

GNDP CIL Viability Advice on CIL / Tariff for Broadland, Norwich and South Norfolk (Dec 2010)

ERRATA

GVA has been asked by the Greater Norwich Development Partnership (GNDP) to include an Errata to its Report entitled 'Viability Advice on CIL / Tariff for Broadland, Norwich and South Norfolk (December 2010)', further to an inconsistency in the benchmark land values as noted at the Developer's Forum consultation event (7th June 2011).

The query / inconsistency is set out as follows (blue text):

On page 23 of the report (paragraphs 3.28 - 3.29) GVA states the following:

*3.28 "Discussion with local agents and a review of the limited sales evidence available indicates that the current market values in the area for residential land with planning permission (or resolutions to grant planning permission for residential development) with circa 25% affordable housing provision is in the order of **£865,000 - £1,500,000 per hectare (£350-£600,000 per acre).**"*

*3.29 "Land values differ depending on the location. In Norwich City Centre a residential scheme with the benefit of planning permission could achieve £1.97m per hectare (£800,000 per acre). By contrast, land values to the South of the City-Centre are generally lower, with the exception of the A11 **corridor, where land values can match those in the City Centre.**"*

On page 28 in Appendix A5 (Results of the CIL Development Viability Analysis) GVA state the following in the last paragraph of that page:

*"The tables show below set out the indicative residual land values for Schemes 1, 2,3 & 4 at 100% (Scheme 1 only), 40%, 30% and 20% affordable housing and both with and without NAHP grant. These residual land values have been compared to the benchmark land cost of £1,235,500 per Ha (£500,000 per acre) for the Central Area, **£520,000 - £620,000 per Ha (£210,000 - £250,000 per acre) for the A11 corridor and inner Areas** and £495,000 per HA (£200,000 per acre) for the Outer Area".*

The discrepancy/contradiction I am raising therefore is why has a development land value of £210,000 - £250,000 per acre for the A11 corridor been used when the advice GVA received (and which they stated earlier in their report) said that development land values were generally £350,000 - £600,000 with the highest values been found in the Norwich central area and A11 corridor? GVA have therefore used land values in their viability appraisals (for the A11 corridor) which represent an at least 50% reduction in current market values.

This goes against one of the main fundamental principles of GVA's report; please see paragraph 3.16 on page 19 of the report:

3.16 "We have used benchmark land values that reflect prevailing development values, sourced from analysis of the current situation in Broadlands, Norwich and South Norfolk, and corroborated through local stakeholder discussions. We suggest that if a CIL / Tariff is

promoted that reduces the land value by more than 25% at the present time then it risks causing land to be withheld from development, or delayed in coming forward. Therefore viability testing outcomes that reduce the Residual Land Value by more than 25% of the benchmarked are considered to be marginal."

Indeed all the viability assessments in Appendix A5 are colour coded with the colour orange being described as "*residual land value greater than 25% below the benchmark – development is therefore likely to be unviable*".

What all of this means is that the viability assessments GVA have undertaken are showing vastly more schemes being financially viable (in each of the various affordable housing provisions and CIL levels) than there actually are in reality (if the correct market development land values are used). The current proposed CIL is therefore completely flawed and the viability assessments need to be redone using the market values that GVA received from their own research.

GVA RESPONSE:

We apologise, but the text on P.23 of the original December 2010 Report is incorrect.

The text should be corrected to read:

- 3.28** *Discussions with local agents and a review of the limited sales evidence available indicates that the current market values in the area for residential land with planning permission, (or resolutions to grant planning permission for residential development), with circa 25% affordable housing provision, is in the order of £620,000 - £1.5million per hectare (£250-£600,000 per acre).*
- 3.29** *Land values differ depending on the location. In Norwich City Centre a residential scheme with the benefit of planning permission and a low affordable housing requirement, say 10%, could achieve £1.97million per hectare (£800,000 per acre). However this is not reflective of the planning policy environment going forward, and as such these values are less likely to be achieved. Agents comment that prime sites with a good prospect of being granted planning permission at an affordable housing requirement of 25% - 35% can exchange for up to £1,485,000 per hectare (£600,000 per acre) in Norwich City Centre, with the majority of sites exchanging for circa £1,235,500 per hectare (c. £500,000 per acre).*
- 3.30** *By contrast land values outside of the City Centre are generally lower, with suburban Norwich residential sites achieving £520,000 - £620,000 per hectare (£200 - £250,000 per acre), and rural sites achieving around £495,000 per hectare (£200,000 per acre).*

COMMENTARY

The land values we have used whilst undertaking the viability appraisals are therefore as follows:



	Benchmark Land Value Per Hectare	Benchmark Land Value Per Acre
Central	£1,235,500	£500,000
Inner	£520,000 - £620,000	£210,000 - £250,000
A11 Corridor	£520,000 - £620,000	£210,000 - £250,000
Outer	£495,000	£200,000

These benchmark land values represent the existing use value of the land, say commercial or agricultural value, plus an element of hope value on the anticipation that a site will be granted planning permission for residential development. These land values assume that the requirement of 25% - 35% affordable housing will be met by the sites in question. Should the affordable housing requirement increase, it follows that land values will likely decrease, affecting the ability of the scheme to contribute to a CIL / S.106 tariff, and vice versa.

It can be argued that the price per hectare / acre of small sites is higher than that for larger sites, and we believe that the A11 corridor and Inner Value areas are particularly susceptible to this, because the Central and Outer sites are likely to be only small and large respectively. Benchmark land values have therefore been selected which reflect a site's size and typology.

The locally active residential agents who informed our opinion of the appropriate benchmark land values for the respective market value areas are named in Appendix A3 of the December 2010 Report.