Thorn, Steve

From: Crew, Chris
Sent: 14 July 2010 11:46
To: _planningadvice
Subject: FW: Review of Planning Application H11-1253-08
Attachments: Viability Appraisal - Long Sutton FINAL 22042010.pdf

Please save in background papers

PLANNING & DEVELOPMENT
15 JUL 2010
+ .pdf attached.

From: Durbin, Jon (Capita Symonds) [mailto:Jon.Durbin@capita.co.uk]
Sent: 22 April 2010 15:56
To: Crew, Chris
Cc: Norbury, Dave
Subject: RE: Review of Planning Application H11-1253-08

Hi Chris,

As discussed, please see the attached report with our review of the financial viability of this scheme.

You will see that it makes very interesting reading. In summary, the scheme as submitted (and in other combinations too) appears to be unviable. Clearly, no developer would pursue such a scheme, therefore to ensure we have not missed any significant factor, we are considering whether it would be a worthwhile exercise to talk by telephone directly to the applicant/developer to identify if there are any special factors to consider.

If you have any questions about the report, please do telephone my colleague Dave Norbury, its author, on 0161 779 6121 (I think I have mentioned to your colleagues previously that Urban Vision is the trading name of our consultancy Partnership with Salford City council, of which Capita Symonds are the majority owner).

Also, please let me know if you require hard copies of this report.

Best regards,

Jon

Jon Durbin MRTPI
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-----Original Message-----
From: Crew, Chris [mailto:ccrew@sholland.gov.uk]
Sent: 16 March 2010 13:30
To: Durbin, Jon (Capita Symonds)
Cc: Fidler, Richard
Subject: Review of Planning Application H11-1253-08

Dear Jon,

I write further to your recent email correspondence with my colleague Richard Fidler, and to your reports on property valuations and developer costs connected with the above referenced application received 25 February 2010. I am the case officer dealing with the application.

Having considered the reports we feel that further analysis of the scheme is necessary on the basis of the following questions:

1) Does the financial model work excluding the commercial units?

2) If yes to 1), how far can scale of residential be reduced before model becomes unviable?

3) If no to 1), how far can scale of whole development be reduced before model becomes unviable?

4) Does financial model only work on this site, or could it apply to any other unallocated agricultural land around Long Sutton?

I would be grateful if you could give me an indication of your charges for undertaking this additional work.

Regards

Chris

Chris Crew
Planning Officer
South Holland District Council

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urbanvision









Viability Appraisal: Land Adjacent To 47 Bridge Road, Long Sutton, Lincolnshire PE12 9EF

23/4/2010

completed by Dave Norbury MRICS

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1. Executive Summary

Urban Vision Partnership Limited has been commissioned by South Holland District Council, via Capita Symonds (Breckland) to assess the financial viability of a proposed mixed-use development at land adjacent to 47 Bridge Road, Long Sutton, Lincolnshire PE12 9EF.

Capita Architecture (Cambridge) has undertaken a review of the development costs detailed in a budget estimate provided by the applicant and Capita Symonds has reviewed the estimated revenue from the completed development. The recommendations of these reports have been adopted for the assessment..

There are additional cost elements that should be included in a full development appraisal that were not included in the applicant's budget estimate and therefore appraisals have been carried out (i) including all anticipated costs and (ii) adopting only those costs included in the budget estimate, with adjustments as recommended in the Capita Architecture report.

The fully costed appraisal shows the scheme to be unviable with a deficit of £1,422,048, or 15.14% on cost, although the appraisal based on the applicant's budget estimate shows a profit of £272,056 or 3.53% on cost.

Further analysis of the scheme has been requested by the Local Planning Authority, South Holland District Council on the basis of the following:

1. Does the financial model work excluding the commercial units?

The fully costed appraisal excluding the commercial units shows the scheme to be unviable with a loss of £477,836, or 6.29% on cost, although the appraisal based on the applicant's budget estimate shows a profit of £926,558 or 14.97% on cost.

2. If yes to 1, how far can the scale of residential be reduced before the model becomes unviable?

The appraisal for a reduced residential scheme and excluding the commercial units demonstrates that if the residential element is reduced from 49 to 27 units by excluding 16 no. 3 bed 5 person and 6 no. 2 bed 3 person semi-detached properties, the scheme approaches "break-even" with a nominal profit of £6,494 or 0.16% on cost. There are other mixes of reduced residential development that will give similar results.

3. If no to 1, how far can the scale of the whole development be reduced before the model becomes unviable?

This scenario is not applicable on the results of the appraisals detailed above.

4. Does the financial model only work on this site or could it apply to any other unallocated agricultural land around Long Sutton?

The valuation method assesses the costs of development against the value of the completed development.

There is no information on the value paid by the applicant for the subject site and no allowances for site acquisition costs have been included in the appraisals. As the appraisals for the full scheme and that excluding the commercial units are showing to be unviable and assuming that development on another unallocated agricultural site in the area would incur the same level of costs and achieve the same sales values, the financial model would be the same.

The report details the different costs and values applied to arrive at these results

2. The Brief

2.1 Purpose and Objective

Urban Vision Partnership Limited has been commissioned by South Holland District Council, via Capita Symonds (Breckland) to assess the financial viability of a proposed mixed-use development at land adjacent to 47 Bridge Road, Long Sutton, Lincolnshire PE12 9EF.

A budget estimate has been submitted by the applicant, SEArch Limited, in support of a planning application seeking approval for a mixed-use development comprising 49 No residential units (24 for sale on the open market and 25 affordable units), 1,182 square metres of commercial (light industrial) space within 9 units and 80 square metres of office accommodation (referred to as "Hodnydod"), under application reference number H11/1253/08.

Capita Architecture (Cambridge) has undertaken a review of the development costs and Capita Symonds has reviewed the estimated revenue from the completed development.

Further analysis of the scheme has been requested by the Local Planning Authority, South Holland District Council on the basis of the following:

1. Does the financial model work excluding the commercial units?
2. If yes to 1, how far can the scale of residential be reduced before the model becomes unviable?
3. If no to 1, how far can the scale of the whole development be reduced before the model becomes unviable?
4. Does the financial model only work on this site or could it apply to any other unallocated agricultural land around Long Sutton?

The report outlines our approach and details all the cost elements adopted in the development appraisals.

3. Our Approach

3.1 Method of Valuation

The site has been appraised using the residual value approach.

This method assesses the costs of the development, including, where appropriate:

- site acquisition
- site investigations and surveys
- construction
- site works including ground works, landscaping, drainage, infrastructure, service installations
- site remediation
- preliminaries
- contingency
- professional fees
- sales agent, legal and marketing fees

Against the development costs, the value the completed development will realise from the sale of properties is assessed to determine the rate of developer's return once costs have been deducted from value.

All valuations have been carried out in accordance with the RICS Valuation Standards 6th Edition.

We have used our development appraisal software, KEL Delta Plus to carry out the valuations.

3.2 Information/Data Collected

Capita Architecture were previously commissioned by South Holland District Council to review the development costs included within the financial appraisal supporting the planning application (budget estimate provided by Davis Langdon within the Design and Access Statement), excluding all costs associated with the construction of the "Hodnydod" office unit. The report concludes, as stated in an e-mail dated 25th February 2010 from Jon Durbin (Regional Director, Capita Symonds) to Richard Fidler, that the rates used in the applicant's appraisal are satisfactory subject to enhancement for contingency and an allowance for risk. Details of rates adopted in the appraisals are contained in Section 3 of this report.

Additionally, Capita Symonds Breckland office was commissioned to review the values of the residential and commercial properties subject to the planning application adopted in the financial appraisal and provided by local estate agent C Carters. Their report concludes that the residential values are realistic, again as stated in the 25th February 2010 e-mail from Jon Durbin, but the commercial units are over-valued by approximately 9%. A schedule of values adopted within the appraisals is contained within Section 3 of this report.

4. Site Appraisal – Full Scheme

4.1 Proposed Scheme

The proposed scheme provides 49 residential dwellings comprising:

10 no. 2 bedroom 3 person semi-detached houses @ 62 sq.m.
2 no. 2 bedroom 3 person semi-detached houses @ 75 sq.m.
16 no. 3 bedroom 5 person semi-detached houses @ 86 sq.m.
13 no. 3 bedroom 5 person detached houses @ 86 sq.m.
5 no. 4 bedroom 6 person detached houses @ 108 sq.m.
3 no. 4 bedroom 7 person detached houses @ 119 sq.m.

Of these, 8 no. 2 bedroom, 16 no. 3 bedroom and 1 no. 4 bedroom properties (25 in total) are to be for social rented provision with the remaining 24 units for open market sale.

In addition, 9 commercial units are to be constructed as follows:

5 no. warehouse/office units @ 153 sq.m.
4 no. warehouse/office units @ 85 sq.m.

Office accommodation comprising 80 sq.m. is also to be provided but this has not been considered for the purpose of the appraisals.

The scheme is promoted as a "Sustainable Settlement Extension" to Long Sutton adopting a low carbon work/life ethic, a fossil fuel free lifestyle, use of renewable energy applications, adoption of innovative building solutions and the operation of a zero waste policy. All properties are to be naturally heated and ventilated. Renewable energy provision is generated through the use of 2 wind turbines.

The development includes the provision of allotments and wetland areas to encourage food production and increase bio-diversity. 49% of the site area (3.5 acres) is proposed to be open space.

4.2 Development Costs

Following the review of development costs by Capita Architecture, the following costs have been adopted for the purpose of the appraisals:

Construction Costs

Residential Units	4,161 sq.m.	@ £945.27/sq.m.	£3,933,269
(Note: the Davis Langdon Budget Estimate had 4,161 sq.m. in the schedule of accommodation			

at page (iii) but adopted, as did the Capita Architecture report, a figure of 4,148 sq.m. in the cost summary.)

Commercial Units	1,105 sq.m.	@ £868.00/sq.m.	£ 959,140
		Sub-total	**£4,892,409**

External Works (as set out on p72 of the Davis Langdon Budget Estimate)

Site Clearance	38,964 sq.m.	@ £2/sq.m.	£ 77,928
Access Road	6,592 sq.m.	@ £60/sq.m.	£395,520
Parking Areas	2,626 sq.m.	@ £45/sq.m.	£118,170
Paths, Paving & Patios	184 sq.m.	@ £25/sq.m.	£ 4,600
External Stores – Houses	49 no,	@ £500	£ 24,500
External Stores – Commercial Units	9 no.	@ £1,000	£ 9,000
Boundary Hedging	3,648 m	@ £20/m	£ 72,960
Allotments	1,703 sq.m.	@ £25/sq.m.	£ 42,575
Wetland Area	660 sq.m.	@ £150/sq.m.	£ 99,000
Gates to Rear Gardens	49 no.	@ £180	£ 8,820
Landscaping	23,724 sq.m.	@ £7.50/sq.m.	£177,930
Planting	Item		£ 55,000
		Sub-Total	**£1,086,003**

Services

Service Connections	58 no.	@ £2,500	£145,000
Site Lighting	6,592 sq.m.	@ £12/sq.m.	£ 79,104
11kv cable diversion	Item		£ 35,000
Wind Turbines	2 no.	@ £30,000	£ 60,000

(note: the budget estimate includes for 5 no. turbines at a total cost of £150,000 but the Capita Architecture report states at p6 that "there are 2 wind turbines left…(from the original 5) according to the deduction made at the last meeting…")

Sub-Total **£ 319,104**

Drainage

Building Area	5,266 sq.m.	@ £20/sq.m.	£105,320
Hard Paved Area	9,402 sq.m.	@ £20/sq.m.	£188,040
Sewer Connections	2 no.	@ £3,000	£ 6,000
		Sub-Total	**£ 299,360**

Preliminaries	10% of cost (construction plus externals, services and drainage)	**£ 659,687**
Contingencies	3% of cost. The appraisal software applies contingencies only to the build costs (plus inflation allowance).	**£ 148,607**

Other costs that should be included in any development appraisal include the following:

Professional Fees	10% of cost. The appraisal software applies contingencies only to the build costs (plus inflation allowance).	**£ 510,217**
Planning Application Fee	As stated in letter dated 5th December 2008 from Search Architects to South Holland District Council)	**£ 22,110**
Building Regulations Application Fee	Assumed	**£ 11,000**
Selling Expenses	5% of revenue	**£ 398,500**
Overheads	6% of cost (construction plus externals, services and drainage)	**£ 395,812**
Finance Costs	A lending rate of 6% has been assumed to calculate interest payments.	**£ 588,083**
Inflation	An inflation rate of 2% during the construction period has been adopted.	**£ 61,155**

4.3 Sales Values

Following the review of anticipated sale prices for the completed development, the following values have been adopted for the appraisals:

Residential		
10 no. 2 bedroom 3 person semi-detached house (62 sq.m.)	@ £115,000	£1,150,000
2 no. 2 bedroom 3 person semi-detached house (75 sq.m.)	@ £120,000	£ 240,000
16 no. 3 bedroom 5 person semi-detached house	@ £145,000	£2,320,000
13 no. 3 bedroom 5 person detached house	@ £155,000	£2,015,000
5 no. 4 bedroom 6 person detached house	@ £170,000	£ 850,000
3 no. 4 bedroom 7 person detached house	@ £180,000	£ 540,000
		£7,115,000

There is no information as to a reduced level of value for the social rented housing and therefore the full market value has been adopted for all units within the appraisal.

Commercial		
5 no. Workshop/Office Unit (153 sq.m.)	@ £115,000	£ 575,000
4 no. Workshop/Office Unit (85 sq.m.)	@ £ 70,000	£ 280,000
		£ 855,000
	Total Sales	**£7,970,000**

4.4 Assumptions

4.4.1 Abnormal Costs

The Davis Langdon budget estimate excludes costs associated with abnormal ground conditions and remediation of contaminated ground and therefore no allowances have been made in this regard.

It should be noted that the impact of abnormal ground conditions, such as the presence of contamination, on development costs can only be accurately assessed through detailed and intrusive site investigations. The results of such investigations will determine whether the site is capable of development and, assuming development can proceed, what additional costs will be incurred through, for example, the requirement for contaminated material to be removed from the site and new clean material imported, or requirements for different foundation construction over and above traditional strip foundations.

Should future site investigations identify additional costs, this is likely to adversely affect the viability of the scheme and the conclusions and recommendations of this report may need to be reviewed.

4.4.2 Development timescale

A development period of 15 months (65 weeks) has been adopted in accordance with the Davis Langdon budget estimate and Capita Architecture report.

4.4.3 Land Value

No information has been provided on the cost of site acquisition by the developer and therefore a value has not been adopted in the appraisal. The appraisal determines the level of developers profit with industry norms suggesting a target profit of 15% on cost assuming that the site is in the developer's ownership.

4.5 Conclusions

The viability appraisal for the full scheme indicates that the scheme is unviable with a loss of £1,422,048 or -15.14% on cost. A copy of the appraisal is attached at Appendix A.

The appraisal is summarised as follows:

Gross Development Value		**£7,970,000**
Construction Costs (incl. inflation and contingency)	£5,102,171	
Professional Fees	£ 510,217	
Other Costs	£3,191,576	
Interest	£ 588,083	
Gross Development Costs		**£9,392,048**
Deficit		**(£1,422,048)**

4.6 Additional Appraisal

The Davis Langdon budget estimate only considers construction costs, external works, services, drainage preliminaries and contingencies and the Capita Architecture report only analyses the elements of the budget estimate. These costs are as adopted in the fully costed appraisal but with contingencies applied to construction costs, external works and services, drainage and preliminaries at **£217,681**.

An additional appraisal, attached at Appendix B, has been carried out adopting only these cost elements but including the adjustments recommended in the Capita Architecture report and detailed in their Table 5, including an allowance for risk of 3% on all costs at **£224,212**.

This appraisal demonstrates a profit of £272,056 or 3.53% on cost, which is below the level that would normally be acceptable to a developer.

The appraisal is summarised as follows:

Gross Development Value		**£7,970,000**
Construction Costs (build only)	£4,892,409	
Other Costs	£2,805,534	
Gross Development Cost		**£7,697,944**
Profit		**£ 272,056**

5. Site Appraisal – Excluding Commercial Units

5.1 Proposed Scheme

In accordance with the client's instruction, an appraisal has been carried out excluding the commercial units and the following costs have been adopted.

The proposed scheme provides 49 residential dwellings comprising:

10 no. 2 bedroom 3 person semi-detached houses @ 62 sq.m.
2 no. 2 bedroom 3 person semi-detached houses @ 75 sq.m.
16 no. 3 bedroom 5 person semi-detached houses @ 86 sq.m.
13 no. 3 bedroom 5 person detached houses @ 86 sq.m.
5 no. 4 bedroom 6 person detached houses @ 108 sq.m.
3 no. 4 bedroom 7 person detached houses @ 119 sq.m.

5.2 Development Costs

As per the appraisal for the full scheme, the following costs have been adopted for the purpose of the appraisal excluding the commercial units, with appropriate adjustments as indicated:

Construction Costs

Residential units	4,161 sq.m.	@ £945.27/sq.m.	**£3,933,269**

External Works

Site Clearance	38,964 sq.m.	@ £2/sq.m.	£ 77,928
Access Road	5,274 sq.m.	@ £60/sq.m.	£316,440
(reduced full scheme costs by 20%)			
Parking Areas	1,544 sq.m.	@ £45/sq.m.	£ 69,480
(total of 165 parking spaces in full scheme, 97 of which are within the residential area. Therefore adopted 97/165 of the total scheme costs)			
Paths, Paving & Patios	184 sq.m.	@ £25/sq.m.	£ 4,600
External Stores – Houses	49 no,	@ £500	£ 24,500
Boundary Hedging	3,648 m	@ £20/m	£ 72,960
Allotments	1,703 sq.m.	@ £25/sq.m.	£ 42,575
Wetland Area	330 sq.m.	@ £150/sq.m.	£ 49,500
(reduced full scheme costs by 50%)			
Gates to Rear Gardens	49 no.	@ £180	£ 8,820

Landscaping	18,979 sq.m.	@ £7.50/sq.m.	£142,343	
(reduced full scheme costs by 20%)				
Planting	Item		£ 44,000	
(reduced full scheme costs by 20%)				
			Sub-Total	**£ 853,146**

Services

Service Connections	49 no.	@ £2,500	£122,500	
Site Lighting	4,944 sq.m.	@ £12/sq.m.	£ 59,328	
(reduced full scheme costs by 25%)				
11kv cable diversion	Item		£ 35,000	
Wind Turbines	2 no.	@ £30,000	£ 60,000	
			Sub-Total	**£ 276,828**

Drainage

Building Area	4,161 sq.m.	@ £20/sq.m.	£ 83,220	
Hard Paved Area	7,522 sq.m.	@ £20/sq.m.	£150,440	
(reduced full scheme costs by 20%)				
Sewer Connections	2 no.	@ £3,000	£ 6,000	
			Sub-Total	**£ 239,660**

Preliminaries	10% of cost (construction plus externals, services and drainage)	**£ 530,296**
Contingencies	3% of cost. The appraisal software applies contingencies only to the build costs (plus inflation allowance)	**£ 119,473**

Other costs that should be included in any development appraisal include the following:

Professional Fees	10% of cost. The appraisal software applies contingencies only to the build costs (plus inflation allowance).	**£ 410,191**
Planning Application Fee	As stated in letter dated 5th December 2008 from SEArch Architects to South Holland District Council	**£ 22,110**
Building Regulations Application Fee	Assumed	**£ 11,000**

Selling Expenses	5% of revenue	**£ 355,751**
Overheads	6% of cost (construction plus externals, services and drainage)	**£ 318,174**
Finance Costs	A lending rate of 6% has been assumed to calculate interest payments.	**£ 471,092**
Inflation	An inflation rate of 2% during the construction period has been adopted.	**£ 49,166**

5.3 Sales Values

The following sales values have been adopted for the appraisal:

10 no. 2 bedroom 3 person semi-detached house (62 sq.m.)	@ £115,000	£1,150,000
2 no. 2 bedroom 3 person semi-detached house (75 sq.m.)	@ £120,000	£ 240,000
16 no. 3 bedroom 5 person semi-detached house	@ £145,000	£2,320,000
13 no. 3 bedroom 5 person detached house	@ £155,000	£2,015,000
5 no. 4 bedroom 6 person detached house	@ £170,000	£ 850,000
3 no. 4 bedroom 7 person detached house	@ £180,000	£ 540,000
	Total Sales	**£7,115,000**

5.4 Assumptions

The appraisal has been carried out with high level assumptions on reductions in cost on certain cost elements to account for the exclusion of the commercial units. No measurements have been taken out to determine areas/quantities applied to unit costs and broad assumptions on indicative percentage reductions have been made.

Certain elements have been used as for the full scheme appraisal on the basis that the site area remains the same and there will be some work carried out on the “Employment Zone” to provide a level of landscaping but on a reduced scale.

All other assumptions are as adopted for the appraisal of the full scheme above.

5.5 Conclusions

The exclusion of the commercial units from the scheme does not, on the basis of an appraisal using the cost assumptions at 4.2 above, make the scheme economically viable. The development appraisal shows a loss of £477,836 or -6.29% on cost. The appraisal is attached at Appendix C.

The appraisal is summarised as follows:

Gross Development Value	**£7,115,000**
Construction Costs (incl. inflation and contingency)	£4,101,908
Professional Fees	£ 410,191
Other Costs	£2,606,959
Interest	£ 473,778
Gross Development Costs	**£7,592,836**
Deficit	**(£ 477,836)**

5.6 Additional Appraisal

As for the full scheme, an additional appraisal, attached at Appendix D, has been carried out adopting only those cost elements contained in the Capita Architecture report Table 5. These costs are as adopted in the fully costed appraisal but with contingencies applied to construction costs, external works and services, drainage and preliminaries at **£174,996** and including an allowance for risk of 3% on all costs at **£180,246**.

.

This appraisal shows a profit of £926,558 or 14.97% on Gross Development Cost and is summarised as follows:

Gross Development Value	**£7,115,000**
Construction Costs (build only)	£3,933,269
Other Costs	£2,255,172
Gross Development Cost	**£6,188,442**
Profit	**£ 926,558**

6. Site Appraisal – Reduction in Scale of Residential Development

The Local Planning Authority has requested details of how far the scale of residential development can be reduced if the scheme is viable excluding the commercial units.

The appraisals detailed above demonstrate that if all normal development costs are accounted for, the scheme is unviable but if only those costs within the Davis Langdon budget estimate are adopted together with the adjustments recommended in the Capita Architecture report, the scheme is viable.

A further appraisal has therefore been carried out using the Davis Langdon/Capita Architecture costs to determine how much of the residential units can be excluded until the scheme becomes unviable. Details of the amended scheme and associated costs are set out below, all other assumptions area as in the appraisal for the full scheme.

6.1 Proposed Scheme

Reducing the "non-commercial" scheme by excluding the 16 no. 3 bedroom 5 person semi-detached houses and 6 no. 2 bedroom 3 person semi-detached houses @ 62 sq.m., the proposed scheme will provide 27 residential dwellings comprising:

4 no. 2 bedroom 3 person semi-detached houses @ 62 sq.m.
2 no. 2 bedroom 3 person semi-detached houses @ 75 sq.m.
13 no. 3 bedroom 5 person detached houses @ 86 sq.m.
5 no. 4 bedroom 6 person detached houses @ 108 sq.m.
3 no. 4 bedroom 7 person detached houses @ 119 sq.m.

6.2 Development Costs

The following costs have been adopted for the purpose of the appraisal excluding the commercial units and excluding the 16 no. 3 bed 5 person semi detached properties and 6 no. 2 bedroom 3 person semi-detached houses @ 62 sq.m,, with appropriate adjustments as indicated:

Construction Costs

Residential units	2,413 sq.m.	@ £945.27/sq.m.	**£2,280,937**

External Works

Site Clearance	38,964 sq.m.	@ £2/sq.m.	£ 77,928
Access Road	5,274 sq.m.	@ £60/sq.m.	£316,440

(reduced full scheme costs by 20%)			
Parking Areas	843 sq.m.	@ £45/sq.m.	£ 37,935
(total of 165 parking spaces in full scheme, 97 of which are within the residential area. In reducing the residential units by 22, 44 spaces have been removed from the appraisal. Therefore adopted 53/165 of the total scheme costs)			
Paths, Paving & Patios	101 sq.m.	@ £25/sq.m.	£ 2,525
(reduced full scheme costs by 45%)			
External Stores – Houses	27 no.	@ £500	£ 13,500
Boundary Hedging	3,648 m	@ £20/m	£ 72,960
Allotments	1,703 sq.m.	@ £25/sq.m.	£ 42,575
Wetland Area	330 sq.m.	@ £150/sq.m.	£ 49,500
(reduced full scheme costs by 50%)			
Gates to Rear Gardens	27 no.	@ £180	£ 4,860
Landscaping	18,979 sq.m.	@ £7.50/sq.m.	£142,343
(reduced full scheme costs by 20%)			
Planting	Item		£ 44,000
(reduced full scheme costs by 20%)			
		Sub-Total	**£ 804,566**

Services

Service Connections	27 no.	@ £2,500	£ 67,500
Site Lighting	4,944 sq.m.	@ £12/sq.m.	£ 59,328
(reduced full scheme costs by 25%)			
11kv cable diversion	Item		£ 35,000
Wind Turbines	2 no.	@ £30,000	£ 60,000
		Sub-Total	**£ 221,828**

Drainage

Building Area	2,413 sq.m.	@ £20/sq.m.	£ 48,260
Hard Paved Area	7,522 sq.m.	@ £20/sq.m.	£150,440
(reduced full scheme costs by 20%)			
Sewer Connections	2 no.	@ £3,000	£ 6,000
		Sub-Total	**£ 204,700**

Preliminaries	10% of cost (construction plus externals, services and drainage)	**£ 351,203**
Contingencies	3% of cost (construction plus externals, services and drainage plus preliminaries)	**£ 115,897**
Risk	3% of total costs	**£ 119,374**

6.3 Sales Values

The following values have been adopted for the appraisal:

4 no. 2 bedroom 3 person semi-detached house (62 sq.m.)	@ £115,000	£ 460,000
2 no. 2 bedroom 3 person semi-detached house (75 sq.m.)	@ £120,000	£ 240,000
13 no. 3 bedroom 5 person detached house	@ £155,000	£2,015,000
5 no. 4 bedroom 6 person detached house	@ £170,000	£ 850,000
3 no. 4 bedroom 7 person detached house	@ £180,000	£ 540,000
	Total Sales	**£4,105,000**

6.4 Conclusions

Reducing the scale of the residential development by excluding the 16 no. 3 bedroom 5 person semi-detached houses and 6 no. 2 bedroom 3 person semi-detached houses @ 62 sq.m as well as the commercial element, the scheme, when appraised adopting only the costs included in the Davis Langdon budget estimates with adjustments recommended in the Capita Architecture report, the scheme approaches "break even" with a nominal profit of £6,494 or 0.16% on cost.

The appraisal is attached at Appendix E and is summarised as follows:

Gross Development Value		**£4,105,000**
Construction Costs (build only)	£2,280,937	
Other Costs	£1,817,568	
Gross Development Costs		**£4,098,506**
Profit		**£ 6,494**

It should be noted that this is only 1 scenario of a mix of units that achieves a nil profit and merely demonstrates how the scale of the residential development **may** be reduced before the scheme becomes unviable.

Other scenarios of reduced development were appraised to demonstrate the effect on the viability and the results are as follows:

Scheme	Profit/Deficit (£)	Profit/Deficit (% on cost)
Exclude 16 no. 3 bed 5 person semi-detached & 3 no. 4 bed 7 person detached	Profit £120,526	Profit 2.92%
Exclude 16 no. 3 bed 5 person semi-detached & 10 no. 2 bed 3 person semi-detached	Deficit £152,188	Deficit 4.01%
Exclude 16 no. 3 bed 5 person semi-detached & 5 no. 4 bed 6 person detached	Profit £30,240	Profit 0.77%
Exclude 16 no. 3 bed 5 person semi-detached, 2 no. 2 bed 3 person semi-detached & 5 no. 4 bed 6 person detached	Deficit £19,825	Deficit 0.53%
Exclude 16 no. 3 bed 5 person semi-detached, 2 no. 2 bed 3 person semi-detached & 4 no. 4 bed 6 person detached	Profit £13,052	Profit 0.34%

7. Other Sites

The valuation method assesses the costs of development against the value of the completed development.

The Local Planning Authority has asked “does the financial model only work only on this site, or does it apply to any other unallocated agricultural land around Long Sutton?”.

There is no information on the value paid by the applicant for the subject site and no allowances for site acquisition costs have been included in the appraisals. As the appraisals for the full scheme and that excluding the commercial units are showing to be unviable and assuming that development on another unallocated agricultural site in the area would incur the same level of costs and achieve the same sales values, the financial model would be the same.

8. Summary

The results of the appraisals for the different development scenarios and using both the full development costs and those adopting only the applicant's budget estimate costs (including adjustments recommended in the Capita Architecture report) are summarised in the following table:

Scheme	Full Appraisal	Budget Estimate Appraisal
Full scheme	Deficit of £1,422,048 or -15.14% on cost	Profit of £272,056 or 3.53% on cost
Excluding the commercial units	Deficit of £477,836 or -6.29% on cost	Profit of £926,558 or 14.97% on cost
Excluding the commercial units and reducing the scale of the residential development	-	Profit of £6,494 or 0.16% on cost

Appendix A Full Scheme Appraisal – Full Costs

Tenure & Timetable

Tenure is Freehold

	Construction Starts	Construction Mths	Letting Void	Letting Date	Rent Free	Sales Mths	Sale Date
Appraisal of full scheme	04/2010	15				6	12/2011

Project Start 04/2010 **Fees Start 04/2010** **Duration 21 Mths** **Project End 12/2011**

Development Summary

Net Sales	7,970,000	
Gross Development Value		**7,970,000**
Purchase Price	0	
Acquisition Costs	0	
Construction	5,180,099	
All other costs	3,623,866	
Finance	588,083	
Gross Development Cost		**9,392,048**
Profit	**-15.14 %**	**-1,422,048**

Statistics

Total Area: Net	5,266	square metres
Total Area: Gross	5,266	square metres
Net/Gross Ratio	100.00 %	
IRR	-8.85 %	
NPV at 0.000 %	-833,958	

Capitalisation & Sales

5,266 s.m. at 1,513.48 p.s.m.

			7,970,000	
Less Purchaser's Costs	0.000 %		0	
Sale Price	12//2011			7,970,000
Gross Development Value				**7,970,000**

Costs

Acquisition

Purchase Price	04/2010			0 v
Demolition	04//2010			77,928 v

Construction

Appraisal of full scheme

	Gross Area	Rate			
2 bed 3 person semi @ 62m2	620	945.27	586,067		
2 bed 3 person semi @ 75m2	150	945.27	141,791		
3 bed 5 person semi @ 86m2	1,376	945.27	1,300,692		
3 bed 5 person detached @ 86m2	1,118	945.27	1,056,812		
4 bed 6 person detached @ 108m2	540	945.27	510,446		
4 bed 7 person detached @ 119m2	357	945.27	337,461		
Workshop/Office unit @ 153m2	765	868.00	664,020		
Workshop/Office unit @ 85m2	340	868.00	295,120		
	5,266	929.06	4,892,409		
Inflation at 2.00 % for 7.5 months			61,155		
				4,953,564	v
Total Construction				4,953,564	
Contingency	3.00 %			148,607	v
					5,102,171
Professional Fees	10.000 %				510,217 v

Ancillary Costs				
Access Road			395,520	v
Parking Areas			118,170	v
Paths, Paving & Patios			4,600	v
External Stores - Houses			24,500	v
External Stores - Commercial Units			9,000	v
Boundary Hedging			72,960	v
Allotments			42,575	v
Wetland Area			99,000	v
Gates to Rear Gardens			8,820	v
Landscaping			177,930	v
Planting			55,000	v
Service Connections			145,000	v
Site Lighting			79,104	v
11kv Cable Diversion			35,000	v
Wind Turbines			60,000	v
Drainage			299,360	v
Preliminaries			659,687	v
Planning Application Fee			22,110	v
Building Regulations Application Fee			11,000	v
Overheads			395,812	v
				2,715,148

Sale Costs	Date	Rate	Amount		
Appraisal of full scheme	12//2011	5.00 %	398,500	v	
					398,500

Finance					
Compounded quarterly Interest on net equity	6.00 %		588,083		
					588,083

Gross Development Cost				**9,392,048**
	Profit	**-15.14%**		**-1,422,048**

VAT Schedule

	Amount	VAT %	Total VAT	Net VAT
Purchase Price	0	17.50 %	0	0
Construction	5,180,099	17.50 %	906,517	0
Professional Fees	510,217	17.50 %	89,288	0
Ancillary Costs	2,715,148	17.50 %	475,151	0
Post Construction	398,500	17.50 %	69,738	0
	8,803,964		**1,540,694**	**0**

Percentage of VAT recovered	**100.00 %**	**Average recovery time**	**3 months**

Assumptions

1. Interest is compounded quarterly
2. Construction related payments are made monthly.
3. Purchase and any rent are paid in advance, at the beginning of a month.
4. All other costs are paid in arrear, at the month's end.
5. Sales take place at the end of the month.
6. YPs are calculated on the basis of rents annually in arrears (Parry's).
7. Any negative Revenue Adjustments represent income
8. VAT is applicable to items marked "v"
9. Rent is paid quarterly in advance.

Appendix B Full Scheme Appraisal – Costs as Budget Estimate

Tenure & Timetable

Tenure is Freehold

	Construction Starts	Construction Mths	Letting Void	Letting Date	Rent Free	Sales Mths	Sale Date
Full scheme appraisal based on Capita Summary Table 5	04/2010	15				6	12/2011

Project Start 04/2010 **Fees Start 04/2010** **Duration 21 Mths** **Project End 12/2011**

Development Summary

Net Sales	7,970,000	
Gross Development Value		**7,970,000**
Purchase Price	0	
Acquisition Costs	0	
Construction	4,892,409	
All other costs	2,805,535	
Finance	0	
Gross Development Cost		**7,697,944**
Profit	**3.53 %**	**272,056**

Statistics

Total Area: Net	5,266	square metres
Total Area: Gross	5,266	square metres
Net/Gross Ratio	100.00 %	
Void Cover (Rental)	0	months
Void Cover (Finance)	0	months
Break-even rent level	0 %	of ERV
Break-even rent average	0.00	per square metre
IRR	3.17 %	
NPV at 0.000 %	272,064	

Capitalisation & Sales

5,266 s.m. at 1,513.48 p.s.m.				
			7,970,000	
Less Purchaser's Costs	0.000 %		0	
Sale Price	12//2011			7,970,000
Gross Development Value				**7,970,000**

Costs

Acquisition

Purchase Price	04/2010			0 v

Construction

Full scheme appraisal based on Capita Summary Table 5

	Gross Area	Rate			
2 bed 3 person semi @ 62m2	620	945.27	586,067		
2 bed 3 person semi @ 75m2	150	945.27	141,791		
3 bed 5 person semi @ 86m2	1,376	945.27	1,300,692		
3 bed 5 person detached @ 86m2	1,118	945.27	1,056,812		
4 bed 6 person detached @ 108m2	540	945.27	510,446		
4 bed 7 person detached @ 119m2	357	945.27	337,461		
Workshop/Office Unit @ 153m2	765	868.00	664,020		
Workshop/Office Unit @ 85m2	340	868.00	295,120		
	5,266	929.06	4,892,409		
				4,892,409 v	
Total Construction					4,892,409

Ancillary Costs

External Works and Services	1,495,000		
Drainage	209,000		
Preliminaries	659,641		
Construction Contingencies	217,681		
Risk	224,212		
			2,805,534
Gross Development Cost			**7,697,944**
Profit	**3.53%**		**272,056**

VAT Schedule

	Amount	VAT %	Total VAT	Net VAT
Purchase Price	0	17.50 %	0	0
Construction	4,892,409	17.50 %	856,172	0
	7,697,943		**856,172**	**0**

Percentage of VAT recovered	**100.00 %**	**Average recovery time**	**3 months**

Assumptions

1. Interest is compounded quarterly
2. Construction related payments are made monthly.
3. Purchase and any rent are paid in advance, at the beginning of a month.
4. All other costs are paid in arrear, at the month's end.
5. Sales take place at the end of the month.
6. YPs are calculated on the basis of rents annually in arrears (Parry's).
7. Any negative Revenue Adjustments represent income
8. VAT is applicable to items marked "v"
9. Rent is paid quarterly in advance.

Appendix C Appraisal Excluding Commercial Units – Full Costs

Tenure & Timetable

Tenure is Freehold

	Construction Starts	Construction Mths	Letting Void	Letting Date	Rent Free	Sales Mths	Sale Date
Appraisal excluding commercial	04/2010	15				6	12/2011

Project Start 04/2010 **Fees Start 04/2010** **Duration 21 Mths** **Project End 12/2011**

Development Summary

Net Sales	7,115,000	
Gross Development Value		**7,115,000**
Purchase Price	0	
Acquisition Costs	0	
Construction	4,179,836	
All other costs	2,939,223	
Finance	473,778	
Gross Development Cost		**7,592,836**
Profit	**-6.29 %**	**-477,836**

Statistics

Total Area: Net	4,161	square metres
Total Area: Gross	4,161	square metres
Net/Gross Ratio	100.00 %	
IRR	-0.05 %	
NPV at 0.000 %	-4,047	

Capitalisation & Sales

4,161 s.m. at 1,709.93 p.s.m.

			7,115,000	
Less Purchaser's Costs	0.000 %		0	
Sale Price	12//2011			7,115,000
Gross Development Value				**7,115,000**

Costs

Acquisition

Purchase Price	04/2010			0 v
Demolition	04//2010			77,928 v

Construction

Appraisal excluding commercial

	Gross Area	Rate			
2 bed 3 person semi @ 62m2	620	945.27	586,067		
2 bed 3 person semi @ 75m2	150	945.27	141,791		
3 bed 5 person semi @ 86m2	1,376	945.27	1,300,692		
3 bed 5 person detached @ 86m2	1,118	945.27	1,056,812		
4 bed 6 person detached @ 108m2	540	945.27	510,446		
4 bed 7 person detached @ 119m2	357	945.27	337,461		
	4,161	945.27	3,933,269		
Inflation at 2.00 % for 7.5 months			49,166		
				3,982,435	v
Total Construction				3,982,435	
Contingency	3.00 %			119,473	v
					4,101,908
Professional Fees	10.000 %				410,191 v

Ancillary Costs			
Access Road	316,440	v	
Parking Areas	69,480	v	
Paths, Paving & Patios	4,600	v	
External Stores - Houses	24,500	v	
Boundary Hedging	72,960	v	
Allotments	42,575	v	
Wetland Area	49,500	v	
Gates to Rear Gardens	8,820	v	
Landscaping	142,343	v	
Planting	44,000	v	
Service Connections	122,500	v	
Site Lighting	59,328	v	
11kv Cable Diversion	35,000	v	
Wind Turbines	60,000	v	
Drainage	239,660	v	
Preliminaries	530,290	v	
Planning Application Fee	22,110	v	
Building Regulations Application Fee	11,000	v	
Overheads	318,174	v	
			2,173,280

Sale Costs	Date	Rate	Amount		
Appraisal excluding commercial	12//2011	5.00 %	355,751	v	
					355,751

Finance			
Compounded quarterly			
Interest on net equity	6.00 %	473,778	
			473,778

Gross Development Cost	**7,592,836**

Profit	**-6.29%**	**-477,836**

VAT Schedule

	Amount	VAT %	Total VAT	Net VAT
Purchase Price	0	17.50 %	0	0
Construction	4,179,836	17.50 %	731,471	0
Professional Fees	410,191	17.50 %	71,783	0
Ancillary Costs	2,173,280	17.50 %	380,324	0
Post Construction	355,751	17.50 %	62,256	0
	7,119,057		**1,245,835**	**0**

Percentage of VAT recovered	**100.00 %**	**Average recovery time**	**3 months**

Assumptions

1. Interest is compounded quarterly
2. Construction related payments are made monthly.
3. Purchase and any rent are paid in advance, at the beginning of a month.
4. All other costs are paid in arrear, at the month's end.
5. Sales take place at the end of the month.
6. YPs are calculated on the basis of rents annually in arrears (Parry's).
7. Any negative Revenue Adjustments represent income
8. VAT is applicable to items marked "v"
9. Rent is paid quarterly in advance.

Appendix D Appraisal Excluding Commercial Units – Costs as Budget Estimate

Tenure & Timetable

Tenure is Freehold

	Construction Starts	Construction Mths	Letting Void	Letting Date	Rent Free	Sales Mths	Sale Date
Appraisal excluding Commercial Units & as Capita Summary Table 5	04/2010	15				6	12/2011

Project Start 04/2010 **Fees Start 04/2010** **Duration 21 Mths** **Project End 12/2011**

Development Summary

Net Sales	7,115,000	
Gross Development Value		**7,115,000**
Purchase Price	0	
Acquisition Costs	0	
Construction	3,933,269	
All other costs	2,255,167	
Finance	0	
Gross Development Cost		**6,188,436**
Profit	**14.97 %**	**926,558**

Statistics

Total Area: Net	4,161	square metres
Total Area: Gross	4,161	square metres
Net/Gross Ratio	100.00 %	
Void Cover (Rental)	0	months
Void Cover (Finance)	0	months
Break-even rent level	0 %	of ERV
Break-even rent average	0.00	per square metre
IRR	13.28 %	
NPV at 0.000 %	926,575	

Capitalisation & Sales

4,161 s.m. at 1,709.93 p.s.m.

			7,115,000	
Less Purchaser's Costs	0.000 %		0	
Sale Price	12//2011			7,115,000
Gross Development Value				**7,115,000**

Costs

Acquisition

Purchase Price	04/2010			0 v

Construction

Appraisal excluding Commercial Units & as Capita Summary Table 5

	Gross Area	Rate			
2 bed 3 person semi @ 62m2	620	945.27	586,067		
2 bed 3 person semi @ 75m2	150	945.27	141,791		
3 bed 5 person semi @ 86m2	1,376	945.27	1,300,692		
3 bed 5 person detached @ 86m2	1,118	945.27	1,056,812		
4 bed 6 person detached @ 108m2	540	945.27	510,446		
4 bed 7 person detached @ 119m2	357	945.27	337,461		
	4,161	945.27	3,933,269		
				3,933,269 v	
Total Construction					3,933,269

Ancillary Costs

External Works and Services	1,129,974		
Drainage	239,660		
Preliminaries	530,296		
Construction Contingencies	174,996		
Risk	180,246		
			2,255,172
Gross Development Cost			**6,188,442**

Profit	**14.97%**		**926,558**

VAT Schedule

	Amount	VAT %	Total VAT	Net VAT
Purchase Price	0	17.50 %	0	0
Construction	3,933,269	17.50 %	688,322	0
	6,188,435		**688,322**	**0**

Percentage of VAT recovered	**100.00 %**	**Average recovery time**	**3 months**

Assumptions

1. Interest is compounded quarterly
2. Construction related payments are made monthly.
3. Purchase and any rent are paid in advance, at the beginning of a month.
4. All other costs are paid in arrear, at the month's end.
5. Sales take place at the end of the month.
6. YPs are calculated on the basis of rents annually in arrears (Parry's).
7. Any negative Revenue Adjustments represent income
8. VAT is applicable to items marked "v"
9. Rent is paid quarterly in advance.

Appendix E Appraisal Excluding Commercial Units with Reduced Residential Development – Costs as Budget Estimate

Tenure & Timetable

Tenure is Freehold

	Construction Starts	Construction Mths	Letting Void	Letting Date	Rent Free	Sales Mths	Sale Date
Appraisal exc Commercial & Reduced Resi as Capita Summary Table 5	04/2010	15				6	12/2011

Project Start 04/2010 **Fees Start 04/2010** **Duration 21 Mths** **Project End 12/2011**

Development Summary

Net Sales	4,105,000	
Gross Development Value		**4,105,000**
Purchase Price	0	
Acquisition Costs	0	
Construction	2,280,937	
All other costs	1,817,569	
Finance	0	
Gross Development Cost		**4,098,506**
Profit	**0.16 %**	**6,494**

Statistics

Total Area: Net	2,413	square metres
Total Area: Gross	2,413	square metres
Net/Gross Ratio	100.00 %	
Void Cover (Rental)	0	months
Void Cover (Finance)	0	months
Break-even rent level	0 %	of ERV
Break-even rent average	0.00	per square metre
IRR	0.14 %	
NPV at 0.000 %	6,499	

Capitalisation & Sales

2,413 s.m. at 1,701.20 p.s.m.

			4,105,000	
Less Purchaser's Costs	0.000 %		0	
Sale Price	12//2011			4,105,000
Gross Development Value				**4,105,000**

Costs

Acquisition

Purchase Price	04/2010			0 v

Construction

Appraisal exc Commercial & Reduced Resi as Capita Summary Table 5

	Gross Area	Rate			
2 bed 3 person semi @ 62m2	248	945.27	234,427		
2 bed 3 person semi @ 75m2	150	945.27	141,791		
3 bed 5 person detached @ 86m2	1,118	945.27	1,056,812		
4 bed 6 person detached @ 108m2	540	945.27	510,446		
4 bed 7 person detached @ 119m2	357	945.27	337,461		
	2,413	945.27	2,280,937		
				2,280,937 v	
Total Construction					2,280,937

Ancillary Costs

External Works and Services	1,026,394		
Drainage	204,700		
Preliminaries	351,203		
Construction Contingencies	115,897		
Risk	119,374		
			1,817,568
Gross Development Cost			**4,098,506**

Profit	**0.16%**	**6,494**

VAT Schedule

	Amount	VAT %	Total VAT	Net VAT
Purchase Price	0	17.50 %	0	0
Construction	2,280,937	17.50 %	399,164	0
	4,098,505		**399,164**	**0**

Percentage of VAT recovered	**100.00 %**	**Average recovery time**	**3 months**

Assumptions

1. Interest is compounded quarterly
2. Construction related payments are made monthly.
3. Purchase and any rent are paid in advance, at the beginning of a month.
4. All other costs are paid in arrear, at the month's end.
5. Sales take place at the end of the month.
6. YPs are calculated on the basis of rents annually in arrears (Parry's).
7. Any negative Revenue Adjustments represent income
8. VAT is applicable to items marked "v"
9. Rent is paid quarterly in advance.