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Real Estate for a changing world

Dacorum Borough Council - Community Infrastructure Levy

Strategic sites testing

Prepared for
Dacorum Borough Council

October 2013

Contents

| | | |
|---|------------------------------------|----|
| 1 | Introduction | 3 |
| 2 | The strategic sites | 4 |
| 3 | Development appraisals | 6 |
| 4 | Appraisal results and analysis | 14 |
| 5 | Town Centre Appraisal and Analysis | 28 |
| 6 | Conclusions and Recommendations | 34 |

Appendices

| | | |
|--|---|----|
| | Appendix 1 - Policy Compliant Appraisals | 36 |
| | Appendix 2 - Town Centre Appraisal (Policy Compliant) | 37 |
| | Appendix 3 - Residual Section 106 Costs | 38 |

1 Introduction

This report outlines the results of additional testing of strategic sites in the Dacorum Borough Council ('Dacorum') area. This work follows consultation by Dacorum with local stakeholders on the Community Infrastructure Levy ("CIL") Preliminary Draft Charging Schedule ('PDCS') and the amendments to the Department of Communities and Local Government ("DCLG") CIL Guidance. The consultation exercise raised queries and comments on the proposed CIL rates and, in particular, whether strategic sites would be able to viably absorb the proposed rates of CIL, in addition to on-site Section 106 obligations and on-site infrastructure.

This report is structured as follows:

- Section 2 identifies the strategic sites that have been tested;
- Section 3 details the inputs to our appraisals;
- Section 4 outlines the results of our appraisals and considers the implications for the Council's proposed CIL rates.
- Section 5 outlines the town centre appraisal, results and analysis
- Section 6 sets out our conclusions and recommendations

2 The strategic sites

The Council's emerging Core Strategy (Pre-Submission (October 2011) incorporating the 'List of Proposed Amendments: June 2012' published September 2012) identifies a series of place strategies for each of the Borough's towns and villages, together with the wider countryside in order to accommodate growth which promotes sustainable patterns of development. The Council has instructed BNP Paribas Real Estate to consider the viability of the strategic sites identified in Table 2.1.

Table 2.1: Strategic sites

| Location/ Site ref. | Location | Development |
|------------------------|---|---|
| LA1 | Marchmont Farm (Hemel Hempstead) | <ul style="list-style-type: none"> • 300 Homes |
| LA2 | Old Town (Hemel Hempstead) | <ul style="list-style-type: none"> • 80 Homes |
| LA3 | West Hemel Hempstead (Chaulden) | <ul style="list-style-type: none"> • 900 homes • Community Hall • Shops and Doctors Surgery • 2fe Primary School |
| LA4 | Land at Hanbury's (Berkhamstead) | <ul style="list-style-type: none"> • 60 Homes |
| LA5 | Icknield Way, West of Tring (Tring) | <ul style="list-style-type: none"> • 150 Homes • Extension to Employment Area at Icknield Way Industrial Estate • Cemetery Extension |
| LA6 | Chesham Road / Molyneaux Avenue (Bovingdon) | <ul style="list-style-type: none"> • 60 Homes |
| E4 | Spencers Park Phase 2 (East Hemel Hempstead) | <ul style="list-style-type: none"> • 600 Homes |
| SS1 | Land at Durrants Lane / Shootersway (Berkhamstead) | <ul style="list-style-type: none"> • 180 Homes • Re-Modelling & Extension of School and New Playing Fields |
| SS2 | Hicks Road (Markyate) | <ul style="list-style-type: none"> • 90 New Homes • B1c and B8 units • Doctor's Surgery • Residential Care Home |
| | Hemel Hempstead Town Centre (Hemel Centre) | <ul style="list-style-type: none"> • 1,800 homes • Local General Hospital • Primary School • New Library and College • New Civic and Cultural Facilities • Supermarket and Other Shops • Bus Interchange |

We understand the sites are in a variety of ownerships and are at various stages in the planning system.

3 Development appraisals

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

3.1 Proposed Strategic Development

Table 3.1.1 sets out our assumptions on development density; number of residential units, commercial floorspace on mixed use schemes and the net site area.

Table 3.1.1 – Development Assumptions

| Site/location | Density – units per ha | Number of units | Commercial (Use Class) | Gross site area (ha) | Net site area (ha) |
|-----------------------------------|------------------------|-----------------|------------------------|----------------------|--------------------|
| Marchmont Farm | 30 | 300 | N/A | 20 | 10 |
| Old Town | 45 | 80 | N/A | 2.60 | 1.82 |
| West Hemel Hempstead | 30 | 900 | 2,000 sq ft (A1) | 54.04 | 30.17 |
| | | | 5,500 sq ft (D1) | | |
| Land at Hanbury's | 42 | 60 | N/A | 1.90 | 1.43 |
| Ickniel Way | 15 | 150 | 25,000 (B2-B8) | 16 | 9.7 |
| Chesham Road / Molyneaux Lane | 33 | 60 | N/A | 2.60 | 1.82 |
| Spencer's Park Phase 2 | 48 | 600 | 5,500 sq ft (D1) | 16.60 | 12.45 |
| Land at Durrants Lane/Shootersway | 33 | 180 | TBC (D1) | 16.20 | 5.40 |
| Hicks Road | 59 | 150 | 12,000 sq ft (B1) | 3.0 | 2.55 |
| | | | 2,500 (A1-A5) | | |
| | | | 5,500 sq ft (B2) | | |
| | | | 3,700 sq ft (D1) | | |

It should be noted that our appraisals of the strategic development of Hemel Hempstead Town Centre is set out in Section 5 of this report. In this regard the assumptions adopted for the Town Centre Site are detailed later in this report.

3.2 Unit Mix

The unit mix applied to the strategic sites reflects the various site types as adopted in the CIL Viability Study. The adopted mixes are summarised in Table 3.2.1.

With regards to the Old Town we have assumed as unit mix as provided within the scheme's masterplan, whilst the mix adopted for Hicks Road reflects the recent planning application approved for the Site (ref: 4/01173/11/FHA).

Furthermore, we understand that the composition of the Durrants Lane/Shootersway site is restricted due to the imposition of a covenant that requires the majority of dwellings on site to be detached. We have therefore assumed 80% of the dwellings on site will be provided as houses.

Table 3.2.1: Unit Mix

| Site/location | 1 bed flat | 2 bed flat | 3 bed flat | 4 bed flat | 2 bed house | 3 bed house | 4 bed house |
|--|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Unit Size | 50 sqm | 65 sqm | 80 sqm | 95 sqm | 75 sqm | 95 sqm | 115 sqm |
| Marchmont Farm | - | - | - | - | 25% | 50% | 25% |
| Old Town | 28% | 28% | - | - | 14% | 15% | 15% |
| West Hemel Hempstead | - | - | - | - | 30% | 40% | 30% |
| Land at Hanbury's | - | - | - | - | 30% | 40% | 30% |
| Icknield Way | - | - | - | - | 30% | 40% | 30% |
| Chesham Road / Molyneaux Lane | - | - | - | - | 30% | 40% | 30% |
| Spencer's Park Phase 2 | - | - | - | - | 25% | 40% | 35% |
| Land at Durrants Lane/Shootersway (Berkhamstead) | 6% | 7% | 7% | - | 10% | 35% | 35% |
| Hicks Road | 24% | 29% | - | - | - | 35% | 12% |

3.3 Residential Sales values

Sales values used in the appraisals are summarised in Table 3.3.1. These correspond with the most appropriate sales values used in the CIL Viability Study.

Table 3.3.1: Sales values used in the appraisals

| Location | Sales values (average £s per square metre) |
|----------------------|--|
| Marchmont Farm | £2,906 |
| Old Town | £2,906 |
| West Hemel Hempstead | £3,229 |
| Land at Hanbury's | £3,229 |

| Location | Sales values (average £s per square metre) |
|-----------------------------------|---|
| Icknield Way | £3,229 |
| Chesham Road / Molyneaux Lane | £3,498 |
| Spencer's Park Phase 2 | £2,906 |
| Land at Durrants Lane/Shootersway | £3,767 |
| Hicks Road | £2,906 |

3.4 Residential Sales rate

Our appraisals assume a sales rate of 3 to 4 units per month, with multiple sales outlets on the sites providing in excess of 500 units. On the Spencer's Park Site, West Hemel Hempstead Site and Marchmont Farm Site we have assumed two sales outlets. This sales rate is applied to the private housing only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed acquisition price for the affordable housing is assumed to be received over the build period.

With regards to the provision of the Residential Care Home to be provided at the Hicks Road site we have adopted a sales rate of 1.5 units per calendar month. This is in line with the assumption adopted in the CIL viability study, and is reflective of the more constrained market for this type of development.

3.5 Commercial Revenue and Assumptions

The assumptions used in the appraisals to value the commercial accommodation are summarised in Table 3.5.1. These correspond with the commercial assumptions used in the CIL Viability Study.

Table 3.5.1 – Commercial Revenue and Assumptions

| Location | Accommodation | Rent (£ / sq ft) | Yield | Void Period (Inc. Rent Free) | Build Cost (£ / sq ft) |
|---------------------------------------|-----------------------------------|------------------|-------|------------------------------|------------------------|
| West Hemel Hempstead (Chaulden) | A1 (Retail) | £11 | 7% | 2 years | £124 |
| | D1 (Non-Residential Institutions) | N/A | N/A | N/A | £160 |
| Icknield Way, Tring (Tring) | B2 (General Industrial) | £8 | 7% | 2 years | £54 |
| Spencer's Park (East Hemel Hempstead) | D1 (Non-residential Institutions) | N/A | N/A | N/A | £160 |
| Hicks Road (Markyate) | B1 (Offices) | £15 | 8% | 2 years | £136 |
| | B2 (General Industrial) | £8 | 7% | 2 years | £54 |
| | A1-A5 (Retail) | £11 | 7% | 2 years | £124 |
| | D1 (Non-Residential Institution) | N/A | N/A | N/A | £160 |

Other cost assumptions adopted that relate to the commercial accommodation to be provided on the above sites are as follows:

- Purchase costs of 5.8%;
- Letting agent's fee of 10% of annual rent;
- Sales agent's fee of 1% of capital value;
- Legal fees of 0.75% of capital value;
- External works of 10% on build cost;
- 20% profit on cost

3.6 Build costs and infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services (BCIS), which is based on tenders for actual schemes.

Our gross base build costs are £910 per square metre and £1,076 per square metre for flats and houses respectively. This assumption is based on the information provided in our CIL Viability Study. On the larger sites, it is likely that the developers will be able to value engineer build costs to lower levels than assumed in this study. In addition, we have allowed a 15% allowance for external works over and above base build costs. The allowance included for external works accounts for any additional costs that may be incurred due to the physical nature of the sites plus any works required for landscaping, security enhancement and driveways/parking works within the site. This allowance may be more relevant for sites such as the Old Town where we understand the site topography may present certain development challenges.

We have included an allowance for infrastructure costs on the strategic sites identified as Greenfield developments, which in our experience would require the development of infrastructure such as servicing and roads etc. to open up the sites. We have tested these schemes with an allowance of £20,000 per unit, which would be at the upper end of the range for such costs. We have also undertaken a sensitivity test at £10,000 per unit, reflecting the lower end of the range of such costs. The Council will use their local knowledge and available information to interpret the most appropriate figure to use in each of the cases considered in this report.

We have also incorporated site specific transport costs on the basis of the most up to date information available to the Council at the time of this report. The County Council advice has been sought in relation to these highway assumptions. The costs included are detailed below:

Table 3.6.1 – Site Specific Infrastructure Costs

| Specific Transport Infrastructure Project | Strategic Site | Cost |
|--|----------------------------|------------|
| Junction Improvements and Roundabout Incorporation | Marchmont Farm (LA1) | £500,000 |
| Signalise King's Road | Durrants Lane (SS1) | £374,000 |
| | Land at Hanbury's (LA4) | £125,000 |
| Priority Junction (x2) | Icknield Way (LA5) | £400,000 |
| Signalised Junctions and Roundabouts | West Hemel Hempstead (LA3) | £2,000,000 |

| Specific Transport Infrastructure Project | Strategic Site | Cost |
|---|-------------------------|----------|
| Improve Operation of King's Road and High Street Junction | Durrants Lane (SS1) | £9,000 |
| | Land at Hanbury's (LA4) | £3,000 |
| Speed Management – King's Road | Durrants Lane (SS1) | £7,500 |
| | Land at Hanbury's (LA4) | £2,500 |
| Safer Route to School | Durrants Lane (SS1) | £10,000 |
| | Land at Hanbury's (LA4) | £10,000 |
| | Icknield Way (LA5) | £10,000 |
| Northchurch and Kingshill Way Gateways | Durrants Lane (SS1) | £18,000 |
| Berkhamstead Station Improvements | Durrants Lane (SS1) | £9,000 |
| | Land at Hanbury's (LA4) | £3,000 |
| Improvements to Junction of Durrants Lane and High Street | Durrants Lane (SS1) | £468,000 |
| Speed Management | Icknield Way (LA5) | £14,000 |

The specific transport infrastructure costs in the table above have been prorated between the relevant sites on a per unit basis to establish the total costs applicable to each site.

Following advice from the Council we have included an allowance of £500,000 and £2,000,000 for transport and infrastructure improvements at Marchmont Farm and West Hemel Hempstead respectively. We understand that these costs are appropriate estimates given the available information and may be higher once full details of any proposed highway schemes to serve these sites are known. This will ultimately affect the viability of the proposed development.

With regards to the Land at Durrants Lane/Shootersway we have been unable to ascertain the costs associated with the proposed regeneration of the school. However, following further discussions with the Council we understand that the refurbishment costs are likely to be met by the school. In light of this position we have not included these costs within our viability appraisals. We have however incorporated an area of 2 ha into our appraisal as we understand this is the size of the land that will be transferred to the school to allow for the provision of a new sports facilities and pitches. As per the school refurbishment costs we have not included any costs associated with the provision of any new sports building that may be provided as this is not a requirement identified within the Core Strategy.

The Council have advised that the need for an expansion of the local cemetery located adjacent to the Icknield Way site in Tring has been identified. We understand an expansion area of 1.6 hectares (4 acres) will be required to meet the needs of this settlement. We have allowed for this non-developable area within our appraisals.

3.7 Affordable Housing

The Council's requirements for affordable housing on strategic sites are set out within the Place Strategies in the Core Strategy and a number of Supplementary Planning Documents. The majority of the sites tested are required to provide 40% affordable housing, with reduced levels at Spencer's Park (35%) and Hicks Road (25%). Where such requirements are not specified it would be expected that a minimum of 35% affordable housing is provided in accordance with policy CS19 of the Core Strategy.

The Council generally expects the tenure of affordable housing to provide 75% of the units for rent as set out in policy CS19 of the Core Strategy and the Affordable Housing Supplementary Planning Document.

We set out below a table identifying the policy compliant levels of affordable housing for each site. These levels have been adopted as our base appraisal position.

Table 3.7.1 – Policy Compliant Affordable Housing

| Strategic Site | Policy Compliant Affordable Housing Provision |
|-----------------------------------|---|
| Marchmont Farm | 40% |
| Old Town | 40% |
| West Hemel Hempstead | 40% |
| Land at Hanbury's | 40% |
| Icknield Way | 40% |
| Chesham Road | 40% |
| Spencer's Park | 35% |
| Land at Durrants Lane/Shootersway | 40% |
| Land at Hicks Road | 25% |

Whilst the above percentages represent the maximum level of affordable housing that would be required, subject to viability, we have also undertaken sensitivity testing with regards to the tenure split of affordable housing. The Council is flexible with respect to the tenure mix of Affordable Housing elements where there is a need to improve scheme viability. The results of this analysis are provided in Section 4 of this report.

3.8 Section 106 obligations

We have adopted Section 106 contributions in line with the CIL Viability Study in which the Council advised that the residual Section 106 costs are assumed as set out in Table 3.8.1. A breakdown of these costs is provided as Appendix 3 of this report.

Table 3.8.1 – Residual Section 106 Contributions

| No. bedrooms | Residual S106 Contribution per unit |
|--------------|-------------------------------------|
| 1 | £700 |
| 2 | £900 |
| 3 | £1,300 |
| 4 | £1,500 |

| No. bedrooms | Residual S106 Contribution per unit |
|--------------|-------------------------------------|
| 5 | £1,600 |

On the basis of the values detailed above we have established the total Section 106 costs attributable to each site on the assumption of the unit mix detailed in section 3.2.1 of this report.

Furthermore, we have been provided with the estimated cost of providing a new 2 form entry primary school within the Borough by the Council. The cost to provide a new school of this type is clearly stated in the Infrastructure Delivery Plan and is assumed to equate to £7.64 million. We have adopted this cost within our appraisal of the West Hemel Hempstead and Spencer's Park site.

In addition to the residual Section 106 contributions above for the residential units, we have assumed an additional £800 per unit for the 60 care home units to be provided at Hicks Road, based on an assumption of a mixture of 1 and 2 bedroom units.

We have also adopted an additional Section 106 obligation of £792,000 (£880 per unit) for the provision of a GP Surgery at West Hemel Hempstead, LA3. This figure has been adopted following advice from the Council and the local NHS Trust.

3.9 Open/Play Space

Whilst the Residual 106 costs above include an assumption for open space and play requirements, the Council have advised that on the larger strategic sites it is expected that additional space will be required on site.

The Council have estimated that an additional £50,000 per site will be required in order to meet the need for open space at Marchmont Farm, West Hemel Hempstead, Icknield Way and Spencer's Park.

We have therefore assumed these costs within our appraisal.

3.10 CIL rates

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

- West Hemel Hempstead, Marchmont Farm, Old Town, Spencer's Park, Land at Hick's Road, Hemel Hempstead Town Centre: £100 per square metre
- Icknield Way and Chesham Road: £150 per square metre
- Land at Hanbury's and Durrants Lane/Shootersway: £250 per square metre

3.11 Total Site Specific Section 106 and CIL Contributions

| Strategic Site | Residual Section 106 Contribution (%) | CIL Contribution (%) | Total Contribution (%) |
|----------------|---------------------------------------|----------------------|------------------------|
| Marchmont Farm | £925,000 (36%) | £1,620,000 (64%) | £2,545,000 (100%) |
| Old Town | £81,600 (19%) | £345,360 (81%) | £426,960 (100%) |

| Strategic Site | Residual Section 106 Contribution (%) | CIL Contribution (%) | Total Contribution (%) |
|-----------------------------------|---------------------------------------|----------------------|------------------------|
| West Hemel Hempstead | £12,764,000 ¹ (72%) | £4,860,000 (28%) | £17,624,000 (100%) |
| Land at Hanbury's | £217,900 (21%) | £810,000 (79%) | £1,027,900 (100%) |
| Icknield Way | £660,000 (35%) | £1,215,000 (65%) | £1,875,000 (100%) |
| Chesham Road | £74,400 (13%) | £486,000 (87%) | £560,400 (100%) |
| Spencer's Park | £9,618,000 (74%) | £3,294,000 (26%) | £12,912,000 (100%) |
| Land at Durrants Lane/Shootersway | £1,123,700 (32%) | £2,400,300 (68%) | £3,524,000 (100%) |
| Land at Hicks Road | £207,800 (24%) | £674,550 (76%) | £882,350 (100%) |

3.12 Other assumptions

The other assumptions in our appraisals are as follows:

- Allowance for professional fees of 10% - 12% of build costs;
- Finance costs of 7% on negative balances; 0% on positive balances;
- Profit of 20% of private housing Gross Development Value (GDV) and 6% on affordable housing GDV;
- Acquisition costs: 4% stamp duty land tax, 1% agent's fee and 0.8% legal fees;
- Marketing costs: 3% of private housing GDV;
- Sales legal fee of 0.5% of private housing GDV;
- Code for Sustainable Homes Level 4: 6% of base build costs;
- £2,000 per unit allowance for the care home accommodation relating to empty property costs; and
- 70% gross to net allowance on care home accommodation to accommodate the need for communal areas.

¹ This figure is inclusive of the assumed costs of the community facility to be provided as we understand the Council will seek to gather the cost of the community facility through Section 106 agreements with the proposed developer. We have assumed a figure of £1,166,000 is appropriate. This also applies to the figure associated with Spencer's Park.

4 Appraisal results and analysis

4.1 Appraisal results and Sensitivity Testing

We have run appraisals of the strategic sites allocated for development within the Council's Core Strategy with and without the relevant proposed CIL liability. We have then converted the residual land values for each entire site into a per hectare land value, so that we can determine whether this might be sufficient for the site to be brought forward for development. Our July 2013 report adopted the following benchmark land values:

| Benchmark Land Value | Description | Value (£ per gross ha) |
|----------------------|---------------------------|------------------------|
| 1 | Offices | £901,449 |
| 2 | Industrial | £685,319 |
| 3 | Community/Greenfield Site | £305,893 |

For this report we have tested the appraisal results against the most appropriate benchmark land value for each strategic site. The most appropriate benchmark land value for the all the strategic sites, with the exception of Hicks Road, is benchmark 3. Hicks Road has been tested against benchmark 2.

Furthermore, as well as testing whether each site can support the proposed CIL liability on an affordable housing policy compliant basis, we have carried out further appraisals to understand whether certain changes will influence the viability of the sites.

Each site has been tested to incorporate the following alterations:

1. Affordable Housing tenure of 50% rented units and 50% intermediate units.
2. Sales Revenue Growth of 10% and Costs Growth of 5% - 5% Real Growth
3. Sales Revenue Growth of 24%² and Costs Growth of 10% - 14% Real Growth
4. Code for Sustainable Homes Level 5
5. Reduced Greenfield Infrastructure Cost to £10,000 per unit.

The appraisals and results are summarised below.

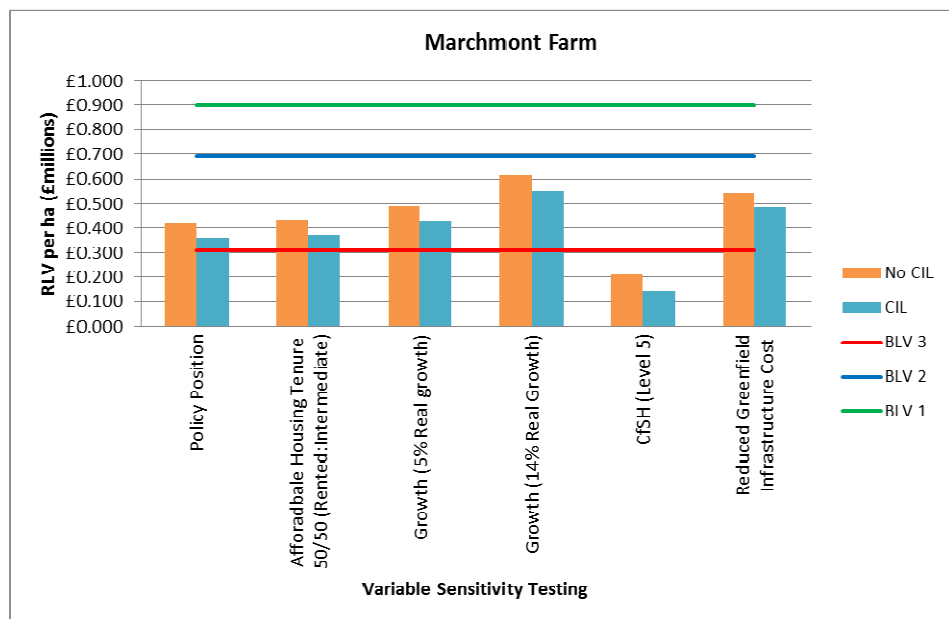
² Savills' UK residential research – Residential Property Focus Q3 2013. The future trajectory of house prices is currently uncertain, although Savills' current prediction is that values are expected to increase over the next five years. Medium term predictions are that properties in the mainstream South East of England markets will grow over the period between 2013 to 2017. Savills predict that values in mainstream South East of England markets (i.e. non-prime) will increase by 5% in 2013, 5.5% in 2014, 6% in 2015, 3.5% in 2016 and 2% in 2017. This equates to cumulative growth of 24% between 2013-2017 inclusive, compared to a UK average of 18.1% cumulative growth over the same period. While we understand the Core Strategy assumes delivery of the Strategic Sites in 2021 this research provides the appropriate growth assumptions.

4.1.1 Marchmont Farm

Table 4.1.1: Appraisal results – Marchmonth Farm (LA1)

| Variable Tested | No CIL | | With CIL | | |
|---|---------------------------------|--|-------------------------------------|---------------------------------|--|
| | Residual land value (£millions) | Residual land value per gross ha (£millions) | Proposed CIL for area (£s per sq m) | Residual land value (£millions) | Residual land value per gross ha (£millions) |
| Policy Compliant Position | £12.69 | £0.423 | £100 | £10.800 | £0.360 |
| Affordable Housing Tenure Split (50:50) | £13.05 | £0.435 | £100 | £11.190 | £0.373 |
| Growth in Sales Values (10%) and Construction Costs (5%) | £14.76 | £0.492 | £100 | £12.900 | £0.430 |
| Growth in Sales Values (24%) and Construction Costs (10%) | £18.45 | £0.615 | £100 | £16.620 | £0.554 |
| Code for Sustainable Homes - Level 5 | £6.33 | £0.211 | £100 | £4.380 | £0.146 |
| Reduced Greenfield Infrastructure Costs to £10,000 per unit | £16.41 | £0.547 | £100 | £14.580 | £0.486 |

Figure 4.1.1: Residual land values per hectare compared to benchmark land values (Marchmont Farm – LA1)



The results above show that at a policy compliant position the strategic site at Marchmont Farm is able to support the proposed CIL liability of £100 per sq m.

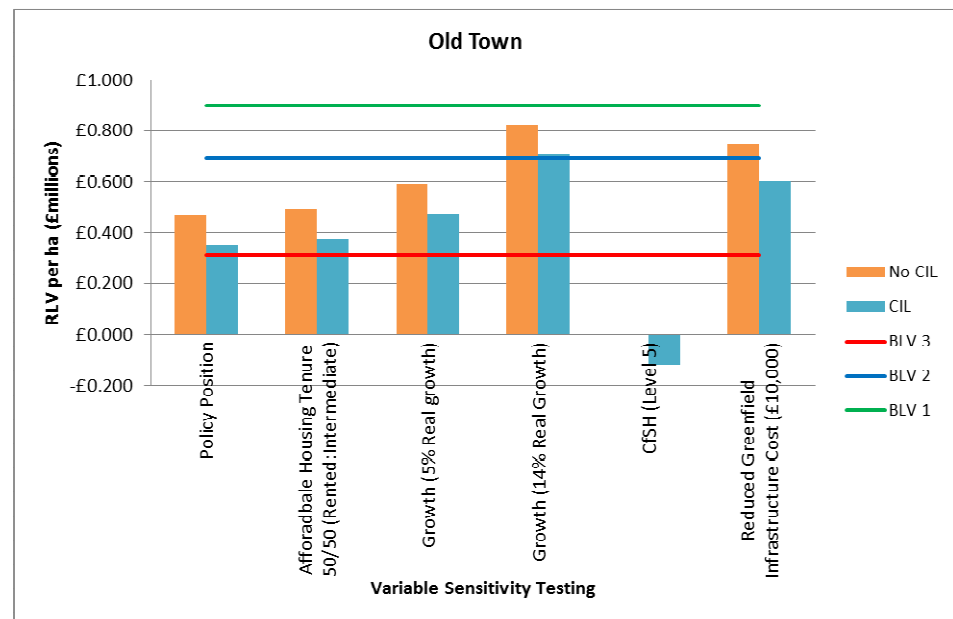
The proposed development at Marchmont Farm is only unviable when the additional costs associated with Code for Sustainable Homes (CfSH) level 5 are tested. As a result the Residual Land Value ("RLV") equates to £0.146 million per hectare (with CIL) as opposed to the sites benchmark land value of £0.306 (rounded) million per hectare.

4.1.2 Old Town

Table 4.1.2: Appraisal results – Old Town (LA2)

| Variable Tested | No CIL | | With CIL | | |
|---|---------------------------------|--|-------------------------------------|---------------------------------|--|
| | Residual land value (£millions) | Residual land value per gross ha (£millions) | Proposed CIL for area (£s per sq m) | Residual land value (£millions) | Residual land value per gross ha (£millions) |
| Policy Compliant Position | £1.219 | £0.469 | £100 | £0.913 | £0.351 |
| Affordable Housing Tenure Split (50:50) | £1.279 | £0.492 | £100 | £0.972 | £0.374 |
| Growth in Sales Values (10%) and Construction Costs (5%) | £1.539 | £0.592 | £100 | £1.235 | £0.475 |
| Growth in Sales Values (24%) and Construction Costs (10%) | £2.137 | £0.822 | £100 | £1.836 | £0.706 |
| Code for Sustainable Homes - Level 5 | £0.010 | £0.004 | £100 | £-0.304 | £-0.117 |
| Reduced Greenfield Infrastructure Costs to £10,000 per unit | £1.947 | £0.749 | £100 | £1.570 | £0.604 |

Figure 4.1.2: Residual land values per hectare compared to benchmark land values (Old Town – LA2)



The strategic development of LA2, the Old Town is able to support the proposed CIL liability of £100 per sq m. Adopting the CIL rate of £100 per sq m produces a Residual Land Value of £0.351 million per hectare, some £0.045 million per hectare above the benchmark land value of £0.306 million per hectare.

Figure 4.1.2 shows that only if the scheme were to be developed to incorporate the CfSH level 5 would the proposed scheme become economically unviable.

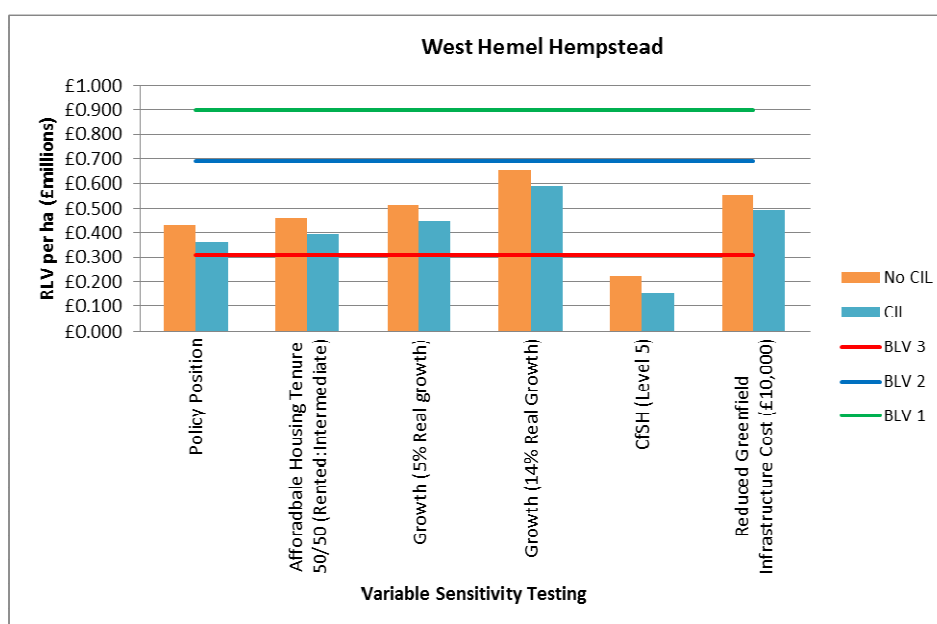
4.1.3 West Hemel Hempstead

Table 4.1.3: Appraisal results – West Hemel Hempstead (LA3)

| Variable Tested | No CIL | | With CIL | | |
|---|---------------------------------|--|-------------------------------------|---------------------------------|--|
| | Residual land value (£millions) | Residual land value per gross ha (£millions) | Proposed CIL for area (£s per sq m) | Residual land value (£millions) | Residual land value per gross ha (£millions) |
| Policy Compliant Position | £23.237 | £0.430 | £100 | £19.671 | £0.364 |
| Affordable Housing Tenure Split (50:50) | £24.912 | £0.461 | £100 | £21.400 | £0.396 |
| Growth in Sales Values (10%) and Construction Costs (5%) | £27.777 | £0.514 | £100 | £24.264 | £0.449 |
| Growth in Sales Values (24%) and Construction Costs (10%) | £35.396 | £0.655 | £100 | £31.992 | £0.592 |

| | No CIL | | With CIL | | |
|---|---------|--------|----------|---------|--------|
| Code for Sustainable Homes - Level 5 | £11.997 | £0.222 | £100 | £8.160 | £0.151 |
| Reduced Greenfield Infrastructure Costs to £10,000 per unit | £30.100 | £0.557 | £100 | £26.750 | £0.495 |

Figure 4.1.3: Residual land values per hectare compared to benchmark land values (West Hemel Hempstead – LA3)



The scenarios upon which the viability of West Hemel Hempstead has been tested show that on the basis of a policy compliant scheme, the Site is able to absorb the proposed CIL rate of £100 per sq m.

However, we understand that there may be additional infrastructure costs needed to support the development of the 900 unit site other than the infrastructure costs detailed in section 3.6 of this report. Upon writing this report these costs have not been explicitly detailed, therefore they have not been able to be included with the viability appraisal.

It is considered that these costs will impact on the viability of the proposed scheme however at this time we are unable to quantify the exact impact such costs are likely to have.

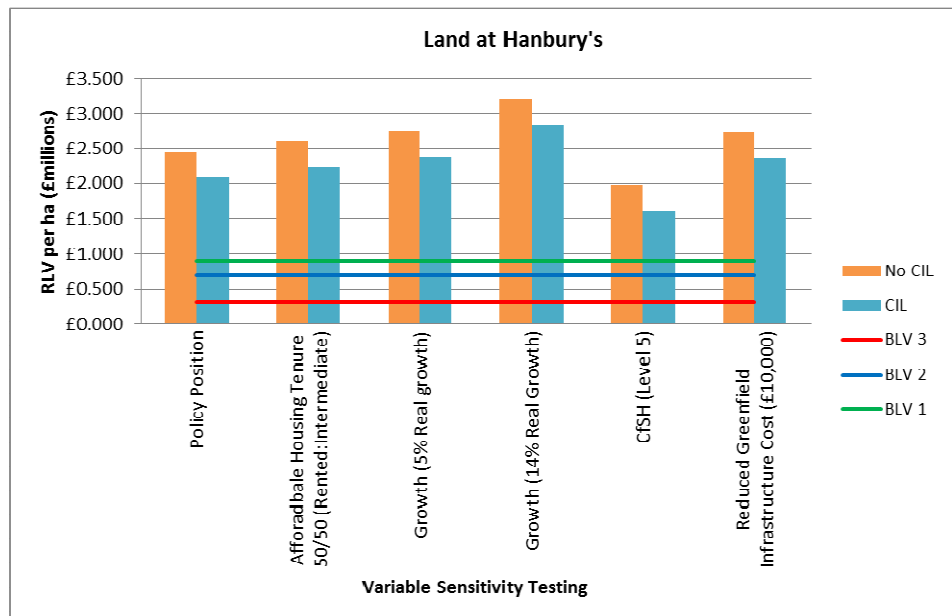
4.1.4 Land at Hanbury's

Table 4.1.4: Appraisal results – Land at Hanbury's (LA4)

| | No CIL | | With CIL | | |
|-----------------|---------------------------------|--|-------------------------------------|---------------------------------|--|
| Variable Tested | Residual land value (£millions) | Residual land value per gross ha (£millions) | Proposed CIL for area (£s per sq m) | Residual land value (£millions) | Residual land value per gross ha (£millions) |

| | No CIL | | With CIL | | |
|---|--------|--------|----------|--------|--------|
| Policy Compliant Position | £4.657 | £2.451 | £250 | £3.952 | £2.080 |
| Affordable Housing Tenure Split (50:50) | £4.950 | £2.605 | £250 | £4.247 | £2.235 |
| Growth in Sales Values (10%) and Construction Costs (5%) | £5.212 | £2.743 | £250 | £4.507 | £2.372 |
| Growth in Sales Values (24%) and Construction Costs (10%) | £6.103 | £3.212 | £250 | £5.398 | £2.841 |
| Code for Sustainable Homes - Level 5 | £3.745 | £1.971 | £250 | £3.040 | £1.600 |
| Reduced Greenfield Infrastructure Costs to £10,000 per unit | £5.187 | £2.730 | £250 | £4.484 | £2.360 |

Figure 4.1.4: Residual land values per hectare compared to benchmark land values (Land at Hanbury's – LA4)



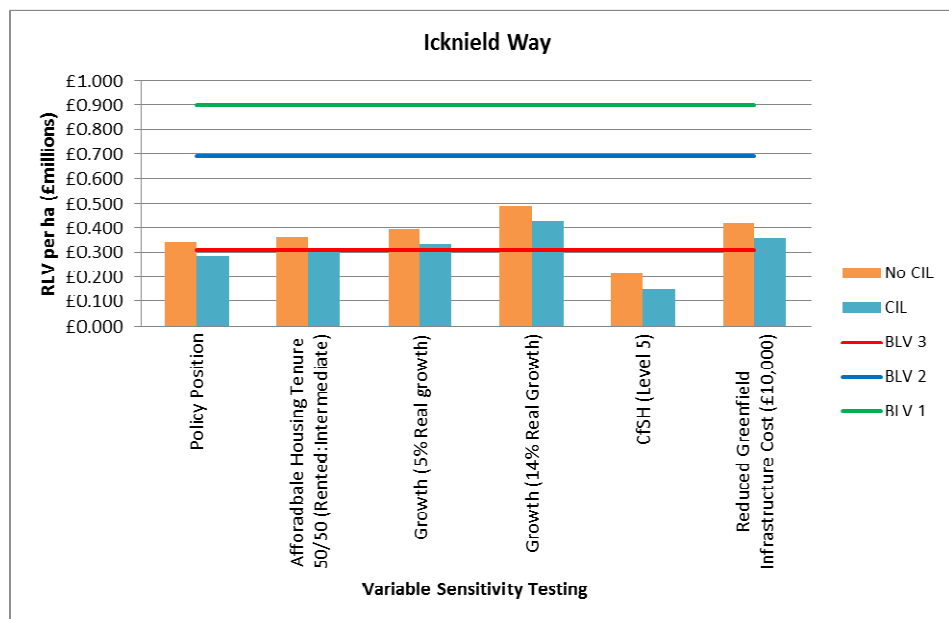
It has been proposed in the PDCS that the CIL rate for the geographical area in which the Land at Hanbury's site is located should be £250 per sq m. As can be seen in the table and figure above the proposed development is able to support the proposed CIL in all the scenarios tested.

4.1.5 Icknield Way

Table 4.1.5: Appraisal results – Icknield Way (LA5)

| Variable Tested | No CIL | | With CIL | | |
|---|---------------------------------|--|-------------------------------------|---------------------------------|--|
| | Residual land value (£millions) | Residual land value per gross ha (£millions) | Proposed CIL for area (£s per sq m) | Residual land value (£millions) | Residual land value per gross ha (£millions) |
| Policy Compliant Position | £5.808 | £0.363 | £150 | £4.816 | £0.301 |
| Affordable Housing Tenure Split (50:50) | £6.128 | £0.383 | £150 | £5.152 | £0.322 |
| Growth in Sales Values (10%) and Construction Costs (5%) | £6.704 | £0.419 | £150 | £5.712 | £0.357 |
| Growth in Sales Values (24%) and Construction Costs (10%) | £8.208 | £0.513 | £150 | £7.232 | £0.452 |
| Code for Sustainable Homes - Level 5 | £3.664 | £0.229 | £150 | £2.640 | £0.165 |
| Reduced Greenfield Infrastructure Costs to £10,000 per unit | £7.072 | £0.442 | £150 | £6.096 | £0.381 |

Figure 4.1.5: Residual land values per hectare compared to benchmark land values (Icknield Way – LA5)



Icknield Way, Tring, has been tested at the proposed CIL rate of £150 per sq m. The results above show that the viability of the policy compliant scheme is

unviable at the proposed CIL rate as the residual land value per hectare equates to £0.301 million as opposed to the benchmark of £0.306 million.

Although the results suggest the site is unviable at the proposed CIL rate we would comment that an increase in revenue or reduction in costs to those assumed in this study, i.e. value engineering of the development, will lead to the site becoming viable. This is illustrated by the sensitivity test carried out which shows a real growth scenario of 5%. Growth of 5% leads to a residual land value of £0.357 million per hectare.

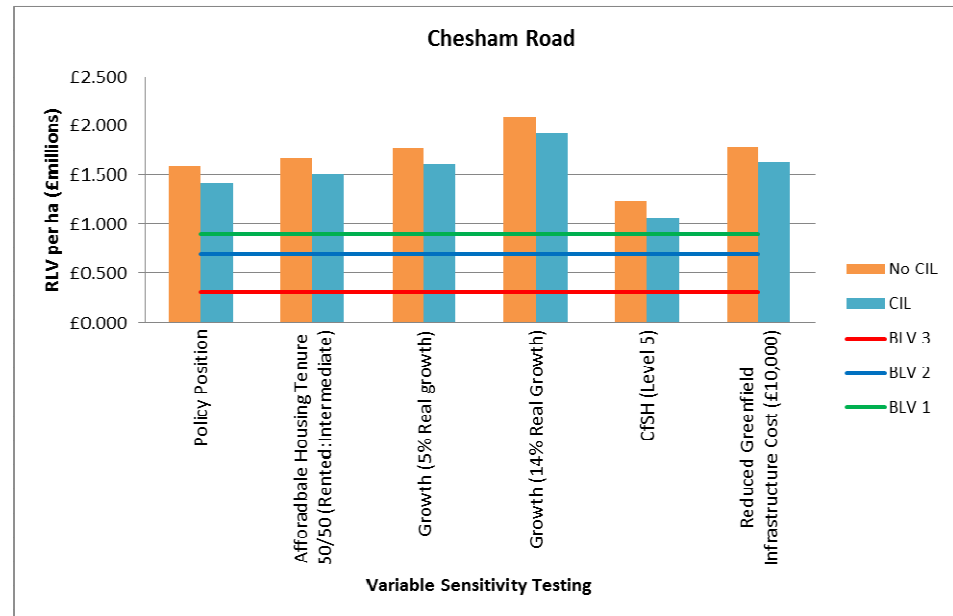
Additional analysis of the scheme at current costs and values shows that the proposed development at Icknield Way could support a reduced CIL rate of £140 per sq m.

4.1.6 Chesham Road

Table 4.1.6: Appraisal results – Chesham Road (LA6)

| Variable Tested | No CIL | | With CIL | | |
|---|---------------------------------|--|-------------------------------------|---------------------------------|--|
| | Residual land value (£millions) | Residual land value per gross ha (£millions) | Proposed CIL for area (£s per sq m) | Residual land value (£millions) | Residual land value per gross ha (£millions) |
| Policy Compliant Position | £4.121 | £1.585 | £150 | £3.697 | £1.422 |
| Affordable Housing Tenure Split (50:50) | £4.339 | £1.669 | £150 | £3.916 | £1.506 |
| Growth in Sales Values (10%) and Construction Costs (5%) | £4.615 | £1.775 | £150 | £4.191 | £1.612 |
| Growth in Sales Values (24%) and Construction Costs (10%) | £5.426 | £2.087 | £150 | £5.002 | £1.924 |
| Code for Sustainable Homes - Level 5 | £3.206 | £1.233 | £150 | £2.782 | £1.070 |
| Reduced Greenfield Infrastructure Costs to £10,000 per unit | £4.654 | £1.790 | £150 | £4.238 | £1.630 |

Figure 4.1.6: Residual land values per hectare compared to benchmark land values (Chesham Road – LA6)



The table and figure above show that the proposed development at Chesham Road, LA6, is viable and able to support the proposed CIL liability of £150 per sq m.

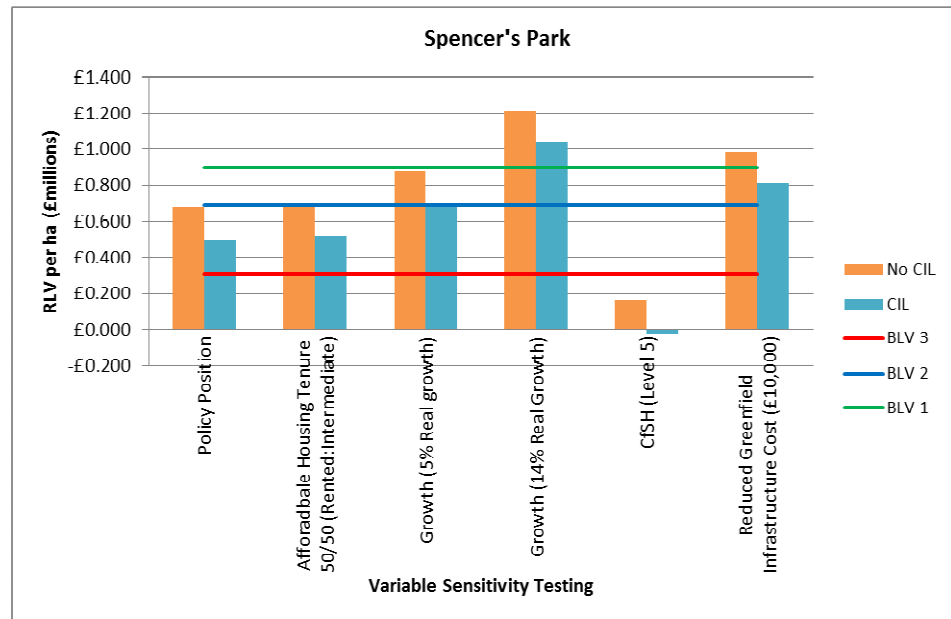
4.1.7 Spencer's Park – Phase 2

Table 4.1.7: Appraisal results – Spencer's Park – Phase 2 (E4)

| Variable Tested | No CIL | | With CIL | | |
|---|---------------------------------|--|-------------------------------------|---------------------------------|--|
| | Residual land value (£millions) | Residual land value per gross ha (£millions) | Proposed CIL for area (£s per sq m) | Residual land value (£millions) | Residual land value per gross ha (£millions) |
| Policy Compliant Position | £11.255 | £0.678 | £100 | £8.250 | £0.497 |
| Affordable Housing Tenure Split (50:50) | £11.643 | £0.701 | £100 | £8.698 | £0.524 |
| Growth in Sales Values (10%) and Construction Costs (5%) | £14.525 | £0.875 | £100 | £11.570 | £0.697 |
| Growth in Sales Values (24%) and Construction Costs (10%) | £20.136 | £1.213 | £100 | £17.214 | £1.037 |
| Code for Sustainable Homes - Level 5 | £2.706 | £0.163 | £100 | £-0.415 | £-0.025 |

| | No CIL | | With CIL | | |
|---|---------|--------|----------|---------|--------|
| Reduced Greenfield Infrastructure Costs to £10,000 per unit | £16.368 | £0.986 | £100 | £13.446 | £0.810 |

Figure 4.1.7: Residual land values per hectare compared to benchmark land values (Spencer's Park – E4)



Our analysis shows that a RLV per ha of £0.497 million is produced once the proposed CIL rate is incorporated into the development costs. This is compared to a benchmark RLV per ha of £0.306 million (BLV 3).

As such our assessment of a policy compliant position at Spencer's Park has identified that the Site is able to absorb the proposed CIL rate of £100 per sq m.

The only scenario upon which the proposed development at Spencer's Park is unviable is when the CfSH Level 5 is incorporated into the development costs. At this level of policy costs the Site is unviable at a CIL rate of £0 (zero) per sq m, which confirms that at higher sustainability levels it would not be CIL that makes the development unviable.

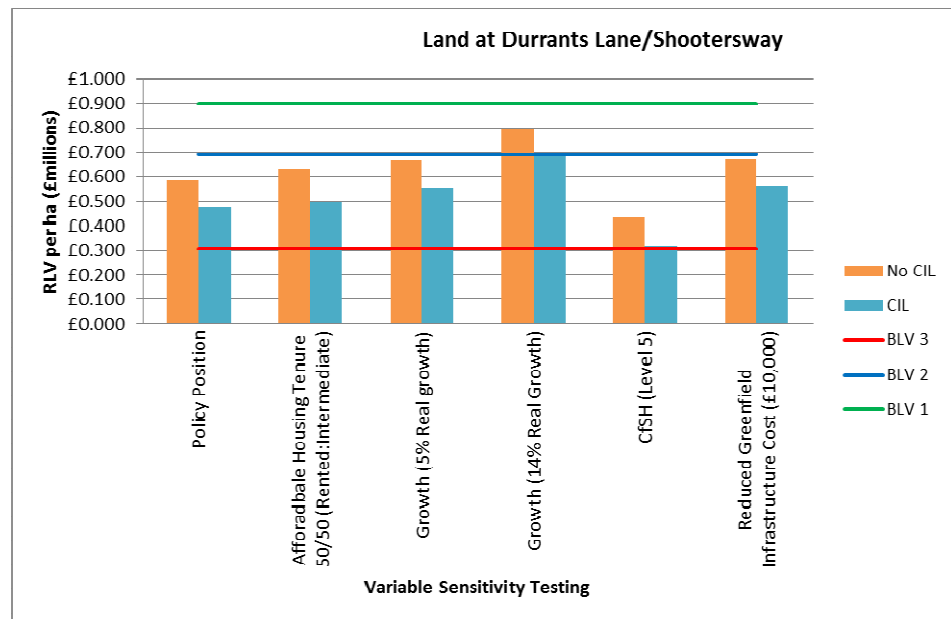
4.1.8 Land at Durrants Lane/Shootersway

Table 4.1.8: Appraisal results – Land at Durrants Lane/Shootersway – SS1

| | No CIL | | With CIL | | |
|---|---------------------------------|--|-------------------------------------|---------------------------------|--|
| Variable Tested | Residual land value (£millions) | Residual land value per gross ha (£millions) | Proposed CIL for area (£s per sq m) | Residual land value (£millions) | Residual land value per gross ha (£millions) |
| Policy Compliant Position | £9.477 | £0.585 | £250 | £7.663 | £0.473 |
| Affordable Housing Tenure Split (50:50) | £10.206 | £0.630 | £250 | £8.035 | £0.496 |

| | No CIL | | With CIL | | |
|---|---------|--------|----------|---------|--------|
| Growth in Sales Values (10%) and Construction Costs (5%) | £10.789 | £0.666 | £250 | £8.975 | £0.554 |
| Growth in Sales Values (24%) and Construction Costs (10%) | £12.911 | £0.797 | £250 | £11.129 | £0.687 |
| Code for Sustainable Homes - Level 5 | £7.047 | £0.435 | £250 | £5.168 | £0.319 |
| Reduced Greenfield Infrastructure Costs to £10,000 per unit | £10.854 | £0.670 | £250 | £9.072 | £0.560 |

Figure 4.1.8: Residual land values per hectare compared to benchmark land values (Land at Durrants Lane/Shootersway – SS1)



In line with the Land at Hanbury's Site (LA4), the strategic site at Durrants Lane/Shootersway is able to support the proposed CIL liability of £250 per sq m when tested against policy requirements and in the sensitivity tested scenarios we have appraised.

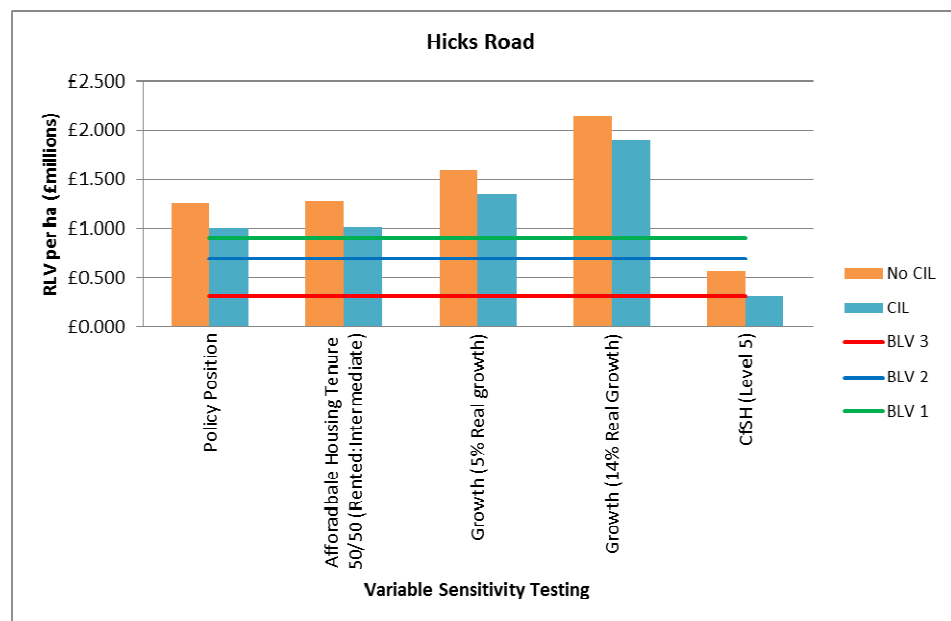
4.1.9 Hicks Road

Table 4.1.9: Appraisal results –Hicks Road– SS2

| | No CIL | | With CIL | | |
|-----------------|---------------------------------|--|-------------------------------------|---------------------------------|--|
| Variable Tested | Residual land value (£millions) | Residual land value per gross ha (£millions) | Proposed CIL for area (£s per sq m) | Residual land value (£millions) | Residual land value per gross ha (£millions) |

| | No CIL | | With CIL | | |
|---|--------|--------|----------|--------|--------|
| Policy Compliant Position | £3.777 | £1.259 | £100 | £3.024 | £1.008 |
| Affordable Housing Tenure Split (50:50) | £3.816 | £1.272 | £100 | £3.063 | £1.021 |
| Growth in Sales Values (10%) and Construction Costs (5%) | £4.773 | £1.591 | £100 | £4.029 | £1.343 |
| Growth in Sales Values (24%) and Construction Costs (10%) | £6.417 | £2.139 | £100 | £5.679 | £1.893 |
| Code for Sustainable Homes - Level 5 | £1.707 | £0.569 | £100 | £0.936 | £0.312 |

Figure 4.1.9: Residual land values per hectare compared to benchmark land values (Hicks Road – SS2)



Hicks Road, SS2 has been tested against BLV 2 which equates to £0.685 million per hectare due to the current use of the site.

On a policy compliant basis the proposed development is able to support the proposed CIL rate of £100 per sq m.

It is noted however that, the site is identified as being unable to support the CIL when CfSH Level 5 is incorporated due to the additional costs this places on the proposed development.

4.2 Exceptional relief

We understand that the Council intends to adopt an exceptional relief policy, a draft of which is to be published alongside the Draft Charging Schedule consultation.

Charging authorities are able to consider offering exceptional circumstances relief where there are particularly high site-specific costs affecting viability. In line with Regulation 56 of the Community Infrastructure Levy Regulations 2010 (as amended) and as identified in the Council's draft policy, for a development to qualify for relief, three tests must be met.

Firstly, the Developer must enter into a Section 106 agreement, the costs of which should exceed the CIL that would otherwise have been paid³.

Secondly, the Developer would need to demonstrate that the scheme would be unviable if required to meet both the costs of the Section 106 package in addition to CIL.

Thirdly, the Council would need to be satisfied that granting exceptional circumstances relief does not constitute state aid.

Once granted, exceptional circumstances relief lasts a year, after which time the Developer would need to submit an updated viability assessment to be granted a further period of relief.

4.2.1 Advantages of offering exceptional relief

The April 2013 Statutory Guidance suggests that charging authorities can, if they chose to, make use of exceptional circumstances relief "*to avoid rendering sites unviable should exceptional circumstances arise*".

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

The Council may also in limited circumstances wish to prioritise on-site Section 106 obligations to ensure that the obligations are delivered by the Developer in their entirety, particularly where there are timing issues with the delivery of such infrastructure. For example, rather than collecting CIL contributions from the development over time and then providing a new school after the money has been collected, the Council may prefer the developer to provide the School. Offering exceptional circumstances relief would provide the Council the flexibility to secure infrastructure items through the Section 106 without prejudicing scheme viability.

4.2.2 Issues associated with exceptional relief

Exceptional relief should only be used in exceptional circumstances and should not be relied upon as a means of setting rates of CIL that might be unviable in 'normal' circumstances. We note that in this regard the Council's draft policy highlights that, '*Exceptional Circumstances Relief will rarely be granted and will only be available where*

- a) *it can be demonstrated that the requirements of the S.106 provide items of infrastructure which have been identified as essential infrastructure within the Council's annual Infrastructure Delivery Plan, or*

³ It is noted however that in CLG's Response to the 'Community Infrastructure Levy: Consultation on further Regulatory Reforms' published on 25 October 2013 they identify that they, '*propose to take forward the proposal (option A) where a planning obligation still needs to be in place but does not have to be greater than the levy as this will provide greater flexibility to both local authorities and developers, and it was broadly supported by the consultation responses*'. Further we understand from this response that that the Government '*intends to develop regulations and guidance as quickly as possible, with the objective of laying new regulations in Parliament before the end of the year, to come into effect - subject to the Parliamentary process - by the end of January 2014.*'

- b) *the infrastructure items secured via the S.106 are identified as being necessary to support development in a Development Plan Document or Supplementary Planning Document, or*
- c) *the chargeable development would constitute a large scale major development⁴.*

The main issue that charging authorities need to consider before offering exceptional circumstances relief is one of eligibility. One of the current tests that developers have to meet to qualify for relief is that the costs of complying with the Section 106 must exceed the cost that the CIL would have been³. If the 'costs' of complying with the Section 106 agreement include the affordable housing, then a high volume of sites are likely to qualify. This would potentially result in many larger developments seeking exceptional circumstances relief, which would have to be assessed by the Council. The issue of state aid would also need to be considered in relation to each site. This would be an onerous burden that the Council may wish to avoid.

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

It is worth noting that a charging authority has the ability to switch their exceptional circumstances relief policy on (and then off again) when its use is desirable for a particular site. This is possible under the Regulations, but was made slightly more difficult by the December 2012 Statutory Guidance, which suggested that charging authorities should 'consult' on their exceptional circumstances relief policies.

⁴ *'For dwellings a large scale major development is one where the number of residential units to be constructed is 200 or more. For all other uses a large scale major development is one where the floor space to be built is 10,000 square metres or more or where the site area is 2 hectares or more.'*

5 Town Centre Appraisal and Analysis

To establish the viability of the proposed development of Hemel Hempstead Town Centre and the effect of adopting the CIL rate outlined in the Dacorum Borough Council PDCS, we have had regard for the Hemel Hempstead Town Centre Masterplan 2011 – 2021 (Adopted January 2013).

The adopted Masterplan outlines the Council’s vision for the development of the Town Centre and identifies a number of different sites that we help to deliver the Council’s future requirements. We have also had regard for the “Hemel Hempstead Masterplan – Delivery Advice, May 2012’ report as produced by DTZ. This report identifies the key potential development opportunities within the town centre and assess the viability of these areas. The areas identified are as follows:

- Hospital Zone;
- Jellicoe Water Gardens;
- Gade Zone;
- Plough Zone; and
- Marlowes Shopping Zone

In order to assess the key opportunity sites we have adopted a number of assumptions in line with the DTZ report and, where appropriate assumption in line with BNP Paribas Real Estate CIL Updated Viability Study. The assumptions adopted are detailed in the sections below.

In order to assess the proposed regeneration of the town centre we have used the Argus Developer program rather than our bespoke testing model used to assess the other strategic sites. Due to the scale of the development and the number of different phases which will be developed over a period of 15 years or so we considered it more appropriate to use this model. Argus allows for the explicit phasing of developments of this nature.

Furthermore, Argus is a commercially available development appraisal package in widespread use throughout the industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com.

5.1 Proposed Strategic Development

Table 5.1.1 sets out our assumptions on development density; number of residential units, commercial floorspace on mixed use schemes and the net site area for the town centre.

Table 3.1.1 – Development Assumptions

| Site/location | Use | Number of Residential units | Gross site area (ha) | Net site area (ha) |
|---------------|----------------------------------|-----------------------------|----------------------|--------------------|
| Hospital Zone | Residential | 529 | 15.6 | 9.72 |
| | Hospital | | | |
| | 2fe Primary School (Free School) | | | |

| Site/location | Use | Number of Residential units | Gross site area (ha) | Net site area (ha) |
|------------------------|--------------------|-----------------------------|----------------------|--------------------|
| Jellicoe Water Gardens | Car Parking | 0 | 1.00 | 1.05 |
| | Leisure Facilities | | | |
| Gade Zone | Residential | 183 | 6.30 | 6.04 |
| | Supermarket | | | |
| | Cinema | | | |
| | Retail | | | |
| | Community Use | | | |
| Plough Zone | Residential | 131 | 0.9 | 1.38 |
| Marlowes Shopping Zone | Residential | 48 | 0.65 | 0.51 |
| | Retail | | | |
| Total | | 891 | 24.45 | 18.70 |

The gross site area has been identified from Figure 16, Page 43, of the Town Centre Masterplan. The net site area has been adopted as stated in the DTZ viability report.

5.2 Unit Mix

In contrast to the other strategic sites identified by the Council we have not assumed a specific unit mix given that there are no specific details or guidance on this. Instead we have adopted the total floor area as adopted by DTZ in their viability assessment for the residential units provided in the Town Centre.

5.3 Residential Sales values

Sales values used in the appraisals are assumed to be £2,906 per sq m. This corresponds with the sales values used in the CIL Viability Study for the Hemel Central Area.

5.4 Project and Development Timescales

Our appraisal assumes the Town Centre will be developed in line with the Indicative Materplan Phasing Schedule.

5.5 Commercial Revenue and Assumptions

The assumptions used in the appraisal to value the commercial accommodation is summarised in table below. These correspond with the commercial assumptions used in the CIL Viability Study.

| Accommodation | Rent (£ / sq ft) | Yield | Void Period (Inc. Rent Free) | Build Cost (£ / sq ft) |
|---------------|------------------|-------|------------------------------|------------------------|
| Cinema | £16.00 | 6.5% | 2 years | £80 |
| Retail | £23 | 7% | 2 years | £124 |
| Supermarket | £23 | 5.75% | 2 years | £112 |
| Car Parking | £5 | 7% | 0 years | £50 |

In line with DTZ's assumption we have assumed that the development of the community uses will be cost neutral. This includes the proposed hospital, any leisure facilities and the West Herts College.

Other cost assumptions adopted that relate to the commercial accommodation to be provided on the above sites are as follows:

- Purchase costs of 5.8%;
- Letting agent's fee of 10% of annual rent;
- Sales agent's fee of 1% of capital value;
- Legal fees of 0.75% of capital value;
- External works of 10% on build cost;
- 20% profit on cost

5.6 Build costs and infrastructure

Our gross base build costs are £910 per square metre and £1,076 per square metre for flats and houses respectively. This assumption is based on the information provided in our CIL Viability Study.

We have also incorporated the specific site costs as assumed within the DTZ report following advice from JMP. These costs relate to specific access and movement measure for the town centre. The costs included are detailed below:

| Strategic Site | Specific Infrastructure Project | Cost |
|------------------------|---------------------------------|------------|
| Hospital Zone | Parking Provision | £10,000 |
| | Signage & Navigation | £15,600 |
| Jellicoe Water Gardens | Highways & Public Space | £623,500 |
| | Parking Provision | £10,000 |
| | Signage & Navigation | £15,600 |
| Gade Zone | Highways & Public Space | £1,906,000 |
| | Bus Infrastructure & Operations | £519,000 |
| | Parking Provision | £16,000 |
| | Walking & Cycling | £179,500 |
| | Signage & Navigation | £15,600 |
| Plough Zone | Highways & Public Space | £1,000,000 |
| | Parking Provision | £10,000 |
| | Signage & Navigation | £15,600 |
| Marlowes Shopping Zone | Highways & Public Space | £134,000 |
| | Taxi Ranking | £1,000 |
| | Parking Provision | £16,000 |
| | Signage & Navigation | £15,600 |

5.7 Affordable Housing

In line with adopted masterplan we have assumed the onsite provision of 35% affordable housing.

5.8 Residual Section 106 obligations

We have adopted an average of £1,200 per unit across the residential dwellings to be provided throughout the town centre.

5.9 CIL rates

Based on the zones within the Dacorum Borough Council PDCS, the site would attract a CIL charge of £100 per sq m. It should also be noted that as stated in the PDCS we have adopted a CIL charge of £150 per sq m on the supermarket accommodation.

5.10 Other assumptions

The other assumptions in our appraisals are as follows:

- Allowance for professional fees of 10% of build costs;
- Finance costs of 7% on negative balances; 0% on positive balances;
- Profit of 20% of private housing Gross Development Value (GDV) and 6% on affordable housing GDV;
- Acquisition costs: 4% stamp duty land tax, 1% agent's fee and 0.75% legal fees;
- Marketing costs: 2% of private housing GDV;
- Sales agent fee of 1% of private housing GDV;
- Sales legal fee of 0.5% of private housing GDV;

5.11 Appraisal results and Sensitivity Testing

We have run appraisal of the town centre with and without the relevant proposed CIL liability. We have then converted the residual land values for the entire site into a per hectare land value, so that we can determine whether this might be sufficient for the site to be brought forward for development. As stated earlier in this report our July 2013 CIL viability report adopted the following benchmark land values:

| Benchmark Land Value | Description | Value (£ per gross ha) |
|----------------------|---------------------------|------------------------|
| 1 | Serviced/Residential Land | £1,335,000 |
| 2 | Offices | £901,449 |
| 3 | Industrial | £685,319 |
| 4 | Community/Greenfield Site | £305,893 |

We have also adopted the additional benchmark for serviced land for the assessment of the town centre. We have assessed the town centre against all the benchmarks highlighted in our CIL viability study due to the varying land values likely to be achieved in the town centre.

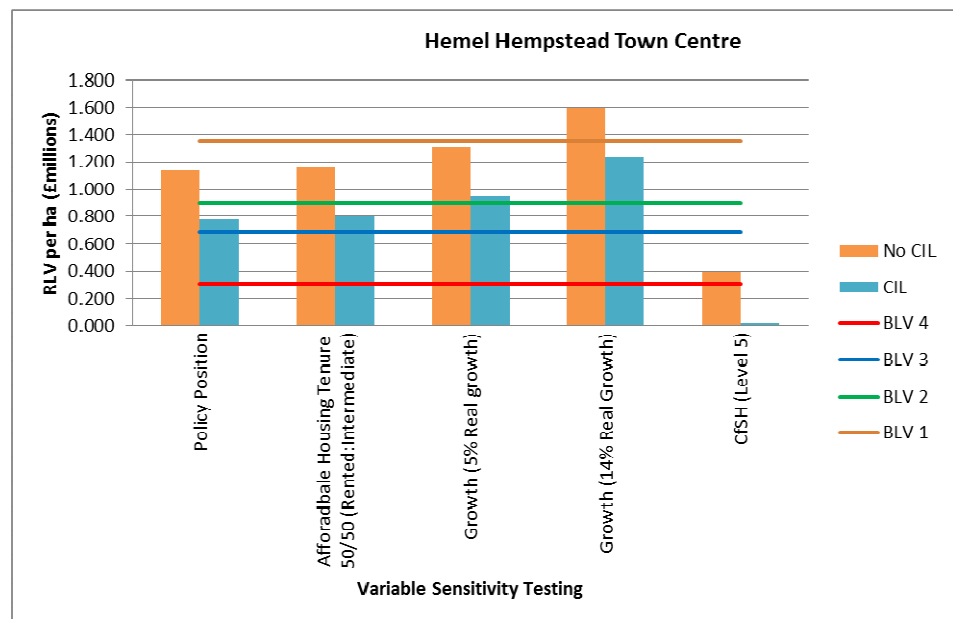
In line with the other strategic sites we have carried out further appraisals to understand whether certain changes will influence the viability of the sites. We have however, not tested the scheme in line with a Greenfield Infrastructure

cost as the town centre is not a Greenfield site and many of the services required for the development of a site will already be in place.

Table 5.11.1: Appraisal results – Hemel Hempstead Town Centre

| Variable Tested | No CIL | | With CIL | | |
|---|---------------------------------|--|-------------------------------------|---------------------------------|--|
| | Residual land value (£millions) | Residual land value per gross ha (£millions) | Proposed CIL for area (£s per sq m) | Residual land value (£millions) | Residual land value per gross ha (£millions) |
| Policy Compliant Position | £27.766 | £1.136 | £100 | £18.936 | £0.774 |
| Affordable Housing Tenure Split (50:50) | £28.573 | £1.169 | £100 | £19.751 | £0.801 |
| Growth in Sales Values (10%) and Construction Costs (5%) | £32.030 | £1.310 | £100 | £23.203 | £0.949 |
| Growth in Sales Values (24%) and Construction Costs (10%) | £39.144 | £1.601 | £100 | £30.318 | £1.240 |
| Code for Sustainable Homes - Level 5 | £9.697 | £0.397 | £100 | £0.385 | £0.016 |

Figure 5.11.1: Residual land values per hectare compared to benchmark land values (Hemel Hempstead Town Centre)



The analysis of the proposed regeneration of the Town Centre concludes that the site is able to support the proposed CIL rate of £100 per sq m for residential accommodation and £150 per sq m for supermarket accommodation.

The results above show that when adopting the proposed CIL rates across the Town Centre's proposed development a residual land value of £0.774 million per hectare is produced. When compared with the benchmark land values of £0.306 million per hectare to £1.335 million per hectare it is clear the proposed regeneration of Hemel Hempstead town centre is viable. Furthermore, when growth is assumed throughout the development the land value exceeds the highest benchmark land value.

However, we would comment that the Town Centre should be viewed as a number of development sites rather than a single discreet development that will be re-developed as one. As detailed in the masterplan, Hemel Hempstead town centre has been broken down into a number of different zones with different sites in separate ownership, all of which will provide developments of a different nature. As a result our analysis has resulted in each individual zone varying in residual land value. We would therefore conclude that over the life of the plan sites will come forward in the town centre from different land uses as they become viable.

6 Conclusions and Recommendations

The statutory CIL guidance (April 2013) suggests that charging schedules should consider the impact of their proposed levy on the economic viability of strategic sites on which the plan relies. Our results demonstrate that CIL rates as proposed in the PDCS could be absorbed by the majority of the sites tested whilst also providing a policy compliant level of affordable housing. Furthermore, the results indicate that once a percentage of growth has been factored into both the anticipated revenue and costs the sites tested are viable and able to support the proposed CIL rates. As it is anticipated that many of these sites will not be delivered until 2021, it is reasonable to anticipate some growth (real growth) from the values assumed to test the viability of the sites.

Given that the National Planning Policy Framework's key priority is sustainable development we would highlight that in order for developments to be considered sustainable, infrastructure needs to be provided to support it, the majority of which would need to be funded or partially funded through CIL. The use of Section 106 agreements will also be important to ensure the timely delivery of site specific infrastructure.

The proposed CIL rates in the PDCS amounts to less than 5% of development costs and as such form a small proportion of the costs to the development. It is unlikely therefore that CIL would be the defining factor that would make development unviable.

We consider that the rates proposed in the PDCS are appropriate. However the Council may wish to consider whether it would be appropriate to adopt a lower CIL rate on the Icknield Way site, in recognition of the findings to this report and taking into consideration the likelihood of the sites delivery outside the life of the Charging Schedule. We set out in the table below the recommended viable CIL rates for each of the strategic sites tested as identified by this study.

| Strategic Site | Recommended CIL Rate (£ per sq m) |
|-----------------------------------|-----------------------------------|
| Marchmont Farm | £100 |
| Old Town | £100 |
| West Hemel Hempstead | £100 |
| Land at Hanbury's | £250 |
| Icknield Way | £140 |
| Chesham Road | £150 |
| Spencer's Park | £100 |
| Land at Durrants Lane/Shootersway | £250 |
| Land at Hicks Road | £150 |
| Hemel Hempstead Town Centre | £100 (Residential) |
| | £150 (Supermarket) |

The results of our appraisals which sensitivity test a higher sustainability requirement suggest that achieving a higher level of CfSH in accordance with government requirements is likely to be ambitious on many sites and will require a reduction in costs in comparison to today's estimates. It should be noted however, that the extra over costs associated with building to higher standards of sustainability is expected to reduce in future by comparison to the current day estimates due to further research into technologies to deliver this. This trend is

demonstrated by the reports produced for the CLG by Element Energy and David Langdon (2011) and previous studies undertaken by Cyril Sweet⁵.

We note that the Council is considering the case for adopting a zero CIL (£0 per sq m) and collecting 100% of the contributions towards necessary infrastructure required to support the sites through Section 106 agreements for the West Hemel Hempstead, Icknield Way and Spencer's Park sites. In such cases the value of the Section 106 agreement would increase from the residual Section 106 sums identified in section 3.11 of this report. We understand that the Council is considering this approach due to the nature of the infrastructure to be provided and to ensure the expedient delivery of the infrastructure required to support the sites such as on site community uses i.e. schools and GP surgeries etc. and extensive highways works.

The advantages of using a Section 106 agreement in these cases would be that the agreements would provide greater certainty of the funding and delivery of the necessary infrastructure needed to support the development.

⁵ The trend of reduction in the extra over costs associated with the delivery of higher levels of CfSH has been demonstrated in the CLG reports on the Cost of building housing to the CfSH's standards:

- 'Cost of building housing to the code for sustainable homes standard: updated cost review' prepared by Element Energy and Davis Langdon (August 2011);
- 'Code for Sustainable Homes: A Cost Review' prepared by Cyril Sweet (March 2010); and
- 'Cost Analysis of The Code for Sustainable Homes' by Cyril Sweet (July 2008)

Appendix 1 - Appraisal Results (Policy Compliant Schemes)

| | |
|-----------------------|-----------|
| Marchmont Farm | |
| Houses | |
| No of units | 300 units |
| Density: | 30 dph |
| CSH level: | 4 |

| | |
|---------------------|-----|
| Affordable % | 40% |
| % rented | 75% |
| % intermed | 25% |

| | |
|--------------|----------|
| Site area | 20.00 ha |
| Net to gross | 50% |

| | |
|--------|----|
| Growth | |
| Sales | 0% |
| Build | 0% |

Market Area 3 and 6 - £2,906

Private values £2906 psm

| CIL amount per sq m | RLV | RLV per ha | RLV less BLV 1 | RLV less BLV 2 | RLV less BLV 3 |
|---------------------|-----------|------------|----------------|----------------|----------------|
| 0 | 8,466,156 | 423,308 | -478,141 | -262,011 | 117,415 |
| 10 | 8,341,819 | 417,091 | -484,358 | -268,228 | 111,198 |
| 20 | 8,217,481 | 410,874 | -490,575 | -274,445 | 104,981 |
| 30 | 8,093,144 | 404,657 | -496,792 | -280,662 | 98,764 |
| 40 | 7,968,769 | 398,438 | -503,011 | -286,881 | 92,545 |
| 50 | 7,842,399 | 392,120 | -509,329 | -293,199 | 86,227 |
| 60 | 7,716,028 | 385,801 | -515,648 | -299,518 | 79,908 |
| 70 | 7,589,656 | 379,483 | -521,966 | -305,836 | 73,590 |
| 80 | 7,463,286 | 373,164 | -528,285 | -312,155 | 67,271 |
| 90 | 7,336,915 | 366,846 | -534,603 | -318,473 | 60,953 |
| 100 | 7,210,544 | 360,527 | -540,922 | -324,792 | 54,634 |
| 125 | 6,894,617 | 344,731 | -556,718 | -340,588 | 38,838 |
| 150 | 6,578,690 | 328,935 | -572,514 | -356,384 | 23,042 |
| 200 | 5,939,803 | 296,990 | -604,459 | -388,329 | -8,903 |
| 250 | 5,297,614 | 264,881 | -636,568 | -420,438 | -41,012 |
| 300 | 4,653,344 | 232,667 | -668,782 | -452,652 | -73,226 |

| | | |
|--------------------------------------|------|------|
| Maximum CIL rates (per square metre) | | |
| BLV1 | BLV2 | BLV3 |
| #N/A | #N/A | £150 |

| | |
|-----------------|------------------|
| Old Town | |
| | Flats and houses |
| No of units | 80 units |
| Density: | 45 dph |
| CSH level: | 4 |

| | |
|---------------------|-----|
| Affordable % | 40% |
| % rented | 75% |
| % intermed | 25% |

| | |
|--------------|---------|
| Site area | 2.60 ha |
| Net to gross | 70% |

| | |
|---------------|----|
| Growth | |
| Sales | 0% |
| Build | 0% |

Market Area 3 and 6 - £2,906

Private values £2906 psm

| CIL amount per sq m | RLV | RLV per ha | RLV less BLV 1 | RLV less BLV 2 | RLV less BLV 3 |
|---------------------|-----------|------------|----------------|----------------|----------------|
| 0 | 1,191,225 | 469,045 | -432,404 | -216,274 | 163,152 |
| 10 | 1,161,351 | 457,282 | -444,167 | -228,037 | 151,389 |
| 20 | 1,131,478 | 445,520 | -455,929 | -239,799 | 139,627 |
| 30 | 1,101,604 | 433,757 | -467,692 | -251,562 | 127,864 |
| 40 | 1,071,731 | 421,994 | -479,455 | -263,325 | 116,101 |
| 50 | 1,041,858 | 410,231 | -491,218 | -275,088 | 104,338 |
| 60 | 1,011,984 | 398,469 | -502,980 | -286,850 | 92,576 |
| 70 | 982,110 | 386,706 | -514,743 | -298,613 | 80,813 |
| 80 | 952,237 | 374,943 | -526,506 | -310,376 | 69,050 |
| 90 | 922,364 | 363,181 | -538,268 | -322,138 | 57,288 |
| 100 | 892,490 | 351,418 | -550,031 | -333,901 | 45,525 |
| 125 | 817,807 | 322,011 | -579,438 | -363,308 | 16,118 |
| 150 | 743,123 | 292,605 | -608,844 | -392,714 | -13,288 |
| 200 | 593,330 | 233,624 | -667,825 | -451,695 | -72,269 |
| 250 | 441,520 | 173,848 | -727,601 | -511,471 | -132,045 |
| 300 | 289,709 | 114,073 | -787,376 | -571,246 | -191,820 |

| | | |
|---|-------------|-------------|
| Maximum CIL rates (per square metre) | | |
| BLV1 | BLV2 | BLV3 |
| #N/A | #N/A | £125 |

West Hemel Hempstead

| | |
|-------------|-----------|
| | Houses |
| No of units | 900 units |
| Density: | 30 dph |
| CSH level: | 4 |

| | |
|---------------------|-----|
| Affordable % | 40% |
| % rented | 75% |
| % intermed | 25% |

| | |
|--------------|----------|
| Site area | 54.04 ha |
| Net to gross | 55% |

| | |
|--------|----|
| Growth | |
| Sales | 0% |
| Build | 0% |

Market Area 2 and 5 - £3,229

Private values £3229 psm

| CIL amount per sq m | RLV | RLV per ha | RLV less BLV 1 | RLV less BLV 2 | RLV less BLV 3 |
|---------------------|------------|------------|----------------|----------------|----------------|
| 0 | 23,477,247 | 430,416 | -471,033 | -254,903 | 124,523 |
| 10 | 23,121,761 | 423,899 | -477,550 | -261,420 | 118,006 |
| 20 | 22,763,895 | 417,338 | -484,111 | -267,981 | 111,445 |
| 30 | 22,406,030 | 410,777 | -490,672 | -274,542 | 104,884 |
| 40 | 22,048,164 | 404,216 | -497,233 | -281,103 | 98,323 |
| 50 | 21,690,298 | 397,655 | -503,794 | -287,664 | 91,762 |
| 60 | 21,328,284 | 391,019 | -510,430 | -294,300 | 85,126 |
| 70 | 20,964,564 | 384,350 | -517,099 | -300,969 | 78,457 |
| 80 | 20,600,846 | 377,682 | -523,767 | -307,637 | 71,789 |
| 90 | 20,237,127 | 371,014 | -530,435 | -314,305 | 65,121 |
| 100 | 19,873,408 | 364,346 | -537,103 | -320,973 | 58,453 |
| 125 | 18,964,111 | 347,675 | -553,774 | -337,644 | 41,782 |
| 150 | 18,047,494 | 330,871 | -570,578 | -354,448 | 24,978 |
| 200 | 16,199,158 | 296,985 | -604,464 | -388,334 | -8,908 |
| 250 | 14,333,356 | 262,778 | -638,671 | -422,541 | -43,115 |
| 300 | 12,454,790 | 228,338 | -673,111 | -456,981 | -77,555 |

Maximum CIL rates (per square metre)

| BLV1 | BLV2 | BLV3 |
|------|------|------|
| #N/A | #N/A | £150 |

Land at Hanbury's

| | |
|-------------|----------|
| | Houses |
| No of units | 60 units |
| Density: | 42 dph |
| CSH level: | 4 |

| | |
|---------------------|-----|
| Affordable % | 40% |
| % rented | 75% |
| % intermed | 25% |

| | |
|--------------|---------|
| Site area | 1.90 ha |
| Net to gross | 75% |

| | |
|--------|----|
| Growth | |
| Sales | 0% |
| Build | 0% |

Market Area 1 - £3,767

| | |
|-----------------------|-----------|
| Private values | £3767 psm |
|-----------------------|-----------|

| CIL amount per sq m | RLV | RLV per ha | RLV less BLV 1 | RLV less BLV 2 | RLV less BLV 3 |
|---------------------|-----------|------------|----------------|----------------|----------------|
| 0 | 4,668,723 | 2,451,079 | 1,549,630 | 1,765,760 | 2,145,186 |
| 10 | 4,640,491 | 2,436,258 | 1,534,809 | 1,750,939 | 2,130,365 |
| 20 | 4,612,260 | 2,421,436 | 1,519,987 | 1,736,117 | 2,115,543 |
| 30 | 4,584,028 | 2,406,615 | 1,505,166 | 1,721,296 | 2,100,722 |
| 40 | 4,555,796 | 2,391,793 | 1,490,344 | 1,706,474 | 2,085,900 |
| 50 | 4,527,566 | 2,376,972 | 1,475,523 | 1,691,653 | 2,071,079 |
| 60 | 4,499,334 | 2,362,150 | 1,460,701 | 1,676,831 | 2,056,257 |
| 70 | 4,471,103 | 2,347,329 | 1,445,880 | 1,662,010 | 2,041,436 |
| 80 | 4,442,871 | 2,332,507 | 1,431,058 | 1,647,188 | 2,026,614 |
| 90 | 4,414,640 | 2,317,686 | 1,416,237 | 1,632,367 | 2,011,793 |
| 100 | 4,386,409 | 2,302,865 | 1,401,416 | 1,617,546 | 1,996,972 |
| 125 | 4,315,830 | 2,265,811 | 1,364,362 | 1,580,492 | 1,959,918 |
| 150 | 4,245,252 | 2,228,757 | 1,327,308 | 1,543,438 | 1,922,864 |
| 200 | 4,104,095 | 2,154,650 | 1,253,201 | 1,469,331 | 1,848,757 |
| 250 | 3,962,938 | 2,080,543 | 1,179,093 | 1,395,224 | 1,774,650 |
| 300 | 3,821,782 | 2,006,436 | 1,104,987 | 1,321,117 | 1,700,543 |

Maximum CIL rates (per square metre)

| | | |
|------|------|------|
| BLV1 | BLV2 | BLV3 |
| £300 | £300 | £300 |

| | |
|---------------------|-----------|
| Icknield Way | |
| | Houses |
| No of units | 150 units |
| Density: | 15 dph |
| CSH level: | 4 |

| | |
|---------------------|-----|
| Affordable % | 40% |
| % rented | 75% |
| % intermed | 25% |

| | |
|--------------|----------|
| Site area | 16.13 ha |
| Net to gross | 62% |

| | |
|--------|----|
| Growth | |
| Sales | 0% |
| Build | 0% |

Market Area 2 and 5 - £3,229

Private values £3229 psm

| CIL amount per sq m | RLV | RLV per ha | RLV less BLV 1 | RLV less BLV 2 | RLV less BLV 3 |
|---------------------|-----------|------------|----------------|----------------|----------------|
| 0 | 5,858,077 | 363,201 | -538,248 | -322,118 | 57,308 |
| 10 | 5,791,939 | 359,100 | -542,349 | -326,219 | 53,207 |
| 20 | 5,725,800 | 355,000 | -546,449 | -330,319 | 49,107 |
| 30 | 5,659,662 | 350,899 | -550,550 | -334,420 | 45,006 |
| 40 | 5,593,524 | 346,798 | -554,651 | -338,521 | 40,905 |
| 50 | 5,527,387 | 342,698 | -558,751 | -342,621 | 36,805 |
| 60 | 5,461,249 | 338,597 | -562,852 | -346,722 | 32,704 |
| 70 | 5,395,111 | 334,497 | -566,952 | -350,822 | 28,604 |
| 80 | 5,328,973 | 330,396 | -571,053 | -354,923 | 24,503 |
| 90 | 5,262,835 | 326,296 | -575,153 | -359,023 | 20,403 |
| 100 | 5,196,697 | 322,195 | -579,254 | -363,124 | 16,302 |
| 125 | 5,030,831 | 311,911 | -589,538 | -373,408 | 6,018 |
| 150 | 4,862,782 | 301,492 | -599,957 | -383,827 | -4,401 |
| 200 | 4,526,684 | 280,654 | -620,795 | -404,665 | -25,239 |
| 250 | 4,190,585 | 259,816 | -641,633 | -425,503 | -46,077 |
| 300 | 3,854,487 | 238,978 | -662,471 | -446,341 | -66,915 |

Maximum CIL rates (per square metre)

| | | |
|------|------|------|
| BLV1 | BLV2 | BLV3 |
| #N/A | #N/A | £140 |

| | |
|---------------------|----------|
| Chesham Road | |
| | Houses |
| No of units | 60 units |
| Density: | 33 dph |
| CSH level: | 4 |

| | |
|---------------------|-----|
| Affordable % | 40% |
| % rented | 75% |
| % intermed | 25% |

| | |
|--------------|---------|
| Site area | 2.60 ha |
| Net to gross | 70% |

| | |
|--------|----|
| Growth | |
| Sales | 0% |
| Build | 0% |

Market Area 7 - £3,498

| | |
|-----------------------|-----------|
| Private values | £3498 psm |
|-----------------------|-----------|

| CIL amount per sq m | RLV | RLV per ha | RLV less BLV 1 | RLV less BLV 2 | RLV less BLV 3 |
|---------------------|-----------|------------|----------------|----------------|----------------|
| 0 | 4,117,524 | 1,585,247 | 683,798 | 899,928 | 1,279,354 |
| 10 | 4,089,293 | 1,574,378 | 672,929 | 889,059 | 1,268,485 |
| 20 | 4,061,061 | 1,563,509 | 662,060 | 878,190 | 1,257,616 |
| 30 | 4,032,830 | 1,552,639 | 651,190 | 867,320 | 1,246,746 |
| 40 | 4,004,598 | 1,541,770 | 640,321 | 856,451 | 1,235,877 |
| 50 | 3,976,368 | 1,530,902 | 629,453 | 845,583 | 1,225,009 |
| 60 | 3,948,136 | 1,520,032 | 618,583 | 834,713 | 1,214,139 |
| 70 | 3,919,904 | 1,509,163 | 607,714 | 823,844 | 1,203,270 |
| 80 | 3,891,673 | 1,498,294 | 596,845 | 812,975 | 1,192,401 |
| 90 | 3,863,442 | 1,487,425 | 585,976 | 802,106 | 1,181,532 |
| 100 | 3,835,211 | 1,476,556 | 575,107 | 791,237 | 1,170,663 |
| 125 | 3,764,632 | 1,449,383 | 547,934 | 764,064 | 1,143,490 |
| 150 | 3,694,054 | 1,422,211 | 520,762 | 736,892 | 1,116,318 |
| 200 | 3,552,897 | 1,367,865 | 466,416 | 682,546 | 1,061,972 |
| 250 | 3,411,740 | 1,313,520 | 412,071 | 628,201 | 1,007,627 |
| 300 | 3,270,583 | 1,259,174 | 357,725 | 573,855 | 953,281 |

Maximum CIL rates (per square metre)

| | | |
|-------------|-------------|-------------|
| BLV1 | BLV2 | BLV3 |
| £200 | £300 | £300 |

| | |
|-----------------------|-----------|
| Spencer's Park | |
| Houses | 600 units |
| No of units | 48 dph |
| Density: | 4 |
| CSH level: | |

| | |
|---------------------|-----|
| Affordable % | 35% |
| % rented | 75% |
| % intermed | 25% |

| | |
|--------------|----------|
| Site area | 16.60 ha |
| Net to gross | 75% |

| | |
|---------------|----|
| Growth | |
| Sales | 0% |
| Build | 0% |

| | |
|-----------------------|-----------|
| Private values | £2906 psm |
|-----------------------|-----------|

Market Area 3 and 6 - £2,906

| CIL amount per sq m | RLV | RLV per ha | RLV less BLV 1 | RLV less BLV 2 | RLV less BLV 3 |
|---------------------|------------|------------|----------------|----------------|----------------|
| 0 | 11,308,784 | 678,527 | -222,922 | -6,792 | 372,634 |
| 10 | 11,011,165 | 660,670 | -240,779 | -24,649 | 354,777 |
| 20 | 10,713,547 | 642,813 | -258,636 | -42,506 | 336,920 |
| 30 | 10,415,929 | 624,956 | -276,493 | -60,363 | 319,063 |
| 40 | 10,114,456 | 606,867 | -294,582 | -78,452 | 300,974 |
| 50 | 9,811,970 | 588,718 | -312,731 | -96,601 | 282,825 |
| 60 | 9,509,484 | 570,569 | -330,880 | -114,750 | 264,676 |
| 70 | 9,206,998 | 552,420 | -349,029 | -132,899 | 246,527 |
| 80 | 8,904,512 | 534,271 | -367,178 | -151,048 | 228,378 |
| 90 | 8,602,027 | 516,122 | -385,327 | -169,197 | 210,229 |
| 100 | 8,299,541 | 497,972 | -403,477 | -187,347 | 192,079 |
| 125 | 7,543,326 | 452,600 | -448,849 | -232,719 | 146,707 |
| 150 | 6,785,221 | 407,113 | -494,336 | -278,206 | 101,220 |
| 200 | 5,248,056 | 314,883 | -586,566 | -370,436 | 8,990 |
| 250 | 3,710,891 | 222,653 | -678,796 | -462,666 | -83,240 |
| 300 | 2,152,831 | 129,170 | -772,279 | -556,149 | -176,723 |

Maximum CIL rates (per square metre)

| BLV1 | BLV2 | BLV3 |
|------|------|------|
| #N/A | #N/A | £200 |

Land at Durrants Lane/Shootersway

| | |
|-------------|------------------|
| | Flats and houses |
| No of units | 180 units |
| Density: | 33 dph |
| CSH level: | 4 |

| | |
|---------------------|-----|
| Affordable % | 40% |
| % rented | 75% |
| % intermed | 25% |

| | |
|--------------|----------|
| Site area | 16.04 ha |
| Net to gross | 34% |

| | |
|--------|----|
| Growth | |
| Sales | 0% |
| Build | 0% |

Market Area 1 - £3,767

Private values £3767 psm

| CIL amount per sq m | RLV | RLV per ha | RLV less BLV 1 | RLV less BLV 2 | RLV less BLV 3 |
|---------------------|-----------|------------|----------------|----------------|----------------|
| 0 | 9,394,930 | 585,617 | -315,832 | -99,702 | 279,724 |
| 10 | 9,323,605 | 581,171 | -320,278 | -104,148 | 275,278 |
| 20 | 9,252,282 | 576,726 | -324,723 | -108,593 | 270,833 |
| 30 | 9,180,957 | 572,280 | -329,169 | -113,039 | 266,387 |
| 40 | 9,109,634 | 567,834 | -333,615 | -117,485 | 261,941 |
| 50 | 9,038,309 | 563,388 | -338,061 | -121,931 | 257,495 |
| 60 | 8,966,986 | 558,942 | -342,507 | -126,377 | 253,049 |
| 70 | 8,895,661 | 554,496 | -346,953 | -130,823 | 248,603 |
| 80 | 8,824,338 | 550,050 | -351,399 | -135,269 | 244,157 |
| 90 | 8,753,013 | 545,605 | -355,845 | -139,714 | 239,712 |
| 100 | 8,681,690 | 541,159 | -360,290 | -144,160 | 235,266 |
| 125 | 8,500,653 | 529,874 | -371,575 | -155,445 | 223,981 |
| 150 | 8,319,428 | 518,578 | -382,871 | -166,741 | 212,685 |
| 200 | 7,956,975 | 495,985 | -405,464 | -189,334 | 190,092 |
| 250 | 7,594,523 | 473,392 | -428,057 | -211,927 | 167,499 |
| 300 | 7,226,764 | 450,468 | -450,981 | -234,851 | 144,575 |

| | | |
|--------------------------------------|------|------|
| Maximum CIL rates (per square metre) | | |
| BLV1 | BLV2 | BLV3 |
| #N/A | #N/A | £300 |

Land at Hick's Road

| | |
|-------------|------------------|
| | Flats and houses |
| No of units | 150 units |
| Density: | 59 dph |
| CSH level: | 4 |

| | |
|---------------------|-----|
| Affordable % | 15% |
| % rented | 75% |
| % intermed | 25% |

| | |
|--------------|---------|
| Site area | 2.99 ha |
| Net to gross | 85% |

| | |
|--------|----|
| Growth | |
| Sales | 0% |
| Build | 0% |

Market Area 3 and 6 - £2,906

Private values £2906 psm

Maximum CIL rates (per square metre)

| CIL amount per sq m | RLV | RLV per ha | RLV less BLV 1 | RLV less BLV 2 | RLV less BLV 3 |
|---------------------|-----------|------------|----------------|----------------|----------------|
| 0 | 3,764,915 | 1,258,737 | 357,288 | 573,418 | 952,844 |
| 10 | 3,690,762 | 1,233,945 | 332,496 | 548,626 | 928,052 |
| 20 | 3,616,607 | 1,209,152 | 307,703 | 523,833 | 903,259 |
| 30 | 3,541,771 | 1,184,132 | 282,683 | 498,813 | 878,239 |
| 40 | 3,466,405 | 1,158,935 | 257,486 | 473,616 | 853,042 |
| 50 | 3,391,038 | 1,133,737 | 232,288 | 448,418 | 827,844 |
| 60 | 3,315,671 | 1,108,539 | 207,090 | 423,220 | 802,646 |
| 70 | 3,240,305 | 1,083,342 | 181,893 | 398,023 | 777,449 |
| 80 | 3,164,938 | 1,058,144 | 156,695 | 372,825 | 752,251 |
| 90 | 3,089,572 | 1,032,947 | 131,498 | 347,628 | 727,054 |
| 100 | 3,014,205 | 1,007,749 | 106,300 | 322,430 | 701,856 |
| 125 | 2,825,789 | 944,755 | 43,306 | 259,436 | 638,862 |
| 150 | 2,637,372 | 881,762 | -19,688 | 196,443 | 575,869 |
| 200 | 2,259,520 | 755,433 | -146,016 | 70,114 | 449,540 |
| 250 | 1,876,524 | 627,385 | -274,064 | -57,934 | 321,492 |
| 300 | 1,493,529 | 499,336 | -402,113 | -185,983 | 193,443 |

| BLV1 | BLV2 | BLV3 |
|------|------|------|
| £125 | £200 | £300 |

Appendix 2 - Town Centre Appraisal Results (Policy Compliant)

Hemel Hempstead Town Centre

Summary Appraisal for Merged Phases 1 2 3 4 5

REVENUE

| Sales Valuation | m² | Rate m² | Gross Sales | |
|------------------------------------|-------------------------|---------------------------|---------------------------|--------------------|
| Hospital Zone - Private Flats | 18,486.72 | £2,906.00 | 53,722,408 | |
| Hospital Zone - Private Houses | 10,939.90 | £2,906.00 | 31,791,361 | |
| Hospital Zone - Aff Flats - Rented | 7,409.36 | £1,736.00 | 12,862,649 | |
| Hospital Zone - Aff Flats - Int | 2,494.24 | £1,868.00 | 4,659,240 | |
| Hospital Zone - Aff Houses - Rent | 5,499.68 | £1,495.00 | 8,222,022 | |
| Hospital Zone - Aff Houses - Int | 1,932.32 | £1,601.00 | 3,093,644 | |
| Gade - Private Flats | 7,336.00 | £2,906.00 | 21,318,416 | |
| Gade - Private Houses | 2,675.52 | £2,906.00 | 7,775,061 | |
| Gade - Aff Flats - Rented | 3,007.76 | £1,736.00 | 5,221,471 | |
| Gade - Aff Houses - Rented | 1,040.48 | £1,495.00 | 1,555,518 | |
| Gade - Aff Flats - Int | 1,027.04 | £1,868.00 | 1,918,511 | |
| Gade - Aff Houses - Int | 445.92 | £1,601.00 | 713,918 | |
| Plough - Private Flats | 6,235.60 | £2,906.00 | 18,120,654 | |
| Plough - Aff Flats - Rented | 2,494.24 | £1,736.00 | 4,330,001 | |
| Plough - Aff Flats - Int | 880.32 | £1,868.00 | 1,644,438 | |
| Marlowes - Private Flats | 2,274.16 | £2,906.00 | 6,608,709 | |
| Marlowes - Aff Flats - Rented | 953.68 | £1,736.00 | 1,655,588 | |
| Marlowes - Aff Flats - Int | 293.44 | £1,868.00 | 548,146 | |
| Totals | <u>75,426.38</u> | | <u>185,761,755</u> | 185,761,755 |

Rental Area Summary

| | Units | Unit Amount | Gross MRV |
|---------------|--------------|--------------------|-----------------------|
| Ground Rents | 252 units at | £250 | 63,000 |
| Ground Rents | 100 units at | £250 | 25,000 |
| Ground Rents | 85 units at | £250 | 21,250 |
| Ground Rents | 31 units at | £250 | 7,750 |
| Totals | | | <u>117,000</u> |

| | m² | Rate m² | Gross MRV |
|---------------------------------|-------------------------|---------------------------|-------------------------|
| Hospital | 9,755.00 | | |
| Car Park - Hospital | 6,596.00 | £53.82 | 355,000 |
| Paradise - Basement Car Parking | 2,489.00 | | |
| Royal Mail B - GF Parking | 1,978.00 | | |
| St Albans Rd - Basement Car Par | 100.00 | | |
| Multi Storey Car Parking | 7,900.00 | £53.82 | 425,178 |
| West Herts College | 9,383.00 | | |
| Coombe Street - GF Parking | 1,410.00 | | |
| Supermarket | 15,235.60 | £247.50 | 3,770,811 |
| PSQ inc. library | 7,357.60 | £193.75 | 1,425,535 |
| Cinema | 1,255.50 | £172.25 | 216,260 |
| Retail | 1,066.00 | £247.50 | 263,835 |
| Plough - GF Parking | 996.00 | | |
| Plough - Surface Car Parking | 615.00 | | |
| Marlowes - retail | 570.51 | £247.50 | 141,202 |
| Totals | <u>66,707.21</u> | | <u>6,597,821</u> |

Investment Valuation

| | | | | | |
|---------------------------------|---------|------|---------|---------|------------|
| Hospital | | | | | |
| Manual Value | | | | | 22,300,000 |
| Car Park - Hospital | | | | | |
| Current Rent | 355,000 | YP @ | 7.0000% | 14.2857 | 5,071,429 |
| Ground Rents | | | | | |
| Current Rent | 63,000 | YP @ | 6.0000% | 16.6667 | 1,050,000 |
| Multi Storey Car Parking | | | | | |
| Current Rent | 425,178 | YP @ | 7.0000% | 14.2857 | 6,073,971 |
| Town Gardens Building | | | | | |
| Manual Value | | | | | 4,700,000 |

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Hemel Hempstead Town Centre****West Herts College**

Manual Value 23,000,000

SupermarketMarket Rent 3,770,811 YP @ 5.7500% 17.3913
PV 2yrs 1mth @ 5.7500% 0.8901 58,369,074**PSQ inc. library**

Current Rent 1,425,535 YP @ 6.5000% 15.3846 21,931,308

Cinema

Current Rent 216,260 YP @ 6.5000% 15.3846 3,327,075

Retail

Current Rent 263,835 YP @ 7.0000% 14.2857 3,769,071

Ground Rents

Current Rent 25,000 YP @ 6.0000% 16.6667 416,667

Ground Rents

Current Rent 21,250 YP @ 6.0000% 16.6667 354,167

Ground Rents

Current Rent 7,750 YP @ 6.0000% 16.6667 129,167

Marlowes - retailMarket Rent 141,202 YP @ 7.0000% 14.2857
(2yrs Rent Free) PV 2yrs @ 7.0000% 0.8734 1,761,881**152,253,810**

GROSS DEVELOPMENT VALUE

338,015,564

Purchaser's Costs

5.80% (5,505,778)

NET DEVELOPMENT VALUE

332,509,787**Income from Tenants**

Cinema 198,238

Retail 791,505

989,743

NET REALISATION**333,499,530****OUTLAY****ACQUISITION COSTS**

Residualised Price (24.43 Ha £775,114.83 pHect) 18,936,055

Stamp Duty 4.00% 816,464

Agent Fee 1.00% 204,116

Legal Fee 0.75% 153,087

20,109,723

CONSTRUCTION COSTS**Construction**

Town Gardens Building 1 unit at £4,700,000 4,700,000

Hospital 9,755.00 m² £2,286.01 Rate m² Cost 22,300,000

Car Park - Hospital 6,596.00 £538.00 3,548,648

Paradise - Basement Car Parking 2,489.00 £710.00 1,767,190

Royal Mail B - GF Parking 1,978.00 £430.00 850,540

St Albans Rd - Basement Car Par 2,680.00 £710.00 1,902,800

Multi Storey Car Parking 7,900.00 £538.20 4,251,780

West Herts College 9,383.00 £2,451.24 23,000,000

Coombe Street - GF Parking 1,410.00 £430.00 606,300

Supermarket 18,580.00 £1,326.10 24,638,938

PSQ inc. library 9,197.00 £1,720.00 15,818,840

Cinema 1,395.00 £947.25 1,321,414

Retail 1,300.00 £1,468.20 1,908,660

Plough - GF Parking 996.00 £430.00 428,280

Plough - Surface Car Parking 615.00 £53.82 33,099

Marlowes - retail 695.75 £1,468.20 1,021,500

Hospital Zone - Private Flats 23,108.40 £1,046.50 24,182,941

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Hemel Hempstead Town Centre**

| | | | | |
|------------------------------------|--------------------------|------------------------|---------------------------|--------------------|
| Hospital Zone - Private Houses | 13,674.88 | £1,237.50 | 16,922,664 | |
| Hospital Zone - Aff Flats - Rented | 9,261.70 | £1,046.50 | 9,692,369 | |
| Hospital Zone - Aff Flats - Int | 3,117.80 | £1,046.50 | 3,262,778 | |
| Hospital Zone - Aff Houses - Rent | 5,499.68 | £1,237.50 | 6,805,854 | |
| Hospital Zone - Aff Houses - Int | 1,932.32 | £1,237.50 | 2,391,246 | |
| Gade - Private Flats | 9,170.00 | £1,046.50 | 9,596,405 | |
| Gade - Private Houses | 2,675.52 | £1,237.50 | 3,310,956 | |
| Gade - Aff Flats - Rented | 3,759.70 | £1,046.50 | 3,934,526 | |
| Gade - Aff Houses - Rented | 1,040.48 | £1,237.50 | 1,287,594 | |
| Gade - Aff Flats - Int | 1,283.80 | £1,046.50 | 1,343,497 | |
| Gade - Aff Houses - Int | 445.92 | £1,237.50 | 551,826 | |
| Plough - Private Flats | 7,794.50 | £1,046.50 | 8,156,944 | |
| Plough - Aff Flats - Rented | 3,117.80 | £1,046.50 | 3,262,778 | |
| Plough - Aff Flats - Int | 1,100.40 | £1,046.50 | 1,151,569 | |
| Marlowes - Private Flats | 2,842.70 | £1,046.50 | 2,974,886 | |
| Marlowes - Aff Flats - Rented | 1,192.10 | £1,046.50 | 1,247,533 | |
| Marlowes - Aff Flats - Int | 366.80 | £1,046.50 | 383,856 | |
| Totals | <u>166,354.25</u> | | <u>203,858,209</u> | 208,558,209 |
| Contingency | | 5.00% | 8,162,910 | |
| Parking Provision | | | 62,000 | |
| Signage and Navigation | | | 15,600 | |
| Residual 106 | | | 1,069,200 | |
| CIL | 43,930.28 m ² | 100.00 pm ² | 4,393,028 | |
| Highways and Public Space | | | 623,500 | |
| Signage & Navigation | | | 62,400 | |
| Highways & Public Spaces | | | 2,906,000 | |
| Bus Infrastructure & Operations | | | 519,000 | |
| Walkng & Cycling Infrastructure | | | 179,500 | |
| CIL | 13,255.52 m ² | 100.00 pm ² | 1,325,552 | |
| Supermarket CIL | 18,580.00 m ² | 150.00 pm ² | 2,787,000 | |
| CIL | 8,790.50 m ² | 100.00 pm ² | 879,050 | |
| Highways & Public Space | | | 134,000 | |
| Taxi Ranking | | | 1,000 | |
| CIL | 2,842.70 m ² | 100.00 pm ² | 284,270 | |
| | | | | 23,404,010 |
| Other Construction | | | | |
| CfSH - Level 4 | | 6.00% | 3,795,471 | |
| CfSH - Level 4 | | 6.00% | 1,201,488 | |
| CfSH - Level 4 | | 6.00% | 754,277 | |
| CfSH - Level 4 | | 6.00% | 276,376 | |
| | | | | 6,027,613 |
| PROFESSIONAL FEES | | | | |
| Professional Fees | | 10.00% | 19,038,433 | |
| | | | | 19,038,433 |
| MARKETING & LETTING | | | | |
| Marketing | | 3.00% | 2,565,413 | |
| Marketing | | 2.00% | 2,859,625 | |
| Letting Agent Fee | | 10.00% | 626,064 | |
| Letting Legal Fee | | 5.00% | 313,032 | |
| | | | | 6,364,135 |
| DISPOSAL FEES | | | | |
| Sales Agent Fee | | 1.00% | 1,487,222 | |
| Sales Legal Fee | | 0.50% | 743,611 | |
| | | | | 2,230,834 |
| Additional Costs | | | | |
| Profit on Private Units | | 20.00% | 17,102,754 | |
| Profit on Affordable Units | | 6.00% | 1,730,253 | |
| Profit on Commercial Acc | | 20.00% | 71,000 | |
| Profit on Private | | 20.00% | 5,818,695 | |
| Profit on Affordable | | 6.00% | 937,738 | |

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Hemel Hempstead Town Centre**

| | | | |
|----------------------|--------|-----------|------------|
| Profit on Commercial | 20.00% | 8,737,570 | |
| Profit on Private | 20.00% | 3,624,131 | |
| Profit on Affordable | 6.00% | 358,466 | |
| Profit on Private | 20.00% | 1,321,742 | |
| Profit on Affordable | 6.00% | 132,224 | |
| Profit on Commercial | 20.00% | 204,300 | 40,038,874 |

FINANCE

| | | | |
|--|--|--|-----------|
| Debit Rate 7.00% Credit Rate 0.00% (Nominal) | | | |
| Total Finance Cost | | | 5,987,516 |

TOTAL COSTS**331,759,347****PROFIT****1,740,183****Performance Measures**

| | | |
|--------------------------------------|--------------|--|
| Profit on Cost% | 0.52% | |
| Profit on GDV% | 0.51% | |
| Profit on NDV% | 0.52% | |
| Development Yield% (on Rent) | 2.02% | |
| Equivalent Yield% (Nominal) | 6.12% | |
| Equivalent Yield% (True) | 6.36% | |
| Gross Initial Yield% | 4.41% | |
| Net Initial Yield% | 4.41% | |
| | 9.13% | |
| Rent Cover | 0 yrs 3 mths | |
| Profit Erosion (finance rate 7.000%) | 0 yrs 1 mths | |

Appendix 3 - Residual Section 106 Costs

| Strategic Site | 1 bed | 2 bed | 3 bed | 4 bed | Total Units | Residual S.106 Cost | Additional Specific Site 106 (Transport, Play Space etc) | School (£7.64M) | GP Provision | Care Home Provision | Total Cost | £per unit |
|-----------------------|--------------|--------------|--------------|--------------|--------------------|----------------------------|---|------------------------|---------------------|----------------------------|-------------------|------------------|
| Marchmont Farm | | 75 | 150 | 75 | 300 | £375,000 | £550,000 | £0 | £0 | £0 | £925,000 | 3,083 |
| Old Town | 20 | 32 | 16 | 12 | 80 | £81,600 | £0 | £0 | £0 | £0 | £81,600 | 1,020 |
| West Hemel | | 270 | 360 | 270 | 900 | £1,116,000 | £2,050,000 | £7,640,000 | £792,000 | £0 | £11,598,000 | 12,887 |
| Hanbury's | | 18 | 24 | 18 | 60 | £74,400 | £143,500 | £0 | £0 | £0 | £217,900 | 3,632 |
| Icknield Way | | 45 | 60 | 45 | 150 | £186,000 | £474,000 | £0 | £0 | £0 | £660,000 | 4,400 |
| Chesham Rd | | 18 | 24 | 18 | 60 | £74,400 | £0 | £0 | £0 | £0 | £74,400 | 1,240 |
| Spencer's Park | | 150 | 240 | 210 | 600 | £762,000 | £50,000 | £7,640,000 | £0 | £0 | £8,452,000 | 14,087 |
| Egerton | 10 | 31 | 76 | 63 | 180 | £228,200 | £895,500 | £0 | £0 | £0 | £1,123,700 | 6,243 |
| Hicks Road | 36 | 43 | 53 | 18 | 150 | £159,800 | £0 | £0 | £0 | £48,000 | £207,800 | 1,385 |