



Working in partnership with  
**CAPITA**

**North Tyneside Local Plan**

**Area Wide Viability**

**Assessment –**

**Community**

**Infrastructure Levy,**

**Addendum 2017**

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## 1 Introduction

- 1.1 This report is an addendum to the North Tyneside Area Wide Viability Assessment (AWVA) Update 2016<sup>1</sup>. This AWVA – Community Infrastructure Levy Sensitivity, Addendum 2017 considers the potential costs and implications for the viability of development of introducing a Community Infrastructure Levy charge in North Tyneside for residential and commercial development. It additionally outlines the evidence collated to support formulation of the proposed potential differential charging zones for residential and commercial development.
- 1.2 This report accompanies and supports consultation on the North Tyneside Community Infrastructure Levy Preliminary Draft Charging Schedule, February 2017.
- 1.3 North Tyneside Council anticipate continued evolution of its Viability Assessment as proposals for Community Infrastructure Levy progress and welcomes feedback particularly from all aspects of the development industry, landowners and agents on the assumptions and conclusions of this viability assessment.
- 1.4 The consultation period on the CIL Preliminary Draft Charging Schedule opens on 27 February 2017 and will close on 7 April 2017.
- 1.5 For further information and to respond please refer to the contact details below:

### Contact details

- Phone: 0191 643 2310
- Email: [planning.policy@northtyneside.gov.uk](mailto:planning.policy@northtyneside.gov.uk)
- Online: [http://northtyneside-consult.limehouse.co.uk/portal/CIL\\_PDCS](http://northtyneside-consult.limehouse.co.uk/portal/CIL_PDCS)

1.1 \_\_\_\_\_

1 North Tyneside Area Wide Viability Assessment, Update 2016, Capita North Tyneside, June 2016

## 2 The Viability Assessment – Assumptions and Development Typology

- 2.1 At this time continued adoption of the Viability Assessment assumptions contained within the 2016 AWVA and 2017 Addendum for Technical Standards is considered most appropriate. This will enable consistency in approach between each stage of the viability assessment and clear comparison in relation to the conclusions and outputs of the CIL sensitivity analysis.
- 2.2 The following table provides a summary of the assumptions that have been employed by North Tyneside Council through its Viability Assessments.

**Table 1: Residential Appraisal Assumptions**

Assumption	Value / Cost Update 2016				
<b>Market housing values</b>	Lower = £1,900 per sqm Medium = £2,350 per sqm Higher = £2,550 per sqm				
<b>Affordable housing values</b>	Social Rent: 2 bed £60k; 3 bed £70k Affordable Rent: 2 bed £65k; 3 bed £75k (specialist wheelchair accessible, 3 bed £92k) Intermediate: 2 bed £70k; 3 bed £80k				
<b>Floor area (Incorporating National Space Standards, larger floor area used in appraisal where greater)</b>		<b>National Space Standard</b>	<b>Private</b>	<b>Affordable</b>	
	1 bed flat	45	45	50	
	2 bed flat	65	60	65	
	3 bed flat	80	75	80	
	2 bed house	75	65	70	
	3 bed house	89	85	90	
	4+ bed house	111	115	120	
	Larger 4+ bed house	124	150	N/a	
<b>Construction costs – including contingency</b>	For this issue of the Viability Assessment figures from BCIS Q1 2016 – rebased to North Tyneside. Flats = £1,320m2 (£1,100m2 per sqm and 15% net to gross adjustment.) Houses market = £996m2 (£830m2 build cost plus 20% externals) No difference in build costs between market and affordable due to standards convergence.				
<b>Accessible Homes Uplift per Unit (Cost inc. additional space)</b>		<b>Market and 90% Affordable Homes - M4(2)</b>	<b>Affordable Homes - 10% M4(3)2a)~</b>	<b>Affordable Homes - 10% M4(3)2b)*~</b>	*Required only where specific occupier identified. ~ n.b. 10% build requirement would be identified as a condition to planning applications. Assumed that increased development cost would be reflected in increased revenue for home.
	1 Bed Flat	£1,229.00	£9,917.00	£10,074.00	
	2 Bed Flat	£1,196.00	£11,934.00	£12,091.00	
	2 Bed House	£1,101.00	£15,819.00	£28,303.00	
	3 Bed House	£1,386.00	£17,238.00	£29,722.00	
	4 Bed House	£1,387.00	£17,499.00	£29,983.00	
	1 Bed Flat /m2	£27.31	£220.38	£223.87	
	2 Bed Flat / m2	£18.40	£183.60	£186.02	
	2 Bed House / m2	£14.68	£210.92	£377.37	
	3 Bed House / m2	£15.57	£193.69	£333.96	
	4 Bed House / m2	£12.06	£152.17	£260.72	
<b>Applied Build Cost with 20% externals and accessibility uplift</b>	<b>Houses M4(2)</b> £1,013.61	<b>Flats M4(2)</b> £1,503	<b>Affordable M4(3)2b)</b> £1,256.72		

Assumption	Value / Cost Update 2016		
<b>s106 Contribution</b>	<b>Schemes 400 + Homes</b>	<b>Schemes 100+ Homes</b>	<b>Schemes 35+ Homes</b>
<b>Total Per Unit</b>	£6,138.00	£4,111.00	£2,907.00
<b>Sustainable Construction Uplift</b>	Addition 2% uplift on build costs		
<b>Brownfield land cost uplift</b>	£100,000 per hectare to cover greater risk of additional abnormal costs to development of brownfield land.		
<b>Professional and finance costs</b>	i. 10% design and professional fees ii. 3% marketing fees on private sales value iii. £500 legal fees on private sales iv. 5.5% land acquisition and stamp duty on gross residual value v. 6.5% development finance vi. 6.5% credit balance re-investment		
<b>Developers profit</b>	Market housing = 20% Affordable housing = 6%		
<b>Existing Use value</b>	Greenfield/Agricultural land = £20,000 per hectare Brownfield land = £250,000 per hectare		

### Adjustments for CIL Sensitivity Tests

- 2.3 Whilst all key assumptions remain consistent to fully ensure the CIL sensitivity tests are based upon reasonable and robust viability assessments further work has been undertaken to ensuring the assessment has been informed by up to date monitoring of planning obligations. In addition range of development typologies considered within the CIL sensitivity assessment has been expanded to included smaller residential schemes.

### Planning Obligations

- 2.4 North Tyneside Council maintains an ongoing and up to date assessment of planning obligations secured through section 106 agreements. Based upon previous analysis the Council has determined that the following thresholds and contributions per unit represent the reasonable average cost of section 106 contributions.
- 2.5 The following table sets out the overall rang of planning contributions sought from schemes.

**Table 2: Planning Contributions Monitoring**

Dwellings per Scheme	Highest contribution per dwelling	Lowest contribution per dwelling	Average per dwellings
Circa 400+	£9,061	£161	£6,395
Circa 100+	£17,439	£186	£3,745
Circa 35+	£6,690	£90	£2,360
Circa 14*	£10,023	£195	£1,438 (£939)
Circa 5*	£1,400	£447	£923 (£500)

- 2.6 The average cost identified per dwelling is significantly inflated by a single scheme contributing £10,023 per dwelling. On basis that this single contribution is a significant

outlier against all other schemes where contributions lie between £195 and £2,443 an a general cost of £939 per dwelling has been identified.

- 2.7 Costs per dwelling derived from only two schemes and a general cost of £500 per dwelling from such small schemes is considered to provide a more representative estimate – particularly against a much larger number of small schemes of circa 5 dwellings where no planning contribution is sought.
- 2.8 In relation to schemes of 400 dwellings the current average is identified at £6,395 per dwelling. This is comparable to the current assumption of £6,138.
- 2.9 For schemes of 100 dwellings the current average is identified at £3,745. This is 10% lower than the current assumed contribution of £4,111. For schemes of 35 dwellings the current average is identified at £2,907 compared to updated evidence indicating a cost of £2,360. Whilst both indicate the baseline s106 contribution for this type of development could be lower the divergence overall is not significant and would if applied result in a lower planning obligation cost for development. Retention of the existing assumed contributions is consequently considered appropriate.

#### *Development Standards*

- 2.10 The emerging Local Plan has proposed at Policy DM4.9 the introduction of nationally described space standards and a proportion of accessible and adaptable homes.
- 2.11 The proposed Main Modification to DM4.9 published in January 2017 provided an amendment that would see if adopted, 50% of all market homes required to achieve the optional building regulation M4(2) for adaptable homes.
- 2.12 Meanwhile, 45% of affordable homes would also be required to be M4(2) and a remaining 5% of affordable homes would required to be M4(3)b wheelchair accessible – if an appropriate household can be identified for the property.
- 2.13 The AWVA – Technical Housing Standards Addendum 2017 concluded that to make an appropriate adjustment to the costs of space standards and avoid unrealistic estimates of revenue the value of 2 bed properties would be fixed at £130,000 in lower value assessments and £140,000 in medium and higher value assessments.
- 2.14 Through the CIL sensitivity analysis the application of the additional costs for development arising from these space and accessibility standards are applied throughout.

#### *Affordable housing*

- 2.15 All previous AWVA reports prepared have included additional sensitivity analysis of the implications that adjustments to affordable housing would make. Exclusively for the purposes of this CIL Sensitivity report the proportion of homes that are assessed as affordable is fixed at 25% of each development. The only exception to this approach is appraisals of the 5-dwelling development typology that falls below the 11 dwelling threshold proposed in National Planning Practice and emerging Local Plan Policy DM4.6 Affordable Housing.

### *Development Typology*

2.16 The following development typologies have been employed for undertaking the AWVA CIL sensitivity. Each of these development typologies are appraised in a theoretical greenfield location and brownfield location – adjusted appropriately in terms of Equivalent Use Value and additional abnormal costs.

**Table 3: Development typology mix**

<b>Strategic Site</b>					
		Not Accessible		Accessible	
<b>Market</b>	2 Bed	15	8%	15	8%
	3 Bed	75	38%	75	38%
	4 Bed	50	25%	50	25%
	Larger 4 Bed	10	5%	10	5%
	Sub total	150	75%	150	75%
<b>Affordable</b>	2 Bed Rent	23	12%	22	11%
	3 Bed Rent	15	8%	10	5%
	2 bed Shared Ownership	7	4%	8	4%
	3 Bed Shared Ownership	5	3%	5	3%
	3 Bed Rent Wheelchair Accessible	0	0%	5	3%
	Sub total	50	25%	50	25%
	All	200	100%	200	100%
<b>Major</b>					
		Not Accessible		Accessible	
<b>Market</b>	2 Bed	4	4%	4	4%
	3 Bed	19	19%	18	18%
	4 Bed	13	13%	12	12%
	Larger 4 Bed	2	2%	3	3%
	Sub total	38	38%	37	37%
<b>Affordable</b>	2 Bed Rent	5	5%	5	5%
	3 Bed Rent	5	5%	3	3%
	2 bed Shared Ownership	2	2%	1	1%
	3 Bed Shared Ownership	1	1%	2	2%
	3 Bed Rent Wheelchair Accessible	0	0%	1	1%
	Sub total	13	13%	12	12%
All	51	51%	49	49%	
<b>Medium</b>					
		Not Accessible		Accessible	
<b>Market</b>	2 Bed	2	6%	1	3%
	3 Bed	6	17%	7	20%
	4 Bed	4	11%	4	11%
	Larger 4 Bed	1	3%	1	3%
	Sub total	13	37%	13	37%
<b>Affordable</b>	2 Bed Rent	2	6%	1	3%
	3 Bed Rent	2	6%	2	6%
	2 bed Shared Ownership	1	3%	0	0%
	3 Bed Shared Ownership	1	3%	0	0%

	3 Bed Rent Wheelchair Accessible	0	0%	0	0%
	Sub total	6	17%	3	9%
	All	19	54%	16	46%
<b>Small</b>					
		Not Accessible		Accessible	
<b>Market</b>	2 Bed	0	0%	0	0%
	3 Bed	3	21%	4	29%
	4 Bed	2	14%	2	14%
	Larger 4 Bed	0	0%	0	0%
	Sub total	5	36%	6	43%
<b>Affordable</b>	2 Bed Rent	0	0%	0	0%
	3 Bed Rent	0	0%	3	21%
	2 bed Shared Ownership	0	0%	0	0%
	3 Bed Shared Ownership	0	0%	0	0%
	3 Bed Rent Wheelchair Accessible	0	0%	0	0%
	Sub total	0	0%	3	21%
	All	5	36%	9	64%
<b>5-Dwellings</b>					
		Not Accessible		Accessible	
<b>Market</b>	2 Bed	0	0%	0	0%
	3 Bed	0	0%	3	60%
	4 Bed	0	0%	2	40%
	Larger 4 Bed	0	0%	0	0%
	Sub total	0	0%	0	0%
<b>Affordable</b>	2 Bed Rent	0	0%	0	0%
	3 Bed Rent	0	0%	0	0%
	2 bed Shared Ownership	0	0%	0	0%
	3 Bed Shared Ownership	0	0%	0	0%
	3 Bed Rent Wheelchair Accessible	0	0%	0	0%
	Sub total	0	0%	0	0%
	All	0	0%	5	100%

### *Residential values*

- 2.17 The value of residential development included within the AWWA Update 2016 and Addendum 2017 is considered to remain appropriate at this time for continued use but will require further update prior to submission of the proposed Draft Charging Schedule.
- 2.18 Within the residential appraisals undertaken the values identified result in the following estimated sales prices for market homes, as identified in Table 4.

**Table 4: Estimated Sales Value Assumptions**

	Lower value (£1,900/sq.m)	Medium value (£2,350/sq.m)	Higher value (£2,550/sq.m)
<b>2 Bed House</b>	£130,000	£140,000	£140,000



<b>3 Bed House</b>	£169,100	£209,150	£226,950
<b>4 Bed House</b>	£210,900	£260,850	£283,050
<b>4 Bed + House</b>	£285,000	£352,500	£382,500

2.19 The following Table 5 provides a review of all sales in North Tyneside during 2016. This overarching table is based upon banding sales prices across North Tyneside as a whole.

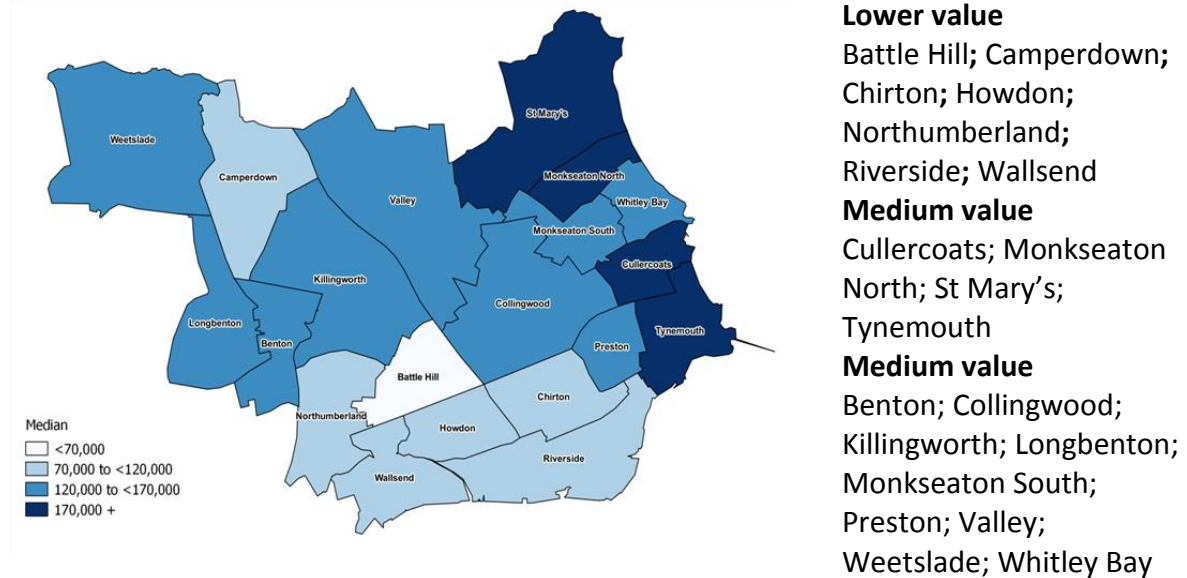
**Table 5: Price Paid Data – North Tyneside 2016**

Value Band	Average of Band	Sales
Higher	£284,892.35	575
Medium	£150,809.33	575
Lower	£85,665.97	575
	£175,357.00	1,719

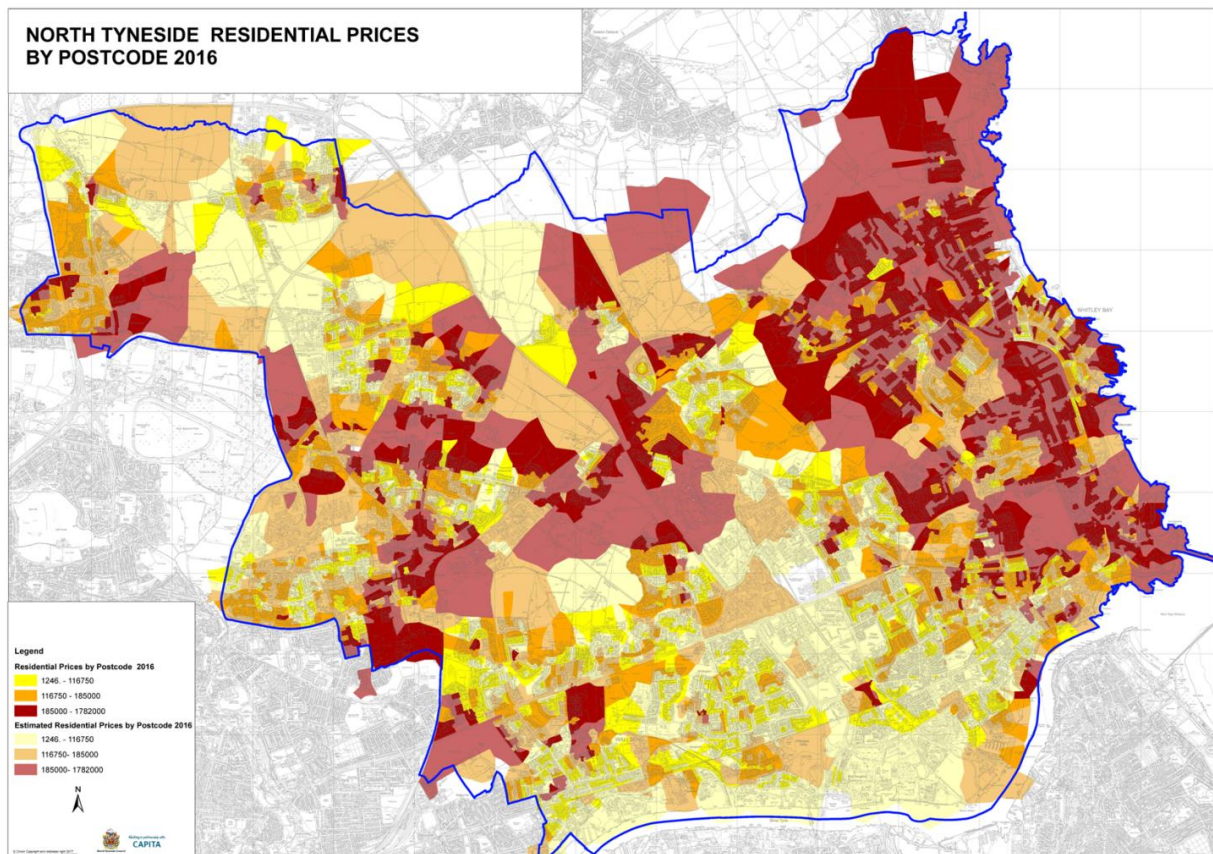
Source: Land Registry

2.20 To inform a meaningful CIL charging schedule, understanding the spatial distribution of any potential variation in potential sales values is key to determining the requirement for CIL charging zones. In North Tyneside the revenues identified exhibit a large differential between the lower value zones in comparison to the values achieved in Medium and Higher value areas. The AWA 2016 provided an indication of the variation in sales values informed additionally by analysis within the North Tyneside Strategic Housing Market Assessment. The following Map 1 illustrates the zones identified in the AWA and associated wards.

**Map 1 – Distribution of Value Bands – (North Tyneside SHMA 2015)**



**Map 2: North Tyneside Residential Prices by Postcode (Heatmap)**



Source: Land Registry Data

- 2.30 To further consider and review the distribution of sales additional analysis has been undertaken of the spatial distribution of all sales in North Tyneside during 2016. Based upon Land Registry data of prices paid by post code within North Tyneside the mapping of value differential across North Tyneside can be established. This mapping broadly reinforces the wider ward based conclusions identified in the SHMA and AWVA and illustrates the relatively stable pattern of price differential across North Tyneside.
- 2.31 As such, the broad zones outlined within the map are considered to provide an appropriate basis against which theoretical charging zones for the Community Infrastructure Levy can be developed. Specifically in relation to the values assessed through the Viability Appraisal it is considered appropriate to view a broad correlation between the price paid distribution and the three value bands previously identified and assessed in the North Tyneside AWVA and identified within the residential appraisal assumptions.

### 3 Residential Appraisal Outcomes

#### Greenfield Appraisals

- 3.1 The following tables set out the conclusions of sensitivity testing potential CIL rates and alternative s106 contributions upon the residual value and uplift achieved against Existing Use Value.
- 3.2 In general it has been determined through previous North Tyneside Area Wide Viability Assessments and the Strategic Allocations Site Specific Project Viability Assessments that for Greenfield sites a land value uplift of approximately 30 times Existing Use Value (EUUV) represents a reasonable return.

#### *Strategic Development Sites*

- 3.3 The following table summarises results for the Strategic Development Typology in a greenfield location. This is a mixed 400 dwelling development type providing 25% affordable housing.
- 3.4 The distribution of this scale of development is expected to lie almost exclusively outside the existing urban area of North Tyneside. There is considered to be no probability of a greenfield development of over 10 hectares coming forward within the urban area in all but the most exceptional circumstances.

**Table 6: Strategic Development Typology – Existing Use Value £350,000**

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUUV Uplift
<b>Strategic, higher value £2,550/m<sup>2</sup></b>							
£6,138	£2,455,200	£0	£130	£2,376,000	£11,597,749	£859,093	32.2
£6,138	£2,455,200	£0	£115	£3,415,500	£11,947,867	£885,027	33.2
£6,138	£2,455,200	£0	£100	£2,821,500	£12,297,985	£910,962	34.2
£6,138	£2,455,200	£0	£80	£2,376,000	£12,764,809	£945,541	35.5
£6,138	£2,455,200	£0	£55	£1,633,500	£13,348,338	£988,766	37.1
£6,138	£2,455,200	£0	£0	£0	£14,632,104	£1,083,860	40.6
<b>Strategic, medium value £2,350/m<sup>2</sup></b>							
£6,138	£2,455,200	£0	£55	£1,633,500	£9,908,175	£733,939	27.5
£6,138	£2,455,200	£0	£0	£0	£11,191,784	£829,021	31.1
£4,604	£1,841,200	£1,535	£55	£1,633,500	£10,390,717	£769,683	28.9
£3,453	£1,381,040	£2,685	£55	£1,633,500	£10,752,359	£796,471	29.9
£2,589	£1,381,040	£3,549	£80	£2,376,000	£10,440,150	£773,344	29.0
£1,942	£776,840	£4,196	£80	£2,376,000	£10,643,668	£788,420	29.6
<b>Strategic, lower value £1,900/m<sup>2</sup></b>							
£6,138	£2,455,200	£0	£0	£0	£3,263,587	£241,747	9.1
£4,604	£1,841,400	£1,535	£55	£1,633,500	£2,462,206	£182,386	6.8

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
£3,453	£1,381,040	£2,685	£55	£1,633,500	£2,824,003	£209,185	7.8
£2,589	£1,035,800	£3,549	£55	£1,633,500	£3,095,326	£229,283	8.6
£1,942	£776,840	£4,196	£55	£1,633,500	£3,298,843	£244,359	9.2

3.5 The Table 6 above identifies that across the “Higher value” band this development typology enables a sufficient uplift against EUV to prove viable even with the addition of a CIL charge of £130 per square metre and the retention of the estimated average s106 contribution of £6,138 dwellings per unit.

3.6 Moving to the “Medium value” band significantly impacts viability. At this revenue, uplift against EUV of approximately 30x with an £80 per square metre CIL requires s106 to reduce to less than £2,000 per unit. At a CIL charge of £55 per square metre the deduction required to s106 to achieve approximately 30x EUV is less significant with approximately £3,500 per unit retained for s106 contributions per unit.

3.7 Uplift against EUV for the “Lower value” band is significantly reduced. The base uplift against EUV with the standard application of a s106 £6,138 is 9.1x. A reduction of this s106 charge to £3,500 per unit results in an uplift of 7.8x.

### *Major development sites*

3.8 The following table summarises results for the Major Development Typology in a greenfield location. This is a mixed 100 dwelling development type providing 25% affordable housing.

3.9 The distribution of this scale of development is considered most likely at locations that lie outside the existing urban area. Relatively few areas of greenfield land, that could be considered potentially suitable for residential development, exist within the urban area.

### **3.10 Table 7: Major Development Typology – Existing Use Value £90,000**

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
<b>Major, higher value £2,550/m<sup>2</sup></b>							
£5,139	£513,800	-£1,028	£130	£964,340	£2,901,803	£853,471	32.2
£4,111	£411,100	£0	£130	£964,340	£2,987,572	£878,698	33.2
£4,111	£411,100	£0	£115	£853,070	£3,080,498	£906,029	34.2
£4,111	£411,100	£0	£100	£741,800	£3,173,424	£933,360	35.3
£4,111	£411,100	£0	£80	£593,440	£3,297,326	£969,802	36.6
£4,111	£411,100	£0	£0	£0	£3,792,932	£1,115,568	42.1
<b>Major, medium value £2,350/m<sup>2</sup></b>							
£4,111	£411,100	£0	£55	£407,990	£2,578,123	£758,271	28.6
£4,111	£411,100	£0	£0	£0	£2,918,852	£858,486	32.4

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
£3,083	£308,320	£1,028	£55	£407,990	£2,663,959	£783,517	29.6
£2,312	£231,240	£1,799	£55	£407,990	£2,728,331	£802,450	30.3
£1,734	£173,430	£2,377	£80	£593,440	£2,621,734	£771,098	29.1
£1,301	£130,000	£2,810	£80	£593,440	£2,658,004	£781,766	29.5
<b>Major, lower value £1,900/m2</b>							
£4,111	£411,100	£0	£20	£148,360	£776,990	£228,526	8.6
£4,111	£411,100	£0	£0	£0	£900,825	£264,949	10.0
£3,083	£308,300	£1,028	£20	£148,360	£862,843	£253,777	9.6
£2,312	£231,240	£1,799	£20	£148,360	£927,199	£272,706	10.3
£1,301	£130,000	£2,810	£55	£407,990	£794,921	£233,800	8.8
£1,301	£130,000	£2,810	£20	£148,360	£1,038,890	£305,556	11.5
£1,301	£130,000	£2,810	£15	£111,270	£1,042,724	£306,684	11.6
£976	£97,500	£3,135	£55	£407,990	£822,063	£241,783	9.1

- 3.11 The Table 7 above identifies that across the “Higher value” band this development typology enables a sufficient uplift against EUV to prove viable even with the addition of a CIL charge of £130 per square metre and the retention of the estimated average s106 contribution of £4,111 dwellings per unit. Indeed it is demonstrated that a greater s106 contribution could be secured whilst continuing to provide a reasonable uplift for a landowner.
- 3.12 At the “Medium value” band an uplift against EUV of approximately 30x with an £80 per square metre CIL requires reduction of s106 contributions per unit to less than £1,500. At a CIL charge of £55 per square metre the deduction required to s106 to achieve approximately 30x EUV is less significant with approximately £3,000 to 2,300 per unit retained for s106 contributions per unit.
- 3.13 Uplift against EUV for the “Lower value” band is significantly reduced. The base uplift against EUV with a s106 contribution of £4,111 is 10.0x. In this lower value band a £55 CIL charge only approaches an equivalent EUV uplift to the baseline position with a reduction in s106 contributions to approximately £1,000 per unit.

#### *Medium development sites*

- 3.14 The following Table 8 summarises results for the Medium Development Typology in a greenfield location. This is a mixed 35 dwelling development type providing 25% affordable housing.
- 3.15 The distribution of this scale of sites in a greenfield setting could remain varied and take place both within and outside the urban area. However, it is considered that the smaller scale of this development typology means the Council can expect most developments of this nature to take place on suitable sites within the existing built up areas of the Borough.



**Table 8: Medium Development Typology – Existing Use Value £30,000**

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
<b>Medium, higher value £2,550/m<sup>2</sup></b>							
£2,907	£101,745	£0	£130	£334,100	£1,063,842	£941,453	35.5
£2,907	£101,745	£0	£115	£295,550	£1,098,369	£972,008	36.6
£2,907	£101,745	£0	£100	£257,000	£1,132,896	£1,002,563	37.8
£2,907	£101,745	£0	£80	£205,600	£1,178,933	£1,043,304	39.3
£2,907	£101,745	£0	£0	£0	£1,363,078	£1,206,264	45.4
<b>Medium, medium value £2,350/m<sup>2</sup></b>							
£2,907	£101,745	£0	£55	£141,350	£914,444	£809,242	30.5
£2,907	£101,745	£0	£0	£0	£1,041,044	£921,278	34.7
£2,180	£76,307	£727	£55	£141,350	£936,355	£828,633	31.2
£1,635	£57,231	£1,272	£80	£205,600	£895,240	£792,248	29.8
£1,635	£57,231	£1,272	£55	£141,350	£952,785	£843,173	31.8
£1,226	£42,920	£1,681	£80	£205,600	£907,566	£803,156	30.3
<b>Medium, lower value £1,900/m<sup>2</sup></b>							
£2,907	£101,745	£0	£0	£0	£295,869	£261,831	9.9
£1,635	£57,231	£1,272	£55	£141,350	£207,609	£183,725	6.9
£1,226	£42,920	£1,681	£55	£141,350	£219,938	£311,311	7.3
£1,226	£42,920	£1,681	£20	£51,400	£300,000	£222,436	10.0
£1,226	£42,920	£1,681	£15	£38,550	£312,011	£276,116	10.4
£920	£59,130	£1,987	£55	£141,350	£229,182	£202,816	7.6

- 3.16 The Table 8 above identifies that across the “Higher value” band this development typology enables a sufficient uplift against EUV to prove viable even with the addition of a CIL charge of £130 per square metre and the retention of the estimated average s106 contribution of £2,907 dwellings per unit.
- 3.17 At the “Medium value” band an uplift against EUV of approximately 30x with an £80 per square metre CIL requires reduction of s106 contributions per unit to less than £1,500. At a CIL charge of £55 per square metre the deduction required to s106 to achieve approximately 30x EUV is less significant with approximately £2,000 per unit retained for s106 contributions.
- 3.18 Uplift against EUV for the “Lower value” band is significantly reduced. The base uplift against EUV with a s106 contribution of £2,907 is 9.9x. In this lower value band a £55 CIL remains lower than this equivalent rate even where s106 contributions are reduced below £1,000 per unit. Application of the lower £15 and £20 CIL charges enable EUV uplifts of approximately 10x EUV whilst retaining over £1,200 per unit s106 contribution.

### *Small Development Typology*

- 3.19 The following Table 9 summarises results for the Small Development Typology in a greenfield location. This is a mixed 14 dwelling development type providing 25% affordable housing.
- 3.20 The distribution of this scale of site is considered most likely in small greenfield locations within the existing urban area – although the potential for such sites to come forward at other locations is acknowledged.

**Table 9: Small Development Typology – Existing Use Value £17,000**

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
<b>Small, higher value £2,550/m<sup>2</sup></b>							
£939	£13,146	£0	£115	£122,705	£497,851	£905,184	29.3
£939	£13,146	£0	£100	£106,700	£512,186	£931,247	30.1
£939	£13,146	£0	£80	£85,360	£531,299	£965,998	31.3
£939	£101,745	£0	£0	£0	£607,752	£1,105,004	35.8
<b>Small, medium value £2,350/m<sup>2</sup></b>							
£939	£13,146	£0	£55	£53,845	£408,662	£743,022	24.0
£939	£13,146	£0	£0	£0	£461,223	£838,587	27.1
£704	£9,859	£235	£55	£53,845	£411,493	£748,169	24.2
£704	£9,859	£235	£20	£21,340	£444,944	£808,989	26.2
£528	£7,392	£411	£55	£53,845	£413,618	£752,033	24.3
£528	£7,392	£411	£20	£21,340	£447,066	£812,847	26.3
£528	£9,859	£411	£15	£16,005	£451,844	£821,535	26.6
£396	£5,544	£543	£15	£16,005	£453,436	£824,429	26.7
<b>Small, lower value £1,900/m<sup>2</sup></b>							
£939	£13,146	£0	£0	£0	£131,533	£239,151	7.7
£396	£5,544	£543	£55	£53,845	£85,520	£155,491	5.0
£396	£5,544	£543	£20	£21,340	£118,968	£216,305	7.0
£396	£5,544	£543	£15	£16,005	£123,746	£224,993	7.3
£396	£5,544	£543	£0	£0	£138,081	£251,056	8.1
£297	£4,158	£642	£55	£53,845	£86,713	£157,660	5.1
£0	£0	£939	£0	£0	£142,856	£259,738	8.4

- 3.21 The Table 9 above identifies that across the “Higher value” band this development typology enables a sufficient uplift against EUV to prove viable even with the addition of a CIL charge of £115 per square metre and the retention of the estimated average s106 contribution of £939 dwellings per unit. The overall uplift for this development typology is reduced compared to larger schemes.
- 3.22 At the “Medium value” band an uplift against EUV of 27.1 is achieved with no CIL charge. With introduction of CIL reduction of the s106 sought to approximately £500 to £700 enables retention of an EUV uplift of over 26x EUV at a lower £15 and £20 rate. However, a

s106 contribution of less than £500 per unit would be required to enable viable application of a £55 per square metre CIL charge.

- 3.23 Uplift against EUV for the “Lower value” band is significantly reduced. The base uplift against EUV with a s106 contribution of £939 is 7.7. In this lower value band a £55 CIL has a relatively large impact even where s106 contributions per unit are reduced to below £300 per unit – at this rate an EUV of 5.1x is recorded. Consequently a lower CIL rate of £20 to £15 with a s106 contribution reduced to about £400 achieves a broadly equivalent uplift of 7x EUV but remains at best marginal in terms of providing a reasonable return to a landowner. For this lower value band a zero charge for both CIL and s106 achieves an uplift of 8.4x, which remains marginal a marginal return for a landowner.

#### *5 Dwellings Development Sites*

- 3.24 The following Table 10 summarises results for the 5 Dwelling Development Typology in a greenfield location. This is a 3 and 4 bed development of 5 dwellings with no affordable housing provision – falling below the affordable housing threshold of 11 units.
- 3.25 The distribution of this scale of sites in a greenfield setting is most likely on suitable sites within the existing built up area of the Borough.

**Table 10: 5 Dwellings Development Typology – Existing Use Value £4,250**

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
<b>5 dwellings, higher value £2,550/m<sup>2</sup></b>							
£500	£2,500	£0	£130	£63,570	£235,172	£1,383,365	55.3
£500	£2,500	£0	£115	£56,235	£241,741	£1,422,006	56.9
£500	£2,500	£0	£100	£48,900	£248,311	£1,460,653	58.4
£500	£2,500	£0	£80	£39,120	£257,070	£1,512,176	60.5
£500	£2,500	£0	£0	£0	£292,108	£1,718,282	68.7
<b>5 dwellings, medium value £2,350/m<sup>2</sup></b>							
£500	£2,500	£0	£80	£39,120	£189,917	£1,117,159	44.7
£500	£2,500	£0	£55	£29,395	£200,866	£1,181,565	47.3
£500	£2,500	£0	£20	£9,780	£216,195	£1,271,735	50.9
£500	£2,500	£0	£15	£7,335	£218,385	£1,284,618	51.4
£500	£2,500	£0	£0	£0	£224,955	£1,323,265	52.9
<b>5 dwellings, lower value £1,900/m<sup>2</sup></b>							
£500	£2,500	£0	£80	£39,120	£38,822	£228,365	9.1
£500	£2,500	£0	£55	£29,395	£49,771	£292,771	11.7
£500	£2,500	£0	£20	£9,780	£65,100	£382,941	15.3
£500	£2,500	£0	£15	£7,335	£67,290	£395,824	15.8
£500	£2,500	£0	£0	£0	£73,860	£434,471	17.4
£375	£1,875	£125	£55	£29,395	£50,310	£295,941	11.8
£375	£1,875	£125	£20	£9,780	£65,639	£386,112	15.4
£375	£1,875	£125	£15	£7,335	£67,829	£398,994	16.0



- 3.26 It is notable across all value bands that this development type reflects a significant improvement in return for landowners compared to the previously considered development typologies. In terms of density of development the typology is broadly similar at approximately 30 dwellings per hectare. However, the exclusion of the affordable homes policy requirement may significantly enhance the uplift achieved.
- 3.27 Across both higher and medium value bands this typology achieves healthy returns against EUV, whilst even at the lowest value band the uplift achieved is notably improved if still marginal overall.

### *Greenfield assessment summary*

- 3.28 Overall the Council has indicated that it will seek a viable CIL rate that continues to enable appropriate collection of s106 to avoid harm to the collection of appropriate funds to address the planning impacts of development.
- 3.29 From the analysis of results provided at Greenfield locations it is apparent that where development is in higher value bands there is significant scope for greater developer contributions. However, the Council consider a precautionary principle should be applied and it would prove potentially harmful to overall delivery of housing to take an approach that significantly increased the cost burden upon development on the assumption that it would come forward at a higher value rate.
- 3.30 However, it is generally considered that for the larger Strategic, Major and to a lesser extent Medium development typology a CIL rate of £55 to £80 would not harm viable delivery where s106 contributions are reduced by approximately 30% to 40%
- 3.31 In the Small development typology the impact of reduced scale whilst continuing to contribute to other policy costs such as affordable housing further impact upon development. More typically for these Medium and Small development typologies a CIL charge of £15 to £20 can be sustained with a reduction of s106 contributions of approximately 30%.
- 3.32 Typically for the lower value band it is noted that spatially the evidence available to the Council demonstrates that the lowest revenues are most likely within the urban area where fewer opportunities exist for larger greenfield development. It is more likely that smaller developments within the urban area would fall within this value band, whilst larger developments would come forward outside the urban area in medium and higher value bands.

### **Brownfield Appraisals**

- 3.1 The following tables set out the conclusions of sensitivity testing potential CIL rates and alternative s106 contributions upon the residual value and uplift achieved against Existing Use Value.
- 3.2 In general it has been determined through previous North Tyneside Area Wide Viability Assessments and the Strategic Allocations Site Specific Project Viability Assessments that for

Brownfield sites a land value uplift of at least 2 to 3 times Existing Use Value (EUV) represents a reasonable return.

### *Strategic Development Sites*

- 3.3 The following table summarises results for the Strategic Development Typology in a brownfield location. This is a mixed 400 dwelling development type providing 25% affordable housing. The distribution of this scale of development is expected to lie within the existing urban area of North Tyneside and most typically represent the redevelopment of older cleared or derelict areas of brownfield land. Appropriate additional costs are included for this development typology to account for additional potential abnormal and remediation costs.

**Table 11: Strategic Development Typology – Existing Use Value £3,375,000**

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
<b>Strategic, higher value £2,550/m<sup>2</sup></b>							
£6,138	£2,455,200	£0	£130	£2,376,000	£10,382,026	£769,039	3.1
£6,138	£2,455,200	£0	£115	£3,415,500	£10,732,143	£794,974	3.2
£6,138	£2,455,200	£0	£100	£2,821,500	£11,082,261	£820,908	3.3
£6,138	£2,455,200	£0	£80	£2,376,000	£11,549,085	£855,488	3.4
£6,138	£2,455,200	£0	£55	£1,633,500	£12,132,615	£898,712	3.6
<b>Strategic, medium value £2,350/m<sup>2</sup></b>							
£6,138	£2,455,200	£0	£0	£0	£9,976,217	£738,979	3.0
£6,138	£2,455,200	£0	£55	£1,633,500	£8,692,452	£643,885	2.6
£4,604	£1,841,200	£1,535	£55	£1,633,500	£9,174,836	£679,617	2.7
£3,453	£1,381,040	£2,685	£55	£1,633,500	£9,536,633	£706,417	2.8
£2,589	£1,381,040	£3,549	£80	£2,376,000	£9,224,458	£683,293	2.7
£1,942	£776,840	£4,196	£80	£2,376,000	£9,427,974	£698,368	2.8
<b>Strategic, lower value £1,900/m<sup>2</sup></b>							
£6,138	£2,455,200	£0	£0	£0	£2,047,864	£151,694	0.9
£4,604	£1,841,400	£1,535	£55	£1,633,500	£1,246,483	£92,332	0.4
£3,453	£1,381,040	£2,685	£55	£1,633,500	£1,608,279	£119,132	0.5
£2,589	£1,035,800	£3,549	£20	£594,000	£2,696,576	£199,746	0.8
£2,589	£1,035,800	£3,549	£15	£445,500	£2,813,282	£208,391	0.8
£2,589	£1,035,800	£3,549	£55	£1,633,500	£1,879,634	£139,232	0.6
£1,942	£776,840	£4,196	£20	£594,000	£2,900,061	£214,819	0.9
£1,942	£776,840	£4,196	£15	£445,500	£3,016,767	£223,464	0.9
£1,942	£776,840	£4,196	£55	£1,633,500	£2,083,119	£154,305	0.6

- 3.4 Delivery of a brownfield development in the higher and medium value bands exhibits a strong uplift against EUV with a baseline uplift for delivery in a medium value band with no CIL charge of 3.0x. A CIL charge up to £130 per square metre is potentially viable in the highest value bands whilst a reduction in s106 to £3,500 results in a reasonable uplift and minimal reduction in the viability of development for a £55 per square metre charge.

- 3.5 The viability of brownfield development in lower value locations is considerably reduced and falls below Existing Use Value where a full s106 charge is raised. Under the scenarios tested using alternative CIL and s106 rates even the lower £15 per square metre charge requires a reduction of s106 contributions from £6,138 to under £2,000 per unit.

### *Major Development Sites*

- 3.6 The following table summarises results for the Major Development Typology in a brownfield location. This is a mixed 100 dwelling development type providing 25% affordable housing. The distribution of this scale of development is again considered most likely at locations within the existing urban area.

**Table 12: Major Development Typology – Existing Use Value £850,000**

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
<b>Major, higher value £2,550/m2</b>							
£5,139	£513,800	-£1,028	£130	£964,340	£2,595,562	£763,401	3.1
£4,111	£411,100	£0	£130	£964,340	£2,681,390	£788,644	3.2
£4,111	£411,100	£0	£115	£853,070	£2,774,316	£815,975	3.3
£4,111	£411,100	£0	£100	£741,800	£2,867,242	£843,306	3.4
£4,111	£411,100	£0	£80	£593,440	£2,991,144	£879,748	3.5
<b>Major, medium value £2,350/m2</b>							
£4,111	£411,100	£0	£0	£0	£2,612,670	£768,432	3.1
£4,111	£411,100	£0	£55	£407,990	£2,271,941	£668,218	2.7
£3,083	£308,320	£1,028	£55	£407,990	£2,357,776	£693,464	2.8
£2,312	£231,240	£1,799	£55	£407,990	£2,422,149	£712,397	2.8
£1,734	£173,430	£2,377	£80	£593,440	£2,315,552	£681,045	2.7
£1,301	£130,000	£2,810	£80	£593,440	£2,351,763	£691,695	2.8
<b>Major, lower value £1,900/m2</b>							
£4,111	£411,100	£0	£20	£148,360	£470,808	£138,473	0.6
£4,111	£411,800	£0	£0	£0	£594,710	£174,915	0.7
£3,083	£308,300	£1,028	£20	£148,360	£556,644	£163,719	0.7
£2,312	£231,240	£1,799	£20	£148,360	£621,016	£182,652	0.7
£1,301	£130,000	£2,810	£55	£407,990	£488,738	£143,746	0.6
£1,301	£130,000	£2,810	£20	£148,360	£705,508	£207,502	0.8
£1,301	£130,000	£2,810	£15	£111,270	£736,483	£216,613	0.9
£1,000	£100,000	£3,111	£0	£0	£854,522	£251,330	1.0
£976	£97,500	£3,135	£55	£407,990	£515,839	£151,717	0.6

- 3.7 Delivery of a brownfield development in the higher and medium value bands exhibits a strong uplift against EUV with a baseline uplift for delivery in a medium value band with no CIL charge of 3.1x. A CIL charge up to £130 per square metre and even additional s106 contributions is potentially viable in the highest value bands. A reduction in s106 to

approximately £2,000 results in a reasonable uplift and minimal reduction in the viability of development for a £55 per square metre CIL charge.

- 3.8 The viability of brownfield development in lower value locations is considerably reduced and falls below Existing Use Value. Under the scenarios tested using alternative CIL and s106 rates the lower £15 per square metre charge requires a reduction of s106 contributions from £4,111 to under £1,500 per unit. A return for the landowner equivalent to EUV is achieved where there is no CIL charge and s106 contributions are reduced to £1,000 per unit.

### *Medium Development Sites*

- 3.9 The following Table 13 summarises results for the Small Development Typology in a brownfield location. This is a mixed 35 dwelling development type providing 25% affordable housing. The distribution of this scale of site is considered most likely in brownfield locations within the existing urban area, although the potential for smaller areas of brownfield redevelopment of this scale outside the urban area is also noted.

**Table 13: Medium Development Typology – Existing Use Value £282,500**

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
<b>Medium, higher value £2,550/m<sup>2</sup></b>							
£2,907	£101,745	£0	£130	£334,100	£962,081	£851,399	3.4
£2,907	£101,745	£0	£115	£295,550	£996,608	£881,954	3.5
£2,907	£101,745	£0	£100	£257,000	£1,031,136	£912,510	3.7
£2,907	£101,745	£0	£80	£205,600	£1,077,172	£953,250	3.8
<b>Medium, medium value £2,350/m<sup>2</sup></b>							
£2,907	£101,745	£0	£0	£0	£948,239	£839,051	3.4
£2,907	£101,745	£0	£55	£141,350	£821,528	£727,016	2.9
£2,180	£76,307	£727	£55	£141,350	£843,445	£746,412	3.0
£1,635	£57,231	£1,272	£80	£205,600	£802,329	£710,026	2.8
£1,635	£57,231	£1,272	£55	£141,350	£859,874	£760,950	3.0
£1,226	£42,920	£1,681	£80	£205,600	£814,659	£720,937	2.9
<b>Medium, lower value £1,900/m<sup>2</sup></b>							
£2,907	£101,745	£0	£0	£0	£194,108	£171,777	0.7
£1,635	£57,231	£1,272	£55	£141,350	£105,855	£93,677	0.4
£1,226	£42,920	£1,681	£55	£141,350	£118,179	£311,311	0.4
£1,226	£42,920	£1,681	£20	£51,400	£198,743	£222,436	0.7
£1,226	£42,920	£1,681	£15	£38,550	£210,252	£186,064	0.7
£920	£32,186	£1,987	£55	£141,350	£127,422	£112,763	0.5
£920	£42,920	£1,987	£15	£38,550	£219,495	£194,243	0.8

- 3.10 Delivery of a brownfield development in the higher and medium value bands exhibits a strong uplift against EUV with a baseline uplift for delivery in a medium value band with no CIL charge of 3.1x. A CIL charge up to £130 per square metre is viable in the highest value

bands. A reduction in s106 to approximately £2,000 results in a reasonable uplift and minimal reduction in the viability of development for a £55 per square metre CIL charge.

- 3.11 The viability of brownfield development in lower value locations is considerably reduced and falls below Existing Use Value. Under the scenarios tested using alternative CIL and s106 rates the lower £15 per square metre charge requires a reduction of s106 contributions from £2,907 to approximately £1,000 per unit to match the baseline return where no CIL is applied but still remains below EUV. A return for the landowner equivalent to EUV is achieved where there is no CIL charge and s106 contributions are reduced to £1,000 per unit.

### *Small Development Sites*

- 3.12 The following Table 14 summarises results for the Small Development Typology in a brownfield location. This is a mixed 14 dwelling development type providing 25% affordable housing. The distribution of this scale of site is considered most likely on suitable sites within the existing built up area of the Borough although the potential for such development on smaller previously developed locations outside the urban area is noted.

**Table 14: Small Development Typology – Existing Use Value £137,500**

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
<b>Small, higher value £2,550/m<sup>2</sup></b>							
£939	£13,146	£0	£115	£122,705	£407,797	£741,449	3.0
£939	£13,146	£0	£100	£106,700	£422,132	£767,513	3.1
£939	£13,146	£0	£80	£85,360	£441,245	£802,264	3.2
<b>Small, medium value £2,350/m<sup>2</sup></b>							
£939	£13,146	£0	£80	£85,360	£335,241	£609,529	2.4
£939	£13,146	£0	£0	£0	£371,169	£674,853	2.7
£939	£13,146	£0	£55	£53,845	£357,558	£650,105	2.6
£704	£9,859	£235	£55	£53,845	£360,389	£655,253	2.6
£704	£9,859	£235	£20	£21,340	£393,837	£716,067	2.9
£528	£7,392	£411	£55	£53,845	£362,514	£659,116	2.6
£528	£7,392	£411	£20	£21,340	£395,962	£719,931	2.9
£528	£9,859	£411	£15	£16,005	£400,740	£728,618	2.9
£396	£5,544	£543	£15	£16,005	£402,332	£731,513	2.9
<b>Small, lower value £1,900/m<sup>2</sup></b>							
£396	£5,544	£543	£0	£0	£88,551	£161,002	0.6
£396	£5,544	£543	£55	£53,845	£35,990	£65,436	0.3
£396	£5,544	£543	£20	£21,340	£69,438	£126,251	0.5
£396	£5,544	£543	£15	£16,005	£74,217	£134,940	0.5
£297	£4,158	£642	£55	£53,845	£37,184	£67,607	0.3
£0	£0	£939	£0	£0	£93,327	£169,685	0.7

- 3.13 Delivery of a brownfield development in the higher and medium value bands exhibits a reasonable uplift against EUV with a baseline uplift for delivery in a medium value band with

no CIL charge of 2.7x. A CIL charge up to £115 per square metre is viable in the highest value bands whilst maintaining an uplift of 3.0x EUV. A reduction in s106 to approximately £600 would result in a reasonable uplift and minimal reduction in the viability of development for a £55 per square metre CIL charge.

- 3.14 The viability of brownfield development in lower value locations is considerably reduced and falls below Existing Use Value even where no CIL charge of s106 is applied.

### Dwellings Development Site

- 3.15 The following Table 15 summarises results for the 5 Dwelling Development Typology in a brownfield location. This is a 3 and 4 bed development of 5 dwellings with no affordable housing provision – falling below the affordable housing threshold of 11 units. The distribution of this scale of sites in a brownfield setting is most likely on suitable sites within the existing built up area of the Borough although the potential for such development on smaller previously developed locations outside the urban area is noted.

**Table 15: 5 Dwellings Development Typology – Existing Use Value £42,500**

s106 per Dwelling	Total s106 costs	Deduction against baseline s106	CIL Rate	CIL Charge	Residual	Residual / Ha	EUV Uplift
<b>5 dwellings, higher value £2,550/m<sup>2</sup></b>							
£500	£2,500	£0	£130	£63,570	£219,863	£1,293,312	5.2
£500	£2,500	£0	£115	£56,235	£226,432	£1,331,953	5.3
£500	£2,500	£0	£100	£48,900	£233,002	£1,370,600	5.5
£500	£2,500	£0	£80	£39,120	£241,761	£1,422,124	5.7
<b>5 dwellings, medium value £2,350/m<sup>2</sup></b>							
£500	£2,500	£0	£80	£39,120	£174,608	£1,027,106	4.1
£500	£2,500	£0	£55	£29,395	£185,557	£1,091,512	4.4
£500	£2,500	£0	£20	£9,780	£200,886	£1,181,682	4.7
£500	£2,500	£0	£15	£7,335	£203,076	£1,194,565	4.8
£500	£2,500	£0	£0	£0	£209,646	£1,233,212	4.9
<b>5 dwellings, lower value £1,900/m<sup>2</sup></b>							
£500	£2,500	£0	£80	£39,120	£23,026	£135,447	0.5
£500	£2,500	£0	£55	£29,395	£33,976	£199,859	0.8
£500	£2,500	£0	£20	£9,780	£49,305	£290,029	1.2
£500	£2,500	£0	£15	£7,335	£51,494	£302,906	1.2
£500	£2,500	£0	£0	£0	£58,064	£341,553	1.4
£375	£1,875	£125	£55	£29,395	£34,514	£203,024	0.8
£375	£1,875	£125	£20	£9,780	£49,843	£293,194	1.2
£375	£1,875	£125	£15	£7,335	£52,033	£306,076	1.2

- 3.16 Again for this development type it is notable across all value bands that this development type benefits from a significant improvement in return for landowners compared to the previously considered development typologies. For Higher and Medium value bands the returns achieved would enable an £80 per square metre contribution and a £500 per unit s106 contribution.



- 3.17 Across both higher and medium value bands this typology achieves healthy returns against EUV, whilst even at the lowest value band the uplift achieved is notably improved but only remains greater than EUV at the £15 and £20 per square metre CIL rates.

### Brownfield Assessment Summary

- 3.18 Overall the Council has indicated that it will seek a viable CIL rate that continues to enable appropriate collection of s106 to avoid harm to the collection of appropriate funds to address the planning impacts of development.
- 3.19 From the analysis of results provided at Brownfield locations it is apparent that where development is in higher value bands there is significant scope for greater developer contributions. However, the Council consider a precautionary principle should be applied and consider of the nature and distribution of brownfield land in North Tyneside would indicate that it falls more generally in medium and lower value areas associated with older industrial development and town centre locations. Meanwhile most development opportunities for higher value brownfield development are limited to smaller infill sites to the east of the Borough and smaller areas to the west and north of the urban area.
- 3.20 It is therefore considered that within the urban area, where the majority of brownfield development would come forward, schemes will typically fall within value bands between the lower and medium range. The results of the summary undertaken demonstrate that significant challenges to viable development exist at the lower value band. In such areas to maintain a broadly equivalent impact upon EUV application of a £15 to £20 per square metre CIL charge with a s106 charge per unit set at between 40% and 60% of baseline rates.

### Residential Appraisals Conclusions

The results of this viability appraisal sensitivity assessment have been considered to establish an understanding of the degree to which the baseline estimate of s106 contributions might be adjusted to allow for a proportion of developer contributions to be secured through s106. It has considered how the nature of development sites and relationship to the housing market influences the viability of development and the options for charging a CIL rate whilst securing an appropriate estimate of s106 contributions to address the planning impacts of developments. In summary the outcome of the appraisals is outlined in Table 16.

**Table 16: Residential appraisal summary conclusions**

Typology	Location	Potential CIL Rate	Proportion of baseline s106
Larger greenfield (Strategic, Major, Medium)	Outside urban area	£55 to £80 per square metre	60% to 70%
Smaller greenfield (Medium, Small, 5 Dwellings)	Mixed – predominantly within the urban area	£15 to £20 per square metre	70%
Larger brownfield (Strategic, Major, Medium)	Within urban area	£15 to £20 per square metre and Zero rate in lowest value areas	40% to 60%

Smaller brownfield	Mixed – predominantly within the urban area	£15 to £20 per square metre and Zero rate in lowest value areas	40% to 60%
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- 3.21 From this analysis and conclusions therefore five basic charging zones are supported, informed by the nature of the development anticipated and relative value band. With reference to the Residential Sales Values it is possible to accord these charging zones to the locations identified as follows in Table 17 below.

**Table 17: Potential CIL Charging Zones**

Zone	Location
Urban Area Zero Rate (U0)	Based upon the lower value areas within the urban area. Focused in general to the south of the A1058 and associated with older town centre locations and former employment land.
Urban Area 1 (U1)	The broad extent of the residential area of North Tyneside generally understood to represent a strong housing market but where opportunity is restricted to smaller brownfield and greenfield infill developments.
Urban Area 2 (U2)	Limited to locations identified as higher value sales areas predominantly located to the east of the Borough.
Remaining Area 1 (R1)	The areas outside the predominantly urban area. Largely agricultural land but washes over some areas of brownfield land.
Remaining Area 2 (R2)	Those locations outside the urban area directly within and adjacent to areas of higher value sales areas where future development and sales.

- 3.1 Based upon the assessment set out within this Table 17 for additional information at Appendix 1 a review of the contributions secured from previous Section 106 Contributions within each identified charging zone is undertaken. In addition an assessment of the potential housing delivery and associated CIL contribution proposed in North Tyneside is included at this Appendix.

## 4 Commercial Development Appraisal

- 4.1 Within North Tyneside, there are a number of large successful commercial sites, such as Silverlink Retail Park, Cobalt Business Park, Quorum Business Park, and also some significant development sites in the pipeline, such as Indigo Park, Swan Hunter and Northumberland Park. These sites have the potential to be very successful; however there will be limited demand for new speculative developments outside of these primary sites within the Borough.



- 4.2 The table below outlines the assumptions that have been used in developing the commercial typologies. They are meant to represent typical new developments in the Borough, although are likely to be subject to significant fluctuation even within a Borough as small as North Tyneside. After considering the Gross Development Value and Gross Development cost, we have looked at whether a reasonable return can be provided to both the landowner and developer in order for the schemes to be considered viable.
- 4.3 A reasonable return to the developer has been assumed to be 20% of the Gross Development cost on most property types. The current economic market provides great risk and uncertainty. The amount of speculative development across all property types has dramatically reduced in the last decade. A developer is now very unlikely to undertake commercial development unless they can be confident that they will be able to find an end user and/or purchaser, along with achieving that level of profit. Lenders will also require this confidence in order to be able to provide lending facilities.
- 4.4 A reasonable return for the landowner has been assessed on the basis of whether a threshold land value can be achieved. This has been considered on a price per hectare basis, and this does vary across property types – retail land is worth more than industrial land for instance.

## Commercial Typology and Assumptions

**Table 18: Commercial Development Typology and Assumptions**

	Supermarket	Retail parade	Retail Warehouse	Industrial	Office	Hotel & Restaurant
Size (sq m)	2,323	920	323	929	13,470	60 beds 566m2 restaurant
Site Area (ha)	0.75	0.2	0.75	0.2	0.6	0.2
Rent (per sq m)	£200	£188	£290	£65	£ 172	£4,000/ room £160 Restaurant
Rent free period	6 months	12 months	12 months	3 months	6 months	6 months
Yield	6%	8%	7%	8%	7%	6%
Build Cost (per sq m)	£1,244	£804	£1,615	£52	£1404	£45,000/ room £1,643 Restaurant
Land Value (£ per ha)	£1,5m	£1,5m	£1,5m	£250k	£750k	£1m

- 4.5 Evidence has been taken from a variety of sources, including published indices (eg BCIS), commercial property databases (CoStar), evidence from real life development appraisals, industry standards and discussion with developers and other professionals, and the writer's own knowledge.

## General Assumptions

- 4.6 For each appraisal the following general assumptions were made:
- i) External works were calculated at up to 20% of the construction cost.
  - ii) Professional fees were up to 10% of the build costs
  - iii) Stamp duty was calculated using the HMRC stamp duty calculator
  - iv) Purchaser's costs were at 4-6%
  - v) The finance has been calculated at a rate of between 5 – 6%

## Commercial Appraisal Outcomes

### *Industrial*

- 4.7 This development was based upon a new single warehouse of 929 sq m with the need for new infrastructure. Based on the assumptions adopted and a land cost of £250,000 per hectare the proposed development would not provide the required return to the developer.
- 4.8 This is not unexpected given the lack of speculative industrial development within the local and regional market, which highlights the challenges of making such schemes financially viable. However, Indigo Park demonstrates how developers would now be taking schemes of this nature forward through marketing the site for end users first.
- 4.9 Once an end user is secured, then the development becomes a lot safer, which would result in a drop in yield and ensure that a reasonable return can be provided to the developer.
- 4.10 A large scheme of this nature is also only likely to go ahead if external funding can be obtained in order to obtain the large scale infrastructure required for the development. No CIL has been requested or tested on industrial typologies.

### *Supermarket*

- 4.11 We have assumed a development similar in scale to the Aldi supermarket development at Foxhunters Road and have adopted a site area of 0.75 hectares which is apportioned equally between the structure and onsite car parking.
- 4.12 An appropriate developers profit for a scheme of this nature is considered to be 20% profit on development cost.
- 4.13 Based on a land cost of £1,250,000 and the assumptions contained within the appraisal the proposed development would turn out a profit which we believe would be sufficient to developers including a contribution of £20m<sup>2</sup> for CIL.
- 4.14 As supermarkets provide a more secure end user than a retail warehouse, then developers may be willing to lower their profit expectations still further to ensure that the scheme is deliverable.

### *Retail Parade*

- 4.15 The appraisal for this development was based upon a similar scheme to that of Northumberland Park providing 12 retail units with associated car parking.

4.16 Again an appropriate developers profit on cost is thought to be 20%. Based on a land cost of £300,000 equating to £1,500,000 per ha and the assumptions contained within the appraisal the proposed development would provide a profit on cost of 21%. This is very much on the margins of viability, and would be subject to the location within the Borough.

4.17 There are unlikely to be options for new retail centres in existing locations, which limits them to new retail centres in new developments of significant numbers i.e. 2,000 dwellings plus. Even then, as demonstrated by Northumberland Park, demand can be slow and a developer must account for significant void and rent free periods. A relatively low rate of CIL of up to £5 per square metre is relatively small and doesn't have a material effect on the viability of this typology.

#### *Retail Warehouse*

4.18 We have based a scheme on the new development currently being constructed adjacent to Silverlink Retail Park and have used this as a guide to the assumptions made within our own appraisal.

4.19 Based on a land cost of £1,150,000 and the assumptions made the proposed development would provide a profit on cost of 20.33%. With a CIL rate included, the profit is still within the 30% range, therefore it appears reasonable to assume that the CIL rate for Zones B & C is viable. Again, this is at the very margins of viability, and would therefore be subject to significant risk if developed speculatively without an end user or within the existing main retail park at Silverlink.

#### *Office*

4.20 We have assumed an office development of similar specification to the Cobalt Business Park totalling 13,470 sqm. Office development within the region remains very difficult without significant subsidy or tax advantages due to low rental values and relatively poor occupier demand. Based on a land cost of £450,000 and the assumptions contained within the appraisal the proposed development would provide a low profit on cost.

4.21 Without being developed on one of the two existing primary office parks in the Borough (Cobalt and Quorum), and without significant external funding support, there is unlikely to be any speculative development of this nature. However, a relatively low CIL charge of circa £5 per metre square makes a very negligible difference to the viability of the scheme, therefore it could not be said that CIL makes the scheme any more unviable than without it.

#### *Hotel*

4.22 We have assumed a development similar to the new Premier Inn hotel and associated restaurant development in Whitley Bay. Based on a land value of £1,000,000 per hectare, this provides a developer's return of 18% with the CIL rate included.

4.23 Again, ensuring a pre-let may see a developer willing to lower their expected return or result in less stringent borrowing restrictions. There will be limited demand for new hotel accommodation in the Borough, therefore development is unlikely to proceed speculatively,

and would only proceed once a pre-let is in place. Therefore the risk to a developer would be relatively low.

- 4.24 Any locations less attractive than Whitley Bay sea front are likely to struggle to achieve similar returns.

### **Conclusions**

- 4.25 These are the most common development types that we currently see in the Borough, although of course there may occasionally be other development types as well. However as all of the above typologies are on the margins of being able to deliver reasonable returns, any other riskier, less common developments are also likely to struggle to deliver a surplus.
- 4.26 Therefore it is very unlikely that any significant S106 contributions will be deliverable from commercial development in the Region over and above the suggested CIL rates, unless essential to the delivery of the scheme.

## Appendix 1 – s106 Monitoring and Potential CIL Revenue Trajectory

### S106 Contribution Monitoring

Zone	Dwellings	s106 Contribution
U0	931	£239,655
U1	1,053	£2,357,116
U2	411	£2,128,382
R1	1,921	£10,961,716
R2	1,205	£6,325,719
All	5,521	£22,012,588

### Estimate of CIL collection based on draft zones and rates

Zone	CIL Rate	Number of Dwellings	Total Estimated CIL Return	Next 5 Years	6 to 10 Years	11 to 15 Years
U0	£0	1,068	£0	£0	£0	£0
U1	£15	1,783	£1,805,288	£306,788	£1,118,813	£379,688
U2	£20	166	£224,100	£112,050	£112,050	£0
R1	£55	828	£2,892,038	£1,072,913	£1,633,500	£185,625
R2	£80	5,000	£27,000,000	£6,750,000	£10,800,000	£9,450,000
Windfall	£10*	1,513	£1,077,300	£295,200	£355,500	£426,600

\*Likely to fall in range of U0, U1 and U2 therefore blended estimate of £10 rate for windfall developments