Colne Viability Study

February 2022

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Quality information

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Revision History

Revision	Revision date	Details	Authorized	Name	Position
V1	8th October 2021	Draft Report for group review	David Carlisle Associate Director	David Carlisle	Associate Director
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V3	24 January 2022	Draft Final Report for Locality Review, including new Addendum	David Carlisle Associate Director	David Carlisle	Associate Director
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The methodology adopted and the sources of information used by AECOM in providing its services are outlined in this Report. The work described in this Report was undertaken in the period August 2021 to October 2021 and is based on the conditions encountered and the information available during the said period of time. The scope of this Report and the services are accordingly factually limited by these circumstances.

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Glossary

Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:
a) Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).
b) Starter homes: is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.
c) Discounted market sales housing: is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.
d) Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

Alternative use value (AUV) Where an alternative use can be readily identified as generating a higher value for a site, the value for that alternative use would take the existing use value (determined by the market) and apply an assumption that has regard to current development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.

Benchmark A comparator for the outputs or inputs into the appraisal, i.e. site value or developer's return, etc.

Building Cost Information Service (BCIS) A subscriber service set up in 1962 under the aegis of RICS to facilitate the exchange of detailed building construction costs. The service is available from an independent body to those of any discipline who are willing and able to contribute and receive data on a reciprocal basis.

Building costs indices A series of indices published by BCIS relating to the cost of building work. They are based on cost models of 'average building', which measure the changes in costs of labour, materials and plant which collectively cover the basic cost to a contractor.

Build to Rent: Purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses, but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.

Cash flow The movement of money by way of income, expenditure and capital receipts and payments during the course of the development. The impact of cash flow assumptions on viability assessments is an important consideration. While most viability appraisals include an interest rate on capital employed, such costs are frequently applied solely to building costs pending sale. Cash flow considerations should also take into account the costs of capital employed in relation to infrastructure costs, Section 106 and CIL requirements and land purchase costs, and should incorporate realistic assumptions on build and sales rates based upon local market conditions.

Comparable evidence A property used in the valuation process as evidence to support the valuation of another property. It may be necessary to analyse and adjust in order to put it in a suitable form to be used as evidence for comparison purposes.

Contingency – Contingencies are allowances that may sometimes be put within a development appraisal to cater for unexpected costs where it is considered likely that the site poses risks which cannot easily be quantified. For example, poor ground conditions may affect the foundations, the discovery of archaeological remains and/or contamination may only be confirmed once digging commences. Normally a contingency will be expressed as an estimated percentage of costs. They should only be used to reflect those aspects of a scheme where costs cannot be accurately estimated in advance of work starting on site. They are dependent upon the nature of the development, the procurement method and the perceived accuracy of the information obtained. A contingency should not to be used to cover the possibility of contract price increases which can be quantified at the time that the appraisal is carried out. Similarly, they should not be used to cover errors made in the construction phase – the latter is accounted for in the developer's margin that reflects risk.

Current use value Market value for the continuing existing use of the site or property assuming all hope value is excluded, including value arising from any planning permission or alternative use. This also differs from the existing use value. It is hypothetical in a market context as property generally does not transact on a CUV basis.

Deliverable: Deliverable: To be considered deliverable, sites for housing should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years. In particular:

a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).
b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.

Developable: To be considered developable, sites should be in a suitable location for housing development with a reasonable prospect that they will be available and could be viably developed at the point envisaged.

Development appraisal A financial appraisal of a development to calculate either:

- the residual site value (deducting all development costs, including an allowance for the developer's profit/return from the scheme's total capital value); or
- the residual development profit/return (deducting all development costs, including the site value/cost from the scheme's total capital value).

Developer's return The developer's reasonable expectation of profit reflecting development risk, having regard to the margin requirements of any investors (where relevant). It will be determined by each developer in accordance with their own business model typically in relation to either profit on value (Gross Development Value) or profit on cost (total development costs). Whilst in practice it is assessed in a variety of ways, for development viability assessment calculations, it is normally taken in relation to a percentage of GDV.

Development risk The risk associated with the implementation and completion of a development including post-construction letting and sales.

Entry-level exception site: A site that provides entry-level homes suitable for first time buyers (or equivalent, for those looking to rent), in line with paragraph 71 of this Framework.

Existing use value 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 arm's-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 alternative 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. It is an accounting definition of value for business use and as such, hypothetical in a market context, as property generally does not transact on an EUV basis.

Existing use value 'plus' a premium (EUV+) The benchmark land value for the purposes of assessing the viability of development for planning purposes. The value above the EUV at which a typical willing landowner is likely to release land for development. EUV+ should be informed by comparable evidence of transactions where possible. Where transacted prices are significantly above the market norm for transactions that fully reflect planning policy conditions and constraints, they should be regarded as outliers and not used as part of EUV+. This is likely to be highest in high value urban settings but low in rural low value areas. EUV+ is not price paid and must disregard Hope Value.

Gross development value (GDV) The aggregate market value of the proposed development, assessed on the special assumption that the development is complete as at the date of valuation in the market conditions prevailing at that date. The total of likely sales proceeds from a completed development scheme, gross of any costs of sale but taken at today's values and not inflated by the prospect of changes in market prices.

Gross development cost (GDC) The cost of undertaking a development, which normally includes the following:

- land acquisition costs
- site-specific related costs
- build costs
- fees and expenses
- interest or financing costs; and
- holding costs during the development period.

Gross external area (GEA) The aggregate superficial area of a building, taking each floor into account. As per the RICS Code of Measuring Practice this includes: external walls and projections, columns, piers, chimney breasts, stairwells and lift wells, tank and plant rooms, fuel stores whether or not above main roof level (except for Scotland, where for rating purposes these are excluded), and open-side covered areas and enclosed car parking areas, but excludes: open balconies; open fire escapes, open covered ways or minor canopies; open vehicle parking areas, terraces, etc.; domestic outside WCs and coalhouses. In calculating GEA, party walls are measured to their centre line, while areas with a headroom of less than 1.5m are excluded and quoted separately.

Gross internal area (GIA) Measurement of a building on the same basis as gross external area, but excluding external wall thicknesses.

Hope value - according to the RICS (The Valuation of Development Land 1st Edition p17 (2008)) '*Hope Value is the popular term for the element of the difference between the value of the land with the benefit of the current planning consent and the value with an enhanced, assumed, consent that is reflected in the Market Value of the land'*. It is entirely speculative and, whilst recognised in the market, is not part of the EUV+ approach or Benchmark Land Value and should not be used to define land value or the return to the landowner.

Interest rate The rate of finance applied in a development appraisal. As most appraisals assume 100 per cent financing, it is usual for the interest rate to reflect the total cost of finance and funding of a project, i.e. the combination of both equity and debt in applying a single rate.

Land Value Central to the consideration of viability is the assessment of land or site value. Land or site value will be an important input into the assessment. The most

appropriate way to assess land or site value will vary from case to case but it is recommended that the starting point is an understanding of the Current Use Value (CUV) and Existing Use Value (EUV) of the land or site. The Landowner's return should normally utilise Existing Use Value 'Plus' (EUV+) in a planning context.

Landowner's Return - in all cases the landowner's return should reflect extant and emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge and any other planning conditions for extant planning consents. Practitioners should normally utilise Existing Use Value Plus (EUV+) as an approach for determining the landowners' return in the planning context.

Market risk adjusted return The discount rate as varied so as to reflect the perceived risk of the development in the market.

Market value (MV) The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Net developable area versus gross site area Many viability studies that model housing schemes assume a housing and plotting density per unit area. Such an analysis is a legitimate starting point and, provided the assumptions in relation to sales revenue and build cost are correct, produces a fully serviced land value per net developable area. However, the assumption is then made that the net developable area (i.e. income generating land) equates to the area of land that is to be acquired following the grant of planning permission. In all but the smallest redevelopment schemes, the net developable area is significantly smaller than the gross area that is required to support the development, given the need to provide open space, play areas, community facility sites, public realm, land for sustainable urban drainage schemes etc. The net area can account for less than 50%, and sometimes as little as 30% on larger sites, of the site to be acquired. Failure to take account of this difference can result in flawed assumptions and inaccurate viability studies. The HCA Development Appraisal Tool used for this study produces a residual value for the gross site area.

Net/gross ratio Refers to the percentage of usable space or land. A typical net/gross ratio on an office is 85%, whereas on a large greenfield site it is around 60% as not all land can be developed (i.e. some is used as open space, for distributor roads, community uses, infrastructure etc.)

Net internal area (NIA) The usable space within a building measured to the internal finish of structural, external or party walls, but excluding toilets, lift and plant rooms, stairs and lift wells, common entrance halls, lobbies and corridors, internal structural walls and columns and car parking areas.

Non-strategic policies: Policies contained in a neighbourhood plan, or those policies in a local plan that are not strategic policies.

Previously developed land: Land which is or was occupied by a permanent structure, including the curtilage of the developed land (although it should not be assumed that the whole of the curtilage should be developed) and any associated fixed surface infrastructure. This excludes: land that is or was last occupied by agricultural or forestry buildings; land that has been developed for minerals extraction or waste disposal by landfill, where provision for restoration has been made through development management procedures; land in built-up areas such as residential gardens, parks, recreation grounds and allotments; and land that was previously developed but where the remains of the permanent structure or fixed surface structure have blended into the landscape.

Planning obligation Provided for under section 106 of the Town and Country Planning Act 1990, usually in connection with the grant of planning permission for a private development project. A benefit to the community, either generally or in a particular locality, to offset the impact of development, e.g. the provision of open space, a transport improvement or affordable housing. The term is usually applied when a developer agrees to incur some expenditure, surrender some right or grant some concession which could not be embodied in a valid planning condition.

Policy Compliant Development that meets the full requirements of all national and local planning policies. Those policy requirements should be tested at the plan-making stage to ensure that the total cumulative cost of meeting them does not render development in the area unviable.

Price Paid The amount paid for land by a developer. It should not be used as an element to assess viability in the planning process. Price paid should reflect the cost of being policy compliant, but this is often not the case. Price paid may include overpayment due to considerations of Hope Value or expectation of market increases to Gross Development Value or the assumed possibility of negotiating down developer contributions. For the purposes of viability assessment, the amount paid for any parcel of land by the developer is therefore irrelevant.

Red Book The RICS Valuation – Professional Standards 2012 (Formerly RICS Valuation Standards). The 'Red Book' contains mandatory rules, best practice guidance and related commentary for all RICS members undertaking asset valuations.

Residual Site Value or residual land value The amount remaining once the GDC of a scheme is deducted from its GDV and an appropriate return has been deducted.

Residual valuation A valuation/appraisal of land using a development appraisal.

Return (on capital) The ratio of annual net income to capital derived from analysis of a transaction and expressed as a percentage.

Rural exception sites: Small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an

existing family or employment connection. A proportion of market homes may be allowed on the site at the local planning authority's discretion, for example where essential to enable the delivery of affordable units without grant funding.

Sales rates The rate at which residential units are sold (either by month, quarter or year).

Self-build and custom-build housing: Housing built by an individual, a group of individuals, or persons working with or for them, to be occupied by that individual. Such housing can be either market or affordable housing. A legal definition, for the purpose of applying the Self-build and Custom Housebuilding Act 2015 (as amended), is contained in section 1(A1) and (A2) of that Act.

Serviced land Land where the necessary infrastructure is in place. No off-site works are required and the developer simply has to connect the development with existing infrastructure

Site Value (for financial viability assessments for scheme specific planning applications) Market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.

Site Value (for area wide financial viability assessments) 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.
These include, as a minimum, comments on the state of the market and delivery targets as at the date of assessment.

Strategic infrastructure and utility costs Many models use construction cost information provided by BCIS or other sources. While this is regarded as a legitimate starting point, care is needed in understanding what is both included and excluded from such cost indices. Cost indices rarely provide data on the costs associated with providing serviced housing parcels, i.e. Strategic infrastructure costs.

Strategic policies: Policies and site allocations which address strategic priorities in line with the requirements of Section 19 (1B-E) of the Planning and Compulsory Purchase Act 2004.

Threshold land value A term developed by the Homes and Communities Agency (HCA) being essentially a land value at or above that which it is assumed a landowner would be prepared to sell. Used by some practitioners for establishing site value. The basis is as with EUV but then adds a premium (usually 10% to 40%) as an incentive for the landowner to sell.

Viability assessments/financial viability A report including a financial appraisal to establish the profit or loss arising from a proposed development. It will usually provide an analysis of both the figures inputted and output results, together with other matters of relevance. An assessment will normally provide a judgment as to the profitability (or loss) of a development.

Yield As applied to different commercial elements of a scheme, i.e. office, retail, etc. Yield is usually calculated as a year's rental income as a percentage of the value of the property. The "yield" is the rent as a proportion of the purchase price. In determining development value, there is an inverse relationship i.e. as the yield goes up, the value goes down. To calculate development value multiply the rent by 1 divided by the yield e.g. £100,000 x 1/10% (i.e. 0.1) = £1m gross value.

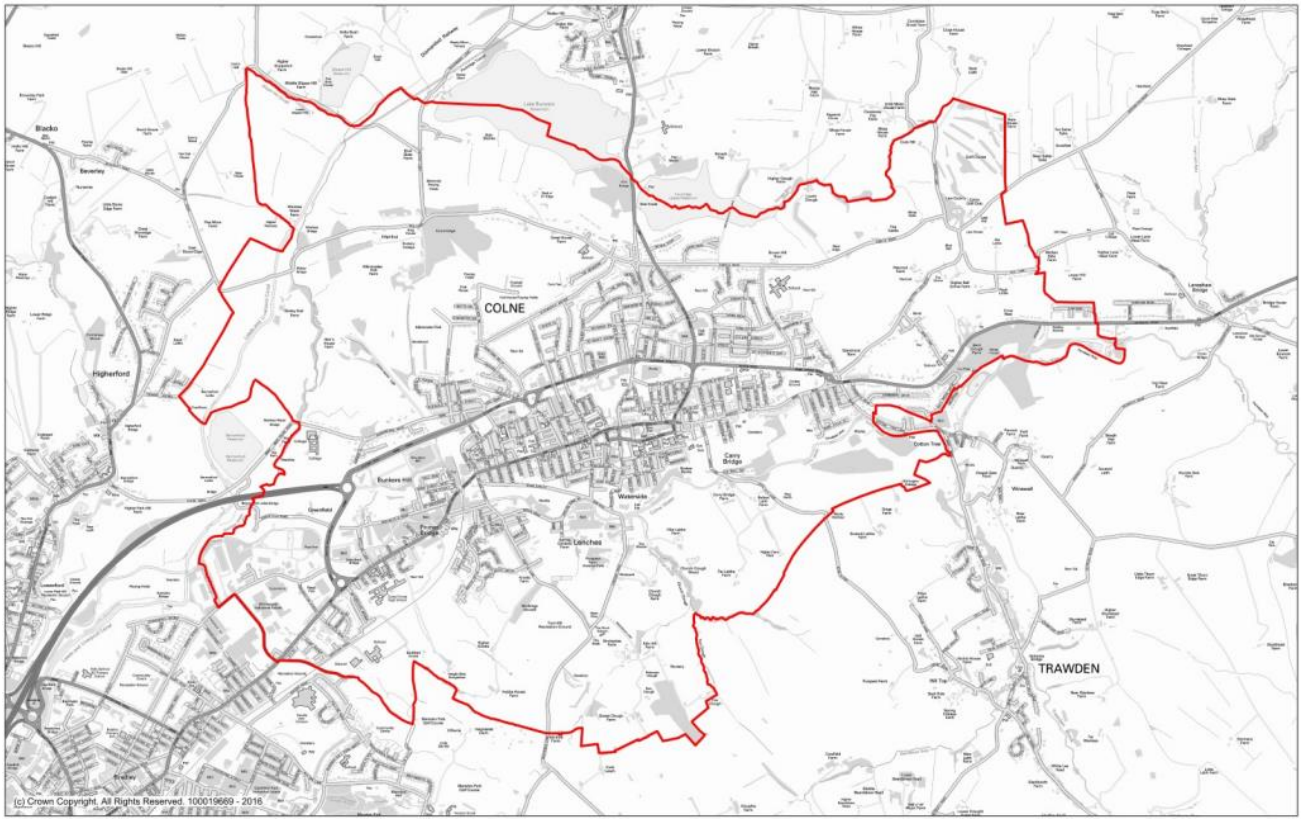
Sources: MHCLG, AECOM, RICS (Financial viability in planning), LHDG (Viability testing Local Plans)

1 Introduction

1.1 Context

1.1.1 This report is a high-level viability assessment to support the Neighbourhood Plan of Colne, a parish in the Borough of Pendle, Lancashire, England. The Neighbourhood Development Plan (NDP) preparation is being led by Colne Town Council (CTC) and the Neighbourhood Plan Area (NA) is the whole of the area administered by the Town Council:

Figure 1-1: Colne Neighbourhood Plan Area as designated by Pendle Council in November 2016



Source: Pendle Council[1]

1.1.2 CTC have, at the time of writing, completed site assessment work and a housing needs assessment to support the emerging NDP. AECOM also conducted a previous viability study on behalf of CTC in 2018[2].

1.1.3 The draft NDP, published for consultation in 2020, seeks to allocate 17 sites, which are predominantly brownfield or mixed, and CTC wish to determine how these sites could be made viable in the current context.

1.1.4 AECOM's 2021 Colne Viability Study report includes a high-level viability appraisal for three sample sites, with site assumptions described in section 5. The three sites are as follows:

- **CNDP6/24** – Earby Light Engineering, Colne – Part Greenfield, part Brownfield site for residential development, with a gross site area of 3.47 ha and a net residential site area of 2.66 ha (78 residential units);
- **CNDP6/10** – Green Works, Knotts Lane, Colne –Brownfield site occupied by remnants of a former mill, for residential development, with a gross site area of 0.51 ha and a net residential site area of 0.41 ha (23 residential units); and
- **CNDP6/16** – Thomas Street, Colne – Brownfield site (Thomas Street Car Park) for residential development, with a gross site area of 0.14 ha and a net residential site area of 0.13 hectares (8 residential units).

[1] Available at Public_Notice_for_Display__November_2016__(1).pdf
[2] Available at Emily Pugh Report Neighbourhood Plan for the Civil Parish of Colne Viability Study 2018-05-15 (colnetowncouncil.org.uk)

1.1.5 This section sets out the methodology used, and the key assumptions adopted by AECOM. It also contains an assessment of the effect of the extant policies in relation to the potential development sites in Colne. The results of the study will allow CTC to further engage with stakeholders, to ensure that proposals for the brownfield sites considered for designation in the NDP are feasible and based on an understanding of the policy context and economic viability of the emerging proposals.

1.2 Approach & Local Policy Context

1.2.1 To inform the viability study process, an analysis of prices paid for new build developments, via the Land Registry records[3] for Pendle Borough Council (PBC) as at August 2021, is supplemented by a market survey of all new build and newer second hand residential property being marketed at the time of the project, using estate agent websites, including Rightmove[4] and Zoopla[5] (again as at August 2021, for the geography of Colne, Pendle).

1.2.2 A scheme mix and density analysis was prepared to test the potential site capacity for development on the brownfield sites being analysed. All sites are envisaged at this point to be for residential development only, with no substantial employment element. On this basis, and based on existing densities in Colne, as well as site plans and context, AECOM has assumed the following densities for the three schemes:

- **CNDP6/24** – 30 dwellings per hectare (dph);
- **CNDP6/10** – 55dph; and
- **CNDP6/16** – 60dph.

1.2.3 The three sample schemes modelled in this report are policy compliant and reflect relevant guidance as at 5th October 2021 (the time of writing the first draft of this report).

1.2.4 **Pendle Council's adopted development plan**[6] includes:

- the 2015 Core Strategy; and
- the 2006 Replacement Pendle Local Plan (policies saved in 2009).

1.2.5 It is important to note that the Core Strategy structures requirements in line with the location of a site. Colne is classified as part of the "M65 Corridor". The same classification is used by borough level evidence studies supporting the development plan.

1.2.6 PBC are also in the process of developing an **emerging development plan document**: The Site Allocations and Development Policies.

1.2.7 Once 'made', the Colne Neighbourhood Plan will also form part of the adopted development plan, together with the Core Strategy, and with the Site Allocations and Development Policies document, once the latter is adopted to replace previously saved 2006/2009 Local Plan policies.

1.2.8 This report makes assumptions based primarily on the requirements set out in the adopted Core Strategy. Of particular relevance to this viability study is **Core Strategy Policy SDP 6 on Future Infrastructure Requirements**. Crucially, the policy requires that "*new development will be expected to provide the necessary on-site infrastructure to facilitate the proposed level of development and to contribute towards the mitigation of any adverse impacts in order to make the development acceptable in planning terms. In addition, subject to individual development viability, contributions will be sought towards improving local infrastructure and services, having regard to the needs identified in the Pendle Infrastructure Strategy and the legal and national policy tests*". As such, an assessment of viability in the context of the Core Strategy will determine the level of infrastructure contributions and will not include them as fixed costs.

1.2.9 The other relevant policy is **Core Strategy Policy LIV4 on Affordable Housing**, which requires that "*proposals for new (general market) housing which meet the relevant thresholds will be required to*

[3] Available at https://landregistry.data.gov.uk/app/ppd/
[4] Available at House Prices in my Area - Market Trends Report (rightmove.co.uk)
[5] Available at Sold House Prices - Get historic data only on Zoopla
[6] Available at The local plan and planning policy | Local plan | Pendle Borough Council

contribute towards the provision of affordable housing". However, for the M65 corridor, contributions are set at 0%, which is an approach adopted in the AECOM appraisal:

Table 1-1: Pendle Core Strategy size threshold and area based affordable housing targets

	M65 Corridor	M65 Corridor North	West Craven Towns	Rural Pendle
5-9 dwellings	N/A	N/A	N/A	20%
10-14 dwellings	0%	0%	0%	20%
15 or more dwellings	0%	0%	5%	20%

Source: Pendle Core Strategy Table LIV4a; size threshold and area based affordable housing targets

1.2.10 We have reflected the requirements of relevant policy and guidance in our appraisal.

1.2.11 Indicative construction costs are drawn from a number of sources: the RICS Building Cost Information System (BCIS) service[7]; Spon's Price Books; and inputs supplied by AECOM's cost consultants and technical specialists.

1.2.12 Other key inputs and assumptions, including Benchmark Land Values and developers return, have been crosschecked with appropriate available national and local evidence, including the previous AECOM **Colne Viability Study (2018)**[8]; the latest **Pendle Local Plan Viability Assessment (2019)** commissioned by the Borough in support of the development plan[9], carried by Lambert Smith Hampton (LSH); and the previous **Pendle Development Viability Study (2013)**[10], carried out by Colliers. Another important source which is useful to consult on land value is the government's **Land Values for Policy Appraisals (MHCLG**[11] **2019)**[12].

1.2.13 The professional judgements of the AECOM team have been applied in synthesising the various data sources and evidence. PBC currently have no Community Infrastructure Levy (CIL) charging schedule to take into account.

1.2.14 The residual valuation method has been utilised to conduct the viability appraisal. For this project, the Homes England Development Appraisal Tool (DAT) has been used, with the output being the residual land value (the theoretical maximum that could be paid to the landowner). The results are presented in the context of the National Planning Policy Framework ('NPPF') 2021[13] – see overleaf. The Existing Use Value 'Plus' approach is used to determine whether the residual land value represents a sufficient incentive to the landowner(s) to release their land for redevelopment. This viability work does not constitute valuation advice and is not a valuation of the site's market value (see **Glossary**).

1.2.15 This project is being completed during the ongoing coronavirus pandemic in 2021. It is still not entirely certain what the longer-term impact of the pandemic will be on the economy and on the housing market, beyond the effects on housing prices that have already been possible to observe to date.

1.2.16 Our assessment is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global[14]. Consequently, less certainty – and a higher degree of caution – should be attached to our report than would normally be the case. Given the unknown future impact that COVID-19 and associated societal, local and government policy, and other changes might have on the real estate market, we recommend that the CTC keep the assessment of viability under review.

1.3 National Planning Policy Framework

1.3.1 The most recent version of the NPPF at the time of writing was published in July 2021. Paragraph 34 of the 2021 NPPF states that "*Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other*

[7] Available at https://service.bcis.co.uk/BCISOnline/Account/LogOn?ReturnUrl=%2fBCISOnline
[8] Available at Emily Pugh Report Neighbourhood Plan for the Civil Parish of Colne Viability Study 2018-05-15 (colnetowncouncil.org.uk)
[9] Available at Item_6_App_3_Pendle_LPVA_Final_Report__Amended_and_Redacted_.pdf
[10] Available at Pendle_Development_Viability_Study (1).pdf
[11] Note that since this publication, Ministry of Housing, Communities and Local Government (MHCLG) has been renamed the Department for Levelling Up, Housing and Communities (DLUHC)
[12] Available at https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019
[13] Available at National Planning Policy Framework (publishing.service.gov.uk)
[14] Available at Red Book Global (rics.org)

infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan".

1.3.2 As in the 2021 NPPF (and in previous versions), viability remains an important part of the plan-making process. The 2021 NPPF stresses the importance of viability testing at plan-making stage.

> *"Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available."*

2021 NPPF Paragraph 58

1.3.3 A local plan Viability Assessment should be the reference point for any viability assessments submitted through the Development Management process.

1.3.4 Deliverability is defined in the NPPF glossary as follows:

> *"**Deliverable**: To be considered deliverable, sites for housing should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years. In particular:*
>
> *a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).*
>
> *b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years".*

2021 NPPF Glossary

1.3.5 Under the heading of "Identifying land for homes", the importance of viability is again highlighted:

> *"Strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability. Planning policies should identify a supply of:*
>
> *a) specific, deliverable sites for years one to five of the plan period34; and*
>
> *b) specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan."*

2021 NPPF Paragraph 68

1.3.6 Under the heading of "Making effective use of land", viability forms part of ensuring land is suitable for development:

> *"Local planning authorities, and other plan-making bodies, should take a proactive role in identifying and helping to bring forward land that may be suitable for meeting development needs, including suitable sites on brownfield registers or held in public ownership, using the full range of powers available to them. This should include identifying opportunities to facilitate land assembly, supported where necessary by compulsory purchase powers, where this can help to*

bring more land forward for meeting development needs and/or secure better development outcomes."

2021 NPPF Paragraph 121

1.3.7 The 2021 NPPF does not include technical guidance on undertaking viability work. This is included within the government's Planning Practice Guidance (PPG) on Viability, as last updated in 2019[15].

1.4 Objective

1.4.1 Only a NDP that meets each of the basic conditions[16] can progress to a referendum. Plans should have regard to national policies and guidance; and be in general conformity with the strategic policies contained in the development plan of local planning authorities. The NPPF and PPG require plan makers to consider viability and deliverability.

1.4.2 Neighbourhood plans also need to be in general conformity with the strategic policies in the corresponding Local Plan, such as affordable housing targets (unless the NDP evidence and strategy points to a different approach). Neighbourhood groups introducing new policy requirements (that may carry costs to development over and above national and local requirements); allocating sites in an NDP; and/or bringing forward Neighbourhood Development Orders ('NDO') should consider viability. The Qualifying Body should: consider whether sites are deliverable or developable[17] during the plan period (or the timeframe stipulated for the NDO); be satisfied that their approach does not put implementation of the Development Plan at risk; and helps to facilitate development during the plan period.

1.4.3 The PPG is clear that viability must be considered when preparing statutory plans:

The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.

It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.

Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.

It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan. Landowners and site purchasers should consider this when agreeing land transactions.[18]

1.4.4 This Colne Viability Study report is concerned with development viability of the potential development / designation sites under consideration as part of the development of the emerging Colne Neighbourhood Plan. The AECOM report sets out the methodology used; the key assumptions made; and a high-level assessment of the proposed sites.

1.4.5 The NPPF emphasises that a proportionate evidence base should inform plans. In addition, the PPG emphasises that viability evidence should be based on a 'proportionate assessment of viability'.

1.4.6 As such the assumptions in this study have drawn upon existing available viability evidence, policy and guidance produced by BCB, relevant to Colne, including the Borough of Pendle Local Plan Viability Assessment (December 2019).

1.4.7 Viability testing is an assessment of the financial viability of development. AECOM's study is purely concerned with whether or not the proposals for the sites (and any relevant policy requirements within

[15] Available at Viability - GOV.UK (www.gov.uk)
[16] The basic conditions are set out in paragraph 8(2) of Schedule 4B to the Town and Country Planning Act 1990 as applied to neighbourhood plans by section 38A of the Planning and Compulsory Purchase Act 2004.
[17] See Glossary for NPPF definitions
[18] How should plan makers and site promoters ensure that policy requirements for contributions from development are deliverable? Paragraph: 002 Reference ID: 10-002-20190509 Revision date: 09 05 2019 Accessed at: https://www.gov.uk/guidance/viability

an emerging NDP) would render development unviable. Viability assessment outputs can be used (if necessary) to amend proposals or policies to help facilitate development and to ensure the cumulative impact of proposals and policies do not threaten the delivery of the NDP and Local Plan's vision, objectives and strategic policies.

1.4.8 The NPPF includes requirements to assess the viability and the impact on development of policies contained within plans, which '*should not undermine the deliverability of the plan'* (paragraph 34). It is not a requirement of the NPPF that every site should be able to bear all of the Local Plan and neighbourhood plan requirements. However, it is necessary for a site to bear the NDP policy considerations if it has been appraised, and policy drafted, to reflect site specific requirements.

1.4.9 There are some types of development where viability will not be at the forefront of the developer's mind and they will proceed even if a development is 'unviable' in a conventional real estate sense. For example, an end user of an industrial or logistics building may build a new factory or depot that will help it to grow its business or improve its operational efficiency. Similarly, some development sites will simply not be viable even without any additional requirements imposed upon them due to the prevailing market conditions and/or site constraints. A typical site should be able to bear whatever target or requirement is set and plan makers should be able to show, with a reasonable degree of confidence, that the plan is deliverable and facilitates development. Only sites with good prospects for development should be subject to viability testing (i.e. potentially deliverable or developable19 sites usually identified through an earlier site assessment process).

1.5 Metric or imperial

1.5.1 The property industry uses both imperial and metric data - often working out costings in metric (£/m2) and values in imperial (£/acre and £/sqft). This is confusing so, on the whole, we have used metric measurements throughout this report. The following conversion rates may assist readers. A useful broad rule of thumb to convert m2 to sqft is simply to add a final zero.

Figure 1-2: Conversion rates table

Conversion rates	
1 m	3.28 ft (3' and 3.37")
1 ft	0.30 m
1 m^2	10.76 ft^2
1 ft^2	0.093 m^2

1.6 Site concept plans, densities and scheme mixes

1.6.1 **PLEASE NOTE:** All site plans and/or details associated with this report are for illustrative purposes only and are informed by the AECOM scheme mix and density analysis. They do not represent schemes that would either be endorsed by the CTC or promoted by local landowners or developers. Their primary purpose for this study is to help inform realistic assumptions for the viability modelling exercise. Future planning applications will have to accord to with the draft NDP policies and extant BCP strategic policies at the time of their application. As such, future schemes shall be informed by more detailed site investigations, up to date policy review, and a detailed design stage, including community engagement.

[19] See Glossary

2 Viability Testing

2.1.1 For plan making, the assessment of viability is a largely high-level, quantitative process based on professional judgements and development appraisals at a snapshot in time. It is not the same level of detail used for viability appraisals accompanying a planning application nor does it constitute a market valuation of a site on the basis of the rules and practice guidance set out in the RICS 'Red Book' (see Glossary).

2.1.2 Whilst viability testing in the plan making context has limitations, it can help to de-risk the planning and development process by providing an indication on whether a plan (including its policies and/or site allocations) is deliverable. 'Viability Testing in Local Plans – Advice for planning practitioners' (2012)[20] prepared by the Local Housing Delivery Group[21] (sometimes referred to as the 'Harman Guidance') defines viability as follows (p6):

> ***"An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered."***

2.1.3 Put simply, the process of the appraisal involves adding up all the potential income from a scheme (total sales and/or capitalised rental income from housing and/or commercial developments – including subsidy) and then subtracting all the costs associated with the creation of the product (i.e. building the houses and/or commercial property plus any associated infrastructure and external works, fees, finance costs etc.) The Residual Valuation Method (see Glossary) employed for this also incorporates a cash flow to account for the movement of money by way of income, expenditure and capital receipts and payments during the course of the development. The residual valuation method is the typical valuation method widely used by developers and is recommended for use when testing viability at the plan making stage due to its relative simplicity (see illustration below).

Residual Valuation Method

Gross Development Value
(The combined value of the complete development)

LESS

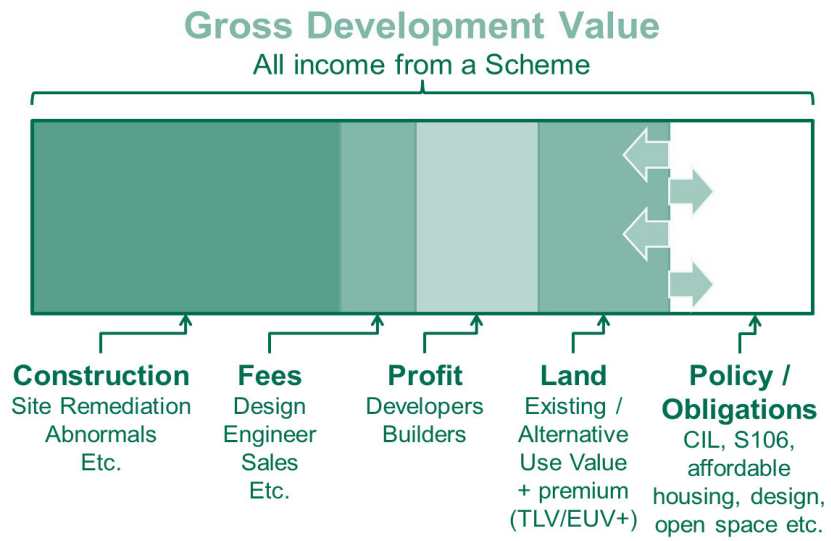
Cost of creating the asset, including a profit margin for the developer
(Construction + fees + finance charges etc.)
=
RESIDUAL VALUE

The Residual Value is compared to the Existing Use Value ('EUV') of the land to determine if the premium (uplift) above the EUV would induce the landowner to sell. This is known as the Threshold Land Value ('TLV') or Benchmark Land Value

[20] Accessed at: http://www.nhbc.co.uk/NewsandComment/Documents/filedownload,47339,en.pdf
[21] Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, MHCLG funded, Planning Advisory Service (PAS).

2.1.4 The Residual Value is the output and the theoretical top limit of what a developer could offer to pay a landowner for their site and still make a satisfactory profit margin (where the developer's return is included as a cost in the calculation). The availability and cost of land are matters at the core of viability for any development. The Residual Valuation requires the inputting of many variables and is often regarded as subjective. However, it does attempt to represent a realistic 'market' perspective (based on today's costs and values) and takes no account of the individual circumstances of any particular developer. Whilst a developer may have regard to a Residual Valuation, when assessing an offer price, they will typically undertake a more complex and detailed Development Appraisal using a Discounted Cash Flow (DCF) / Internal Rate of Return (IRR) model, either bespoke to them or an industry model (e.g. Argus).

Figure 2-1: The residual valuation method



Source: HDH

2.1.5 The bar (figure above) represents all the income from a scheme – the Gross Development Value ('**GDV**'). This is set by the market (rather than by the developer or local authority) and so is, largely, fixed. The developer has relatively little control over the costs of development (construction costs, fees etc.) and whilst there is scope to build to different standards and with different levels of efficiency, the costs are largely out of the developer's direct control – they are what they are, depending on the development proposed (costs of labour and materials). The developers profit is included as a cost as developers need to be rewarded for taking on the risk of development. The level of profit is typically between 15-25% of GDV or of total costs (in all cases it should reflect the risk of the development). The more policy requirements and planning obligations loaded onto a scheme, the higher the likelihood that the land value of the site will be suppressed (as shown by the arrows).

2.1.6 Therefore, the essential balance in viability testing is whether the land value is sufficient to induce a landowner to release their land for development. The more policy requirements and planning obligations the plan asks for the less the developer can afford to pay for the land. Similarly site specific abnormal costs may impact the viability of development. The landowner will only agree to sell their land to the developer if they receive a return sufficient to release their land.

2.1.7 The return for the landowner and developer, are controversial matters and it is clear that different landowners and developers will have different views depending on their personal and corporate priorities. The Residual Value generated by the development appraisals must be compared to the Existing Use Value ('**EUV**') or an Alternative Use Value ('**AUV**') of the site. The size of the uplift or premium above the EUV/AUV must be enough to incentivise a landowner to sell. The amount of the uplift/premium over and above the EUV is central to the assessment of viability. It must be at a level to a sufficient return to the landowner so that land comes forward. This concept is known as the Existing Use Value 'Plus' a premium ('**EUV+**'), also referred to as the Threshold Land Value ('**TLV**'). Other terms to describe the landowner's return include: Benchmark Land Value ('**BLV**') or Viability Threshold. The EUV+ approach is accepted by PINS and propounded in the PPG[22].

2.1.8 The EUV+, or TLV, is the point at which a 'reasonable' landowner will be induced to sell their land. This concept is difficult since a landowner is unlikely to be entirely frank about the price that would be acceptable to them. This is one of the areas where an informed assumption has to be made. If a landowner owns a field in agricultural use they will expect a large premium above the EUV to release it for residential development as agricultural land is typically worth tens of thousands of pounds per hectare whereas as residential land it is worth hundreds of thousands of pounds per hectare.

2.1.9 The PPG makes it clear that when considering land value it should be in the context of current and emerging policies and based on today's costs and values disregarding any hope value or the price paid for the land. In other words, land value should be reduced to reflect policy requirements. Historical transactions recorded under a different policy framework or less favourable market conditions (such as a recessionary period) will be less useful as comparable market data for informing assumptions for the EUV+/landowners return.

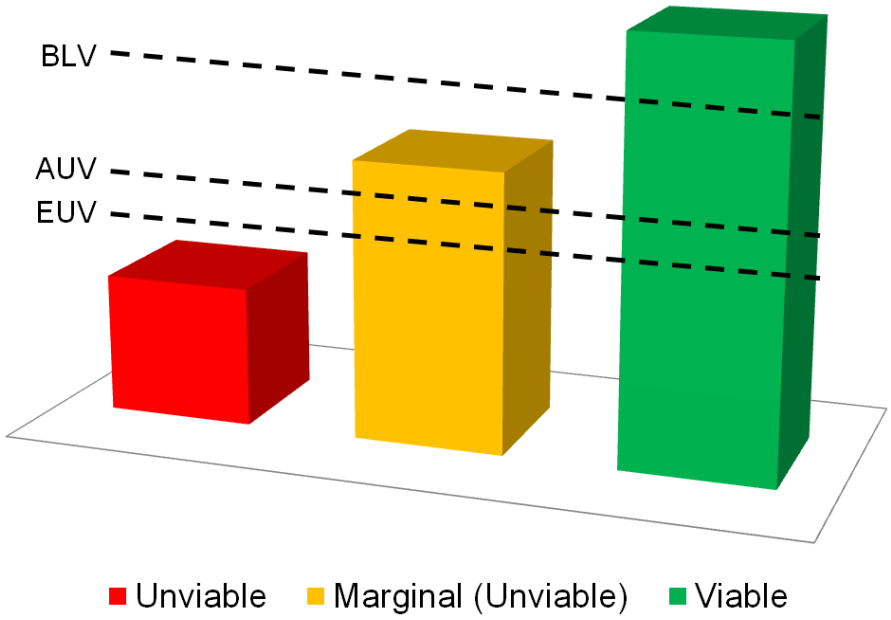
2.1.10 The value of land relates closely to the use to which it can be put and will range considerably from site to site; however, high level studies will typically look at three main uses, being: agricultural/greenfield, residential and industrial/commercial uses. Consideration of what constitutes the EUV+ locally incorporates, wherever available, a review of pre-existing Local Authority research. If the Residual Value does not exceed the EUV, then the development is not viable. If it exceeds the EUV but does not exceed the EUV+ then it is still not viable as it would not induce the landowner to sell. However, it may be closer to being a viable scheme with amendments to policy or the development scheme itself if it is producing a large positive Residual Value. Only a Residual Value equal to or in excess of the EUV+ would represent a viable scheme (see illustration below).

Benchmark Land Value (BLV) = Existing Use Value Plus (EUV+)	*The Benchmark Land Value for the purposes of assessing the viability of development for planning purposes. The value above the EUV at which a reasonable and willing landowner is likely to release land for development (the 'landowner's return').*
Existing Use Value (EUV) / Alternative Use Value (AUV)	*The value of the land in its existing use together with the right to carry out any development for which there are extant planning consents, including realistic deemed consents, but without regard to other possible uses that require planning consent, technical consent or unrealistic permitted development.*
Current Use Value (CUV)	*The value of land in the use to which it is currently being put. It excludes any consented use including deemed consents and any element of Hope Value.*

2.1.11 In practice, a wide range of considerations could influence the precise EUV and EUV+ that should apply in each case, and at the end of extensive analysis the outcome might still be contentious. One type of approach is outlined below:

- For sites previously in agricultural use, then agricultural land represents the existing use value.
- For paddock and garden land on the edge of or in a smaller settlement you should adopt a 'paddock' value.
- Where the development is on brownfield land, you assume an industrial value.
- Where the site is currently in residential use you assume a residential value.

Figure 2-2 Viable or unviable: does the Residual Value exceed the Benchmark Land Value?



[22] Paragraphs 7 To 9 of Report On The Examination of the Draft Mayoral Community Infrastructure Levy Charging Schedule By Keith Holland Ba (Hons) DIPTP MRTPI ARICS The Examiner Appointed By The Mayor Date: 27th January 2012

2.1.12 For greenfield sites it is incredibly difficult to get agreement from the development industry on what the premium or uplift (EUV+) above greenfield values should be. Whatever the EUV+, it will always be a simplification of the market; however in a high level study of this type general assumptions need to be made. Landowners selling a greenfield site, in the event of the grant of planning consent, usually receive over between 10-20 times the value compared with before consent was granted. However, in the case of Colne, the main focus is on the viability of brownfield sites.

2.1.13 The high level and broad brush viability testing that is appropriate to be used to assess Local Plans and Neighbourhood Plans does have limitations. It should be noted that this study is about the economics of development. Viability brings in a wider range than just financial factors.

2.1.14 The PPG and Harman Guidance both emphasise the importance of the non-financial factors, viability is an important factor in the plan making process, but it is one of many planning considerations set down in national policy that needs to be considered as part of plan making. It is not viability at any cost.

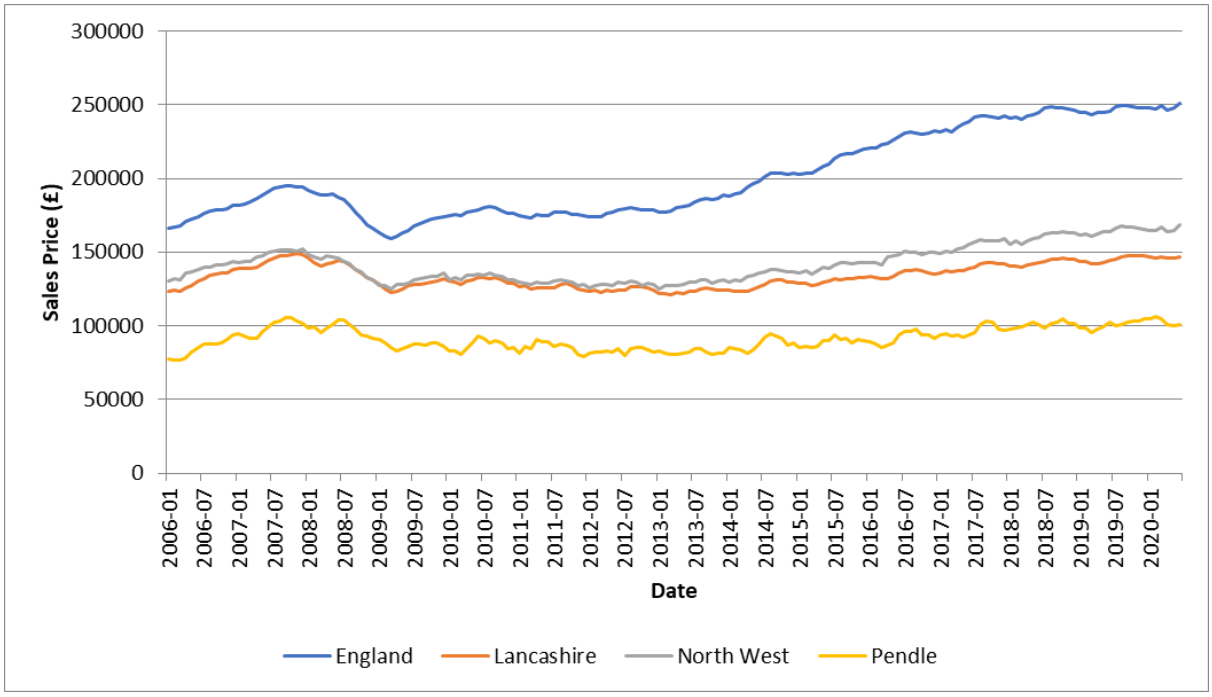
3 Market Research

3.1.1 This study is concerned with the viability of new build residential property. Key inputs for the appraisals are the price assumptions for new development (see **Appendices A-D**). We have reviewed new build market housing prices paid from the Land Registry from 2018 to 2020 for Colne and have conducted a survey of property being marketed on Rightmove in August 2021, to highlight properties where prices paid have not yet been recorded with the Land Registry. It has also been necessary to investigate the second-hand market locally to triangulate the data to form judgements for the modelling.

3.1.2 Although development schemes have similarities, every scheme is unique, even schemes on neighbouring sites. Market conditions broadly reflect a combination of national economic circumstances and local supply and demand factors, although even within a Neighbourhood Area such as Colne, there will be particular localities, and ultimately site-specific factors, that generate different values and costs. For the purposes of this study we have used up to date market evidence to inform the price assumptions.

3.1.3 The housing market peaked late in 2007 (see the following graph) and then fell considerably in the 2007/2008 recession during what became known as the 'Credit Crunch'. The lowest point of prices was in mid-2009. Average house prices across England then recovered to their pre-recession peak and well beyond. Since mid-2014, house prices have nationally exceeded pre-recession levels. This recovery was strongly influenced by the London and South East markets. Therefore, the recovery has been stronger across England as a whole than in the North West. Average prices in Pendle have been consistently below the average levels nationally, regionally and across Lancashire as a whole. Trends have been similar to those experienced across the North West and Lancashire, but from a lower starting point.

Figure 3-1: House Sales Prices for England, Lancashire, North West Region and Pendle



Source: UK House Price Index

3.2 New Build Prices Paid

3.2.1 The Land Registry publishes data of all homes sold. There were 123 new homes sold recorded between the start of 2018 and the end of 2020 in Colne (using postcode areas[23] to narrow the search area to align closely with the Neighbourhood Area). These transactions are summarised as follows (and included in full in **Appendix A**). Of most relevance are the figures for detached and terraced developments, based upon the scheme mix of the three sample developments, which AECOM modelled as part of this study.

Table 3-1 Land Registry New Build Prices Paid (July 2019-July 2020)

New build Sales 2019-20 £					
	Detached	Semi-detached	Terraced	Flats	All
Count	68	28	24	3	123
Max	529,950	250,000	151,995	95,000	359,950
Min	179,995	131,995	109,995	80,000	80,000
Mean ^	244,583	177,282	133,287	86,000	180,431
Median *	221,995	176,495	141,995	83,000	189,995

^ *The mean is the total of the numbers divided by how many numbers there are*

* *The median is the middle value of a set of numbers (e.g. 1 2 **3** 4 5)*

3.2.2 We have calculated the values on a pounds per square metre basis (£/m2) for each property by comparing prices paid with the total unit size (Gross Internal Area) of each unit sold, acquired from the Government's Domestic Energy Performance Certificate Register. The mean and median £/m2 prices for each broad house type are summarised below and overleaf (Table 3-2 Prices paid (median and mean) by type and Figure 3-2 Prices Paid (median and mean) Comparison).

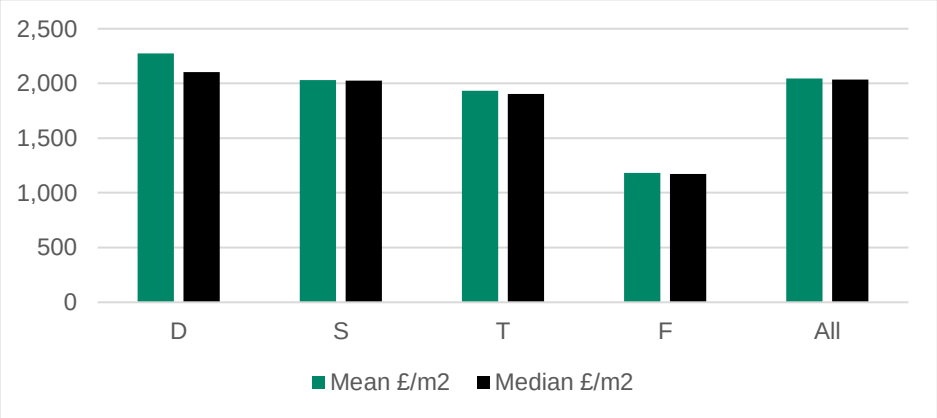
Table 3-2 Prices paid (median and mean) by type (July 2019-July 2020)

New build Sales 2019-20 £/m2		
	Mean £/m2	**Median £/m2**
Detached	2,279	2,110
Semi-detached	2,033	2,025
Terraced	1,934	1,903
Flats	1,182	1,173
All	**£1,999**	**£2,029**

Source: Land Registry (July 2018- July 2020)

[23] Post codes: BH11, BH16, BH17, BH18, BH21

Figure 3-2 Prices Paid (median and mean) Comparison (July 2019-July 2020)



3.3 New build properties for sale

3.3.1 In addition to collecting price paid data we have collected information on 20 new build properties that were being marketed in August 2021 in Colne (see **Appendix B**). Where available, floor plans were analysed to provide accurate total floor areas. Where this information was not readily available, average size assumptions were used.

3.3.2 Asking prices varied very considerably across the wider housing market area and between the different types of housing:

Table 3-3: New Build for Sale Prices by type (August 2021)

New build For Sale August 2021 £					
	Detached	Semi-detached	Terraced	Flats	All
Count	6	4	6	4	20
Max	575,000	695,000	170,000	260,000	695,000
Min	225,000	160,000	85,000	60,000	60,000
Mean	350,824	321,238	119,992	128,125	231,117
Median	297,498	214,975	107,500	96,250	175,000

Source: Rightmove (2021)

Table 3-4 For Sale Prices £/m2 by type (August 2021)

New build For Sales August 2021 £/m2		
	Mean £/m2	Median £/m2
Detached	2,276	2,106
Semi-detached	2,033	2,025
Terraced	1,934	1,903
Flats	1,182	1,173
All	£2,044	£2,037

Source: Rightmove (2021)

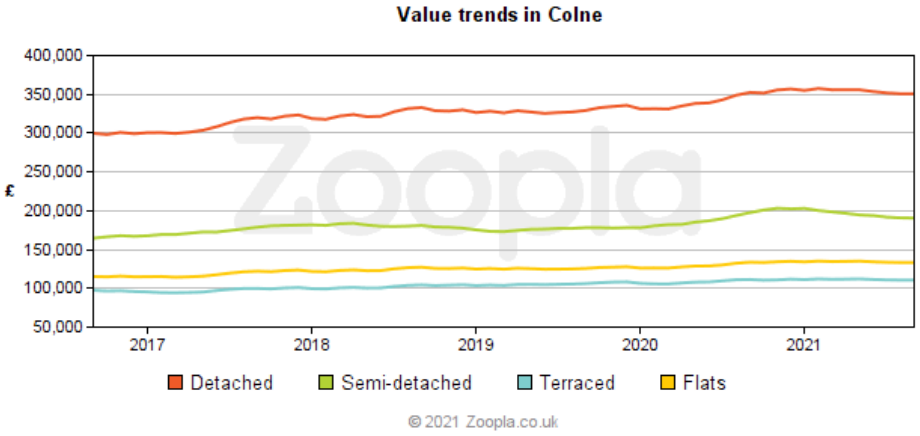
3.4 Second-hand market

3.4.1 In addition to Land Registry price paid data and a survey of for sale prices, we have reviewed the second-hand market using websites such as Zoopla and Rightmove (see **Appendix C** for a snapshot of the second-hand house market). This provides a useful benchmark and enables

the collection of local marketing/sold data for Colne, to help inform the price assumptions. Over the past 5 years the average price paid for property in Colne has been £421,998 (source: Zoopla house prices tool) with an average value change of +£83,094 (22.42%) over that 5 year period.

3.4.2 The figure below shows value trends for the past 5 years. Values have only risen marginally, compared to the rest of the country, by approximately 50,000 or less, depending on housing type.

Figure 3-3 Values trends Colne (2017-2021)



Source: Zoopla (2021)

3.4.3 The most expensive types of homes (detached), rose by the most, with the cheaper housing types increasing by less in price. Terraced homes fetched the lowest re-sale prices and increased the least in price over the past 5 years.

3.4.4 Properties for sale on the open market within Colne in summer 2021 are summarised below.

Table 3-5 Colne second hand market house asking prices, rent, and property values 2021

Current asking prices in Colne, Lancashire

Average: £129,468

Property type	1 bed	2 beds	3 beds	4 beds	5 beds
Houses	£85,000 (1)	£88,789 (22)	£144,532 (11)	£193,750 (4)	£359,975 (2)
Flats	£55,000 (1)	£155,480 (5)	-	-	-
All	£70,000 (2)	£101,139 (27)	£144,532 (11)	£193,750 (4)	£359,975 (2)

Current asking rents in Colne, Lancashire

Average: £644 pcm

Property type	1 bed	2 beds	3 beds	4 beds	5 beds
Houses	£455 pcm (1)	£524 pcm (2)	£633 pcm (3)	£1,400 pcm (1)	-
Flats	-	£650 pcm (1)	-	-	-
All	£455 pcm (1)	£566 pcm (3)	£633 pcm (3)	£1,400 pcm (1)	-

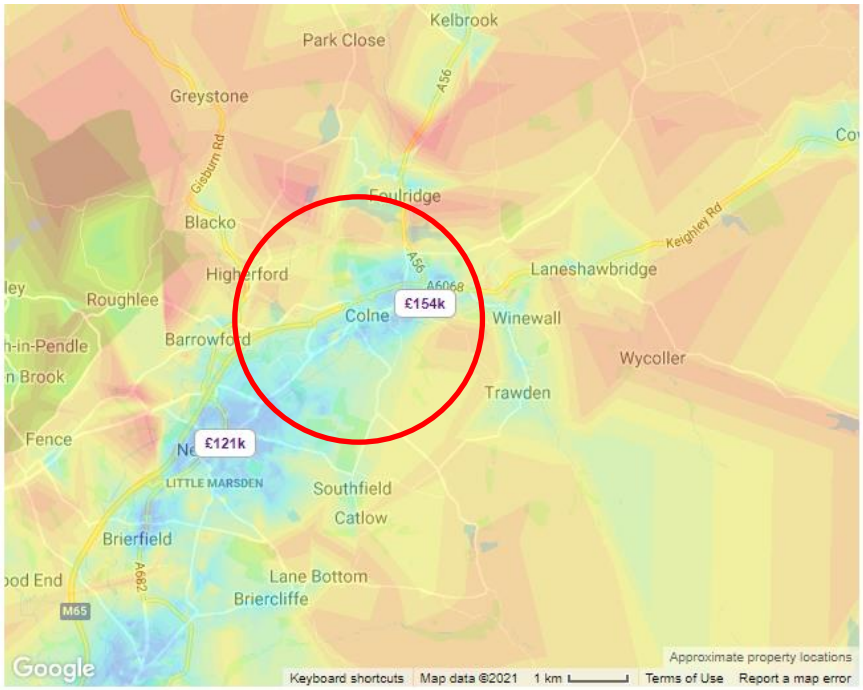
Property value data/graphs for Colne, Lancashire

Property type	Avg. current value	Avg. £ per sq ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£349,787	£198	3.6	£308,414
Semi-detached	£189,585	£165	3.1	£205,791
Terraced	£109,671	£135	2.7	£111,877
Flats	£132,304	£158	1.9	£118,642

Source: Zoopla (2021)

3.4.5 The Zoopla heat mapping tool[24] shows that Colne's house values are below those of the surrounding areas in most directions, with a corridor of comparatively lower values running from Colne to the south-west towards Little Marsden, Brierfield and Briercliffe.

Figure 3-4 Zoopla Colne Values Heat Map (2021)



Source: Zoopla (2021)

[24] Zoopla use their current value estimates to generate a colour gradient overlay. Higher value areas tend towards red, and lower value areas tend towards blue. The value scale is dynamic and relative: Red in one locality may not have the same value as red in another locality, but on any given map, red is always higher value than blue.

4 Modelling Assumptions

4.1.1 This chapter considers the main assumptions required to produce financial appraisals for the site. The PPG states that viability evidence must be based upon the best available evidence, including the benchmark land values from other viability assessments. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing – although in the case of Colne, the requirement is zero), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. There are a number of past studies containing viability information held locally. The key assumptions and inputs, based on the nest borough level Viability Assessment of 2019, are summarised below to help inform the assumptions in this report. Please note the values, costs, prices and yields for commercial and affordable housing development were excluded as not relevant to our study.

<table>
<tr><th></th><th>Pendle Borough Council Local Plan Viability Assessment (LSH, December 2019)</th></tr>
<tr><td>Residential Benchmark Land Values (£/net acre) <u>Note</u>: this is per net acre not per ha as other figures[25]</td><td>
<table>
<tr><th rowspan="2">Spatial Area</th><th colspan="2">Benchmark Land Value (BLV)</th></tr>
<tr><th>Greenfield</th><th>Brownfield</th></tr>
<tr><td>M65 Corridor</td><td>£100,000</td><td>£50,000</td></tr>
<tr><td>M65 Corridor North</td><td>£150,000</td><td>£100,000</td></tr>
<tr><td>West Craven Towns</td><td>£200,000</td><td>£150,000</td></tr>
<tr><td>Rural Pendle</td><td>£300,000</td><td>£200,000</td></tr>
</table>
For M65 corridor, this equates to a range of £123,552.50 (brownfield) - £247,105 (greenfield) per net hectare</td></tr>
<tr><td>Commercial Benchmark Land Values (£/net acre)</td><td>Employment allocation (B1) - £125,000
Employment allocation (B2/B8) - £125,000
Mixed use – £250,000</td></tr>
<tr><td>Market Housing Prices (M65 Corridor)</td><td>Market Value Assumptions – GDVs (Price / £/ft2), Floor Area, Net to Gross
<table>
<tr><th>House Type</th><th>1 bed Apartment</th><th>2 Bed Apartment</th><th>2 Bed Bungalow</th><th>2 bed House</th><th>3 bed House</th><th>4+ bed House</th></tr>
<tr><td>M65 Corridor Price (£/ft²)</td><td>£80,000 (£148.70)</td><td>£95,000 (£147.06)</td><td>£125,000 (£178.57)</td><td>£120,000 (£159.36)</td><td>£145,000 (£158.47)</td><td>£190,000 (£153.60)</td></tr>
<tr><td>M65 Corridor North Price (£/ft²)</td><td>£90,000 (£167.29)</td><td>£107,000 (£165.63)</td><td>£145,000 (£207.14)</td><td>£140,000 (£185.92)</td><td>£167,000 (£182.51)</td><td>£225,000 (£181.89)</td></tr>
<tr><td>West Craven Towns Price (£/ft²)</td><td>£100,000 (£185.87)</td><td>£120,000 (£185.76)</td><td>£160,000 (£228.57)</td><td>£145,000 (£192.56)</td><td>£175,000 (£191.26)</td><td>£235,000 (£189.98)</td></tr>
<tr><td>Rural Pendle Price (£/ft²)</td><td>£115,000 (£213.75)</td><td>£135,000 (£208.98)</td><td>£180,000 (£257.14)</td><td>£165,000 (£219.12)</td><td>£200,000 (£218.58)</td><td>£270,000 (£218.27)</td></tr>
<tr><td>Area
- Net
- Gross</td><td>
538
633</td><td>
646
760</td><td>
700
700</td><td>
753
753</td><td>
915
915</td><td>
1,237
1,237</td></tr>
<tr><td>Net / Gross Ratio</td><td>85%</td><td>85%</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Affordable Housing</td><td>No rent, yield or sale price assumptions are listed in the LSH appraisal for affordable housing (rented or intermediate for sale). The provision of affordable housing is assumed as a Policy Direct Cost Implication. This is included as a relevant policy requirement cost into the appraisals, based on site locations (the requirement therefore ranging from 10% of homes for new residential developments comprising 10 or more units to a zero % requirement; with the latter relevant to Colne);</td></tr>
</table>

[25] Note that depending on site specific circumstances, net developable area can vary from between 40-90% from the gross area. AECOM have applied a range based on gross hectare benchmark land values

<table>
<tr><td>Build Costs</td><td>Base Build Cost Assumptions – By development scenario and property type (residential build costs are used for all house types)
<table>
<tr><th>Dev. Scenario</th><th colspan="4">Residential Scenarios</th><th rowspan="2">Employment allocation (B1)</th><th rowspan="2">Employment Allocation (B2/B8)</th><th rowspan="2">Retail Parade</th><th rowspan="2">Foodstore</th><th rowspan="2">Retail Warehouse</th><th rowspan="2">Mixed Use</th></tr>
<tr><th>Property Type</th><th>Large Site (100 units)</th><th>Medium Sites (50 units)</th><th>Small Sites (15 units)</th><th>Extra Small Sites (5 units)</th></tr>
<tr><td>House (£ psf)</td><td>78.00</td><td>82.00</td><td>92.00</td><td>100.00</td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Bungalow (£ psf)</td><td>113.62</td><td>113.62</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Apartment (£ psf)</td><td>113.81</td><td>113.81</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Mixed Use (£ psf)</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>120.00</td></tr>
<tr><td>Office (£ psf)</td><td></td><td></td><td></td><td></td><td>98.00</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Industrial (£ psf)</td><td></td><td></td><td></td><td></td><td></td><td>60.00</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Retail (£ psf)</td><td></td><td></td><td></td><td></td><td></td><td></td><td>100.00</td><td>50.00</td><td>60.00</td><td></td></tr>
</table></td></tr>
<tr><td>Section 106</td><td>LSH have assumed no Section 106 costs in order to assess the baseline viability position. The viability modelling identifies the surplus for planning contributions (s106 / CIL) once development costs (including land acquisition costs, constructions costs, fees, developers profit) and affordable housing are discounted from the Gross Development Value.</td></tr>
<tr><td>Abnormal costs</td><td>Abnormal costs are only taken into account specific to a site</td></tr>
<tr><td>Demolition and External Costs</td><td>External cost assumptions: Around 10% of basic build costs for smaller sites (up to 0.5 hectares) and increasing to 20% of basic build costs for larger Greenfield schemes (of 1.5 hectares and above).
See Demolition and external works assumptions by development scenario below for more detail:</td></tr>
</table>

Dev. Scenario	MC1	MC2	MC3	MC4	MC5	MC6	MC7	MC8	MC9
Demolition (£k per acre)		100		105		110		115	105
External Works (%)	20	20	15	15	10	10	10	10	10

Dev. Scenario	MCN1	MCN2	MCN3	MCN4	MCN5	MCN6	MCN7	MCN8
Demolition (£k per acre)		100		105		110		115
External Works (%)	20	20	15	15	10	10	10	10

Dev. Scenario	WCT1	WCT2	WCT3	WCT4	WCT5	WCT6	WCT7	WCT8	WCT9
Demolition (£k per acre)		100		105		110		115	105
External Works (%)	20	20	15	15	10	10	10	10	10

Dev. Scenario	RP1	RP2	RP3	RP4	RP5	RP6	RP7	RP8
Demolition (£k per acre)		100		105		110		115
External Works (%)	20	20	15	15	10	10	10	10

Dev. Scenario	C1	C2	C3	C4	C5	C6	C7	C8	C9
Demolition (£k per acre)						100	100	100	100
External Works (%)	10	10	10	10	10	10	10	10	10

Professional Fees	8-10% (depending on different development scenarios)
Marketing and Disposal costs	2.5% of GDV for all residential development scenarios 3% for commercial development scenarios
Site Acquisition	1.5% of site value
Development Finance	7% per annum
Contingency	For previously undeveloped and otherwise straightforward sites: 2-3%; 5% on more risky types of development and previously developed land.
Developer Profit	18% profit on GDV
Timescale assumptions	Timescale assumptions for development appraisals relate to three key elements: • Pre-construction: 3 months lead-in for pre-construction enabling and mobilisation • Construction: 6 months construction per residential and commercial unit • Sale: 6 months average between construction start and first sale for all residential sites;

	2 sales per month on all small and medium residential sites ; 4 sales per month on all large residential sites (assuming two sales outlets) • It is assumed that commercial units will be pre-let or pre-sold
Density	34 – 38 (residential units per net hectare); 80 units per hectare for older persons housing

4.1 Residential Unit Size Assumptions

4.1.1 The Homes England Development Appraisal Tool (used for the purposes of this study) requires unit size inputs. The Government's optional nationally described space standard (NDSS)[26] requires viability testing in order to justify its adoption. This document provides sizes based upon the number of bedrooms, bed spaces and housing type (see table 4-2).

4.1.2 For the purposes of the modelling we have assumed the following unit sizes, based on the Colne sample sites:

- 2 bedroom terrace/detached: 70m^2
- 3 bedroom terraced/detached: 78-86m^2
- 4 bedroom detached: 97-116m^2
- 5 bedroom detached: 129-148m^2

Table 4-1 Size of units per scheme (m2)

Scheme	Type	Size of unit (sq.m)
CNDP6/24	3 bedroom detached	78
	3 bedroom detached	83
	4 bedroom detached	97
	4 bedroom detached	102
	4 bedroom detached	116
	5 bedroom detached	129
	5 bedroom detached	138
	5 bedroom detached	148
CNDP6/10	3 bedroom terrace	86
	2 bedroom terrace	70
	2 bedroom mid-terrace	70
CNDP6/16	3 bedroom detached	86
	2 bedroom detached	70

[26] Accessed at: https://www.gov.uk/guidance/housing-optional-technical-standards f

Table 4-2: Minimum gross internal floor areas and storage (m2)

Number of bedrooms(b)	Number of bed spaces (persons)	1 storey dwellings	2 storey dwellings	3 storey dwellings	Built-in storage
1b	1p	39 (37)[2]			1.0
	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4.0
	8p	125	132	138	

4.2 Market Housing Price Assumptions

4.2.1 We have used the current asking prices from new build developments, the general pattern of all house prices across the study area (including analysis of prices paid and the second hand market) and existing research from Pendle's 2019 viability assessment to form a view on the price assumptions to be used in the appraisal to calculate a Gross Development Value. The prices are reflective of today's values for Colne and comparable surrounding areas and have been informed by market values to reality check the assumptions.

4.2.2 It is important to note at this stage these professional judgements are broad brush for the purposes of a high level study to test the sites/schemes being considered by the Qualifying Body, as required by the NPPF, and to inform the emerging NDP. The values between new developments and within new developments will vary considerably in reality based on location, situation, unit type and the state of the market at the point of marketing the properties.

4.2.3 The Harman Guidance and PPG advise that viability testing should use current prices; we have used the following price assumptions for this study:

Table 4-3 Market housing price assumptions*

Type	Price £/m2	m^2	Price £/unit
1 / 2 bed flat	-	-	-
2 bed house	2,300	70	£161,000
3 bed house (terrace)	2,300	86	£197,800
3 bed house (detached)	2,300	78-86	£179,400-197,800
4 bed house (detached)	2,300	102-116	£223,100-266,800
5 bed house (detached)	2,300	129-148	£296,700-340,400

**The floorspace sizes reflect the NDSS and align with the overall figures in the scheme mix.*

4.2.4 Prices paid data for Colne over the past 12 months provide helpful local comparables (albeit not necessarily the type of housing product envisaged in the NDP). This data was synthesised with the second-hand market data to arrive at the final assumptions. The above prices broadly reflect the trends in the local area, which has seen a gentle rising housing market over the past

five years. The price assumptions do not exceed what is being achieved in higher value areas nearby.

4.3 Affordable Housing Price Assumptions

4.3.1 In the case of Colne, where the affordable housing requirement in line with the adopted Core Strategy and the latest borough level viability assessment is 0%, the AECOM assessment has not applied affordable rent or intermediate sale price assumptions.

4.4 Policy Costs and S106 Planning Obligations

4.4.1 As Colne does not already have a 'made' NDP, there are no additional policy costs over and above those previously tested for the 2019 Pendle Local Plan viability study.

4.4.2 PBC states on their website that examples of things that could be included within a Section 106 Agreement in the borough could include a requirement to provide affordable housing on-site; a financial contribution to boost local education provision; or a requirement to provide a community facility at a fixed point in the development process. Pendle do not currently have an adopted Community Infrastructure Levy (CIL).

4.4.3 The 2019 Viability study assumes a range of 0-10% affordable housing requirement as policy cost. In the case of Colne, the policy compliant level of affordable housing provision is 0%, in line with the adopted Core Strategy policy LIV4. Furthermore, for the purposes of their assessment, LSH assumed no S106 costs, in order to assess the baseline viability position for development across Pendle Borough. The viability modelling identifies the surplus for planning contributions once development costs (including land acquisition costs, constructions costs, fees, developers profit) and affordable housing are discounted from the Gross Development Value. Therefore, our AECOM assessment also assumes 0% affordable housing and no other planning obligations.

4.5 Construction Costs

4.5.1 The figures for our assumptions are drawn from the Building Cost Information Service (BCIS) median costs for new build, as at 11 September 2021 (rate per square metre gross internal floor area for the building cost including prelims) rebased to Pendle (see **Appendix D**). We have assumed an average build cost of **£1,250/m^2 for houses**. Flats were not part of the scheme mix.

Table 4-4 BCIS median build costs summary (2021)

Building function	Median BCIS New Build £/m2
Housing Terraced 2 storey	£1,262/m^2
Housing Terraced 3 storey	£1,303/m^2
Housing Semi-Detached 2 storey	£1,261/m^2
Housing Semi-Detached 3 storey	£1,228/m^2
Housing (General) 2 storey	£1,249/m^2
Housing (General) 3 storey	£1,312/m^2

4.6 External Costs

4.6.1 In addition to the BCIS £/m^2 build cost figures (which cover the costs of the foundations up to the roof), allowance needs to be made for a range of site costs (footpaths, roads, car parking, landscaping and other external costs). Many of these external items will depend on individual site circumstances and can only be accurately estimated following a more detailed scheme design and assessment of each site (including further ground investigations for the western

portion of the site). This is not practical within this study unless estimates are readily available for site specific issues. The modelling assumes 10% of construction costs (base build costs) for external works.

4.7 Over extra costs (site clearance, remediation etc)

4.7.1 For small to medium brownfield sites like the sites which are the subject of this assessment, it is assumed that they will be less costly to open up, being close to existing infrastructure/services. The 2019 borough level viability assessment assumed external costs of around 10% of basic build costs for smaller sites (up to 0.5 hectares), with higher costs of between 15-20% for larger and greenfield sites. Demolition was assumed to be £100,000-£115,000 per acre. It assumes no direct cost implication of parking provision.

4.7.2 The AECOM assessment assumes no over extra costs, excluding professional fees and contingencies, which are accounted for separately. However, as is noted again later, sites CNDP6/24 and 6/16, which are industrial sites, would incur some additional demolition costs that have not been modelled in this base appraisal. Also, site CNDP6/10, which is covered by scrub and trees and has variable gradient would incur some additional site clearance/preparation costs that have not been modelled in this base appraisal. This is because the exact costs are difficult to predict at this point in time and to enable a better like for like comparison across the three sites.

4.8 Contingency

4.8.1 The 2019 borough level Viability Assessment assumes a contingency for previously undeveloped and otherwise straightforward sites of around 2-3% with a higher figure of 5% on more risky types of development and previously developed land, and we have adopted the latter assumption of 5%, as the sites in question in Colne are brownfield sites. This is to account for risk relating to a specific scheme and will vary from site to site.

4.9 Professional Fees

4.9.1 The 2019 borough level viability study assumed professional fees of 8-10% of costs and 10% has been adopted in the modelling.

4.10 VAT

4.10.1 For simplicity it has been assumed throughout, that either Value Added Tax (VAT) does not arise, or that it can be recovered in full. Costs in this report are deemed net of VAT as all VAT on new build is recoverable including for site clearance and demolition if let as part of the development contract.

4.11 Finance Costs

4.11.1 Our appraisals assume 5.5% interest rate and 5.5% credit balance reinvestment. This may seem high given the very low base rate figure, but this reflects the banks' view of risk for housing developers. The Development Appraisal Tool utilises a simple cash flow to calculate interest. We accept that is a simplification however, due to the high level and broad brush nature of this analysis, we believe that it is appropriate. The 2019 borough level viability assessment assumes 7% per annum finance costs.

4.12 Voids

4.12.1 On a scheme comprising mainly of individual houses one would normally assume only a nominal void period (the time that elapses before income is accrued by the developer) as the housing would not be progressed if there was no demand. In the case of apartments in blocks this flexibility is reduced. Whilst these may provide scope for early marketing, the ability to tailor construction pace to market demand is more limited. For the purpose of the present study a

three month void period is assumed for all residential. This is in line with the 2019 borough level assessment which also generally assumes 3 months for rent free /void allowance.

4.13 Phasing and Timetable

4.13.1 The borough level assessment assumes 3 months for pre-construction; 6 months for construction; and 6 months average between construction start and first sale, with 2-4 sales per month thereafter.

4.13.2 In our assessment, each dwelling is assumed to be built over a 12-18-month period. The phasing programme for an individual site will reflect market take-up and would, in practice, be carefully estimated taking into account the site characteristics and, in particular, the size and the expected level of market demand. The modelled assumptions reflect site size and development type.

4.13.3 A 11-16 month sale period is assumed, with average sales rate for each site of 0.73-3.82 units per month, depending on the size of the development and location, with the first sales taking place 6 months after a start on site.

4.13.4 We believe that these are conservative assumptions and do, properly, reflect current practice. This is the appropriate assumption to be in line with the PPG and Harman Guidance.

4.14 Site Holding Costs and Receipts

4.14.1 Each site is assumed to proceed immediately and so, other than interest on the site cost during construction, there is no allowance for holding costs, or indeed income, arising from ownership of the site.

4.15 Site Purchase Costs

4.15.1 Site acquisition costs are set at 1.5% for surveyor's fees and legal fees (1% for agent fees and 0.5% for legal fees as % of site cost). The 2019 borough level assessment assumes the same 1.5% of GDV for residential schemes. Stamp Duty Land Tax is calculated at the prevailing rates.

4.16 Sales and Marketing Costs

4.16.1 Agents' fees and marketing fees are assumed to be at a rate of 4.5%. The borough level assessment assumes a rate of 2.5% for residential schemes for marketing and disposal. Disposal costs of affordable housing can be reduced significantly in the real world depending on the type of product so in fact the marketing and disposal of the affordable element is probably less expensive than this in reality. This is not represented in the modelling for Colne, as the assumption is a 0% affordable housing requirement in line with the adopted Core Strategy policy LIV4, but it can be a contributing factor to lower developer's return assumption for other assessments which include a proportion of affordable housing.

4.17 Developer's Profit

4.17.1 An allowance needs to be made for developers' profit / return and to reflect the risk of development. We have considered the RICS's 'Financial Viability in Planning' (August 2012)[27], the Harman Guidance Viability Testing Local Plans, Advice for planning practitioners (June 2012), and referred to the HCA's Economic Appraisal Tool. None of these documents are prescriptive, but they do set out some different approaches.

4.17.2 The Harman Guidance says:

Return on development and overhead
The viability assessment will require assumptions to be made about the average level of developer overhead and profit (before interest and tax).
The level of overhead will differ according to the size of developer and the nature and scale of the development. A 'normal' level of developer's profit margin, adjusted for development risk,

[27] Accessed at: http://www.rics.org/Documents/Financial%20viability%20in%20planning.pdf

can be determined from market evidence and having regard to the profit requirements of the providers of development finance. The return on capital employed (ROCE) is a measure of the level of profit relative to level of capital required to deliver a project, including build costs, land purchase, infrastructure, etc.
Appraisal methodologies frequently apply a standard assumed developer margin based upon either a percentage of Gross Development Value (GDV) or a percentage of development cost. The great majority of housing developers base their business models on a return expressed as a percentage of anticipated gross development value, together with an assessment of anticipated return on capital employed. Schemes with high upfront capital costs generally require a higher gross margin in order to improve the return on capital employed. Conversely, small scale schemes with low infrastructure and servicing costs provide a better return on capital employed and are generally lower risk investments. Accordingly, lower gross margins may be acceptable.
This sort of modelling – with residential developer margin expressed as a percentage of GDV – should be the default methodology, with alternative modelling techniques used as the exception. Such an exception might be, for example, a complex mixed use development with only small scale specialist housing such as affordable rent, sheltered housing or student accommodation.

4.17.3 At the Shinfield appeal[28] (January 2013) the inspector considered this specifically saying:

Developer's profit
43. The parties were agreed that costs [i.e. developer profit] should be assessed at 25% of costs or 20% of gross development value (GDV). The parties disagreed in respect of the profit required in respect of the affordable housing element of the development with the Council suggesting that the figure for this should be reduced to 6%. This does not greatly affect the appellants' costs, as the affordable housing element is 2%, but it does impact rather more upon the Council's calculations.

44. The appellants supported their calculations by providing letters and emails from six national housebuilders who set out their net profit margin targets for residential developments. The figures ranged from a minimum of 17% to 28%, with the usual target being in the range 20-25%. Those that differentiated between market and affordable housing in their correspondence did not set different profit margins. Due to the level and nature of the supporting evidence, I give great weight [to] it. I conclude that the national housebuilders' figures are to be preferred and that a figure of 20% of GDV, which is at the lower end of the range, is reasonable.

4.17.4 Broadly there are four different approaches that could be taken:

- To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield sites.
- To set a rate for the different types of unit produced – say 20% for market housing and 6% for affordable housing, as suggested by the HCA (although in the case of Colne, the affordable housing requirement is zero).
- To set the rate relative to costs and thus reflect risks of development.
- To set the rate relative to the development's Gross Development Value (as normally preferred by developers).

4.17.5 In deciding which option to adopt, it is important to note that we are not trying to re-create any particular developer's business model. Different developers will always adopt different models

[28] APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

and have different approaches to risk. The 2019 borough level Viability Assessment adopted an overall profit level based on 18% on GDV - the modelling uses the same approach.

4.18 Landowner's Return (EUV+)

4.18.1 In order to assess development viability, it is necessary to analyse Existing Use Values (EUV) i.e. the value of the land in its current use before planning consent is granted, for example, as agricultural land. Alternative Use Values (AUV) refers to any other potential use for the site that doesn't require planning permission. For example, a greenfield site may have an alternative use as a pony paddock.

4.18.2 For the purpose of the study, it is necessary to take a comparatively simplistic approach to determining the EUV/AUV. In practice, a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis the outcome might still be contentious. For sites previously in agricultural use, then agricultural land represents the existing use value. The focus of this study is predominantly brownfield sites, as such industrial land values are likely to make up the majority of sites tested.

4.18.3 The results from appraisals are compared with the EUV set out above in order to form a view about the sites' viability. This is a controversial part of the viability process and the area of conflicting guidance between the Harman Guidance and the RICS Guidance. In the context of this report it is important to note that it does not automatically follow that, if the Residual Value produces a surplus over the EUV, the site is viable. The land market is more complex than this, the landowner and developer must receive a sufficient return in reward for taking on risk. The PPG includes a definition of land value as follows:

> ***Land Value***
>
> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).*
>
> *In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.*
>
> *Paragraph: 013 Reference ID: 10-013-20180724 Revision date: 24 07 2018*

4.18.1 It is clear that for land to be released for development, the plus/uplift/premium over the EUV needs to be sufficiently large to provide an incentive to the landowner(s) to release the site and cover any other appropriate costs required to bring the site forward for development. It is therefore appropriate and an important part of this assessment to have regard to the market value of land.

4.18.2 The reality of the market is that each and every landowner has different requirements and different needs and will judge whether or not to sell by their own criteria. We therefore have to consider how large such an 'uplift' or 'premium' (above EUV) should be to broadly provide a return to incentivise the landowner to release their land for development. The assumptions must be a generalisation as in practice the size of the uplift will vary from case to case depending on how many landowners are involved, each landowner's attitude and their degree of involvement in the current property market, the location of the site and so on. Nationally it is typical that a 20-30% increase about the EUV for industrial/residential land would be sufficient to induce a landowner to sell their site. For greenfield sites, the difference between agricultural land values and residential land values can be 10 to 20 times higher.

4.18.3 The approach adopted aligns with the Harman Guidance and Planning Advisory Service (PAS) advice and has been subject to scrutiny at examination hearings. The EUV+ approach was endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule

in January 2012[29] and continues to be accepted by the Inspectorate for the purposes of plan making.

4.18.4 AECOM collected data on building sites for sale, as of August 2021 on Rightmove, for the locality of Colne, Lancashire (including Sold STC). We found nine sites for sale in the area, including in Pendle, Nelson, Brierfield, Colne and Blacko. There was considerable variety in the land sale prices collected, ranging from a minimum of £41,667 per ha to a maximum of £16,500,000 per hectare. The mean price was 2,649,023 and the median was £833,333 per hectare.

4.18.5 The most recent 2019 borough level Viability Study assumed a Benchmark Land Value of £50,000-200,000/Ha for brownfield land in the M65 corridor.

4.18.6 The previous 2013 PBC Development Viability Study Assessment includes a Benchmark Land Value (EUV+) of £494,210 per net hectare (£200,000 per net acre) for residential land in the M65 Corridor and M65 Corridor North and an EUV+ of £308,881/net ha (£125,000 per net acre) for commercial land (B1, B2 and B8).

4.18.7 The previous AECOM 2018 Viability Study for Colne assumed a land value of £494,210 per net hectare (£200,000 per net acre) for residential land; and of £308,881/net ha (£125,000 per net acre) for commercial land are reasonable assumptions for EUV+ for Colne. .

4.18.8 On the basis of the evidence available, it is considered that £22,000 (for sites in existing agricultural use) - £300,000 (industrial sites)/hectare for brownfield sites in Colne is a reasonable range of assumption for EUV for the potential development sites in Colne (all the sites which are relevant to this study are brownfield sites).

4.18.9 AECOM's previous 2018 Colne Viability Study modelling assumed EUV+ ranges of £494,210/net Ha (£200,000 per net acre) for residential land and £308,881/net Ha (£125,000 per net acre) for commercial land.

4.18.10 The most recent Local Plan Viability Assessment (2019 by LSH) assumed EUV+ ranging from circa £50,000/acre to £250,000/acre.

4.18.11 MCHLG comparable Land Value Estimates for Policy Appraisals (2019) assumes the following land values for the Pendle area:

Land Values (Area = Pendle, LEP - Lancashire / Towns – Blackburn, Blackpool)		
Residential Land	£710,000	Ha
	£287,327	Acre
Industrial Land	£425,000	Ha
	£171,991.66	Acre
Commercial Land: Office Edge of City Centre	£865,000	Ha
	£350,053.62	Acre
Commercial Land: Office Out of Town – Business Park	£400,000	Ha
	£161,874.51	Acre
Source: Land value estimates for policy appraisal 2019		

4.18.12 It is important to appreciate that assumptions on EUV+ can only be broad approximations, subject to a wide margin of uncertainty. For the purposes of this 2021 high-level viability study, based on the various sources of evidence on land value in the area, we have assumed a **EUV+ range of £300,000 – 500,000/hectare**. This represents typical benchmark land values in

[29] Paragraphs 7 to 9 of Report On The Examination Of The Draft Mayoral Community Infrastructure Levy Charging Schedule by Keith Holland BA (Hons) DipTP MRTPI ARICS an Examiner appointed by the Mayor Date: 27th January 2012

Pendle for industrial land and residential land of a rural nature and character such as Colne, whilst remaining broadly aligned with our previous modelling assumptions in 2018 for Colne.

4.18.13 The residual values produced by the HCA Development Appraisal Toolkit (deployed for the modelling in this study) are on the basis of the gross site. The model assumes the developer is required to purchase all of the land including land that would be required for public open space, SUDs, social infrastructure etc. The appraisal results display the residual values on a gross site basis, per gross hectare basis and per net hectare basis (the net developable area).

4.18.14 However, we recognise that the landowners may only be incentivised to release their land at the higher level.

5 Site assumptions

5.1 Scheme mix

5.1.1 The scheme mix for the three sample sites, CNDP6/24, CNDP6/10, and CNDP6/16, reflects all of the options considered as part of the site analysis of the report.

Assumptions summary

5.1.2 Based upon the preceding analysis, the below table is a summary of the main assumptions that have been fed into the viability modelling.

Table 5-1 Modelling and site assumptions summary sheet

Input	Value / Cost
Schemes subject to testing	CNDP6/24 – Earby Light Engineering, Colne – Part Greenfield, part Brownfield site for residential development, with a gross site area of 3.47 ha and a net residential site area of 2.66 ha – 78 residential units CNDP6/10 – Green Works, Knotts Lane, Colne – Brownfield site occupied by remnants of a former mill, for residential development, with a gross site area of 0.51 ha and a net residential site area of 0.41 ha – 23 residential units; and CNDP6/16 – Thomas Street, Colne – Brownfield site (Thomas Street Car Park) for residential development, with a gross site area of 0.14 ha and a net residential site area of 0.13 hectares – 8 residential units.
Sales values per square metre	Market House £2,300
Unit sizes	2 bedroom house terraced/detached: 70m^2 3 bedroom house terraced/detached: 78-86m^2 4 bedroom house detached: 97-116m^2 5 bedroom house detached: 129-148m^2
Build costs	£1,250/m2 for all houses (there were not flats or commercial units to be taken into account)
External Costs	10% of build costs
Design & Professional fees	10% of build costs
Contingency	5% of build costs
Site purchase costs (based on residual value)	Agents and legal fees 1.5% (1% for agent fees and 0.5% for legal fees as % of site cost) Stamp Duty Land Tax is calculated at the prevailing rates
Marketing/Sales fees	4.5%
Developer's profit	18% of GDV
Finance costs	Interest rate: 5.5% per annum Credit Balance reinvestment: 5.5%
Phasing and timetable	12-18 months build period; 11-16 months sale period with 0.73-3.82 monthly sales rate, depending on size of scheme
S106 & Affordable Housing	0% affordable housing and £0 Section 106 contributions.
EUV+	£300,000 – 500,000/ha

6 Conclusion

6.1.1 This chapter presents the results of residual appraisal (the detailed appraisal summary sheets are provided in **Appendix E** to this report). Development appraisals for the modelled sites have utilised the HCA's Development Appraisal Tool (DAT), a spread sheet-based financial analysis package publicly available online[30]. The Tool generates a gross residual value for the whole site and also a gross per hectare residual value. It does not automatically generate a residual value on the basis of the net developable area on a per hectare basis.

6.1.2 The appraisals use the residual valuation approach – that is, they are designed to assess the value of the land after taking into account the costs of development, the likely income from sales and/or rents and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the EUV+.

Appraisal results

6.1.3 The development appraisal model incorporates build costs, abnormal costs (where applicable), infrastructure costs and financial assumptions for the scheme. The results are summarised in this section deploying Red, Amber, Green scoring:

- **Green Viable** – where the Residual Value per net hectare exceeds the indicative EUV+ (Threshold /Benchmark) per hectare for Industrial land (i.e. a sufficient uplift or premium to provide a competitive return for the landowner to incentivise them to release their land).
- **Amber Marginal/Unviable** – where the appraisal produces a positive Residual Value above the EUV but not above the EUV+ per net hectare. These sites should still be considered unviable when measured against the benchmark/threshold – however depending on the nature of the site and the owner it may come forward with some amendments to the scheme if it is close to the EUV+.
- **Red Unviable** – where the Residual Value does not exceed the EUV or EUV+. These sites should not be considered deliverable and the Qualifying Body should consider carefully if the site can be considered developable during the entire plan period.

6.1.4 The residual valuation method is suitable for the objectives of this study and is in accordance with the National Planning Policy Framework, Planning Practice Guidance and non-statutory guidance published by the RICS and Local Housing Delivery Group. The process is based on high level modelling and assumptions for development costs and values. The process adopted by many developers is similar, hence the use of contingency sums, external site cost allowances, the developers profit assumptions (18% of GDV) and the generally cautious approach e.g. 5% contingency. The landowner's return of £404,159/net hectare is appropriate based on the available evidence that was available in August 2021.

6.1.5 Whilst the three schemes are shown as viable, sites CNDP6/24 is only marginally viable and unlikely to be able to bear any planning obligations (s106, affordable housing are set at zero in line with the 2019 borough level affordable housing assessment and adopted Core Strategy). This scheme would likely become unviable if costs, such as on construction, increased even by a small amount, or if sale prices dropped.

6.1.6 Densification could potentially be used to provide an additional viability cushion. However, the densities assumed for the purposes of our modelling appear realistic and are unlikely to allow for substantial increases. It is our view that the NDP policies can be adjudged to be effective and the allocations developable in the plan making context on the basis of the results. The results are shown on the basis of the gross site residual value (the maximum that could theoretically be paid to the landowner); gross hectare basis (a figure generated by the HCA tool); and a per net hectare basis (for the purposes of testing it against the EUV+ and comparison between sites).

[30] Accessed at: https://www.gov.uk/government/publications/development-appraisal-tool

Table 6-1 Modelling results @ 0% affordable housing

Site / Option	EUV Per Ha	Benchmark Land Value / EUV+ Per Ha	Existing Use Value (EUV)	Site EUV+ (based on site size)	Residual Land Value	RLV Per Ha Residual Value
CNDP6/24 (0% affordable – 78 houses)	£22,000 (Agricultural) - £300,000 (Industrial)	300,000 – 500,000	£1,041,000*	£1,214,500	£1,617,401	£466,110
CNDP6/10 (0% affordable – 23 houses)	£22,000 (Agricultural) - £300,000 (Industrial)	300,000 – 500,000	£11,286	£179,550 - £256,500	£373,974	£728,993
CNDP6/16 (0% affordable – 8 houses)	£22,000 (Agricultural) - £300,000 (Industrial)	300,000 – 500,000	£42,600	£49,700	£130,076	£916,025

**Based on industrial values, however, site is predominantly hardstanding/greenfield*

Summary and recommendations

6.1.7 All three sites were found to be viable, but two of these only marginally. If any affordable housing or other planning obligations were taken into account, particularly site CNDP6/24 would become unviable, based on a benchmark land value/EUV+ of £300,000 – 500,000/net ha.

6.1.8 **CNDP6/24** – This site is unviable at the higher brownfield residential land BLV assumed in the 2019 PBC viability study (£200,000/acre = £494,210/Ha), even if we assume 0% affordable housing. However, the site is currently in an industrial use and a mixed greenfield / brownfield site and it would therefore be appropriate to assume the lower Industrial BLV figure of 308,881/Ha (£125,000/acre). The site would incur additional demolition costs that have not been modelled in this base appraisal, to provide a consistent baseline position. The density proposed by the site promoter for the scheme was quite low (25dph). As the site is deemed to have capacity to take a slightly denser form of development based on its nature, size and context, based upon review of the promoter's initial site plans we have assumed a marginally higher density of 30dph. However, any higher density than this would likely be inappropriate due to the constrained nature of the site, including the proximity to the flood zones and the more suburban location being situated on the south eastern edge of Colne. 30dph allows CNDP6/24 to provide marginally more homes. It may be able to bear some affordable housing and/or planning obligations, subject to more detailed testing and design, but the viability for this is likely to be marginal.

6.1.9 **CNDP6/10** – This brownfield site is occupied by a former mill. The site would incur additional site clearance/preparation costs that have not been modelled in this base appraisal, to provide a consistent baseline position. Based on surrounding residential uses, the higher BLV may be appropriate (the site is brownfield, occupied by the remnants of a former mill). This site is viable at the higher residential BLV, there may be some scope to provide some additional homes and the landowners may be willing to accept a lower land price than £500k/Ha based on the 'M65 Corridor' Benchmark Land Values (247,105 per net hectare cited in the Council's 2019 viability study). The site's current status is an unused back-land development plot. We have therefore modelled the site at a slightly higher density (55dph) than originally suggested by the promoter, based on its size and context. The site may be able to accommodate some affordable housing and/or planning obligations, subject to detailed testing and design.

6.1.10 **CNDP6/16** – The site is currently in use as the Thomas Street Car Park and so the lower BLV would be appropriate. The site would incur additional demolition costs that have not been modelled in this base appraisal. There is very little scope to increase density beyond what is shown by the proposed concept plan (~60dph), as this is already above average densities when compared to the surrounding area. The site plans prepared by the promoter for CNDP6/16 appear to be designed at an appropriate

density, which is therefore adopted for the purposes of our modelling exercise. The site could potentially provide some affordable housing and other planning obligations, based on our high-level results, subject to more detailed design and testing.

6.1.11 The modelling largely adopts a conservative approach to most of the assumptions, for example, in some cases the external costs may be cheaper following detailed design and further investigations attached to future planning applications. However, affordable housing, Section 106, and over extra costs (e.g. site clearance and remediation) have been set at zero. If these were added, this would worsen viability. This could be reconsidered at detailed design stage.

6.1.12 Paragraph 119-120 of the NPPF 2021 gives substantial weight to the value of using suitable brownfield land within settlements for homes and supports appropriate opportunities to remediate despoiled, degraded, derelict, contaminated or unstable land. Paragraph 120 (clause d) also encourages the development of under-utilised land and buildings, especially if this would help to meet identified needs for housing where land supply is constrained and available sites could be used more effectively. In addition, paragraph 64 of the NPPF 2021 states (our ***emphasis***): "*…To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped,* ***any affordable housing contribution due should be reduced*** *by a proportionate amount."*

6.1.13 It is clear that a flexible policy approach will be required in order to realise delivery on these brownfield plots. The modelling results indicate that affordable housing contributions could render the schemes unviable, unless other factors were changed, such as higher densities assumed. However, we believe that the densities assumed as part of our modelling are largely appropriate, based on the nature, size, and context of the sites, and are unlikely to allow for much higher increases.

6.1.14 PBC could investigate additional sources of finance to help bring the site forward. For example, capital funding from the Council or alternative (non-traditional) delivery models[31] could help to bring the site forward in compliance with policy.

6.1.15 The appraisal results show that the site can be considered developable over the plan period with a number of the appraisal scenarios producing positive residual land values at levels sufficient to satisfy the EUV+/benchmark land value for Pendle.

6.1.16 The Qualifying Body should consider the contents of this report and decide whether the allocations should be amended either to make it more flexible or precise (in terms of the policy wording). In all cases adjustments to the density and mix could help to improve the viability of the site. In general, incorporating affordable housing on the sites in question would likely be challenging and will require an alternative approach than is currently envisaged.

6.1.17 In conclusion, the potential development sites in Colne, whilst challenging, could play a role in delivering much needed housing locally and can help to facilitate development through economic cycles expected over the course of the plan period. They are unlikely to contribute to meeting much, if any, affordable housing need. In cooperation with the Council and landowners, the Qualifying Body should now discuss the most appropriate way to take the site forward. The allocation of the land within the Neighbourhood Plan would help to de-risk the site and provide certainty. Based on the results of the appraisals we would recommend an allocation that permits marginally higher densities (as assumed for our appraisal, subject to more detailed design) and would advocate that if affordable housing is needed locally, this would have to be delivered in a different way from through Section 106 planning obligations.

6.1.18 The residual values within this report do not constitute market values for land and should not be considered as such. Each site has its own specific constraints that are likely to inform the final prices paid for land in Colne.

6.1.19 For the purposes of plan making, the information produced by the modelling should help to frame discussions between landowners/developers, the Council and the Qualifying Body with regards to the applications that will be forthcoming.

6.1.20 Note that while all three sample sites are currently showing as viable on the basis of this high level, baseline viability study, further, more detailed testing should take into account different ranges of affordable housing, planning obligations and additional site specific costs including demolition and other opening up costs.

[31] Public Private Joint Ventures, Community Land Trust or partnerships with bodies such as Homes England.

Appendix A - Land Registry Prices Paid 2018 – 2020

Price paid	Deed date	postcode	Property type	paon	street	locality	town	EPC NIA m2	£/m2
£127,995	29/06/2018	BB8 8FF	T	1	ASPINALL DRIVE		COLNE	67	1910.37
£112,995	29/03/2019	BB8 8FF	T	2	ASPINALL DRIVE		COLNE	51	2215.59
£124,995	13/09/2018	BB8 8FF	T	3	ASPINALL DRIVE		COLNE	67	1865.60
£109,995	29/03/2019	BB8 8FF	T	4	ASPINALL DRIVE		COLNE	51	2156.76
£126,995	31/08/2018	BB8 8FF	T	5	ASPINALL DRIVE		COLNE	67	1895.45
£109,995	29/03/2019	BB8 8FF	T	6	ASPINALL DRIVE		COLNE	51	2156.76
£207,995	23/02/2018	BB8 8FF	D	7	ASPINALL DRIVE		COLNE	100	2079.95
£112,995	29/03/2019	BB8 8FF	T	8	ASPINALL DRIVE		COLNE	51	2215.59
£210,995	28/02/2019	BB8 8FF	D	10	ASPINALL DRIVE		COLNE	100	2109.95
£228,995	29/10/2018	BB8 8FF	D	12	ASPINALL DRIVE		COLNE	109	2100.87
£218,995	16/11/2018	BB8 8FF	D	14	ASPINALL DRIVE		COLNE	100	2189.95
£225,995	29/03/2018	BB8 8FF	D	15	ASPINALL DRIVE		COLNE	118	1915.21
£218,995	23/11/2018	BB8 8FF	D	16	ASPINALL DRIVE		COLNE	100	2189.95
£214,995	15/11/2018	BB8 8FF	D	17	ASPINALL DRIVE		COLNE	109	1972.43
£221,995	29/10/2018	BB8 8FF	D	18	ASPINALL DRIVE		COLNE	109	2036.65
£228,995	29/03/2018	BB8 8FF	D	19	ASPINALL DRIVE		COLNE	118	1940.64
£216,995	28/03/2018	BB8 8FF	D	21	ASPINALL DRIVE		COLNE	100	2169.95
£218,995	20/06/2018	BB8 8FF	D	23	ASPINALL DRIVE		COLNE	109	2009.13
£228,995	27/04/2018	BB8 8FF	D	25	ASPINALL DRIVE		COLNE	118	1940.64
£214,995	31/05/2018	BB8 8FF	D	27	ASPINALL DRIVE		COLNE	107	2009.30
£529,950	28/02/2020	BB8 7GL	D	8	BURLING LANE		COLNE	183	2895.90
£199,000	13/09/2019	BB8 7AL	S	1	BUTTERCUP CLOSE	FOULRIDGE	COLNE	86	2313.95
£199,000	03/09/2019	BB8 7AL	S	2	BUTTERCUP CLOSE	FOULRIDGE	COLNE	86	2313.95
£250,000	25/08/2020	BB8 7AL	S	4	BUTTERCUP CLOSE	FOULRIDGE	COLNE	106	2358.49
£169,000	23/12/2019	BB8 7AL	S	5	BUTTERCUP CLOSE	FOULRIDGE	COLNE	74	2283.78
£169,000	20/03/2020	BB8 7AL	S	6	BUTTERCUP CLOSE	FOULRIDGE	COLNE	74	2283.78
£199,000	13/12/2019	BB8 7AL	S	11	BUTTERCUP CLOSE	FOULRIDGE	COLNE	86	2313.95
£199,000	25/08/2020	BB8 7AL	S	12	BUTTERCUP CLOSE	FOULRIDGE	COLNE	86	2313.95
£218,995	28/07/2019	BB8 8DZ	D	4	KNOTTS MOUNT		COLNE	107	2046.68
£199,995	17/06/2019	BB8 8DZ	D	5	KNOTTS MOUNT		COLNE	89	2247.13

£114,995	09/04/2018	BB8 8DZ	T	10	KNOTTS MOUNT		COLNE	67	1716.34
£212,995	29/03/2018	BB8 8DZ	D	16	KNOTTS MOUNT		COLNE	109	1954.08
£217,995	07/02/2018	BB8 8DZ	D	18	KNOTTS MOUNT		COLNE	107	2037.34
£234,995	26/04/2019	BB8 8DZ	D	25	KNOTTS MOUNT		COLNE	109	2155.92
£210,995	20/04/2018	BB8 8DZ	D	47	KNOTTS MOUNT		COLNE	107	1971.92
£219,995	14/12/2018	BB8 8DZ	D	49	KNOTTS MOUNT		COLNE	107	2056.03
£186,995	30/11/2018	BB8 8DZ	D	51	KNOTTS MOUNT		COLNE	89	2101.07
£228,995	30/11/2018	BB8 8DZ	D	53	KNOTTS MOUNT		COLNE	109	2100.87
£141,995	23/11/2018	BB8 8DZ	S	55	KNOTTS MOUNT		COLNE	70	2028.50
£141,995	29/11/2018	BB8 8DZ	S	57	KNOTTS MOUNT		COLNE	70	2028.50
£186,995	19/12/2018	BB8 8DZ	D	59	KNOTTS MOUNT		COLNE	89	2101.07
£186,995	12/12/2018	BB8 8DZ	D	61	KNOTTS MOUNT		COLNE	89	2101.07
£191,995	19/12/2018	BB8 8DZ	S	63	KNOTTS MOUNT		COLNE	107	1794.35
£191,995	21/12/2018	BB8 8DZ	S	65	KNOTTS MOUNT		COLNE	107	1794.35
£232,995	20/12/2018	BB8 8DZ	D	67	KNOTTS MOUNT		COLNE	118	1974.53
£159,995	20/12/2018	BB8 8DZ	S	69	KNOTTS MOUNT		COLNE	87	1839.02
£159,995	20/12/2018	BB8 8DZ	S	71	KNOTTS MOUNT		COLNE	87	1839.02
£232,995	20/12/2018	BB8 8DZ	D	73	KNOTTS MOUNT		COLNE	118	1974.53
£148,995	19/12/2018	BB8 8DZ	T	75	KNOTTS MOUNT		COLNE	87	1712.59
£146,995	19/12/2018	BB8 8DZ	T	77	KNOTTS MOUNT		COLNE	87	1689.60
£146,995	20/12/2018	BB8 8DZ	T	79	KNOTTS MOUNT		COLNE	87	1689.60
£148,995	20/12/2018	BB8 8DZ	T	81	KNOTTS MOUNT		COLNE	87	1712.59
£219,995	19/12/2018	BB8 8DZ	D	83	KNOTTS MOUNT		COLNE	107	2056.03
£221,995	13/12/2019	BB8 8FJ	D	1	LANKY GARDENS		COLNE	107	2074.72
£220,000	26/06/2020	BB8 8FJ	D	2	LANKY GARDENS		COLNE	109	2018.35
£151,995	25/09/2020	BB8 8FJ	T	7	LANKY GARDENS		COLNE	87	1747.07
£184,995	21/09/2020	BB8 8FJ	D	10	LANKY GARDENS		COLNE	82	2256.04
£189,995	25/09/2020	BB8 8FJ	D	11	LANKY GARDENS		COLNE	89	2134.78
£172,995	31/07/2020	BB8 8FJ	S	14	LANKY GARDENS		COLNE	82	2109.70
£172,995	31/07/2020	BB8 8FJ	S	15	LANKY GARDENS		COLNE	82	2109.70
£221,995	22/05/2020	BB8 8FJ	D	16	LANKY GARDENS		COLNE	109	2036.65
£235,995	26/06/2020	BB8 8FJ	D	17	LANKY GARDENS		COLNE	118	1999.96
£194,995	13/12/2019	BB8 8FJ	S	18	LANKY GARDENS		COLNE	107	1822.38
£194,995	16/12/2019	BB8 8FJ	S	19	LANKY GARDENS		COLNE	107	1822.38
£235,995	20/12/2019	BB8 8FJ	D	20	LANKY GARDENS		COLNE	118	1999.96
£172,995	20/12/2019	BB8 8FJ	S	21	LANKY GARDENS		COLNE	82	2109.70

£172,995	20/12/2019	BB8 8FJ	S	22	LANKY GARDENS		COLNE	82	2109.70
£235,995	18/12/2019	BB8 8FJ	D	23	LANKY GARDENS		COLNE	118	1999.96
£189,995	14/02/2020	BB8 8FJ	D	24	LANKY GARDENS		COLNE	89	2134.78
£235,995	27/03/2020	BB8 8FJ	D	25	LANKY GARDENS		COLNE	118	1999.96
£151,995	28/02/2020	BB8 8FJ	T	26	LANKY GARDENS		COLNE	87	1747.07
£149,995	27/03/2020	BB8 8FJ	T	27	LANKY GARDENS		COLNE	87	1724.08
£149,995	15/05/2020	BB8 8FJ	T	28	LANKY GARDENS		COLNE	87	1724.08
£151,995	28/02/2020	BB8 8FJ	T	29	LANKY GARDENS		COLNE	87	1747.07
£191,995	20/12/2019	BB8 8FJ	D	31	LANKY GARDENS		COLNE	89	2157.25
£179,995	28/02/2020	BB8 8FJ	D	32	LANKY GARDENS		COLNE	82	2195.06
£179,995	28/02/2020	BB8 8FJ	D	33	LANKY GARDENS		COLNE	82	2195.06
£221,995	19/06/2020	BB8 8FJ	D	34	LANKY GARDENS		COLNE	109	2036.65
£228,995	13/12/2019	BB8 8FJ	D	35	LANKY GARDENS		COLNE	109	2100.87
£299,995	02/10/2020	BB8 7AQ	D	4	LOWER ROUGH DRIVE		COLNE	89	3370.73
£314,995	25/09/2020	BB8 7AQ	D	7	LOWER ROUGH DRIVE		COLNE	124	2540.28
£152,500	14/10/2020	BB8 0AJ	S	4	OAK MILL DRIVE		COLNE	64	2382.81
£155,500	27/11/2020	BB8 0AJ	S	20	OAK MILL DRIVE		COLNE	82	1896.34
£179,995	31/05/2019	BB8 8FH	S	20	ROWLING HOLLINS		COLNE	89	2022.42
£131,995	26/07/2019	BB8 8FH	S	22	ROWLING HOLLINS		COLNE	67	1970.07
£131,995	28/06/2019	BB8 8FH	S	24	ROWLING HOLLINS		COLNE	67	1970.07
£189,995	28/06/2019	BB8 8FH	D	26	ROWLING HOLLINS		COLNE	89	2134.78
£186,995	28/06/2019	BB8 8FH	S	28	ROWLING HOLLINS		COLNE	107	1747.62
£186,995	28/06/2019	BB8 8FH	S	30	ROWLING HOLLINS		COLNE	107	1747.62
£228,995	12/07/2019	BB8 8FH	D	32	ROWLING HOLLINS		COLNE	109	2100.87
£228,995	28/06/2019	BB8 8FH	D	34	ROWLING HOLLINS		COLNE	109	2100.87
£189,995	28/06/2019	BB8 8FH	D	36	ROWLING HOLLINS		COLNE	89	2134.78
£189,995	28/06/2019	BB8 8FH	D	38	ROWLING HOLLINS		COLNE	89	2134.78
£191,995	28/06/2019	BB8 8FH	S	40	ROWLING HOLLINS		COLNE	107	1794.35
£187,995	11/12/2020	BB8 8FH	D	41	ROWLING HOLLINS		COLNE	82	2292.62
£191,995	28/06/2019	BB8 8FH	S	42	ROWLING HOLLINS		COLNE	107	1794.35
£221,995	27/09/2019	BB8 8FH	D	44	ROWLING HOLLINS		COLNE	107	2074.72
£112,995	28/06/2019	BB8 8FH	T	46	ROWLING HOLLINS		COLNE	51	2215.59
£109,995	26/07/2019	BB8 8FH	T	48	ROWLING HOLLINS		COLNE	51	2156.76
£112,995	28/06/2019	BB8 8FH	T	50	ROWLING HOLLINS		COLNE	51	2215.59

£221,995	06/12/2019	BB8 8FH	D	67	ROWLING HOLLINS		COLNE	107	2074.72
£144,995	27/09/2019	BB8 8FH	T	69	ROWLING HOLLINS		COLNE	70	2071.36
£141,995	25/10/2019	BB8 8FH	T	71	ROWLING HOLLINS		COLNE	70	2028.50
£141,995	27/09/2019	BB8 8FH	T	73	ROWLING HOLLINS		COLNE	70	2028.50
£144,995	18/09/2019	BB8 8FH	T	75	ROWLING HOLLINS		COLNE	70	2071.36
£83,000	03/08/2018	BB8 0DY	F	11	THE COURTYARD COLNE LANE		COLNE	58	1431.03
£80,000	03/08/2018	BB8 0DY	F	12	THE COURTYARD COLNE LANE		COLNE	85	941.18
£95,000	31/05/2019	BB8 0DY	F	16	THE COURTYARD COLNE LANE		COLNE	81	1172.84
£359,950	10/12/2019	BB8 7GN	D	3	TOWLER DRIVE		COLNE	136	2646.69
£359,950	24/09/2019	BB8 7GN	D	5	TOWLER DRIVE		COLNE	136	2646.69
£359,950	24/07/2020	BB8 7GN	D	6	TOWLER DRIVE		COLNE	133	2706.39
£379,950	12/12/2019	BB8 7GN	D	7	TOWLER DRIVE		COLNE	133	2856.77
£389,950	23/01/2020	BB8 7GN	D	8	TOWLER DRIVE		COLNE	133	2931.95
£279,950	12/07/2019	BB8 7GN	D	9	TOWLER DRIVE		COLNE	100	2799.50
£309,950	20/02/2020	BB8 7GN	D	10	TOWLER DRIVE		COLNE	106	2924.06
£269,950	29/11/2019	BB8 7GN	D	11	TOWLER DRIVE		COLNE	95	2841.58
£279,950	28/02/2020	BB8 7GN	D	12	TOWLER DRIVE		COLNE	100	2799.50
£259,950	30/06/2020	BB8 7GN	D	14	TOWLER DRIVE		COLNE	95	2736.32
£319,950	30/06/2020	BB8 7GN	D	17	TOWLER DRIVE		COLNE	106	3018.40
£289,950	30/06/2020	BB8 7GN	D	19	TOWLER DRIVE		COLNE	100	2899.50
£299,950	24/07/2020	BB8 7GN	D	21	TOWLER DRIVE		COLNE	100	2999.50
£314,995	21/08/2020	BB8 7DW	D	24	WINDERMERE AVENUE		COLNE	124	2540.28
£299,995	07/08/2020	BB8 7DW	D	26	WINDERMERE AVENUE		COLNE	113	2654.82

Appendix B - New Build For Sale Market Survey (August 2021)

Scheme	Type of development	Town	Town / Post code	Beds	m2*	Price £	£/m2
Castle Road	D	Colne	BB8	4	*181*	575000	3176.8
Netherheys Close	D	Colne		5	*153*	424950	2777.5
Boulsworth View	D	Colne		4	*81*	299995	3703.6
Wackersall Road	D	Colne		5	*130*	295000	2269.2
Standroyd Drive	D	Colne	BB8	4	*108*	285000	2638.9
Derwent House	F	Colne		2	*84*	260000	3095.2
Standroyd Drive	S	Colne		3	*80*	249950	3124.4
Langdale Rise	D	Colne		2	*86*	225000	2616.3
Skipton Road	S	Colne	BB8	3	*72*	180000	2500.0
Stratford Way	T	Colne		4	*91*	170000	1868.1
Cotton Tree Lane	T	Colne		3	*104*	160000	1538.5
Townley Street	S	Colne		3	*79*	160000	2025.3
Lambeth Street	T	Colne		2	*66*	115000	1742.4
Hendly Court	F	Colne		2	*56*	100000	1785.7
Park Way	F	Colne		2	*59*	92500	1567.8

Laithe Street	T	Colne		3	*79*	89950	1144.4
Skipton Road	T	Colne	BB8	2	*83*	85000	1024.1
West Street	F	Colne		1	*55*	60000	1090.9
Fern Street	T	Colne	BB8	3	*70*	100000	1428.6
Hollin Hall	S	Colne		5	*296*	695000	2348.0

Appendix C - Second-hand Market Snapshot (2017-2021)

Current asking prices in Colne, Lancashire

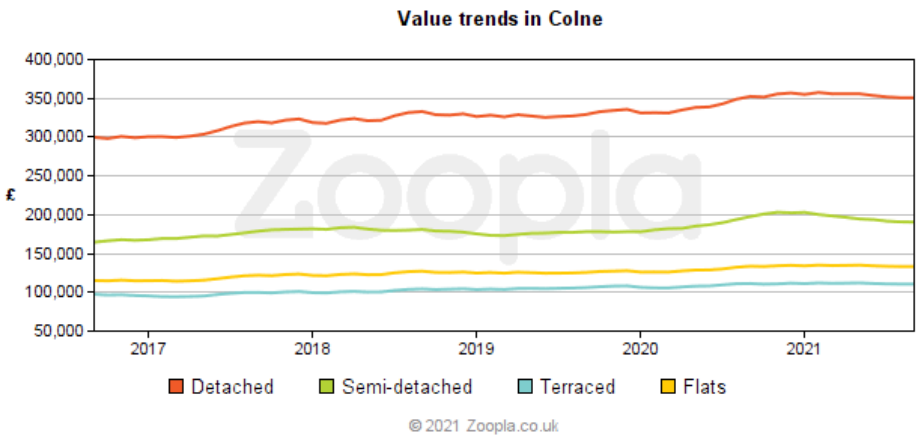
Average: £129,468

Property type	1 bed	2 beds	3 beds	4 beds	5 beds
Houses	£85,000 (1)	£88,789 (22)	£144,532 (11)	£193,750 (4)	£359,975 (2)
Flats	£55,000 (1)	£155,480 (5)	-	-	-
All	£70,000 (2)	£101,139 (27)	£144,532 (11)	£193,750 (4)	£359,975 (2)

Current asking rents in Colne, Lancashire

Average: £644 pcm

Property type	1 bed	2 beds	3 beds	4 beds	5 beds
Houses	£455 pcm (1)	£524 pcm (2)	£633 pcm (3)	£1,400 pcm (1)	-
Flats	-	£650 pcm (1)	-	-	-
All	£455 pcm (1)	£566 pcm (3)	£633 pcm (3)	£1,400 pcm (1)	-



Property value data/graphs for Colne, Lancashire

Property type	Avg. current value	Avg. £ per sq ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£349,787	£198	3.6	£308,414
Semi-detached	£189,585	£165	3.1	£205,791
Terraced	£109,671	£135	2.7	£111,877
Flats	£132,304	£158	1.9	£118,642

Appendix D - BCIS Construction Costs

BCIS®

RICS

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 11-Sep-2021 00:42

› Rebased to Pendle (102; sample 6)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810.1 Estate housing							
Generally (15)	1,325	646	1,132	1,278	1,449	4,581	1524
Single storey (15)	1,489	844	1,259	1,438	1,661	4,581	251
2-storey (15)	1,281	646	1,117	1,249	1,397	2,771	1172
3-storey (15)	1,366	824	1,103	1,312	1,528	2,737	96
4-storey or above (15)	2,782	1,361	2,234	2,494	3,713	4,110	5
810.11 Estate housing detached (15)	1,712	993	1,278	1,457	1,721	4,581	21
810.12 Estate housing semi detached							
Generally (15)	1,320	782	1,146	1,290	1,448	2,438	360
Single storey (15)	1,473	975	1,266	1,455	1,614	2,438	74
2-storey (15)	1,282	782	1,135	1,261	1,403	2,227	273
3-storey (15)	1,258	938	1,000	1,228	1,357	1,914	13
810.13 Estate housing terraced							
Generally (15)	1,366	824	1,127	1,291	1,508	4,110	291
Single storey (15)	1,528	1,005	1,303	1,429	1,780	2,167	29
2-storey (15)	1,317	831	1,113	1,262	1,450	2,771	215
3-storey (15)	1,383	824	1,098	1,303	1,519	2,737	45
4-storey or above (10)	3,911	3,713	-	-	-	4,110	2
816. Flats (apartments)							
Generally (15)	1,560	770	1,302	1,481	1,755	5,341	871
1-2 storey (15)	1,477	909	1,259	1,415	1,648	2,649	203
3-5 storey (15)	1,538	770	1,293	1,472	1,738	3,287	569
6 storey or above (15)	1,868	1,141	1,509	1,754	2,003	5,341	96

BCIS®

RICS®

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
4-storey or above (10)	3,870	3,674	-	-	-	4,066	2
816. Flats (apartments)							
Generally (15)	1,537	764	1,280	1,458	1,727	5,285	903
1-2 storey (15)	1,458	894	1,238	1,395	1,612	2,668	215
3-5 storey (15)	1,513	764	1,273	1,452	1,709	3,222	587
6 storey or above (15)	1,855	1,120	1,499	1,742	2,014	5,285	98
818. Housing with shops, offices, workshops or the like (15)	1,909	992	1,532	1,718	2,168	4,715	89

Appendix E - Modelling Summary Sheets

Residual Land valuation				**£0**	
HCA DEVELOPMENT APPRAISAL TOOL		Press for Single Page Summary	SUMMARY	DETAIL	Press for 4 page detail
SCHEME					
Site Address	Cotton Tree Road, Colne	Date of appraisal	20/09/2021		
Site Reference	CDNP6/24 Earby Light Engineering	Net Residential Site Area	2.66		
File Source		Author & Organisation	AECOM		
Scheme Description	Part Greenfield part brownfield site for residential development 78 homes (30dph)	Registered Provider (wh	0		
CAPITAL VALUE OF OPEN MARKET HOUSING				**£18,386,200**	£ 2,300 psqm
BUILD COST OF OPEN MARKET HOUSING inc Contingency		**£10,492,125**	£ 1,313 psqm		
CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING					**£7,894,075**
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)				**£0**	
OTHER SOURCES OF AFFORDABLE HOUSING FUNDING				**£0**	
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)				**£0**	
BUILD COST OF AFFORDABLE HOUSING inc Contingency		**£0**	#DIV/0!		
CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING					**£0**
Value of Residential Car Parking				**£0**	
Car Parking Build Costs		£0			
Capitalised Annual Ground Rents				**£0**	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME				**£18,386,200**	
TOTAL BUILD COST OF RESIDENTIAL SCHEME		**£10,492,125**			
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME					**£7,894,075**
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME				**£0**	
COSTS OF NON-RESIDENTIAL SCHEME		**£0**			
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL					**£0**
GROSS DEVELOPMENT VALUE OF SCHEME				**£18,386,200**	
TOTAL BUILD COSTS		**£10,492,125**			
TOTAL CONTRIBUTION TO SCHEME COSTS					**£7,894,075**

External Works & Infrastructure Costs (£)			Per unit	% of GDV	per Hectare
Site Preparation/Demolition		£0			
Roads and Sewers		£0			
Services (Power, Water, Gas, Telco and IT)		£0			
Strategic Landscaping		£0			
Off Site Works		£0			
Public Open Space		£0			
Site Specific Sustainability Initiatives		£0			
Plot specific external works		£0			
Other 1 - Externals		£1,000,000	12,821	5.4%	288,184
Over extra - site clearance and remediation		£0			
		£1,000,000		5.4%	288,184
Other site costs					
Fees and certification	10.0%	£999,250	12,811	5.4%	287,968
Other Acquisition Costs (£)		£0			
Site Abnormals (£)					
De-canting tenants		£0			
Decontamination		£0			
Other		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Other 5		£0			
		£0			
Total Site Costs inc Fees	**£1,999,250**		25,631		
Statutory 106 costs	**£0**				
Total Marketing Costs	**£827,379**				
Total Direct Costs		**£13,318,754**			

Finance and acquisition costs				
Land Payment	£1,617,401	20,736	per OM home	466,110 per hectare
Arrangement Fee	£0	0.0%	of interest	
Misc Fees (Surveyors etc)	£0	0.00%	of scheme value	
Agents Fees	£16,174			
Legal Fees	£8,087			
Stamp Duty	£70,370			
Total Interest Paid	£45,898			
Total Finance and Acquisition Costs		**£1,757,930**		
Total Operating Profit		**£3,309,516**		

(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST	**£18,386,200**		
Surplus/(Deficit) at completion 1/5/2023		**£0**	
Present Value of Surplus (Deficit) at 20/9/2021		**£0**	

Scheme Investment MIRR	**57.2%** (before Developer's returns and interest to avoid double counting returns)		
Site Value as a Percentage of Total Scheme Value	8.8%	Peak Cash Requirement	-£3,509,975
Site Value (PV) per hectare	£0 per hectare	£0 per acre	

Residual Land valuation					**£0**	
HCA DEVELOPMENT APPRAISAL TOOL			SUMMARY		DETAIL	
		Press for Single Page Summary				Press for 4 page detail
SCHEME						
Site Address	Knotts Lane		Date of appraisal	20/09/2021		
Site Reference	CNDP6/10 Green Works		Net Residential Site Area	0.41		
File Source			Author & Organisation	AECOM		
Scheme Description	0.513 Ha site for residential development of 23 dwgs (55dph) Brownfield		Registered Provider (wh	0		
CAPITAL VALUE OF OPEN MARKET HOUSING					**£3,997,400**	£ 2,300 psqm
BUILD COST OF OPEN MARKET HOUSING inc Contingency			**£2,281,125**	£ 1,313 psqm		
CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING						**£1,716,275**
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)					**£0**	
OTHER SOURCES OF AFFORDABLE HOUSING FUNDING					**£0**	
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)					**£0**	
BUILD COST OF AFFORDABLE HOUSING inc Contingency			**£0**	#DIV/0!		
CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING						**£0**
Value of Residential Car Parking					**£0**	
Car Parking Build Costs			£0			
Capitalised Annual Ground Rents					**£0**	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME					**£3,997,400**	
TOTAL BUILD COST OF RESIDENTIAL SCHEME			**£2,281,125**			
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME						**£1,716,275**
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME					**£0**	
COSTS OF NON-RESIDENTIAL SCHEME			**£0**			
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL						**£0**
GROSS DEVELOPMENT VALUE OF SCHEME					**£3,997,400**	
TOTAL BUILD COSTS			**£2,281,125**			
TOTAL CONTRIBUTION TO SCHEME COSTS						**£1,716,275**
External Works & Infrastructure Costs (£)			Per unit		% of GDV	per Hectare
Site Preparation/Demolition		£0				
Roads and Sewers		£0				
Services (Power, Water, Gas, Telco and IT)		£0				
Strategic Landscaping		£0				
Off Site Works		£0				
Public Open Space		£0				
Site Specific Sustainability Initiatives		£0				
Plot specific external works		£0				
Other 1 - Externals		£220,000	9,565		5.5%	428,850
Over extra - site clearance and remediation		£0				
		£220,000			5.5%	428,850
Other site costs						
Fees and certification	10.0%	£217,250	9,446		5.4%	423,489
Other Acquisition Costs (£)		£0				
Site Abnormals (£)						
De-canting tenants		£0				
Decontamination		£0				
Other		£0				
Other 2		£0				
Other 3		£0				
Other 4		£0				
Other 5		£0				
		£0				
Total Site Costs inc Fees		**£437,250**	19,011			
Statutory 106 costs		**£0**				
Total Marketing Costs		**£179,883**				
Total Direct Costs			**£2,898,258**			
Finance and acquisition costs						
Land Payment		£373,974	16,260	per OM home	728,993	per hectare
Arrangement Fee		£0	0.0%	of interest		
Misc Fees (Surveyors etc)		£0	0.00%	of scheme value		
Agents Fees		£3,740				
Legal Fees		£1,870				
Stamp Duty		£8,199				
Total Interest Paid		-£8,172				
Total Finance and Acquisition Costs			**£379,610**			
Total Operating Profit			**£719,532**			
(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)						
TOTAL COST			**£3,997,400**			
Surplus/(Deficit) at completion 1/5/2023					**£0**	
Present Value of Surplus (Deficit) at 20/9/2021					**£0**	
Scheme Investment MIRR		**47.5%**	(before Developer's returns and interest to avoid double counting returns)			
Site Value as a Percentage of Total Scheme Value		9.4%		Peak Cash Requirement		-£896,043
Site Value (PV) per hectare		£1 per hectare		£0 per acre		

Residual Land valuation				**£0**	
HCA DEVELOPMENT APPRAISAL TOOL					
Press for Single Page Summary		SUMMARY		DETAIL	
SCHEME				Press for 4 page detail	
Site Address	Thomas Street, Colne	Date of appraisal	20/09/2021		
Site Reference	CDNP6/16	Net Residential Site Area	0.13		
File Source		Author & Organisation	AECOM		
Scheme Description	0.14 Ha resi' development of 8 dwgs Brownfield (Thomas St	Registered Provider (wha	0		
CAPITAL VALUE OF OPEN MARKET HOUSING				**£1,361,600**	£ 2,300 psqm
BUILD COST OF OPEN MARKET HOUSING inc Contingency		**£777,000**	£ 1,313 psqm		
CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING					**£584,600**
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)				**£0**	
OTHER SOURCES OF AFFORDABLE HOUSING FUNDING				**£0**	
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)				**£0**	
BUILD COST OF AFFORDABLE HOUSING inc Contingency		**£0**	#DIV/0!		
CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING					**£0**
Value of Residential Car Parking				**£0**	
Car Parking Build Costs		£0			
Capitalised Annual Ground Rents				**£0**	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME				**£1,361,600**	
TOTAL BUILD COST OF RESIDENTIAL SCHEME		**£777,000**			
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME					**£584,600**
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME				**£0**	
COSTS OF NON-RESIDENTIAL SCHEME		**£0**			
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL					**£0**
GROSS DEVELOPMENT VALUE OF SCHEME				**£1,361,600**	
TOTAL BUILD COSTS		**£777,000**			
TOTAL CONTRIBUTION TO SCHEME COSTS					**£584,600**

External Works & Infrastructure Costs (£)			Per unit	% of GDV	per Hectare
Site Preparation/Demolition		£0			
Roads and Sewers		£0			
Services (Power, Water, Gas, Telco and IT)		£0			
Strategic Landscaping		£0			
Off Site Works		£0			
Public Open Space		£0			
Site Specific Sustainability Initiatives		£0			
Plot specific external works		£0			
Other 1 - Externals		£75,000	9,375	5.5%	528,169
Over extra - site clearance and remediation		£0			
		£75,000		5.5%	528,169
Other site costs					
Fees and certification	10.0%	£74,000	9,250	5.4%	521,127
Other Acquisition Costs (£)		£0			
Site Abnormals (£)					
De-canting tenants		£0			
Decontamination		£0			
Other		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Other 5		£0			
		£0			
Total Site Costs inc Fees		**£149,000**	18,625		
Statutory 106 costs		**£0**			
Total Marketing Costs		**£61,272**			
Total Direct Costs			**£987,272**		

Finance and acquisition costs				
Land Payment	£130,076	16,259	per OM home	916,025 per hectare
Arrangement Fee	£0	0.0%	of interest	
Misc Fees (Surveyors etc)	£0	0.00%	of scheme value	
Agents Fees	£1,301			
Legal Fees	£650			
Stamp Duty	£0			
Total Interest Paid	-£2,786			
Total Finance and Acquisition Costs		**£129,240**		
Total Operating Profit		**£245,088**		

(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST	**£1,361,600**		
Surplus/(Deficit) at completion 1/5/2023		**(£)**	
Present Value of Surplus (Deficit) at 20/9/2021		**(£)**	

Scheme Investment MIRR **47.5%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value	9.6%	Peak Cash Requirement	-£305,157
Site Value (PV) per hectare	-£2 per hectare	-£1 per acre	

January 2022 Addendum

1. Following the publication of the draft viability study report in October 2021, AECOM's urban design team have conducted a concept masterplanning exercise for two further potential allocation sites that are under the consideration of CTC:

   - Site CNDP6/7 Exchange Street, Colne BB8 0SP; and
   - Site CNDP27 Bankfield Street, Colne BB8 9NZ.

2. In January 2022, these two sites have undergone viability appraisal, based on the number of homes identified by the aforementioned masterplanning exercise.

3. The same assumptions from the October 2021 viability draft report have been applied and modelled on the same basis as those sites appraised in the main body of the report. This addendum should therefore be read alongside the main report.

Table 2 Site yields

Reference	Gross Site Area (Ha)	Gross to net ratio	Net Developable Area (NDA)	Density (dph)	No. Dwellings
CNDP 6/7	0.61	54%	0.33	55	18
CNDP 27	1.87	54%	1.00	56	56

4. The scheme mix for each site was then fed into the appraisal model. Sites CNDP6/7 and CNDP27 were informed by the AECOM masterplanning exercise.

Table 3 Scheme Mix

CNDP6/7				
Type	**Number of units**	**Size of unit (sq.m)**	**£/m2**	**Unit Price**
2 bedroom mid-terrace	6	70	£2,300	£161,000
3 bedroom terrace	12	86	£2,300	£197,800
18 **(total)**				
CNDP27				
Type	**Number of units**	**Size of unit (sq.m)**	**£/m2**	**Unit Price**
2 bedroom mid-terrace	18	70	£2,300	£161,000
3 bedroom terrace	28	86	£2,300	£197,800
4 bedroom semi-detached	10	97	£2,300	£223,100
56 **(total)**				

5. The appraisal results for the three sites modelled are set out in the below table:

Table 4 Appraisal Results Summary

Site / Option	EUV Per Ha	Benchmark Land Value / EUV+ Per Ha	Existing Use Value (EUV)	Site EUV+ (based on site size)	Residual Land Value	RLV Per Ha Residual Value
CNDP6/7(0% affordable – 18 houses / 55 dph)	£22,000 (Agricultural) - £300,000 (Industrial)	300,000 – 500,000	£13,420	£183,000 - £305,000	£290,931	£476,937

CNDP27(0% affordable / – 56 houses)	£22,000 (Agricultural) - £300,000 (Industrial)	300,000 – 500,000	£41,140	£561,000 - £935,000	£994,439	£531,786

**Based on industrial values, however, site is predominantly hardstanding/greenfield*

6. The two sites are shown to be viable against the lower range of the EUV+. Site CNDP27 is viable at the higher end of the EUV+ range. This suggests that the site may be able to bear some planning obligations (dependent on more detailed testing at the application stage). Both additional new sites can be deemed developable/deliverable. However, in all cases more detail site specific testing at the application stage is likely to be required to ascertain the sites potential to deliver affordable housing and/or s106 planning obligations to help mitigate any local impacts.

Addendum Modelling Summary Sheets

Residual Land valuation					**£0**	
HCA DEVELOPMENT APPRAISAL TOOL						
Press for Single Page Summary		SUMMARY			DETAIL	
SCHEME						
Site Address	Additional Site CNDP 6/7 COLNE		Date of appraisal	20/09/2021	Press for 4 page detail	
Site Reference	CNDP6/7		Net Residential Site Area	0.33		
File Source			Author & Organisation	AECOM		
Scheme Description	0.61 Ha site for residential development of 18 dwgs					
			Registered Provider (wh	0		
CAPITAL VALUE OF OPEN MARKET HOUSING					**£3,118,800**	£ 2,300 psqm
BUILD COST OF OPEN MARKET HOUSING inc Contingency			**£1,779,750**	£ 1,313 psqm		
CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING						**£1,339,050**
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)					**£0**	
OTHER SOURCES OF AFFORDABLE HOUSING FUNDING					**£0**	
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)					**£0**	
BUILD COST OF AFFORDABLE HOUSING inc Contingency			**£0**	#DIV/0!		
CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING						**£0**
Value of Residential Car Parking					**£0**	
Car Parking Build Costs			£0			
Capitalised Annual Ground Rents					**£0**	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME					**£3,118,800**	
TOTAL BUILD COST OF RESIDENTIAL SCHEME			**£1,779,750**			
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME						**£1,339,050**
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME					**£0**	
COSTS OF NON-RESIDENTIAL SCHEME			**£0**			
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL						**£0**
GROSS DEVELOPMENT VALUE OF SCHEME					**£3,118,800**	
TOTAL BUILD COSTS			**£1,779,750**			
TOTAL CONTRIBUTION TO SCHEME COSTS						**£1,339,050**
External Works & Infrastructure Costs (£)			Per unit		% of GDV	per Hectare
Site Preparation/Demolition		£0				
Roads and Sewers		£0				
Services (Power, Water, Gas, Telco and IT)		£0				
Strategic Landscaping		£0				
Off Site Works		£0				
Public Open Space		£0				
Site Specific Sustainability Initiatives		£0				
Plot specific external works		£0				
Other 1 - Externals		£175,000	9,722		5.6%	286,885
Over extra - site clearance and remediation		£0				
		£175,000			5.6%	286,885
Other site costs						
Fees and certification	10.0%	£169,500	9,417		5.4%	277,869
Other Acquisition Costs (£)		£0				
Site Abnormals (£)						
De-canting tenants		£0				
Decontamination		£0				
Other		£0				
Other 2		£0				
Other 3		£0				
Other 4		£0				
Other 5		£0				
		£0				
Total Site Costs inc Fees		**£344,500**	19,139			
Statutory 106 costs		**£0**				
Total Marketing Costs		**£140,346**				
Total Direct Costs			**£2,264,596**			
Finance and acquisition costs						
Land Payment		£290,931	16,163	per OM home	476,937	per hectare
Arrangement Fee		£0	0.0%	of interest		
Misc Fees (Surveyors etc)		£0	0.00%	of scheme value		
Agents Fees		£2,909				
Legal Fees		£1,455				
Stamp Duty		£4,047				
Total Interest Paid		-£6,522				
Total Finance and Acquisition Costs			**£292,820**			
Total Operating Profit			**£561,384**			
(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)						
TOTAL COST			**£3,118,800**			
Surplus/(Deficit) at completion 1/5/2023					**(£)**	
Present Value of Surplus (Deficit) at 20/9/2021					**(£)**	
Scheme Investment MIRR		**47.6%**	(before Developer's returns and interest to avoid double counting returns)			
Site Value as a Percentage of Total Scheme Value		9.3%		Peak Cash Requirement		-£696,203
Site Value (PV) per hectare		-£1 per hectare		£0 per acre		

Residual Land valuation				**£0**	
HCA DEVELOPMENT APPRAISAL TOOL					
Press for Single Page Summary		SUMMARY		DETAIL	
SCHEME				Press for 4 page detail	
Site Address	Additional Site CNDP 27, COLNE	Date of appraisal	20/09/2021		
Site Reference	CNDP 27	Net Residential Site Area	1		
File Source		Author & Organisation	AECOM		
Scheme Description	1.87 Ha Site residential development of 56 units	Registered Provider (wh	0		
CAPITAL VALUE OF OPEN MARKET HOUSING				**£10,667,400**	£ 2,320 psqm
BUILD COST OF OPEN MARKET HOUSING inc Contingency		**£6,034,875**	£ 1,313 psqm		
CONTRIBUTION TO SCHEME COSTS FROM OPEN MARKET HOUSING					**£4,632,525**
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (EXCLUDING OTHER FUNDING)				**£0**	
OTHER SOURCES OF AFFORDABLE HOUSING FUNDING				**£0**	
CAPITAL VALUE OF ALL AFFORDABLE HOUSING (INCLUDING OTHER FUNDING)				**£0**	
BUILD COST OF AFFORDABLE HOUSING inc Contingency		**£0**	#DIV/0!		
CONTRIBUTION TO SCHEME COSTS FROM AFFORDABLE HOUSING					**£0**
Value of Residential Car Parking				**£0**	
Car Parking Build Costs		£0			
Capitalised Annual Ground Rents				**£0**	
TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME				**£10,667,400**	
TOTAL BUILD COST OF RESIDENTIAL SCHEME		**£6,034,875**			
TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME					**£4,632,525**
CAPITAL VALUE OF NON-RESIDENTIAL SCHEME				**£0**	
COSTS OF NON-RESIDENTIAL SCHEME		**£0**			
CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL					**£0**
GROSS DEVELOPMENT VALUE OF SCHEME				**£10,667,400**	
TOTAL BUILD COSTS		**£6,034,875**			
TOTAL CONTRIBUTION TO SCHEME COSTS					**£4,632,525**

External Works & Infrastructure Costs (£)			Per unit	% of GDV	per Hectare
Site Preparation/Demolition		£0			
Roads and Sewers		£0			
Services (Power, Water, Gas, Telco and IT)		£0			
Strategic Landscaping		£0			
Off Site Works		£0			
Public Open Space		£0			
Site Specific Sustainability Initiatives		£0			
Plot specific external works		£0			
Other 1 - Externals		£580,000	10,357	5.4%	310,160
Over extra - site clearance and remediation		£0			
		£580,000		5.4%	310,160
Other site costs					
Fees and certification	10.0%	£574,750	10,263	5.4%	307,353
Other Acquisition Costs (£)		£0			
Site Abnormals (£)					
De-canting tenants		£0			
Decontamination		£0			
Other		£0			
Other 2		£0			
Other 3		£0			
Other 4		£0			
Other 5		£0			
		£0			
Total Site Costs inc Fees	**£1,154,750**		20,621		
Statutory 106 costs	**£0**				
Total Marketing Costs	**£480,033**				
Total Direct Costs		**£7,669,658**			

Finance and acquisition costs				
Land Payment	£994,439	17,758	per OM home	531,786 per hectare
Arrangement Fee	£0	0.0%	of interest	
Misc Fees (Surveyors etc)	£0	0.00%	of scheme value	
Agents Fees	£9,944			
Legal Fees	£4,972			
Stamp Duty	£39,222			
Total Interest Paid	£29,033			
Total Finance and Acquisition Costs		**£1,077,610**		
Total Operating Profit		**£1,920,132**		
(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)				
TOTAL COST		**£10,667,400**		
Surplus/(Deficit) at completion 1/5/2023			**£0**	
Present Value of Surplus (Deficit) at 20/9/2021			**£0**	

Scheme Investment MIRR	**56.1%**	(before Developer's returns and interest to avoid double counting returns)	
Site Value as a Percentage of Total Scheme Value	9.3%	Peak Cash Requirement	-£2,084,091
Site Value (PV) per hectare	£0 per hectare	£0 per acre	