States of Jersey

Viability Assessment for Review of Developer Contributions

May 2016

ARUP

Planning & Development

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1. Introduction

Scope

1.1 The States of Jersey are reviewing the current approach to developer contributions and are exploring the possibility of introducing a simplified standard charge or charges to modify and/or replace the existing system. A brief background paper to this project was published by the Minister for the Environment[1] at the start of 2016.

1.2 The Minister has been considering a charge similar to England's Community Infrastructure Levy (CIL). In England CIL is a charge on new development that was introduced in the UK under 2008 legislation[2] and subsequent CIL Regulations[3] (which have been subject to various amendments). The key features of CIL (in England) are:

a) CIL is levy, charge or tax paid by new development.

b) The principal purpose of CIL is to fund the infrastructure required to support development, however, not necessarily the infrastructure that is directly related to the particular scheme or development.

c) It is set on a £/m^2 basis and charged on net new buildings (so having deducted areas of conversion or redevelopment).

d) It can be set at different rates for different types of development (for example residential, office or industrial uses) and different areas (zones).

e) CIL is not applied to affordable housing, development for charitable purposes, small extensions, self-builds or structures that are not normally used by people (e.g. substations).

f) Once set, CIL is mandatory and not subject to negotiation.

1.3 Whilst the overall principle of CIL is recognised as sound it is acknowledged that the levy, as implemented (and amended) in England, has weaknesses and may not be appropriate, in the

[1] https://www.gov.je/planningbuilding/lawsregs/lawregulations/pages/communityinfrastructurecharge.aspx

[2] The Planning Act, Part 11 - http://www.legislation.gov.uk/ukpga/2008/29/part/11

[3] **SI 2010 No. 948**. The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010.* **SI 2011 No. 987**. The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2011.* **SI 2011 No. 2918**. The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011.* **SI 2012 No. 2975**. The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012.* **SI 2013 No. 982**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013.* **SI 2014 No. 385**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th February 2014, Coming into force 24th February 2014.* **S1 2015 No. 836**. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2015. *Made 20th March 2015*.

English form, for Jersey. In England, CIL is under review and is likely to undergo some changes during 2017[4].

1.4 If a new levy or charge is introduced in Jersey, new legislation will be required. In line with the Department's instructions, it has been assumed that neither affordable housing nor development brought forward by the States of Jersey for the delivery of public services (for example hospitals and schools) would be subject to a new levy or charge so these are not considered in this report.

1.5 This Viability Study has been commissioned to assess the effect that a levy may have on development viability. In due course, this evidence may be used inform the process to develop a new approach to developer contributions.

1.6 This document sets out the methodology used and the key assumptions adopted, in the context of the Revised 2011 Island Plan, and in relation to the anticipated future development. This will allow the States of Jersey to engage further with stakeholders and to decide whether or not to pursue this idea.

1.7 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements imposed. It is inevitable that the Department's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Island Plan is threatened.

Project Team

1.8 This project is led by Arup, with HDH Planning and Development Ltd acting as the principal sub-contractor providing the viability expertise. In addition, two Jersey based consultancies have provided more local detail. The Colin Smith Partnership have advised with regard to costings, and Sarre and Company have advised with regard to values.

Arup

1.9 Arup is an independent firm of designers, planners, engineers, consultants and technical specialists offering a broad range of professional services across the UK and internationally.

HDH Planning and Development Ltd

1.10 HDH is a firm of Chartered Surveyors based in England that provides a specialist planning consultancy providing evidence to English and Welsh planning authorities. The firm's main areas of expertise are:

[4] See *A Report by the CIL Review Team – A New Approach to Developer Contributions* (October 2016) and The value, impact and delivery of the Community Infrastructure Levy, DCLG (February 2017).

a. District wide and site specific viability analysis

b. Community Infrastructure Levy testing

c. Local and Strategic Housing Market Assessments and Housing Needs Assessments

d. Viability and Planning Assessments and Inquiries.

Colin Smith Partnership

1.11 The Colin Smith Partnership is the largest cost consultancy and project management practice in Jersey and has been providing professional quantity surveying, project management and cost consultancy services in the Channel Islands for over 60 years.

1.12 Based in Jersey the firm works in all the Islands, the UK mainland and Ireland.

Sarre and Company

1.13 Sarre and Company was established in July 1997. Now with three directors, the company focuses on commercial property matters, specialising in offices, warehouses and retail.

1.14 Its principal areas of expertise are agency, professional services and property management

General Caveat

1.15 The findings contained in this report are based upon information from various sources including that provided by the Department and by others, upon the assumption that all relevant information has been provided. This information has not been independently verified by HDH. The conclusions and recommendations contained in this report are concerned with policy requirements, guidance and regulations which may be subject to change. They reflect a Chartered Surveyor's perspective and do not reflect or constitute legal advice.

1.16 No part of this report constitutes a valuation and the report should not be relied on in that regard.

Metric or imperial

1.17 The property industry uses both imperial and metric data – often working out costings in metric (£/m^2) and values in imperial (£/acre and £/sqft). This is confusing so metric measurements are used throughout this report. The following conversion rates may assist readers:

1m	=	3.28ft (3' and 3.37")	1ft	=	0.30m
$1m^2$	=	10.76 sqft	1sqft	=	0.092903 m^2

1.18 A useful broad rule of thumb to convert m^2 to sqft is simply to add a final zero.

Report Structure

1.19 This report has been prepared to inform a formal consultation process. Informal consultations were held at the end of 2016, and at the start of 2017. The comments from these early consultations are summarised within this report and are reflected through this report. Whilst this report contains recommendations, it is stressed that these may alter following the future consultation process.

1.20 This report follows the following format:

Chapter 2 A brief review of the reasons for, and approach to, viability testing.

Chapter 3 The methodology used to assess viability.

Chapter 4 An assessment of the housing market, with the purpose of establishing the worth of different types of housing in different areas.

Chapter 5 An assessment of the non-residential markets with the purpose of establishing the worth of different types of commercial uses.

Chapter 6 An assessment of the costs of land to be used when assessing viability.

Chapter 7 The cost and general development assumptions to be used in the development appraisals.

Chapter 8 A summary of the various policy requirements and constraints that influence the type of development that come forward.

Chapter 9 A summary of the range of modelled sites used for the financial development appraisals.

Chapter 10 The results of the appraisals and consideration of residential development.

Chapter 11 The appraisals and consideration of non-residential development.

Chapter 12 Consideration of the scope for developer contributions and the options that may be appropriate on Jersey.

2. Viability Testing

2.1 Viability is at the core of the planning process as it is a principal driver of the development process. Most development comes forward to generate a return (or profit) for the developer. It is inevitable that any policy requirement, that adds to the costs of development, will have an impact on the potential returns to those individuals and corporate bodies involved in development.

Viability Guidance

2.2 There is no specific technical guidance on how to test for viability in the Island Plan and the associated planning documents. There are several sources of guidance that are appropriate to the development and planning system, but it is important to note that the guidance is, to a large extent, simply setting out a simplified process for assessing viability for the purpose of the planning system that can be used across all development types and circumstances.

2.3 The primary English guidance is *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012[5] (known as the **Harman Guidance**). This contains the following definition:

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.

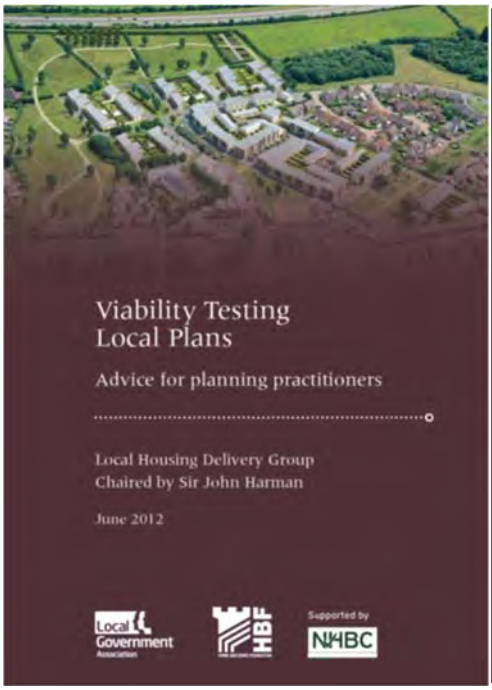
2.4 The Harman Guidance suggests that the most appropriate test of viability for planning policy purposes is to consider the Residual Value[6] of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with a return and sufficient inducement to sell.

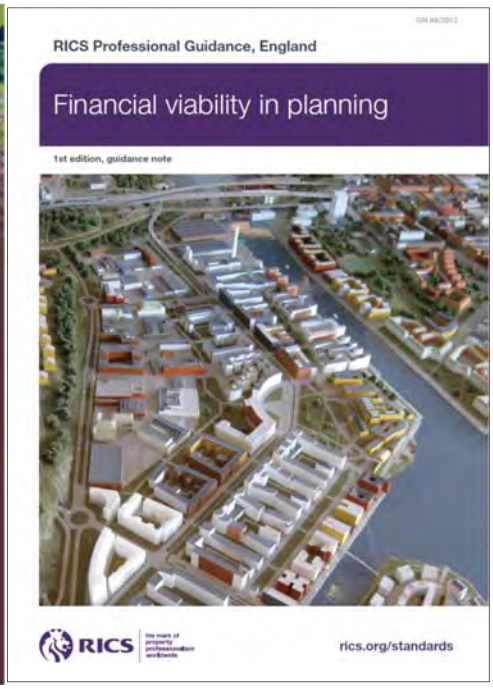
2.5 The Harman Guidance and *Financial viability in planning*, *RICS guidance note, 1st edition* (GN 94/2012) which was published during August 2012 (known as the **RICS Guidance**) set out the principles of viability testing. Additionally, the Planning Advisory Service (PAS)[7] provides viability guidance and manuals for local authorities.

[5] Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

[6] For an explanation of Residual Value see Chapter 3 below.

[7] PAS is funded directly by the UK Government's DCLG to provide consultancy and peer support, learning events and online resources to help local authorities understand and respond to planning reform. (Note: Much of the most recent advice has been co-authored by HDH).





2.6 There is considerable common ground between the RICS and the Harman Guidance but there are some differences. The RICS Guidance recommends against the 'current/alternative use value plus a margin' – which is the methodology recommended in the Harman Guidance.

One approach has been to exclusively adopt current use value (CUV) plus a margin or a variant of this, i.e. existing use value (EUV) plus a premium. The problem with this singular approach is that it does not reflect the workings of the market as land is not released at CUV or CUV plus a margin (EUV plus).….

Financial viability in planning, RICS guidance note, 1st edition (GN 94/2012)

2.7 The Harman Guidance advocates an approach based on Threshold Land Value, saying:

*Consideration of an appropriate **Threshold Land Value** needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input to a model.*

We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values (noting the exceptions below).

Viability Testing in Local Plans – Advice for planning practitioners. (June 2012)

2.8 The RICS dismisses a Threshold Land Value approach as follows:

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. It is not a recognised valuation definition or approach.

2.9 To avoid later disputes and delays, the approach taken in this study brings these two sources of guidance together. The methodology adopted is to compare the Residual Value generated by the viability appraisals, with the Existing Use Value (EUV) plus an appropriate uplift to

incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is also made to the market value of the land both with and without the benefit of planning.

2.10 This approach is in line with that recommended in the Harman Guidance – and in line with the main thrust of the RICS Guidance of having reference to an adjusted market value[8]. It is relevant to note that the Harman methodology was endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule in January 2012[9]. In his report, the Inspector dismissed the theory that using historical market value to assess the value of land was a more appropriate methodology than using EUV plus a margin.

2.11 As part of the October 2016 consultation on the early draft of this report, the RICS drew attention *to Financial viability in planning, RICS guidance note, 1st edition (GN 94/2012)* in their written representation. For the avoidance of doubt, this study has been undertaken in line with this RICS Guidance.

Viability in England's Planning Process

2.12 If a new approach to developer contributions (whether or not similar to CIL) is introduced in Jersey, new legislation will be required. It is however useful (and is consistent with the project brief) to consider viability in the context of the UK system.

2.13 The English planning system does not set out to prescribe a series of specific tests, for example levels of profit or land values, and England's CIL is not calculated by a pre-determined formula. The purpose of the viability testing process is to ensure that the cumulative impact of all the policies in the Plan is not so great as to threaten the delivery of the Plan as a whole[10]. This is in the context of both the developer and the landowner receiving a competitive return (or profit).

[8] In this context, it is important to note that the RICS Guidance does not advocate the comparison with a 'Market Value' rather an adjusted market value. The key definitions are as follows (from page12):

> ***Box 7: Site Value definition -*** *Site Value either as an input into a scheme specific appraisal or as a benchmark is defined in the guidance note as follows: 'Site Value should equate to the market value4 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.'*
>
> ***Box 8: Site Value – area-wide assessments -*** *When undertaking Local Plan or CIL (areawide) viability testing, a second assumption needs to be applied to the above: '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.'*

[9] 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

[10] As set out in paragraphs 173 and 174 of England's National Planning Policy Framework (NPPF).

2.14 Viability testing in the context of CIL is to assess the '*effects*'[11] on development viability of the imposition of the levy. It is inevitable that some sites would be rendered unviable by an additional policy burden, the important question is whether or not so much development is rendered unviable as to prejudice the delivery of the plan as a whole.

2.15 In England and Wales, a council that wishes to introduce CIL must submit its proposed rates (in a Draft Charging Schedule) for independent examination. The test applied to the examination is:

> *… the examiner should establish that … the proposed rate or rates are informed by and consistent with the evidence on economic viability across the charging authority's area; and evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole …*
>
> *PPG ID: 25-038-20140612*

2.16 In this report, it is assumed that the same general approach would apply in Jersey. The Department is pro-development, where schemes are supported by the relevant Island Plan policies, recognising the need for new housing and employment space and the contribution that development makes to the Jersey economy. The purpose of the viability testing in this study is to establish the potential effects of developer contributions on the economic viability of development across the island, rather than specific sites.

2.17 On preparing the evidence base on economic viability, the England's Planning Practice Guidance (PPG) says:

> *A charging authority must use 'appropriate available evidence' (as defined in the Planning Act 2008 section 211(7A)) to inform their draft charging schedule. The Government recognises that the available data is unlikely to be fully comprehensive. Charging authorities need to demonstrate that their proposed levy rate or rates are informed by 'appropriate available' evidence and consistent with that evidence across their area as a whole.*
>
> *In addition, a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London)] relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).*
>
> *The sampling should reflect a selection of the different types of sites included in the relevant Plan, and should be consistent with viability assessment undertaken as part of plan-making.*
>
> *PPG ID: 25-019-20140612*
>
> *Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable; site typologies may be used to determine viability at policy level. Assessment of samples of sites may be helpful to support evidence and more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.*
>
> *PPG ID: 10-006-20140306*

[11] CIL Regulation 14.

2.18 This study has drawn on the existing available evidence and modelled a range of 'typical' development sites (typologies) that are representative of future development that is likely to come forward.

2.19 Viability Thresholds are the amount that the Residual Value must exceed for development to be viable. They are a controversial matter and it is clear that different landowners will take different approaches depending on their personal and corporate priorities. The assessment is based on an informed assumption being made about the 'uplift' being the margin above the EUV which would be sufficient to incentivise the landowner to sell. Both the RICS Guidance and England's PPG make it clear that when considering land value this must be done in the context of current and emerging policies:

> ***Site Value definition*** *Site Value either as an input into a scheme specific appraisal or as a benchmark is defined in the guidance note as follows: 'Site Value should equate to the 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.'*
>
> *Box 7, Page 12, RICS Guidance*
>
> *In all cases, estimated land or site value should: …reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge; …*
>
> *PPG ID 10-014-20140306*

2.20 England's system stresses the importance of working from evidence and in collaboration with the development industry:

> ***Evidence based judgement:*** *assessing viability requires judgements which are informed by the relevant available facts. It requires a realistic understanding of the costs and the value of development in the local area and an understanding of the operation of the market.*
>
> *Understanding past performance, such as in relation to build rates and the scale of historic planning obligations can be a useful start. Direct engagement with the development sector may be helpful in accessing evidence.*
>
> ***Collaboration****: a collaborative approach involving the local planning authority, business community, developers, landowners and other interested parties will improve understanding of deliverability and viability. Transparency of evidence is encouraged wherever possible. Where communities are preparing a neighbourhood plan (or Neighbourhood Development Order), local planning authorities are encouraged to share evidence to ensure that local viability assumptions are clearly understood.*

2.21 An early consultation event was held in Jersey on the 17th October 2016. This was followed up with a series of meetings with key developers and interest groups on the 16th and 17th January 2017, and 8th February 2017.

2.22 The level of return (profit) is discussed in the Chapter 6 below and is at the core of a viability assessment. The RICS Guidance includes the following definition:

> ***Competitive returns*** *- A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the 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. A 'Competitive Return' in the context of a developer bringing forward development should be in*

accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.

RICS Guidance, Financial viability in Planning, Page 43

2.23 The PPG adds to this saying:

The National Planning Policy Framework states that viability should consider "competitive returns to a willing landowner and willing developer to enable the development to be deliverable." This return will vary significantly between projects to reflect the size and risk profile of the development and the risks to the project. A rigid approach to assumed profit levels should be avoided and comparable schemes or data sources reflected wherever possible.

A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.

PPG ID: 10-015-20140306.

2.24 The specific approach to be used in Jersey has been explored through the consultation process and follows these principles.

3. Methodology

Viability Testing – Outline Methodology

3.1 There is no, step by step, statutory technical guidance on how to go about viability testing within the Island Plan or supporting documents. As set out in Chapter 2, this study is based on the Harman Guidance. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

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

LESS

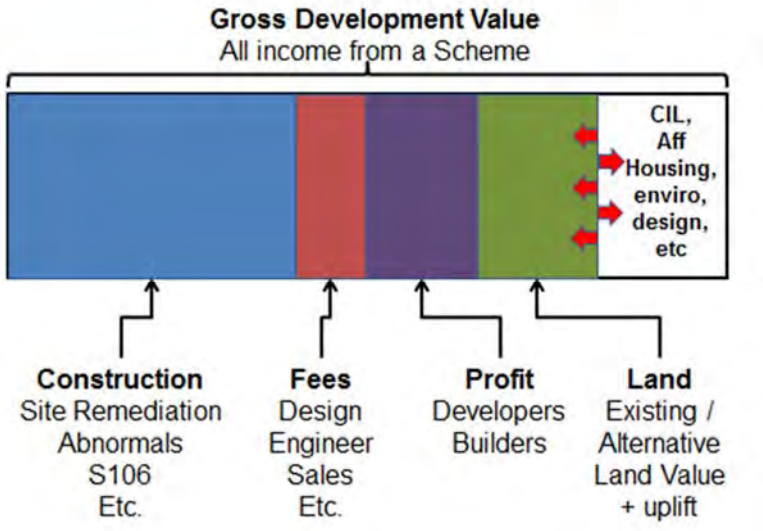
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)

=

RESIDUAL VALUE

3.2 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory profit margin (or profit).

3.3 In the following graphic, the bar illustrates all the income from a scheme. This is set by the market (rather than by the developer or planning authority) so is, to a large extent, fixed. The developer has relatively little control over the costs of development (construction and fees) 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.



3.4 It is well recognised in viability testing that the developer should be rewarded for taking the risks of development. The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions, the less the developer can afford to pay for the land. The purpose of this study is to quantify the costs of the various policies in the Island Plan, and to assess the effect of these and of developer contributions and then to make a judgement as to whether or not land prices may be squeezed to such an extent that the Island Plan is threatened.

3.5 Land value is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption must be made about the uplift: the margin above the EUV which would make the landowner sell.

3.6 It is important to note that this study is not trying to exactly mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making.

Limitations of viability testing

3.7 The high level and broad brush viability testing that is appropriate to be used to assess the effect of developer contributions does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer's[12] mind and they will proceed even if a 'loss' is shown in a conventional appraisal. By way of example, an individual may want to fulfil a dream of building a house and may spend more than the finished home is actually worth, a community may extend a village hall even though the value of the facility in financial terms is not significantly enhanced or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.

3.8 This sets the Department a challenge when considering its proposals. It needs to determine whether or not the impact of developer contributions on a development type that may appear only to be marginally viable will have any material impact on the rates of development or whether the developments will proceed anyway. It is clear, that some development, comes forward for operational reasons, rather than property development purposes.

The Level of Return

3.9 Viability testing has not been a formal part of Jersey's planning system so there is not a body of practice and planning appeal decisions to refer to and to draw on. It is therefore appropriate

[12] For the sake of clarity, in this context developer is taken in its widest sense, being anybody bringing forward a scheme, for whatever reason, of whatever scale, and regardless as to whether it is for commercial, personal, private or operational reasons.

to look to the UK for precedent. This is a reasonable approach bearing in mind the close links between Jersey and the UK and the similarities in the planning and legal systems.

3.10 The meaning of return is at the core of a viability assessment. The RICS Guidance includes the following definition:

> ***Competitive returns*** *- A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the 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. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.*

3.11 Whilst this is useful, it does not provide guidance as to the size of that return. In the UK there has been much discussion within the industry as to what may and may not be a competitive return, as yet the term has not been given a firm definition through the appeal, planning examination or legal processes.

3.12 Competitive return was considered at the Shinfield Appeal (January 2013)[13]. This is discussed this further in Chapter 6 below. Clarification has been added in the Oxenholme Road Appeal (October 2013)[14] where the inspector confirmed that the methodology set out in Shinfield is very site specific and should only be given limited weight.

Existing Available Evidence

3.13 The normal principle is that when considering viability, the process should, wherever possible, be based on and build on existing available evidence rather than new evidence. There are several sources of existing available evidence, including that which the Department also holds about what is being collected from developers under the existing developer contribution regime. This is being collected outside this study has been drawn upon.

Stakeholder Engagement

3.14 The Harman Guidance requires stakeholder engagement – particularly with members of the development industry. The preparation of this viability assessment, includes specific consultation and engagement with the industry. On the 17th October 2016, an informal consultation event was held. Residential and non-residential developers (including housing trusts), landowners and planning professionals were invited. **Appendix 1** includes the presentation given. **Appendix 2** includes a summary of the notes taken.

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

[14] APP/M0933/ A/13/ 2193338 (Land to the west of Oxenholme Road, Kendal, Cumbria)

3.15 The event was divided into three parts

a. An introduction to viability testing in the context of planning.

b. Viability Assumptions. The main assumptions for the viability assessments were set out including development values, development costs, land prices, developers' and landowners' returns.

c. Discussion.

3.16 The comments of the consultees are reflected through this report and the assumptions have been adjusted where appropriate. There was not agreement on all points although there was a broad consensus on many matters. Where there was disagreement a judgement has been made and an explanation provided. Following the event, copies of the presentation and the main viability assumptions[15] were circulated to all those invited and the consultees were asked to make any further representations.

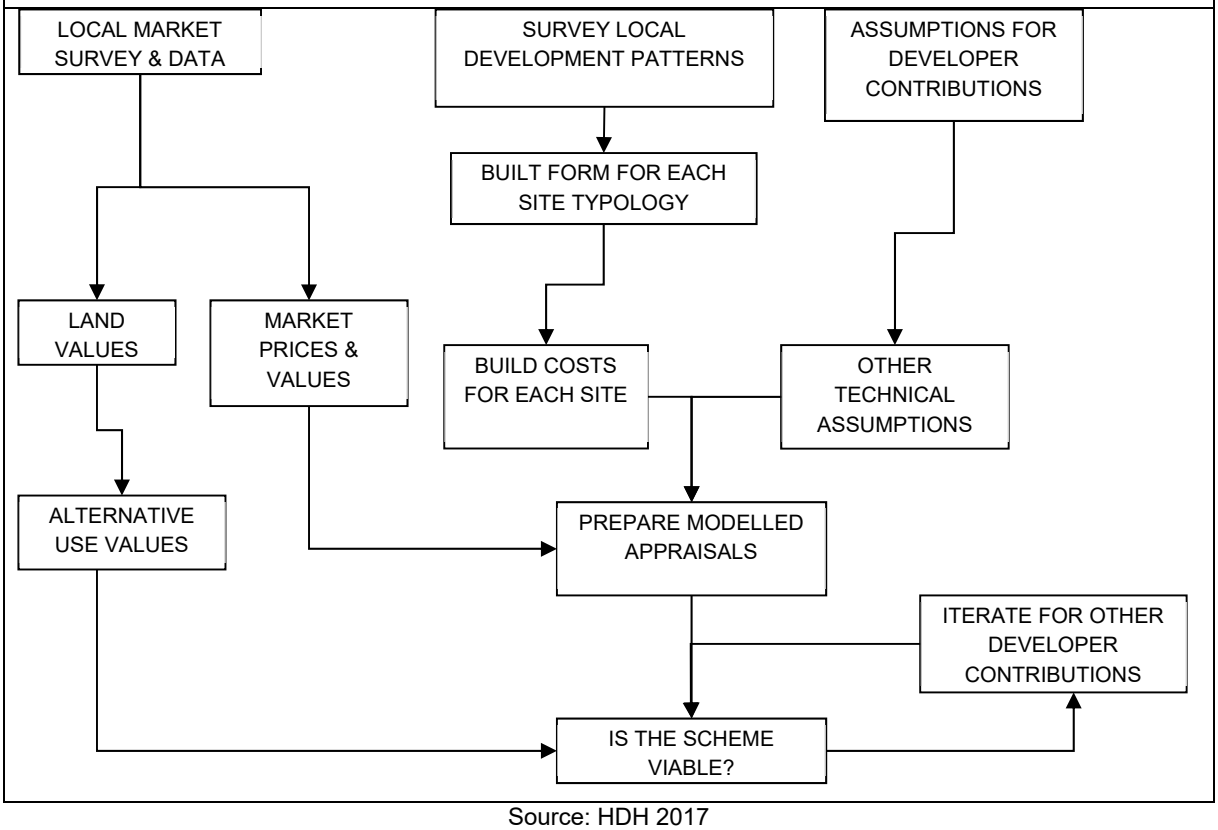
3.17 The main points from the consultation are set out in **Appendix 2**. These have been addressed through this report. Many of the comments were about the principle of a new tax or levy, rather that the viability approach and assumptions. The points of principle are dealt with outside this report by the Department. This study only considers viability.

Viability Process

3.18 The consideration of viability is not done using a set formula or calculation. It is a quantitative and qualitative process to consider whether development will be threatened. The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for the larger sites in the Plan and a representative range of sites (typologies), and using these to assess whether development, generally, is viable. The sites were modelled based on discussions with Department of the Environment officers. Details of the site modelling are set out in Chapter 9. This process ensures that the appraisals are representative of typical development on the Island in the foreseeable future.

[15] http://consult.gov.je/portal/ie/viability

Figure 3.1 Viability Methodology



Source: HDH 2017

3.19 The local housing and commercial markets have been surveyed, to obtain a picture of sales values. Land values have also been assessed to calibrate the appraisals and to assess existing and alternative use values. Alongside this local development patterns have been considered (in the context of the emerging policies). These in turn informed the appropriate build cost figures. Several other technical assumptions are required before appraisals can be produced. The appraisal results are in the form of £/ha 'residual' land values, showing the maximum value a developer can pay for the site and still return a target profit level (the competitive return). The Residual Value is compared to the EUV. Only if the Residual Value exceeds the EUV, and by a satisfactory margin, can a scheme be judged to be viable

3.20 This approach was discussed at the consultation in October 2016. There was a consensus that it was appropriate, although some consultees did have doubts about whether it is actually possible to assess viability in Jersey as all sites are different and it is not possible to make generalities.

3.21 This was further discussed at the developer and interest group meetings held in January and February 2017. Whilst the RICS confirmed that the approach was sound, several people suggested that the Jersey housing market is so different from other housing markets that an assessment quite simply could not be made. It was correctly noted that the viability process assumes that for a developer contribution to be introduced, either landowners would have to accept a lower price for their land, or developers would have to accept a lower return. A case was put forward that as Jersey is an island there is a restricted land supply. The landowners on the island do not need to sell so a methodology that is based on a fall in the land value is

fundamentally flawed and shows a misunderstanding of the land market in Jersey. It was put forward that any new requirement that leads to a fall in land prices would have one consequence and that would be that landowners would no longer sell land for development.

3.22 This position is not accepted. Firstly, most areas, including those in England, have a limited land supply. Many places in England are subject to constraining policies (such as greenbelt) that restrict the land supply. Secondly the reaction of landowners will depend on the scale of any proposed developer contribution. It is accepted that if the contribution is excessively high, there is likely to be an impact on land supply, however if the review of developer contributions results in payments that are not dissimilar to the existing developer contributions sought, the impact will be minimal. This goes to the heart of this study, being what would the effect be.

3.23 Through the consultation process the importance of a clear and transparent implementation and phasing in of any levy or tax was highlighted. This may have particular impact on development business' land banks.

3.24 Any assessment of the type being undertaken must be based on sound evidence but it is not accepted that the Jersey market is so different or special that a sound assessment is not possible at all.

3.25 One consultee set out that the RICS does not support the EUV plus methodology, however did not put forward an alternative.

3.26 The appraisals are based on the policies set out in the Island Plan (a full 'policy on' scenario). For appropriate sensitivity testing a range of scenarios of different levels of developer contributions have been assessed.

3.27 It is important to note that should the Department develop further policies over and above those tested in this study, that it may be necessary to revisit viability and consider the impact of those further requirements.

Additional Profit

3.28 To assess whether a developer contribution can be made, a calculation needs to be undertaken to establish the *'additional profit*'.

3.29 *Additional Profit* is a concept that HDH developed and it is the amount of profit over and above the normal profit (or competitive return) made by the developers having purchased the land (alternative land value plus uplift), developed the site, and sold the units. In this study, *normal profit* is treated as a development cost and incorporated into the appraisals as set out in Chapter 7. The approach to calculating additional profit is to complete the appraisal using the same base cost and price figures and other financial assumptions as used to establish the Residual Value. Instead of calculating the Residual Value, the cost of the land (EUV plus uplift) is incorporated into the cost side of the appraisal to show the resulting profit (or loss).

3.30 The amount by which the resulting profit exceeds the target level of profit, represents the additional profit, and provides a measure of the scope for contributing to developer contributions. Developer contributions can viably be paid out of this additional profit.

3.31 The starting point of these calculations is to base them on the Department's full policy requirements. The following formula is used:

Gross Development Value
(The combined value of the complete development

LESS

Cost of creating the asset, including a profit margin
(land* + construction + fees + finance charges + developers' profit)
including mitigation measures

=

Additional Profit

* Where 'land' is the EUV plus uplift.

4. Residential Market

4.1 This chapter sets out an assessment of the housing market (including older people's housing), providing the basis for the assumptions on house prices to be used in the financial appraisals for the sites tested in the study. The assessment is concerned not just with the prices but the differences across different areas.

4.2 Although development schemes do have similarities, every scheme is unique, even schemes on neighbouring sites. Market conditions will broadly reflect a combination of national economic circumstances, and local supply and demand factors, however, even within a town there will be particular localities, and ultimately site specific factors, that generate different values and costs.

4.3 The assumptions laid out in this chapter were discussed at and following the October 2016 consultation event, and then subsequently at the consultation meetings in January and February 2017. The comments are addressed through this chapter.

Jersey's Residential Market

4.4 Overall, there was a consensus amongst most property professionals, that the Island's housing market is generally strong and there is a strong demand for good quality properties.

4.5 The Jersey housing market is regulated in that to buy most property, buyers must qualify for residency. Qualification may be through several routes that include local connections, various employment tests or by tax contribution. Once residency requirements have been met, there is a wide housing offer ranging from 'top end' sea-front flats in St Helier, more modest homes in the settlements, through to large traditional farmhouses, and more recently built family homes.

4.6 The housing market varies across the Island, although to a large extent the prices are influenced by the specific nature of the property in question rather than the general location. The principle drivers of value are factors such as the situation, the context, the outlook, the style and character of the house or flat, rather than which particular settlement it may be in.

4.7 The least expensive housing starts at around £140,000 for a modest studio (although at January 2017 the least expensive home being advertised was £200,000 for a 1 bedroom flat) but rises to well over £10,000,000 for large detached houses.

4.8 A survey of asking prices of homes (rather than just newbuild) across Jersey was carried out in September 2016. **Appendix 3** includes details of the 140 or so houses being marketed at the end of September 2016 where the size (in m^2 or sqft) was available. This is summarised as follows:

Table 4.1 Summary of Asking Prices – September 2016 (£)

	Detached	Semi-detached	Terraced	Bungalow	Flat	**All**
Grouville						
Count	7	1			2	**10**
Minimum	£620,000	£670,000			£620,000	**£620,000**
Average	£3,180,714	£670,000			£659,000	**£2,425,300**
Median	£1,900,000	£670,000			£659,000	**£1,197,500**
Maximum	£13,000,000	£670,000			£698,000	**£13,000,000**
St Brelade						
Count	15			2	2	**19**
Minimum	£775,000			£685,000	£825,000	**£685,000**
Average	£2,824,000			£1,030,000	£1,312,500	**£2,476,053**
Median	£2,250,000			£1,030,000	£1,312,500	**£2,000,000**
Maximum	£6,750,000			£1,375,000	£1,800,000	**£6,750,000**
St Helier						
Count	13	5	1		11	**30**
Minimum	£489,000	£499,999	£680,000		£199,000	**£199,000**
Average	£1,277,154	£661,000	£680,000		£768,455	**£968,033**
Median	£1,150,000	£675,000	£680,000		£620,000	**£704,500**
Maximum	£2,500,000	£795,000	£680,000		£1,750,000	**£2,500,000**
St John						
Count	6				1	**7**
Minimum	£585,000				£1,025,000	**£585,000**
Average	£2,070,000				£1,025,000	**£1,920,714**
Median	£1,592,500				£1,025,000	**£1,590,000**
Maximum	£4,750,000				£1,025,000	**£4,750,000**
St Lawrence						
Count	6	3		1		**10**
Minimum	£1,200,000	£480,000		£700,000		**£480,000**
Average	£2,666,667	£633,333		£700,000		**£1,860,000**
Median	£1,662,500	£625,000		£700,000		**£1,237,500**
Maximum	£5,250,000	£795,000		£700,000		**£5,250,000**
St Martin						
Count	14					**15**
Minimum	£1,195,000					**£1,195,000**
Average	£3,872,464					**£3,872,464**
Median	£2,675,000					**£2,675,000**
Maximum	£14,000,000					**£14,000,000**
St Ouen						
Count	6	1	1		9	**17**
Minimum	£799,000	£535,000	£840,000		£425,000	**£425,000**
Average	£2,453,833	£535,000	£840,000		£728,889	**£1,332,824**
Median	£1,964,500	£535,000	£840,000		£750,000	**£799,000**
Maximum	£4,650,000	£535,000	£840,000		£995,000	**£4,650,000**
St Saviour						
Count	10				1	**11**
Minimum	£885,000				£219,000	**£219,000**
Average	£2,980,500				£219,000	**£2,729,455**
Median	£1,972,500				£219,000	**£1,395,000**
Maximum	£12,000,000				£219,000	**£12,000,000**
Other Areas						
Count	14	2			3	**19**
Minimum	£669,000	£835,000			£310,000	**£310,000**
Average	£2,593,429	£992,500			£893,333	**£2,156,474**
Median	£2,050,000	£992,500			£975,000	**£1,395,000**
Maximum	£10,250,000	£1,150,000			£1,395,000	**£10,250,000**
ALL						
Count	93	12	2	3	29	**139**
Minimum	£489,000	£480,000	£680,000	£685,000	£199,000	**£199,000**
Average	£2,697,833	£699,583	£760,000	£920,000	£788,966	**£2,060,817**
Median	£1,895,000	£672,500	£760,000	£700,000	£698,000	**£1,300,000**
Maximum	£14,000,000	£1,150,000	£840,000	£1,375,000	£1,800,000	**£14,000,000**

Source: Market Survey (September 2016)

Table 4.2 Summary of Asking Prices – September 2016 (£/m²)

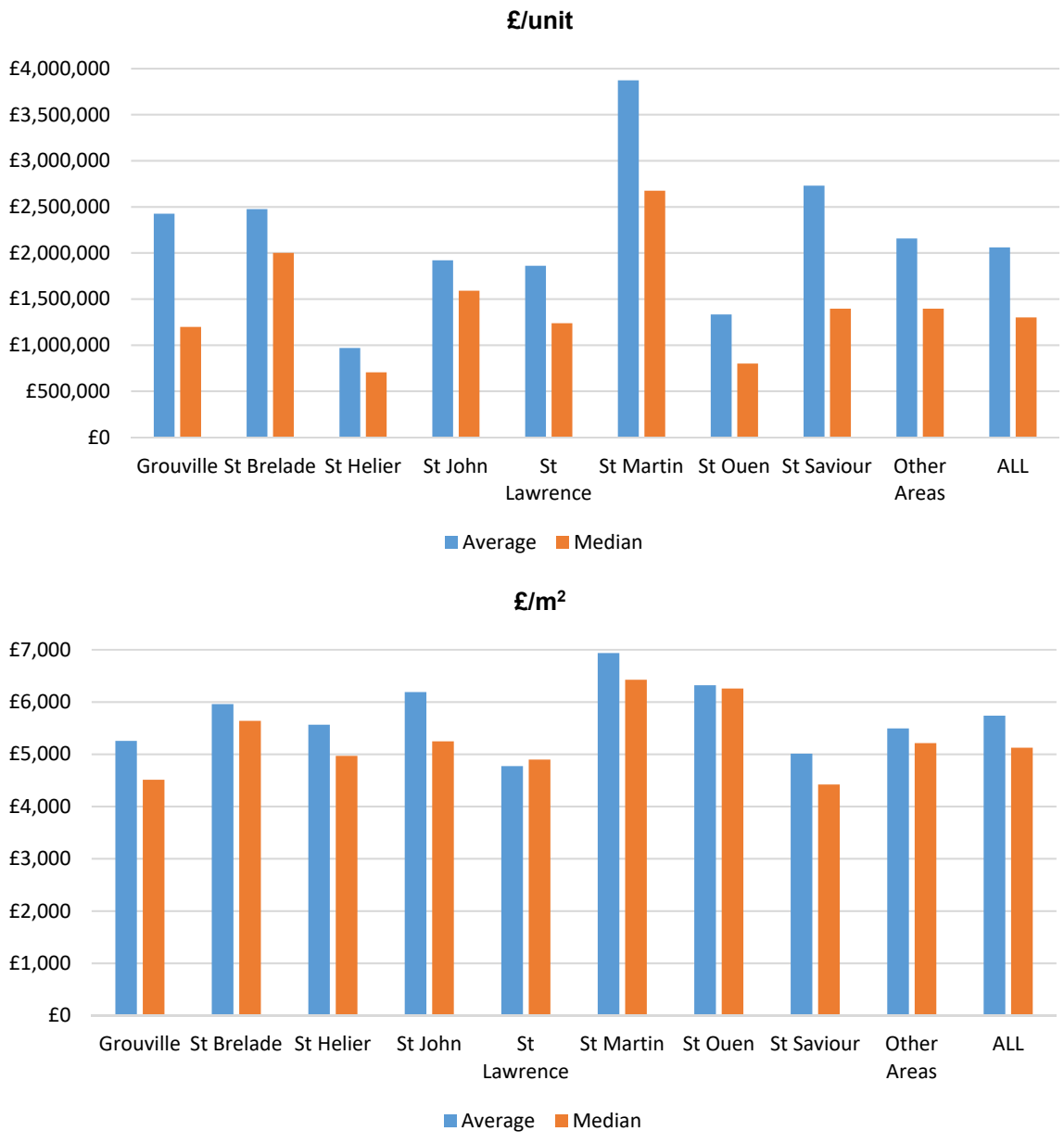
	Detached	Semi-detached	Terraced	Bungalow	Flat	**All**
Grouville						
Count	7	1			2	**10**
Minimum	£4,168	£4,457			£3,973	**£3,973**
Average	£5,508	£4,457			£4,767	**£5,255**
Median	£4,567	£4,457			£4,767	**£4,512**
Maximum	£9,175	£4,457			£5,561	**£9,175**
St Brelade						
Count	15			2	2	**19**
Minimum	£3,208			£3,378	£5,638	**£3,208**
Average	£6,002			£4,932	£6,665	**£5,959**
Median	£5,583			£4,932	£6,665	**£5,638**
Maximum	£11,484			£6,486	£7,692	**£11,484**
St Helier						
Count	13	5	1		11	**30**
Minimum	£2,453	£1,831	£3,243		£3,655	**£1,831**
Average	£4,681	£3,705	£3,243		£7,664	**£5,564**
Median	£3,956	£3,407	£3,243		£7,715	**£4,968**
Maximum	£8,924	£7,406	£3,243		£13,943	**£13,943**
St John						
Count	6				1	**7**
Minimum	£4,373				£7,609	**£4,373**
Average	£5,953				£7,609	**£6,190**
Median	£5,247				£7,609	**£5,248**
Maximum	£8,200				£7,609	**£8,200**
St Lawrence						
Count	6	3		1		**10**
Minimum	£2,504	£3,083		£5,115		**£2,504**
Average	£5,184	£3,833		£5,115		**£4,772**
Median	£5,262	£3,660		£5,115		**£4,899**
Maximum	£7,704	£4,758		£5,115		**£7,704**
St Martin						
Count	14					**15**
Minimum	£3,289					**£3,289**
Average	£6,935					**£6,935**
Median	£6,426					**£6,426**
Maximum	£11,566					**£11,566**
St Ouen						
Count	6	1	1		9	**17**
Minimum	£3,833	£4,266	£4,396		£4,924	**£3,833**
Average	£5,401	£4,266	£4,396		£7,373	**£6,319**
Median	£4,981	£4,266	£4,396		£8,189	**£6,257**
Maximum	£7,794	£4,266	£4,396		£9,600	**£9,600**
St Saviour						
Count	10				1	**11**
Minimum	£3,835				£4,640	**£3,835**
Average	£5,049				£4,640	**£5,012**
Median	£4,376				£4,640	**£4,421**
Maximum	£8,559				£4,640	**£8,559**
Other Areas						
Count	14	2			3	**19**
Minimum	£3,613	£5,903			£4,844	**£3,613**
Average	£5,334	£6,521			£5,560	**£5,494**
Median	£5,008	£6,521			£5,214	**£5,214**
Maximum	£7,740	£7,139			£6,621	**£7,740**
ALL						
Count	93	12	2	3	29	**139**
Minimum	£2,453	£1,831	£3,243	£3,378	£3,655	**£1,831**
Average	£5,599	£4,316	£3,819	£4,993	£6,981	**£5,738**
Median	£4,998	£4,047	£3,819	£5,115	£6,682	**£5,126**
Maximum	£11,566	£7,406	£4,396	£6,486	£13,943	**£13,943**

Source: Market Survey (September 2016)

4.9 Through the consultation, it was suggested that asking prices were a poor indication of values as vendors are likely to have pitched prices high with the expectation of receiving lower offers. In addition, it was suggested that that there was no standard way of measuring housing so the £/m^2 figures could be unreliable. Both observations are correct, however that does not mean that they are not a useful indicator of values and, in particular, differences in values across different areas. It would not be appropriate to use this data as the only source of information, however, so long as the data is taken for what it is, it is useful.

4.10 As can be seen from the following figure, the average price tends to be somewhat higher than the median. This is due to a few very high values skewing the average.

Figure 4.1 Average and Median Asking Prices by Settlement (£)

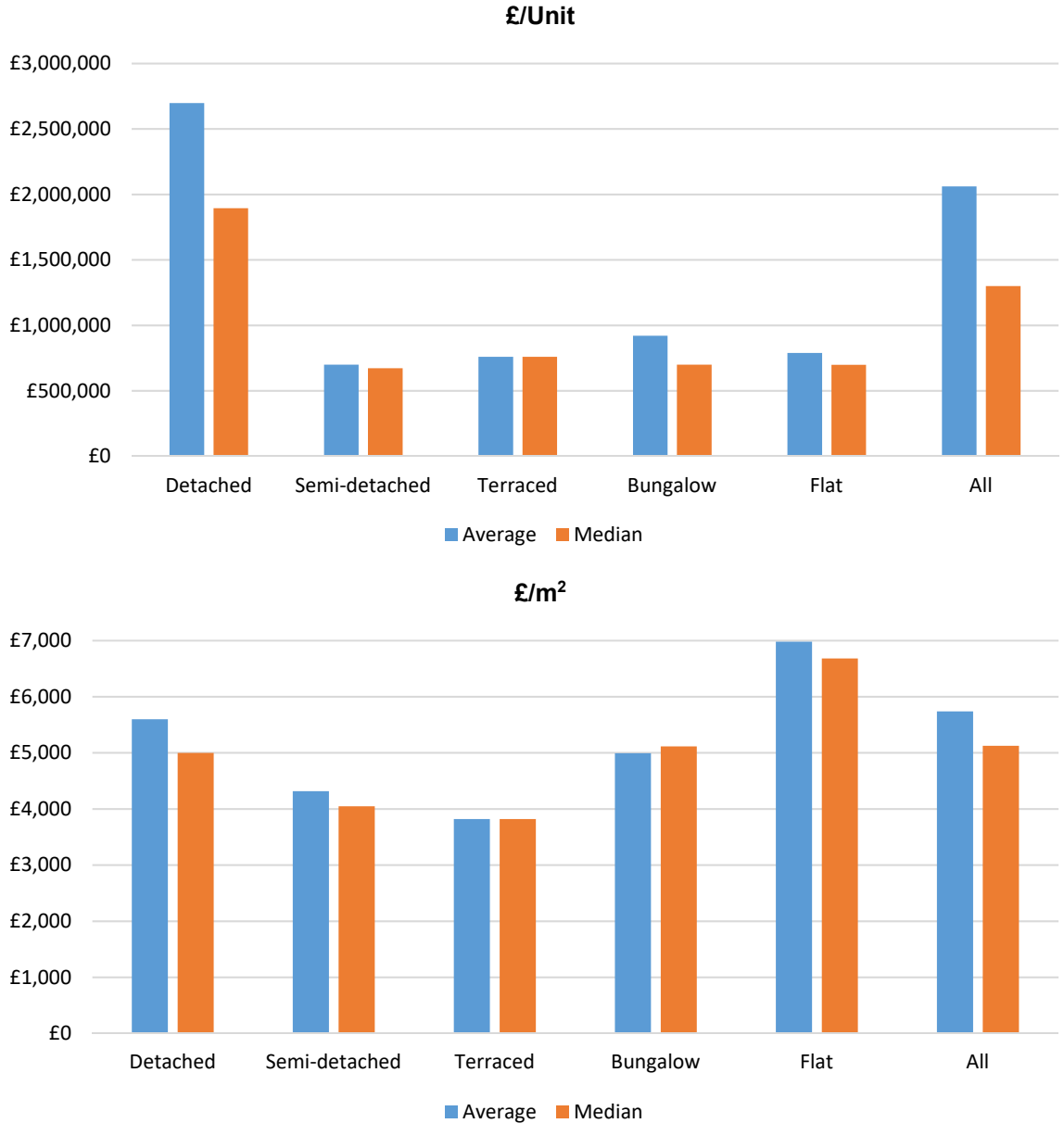


Source: Market Survey (September 2016)

4.11 The median asking price for new and existing stock, over the whole Island is a little over £5,000/m^2. Whilst the figures show differences between the various settlements, the sample sizes are small and it is necessary to be cautious when drawing on this information. Concern was expressed by some consultees about small sample sizes. This is a factor of the Island, there are only so many houses and flats, and only so many of them are sold each year. To minimise skewed averages the median figure is used wherever possible.

4.12 As well as showing the asking prices by settlement it is possible to disaggregate them by house type:

Figure 4.2 Average and Median Asking Prices by House Type (£)



Source: Market Survey (September 2016)

4.13 The asking prices for detached houses is significantly higher than the other types, however this is largely because detached houses tend to be bigger.

4.14 When considered on a floor area basis, flats and apartments have an average asking price that is a little over 21% more than the average asking price for all homes. The median asking price for flats and apartments is about 30% greater than the median asking price for all homes. This differential is often seen across the UK particularly in the stronger housing markets.

4.15 During the research, agents were contacted to enquire about the price achieved relative to the asking prices. In most cases the feedback was that the units were 'realistically priced' or that market and demand is strong and that significant discounts are rarely available. When pressed, it appeared that the discounts and incentives offered equate to up to 5% of the asking prices.

4.16 Generally, the market is polarised with the best, largest houses either selling quickly at or above their asking price, or take a long time to sell, often well below their asking price. In the mainstream market, most houses buyers tend to make an offer up to 7% below the asking price with the agents expecting to agree something around 5% below the asking price. There are some houses that linger on the market due to vendors' unrealistic expectations.

4.17 It would be prudent to assume that prices achieved, net of incentives offered to buyers, are about 5% less than the above asking prices. This is a more cautious approach than that taken at the time of the initial work.

4.18 It is timely to note that through the consultation process comments were made that the market was generally strong for units below £700,000 or so, but much slower in the £800,000 to £15,000,000 range where units tend to be very sensitive to pricing.

4.19 The property website zoopla.com includes price information. This is summarised as follows:

Table 4.3 Average House Prices by Settlement (£)					
Houses					
	1 bed	2 beds	3 beds	4 beds	5 beds
St Helier	£237,667	£368,250	£520,500	£838,632	£1,101,556
St Clement			£619,000	£1,149,500	£666,333
Les Quennevais					
St Brelade		£300,000	£651,317	£1,200,000	£2,756,800
St Peter	-	£636,333	£545,750	£893,167	£1,151,042
St Ouen		£795,000	£1,850,000	£1,213,500	£1,348,500
St Mary					£2,900,000
St Johns				£1,176,667	£3,650,000
St Lawrence		£772,500	£654,000	£1,428,000	
Trinity			£807,500	-	£1,600,000
St Martin	£615,000	£719,500	£1,262,492	£3,015,000	
Flats					
	1 bed	2 beds	3 beds	4 beds	5 beds
St Helier	£216,919	£572,500	£561,667		
St Clement		£349,000	£1,069,500		
Les Quennevais					
St Brelade		£440,000			
St Peter	£215,000	£995,000			
St Ouen					
St Mary					
St Johns					
St Lawrence					
Trinity					
St Martin	£386,333				

Source: Zoopla.com

4.20 It is acknowledged that Zoopla data is likely to be based on small sale samples and cannot be easily interrogated so should be used with caution and not in isolation.

4.21 The States of Jersey produce a Jersey House Price Index, the most recent of which was for the 4th Quarter 2016[16]. This sets out various housing statistics on an island wide basis. This includes the following average prices (for new and existing houses).

Table 4.4 Jersey House Price Index – Average Prices Q4 2016		
1 bed flats	Mean	£230,000
	Median	£234,000
2 bed flats	Mean	£361,000
	Median	£320,000
2 bed houses	Mean	£407,000
	Median	£390,000
3 bed houses	Mean	£555,000
	Median	£513,000
4 bed houses	Mean	£832,000
	Median	£748,000

Source: Jersey House Price Index – Average Prices Q4 2016

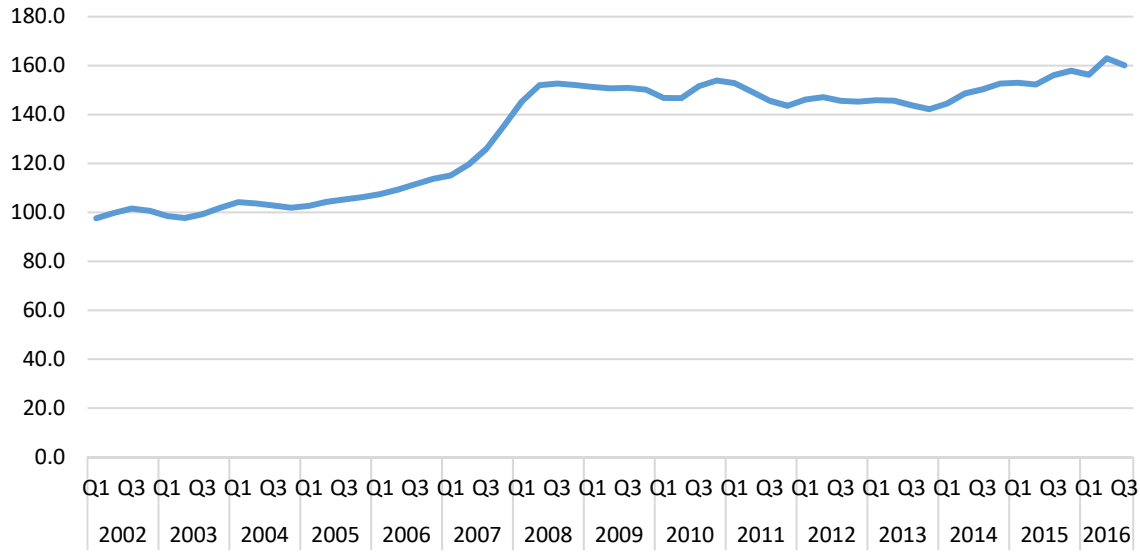
4.22 The statistics do not currently include an average overall price, across all house types. The States of Jersey Statistics Unit is however publishing an 'experimental statistics' Revised House Price Index, which is prepared in line with international best practice. The average price for Q4 2016 is £462,000 (which is an increase of £8,000 (about 2%) from the Q3 2016 average of £454,000).

4.23 It is useful to set this average price in a wider context. If considered against the average prices by English and Welsh local authority areas, Jersey would rank 38th out of 349 – between the London Borough of Bromley and South Oxfordshire. The authority at the middle of the rank is Bromsgrove where the average price is £277,589.

4.24 Through the consultation process it was suggested that the Jersey housing market and house prices remain substantially below the peak in 2009 / 2010. According to the Jersey mix-adjusted average dwelling price index published by the States of Jersey this is not the case:

16 https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20House%20Price%20Index%20Q4%202016%2020170216%20SU.pdf

Figure 4.3 Jersey mix-adjusted average dwelling price (Index 2002 = 100) seasonally adjusted



Source: States of Jersey Statists Unit[17]

Newbuild Sales Prices

4.26 This study is mainly concerned with the viability of newbuild residential property so the key input for the appraisals are the prices of units on new developments.

4.27 In discussing newbuild values, two consultees stated that there is a real newbuild premium. That is to say, there is a significant group of buyers who will pay more for a new home, just because it is new. Whilst it is difficult to put a precise figure on this premium, it is likely that newbuild homes will be the top of the price range for properties of a similar size.

4.28 In September 2016, there were just 19 new houses and one flat being advertised for sale on the Island (although on some of these, construction has yet to start). The analysis of these shows that asking prices for newbuild homes vary, very considerably, starting from about £3,623/m^2 up to nearly £8,449/m^2.

4.29 The comments about asking prices made above, also apply here. One developer commented that this was not a comprehensive list and that he was aware of other properties. This may be the case, although it was based on a review of agents and developer's websites. This survey was refreshed in January 2017 (when about 95 new units were being marketed – although some of these are yet to be built) and shows the data where both the asking price and the unit area is available. When considering these values, it is important to note that on flatted

[17] https://www.gov.je/Government/JerseyInFigures/HousingLiving/Pages/HousePrice.aspx#anchor-2

schemes the price of garaging is normally separate to the dwelling. Full details are listed in **Appendix 3**:

Table 4.5 Refreshed Newbuild Asking Prices

				Minimum	Average	Maximum
Dandara	The Willows	Gorey Village	Houses	£4,968	£5,053	£5,064
	Westmount	People's Park	Flats	£4,625	£5,733	£6,698
	Richmond Terrace	St Saviour	Houses	£4,258	£4,382	£4,479
	West Elevation	St Saviour	Houses	£4,073	£4,945	£5,320
	Langtrey Gardens	St Saviours Hill	Houses	£4,862	£4,994	£5,256
			Flats	£4,155	£4,359	£4,475
	Portelet Bay	Portelet Bay	Flats	£6,711	£7,321	£8,318
Grange	Indepquiplies House	St Helier	Houses		£3,689	
	Jardin du Craslin	St Peter	Houses		£5,133	
Antler	Carlton	St Helier	Flats	£5,695		£6,168
Summit	Les Verrieres	St Ouen	Flats	£6,657	£8,104	£9,600
Savills	La Route de Noirmont	St Brelade	Houses		£4,930	
	Westmount Rd	St Helier	Houses	£3,968	£6,713	£8,924
	Le Mont Rossignol	St Ouen	Houses		£6,755	
	La Rue de Haut	St Lawrence	Houses		£4,539	
	La Rue du Pont Marquet	St Brelade	Houses		£11,484	
	La Rocquaise	La Route de Genets	Houses		£7,692	
	Park Heights	St Helier	Houses		£7,715	
	Millais House	Castle Quay	Houses	£7,243	£8,034	£8,726
	La Rue Des Aix	St Peter	Houses		£6,647	
	La Rue de la Pigeonnerie	St Brelade	Houses	£5,898		£6,251
	La Route de la Cote	St Martin	Houses		£11,055	
	La Ruette de la Carriere	St John	Houses		£4,373	
	West Park Apt	St Helier	Houses		£5,866	

Source: HDH Market Survey (January 2017)

4.30 Overall the average asking price for flats is £6,440/m^2 (median £6,168/m^2), and for houses £5,750/m^2 (median £5,065/m^2).

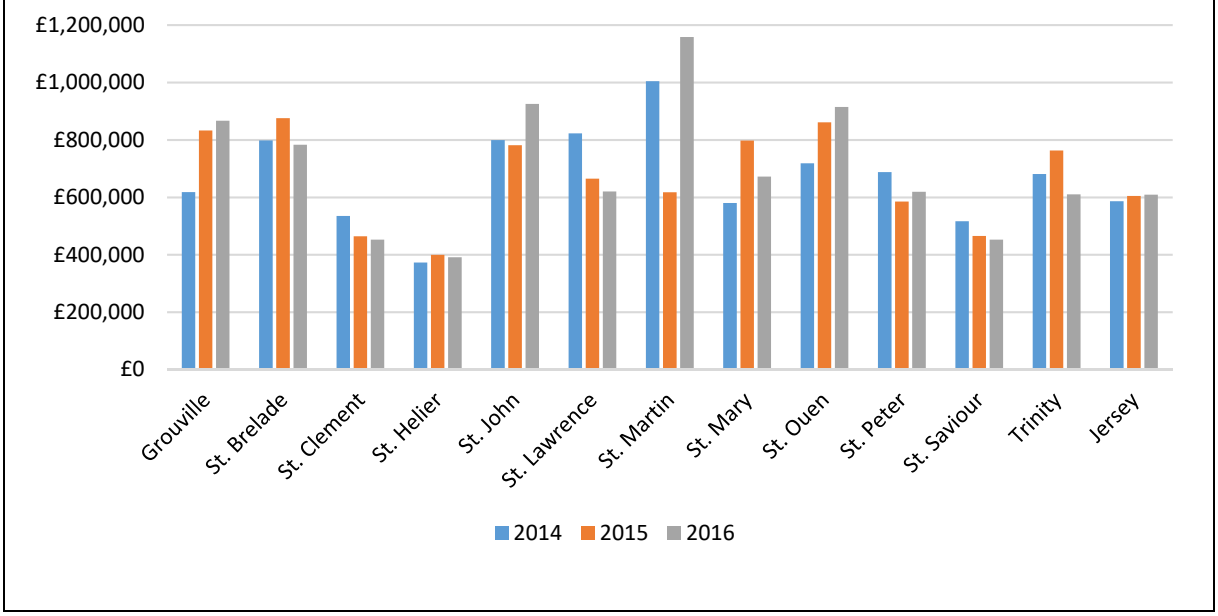
Royal Court Data

4.31 We have considered the price paid information from the Royal Courts. The prices paid are available by parish, type (house / flat) and number of bedrooms. This has been analysed and

is set out below. The unit sizes are not available from the Royal Court record. The data for 2016 is for the first 2/3rd of the year so based on a lower number of transactions.

Table 4.6 Jersey Price Paid Data by Parish (Average)

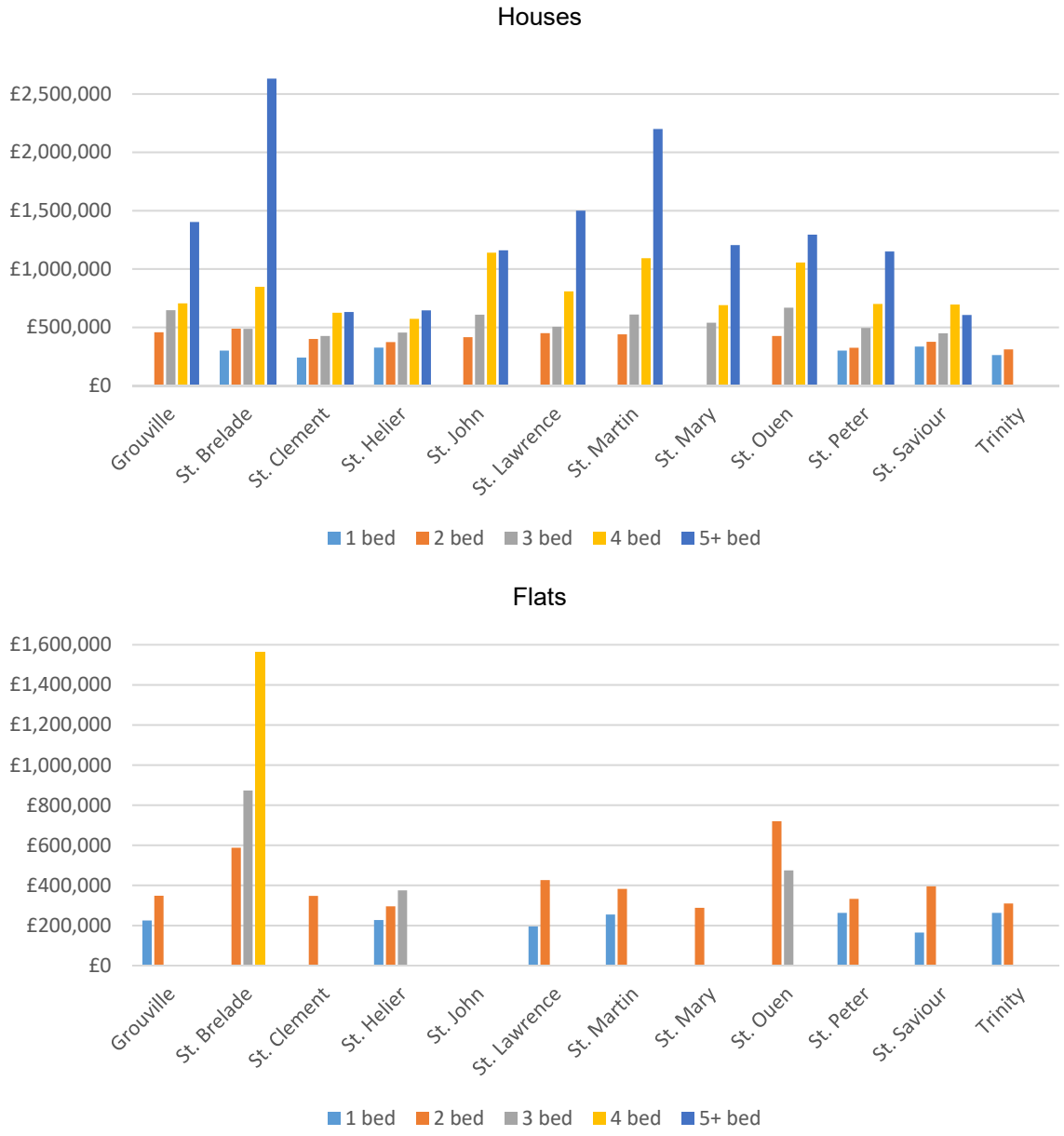
	2016		2015		2014	
	Count	Average	Count	Average	Count	Average
Grouville	37	£866,864	97	£832,589	68	£618,139
St. Brelade	78	£783,391	136	£875,830	128	£798,353
St. Clement	37	£452,695	128	£464,534	101	£535,267
St. Helier	159	£391,566	287	£399,864	315	£372,896
St. John	16	£925,531	31	£781,258	31	£799,068
St. Lawrence	30	£620,659	63	£665,183	54	£822,486
St. Martin	25	£1,158,030	36	£617,653	50	£1,004,329
St. Mary	9	£672,509	17	£797,765	13	£580,154
St. Ouen	27	£914,611	59	£861,156	38	£718,250
St. Peter	24	£619,083	58	£585,074	61	£687,935
St. Saviour	70	£452,650	171	£465,641	179	£516,603
Trinity	16	£610,486	54	£763,077	38	£681,066
Jersey	528	£609,137	1,137	£604,784	1,076	£586,326



Source: Royal Court Transactions (September 2016)

4.32 The sales for 2016 have been analysed by number of bedrooms – although it is important to note that some sample sizes are very small.

Figure 4.4 Median Price Paid by Parish and Unit Size. 2016



Source: Royal Court Transactions (September 2016)

4.33 The above data are unweighted averages and medians and in some cases based on small sample sizes. Whilst it is possible to identify higher and lower value settlements the data is not sufficient to develop a parish by parish set of values. What is clear is that that main driver of values is the immediate environs of the house or flat. Factors such as whether there are sea views or views over undeveloped countryside tend to be a greater influence on house prices than the settlement the home is in.

4.34 Prices within the urban areas, for example within the built-up area of St Helier tend to be lower, but it is largely due to the nature of the immediate neighbourhood, rather than being due to the fact that, on a like for like basis, prices are lower. This is illustrated by the fact that in 2016

the highest price in St Helier (£1,150,000) was higher than in St Clement (£830,000), St Saviour (£922,500) or Trinity (£1,025,000).

4.35 Further research was also carried out to consider asking prices relative to unit size, by developer/agent:

Table 4.7 Asking Prices, Newbuild £/m²						
	1 Bed	**2 Bed**	**3 Bed**	**4 Bed**	**5 Bed**	**All**
Flat						
Dandara	£5,581	£5,469	£6,327			£5,711
Summit Developments		£8,018				£8,018
Thompsons Estates	£4,524	£7,827	£11,734			£9,030
Flat Total	**£5,053**	**£7,503**	**£10,382**			**£7,892**
House						
Antler					£4,262	£4,262
Dandara			£5,167	£4,846		£4,953
Grange Developments			£5,300		£5,132	£5,216
Savills				£11,480	£4,351	£7,915
Thompsons Estates				£5,959		£5,959
Broadlands				£6,586	£8,296	£7,441
House Total			**£5,233**	**£6,315**	**£5,510**	**£5,999**
All Total	**£5,053**	**£7,503**	**£8,666**	**£6,315**	**£5,510**	**£6,945**

Source: Asking Prices and Planning Data (January 2017)

4.36 It is important to note that the above data show asking prices rather than prices paid, which are likely to be less.

4.37 Following the January and February consultation meetings with developers, the newbuild sales data was extracted from the Royal Court dataset and married with the unit sizes from the planning records. This is detailed in **Appendix 4**:

Table 4.8 Newbuild Price Paid Data £/m²							
Beds		**1**	**2**	**3**	**4**	**5**	**All**
Flat	£/m²	£4,629	£5,222	£10,084			£5,083
	Count	20	28	1			49
House	£/m²	£6,563	£5,271	£4,681	£4,599	£5,807	£4,846
	Count	1	11	49	21	8	90
All	**£/m²**	**£4,726**	**£5,236**	**£4,791**	**£4,599**	**£5,807**	**£4,927**
	Count	**21**	**39**	**50**	**21**	**8**	**139**

Source: States of Jersey Royal Court Data and Planning Data (January 2017)

4.38 This data can be disaggregated by developer and type:

Table 4.9 Price Paid broken down by Market Type and Size £/m²						
Beds	**1**	**2**	**3**	**4**	**5**	**All**
55+	**£4,467**	**£4,922**	**£4,636**			**£4,847**
Flat	£4,467	£5,080				£4,844
House		£4,873	£4,636			£4,848
New Market	**£4,726**	**£5,236**	**£4,791**	**£4,599**	**£5,807**	**£4,927**
Flat	£4,629	£5,222	£10,084			£5,083
House	£6,563	£5,271	£4,681	£4,599	£5,807	£4,846
Refurbishments	**£5,139**	**£4,325**	**£5,325**			**£4,832**
Flat	£5,139	£4,325				£4,777
House			£5,325			£5,325
Social Rent		**£6,238**				**£6,238**
Flat		£6,238				£6,238
Grand Total	**£4,751**	**£5,120**	**£4,792**	**£4,599**	**£5,807**	**£4,939**

Source: States of Jersey Royal Court Data and Planning Data (January 2017)

Price Assumptions for Financial Appraisals

4.39 It is necessary to form a view about the appropriate prices for the schemes to be appraised in the study. The preceding analysis does not reveal simple clear patterns, whilst there are some differences in prices a good quality modern house in a reasonable location and situation is likely to have similar value in most parts of the Island.

4.40 Initially, it was suggested to the October 2016 consultation event that a typical price of £4,900/m² for housing and £6,500/m² for flats should be used. This was the catalyst for a range of comments and a range of divergent views were received from consultees:

a. A developer suggested that £4,250/m² for housing and £4,500/m² for flats should be used however this was not supported by transactional evidence.

b. Alternatively, it was suggested that average prices circa £4,757/m² for houses and circa £5,000/m² for flats would be appropriate.

c. A developer has provided some comparable evidence to HDH. This was provided in confidence. This suggested that a scheme of good quality flats may have a value of a little over £5,000/m².

4.41 Whilst a number of other suggestions were made that the values used were too high, this contention was not supported by evidence. In considering the assumptions to be carried forward the following factors have been taken into account:

a. Jersey is a relatively small place with relatively low numbers of property transactions – particularly of newbuild houses. Much of the data is based on small sample sizes. It is necessary to be cautious when interpreting the data.

b. There is a range of data sources, not all of which are consistent. This is normal and is often the situation in plan-wide viability studies. It is necessary to bring these together and ultimately make a professional judgement as to what assumption to use.

c. The assumptions used are not calculated as averages or some other statistical output. They are, in the end, a cautious professional judgement. Some development will come forward at higher values and some will come forward at lower values.

d. Whilst it is possible to identify higher and lower value settlements, the data is not sufficient to develop a parish by parish set of values. It is clear is that that main driver of values is the immediate environs of the house or flat. Factors such as whether there are sea views or views over undeveloped countryside tend to be a greater influence on house prices than the settlement the home is in.

e. There is a differential between houses within the urban areas and those without, however these values also vary by very local factors.

4.42 Based on the developer's initial comments (following the October 2016 event) the assumptions were amended down with the houses having value of £4,250/m² and flats values of £5,000/m² which were put to consultees in January and February 2016. These caused mixed comments with some consultees agreeing that these figures were representative (some suggested that a value of £4,500/m^2 would be more appropriate). There was a consensus on the following points:

a. House prices outside the built-up area of St. Helier are generally higher than in the town. This applies when the units are considered as a whole and on a £/m^2 basis. However, it would not be possible to quantify these differences for this study.

b. Larger units tend to have a lower value when considered on a £/m^2 basis.

c. Prices do vary from parish to parish and some parishes certainly have higher values than others. However, it would not be possible to quantify these differences for this study.

d. The market in Jersey is continuing to improve.

4.43 One consultee suggested that these prices overstate values by 10% to 15% and suggested an assumption for houses of £3,500/m^2 and for flats of £4,000/m^2. The above £/m^2 prices would suggest the value of a typical 3-bedroom unit would be between £400,000 and £450,000 so that typical newbuild units are more typically in the £340,000 to £382,500 range. This is not accepted as, as set out in **Appendix 3** the asking price of the least expensive 3 bedroom home is £525,000 and the average price is £5,844/m^2. Conversely another consultee suggested a rough rule of thumb across the Island would be £5,000/m^2 for housing.

4.44 In this iteration of the study greater weight has been given to the price paid data from the Jersey Royal Court Data and Planning Data (in line with the emphasis by some consultees of

using transactional evidence) so the houses values of £4,800/m² and flats values of £5,050/m² are used.

Affordable Housing

4.45 The viability assessments assume that no affordable housing is required to be delivered by private developers as a requirement of planning policy.

Older People's Housing

4.46 Housing for older people is generally a growing sector due to the demographic changes and the aging population. The sector brings forward two main types of product.

4.47 Sheltered or retirement housing is self-contained housing, normally developed as flats and other relatively small units. Where these schemes are brought forward by the private sector there are normally warden services and occasionally non-care support services (laundry, cleaning etc.) but not care services.

4.48 Extracare housing is sometimes referred to as very sheltered housing or housing with care. It is self-contained housing that has been specifically designed to suit people with long-term conditions or disabilities that make living in their own home difficult, but who do not want to move into a residential care home. Schemes can be brought forward in the open market or in the social sector (normally with the help of subsidy).

4.49 Most residents are older people, but this type of housing is becoming popular with people with disabilities regardless of their age. Usually, it is seen as a long-term housing solution. Extracare housing residents still have access to means-tested local authority services.

4.50 In England and Wales, we have received representations from the Retirement Housing Group (RHG) being a trade group representing private sector developers and operators of retirement, care and extracare homes. They have set out a case that sheltered housing and extracare housing should be tested separately. In line with the RHG representations, it has been assumed the price of a 1 bed sheltered property is about 75% of the price of existing 3 bed semi-detached houses, and a 2 bed sheltered property is about equal to the price of an existing 3 bed semi-detached house. In addition, it is assumed extracare housing is 25% more expensive than sheltered.

4.51 A typical price of a 3 bed semi-detached home of £490,000 is assumed. On this basis, the following values were put forward at the October 2016 consultation:

A typical price of a 3 bed semi-detached home of £490,000 is assumed. On this basis, the following values were put forward at the October 2016 consultation:

Table 4.11 Worth of Retirement and Extracare

	Area (m^2)	£	£/m^2
3 bed Semi-detached		490,000	
1 bed Sheltered	50	367,500	7,350
2 bed Sheltered	75	459,375	6,125
1 bed Extracare	65	490,000	7,538
2 bed Extracare	80	604,844	7,561

Source: HDH August 2016

4.52 Following the consultation, no alternative evidence or values were put forward, although reference was made to several existing schemes.

Avalon Park

4.53 A specialist housing scheme of self-contained flats restricted to the over 50s at St Clement. Whilst mostly in good condition, many of the flats need some updating. The grounds contain a range of amenities including a heated indoor swimming pool and spa, billiard room, library/games room, communal lounge/meeting room, on-site house manager, use of communal gardens and extensive parking.

4.54 A typical 2 bedroom unit is about 58m^2 or so. No price information is recorded in the Royal Courts data.

L'Hermitage Gardens

4.55 L'Hermitage Gardens is in St Peter and is described as 'the first fully integrated retirement and care community in the Channel Islands. The development comprises a variety of residential accommodation, ranging from terraced cottages designed for independent living, to sheltered apartments for those requiring higher levels of assisted living. All units are designed to Lifetime Homes standards. The development includes shared facilities for residents, including a village hall, winter garden and residents' lounge. An adjacent residential care home and a specialist dementia care unit complete the development.

4.56 No price information is recorded in the Royal Courts data.

Oaklands

4.57 It has not been possible to find any publicly available information on this scheme.

Tabor Park

4.58 This scheme is a mix of houses and flats with an over 45 age restriction at St Brelade. There are several recent sales recorded with the Royal Court.

2016 2 bed flat £500,000

2015 2 bed flat £445,000

2014 2 bed flat £555,000

	2 bed flat	£517,500
2013	2 bed flat	£445,000

4.59 There is no public data available in the specific unit sizes, but if they were assumed to be 60m^2 or (being slightly larger than typical 2 bedroom retirement flats), the value would be between £8,000/m^2 and £8,500/m^2. At the meetings in January and February 2017 it was noted that the information on unit sizes was not generally in the public domain and that the unit size may have been underestimated and that these may be in the range of 90m^2 to 100m^2. This would suggest a price higher than mainstream market flats at about £5,200/m^2.

Maison Belleville

4.60 Maison Belleville is a sheltered development for the over 60s age group who wish to purchase, with the benefit of a resident guardienne, offering independent living combined with communal social facilities. It is understood that this is a Housing Trust Scheme.

4.61 There are several recent sales recorded in the Royal Courts data, however these are understood to be equity share purchases so do not represent the market values.

2013	1 bed flat	£94,500
2012	1 bed flat	£92,500

Lakeside

4.62 Lakeside has several elements, including apartments, a care home and the Mermaid Pub. There are a number of recent sales recorded with the Royal Court.

2015	2 bed flat	£600,000
	2 bed flat	£625,000

4.63 These prices would suggest a price somewhat higher than those at Tabor Park.

Langtrey Gardens, St. Saviours

4.64 This scheme is underway and being delivered by Dandara. As detailed in **Appendix 4**, the prices are in line with the wider market, although it is important to note that the housing is very similar to market housing, the main differences being the over 55 age restriction and the reduced carparking standards appropriate for an older people's scheme.

Revised assumptions

4.65 At the meetings in January and February 2017, it was noted that the many sales in this sector are via share transfers so not in the public domain. Having said this there is some data within Royal Courts data that suggest that the price for most '55+' housing (rather than flats) is similarly priced, in the current market, to mainstream market housing. It is however important

to note that this is simply housing that is very similar to general market housing – rather than being a specialist older people's product.

4.66 Based on the above evidence, a price assumption of £6,500/m^2 for both Sheltered and Extracare housing (being different to the 55+ housing) has been used.

5. Non-Residential Market

5.1 This chapter sets out an assessment of the markets for non-residential property, providing a basis for the assumptions of prices to be used in financial appraisals for the sites tested in the study. There is no need to consider all types of development in all situations – and certainly no point in testing the types of scheme that are unlikely to come forward – or which are unlikely to be viable.

5.2 Although development schemes do have similarities, every scheme is unique, even schemes on neighbouring sites. Market conditions will broadly reflect a combination of national and international economic circumstances and local supply and demand factors. However even within a town there will be particular localities, and ultimately site specific factors, that generate different values and costs.

5.3 The local markets are driven by local factors – however St Helier is the commercial centre as well as being the focus of the government and the financial service industry.

5.4 This study is concerned with new property that is likely to be purpose built, there is little variance in price for newer premises more suited to modern business across the area.

5.5 Various sources of market information have been analysed, the principal sources being the local agents, and from CoStar (a subscription service). Clearly much of this commercial space is 'second-hand' and not of the configuration, type and condition of new space that may come forward in the future, so is likely to command a lower rent than new property in a convenient well accessed location with car parking and that is well suited to the modern business environment.

5.6 **Appendix 5** includes market data from CoStar.

Offices

5.7 Research suggests that average rents are between £236/m^2/annum and £322/m^2/annum (£22/sqft/annum to £30/sqft/annum). The very best offices (particularly on the Esplanade) are likely to achieve rents in excess of £375/m^2/annum (£35/sqft/annum). Generally good quality modern offices are likely to rent at about £300/m^2/annum (£28/sqft). Rents for non-purpose built units are rather lower than this, however are not relevant to this study.

5.8 There is little evidence to support different levels of rent for different sized units.

5.9 The capital value of offices is dependent on a range of factors including the quality of the tenant, the terms of the letting, the flexibility of the accommodation as well as the passing rent

and location of the building. Across the UK, yields are in the range of 5.25%[18] for good units to 9% or 10% for units that are less attractive to investors. It is unlikely that units in Jersey would achieve prime yields. The best recent yields are between 6.75% and 7%. A yield of 7% would give a value of about £4,285/m^2. A figure of £4,280/m^2 has been used in the appraisals.

5.10 One consultee asked whether yields have risen since the referendum for the UK to leave the EU (Brexit). At the time of this study there is no evidence of a shift.

Industrial and Warehouse

5.11 The supply of good quality modern industrial buildings is limited. Rents are generally in the region of £97/m^2/annum (£9/sqft/annum). For less good space, rents are as low as £60/m^2/annum (£5.5/sqft/annum) – although these should be considered exceptional. Generally, and dependent on the quality and situation of the building, rents for good quality new units are about £120/m^2/annum (£11/sqft/annum).

5.12 There is little evidence to support different levels of rent for different sized units or to differentiate between industrial uses and distribution uses.

5.13 As with the office sector, the capital value of industrial space is dependent on a range of factors including the quality of the tenant, the terms of the letting, the flexibility of the accommodation as well as the passing rent and location of the building. Typically, yields are in the range of 5.25% for large units, to 9% or 10% for older units that are less attractive to investors. As for office uses it is unlikely that developments on Jersey will achieve prime yields so 7.5% is assumed to give a value of £1,600/m^2.

Retail

5.14 Activity in the retail property market is concentrated in St Helier town centre.

5.15 In addition, there is some out of town retail activity. There is little recent activity recorded outside of these areas. Rents for small units in the best central locations are currently over £1,300/m^2/annum (£120/sqft/annum) although generally they are well below this level in all than the best locations being in the range of £430/m^2/annum (£40/sqft/annum) to £540/m^2/annum (£50/sqft/annum) when considered over the whole building including storage and staff areas. A capital value of £7,700/m^2 is assumed for shop based retail (based on a 6.5% yield).

5.16 The rents for town centre shops vary greatly, particularly as one moves away from the best locations into the secondary situations where rents are generally half the prime rents. A typical

[18] The capitalisation of rents using the yields and Year's Purchase is widely used by Chartered Surveyors and others. The Year's Purchase is the factor by which the rent is multiplied to calculate the capital value (calculated at 1/yield).

rent is likely to be about of £375/m^2/annum (£35/sqft/annum), although yields are rather higher at around 8% to give a value of £4,690/m^2 or so.

5.17 Consideration has been given to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the area, however drawing on English experience it is assumed that supermarket rents are generally in the region of £242/m^2/annum (£22.5/sqft/annum) with a yield of 5.5% to give a value of £5,270/m^2.

5.18 In the case of retail warehouses a rent of £248/m^2/annum (£23/sqft/annum) and a yield of 7% is assumed, giving a value of £3,545/m^2.

Hotels

5.19 As well as the above development types, newbuild hotels have been considered – although in the current market the principal activity involving hotels is conversion from hotel use to residential use.

5.20 A rental of £5,000/room/year is assumed to apply across the area. Assuming a yield of 6% and room size of 22.5m^2 this equates to a value of about £83,000 or £2,778/m^2 (factoring in the 25% or so circulation space). It is important to note that this study is only concerned with newbuild hotels. It is acknowledged that there are older units available at substantially lower values than these.

Appraisal Assumptions

5.21 There is a large variance in the levels of rents and values. The following rents and yields are used in reaching the assumptions for non-residential capital values:

Table 5.1 Initial Non- Residential Value Assumptions

		Rent £/m^2/year	Yield	Capitalised Rent £/m^2	Appraisal Assumption £/m^2
Office		£300	7.00%	£4,286	£4,280
Industrial		£120	7.50%	£1,600	£1,600
Retail	Primary Shop	£500	6.50%	£7,692	£7,700
	Secondary Shop	£375	8.00%	£4,688	£4,690
	Supermarkets	£290	5.50%	£5,273	£5,270
	Retail warehouses	£248	7.00%	£3,543	£3,545
Hotel					£2,778

Source: HDH September 2016

5.22 The above prices were presented to consultees on 17th October 2016. One consultee questioned whether the values put forward were headline, or whether the costs of sales and rent free / incentive packages are factored into the values. It is confirmed that the prices put forward are net of incentives.

5.23 At the meetings in January and February 2017, these figures were further discussed and it was suggested that rents used for offices and industrial uses were prime rents. This is accepted, although no change is made as it is most likely that new development would be at the top end of the market.

6. Land Prices

6.1 In Chapters 2 and 3, the methodology used in this study to assess viability are set out. An important element of the assessment, under both sets of guidance, is the value of the land. Under the method recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted though a planning consent, is the Existing Use Value (EUV) or Alternative Use Value (AUV). This is the starting point for the assessment as this is one of the key variables in the financial development appraisals.

6.2 In this chapter, the values of different types of land are considered. The value of land relates closely to the use to which it can be put and will range considerably from site to site; however, as this is a high-level study, the three main uses, being agricultural, residential and industrial have been assessed. The amount of uplift that may be required to ensure that land will come forward and be released for development has then been considered.

Current and Alternative Use Values

6.3 To assess development viability, it is necessary to analyse Existing and Alternative Use Values. EUV refers to the value of the land in its current use before planning consent is granted, for example, as agricultural land. AUV refers to any other potential use for the site. For example, a brownfield site may have an alternative use as industrial land, generally the EUV and AUV are interchangeable.

6.4 The English Planning Practice Guidance (PPG) includes a definition of land value as follows:

Land Value

Central to the consideration of viability is the assessment of land or site value. The most appropriate way to assess land or site value will vary but there are common principles which should be reflected.

In all cases, estimated land or site value should:

- *reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;*
- *provide a competitive return to willing developers and land owners (including equity resulting from those building their own homes); and*
- *be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.*

PPG ID: 10-014-20140306

A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.

PPG ID: 10-015-20140306

6.5 It is important to fully appreciate that land value should reflect emerging policy requirements and planning obligations. When considering comparable sites, the value will need to be adjusted to reflect this requirement.

6.6 To assess viability, the value of the land for the particular scheme needs to be compared with the AUV, to determine if there is another use which would derive more revenue for the landowner. If the Residual Value does not exceed the AUV, then the development is not viable.

6.7 For the present study, it is necessary to take a comparatively simplistic approach to determining the alternative use value. 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.

6.8 Our 'model' approach is outlined below:

i. For sites, previously in agricultural use, then agricultural land represents the existing use value. It is assumed that the sites of 0.5ha or more fall into this category.

ii. For paddock and garden land on the edge of or in a smaller settlement a 'paddock' value has been adopted. It is assumed the sites of less than 0.5ha fall in this category.

iii. Where the development is on brownfield land, an industrial value is assumed.

iv. Several of the typologies are modelled as conversion schemes. These are likely to come forward on sites in office or hotel use. The value of a secondary office is assumed.

6.9 Through the consultation process it was suggested that it was not appropriate to consider agricultural land due to the planning restrictions that apply in Jersey. This has been discussed with Department officers and it was agreed that there are tight restrictions on the release of agricultural land, and as it is only going to be available for schemes of 100% affordable housing, it does not form part of the modelling.

6.10 It was also suggested that 'paddock' land did not exist in Jersey – land either being developed or agricultural. This point is not accepted and there is evidence of a distinctly different market for smaller parcels of land.

Residential Land

6.11 There is little building land being marketed for sale at the time of this study and that which there is tends to be small sites for just a few units (so is not a good indication of values for larger schemes).

6.12 The recession led to a reduction in capital values and a substantial reduction in the number of transactions being concluded within the Island. However, more recently, confidence has returned with prices for new housing stabilising.

6.13 With the increase of wealthy immigrants arriving in the Island, demand for secluded single sites has increased, and properties such as the former Portelet Hotel site has been

purchased with the intention of demolishing the existing structures and redeveloping a significantly smaller single dwelling. The top end of the residential market has also seen activity with many multi-million pound houses being sold, with the most recent being the home overlooking St Brelades Bay for £11m. Other hotel sites such as the Metropole Hotel in St Helier, the Shakespeare Hotel in St Clements and the Old Court House Hotel in Grouville have also been sold for residential apartment developments.

6.14 The Metropole Hotel in Roseville Street was sold in August 2014 for a price of £6,954,748. The site area is 7,290m^2 to give a value of £9,527,000/ha (£4,251,000/acre). The site has planning permission for a total of 179 units, the average plot price equating to £39,000.

6.15 The former States of Jersey Housing Department has now become an arms-length corporatised States owned housing company known as Andium Homes and they are in the market to purchase and develop their own sites, which is further increasing demand for land.

6.16 Some agents have suggested that land values have increased by 5-10% in the last 18 months or so. The new Island Plan is very much focussed on limiting development within the coast and countryside and focussing on development within the built-up areas, primarily in St Helier. Notable exceptions to this policy are for affordable housing on "re-zoned" worn-out glasshouse sites developments.

6.17 It is considered that the plot values of Category B estate style three/four bed houses range between £175,000 - £225,000 per plot. One consultee suggested that these figures were too low, however no alternative evidence was presented.

6.18 It is also considered that one and two bedroom flats have plot values between £40,000 – £75,000 in respect of 1 bedroom units, and between £50,000 - £90,000 for two-bedroom unit.

6.19 To inform the analysis, the Department has provided the following data on residential development land sales.

Table 6.1 Recent Development Site Land Sales						
Site	**Purchase Price**	**Date**	**Ha**	**Acres**	**£ha**	**£/acre**
Hotel Metropole	£6,954,748	18/12/2015	0.73	1.64	£9,527,052	£4,251,156
West Mount Quarry[19]	£7,000,000	14/01/2011	0.91	2.04	£7,692,308	£3,432,457
South Prospect St Brelade	£3,450,000	02/08/2013	0.69	1.55	£5,000,000	£2,231,097
Waverley House	£1,150,000	07/02/2014	0.05	0.11	£23,000,000	£10,263,046
Jersey Pottery	£10,000,000	27/05/2011	1.60	3.59	£6,250,000	£2,788,871
Old Court House Grouville	£1,636,158	08/01/2016	0.41	0.92	£3,990,629	£1,780,696
Finmere Mont Felard	£715,000	28/10/2011	0.08	0.18	£8,937,500	£3,988,086
Chateau Plaisir	£2,000,000	02/05/2008	0.57	1.28	£3,508,772	£1,565,682
22 La Colomberie	£1,600,000	26/09/2014	0.07	0.16	£22,857,143	£10,199,301
Belvedere	£12,000,000	03/07/2009	2.63	5.89	£4,562,738	£2,035,982
Villa Miramar	£330,000	01/06/2006	0.08	0.18	£4,125,000	£1,840,655
Shakespeare Hotel	£3,222,677	08/04/2016	0.22	0.49	£14,648,532	£6,536,459
La Maison de mon Pretre	£910,000	10/01/2014	0.21	0.47	£4,333,333	£1,933,617
Les Pieces St. Martin	£510,000	14/04/2014	0.33	0.74	£1,545,455	£689,612
Battery House, St Martin	£402,000	28/03/2014	0.05	0.11	£8,040,000	£3,587,604
Highview St Peter	£1,750,000	25/04/2014	0.15	0.34	£11,666,667	£5,205,893
Les Verrieres, Greve De Lecq	£1,595,000	13/07/2007	0.11	0.25	£14,500,000	£6,470,181

Source: SOJ (January 2017)

6.20 The values range from £716,418/ha to £23,000,000/ha. Having removed the 22 Colomberie and Waverley House outliers on the grounds that they almost double the next less expensive site (both are existing buildings for conversion), the average is £6,800,000/ha, but the median is lower at £5,625,000/ha.

6.21 It is necessary to make an assumption about the value of residential land. We put a value of £6,500,000/ha (£2,630,000/acre) forward to the October 2016 consultation for residential land.

[19] 150 year lease which includes £3.5m rock stabilisation cost in contract.

6.22 Whilst this assumption generated a certain amount of conversation at the consultation event only one consultee actually commented, saying '*In the past few years we have purchased residential land of some 22.3 acres and the average price is £4.65m per hectare, so the breakdown is approx 140k for housing plots, small bedroom house and £35k per plot for a small 2 bedroom apartment*'.

6.23 This would suggest that that the assumption for flatted schemes may be a little high and it may be appropriate to use a lower assumption for flatted schemes.

6.24 Having considered the data above, an assumption of £6,000,000/ha (£2,430,000/acre) has been used for the value of residential land.

Industrial Land

6.25 Historically, there has been an undersupply of warehousing and industrial units in all sectors. Following the collapse of the fulfilment industry and the substantial increase in the supply of warehousing accommodation from prime warehousing through to the tertiary market, there has been little demand for further warehousing/industrial premises.

6.26 The one exception would be that there are few units available for small businesses such as car servicing, paint spraying, metal works and carpentry as the majority of such occupiers are classed as bad neighbours.

6.27 In summary, there is little demand for warehouse/industrial land now, and we have no evidence of warehouse land transactions at this time. As such, it is estimated that primary land values range up to £320/m^2 (£30/sqft) on gross internal floor area of the built product. Assuming 60% coverage on a typical site, this equates to about £1,920,000/ha (£777,000/ha).

6.28 In this study, a value of £1,900,000/ ha (£769,000/acre) is used.

6.29 No comments were received in relation to this through the consultation process.

Secondary Office for Conversion

6.30 Within St Helier there is an ongoing general (slow) migration of office uses from the northern parts of the town. Research into office values is set out Chapter 5, although are in relation to new office uses.

6.31 Bearing in mind that the offices being converted are not likely to be ideal for continued uses we have derived a value based on a rent of £215/m^2/annum (£20/sqft/annum) and a yield of 9% to give a value of £2,389/m^2 (£220/sqft).

Retail Development Land

6.32 It is felt that Jersey is at capacity in terms of the supply of retail units. Jersey has experienced reasonable long term vacancy rates for various units in the secondary and tertiary markets with even an element of long term availability of several units in the primary areas.

6.33 Whilst the vacancy rates for the prime units has dropped, and demand has increased for units to the South West of St Helier, towards the prime office areas, there is little demand for further retailing within the Island, with the exception of an element of service style retailing, within developments.

6.34 At this time, a De Gruchy Department Store is redeveloping part of its site on New Street, having pre-let the majority of the same to Next. This however is the exception to the general market place, and as can be seen with the development at Liberty Wharf, there has been limited demand for multi-national retailers to consider anywhere but King Street and Queen Street.

6.35 As there is no direct comparable evidence available, it is estimated that primary land values range between £700/m^2 to £915/m^2 (£65-£85/sqft) on the gross internal floor area of the built product, with secondary land values ranging in between £375/m^2 to £700/m^2, on the gross internal floor area of the built product.

6.36 No comments were received in relation to this through the consultation process.

Agricultural and Paddocks

6.37 Discussions with agents suggest very little land is traded for genuine agricultural uses, normally attracting some form of premium value as amenity land or similar.

6.38 The agricultural land market has been dominated over the last few years by the growing of Jersey Royal potatoes, accounting for over 90% of agricultural exports, and now covers approximately 19,000 vergees of agricultural land[20]. However dairy farming has, since 2012, made a resurgence in the farming industry because of increased exports of ice-creams and yogurt to markets such as China, and increased production in beef. As a consequence of the upturn in dairy farming there is more activity as a whole in the farming sector, with more fields being brought back into agriculture and meadows for grazing.

6.39 In respect of potato farming, this market has stabilised. There are approximately 11 contract growers forming two marketing groups, with these being two contract growers under the umbrella of Jersey Royal, seven contract growers under the umbrella of the Bartlett Group, with one or two independent growers.

6.40 A total of approximately 1,355 vergees (89.86ha) of agricultural land was sold in 2014, at an average price of £6,831 per verge (£41,682/ha / £16,868/acre), which is a reduction in the average price, down from £8,339 per vergee in 2011. In 2014, the highest price paid was £30,796 per vergee, and the lowest price paid was £3,273 per vergee. However, the total

[20] 1 vergee = 0.164 acres = 0.066 ha

number of vergees sold has increased from 2011 from 1,100 vergees up to 1,355 vergees of land in 2014.

6.41 It is considered that the prime land for purely agricultural purposes is still selling in between £6,000 (£36,600/ha/£14,800/acre) - £7,000 per vergee (£42,700/ha/£17,285/acre) dependent on location.

6.42 The agricultural market is also distorted by residential home owners paying significantly higher prices to protect their views around their homes, with prices of around £25,000 a vergee (£152,000/ha / £61,700/acre) being paid.

6.43 In addition, fields with greenhouses or glasshouses built on them for use in the horticulture industry have distorted the market place, with higher prices being paid in these instances, as glasshouse sites are being sold off as residential redevelopment sites.

6.44 A benchmark of £7,000 per vergee (£43,000/ha / £17,000/acre) is assumed to apply here.

6.45 Sites on the edge of a town or village may be used for an agricultural or grazing use but have a value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. A higher value of £25,000 per vergee (£150,000/ha / £60,000/acre) for village and town edge paddocks is assumed.

Use of Alternative Use Benchmarks

6.46 The results from the appraisals are compared with the EUV set out above in order to form a view about each of the sites' viability. This is a controversial part of the viability process and the area of conflicting guidance (the Harman Guidance versus 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 or AUV benchmark, the site is viable. The land market is more complex than this and as recognised in the English planning system, it is assumed that both the landowner and developer must receive a 'competitive return'.

6.47 Competitive return has not been fully defined through English planning appeals and the court system[21]. The RICS Guidance includes the following definition:

Competitive returns *- A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the 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. A*

[21] In this context the following CIL Examination are relevant. Mid Devon District Council by David Hogger BA MSc MRTPI MCIHT, Date: 20 February 2013 and Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council. by Keith Holland BA (Hons) Dip TP, MRTPI ARICS Date: 4 December 2012

'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.

6.48 As set out above, the English guidance includes the following section:

A competitive return for the land owner is the price at which a reasonable land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.

PPG ID: 10-015-20140306.

6.49 Whilst this is useful it does not provide any guidance as to the size of that return. There has been much discussion within the industry and amongst planners as to what may and may not be a competitive return, as yet the term has not been given a firm definition through the appeal, planning examination or legal processes. The Shinfield Appeal (January 2013) does shed some light in this. Several key paragraphs are copied below as, whilst these do not provide a strict definition of competitive return, the inspector (Clive Hughes BA (Hons) MA DMS MRTPI) does set out his analysis clearly. The following paragraphs are the only current steer, in this regard we have included all that are relevant.

64. Determining what constitutes a competitive return inevitably involves making a subjective judgement based upon the evidence. Two very different viewpoints were put forward at the Inquiry with the appellants seeking a land value of £4,750,000 which is roughly the mid-point between the EUV/CUV and the RLV with planning permission for housing and no obligations. This ties in with the 50:50 split between the community and the landowner sought by the appellants. The Council considered that a sum of £1.865m would ensure a competitive return; that is to say the Council's calculation of the EUV/CUV.

65. Paragraph 173 of the Framework says that the costs of any requirements should provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable. The paragraph heading is "Ensuring viability and deliverability"; it is clear that its objective is to ensure that land comes forward for development. I am not convinced that a land value that equates to the EUV/CUV would provide any incentive to the landowner to sell the site. Due to the particular circumstances of this site, including the need to remediate the highly significant level of contamination, such a conclusion would not provide any incentive to the landowner to carry out any remediation work. There would be no incentive to sell the land and so such a low return would fail to achieve the delivery of this site for housing development. In these circumstances, and given the fact that in this case only two very different viewpoints on what constitutes a competitive return have been put forward, the appellants' conclusions are to be preferred. In the scenario preferred by the Council, I do not consider that the appellants would be a willing vendor.

Viable amount of Affordable Housing

66. The RICS GN says that any planning obligations imposed on a development will need to be paid out of the uplift in the value of the land but it cannot use up the whole of the difference, other than in exceptional circumstances, as that would remove the likelihood of land being released for development. That is exactly what is at issue here in that the Council's valuation witness, in cross examination, stated that a landowner should be content to receive what the land is worth, that is to say the SV. In his opinion this stands at £1.865m. I accept that, if this figure was agreed (and it is not), it would mean that the development would be viable. However, it would not result in the land being released for development. Not only is this SV well below that calculated by the appellants, there is no incentive to sell. In short, the appellants would not be willing landowners. If a site is not willingly delivered, development will not take place. The appellants, rightly in my opinion, say that this would not represent a competitive return. They argue that the uplift in value should be split 50:50 between the landowner and the Council. This would, in this instance, represent the identified s106 requirements being paid as well as a contribution of 2% of the dwellings as affordable housing.

70. I conclude on this issue that, allowing the landowner a competitive return of 50% of the uplift in value, the calculations in the development appraisal allowing for 2% affordable housing are reasonable and demonstrate that at this level of affordable housing the development would be viable (Document 26). The only alterations to these calculations are the relatively minor change to the s106 contribution to allow for a contribution to country parks and additions to the contributions to support sustainable modes of travel. These changes would have only a limited impact on the return to the landowner. The development would remain viable and I am satisfied that the return would remain sufficiently competitive to enable the land to come forward for development. Overall, therefore I conclude that the proposed amount of affordable housing (2%) would be appropriate in the context of the viability of the development, the Framework, development plan policy and all other material planning considerations.

6.50 This sets out a useful principle but is about affordable housing so is in a very different context. Further clarification has been added in the Oxenholme Road Appeal (October 2013). The inspector confirmed that the principle set out in Shinfield is very site specific and should only be given limited weight. At Oxenholme Road the inspector said:

47. The parties refer to an appeal decision for land at Shinfield, Berkshire, which is quoted in the LADPD Viability Study. However, little weight can be given to that decision in the present case, as the nature of the site was quite different, being partly previously developed, and the positions taken by the parties on the proportion of uplift in site value that should be directed to the provision of affordable housing were at odds with those now proposed. There is no reason in the present case to assume that either 100% or 50% of the uplift in site value is the correct proportion to fund community benefits.

48. Both the RICS Guidance Note and the Harman report comment on the danger of reliance on historic market land values, which do not take adequate account of future policy demands…..

6.51 For land to be released for development, the uplift over the EUV needs to be sufficiently large to provide an incentive to the landowner 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 as it stands.

6.52 The RICS Guidance recognises that the value of land will be influenced by the requirements imposed by planning authorities. It recognises that the cost to the developer of providing affordable housing, building to increased environmental standards, and paying CIL, all have a cumulative effect on viability and are reflected in the ultimate price of the land. A central question for this study is at what point do the requirements imposed by the planning authorities make the price payable for land so unattractive that it does not provide competitive returns to the landowner, and so does not induce the owner to make the land available for development?

6.53 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 must consider how large such an ‘uplift’ or ‘cushion’ should be for each type of site to broadly provide a competitive return. 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. An ‘uplift’ of, say, 5% might be sufficient in some cases, whilst in a particular case it might need to be five times that figure, or even more. It is however necessary to consider the landowner’s decision relative to the other options available.

6.54 It has been assumed that the Viability Threshold (being the amount that the Residual Value must exceed for a site to be viable) of the EUV / AUV plus a 20% uplift on all brownfield sites

would be sufficient. This is supported both by work done elsewhere and by appeal decisions (see Chapter 2).

6.55 This methodology does reflect a very considerable uplift for a landowner selling a greenfield site with consent for development. In the event of the grant of planning consent they would receive over twenty times the value compared with before consent was granted. This approach is the one suggested in the Harman Guidance (see Chapter 2 above). The approach was endorsed by the Planning Inspector who approved the London Mayoral CIL Charging Schedule in January 2012[22].

6.56 Consideration has been given as to how these amounts relate to prices for land in the market (see above) and with a view to providing competitive returns to the landowner. There are certainly land transactions at higher values than these. Following the debate through the consultation process, we have applied a second viability test of £6,000,000/net ha.

6.57 It is useful to consider the assumptions used in other studies in England. These are set out in the table below.

Table 6.3 Viability Thresholds Used Elsewhere

Local Authority	Threshold Land Value
Babergh	£370,000/ha
Cannock Chase	£100,000-£400,000/ha
Christchurch & East Dorset	£308,000/ha (un-serviced)
	£1,235,000/ha (serviced)
East Hampshire	£450,000/ha
Erewash	£300,000/ha
Fenland	£1-2m/ha (serviced)
GNDP	£370,000-£430,000/ha
Reigate & Banstead	£500,000/ha
Stafford	£250,000/ha
Staffordshire Moorlands	£1.26-£1.41m/ha (serviced)
Warrington	£100,000-£300,000/ha

Source: Planning Advisory Service (collated by URS)

[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 an Examiner appointed by the Mayor Date: 27th January 2012

6.58 Care has to be taken drawing on such general figures without understanding the wider context and other assumptions in the studies, but generally the assumptions used in this work are within the range.

6.59 A new approach to developer contributions may be an additional cost on some development sites, and that some sites may not be able to bear the costs of all the requirements a planning authority makes – such as delivering higher environmental standards. This is noted in the RICS Guidance which recognises that there may well be a period of adjustment in the price of land following the introduction of a new policy requirement.

6.60 The following land prices have been assumed:

i.	Agricultural Land	£43,000/ha
ii.	Paddock Land	£150,000/ha
iii.	Industrial Land	£1,900,000/ha
iv.	Residential Land	£6,000,000/ha.

6.61 It is important to note that much of the development that does come forward in St Helier in particular is on previously developed land that has a value that is greater than an industrial value. This is discussed in Chapter 10 below.

7. Development Costs

7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the development sites and typologies. A wide range of comments were received following the October 2016 consultation which are addressed.

Development Costs

Construction costs: baseline costs

7.2 The cost assumptions are based on the Building Cost Information Service (BCIS)[23] data. At the time of the initial work, the figures re-based for the Channel Islands indicate a cost Estate Housing – Generally'[24] is £1,129/m^2. This is based on an indexation factor of 1.12 relative to the main BCIS Index. The figure for the Channel Islands has fluctuated recently as shown in the following table:

Table 7.1 Changes in BCIS Index

Date	BCIS Index
Dec-16	1.12
Sep-16	1.11
May-16	1.02
Feb-16	1.13
Nov-15	1.16
Aug-15	1.17
May-15	1.17
Feb-15	1.24
Nov-14	1.19
Aug-14	1.19
May-14	1.19
Feb-14	1.39

Source: BCIS Quarterly Review of Building Prices

7.3 Based on local experience, the 1.12 indexation understates local build costs. At the October 2016 consultation event, it was proposed that the costs of building on Jersey are best represented by the London Index which currently stands at about 1.20. Comments were received in this regard, one suggesting a 1.40 indexation should be used although this was

[23] BCIS is the Building Cost Information Service of the Royal Institution of Chartered Surveyors.

[24] BCIS Rebased to Channel Islands £/m^2 study, Rate per m^2 gross internal floor area for the building cost including prelims. Last updated: 17th September 2016.

not supported by any particular evidence. Another suggested that construction costs should be 30% higher (implying an index of 1.56 or so).

7.4 The 1.20 assumption was derived by the Colin Smith Partnership (who are the largest cost consultancy and project management practice in Jersey) based on their experience of procuring and managing construction projects on behalf of their clients. This assumption has not been altered, although in this iteration the construction costs have been updated to the March 2017[25] costs, so the figure for Estate Housing – Generally is £1,280/m^2.

7.5 In August 2015, a report was published that considered the construction costs on smaller sites. *Housing development: the economics of small sites – the effect of project size on the cost of housing construction* (August 2015) was carried out by BCIS, having been commissioned by the Federation of Small Businesses. This study concluded that the construction price for schemes of 1 to 5 units was about 13% higher than that for schemes of over 10 units and that the construction price for schemes of 1 to 10 units was about 6% higher than for schemes of over 10 units. These adjustments have been made to the small schemes modelled in this report.

7.6 It was noted through the consultation that underground carparking can add up to £40,000 per space to the costs of a project. This was further discussed at the developer meetings in January and February 2017. The general feedback was that costs normally fall in the range of £25,000 to £35,000 per space, although on a difficult site, could in some circumstances, be as high as £50,000 per space. A higher density scheme with underground parking (with an assumed cost of £30,000 per place) has been added to the modelling[26].

7.7 Several of the modelled typologies are based on conversion schemes. In these cases, the BCIS cost (adjusted for location as above) for Rehabilitation / Conversion have been used. The March 2017[27] costs when the figure is £641/m^2.

7.8 Through the consultation meetings in January and February 2017, the increased building standards that have been introduced through the by-laws were discussed and it was suggested that the increased standards can add up to about 4% to the construction costs. No specific adjustment has been made in this regard, the 1.20 indexation being sufficient. The total construction costs are summarised at the end of this section and are considered to be a good representation of the construction costs on Jersey.

[25] BCIS £/m^2 study, Rate per m^2 gross internal floor area for the building cost including prelims. Last updated: 4th March 2017. Un-indexed figure of £1,067/m^2 x 1.20 = £1,280/m^2.

[26] As set out in Chapter 4, on the whole the value of garages is not included in the quoted asking prices.

[27] BCIS £/m^2 study, Rate per m^2 gross internal floor area for the building cost including prelims. Last updated: 4th March 2017. Un-indexed figure of £534/m^2 x 1.20 = £641/m^2.

7.9 It is assumed that all new non-residential development is built to the BREEAM Very Good standard. It is assumed the additional cost of this is negligible as outlined in recent research[28] by BRE.

7.10 It is recognised that the UK's decision to leave the European Union has resulted in uncertainty with regard to the exchange rates. Much of the construction materials are imported from France so this sensitivity testing has been provided to enable the potential impact of increasing material costs to be considered.

Other normal development costs

7.11 In addition to the BCIS £/m^2 build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within this broad-brush study and the approach taken is in line with the PPG and the Harman Guidance.

7.12 Nevertheless, it is possible to generalise. Drawing on experience and the comments of stakeholders it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for lower density schemes since there is a smaller area of external works, and services can be used more efficiently. Large greenfield sites would also be more likely to require substantial expenditure on bringing mains services to the site.

7.13 In the light of these considerations a scale of allowances for the residential sites has been used, ranging from 10% of build costs for the smaller sites, to 20% for the larger greenfield, multi outlet/phase schemes. On the high density, flatted schemes 5% is assumed due to the lower amounts of landscaping.

7.14 In St Helier, the parish makes a charge for the erection of scaffolding and some other matters on the pavement. The maximum payment (being for a 200m length for 24 month) for scaffolding would be £2,016. It is assumed this is included in the above charges.

Abnormal development costs and brownfield sites

7.15 To a large extent, abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs. It is not the purpose of a study of this type to standardise land prices across an area.

[28] Delivering sustainable buildings: Savings and payback. Yetunde Abdul, BRE and Richard Quartermaine, Sweett Group. Published by IHS BRE Press, 7 August 2014

7.16 The treatment of abnormals was considered in England at Gedling Council's Local Plan, Examination in Public. There is an argument, as set out in Gedling[29], that it is not appropriate for abnormals to be built into appraisals in a high-level study of this type. Planning Authorities should not plan for the worst-case scenario – rather for the norm. If two similar sites were offered to the market and one was previously in industrial use with significant contamination, and one was 'clean' then the landowner of the contaminated site would have to take a lower land receipt for the same form of development due to the condition of the land. The Inspector said:

… demolition, abnormal costs and off site works are excluded from the VA, as the threshold land values assume sites are ready to develop, with no significant off site secondary infrastructure required. While there may be some sites where there are significant abnormal construction costs, these are unlikely to be typical and this would, in any case, be reflected in a lower threshold land value for a specific site. In addition such costs could, at least to some degree, be covered by the sum allowed for contingencies.

7.17 In some cases, where the site involves redevelopment of land which was previously developed, there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels; and so on. An allowance for abnormal costs associated with brownfield sites has been made of 10% of the BCIS costs. This is an increase from 5% as a result of consultees comments.

7.18 Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs. It is not the purpose of a study of this type to standardise land prices across an area.

Fees

7.19 At the October 2016 consultation, for residential development on reasonably sized sites professional fees were proposed to amount to 8.5% of build costs. This includes the various assessments and appraisals that the Department requires under its various Island Plan policies. These figures include an allowance for the new requirement for a Health and Safety Project Coordinator (HSPC) to be employed. For smaller residential sites, we would expect the overall costs to be higher relative to the overall project cost so 10% was assumed.

7.20 For non-residential development 8% was assumed.

7.21 Through the consultation there was a consensus that the residential assumption was too low and a range of comments were made (the maximum being 20% and we have been provided evidence of a recent scheme where the fees were less than 8%). The assumption for residential development has been increased to 12%, being in the middle of the range.

[29] REPORT TO GEDLING BOROUGH COUNCIL, THE PLANNING INSPECTORATE REF PINS/N3020/429/4, MAY 2015

7.22 The allowance for non-residential development has been increased to 10%.

Contingencies

7.23 Initially, for previously undeveloped and otherwise straightforward sites, a contingency of 2.5% was made, with a higher figure of 5% on more risky types of development, previously developed land and on central locations. So the 5% figure was used on the brownfield sites and the 2.5% figure on the remainder.

7.24 Based on feedback from consultees (and the reported expectations of banks) a 5% contingency is used on all sites.

Summary of construction costs.

7.25 Through the consultation process there were a range of comments made, often suggesting the assumptions understated the actual costs. In large part these were due to the way the above information was presented and the fact the consultees were not comparing like with like. The construction costs in used in the appraisals can be summarised as follows:

Table 7.2 Summary of Costs for Housing Only Schemes

	Cost	Adjustment	For Appraisal £/m^2	
Construction Costs - BCIS 2017	£1,067	1.2	£1,380.40	
Site costs		15.00%	£92.06	
Brownfield		10.00%	£128.04	£1,600.50
Contingency		5.00%	£80.03	
TOTAL BUILD COSTS				£1,680.53

Source: HDH March 2017

7.26 These figures are 6.7% higher than those presented to developers at the February 2017 consultation meetings (being derived from the latest BCIS data).

7.27 Whilst several consultees had suggested that these costs understate the costs of development, when presented as above there was a general consensus that this was appropriate for a high-level study. It is accepted that some development will costs more than this, in particular those high specification schemes that some developers specialise in. Having said this, the income assumptions in the appraisals are based on cautious assumptions for normal specification schemes. Higher specification schemes will have higher values.

Developer Contributions and the Costs of Infrastructure

7.28 For some years, the Minister has sought contributions, either through direct provision or through financial payments from developers to mitigate the impact of the development through improvements to the local infrastructure under the Planning Obligation Agreement (POA) system. The Department has several approaches to work out the contributions per development. It is inevitable these would change with the introduction of a standardised charge.

7.29 POA cover the following topics:

Community Facilities and Infrastructure	Transport and Travel
Conservation	Historic Environment and Archaeology
Environmental Enhancement	Affordable Housing.

7.30 The level of contributions is assessed site by site rather than using a tariff system or calculator and is generally limited to the provision of offsite drainage and transport infrastructure and housing tenure restrictions.

7.31 In addition, whilst not a policy requirement, developers are encouraged to make a public art contribution based upon 0.75% of construction costs on sites of 5 or more dwellings or 0.025ha or greater or on residential development of 500m^2 or greater or over 1ha. This is not included in the modelling as it is assumed that this will be assimilated into any new levy.

7.32 The Department is currently reviewing Supplementary Planning Guidance (SPG) relating to the use of POAs bringing the various types of contribution together and summarising the requirements in a undated Planning Obligation Agreements (POA) Supplementary Planning Guidance (SPG). We have been provided with an early draft of the document. This is not introducing new obligations, rather is a signposting and summarising of the current system. The requirements are summarised as follows:

Table 7.3 Summary of POA Requirements					
Island Plan requirements:	Potential type of Contribution:	Applicable scale of development:			
		Resident-ial	Office	Retail	Other / Mixed use
Natural Environment (Policy NE1, NE2) Appropriate and proportionate mitigation and compensatory measures against any harm or risk to ecological biodiversity or protected species.	• Works to prevent/reduce harm or risk on or adjacent to the site. • Works to compensate for anticipated harm or risk on or adjacent to the site. • Financial contribution to enable works to be carried out by a third party. • Ceding of land to the public to guarantee its long-term protection and management.	All types of development may be subject to this requirement if it will result in any loss or harm to ecological biodiversity or protected species. This is usually determined through an ecological survey carried out by the applicant.			
Natural Environment (Policy NE4) Compensatory landscaping improvements, tree planting, hedgerows or a contribution to the Ecology Trust Fund or Countryside Renewal Scheme, in such cases where there will be on-site inadequacies or losses relating to a proposed development.	• Off-site landscaping or tree planting. • Financial contribution.	Any development that will result in the loss of trees, woodland and boundary features and fails to adequately replace those on site.			
Natural Environment (Policy NE6, NE7) Demolition and replacement of dwellings and buildings for employment use or any change of use of land or buildings will be required to deliver environmental gains that contribute to the repair and restoration of the landscape character.	• Off-site landscaping/environmental improvements. • Financial contribution towards landscaping/environmental improvements. • Ceding of land to the public to guarantee its long-term protection and management.	This may trigger a POA at any scale of development, when it is considered reasonable and appropriate to do so, in order to secure environmental gains that will manage and offset any harm to the character and nature of the coast and countryside.			
Natural Environment (Policy NE7) Any new dwellings that are justified for occupation by a dependant relative shall be subject to an agreement to restrict occupancy and ensure re-integration of the unit to the primary dwelling.	• Occupancy restrictions. • Works to re-integrate a dependent relative unit into the primary dwelling at a later date.	Any new dwelling in the Green Zone, justified for a dependant relative.			

Historic Environment (Policy HE1, HE2, HE3, HE4 & HE5) Restoration or maintenance of a Listed Building or place.	• Restoration of a listed building or place. • On-going maintenance programmes. • Financial contribution to a third party to enable works to be carried out. • Ceding of property to the public to guarantee its long-term protection and management.	Any development that will have an impact upon a listed building or place and its setting may be required to enter into a POA, if such measures will manage and limit harm to historic assets			
Historic Environment (Policy HE5 and Supplementary Planning Guidance: Archaeology and Planning (2008) and Archaeology and Planning: schedule of sites of archaeological interest (2008)) Preservation of archaeological resources	• Removal and recording of archaeological artifacts. • Treatment and deposition of finds. • Maintenance of artifacts on-site with appropriate measures. • Financial contribution to a third party to enable works to be carried out.	Any development that will have an impact upon archaeological resources and their setting, and when the use of POA is appropriate.			
Economy (Policy ER11, EIW5, ERE6 and Supplementary Planning Guidance: Modern Agricultural Buildings (1996)). New or extended agricultural/horticultural buildings, farm shops and industrial development within the countryside may be required to enter into an agreement to secure removal of structures and/or restoration of land upon a specified period of time or redundancy.	• Agreement to remove structures and restore the land to its former state. • Financial security to ensure ability to carry out the agreed restoration works.	≥1 Unit	n/a	≥100m^2	≥100m^2
Economy (Policy ERE3, ERE7) Enabling or linked development sites, including glass house sites will be subject to an agreement that will ensure the environmental gains or improvements are delivered.	• Restricted sequence of development. • Financial security to ensure delivery of proposed environmental gains or improvements.	Any new development that is dependant upon a form of enabling development on or off site, including glass house sites.			
Housing (Policy H1, H2, H5, H7 and published development briefs) Restrictions to ensure tenure allocation remains as agreed in the planning assessment.	• Occupancy restrictions (use, occupancy and onward sales).	Refer to Revised 2011 Island Plan and site-specific Supplementary Planning Guidance.			
Housing (Policy H9) Staff and key agricultural worker accommodation occupancy and redundancy restrictions.	• Occupancy restrictions (use, occupancy and onward sales).	Any staff or key agricultural worker accommodation that has been approved given a proven need.			

Social, Community and Open Space (Policy SC04) Any loss of Protected Open Space, as defined by the Proposals Map will be required to offset this loss by providing the same or better extent, quality and accessibility of open space on an appropriate, alternative site.	• Ceding of land to the public. • Works to land on or off-site to improve its quality and accessibility.	All types of development may be subject to this requirement if it will result in any loss or harm to Protected Open Space, as defined by the Island Plan Proposals map.			
Social, Community and Open space (Policy SC05) Large-scale development within St. Helier will be expected to make public realm improvements in accordance with the recommendations of the [forthcoming] St. Helier Open Space Strategy.	• On-site publicly accessible space. • Off-site public realm improvements. • Ceding of land to the public.	≥10 Units	≥500m^2	≥250m^2	≥250m^2
Travel and Transport (Policy TT1) Compensatory works for loss or disruption to the Island's Footpath and Cycle network.	• Footpath/pavement enhancement. • Pedestrian priority/shared space schemes. • Cycle routes. • Pedestrian crossing enhancement. • Street Lighting.	Any scale of new development may be required to compensate for loss and disruption to the Island's footpath and cycle network, if a loss is caused as a direct result of the new development.			
Travel and Transport (Policy TT2) A contribution to the improvement of the Island's provision of off-road walking routes, where safe routes between residential areas, schools, play space, sporting and cultural facilities, et cetera. can be identified and the impact of new development on those facilities can justify a contribution.	• Footpath/pavement enhancement. • Pedestrian priority/shared space schemes. • Cycle routes. • Pedestrian crossing enhancement. • Street Lighting.	≥5 Units	≥250m^2	≥250m^2	≥250m^2
Travel and Transport (Policy TT3) Provision of a section of cycle path in accord with adopted standards and guidelines or financial contribution to support its delivery (standardised contribution if development is within the Eastern Cycle Route Corridor).	• Cycle routes. • Pedestrian priority/shared space schemes.	≥5 Units	≥250m^2	≥250m^2	≥250m^2
Travel and Transport (Policy TT4) In those cases where cycle parking cannot be provided on-site in the town of St Helier, off-site works or a financial contribution will be required to make up for any shortfall in the provision of cycle parking spaces.	• Off-site cycle parking.	Any scale of development may be required to provide off-site cycle parking if insufficient provisions are available on-site.			

Travel and Transport (Policy TT5) Where appropriate, traffic and pedestrian safety measures, including improved pedestrian crossing facilities, will be required to improve road safety for pedestrians and cyclists, reduce vehicle speeds and enhance the street environment.	• Footpath/pavement enhancement. • Pedestrian priority/shared space schemes. • Cycle routes. • Pedestrian crossing enhancement. • Street Lighting.	≥10 Units	≥250m^2	≥500m^2	≥500m^2
Travel and Transport (Policy TT7, TT8 and TT9) Improvements to public transport facilities, including but not limited to: upgrading waiting facilities and pedestrian access to and from them; enhanced information provision through all available media and at bus stops; and, any other means, where appropriate, to meet modal split targets set out in travel plans and to contribute to better public transport. This will be applied most rigorously when development is NOT within 400m of a bus stop and is of such a scale requiring a specific Travel Plan.	• Bus post and information board. • Bus Shelter. • Second Bus Shelter. • Carriageway improvements for buses. • Bus service subsidy (existing service <400m away). • Bus service subsidy (existing service >400m away). • Footpath/pavement enhancement. • Street Lighting.	≥10 Units	≥250m^2	≥500m^2	≥500m^2
Natural Resources and Utilities (Policy NR3) Measures, as required following the completion of an Air Quality Assessment, may be required to limit the impact upon air quality as a result of new development.	• On or off site measures to minimise impact upon air quality. • Financial contribution to a third party to enable works to be carried out.	≥10 Units	≥1000m^2	≥1000m^2	≥1000m^2
Natural Resources and Utilities (Policy NR7) Measures, as required, to achieve, monitor and maintain a minimum of 10% reduction in carbon emissions.	• On or off-site measures to minimise impact upon air quality. • Measures to manipulate transport modal shares. • Financial contribution to a third party to enable works to be carried out.	≥10 Units	≥1000m^2	≥1000m^2	≥1000m^2
Mineral Resources (Policy MR6) New or extended mineral workings - Any reasonable and proportionate measures regarded as essential for the proper planning of the area.	• Environmental and restoration works on or off-site. • Traffic management measures. • Financial security to ensure ability to carry out agreed land restoration works.	New or extended mineral workings only.			

Waste Management (Policy LWM2 and Supplementary Planning Guidance: Disposal of Foul Sewage (2012)) Where inadequate facilities exist, appropriate measures to achieve adequate foul sewerage facilities for the development will be as agreed through consultation with the Department for Infrastructure. This may include achieving an off-site foul sewer connection and/or pumping station.	• Works as required to make a new connection to the public foul sewer.	Any new development site that will require new off-site foul sewer connections/facilities.			
Waste Management (Policy LWM3) Sustainable Drainage Systems may be required for new development following consultation with the Department for Infrastructure and where these measures cannot be reasonably controlled by planning conditions.	• Works as required to make a new connection to the public surface water sewer. • Works to separate combined foul and surface water sewers.	Any new development site that will require new off-site surface water connections/facilities.			
Waste Management (Policy LWM4) Any measures considered necessary to manage and offset the impact of new and/or extended sewage treatment works and sewerage outfall.	• Any measures, as required to manage and offset impacts arising from a new or extended sewage treatment works or outfall.	New and/or extended sewage treatment works and sewerage outfall			
Waste Management (Policy WM1 and Supplementary Planning Guidance: Site Waste Management Plans (2013)) Any site waste management measures contained within the Site Waste Management Plan, where appropriate and where this cannot be controlled by conditions	• Measures, as required, to ensure that waste arising from a development site is minimised and managed in the most sustainable way.	≥10 Units	≥1000m^2	≥1000m^2	≥1000m^2

Source: States of Jersey (May 2017)

7.33 In this study, it is important that the costs of mitigation are reflected in the analysis. The Department have undertaken a review of recent contributions and the results are mixed but typically in the range of £1,000/unit to £2,000/unit.

7.34 The purpose of this study is to review the impact of developer contributions. Any policy changes will result in changes to this area of policy. As a starting point, it has been assumed, that all the modelled sites will contribute £2,000/unit towards infrastructure – either site specific or more general. This is an increase from the £1,000/unit put forward to the October 2016 consultation. In this regard it is important to note that the standard tariff type payments only apply to sites over 5 units, and often over 10 units.

Financial and Other Appraisal Assumptions

GST

7.35 For simplicity, it has been assumed on newbuild schemes, that either GST does not arise, or that it can be recovered in full.

7.36 On conversion schemes GST is assumed to apply at the prevailing 5% rate.

Income Tax

7.37 One consultee suggested that income tax at 20% should be factored into the development appraisals. This is not accepted and is not a cost of development under either the Harman or RICS Guidance. The tax circumstances will vary from developer to developer and will depend of each developer's particular business model.

Insurance

7.38 The topic of insurance was raised through the consultation. Whilst it is accepted that typical costs for a smaller developer may be in the region of 1% of the total construction costs, this has not been included within the appraisals as this is considered either to be a developers' overhead, or to be a 'prelim' cost and therefore included within the BCIS cost.

Interest rate

7.39 The appraisals assume 6% pa for total debit balances. No allowance is made for any equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger developers tend to be funded through longer term rolling arrangements across multiple sites.

7.40 The 6% assumption may seem high given the very low UK base rate figure (0.25% April2017). Developers that have a strong balance sheet, and good track record, can undoubtedly borrow less expensively than this, but this reflects banks' view of risk for housing developers in the

present situation. In the residential appraisals, we have prepared a simple cashflow to calculate interest.

7.41 For the non-residential appraisals, and in line with the 'high level' nature of this study, a developer's rule of thumb to calculate the interest has been used– being the amount due over one year on half the total cost. This is a simplification, however, due to the high level and broad brush nature of this analysis, we believe that it is proportionate bearing in mind the scope of this project.

7.42 The relatively high assumption of the 6% interest rate, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest as most developers are required to put some equity into most projects. In this study a cautious approach is being taken, so we believe this is a sound assumption.

7.43 An arrangement fee of 1% of the peak borrowing requirement is included. In addition, the stamp duty due on the security of 0.5% +£80 has been allowed for. It is important to note that these are applied to the total peak borrowing requirement and assumes that all the development funds are borrowed. This is unlikely to be the case as most banks require developers to contribute between 20% and 50% of the funds.

7.44 A range of comments were received from consultees suggesting rates of up to 8.5% should be used. It is correct that some specialist funders may require a greater return (a 'normal' rate of mezzanine funding would be 1% per month) however mainstream bank funding for established development businesses is in the range of 3.5% to 5% over base rates (which are currently 0.25%). One consultee suggested that their current interest cost was less than 3% and another that the cost was about 5%. The assumption in this regard had not been altered, although it accepted that the costs will vary amongst developers and lending institutions.

Developers' profit

7.45 An allowance needs to be made for developers' profit / return and to reflect the risk of development. Neither the NPPF, nor the England's CIL Regulations, nor the CIL Guidance provide useful guidance in this regard so, in reaching this decision, the RICS's *'Financial Viability in Planning*' (August 2012), the Harman Guidance *Viability Testing Local Plans, Advice for planning practitioners* (June 2012), have been considered and referred to the HCA's Economic Appraisal Tool. None of these documents are prescriptive, but they do set out some different approaches.

7.46 RICS's 'Financial Viability in Planning' (August 2012) says:

> *3.3.2 The benchmark return, which is reflected in a developer's profit allowance, should be at a level reflective of the market at the time of the assessment being undertaken. It will include the risks attached to the specific scheme. This will include both property-specific risk, i.e. the direct development risks within the scheme being considered, and also broader market risk issues, such as the strength of the economy and occupational demand, the level of rents and capital values, the level of interest rates and availability of finance. The level of profit required will vary from scheme to scheme, given different risk profiles as well as the stage in the economic cycle. For example, a small scheme constructed over a shorter timeframe may be considered relatively less risky and therefore attract a lower profit margin,*

given the exit position is more certain, than a large redevelopment spanning a number of years where the outturn is considerably more uncertain. ……..

7.47 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, 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.

As with other elements of the assessment, the figures used for developer return should also be considered in light of the type of sites likely to come forward within the plan period. This is because the required developer return varies with the risk associated with a given development and the level of capital employed.

Smaller scale, urban infill sites will generally be regarded as lower risk investments when compared with complex urban regeneration schemes or large scale urban extensions.

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.

7.48 An initial developer return of 15% of development costs was assumed. As range of comments were received suggesting that 10% to 20% of development costs was more normal. Bearing in mind the weight of representations, a 20% assumption has been used going forward.

7.49 This was further discussed at the January and February 2017 developer meeting. It was agreed that this was an appropriate approach, however may overstate the return for the smaller builder who build just a few units each year.

Voids

7.50 On a scheme comprising mainly individual houses, one would normally assume only a nominal void period 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.

7.51 For the purpose of the present study, a three-month void period is assumed for residential developments. A nine-month void period is assumed for non-residential developments.

Phasing and timetable

7.52 A pre-construction period of six months is assumed for all the sites. Each dwelling is assumed to be built over a nine-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. A consultee suggested that these rates were optimistic. In practice the appraisals are based on a quarterly cash flow, a cautious set of assumptions are used and the modelling is based on the receipt on the sales proceeds in the 7th quarter (i.e. during months 19 to 21) after the purchase of the site. No adjustment has been made.

7.53 These assumptions are conservative and do, properly, reflect current practice. This is the appropriate assumption to make to be in line with the PPG and Harman Guidance.

7.54 Several comments were received suggesting the discharge of building approvals could delay start on site, however the range was from 6 to 9 months.

Site Acquisition and Disposal Costs

Site holding costs and receipts

7.55 Each site is assumed to proceed immediately (following a 6-month mobilisation period) 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.

7.56 During the course of the meetings in January and February 2017 this was discussed at some length. Several groups suggested that the assumption for residential development should be increased to 9 months, but others suggested that 4 to 5 months from the last date that an appeal or other challenge could be launched was appropriate. This assumption has not been adjusted, although we take this opportunity to clarify that as the HDH model is based on a quarterly cashflow, the actual assumption assumes that the construction starts during the third quarter.

Acquisition costs

7.57 A simplistic approach is taken and an allowance of 1.5% assumed for acquisition agents' and legal fees.

7.58 Stamp duty is calculated by a relatively complex graduated scale:

Table 7.5 Summary of Stamp Duty	
If the value exceeds £50,000 but does not exceed £300,000	£250 in respect of the first £50,000 plus 1.5% each £100 or part of £100 in excess thereof.
If the value exceeds £300,000 but does not exceed £500,000	£4,000 in respect of the first £300,000 plus 2% for each £100 or part of £100 in excess thereof.
If the value exceeds £500,000 but does not exceed £700,000	£8,000 in respect of the first £500,000 plus 2.5% for each £100 or part of £100 in excess thereof.
If the value exceeds £700,000 but does not exceed £1,000,000	£13,000 in respect of the first £700,000 plus 3% of each £100 or part of £100 in excess thereof.
If the value exceeds £1,000,000 but does not exceed £1,500,000	£22,000 in respect of the first £1,000,000 plus 3.5% of each £100 or part of £100 in excess thereof.
If the value exceeds £1,500,000 but does not exceed £2,000,000	£39,500 in respect of the first £1,500,000 plus 4% of each £100 or part of £100 in excess thereof.
If the value exceeds £2,000,000	£59,500 in respect of the first £2,000,000 plus 5% of each £100 or part of £100 in excess thereof.

Source: A basic guide to Jersey Stamp Duty and LTT (Mourant Ozannes website, 2016)

7.59 Prior to the January and February 2017 consultation meetings, it was assumed that recent budget changes in relation to residential property Stamp Duty from 1st January 2017 did not apply to land. This has subsequently been clarified and it is understood that the new rates (8% where the price is over £3 million and 9% where it is over £6 million) will apply where the land is to be used for residential development.

7.60 For the purpose of this study it is necessary to make some simple assumptions so stamp duty is assumed at 6% on all sites. It is recognised that this is a simplification of the reality and will overstate the costs on smaller sites.

Disposal costs

7.61 For sales and promotion and legal fees were initially assumed to amount to some 3% of receipts. This is an increase from 2% put to the consultation process.

7.62 One consultee suggested that these assumptions significantly overstated the costs and 1.5% to 2% was more appropriate, further, another said that 1% was the norm on larger properties.

8. Island Plan Requirements

8.1 The States of Jersey approved and implemented the Jersey Revised 2011 Island Plan in the summer of 2014. As set out in the Plan '*Jersey has a 'plan-led' planning system and this means that the Island Plan should be the primary consideration in any planning-related decision-making: the law identifies that all development should be in accordance with the Island Plan unless there is sufficient justification for granting planning permission that is inconsistent with the Plan*'.

8.2 The purpose of this study is to assess the effect that standardised developer contributions will have on development viability. Bearing in mind the status of the Plan, this assessment needs to be done in the context of the Plan and any relevant other supplementary planning documents. In this chapter the impact on viability of the main requirements of the Plan are considered.

8.3 In each case, it is considered whether or not they add to the costs of development over and above the base costs (derived from the BCIS costs etc. as set out in Chapter 7 above). It is important to note that the majority of the requirements of the Plan are quite normal and have been in place for many years.

Design

8.4 Good design is at the core of the Plan with a general requirement for all development to (as set out in GD1) '*secure the highest standards in the design of new buildings in Jersey, with an emphasis on quality of design and construction involving encouragement to traditionally designed schemes; modern interpretations of traditional development and details; and modern architectural schemes, where new buildings should generally be designed having regard to their context, be appropriate to their surroundings from which they should draw reference in terms of building form, mass, height, materials and so on, and where they can demonstrate their relevance to Jersey*'.

8.5 This and other policies (such as GD7 and SP7) are clearly seeking something that is of a higher standard than the least expensive possible development. This is however not a new requirement and is covered within the BCIS costs.

8.6 Generally, development on sites of 0.2ha and larger are required to have a minimum density as set out in the following table (being Table 1 from the June 2016 draft Density SPD):

Table 8.1 Residential Density							
Car Parking	3spaces per unit	2 spaces per unit		1 space per unit		No Car Parking	
Dwelling Mix	Houses	Mostly Houses	Mix	Mix	Mostly Flats	Mix	Mostly Flats
(A)URBAN		60-100	80-120	100	200+	200	280+
(B)SUBURBAN / SECONDARY URBAN		60-100	80-120	80	160+	120	200+
(C) RURAL	60-65	70-75	75-80				

Source: DRAFT Supplementary Planning Guidance: advice note Design for Homes – Residential Density June 2016

8.7 The formula for calculating net housing density is as follows:

Density (h.r.a.) = Number of habitable[30] rooms ÷ site in acres

8.8 The modelling is in compliance with these minimum requirements. It is however notable that these requirements are well within the normal range for modern commercial housing development.

8.9 It is necessary to consider these in the context of the car parking standards and the requirements for open space. In particular, it is noted that the parking standards are currently being revised and these are likely to move towards maximum parking standards as set out in supporting text for Proposal 29 in the Island Plan which state that they will be designed to '*reduce the land take of development, enable schemes to fit into central urban sites*'.

8.10 Policy note 6 – A Minimum Specification for New Housing Developments sets out minimum unit sizes. This is being updated and the June 2016 draft suggests the following revised requirements (taken from Table 1):

[30] Under normal circumstances, a 3-bedoom house will usually have 5 habitable rooms, a 2-bedroom house will usually have 4 habitable rooms, a 2-bedroom flat will usually have 3 habitable rooms and a 1-bedroom flat will usually have 2 habitable rooms.

Table 8.2 Draft Updated Space Standards							
Number of Bedrooms	Number of Occupants (Bed-space)	Minimum Living Space		Minimum Floor Area		Internal Storage(1)	Dirty Storage (e.g. Prams, bikes, garden tools, etc
		Flat	Maisonette / House	Flat	Maisonette / House		
1	1-2	49m²	57m²	51m²	59m²	2m²	2.5m²
2	3	60m²	70m²	63m²	73m²	3m²	2.5m²
	4	71m²	81m²	75m²	85m²	4m²	2.5m²
3	4	75m²	85m²	79m²	89m²	4m²	2.5m²
	5	83m²	93m²	89m²	99m²	6m²	3m²
	6	92m²	102m²	98m²	108m²	6m²	3m²
4	5	87m²	97m²	93m²	103m²	6m²	3m²
	6	96m²	104m²	102m²	110m²	6m²	3m²
Three Storey Dwellings							
3	6	108m²		114m²		6m²	3m²
4	5	103m²		109m²		6m²	3m²
	6	110m²		116m²		6m²	3m²

Source: DRAFT Supplementary Planning Guidance: advice note Design for Homes – Residential Space Standards June 2016

8.11 The modelling in this study is in compliance with these potential revised requirements, which is a conservative approach. Further layout requirements are made, however these do not impact on the overall costs of construction. It is important to note that the above are minimum standards, and a review of recent schemes found that the average unit sizes are well in excess of the above:

Table 8.3 Average Newbuild Unit Sizes (m^2)						
	Beds					
Type	**1**	**2**	**3**	**4**	**5**	**Average**
Flat	57	72	119			67
House		101	126	178	313	132
Average	**57**	**86**	**125**	**178**	**313**	**111**

Source: SOJ (March 2017)

Planning Obligations

8.12 Policy GD4 sets out the requirement for development to contribute towards the infrastructure to support development and GD8 seeks contributions to public art. These requirements are set out in Chapter 7 above.

Housing

8.13 The Department seeks to address housing need through the mix of housing provided. Jersey's Future Housing Needs 2016 - 2018[31] sets out the requirements for housing broken down by size and tenure:

Table 8.4 Housing Mix

Tenure / size	Owner-occupier	Social housing	Entitled / licensed private	Registered accommodation	Total
1 bed	(140)	120	30	(80)	(80)
2 bed	(220)	(120)	(340)	90	(580)
3 bed	140	(10)	40	10	190
4 bed or more	190	(20)	140	150	450
Totals:	**(30)**	**(30)**	**(130)**	**170**	**(20)**

Source: Table 7 Jersey's Future Housing Needs 2016 - 2018

8.14 There is not a requirement for each and every scheme to follow the above – rather for designers to have regard to the levels in particular areas.

8.15 There is no requirement, unlike many UK authorities, for private developers to provide affordable housing on market housing led sites. Where greenfield sites are released for development these are only permitted for 100% affordable housing. In line with the scope of this study, it has been assumed that a new levy or tax would not apply to such development so these types of scheme have not been assessed.

[31] www.gov.je/statistics

9. Modelled Sites

9.1 The previous chapters set out the general assumptions to be inputted into the development appraisals. This chapter sets out the modelling. It is timely to stress that this is a high-level study that is seeking to capture the generality rather than the specific. The purpose is to establish the cumulative impact of the policies in the Island Plan on development viability. This information will be used with the other information gathered by the Department to assess whether or not the sites are actually deliverable.

9.2 The approach is to model a set of residential development sites that are broadly representative of the type of development that is likely to come forward in the Island.

9.3 The modelling has been informed by the recent development management applications and by discussions with officers.

9.4 The modelling in the initial work included a number of large greenfield sites but no conversions. In this iteration of this report the modelling has been reworked to exclude large greenfield sites (as they are only likely to come forward as 100% affordable housing schemes) and to include several conversion schemes in St Helier to recognise that a significant number of projects are coming forward based on the change of use of commercial buildings (mainly offices, but also lodging houses) to residential flatted schemes.

9.5 Several consultees commented that the initial modelling was not representative of actual development. This has been checked by reference to the Department's planning policies and relative to recent planning applications.

Residential Development

9.6 During 2015, 35 residential planning applications were determined, although 5 of these were for demolitions. About half of the applications were for single units. The largest site was for 88 units, three fall in the 15 to 25 unit range and the remainder were less than 7 units.

9.7 So, to be consistent with the requirements of the Island Plan, the modelling is based on the housing mix and density requirements set out in Chapter 8 above.

9.8 Following the various consultation stages the following sites have been modelled. Unlike in the earlier iterations of the work the greenfield sites are no longer included and a number of schemes based on conversions have been modelled:

a. 2 larger (50 and 30 units) and 2 medium (20 and 12 units) brownfield sites representative of those in the main urban areas. These are assumed to be on sites that are developed as newbuild, following the clearance of the sites.

b. 2 conversion schemes (25 and 6 units), being based on development most likely to come forward in the St. Helier urban area.

c. several small sites of 10 or fewer units so to be able to consider the impact on smaller sites. These typologies are tested on both greenfield and brownfield scenarios.

d. 2 sites of urban flats of the type that may come forward in the urban centre. The larger scheme is of 80 units and the smaller of 20 units. These are modelled both with and without underground carparking.

9.9 In addition to the above separate consideration has been given to the effect the levy may have on the extensions to existing homes.

9.10 It is acknowledged that modelling is never totally representative, however the aim of this work is to broadly test development viability of sites likely to come forward over the plan-period. The work is high level, so there are likely to be sites that will not be able to come forward, and as set out at the start of this report, there are some sites that will be unviable even without any policy requirements (for example brownfield sites with high remediation costs). If standardised developer contributions are adopted, there is little scope for exemptions to be granted, however, where other policy requirements cannot be met, the developer will continue to be able to negotiate with the planning authority. The Department will have to weigh up the factors for and against a scheme. The modelled sites are reflective of development sites in the study area that are likely to come forward during the plan-period and, importantly, have been modelled in line with the density requirements set out in policy.

9.11 The set of typologies developed responds to the variety of development situations and densities typical on Jersey, and this is used to inform development assumptions for sites. The typology enables a view about floorspace density, based on the amount of development, measured in net floorspace per hectare, to be accommodated upon the site. This is a key variable because the amount of floorspace which can be accommodated on a site relates directly to the Residual Value, and is an amount which developers will normally seek to maximise (within the constraints set by the market).

9.12 The initial gross and net areas and the site densities put to the October 2016 consultation are summarised below.

Table 9.1 Initial Summary of Modelled Sites – Areas and Densities

			Current Use	Units	Area Ha		Density Units/ha		Density
					Gross	Net	Gross	Net	m2/ha
1	Large Greenfield 50	Green	Agricultural	50	1.03	0.83	48.40	60.06	5,455
2	Medium Greenfield 25	Green	Agricultural	25	0.49	0.39	50.81	63.47	5,809
3	Medium Greenfield 15	Green	Agricultural	15	0.25	0.20	59.52	74.13	6,914
4	Large Brownfield 30	Brown	Industrial	30	0.42	0.34	70.92	87.21	6,698
5	Medium Brownfield 20	Brown	Industrial	20	0.22	0.18	90.09	112.32	8,480
6	Medium Brownfield 12	Brown	Industrial	12	0.11	0.11	114.29	114.05	8,515
7	Small Green 7	Green	Paddock	7	0.11	0.11	64.81	64.86	5,995
8	Small Green 5	Green	Paddock	5	0.07	0.07	70.42	70.60	6,481
9	Small Green 3	Green	Paddock	3	0.05	0.05	65.22	65.89	6,458
10	Green Plot	Green	Paddock	1	0.02	0.02	43.48	43.24	4,757
11	Small Brown 8	Brown	Industrial	8	0.04	0.04	186.05	185.33	12,602
12	Small Brown 5	Brown	Industrial	6	0.03	0.03	214.29	215.65	13,730
13	Small Brown 2	Brown	Industrial	2	0.02	0.02	100.00	98.84	8,401
14	Brown Plot	Brown	Industrial	1	0.03	0.03	31.25	30.89	3,398
15	Flatted 80	Brown	Industrial	80	0.40	0.32	200.00	247.10	17,421
16	Flatted 20	Brown	Industrial	20	0.07	0.07	281.69	282.40	16,097

Source: HDH 2016

9.13 It was acknowledged through the consultation that this area of the study needed further thought and analysis. A further review of recent schemes has been undertaken:

Table 9.2 Residential Densities from Planning Consents.						
	Ha	Acres	HR	Development (m^2)	HR/ acre	m2/ha
Hotel Metropole	0.73	1.6	400	17,679	245	24,218
WestMount Quarry	0.91	2.0	673	13,411	330	14,737
South Prospect St Brelade	0.69	1.5	8	1,184	5	1,716
Rose Farm	3.35	7.5	33	1558	4	465
Waverley house	0.05	0.1	36	350 commercial 1140 Residential	321	29,800
Jersey Pottery	1.6	3.6	274	8285	76	5,178
Old Court House Grouville	0.41	0.9	91	3053	99	7,446
Co-Op Grouville	0.24	0.5	12	904 (676 retail 218 residential)	22	7,492
Finmere Mont Felard	0.08	0.2	7	275	39	3,438
Chateau Plaisir	0.57	1.3	24	900	19	1,579
22 La Colomberie	0.07	0.2	38	1,830 (1,380 residential, 350 retail)	242	19,714
Belvedere	2.63	5.9	419	17,000	71	6,463
Shakespeare Hotel	0.22	0.5	53	1,757	107	7,986
Disused glasshouse site	0.44	1.0	6	140	6	318
La Masison de mon Pretre	0.21	0.5	10	350	21	1,667
Les Pieces St. Martin	0.33	0.7	13	641	18	1,942
Battery house St Martin	0.05	0.1	9	264	80	5,280

Source: SoJ

9.14 Informed by this research the initial modelling has been revised. Several conversion schemes have been incorporated. It is important to note that the principal driver behind this modelling is the Habitable Rooms per Acre (HRA) requirements as set out in Chapter 8 above:

Table 9.3 Revised Residential Modelling Typologies			
Large Brown 50	Units	50	Mix of flats and houses at 110 HRA. 80% net developable. 57units/gross ha.
	Area	0.88	
1	Units/ha	71.15	
Large Brown 30	Units	30	Mix of houses and flats at 100HRA. 51units/gross ha.
	Area	0.59	
2	Units/ha	63.36	
Medium Brown 20	Units	20	Mix of houses and flats at 80HRA.
	Area	0.38	
3	Units/ha	52.02	
Medium Brown 12	Units	12	Mix of houses and flats at lower density of 70 HRA.
	Area	0.26	
4	Units/ha	46.13	
Small Brown 8	Units	8	Mix of houses and flats at lower density of 80 HRA.
	Area	0.14	
5	Units/ha	56.48	
Small Brown 5	Units	5	Mix of houses and flats at lower density of 70 HRA.
	Area	0.10	
6	Units/ha	50.87	
Small Brown 2	Units	2	Pair of semi detached.
	Area	0.06	
7	Units/ha	32.12	
Brown Plot	Units	1	Single detached house.
	Area	0.03	
8	Units/ha	33.33	
Conversion 25	Units	25	Conversion of secondary offices into flats.
	Area	0.20	
9	Units/ha	123.55	
Conversion 6	Units	6	Conversion of secondary offices into flats.
	Area	0.04	
10	Units/ha	164.73	
Flats 80	Units	80	Higher built flatted scheme at 330HRA. 80% net developable. 200 units/gross ha.
	Area	0.40	
11	Units/ha	186.28	

Table 9.3 (cont) Revised Residential Modelling Typologies			
Flats 20	Units	20	Lower built flatted scheme at 200HRA.
	Area	0.12	
12	Units/ha	164.73	
Flats 80 Undercroft	Units	80	Higher built flatted scheme at 245HRA with undercroft parking. 80% net developable. 150 units/gross ha.
	Area	0.54	
13	Units/ha	186.28	
Flats 20 Undercroft	Units	20	Lower built flatted scheme at 200HRA with undercroft parking.
	Area	0.12	
14	Units/ha	164.73	
Small Green 5	Units	5	Mix of terraced and detached housing.
	Area	0.16	
15	Units/ha	30.89	
Small Green 3	Units	3	3 larger detached houses, modelled as redevelopment of existing residential site.
	Area	0.20	
16	Units/ha	15.00	
Green Plot	Units	1	Single detached house.
	Area	0.05	
17	Units/ha	18.53	

Source: April 2017

9.15 This modelling is summarised as follows:

Table 9.4 Summary of Updated Residential Development Modelling

			Current Use	Units	Area Ha		Density Units/ha		Density
					Gross	Net	Gross	Net	m2/ha
1	Large Brown 50	Generally	Brown	Industrial	50	0.88	0.70	56.92	71.15	6,771
2	Large Brown 30	Generally	Brown	Industrial	30	0.59	0.47	50.69	63.36	6,118
3	Medium Brown 20	Generally	Brown	Industrial	20	0.38	0.38	52.02	52.02	4,919
4	Medium Brown 12	Generally	Brown	Industrial	12	0.26	0.26	46.13	46.13	4,305
5	Small Brown 8	Generally	Brown	Industrial	8	0.14	0.14	56.48	56.48	4,857
6	Small Brown 5	Generally	Brown	Industrial	5	0.10	0.10	50.87	50.87	4,233
7	Small Brown 2	Generally	Brown	Industrial	2	0.06	0.06	32.12	32.12	4,015
8	Brown Plot	Generally	Brown	Industrial	1	0.03	0.03	33.33	33.33	5,833
9	Conversion 25	Generally	Brown	Office	25	0.20	0.20	123.55	123.55	9,844
10	Conversion 6	Generally	Brown	Office	6	0.04	0.04	164.73	164.73	12,739
11	Flats 80	Generally	Brown	Industrial	80	0.40	0.32	200.72	250.90	20,072
12	Flats 20	Generally	Brown	Industrial	20	0.12	0.12	164.73	164.73	13,179
13	Flats 80 Undercroft	Generally	Brown	Industrial	80	0.54	0.43	149.02	186.28	14,902
14	Flats 20 Undercroft	Generally	Brown	Industrial	20	0.12	0.12	164.73	164.73	13,179
15	Small Green 5	Generally	Green	Paddock	5	0.16	0.16	30.89	30.89	3,793
16	Small Green 3	Generally	Green	Residential	3	0.20	0.20	15.00	15.00	2,625
17	Green Plot	Generally	Green	Paddock	1	0.08	0.08	12.50	12.50	3,750

Source: April 2017

9.16 It was noted by several consultees that the modelling does not include garages. These are typically around 15m^2 for a single and 25m^2 for a double. In this context it is notable that all the consultees who expressed an opinion suggested that garages were in fact used for storage and uses other than for parking cars. One consultee provided an approximate cost of £30,000 for a double garage that was not incorporated into the dwelling – although it should be noted that due to the density requirements these will be rare.

9.17 In the initial modelling the common space in flatted schemes was taken to be 10% and several developers suggested that this was too low. Recent planning consents have been reviewed and the amount varies from 12% to 23%. The assumption has been increased to 16% (being the average on recent schemes).

Residential Extensions

9.18 Residential extensions are modelled separately based on a 150m^2 extension to a 4 bed home with an value of £830,000 (being the average value for a 4 bed house) and a 40m^2 extension to 3 bed house with a value of £470,000 (being the approximate value of a more modest 3 bed house).

Older People's Housing

9.19 Much of the older people's housing is similar in form (and costs and values) as mainstream housing) so is not considered separately. Some specialist housing does come forward so a private sheltered/retirement and an extracare scheme have been modelled, each on a 0.5ha site as follows.

- A private sheltered/retirement scheme of 20 x 1 bed units of 50m^2 and 25 x 2 bed units of 75m^2 to give a net saleable area (GIA) of 2,875m^2. A further 20% non-saleable service and common areas is assumed to give a scheme GIA of about 3,600m^2.
- An extracare scheme of 36 x 1 bed units of 65m^2 and 24 x 2 bed units of 80m^2 to give a net saleable area (GIA) of 4,260m^2. A further 35% non-saleable service and common areas is assumed to give a scheme GIA of about 6,555m^2.

Non-Residential Sites

9.20 A number of non-residential development types have also been modelled:

a. **Offices.** Initially two office formats were modelled based on two story construction and relatively low levels of site coverage. Following a review of recent applications this been revisited.

Table 9.5 Recent Office Planning Applications				
SITE	**APPLICATION DETAILS**	**FLOOR-SPACE**	**Site cover-age**	**Floors**
Southampton Hotel (14-16 Weighbridge Square)	Demolish existing buildings. Retain part facade of No. 14. Construct new building comprising basement, ground floor restaurant, four storey offices, and fifth floor plant/storage.	1,700	90%	5
5/6 Esplanade	Demolish existing building and construct new building comprising of 6 floors of offices and parking.	6,465	100%	6
8/9 Esplanade	Demolish existing buildings. Construct five storey office, with basement parking.	6,633	95%	5
19/21 Esplanade	Demolish existing buildings. Construct six storey office building with basement car park.	4,366	95%	6
22/23 Esplanade	Demolish existing buildings at 22-23 Esplanade & 38-40 Commercial Street, (retain & refurbish facade to 38 Commercial Street). Construct six storey office building to include basement parking.	3,576	95%	6
27 Esplanade	Refurbishment of historic facade to 27 Esplanade and first three bays. Re-modelling of 28 Esplanade. Demolition of remainder of buildings through to La Rue des Mielles. Construct new seven-storey office building. Construction of basement car park	6,466	100%	7
66/72 Esplanade	Demolish 66-72 Esplanade, 60 Kensington Place and part of 14 Patriotic Street. Construct six storey office development, incorporating ground floor parking and retention of 14 Patriotic Street listed facade	20,050	95%	6
29 Seaton Place	Demolish existing warehouse and flats. Construct four storey office building with car parking.	2,286	95%	4
"J1" 19/21 Commercial Street & 31/41 Broad Street	Demolish existing buildings. Construct six storey building comprising of retail units and offices with basement parking. Remove 33 Broad Street. Restore facades of 35-37 Broad Street and 'Harbour Wall' structure.	39,000	90%	6
Building 4 Esplanade Quarter	Construct six storey office block with associated basement and landscaping. Temporary relocation of existing car park.	9,011	85%	6
Building 1 Esplanade Quarter	Construct six storey office block with associated basement and landscaping. Temporary relocation of existing public car park.	11,083	85%	6
Building 5 Esplanade Quarter	Construct six storey office building with associated basement parking and public realm. Temporary relocation of existing public parking.	9,383	85%	6

Source: SOJ (May 2017)

Two typologies have been modelled, a large scheme of 5,000m^2 and a smaller scheme of 2,000m^2. 20% circulation space (being an increase from the 10% following the consultation process) is assumed. Six storey construction and 85% site coverage is assumed for the larger scheme and four storey construction and 90% site coverage for the smaller scheme.

b. **Large industrial.** Only two industrial applications were processed in 2015. Both were about 600m^2. Four storage applications were also approved ranging from just under

200m^2 to nearly 1,000m^2. Two typologies have been modelled, both based on a modern steel frame construction and allowing for 5% circulation space. The first being 750m^2 and the second 200m^2. Both assume 60% coverage.

Hotels and Leisure

9.21 The leisure industry is very diverse and ranges from conventional hotels and roadside budget hotels, to cinemas, theatres, historic attractions, equestrian centres, stables and ménages. We have reviewed this sector and a number of units have come forward recently. Having considered this with the Department, a modern hotel on a town edge site has been modelled.

9.22 A 60-bedroom product (60 x 22.5m^2 + 25% circulation space = 1,800m^2) with ample car parking on a 0.4 ha (1 acre) site has been modelled.

Community and Institutional

9.23 This includes development used for the provision of any medical or health services and development used wholly or mainly for the provision of education as a school or an institution of higher education. Most development in this sector is mainly brought forward by the public sector or by not-for-profit organisations – many of which have charitable status (thus in England, making them potentially exempt from CIL).

Retail

9.24 This assessment is looking at the ability of new projects to bear the Department's policy requirements and developer contributions – it is only therefore necessary to look at the main types of development likely to come forward in the future. The following distinct types of retail development have been modelled – although it should be noted that no such development is scheduled to take place on the specific sites.

a. **Supermarkets** is a single storey retail unit development with a gross (i.e. GIA) area of 500m^2. It is assumed to occupy a total site area of 0.1ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites. (This is substantially smaller than in the initial work.)

b. **Retail Warehouse** is a single storey retail unit development with a gross (i.e. GIA) area of 3,000m^2. It is assumed to occupy a total site area of 0.6ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

c. **Shop** is a brick built development on two storeys, of 200 m^2. 80% coverage is allowed for, and the total site area is 0.025ha. This has been modelled in both a prime and secondary location.

9.25 There are other types of retail development, such as small single farm shops, petrol filling stations and garden centres. These are not included in this high-level study due to the great diversity of project that may arise.

10. Residential Appraisals

10.1 At the start of this chapter it is important to stress that the results of the appraisals do not, in themselves, set a new standard rate of developer contribution. In due course, the evidence will be used to inform the decision process. The results of this study are one of a number of factors that the Minister will consider, including the other available evidence, and, importantly, the results of the consultation process with developers and the wider community. The purpose of the appraisals is to provide an indication, of the effect on viability, of the introduction of developer contributions (as a standard charge or under the POA system) under different scenarios. In due course, the Minister for the Environment will have to take a view as to whether or not to proceed.

10.2 The appraisals use the residual valuation approach – that is, they are designed to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents and an appropriate amount of developers' profit. The Residual Value would represent the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. For the proposed development to be described as viable, it is necessary for this value to exceed the EUV by a satisfactory margin. This is discussed in Chapter 6 above.

10.3 Development appraisals are sensitive to changes in price, so appraisals have been run with various changes in the cost of construction, and an increase and decrease in prices.

10.4 As set out above, for each development type the Residual Value has been calculated. In the tables in this chapter the results are colour coded using a simple traffic light system:

a. **Green** **Viable** – where the Residual Value per hectare exceeds the indicative Viability Threshold Value per hectare (being the EUV plus the appropriate uplift to provide a competitive return for the landowner).

b. **Amber** **Marginal** – where the Residual Value per hectare exceeds the EUV, but not Viability Threshold Value per hectare. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.

c. **Red** **Non-viable** – where the Residual Value does not exceed the EUV

10.5 The results are set out and presented for each site and per gross hectare to allow comparison between sites.

10.6 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a typology is shown as viable does not necessarily mean that sites of that type will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development and what planning applications are being determined.

10.7 The detailed appraisal base results are included in **Appendix 6**.

Base Appraisals – full draft policy requirements

10.8 The financial appraisals for each of the modelled residential sites are based on the full 'policy on' requirements of the Island Plan:

Table 10.1 Residential Development – Residual Values

						Area (ha)		Units	Residual Value (£)		
						Gross	Net		Gross ha	Net ha	Site
Site 1	Large Brown 50	General	Brown	Industrial		0.878	0.703	50	7,834,755	9,793,443	6,881,821
Site 2	Large Brown 30	General	Brown	Industrial		0.592	0.473	30	7,118,866	8,898,582	4,213,412
Site 3	Medium Brown 20	General	Brown	Industrial		0.384	0.384	20	7,067,353	7,067,353	2,717,113
Site 4	Medium Brown 12	General	Brown	Industrial		0.260	0.260	12	6,579,399	6,579,399	1,711,701
Site 5	Small Brown 8	General	Brown	Industrial		0.142	0.142	8	6,787,798	6,787,798	961,444
Site 6	Small Brown 5	General	Brown	Industrial		0.098	0.098	5	5,219,470	5,219,470	512,985
Site 7	Small Brown 2	General	Brown	Industrial		0.062	0.062	2	5,688,975	5,688,975	354,199
Site 8	Brown Plot	General	Brown	Industrial		0.030	0.030	1	8,272,838	8,272,838	248,185
Site 9	Conversion 25	General	Brown	Office		0.202	0.202	25	24,942,661	24,942,661	5,047,078
Site 10	Conversion 6	General	Brown	Office		0.036	0.036	6	31,768,344	31,768,344	1,157,083
Site 11	Flats 80	General	Brown	Industrial		0.399	0.319	80	11,403,006	14,253,758	4,544,813
Site 12	Flats 20	General	Brown	Industrial		0.121	0.121	20	18,480,955	18,480,955	2,243,742
Site 13	Flats 80 Undercroft	General	Brown	Industrial		0.537	0.429	80	4,077,013	5,096,266	2,188,702
Site 14	Flats 20 Undercroft	General	Brown	Industrial		0.121	0.121	20	13,585,955	13,585,955	1,649,448
Site 15	Small Green 5	General	Green	Paddock		0.162	0.162	5	6,009,126	6,009,126	972,744
Site 16	Small Green 3	General	Green	Residential		0.200	0.200	3	4,197,911	4,197,911	839,582
Site 17	Green Plot	General	Green	Paddock		0.080	0.080	1	6,055,674	6,055,674	484,454

Source: April 2017

10.9 The results vary across the modelled sites, although this is largely due to the different assumptions around the nature of the site. The additional costs associated with brownfield

sites also result in lower values. The higher density flatted schemes generate very much higher Residual Values.

10.10 The Residual Value is not a good indication of viability by itself, being the maximum price a developer may bid for a parcel of land and still make an adequate return (competitive return) – although it is notable that in all cases the figure is above £4,000,000/ha (£1,600,000/acre) and in all but two cases are above £5,000,000 so well above the typical payment of £4,600,000 suggested by a residential developer (at 6.22 above). Generally, the Residual Values are in line with the prices paid for development sites on Jersey as set out in Chapter 6 above, indicating that the results are a reasonable representative assessment of current development economics.

10.11 In the following tables, we have compared the Residual Value with the Viability Threshold. The Viability Threshold being an amount over and above the Existing Use Value that is sufficient to provide the willing landowner with a competitive return and induce them to sell the land for development as set out in Chapter 6 above.

Table 10.2 Residual Values Compared to Viability Threshold

		Alternative Use Value	Viability Threshold	Residual Value
Site 1	Large Brown 50	1,900,000	2,280,000	7,834,755
Site 2	Large Brown 30	1,900,000	2,280,000	7,118,866
Site 3	Medium Brown 20	1,900,000	2,280,000	7,067,353
Site 4	Medium Brown 12	1,900,000	2,280,000	6,579,399
Site 5	Small Brown 8	1,900,000	2,280,000	6,787,798
Site 6	Small Brown 5	1,900,000	2,280,000	5,219,470
Site 7	Small Brown 2	1,900,000	2,280,000	5,688,975
Site 8	Brown Plot	1,900,000	2,280,000	8,272,838
Site 9	Conversion 25	19,100,055	22,920,066	24,942,661
Site 10	Conversion 6	25,000,000	30,000,000	31,768,344
Site 11	Flats 80	1,900,000	2,280,000	11,403,006
Site 12	Flats 20	1,900,000	2,280,000	18,480,955
Site 13	Flats 80 Undercroft	1,900,000	2,280,000	4,077,013
Site 14	Flats 20 Undercroft	1,900,000	2,280,000	13,585,955
Site 15	Small Green 5	150,000	180,000	6,009,126
Site 16	Small Green 3	4,000,000	4,800,000	4,197,911
Site 17	Green Plot	150,000	180,000	6,055,674

Source: March 2017

10.12 In all cases the Residual Value is very much above the Viability Threshold where the Viability Threshold is based on the paddock and industrial values.

10.13 The exception is Site 16 which is modelled on 3 detached houses being built on a site previously in a residential use as a single house (value £800,000). Whilst the site generates a significant Residual Value, it is not more than the EUV. These types of site where single plots are being developed with multiple houses are coming forward on the ground.

10.14 In the above analysis, on most sites it is assumed that the EUV of the brownfield sites is based on an industrial use with a relatively low value (for Jersey) of £1,900,000/ha. Most brownfield sites, particularly those in St Helier are likely to be in some other use (such as car parking, or simply be awaiting redevelopment). In the following table, we set out the Residual Values, relative to a range of alternative Viability Thresholds. It is timely to note that the only consultee that commented, in this regard said '*In the past few years we have purchased residential land of some 22.3 acres and the average price is £4.65m per hectare*':

Table 10.3 Residual Values Compared to Viability Threshold

		Alternative Use Value	Viability Threshold	Residual Value	Alternative Viability Threshold						
					£3,000,000	£3,500,000	£4,000,000	£4,500,000	£5,000,000	£6,000,000	£6,500,000
Site 1	Large Brown 50	1,900,000	2,280,000	7,834,755	7,834,755	7,834,755	7,834,755	7,834,755	7,834,755	7,834,755	7,834,755
Site 2	Large Brown 30	1,900,000	2,280,000	7,118,866	7,118,866	7,118,866	7,118,866	7,118,866	7,118,866	7,118,866	7,118,866
Site 3	Medium Brown 20	1,900,000	2,280,000	7,067,353	7,067,353	7,067,353	7,067,353	7,067,353	7,067,353	7,067,353	7,067,353
Site 4	Medium Brown 12	1,900,000	2,280,000	6,579,399	6,579,399	6,579,399	6,579,399	6,579,399	6,579,399	6,579,399	6,579,399
Site 5	Small Brown 8	1,900,000	2,280,000	6,787,798	6,787,798	6,787,798	6,787,798	6,787,798	6,787,798	6,787,798	6,787,798
Site 6	Small Brown 5	1,900,000	2,280,000	5,219,470	5,219,470	5,219,470	5,219,470	5,219,470	5,219,470	5,219,470	5,219,470
Site 7	Small Brown 2	1,900,000	2,280,000	5,688,975	5,688,975	5,688,975	5,688,975	5,688,975	5,688,975	5,688,975	5,688,975
Site 8	Brown Plot	1,900,000	2,280,000	8,272,838	8,272,838	8,272,838	8,272,838	8,272,838	8,272,838	8,272,838	8,272,838
Site 9	Conversion 25	19,100,055	22,920,066	24,942,661	24,942,661	24,942,661	24,942,661	24,942,661	24,942,661	24,942,661	24,942,661
Site 10	Conversion 6	25,000,000	30,000,000	31,768,344	31,768,344	31,768,344	31,768,344	31,768,344	31,768,344	31,768,344	31,768,344
Site 11	Flats 80	1,900,000	2,280,000	11,403,006	11,403,006	11,403,006	11,403,006	11,403,006	11,403,006	11,403,006	11,403,006
Site 12	Flats 20	1,900,000	2,280,000	18,480,955	18,480,955	18,480,955	18,480,955	18,480,955	18,480,955	18,480,955	18,480,955
Site 13	Flats 80 Undercroft	1,900,000	2,280,000	4,077,013	4,077,013	4,077,013	4,077,013	4,077,013	4,077,013	4,077,013	4,077,013
Site 14	Flats 20 Undercroft	1,900,000	2,280,000	13,585,955	13,585,955	13,585,955	13,585,955	13,585,955	13,585,955	13,585,955	13,585,955
Site 15	Small Green 5	150,000	180,000	6,009,126	6,009,126	6,009,126	6,009,126	6,009,126	6,009,126	6,009,126	6,009,126
Site 16	Small Green 3	4,000,000	4,800,000	4,197,911	4,197,911	4,197,911	4,197,911	4,197,911	4,197,911	4,197,911	4,197,911
Site 17	Green Plot	150,000	180,000	6,055,674	6,055,674	6,055,674	6,055,674	6,055,674	6,055,674	6,055,674	6,055,674

Source: March 2017

10.15 This analysis indicates that most sites generate a Residual Value well in excess of £6,000,000/ha, which is not a dissimilar value to the average price reported in Chapter 6 above.

Additional Profit

10.16 In Chapter 3 above we set out the principle of Additional Profit. Additional Profit is the amount of profit over and above the normal profit made by the developer having purchased the land (at the Viability Threshold) developed the site and sold the units.

10.17 The following tables show the additional profit. This is the amount over and above the Viability Threshold, having provided the full policy requirements set out in the Core Strategy. The appraisals include a £2,000/unit developer's contribution where applicable, (but not the 0.75% art contribution):

Table 10.4 Additional Profit

			£/site	£/m^2
Site 1	Large Brown 50	Industrial	5,483,639	1,153
Site 2	Large Brown 30	Industrial	3,218,811	1,111
Site 3	Medium Brown 20	Industrial	2,055,521	1,087
Site 4	Medium Brown 12	Industrial	1,241,281	1,108
Site 5	Small Brown 8	Industrial	708,594	1,030
Site 6	Small Brown 5	Industrial	328,231	789
Site 7	Small Brown 2	Industrial	237,906	952
Site 8	Brown Plot	Industrial	200,160	1,144
Site 9	Conversion 25	Office	451,811	227
Site 10	Conversion 6	Office	71,150	153
Site 11	Flats 80	Industrial	4,036,111	631
Site 12	Flats 20	Industrial	2,168,965	1,356
Site 13	Flats 80 Undercroft	Industrial	1,085,938	170
Site 14	Flats 20 Undercroft	Industrial	1,523,398	952
Site 15	Small Green 5	Paddock	1,050,024	1,710
Site 16	Small Green 3	Residential	-126,905	-242
Site 17	Green Plot	Paddock	520,135	1,734

Source: SoJ Developer Contributions Viability Assessment (HDH, April 2017)

10.18 The additional profit varies considerably on these sites. When the additional profit is considered across the modelled sites (and the sites are modelled with an EUV as industrial use), it can be seen that there is considerable capacity to bear developer contributions over and above the £2,000/unit POA modelled.

Impact of Developer Contributions

10.19 The following tables show the results of appraisals based on the full Island Plan policy requirements with developer contributions calculated on a £/m^2 basis and as a proportion (%) of GDV.

Table 10.5 Residual Values compared to Viability Threshold

Impact of Developer Contributions – as £/m^2 of Residential Development

			Alternative Use Value	Viability Threshold	Residual Value																
					£0	£25	£50	£75	£100	£125	£150	£175	£200	£250	£300	£350	£400	£450	£500
Site 1	Large Brown 50	Generally	1,900,000	2,280,000	7,834,755	7,702,876	7,570,997	7,439,118	7,307,239	7,175,361	7,043,482	6,911,603	6,779,724	6,515,966	6,252,209	5,988,451	5,724,693	5,460,936	5,197,178
Site 2	Large Brown 30	Generally	1,900,000	2,280,000	7,118,866	6,999,163	6,879,460	6,759,756	6,640,053	6,520,350	6,400,647	6,280,944	6,161,241	5,921,834	5,682,428	5,443,022	5,203,615	4,964,209	4,724,802
Site 3	Medium Brown 20	Generally	1,900,000	2,280,000	7,067,353	6,946,928	6,826,502	6,706,076	6,585,650	6,465,224	6,344,798	6,224,372	6,103,946	5,863,094	5,622,242	5,381,391	5,140,539	4,899,687	4,658,835
Site 4	Medium Brown 12	Generally	1,900,000	2,280,000	6,579,399	6,472,923	6,366,447	6,259,971	6,153,495	6,047,019	5,940,543	5,834,067	5,727,591	5,514,639	5,301,687	5,088,735	4,875,784	4,662,832	4,449,880
Site 5	Small Brown 8	Generally	1,900,000	2,280,000	6,787,798	6,667,663	6,547,528	6,427,394	6,307,259	6,187,124	6,066,990	5,946,855	5,826,720	5,586,451	5,346,182	5,105,912	4,865,643	4,625,374	4,385,105
Site 6	Small Brown 5	Generally	1,900,000	2,280,000	5,219,470	5,114,427	5,009,384	4,904,341	4,799,298	4,694,256	4,589,213	4,484,170	4,379,127	4,169,041	3,958,956	3,748,870	3,538,784	3,328,698	3,118,613
Site 7	Small Brown 2	Generally	1,900,000	2,280,000	5,688,975	5,588,537	5,488,100	5,387,663	5,287,225	5,186,788	5,086,351	4,985,913	4,885,476	4,684,601	4,483,726	4,282,852	4,081,977	3,881,102	3,680,227
Site 8	Brown Plot	Generally	1,900,000	2,280,000	8,272,838	8,126,103	7,979,369	7,832,634	7,685,899	7,539,165	7,392,430	7,245,696	7,098,961	6,805,492	6,512,023	6,218,554	5,925,085	5,631,616	5,338,147
Site 9	Conversion 25	Generally	19,100,055	22,920,066	24,942,661	24,698,350	24,454,039	24,209,728	23,965,417	23,721,105	23,476,794	23,232,483	22,988,172	22,499,549	22,010,927	21,522,305	21,033,682	20,545,060	20,056,438
Site 10	Conversion 6	Generally	25,000,000	30,000,000	31,768,344	31,449,692	31,131,039	30,812,386	30,493,734	30,175,081	29,856,429	29,537,776	29,219,124	28,581,819	27,944,513	27,307,208	26,669,903	26,032,598	25,395,293
Site 11	Flats 80	Generally	1,900,000	2,280,000	11,403,006	11,005,853	10,608,699	10,211,546	9,814,392	9,417,238	9,020,085	8,622,931	8,225,778	7,431,471	6,637,164	5,842,856	5,048,549	4,254,242	3,459,935
Site 12	Flats 20	Generally	1,900,000	2,280,000	18,480,955	18,153,349	17,825,744	17,498,138	17,170,533	16,842,927	16,515,322	16,187,716	15,860,110	15,204,899	14,549,688	13,894,477	13,239,266	12,584,055	11,928,844
Site 13	Flats 80 Undercroft	Generally	1,900,000	2,280,000	4,077,013	3,786,488	3,495,962	3,205,437	2,914,911	2,624,386	2,333,861	2,043,335	1,752,810	1,171,759	590,708	9,658	-571,393	-1,152,444	-1,733,495
Site 14	Flats 20 Undercroft	Generally	1,900,000	2,280,000	13,585,955	13,260,008	12,934,062	12,608,115	12,282,168	11,956,221	11,630,275	11,304,328	10,978,381	10,326,488	9,674,594	9,022,701	8,370,807	7,718,914	7,067,020
Site 15	Small Green 5	Generally	150,000	180,000	6,009,126	5,914,995	5,820,864	5,726,733	5,632,602	5,538,471	5,444,340	5,350,209	5,256,078	5,067,816	4,879,554	4,691,292	4,503,031	4,314,769	4,126,507
Site 16	Small Green 3	Generally	4,000,000	4,800,000	4,197,911	4,132,621	4,067,330	4,002,039	3,936,748	3,871,458	3,806,167	3,740,876	3,675,585	3,545,004	3,414,422	3,283,841	3,153,259	3,022,678	2,892,096
Site 17	Green Plot	Generally	150,000	180,000	6,055,674	5,961,345	5,867,016	5,772,686	5,678,357	5,584,028	5,489,698	5,395,369	5,301,040	5,112,381	4,923,722	4,735,064	4,546,405	4,357,746	4,169,087

Source: April 2017

Table 10.6 Residual Values compared to Viability Threshold

Impact of Developer Contributions – as % of GDV

			Alternative Use Value	Viability Threshold	Residual Value														
					0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
Site 1	Large Brown 50	Generally	1,900,000	2,280,000	7,834,755	7,770,588	7,706,422	7,642,255	7,578,088	7,513,922	7,449,755	7,385,588	7,321,422	7,193,089	7,064,755	6,936,422	6,808,089	6,679,756	6,551,422
Site 2	Large Brown 30	Generally	1,900,000	2,280,000	7,118,866	7,060,637	7,002,408	6,944,178	6,885,949	6,827,720	6,769,491	6,711,262	6,653,033	6,536,574	6,420,116	6,303,658	6,187,199	6,070,741	5,954,283
Site 3	Medium Brown 20	Generally	1,900,000	2,280,000	7,067,353	7,008,704	6,950,054	6,891,404	6,832,754	6,774,104	6,715,454	6,656,805	6,598,155	6,480,855	6,363,555	6,246,256	6,128,956	6,011,656	5,894,357
Site 4	Medium Brown 12	Generally	1,900,000	2,280,000	6,579,399	6,527,506	6,475,613	6,423,720	6,371,827	6,319,935	6,268,042	6,216,149	6,164,256	6,060,471	5,956,685	5,852,900	5,749,114	5,645,329	5,541,543
Site 5	Small Brown 8	Generally	1,900,000	2,280,000	6,787,798	6,729,007	6,670,216	6,611,425	6,552,634	6,493,843	6,435,052	6,376,261	6,317,471	6,199,889	6,082,307	5,964,725	5,847,143	5,729,562	5,611,980
Site 6	Small Brown 5	Generally	1,900,000	2,280,000	5,219,470	5,167,780	5,116,091	5,064,402	5,012,712	4,961,023	4,909,333	4,857,644	4,805,954	4,702,576	4,599,197	4,495,818	4,392,439	4,289,060	4,185,681
Site 7	Small Brown 2	Generally	1,900,000	2,280,000	5,688,975	5,640,765	5,592,555	5,544,345	5,496,135	5,447,925	5,399,715	5,351,505	5,303,295	5,206,875	5,110,456	5,014,036	4,917,616	4,821,196	4,724,776
Site 8	Brown Plot	Generally	1,900,000	2,280,000	8,272,838	8,202,405	8,131,972	8,061,540	7,991,107	7,920,675	7,850,242	7,779,810	7,709,377	7,568,512	7,427,647	7,286,782	7,145,916	7,005,051	6,864,186
Site 9	Conversion 25	Generally	19,100,055	22,920,066	24,942,661	24,819,284	24,695,907	24,572,530	24,449,153	24,325,776	24,202,399	24,079,021	23,955,644	23,708,890	23,462,136	23,215,381	22,968,627	22,721,873	22,475,118
Site 10	Conversion 6	Generally	25,000,000	30,000,000	31,768,344	31,607,425	31,446,505	31,285,585	31,124,666	30,963,746	30,802,827	30,641,907	30,480,988	30,159,149	29,837,310	29,515,471	29,193,631	28,871,792	28,549,953
Site 11	Flats 80	Generally	1,900,000	2,280,000	11,403,006	11,202,444	11,001,881	10,801,319	10,600,756	10,400,194	10,199,631	9,999,068	9,798,506	9,397,381	8,996,256	8,595,131	8,194,006	7,792,880	7,391,755
Site 12	Flats 20	Generally	1,900,000	2,280,000	18,480,955	18,315,514	18,150,073	17,984,633	17,819,192	17,653,751	17,488,310	17,322,869	17,157,428	16,826,547	16,495,665	16,164,784	15,833,902	15,503,020	15,172,139
Site 13	Flats 80 Undercroft	Generally	1,900,000	2,280,000	4,077,013	3,930,298	3,783,582	3,636,867	3,490,152	3,343,436	3,196,721	3,050,006	2,903,290	2,609,860	2,316,429	2,022,998	1,729,568	1,436,137	1,142,707
Site 14	Flats 20 Undercroft	Generally	1,900,000	2,280,000	13,585,955	13,421,352	13,256,749	13,092,146	12,927,543	12,762,939	12,598,336	12,433,733	12,269,130	11,939,924	11,610,718	11,281,512	10,952,305	10,623,099	10,293,893
Site 15	Small Green 5	Generally	150,000	180,000	6,009,126	5,963,943	5,918,760	5,873,577	5,828,394	5,783,211	5,738,029	5,692,846	5,647,663	5,557,297	5,466,931	5,376,566	5,286,200	5,195,834	5,105,469
Site 16	Small Green 3	Generally	4,000,000	4,800,000	4,197,911	4,166,572	4,135,232	4,103,893	4,072,553	4,041,214	4,009,874	3,978,535	3,947,195	3,884,516	3,821,837	3,759,158	3,696,478	3,633,799	3,571,120
Site 17	Green Plot	Generally	150,000	180,000	6,055,674	6,010,396	5,965,118	5,919,840	5,874,562	5,829,284	5,784,006	5,738,728	5,693,450	5,602,893	5,512,337	5,421,781	5,331,225	5,240,669	5,150,113

Source: April 2017

10.20 As expected, the analysis indicates that as the level of developer contribution increases, the Residual Value falls. A charge of £25/m^2 results in a fall in the Residual Value of about (on average, across the viable typologies) £170,000/ha (which is about 2% of the Residual Value). A charge of 0.25% of GDV results in a fall in the Residual Value of about (on average, across the viable typologies) £85,000/ha (which is about 1% of the Residual Value).

10.21 In the above analysis, the conversion of existing buildings, the redevelopment of existing residential sites and the development of a larger scheme of flats, with undercroft carparking, have less capacity to bear contributions.

10.22 The conversion schemes that are based on the reuse of lower quality offices generate a very substantial Residual Value, however it is important to note that the difference between the Residual Value and Viability Threshold is less than on some of the other sites when considered proportionately. The success of such schemes is closely related to the ability of the developer to acquire sites less expensively. The appraisals take a uniform approach to developer's return (20% on all sites). There is an argument to be made that the risk with conversions is lower due to the reduced overall construction costs. Based on this analysis we would recommend that a new levy only be applied to net new development (following the approach taken in England).

10.23 Through the consultation process a range of comments were made. Whilst some stakeholders maintained that any charge at all would bring development to a halt on the island as landowners would no longer make their land available for development, others accepted the impact of the levy would depend on the level of the charge.

10.24 In the following tables, we have set out the charge on three bases.

a. **As a percentage of Residual Value** – showing how much the residual value would fall if the charge was introduced. Developer contributions as the proportion of the Residual Value, in approximate terms, represents the percentage fall the amount a developer may bid and therefore the fall in land value that a landowner may receive. It is inevitable that an increased level of developer contributions, if introduced, would depress land prices. This is recognised in the RICS Guidance and was considered at the Greater Norwich CIL examination[32]. In Greater Norwich, it was suggested that landowners may accept a 25% fall in land prices following the introduction of CIL saying:

22. Thirdly the work done by the Councils to demonstrate what funds are likely to be available for CIL (Appendix 1 of the Note following Day 1) relies on the full 25% of the benchmark land value being available for the CIL "pot". While this may sometimes be the case it is unlikely that it will always apply. Even if some landowners may be prepared to accept less than 75% of the benchmark value, the 25% figure should be treated as a maximum and not an average. Using

[32] Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council. by Keith Holland BA (Hons) Dip TP, MRTPI ARICS Date: 4 December 2012

25% to try to establish what the theoretical maximum amount in a CIL "pot" may be is reasonable, but when thinking about setting a CIL charge in the real world it would be prudent to treat it as a maximum that will only apply on some occasions in some circumstances.

It is important to note that a wide-ranging debate took place at that CIL Examination and on the specific local circumstances. It would however be prudent to set developer contributions at a rate that does not result in a fall in land prices of greater than 25% or so.

b. **As a percentage of residential land value** - where residential land is assumed to have a value of £6,000,000/ha (see Chapter 6 above).

There was a discussion around land values and the brownfield typologies are modelled based on a value of industrial land. It is accepted that much of the future development in St Helier will not be on industrial land.

This analysis shows the effect that a levy would have on a typical residential site (i.e. one with a value of £6,000,000/ha).

c. **As a percentage of GDV** – indicating the scale of the charge relative to the scale of the overall project.

This is relevant as valuation is an art rather than a science and is a process based on a series of professional judgements and estimates. There is research into the variance of valuations when compared to the actual sale price, the *RICS IPD Valuation and Sale Price Report UK 2012*[33] (being the most recent research) found that for non-residential property the average valuation was about 8% different to the eventual sale price of the property[34], and 67.5% of valuations are within a plus 10% and minus 10% band of the sale price[35] (meaning that over 32% lie outside this band). We are not aware of similar research in relation to residential property, although there is no reason to suggest the findings would be very different.

A charge set at a low proportion of the total project value (the GDV) may well be within a margin of 'error' and the reasonable tolerances of the appraisal process. This does not mean that it would be an insignificant cost – or that it is not a real cost that needs to be paid from the project's revenue, but it provides context to the level and subsequent effect of a new charge or levy (is it a large or small amount relative to the value of the project).

[33] http://www.rics.org/Global/17820%20RICS%20IPD%20Valuation%20and%20Sales%20Price%20Report%202012%20-%20UK%20WEB.pdf

[34] Figure 1 RICS IPD Valuation and Sale Price Report UK 2012

[35] Table 10 RICS IPD Valuation and Sale Price Report UK 2012

Table 10.7 Developer Contributions as £/m²

% of Residual Value

% Residual Value		£0	£25	£50	£75	£100	£125	£150	£175	£200	£250	£300	£350	£400	£450	£500
Site 1	Large Brown 50	0.00%	1.76%	3.58%	5.46%	7.41%	9.44%	11.54%	13.72%	15.98%	20.78%	25.99%	31.66%	37.85%	44.64%	52.11%
Site 2	Large Brown 30	0.00%	1.75%	3.56%	5.43%	7.37%	9.38%	11.47%	13.64%	15.89%	20.66%	25.84%	31.47%	37.63%	44.37%	51.80%
Site 3	Medium Brown 20	0.00%	1.77%	3.60%	5.50%	7.47%	9.51%	11.63%	13.83%	16.12%	20.97%	26.25%	31.99%	38.27%	45.17%	52.79%
Site 4	Medium Brown 12	0.00%	1.66%	3.38%	5.16%	7.00%	8.90%	10.87%	12.91%	15.03%	19.52%	24.36%	29.61%	35.32%	41.55%	48.37%
Site 5	Small Brown 8	0.00%	1.82%	3.71%	5.67%	7.70%	9.81%	12.01%	14.29%	16.67%	21.74%	27.26%	33.30%	39.93%	47.26%	55.38%
Site 6	Small Brown 5	0.00%	2.07%	4.22%	6.47%	8.82%	11.27%	13.83%	16.52%	19.33%	25.38%	32.07%	39.52%	47.84%	57.22%	67.86%
Site 7	Small Brown 2	0.00%	1.80%	3.66%	5.59%	7.59%	9.68%	11.84%	14.09%	16.44%	21.43%	26.87%	32.81%	39.35%	46.56%	54.55%
Site 8	Brown Plot	0.00%	1.79%	3.66%	5.59%	7.59%	9.67%	11.84%	14.09%	16.43%	21.43%	26.87%	32.83%	39.38%	46.61%	54.64%
Site 9	Conversion 25	0.00%	1.00%	2.01%	3.05%	4.11%	5.19%	6.29%	7.42%	8.56%	10.94%	13.42%	16.01%	18.72%	21.56%	24.54%
Site 10	Conversion 6	0.00%	1.01%	2.05%	3.10%	4.18%	5.28%	6.40%	7.55%	8.72%	11.14%	13.68%	16.33%	19.11%	22.02%	25.08%
Site 11	Flats 80	0.00%	3.65%	7.57%	11.79%	16.36%	21.31%	26.70%	32.59%	39.04%	54.02%	72.58%	96.19%	127.23%	169.85%	232.05%
Site 12	Flats 20	0.00%	1.81%	3.70%	5.65%	7.68%	9.78%	11.97%	14.25%	16.62%	21.67%	27.17%	33.20%	39.82%	47.13%	55.24%
Site 13	Flats 80 Undercroft	0.00%	7.87%	17.05%	27.89%	40.90%	56.78%	76.62%	102.10%	136.03%	254.35%	605.46%	43205.37%	-834.57%	-465.51%	-343.86%
Site 14	Flats 20 Undercroft	0.00%	2.48%	5.09%	7.84%	10.73%	13.78%	17.00%	20.40%	24.01%	31.91%	40.87%	51.12%	62.97%	76.83%	93.24%
Site 15	Small Green 5	0.00%	1.60%	3.26%	4.97%	6.73%	8.56%	10.45%	12.41%	14.43%	18.71%	23.32%	28.30%	33.69%	39.56%	45.96%
Site 16	Small Green 3	0.00%	1.59%	3.23%	4.92%	6.67%	8.48%	10.35%	12.28%	14.28%	18.51%	23.06%	27.98%	33.30%	39.08%	45.38%
Site 17	Green Plot	0.00%	1.57%	3.20%	4.87%	6.60%	8.39%	10.25%	12.16%	14.15%	18.34%	22.85%	27.72%	32.99%	38.72%	44.97%

Source: April 2017

10.25 Earlier in this chapter it was established that developers are paying as much as they can for land, there being a close correlation between Residual Value and the actual prices being paid

in the market. The above table indicates the amount that the maximum bid that a developer may make to a landowner if a levy or tax was introduced, that was calculated on a £/m^2 basis.

10.26 If the principle from the GNDP CIL Examination was followed, and it was presumed that a fall of up to 25% would be acceptable, then a maximum rate of a levy would be £250/m^2 or so. It would not be appropriate to make direct comparables with the GNDP area and Jersey. The area around Norwich being largely rural, with large scale greenfield sites coming forward, whilst in Jersey most development land is within the urban area that has an existing use over and above an agricultural use.

10.27 A rate of £125/m^2 applied to residential development may result in a fall in Residual Value of less than 10% or so on most sites, and a rate of £50/m^2 a fall of less than 4% on most sites.

10.28 The question is whether a fall at these levels would deter landowners from releasing land. This will depend very much on the reason for the land becoming available. There are two main ways for land to enter the development market:

a. The land is no longer required or is no longer suitable for its existing use. A manufacturing business may need to move to better premise, an office building may be out dated or a business may simply close. In these cases, the owner (be they corporate or personal) is unlikely to have firm views or expectations as to the site's eventual value.

   The primary concern of a sale will be to realise the maximum return – either to put it to another use or to find new premises. The vendor will consider the value of the land or site as it stands, but also consider the potential for other uses.

b. A developer actively approaches a landowner having identified the parcel of land as having potential for redevelopment. This may relate to a single parcel of land or multiple parcels and require value to be made from a process of site assembly.

   In these cases, the landowner will not only want to receive the value for the land as it stands, but also 'compensation' for the bother of moving premises (domestic or business) and, particularly if well advised, a share of the development potential. Depending on the circumstances of the owner, they may take a harder line with any sale negotiations.

10.29 As can be seen from the Jersey House Price Index presented in Chapter 4 above, the housing market, and therefore land prices are subject to fluctuations, however prices are on a generally upwards trajectory. We would question whether or not a difference of 5% or 10% in land values would actually alter a landowner's behaviour when it comes to selling land – particularly those under point (a) above.

Table 10.8 Developer Contributions as £/m²

% of £6,000,000/ha

		£0	£25	£50	£75	£100	£125	£150	£175	£200	£250	£300	£350	£400	£450	£500
Site 1	Large Brown 50	0.00%	2.26%	4.51%	6.77%	9.03%	11.29%	13.54%	15.80%	18.06%	22.57%	27.08%	31.60%	36.11%	40.63%	45.14%
Site 2	Large Brown 30	0.00%	2.04%	4.08%	6.12%	8.16%	10.20%	12.24%	14.28%	16.32%	20.39%	24.47%	28.55%	32.63%	36.71%	40.79%
Site 3	Medium Brown 20	0.00%	2.05%	4.10%	6.15%	8.20%	10.25%	12.30%	14.35%	16.40%	20.49%	24.59%	28.69%	32.79%	36.89%	40.99%
Site 4	Medium Brown 12	0.00%	1.79%	3.59%	5.38%	7.18%	8.97%	10.76%	12.56%	14.35%	17.94%	21.53%	25.11%	28.70%	32.29%	35.88%
Site 5	Small Brown 8	0.00%	2.02%	4.05%	6.07%	8.10%	10.12%	12.14%	14.17%	16.19%	20.24%	24.29%	28.33%	32.38%	36.43%	40.48%
Site 6	Small Brown 5	0.00%	1.76%	3.53%	5.29%	7.05%	8.82%	10.58%	12.35%	14.11%	17.64%	21.16%	24.69%	28.22%	31.75%	35.27%
Site 7	Small Brown 2	0.00%	1.67%	3.35%	5.02%	6.69%	8.37%	10.04%	11.71%	13.38%	16.73%	20.08%	23.42%	26.77%	30.12%	33.46%
Site 8	Brown Plot	0.00%	2.43%	4.86%	7.29%	9.72%	12.15%	14.58%	17.01%	19.44%	24.31%	29.17%	34.03%	38.89%	43.75%	48.61%
Site 9	Conversion 25	0.00%	4.10%	8.20%	12.31%	16.41%	20.51%	24.61%	28.71%	32.81%	41.02%	49.22%	57.43%	65.63%	73.83%	82.04%
Site 10	Conversion 6	0.00%	5.31%	10.62%	15.92%	21.23%	26.54%	31.85%	37.16%	42.46%	53.08%	63.70%	74.31%	84.93%	95.55%	106.16%
Site 11	Flats 80	0.00%	6.69%	13.38%	20.07%	26.76%	33.45%	40.14%	46.83%	53.53%	66.91%	80.29%	93.67%	107.05%	120.43%	133.81%
Site 12	Flats 20	0.00%	5.49%	10.98%	16.47%	21.96%	27.46%	32.95%	38.44%	43.93%	54.91%	65.89%	76.88%	87.86%	98.84%	109.82%
Site 13	Flats 80 Undercroft	0.00%	4.97%	9.93%	14.90%	19.87%	24.84%	29.80%	34.77%	39.74%	49.67%	59.61%	69.54%	79.48%	89.41%	99.35%
Site 14	Flats 20 Undercroft	0.00%	5.49%	10.98%	16.47%	21.96%	27.46%	32.95%	38.44%	43.93%	54.91%	65.89%	76.88%	87.86%	98.84%	109.82%
Site 15	Small Green 5	0.00%	1.58%	3.16%	4.74%	6.32%	7.90%	9.48%	11.06%	12.64%	15.80%	18.96%	22.13%	25.29%	28.45%	31.61%
Site 16	Small Green 3	0.00%	1.09%	2.19%	3.28%	4.38%	5.47%	6.56%	7.66%	8.75%	10.94%	13.13%	15.31%	17.50%	19.69%	21.88%
Site 17	Green Plot	0.00%	1.56%	3.13%	4.69%	6.25%	7.81%	9.38%	10.94%	12.50%	15.63%	18.75%	21.88%	25.00%	28.13%	31.25%

Source: April 2017

10.30 The above table is similar to the previous one, however expresses the effect of the levy or charge as a proportion of average development land values (£6,000,000) on Jersey.

10.31 Where the charge was assessed against the Residual Value rate of £125/m^2 applied to residential development may result in a fall in bids of less than 10% or so on most sites, and a rate of £50/m^2 a fall of less than 5% on most sites. When assessed against an average land value of £6,000,000, the percentage fall is less. Having said this the effect is greater on the higher density sites as there is a greater floor area on which to calculate the charge.

10.32 Similar comments apply here to those made above.

Table 10.9 Developer Contributions as £/m²

% of GDV

	% GDV	£0	£25	£50	£75	£100	£125	£150	£175	£200	£250	£300	£350	£400	£450	£500
Site 1	Large Brown 50	0.00%	0.51%	1.03%	1.54%	2.05%	2.57%	3.08%	3.59%	4.11%	5.13%	6.16%	7.19%	8.22%	9.24%	10.27%
Site 2	Large Brown 30	0.00%	0.51%	1.03%	1.54%	2.05%	2.57%	3.08%	3.60%	4.11%	5.14%	6.16%	7.19%	8.22%	9.24%	10.27%
Site 3	Medium Brown 20	0.00%	0.51%	1.03%	1.54%	2.05%	2.56%	3.08%	3.59%	4.10%	5.13%	6.16%	7.18%	8.21%	9.23%	10.26%
Site 4	Medium Brown 12	0.00%	0.51%	1.03%	1.54%	2.05%	2.56%	3.08%	3.59%	4.10%	5.13%	6.15%	7.18%	8.20%	9.23%	10.25%
Site 5	Small Brown 8	0.00%	0.51%	1.02%	1.53%	2.04%	2.55%	3.07%	3.58%	4.09%	5.11%	6.13%	7.15%	8.18%	9.20%	10.22%
Site 6	Small Brown 5	0.00%	0.51%	1.02%	1.52%	2.03%	2.54%	3.05%	3.56%	4.07%	5.08%	6.10%	7.11%	8.13%	9.15%	10.16%
Site 7	Small Brown 2	0.00%	0.52%	1.04%	1.56%	2.08%	2.60%	3.13%	3.65%	4.17%	5.21%	6.25%	7.29%	8.33%	9.38%	10.42%
Site 8	Brown Plot	0.00%	0.52%	1.04%	1.56%	2.08%	2.60%	3.13%	3.65%	4.17%	5.21%	6.25%	7.29%	8.33%	9.38%	10.42%
Site 9	Conversion 25	0.00%	0.50%	0.99%	1.49%	1.98%	2.48%	2.97%	3.47%	3.96%	4.95%	5.94%	6.93%	7.92%	8.91%	9.90%
Site 10	Conversion 6	0.00%	0.50%	0.99%	1.49%	1.98%	2.48%	2.97%	3.47%	3.96%	4.95%	5.94%	6.93%	7.92%	8.91%	9.90%
Site 11	Flats 80	0.00%	0.50%	0.99%	1.49%	1.98%	2.48%	2.97%	3.47%	3.96%	4.95%	5.94%	6.93%	7.92%	8.91%	9.90%
Site 12	Flats 20	0.00%	0.50%	0.99%	1.49%	1.98%	2.48%	2.97%	3.47%	3.96%	4.95%	5.94%	6.93%	7.92%	8.91%	9.90%
Site 13	Flats 80 Undercroft	0.00%	0.50%	0.99%	1.49%	1.98%	2.48%	2.97%	3.47%	3.96%	4.95%	5.94%	6.93%	7.92%	8.91%	9.90%
Site 14	Flats 20 Undercroft	0.00%	0.50%	0.99%	1.49%	1.98%	2.48%	2.97%	3.47%	3.96%	4.95%	5.94%	6.93%	7.92%	8.91%	9.90%
Site 15	Small Green 5	0.00%	0.52%	1.04%	1.56%	2.08%	2.60%	3.13%	3.65%	4.17%	5.21%	6.25%	7.29%	8.33%	9.38%	10.42%
Site 16	Small Green 3	0.00%	0.52%	1.04%	1.56%	2.08%	2.60%	3.13%	3.65%	4.17%	5.21%	6.25%	7.29%	8.33%	9.38%	10.42%
Site 17	Green Plot	0.00%	0.52%	1.04%	1.56%	2.08%	2.60%	3.13%	3.65%	4.17%	5.21%	6.25%	7.29%	8.33%	9.38%	10.42%

Source: April 2017

10.33 A charge at £150/m² would be less than 3% or so of the total development values on all the typologies. Whilst the quantum of the charge may well be significant, this is a small amount relative the overall project value.

10.34 Based on the above analysis it is unlikely that a levy in the range of £50/m^2 to £125/m^2, applied to net new development, would have a significant detrimental effect on the release of development land.

10.35 Should the Minister decide to introduce a charge, it is recommended that clear notice of any introduction is made and that consideration is given to a phased increase over several years. This approach will allow those developers who have acquired land or are in the process of acquiring land to achieve planning consent before a change is implemented.

Residential Extensions

10.36 In England CIL applies to net new development of over 100m^2 and net new dwelling, so applies to large (i.e. larger than many new homes) residential extensions. This form of development has been modelled separately based on a 150m^2 extension to a 4 bed home with an value of £830,000 (being the average value for a 4 bed house) and a 40m^2 extension to 3 bed house with a value of £470,000 (being the approximate value of a more modest 3 bed house).

10.37 If a value of £4,800/m^2 (i.e. as for newbuild housing used elsewhere in this report) is applied to the extension in the larger scenario, the worth would be £720,000 giving a value of the extended house of £1,550,000. In the smaller scenario, the worth would be £192,000 giving a value of the extended home of £662,000. We have 'reality checked' these assumptions against the SoJ housing data and whilst the value of the smaller home is in line, the assumption for the larger house is felt to overstate the value so a lower assumption of £1,250,000 of the value of the extended larger home has been used.

10.38 The BCIS cost for residential extensions (£999/m^2) has been used. In line with the approach taken elsewhere in this report the costs are indexed by a location factor of 120. The full appraisals are set out in **Appendix 7** and summarised below:

Table 10.10 Residential Extensions Appraisals Summary

3 Bed to 4 Bed																	
% of additional value		0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
Return		131,176	130,696	130,216	129,736	129,256	128,776	128,296	127,816	127,336	126,376	125,416	124,456	123,496	122,536	121,576
% of Additional Value		0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
% Costs		0.00%	0.79%	1.58%	2.37%	3.16%	3.95%	4.73%	5.52%	6.31%	7.89%	9.47%	11.05%	12.63%	14.20%	15.78%
4 Bed to 5+ Bed																
	£/m2	£0	£25	£50	£75	£100	£125	£150	£175	£200	£250	£300	£350	£400	£450	£500
Return		66,910	63,160	59,410	55,660	51,910	48,160	44,410	40,660	36,910	29,410	21,910	14,410	6,910	-590	-8,090
% of Additional Value		0.00%	1.27%	2.54%	3.81%	5.08%	6.36%	7.63%	8.90%	10.17%	12.71%	15.25%	17.80%	20.34%	22.88%	25.42%
% Costs		0.00%	1.64%	3.29%	4.93%	6.58%	8.22%	9.86%	11.51%	13.15%	16.44%	19.73%	23.02%	26.31%	29.59%	32.88%
4 Bed to 5+ Bed																
% of additional value		0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
Return		66,910	66,173	65,435	64,698	63,960	63,223	62,485	61,748	61,010	59,535	58,060	56,585	55,110	53,635	52,160
% of Additional Value		0.00%	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75%	2.00%	2.50%	3.00%	3.50%	4.00%	4.50%	5.00%
% Costs		0.00%	0.32%	0.65%	0.97%	1.29%	1.62%	1.94%	2.26%	2.59%	3.23%	3.88%	4.53%	5.17%	5.82%	6.47%

Source: March 2017

10.39 The analysis indicates that residential extensions are likely to be able to bear contributions that are broadly in line with the recommendations for mainstream development set out above, when a similar approach is taken to the modelling and based on viability only.

10.40 We have a reservation and concern in this regard. The housing market in Jersey is constrained and the 'steps' up the housing ladder are large. One of the routes for a household to meet their housing needs is to extend or improve their family home. Whilst a charge of £100/m^2 on a modest extension of 40m^2 or so would only be £4,000, this would increase the overall costs of the project by over 6.5%.

10.41 Careful consideration should be given to households' ability to raise additional funds in this regard and of adopting the 100m^2 threshold used in England.

Older People's Housing

10.42 As well as mainstream housing, the sheltered and extracare sectors have been considered separately. The results of these are summarised as follows. In each case an allowance has been made for a POA of up to £50,000/unit. The full appraisals are set out in **Appendix 8** below. This analysis includes developer contributions as a proportion of GDV and the Residual Value:

Table 10.11 Older People's Housing, Appraisal Results (£/ha)

Greenfield		Sheltered														
Developer Contributions	£/unit	0	25	50	75	100	125	150	175	200	250	300	350	400	450	500
Residual Land Worth	Site	8,886,248	8,775,291	8,664,334	8,553,377	8,442,420	8,331,463	8,220,506	8,109,549	7,998,592	7,776,678	7,554,764	7,332,850	7,110,936	6,889,022	6,667,108
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Viability Threshold	£/ha	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000
Residual Value	£/ha	17,772,497	17,550,583	17,328,669	17,106,755	16,884,841	16,662,926	16,441,012	16,219,098	15,997,184	15,553,356	15,109,528	14,665,700	14,221,872	13,778,044	13,334,216
as % GDV		0.0%	0.5%	1.0%	1.4%	1.9%	2.4%	2.9%	3.3%	3.8%	4.8%	5.7%	6.7%	7.6%	8.6%	9.5%
as % RV		0.0%	1.0%	2.1%	3.2%	4.3%	5.4%	6.6%	7.8%	9.0%	11.6%	14.3%	17.2%	20.2%	23.5%	27.0%
£/m2		0	25	50	75	100	125	150	175	200	250	300	350	400	450	500
£/ha		0	179,688	359,375	539,063	718,750	898,438	1,078,125	1,257,813	1,437,500	1,796,875	2,156,250	2,515,625	2,875,000	3,234,375	3,593,750

Brownfield		Sheltered														
Developer Contributions	£/unit	0	25	50	75	100	125	150	175	200	250	300	350	400	450	500
Residual Land Worth	Site	6,719,903	6,608,946	6,497,989	6,387,032	6,276,075	6,165,118	6,054,161	5,943,204	5,832,247	5,610,333	5,388,419	5,166,505	4,944,590	4,722,676	4,500,762
Existing Use Value	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Viability Threshold	£/ha	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000
Residual Value	£/ha	13,439,806	13,217,892	12,995,978	12,774,064	12,552,150	12,330,236	12,108,322	11,886,408	11,664,493	11,220,665	10,776,837	10,333,009	9,889,181	9,445,353	9,001,525
as % GDV		0.0%	0.5%	1.0%	1.4%	1.9%	2.4%	2.9%	3.3%	3.8%	4.8%	5.7%	6.7%	7.6%	8.6%	9.5%
as % RV		0.0%	1.4%	2.8%	4.2%	5.7%	7.3%	8.9%	10.6%	12.3%	16.0%	20.0%	24.3%	29.1%	34.2%	39.9%
£/m2		0	25	50	75	100	125	150	175	200	250	300	350	400	450	500
£/ha		0	179,688	359,375	539,063	718,750	898,438	1,078,125	1,257,813	1,437,500	1,796,875	2,156,250	2,515,625	2,875,000	3,234,375	3,593,750

Greenfield		Extracare														
Developer Contributions	£/unit	0	25	50	75	100	125	150	175	200	250	300	350	400	450	500
Residual Land Worth	Site	8,931,469	8,729,119	8,526,769	8,324,419	8,122,069	7,919,719	7,717,369	7,515,019	7,312,669	6,907,969	6,503,269	6,098,569	5,693,869	5,289,169	4,884,469
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Viability Threshold	£/ha	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000	1,180,000
Residual Value	£/ha	17,862,938	17,458,238	17,053,538	16,648,838	16,244,138	15,839,438	15,434,738	15,030,038	14,625,338	13,815,938	13,006,538	12,197,138	11,387,738	10,578,338	9,768,938
as % GDV		0.0%	0.6%	1.2%	1.8%	2.3%	2.9%	3.5%	4.1%	4.7%	5.9%	7.0%	8.2%	9.4%	10.6%	11.7%
as % RV		0.0%	1.9%	3.8%	5.9%	8.1%	10.3%	12.7%	15.3%	17.9%	23.7%	30.2%	37.6%	46.0%	55.8%	67.1%
£/m2		0	25	50	75	100	125	150	175	200	250	300	350	400	450	500
£/ha		0	327,692	655,385	983,077	1,310,769	1,638,462	1,966,154	2,293,846	2,621,538	3,276,923	3,932,308	4,587,692	5,243,077	5,898,462	6,553,846

Brownfield		Extracare														
Developer Contributions	£/unit	0	25	50	75	100	125	150	175	200	250	300	350	400	450	500
Residual Land Worth	Site	4,512,199	4,377,299	4,242,399	4,107,499	3,972,599	3,837,699	3,702,799	3,567,899	3,432,999	3,163,199	2,893,399	2,623,599	2,353,799	2,083,999	1,814,199
Existing Use Value	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Viability Threshold	£/ha	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000
Residual Value	£/ha	9,024,398	8,754,598	8,484,798	8,214,998	7,945,198	7,675,398	7,405,598	7,135,798	6,865,998	6,326,398	5,786,798	5,247,198	4,707,598	4,167,998	3,628,398
as % GDV		0.0%	0.6%	1.2%	1.8%	2.3%	2.9%	3.5%	4.1%	4.7%	5.9%	7.0%	8.2%	9.4%	10.6%	11.7%
as % RV		0.0%	2.5%	5.1%	8.0%	11.0%	14.2%	17.7%	21.4%	25.5%	34.5%	45.3%	58.3%	74.2%	94.3%	120.4%
£/m2		0	25	50	75	100	125	150	175	200	250	300	350	400	450	500
£/ha		0	218,462	436,923	655,385	873,846	1,092,308	1,310,769	1,529,231	1,747,692	2,184,615	2,621,538	3,058,462	3,495,385	3,932,308	4,369,231

Source: March 2017

10.43 The results for older people's housing is rather better than for most of the mainstream market housing analysis. This is because of the higher values in this sector (as set out towards the end of Chapter 4 above).

Conclusions

10.44 The consequences of the above results are discussed in Chapter 12 below.

11. Non-Residential Appraisals

11.1 In the preceding chapters we set out the assumptions for the non-residential development appraisals and concluded that the main cost and income assumptions apply across the Island. Based on the assumptions set out previously, we have run a set of development financial appraisals for the non-residential development types. The detailed appraisal results are set out in **Appendix 9** and summarised in the table below.

11.2 As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of the site 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 value from an alternative use. To assess viability, we have used the same methodology with regard to the Viability Thresholds (Existing / Alternative Land Use 'plus').

11.3 When testing the non-residential development types, we have considered developer contributions on a £/m^2 basis. The analysis has been carried out on a greenfield and brownfield scenario, although the majority of non-residential development will come forward on previously developed land.

11.4 The modelling is carried out for both green and brownfield sites, although the most development will be on brownfield sites.

Table 11.1a Appraisal Results showing Approximate Residual Value – Greenfield

Offices Large		Greenfield																	
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300		
RESIDUAL VALUE	Site	1,956,831	1,833,231	1,709,631	1,586,031	1,462,431	1,338,831	1,215,231	1,091,631	968,031	844,431	720,831	597,231	473,631	350,031	226,431	102,831		
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000		
Viability Threshold	£/ha	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000		
Residual Value	£/ha	20,429,313	19,138,929	17,848,545	16,558,161	15,267,777	13,977,393	12,687,009	11,396,625	10,106,241	8,815,857	7,525,473	6,235,089	4,944,705	3,654,321	2,363,937	1,073,553		
Additional Profit		1,748,019																	
	350																		
as %	Residual Value	0.0%	5.5%	11.7%	18.9%	27.4%	37.3%	49.4%	64.1%	82.6%	106.6%	138.7%	184.2%	253.4%	371.4%	618.3%	1458.7%		
	GDV	0.0%	0.6%	1.2%	1.8%	2.3%	2.9%	3.5%	4.1%	4.7%	5.3%	5.8%	6.4%	7.0%	7.6%	8.2%	8.8%		
£/ha		0	1,044,000	2,088,000	3,132,000	4,176,000	5,220,000	6,264,000	7,308,000	8,352,000	9,396,000	10,440,000	11,484,000	12,528,000	13,572,000	14,616,000	15,660,000		

Offices Small		Greenfield																	
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300		
RESIDUAL VALUE	Site	748,372	698,932	649,492	600,052	550,612	501,172	451,732	402,292	352,852	303,412	253,972	204,532	155,092	105,652	56,212	6,772		
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000		
Viability Threshold	£/ha	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000		
Residual Value	£/ha	17,025,467	15,900,707	14,775,947	13,651,187	12,526,427	11,401,667	10,276,907	9,152,147	8,027,387	6,902,627	5,777,867	4,653,107	3,528,347	2,403,587	1,278,827	154,067		
Additional Profit		652,548																	
	326																		
as %	Residual Value	0.0%	5.7%	12.3%	20.0%	29.1%	39.9%	53.1%	69.6%	90.7%	116.7%	157.5%	215.1%	309.5%	492.2%	996.2%	8859.8%		
	GDV	0.0%	0.6%	1.2%	1.8%	2.3%	2.9%	3.5%	4.1%	4.7%	5.3%	5.8%	6.4%	7.0%	7.6%	8.2%	8.8%		
£/ha		0	910,000	1,820,000	2,730,000	3,640,000	4,550,000	5,460,000	6,370,000	7,280,000	8,190,000	9,100,000	10,010,000	10,920,000	11,830,000	12,740,000	13,650,000		

Industrial Warehouse Large		Greenfield																	
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300		
RESIDUAL VALUE	Site	77,488	58,948	40,408	21,868	3,328	-15,212	-33,752	-52,292	-70,832	-89,372	-107,912	-126,452	-144,992	-163,532	-182,072	-200,612		
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000		
Viability Threshold	£/ha	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000		
Residual Value	£/ha	619,903	471,583	323,263	174,943	26,623	-121,697	-270,017	-418,337	-566,657	-714,977	-863,297	-1,011,617	-1,159,937	-1,308,257	-1,456,577	-1,604,897		
Additional Profit		-195,012																	
	-260																		
as %	Residual Value	0.0%	25.4%	74.2%	205.8%	1803.0%	-493.0%	-266.6%	-200.8%	-169.4%	-151.1%	-139.0%	-130.5%	-124.1%	-119.2%	-115.3%	-112.2%		
	GDV	0.0%	1.3%	2.6%	3.9%	5.3%	6.6%	7.9%	9.2%	10.5%	11.8%	13.2%	14.5%	15.8%	17.1%	18.4%	19.7%		
£/ha		0	120,000	240,000	360,000	480,000	600,000	720,000	840,000	960,000	1,080,000	1,200,000	1,320,000	1,440,000	1,560,000	1,680,000	1,800,000		

Industrial Warehouse Small		Greenfield	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300	
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300		
RESIDUAL VALUE	Site	119,797	95,077	70,357	45,637	20,917	-3,803	-28,523	-53,243	-77,963	-102,683	-127,403	-152,123	-176,843	-201,563	-226,283	-251,003		
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000		
Viability Threshold	£/ha	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000		
Residual Value	£/ha	718,783	570,463	422,143	273,823	125,503	-22,817	-171,137	-319,457	-467,777	-616,097	-764,417	-912,737	-1,061,057	-1,209,377	-1,357,697	-1,506,017		
Additional Profit		-243,536																	
	-244																		
as %	Residual Value	0.0%	21.0%	56.9%	131.5%	382.5%	-2629.6%	-420.7%	-262.9%	-205.2%	-175.3%	-157.0%	-144.6%	-135.7%	-129.0%	-123.7%	-119.5%		
	GDV	0.0%	1.3%	2.6%	3.9%	5.3%	6.6%	7.9%	9.2%	10.5%	11.8%	13.2%	14.5%	15.8%	17.1%	18.4%	19.7%		
£/ha		0	120,000	240,000	360,000	480,000	600,000	720,000	840,000	960,000	1,080,000	1,200,000	1,320,000	1,440,000	1,560,000	1,680,000	1,800,000		

Source: May 2017

Table 11.1b Appraisal Results showing Approximate Residual Value – Greenfield

Shops - Central		Greenfield														
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	1,067,620	1,062,676	1,057,732	1,052,788	1,047,844	1,042,900	1,037,956	1,033,012	1,028,068	1,023,124	1,018,180	1,013,236	1,008,292	1,003,348	998,404	993,460
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Viability Threshold	£/ha	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000
Residual Value	£/ha	42,704,813	42,507,053	42,309,293	42,111,533	41,913,773	41,716,013	41,518,253	41,320,493	41,122,733	40,924,973	40,727,213	40,529,453	40,331,693	40,133,933	39,936,173	39,738,413
Additional Profit		1,013,120															
		5,066															
as %	Residual Value	0.0%	0.4%	0.8%	1.1%	1.5%	1.9%	2.3%	2.7%	3.1%	3.5%	3.9%	4.3%	4.8%	5.2%	5.6%	6.0%
	GDV	0.0%	0.3%	0.5%	0.8%	1.0%	1.3%	1.6%	1.8%	2.1%	2.3%	2.6%	2.9%	3.1%	3.4%	3.6%	3.9%
£/ha	0	0	160,000	320,000	480,000	640,000	800,000	960,000	1,120,000	1,280,000	1,440,000	1,600,000	1,760,000	1,920,000	2,080,000	2,240,000	2,400,000

Shops - Other		Greenfield														
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	502,011	497,067	492,123	487,179	482,235	477,291	472,347	467,403	462,459	457,515	452,571	447,627	442,683	437,739	432,795	427,851
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Viability Threshold	£/ha	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000
Residual Value	£/ha	20,080,449	19,882,689	19,684,929	19,487,169	19,289,409	19,091,649	18,893,889	18,696,129	18,498,369	18,300,609	18,102,849	17,905,089	17,707,329	17,509,569	17,311,809	17,114,049
Additional Profit		447,511															
		2,238															
as %	Residual Value	0.0%	0.8%	1.6%	2.5%	3.3%	4.2%	5.1%	6.0%	6.9%	7.9%	8.8%	9.8%	10.8%	11.9%	12.9%	14.0%
	GDV	0.0%	0.4%	0.9%	1.3%	1.7%	2.1%	2.6%	3.0%	3.4%	3.8%	4.3%	4.7%	5.1%	5.5%	6.0%	6.4%
£/ha	0	0	160,000	320,000	480,000	640,000	800,000	960,000	1,120,000	1,280,000	1,440,000	1,600,000	1,760,000	1,920,000	2,080,000	2,240,000	2,400,000

Supermarkets		Greenfield														
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	4,994,815	4,933,015	4,871,215	4,809,415	4,747,615	4,685,815	4,624,015	4,562,215	4,500,415	4,438,615	4,376,815	4,315,015	4,253,215	4,191,415	4,129,615	4,067,815
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Viability Threshold	£/ha	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000
Residual Value	£/ha	9,989,631	9,866,031	9,742,431	9,618,831	9,495,231	9,371,631	9,248,031	9,124,431	9,000,831	8,877,231	8,753,631	8,630,031	8,506,431	8,382,831	8,259,231	8,135,631
Additional Profit		3,904,815															
		1,562															
as %	Residual Value	0.0%	1.0%	2.1%	3.1%	4.2%	5.3%	6.5%	7.7%	8.9%	10.1%	11.4%	12.7%	14.1%	15.5%	17.0%	18.4%
	GDV	0.0%	0.4%	0.8%	1.1%	1.5%	1.9%	2.3%	2.7%	3.0%	3.4%	3.8%	4.2%	4.6%	4.9%	5.3%	5.7%
£/ha	0	0	100,000	200,000	300,000	400,000	500,000	600,000	700,000	800,000	900,000	1,000,000	1,100,000	1,200,000	1,300,000	1,400,000	1,500,000

Retail Warehouse	0.00%	Greenfield														
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	5,863,850	5,789,690	5,715,530	5,641,370	5,567,210	5,493,050	5,418,890	5,344,730	5,270,570	5,196,410	5,122,250	5,048,090	4,973,930	4,899,770	4,825,610	4,751,450
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Viability Threshold	£/ha	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000
Residual Value	£/ha	9,773,083	9,649,483	9,525,883	9,402,283	9,278,683	9,155,083	9,031,483	8,907,883	8,784,283	8,660,683	8,537,083	8,413,483	8,289,883	8,166,283	8,042,683	7,919,083
Additional Profit		4,555,850	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		1,519	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
as %	Residual Value	0.0%	1.0%	2.1%	3.2%	4.3%	5.5%	6.6%	7.9%	9.1%	10.4%	11.7%	13.1%	14.5%	15.9%	17.4%	18.9%
	GDV	0.0%	0.6%	1.1%	1.7%	2.3%	2.8%	3.4%	3.9%	4.5%	5.1%	5.6%	6.2%	6.8%	7.3%	7.9%	8.5%
£/ha	0	0	100,000	200,000	300,000	400,000	500,000	600,000	700,000	800,000	900,000	1,000,000	1,100,000	1,200,000	1,300,000	1,400,000	1,500,000

Hotel	0.00%	Greenfield														
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	-581,916	-625,299	-668,683	-712,067	-755,450	-798,834	-842,217	-885,601	-928,985	-972,368	-1,015,752	-1,059,135	-1,102,519	-1,145,903	-1,189,286	-1,232,670
Existing Use Value	£/ha	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Viability Threshold	£/ha	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000	2,180,000
Residual Value	£/ha	-1,160,516	-1,247,036	-1,333,556	-1,420,076	-1,506,596	-1,593,116	-1,679,636	-1,766,156	-1,852,676	-1,939,196	-2,025,716	-2,112,236	-2,198,756	-2,285,276	-2,371,796	-2,458,316
Additional Profit		-1,675,030															
		-954															
as %	Residual Value	0.0%	-5.6%	-10.5%	-14.8%	-18.6%	-22.0%	-25.0%	-27.7%	-30.2%	-32.5%	-34.6%	-36.5%	-38.2%	-39.8%	-41.3%	-42.7%
	GDV	0.0%	1.0%	2.1%	3.1%	4.1%	5.1%	6.2%	7.2%	8.2%	9.3%	10.3%	11.3%	12.3%	13.4%	14.4%	15.4%
£/ha	0	0	70,000	140,000	210,000	280,000	350,000	420,000	490,000	560,000	630,000	700,000	770,000	840,000	910,000	980,000	1,050,000

Source: May 2017

Table 11.2a Appraisal Results showing Approximate Residual Value – Brownfield

Offices Large		Brownfield																
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	1,021,928	898,328	774,728	651,128	527,528	403,928	280,328	156,728	33,128	-90,472	-214,072	-337,672	-461,272	-584,872	-708,472	-832,072
Existing Use Value	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Viability Threshold	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Residual Value	£/ha	10,668,923	9,378,539	8,088,155	6,797,771	5,507,387	4,217,003	2,926,619	1,636,235	345,851	-944,533	-2,234,917	-3,525,301	-4,815,685	-6,106,069	-7,396,453	-8,686,837
Additional Profit		839,935															
		168															
as %	Residual Value	0.0%	11.1%	25.8%	46.1%	75.8%	123.8%	214.0%	446.6%	2414.9%	-994.8%	-467.1%	-325.8%	-260.1%	-222.3%	-197.6%	-180.3%
	GDV	0.0%	0.6%	1.2%	1.8%	2.3%	2.9%	3.5%	4.1%	4.7%	5.3%	5.8%	6.4%	7.0%	7.6%	8.2%	8.8%
£/ha		0	1,044,000	2,088,000	3,132,000	4,176,000	5,220,000	6,264,000	7,308,000	8,352,000	9,396,000	10,440,000	11,484,000	12,528,000	13,572,000	14,616,000	15,660,000

Offices Small		Brownfield																
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	374,538	325,098	275,658	226,218	176,778	127,338	77,898	28,458	-20,982	-70,422	-119,862	-169,302	-218,742	-268,182	-317,622	-367,062
Existing Use Value	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Viability Threshold	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Residual Value	£/ha	8,520,735	7,395,975	6,271,215	5,146,455	4,021,695	2,896,935	1,772,175	647,415	-477,345	-1,602,105	-2,726,865	-3,851,625	-4,976,385	-6,101,145	-7,225,905	-8,350,665
Additional Profit		291,021															
		146															
as %	Residual Value	0.0%	12.3%	29.0%	53.0%	90.5%	157.1%	308.1%	983.9%	-1525.1%	-511.2%	-333.7%	-259.9%	-219.4%	-193.9%	-176.3%	-163.5%
	GDV	0.0%	0.6%	1.2%	1.8%	2.3%	2.9%	3.5%	4.1%	4.7%	5.3%	5.8%	6.4%	7.0%	7.6%	8.2%	8.8%
£/ha		0	910,000	1,820,000	2,730,000	3,640,000	4,550,000	5,460,000	6,370,000	7,280,000	8,190,000	9,100,000	10,010,000	10,920,000	11,830,000	12,740,000	13,650,000

Industrial Warehouse Large		Brownfield																
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	18,815	275	-18,265	-36,805	-55,345	-73,885	-92,425	-110,965	-129,505	-148,045	-166,585	-185,125	-203,665	-222,205	-240,745	-259,285
Existing Use Value	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Viability Threshold	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Residual Value	£/ha	150,522	2,202	-146,118	-294,438	-442,758	-591,078	-739,398	-887,718	-1,036,038	-1,184,358	-1,332,678	-1,480,998	-1,629,318	-1,777,638	-1,925,958	-2,074,278
Additional Profit		-218,685															
		-292															
as %	Residual Value	0.0%	5448.4%	-164.3%	-122.3%	-108.4%	-101.6%	-97.4%	-94.6%	-92.7%	-91.2%	-90.0%	-89.1%	-88.4%	-87.8%	-87.2%	-86.8%
	GDV	0.0%	1.3%	2.6%	3.9%	5.3%	6.6%	7.9%	9.2%	10.5%	11.8%	13.2%	14.5%	15.8%	17.1%	18.4%	19.7%
£/ha		0	120,000	240,000	360,000	480,000	600,000	720,000	840,000	960,000	1,080,000	1,200,000	1,320,000	1,440,000	1,560,000	1,680,000	1,800,000

Industrial Warehouse Small		Brownfield																
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	-41,567	16,847	-7,873	-32,593	-57,313	-82,033	-106,753	-131,473	-156,193	-180,913	-205,633	-230,353	-255,073	-279,793	-304,513	-329,233
Existing Use Value	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Viability Threshold	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Residual Value	£/ha	249,402	101,082	-47,238	-195,558	-343,878	-492,198	-640,518	-788,838	-937,158	-1,085,478	-1,233,798	-1,382,118	-1,530,438	-1,678,758	-1,827,078	-1,975,398
Additional Profit		-275,100															
		-275															
as %	Residual Value	0.0%	118.7%	-508.1%	-184.1%	-139.6%	-121.9%	-112.4%	-106.5%	-102.4%	-99.5%	-97.3%	-95.5%	-94.1%	-92.9%	-92.0%	-91.1%
	GDV	0.0%	1.3%	2.6%	3.9%	5.3%	6.6%	7.9%	9.2%	10.5%	11.8%	13.2%	14.5%	15.8%	17.1%	18.4%	19.7%
£/ha		0	120,000	240,000	360,000	480,000	600,000	720,000	840,000	960,000	1,080,000	1,200,000	1,320,000	1,440,000	1,560,000	1,680,000	1,800,000

Source: May 2017

Table 11.2b Appraisal Results showing Approximate Residual Value – Brownfield

Shops - Central		Brownfield														
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	1,037,035	1,032,091	1,027,147	1,022,203	1,017,259	1,012,315	1,007,371	1,002,427	997,483	992,539	987,595	982,651	977,707	972,763	967,819	962,875
Existing Use Value	£/ha	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000
Viability Threshold	£/ha	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000
Residual Value	£/ha	41,481,383	41,283,623	41,085,863	40,888,103	40,690,343	40,492,583	40,294,823	40,097,063	39,899,303	39,701,543	39,503,783	39,306,023	39,108,263	38,910,503	38,712,743	38,514,983
Additional Profit		877,035															
		4,385															
as %	Residual Value	0.0%	0.4%	0.8%	1.2%	1.6%	2.0%	2.4%	2.8%	3.2%	3.6%	4.1%	4.5%	4.9%	5.3%	5.8%	6.2%
	GDV	0.0%	0.3%	0.5%	0.8%	1.0%	1.3%	1.6%	1.8%	2.1%	2.3%	2.6%	2.9%	3.1%	3.4%	3.6%	3.9%
£/ha		0	160,000	320,000	480,000	640,000	800,000	960,000	1,120,000	1,280,000	1,440,000	1,600,000	1,760,000	1,920,000	2,080,000	2,240,000	2,400,000

Shops - Other		Brownfield														
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	281
RESIDUAL VALUE	Site	474,639	469,695	464,751	459,807	454,863	449,919	444,975	440,031	435,087	430,143	425,199	420,255	415,311	410,367	405,423	405,176
Existing Use Value	£/ha	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Viability Threshold	£/ha	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Residual Value	£/ha	18,985,563	18,787,803	18,590,043	18,392,283	18,194,523	17,996,763	17,799,003	17,601,243	17,403,483	17,205,723	17,007,963	16,810,203	16,612,443	16,414,683	16,216,923	16,207,035
Additional Profit		354,639															
		1,773															
as %	Residual Value	0.0%	0.9%	1.7%	2.6%	3.5%	4.4%	5.4%	6.4%	7.4%	8.4%	9.4%	10.5%	11.6%	12.7%	13.8%	13.9%
	GDV	0.0%	0.4%	0.9%	1.3%	1.7%	2.1%	2.6%	3.0%	3.4%	3.8%	4.3%	4.7%	5.1%	5.5%	6.0%	6.0%
£/ha		0	160,000	320,000	480,000	640,000	800,000	960,000	1,120,000	1,280,000	1,440,000	1,600,000	1,760,000	1,920,000	2,080,000	2,240,000	2,248,000

Supermarkets		Brownfield														
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	4,514,274	4,452,474	4,390,674	4,328,874	4,267,074	4,205,274	4,143,474	4,081,674	4,019,874	3,958,074	3,896,274	3,834,474	3,772,674	3,710,874	3,649,074	3,587,274
Existing Use Value	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Viability Threshold	£/ha	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000
Residual Value	£/ha	9,028,548	8,904,948	8,781,348	8,657,748	8,534,148	8,410,548	8,286,948	8,163,348	8,039,748	7,916,148	7,792,548	7,668,948	7,545,348	7,421,748	7,298,148	7,174,548
Additional Profit		3,374,274															
		1,350															
as %	Residual Value	0.0%	1.1%	2.3%	3.5%	4.7%	5.9%	7.2%	8.6%	10.0%	11.4%	12.8%	14.3%	15.9%	17.5%	19.2%	20.9%
	GDV	0.0%	0.4%	0.8%	1.1%	1.5%	1.9%	2.3%	2.7%	3.0%	3.4%	3.8%	4.2%	4.6%	4.9%	5.3%	5.7%
£/ha		0	100,000	200,000	300,000	400,000	500,000	600,000	700,000	800,000	900,000	1,000,000	1,100,000	1,200,000	1,300,000	1,400,000	1,500,000

Retail Warehouse		Brownfield														
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	5,603,177	5,529,017	5,454,857	5,380,697	5,306,537	5,232,377	5,158,217	5,084,057	5,009,897	4,935,737	4,861,577	4,787,417	4,713,257	4,639,097	4,564,937	4,490,777
Existing Use Value	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Viability Threshold	£/ha	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000
Residual Value	£/ha	9,338,629	9,215,029	9,091,429	8,967,829	8,844,229	8,720,629	8,597,029	8,473,429	8,349,829	8,226,229	8,102,629	7,979,029	7,855,429	7,731,829	7,608,229	7,484,629
Additional Profit		4,235,177															
		1,412															
as %	Residual Value	0.0%	1.1%	2.2%	3.3%	4.5%	5.7%	7.0%	8.3%	9.6%	10.9%	12.3%	13.8%	15.3%	16.8%	18.4%	20.0%
	GDV	0.0%	0.6%	1.1%	1.7%	2.3%	2.8%	3.4%	3.9%	4.5%	5.1%	5.6%	6.2%	6.8%	7.3%	7.9%	8.5%
£/ha		0	100,000	200,000	300,000	400,000	500,000	600,000	700,000	800,000	900,000	1,000,000	1,100,000	1,200,000	1,300,000	1,400,000	1,500,000

Hotel		Brownfield														
Developer Contributio	£/m2	0	20	40	60	80	100	120	140	160	180	200	220	240	260	280	300
RESIDUAL VALUE	Site	-827,293	-870,676	-914,060	-957,443	-1,000,827	-1,044,211	-1,087,594	-1,130,978	-1,174,361	-1,217,745	-1,261,129	-1,304,512	-1,347,896	-1,391,279	-1,434,663	-1,478,047
Existing Use Value	£/ha	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Viability Threshold	£/ha	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000	2,280,000
Residual Value	£/ha	-1,649,871	-1,736,391	-1,822,911	-1,909,431	-1,995,951	-2,082,471	-2,168,991	-2,255,511	-2,342,031	-2,428,551	-2,515,071	-2,601,591	-2,688,111	-2,774,631	-2,861,151	-2,947,671
Additional Profit		-1,970,550															
		-1,123															
as %	Residual Value	0.0%	-4.0%	-7.7%	-11.0%	-14.0%	-16.8%	-19.4%	-21.7%	-23.9%	-25.9%	-27.8%	-29.6%	-31.2%	-32.8%	-34.3%	-35.6%
	GDV	0.0%	1.0%	2.1%	3.1%	4.1%	5.1%	6.2%	7.2%	8.2%	9.3%	10.3%	11.3%	12.3%	13.4%	14.4%	15.4%
£/ha		0	70,000	140,000	210,000	280,000	350,000	420,000	490,000	560,000	630,000	700,000	770,000	840,000	910,000	980,000	1,050,000

Source: May 2017

11.5 The results are very much as expected, however it is important to note that the modelling on brownfield sites assumes an EUV based on industrial values (£1,900,000/ha) and it is accepted that land values in the better situations in and around St Helier have a substantially higher value than this.

a. **Offices** – The office development is shown as viable and able to bear a significant level of developer contribution, the residual value, but this is not in excess of the Viability Threshold (based on industrial values) so when assessed under the methodology set out in the Harman (and RICS) Guidance is shown as viable.

   This does accords with the activity on the ground where development is coming forward, particularly on the prime sites such as those on and near the Esplanade.

   It is clear that prime office development is unlikely to come forward on greenfield sites or on sites that are in industrial uses, rather being in low grade or various other mixed uses. At £80/m^2 the larger office typology generates a value of over £5,000,000/ha and the smaller typology a value of over £4,000,000/ha. A levy at this level would be less than 2.5% of GDV.

b. **Industrial & Warehouse** – As set out in the commentary in Chapter 5, the market for these uses is limited. The development that is happening is largely user led (rather than being brought forward for the purpose of making a return from development). Whilst these development types do show a positive Residual Value without developer contributions, they are at the margins of viability.

   Based on this evidence we would suggest that a levy is not applied to industrial development.

c. **Retail** – The four types of retail development assessed all show good levels of viability with levels of developer contributions of up to £150/m^2 or so. When considered at similar rates to those suggested in relation to residential development, a levy at £100/m^2 would result in a fall in land values of less than 6% and be less than 3% of the total development value.

d. **Hotels** – The results are rather less good than anticipated. Whilst most development in this sector is the conversion of hotels to residential uses there has been some newbuild recently. The results indicate that there is not scope to introduce a formal developer contribution in this sector.

Conclusions

11.6 The consequences of the above results are discussed in Chapter 12 below.

12. Scope for Developer Contributions

12.1 This viability assessment sets out the methodology used, key assumptions adopted, the findings, and has been prepared to inform the Minister for the Environment's review of developer contributions. This study will form the basis of a consultation process and to further engage with stakeholders. The findings of this report do not determine the rates of developer contributions, but are one of a number of factors that the States of Jersey may consider.

12.2 It is important to note that the recommendations made in this chapter are based on the currently worded Revised 2011 Island Plan. The viability analysis assumes that private developers will not be required to provide affordable housing (other on sites zoned for this purpose).

12.3 The following sections of this report set out some of the factors for the Minister to consider.

Regulations and Guidance

12.4 The States of Jersey have a wide range of existing developer contributions (see Chapter 7 above). The Department is currently bringing the various types of contribution together and summarising the requirements in an updated Planning Obligation Agreements (POA) Supplementary Planning Guidance (SPG). This is not introducing new obligations, rather it is signposting and summarising the current system. On the whole, the financial obligations requested are determined on a site by site basis to mitigate the impact of that specific development. Whilst there is a wide range of types of obligation, typically the contribution amounts to about £2,000 per unit – although on occasion it can be higher than this, or indeed even rated at zero depending upon the site specific requirements. The POA system only applies to sites of 5 units and larger (and in many cases 10 units and larger).

12.5 If, following the consideration of this report, the Minister decides to pursue a new approach to developer contributions and introduce a set of standard payments (possibly along the lines of Community Infrastructure Levy (CIL) in England), it may be necessary to prepare the appropriate enabling legislation.

Site Specific v Standardised

12.6 In the base modelling in this report we have assumed a POA payment, under the current system of £2,000 /unit across all but the smallest residential sites. These payments are required to mitigate the impact of development and to ensure that the appropriate mitigation is provided. The definition of infrastructure used by the Department is wide, including items such as transport, and public realm work[36].

[36] For comparison, the definition of infrastructure in England is set out in the 2008 Planning Act, Section 216:

12.7 If the decision is taken to introduce a standardised payment, it is recommended that the existing system is rationalised and simplified.

12.8 In this regard, the nature of the required infrastructure will be important. Under the existing POA regime, the delivery of site specific infrastructure largely falls to the developer of a site. If improvements to the infrastructure were required, then normally it was for the developer to procure and construct those items – albeit under the supervision of the relevant department.

12.9 An advantage of the current system is that, to a large extent, the developer has control of the process and could carry out (directly or indirectly) the works required to enable a scheme to come forward. By way of an example, these may be to provide a new roundabout and upgrade a stretch of road. Currently, the developer carries much of the financial and development risk associated with the process.

Uncertain Market

12.10 Chapter 4 includes a commentary on the Island property markets. It was noted that the current direction and state of the housing market has improved markedly over the last few years however the impact of Brexit on Jersey's economy and the uncertainties around exchange rates are likely to have an impact on this trend.

12.11 It is appropriate to take a cautious approach when setting any standardised developer contribution and ensure that the impact does not result in a burden that is so close to the limits of viability that a modest fluctuation in a particular input would prejudice development.

Standard Rates in Other Areas

12.12 In terms of house prices, if considered against the average prices in England and Wales, Jersey would rank 38th out of 349 local authority areas. This would place Jersey between the London Borough of Bromley and South Oxfordshire. It is useful to consider the rates of CIL introduced by English Authorities with similar house prices. When considering this data, it is important to note that the English Authorities require the provision of between 30-50% affordable housing on top of the CIL and developer contributions (under section 106), which are a substantial cost on development.

"infrastructure" includes: (a) roads and other transport facilities, (b) flood defences, (c) schools and other educational facilities, (d) medical facilities, (e) sporting and recreational facilities (f) open spaces and (g) affordable housing.

The CIL Regulations 2010, Regulation 63 amends Section 216 to omit affordable housing. The regulations therefore rule out the application of the levy for providing affordable housing. This definition allows the levy to be used to fund a very broad range of facilities such as play areas, parks and green spaces, cultural and sports facilities, district heating schemes and police stations and other community safety facilities. This gives local communities flexibility to choose what infrastructure they need to deliver their development plan.

12.13 Table 12.1 only includes the headline charging rates presented in CIL Charging Schedules. Where very large strategic allocations (typically over 1000 units) are included within the plans they are normally zero rated (due to their high levels id site specific developer contributions).

Table 12.1 English rates of CIL in similarly priced housing markets (£/m^2)

Local authority name	Average Price (£)	Rank	Housing	Super-markets	Employ-ment	From	Affordable Housing	BCIS
Oxford	475,732	33	£100	£100	£20	Oct-13	50%	1.06
Epsom and Ewell	470,592	34	£125	£150	£0	Apr-14	35%	1.16
Sevenoaks	468,532	35	£125 / £75	£125	£0	Feb-14	40%	1.12
Tandridge	465,216	36	£120	£100	£0	Dec-14	34%	1.16
Bromley	461,468	37				Not Adopted		1.15
Jersey	454,000	38						1.20
South Oxfordshire	444,950	39	£150 / £85	£70		Apr-16	40%	1.16
Reigate and Banstead	444,938	40	£200 / £180 / £80 / £140 / £0	£120	£0	Apr-16	30%	1.16
Brentwood	443,482	41				Not Adopted		
Runnymede	443,071	42				Not Adopted		
Woking	440,654	43	£125 / £75	£75	£0	Apr-15	35%	1.16
Winchester	432,557	44	£0 / £120 / £80	£120	£0	Apr-14	40%	1.07

Source: Council web sites – January 2017

12.14 Whilst the Jersey housing market is clearly different to that in England, not least in that affordable housing is not required, typical rates in similarly priced areas are between £100/m^2 to £200/m^2, which approximates to £10,000 to £20,000 per average sized dwelling. In these areas development continues to come forward. Some consultees have suggested that the Jersey development market is fundamentally different to the UK's due to the fact that it an Island and the land supply is constrained. This applies in England as well, particularly in the pressured housing markets in the southeast where land supply is also constrained.

Instalments

12.15 The timing of the payment of developer contributions is an important factor when considering formalising arrangements. It is a firm recommendation that if a standardised payment is introduced then provision should be made for it to be paid in instalments over the life of a project.

12.16 This is for practical reasons. Most debt finance for construction is based on work completed. Monthly or quarterly valuations are undertaken of the materials on site and the work done. Monies are then released proportionately to the amount of work done. The requirement to make a large 'up front' payment may impact developer's ability to finance projects, and, could have an adverse impact on the delivery of projects.

12.17 It is firmly recommended that payments are phased through the life of the project. Not to do so could put the Island Plan at serious risk.

12.18 The modelling in this study is on the basis that the Minister does follow this advice and considers the instalment policies of its English counterparts in the house price rankings.

Viability Evidence – Rates and Zones

12.19 In considering a standardised developer contribution in this report, the assessment is based on the planning policies as set out in the adopted Island Plan and emerging sites. It is assumed that any developer contribution would be paid after other policies in the Plan have been satisfied.

12.20 There is no established or statutory method for assessing viability within the Island Plan or associated documents. The viability analysis in this report has been carried out in line with the Harman Guidance and the RICS Guidance. This process is aiming to understand development viability in the plan-making context. It is a high-level process that does not look at the deliverability of individual sites or any particular developers' business model or methodology.

12.21 A number of development typologies (residential and non-residential) have been modelled and from this the impact of developer contributions is inferred. Whilst most development is expected on brownfield land, several smaller greenfield sites have also been modelled for context.

12.22 The appraisals in this study use the Residual Value methodology. This assesses the impact of introducing contributions in the context of meeting all the Department's other policy requirements. Using evidence of local house prices and non-residential values, local development costs and assumptions about the availability of development finance, developer's profits and the general characteristics of development in Jersey, an assessment is made of the amount by which land values may be depressed and whether that is sufficient to deter landowners from making their land available for development. Consideration is also given to the effect a charge or levy would have on land prices if introduced.

A Cautious Approach

12.23 It is important to note that the analysis is based on the potential development sites that are listed at the start of Chapter 9 above. Each assumption has been made from an objective point of view and erring on the side of caution.

12.24 In preparing this report a wide range of evidence has been considered and the assumptions have been discussed, through an informal consultation process, with most of the key

developers on Jersey. Whist there is not a consensus on all points (a range of inconsistent comments were received) the assumptions used have been tested with stakeholders.

Evidence

12.25 We have drawn on the viability evidence set out in Chapters 10 (residential development) and 11 (non-residential development) above. This evidence has been prepared in line with the Harman Guidance and the RICS Guidance having taken the comments of consultees into account (following the October 2016 consultation and subsequently).

12.26 In considering the value assumptions, the following factors have been taken into account:

a. Jersey is a relatively small place with relatively low numbers of property transactions – particularly of newbuild houses. Much of the data is based on small sample sizes. It is necessary to be cautious when interpreting the data.

b. There is a range of data sources, not all of which are consistent. This is normal and is often the situation in plan-wide viability studies. It is necessary to bring these together and ultimately make a professional judgement as to what assumption to use.

c. The assumptions used are not calculated as averages or some other statistical output. They are, in the end, a cautious professional judgement. Some developments will come forward at higher values and some will come forward at lower values.

d. Whilst it is possible to identify higher and lower value settlements island data is not sufficient to develop a parish by parish set of values. It is clear that that main driver of values is the immediate environs of each individual plot or property. Factors such as whether there are sea views or views over undeveloped countryside tend to have a much greater influence on house prices than the settlement the home is in.

e. There is a differential between houses within the urban areas and those without, however these values also vary by very local factors.

12.27 Prices have been differentiated between houses and flats and applied across the whole of Jersey. The prices of different types of non-residential use are also applied across the whole island.

The Potential for Developer Contributions

12.28 In Chapter 3 above, we set out the principle of Additional Profit. Additional Profit is the amount of profit over and above the normal profit made by the developers having purchased the land, developed the site and sold the units.

12.29 This analysis indicated that there was a significant capacity for developer contributions on the residential development, but less scope on some of the employment based uses, particularly industrial / warehousing and hotel uses.

12.30 A range of appraisals were carried out applying different rates of developer contribution. The results vary across the modelled sites, although this is largely due to the different assumptions around the nature of the sites. The additional costs associated with brownfield sites also result in lower values, and the high density flatted schemes generate very much higher Residual Values.

12.31 In almost all cases the Residual Value is very much above the Viability Threshold where the Viability Threshold is based on the paddock and industrial values.

12.32 The exception is the typology modelled on 3 detached houses being built on a site previously in a residential use as a single house.

12.33 As expected, the analysis indicates that as the level of developer contribution increases the Residual Value falls. A charge of £25/m^2 results in a fall in the Residual Value of about (on average, across the viable typologies) £170,000/ha (which is about 2% of the Residual Value). A charge of 0.25% of GDV results in a fall in the Residual Value of about (on average, across the viable typologies) £85,000/ha (which is about 1% of the Residual Value). A 0.25% charge of GDV is broadly similar to the current level of the art contribution of 0.75% of the construction costs.

12.34 The conversion of existing buildings and the redevelopment of existing residential sites are shown as viable, however proportionately, the difference between the Residual Value and Viability Threshold is less than other sites. Based on this analysis we would recommend that a new levy only be applied to net new development.

12.35 The level of a charge was considered on three basis:

a. **As a percentage of Residual Value** – showing how much the Residual Value would fall if the charge was introduced. Developer contributions as the proportion of the Residual Value, in approximate terms, represents the percentage fall the amount a developer may bid and therefore the fall in land value that a landowner may receive. It is inevitable that an increased level of developer contributions, if introduced, would depress land prices. This is recognised in the RICS Guidance, and was considered at the Greater Norwich CIL examination.

b. **As a percentage, residential Land Values**, where residential land is assumed to have a value of £6,000,000/ha (see Chapter 6 above).

c. **As a percentage of GDV** – indicating the scale of the charge relative to scale of the overall project.

   A charge set at a low proportion of the total project value (the GDV) may well be within a margin of 'error' and the reasonable tolerances of the appraisal process. This does not mean that it would be an insignificant cost – or that it is not a real cost that needs to be paid from the project's revenue, but it provides context to the level and subsequent effect of a new charge or levy (is it a large or small amount relative to the value of the project).

12.36 The analysis established that developers are paying as much as they can for land, there being a close correlation between Residual Value and the actual prices being paid in the market.

12.37 If the principle from the GNDP CIL Examination was followed and it was presumed that a fall of up to 25% would be acceptable, then a maximum rate of a levy would be £250/m^2 or so. It would not be appropriate to make direct comparables with the GNDP area and Jersey. The area around Norwich being largely rural, with large scale greenfield sites coming forward, whilst in Jersey most development land is within the urban area that has an existing use over and above an agricultural use.

12.38 A rate of £125/m^2 applied to residential development may result in a fall in bids of less than 10% or so on most sites, and a rate of £50/m^2 a fall of less than 5% on most sites.

12.39 The question is whether a fall at these levels would deter landowners from releasing land. This will depend very much on the reason for the land becoming available. As can be seen from the Jersey House Price Index presented in Chapter 4 above, the housing market, and therefore land prices are subject to fluctuations, both up and down, and whilst prices are on a generally upwards trajectory some months go down a little. We would question whether or not a difference of 5% or 10% in land values would actually alter landowners' behaviour when it comes to selling land.

12.40 Where the charge was assessed against the Residual Value rate of £125/m^2 applied to residential development, this may result in a fall in bids of less than 10% or so on most sites and a rate of £50/m^2 a fall of less than 5% on most sites.

12.41 A charge at £150/m^2 would be less than 3% or so of the total development values on all the typologies. Whilst the quantum of the charge may well be significant this is a small amount relative the overall project value.

12.42 Should the Department decide to introduce a charge it is recommended that clear notice of any introduction is made and that consideration is given to a phased increase over several years. This approach will allow those developers who have acquired land or are in the process of acquiring land to achieve planning consent before a change is implemented.

12.43 On balance, we recommend that consideration is given to a new standard developer contribution for residential development that falls in the range of £50/m^2 to £125/m^2.

Residential Extensions

12.44 The analysis indicates that residential extensions are likely to be able to bear contributions that are broadly in line with the recommendations set out in relation to mainstream development set out above when a similar approach is taken to the modelling and based on viability only.

12.45 Careful consideration should be given to households' ability to raise additional funds in this regard and of perhaps adopting the 100m^2 threshold used in England.

Older People's Housing

12.46 As well as mainstream housing, the sheltered and extracare sectors have been considered separately. The results of these are summarised as follows.

12.47 The results for older people's housing is rather better than for most of the mainstream market housing analysis. This is because of the higher values in this sector (as set out towards the end of Chapter 4 above).

Non-Residential Appraisals

12.48 When testing the non-residential development types, the analysis has been carried out on a greenfield and brownfield scenario, although the majority of non-residential development will come forward on previously developed land.

12.49 The results are very much as expected:

a. **Offices** – The office development is shown as viable and able to bear a significant level of developer contribution, the residual value, but this is not in excess of the Viability Threshold (based on industrial values) so when assessed under the methodology set out in the Harman (and RICS) Guidance is shown as viable.

   This does accords with the activity on the ground where development is coming forward, particularly on the prime sites such as those on and near the Esplanade.

   It is clear that prime office development is unlikely to come forward on greenfield sites or on sites that are in industrial uses, rather being in low grade or various other mixed uses. At £80/m^2 the larger office typology generates a value of over £5,000,000/ha and the smaller typology a value of over £4,000,000/ha. A levy at this level would be less than 2.5% of GDV.

b. **Industrial & Warehouse** – The market for these uses is limited. The development that is happening is largely user led (rather than being brought forward for the purpose of making a return from development. Whilst these development types do show a positive Residual Value without developer contributions they are at the margins of viability.

   Based on this evidence we would suggest that a levy is not applied to industrial development.

c. **Retail** – The four types of retail development assessed all show good levels of viability with levels of developer contributions of up to £150/m^2 or so. When considered at similar rates to those suggested in relation to residential development, a levy at £100/m^2 would result in a fall in land values of less than 6% and be less than 3% of the total development value.

d. **Hotels** – The results are rather less good than anticipated. Whilst most development in this sector is the conversion of hotels to residential uses there has been some newbuild recently. The results indicate that there is not scope to introduce a formal developer contribution in this sector.

12.50 **In relation to non-residential development, maximum rates of a standard developer contributions of £80/m^2 for offices and £150/m^2 for retail development are recommended.**

Sensitivity testing

12.51 It is important that any new standardised developer contributions are not unduly sensitive to future changes in prices and costs. We have therefore tested various variables in this regard. This analysis is based on a developer contribution of £75/m^2, being towards the middle of the range recommended.

12.52 In this report we have used the build costs produced by BCIS (indexed by 1.20). As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 8.6% over the next 3 years and 14.4% over the next 5 years[37]. Initially a scenario was tested with these increases in build costs.

12.53 The impact of the weak pound following the UK's decision to leave the European Union was discussed at some length with consultees. Most construction material comes to Jersey via England so it is expected that these would largely follow the changes in UK prices. Having discussed this with the Sates of Jersey economist, nothing was suggested to come to a different view. Having said this there are reports of building suppliers increasing their costs by between 5% and 10%. Concern was also expressed around the perceived restrictions around the Island's employment licencing system and this leading to shortages of labour. It was not clear if this was an actual reduction in available labour, or a lack of excess capacity restricting the expansion of the sector. There was a consensus that inflation in the current year would be greater than that anticipated by BCIS.

12.54 It is beyond the scope to attempt to forecast changes. Increases in build costs of 5%, 10%, 15% and 20% have been tested.

12.55 As set out in Chapter 4, whilst the market is generally strong, there is a period of uncertainty. It is not the purpose of this report to predict the future of the market. Several price change scenarios have been modelled, minus 10% and 5%, and plus 20%, 15%, 10% and 5%. In this analysis, it is assumed that all other matters in the base appraisals remain unchanged. In the following table, only the costs of construction and the value of the market housing are altered.

[37] See Table 1.1 (Page 6) of in *Quarterly Review of Building Prices* (Issue No 142 – September 2016)

Table 12.2 Sensitivity to Cost and Price Change (£/ha) with Developer Contributions of £75/m²

		Alternative Use Value	Viability Threshold	Residual Value						Value						
				BCIS												
		£/ha	£/ha	+20%	+15%	+10%	+5%	-10%	-5%	**+0%**	+5%	+10%	+15%	+20%
Site 1	Large Brown 50	1,900,000	2,280,000	5,482,068	5,965,227	6,448,387	6,931,546	5,631,940	6,523,323	**7,414,706**	8,306,088	9,197,471	10,088,854	10,980,236
Site 2	Large Brown 30	1,900,000	2,280,000	4,986,782	5,424,728	5,862,675	6,300,621	5,118,324	5,928,446	**6,738,567**	7,548,689	8,358,810	9,168,931	9,979,053
Site 3	Medium Brown 20	1,900,000	2,280,000	4,909,737	5,353,189	5,796,640	6,240,091	5,054,865	5,869,204	**6,683,543**	7,497,882	8,312,221	9,126,560	9,940,899
Site 4	Medium Brown 12	1,900,000	2,280,000	4,732,780	5,109,395	5,486,011	5,862,627	4,796,608	5,517,925	**6,239,243**	6,960,560	7,681,877	8,403,194	9,124,512
Site 5	Small Brown 8	1,900,000	2,280,000	4,611,295	5,066,780	5,522,266	5,977,751	4,800,471	5,616,854	**6,433,236**	7,249,619	8,066,002	8,882,384	9,698,767
Site 6	Small Brown 5	1,900,000	2,280,000	3,174,244	3,608,594	4,042,944	4,477,294	3,478,040	4,194,842	**4,911,644**	5,628,447	6,345,249	7,062,052	7,778,854
Site 7	Small Brown 2	1,900,000	2,280,000	3,932,425	4,296,234	4,660,044	5,023,853	4,049,920	4,718,791	**5,387,663**	6,056,534	6,725,405	7,394,276	8,063,147
Site 8	Brown Plot	1,900,000	2,280,000	5,706,596	6,238,106	6,769,615	7,301,125	5,879,312	6,855,973	**7,832,634**	8,809,295	9,785,956	10,762,618	11,739,279
Site 9	Conversion 25	19,100,055	22,920,066	22,527,499	22,948,056	23,368,614	23,789,171	20,787,032	22,498,380	**24,209,728**	25,921,076	27,632,424	29,343,772	31,055,120
Site 10	Conversion 6	25,000,000	30,000,000	28,492,895	29,072,768	29,652,641	30,232,514	26,347,147	28,579,767	**30,812,386**	33,045,006	35,277,625	37,510,245	39,742,864
Site 11	Flats 80	1,900,000	2,280,000	1,586,779	3,742,971	5,899,162	8,055,354	4,640,396	7,425,971	**10,211,546**	12,997,120	15,782,695	18,568,270	21,353,845
Site 12	Flats 20	1,900,000	2,280,000	12,247,116	13,559,871	14,872,627	16,185,383	12,905,875	15,202,006	**17,498,138**	19,794,270	22,090,402	24,386,534	26,682,666
Site 13	Flats 80 Undercroft	1,900,000	2,280,000	-3,107,477	-1,526,449	50,846	1,628,142	-869,205	1,168,116	**3,205,437**	5,242,758	7,280,079	9,317,400	11,354,721
Site 14	Flats 20 Undercroft	1,900,000	2,280,000	7,383,681	8,689,789	9,995,898	11,302,006	8,035,833	10,321,974	**12,608,115**	14,894,256	17,180,397	19,466,537	21,752,678
Site 15	Small Green 5	150,000	180,000	4,481,466	4,792,783	5,104,099	5,415,416	4,473,282	5,100,007	**5,726,733**	6,353,458	6,980,184	7,606,909	8,233,634
Site 16	Small Green 3	4,000,000	4,800,000	3,138,302	3,354,236	3,570,171	3,786,105	3,131,957	3,566,998	**4,002,039**	4,437,080	4,872,122	5,307,163	5,742,204
Site 17	Green Plot	150,000	180,000	4,524,795	4,836,768	5,148,740	5,460,713	4,516,979	5,144,833	**5,772,686**	6,400,540	7,028,394	7,656,247	8,284,101

Source: April 2017

12.56 It is clear, across all sites, that relatively small changes in price and costs can have an impact on the Residual Value and that there is sensitivity to changes in prices and costs.

12.57 Having said this, the bulk of sites remain viable even when subject to a significant increase in costs or fall in values.

Next Steps

12.58 The recommendations in this study are 'a consultant's view' and do not reflect the particular priorities and emphasis that the Minister may put on different parts of its Island Plan. The above suggested rates are supported by the evidence – however there is considerable scope for the Minister to strike a different balance.

12.59 We stress that the information in this report is an important element of the evidence, but is only one part of the evidence; the wider context needs to be considered.

HDH Planning and Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers. The firm is regulated by the RICS.

The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site-specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments

HDH Planning and Development have clients throughout England and Wales.

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