable housing
(b) Used average floorspace per bedroom of 20m, but actual contribution would be larger to include circulation areas - needs updating

S106 File No	Developer	Site	Date	Plan App Ref	Overall S106 Value (a)	Number beds	S106 per bed	S106 tariff: Greenspace / Public Realm	S106 tariff: Public Transport Improvements	Total to be replaced by CIL (Gspace/ PTI)	S106 perbed to be replaced by CIL	Average per bed from all S106s psm (b)	Average per bed tariff S106s psm (b)	Notes	S106 paid / Scheme commenced?
388005	Opaltex Pension Fund	Calverley Street	17-Jan-12	11/04138/FU (mod TO 10/05541/FU)	**£60,805**	577	**£105**	£0	£29,780	£29,780	£52	£5	£3		July 2012
388203	Persimmon Homes	St Marks Road, Woodhouse	16-Jan-12	11/04449/FU	**£162,945**	526	**£310**	£147,945	£0	£147,945	£281	£15	£14		June 2012 and ongoing
388188	Prestige Salvage Company	Phase 3 The Gateway East Street	31-May-12	12/00828/FU (mod to 08/06681/FU)	**£39,056**	508	**£77**	£0	£22,056	£22,056	£43	£4	£2	Includes 3,521 sqm A1 retail	No (at Nov 2012)
388246	Hamilton Black Developments	22 Lovell Park Hill	22-May-12	12/00684/FU	**£42,760**	66	**£648**	£38,260	£0	£38,260	£580	£32	£29		No (at Nov 2012)
388194	Print Works Ltd	Servia Road	15-Mar-12	11/05195/FU	**£201,109**	300	**£670**	£136,975	£48,134	£185,109	£617	£34	£31		No (at Nov 2012)
				TOTAL / AVERAGE	**£282,925**	874	**£324**	£175,235	£70,190	**£245,425**	£281	£16	£14	-	-

SIGNED S106 AGREEMENTS

NON-RESIDENTIAL - Schemes 1st June 2011 - 31st May 2012

S106 File No	Developer	Site	Date	Plan App Ref	Overall S106 Value	Uses	Floorspace (sqm)	Breakdown of floorspace (sqm)	S106 per meter against total floorspace	S106 tariff: Greenspace / Public Realm	S106 tariff: Public Transport Improvements	Total to be replaced by CIL (Gspace / PTI)	S106 per meter to be replaced by CIL	Notes	S106 paid / Scheme commenced?
388220	Johnson Walker	Otley Road, Guiseley	02-Feb-12	11/02169/FU	**£78,302**	A1	1,385	-	**£57**	£0	£64,302	**£64,302**	£46		No (at Nov 2012)
388246	Hamilton Black Developments	Land off Carr Crofts, Armley	18-Jan-12	10/02363/OT	**£711,556**	A1	9,595	-	**£74**	£0	£660,756	**£660,756**	£69		No (at Nov 2012)
386133	Deltalord	Sweet Street	09-Dec-11	20/430/04/OT (20/534/05/RM)	**£463,368***	A1, B1a				£461,868	£0	**£461,868**		Built in 2007 but deed o	Dec 2011 ongoing
388169	St James Security Ventures Ltd	Trinity Quarter	07-Oct-11	11/00382/FU changes to 20/149/03/FU	**£329,000***	A1, A2-5				£0	£326,500	**£326,500**		Trinity Quarter - small a	No (at Nov 2012)
388181	D Fusion	28 New Briggate, City Centre	17-May-12	11/01993/FU	**£36,246**	A3/A4	1,000	-	**£36**	£0	£36,246	**£36,246**	£36	Restaurant kareoke	Yes
388193	Land Securities Trinity Ltd	Trinity West	01-Nov-11	11/03290/FU	**£70,495**	A3, A4, D1 clinic, D2 gym	4,170	-	**£17**	£30,850	£34,895	**£65,745**	£16	CoU would not invoke C	No (at Nov 2012)
	Flamewall Ltd	Former City Square House Wellington Street	29-Jul-11	10/05681/EXT to 07/04127/FU	**£179,925**	B1a	16,012	-	**£11**	£0	£168,000	**£168,000**	£10	13 storey office	No (at Nov 2012)
	Wetherby Park Ltd	Land Off Sandbeck Lane	23-Nov-11	10/00279/OT	**£241,180**	B1a, B8	8,085	5,570 B1a, 2,515 B8	**£30**	£0	£200,000	**£200,000**	£25	Industrial and office par	No (at Nov 2012)
388006	Brabco	Whitehall Road	23-Dec-11	11/04023/FU	**£106,996**	B1a, C1 office and hotel	11,355	6,005 B1a, 5,350 C1	**£9**	£0	£97,496	**£97,496**	£9		No (at Nov 2012)
388137	Land Adjacent to Judes Pond	Thorp Arch Trading Estate	20-Dec-11	11/03150/OT	**£33,057**	B2	5,327	-	**£6**	£0	£29,057	**£29,057**	£5		No (at Nov 2012)
388176	Mr K Singh	1 Pilot Street, Sheepscar	03-Oct-11	11/02158/FU	**£15,641**	B8, B2, D1 college	2,010	550 B8, 690 B2, 770 D1	**£8**	£0	£12,391	**£12,391**	£6	CoU warehouse/ offices	No (at Nov 2012)
	Bruntwood Ltd	Hepworth Point, Clay Pitt Lane,Sheepscar	30-Jun-11	11/01048/FU	**£34,191**	C1 hotel	6,660	-	**£5**	£0	£29,441	**£29,441**	£4	CoU would not invoke C	March 2012
	Oxford GB TWO Ltd	Car Park "D" Site Portland Crescent	29-Jul-11	11/01979/EXT to 08/05664/FU	**£267,207**	C1 hotel	11,590	**-**	**£23**	£40,000	£185,217	**£225,217**	£19	6-14 storey hotel	No (at Nov 2012)
	Leeds United FC Ltd	Elland Road,	16-Jun-11	08/06739/FU	**£286,826**	C1 hotel, A1, A3, A4, B1a, nightclub	22,025	2,240 A1, 1,605 A3, 1,530 A4, 1,215 B1a, 725 nightclub, 14,710 (347 bed) hotel	**£13**	£0	£285,326	**£285,326**	£13	347 bed hotel, conferen	July 2011 ongoing
	TCWP 008 LTD	Grove Lane, Headingley	08-Sep-11	12/00687 (amendment to 11/00915/FU)	**£34,525**	C2 79 bed care home	3,605	46 sqm per bed	**£10**	£0	£22,025	**£22,025**	£6		April 2012 ongoing
388024	Springfield Healthcare	Springfield Healthcare, The Grange,	29-Sep-11	10/04942/FU	**£29,682**	C2 96 bed care home	4,156	43 sqm per bed	**£7**	£0	£24,782	**£24,782**	£6	Demolition and CoU an	No (at Nov 2012)
388192	Watertight Investments Ltd	Shaftesbury Hotel York, Road	02-Nov-11	11/02883/OT	**£34,618**	C2 84 bed care home	3,500	42 sqm per bed	**£10**	£0	£22,118	**£22,118**	£6		No (at Nov 2012)
388135	Inmind Healthcare Ltd	Waterloo Manor, Selby Road, Swillington	01-Sep-11	10/05315 (amendment to approval 09/00327/FU)	**£21,566**	C2a 33 low secure beds	2,275	69 sqm per bed	**£9**	£0	£0	**£19,006**	£8	Part demolition and ext	Sept 2011
388133	Armley Superstore	Alf Cooke Print Works	10-Jan-12	11/04293/FU	**£305,700**	D1 college	16,170	-	**£19**	£15,000	£109,000	**£124,000**	£8	CoU to D1 college	April 2012 ongoing
	Business School Of Knowledge	Former Job Centre,Pepper Road	28-Jun-11	10/05129/FU	**£2,500**	D1 college	561	-	**£4**	£0	£0	**£0**	£0	CoU would not invoke C	No (at Nov 2012)
388225	Urban Places Ltd	Unit 1 Kirkstall Industrial Estate	09-Dec-11	11/03248/FU	**£54,443**	D2 gym	3,330	-	**£16**	£0	£30,443	**£30,443**	£9		May 2012 ongoing
				TOTAL	**£1,752,288**	-	132,811	-	£13	**£547,718**	**£2,337,995**	**£2,904,719**	**£22**	-	-

* Not included in total as can't be broken down by floorspace

Appendix III

Approach to Viability Modelling and Assumptions

Leeds CIL Technical Annex

The purpose of this technical annex is to provide information regarding the appraisal assumptions / criteria underpinning the Study

Project Costs

A set of standard assumptions reflecting build costs, fees, contingencies, profits, finance rates, etc. have been made in order to ensure that the results of our viability testing enable a straight forward comparison to be made of the consequence of applying various levels of CIL.

The main assumptions adopted within the modelling are set out below. At this stage it is important to recognise that whilst these assumptions generally align with normal or usual figures expected in the majority of developments they may differ, in some cases, from the figures that may be used in actual development schemes. Where appropriate the assumptions used within the CIL Study are aligned with those in Council's Economic Viability Assessment, which have been tested and agreed through formal stakeholder consultation.

Base Construction Costs

Residential

The costs used within this assessment are consistent those outlined within the Economic Viability Assessment. These are summarised in Table 1.

Table 1 – Residential Base Construction Costs

Typology		
	Sq.m	Sq.ft
Houses	£915	£85
Apartments	£1,022	£95

These costs reflect compliance with Part L 2010 Building Regulations and are inclusive of preliminaries, external works and plot connections. They are also based on achieving the minimum regulatory standard equivalent to the mandatory requirement of Code for Sustainable Homes Level 3.

Other Uses

The CIL economic viability appraisal is based on data obtained from BCIS (Building Cost Information Services) rebased for the third quarter of 2012 (last updated 8th September 2012) and adjusted to reflect local sensitivities (West Yorkshire). The construction rates are shown in Table 2. These costs reflect compliance with Part L 2010 Building Regulations, are inclusive of preliminaries and assumed to include external works.

Table 2 – Other Land Uses: Base Construction Rates

Description	Gross Size sq.m (sq.ft)	Costs (£psm)	Costs (£psf)
		Median	
Offices (B1)	6,968 (75,000)	£1,162	£108
Industrial (B2)	9,290 (100,000)	£531	£49
Storage and Distribution (B8)	23,225 (250,000)	£390	£36
Traditional Retail (non food) A1	800 (8,600)	£648	£60
Financial and Professional Services (A2)	1000 (10,765)	£1,162	£108
Restaurants and Cafes (A3)	300 (3,230)	£1,555	£144
Drinking Establishments (A4)	300 (3,230)	£1,376	£128
Hot Food Take away (A5)	250 ((2,690)	£1,361	£126
City Centre Comparison Retail	4,645 (50,000)	£747	£69
Retail Warehouse	1,500 (16,146)	£468	£43
Convenience Stores	372 (4,000)	£960	£89
Supermarkets	2,500 (26,900)	£1,090	£101
Superstores	4,000 (43,000)		
Hypermarkets	6,000 (64,500)		
Hotels (1)	1,740 (18,750)	£47,000 per bed	n/a
Care Homes	65 Beds	£1,170	£109
Student Accommodation	80 beds	27,500 per bed	n/a

(1) Based on a Budget Hotel and 'Turn Key' Development

Extra Design Related Costs

As outlined at Section 2, Policy EN2 (Sustainable Design and Construction) requires developments of 1,000sq.m (10,764sq.ft) or more and 10 or more dwellings (including conversion where feasible) to meet at least the standard set by BREEAM or Code for Sustainable Homes as shown in Table 3.

Table 3 – **Policy EN2 (Sustainable Design and Construction)**

	2012	2013	2016
Code for Sustainable Homes requirement	Code 3	Code 4	Code 6
BREEAM Standards for non residential building requirements	Very Good	Excellent	Excellent

Leeds CC Core Strategy

Code for Sustainable Homes

The extra over costs associated with achieving the Code for Sustainable Homes standards, with respect to each of the residential unit types, are outlined in Table 4.

Table 4 – Code for Sustainable Homes Costs

House Type	Code 3[54]	Code 4	Code 6
Studio Flat	£750	£3,400	£27,050
1 Bed Flat	£750	£3,400	£27,050
2 Bed Flat	£750	£3,400	£27,050
3 Bed Flat	£750	£3,400	£27,050
2 Bed House	£840	£3,500	£31,870
3 Bed House	£1,050	£4,220	£33,770
4 Bed House	£1,000	£5,140	£38,170
5 Bed House	£1,000	£5,140	£38,170

Source: Davis Langdon

[54] Building Regulations requires all new private homes to meet / comply with Code Level 3 for energy and Co2 emission standards the costs of which are included in our standard base cost assumptions (see Table 1). The Code 3 cost assumptions in Table 4 relate to the addition items that are not currently covered under Building Regulations.

BREEAM

Research undertaken by 'Target Zero' has estimated the total capital uplifts associated with achieving BREEAM ratings for various forms of development: Their research has concluded that the eventual cost increases will be driven by the approach to design with significant savings for schemes where best approach is applied. Assuming the best approach to design the estimated cost uplifts are thought to be in the range of:

Table 2 – BREEAM Cost Increases (over base case)

Development Type	Very Good	Excellent	Outstanding
Offices	0.17%	0.77%	9.83%
Industrial Buildings (including Warehousing)	0.04%	0.4%	4.8%
Supermarkets[55]	0.24%	1.76%	10.1%
Mixed / Other Use[56]	0,14%	1.58%	4.96%

Source: Target Zero

Policy EN1 (Climate Change – Carbon Dioxide Reduction) also requires all new developments of 10 dwellings or more, or over 1,000sq.m of floorspace ……to:

i. Reduce total predicted carbon dioxide emissions to achieve 20% less than the Building Regulations Target Emission Rate until 2016 when all development should be zero carbon; and
ii. Provide a minimum of 10% of the predicted energy needs of the development from low carbon energy

The estimated costs of complying with this policy with respect to residential development are captured within our allowances for Code for Sustainable Homes.

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[55] With reference to Table 11 at Section 5 this development typology would also include convenience stores, superstores and hypermarkets

With respect to commercial uses the EVS applies the following:

Low Carbon Office Buildings

The targets for operational carbon reduction is office buildings required from 2010 as a result of changes to Part L can be achieved by using energy efficient measures only. The package of measures predicated to achieve the 2010, 25% reduction target most cost effectively include:

- Vertically reduced glazing by 2m
- Specific fan powers reduced by 20%
- Daylight dimming lighting controls
- Improved chiller efficiency SEER = 6
- Improved boiler efficiency to 95%
- Improved lighting efficient to 2.0W/m2 per 100lux
- Improve wall insulation to 0.25w/m2k

This package of works results in a reduction in base costs of approximately -1.4%

Source: Target Zero (Guidance on the Design and Construction of Sustainable, Low Carbon Office Buildings

Low Carbon Warehouse Buildings[57]

The likely target for operational carbon reductions in warehouse buildings required from 2010 as a result of changes to Part L can be achieved relatively easily by using high efficiency lamps and luminaries. The full package of measures predicated to achieve the 2010 reduction target most cost effectively includes:

- High efficiency lamps and luminaries 1.79w/m2 per 100lux
- Glazing (roof light) performance 1.50W/m2K
- Improved air tightness 5m3/h/m2@50pa
- 10% roof lights with daylight dimming
- Advanced thermal bridging (0.014W/m2K)

This package of works results in a reduction in base costs of approximately -0.98%

Source: Target Zero (Guidance on the Design and Construction of Sustainable, Low Carbon Warehouse Buildings

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[56] In the absence of any other data we have applied these assumptions to all the other land uses / development typologies within Table 11.

Low Carbon Supermarket Buildings[58]

The targets for operational carbon reduction in supermarkets required from 2010 as a result of changes to Part L can be achieved by using energy efficiency measures only. The package of measures includes:

- Composite internal floor
- High efficiency lamps and luminaries
- Specific fan powers reduced by 20%
- Motion sensing controls throughout
- Improved chiller efficiency SEER = 6
- Improved boiler efficiency to 95%
- Building orientated so that glazed faced faces South

This package of works results in a reduction in base costs of approximately -0.36%

Source: Target Zero (Guidance on the Design and Construction of Sustainable, Low Carbon Supermarket Buildings

Low Carbon Mixed Use Buildings[59]

The targets for operational carbon reduction in mixed use buildings required from 2010 as a result of changes to Part L can be achieved by using energy efficiency measures only. The package of measures predicted to achieve the 25% reduction in target most cost effectively as set out below.

- Vertically reduced glazing by 2m
- Specific fan powers reduced by 20%
- Improved boiler efficiency to 95%
- Improved lighting efficiency to 2.0W/m2 per 100lux
- Improved chiller efficiency

This package of works results in a increase in costs of approximately 1.3%

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57 In the absence of any other information this data is assumed to be applicable for all forms of industrial buildings

58 In the absence of any other information this data is assumed to be applicable for all forms of convenience retail. With reference to our development typologies (see Section 5) this would include convenience stores, supermarkets, superstores and hypermarkets.

59 In the absence of any other information this data is assumed to be applicable for all other forms of development as outlined in Table x at Section 5).

- Active chilled beams

Source: Target Zero (Guidance on the Design and Construction of Sustainable, Low Carbon Mixed Use Buildings

Other Site-Related Costs

Residential

The EVA did not appraise / consider the additional site related costs, which are influenced by the type of land being developed (i.e. Greenfield or Brownfield). Whilst it is generally accepted that land is heterogeneous in its nature and, therefore, these costs will be individual to every site, the CIL economic appraisal seeks to differentiate Greenfield and Brownfield development sites to understand the impact of these additional site related costs on scheme viability. The estimated costs (based on our experince from similar commissions) associated with the revelopment of brownfield land for residential use are shown in Table 5.

Table 5: Other site related costs

Proposed Scheme Type	Abnormals/ Clearance (/unit)	Remediation (£/hectare)
Greenfield	N/A	N/A
Brownfield	£8,000	£300,000

Commercial / other land uses

English Partnerships BPN 27 Contamination and Dereliction Remediation Costs (revised February 2008) provides the potential range of costs for site preparation and remediation costs. These costs are summarised in Table 6.

Table 6: Remediation Costs (Commercial)

Proposed Scheme Type	Category	Remediation – Low Water Risk (£/hectare)	Remediation – High Water Risk (£/hectare
Employment (industrial)	A	£50,000 to £125,000	£125,000 to £250,000
	B	£200,000 to £425,000	£250,000 to £625,000
	C	£250,000 to £575,000	£500,000 to £1,200,000
	D	£300,000 to £650,000	£525,000 to £1,200,000
Mixed Use (including	A	£50,000 to £125,000	£125,000 to £250,000

offices, retail and hotel)	B	£225,000 to £525,000	£325,000 to £750,000
	C	£300,000 to £650,000	£525,000 to £1,325,000
	D	£325,000 to £750,000	£600,000 to £1,375,000

Source: BPN 27: Contamination and Dereliction Remediation Costs (revised February 2008)

A) Industrial sites, colliery / mine spoil heaps, factories and works

B) Garages, pithead sites, railways, textiles, timber treatment and sewage works

C) Metal workings, scrap yards and shipyards. Paint and solvents

D) Gas, iron and steel works, refineries, ship breaking and building

For the purposes of this assessment we will model the Brownfield scenarios on the basis of category A and on the basis they are in a low water risk area (on the assumption that sites in high water risk areas will generally be precluded from development due to the stringent flood risk criteria). The EVS adopts the lower figures from the cost range.

Table 7: Preparation Costs (Employment)

	Small		Large	
	Non Complex	Complex	Non Complex	Complex
Range per ha	£120,000 to £200,000	£225,000 to £400,000	£100,000 to £175,000	£200,000 to £250,000
Mid – point per ha	**£160,000**	**£312,500**	**£137,500**	**£212,500**
Fixed cost range	£125,000 to £225,000	£275,000 to £400,000	£275,000 to £425,000	£800,000 to £1,075,000
Mid point fixed cost per site	**£175,000**	**£337,500**	**£350,000**	**£937,500**

Source: BPN 27: Contamination and Dereliction Remediation Costs (revised February 2008)

Table 8: Preparation Costs (other uses)

	Small		Large	
	Non Complex	Complex	Non Complex	Complex
Range per ha	£125,000 to £200,000	£225,000 to £400,000	£75,000 to £175,000	£200,000 to £250,000
Mid – point per ha	**£162,500**	**£312,500**	**£125,000**	**£225,000**
Fixed cost range	£125,000 to £275,000	£275,000 to £425,000	£275,000 to £425,000	£800,000 to £1,075,000

Mid point fixed cost per site	**£200,000**	**£350,000**	**£350,000**	**£937,500**

Source: BPN 27: Contamination and Dereliction Remediation Costs (revised February 2008)

The EVS assumes small non complex schemes and uses the mid point costs to derive the total preparation costs. By way of example for each site the EVS applies the mid cost estimate (per ha) and multiplies this by the site area. This is then added to the mid point fixed cost estimate to derive the total costs.

Therefore an employment site of 1ha will result in total site preparation costs of £335,000, calculated as follows:

(1ha * £160,000 = £160,000) + £175,000 = £335,000 (*0.95) = £318,250

The EVS also adjusts the costs outlined in Tables 5 to 8 for regional variations – for the Yorkshire and Humber Region this index adjustment is 0.95.

Contingencies

Contingencies are an allowance for unexpected development costs. The EVA applied contingencies at 5% of build costs which was increased to 10% in the City Centre. Within the EVS contingencies have been applied at a flat rate of 5% for all use types.

Professional Fees (including planning and building regulations)

Residential

The EVA applied fees (residential) at 6% of build costs outside of the City Centre and 15% within the City Centre. Based on our experience many residential developers have 'off the shelf' products which results in significant cost savings. In circumstances such as this it is normal for fees to be included at approximately 5%. Where developers are proposing non standard / bespoke units fees of between 10% and 12.5% would be acceptable. The EVS has applied fees at 6% for residential schemes outside of the city centre and 10% within the city centre.

Commercial / other land uses

The EVS is based on fees at 10%.

S106 Contributions

Residential

When establishing the benchmark values the EVS includes allowances for S106 contributions, which include tariff style obligations relating to green space/ public realm, education and public transport improvements. However, from April 2014 the Council will no longer be able to charge these tariff style obligations, which will be directly superseded by the CIL. Table 9 sets out what would be replaced by CIL and what would remain as eligible site specific S106 which would be continually sought, as necessary, alongside CIL. Further detailed information is provided at Appendix II.

Table 9– CIL / S106

	Current Average S106 per dwelling	To be replaced by CIL per dwelling	Residual Site Specific S106 per dwelling
< 50 dwellings / units	£2,153	£1,920	£233
> 50 dwellings / units	£5,673	£5,048	£625

Commercial / Other Land Uses

Mirroring the requirements for residential the Council also seeks S106 obligations (including tariff style obligations with respect to green space / public realm, education and public transport improvements) from new commercial / non residential schemes. Based on information provided by the Council (please refer to Appendix II) the average S106 contribution, varies for according to uses classes, as summarised in Table 10.

Table 10 – Current S106 Contributions (non residential)

Use Class	£psm
A1 Food retail > 250 sqm	£0
A1 Non food retail > 800 sqm	£65
A3-4 Restaurants and cafés, public houses > 300 sqm	£36
B1 Offices > 1500 sqm	£11
B2 Industrial > 2500 sqm	£6

B8 Storage and distribution > 3000 sqm	£6
C1 Hotels > 75 beds	£14
C2 Hospital, nursing homes > 30 beds	£9
D1 Non-residential institutions > 500 sqm	£12
D2 Assembly and leisure > 500 sqm	£16
Student Accommodation	£250 per bed space

Disposal Costs

Residential

An allowance for direct sale agents and legal fees (disposal costs) have been included at the rate of 1.75% on the private sales income only. These costs are not explicitly stated within the EVA albeit the report does acknowledge that revenue within the cash flow is net of residential marketing and agents fees.

Commercial

Letting agent's fees have been included at 7.5% (assuming sole agent[60]) of the estimated first years rental value (ERV). This assumes sole agency. A further allowance of 5% has been included for letting legal fees.

Investment sale agent's fees are included at 1.5% and legal fees at 0.25% of the schemes net development value.

Marketing

Marketing costs are included at 1.25% of GDV. This is a standard allowance that has been applied to all land uses.

Finance Charges / Interest Rate

It is difficult to establish what the appropriate rate of interest would be in the current market. Current margins are substantial despite the current Bank of England base

[60] If joint agency the costs would be 15%

rate being 0.5%. An appropriate rate for both residential and commercial schemes may fall somewhere between 6% and 7%.

It is also widely recognised that the approach to development varies widely and is influenced by the equity invested in the site along with the financial organisation / strength of the developer. For example, a larger plc developer may access debt finance from a revolving corporate structure whilst a smaller developer may access debt finance on a site by site basis. The interest rates can therefore differ widely between these approaches.

For the purpose of this assessment, and mirroring the approach adopted in the EVA, we have set the interest rate at 6.5%, assuming a 100% debt structure. This applies to the residential and other land uses.

Value added tax

We have assumed that VAT is incorporated within the costs stated.

Tax relief and grants

No tax relief or grants are asusmed within the CIL economic assessment. Affordable housing revenues (see later) are also based on a nil-grant approach.

It is possible for schemes (residential and commercial) to atttact potential grant and support through a range of agencies. Where this occurs, appraisals should account for the level of grant being invested into the scheme, for example through the National Affordable Housing Programme managed by the HCA.

Holding costs

No holding costs are assumed within the appraisals.

Developer Overheads

A Developer overhead of 6% on total build costs is assumed for both residential (overheads were not included in the EVA) and commercial schemes. This can vary between developers but the approach applied is standard for the purpose of appraisal.

Net Profit

A key element of viability is to allow a risk adjusted market return to the developer. Without this there is no commercial justification to a developer investing money into a site. Most developers operate on the basis of a Gross developer margin (inclusive of overheads), which we have shown separately. Therefore the EVS adopts a net profit of 15% on costs for both residential and commercial schemes.

Stamp Duty and Legal Fees on Residual Land Value

The EVA applied site acquisition costs (which included stamp duty) at 5.75%. Within the CIL economic assessment stamp duty has been applied, which is consistent with current HM Revenue and Customs requirements, as set out in Table 17.

Table 12 - Stamp Duty Thresholds for Residential Land or Property

Purchase Price	Stamp Duty Land Tax Rate
Up to £125,000**(4)**	0%
£125,000 - £250,000	1%
£250,001 - £500,000	3%
£500,001 to £1,000,000	4%
£1,000,000 to £2,000,000	5%
Over £2,000,000	7%

(4) Note if the property / land is within an area designated by the government as 'disadvantaged' a higher threshold of £150,000 applies. Because the CIL economic appraisal is being undertaken at a strategic level and is based on hypothetical development typologies it assumes that all sites fall outside any disadvantaged area(s).

Table 13 - Stamp Duty Thresholds for Non Residential / Mixed Use Land or Property

Purchase Price	Stamp Duty Land Tax Rate
Up to £150,000 (annual rent under £1,000)	0%
Up to £150,000 (annual rent is £1,000 or more)	1%
£150,000 - £250,000	1%

£250,001 - £500,000	3%
Over £500,000	4%

In addition to the stamp duty rates an extra allowance of 1.75% has been applied to cover all agents and legal fees associated with the transaction (see previous).

Sale and Rental Values

Residential

The EVA included sale values for the various typologies at the time of the Study (2010). For consistency we have applied these sale values but adjusted them to reflect changes in the market since the EVA was published. The base sales values used within the EVS are outlined in Table 14. Mirroring the approach within the EVA the outer and golden triangle areas have been subdivided into high medium and low value areas: This, therefore, produces as final set of market areas as follows:

- City Centre (uniform and homogeneous market);
- Inner Area (uniform and homogeneous market);
- Golden Triangle (low Value based on beacon settlements of Aberford and Barwick in Elmet);
- Golden Triangle (medium value based on beacon settlement of Yeadon, Guiseley and Horsforth);
- Golden Triangle (high value based on beacon settlements of Bramhope, Wetherby and Scarcroft);
- Outer Area (low value based on beacon settlements of Middleton and Allerton Bywater);
- Outer Area (medium value based on beacon settlements of Pudsey and Garforth); and
- Outer Area (high value based on Moortown and Moor Allerton).

The EVA was published in July 2010 and the study recognised that residential land values had fallen significantly from their peak in mid 2007, which was placing substantial pressure on the viability of development. Therefore, as part of the modelling, the EVA considered different scenarios from the baseline position to take account of 'peaks and troughs' in the market which were envisaged to occur over the life of the policy and Core Strategy. In addition to the baseline position (i.e. the current market circumstances at the time the study was completed) the following scenarios were also tested.

(1) Mid point position
(2) Height of market position which looked back to 2007 before prices started falling.

For consistency the EVS applies the same scenarios (considered within Section 7) and the corresponding values are shown in Tables 15 and 16 respectively.

Table 14: Market Sale Values (Current Market / Baseline Position)

Property Type	Studio Flat[61]	1 bed flat	2 bed flat	3 bed flat	2 bed house	3 bed house	4 bed house	5 bed house
City Centre	£68,600	£93,100	£117,600	£147,000	-	-	-	-
Inner Area	-	£67,900	£87,300	-	£97,000	£130,950	£150,350	£169,750
Outer Areas (Low Value)	-	£81,787	£101,031	-	£110,653	£139,519	£168,385	£221,306
Outer Areas (Medium Value)	-	£96,000	£115,200	-	£124,800	£158,400	£187,200	£249,600
Outer Areas (High Value)	-	£106,700	£128,040	-	£140,650	£179,450	£213,400	£271,600
Golden Triangle (Low Value)	-	£101.850	£130,950	-	£135,800	£184,300	£213,400	£281,300
Golden Triangle (Medium Value)	-	£116,400	£145,500	-	£160,050	£208,550	£242,500	£320,100
Golden Triangle (High Value)	-	£130,950	£164,900	-	£179,450	£242,500	£271,600	£358,900

[61] Ground rents of £250 per unit are also charged on each of the private / market sale flats and these have been capitalised at 6.5%.

Table 15: Market Sale Values (Mid Point Scenario)

Property Type	Studio Flat	1 bed flat	2 bed flat	3 bed flat	2 bed house	3 bed house	4 bed house	5 bed house
City Centre	£97,500	£117,500	£145,000	£187,500	-	-	-	-
Inner Area	-	£90,000	£105,000	-	£117,500	£147,500	£172,500	£197,500
Outer Areas (Low Value)	-	£95,000	£115,000	-	£127,500	£160,000	£192,000	£252,500
Outer Areas (Medium Value)	-	£110,000	£132,500	-	£142,500	£182,500	£215,000	£280,000
Outer Areas (High Value)	-	£122,500	£146,000	-	£160,000	£202,500	£242,500	£307,500
Golden Triangle (Low Value)	-	£115,000	£147,500	-	£155,000	£210,000	£242,500	£315,000
Golden Triangle (Medium Value)	-	£132,500	£165,000	-	£180,000	£230,000	£275,000	£342,500
Golden Triangle (High Value)	-	£150,000	£185,000	-	£205,000	£267,500	£305,000	£385,000

Table 16: Market Sale Values (Height of Market)

Property Type	Studio Flat	1 bed flat	2 bed flat	3 bed flat	2 bed house	3 bed house	4 bed house	5 bed house
City Centre	£125,000	£140,000	£170,000	£225,000	-	-	-	-
Inner Area	-	£110,000	£120,000	-	£135,000	£160,000	£190,000	£220,000
Outer Areas (Low Value)	-	£105,000	£125,000	-	£140,000	£175,000	£210,000	£275,000
Outer Areas (Medium Value)	-	£120,000	£145,000	-	£155,000	£200,000	£235,000	£300,000
Outer Areas (High Value)	-	£135,000	£160,000	-	£175,000	£220,000	£265,000	£335,000
Golden Triangle (Low Value)	-	£125,000	£160,000	-	£170,000	£230,000	£265,000	£340,000
Golden Triangle (Medium Value)	-	£145,000	£180,000	-	£195,000	£245,000	£300,000	£355,000
Golden Triangle (High Value)	-	£165,000	£200,000	-	£225,000	£285,000	£330,000	£400,000

Affordable Housing Revenue

For the purposes of the CIL economic viability assessment we have assumed that the preferred delivery mechanism for the affordable housing would be to transfer the units to a nominated RSL. On this basis the revenue streams associated with the affordable housing have been derived from the Affordable Housing SPG Annex Update 2005 (Revision April 2012). The respective sale prices for submarket and social affordable housing are outlined in Table 17 for ease of reference.

Table 17: Affordable Housing Values

Property Type	Submarket Housing		Social Housing	
	£psm	£psf	£psm	£psf
Houses	£984	£91	£520	£48
Apartments	£1,230	£114	£520	£48
City Centre Apartments	£1,476	£137	£520	£48

Source: Affordable Housing SPG Annex Update 2005 (Revision April 2012)

Commercial

Our commercial value assumptions are outlined in Table 18.

Table 18

Sector	**Typology/Category**	**Prime Headline Rent £psf**	**Prime Yields**	**Incentives**	**Pre-recession Values**
Office	Prime City Centre	£22.00	6.75%	36 months rent free per 10 year term	£27.00/5%
	Prime Out of Town	£15.00	8.50%	36 months rent free per 10 year	£20.00/7%

Sector	Typology/Category	Prime Headline Rent £psf	Prime Yields	Incentives	Pre-recession Values
				term	
Industrial, Storage & Distribution	Prime Single-let	£5.50	7.50%	6 months rent free per 5 year term	£5.50/7%
	Prime Multi-let		8.00%		£5.50/7.5%
Retail	Prime traditional City Centre retail & City Centre comparison	£200 ITZA (£20-25psf)	7.00%	18 months rent free	£360 ITZA/4.5%
	Prime out of town/ retail warehouse	£25.00	8.00%	24 months rent free	£45.00/6.5%
	Supermarkets, superstores & hypermarkets	£20.00	5.00%	12 months rent free	£20.00/4.75%
	Convenience retail	£15.00	6.00%	12 months rent free	£13.00/5.75%
A3 – A5 uses	Prime City Centre	£18	8.00-9.00%	18 months rent free	£20 - £25/7.5-8.5%
	Out of Town	£12.00			£14.00/7.5-8.5%
Hotels	City Wide	£3,500 pa per bed space	6.5%		£4,000/6%
Care Home	City Wide	£6,000 pa per bed space	7.5%		£6,000/7%
Student Residential	City Wide	£3,000 pa per bed space	6.5%	N/A	£3,000/6.5%

Timing and Phasing

Our assessments are based on:

- A pre construction period of 6 months post acquisition;
- Affordable revenues are received in parallel with construction expenditure
- A residential build to sales programme of 2 units per month or 5 units per month if greater than 400 units[62]. This is slightly lower than that used in the Leeds 2011 SHLAA partnership (40 a year for sites of 150 units or less), but a cautious approach is appropriate for this study. In addition an increase by one a month would have very little impact as most developers are working on a build to sales basis.
- A construction programme of 18 months for all commercial developments.
- For both residential and commercial development scenarios it is assumed that the trigger for CIL payment will be upon commencement of the development, although payment could be made in instalments if the Council was to adopt a payment by instalments policy.

[62] Variations in sales rates impacts on scheme viability. In particular more difficult market conditions results in less supply being absorbed and therefore this in turn has a consequential 'knock on' impact in terms of the disposal period. This impacts on scheme finances as the interest bearing balance / cash flow takes longer to be offset by the revenue streams from sales (thus interest payments rise and profitability reduces). However, developers have offset this risk somewhat by current developing out in the basis of a build to sales programme (i.e. they only build out a unit once they are a pre sale in place).

Appendix V

Property Market Review

City Centre Offices

Supply

Leeds has an established City Centre office market with a total supply of more than 11 million sq ft. The majority of the City Centre's office stock is situated within the traditional office locations known as the Traditional Core and Central Business District. Other City Centre office location categories include the West End and Fringe.

The Traditional Core captures offices situated around Park Square, Queen Street and East Parade (for instance City Point). The Central Business District captures offices s situated around City Square and the train station (for instance Toronto Square and 10 South Parade). Leeds' West End includes offices schemes at Wellington Place and Whitehall Plaza. In recent years there have been a number of office developments built in locations which are outside of these areas (fringe locations) such as The Mint (Sweet Street) and No.1 Leeds (Whitehall Road).

Demand

Following a strong start to the year, City Centre take-up slowed in Q2 2012, with leasing activity amounting to 56,440 sq ft. At the half way point of 2012, take-up totalled approximately 210,000 sq ft.

This compares to a total City Centre take-up of approximately 398,000 sq ft in 2011, approximately 283,000 sq ft in 2010 (an increase of 29%) and a five year average of approximately 418,283 sq ft.

Typically, approximately 85 -90% of City Centre occupational deals are below 10,000 sq ft and only a handful of transactions are above 20,000 sq ft. However, there has been a notable shift in the size of requirements which are active in the market (with an increase in the 10,000 – 25,000 sq ft category).

Rental values

Headline rents in Leeds City centre currently stand at £24.00 per sq ft. This rental level is primarily achievable within the Traditional Core and the Central Business District. GVA anticipates that rents will remain at this level for the short to medium term due to the lack of speculative development taking place which is restricting the supply of Grade A accommodation. As the supply of Grade A space decreases it is possible that rental values will be subjected to upward pressure and incentives will reduce.

Incentives

Tenant incentives, predominantly in the form of rent free periods, will have the effect of netting down the headline rents quoted. It is difficult to accurately determine the level of incentives being offered as they are often negotiated between the parties on a case by case basis and are less frequently reported in the market. Typical rent free periods for City Centre offices in Leeds are 30 months for each ten year term agreed.

Yields

Investor demand is focussed on prime property assets. There has been an increasing divergence between prime and secondary property prices as the spread between prime and secondary yields has widened. The consensus is that investor sentiment in respect of prime property is likely to remain cautious in the near term.

Prime Leeds City Centre office yields currently stand at 6.50% (assuming a good quality covenant and 15 years of income).

Out of Town Offices

Supply

Leeds has an extensive supply of out of town offices with the greatest concentration being to the south of Leeds City Centre and in close proximity to motorway junctions. Notable schemes include Thorpe Park (J46 M1) and City West Office Park (J1 M621).

Demand

The general perception of the out of town market is that it has been severely impacted by weak levels of occupier demand. However, the Leeds Office Agent's Forum recently reported strong take-up levels for out of town office accommodation during the first half of 2012, with approximately 220,000 been transacted – 75% of which was accounted for in the second quarter.

Rental values

In the period to the height of the market in late 2007 the level of prime headline rents within the out of town office market had been established in the order of £16.00 - £20.00 per sq ft. However the economic climate has resulted in larger amounts of availability and weaker market conditions. This coupled with the changes to empty rating liabilities has resulted in significant downward pressure on rents.

Current headline rents for prime out of town office accommodation are £15.00 per sq ft.

Incentives

There are two contrasting approaches being taken by landlords/developers in respect of marketing their properties. Many are seeking to protect their headline rentals by offering larger tenant incentives (which often remain confidential). Others are reducing the rental levels but offer minimal, if any, rent free period.

Whilst it is difficult to accurately determine the level of incentives secured by tenants in out of town deals, typically we would expect to see a rent free period of 36 months for each ten year term agreed.

Yields

Prime out of town office yields stand at 8.50%. However, this assumes a prime property, in a prime location with a strong covenant and 15 years of income.

Industrial, Storage and Distribution

Supply

Leeds has an extensive supply of industrial property. The majority of the stock is strategically located to the south of Leeds City Centre immediately off, or in close proximity to, the motorway network. The greatest concentration of industrial schemes is around the M62 near Morley and the M621 adjacent to the Aire Valley. Notable schemes include Howley Park (J27/J28 M62), Gildersome Spur (J27 M62) and Millshaw Park (A610).

The market view is that Leeds has an ample supply of second hand units but a restricted supply of new and modern Grade A stock. There are a number of schemes in the pipeline which are expected to be brought forward once economic conditions improve; the most notable of these are located in the Aire Valley, for example Logic Leeds and Connex 45.

As of March 2012, availability of industrial and logistics floorspace in Yorkshire & Humber was 39 million sq ft.

With a noticeable absence of speculative development, particularly in the big box sector, occupiers will be forced to consider build to suit properties in order to meet their requirements.

Demand

The regional industrial market has been impacted by the same overriding financial and property issues affecting the wider national market. Amongst the most prominent of these has been the shortfall in occupier demand, which coupled with the oversupply of accommodation, has led to downward pressure on both capital and rental values.

Approximately 1.5 million sq ft of industrial and logistics floorspace was taken up in Q1 2012 in the Yorkshire & Humber area. This compares to 2.6 million sq ft in Q4 2012 and a total of 9.5 million sq ft for the whole of 2011.

The latest market reports which consider units of 100,000 sq ft or more demonstrate a weakening of occupier demand. No floorspace involving units of 100,000 sq ft or more was taken up in Q1 2012 in the Yorkshire and Humber region.

Rental values

Prime rental values within the wider Yorkshire and Humberside market have held up reasonably well, propped up largely by increasingly generous incentive packages. Prime headline rents in Leeds have remained broadly stable and are typically £5.50 per sq ft.

Incentives

Due to a restricted supply of Grade A stock, transactions involving prime units which are single-let will typically attract a rent free period of 6 months. This compares to a typical rent free period of 18 months for multi-lets.

Headline rents for units of 100,000 sq ft or more have remained broadly stable. The market view is that rental values are higher for build to suit premises as occupiers are prepared to pay a premium for units which meet their specific requirements.

Yields

The perception in the market is that the subdued level of investment activity in the industrial sector is the result of a lack of suitable opportunities in the market. Investor appetite, similarly to other sectors, is most prevalent in respect of prime opportunities.

Prime single-let opportunities are likely to attract a yield of 7.5%, whilst multi-let opportunities attract a slightly softer yield of 8%.

Comparison Retail

City Centre Supply

Leeds is the primary retail destination in Yorkshire and has an established retail offer. This will be enhanced further when the 1 million sq ft Trinity Leeds scheme opens in March 2013. Once Trinity opens for business, Leeds will become the UK's 4th largest retail centre.

Leeds' current prime retail pitch is centred on Briggate which benefits from its proximity to the Victoria Quarter, Debenhams and House of Fraser. Other major retail streets include Commercial Street, Albion Street, Boar Lane and the Headrow.

Leeds has a number of centrally located shopping centres which provide a varied retail offer. The Merrion Centre caters for mass market retailing; St Johns Centre, The Light and The Core provide higher quality fashion retailing and the Victoria Quarter is home to a number of luxury brands.

Land Securities' 1 million sq ft Trinity Leeds scheme will open in March 2013 and will be anchored by a Primark, Marks & Spencer, Next and Topshop.

Hammerson's Eastgate Quarters scheme, situated between the inner ring road and the Victoria Quarter, is due to be brought forward from 2014. The scheme has been reduced in size and revised to reflect market conditions (the residential element has been removed) but will still create a substantial amount of new retail floorspace. Hammerson has secured John Lewis and Marks & Spencer as anchors albeit it is believed that M&S will now be included within Phase 2.

Out of town Supply

Leeds has a number of retail parks, the majority of which are located out of town. However, Crown Point Retail Park is located within the wider boundary of the City Centre. In addition, Leeds has the White Rose Shopping Centre – a shopping mall with over 100 shops including Debenhams, Marks & Spencer and H&M.

Demand

The negative economic backdrop continues to dampen consumer confidence and the health of the retail sector remains fragile. Clinton Cards is the latest in a line of high profile retailers to enter administration.

On the high street, there has been a noticeable churn of tenants on Briggate, Commercial Street and Albion Street. This is partly due to the number of retail casualties (such as Clinton Cards and Game) and partly due to the changing dynamics of the sector – poor sizes and poorly configured units are significantly less desirable to major retailers.

On a more positive note, Land Securities' Trinity Leeds is 80% let or in the hands of solicitors, a full six months before it is due to open. The scheme will deliver modern units of a size and configuration which is commensurate with the current demands of retailers. Hammerson has secured John Lewis and Marks & Spencer as anchors to their Eastgate Quarters scheme. These two pre-lets have provided Hammerson with the impetus to bring the scheme forward, in conjunction with their recent purchase of Victoria Quarter.

Rental values

Prime headline rents in Leeds City Centre are £250 per sq ft Zone A and are achievable along Briggate and in the Victoria Quarter. Rental values drop off in the Core and Merrion Centre and are typically £180-£200 per sq ft Zone A and circa £150 per sq ft Zone A respectively.

It is believed that Land Securities are trying to mirror the rental tone of Briggate in its Trinity Leeds scheme, although details are being kept confidential.

In the out of town market, Zone A rents at the White Rose centre are in the region of £300 per sq ft and at Birstall Shopping Park, rents are typically £40 per sq ft overall.

Incentives

Incentives in the retail sector are normally structured as either a rent free period or capital contribution towards the fit-out of the unit.

Rent free periods could range from 18 months to five years depending on the circumstances but are typically 18-24 months in duration.

Yields

Prime City Centre retail yields are in the order of 7%, with prime out of town yields and retail warehouses typically being 8%.

Food Retail

The grocery sector operates on a national basis (excluding London) and has proved to be one of the most active sectors during the economic and property market downturn. Broadly speaking, development and investment activity has remained strong and rental values and yields have remained stable.

The big four grocers (Tesco, Sainsbury's, Morrisons and ASDA) have a collective market share of approximately 75% and collectively operate in all of the major formats of convenience, supermarket, superstore and hypermarkets.

Grocers are oligopolistic meaning that due to the limited number of suppliers of a product, the actions of one supplier can have a significant impact on prices and it competitors. Grocers have pursued an almost cannibalistic approach to increasing their market share, and therefore company profits, by infilling their geographic coverage. Grocers are increasingly looking to smaller format stores to achieve this geographic infilling. The latest formats to emerge are Little Waitrose and Morrisons Local.

A movement towards smaller format stores, such as Little Waitrose, Morrisons Local and the more established Sainsbury's Local and Tesco Metro, links in with an increasing trend for shoppers to 'top-up' their grocery supplies on a more regular basis and reduce the number of 'big shops' undertaken.

Furthermore, announcements by Tesco that it was reducing its development pipeline and decreasing the size of its new stores may lead to a greater degree of caution being applied by developers and investors, which may in turn impact on appraisal inputs.

Rental Values

Rental values for larger format stores (supermarkets, superstores and hypermarkets) are in the region of £17-£20 psf. Rental values for smaller format stores (convenience) are typically £12.00-£15.00 psf.

Yields

Larger format stores (supermarkets, superstores and hypermarkets) typically achieve investment yields of 5%+ depending on the format of the store, the covenant strength and lease length. Smaller format stores (convenience) typically achieve yields of 6%+.

Incentives

Incentives in the food retail sector are often structured in a complex manner and may form an integral part of the shop's construction/fit-out. Rent free allowances may be in the order of 12 months.

Student Residential

Supply

Nationally, the student accommodation sector is defined by demand outpacing supply. However, in some regional Cities the market is reaching saturation as demand and supply balance, which could impact on rental growth and occupancy levels.

According to HESA data, the private rented sector retains the largest share of the student accommodation market at just over 29%. This is followed by students living in their family home (circa 19%), those living in university halls of residence (18.4%) and those living in their own residence (circa 17%).
Private halls of residence only accounted for 4.8% of all student accommodation in 2010/2011.

Between January and August 2012, planning applications have been submitted for a total of 27,000 beds for student accommodation, 72% of which are from the private sector.

Constraints relating to planning policy and funding may impact on the development pipeline.

Demand

The total number of university students in the UK exceeded 2.5 million for the first time in the 2010/2011 academic year. However, the introduction of higher student fees in September 2012 has resulted in a 7.7% decrease in applications as of June 2012 compared to June 2011. It is deemed too soon to determine the longer term impact that increased student fees will have on student numbers.

Accommodation contracts with students are usually based on 42 weeks.

Rents

Typically, high demand for purpose built student accommodation is maintaining upward rental growth.

Rental growth has remained positive as demand significantly outweighs supply. Rental growth is been driven by the widespread use of RPI inflation linked annual uplifts. RPI inflation was 2.9% in august, down from 3.2% in July.

The national average weekly rent is just under £70.

Rents in Leeds have risen 5% since last year according to research by accommodationforstudents. Com. The average weekly rent in Leeds is £72.

Yields

Investor appetite for student residential continues to grow. The sector can offer investors long leases with relatively secure covenants, supported by multiple guarantors.

It is difficult to analyse investment deals in the student residential sector as it remains less transparent than other sectors. Location, competition and quality are fundamental attributes in applying a yield, in addition to lease length and covenant strength. Typically, yields of 5.5% to 7.5% have been achieved in deals completed in the last 18 months.

In Leeds, there were two notable deals in 2011. The 241 room Broadcasting Tower was acquired by AHLI United Bank in January 2011 for £14.9m, representing a yield of 6.4%. In December 2011, Rockspring acquired the 717 bedroom Leodis scheme for £29.1m, reflecting a yield of 6.5%. In June 2012, Liberty Dock at Clarence Dock was subject to a sale and leaseback in which Liberty Living has a 15 year nomination agreement with the University of Leeds.

Hotels

The hotel sector has been impacted negatively by the recession and the deterioration in property market conditions. Although the sector may have witnessed an improvement in some areas, it is recognised that the regional hotel market remains difficult. However, Leeds benefits from being a major City and the commercial centre of Yorkshire. Corporate and leisure demand is therefore inherently stronger than many regional locations.

An additional pressure currently being exerted on the sector is Travelodge's Company Voluntary Arrangement (CVA) which it has entered into following approval from the majority of its landlords. The CVA will enable Travelodge to exit a number of its properties and reduce its rental liability on a number of others.

The uncertainty created by the Travelodge CVA has led to a greater amount of caution being applied in the assessment of development viability and investment activity as there are less tenanted hotel operators active in the market. It is therefore prudent to apply a greater degree of caution to the assessment of the viability of hotel development at this time.

Supply

Leeds is well serviced by a number of hotels varying from budget to four-star. The majority of the existing supply is split quite evenly between these types. There is also a small supply of apartment accommodation.

The City Centre has the greatest concentration of hotels which exists to serve corporate and leisure users.

Occupancy Levels

Data prepared by AM:PM indicates that the average occupancy level in Leeds during 2011 was 72%. This compares to an average in England of 70% and a regional UK average of 71%.

Longer-term data sourced from STR Global demonstrates that Leeds' 2011 average occupancy level was the highest recorded in a seven year period (2005-2011 inclusive). During that seven year period, occupancy levels reached their lowest point in 2009 with an average of 64.4%.

Room Rates

AM:PM data for Leeds indicates an average room rate of £58 during 2011. This compares to an average in England of £60 and a regional UK average of £61.

For the purposes of modelling hotel development, indicative assumptions would be an annual room rental rate of £3,500 and a yield of 6.5%. This assumes a scheme in a good location and a budget operator as tenant.

Care Homes

The care home sector is perceived by many to be one of the few sectors which have continued to function and benefit from development and investment activity during the economic and property market crisis.

It is recognised that the UK has an increasing and ageing population and it is indeed correct that a number of new care homes have been built of late.

However, GVA consultants who specialise in the healthcare sector inform that development funding is scarce and development and investment activity is currently only facilitated in circumstances where the best schemes combine with the best locations and the best covenants. Furthermore, the greatest amount of activity is focused in the south of England.

That said, Leeds is a major regional City and the commercial centre of Yorkshire. It benefits from a larger and more prosperous population than other regional locations. There are also a number of affluent residential pockets in the City which are commensurate with care home demand.

For the purposes of modelling care home development, indicative assumptions would be a rental value of £5,500-£6,000 per bed space per annum and a yield of 7-8%. Operator incentives would amount to a six month rent free period.

Drinking Establishments/Pubs

The licensed property market, inline with other consumer-led markets, continues to experience fluctuating trading conditions and transactional activity due to general economic conditions and difficulties associated with obtaining finance.
In the private free house sector, values remain below peak levels which in dissuades vendors from disposing of property assets. In the corporate sector, many have continued to progress their estate rationalisation/ disposal strategies.

The consensus is that the pub market remains oversupplied and a significant number of disposals are required (up to 3,000 pubs per annum for the next two to three years according to one commentator) in order to create a sustainable sector. That said, some managed pub companies have sought to expand their portfolios and take advantage of market opportunities.

There has been a marked shift in trade which has seen food-led overtake wet-led pubs in the marketplace. Pub-dining is proving to be an affordable alternative to restaurant dining.

There have been encouraging signs in the high street bar sector. Operators have taken advantage of the general trend of traditional high street retail shifting to modern purpose built schemes, thereby leaving opportunities for bars to be established.

For the purposes of modelling A4 use, indicative assumptions would be a rent of £20-25 psf for prime City Centre units and £12 psf for out of town units. A yield of 8-9% could be applied, depending on the quality of the covenant. A reasonable rent free allowance would be 12 months. These assumptions are consistent with those used for A3 use on the basis that A3 and A4 operators are likely to compete for similar premises.

Restaurants

Even though consumer confidence is fragile and spending patterns have been cautious, eating out remains the UK's No.1 leisure activity. Many are prepared to restrict spending in other areas in order to maintain their ability to dine out.

Competition to the traditional restaurant sector is emerging from many areas (for instance the 'dine in deals') and consumers have an increasing amount of choice. Consumers can also take advantage of the increasing amount of deals available, many of which are facilitated through social media.

Leeds City Centre has a diverse restaurant offer, with a particular pocket of restaurants around Greek Street, Park Row, City Square and, to a lesser extent, Briggate and Boar Lane. There is good representation from a number of national chains and a respectable number of independent restaurants.

For the purposes of modelling A3 use, indicative assumptions would be a rent of £20-25 psf for prime City Centre units and £12 psf for out of town units. A yield of 8-9% could be applied, depending on the quality of the covenant. A reasonable rent free allowance would be 12 months.

Appendix VI

Stakeholder Representations

Title	First Name	Last Name	Position	Organisation	Address	Email	Phone Number	Stakeholder Type	Summary of Comments	GVA / Council Response

Mr	Richard	Serra	Director	Savills	City point, Leeds, 29 King Street, Leeds, LS1 2HL			Leeds Property Forum	• Concerned over the duration of the consultation process, and ability to provide meaningful comments.
									• Welcomes the use of the Affordable Housing Economic Viability Assessment (2010).
									• Acknowledges relations ship between CIL rates and emerging plan policies and would like further understanding of how the Council intends to deal with the interplay between CIL rates and emerging policy documents to ensure soundness.
									• Wish to understand how the Council proposes to deal with the interrelationship between CIL and S.106 and in particular the Regulation 123 list. Would like to see the Regulation 123 list published before adopting the Charging Schedule to give certainty to the property industry that there will be no scope for double counting and that strategic sites will not be shackled by infrastructure on the Regulation 123 list.
									• Given the EVS demonstrates that CIL may only be feasible on housing development within the Golden Triangle and some parts of the Outer Area, how will the Council reconcile this with application of other policies within the Core Strategy to allow a more widespread application whilst still meeting its Core Strategy Objectives.
									• Supports the EVS conclusion that CIL will not be feasible on brownfield sites and would like to comment further on the definition of brownfield when defined.
									• Want to comment on any proposed levy on student accommodation.
									• The feasibility of applying CIL to office development within the City Core, allowing for flexibility on other Core Strategy policies, requires further assessment. As does its application to prime out-of-ton, city centre comparison and large format convenience. Reserving judgment.
									• Raise the following issues in relation to exemptions and relief's:
									    o Provision for discretionary charitable relief on investment activities (reg 44);
									    o Discretionary relief for exceptional circumstances (reg 55);
									    o Provision for payment by installments (reg 70).
									• Reserve the right to make comments on the methodology and assumptions made.
									• Specific Comments
									• The average size of a studio flat in the City Centre is nearer 350sqft.
									• Average size of a 1 bed flat is nearer 450sqft.
									• Construction costs for large residential schemes
										•

									(50units +) is nearer £150/sqft • Professional fees for city centre residential development should be lower than 15% but higher the 6% for other areas. • Developers profit should be 20% of gross development value or a distinction made between greenfield and brownfield development. • It would be helpful to understand the low, medium and high value residential sub areas within the outer area of Leeds. Preferably by having these mapped. • Residential land values in the Golden Triangle should be averages rather than maximums. • £200 ITZA is a more appropriate prime headline rent for prime City Centre retail. • 18 months is a more appropriate rent free incentive for out of town / retail warehouse development. • Two yields should be adopted for prime City Centre and out of town A3-A5 uses with 7.0-8.0% for A3 uses. • 10% contingency should be adopted for build costs on all development outside the City Centre. • Letting agents fees normally 7.5% on a joint agency basis or 10% on a sole agency basis. • 2,500 sqft would be a more appropriate average for a traditional non-food retail unit. • Average size for a financial and professional services unit appears high, 3,500sqft would be more appropriate. • 50,000sqft for city centre comparison retail suggests a department store rather than a typical unit? • Construction costs for offices should be between £1,300-£1,400/m2. • Appropriate sensitivity analysis should be carried out on the EVS.	
	Ben	Aspinall	Director	Aspinall Verdi	Suite 21, 30-38 Dock Street, Leeds, LS10 1JF	ben@aspinallverdi.co.uk	0113 243 6644		• See's CIL as a tax on development and questions who is responsible for paying it i.e. the developer out of profit or the landowner out of price. • Any CIL on brownfield sites will impact on the timing and rate of development, having a direct effect on economic development, jobs and growth. • Better opportunities to apply CIL to Greenfield sites, once released for development. • Economic viability associated with CIL should not be allowed to undermine the city centre first planning principles. • Opportunities to use CIL revenue from areas/wards with large amounts of Greenfield development to support social and economic infrastructure throughout the district. • Substantially urban areas / wards should have a nil or normal CIL rate so as to not stymie redevelopment.	•

	Mike	Hartley		Rushbond		Mike.hartley@rushbond.co.uk		Developer	• Concerned about the limited timeframe to respond • Implementation of the levy will have a very detrimental effect on the confidence within the Leeds commercial property market and the ability to progress development, particularly as there is no opportunity to challenge dependant on the viability of a particular development. • The levy seems to be initially a response to tax profit on residential land but has now been applied to commercial uses. • Almost impossible to have a single specimen appraisal for each sector / area of the market as a valuation basis for similar development. • A separate assessment for new build / refurbishment should be provided. • Specific questions: 1. Is CIL payable on a refurbishment when there is no change of use? 2. If there is a change of use is CIL payable on the total floor area of the refurbished building and is there a separate gross to net ratio for refurbished properties as opposed to new build? 3. If a developer seeks to extend a refurbished property presumably CIL is only payable on the additional space? 4. Is there any special contingencies for listed buildings as the build costs are usually substantially higher? 5. Will there be a plan showing where the prime city centre office areas are? 6. The assumptions for prime out of town office yields is inappropriate, only applying to pre-lets with major space requirements and not speculative build. 7. In terms of the profit on residential projects, 18 % is too low as any fund would expect a minimum of 25% profit. This has been accepted by York Council in their assessment. 8. In terms of funding, particularly for city centre residential properties, the funds will only assess market value on the basis of rental market not long leasehold sale (or a reduction of 20-30% of the sale value is applied). This is not taken into account in the model. • As intimated in your report, the fragile state of the property market and difficult economic circumstances means this seems to be the wrong time to bring in a new raft of charges / tax on development, especially as CIL is fixed for a minimum of 3 years. • Why, unlike affordable housing, S106, highway contributions will the Council not allow a challenge to the level of charge based on the viability of a	• The Council and GVA are acutely aware of current market conditions and the potential for CIL to stymie development and will consider this extremely carefully when / if setting CIL rates. • The Council has to work within the Regulations currently in place and this guidance must form the basis of our assessments. • The CIL assessment is only meant as a strategic exercise and not be scheme specific. All the assessment is seeking to do is identify those sectors which could be viable for CIL. The Council / GVA will need to consider a raft of qualitative and quantitative arguments that can be factored into a technical appraisal when considering what the CIL rates should be. • In terms of refurbishment CIL does not apply unless it results in 100sqm or nore of net new space. However the Government are considering imposing the charge on whole scale refurbishment. • If the Council elect to charge on City Centre Offices, a charging plan will need to be published alongside a the charging schedule. • Assumptions are based on market evidence and have been discussed with a range of commercial agents. We also recognize the importance of getting feedback from developers through this process. • Larger margins required by funds will be considered in sensitivity testing. • Not taking into account long leaseholds at this stage as the City Centre appraisals are showing a distinct lack of viability and this would obviously compound viability issues.

									particular project, if it does not fit within the template of the model appraisal. •	• There are no timescales for when a Council can review CIL rates. The only burden being the requirement to go through the whole process again. • The lack of opportunity to negotiate CIL rates on a site by site viability basis is set by the Regulations and not the Council. The Council will consider not imposing the Levy, in exceptional circumstances, where S106 obligations exceed the cost of the Levy.
	Tim	Reeve		Advent Developments		tim.reeve@adventdevelopments.co.uk	07814904076	Developer	• The CIL process should be delayed until the property market improves. • Funding is in short supply and when available, banks will only fund a limited number of high quality projects with 25% minimum profitability and charge handsomely for this lending. • Bank costs are not limited to interest but include valuation fees, legal DD fee, monitoring surveyors fees as well as funding fees ranging from 2-5% of the loan. • Banks also expect a cost overrun guarantee posing further risk and cost on the developer. • In addition developers are expected to pay local authorities fees for affordable housing analysis and appraisal as well as legal agreements (S278, S62, S106 etc). • Proposed fees applied within GVA's model are unrealistically low particularly at 6% for residential projects. • Costs associated with assessing homes for the Code for Sustainable Homes are missed / underestimated.	•
	Sonja	Swift	Senior Planner	Commercial Development Projects Limited		sswift@marshallcdp.com	01422 376821		• Generally supportive of cost assumptions. • Referred back to comments already made on policies EN1 and EN2 in the emerging Core Strategy.	•
Mr	Richard	Serra	Director	Savills	City point, Leeds, 29 King Street, Leeds, LS1 2HL			Home Builders Federation	• Concerned over the duration of the consultation process, and ability to provide meaningful comments. • Welcomes the use of the Affordable Housing Economic Viability Assessment (2010). • Acknowledges relations ship between CIL rates and emerging plan policies and would like further understanding of how the Council intends to deal with the interplay between CIL rates and emerging policy documents to ensure soundness. • Wish to understand how the Council proposes to deal with the interrelationship between CIL and S.106	•

									and in particular the Regulation 123 list. Would like to see the Regulation 123 list published before adopting the Charging Schedule to give certainty to the property industry that there will be no scope for double counting and that strategic sites will not be shackled by infrastructure on the Regulation 123 list. • Given the EVS demonstrates that CIL may only be feasible on housing development within the Golden Triangle and some parts of the Outer Area, how will the Council reconcile this with application of other policies within the Core Strategy to allow a more widespread application whilst still meeting its Core Strategy Objectives. • Supports the EVS conclusion that CIL will not be feasible on brownfield sites and would like to comment further on the definition of brownfield when defined. • Want to comment on any proposed levy on student accommodation. • The feasibility of applying CIL to office development within the City Core, allowing for flexibility on other Core Strategy policies, requires further assessment. As does its application to prime out-of-ton, city centre comparison and large format convenience. Reserving judgment. • Raise the following issues in relation to exemptions and relief's: o Provision for discretionary charitable relief on investment activities (reg 44); o Discretionary relief for exceptional circumstances (reg 55); o Provision for payment by installments (reg 70). • Reserve the right to make comments on the methodology and assumptions made. • Specific Comments • The average size of a studio flat in the City Centre is nearer 350sqft. • Average size of a 1 bed flat is nearer 450sqft. • Construction costs for large residential schemes (50units +) is nearer £150/sqft • Professional fees for city centre residential development should be lower than 15% but higher the 6% for other areas. • Developers profit should be 20% of gross development value or a distinction made between greenfield and brownfield development. • It would be helpful to understand the low, medium and high value residential sub areas within the outer area of Leeds. Preferably by having these mapped. • Residential land values in the Golden Triangle should be averages rather than maximums. • £200 ITZA is a more appropriate prime headline rent for prime City Centre retail.	

									• 18 months is a more appropriate rent free incentive for out of town / retail warehouse development. • Two yields should be adopted for prime City Centre and out of town A3-A5 uses with 7.0-8.0% for A3 uses. • 10% contingency should be adopted for build costs on all development outside the City Centre. • Letting agents fees normally 7.5% on a joint agency basis or 10% on a sole agency basis. • 2,500 sqft would be a more appropriate average for a traditional non-food retail unit. • Average size for a financial and professional services unit appears high, 3,500sqft would be more appropriate. • 50,000sqft for city centre comparison retail suggests a department store rather than a typical unit? • Construction costs for offices should be between £1,300-£1,400/m2. • Appropriate sensitivity analysis should be carried out on the EVS.	

Appendix

Economic Viability Study (EVS). Position Update (May 2014) on affordable housing (to include policy H5 compliant position)

Table 1 (updated Table 15 of EVS) - Updated Market Value Benchmarks (£/acre) – Greenfield / Unconstrained Sites

	# Dwellings	City Centre	Inner Area	South	North
Small Sites	<10	-	£32,139	£191,397	£406,538
Medium Sites	16 - 50	-	£22,165	£136,040	£194,735
Large Sites	>50	-	£3,995	£94,053	£140,041
City Centre	-	-£0	-	-	-

Table 2 (updated Table 23 of EVS) – Updated Market Value Benchmarks (£/acre) – Brownfield

	# Dwellings	City Centre	Inner Area	South	North
Small Sites	<10	-	-£1	£133,075	£348,216
Medium Sites	16 - 50	-	-£1	£77,861	£136,516
Large Sites	>50	-	-£1	£36,800	£82,592
City Centre	-	-£0	-	-	-

Economic Viability Study (EVS). City Centre and Inner Areas Position Update (May 2014) on affordable housing (to include policy H5 compliant position and mid-point and current market conditions)

Table 3 – City Centre Land Values (mid-point market conditions)

Density	**Dwellings per ha**	**Average Value £ per hectare**	**Average Value £ per acre**
High Density	350dph	£1,684,227	£681,570
Medium Density	175 dph	£1,012,330	£409,668
Low Density	65 dph	£365,247	£147,807

Table 4 – Inner City Land Values (mid-point market conditions)

Scenario no of dwellings	£ per hectare	£ per acre
A. 5	£158,391	£64,097
B. 9	£157,846	£63,877
C. 16	£115,036	£46,553
D. 42	£120,653	£48,825
E. 105	£62,106	£25,133
F. 350	£20,563	£8,312
	£105,765	**£42,800**

Table 5 – City Centre Current Asking Prices

		Studio Flat	1 bed Flat	2 bed Flat	3 bed Flat
Base Value[1]		£68,600	£93,100	£117,600	£147,000
Mid-Point Values		£97,500	£117,500	£145,000	£187,500
Current Asking Values (April 2014)	Average	£82,475	£123,675	£179,675	£432,250
	Mean	£82,225	£133,250	£334,225	£429,500

Source: www.rightmove.co.uk

Table 6 – City Centre Land Values (current asking values)

Density	Dwellings per ha	Average Value £ per hectare	Average Value £ per acre
High Density	350dph	£3,049,812	£1,234,192
Medium Density	175 dph	£2,901,617	£1,174,220
Low Density	65 dph	£1,305,675	£528,378

Table 7– City Centre Land Values (average current market conditions) CIL Regime

Density	Dwellings per ha	Average Value £ per hectare	Average Value £ per acre
High Density	350dph	£3,588,027	£1,451,996
Medium Density	175 dph	£3,182,082	£1,287,719
Low Density	65 dph	£1,389,175	£562,169

Table 8 – Inner City Land Values (mid-point market conditions) CIL Regime

Scenario no of dwellings	£ per hectare	£ per acre
A. 5	£180,197	£72,922
B. 9	£179,508	£72,643
C. 16	£136,784	£55,353
D. 42	£141,491	£57,258
E. 105	£121,314	£49,093
F. 350	£65,224	£26,395
Average	**£137,420**	**£55,610**

Table 9– City Centre Land Values (average current market conditions) EN2 – Code 4

Density	Dwellings per ha	Average Value £ per hectare	Average Value £ per acre
High Density	350dph	£2,608,745	£1,055,702
Medium Density	175 dph	£2,672,758	£1,081,607
Low Density	65 dph	£1,216,199	£492,169

Table 10 – Zero Carbon Costs

Element (Per Home)	Detached House	Semi Detached House	Mid Terraced House	Apartment
Carbon Compliance	£4,998	£2,885	£2,401	£947
Allowable Solutions	£2,118	£1,504	£1,508	£1,375
Total	£7,116	£4,389	£3,910	£2,322

Source: Cost Analysis: Meeting the Zero Carbon Standard February 2014.

EVS Code 6 Allowance (approximates)	£38,170	£35,970	£31,870	£27,050
EVS Code 4 Allowance (approximates)	£5,140	£4,680	£3,500	£3,400

Evidence to Justify the inclusion of Horsforth, Yeadon and Guisley (and surrounding areas) within the Outer North / Golden Triangle Zone

Evidence set out within EVS 2013

The EVS demonstrated the following viability within the Golden Triangle Area / Outer North. Yeadon, Guisely and Horsforth were classed as medium value beacon settlements.

Table 1 - Base Land Values (Policy H5 Compliant)

	Greenfield			Brownfield		
Scenario	**Golden Triangle (low)**	**Golden Triangle (medium)**	**Golden Triangle (high)**	**Golden Triangle (low)**	**Golden Triangle (medium)**	**Golden Triangle (high)**
A (5)	£706,406	£998,358	£1,314,641	£562,237	£854,189	£1,170,472
B (9)	£703,981	£994,648	£1,309,536	£559,913	£850,579	£1,165,468
C (16)	£306,484	£495,000	£699,227	£162,462	£350,979	£555,205
D (42)	£271,888	£457,044	£657,629	£128,173	£313,329	£513,914
E (105)	£191,673	£368,366	£559,782	£48,652	£225,344	£416,761
F (350)	£165,190	£314,863	£476,555	£24,226	£173,977	£335,603

Value per Ha

Small	£705,194	£996,503	£1,312,089	£561,075	£852,384	£1,167,976
Medium	£289,186	£476,033	£678,428	£145,318	£332,154	£534,560
Large	£178,432	£346,072	£518,169	£36,439	£199,661	£376,182

Value per acre

Small	£285,376	£403,263	£530,973	£227,055	£344,941	£472,652
Medium	£117,027	£192,636	£274,545	£58,807	£134,415	£216,325
Large	£72,207	£138,255	£209,691	£14,746	£80,798	£152,233

Average Values

Value per acre

	Greenfield	Brownfield
Small	£406,538	£348,216
Medium	£194,736	£136,516
Large	£140,048	£82,592

Current targets and thresholds are viable. The land values are higher than the £100,000 per acre figure used for comparison purposes.

Table 2 - Base Land Values (Policy H5 Compliant and impact of EN2)

	Greenfield			Brownfield		
Scenario	**Outer Areas (low)**	**Outer Areas (medium)**	**Outer Areas (high)**	**Golden Triangle (low)**	**Golden Triangle (medium)**	**Golden Triangle (high)**
A (5)	£706,406	£998,358	£1,314,641	£562,237	£854,189	£1,170,472
B (9)	£703,981	£994,648	£1,309,536	£559,913	£850,579	£1,165,468
C (16)	£241,726	£430,243	£634,470	£97,705	£286,222	£490,448
D (42)	£208,387	£393,543	£594,128	£64,672	£249,828	£450,413
E (105)	£131,307	£307,999	£499,416	-£11,714	£164,978	£356,394
F (350)	£114,037	£264,099	£425,866	-£26,980	£123,188	£285,000

Value per Ha

Small	£705,194	£996,503	£1,312,089	£561,075	£852,384	£1,167,970
Medium	£225,057	£411,893	£614,299	£81,189	£268,025	£470,431
Large	£122,672	£286,049	£462,6341	-£19,347	£144,083	£320,697

Value per acre

Small	£285,376	£403,263	£530,973	£227,055	£344,941	£472,652
Medium	£91,075	£166,684	£248,593	£32,855	£108,464	£190,373
Large	£49,643	£115,758	£187,221	-£7,829	£58,307	£129,779

Average Values

Value per acre

	Greenfield	Brownfield
Small	£406,538	£348,216
Medium	£168,784	£110,564
Large	£117,540	£60,086

- The current EVS demonstrates that the affordable housing targets and thresholds are viable in the outer north / GTA as the benchmark land values are higher than the £100,000 per acre comparison figure (Greenfield). Even Brownfield sites are viable albeit large sites may be marginal in certain areas within the outer north.

UPDATED ASSESSMENTS

Since the publication of the EVS properties values have increased in all areas with the exception of the 'Outer Area' – Low Value Beacon Settlements (Middleton and Allerton Bywater). Property values have fallen by an average of -1.96% in Middleton and -1.89% in Allerton Bywater. There are clear differences in property types for example 2 bed houses in Middleton have seen a reduction of -26.61% on the EVS base values whereas 5 bed houses have seen an increase in value of around 20.87%.

- In the Outer Area – Medium Value Beacon Settlements (Pudsey and Garforth) property values have increased by an average of 14.56% and 24.14% respectively. Again the value increases vary between property types with 4 and 5 bed houses generally seeing the biggest increases.
- In the Outer Area – high Value Beacon Settlements (Moortown and Moor Allerton) property values have increased by an average of 31.80% and 38.77% respectively.
- In the former Golden Triangle Area values have also increased. The highest increases, over the EVS base values, are evident in the Low Value Beacon Settlements (Aberford and Barwick in Elmet). These settlements have witnessed an average increase of around 75%. **THESE SETTLEMENTS WOULD NOW BE CATEGORISED AS THE MEDIUM VALUE BEACONS.**

- The old Medium Value Beacon Settlements (Yeadon, Guisely and Horsforth) become the low value settlements. Depsite this property values have still increased by an average of 22.67%.
- Within the high value beacon settlements (Bramhope, Wetherby and Scarcroft) values have increased by an average of 60%.

The assessments have been updated to include the current sale prices and the results are show in the following tables. Please refer to detailed analysis (attached) for further information.

GREENFIELD ASSESSMENTS

Table 3 - Updated Greenfield Results (Policy H5 compliant)

Scenario	Outer Areas (low)	Outer Areas (medium)	Outer Areas (high)	Golden Triangle (low)	Golden Triangle (medium)	Golden Triangle (high)
A (5)	£228,509	£887,862	£1,468,368	£2,128,952	£1,569,900	£2,810,376
B (9)	£228,190	£884,638	£1,462,587	£2,120,260	£1,563,071	£2,798,681
C (16)	£141,887	£697,383	£1,186,452	£1,225,036	£864,050	£1,665,038
D (42)	£122,874	£663,587	£1,139,641	£1,174,064	£819,514	£1,605,220
E (105)	£70,574	£581,045	£1,030,474	£1,052,610	£714,267	£1,465,013
F (350)	£49,730	£463,500	£824,206	£891,618	£606,682	£1,238,686

Value per ha

Small	£228,350	£886,250	£1,465,478	£2,124,606	£1,566,486	£2,804,529
Medium	£132,381	£680,485	£1,163,047	£1,199,550	£841,782	£1,635,129
Large	£60,152	£522,273	£927,340	£972,114	£660,475	£1,351,850

Value per acre

Small	£92,408	£358,646	£593,047	£859,781	£633,922	£1,134,931
Medium	£53,571	£275,377	£470,659	£485,432	£340,651	£661,701
Large	£24,342	£211,352	£375,274	£393,393	£267,280	£547,064

- Development is viable in all but the low value beacon settlements (Middleton and Allerton Bywater). In these locations the land values generated are unlikely to provide sufficient incentive for landowners to bring land forward for development.
- In all the other areas land values are significantly higher than the £100,000 per acre figure used for comparison purposes in the EVS.

Average Values

Value per acre

	Outer Area	GTA Area
Small	£348,034	£876,212
Medium	£266,536	£495,928
Large	£203,656	£402,579

- Depsite the viability issues evident in the low value settlements within the outer area the average land value across, taken across the entire area, is still substantially higher than the £100,000 per acre figure used for comparison purposes.

Table 4 - Updated Greenfield Results (Policy H5 compliant and Impact of EN2)

Scenario	Outer Areas (low)	Outer Areas (medium)	Outer Areas (high)	Golden Triangle (low)	Golden Triangle (medium)	Golden Triangle (high)
A (5)	£228,509	£887,862	£1,468,368	£2,128,952	£1,569,900	£2,810,376
B (9)	£228,190	£884,638	£1,462,587	£2,120,260	£1,563,671	£2,798,681
C (16)	£77,289	£632,785	£1,121,854	£1,160,279	£799,293	£1,600,281
D (42)	£60,140	£600,853	£1,076,907	£1,110,562	£756,013	£1,542,719
E (105)	£11,622	£522,094	£971,522	£792,243	£653,901	£1,404,647
F (350)	£414	£416,356	£777,286	£841,197	£556,170	£1,188,320

Value per ha

Small	£228,350	£886,250	£1,465,478	£2,124,606	£1,566,786	£2,804,529
Medium	£68,715	£594,971	£1,099,381	£1,135,421	£777,653	£1,571,500

Large	£6,018	£449,882	£874,404	£816,720	£605,036	£1,296,484

Value per acre

Small	£92,408	£358,646	£593,047	£859,781	£634,044	£1,134,931
Medium	£27,807	£249,613	£444,895	£459,480	£314,699	£635,952
Large	£2,435	£189,885	£353,852	£330,509	£244,845	£524,658

- Development remains viable in all but the low value beacon settlements in the Outer Area. However, the average land value within the Outer Area is still higher than the £100,000 figure used for comparison purposes.

Average Values

Value per acre

	Outer Area	GTA Area
Small	£348,034	£876,212
Medium	£240,772	£470,044
Large	£182,058	£366,671

- Depsite the viability issues evident in the low value settlements within the outer area the average land value across, taken across the entire area, is still substantially higher than the £100,000 per acre figure used for comparison purposes.

UPDATED BROWNFIELD ASSESSMENTS

Table 5 - Updated Brownfield Results (Policy H5 Compliant)

Scenario	Outer Areas (low)	Outer Areas (medium)	Outer Areas (high)	Golden Triangle (low)	Golden Triangle (medium)	Golden Triangle (high)
A (5)	£84,340	£743,693	£1,324,199	£1,984,783	£1,425,731	£2,666,207
B (9)	£84,122	£740,569	£1,318,518	£1,976,191	£1,419,602	£2,654,612
C (16)	-£2,099	£553,397	£1,042,466	£1,081,014	£720,029	£1,521,016
D (42)	-£20,671	£520,042	£996,096	£1,030,349	£675,799	£1,462,505

E (105)	-£72,134	£438,337	£887,766	£909,589	£571,246	£1,321,992
F (350)	-£90,760	£323,410	£684,165	£750,798	£465,844	£1,097,878

Value per ha

Small	£41,270	£371,847	£662,100	£1,980,487	£1,422,667	£2,660,410
Medium	£41,012	£646,983	£1,180,492	£1,055,682	£697,914	£1,491,761
Large	-£46,403	£479,190	£941,931	£830,194	£518,545	£1,209,935

Value per acre

Small	£17,065	£150,478	£267,937	£801,460	£575,722	£1,076,609
Medium	£16,596	£261,820	£477,719	£427,211	£282,430	£603,683
Large	-£18,778	£193,917	£381,179	£335,961	£209,844	£489,634

- Brownfield development is viable in all but the low value beacon settlements (Middleton and Allerton Bywater). In these locations the land values generated are unlikely to provide sufficient incentive for landowners to bring land forward for development. Large sites are not viable.
- In all the other areas land values are thought to provide sufficient incentive for landowners to release sites for development. They are also significantly higher than the £100,000 per acre figure used for comparison purposes in the EVS for Greenfield / unconstrained sites.

Average Values

Value per acre

	Outer Area	GTA Area
Small	£145,160	£817,930
Medium	£252,045	£437,775
Large	£185,439	£345,146

Table 6 - Updated Brownfield Results (Policy H5 Compliant and Impact of EN2)

Scenario	Outer Areas (low)	Outer Areas (medium)	Outer Areas (high)	Golden Triangle (low)	Golden Triangle (medium)	Golden Triangle (high)
A (5)	£84,340	£743,693	£1,324,199	£1,984,783	£1,425,731	£2,666,207
B (9)	£84,122	£740,569	£1,318,518	£1,976,191	£1,419,602	£2,654,612
C (16)	-£66,698	£488,798	£977,867	£1,016,257	£655,271	£1,456,259
D (42)	-£83,406	£457,308	£933,362	£966,847	£612,298	£1,399,004
E (105)	-£131,086	£379,386	£828,814	£849,222	£510,879	£1,261,625
F (350)	-£150,327	£276,249	£637,239	£700,374	£415,323	£1,047,511

Value per ha

Small	£84,231	£742,131	£1,321,359	£1,980,487	£1,422,667	£2,660,410
Medium	-£75,052	£473,053	£955,615	£991,552	£633,785	£1,427,632
Large	-£140,707	£327,818	£733,027	£774,798	£463,101	£1,154,568

Value per acre

Small	£34,086	£300,324	£534,725	£801,460	£575,722	£1,076,609
Medium	-£30,372	£191,434	£386,716	£401,259	£256,479	£577,731
Large	-£56,941	£132,661	£296,640	£313,544	£187,407	£467,228

Average Values

Value per acre

	Outer Area	GTA Area
Small	£289,712	£817,930
Medium	£182,593	£411,823
Large	£124,120	£322,726

HORSFORTH BOUNDARY DISPUTE

Table 7 - HORSFORTH (Market values based on current asking values and 35% AH)

Scenario	**Greenfield**	**Brownfield**
A (5)	£1701,976 per ha	£1,557,807 per ha
B (9)	£1,695,165 per ha	£1,551,096 per ha
C (16)	£949,333 per ha	£805,312 per ha
D(42)	£903,276 per ha	£759,561 per ha
E (105)	£794,201 per ha	£651,179 per ha
F (350)	£674,025 per ha	£533,191 per ha
Small Sites	£1,698,571 per ha (£687,374 per acre)	£1,554,452per ha (£629,052 per acres)
Medium Sites	£926,305 per ha (£374,855 per acre)	£782,437 per ha (£316,635 per acre)
Large Sites	£734,113 per ha (£297,079per acre)	£592,185per ha (£239,644 per acre)

- Greenfield /unconstrained values range between £300,000 per acre for small sites up to around £685,000 per acre for small sites.
- Brownfield values range between £240,000 for large sites up to around £630,000 for small sites.

On this basis the evidence clearly supports the rationale for including Horsforth within the 35% zone.

Table 8 - HORSFORTH - IMPACT OF EN2 (CODE 4)

Scenario	**Greenfield**	**Brownfield**
A (5)	£1,701,976 per ha	£1,557,807 per ha
B (9)	£1,695,165 per ha	£1,551,096 per ha
C (16)	£884,576 per ha	£740,554 per ha
D(42)	£839,775 per ha	£696,060 per ha
E (105)	£733,834 per ha	£590,813 per ha

F (350)	£623,541 per ha	£482,700 per ha
Small Sites	£1,698,571per (£687,374 per acre)	£1,554,452 per ha (£629,052 per acre)
Medium Sites	£862,176 per ha (£348,904 per acre)	£718,307 per ha (£290,683 per acre)
Large Sites	£678,688 per ha (£274,650 per acre)	£536,757 per ha (£217,214 per acre)

- Brownfield development is also viable and able to sustain the 35% affordable housing target
- There is currently two Brownfield schemes on site: Clariant (they only signed up to 15% affordable) and Manor Gate (3 bed properties selling asking values at £279,995 and 4 bed properties at £384,995).

SCHOLES

Average asking values for properties in Scholes

2 bed house	**3 bed house**	**4 bed house**	**5 bed house**
173,973	**260,613**	**301,806**	**625,000**

Values are generally higher than the Outer Area (High Value Beacon Settlements). Values generally fall between Low and medium value beacon settlements within the GTA area. This is why Scholes was included in the GTA area.

TEMPLEGATE

Table 3 - Updated Greenfield Results (Policy H5 compliant and Impact of EN2)

Scenario	Greenfield	Brownfield	Greenfield EN2	Brownfield EN2
A (5)	£999,996	£849,827	£999,996	£849,827
B (9)	£990,304	£846,236	£990,304	£846,236
C (16)	£786,800	£642,813	£722,201	£578,215
D (42)	£750,624	£607,079	£687,890	£544,345
E (105)	£663,214	£520,506	£604,263	£461,555
F (350)	£529,527	£389,451	£482,449	£342,357

Value Per ha

Small	£995,150	£848,032	£995,150	£848,032
Medium	£768,712	£624,946	£705,046	£561,280
Large	£596,871	£454,979	£543,356	£401,956

Value Per acre

Small	£402,715	£343,180	£404,536	£343,180
Medium	£311,081	£252,902	£285,316	£227,138
Large	£241,540	£184,120	£219,884	£162,663