

## Appendix 1: Economic Viability Assessment – Baseline Assumptions – NPS 2015 Update

DTZ Proposed Assumptions	DTZ Comments	DTZ Final Assumption	NPS Updated Position																																																																																																			
1 Study Areas: 1. Eden Valley North 2. Alston Moor 3. Eden Valley South 4. Penrith	All agreed as proposed	As proposed	No change																																																																																																			
2 Proposed Sites  Eden District EVA Site Identification. <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Small</th> <th colspan="3">Medium</th> <th colspan="3">Large</th> </tr> <tr> <th>High Density</th> <th>Medium Density</th> <th>Low Density</th> <th>High Density</th> <th>Medium Density</th> <th>Low Density</th> <th>High Density</th> <th>Medium Density</th> <th>Low Density</th> </tr> </thead> <tbody> <tr> <td>Penrith</td> <td>PSHD</td> <td>PSMD</td> <td>PSLD</td> <td>PMHD</td> <td>PMMD</td> <td>PLMD</td> <td>PLHD</td> <td>PLMD</td> <td>PLLD</td> </tr> <tr> <td>Alston</td> <td>n/a</td> <td>ASMD</td> <td>ASLD</td> <td>n/a</td> <td>AMMD</td> <td>AMLD</td> <td>n/a</td> <td>ALMD</td> <td>ALLD</td> </tr> <tr> <td>Eden Valley North</td> <td>n/a</td> <td>EVNSMD</td> <td>EVNSLD</td> <td>n/a</td> <td>EVNMMD</td> <td>EVNMLD</td> <td>n/a</td> <td>EVNLMD</td> <td>EVNLDD</td> </tr> <tr> <td>Eden Valley South</td> <td>n/a</td> <td>EVSSMD</td> <td>EVSSLD</td> <td>n/a</td> <td>EVSMMD</td> <td>EVSMLD</td> <td>n/a</td> <td>EVSLMD</td> <td>EVSLDD</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Extra Large</th> <th colspan="3">Urban Extension</th> </tr> <tr> <th>High Density</th> <th>Medium Density</th> <th>Low Density</th> <th>High Density</th> <th>Medium Density</th> <th>Low Density</th> </tr> </thead> <tbody> <tr> <td>Penrith</td> <td>PXLHD</td> <td>PXLMD</td> <td>PXLDD</td> <td>n/a</td> <td>PUEMD</td> <td>PUELD</td> </tr> <tr> <td>Alston</td> <td>n/a</td> <td>AXLMD</td> <td>AXLDD</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> </tr> <tr> <td>Eden Valley North</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> </tr> <tr> <td>Eden Valley South</td> <td>n/a</td> <td>EVXLMMD</td> <td>EVXLLDD</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> </tr> </tbody> </table> Total 36 sites		Small			Medium			Large			High Density	Medium Density	Low Density	High Density	Medium Density	Low Density	High Density	Medium Density	Low Density	Penrith	PSHD	PSMD	PSLD	PMHD	PMMD	PLMD	PLHD	PLMD	PLLD	Alston	n/a	ASMD	ASLD	n/a	AMMD	AMLD	n/a	ALMD	ALLD	Eden Valley North	n/a	EVNSMD	EVNSLD	n/a	EVNMMD	EVNMLD	n/a	EVNLMD	EVNLDD	Eden Valley South	n/a	EVSSMD	EVSSLD	n/a	EVSMMD	EVSMLD	n/a	EVSLMD	EVSLDD		Extra Large			Urban Extension			High Density	Medium Density	Low Density	High Density	Medium Density	Low Density	Penrith	PXLHD	PXLMD	PXLDD	n/a	PUEMD	PUELD	Alston	n/a	AXLMD	AXLDD	n/a	n/a	n/a	Eden Valley North	n/a	n/a	n/a	n/a	n/a	n/a	Eden Valley South	n/a	EVXLMMD	EVXLLDD	n/a	n/a	n/a	As proposed	No change
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4 Proposed Site Densities Penrith High Density = 45dph Penrith Med Density = 35dph Penrith Low Density = 30dph Other High Density = not applicable Other Med Density = 35dph Other Low Density = 30dph	Many stakeholders disagreed with site densities stating that in rural areas in particular, densities usually fall well below 30 dph. However, national guidance requires local authorities to aim to deliver a minimum of 30 dph on all schemes and consultation with Eden District Council has shown the that whilst they are aware not every development permitted will be over 30dph this is the starting point for negotiations in accordance with national policy. To vary this, EDC would be looking for strong justification from the applicant to permit below that threshold, such as topography, irregular shape of site and those sort of issues, and the viability of these abnormal site conditions would be assessed by the individual site viabilities to be submitted by the developer as part of Policy CS10. As we are considering hypothetical sites in this approach an removing an assumptions of a minimum 30dph is justifiable. abnormal concerns we are of the opinion an assumptions of a minimum 30dph is justifiable.	As proposed	No evidence to support change to assumption  <i>Story Homes Kirkby Stephen Site is:</i> 1.98ha gross = 30.3 dph 1.77ha net = 33.9 dph  <i>Clifton Hill Site is:</i> 1.78ha gross = 27.0 dph 1.67ha net = 28.7 dph																																																																																																			
5 Valuation Date - June 2009	All feedback in support	As proposed	Valuation Date - December 2015																																																																																																			
6 All sites have full planning permission	All feedback in support	As proposed	No change																																																																																																			
7 All sites are clear and ready to develop	All feedback in support	As proposed	No change																																																																																																			
8 For developments less than 11 dwellings min return 16% on GDV is viable	Noted that this return is net of finance and central overhead costs and therefore general agreement with these figures - although many stated this would be the minimum return required. On average developers expect to see a return on 20-25% gross profit.	As proposed	For developments less than 11 dwellings = increase to 17% of GDV																																																																																																			
9 For developments more than 10 dwellings min return 18% on GDV is viable		As proposed	For developments of between 11 and 20 dwellings = 17.5% of GDV; For developments of more than 21 dwellings = no change (18% of GDV)																																																																																																			
10 Land Values = 5-10% of GDV	These figures have been revised upwards following stakeholder consultation. Whilst stakeholders responded providing range of between 10% to 30% of GDV, the upper of these figures reflects the level of land value which would have typically been paid in the height of the market. For rural (originally the DTZ study referred to 'greenfield') sites the impact of reality that schemes often provide less than 30 dph drives land value proportion of GDV higher than what would be calculated if schemes comprised 30 dph as a minimum. Likely brownfield sites will provide at least 30 dph hence higher land to GDV ratio is achieved. For both rural and brownfield consideration also given for deferred / staged land payments making the actual land price payable to the land owner less valuable than if payments were made up front.	Land Values = 10% of GDV for rural (greenfield) land and 20% of GDV for urban (brownfield) land.	Based on current evidence a benchmark land value of around £325,000/net developable acre appropriate for sites in Penrith and Eden Valley North and South. We have taken the view that willing land owner will require a land value of at least 90% of this figure to reach decision to sell (i.e. £292,500/net developable acre or circa £725,000/net developable hectare). Land values in Alston Moor taken to be 80% of this figure (i.e. £234,000/net developable acre)																																																																																																			
11 Sales Rates – one per month (small sites) two per month (large sites)	No change - feedback broadly in agreement	As proposed	Assume two sales per month for all sites. Assume Affordable/Social rent properties transferred to Registered Provider upon completion of construction																																																																																																			
12 Interest Rates – as at June 2009 (2% above LIBOR)	This assumptions has been increased following stakeholder consultation. Interest rate to be assumed at 7.5%. Reflects comments from stakeholders regarding interest cost incurred in order to acquire development finance.	Interest Rate - 7.5%	Use 7%																																																																																																			

All in Build Costs – assumes CSH level 3			Basic Build Costs – BIC Median Data for Eden District (Houses - 'Estate Housing Generally' - £933 x 96% = <b>£896 per m<sup>2</sup></b> ; Flats 'one to two storey' - £1,047 x 96% = <b>£1,005 per m<sup>2</sup></b> ) / Infrastructure Allowance (10% to 15% dependent on size of development) / Fees (6 to 7 % of Build Costs) / Contingency (2.5% of build costs for Greenfield Sites; 5% for Brownfield Sites)																																																																																																																																																															
13	<p>Flats = £80 psf (£89 psf NSA including prof fees and contingency)</p> <p>Houses = £70 psf (£78 psf NSA including prof fee and contingency)</p>	Due to lower required spec, costs unchanged for Penrith. However due to likely high build standards outside Penrith have been increased to £94 psf for apartments and £83 psf NSA for houses (which include contingency and professional fees).	As explained																																																																																																																																																															
14	Local Occupancy	No firm opinion from stakeholders as to how it impacts sales values (suggested range 5-40% most between 10-20%). However general consensus that it does have impact. As such DTZ will model viability scenarios based on 15% fall in sales values for units to reflect the fall back in sales revenue for local occupancy restriction.	As explained	No change - we concur with DTZ's view that a 15% reduction in value is generally appropriate for local occupancy housing. <b>Whilst we have not been commissioned to test the viability of local occupancy housing we can confirm that in our professional opinion the proposed 'cascade' framework set out in Appendix 6 of the emerging Local Plan document is likely to be acceptable to lenders. We would also expect landowners of affected sites to typically adjust land value expectations to enable the viable development of the limited number of small-scale schemes we would expect to come forward under the relevant proposed policy.</b>																																																																																																																																																														
15	Unit Values - see below	General Agreement with these figures. Some feedback felt figures in Penrith are too high, however as a scenario testing will be undertaken to vary revenues most stakeholders agreed with this as a starting point	As proposed	<p>Following a comprehensive review of the housing market in Eden area the following average unit prices and unit sizes are put forward as being appropriate at the date of valuation:</p> <p><b>PENRITH / EDEN VALLEY NORTH / EDEN VALLEY SOUTH (Houses)</b>  *2 Bed - 70m<sup>2</sup> (753ft<sup>2</sup>) - £2,260 per m<sup>2</sup> (£210 per ft<sup>2</sup>) = <b>£158,172</b>  *3 Bed - 92.5m<sup>2</sup> (995ft<sup>2</sup>) - £2,206 per m<sup>2</sup> (£205 per ft<sup>2</sup>) = <b>£204,037</b>  *4 Bed - 130m<sup>2</sup> (1399ft<sup>2</sup>) - £2,152 per m<sup>2</sup> (£200 per ft<sup>2</sup>) = <b>£279,760</b></p> <p><b>ALSTON (Houses)</b>  Same sizes as above, values at 90% of above</p>																																																																																																																																																														
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16	Affordable Housing intermediate 65% MV Social Rented 45% MV	Most feedback suggested that these figures are too high. Indeed some feedback points to the fact that affordable housing value is normally calculated as a multiple of lower quartile income and does not reflect changes in market values.	Revised to 50% MV for Intermediate and 35% MV for Social Rented	<b>Change to current policy of 60% MV for Intermediate. Affordable rent properties typically in region of 45% to 50% of MV (this reflects analysis work carried out in recent SLDC Viability Study) - use figure of 50%</b>																																																																																																																																																														
17	Other Contributions including s106, 278 and EM18	This was not originally presented to stakeholders but was always a consideration of the modelling. It is proposed to model variance in other contributions alongside variance in affordable housing in order to determine the impact of this on viability. In the market circumstances we now find ourselves the provision of additional section 106 costs makes a real impact on development viability.	Increasing levels at £1,000, £2,500, £5,000 and £7,500 per unit	No change (see <b>NOTE 1</b> below)																																																																																																																																																														

18 Housing Mix - see below

Following stakeholder feedback the number of larger units has been reduced and 5 bedroom dwellings scaled back to 10% of the housing mix.

Housing Mix - see below

No evidence to support significantly changing any assumptions. Note that DTZ assumption was arrived at following industry consultation in 2009. Two recent developments analysed below within the District don't feature any 5 bed houses, although some developers may well chose to include such products in proposals. For the purpose of 'Refresh' Exercise assume Housing Market Areas outside Penrith follow DTZ Revised Housing Mix Assumptions for Penrith (at 30dph and 35dph, but also apply this assumption to 40dph).

Story - Kirkby Stephen Site is:  
2 bed 27% - 3 bed 53% - 4 bed 20%

Story - Clifton Hill Site is:  
2 bed 25% - 3 bed 35% - 4 bed 40%

**Original Proposal**

Site Description	Unit Type	Percentage
Penrith	2 Bed Apartment	10%
High Density	2 Bed House	50%
45dph	3 Bed House	40%
		100%
Penrith	2 Bed House	25%
Medium Density	3 Bed House	40%
35dph	4 Bed House	35%
	5 Bed House	0%
		100%
Penrith	2 Bed House	25%
Low Density	3 Bed House	40%
30dph	4 Bed House	35%
	5 Bed House	0%
		100%

Site Description	Unit Type	Percentage
Alston	2 Bed House	25%
Medium Density	3 Bed House	35%
35 dph	4 Bed House	20%
	5 Bed House	20%
		100%
Alston	2 Bed House	20%
Low Density	3 Bed House	35%
30 dph	4 Bed House	25%
	5 Bed House	20%
		100%

Site Description	Unit Type	Percentage
Eden Valley North	2 Bed House	25%
Medium Density	3 Bed House	35%
35 dph	4 Bed House	20%
	5 Bed House	20%
		100%
Eden Valley North	2 Bed House	20%
Low Density	3 Bed House	35%
30 dph	4 Bed House	25%
	5 Bed House	20%
		100%

Site Description	Unit Type	Percentage
Eden Valley South	2 Bed House	25%
Medium Density	3 Bed House	35%
35 dph	4 Bed House	20%
	5 Bed House	20%
		100%
Eden Valley South	2 Bed House	20%
Low Density	3 Bed House	35%
30 dph	4 Bed House	25%
	5 Bed House	20%
		100%

**Revised Proposal**

Site Description	Unit Type	Percentage
Penrith	2 Bed Apartment	10%
High Density	2 Bed House	50%
40ph	3 Bed House	40%
		100%
Penrith	2 Bed House	25%
Medium Density	3 Bed House	40%
35dph	4 Bed House	35%
	5 Bed House	0%
		100%
Penrith	2 Bed House	25%
Low Density	3 Bed House	40%
30dph	4 Bed House	35%
	5 Bed House	0%
		100%

Site Description	Unit Type	Percentage
Alston	2 Bed House	25%
Medium Density	3 Bed House	40%
35 dph	4 Bed House	25%
	5 Bed House	10%
		100%
Alston	2 Bed House	25%
Low Density	3 Bed House	40%
30 dph	4 Bed House	25%
	5 Bed House	10%
		100%

Site Description	Unit Type	Percentage
Eden Valley North	2 Bed House	25%
Medium Density	3 Bed House	40%
35 dph	4 Bed House	25%
	5 Bed House	10%
		100%
Eden Valley North	2 Bed House	25%
Low Density	3 Bed House	40%
30 dph	4 Bed House	25%
	5 Bed House	10%
		100%

Site Description	Unit Type	Percentage
Eden Valley South	2 Bed House	25%
Medium Density	3 Bed House	40%
35 dph	4 Bed House	25%
	5 Bed House	10%
		100%
Eden Valley South	2 Bed House	25%
Low Density	3 Bed House	40%
30 dph	4 Bed House	25%
	5 Bed House	10%
		100%

**Note 1 (S106 Contributions)**

The Council seeks payments from developers to mitigate the impact of each development, as appropriate, through improvements to the local infrastructure. In December 2012 Cumbria County Council published its *Draft Planning Obligation Policy* setting out in detail the contributions that developers may be asked to provide. We are aware that a number of aspects of the Cumbria County Council document (such as education and highways contribution) remain 'under discussion' between relevant stakeholders and are likely to vary in different parts of the District dependent on local circumstances. At this point in time it is difficult to sensibly come up with a 'one size fits all' per unit contribution allowance applicable across the District, or even a specific Housing Market Area within the District. Past trends in neighbouring South Lakeland District show that around £1,500 residential unit is an approximate average amount that has been collected. The future adoption and application of the Cumbria County Council *Planning Obligation Policy* and the 2014 proposed restriction to the ability of local authorities to pool s106 payments will undoubtedly lead to changes to typical levels of s106 contributions. Against this context we believe it would be appropriate to continue with the DTZ approach of testing the viability effect of a range of s106 contributions. We therefore propose no change to the four figures (£1,000; £2,500; £5,000 and £7,500 per unit) put forward by DTZ in 2009