PLANNING FOR THE FUTURE WHITE PAPER:

Testing the Implications of the Infrastructure Levy through Case Studies

ARUP

Shelter

Planning for the Future White Paper: Testing the implications of the Infrastructure Levy through Case Studies

Final Report

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This report takes into account the particular instructions and requirements of our client.

It is not intended for and should not be relied upon by any third party and no responsibility is undertaken to any third party.

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1.1 Purpose of this Research

In response to the scope provided by Shelter on the 23rd September 2020, Arup has undertaken initial research into a selection of recently consented planning applications where viability appraisals and Section 106 (S106) agreements are available within the public domain.

This research is intended to inform Shelter's response to the public consultation on the Planning for the Future White Paper, which was launched by the Ministry of Housing, Communities and Local Government (MHCLG) on 6 August 2020 and will close on 29 October 2020. The Planning for the Future White Paper sets out the MHCLG proposals for reforms to the planning system in England. The White Paper is divided into three main 'Pillars' of proposals: Pillar One: Planning for development; Pillar Two: Planning for beautiful and sustainable places; and, Pillar Three: Planning for infrastructure and connected places. This research has focused solely on the proposals contained in 'Pillar Three' of the White Paper.

1.2 Pillar Three: Planning for infrastructure and connected places

Pillar Three of the Planning for the Future White Paper (hereafter referred to as 'the Paper') sets out four proposals (proposals 19 – 22 of the Paper) for reform of the mechanisms through which developer contributions are secured, in order to support infrastructure delivery and mitigate impacts of development. Currently, there are two mechanisms which local planning authorities may employ to secure developer contributions: the Community Infrastructure Levy (CIL) and planning obligations through S106 agreements. The former system is a flat-rate, non-negotiable tariff set by the local authority, which is to be spent on a defined list of infrastructure requirements as per the local authority's Regulation 123 List. A S106 agreement is a negotiated legal agreement made between the local authority and the developer in which financial contributions or delivery of infrastructure associated with the development is secured. Local authorities may choose to use one, or both systems to secure infrastructure delivery and mitigation of development.

MHCLG set out that a principle aim of the proposals contained in Pillar Three of the Paper is that they will raise more revenue than the current system and will deliver at least as much – if not more – on-site affordable housing than is currently delivered[1].

[1] Page 22 of Planning for the Future White Paper

A summary of the four key proposals of Pillar Three considered in this research is set out below:

Proposal 19: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally-set rate or rates and the current system of planning obligations abolished.

Proposal 19 sets out plans for a consolidated Infrastructure Levy in which would be based upon a flat-rate, valued-based charge, set nationally, at either a single rate, or at area-specific rates. It would:

- be charged based on the final value of development rather than on commencement;
- be collected at point of occupation;
- include a value-based minimum threshold below which the levy is not charged, to prevent low viability development becoming unviable – so where the value of a development is below a threshold it would not be charged; and
- be applied to all land use classes.

The alternative options of the Levy being optional and set by individual authorities, or set nationally, are under consideration (and consultation). Proposal 19 also sets out that authorities could borrow against the Levy to forward fund infrastructure and enable delivery.

Proposal 20: The scope of the Infrastructure Levy could be extended to capture changes of use through permitted development rights.

The Levy would be extended to be charged on changes of use carried out both under planning permission and through permitted development rights, where a land value uplift occurs. This would

- include changes of use where no floorspace increase occurs;
- apply to PD rights such as office to residential conversions and new demolition and rebuild permitted development rights;
- would retain exemption for self-build and custom-build.

Proposal 21: The reformed Infrastructure Levy should deliver affordable housing provision.

Currently, around half of all affordable housing is delivered by developer contributions through S106 (as CIL cannot be spent on affordable housing). In creating a consolidated Levy, local authorities could spend the funds raised to secure affordable housing.

This could be secured through in-kind provision on-site, which could be made mandatory by local authorities, who could specify the form and tenure of such provision. Under this approach:

- a provider of affordable housing could purchase the dwelling at a discount from market rate, as now;
- however, rather than the discount being secured through S106 planning obligations, it would instead be considered as in-kind delivery of the Infrastructure Levy; and
- the difference between the price at which the unit was sold to the provider and the market price would be offset from the final cash liability to the Levy.

While risk would be transferred to some extent to the local planning authority, the Paper considers there are mitigation options through policy or standardised agreements, in which local authorities would have options in the case of a market fall.

Proposal 21 would also seek to incentivise high quality in-kind affordable homes by providing options to local authorities if the homes were low-standard and would not be bought by providers. Authorities may also accept in-kind land within or adjacent to the site, on which they could build affordable homes in conjunction with affordable housing providers and borrowing against the Levy if needed.

An alternative approach for the proposal is set out in the Paper, in which authorities or affordable housing providers have first refusal of a proportion of homes on a site, as set nationally. Cash payment would be made in lieu on small sites under a certain threshold.

Proposal 22: More freedom could be given to local authorities over how they spend the Infrastructure Levy

The Paper seeks to provide more flexibility to local authorities on how they use the Infrastructure Levy funds, once core infrastructure obligations are met. This could include improving services or reducing council tax. The proposal states that:

- it may be necessary to ring-fence some Levy funding for affordable housing to ensure delivery;
- authorities could utilise digital enhancement with communities to identify spending priorities; and
- Neighbourhood Share (used in CIL) would be retained so that local parishes and communities where development occurs receive up to 25% of the Levy.

1.3 Approach to this research

The proposals set out in the Paper could enable a more streamlined system, which conceptually, could allow for some clarity and certainty regarding the level of developer contributions expected. However, challenges do arise in the implementation of an inflexible mechanism on land supply which is inconsistent and for developments which require varying levels of infrastructure for mitigation purposes.

This research seeks to summarise the implications of those challenges, using case studies to illustrate how the proposals in the Paper would be applied to different scales of application, market values and types of development. While it is understood that much of the detail of proposals within the Paper is in preparation, the following sets out key issues to be resolved within the next iteration of the proposals and identifies where greater clarity and evidence is required.

2 Summary of research findings: key issues of the Pillar Three proposals to be resolved

2.1 Issue 1: Setting the Infrastructure Levy rate

Current proposals within the Paper indicate that CIL should be reformed to an Infrastructure Levy that would be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally-set rate applied either nationally or specified by area.

Capturing geographic variation in values: national vs area-specific rates

With schemes across most regions in England, the case studies demonstrate that there is considerable variation between Local Planning Authorities in the scale of development contributions collected.

In more viable, higher value areas (such as that demonstrated by the **Case Study 1**: *Elephant and Castle*), policy-compliant levels of affordable housing were delivered on-site and significant infrastructure upgrades were negotiated to mitigate development. In lower value areas (such as **Case Study 6**: *Former Nocks Brickworks*) contributions required were proportionate to the outcomes of the submitted viability appraisal. To enable development to take place and to contribute to the number of homes within this area, abnormal costs associated with comprehensive remediation were acknowledged and it was accepted that a lower proportion of affordable housing and on-site public open space could be provided.

At a macro-economic level, whilst recent research[2] indicated that the level of S106 contributions had decreased between 2016 – 2019 with the introduction of Mayoral CIL, absolute values of developer contributions remained highest in London and the South East. These two regions accounted for almost 50% of all developer contributions across England. It is unclear whether schemes in these two regions contributed more as a proportion of the gross development value (GDV) than elsewhere in country. This is because of the need to relate such contributions to the scale and value of development.

Capturing variation in site typologies

The condition of sites and level of on-site abnormals currently impacts the overall GDV and the negotiating position for both the developer and the authority.

This research identified through selected case studies that where the overarching purpose of development was to undertake site remediation as part of wider regeneration efforts, lower levels of developer obligations were generally accepted (for example, **Case Study 6).** On greenfield sites, viability appraisals were often not published, as policy-compliant levels of affordable housing and in-

[2] Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Levy in England in 2018-19

kind contributions for highways infrastructure, education and open space were delivered without negotiation (for example, **Case Study 4**).

Defining and implementing a national rate national levy

Key issues to be resolved in relation to setting the Levy at a flat-rate, set nationally, are therefore as follows:

- A ‘one-size-fits-all’, national Levy could result in averaging of current contributions and sub-standard outcomes. To ensure that outcomes are an improvement on the status quo, the Levy must be sufficiently flexible to enable geographic variation, site abnormals or constraints and different market value areas. Setting this too low could reduce the proportion of contributions achieved on the most valuable and viable sites, whilst setting this too high could result in essential infrastructure not being delivered within lower value areas.

- A national Levy, or area-based levies, would not allow for a judgement-based approach that responds to local development ambitions. The case studies identified through this research highlight that the type and level of contributions currently collected are negotiated to be proportionate to the overall purpose of development. Informed by a viability appraisal, this process is often a professional judgement on part of planning officers aiming to strike a balance between the aspirations of the developers and landowners in terms of their returns against risks, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permissions.

- There is no reliable way to calculate an appropriate national or area-based Levy. Based on the schemes set out within the case studies, where the GDV and total value of obligations is available within the public domain, the levy could range between 1-15%. Summary figures are set out in the table below. However, as set out above and in later sections, these values cannot be used as an indication of what would generally be possible to achieve through a levy because:

  - The following case studies do not demonstrate a representative sample of all sites, these focus predominantly on large sites;

  - Case studies were chosen based on the availability of development viability appraisals within the public domain. Viability appraisals tend to be made publicly available when there are abnormals present on a site which mean that policy-compliant levels of contribution are not provided; and,

  - There is no reliable way of consistently estimating the value of all in-kind costs.

  The figures below do not take account of the effect of other proposals which may require an uplift on the Levy. For example, a future Infrastructure Levy may also need to accommodate any universal uplift required to compensate for loss of contributions from lower viability or sites smaller than 40-50 units, or additional LPA resources required to assess GDV.

Case Study	Gross Development Value (GDV)	Minimum Obligations Value	Minimum obligations Value as % of GDV
1 – Elephant & Castle Shopping Centre London Borough of Southwark	£1,105 million	£152.4 million	13.8%
3 – Brooks Laundry St Werburgh's, Bristol	£24.4 million	£3.6 million	14.7%
5 – Radial Park Cross Gates, Leeds	£117 million	£7.4 million	6.3%
6 – Former Nocks Brickworks Erdington, Birmingham	£41 million	£0.4 million	1.1%
7 – Carrington Village Trafford, Greater Manchester	£104 million	£7.6 million	7.3%
8 – Warwickshire County Cricket Club Edgbaston, Birmingham	£64 million	£1.0 million	1.6%
10 – Wheat Quarter Welwyn Garden City, Hertfordshire	£499 million	£54.1 million	10.8%

- Proposal 19 indicates that the Levy would be fixed at the point at which planning permission is granted, however, this assumes that the land costs, all abnormal costs and the final sales values are known and not subject to change following an initial consent. For the largest phased schemes (such as **Case Study 7** *Carrington* and **Case Study 9** *Great Park*), it is likely that initially-agreed contributions require an element of re-negotiation in later phases, whilst other examples (such as **Case Study 1**: Elephant and Castle) included for up to three viability reviews within the S106 agreements.

2.2 Issue 2: Timing of Levy collection and infrastructure funding

Transfer of risk to local authorities

The Paper specifies that the Levy would be collected at the point of occupation of a development, with prevention of occupation a potential sanction for non-payment.

Many of the schemes considered in the case studies had some form of in-kind contributions (local employment requirements, maintenance schemes, monitoring) or on-site provision (public open space, playing pitches) secured through S106 agreements. In some cases, these in-kind contributions were required to be delivered prior to the commencement or occupation of the development (such as **Case Study 1; Case Study 5; Case Study 8** and **Case Study 9**).

Collection of the Levy upon occupation would therefore create a funding and a delivery gap for such infrastructure, transferring responsibility and risk to the local authority to ensure that the infrastructure required to enable or mitigate a development is in place at the appropriate time. This would be prior to collection of the receipts from the development via the Levy.

Proposal 19 suggests that local authorities would be incentivised to 'forward fund' the infrastructure required, borrowing against the Infrastructure Levy revenues. However, this represents a significant transfer of risk to the local authority, who would be required to take on a substantial debt to deliver infrastructure for a development that they do not control the delivery or funding of.

Key issues with this change in approach that need resolving include:

- The need for a legally binding agreement to ensure that a scheme is delivered if a local authority is forward-funding infrastructure to support or enable it. This could be akin to a S106 agreement and result in the delays to delivery that the Paper is attempting to eliminate.
- The requirement for a local authority to have strong leadership and a willingness to take on greater debt and greater risk. They would need to be willing to accept a change in their role as key delivery partners to development, taking on responsibility for delivery of schemes and the greatest proportion of investment in the initial stages. There is no specific evidence that this is an approach that local authorities would adopt, and it is considered many are likely to be risk-adverse both politically and economically. **Case Study 9**: *Great Park* for example contains £3m in road works associated with the development; a cost that under the new proposals would be passed to the local authority to pay and recoup years later upon scheme occupation.
- It is not clear how it would be ensured that the local authority would deliver the mitigation needed to make a development acceptable, and at the right time. Given the proposed flexibility on how the Levy funds are used, it is possible that mitigating infrastructure which is considered lower priority by the authority (e.g. playing pitches) may be side-lined or delayed as the authority seeks to prioritise key infrastructure. This could leave communities with unacceptable impacts from development that the S106 system has sought to avoid. This may also have implications on the development management process and the ability of case officers to have certainty over the effects of a proposed scheme. Illustrating this point, the S106 agreement for **Case Study 7**: *Carrington* includes the delivery of education infrastructure at specific trigger points: the occupation of the 33rd dwelling and 289th dwelling. Under the reformed proposals, it is unclear how a developer and a local authority would align delivery programmes to meet such timescales that are currently secured through S106. If not aligned, this could result in a shortfall of education services in the local area directly as a result of the development.
- The proposal may not be desirable for developers, who would be reliant on the local authority to deliver the infrastructure they require to enable or mitigate their scheme. They will have less control and certainty over the delivery and funding of the relevant infrastructure, increasing their overall risk. Again, it is possible that they would seek a legally binding agreement with the authority to ensure delivery of required pre-commencement or pre-occupation infrastructure, particularly if it relates to private land.

Uncertainty of phased development

The Paper does not set out how the Levy would be collected in relation to phased development. This poses multiple queries and outstanding detail that need resolving if the Levy calculation is at the point of consent as proposed. Clarification is therefore required on the following:

- Timing of collection: it is unclear if funds would be levied at point of occupation of each phase, or when the whole development is completed. In very large developments, there can be a substantial amount of time elapsed between phase delivery, and in some cases a scheme may only ultimately be partially delivered.
- Calculation of Levy: it is unclear if the Levy calculation at point of consent would be based on the final value of each phase of development, or of the development as a whole.
- Outline consents and Reserved Matters: it is not clear when the Levy calculation would be made for outline consents or hybrid consents and whether it would only be made at the point of Reserved Matters approval.
- Infrastructure delivery: the infrastructure requirements for different phases of the development may vary, creating challenges for the local authority in forward funding and timing the delivery of required infrastructure to match the phasing. If the Levy is collected only at occupation of the final phase, the time lag between consent and funds collected could be significant, increasing borrowing requirements and risk for the local authority.

2.3 Issue 3: Considering viability

Capturing land value

Proposal 19 of the Paper indicates that the Levy would be charged on the final value of a development (or assessment of sales value) based on the applicable rate at the point planning permission is granted. As a value-based charge across all Use Classes in a similar way to CIL, it is believed that this would be more effective at capturing increases in value and would be sensitive to economic downturns and cashflow difficulties.

However, it is considered that the key issues to resolve are:

- It is unclear how the final GDV, or the alternative scenario of ‘assessed sale values where the development is not sold’, would be consistently calculated. Currently, the district valuer service offered by the Valuation Office and some authorities provides specialist advice in relation to asset valuation, S106 agreements and negotiating affordable housing mixes. It is unclear whether the role of the district valuer service would be expanded to include the valuation of all applications, and the assessment of sales values for all unsold units. It is also unclear how long units would need to remain unsold to access this secondary route to Levy payment.
- The effect on land values, and the underlying issue of landowner expectations being too high, is not resolved through a universal Levy. In addition, it is not

clear how the 'small fixed allowance for land costs' would be calculated. Much, of course, depends on who bears the burden of the tax. The most obvious overall assumption is that the overall burden falls in a similar way to current CIL and S106 costs. If this assumption is correct, then the Levy would not tend to capture any more land value uplift or result in lower land values. Land values and value uplift are typically high in areas where property prices (and GDVs) are high, and a standard rate levy would thus be likely to take a fixed proportion of land values.

- It is unclear to what extent cashflow difficulties created by the current system are felt by all sizes of developers. Proposals for a value-based charge made payable on occupation may improve cashflow difficulties for small and medium sized enterprises (SMEs) that could have been resolved through refinement to the existing system.
- It is queried whether basing the Levy on the final GDV would encourage developers to create poorer quality developments, to reduce the overall amount of Levy that would need to be paid on occupation, particularly in price sensitive areas where affordability is acute.
- It is unclear the effect a universal Levy will have on the viability of different Use Classes. Currently, it is much less common for non-residential applications to attract developer contributions – approximately 97% of all non-residential applications were found to attract no CIL or agreement. Commercial applications only attract a CIL charge in areas where it is likely to be more chargeable to do so (East Midlands, London, North West, South East and Yorkshire and Humber)[3]. The universal levy could affect the cost competitiveness of property and reduce supply of workspace in areas where CIL and S106 contributions have been low.

Lower viability threshold

Proposal 19 aims to introduce a value-based minimum threshold below which the Levy is not charged, to provide low viability development from becoming unviable. Where the value of development is above the threshold, the Levy would only be charged on the proportion of the value that exceeds this threshold.

Key issues to resolve with this proposal are as follows:

- Pre-Covid-19 research indicates that high- and low-density development tends to produce the highest residual land value[4], and those areas of greater residual land value tend to be in London and the South East[5]. This may result in a change in the types of units or schemes that are likely to come forward and remove the mix of units.
- There is currently no mechanism for compensating for the loss of obligations from smaller or lower viability sites. Indeed, this proposal may result in a

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[3] The Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Levy in England in 2018-19 (August 2020)
[4] Thinkhouse NHPAU The implications of housing type, size, mix and density for the affordability and viability of new housing supply
[5] IPF Research Programme (2018) Residual land Values: Measuring Performance and Investigating Viability http://www.ipf.org.uk/asset/23CF5E67-AF47-45FF-B604790478262ED6/

‘squeezed middle’ whereby medium-sized schemes carry the additional viability burden from lost obligations on smaller or lower viability sites no longer required to provide a proportion level of contribution, whilst larger schemes benefit from lower absolute levels of contribution than in the current system. Further research is needed to understand how this lower threshold could be accounted for.

Small schemes

The Paper was published concurrently with the ‘Changes to current planning system’ (2020) consultation, which set out four short-term measures which aim to improve the immediate effectiveness of the current system. One of these proposed changes sought to temporarily lift the small site threshold, below which developers do not need to contribute to affordable housing to 40-50 units.

Particularly in urban contexts, ‘windfall’ schemes smaller than 40-50 units often form a consistent component of housing land supply. Not only could proposals to temporarily lift the small site threshold reduce the mix of housing types and accessibility of cities for newly emerging households on the social housing waiting list, it could also diminish a consistent component in supply of affordable housing contributions. Whilst recent research indicates S106 agreements are the most likely form of contributions for schemes under 50 units, further analysis is needed of the average level of affordable housing or equivalent level of contribution provided by sites of this size.

In addition, CIL charging schedules often cover very small developments or extensions (for example, development containing at least 100 square metres of new build). Although the absolute amounts of contribution are likely to be small, new proposals would remove any receipts from these types of developments.

The number of affordable housing completions is increasing in rural areas (from around 30% in 2004-2015, to around 45% of all completions by 2018[6]). By their nature, schemes are likely to be smaller and often beneath typical affordable housing unit thresholds. Although absolute numbers of units through rural exception sites or other contributions may be smaller, these form an important and diminishing part of rural housing supply[7].

What remains unclear is whether schemes which are above the lower viability threshold, and beneath the 40 - 50 unit small site threshold, would be required to provide affordable housing once the temporarily lifting of the threshold has ended, and this should be clarified.

[6] MHCLG (November 2019) Affordable Housing Supply: April 2018 to March 2019 England
[7] Select Committee for the Rural Economy (April 2019) Time for a strategy for the rural economy, Chapter 5: Housing Planning and rural working spaces, from: https://publications.parliament.uk/pa/ld201719/ldselect/ldrurecon/330/33002.htm

2.4 Issue 4: Flexibility and type of obligations

Flat rate payment vs provision in-kind

The case studies demonstrate that the obligations secured for many developments are currently a mixture of both cash payment and in-kind contributions. The latter can include ongoing maintenance of infrastructure being provided, such as public open space, by the developer – preventing an ongoing burden or cost for the local authority. The case studies show that the obligations secured through S106 can include a broad range of provision (see **Case Study 1**: *Elephant and Castle* and **Case Study 10**: *Wheat Quarter*) required to mitigate or enable the development without creating additional cost to the local authority; for example, the agreement to pay for Travel Plan management and monitoring/audit, or the agreement to employ local contractors.

In contrast, existing CIL must be used on the defined infrastructure set out in the Regulation 123 List and is a far more prescriptive approach with application of the flat rate charge set by the local authority.

It is recognised that the Paper seeks to adopt a flat-rate payment approach similar to CIL which would introduce increased flexibility over what the levied funds are spent on by the local authority – including the proposal that it can be spent on affordable housing. However, it remains unclear the extent to which this may provide for the variety, complexity and site-specific nature of the obligations often secured through S106.

Areas of uncertainty are considered as follows:

- Whether local authorities are likely to consider that the Infrastructure Levy can be used to pay for their own services, such as monitoring Travel Plans, or supporting local employment initiatives. Without funds for this specified as per a S106 agreement, it may be that other infrastructure is prioritised through the funds and this type of obligation is lost through the reform. This would, in turn, result in an increased burden on local authority departments to provide such services through their existing budgets. For example, the S106 for **Case Study 8:** *Warwickshire County Cricket Ground* includes for 60 weeks of employment of a local person per £1m spent on construction, as well a 32 weeks employment of a suitable person to monitor that the commitments in the S106 are being met. Without funding and legal agreement with a developer to secure such measures, it is unclear if a local authority would identify such provision within the use of the Levy funds and how it would be implemented on site.

- Similarly, the ability to secure ongoing maintenance of infrastructure through a S106 is currently a benefit to local authorities and it is unclear whether this could be replicated or delivered through the Infrastructure Levy (**Case Study 9**: *Great Park*) The cost of maintaining new infrastructure in perpetuity may not be easily quantified as a cash equivalent to be drawn from the levied funds, and as above, such cost may instead be absorbed by existing local authority budgets.

Ensuring obligations mitigate development

A challenge of an entirely flat-rate approach to collecting obligations would be ensuring that the impacts of development on local communities and their infrastructure are adequately and specifically mitigated. Given that the Paper seeks to increase the flexibility with which the local authority could spend levied funds, it is unclear how the reform would ensure that local communities receive the appropriate infrastructure and service provision to align with and mitigate development, thereby preventing harmful effects. Arguably, a broad suite of site-specific provision agreed through a S106 agreement represents considerably more benefit to the locality affected by a development than can be offered (and legally secured) by a flat-rate Levy approach.

It is not clear if there would be regulatory oversight or governance procedures on how Infrastructure Levy funds are apportioned. As a result, despite the assertion of the Paper that the reform would raise more revenue through development, it is unclear if this would materialise into increased provision of infrastructure and services for the host communities of a development, in comparison to the obligations secured through a S106 agreement. If the reformed system fails to provide adequate or appropriate mitigation for local communities, there is a risk that there would be increased opposition to further development and a loss of trust in the planning system.

Off-site vs on-site affordable housing

The Paper states that the reform to obligations it proposes would continue to deliver on-site affordable housing at least at the present levels. With the abolition of S106 (the mechanism through which affordable housing is currently secured), local authorities would be able to secure on-site in-kind delivery of affordable housing as an offset to the Infrastructure Levy due by the developer.

The proposals state that the local authority would be able to specify the form and tenure of the on-site provision working with an affordable housing provider. However, the following aspects of this approach lack clarity and require further detail:

- The mechanism for securing this specification is unclear in the proposals- for example, whether it would be via legally binding agreement. If so, this agreement may necessarily be comparable to the S106 mechanism the reformed system is replacing, making it unclear as to why S106 would not simply be retained. However, if it is not legally binding, it is questionable how such reform would be an improvement from a local authority perspective. In particular, it is not clear how current options available through S106, such as securing affordable housing in perpetuity or giving local people priority for affordable housing, would be replicated. **Case Study 1:** *Elephant and Castle* demonstrates the detailed specification of varied forms of affordable housing tenure that can currently be secured through a S106.
- It states that the requirement for in-kind delivery on site could be mandatory where an authority '*has a requirement, capability and wishes to do so'*. It is unclear where this mandate would be set – for example whether it would be through the Local Plan policy – and how this would be applied in practice to

prevent non-compliant development from receiving consent. The willingness of a local authority to apply a mandatory requirement may also vary, resulting in a potentially complex and inconsistent approach to the contributions for developers (an aspect of the current regime that the Paper seeks to improve).

- Local authorities would be able to refuse an affordable home and seek cash contributions if it were of insufficient quality for the affordable housing provider. The responsibility of who would adjudicate this process in the case of dispute over the level of quality is unclear.

The Paper seeks to incentivise on-site delivery of affordable housing through the off-set option, which is generally considered a preferable approach to ensure that affordable housing is integrated into market housing development and creates balanced communities. However, the Paper also outlines an alternative that the developer could provide land within or adjacent to a site as an in-kind offset to the Levy. Again, this proposal is lacking clarity and detail on the following points:

- The legal mechanism through which land would be transferred to a local authority. Such transfer would likely still require a legal agreement between the developer and local authority, and it is unclear how this would be secured under the current proposals, in conjunction with the application of the Levy.
- How it is decided whether a developer provides land or affordable housing as an in-kind on-site contribution, particularly in the context of a potential mandatory requirement for the latter (as set out in the preceding section). It is not clear if this would be decided through negotiation, at which point in the planning process and the extent to which a local authority would have the power to reject the offer of land if on-site provision were preferred.
- The provision of land adjacent to development for affordable housing delivery by the local authority could result in segregation of affordable housing units and market housing units, undermining objectives for mixed and balanced communities. Furthermore, delivery of affordable housing on the land would be reliant on the local authority having the available resource/skills, an appetite to borrow against future Levy receipts and/or a suitable partnership with an affordable housing provider.

An alternative approach posed by the Paper is that local authorities would be given first refusal to purchase a nationally-set proportion of on-site units at a discounted price; although which units are sold in this manner would be subject to developer discretion. Notwithstanding the question of defining an appropriate set rate – given variations in housing need across authorities – it is unclear how this process would ensure that the required type, tenure and mix of affordable housing is delivered, given it would be at developer discretion.

Finally, the Paper offers an option for cash contributions to be made for smaller sites, in lieu of on-site delivery. In choosing to borrow against future Levy funds, a local authority may need to balance priorities of affordable housing need against that of other forms of infrastructure. It is unclear how this may affect the rate of affordable housing delivery for smaller sites in comparison to existing S106 agreements.

It is suggested in Proposal 22 that contributions may need to be ring-fenced for affordable housing to ensure delivery remains at the same rate; in which case it may be questioned whether a pooled Levy fund is the appropriate mechanism compared to existing S106 or whether it offers any additional benefits. For example, the S106 of **Case Study 8**: *Warwickshire County Cricket Ground* secures a specific off-site affordable housing contribution of £825,000.

2.5 Issue 5: The value of certainty and clarity

The Paper states that the proposed Infrastructure Levy would provide greater certainty for communities and developers about the expected contributions arising from new development. While there are clearly potential benefits of the proposed reform, these benefits may not be evenly experienced and there remains uncertainty surrounding the process, as set out in the following points:

- The application of a national system would remove the complexity of a varied approach amongst local authorities in which they may choose either CIL or S106, or both.
- The case studies considered in this research identified that S106 agreements typically took between 6-12 months to sign following a resolution to grant at Committee. Arguably a national levy could prevent such negotiations becoming a barrier to delivery, particularly in authority areas lacking in resource to progress S106 agreements at speed, or where such negotiations reach an impasse. However, as more items are agreed through a S106-style agreement, the more these benefits of a Levy are lost.
- The extent to which a local authority has the skill and resource to successfully negotiate a package of contributions through a S106 can vary greatly, resulting in inconsistent and potentially unequal outcomes for local communities in terms of mitigating development and delivering required infrastructure. It could be argued that a national approach which removes the art of negotiation, could 'level the playing field' and result in more consistent outcomes and – if the reform does result in more revenue as it MCHLG states – an increase overall in the value of contributions received by authorities on average. However, there is insufficient evidence or detail supporting the proposals to be confident that this would indeed be the outcome. A national, non-negotiable system could therefore result in lessened outcomes for those authorities skilled at securing broad-ranging or higher value packages through S106.
- In considering the proposals of Pillar Three in the preceding sections of this paper, it is clear that some form of legal agreement would likely still be required for some aspects of securing contributions and delivering infrastructure. This point requires clarification as the proposals for the Infrastructure Levy are developed. It is considered that there may therefore remain scope for S106 agreements to be retained as a mechanism, however, a more 'slimline' version with a defined remit of content could help to reduce delay, resource requirements and the extent of negotiation.
- Local authorities would be given greater flexibility on what they could spend the Infrastructure Levy on – including the potential for non-infrastructure

service improvements and council tax reductions. As such, it is questionable whether the reform would give developers and local communities greater certainty over contributions from development. It may provide a clear framework for calculating contributions, but it also introduces greater uncertainty about how those funds are spent, who they would benefit and whether they genuinely meet the intended purpose of mitigating the effects of development.

Case Study 1: Elephant and Castle Shopping Centre

Table 1 16/AP/4458

<table>
<tr><th colspan="2">Case Study 1</th></tr>
<tr><td>Site name / address</td><td>Elephant & Castle Shopping Centre</td></tr>
<tr><td>Application reference and date (Section 106 signed date? Any information about starting on site too?)</td><td>16/AP/4458 approved by Southwark Council planning committee July 2018 and Mayor London December 2018[8]</td></tr>
<tr><td>Summary of development</td><td>Comprehensive, mixed use development following the demolition of all of the existing buildings and structures. The building heights would range from single storey to 35-storeys and uses comprising retail (use Class A1-A4), office (use class B1), education (use class D1), assembly and leisure (use class D2), and 979 residential units (use class C3). There would be a new station entrance and station box for the Northern Line, together with a new means of access, public realm, landscaping, parking, cycle storage, plant and servicing areas, and a range of other associated and ancillary works and structures. A total of 649 residential units would be open market and build to rent. The remainder (330) would be forms of affordable housing.</td></tr>
<tr><td>Developer</td><td>Delancey</td></tr>
<tr><td>Local Authority</td><td>Southwark Council</td></tr>
<tr><td>Key Conclusions</td><td>This case study is a very high-density, mixed-use residential-led scheme, comparable with many other inner-London developments. It is 100% brownfield.
It incorporates significant levels of on-site infrastructure investment, including contributions to the enlargement of Elephant & Castle Tube Station within/underneath the site, and a wide package of other contributions.
We have established that contributions through CIL and S106 are approximately 14% of GDV – considered to be a high proportion.
Given the high land values and high proportion of contributions to GDV, the total obligations value of £152 million is considered to be very high.</td></tr>
<tr><th colspan="2">Relevant context</th></tr>
<tr><td>Market type</td><td>High value</td></tr>
<tr><td>Geography type (urban, semi-urban, rural)</td><td>Urban</td></tr>
<tr><td>CIL in use?</td><td>Yes, both at Borough level and Mayor of London</td></tr>
<tr><td>If so, CIL charging rate</td><td>Unclear from documentation if 2017 revised CIL in Southwark applied to this development. If so, the charging rate is based on Zones. This development is located in Zone 2 and the rates are:
£0 for office development
£218 p/sqm residential
£109 p/sqm student housing direct let
£136 p/sqm all retail or hotel
For developments in Southwark, the Mayoral CIL1 rate is £35 per square meter plus indexation

Of all Southwark CIL received, the funds are divided between three sources:
70% is made available to the Regulation 123 List
25% is made available to local community areas
5% funds the administration of Southwark’s CIL</td></tr>
<tr><td>Affordable housing policy</td><td>Minimum 35% affordable housing, where at least 70% is social rent and 30% is intermediate housing</td></tr>
<tr><td>Other relevant policy</td><td>Located within an Opportunity Area within the London Plan, a key brownfield redevelopment site for mixed use of optimised densities.</td></tr>
<tr><td>Gross Development Value (GDV)</td><td>Based on the Financial Viability Appraisal, the Gross Development Value is £1,105,000,000[9], with benchmark land value fixed at £142 million for the purposes of future viability reviews.
<table>
<tr><th colspan="2">Elephant & Castle FVA Addendum Inputs, February 2018</th></tr>
<tr><th>Assumption</th><th>Amount</th></tr>
<tr><td>Gross Development Value</td><td>£1,105,000,000</td></tr>
<tr><td>Acquisition Costs</td><td>£ 9,656,000</td></tr>
<tr><td>Construction Costs</td><td>£ 594,355,775</td></tr>
<tr><td>Professional Fees</td><td>£ 76,671,895</td></tr>
<tr><td>Marketing and Letting</td><td>£7,148,266</td></tr>
<tr><td>Disposal Fees</td><td>£14,661,479</td></tr>
<tr><td>Other Development Costs</td><td>£20,998,000</td></tr>
<tr><td>CIL and S106 (non-affordable housing)</td><td>£17,614,000</td></tr>
<tr><td>Finance</td><td>FVA includes no finance as profit return is measured on an ungeared IRR</td></tr>
<tr><td>Developer Profit</td><td>The profit return is 7.32% IRR against a target rate of return of 11%</td></tr>
<tr><td>Contingencies</td><td>£44,576,683</td></tr>
<tr><td>Residual Land Value</td><td>FVA has been carried out on a residualised profit basis</td></tr>
<tr><td>Benchmark Land Value</td><td>£142,000,000</td></tr>
</table></td></tr>
<tr><th colspan="2">Summary of obligations</th></tr>
</table>

[8] https://www.southwark.gov.uk/regeneration/elephant-and-castle?chapter=13
[9] https://planning.southwark.gov.uk/online-applications/files/EDACE90FF2A2D67123B0C9EA816A8FFF/pdf/16_AP_4458-Viability_Report-697922.pdf

S106 contributions[10]	• **35% affordable housing** comprising of varying proportions of tenure (social rent, London Living rent and Discounted Market rent) depending on section of the site. This in total is 330 units comprising:
	  ○ 53 London Living rented units
	  ○ 161 discounted market rented units
	  ○ 116 social rented units
	• **Construction of the Northern Line Underground** station box and station access
	• **Highways works** including remodelling of Elephant Road/New Kent Road junction remodelling of footpaths and relocation of bus stops
	• **£2,234,600** towards carbon mitigation measures in the Borough
	• **£117,708** financial contribution to the creation of new Council-maintained public space and improvement of existing Council maintained public space, as well as provision of children's play equipment and sports development within vicinity of site
	• **10%** total retail floorspace as affordable retail units
	• **10%** of office/work space (Use Class B1) on West Site as affordable workspace
	• **37** accessible car parking spaces
	• **£64,921.52** administrative costs for the S106 agreement and monitoring
	• **£11,171** archaeology contribution
	• **£125,000** Corsica Studios contribution
	• **£43,560** toward cost of the Affordable Housing Evaluation Report
	• A '**clawback amount' sum of money** to be paid to the Council, which is the difference between the net sales value of the open market units once sold, and the value of the open market build to rent units at grant of planning permission. The Council would use this to provide affordable housing within its administrative area
	• **Apprenticeship**s
	• **£2,123,000** for construction industry employment and training contribution
	• District CHP
	• **£219,000** to TfL for installation of a new cycle hire docking station or alternative cycle scheme agreed with TfL
	• **£752,500** employment in the end use contribution (to be used by the Council to support unemployed Southwark residents towards employment)
	• **£192,000** independent business advisor contribution
	• **£11, 620** towards provision of Legible London signs
	• **£20,000** towards New Kent Road Environmental Improvement
	• **£30,000** towards railway station contribution to be used towards environmental improvements
	• **£50,000** to TfL for a relocated cycle hire docking station
	• **£634,700** to assist businesses with relocating from the site during construction
	• **£6,000** tree replacement contribution
	• **£25,000** CPZ contribution
	
	In addition to the financial and in-kind contributions listed above, the S106 agreement lists numerous actions the developer must take, for example ensuring that a bingo hall operator is given first refusal to lease a defined proportion of the D2 Use Class floorspace, and that the developer must create a Trader Panel and consult them during the implementation of the scheme.

CIL amount	In this instance a Mayoral CIL payment (pre- affordable housing relief) of £3,762,975 and a Southwark CIL payment of £15,804,382 would be required. [11]
Total obligations value	**£152.4 million**
Proportion of obligations to GDV	13.8%
Additional information	Three viability reviews are written into the Section 106, with 50% of any additional surplus return attributed to the Council for additional affordable housing. This would be used to change the tenure split of the affordable housing to have a greater proportion of London Living rent units.

[10] S106 is online, split into three parts: https://planning.southwark.gov.uk/online-applications/files/B3084D935BB3B4DABD6FE0F7DD37604A/pdf/16_AP_4458-Planning_obligation_S.106-777813.pdf / https://planning.southwark.gov.uk/online-applications/files/FAB7FB886736EC20FD3827D3C8B01C60/pdf/16_AP_4458-Planning_obligation_S.106-730922.pdf / https://planning.southwark.gov.uk/online-applications/files/31606E3A625ADD95A558525E82B26230/pdf/16_AP_4458-Planning_obligation_S.106-782367.pdf

[11] Para 758 of committee report https://planning.southwark.gov.uk/online-applications/files/60C2CDF997B4C6C119BA44868F316083/pdf/16_AP_4458-Officers_Report-606100.pdf

Case Study 2: McArthur's Warehouse, Bristol

Table 2 17/03139/F

Case Study 2	
Site name / address	McArthur's Warehouse, Gas Ferry Road, Bristol, BS1 6UN
Application reference and date (Section 106 signed date? Any information about starting on site too?)	17/03139/F – Committee Resolution to Grant November 2017. S.106 Agreement signed May 2018
Summary of development	Demolition of existing warehouse and associated buildings and structures. Redevelopment to provide a mixed-use development of 147 residential units, workspace and a cafe with ancillary gallery space (Use Classes C3, B1 & A3) and associated car parking, servicing, landscaping works, provision of utilities and other supporting infrastructures
Developer	The Guinness Partnership
Local Authority	Bristol City Council
Key Conclusions	• This case study is a high-density, primarily residential scheme, comparable with similar edge-of-city centre schemes. It is 100% brownfield. • It incorporates standard levels of CIL contributions, but an affordable housing proportion well below policy requirements. This was justified through a Financial Viability Appraisal, which has effectively prioritised infrastructure provision over affordable housing (as CIL contributions are fixed). • We have established that contributions through CIL and S106 are approximately 7% of GDV – considered to be relatively moderate.
Relevant context	
Market type	High value
Geography type (urban, semi-urban, rural)	Urban
CIL in use?	Yes – Bristol City Council as CIL Charging Authority
If so, CIL charging rate	CIL is charged at the following rates, adjusted for indexation: Residential - £70 per sqm Commercial - £0 per sqm Retail - £120 per sqm
Affordable housing policy	Minimum 30% affordable housing as set by Bristol Core Strategy. Minimum 20% affordable housing is agreed within the Inner West/East Area as part of the Affordable Housing Practice Note as 'Fast Track' route. The mix should consist of 73% is social rent and 27% is intermediate housing
Other relevant policy	Located within the Bristol Central Plan Area.
Gross Development Value (GDV)	Based on the Financial Viability Appraisal, the Gross Development Value is £46,007,347, with residual land value of at £2,900,000.

Assumption	Amount - LPA Appraisal
Gross Development Value	£46,007,347
Acquisition Costs	£4,296,777
Construction Costs	£25,137,363
Professional Fees	£2,392,968
Marketing Fees	£411,077
Letting Fees	£855,875
Other Development Costs	£224,000
CIL and s106 (non-affordable housing)	£1,070,580
Finance	£2,406,106
Developer Profit	£9,212,600
Contigencies	£1,207,684
Residual Land Value	£2,900,000
Benchmark Land Value	£2,000,000 per acre

Summary of obligations	

S106 contributions[12]	• 12% affordable housing comprising of shared ownership and social rented units:
	  ○ 18 shared ownership units
	  ○ 9 social rented units
	• Travel Plan Management and Audit Contribution: **£19,845.00**

CIL amount	Total CIL Liability at March 2018 - £1,057,008.09
Total obligations value	Affordable Housing: **£2,361,600** CIL: **£1,057,008.09** Travel Plan Management and Audit Contribution: **£19,845.00** Total obligations value: **£3,437,853.09**

[12] S106 agreement available: https://planningonline.bristol.gov.uk/online-applications/files/EEF46BCF6C9141BA89D7EE1FDB4D4867/pdf/17_03139_F-S106_AGREEMENT-1863392.pdf

Proportion of obligations to GDV	**7%**
Additional information	If development has not commenced within 18 months of the date of the s106 agreement, an upward-only viability appraisal should be submitted and approved by the council before the occupation of the first 75 units.

Case Study 3: Brooks Laundry, Bristol

Table 3 15/06475/P

<table>
<tr><th colspan="2">Case Study 3</th></tr>
<tr><td>Site name / address</td><td>Land at Ashley Grove Road, St. Werburghs, Bristol</td></tr>
<tr><td>Application reference and date (Section 106 signed date? Any information about starting on site too?)</td><td>15/06475/P – Committee Resolution to Grant October 2016. S.106 Agreement signed May 2017</td></tr>
<tr><td>Summary of development</td><td>Redevelopment of former commercial laundry site to provide 102 residential units, commercial/community space (B1/D1), enlargement of Mina Road Park and associated infrastructure improvements.</td></tr>
<tr><td>Developer</td><td>Folland Ltd (now sold to Acorn Developments)</td></tr>
<tr><td>Local Authority</td><td>Bristol City Council</td></tr>
<tr><td>Key Conclusions</td><td>This case study is a high-density, mixed-use residential-led scheme, comparable with similar inner-city schemes. It is 100% brownfield.
It incorporates standard levels of CIL contributions, as well as a substantial package of highway works, but an affordable housing proportion well below policy requirements. This was justified through a Financial Viability Appraisal, which has effectively prioritised infrastructure provision over affordable housing (as CIL contributions are fixed).
We have established that contributions through CIL and S106 are approximately 5% of GDV – considered to be relatively low.</td></tr>
<tr><th colspan="2">Relevant context</th></tr>
<tr><td>Market type</td><td>Medium Value</td></tr>
<tr><td>Geography type (urban, semi-urban, rural)</td><td>Semi-urban</td></tr>
<tr><td>CIL in use?</td><td>Yes – Bristol City Council as CIL Charging Authority</td></tr>
<tr><td>If so, CIL charging rate</td><td>CIL is charged at the following rates, adjusted for indexation:
Residential - £70 per sqm
Commercial - £0 per sqm
Retail - £120 per sqm</td></tr>
<tr><td>Affordable housing policy</td><td>Minimum 40% affordable housing as set by Bristol Core Strategy.</td></tr>
<tr><td>Gross Development Value (GDV)</td><td>Based on the Financial Viability Appraisal, the Gross Development Value is £24,409,500, with residual land value of at £6,119,581.
<table>
<tr><th>Assumption</th><th>Amount - LPA Appraisal (40% affordable)</th></tr>
<tr><td>Gross Development Value</td><td>£24,409,500</td></tr>
<tr><td>Acquisition Costs</td><td>£3,454,069</td></tr>
<tr><td>Construction Costs</td><td>£9,865,652</td></tr>
<tr><td>Professional Fees</td><td>£986,565</td></tr>
<tr><td>Marketing Fees</td><td>£377,850</td></tr>
<tr><td>Letting Fees</td><td>£0</td></tr>
<tr><td>Other Development Costs</td><td>£3,533,170</td></tr>
<tr><td>CIL and s106 (non-affordable housing)</td><td>£494,423</td></tr>
<tr><td>Finance</td><td>£564,076</td></tr>
<tr><td>Developer Profit</td><td>£4,306,143</td></tr>
<tr><td>Contigencies</td><td>£582,683</td></tr>
<tr><td>Residual Land Value</td><td>£6,119,581</td></tr>
<tr><td>Benchmark Land Value</td><td></td></tr>
</table></td></tr>
<tr><th colspan="2">Summary of obligations</th></tr>
<tr><td>S106 contributions[13]</td><td>24% affordable housing comprising of shared ownership and social rented units:
12 shared ownership units
12 social rented units</td></tr>
<tr><td>CIL amount</td><td>Total CIL Liability at July 2019 - £707,387.14</td></tr>
<tr><td>Total obligations value</td><td>Affordable Housing: Estimated at £2,395,000 (adjusted to represent the 24 units secured using the policy-compliant 40% affordable housing figures used in the Viability Appraisal).
Highways improvements: £494,423
CIL: £707,387.14
Total obligations value: £3,596,810.14</td></tr>
<tr><td>Proportion of obligations to GDV</td><td>14.7%</td></tr>
<tr><td>Additional information</td><td>Developer backed down from its position of offering 0% affordable housing and agreed an intermediate position of 24% affordable housing. Whilst this was contrary to the Local Planning Authority's Viability Appraisal which expected a surplus sufficient to fund policy-compliant level of affordable housing of 40%, it was considered acceptable to the DC Committee as it secured 'much-needed' housing.</td></tr>
</table>

[13] S106 agreement available: https://planningonline.bristol.gov.uk/online-applications/files/479FFB20B1CEF23B9F9D93108277E8DE/pdf/15_06475_P-S106_PLANNING_AGREEMENT-1650345.pdf

Case Study 4: South of Grange Road, Gloucester

Table 4 16/00165/OUT

Case Study 4	
Site name / address	Land south of Grange Road, Tuffley, Gloucester
Application reference and date (Section 106 signed date? Any information about starting on site too?)	16/00165/OUT – Committee Resolution to Grant August 2016. S.106 Agreement signed June 2017
Summary of development	Outline application for the erection of up to 250 homes including demolition of existing agricultural buildings, the provision of new access, landscaping and open space (access to be determined now, all other matters reserved).
Developer	Hallam Land Management
Local Authority	Gloucester City Council
Key Conclusions	• This case study is a relatively low density residential-only scheme, comparable with similar edge-of-urban schemes. It is 100% greenfield. • It incorporates policy-compliant levels of S106 contributions, with contributions for affordable housing, highways, education and others. • The application was not supported by a public Financial Viability Appraisal. • Whilst useful to show policy-compliant contribution costs, this case study does not help to inform our analysis of the value of contributions as a proportion of Gross Development Value
Relevant context	
Market type	Medium Value
Geography type (urban, semi-urban, rural)	Rural (edge of semi-urban)
CIL in use?	No – CIL was adopted after the submission of this application.
Affordable housing policy	Minimum 40% affordable housing as set by Joint Core Strategy (the Submission Version was the most up-to-date version at the time of determination), with 20% affordable housing in Gloucester proposed as part of the Inspector's Interim Report.
Gross Development Value (GDV)	Open Book Viability Appraisal not available (delivering affordable housing requirement)
Summary of obligations	

S106 contributions[14]	• **40% affordable housing** comprising of shared ownership and social rented units:
	  ○ 25 shared ownership units
	  ○ 75 social rented units
	• County Council **Highways contributions**
	  ○ St Barnabas Roundabout improvements – £102,648
	  ○ New street lighting - £6,000
	  ○ Cycle parking - £2,000
	• **Local Education Authority (LEA) contributions**:
	  ○ Pre-school – £216,283
	  ○ Primary – £772,438
	  ○ Secondary – £706,800
	  ○ Libraries – £49,000
	  ○ Total – £1,744,521
	• **Maintenance of open space, landscape and play areas**
	• **Off-site sports facilities**
	  ○ £415,000 towards off site sport provision

CIL amount	£0.
Total obligations value	S.106 Contributions: **£2,270,169**
Additional information	Developer agreed to provide 40% affordable housing despite not having an Adopted Local Plan in place. The developer had initially sought to provide the 20% affordable housing policy suggested in the Inspector's Interim Report from the Local Plan EiP but backed away from that position and provided a compliant level of affordable housing based on the submission version of the Local Plan. The developer and infrastructure providers were able to agree a flexible approach to contributions which enabled the provision of funding across a variety of sectors. If CIL was in place, this could have limited the ability of the LEA and Highways Authority to seek specific contributions.

[14] S106 agreement available: https://planningonline.bristol.gov.uk/online-applications/files/479FFB20B1CEF23B9F9D93108277E8DE/pdf/15_06475_P-S106_PLANNING_AGREEMENT-1650345.pdf

Case Study 5: Radial Park, Leeds

Table 5 18/07433/FU

<table>
<tr><th colspan="2">Case Study 5</th></tr>
<tr><td>Site name / address</td><td>Radial Park – Leeds, Manston Lane, Leeds, LS15 8ST</td></tr>
<tr><td>Application reference and date (Section 106 signed date? Any information about starting on site too?)</td><td>18/07433/FU – date validated 17th December 2018
Resolution to grant on 6th January 2020, with Heads of Terms for S106 agreement set out within the Committee Report.
S106 agreements signed 13 August 2020[15]</td></tr>
<tr><td>Summary of development</td><td>437 dwellings with roads, open space, landscaping, drainage and associated works.</td></tr>
<tr><td>Developer</td><td>Strata Homes Ltd, Redrow Homes Ltd and Zurich Assurance Ltd.</td></tr>
<tr><td>Local Authority</td><td>Leeds City Council</td></tr>
<tr><td>Key Conclusions</td><td>This case study is a medium/low-density, residential-only scheme, comparable with similar edge-of-urban schemes. It was a former factory site, 100% brownfield.
It incorporates standard levels of CIL contributions, as well as a package of on-site infrastructure works, but an affordable housing proportion well below policy requirements. This was justified through a Financial Viability Appraisal, including the definition of various abnormal costs.
We have established that contributions through CIL and S106 are approximately 6% of GDV – considered to be relatively moderate-low.
This is considered to be a useful case study, as documents in the public domain include a clear and itemised definition of abnormals and demonstrate the impact on total obligations.</td></tr>
<tr><th colspan="2">Relevant context</th></tr>
<tr><td>Market type</td><td>High Value</td></tr>
<tr><td>Geography type (urban, semi-urban, rural)</td><td>Semi Urban</td></tr>
<tr><td>CIL in use?</td><td>Yes – Adopted April 2015</td></tr>
<tr><td>If so, CIL charging rate</td><td>CIL: The applicant has adopted a revised CIL calculation of £1,253,202[16].
<table>
<tr><th>Type of development in Leeds</th><th>CIL Charge per square metre</th></tr>
<tr><td>Residential – Zone 1</td><td>£90</td></tr>
<tr><td>Residential – Zone 2a</td><td>£23</td></tr>
<tr><td>Residential – Zone 2b</td><td>£45</td></tr>
<tr><td>Residential – Zone 3</td><td>£5</td></tr>
<tr><td>Residential – Zone 4</td><td>£5</td></tr>
<tr><td>Supermarkets* ≥ 500 sqm in City Centre</td><td>£110</td></tr>
<tr><td>Supermarkets* ≥ 500 sqm outside of City Centre</td><td>£175</td></tr>
<tr><td>Comparison Retail ≥ 1,000 sqm in City Centre</td><td>£35</td></tr>
<tr><td>Comparison Retail ≥ 1,000 sqm outside of City Centre</td><td>£55</td></tr>
<tr><td>Offices in City Centre</td><td>£35</td></tr>
<tr><td>Development by a predominantly publicly funded or not for profit organisation, including sports and leisure centres, medical or health services, community facilities, and education</td><td>Zero</td></tr>
<tr><td>All other uses not cited above</td><td>£5</td></tr>
</table></td></tr>
<tr><td>Affordable housing policy</td><td>Policy H5 Affordable Housing:
Zone 1: 35%
Zone 2: 15%
Zone 3 and 4: 7%

40% of affordable housing for intermediate or equivalent affordable tenures
60% affordable housing for Social Rented or equivalent affordable tenures</td></tr>
<tr><td>Other relevant policy</td><td></td></tr>
<tr><td>Gross Development Value (GDV)</td><td>Viability Appraisal Redacted.
Gross Development Value - £117,021,059 (comprising market housing £115,174,887 and affordable housing £1,794,227).</td></tr>
<tr><th colspan="2">Summary of obligations</th></tr>
</table>

[15] Signed Section 106 Agreements: https://publicaccess.leeds.gov.uk/online-applications/files/29B10422E73E98FA477DC2A655F4A337/pdf/18_07433_FU-S106_-_ZURICH_COUNTERPART-3389465.pdf?recaptchaToken=03AGdBq24dxdEFTV44dviGO52ZEPIjwx8P4_7wVvhY1AD55UwP_1mv28D89WhhK2jMjrVxQ8fGIn2lmcK-ksiPXqc6_oyVQrFms144HDpe5_u1WKltGun_RLpkLcMCZtUADOmlgCwHuWhsx-xXP3iwF4pVguTzcXUTQ0hj_g7F3DnFXbPGr9djpTh-KWzy5GjMzjSTJgKk2SVaxcKuG01uk8d76rJFHB19nv9bxzyQAO8gvKT3a1MilU2Vph45uIRxpW67l3SezFInw4fR4Wo4G_mJVKj98RLMHjWtmy-RBMiScJFcqajQ5AwsGF9La7llYKeiolHuRhNTCOI9Q8zHYtl8UzgJMIPuxLQOg3E3IShI7-BHTxFJYXajP6bJ2hZBt3lG5y9D4N-wDWiNyysOoejwT2bJzOzZYZdwLB0oy85QJNv9W9Jr2zkM1qBl46yKxWnzzBpL4cxTQmxFudpvySNMTqeShClLkQ

[16]

S106 contributions³	**Public facing S106 agreements** outline the following contributions[17]: • Provision of affordable housing at **7.5% -** this was reduced as the verification Viability Appraisal commissioned by Leeds City Council deemed this amount not viable. • Replacement Sports Facilities Contribution: **£380,000.00** • Provision of a Travel Plan and Travel Plan Monitoring Fee (prior to occupation): **£2,811.60 (Plot A), £2,300.40 (Plot B)** • Provision of Car Club parking spaces (prior to occupation) • Community Infrastructure Contribution: **£92,500 (Plot A)** • Construction and subsequent maintenance of Public Open Space / On-site Green Space • To use all reasonable endeavours to ensure that local contractors and sub-contractors, consult with Employment Leeds and agree a method statement for facilitating local employment. • Off-site Highways works contributions (prior to commencement of development): **£110,898.48 (Plot A)** • Strategic highway works contribution (prior to occupation of the 200th dwelling): **£218,500 (Plot A)** • S106 Management Fee: **£2,200 (Plot A), £1,800 (Plot B)**
CIL amount	Total CIL Liability: **£1,253,202**
Total obligations value	£7.4 million
Proportion of obligations to GDV	6.3%
Additional information	The Existing Use Value of the site is considered to be **£8,824,014** **Summary of Abnormal Costs:** • Manston Lane Link Road Contribution / Ransom: **£4,117,636** • Site reclamation / remediation (inclusive of fees): **£4,750,000** • Topsoil/subsoil capping: **£555,290** • Retaining Walls: **£638,470** • Attenuation: **£2,277,331** • EO Highways: **£1,545,185** • Abnormal Services and Diversions: **£879,890** • Abnormal Foundations: **£4,347,641** • Tree Clearance: **£66,000** • Fill/Capping Gardens: **£439,960** • Public Open Space: **£359,215** • Electric Car Charging: **£168,245** • Section 278 Works: **£850,000** • Renewable Energy: **£874,000** • Acoustic Glazing: **£377,674** • Elevational Improved Design: **£304,551** **Total - £22,551,089[18]**

[17] https://publicaccess.leeds.gov.uk/online-applications/files/29B10422E73E98FA477DC2A655F4A337/pdf/18_07433_FU-S106_-_ZURICH_COUNTERPART-3389465.pdf?recaptchaToken=03AGdBq24Co_pwGWMoGdZGQk5T5Ri2Yiw-muO_YHd40ljlPL_lzxlS-yvrt9nXpmr9vme7h03MW3BkUbxd9orqnwAYagBlKLthaFZjTzZMK2kDuNlOP33-B6RlaWydqRfKARuyq1FaZf0yJS1YdsTXNnTBpN_SGHAOPj66tI75__KChnwxcZa6CaAd81Pp-QBviShWPToUk4g4V9XtCSpfokjsvvJYaQhSiPshJ5q72zW55GOsQLU-ZeNCiIX59XvrQqRLLQHzpgnFaEquqDHhobskbhvYZgdCTW0jFqZkFcTNevjW9JIcEplKJcRlJ7Bfcga8JaIfhonST5aL2eSA2G32WGYXxfsaSQWBZZCf9IoGLYnxAtXs4rhe4yp_wAwjY34mtsdbUL7LOjBTCkCgIwNO-Wi79KMRRhX2wKkD0MxQus4luk4faREo4PdYPJmtSjiWCCHMOwbXJwVszGrwq3wU7MaSY7muHg

[18] DVS Development Viability Appraisal: https://publicaccess.leeds.gov.uk/online-applications/files/57AA60836A38BE3F86018FACE4C40FE4/pdf/18_07433_FU-VIABILITY_APPRAISAL-2983857.pdf?recaptchaToken=03AGdBq25axMR8v80_Chi1wCMXKTppkGgic2yv_v4hbiAmmWr4O8vnp1uAObvPQEUCbG100vw4ISpxN5C0re811YcPtDzyrrDaXG8a9Yii9JetzJwdu9XGVpDJxPze0y325t7enL8CmZSx9YeiCQ7edy1Lqf-isUph7qW1LYRUJlT4Jns5IVEYNreTViMmiQ-p2ZtA-CK51mbahcJHUl35CVt9faPq8HrW3xdWBq2zdM7HkFJuHt27Wtn-msMAfoQBqzNqZy4MSS-tb_RsBk1IVl0eTmd9w_8cycZtMvYoXqeeQQB9B099HRo6gN8-CjArzKb4OLvR9YNaS2lq9GcWz8KT03Gk5xSO6g0u_ZAGhKZNH6iMyTA4raCHov81rAGVtPn5dRKonsX3dO3FcdfOyuufBwaPFX1Sc-s4UoPpeTS__6NPV-jW2Zq0GTQSN4NIRh_YWCFt8yUYCUuux5J8QjhzD4ZkpVUAh9PPR44l53DQKFpduyBQNT8

Case Study 6: Former Nocks Brickworks, Birmingham

Table 6 2018/08544/PA

Case Study 6	
Site name / address	Former Nocks Brickworks, Holly Lane, Erdington, Birmingham (B24 9LE)
Application reference and date (Section 106 signed date? Any information about starting on site too?)	Application validated: 6th December 2018 Committee and resolution to grant: 30th January 2020 Section 106 Agreement signed 12th June 2020
Summary of development	Remediation of the site of the former Nocks Brickworks and the residential redevelopment of the site to provide 187 dwellings, access, landscaping and associated works
Developer	Persimmon Homes, Precinct Developments, Beazer Homes and Dorglen Limited
Local Authority	Birmingham City Council
Key Conclusions	• This case study is a medium/low-density, residential-only scheme, comparable with similar suburban schemes. It was a former brickwork site, 100% brownfield. • The development was not liable for CIL, and otherwise attracted minimal contributions with an affordable housing proportion well below policy requirements. This was justified through a Financial Viability Appraisal. • We have established that contributions through CIL and S106 are approximately 1% of GDV – considered to be very low. • Whilst it demonstrates the impact on total obligations, the low level of obligations mean that case study includes relatively limited data, and is less well suited for inclusion in a response.
Relevant context	
Market type	Low – former brick works in lower value area
Geography type (urban, semi-urban, rural)	Urban
CIL in use?	Yes, however, case officers report indicates that the proposed development would not attract a CIL contribution.
If so, CIL charging rate	N/A
Affordable housing policy	Policy TP31 of the BDP states that the Council will seek 35% affordable homes on developments of 15 dwellings or more and these dwellings should be provided and fully integrated with the proposed development. In the event that the applicant considers that the above proportion of affordable housing cannot be delivered for viability reasons, a viability appraisal of the proposal will be required. The application is accompanied by a Financial Viability and Affordable Housing Statement which states that the costs associated with the proposed comprehensive remediation scheme are such that it is not viable to deliver more than 10% affordable housing on site. It is proposed that the affordable housing would be a mix of social rented and low cost units. The Council has independently assessed the submitted viability appraisal and it is considered that the appraisal assumptions are robust and appropriate in the context of the current market. It is concluded that the provision of affordable housing provision of approximately 10%[19].
Gross Development Value (GDV)	GDV: **£41,397,833** (Appendix H Viability Appraisal)[20] Residual land value: £3,750,000 Total Direct Costs: £28,626,007 (Abnormals included) Total Finance and Acquisition Costs: £5,381,889 Operating profit: £7,243,688

Holly Lane, Erdington Abnormal Costs

	Quant	UoM	Claimed
Services			
Gas - Diversion	1.0	item	£25,000.00
Water - Diversion	1.0	item	£25,000.00
Electric - Diversion	1.0	Quote	£22,677.00
Substation & Housing	1.0	item	£65,000.00
Enabling Works			
Tree Surgery / Protection	1.0	item	£15,000.00
Ground Remediation - Dunton	1.0	Quote	£3,023,860.00
5% Contingency on above	1.0	item	£151,193.00
Import and Place Clean Capping	8,730.0	m3	£205,416.90
Import and Place Clean Topsoil	2,910.0	m3	£68,472.30
Drainage / Attenuation			
Oversized Pipes	400.0	m3	£90,000.00
Storage Crates	400.0	m3	£110,000.00
Hydrobrake	1.0	nr	£10,000.00
Balancing Pond	2,475.0	m3	£23,512.50
Headwall	4.0	nr	£40,000.00
Foundations - Extra Over			
Beam & Block	7,907.2	m²	£84,053.44
Apartment Foundations	2.0	Blocks	£25,000.00
Flatbed Raft	112.0	plots	£462,000.00
PCC Pile	50.0	plots	£231,250.00
Pile Mats	50.0	plots	£23,750.00
Gas Protection	193.0	plots	£96,500.00
Retaining Walls			
1000mm	250.0	m	£137,500.00
S278 Highways Works	1.0	item	£275,000.00
Site Specifics			
Cartaway	12,111.0	m3	£302,775.00
Stone Break Layer	2,895.0	m3	£106,912.35
Open Culvert	1.0	item	£100,000.00
Capping Layer to Roads	1,358.0	m	£161,602.00
			£5,881,474.49

Summary of obligations	
S106 contributions³	• Affordable Housing - Rented Affordable Housing Units (10 units) - Low Cost Housing Units (9 units)

[19] http://eplanning.idox.birmingham.gov.uk/publisher/docs/859553149A3881A6A246E83B1823C73E/Document-859553149A3881A6A246E83B1823C73E.pdf
[20] http://eplanning.idox.birmingham.gov.uk/publisher/docs/B957E6602622F8F21F880E6DA1BDAE8D/Document-B957E6602622F8F21F880E6DA1BDAE8D.PDF

	• Open Space works (prior to occupation of 50% of the dwellings to be constructed) and management • Delivery, management and maintenance of SuDS (prior to construction of no more than 9 units) and inspection and supervision of SuDS system works by BCC (£56,774.10)
CIL amount	No.
Total obligations value	£0.4 million
Obligations as a % of GDV	1.1%
Additional information	N/A

Case Study 7: Carrington Village, Trafford

Table 7 99245/OUT/19

Case Study 7	
Site name / address	Land known as Carrington Village on land off Manchester Road, Carrington (Trafford)
Application reference and date (Section 106 signed date? Any information about starting on site too?)	99245/OUT/19 Application validated (November 2019) Application approved (May 2020) S106 agreement not signed as yet.
Summary of development	Outline application for the erection of up to 320 dwellings, erection of up to 668,000 sq ft (62,057 sq m) employment floorspace (Use Classes B1/B2/B8 including open storage), erection of up to 12,917 sq ft (1,200 sq m) retail/health floorspace (Use Classes A1/D1), demolition of existing buildings and structures, re contouring of the site to form development platforms, creation of public open space, rugby pitch relocation along with new flood-lit training pitch, erection of replacement rugby clubhouse, landscaping and ecological works, noise mitigation, electrical sub stations, pumping stations, car parking and vehicle, cycle and pedestrian circulation including details of 5 access(s) off Manchester Road to serve residential, employment, retail/health development and 2 emergency access points off the A1 private road. Approval sought for access with all other matters reserved
Developer	Himor Group Limited
Local Authority	Trafford Council
Key Conclusions	• This case study is a medium/low-density development, with a mix of residential and commercial uses. It is primarily previously-developed land. • It incorporates standard levels of CIL contributions (albeit at a relatively low level), with a variety of community and highway infrastructure contributions, but an affordable housing proportion well below policy requirements. This was justified through a Financial Viability Appraisal. • We have established that contributions through CIL and S106 are approximately 7% of GDV – considered to be moderate. • This case study includes detail from the case officers' report justifying an approach taken to maximising contributions despite challenging viability.
Relevant context	
Market type	Low Market Value (identified as a 'cold market location' within the Core Strategy)
Geography type (urban, semi-urban, rural)	Brownfield. The site is located on a former petrochemical manufacturer and distribution site which requires extensive remediation to provide a clear and deliverable platform. Due to the high upfront abnormal and service infrastructure costs to enable the Proposed Development to come forward on the Site, there is a viability deficit for the first phase of this strategic development.
CIL in use?	Yes, £775,938
If so, CIL charging rate	This proposal is located in the 'cold zone' for residential development, consequently private market houses will be liable to a CIL charge rate of £20 per square metre, and apartments will be liable to a CIL charge rate of £0 per square metre, in line with Trafford's CIL charging schedule and revised SPD1: Planning Obligations (2014). The proposed employment development comes under the category 'industry and warehousing' which is liable to a CIL charge rate of £0. T Proposed retail development comes under the category 'all other development', In the event the retail element were to include a supermarket, this will be liable to a CIL charge rate of £225 per sq m.
Affordable housing policy	Whilst the Viability Appraisal considered that the initial phase of development cannot viably support an affordable housing provision, it appears that by the time the scheme was approved that 32 affordable homes are going to be provided (10%).
Other relevant policy	The Proposed Development forms part of the strategic allocation, which is identified in Trafford's Core Strategy, under Policy SL5 as providing "*opportunity to reduce the isolation of both Carrington and Partington by creating a substantial new mixed-use sustainable community on large tracts of former industrial brown-field land*"
Gross Development Value (GDV)	Based on the developer's viability appraisal, this amounts to £104,210,00[21] for the whole scheme, and £66,402,000 for the residential element of the scheme. The site purchase price has not been disclosed.

[21] https://publicaccess.trafford.gov.uk/online-applications/files/458368527574FED96CB9D4E39FBA5120/pdf/99245_OUT_19-VIABILITY_ASSESSMENT_EXECUTIVE_SUMMARY-718621.pdf

Applicant	Himor Group Ltd
Site	Land at Carrington
Proposed Development	Outline Application Comprising 320 Residential Units, Village Core, Public Open Space, relocation of the rugby club, and c.67 gross acres of employment land.
Gross Development Value	£104,210,000
Total Development Costs (excluding Developer's Profit)	£80,243,285
Developer's Profit	15% Master Developer Profit 18% Plot Developer Profit
Residual Site Value	£7,640,000
Benchmark Land Value	£18,360,000 £180,000 per acre (150,000 + 20% premium)
Viability Surplus / Deficit (Rounded)	-£10,720,000
Proposed Developer Contributions	**Affordable Housing:** 0 units (%) **S.106:** Rugby Club Re-Location - £825,000 Carrington Lane Contribution - £75,000* Flixton Road Contribution - £275,000* Provision of allocated areas for LEAP's, NEAP's and MUGA's **CIL:** £775,938 (based on an indicative scheme)
	***indicates indicative pro rata S.106 sums attributable to the Proposed Development**

Summary of obligations	

S106 contributions[3]	• 32 Affordable Homes (50:50 affordable rent and shared ownership)
	• Educational improvements: £736,890
	  - New or improvement of existing primary school places
	  - £236,890 payable on occupation of the 33rd dwellings
	  - A further contribution of £500,00 made payable on occupation of the 289th dwelling.
	• Rugby Club relocation: £825,000 (this is actually a development cost and not a S106 contribution)
	• Highway improvements: £641,025
	• Carrington Lane contribution: £75,000 and land to accommodate the potential future Carrington Relief Road.
	• Flixton Road contribution: £275,000
	• Travel Plan contributions
	• Provision of on-site green infrastructure and LEAP's, NEAP's and MUGA's on site
	
	A Deed of Variation is required to include an obligation not to implement the extant Common Lane permission.

CIL amount	£775,938
Total obligations value	£7.6 million
Obligations as a % of GDV	7.3%
Additional information	The Case Officer report states that: "*The Viability Assessment has been independently reviewed by the Council's appointed viability consultants. The applicant failed to respond to the request to confirm the actual purchase price. The failure to respond to this request is at odds with the requirement for transparency as set out in both NPPG and RICS guidance. The applicant did not provide any evidence or justification to support their abnormal costs on a site-specific basis, these costs were based on a generic assessment. Both the purchase price for land and evidence base abnormal costs are critical evidence when assessing site-specific viability. In addition to the unwillingness of the applicant to provide the purchase price and site-specific abnormal costs, the approach taken to assessing a hypothetical Benchmark Land Value did not follow the requirements of NPPG. It is inappropriate for developers to seek premiums when land has already been purchased and the landowner has accepted a premium in the purchase price. For a developer to add a premium to land values, has the impact of adding to the overall profit generated, which goes against the spirit and intention of Planning Guidance. Consequently the viability case submitted by the applicant does not meet the required tests, as set out in guidance or national policy and carries no weight in the determination of this application. Notwithstanding the conclusions of the Viability Assessment, the applicant has since confirmed that 32 affordable units (10%) will be provided, in addition to those obligations and costs summarised above and an education contribution considered below. The applicant's position in providing 10% affordable housing is also that the scheme will not be subject to any reappraisal to establish whether a greater number of affordable units could be delivered as the scheme progresses*".

Case Study 8: Warwickshire County Cricket Ground, Birmingham

Table 8 2018/05638/PA

Case Study 8	
Site name / address	Land east of Pershore Road, and north of Edgbaston Road, Edgbaston, B5
Application reference and date (Section 106 signed date? Any information about starting on site too?)	Application validated: 17th July 2018 Committee and resolution to grant: 10th October 2019 Section 106 Agreement signed 18th February 2020
Summary of development	Full planning application for the demolition of existing buildings and the development of a residential-led mixed use building containing 375 residential apartments (Use Class C3), ground floor retail units (Use Classes A1, A2, A3, A4 and A5), a gym (Use Class D2), plan, storage, residential amenity areas, site access, car parking, cycle parking, hard and soft landscaping and associated works, including reconfiguration of existing stadium car parking, security fence-line and spectator entrances, site access and hard and soft landscaping. Residential amenity areas, site access, car parking, cycle parking, hard and soft landscaping and associated works, including reconfiguration of existing stadium car parking, security fence-line and spectator entrances, site access and hard and soft landscaping.
Developer	Warwickshire County Cricket Club, Edgbaston SARL, Homes England, Compass Contract Services and Barclays Bank
Local Authority	Birmingham City Council
Key Conclusions	• This case study is a high-density, mixed-use residential-led scheme, comparable with similar inner-city schemes. It is 100% brownfield. It comprises a build-to-rent PRS scheme. • The development was not liable for CIL, and otherwise attracted minimal contributions with a relatively nominal offsite affordable housing contribution. This was justified through a Financial Viability Appraisal. • We have established that contributions through CIL and S106 are approximately 2% of GDV – considered to be very low. • Despite very low levels of S106 contributions and zero CIL, this site still has viability challenges. It is therefore not considered to be a robust case study for demonstrating the potential implications of the White Paper.
Relevant context	
Market type	Urban
Geography type (urban, semi-urban, rural)	Low value
CIL in use?	The Case Officer's Report states that "In terms of the Community Infrastructure Levy, the site is within an area defined as 'low' residential value meaning that a zero charge is set. With respect to the request for funding towards education and the NHS, these are covered by the Community Infrastructure Levy (CIL). The proposal is a non-CIL liable development and as such does not attract a CIL contribution.
Affordable housing policy	This scheme however is not a large development which is to be built out in multiple phases over a longer timeframe – "The Residences" will be built out in a single phase over a typical construction timeframe. Additionally there is no on-site affordable rent to be secured within this proposal as affordable housing is to be secured as an off-site commuted sum to support the Council's current BMHT building programme for affordable housing, some £825,000. The Case Officer's Report states that "More fundamentally further input has been sought from the Council's Viability Consultants who have confirmed that they considered both open market sale and PRS scenarios when assessing the application's submitted viability information, and it is the current PRS model that produces a larger Section 106 contribution in this instance. Their advice is that the Council is getting the maximum return from the PRS model as proposed. Accordingly it is recommended that a Viability Review Mechanism is unnecessary for this scheme and that this clause can be safely removed from the Section 106 resolution – Members endorsement of this approach is sought."
Gross Development Value (GDV)	GDV: **£64,102,374**

APPRAISAL SUMMARY TURLEY

Land at Edgbaston Stadium
374 PRS Units & Ancillary D2, A1/A3/A5 Uses

Summary Appraisal for Phase 1 Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**
PRS - Studio Units	97	41,002	20.87	8,820	641,655
PRS - 1 bed Units	90	48,673	18.86	10,200	688,486
PRS - 2 bed (3 person) Units	87	58,734	18.49	12,480	814,306
PRS - 2 bed (4 person) Units	83	62,991	19.03	14,440	898,890
PRS - 3 bed Units	17	15,720	18.17	16,800	214,200
Resident Car Parking - Secure / Undercroft	111			1,200	99,900
Resident Car Parking - Public / Surface	75			600	33,750
GF Commercial - Gym Use (D2)	1	3,326	10.00	33,260	33,260
GF Commercial - Retail Use (A1/A3/A5)	1	16,103	20.00	322,060	322,060
Public Car Parking - Managed / Surface	74			456	25,322
Totals	**636**	**246,549**			**3,771,829**

Investment Valuation					
PRS - Studio Units					
Current Rent	641,655	YP @	4.2500%	23.5294	15,097,765
PRS - 1 bed Units					
Current Rent	688,486	YP @	4.2500%	23.5294	16,199,667
PRS - 2 bed (3 person) Units					
Current Rent	814,306	YP @	4.2500%	23.5294	19,160,144
PRS - 2 bed (4 person) Units					
Current Rent	898,890	YP @	4.2500%	23.5294	21,150,353
PRS - 3 bed Units					
Current Rent	214,200	YP @	4.2500%	23.5294	5,040,000
Resident Car Parking - Secure / Undercroft					
Current Rent	99,900	YP @	4.2500%	23.5294	2,350,588
Resident Car Parking - Public / Surface					
Current Rent	33,750	YP @	4.2500%	23.5294	794,118
GF Commercial - Gym Use (D2)					
Market Rent	33,260	YP @	7.0000%	14.2857	
(1yr Rent Free)		PV 1yr @	7.0000%	0.9346	444,059
GF Commercial - Retail Use (A1/A3/A5)					
Market Rent	322,060	YP @	6.5000%	15.3846	
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	4,652,365
Public Car Parking - Managed / Surface					
Current Rent	25,322	YP @	8.0000%	12.5000	316,526
					85,205,585
NET REALISATION				**85,205,585**	

OUTLAY				
ACQUISITION COSTS				
Residualised Price (3.70 Acres 722,496.30 pAcre)			2,673,236	
				2,673,236
Stamp Duty		5.00%	133,662	
Agent Fee		1.00%	26,732	
Legal Fee		0.50%	13,366	
				173,760
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Construction works	322,185 ft²	198.96 pf²	64,102,374	**64,102,374**
PROFESSIONAL FEES				
Professional & Stat. Fees			5,076,633	
				5,076,633
MARKETING & LETTING				
Marketing			200,000	
Comm. Letting Agent Fee		10.00%	35,532	
Comm. Letting Legal Fee		5.00%	17,766	
				253,298
DISPOSAL FEES				
Investment Sale Agent Fee		1.00%	852,056	

APPRAISAL SUMMARY TURLEY

Land at Edgbaston Stadium
374 PRS Units & Ancillary D2, A1/A3/A5 Uses

Investment Sale Legal Fee	0.50%	426,028	
			1,278,084
FINANCE			
Debit Rate 4.250%, Credit Rate 0.000% (Nominal)			
Land		339,788	
Construction		3,562,450	
Total Finance Cost			3,902,239
TOTAL COSTS			**77,459,624**
PROFIT			
			7,745,961
Performance Measures			
Profit on Cost%	10.00%		
Profit on GDV%	9.09%		
Profit on NDV%	9.09%		
Development Yield% (on Rent)	4.87%		
Equivalent Yield% (Nominal)	4.41%		
Equivalent Yield% (True)	4.53%		
IRR	11.74%		
Rent Cover	2 yrs 1 mth		
Profit Erosion (finance rate 4.250%)	2 yrs 3 mths		

Summary of obligations

S106 contributions³	• Affordable Housing: Off-site Affordable Housing Sum (**£825,00**)[22] • Cannon Hill Park Sum (**£130,000**) • Monitoring Sum (**£10,000**) • Transport Sum (**£70,000**) • A requirement for a minimum total of 60 person-weeks of employment per £1million spend on the construction of the site to be provided for new entrants whose main residences is within the Local Impact Act identified from Birmingham City Council’s Employment Access Team • For a period of 6 weeks before the start of works to a period at least 26 weeks after the completion of the construction works, employ a suitably experienced person to work with contractors on the development to ensure commitments within the Agreement are made in full.
CIL amount	No.
Total obligations value	£1.0 million
Obligations as a % of GDV	1.6%
Additional information	N/A

[22] http://eplanning.idox.birmingham.gov.uk/publisher/docs/75D412C162A95BAA44AF4AA130EAF777/Document-75D412C162A95BAA44AF4AA130EAF777.PDF

Case Study 9: Great Park, Newcastle

Table 9 2017/0666/01/OUT

Case Study 9	
Site name / address	Cell A and B1, Newcastle Great Park, Brunton Lane, Newcastle upon Tyne
Application reference and date (Section 106 signed date? Any information about starting on site too?)	2017/0666/01/OUT Application validated (May 2017) Application approved (October 2019) Revised S106 agreement not signed as yet. [23]
Summary of development	Outline Planning Application (Amended Proposal): (all matters reserved): Development of 66.55ha of land comprising up to 1,200 residential dwellings (Class C3), education provision for both primary and secondary aged children (Class D1), changing pavilion, car parking, playing fields with fencing, strategic routes, public open space and associated infrastructure (amended plans received on 5 November 2018). The site is located on the north-western corner of the NGP site which has to date, though a number of consents, been granted planning permission for 2,932 dwellings of which approximately 2,000 have been completed. Completed development to date includes housing in Cells G, H and I, commercial development and the Park and Ride in Cell B, commercial development in Cell C, and the delivery of a first school, nursery, community buildings and sport provision. This development has delivered necessary infrastructure including 200 acres of completed Strategic Open Space. Housing development is ongoing in Cells C and E, and Cell F is nearing completion. The delivery of affordable housing and retail units within the NGP town centre is underway
Developer	Newcastle Great Park Consortium
Local Authority	Newcastle City Council
Key Conclusions	• This case study is a large-scale, relatively low-density residential-led scheme, comparable with similar urban extensions. It is 100% greenfield. • It incorporates policy-compliant levels of S106 contributions, with contributions and on-site provision for affordable housing, highways, education and others. • The application was not supported by a public Financial Viability Appraisal. • Whilst useful to show policy-compliant contribution costs, this case study does not help to inform our analysis of the value of contributions as a proportion of Gross Development Value
Relevant context	
Market type	
Geography type (urban, semi-urban, rural)	Greenfield (former agricultural land)
CIL in use?	No.
If so, CIL charging rate	The site forms part of a much larger strategic allocation. The part of the site that contains the residential and educational development is not located within a CIL chargeable area. The part of the site containing the playing fields is within a CIL chargeable area, however there is no development proposed to be constructed in this area that would command a payment.
Affordable housing policy	CSUCP Policy CS11 promotes lifetime neighbourhoods with a good range and choice of accommodation, services and facilities to meet varied and changing needs. This will be achieved by, amongst other things, providing 15 percent affordable homes on all developments of 15 or more dwellings, subject to development viability. The developer has agreed to the provision of 15 percent affordable homes, as required by Policy CS11. From the 1200 units proposed, this would result in the requirement for 180 units.
Other relevant policy	
Gross Development Value (GDV)	Viability Appraisal not available (delivering affordable housing requirement)
Summary of obligations	

S106 contributions[3]	• Affordable Housing: 15% of total number of units with 35% provided onsite DMV (63 units mix to be agreed) remainder as an offsite contribution. £4,095,000 (£35k per unit – total 117 units) Triggers – TBC.
	• If within 12 months no GP Facilities have been contracted to open in the town centre, requirement to dispose of serviced land (to accommodate building of minimum 1440sqm) for healthcare to a GP operator. By 500th dwelling or requirement to fall away.
	• Provision, maintenance and management of playing fields and pavilion building to include community use and school use agreement. (Prior to occupation of the school(s).
	• Provision of land for allotments in Cell A (0.55ha) to agreed specification for transfer to City Council (Trigger – TBC)
	• Implementation, management and maintenance of playing fields to include School Use and Community Use Agreement (Prior to occupation of the school(s))
	• Implementation, management and maintenance of all areas identified as open space.
	• Ongoing ranger payment to manage Havannah and three hills nature reserve. Payments towards Havannah and Three Hills LNR; footpaths and access, signage, interpretation, promotion; installation and management of fencing, management and monitoring. Total contribution £390,666 (of which £187,500 towards Ranger Services and the remainder to be for capital works.
	• Capital monies to be paid triggers to be agreed.
	• Education (£6,000,000 cap on build costs for Primary and Council to undergo a competitive procurement programme.)
	  - Provision of serviced land for primary school in addition to a financial contribution to build cost.
	  - Provision of serviced land for secondary school.
	• Provision of pavilion constructed on site either on site by developer or via contribution of £400,000.
	• Requirement for park and ride to be made available if necessary, for school drop off/ staff parking (if necessary) in addition to existing use. Prior to first use of school.
	• Implementation and long-term management and maintenance of SuDs (From implementation)

[23] https://portal.newcastle.gov.uk/planning/index.html?fa=getApplication&id=114907

	• Long-term management and maintenance of play equipment (From implementation) • Payment of funds towards providing training and employment opportunities including new TEMP wording for Cell A and B1 (£72,623 triggers) • Funding for post to manage community engagement and liaison with the Council and other relevant bodies (£18,000 per annum) • Highways - Rotary Way/Sacred Heart works (£2,000,000 cap on contribution) - JMP Junction Works (£1,150,000) - Bus provision Contribution for provision and/or support of Bus Services on NGP (and to be used for provision of Bus passes if funds available) (£2,000,000) - £500,000 to be provided to Council’s Accessibility Fund if residential / workplace targets are not met or if bus service not commercially viable (as per expectations) in 2025. - Comply with Framework Travel Plan and install and provide Traffic counters and monitoring (To be amended) - Provision of sustainable travel information. - Installation of traffic counters. - Reservation of land for link road to west (On commencement) - Maintenance of highways until adoption (On completion of roads footpaths cycleways these will be maintained by the developer until adoption of the highways by the Local authority.
CIL amount	None.
Total obligations value	Not calculated
Additional information	N/A

Case Study 10: Wheat Quarter, Welwyn Garden City

Table 10 6/2018/0171/MAJ

<table>
<tr><th colspan="2">Case Study 10</th></tr>
<tr><td>Site name / address</td><td>Wheat Quarter, Welwyn Garden City</td></tr>
<tr><td>Application reference and date (Section 106 signed date? Any information about starting on site too?)</td><td>6/2018/0171/MAJ
Application validated February 2018
Permission granted February 2019
Unilateral undertaking signed February 2019</td></tr>
<tr><td>Summary of development</td><td>Creation of a mixed-use quarter comprising the erection of up to 1,340 residential dwellings including 414 (31%) affordable dwellings (Use Class C3); 114 extra care homes (Use Class C2); the erection of a civic building comprising 497 m² of health (Use Class D1), 497 m² of community use (Use Class D1), 883 m² of office (Use Class B1) and 590 m² of retail (Class A1/A2/A3/A4/A5); alterations, additions and change of use of Grade II Listed Building and retained Silos to provide 5,279 m² of flexible business floorspace (Use Class B1), 270 m² Combined Heat and Power (Sui Generis), 2,057 m² International Art Centre (Use Class D1), 1,235 m² Gymnasium (Use Class D2), 1,683 m² of restaurant/coffee shop/bar (Use Class A1/A3/A4/A5), Creche/Day Nursery (Use Class D1) of 671 m² as well as a Network Rail TOC Building (Use Class B1) of 360 m²; plus associated car parking, access, landscaping, public art and other supporting infrastructure.</td></tr>
<tr><td>Developer</td><td>The Wheat Quarter Ltd (Metropolitan Housing Trust)</td></tr>
<tr><td>Local Authority</td><td>Welwyn Hatfield Borough Council</td></tr>
<tr><td>Key Conclusions</td><td>This case study is a high-density, mixed-use residential-led scheme, comparable with other Home Counties schemes in accessible locations. It is 100% brownfield.
It incorporates policy-compliant affordable housing contributions, as well as various infrastructure contributions. This is despite the Viability Executive Summary showing relatively minimal profit levels.
We have established that contributions through S106 are approximately 11% of GDV – considered to be moderate-high.
This is considered to be a very good example of demonstrated balanced affordable housing and infrastructure costs to inform the White Paper response. However, some caution will be required given that the Viability Executive Summary nevertheless demonstrates a profit level that would normally be unacceptably low – albeit one which the developer appears to be content with.</td></tr>
<tr><th colspan="2">Relevant context</th></tr>
<tr><td>Market type</td><td>Medium/High (Within light industrial area, but also adjacent to major railway station)</td></tr>
<tr><td>Geography type (urban, semi-urban, rural)</td><td>Urban</td></tr>
<tr><td>CIL in use?</td><td>No</td></tr>
<tr><td>If so, CIL charging rate</td><td>N/A</td></tr>
<tr><td>Affordable housing policy</td><td>30% affordable housing (Both in adopted 2005 District Plan Policy H7, and emerging Local Plan Policy SP7)</td></tr>
<tr><td>Other relevant policy</td><td>Site is allocated as a mixed-use development area by Policy EMP3 in the 2005 District Plan, is subject to the adopted 2008 Broadwater Road West Supplementary Planning Document, and remains a proposed allocation (Policy SP17) in the emerging Local Plan.</td></tr>
<tr><td>Gross Development Value (GDV)</td><td>Based on the developer's Viability Executive Summary[24] – £471.99 million (Residential); £26.84 million (Commercial)
<table><tr><th>Use Type</th><th>Capital Contribution</th></tr><tr><td>Retail</td><td>£7.31 million</td></tr><tr><td>Offices</td><td>£10.65 million</td></tr><tr><td>Leisure</td><td>£3.64 million</td></tr><tr><td>Creche</td><td>£1.37 million</td></tr><tr><td>Community</td><td>£0.82 million</td></tr><tr><td>Car Parking</td><td>£3.05 million</td></tr><tr><td>COMMERCIAL TOTAL</td><td>£26.84 million</td></tr><tr><td>Market Housing</td><td>£317.25 million</td></tr><tr><td>Extra Living Care</td><td>£42.49 million</td></tr><tr><td>Affordable Housing</td><td>£112.24 million</td></tr><tr><td>HOUSING TOTAL</td><td>£471.99 million</td></tr></table>
It is noted that viability information was submitted on the basis of the developers' refusal to enter into a S106 agreement, reportedly on the basis that this would restrict the ability to obtain grant funding from Homes England. The appraisal indicates that when a fixed land cost of zero is applied the development generates a surplus of £22,700,000, which reflects 4.5% of costs or 4.3% of value. A residual appraisal based upon fixed market profit indicated a negative land value of £64,300,000[25].</td></tr>
</table>

[24] https://planning.welhat.gov.uk/Document/Download?module=PLA&recordNumber=86733&planId=1399720&imageId=566&isPlan=False&fileName=Former%20Shredded%20Wheat%20Factory%206-2018-0171-MAJ%20-%20Appendix%202%20Viability%20Executuive%20Summary.pdf

[25] https://planning.welhat.gov.uk/Document/Download?module=PLA&recordNumber=86733&planId=1399718&imageId=565&isPlan=False&fileName=6%20-%20Former%20Shredded%20Wheat%20Factory%206-2018-0171-MAJ%20-%20Officer%20Report%20Ang%20Amend.pdf

	Nevertheless, the developer (a housing association) has pledged to provide a policy-compliant level of affordable housing (31%), with the provision of affordable housing ultimately being secured through condition. The levels of affordable housing intended to be provided are factored into the Viability Executive Summary.
Summary of obligations	
Unilateral Undertaking[26]	Childcare contribution – £13,000 Controlled Parking Zone Implementation Contribution - £30,000 Primary Education Contribution - £5,207,000 General Medical Services Contribution - £536,000 Library Contribution - £132,000 Outdoor Sports Contribution - £170,000 Contribution to improvement of an adjacent pedestrian rail bridge - £750,000 Contribution to community and mental healthcare - £156,000 Secondary Education Contribution - £379,000 Travel Plan Support Contribution - £6,000 Waste and Recycling Contribution - £71,000 Youth Contribution - £12,000 Onsite provision in accordance with approved drawings for open space, play space and a sensory garden. Calculated cost of non-market housing component is £746.6 million Calculated abnormal costs relating to the preservation of listed and other historic buildings is £27.1 million (Excluded from total obligations value below, but noted for completeness)
CIL amount	Nil
Total obligations value	£54.06 million
Additional information	N/A

[26] https://planning.welhat.gov.uk/Document/Download?module=PLA&recordNumber=86733&planId=1399646&imageId=562&isPlan=False&fileName=Shredded%20Wheat%20UU%20dated%2015%20February%202019_Redacted.pdf