



Financial Viability Assessment

Prepared for:

**Former Gravesend Police
Station
133 Windmill Street
Gravesend, Kent
DA12 1DB**

planningissues
TOWN PLANNING AND ARCHITECTURE

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Executive Summary – Non-Technical

For convenience, we summarise the key features of this Financial Viability Assessment, which should nevertheless be read in full.

Location Plan



Site Layout Plan



Property Type/Use:

The Property is essentially a square with a total site area of 0.364 hectares. The site previously housed a six storey office building (former Police station) which has since been demolished.

Proposed Scheme:

Type	No. of Units
Retirement Living Apartments (1 bed)	47
Retirement Living Apartments (2 bed)	28
TOTAL	75

Planning Proposal:

Planning application to be submitted for the erection of a retirement apartment building providing 75x age restricted 'Retirement Living' units with associated communal facilities, landscaping and car parking.

Benchmark Land Value:

£1,260,000

Planning Policy (Affordable Housing):**Gravesham Local Plan Core Strategy – September 2014****Policy CS16:**

The provision of affordable housing will be required on all new housing developments of: 15 dwellings or more or on sites of 0.5 hectares or more in the urban area; and 3 units or more or on sites of 0.1 hectares or more in the rural area.

The amount of affordable housing to be provided by private housing development sites above the threshold will be 30% in the urban area and 35% in the rural area.

The Council will seek an affordable housing mix of 70% affordable rented and social rented accommodation and 30% intermediate housing.

Development will be subject to site viability and a tenure mix necessary to meet local needs and achieve a successful sustainable and socially inclusive development.

In the Green Belt, limited affordable housing in a sustainable location for a proven and justified local community need will be supported. Such units once constructed will be occupied by people with a proven local community connection. This includes affordable rural workers dwellings. In all cases, permissions granted under this policy will be restricted to those uses in perpetuity.

Viability Assessment and Conclusion:

	Appraisal 100% Market Scheme
GDV	£23,800,000
Total Construction Costs	£13,270,245
Professional Fees	£966,630
Marketing/Disposal Fees	£1,238,750
Empty Property Costs	£388,147
Finance	£1,835,442
Profit on GDV	20%
Residual Land Value:	£1,265,250
BLV:	£1,260,000
Surplus/(Deficit):	£5,250

Our Financial Viability Assessment and review of the proposed CRL development leads us to conclude the scheme is viable and provides a small surplus available for planning obligations, after accounting for the anticipated gross sales receipts and all reasonable aspects of the outlay necessary.

1.0 Introduction

We are instructed by Planning Issues (PI), acting as Planning Consultants for Churchill Retirement Living (CRL), to undertake a Financial Viability Assessment (FVA) of a proposed redevelopment of the Property located at and known as: the former Gravesend Police station, Windmill Street, Gravesend (the Property).

This independent FVA is to provide support to CRL in demonstrating to the local planning authority, Gravesham Borough Council (GBC), if planning obligations, and a developer's contribution towards off-site affordable housing in particular, can be delivered and provide a viable retirement scheme development.

This FVA report has been prepared in accordance with the RICS Professional Statement 'Financial Viability in Planning: Conduct and Reporting 1st Edition (May 2019). In relation to this statement, we confirm the following:

- We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.
- In preparing this report, no performance related or contingent fee arrangements have been agreed.
- We have not provided previous advice to CRL or any other third party on this site.

We confirm that in accordance with the RICS Professional Statement Paragraph 2.2, we have no conflicts of interest in conducting this Financial Viability Assessment and have not received any specific requests by the applicants or decision-makers that contradict the mandatory requirements of the RICS Professional Statement.

We have also had regard to the Revised NPPF 2021 and Viability PPG, which provides national planning policy and guidance in respect of undertaking viability assessments.

Please note that this assessment is undertaken at a particular point in time (May 2022). Values and costs will change over time and it must be understood that our assessment is based on current estimated values and costs as at the date of this report and is not a projection of value.

This report and its contents have been prepared specifically to support the planning application in respect of the Property. No responsibility whatsoever is accepted to any third party and neither the whole of the report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it may appear.

This report is for feasibility assessment purposes only and it does not constitute a formal valuation. The advice contained in this report is exempt from the current RICS Valuation Global Standards - 31 January 2020 – (the Red Book). We reserve the right to update, amend or vary our advice should the matter progress to a planning Appeal Hearing or Inquiry.

We have produced this Viability Assessment utilising the Argus Developer residual appraisal software. Argus Developer is an established property development appraisal software program used by owners, commercial developers, house builders, land developers, agents and financial institutions. It is designed to work for all forms of property development, including commercial, single or multiphase residential, retail, office, industrial, hotels, land development and any combination for mixed-use developments. This report summarises our assumptions, inputs and outcomes of our Argus model.

2.0 Background

A Location Plan showing the extent of the 0.36 hectares (0.89 acres) site (the Property) for identification purposes is at Appendix 1.

Appendix 1 – Location Plan

The Property is located to the southern end of Gravesend town centre and faces onto a road on each of its four sides. These are Woodville Place (north), Zion Place (south), Windmill Street (east) and Wrotham Road (west).

The site previously housed a six storey office building (former police station) which has since been demolished through the extant and now enacted planning permission. Due to its former use, the exiting site boundary is defined by a high wall on all sides. This wall presents a blank and featureless frontage to the surrounding streets on all sides.

There is a long and detail planning history associated with the site. We detail below the most relevant planning history below:

- **Ref: 20080096 (30.04.2008) Permitted:** Demolition of police station and erection of four buildings, four six storey in height to provide a total of 86 self-contained flats, comprising 30x one bedroom, 48x two bedroom and 8x three bedroom flats with approximately 923 sq meters of commercial floor space at ground floor level in Blocks B,C and D; laying out of 98 car parking spaces and cycle stores to basement.
- **Ref: 20080096 (27.03.2008) Permitted:** Application for Conservation Area consent for the demolition of the police station.
- **Ref: 20090409 (13.08.2009) Permitted:** Demolition of police station and erection of four buildings, four six storey in height to provide a total of 86 self-contained flats, comprising 30x one bedroom, 48x two bedroom and 8x three bedroom flats with approximately 923 sq meters of commercial floor space at ground floor level in Blocks B,C and D; laying out of 98 car parking spaces and cycle stores to basement.
- **Ref: 20090758 (18.01.2010) Approval of Details:** Application for variation of condition 5 of planning permission reference number 20090409 for erection of 86 flats, relating to the removal of the community infrastructure contribution requirement.
- **Ref: 20130177 (21.08.2013) Permitted:** Application for Conservation Area consent for the demolition of the buildings on site.
- **Ref: 20120590 (13.11.2013) Permitted:** Application for renewal of planning permission reference number 20090409 for demolition of police station and erection of four buildings, four-six storeys in height to provide a total of 86 self contained flats, comprising 30 x one bedroom, 48 x two bedroom and 8 x three bedroom flats with approximately 923 sq. metres of commercial floor space at ground floor level in blocks B, C, D; laying out of 98 car parking spaces and cycle stores in basement.
- **Ref: 20160333 (02.06.2016) Permitted:** Application for a non-material amendment to planning permission reference no. 20120590 to change the trigger for compliance with conditions 3, 4, 5, 7 and 8 from prior to commencement of any works, to prior to the commencement of any above ground works, which relate to the timing of approval for details relating to external facing materials, air quality mitigation, off-site highway works, landscaping and security measures.

- **Ref: 20161205 (Pending):** The proposed erection of a new four-six storey building with an additional seventh storey penthouse, to provide a total of 99 self-contained flats, comprising 41 x one bedroom flats, 50 x two bedroom flats and 8 x three bedroom flats with 816.5 sq.metres of commercial floorspace at ground floor level; the laying out of 86 parking spaces, 5 motorcycle spaces and 90 cycles spaces in the basement, and 6 additional parking spaces and a delivery bay on the Wrotham Road frontage with an additional 22 street level cycle parking spaces.

CRL intend to purchase and redevelop the Property (subject to the receipt of a satisfactory planning permission) for a new retirement scheme (the Proposed Scheme) comprising 75 x age restricted 'Retirement Living' units, with associated communal facilities, landscaping and car parking.

3.0 Viability in Planning – Policy Context

3.1. National Planning Policy Framework (NPPF) 2021

The National Planning Policy Framework was revised on 20 July 2021 and sets out the government's planning policies for England and how these are expected to be applied.

This revised Framework replaces the previous National Planning Policy Framework published in March 2012, revised in July 2018 and updated in February 2019.

In a section titled 'Planning conditions and obligations' the Framework states:

55. Local planning authorities should consider whether otherwise unacceptable development could be made acceptable through the use of conditions or planning obligations. Planning obligations should only be used where it is not possible to address unacceptable impacts through a planning condition.

56. Planning conditions should be kept to a minimum and only imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects. Agreeing conditions early is beneficial to all parties involved in the process and can speed up decision-making. Conditions that are required to be discharged before development commences should be avoided, unless there is a clear justification ²⁵.

57. Planning obligations must only be sought where they meet all of the following tests:

(a) necessary to make the development acceptable in planning terms;

(b) directly related to the development; and

(c) fairly and reasonably related in scale and kind to the development.

58. Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

There is thus an expectation that the majority of viability assessments will be undertaken at plan-making stage (rather than when determining applications). Plans are to set out the levels and types of affordable housing and other infrastructure that would be required from proposed developments. Viability assessments should ensure that the policy expectations are realistic and that the cumulative cost does not undermine deliverability of the plan.

The revised NPPF puts the burden on applicants to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.

3.2. Viability Planning Practice Guidance (PPG) – Published March 2014 (Updated 1 September 2019)

The Department for Communities and Local Government in March 2014 revised and updated planning guidance designed to be easily accessible on-line and user friendly. The PPG contains 50 categories; from 'Advertisements' to 'When is permission required'.

The category of relevance in context with this report is the Guidance on 'Viability' which was also updated in July 2018 to reflect the updated policies contained within the NPPF. A number of the sections have subsequently been updated again in May 2019 and September 2019.

The Viability Guidance sets out the circumstances in which site specific viability assessments should be undertaken at the planning application stage. Paragraphs 007 and 008 state:

"Should viability be assessed in decision-taking?"

Where up-to-date policies have set out the contributions expected from development, planning applications that fully comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. Policy compliant in decision making means that the development fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies.

*Such circumstances could include, for example where development is proposed on **unallocated sites of a wholly different type to those used in viability assessment that informed the plan**; where further information on infrastructure or site costs is required; **where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people)**; or where a recession or similar significant economic changes have occurred since the plan was brought into force". [Our emphasis]*

(Paragraph: 007 Reference ID: 10-007-20190509; Revision date: 9 May 2019)

"How should a viability assessment be treated in decision making?"

Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.

The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and viability evidence underpinning the plan is up to date, and site circumstances including any changes since the plan was brought into force, and the transparency of assumptions behind evidence submitted as part of the viability assessment.

Any viability assessment should reflect the government's recommended approach to defining key inputs as set out in National Planning Guidance."

(Paragraph: 008 Reference ID: 10-008-20190509; Revision date: 9 May 2019)

With regard to Paragraph 007 and the requirement that an applicant must demonstrate whether particular circumstances justify the need for a viability assessment at application stage, in this instance the site is unallocated and the proposed development type falls under the category of 'housing for older people'. These are two specific examples referred to within paragraph 007 which provides justification for an application stage assessment.

The circumstances are thus met and a viability assessment at application stage is wholly reasonable.

Further guidance is provided in the PPG which relates to the specific inputs that are appropriate in a viability assessment. These are outlined in turn in Sections 6 and 7 of this report.

3.3. RICS Professional Statement – Financial Viability in Planning: Conduct and Reporting

The RICS published a mandatory statement in May 2019 (effective from 1 September 2019) addressing the conduct and reporting requirements of Members who act in viability matters.

The Statement sets out mandatory requirements informing the practitioner on what must be included within reports and how the process must be conducted. This is to demonstrate how a reasonable, objective and impartial outcome, without interference, should be arrived at, and so support the statutory planning process.

3.4. RICS Guidance Note - Assessing viability in planning under the National Planning Policy Framework 2019 for England

In March this year, RICS published the Assessing Viability in Planning guidance. Effective from 1 July 2021, it replaces the previous 2012 guidance note. The new guidance note supplements and gives added guidance to RICS members and other stakeholders in the planning process on undertaking and understanding financial viability assessments (FVAs) under the NPPF and PPG in both a plan-making and decision-taking context.

RICS guidance notes set out good practice for RICS members and for firms that are regulated by RICS. An RICS guidance note is a professional or personal standard for the purposes of RICS Rules of Conduct. Guidance notes constitute areas of professional, behavioural competence and/or good practice. RICS recognises that there may be exceptional circumstances in which it is appropriate for a member to depart from these provisions – in such situations RICS may require the member to justify their decisions and actions.

3.5 Local Planning Policy – Gravesham Local Plan Core Strategy – September 2014

The Core strategy was adopted in September 2014 following public examination. The key Policies relating to this assessment are set out below:

Policy CS16: Affordable Housing

5.12.9 The provision of affordable housing will be required on all new housing developments of: 15 dwellings or more or on sites of 0.5 hectares or more in the urban area; and 3 units or more or on sites of 0.1 hectares or more in the rural area.

5.12.10 The amount of affordable housing to be provided by private housing development sites above the threshold will be 30% in the urban area and 35% in the rural area.

5.12.11 The Council will seek an affordable housing mix of 70% affordable rented and social rented accommodation and 30% intermediate housing.

5.12.12 Development will be subject to site viability and a tenure mix necessary to meet local needs and achieve a successful sustainable and socially inclusive development.

5.12.13 In the Green Belt, limited affordable housing in a sustainable location for a proven and justified local community need will be supported. Such units once constructed will be occupied by people with a proven local community connection. This includes affordable rural workers dwellings. In all cases, permissions granted under this policy will be restricted to those uses in perpetuity.

The preamble to the Policy confirms:

5.12.4 Affordable housing will be provided on-site unless both the Council and the applicant agree and can robustly justify why it would be preferable for provision to be made on an alternative site or a financial contribution made for development to take place elsewhere.

Following the introduction of the National Planning Policy Framework (NPPF) in 2012 the examination considered Policy CS16 in context to the new planning framework. The Council confirmed in a statement on LPCS Policy CS16:

The Council will:

- Continue to consider Policy CS16 as part of the decision making process for any relevant application*
- On a case by case basis, consider whether local circumstances with regard to affordable housing and the nature of the development site in the Borough are sufficient to warrant the disapplication of Policy CS16*
- Give its recent evidence, as set out in the SHENA, affordable housing need will be given considerable weight by the Council in its balancing of the LPCS and Written Ministerial Statement (WMS) + PPG*
- Request applicants to submit relevant information setting out scheme viability for independent assessment, at applicant's cost, where they consider that the Affordable Housing Requirement is disproportionate*
- Request applicants to set out why the application of Policy CS16 is considered to be disproportionate in relation to the circumstances of their development scheme.*

3.6 Local Planning Policy Supporting Evidence Base

The Core Strategy was informed by a number of documents that were examined in the Public Examination. This included an Affordable Housing Viability Study prepared by Three Dragons dated 2010. This study examined the previous policies of the authority and the South East Plan Policy KTG4 with an indicative target for affordable housing of 30%. The viability study was prepared in the context of national policies at that time including Planning Policy Statement 3 (PPS3) that has been superseded by the NPPF ('The Framework'). This study did not consider specialist retirement housing.

3.7 Strategic Housing and Economic Needs Assessment (SHENA)

The Council published a SHENA in January 2016. As part of the assessment the Council published an 'Affordable Housing and CIL Viability Testing Report' (SHENA5). The purpose of the report was to provide the following key outputs:

- Inform affordable housing policies of the respective Local Plans.*
- Inform the assessment of Community Infrastructure Levy (CIL) rates taking into account Local Plan requirements and other relevant costs such as the Thames, Medway and Swale Estuaries Strategic Access Management tariff.*
- Ensure the requirements of the National Planning Policy Framework (NPPF) are met, in so far as each authority's Local Plan does not threaten the viability of development, ensuring the realities of development viability are taken on board from the outset plan making.*

The testing considered 13 typologies split into two value areas in Gravesham. Area A 'Urban' and Area B 'Rural'. The assessment considered a scheme of flatted development in Area A only and did not consider retirement development. Area A 'Urban' was classified as a low value area with Area B 'Rural' was classified as a high value area.

Within Area A the study confirmed that within Town Centres, the threshold land value (known now as the Benchmark Land Value) is likely to be significantly higher due to the presence of existing buildings that may be capable of continued use or conversion.

The key finding of this report is that none of the hypothetical schemes in the urban area of Gravesend could support levels of affordable housing greater than 25% during 2015 conditions due to lower house prices.

The report author notes that there will be differences in the viability between wholly flatted schemes and schemes that have predominantly houses. This is because flatted schemes developments not only generate lower returns but also that the:

“...build costs for flatted development are often higher as a result of more expensive/complex construction requirements. This may include the need to provide for costly underground/undercroft car parking and/or more extensive ground works associated with piling and structures.” (paragraph 4.2).

3.5 Overall Policy Considerations

This foregoing review has shown that:

- The council's current development plan policy for securing affordable housing is out-of-date principally because it is not supported by relevant current data and its approach has been superseded by changes in Government policy.
- Government policy places great emphasis on negotiating affordable housing provision and makes clear that such negotiation should not prevent the delivery of much needed housing.
- Gravesham Borough Council has accepted the principle of lower than policy requirement levels of affordable housing both on land it owns and on other land in recent years. The council's own adviser who wrote the SHENA states that wholly flatted developments are less likely to deliver economically viable returns to developers because of their extra costs of construction.

4 The Proposed Scheme

A planning application is to be submitted by Planning Issues, on behalf of Churchill Retirement Living for the development of a new retirement scheme comprising the erection of a four storey apartment building providing 38 x age restricted 'Retirement Living' units.

All units are to be open market units in the mix as detailed below:

Type	Av. Size (Sq M)	No. of Units
Retirement Living Apartments (1 bed)	56.47	47
Retirement Living Apartments (2 bed)	81.66	28
TOTAL		75

In respect of the apartment building, in common with most new build Retirement Living apartment schemes the floor space of the building can be broken down into the saleable and non-saleable areas.

The saleable area of the 75 Apartments is 4,940.70 m². The saleable areas are the individual apartments for which capital receipts are expected from each of the occupiers. The non-saleable areas are the common parts, which in this case include:

- Entrance lobby, reception area and managers' office;
- Homeowner's lounge;
- Bin Store
- Guest Suite
- Mobility Scooter Store
- Typical circulation space (corridors, stair and lift wells) and plant and cleaners' stores on all floors.

We are advised that the Gross Internal Area (GIA) of the Retirement apartment building is 6,435 m². We have calculated that the design provides a 76% / 24% saleable/gross internal area ratio.

The Proposed Scheme Site Plan and Accommodation Schedule is at Appendix 2.

Appendix 2 – Proposed Site Plan and Accommodation Schedule

5 Viability Assessment Overview

As noted at 4.2, the Viability PPG outlines the recommended approach and standardised inputs that are expected to form the viability assessment.

Paragraph 10 states:

“Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.

This National Planning Guidance sets out the government’s recommended approach to viability assessment for planning. The approach supports accountability for communities by enabling them to understand the key inputs to and outcomes of viability assessment.

Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government’s recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.

In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.”

The usual test applied in establishing whether a planning obligations package (including Affordable Housing) is viable, is to consider whether the residual site value of the proposed scheme exceeds the benchmark Land Value of the property. If it does, there is financial headroom for planning obligations. If it does not, there is no financial headroom and thus there is no viability for planning obligations to be included.

The following sections outline the appraisal inputs that form this viability assessment, having regard to the guidance contained in the PPG and the RICS Guidance Note.

In the following Section 7 we review the other key viability appraisal inputs (other than the benchmark Land Value) and determine the viability of the Proposed Scheme based on current market conditions.

In Section 8, we sensitivity test the result of the appraisal to establish the impact should values and costs rise and fall in the near future.

6 Benchmark Land Value

The Land Value can either be inputted into the Argus appraisal as a fixed input or can be used as a comparative benchmark against which the residual element produced by an appraisal can be compared. In this instance it forms a fixed input into the appraisal.

Paragraph 13 of the Viability PPG outlines how land value should be defined for the purpose of viability assessments.

*“To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. **The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land.** The premium should provide a **reasonable incentive, in comparison with other options available**, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called ‘existing use value plus’ (EUV+).” [our emphasis]*

Paragraph 15 of the Viability PPG answers the question of what is meant by existing use value in viability assessment:

“Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams’ locally held evidence.”

Paragraph 16 of the viability PPG outlines how the premium to the landowner should be defined in viability assessments:

The premium (or the ‘plus’ in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

In respect of the 'Alternative Use Value' (AUV) approach, Viability PPG paragraph 17 states:

"Can alternative uses be used in establishing benchmark land value?"

*For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would **fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan**. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.*

*Plan makers can set out in which circumstances alternative uses can be used. This might include if **there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued**. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted."* **[our emphasis]**

The RICS Professional Statement (Mandatory Guidance for RICS Members) confirms at 2.7 of the Statement that in the interest of transparency, when providing benchmark land value in accordance with the PPG, members must report the:

- **Current use value:** CUV, referred to as EUV or first component in the PPG (paragraph 015).
- **Premium:** second component as set out in the PPG (paragraph 016).
- **Market Evidence** as adjusted in accordance with PPG (paragraph 16).
- **All supporting considerations, assumptions and justifications adopted** including valuation reports, where available (see PPG paragraphs 014, 015 and 016).
- **Alternative Use Value** as appropriate (market value on the special assumption of a specified alternative use (see PPG paragraph 017).

The first consideration is thus the EUV of the site, whilst the second consideration is the appropriate premium or minimum competitive return at which a reasonable landowner would sell their site based on the alternative options available to them.

6.5 Existing Use Value Plus (EUV+)

In accordance with the Viability PPG, we are required to first consider the Existing Use Value (EUV) of the elements of the Property.

The Property was the former Gravesend Police station that has been demolished. As stated earlier in this report planning permission was granted in 2009 and renewed in 2013 as detailed below:

- **Ref: 20090409 (13.08.2009) Permitted:** Demolition of police station and erection of four buildings, four six storey in height to provide a total of 86 self-contained flats, comprising 30x one bedroom, 48x two bedroom and 8x three bedroom flats with approximately 923 sq meters of commercial floor space at ground floor level in Blocks B,C and D; laying out of 98 car parking spaces and cycle stores to basement.

- **Ref: 20120590 (13.11.2013) Permitted:** Application for renewal of planning permission reference number 20090409 for demolition of police station and erection of four buildings, four-six storeys in height to provide a total of 86 self contained flats, comprising 30 x one bedroom, 48 x two bedroom and 8 x three bedroom flats with approximately 923 sq. metres of commercial floor space at ground floor level in blocks B, C, D; laying out of 98 car parking spaces and cycle stores in basement.

The Planning permission has been implemented by virtue of the demolition of the Police station.

The sites existing use is a brownfield site with the benefit of a mixed use residential (86 flats) and commercial (923 sq m) planning consent. The consent includes a Sec.106 Agreement confirming a total of 26 affordable houses (30%).

We have assessed the EUV as development land. There are few directly comparable sites. We have had regard to the following:

- Land to the Rear of 24 Stone Street, Gravesend (0.18 acres): Planning permission for the development of 14 apartments plus commercial space. Guide Price £1,100,000 equates to £78,571 per plot.

PPG is clear that the purchase price of land is not a consideration in viability. However, the Land Registry confirms the site was sold in December 2020 for £2,700,000. The sale had the benefit of at the extant policy compliant planning permission and as such, is an indicative position of a sale transaction that allows for Policy.

We have also considered the SHENA viability study prepared by GVA in January 2016. For town centre sites the threshold value adopted was £1,400,000 per acre (£3,450,000 per ha) as noted below:

3.53 The above shows the range of town centre values depending on use, but we note that either value is significantly greater than any of the alternative land values we are to adopt. We therefore have adopted the lower value at £1,400,000 per acre (£3,450,000 per ha) on the basis that unless a scheme is promoted on a lower value use, or substantially subsidised, any scheme is likely to prove unviable and not deliverable.

If this was adopted the BLV would amount to £1,259,221 say £1,260,000. We accept this is a figure derived from a 2015/2016 assessment.

As a check we have had regard to the following more up to date viability testing in neighbouring authorities:

- Swale Borough Council: Draft Local Plan Viability study (December 2020). Brownfield land value of £988,400 per gross hectare (£400,000 per gross acre). • Greenfield land value of £247,100 per gross hectare (£100,000 per gross acre). There is no like for like comparison for town centre sites.
- Dartford Borough Council: Local Plan Viability Assessment (Final) February 2021. Value range from £1m/ha (£460,000 per acre) to £5m/ha (£2,300,000 per acre) for brownfield land. The study adopted a typical range between £1m/ha (£404,600 per acre) - £2m/ha (£809,200 per acre). There is no like for like comparison for town centre sites.

Having regard to the above the EUV is within a range of £1,260,000 - £800,000 based on the viability studies.

6.6 Benchmark Land Value Conclusion

Benchmark land Value is a key consideration of any viability assessment.

We have considered all levels of data for this site which is a prominent town centre site, with extant planning consent for mixed use development. Whilst we are aware that the purchase price of the site in 2020 was £2,700,000 we are not aware of the assumption made by the purchaser when buying the site. In line with PPG Guidance and RICS Guidance we have ignored the purchase price for arriving at a BLV for planning purposes.

Whilst the BLV based on the 2016 SHENA assessment is dated it is unlikely to have dropped given the increase in overall values since this time. We have, however, adopted this conservative value as the BLV which we believe is a reasonable position based on the purchase price of the site and increasing land values since 2016.

The BLV adopted is therefore £1,260,000.

7 Viability Assessment

As noted above, in this Section 7 we review the other key viability appraisal inputs (other than the benchmark Land Value) and determine the viability of the Proposed Scheme based on current market conditions and legislation.

Our Argus Developer appraisal summary is at Appendix 3 but our assumptions and outcomes are summarised below.

Appendix 3 – Argus Developer Appraisal – Assessment Summary

7.5 Appraisal Inputs

7.5.1 Development Programme/Timing Assumptions

It is assumed that construction would commence at month 7, i.e. following a 6 month lead-in period to receive all necessary consents. The construction period is assumed to be 18 months for the whole scheme with Practical Completion at the end of month 25 and the overall scheme end date is assumed to be in month 73 i.e. following a 48 month sales period.

Our monitoring of sales rates at comparable sheltered schemes across the country indicates on average that approximately 15 - 25% of apartments are sold at practical completion. A further 40% - 50% are then sold to the end of the first year of sales. The rate of sale then slows over the following two to three years depending on the size of the scheme, with the average overall selling rate being around 1.5 per month.

The implications of COVID-19 have yet to present themselves but it is inevitable that sales rates are likely to slow down, particularly in the retirement sector. The rate of sale adopted for the Proposed Scheme assumes the following: 15 units (20%) are sold at practical completion; with a further 23 units (30%) selling to the end of year 1, i.e. 50% of the scheme in the first 12 months. The remaining units are sold over the next 24 months. The average rate of sale over the sale period is 1.6 per month.

The sales curve is replicated for the Empty Property Costs and details the sales curve analysis in more detail.

7.5.2 Appraisal Revenue – Gross Development Value (GDV)

In respect of how GDV should be defined for the purpose of viability assessments, Viability PPG paragraph 11 states:

“Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.”

For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.

For viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. Any market evidence used should be adjusted to take into account variations in use, form, scale, location, rents and yields, disregarding outliers. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan."

The open market GDV figures comprise receipts from the apartment and house sales themselves together with the investment sale of their capitalised ground lease income secured.

Generally speaking, retirement apartment property development, as a small and specialist sub-sector of the overall residential market, is price sensitive to the location. There are limited new build comparable sales/sites in the immediate area.

In the absence of directly comparable evidence, we have had regard to the general housing market and values being achieved in Gravesend. This is a key consideration as the majority of purchasers of Retirement Living apartments are local to the town and thus the amount of equity that they have to reinvest in a retirement apartment is impacted by the values that can be achieved for their current homes.

Retirement apartments are generally priced according to the value of the average semi-detached property in the given location. We have reviewed the Land Registry sales data (via Rightmove.com) for the last 6-12 months and had regard to the average prices reported on Zoopla. The Rightmove data confirms the average value of a Property in Gravesend was £371,050 over the last year. We have also reviewed similar information provided by Zoopla which confirms a slightly higher average value for a semi-detached house at £379,743.

The pricing for the Proposed Scheme is derived from that market research. A 1 bed Retirement Living apartment is typically valued at 75% of the value of a semi-detached property and 2 bed Retirement Living apartments are typically valued at 100% of the semi-detached figure.

In this instance we have valued the proposed 1 bed units at an average of £280,000 (£4,958/m²) and the 2 bed units at an average of £380,000 (£4,653/m²). These values are considered at the top end of the value range. The total value of the proposed Retirement Living apartments is £23,800,000 equating to £4,817 per m².

7.5.3 Appraisal Outlay – Land, Residential Building, Marketing and S106 Costs

7.5.3.1 Land Acquisition Costs

The Argus Developer appraisal has been set up so as to enable the profit to be entered as fixed inputs. The result of the appraisal, the 'Residualised Amount' is then compared against the BLV to confirm whether a surplus is available for planning obligations.

7.5.3.2 Constructions Costs

Regarding development costs, Viability PPG paragraph 12 states the following:

"Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application.

Costs include:

- *build costs based on appropriate data, for example that of the Building Cost Information Service*

- *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*
- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
- *general finance costs including those incurred through loans*
- *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*
- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return"*

In line with the PPG, we have undertaken research using BCIS Review Online. The Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors (RICS) produces detailed cost information and indices and is a recognised source of assessing build costs when testing viability.

BCIS average costs are provided at mean, median, and upper quartile rates (as well as lowest, lower quartile and highest, upper quartile). BCIS confirm the following in relation to each definition:

Mean – *This is what most people think as the average. It is the sum of the rates in the sample divided by the number of units in the sample. The mean is affected by all rates in the sample and can be unduly influenced by one or two extreme values when the sample size is small. The mean is particularly relevant when you are choosing a rate to be applied across an estate of buildings.*

Median - *The middle statistic (not the middle of the range). Unlike mean, this is not as easily affected by rogue figures. It is not the 'typical' rate (see Mode) but can be used as such in most cases. This is probably the best figure to use when choosing a rate for a single typical building.*

25% (Lower Quartile) – *just as the median is the middle statistic, the lower quartile is the statistic which is one quarter of the way up a list of order rates, i.e. 25% of rates fall below the lower quartile and 75% above. If you judge your project to be below average cost then this figure will give you an indication of an appropriate rate.*

75% (Upper Quartile) – *just like the lower quartile. You can expect half of all the rates lie between the lower and upper quartile. If you judge your project to be above average cost then this figure will give you an indication of an appropriate rate.*

We have adopted the Median rate i.e. the best rate for a typical building.

BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. The default data is now based on projects that are up to 15 years old except where this would result in the sample size being less than four projects, when a longer period will be used. We generally consider both default and maximum 5 year average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.

In reviewing the build cost for the proposed scheme we have firstly considered the Sheltered Index rebased for Gravesend. However, the index sample for this location is only 4 (location factor) we have therefore discounted this approach as the figures would be unreliable. We have rebased for Kent that has a sample size of 257 schemes and is therefore, in our opinion more robust.

The adopted index is rebased to the 5-year data set to be more consistent with current regulations. The BCIS extract is detailed below:

£/m2 study							
Description: Rate per m2 gross internal floor area for the building Cost including prelims.							
Last updated: 23-Apr-2022 00:41							
➤ Rebased to Kent (112; sample 257)							
Maximum age of results: 5 years							
Building function (Maximum age of projects)	Mean	Lowest	£/m² gross internal floor area				Sample
			Lower quartiles	Median	Upper quartiles	Highest	
New build							
843. Supported housing							
Generally (5)	1,943	1,238	1,624	1,755	2,304	3,480	28
2-storey (5)	2,059	1,238	1,659	1,763	2,407	3,480	12
3-storey (5)	1,785	1,276	1,519	1,631	1,792	2,709	9
4-storey or above (5)	1,925	1,335	1,644	2,039	2,098	2,509	5
843.1 Supported housing with shops, restaurants or the like (5)	1,695	1,371	1,480	1,513	1,680	2,431	5

The proposed building is a 4 storey and therefore the appropriate rate to adopt would be 4-storey or above at £2,039. However, the sample size for this data is only 5 and is therefore not robust. We have therefore adopted the 'Generally' index at 1,755 with a sample of 28 schemes.

As a secondary check, having referenced the most recent plan led viability assessment in Dartford, we note that in this testing a rate of £1,808 was adopted. We therefore believe the adopted build rate is appropriate.

The BCIS data does not allow for Part L Costs. We have added a cost of £3,000 per unit for these elements.

BCIS costs only reflect the cost to construct the building itself (foundations up) and exclude site works and external costs. It is typical to apply a rate of between 8%-15% for these costs. Having regard to the external areas in this case (car parking and landscaping with limited access road/service road) we have added an appropriate 5% for general external works.

In addition, we have made the following extra-over/abnormal cost allowances:

- Site Clearance: £162,000
- Raise level to former basement: £94,080
- Level and Grading: £116,535
- Contamination: £10,000
- Piling Costs: £130,340
- Sec.278 Works: £42,500

A contingency allowance of 5% is typically the norm for a scheme such as this and has been applied to all construction costs.

7.5.3.3 Professional Fees

Professional building design fees (Architect QS etc.) are generally assessed for single one off schemes at between 8% and 12%. In this instance we have assumed 8% of the total construction cost to include all planning and building regulation fees.

7.5.3.4 Marketing and Sales Fees

Typically, Marketing Costs (including show home, brochures etc.) for retirement schemes are in the order of 6%+ (including sale agent's fees).

Retirement housing is a specialist product aimed at elderly home owners. Generally, the purchaser funds the purchase exclusively from savings and/or proceeds from the sale of their current home. The average age of a typical purchaser is 70+ and widowed. This limits the market for the product and requires considerable resource for each sale often to both the purchaser and their extended family. Marketing involves targeting and direct contact of potential purchasers from the moment a scheme starts construction to the last sale of the scheme. Throughout this sale period, a sales office (typically one of the apartments adapted for the purpose) and several furnished 'show' apartments must be maintained on site with sales consultants employed full time 7 days a week.

Retirement housing purchasers do not typically buy apartments 'off-plan' they need to see the finished product. The requirement to buy comes from a physical need and thus are not purchased speculatively (unlike the open market). All development costs are therefore committed and incurred prior to any sale. The marketing and sales cost allowance is therefore higher than the open market equivalent and has been endorsed as appropriate at a number of Appeals including at Clacton-on-Sea (PINS Ref: PP/P1560/A/11/2161214), Hunstanton (PINS Ref: APP/V2635/A/14/2217840) and Redditch (PINS Ref: APP/Q1825/W/17/3166677) and Diss (PINS Ref: APP/L2630/W/21/3279754 – all schemes Alder King have had a direct involvement with.

I schedule below a table of recent schemes by Churchill Retirement Living showing the total marketing costs for each scheme as a percentage of GDV:

Scheme	No. Units	First Sale	Last Sale	Sales Period	Sales Rate	O/A	Per Unit	Total Marketing Costs	
								Revenue	Marketing Costs % of GDV
Henleaze	33	27/05/2016	20/02/2020	45	0.73	£ 778,036.00	£ 17,289.69	£ 10,966,107.00	7.09%
Waterlooville	27	31/10/2016	30/10/2020	48	0.56	£ 630,091.00	£ 13,126.90	£ 6,810,577.00	9.25%
Formby	42	31/03/2017	31/03/2021	48	0.88	£ 981,283.00	£ 20,443.40	£ 9,584,015.00	10.24%
Quinton	43	31/05/2018	30/04/2021	35	1.23	£ 727,516.00	£ 20,786.17	£ 8,702,463.00	8.36%
Wells	31	28/06/2018	25/06/2021	26	1.19	£ 581,749.00	£ 22,374.96	£ 8,844,504.00	6.58%
Haywards Heath	43	30/11/2016	30/07/2021	56	0.77	£ 968,171.00	£ 17,288.77	£ 15,014,238.00	6.45%
East Wittering	26	29/06/2017	30/09/2021	51	0.51	£ 568,170.00	£ 11,140.59	£ 7,139,624.00	7.96%
Tonbridge	31	14/02/2018	30/09/2021	44	0.70	£ 634,584.00	£ 14,422.36	£ 10,548,925.00	6.02%
Average					0.82			Average	7.74%

Combined Marketing (3%) and Sales costs (2%) allowances are assumed, amounting to 5% of each sale.

7.5.3.5 Disposal Fees

As noted above, sales agents' fees on the apartment sales are allowed for at 2% of GDV. Legal costs on open market sales equate to £600 per unit.

7.5.3.6 Additional Costs

Empty Property Costs (EPCs) – EPCs are an industry accepted cost of retirement apartment development and are widely accepted by third party reviewers as being a valid cost to be included within the appraisal. EPCs reflect the costs that have to be borne by the developer until the scheme is fully sold out. Retirement apartment developments are built in a single phase and the building is fully energised on practical completion.

The EPCs cover the provision of background heating to the empty apartments, the maintenance and up keep of the communal facilities and the employment of the Estate Manager, who is onsite from first occupation. The costs are covered by the service charge once all apartments are sold.

However, until such time that the scheme is fully sold, the shortfall in service charge income must be met by the developer as the costs must be met irrespective of the number of occupiers in the building and are payable from the scheme's first occupation. In addition council tax payments will need to be met on the empty units until they are sold. The Empty Property Costs are however offsite by the inclusion of ground rental income which will be received on the sale of each apartment.

An allowance for Empty Property Costs for the development has thus been made over the 48 month sales period. This equates to **£388,147** as shown on the Schedule at Appendix 4.

Appendix 4 – Empty Property Costs Schedule

7.5.4 Finance Costs

Where development finance is available (which having been available for a select number of situations is now improving) lenders are currently charging 3 - 5% above LIBOR. Arrangement fees (1-3%), monitoring fees (2-5%) and exit fees (1% of GDV) amongst other fees can be added costs dependant on the status of the borrower. These lending terms have emerged due to the bank's perceived risk of residential development in the current market.

An extract from the Investment Property Forum (IPF) 'UK Development Finance Review 2015' confirms the range of fees that banks may charge:

"Fees are a significant feature of development finance and they often pose a challenge when attempting to compare all-in financing costs because of their variation. Many lenders offering the lowest margins will demand higher fees or impose more types of fees."

The spectrum of fees a bank lender may require will include front end (i.e. arrangement) fees, exit fees, non-utilisation fees, hedging fees, booking fees for residential (as each unit is sold) and, occasionally, pre-payment fees. In addition, there may be an array of management and monitoring fees, while agency fees will be payable if the deal is a club or syndication."

In this instance we have adopted an 'all-in' debit interest rate of 6.5% together with a credit rate of 1%, with no additional allowance for fees, which we consider to be a realistic generic assumption for a development of this nature in the current market.

7.5.5 Developer's Return for Risk and Profit

Paragraph 18 of the Viability PPG sets out how the appropriate return to developer should be defined for the purpose of viability assessments. It states:

"Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan."

For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types."

The typical Retirement Housing apartment schemes built by CRL (and others) differ from and have a higher risk profile compared to general needs housing in the following ways:

- Retirement Housing is specialist flatted development (Blocks of Apartments/Flats) of units for independent communal living of the older persons, usually retirees.
- Blocks of Apartments/Flats are single phase specialist housing developments.
- Mostly located on and re-use Brownfield sustainable urban sites (PDL).
- No ability to phase or stop/start – once started each flatted development has to be completed before occupation by the older person's community. General needs market housing can stop/start or reduce/increase the build-out rate dependent on market demand.
- Significant capital outlay: land purchase; planning permission; construction of the entire development before revenue receipt. Funding and Financing of each development therefore commits substantial resources before any return on investment.
- Added to significant capital outlay is the period of time the capital is employed, i.e. longer cash-flow profile over the land purchase, planning permission, construction and sales period than general market housing.
- Significant Gross/Net floorspace ratio difference adds risk, compared to non-retirement blocks of Flats/Apartments, to account for community facilities for the elderly such as house manager's office accommodation, residents lounge, guest suite (in some larger schemes), other common parts including laundry, buggy battery-recharging store, central refuse store, etc.
- Premium sales values are expected above the general needs housing market thus adding risk because of the requirement to accommodate:
 - Added levels of assistance for the older person and the disabled, i.e. hands rails, maximising level access (60% - 70% of occupants are aged 78 years or over).
 - Added levels of building and site security, including intruder alarm systems and emergency assistance alarm/help-line available to each unit.
- High level of garden landscaping appropriately designed as sitting-out areas for resident's enjoyment.
- Restricted Market – over 55's age as opposed to general needs market housing available to all-comers.
- Carefully considered purchase by the older person. Usually involving family decision making (their offspring often play a part in the decision to move) and often downsizing from a family home.
- Critical mass of 25 units or more to spread the cost and make affordable the occupational service-charge.
- No Help-to-Buy, i.e. No financial market support/intervention.

- Retirement Housing Sector Developers and their Shareholders & Lenders require adequate financial returns to carry the typical higher capital outlay and timing risks associated with specialist retirement housing.

As such, it is the current accepted norm of the marketplace that the appropriate developer profit level for specialist retirement housing represents a minimum of 20% Profit on GDV. Recent Appeal Decisions concerning retirement housing including at Cheam (PINS Ref: APP/P5870/W/16/3159137), Redditch (PINS Ref: APP/Q1825/W/17/3166677) and West Bridgford (PINS Ref: APP/P3040/W/19/3229412) have confirmed this position.

We detail at Appendix 6 a breakdown of previously agreed developer returns on schemes undertaken in the last 18 months by the two main providers of this type of retirement housing (McCarthy Stone and Churchill Retirement Living).

Appendix 5 – Retirement Developer Returns

Out of a total of 33 schemes where agreement has been reached on viability issues there is not one where 20% has not been the accepted level of developer return. This covers the period March 2018 to current 2021 cases and shows support for this level by a very wide range of respected viability consultants including DVS, BNP Paribas and Cushman and Wakefield.

The Profit amount fixed at 20% Profit on GDV.

7.6 Appraisal Summary

The Argus Developer model has been utilised to establish whether the Proposed Scheme provides any surplus for S106 developer contributions, including an amount towards off-site Affordable Housing.

In this instance, it is evident that the scheme is viable and provides a small surplus available for S.106 contributions. Having fixed the profit level at 20% on GDV, the appraisal produces a Residual Value of £1,265,250. When compared against the BLV the proposed scheme is therefore showing a small surplus of £5,250 when tested against the BLV.

The summary table below shows the surplus arising out of the assumptions made and inputs used for a redevelopment for 75 Retirement Living apartments:

Scenario 1 - Financial Viability Assessment			
Appraisal Revenue:			
1 Bed RL Apartment:	£280,000	£13,160,000	
2 Bed RL Apartment:	£380,000	£10,640,000	
Gross Development Value			£23,800,000
Appraisal Outlay:			
Core Construction Cost		£11,293,212	
External Works		£564,661	
Abnormal Costs		£555,455	
Contingency		£631,916	
Professional Fees		£966,630	
Marketing & Agency Disposal Fees		£1,238,750	
Additional Costs - Empty Property Costs		£388,147	
Finance		£1,835,442	
Developers Profit :		20% on GDV	£4,760,000
Residualised Price			£1,265,250
BLV:			£1,260,000
Surplus/(Deficit):			£5,250

The Argus summary worksheet of this appraisal is at Appendix 3.

8 Sensitivity Analysis

The viability of a development scheme when calculated by the residual method can be affected by variations in Gross Development Value, Build Costs and to a lesser extent by variations in planning obligations, finance costs, phasing/build and sales rates and industry expectations as to profit margins.

We set out below a “sensitivity analysis” schedule showing the effect of percentage changes in Gross Development Value and Build Costs to the surplus/deficit that the Proposed Scheme produces for planning obligations, including offsite affordable housing commuted payment:

GRAVESEND - CRL 75x RL Apartments
100% Market Scheme
May 2022

Table of Profit Amount and Land Cost

Construction: Rate /m²					
Sales: Sales / Unit	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
-5.000%	£4,522,000 (£1,149,677)	£4,522,000 (£861,706)	£4,522,000 (£573,735)	£4,522,000 (£285,765)	£4,522,000 £13,271
-2.500%	£4,641,000 (£1,495,434)	£4,641,000 (£1,207,463)	£4,641,000 (£919,493)	£4,641,000 (£631,522)	£4,641,000 (£343,551)
0.000%	£4,759,998 (£1,841,193)	£4,760,000 (£1,553,220)	£4,760,000 (£1,265,250)	£4,760,000 (£977,279)	£4,760,000 (£689,308)
+2.500%	£4,878,997 (£2,186,950)	£4,878,997 (£1,898,980)	£4,879,000 (£1,611,007)	£4,879,000 (£1,323,036)	£4,879,000 (£1,035,065)
+5.000%	£4,998,000 (£2,532,705)	£4,997,997 (£2,244,737)	£4,997,997 (£1,956,766)	£4,998,000 (£1,668,793)	£4,998,000 (£1,380,823)

Sensitivity Analysis : Assumptions for Calculation

Construction: Rate /m²
Original Values are varied by Steps of 2.500%.

Heading	Phase	Rate	No. of Steps
1 bed RL	1	£1,755.00	2.00 Up & Down
2 bed RL	1	£1,755.00	2.00 Up & Down

Sales: Sales / Unit
Original Values are varied by Steps of 2.500%.

Heading	Phase	Amount	No. of Steps
1 bed RL	1	£280,000	2.00 Up & Down
2 bed RL	1	£380,000	2.00 Up & Down

Over the past 5 years (Q1 2015 – Q1 2020), the BCIS All-in Tender Price Index shows that build costs have risen by 22.6%. Over the past 5 years, the UK House Price Index published by Land Registry demonstrates that average house prices have increased by 21.4%.

The sensitivity analyses shows 25 different results depending on different movements in core cost and GDV. The maximum contribution would be £1,272,705 assuming 5% fall in cost and 5% increase in GDV. Conversely, should costs increase by 5% and values remain static no surplus is identified. A 5% increase in cost coupled with a 5% increase in values arrives at a surplus of £120,823. This is marginally in excess of our assessment based on known values and costs at the date of assessment.

Having reviewed the sensitivity and taken a stand back approach I believe the figure identified in our report is a fair reflection of the viability of the project at the date of this assessment.

A copy of the sensitivity results are included at Appendix 6.

Appendix 6 – Sensitivity Analysis

9 Conclusion

Our Financial Viability Assessment and review of the proposed CRL development for 75 Retirement Living apartments leads us to conclude the scheme is viable and provides a small surplus for planning obligations, after accounting for the anticipated gross sales receipts and all reasonable aspects of the outlay necessary.

We trust that this Financial Viability Assessment report is suitable for your purposes but please do not hesitate to contact us if you require any further detail or information.



.....
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Appendix 1 – Location Plan

Gravesend Borough Council



LOCATION PLAN scale 1:1250

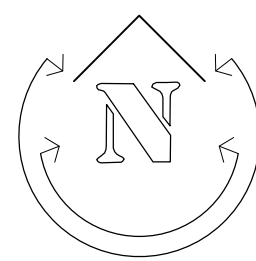
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REVISIONS

Rev.	Date	By
P1	11-04-2022	JS

SITE BOUNDARY



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Project Title
PROPOSED RETIREMENT LIVING APARTMENTS
FORMER POLICE STATION
133 WINDMILL STREET, GRAVESEND
DA12 1DB

Drawing Title
LOCATION PLAN
PLANNING

Scale 1: 1250 / 500 @ A1 Date APRIL'22
Drawn JS Checked BS
Drawing No. 20085GD_PL_012 Rev. P1

PLOT DATE: 14 April 2022

Proposed Retirement Living Apartments at 133 Windmill St, Gravesend, DA12 1DB

Appendix 2 – Proposed Site Plan and Accommodation schedule

Gravesend Borough Council

REVISIONS

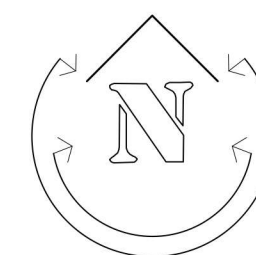
Rev.	By	Date
PI	PLANNING ISSUE	11-04-2022 JS

APARTMENTS	
1 bed	47
2 bed	28
TOTAL	75
(37.3% - 2 Bed)	

Key

- 1 bed
- 2 bed
- Communal areas

- Site boundary
- Line of existing wall
- Existing trees to be pruned back and crowns lifted (not in ownership)
- Existing tree canopies



Churchill
Retirement Living

Churchill House • 6 Chertsey Road
Byfleet • Surrey KT14 7AG
www.churchillretirement.co.uk

Telephone: (01932) 338700 Fax: (01932) 338701

planningissues
TOWN PLANNING AND ARCHITECTURE

Churchill House • Christchurch Road
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Project Title
PROPOSED RETIREMENT LIVING APARTMENTS
FORMER POLICE STATION,
WINDMILL STREET, GRAVESEND
DA12 1DB

Drawing Title
SITE PLAN
PLANNING

Scale	1: 200 @ A1	Date	APRIL'22
Drawn	JS	Checked	BS
Drawing No.	20085GD_PL_001	Rev.	PI

PLOT DATE: 12 April 2022



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Proposed Retirement Living Apartments at 133 Windmill St, Gravesend DA12 1DB

Floor	Flat No	Area		1 bed	2 bed
		m^2	ft^2		
G	1	75.8	815.9		☐
G	2	55.8	600.6	☐	
G	3	55.8	600.6	☐	
G	4	81.4	876.2		☐
G	5	75.8	815.9		☐
G	6	55.5	597.4	☐	
G	7	60.1	646.9	☐	
G	8	61.2	658.8	☐	
G	9	52.3	563.0	☐	
G	10	81.5	877.3		☐
G	11	52.0	559.7	☐	
1	12	54.8	589.9	☐	
1	13	52.5	565.1	☐	
1	14	75.8	815.9		☐
1	15	64.4	693.2	☐	
1	16	55.8	600.6	☐	
1	17	91.4	983.8		☐
1	18	75.8	815.9		☐
1	19	55.5	597.4	☐	
1	20	60.1	646.9	☐	
1	21	61.2	658.8	☐	
1	22	52.3	563.0	☐	
1	23	90.0	968.8		☐
1	24	52.0	559.7	☐	
1	25	77.6	835.3		☐
1	26	55.8	600.6	☐	
1	27	80.5	866.5		☐
2	28	54.8	589.9	☐	
2	29	52.5	565.1	☐	
2	30	75.8	815.9		☐
2	31	64.4	693.2	☐	
2	32	55.8	600.6	☐	
2	33	91.4	983.8		☐
2	34	75.8	815.9		☐
2	35	55.5	597.4	☐	
2	36	60.1	646.9	☐	
2	37	61.2	658.8	☐	
2	38	52.3	563.0	☐	
2	39	90.0	968.8		☐
2	40	52.0	559.7	☐	
2	41	77.6	835.3		☐
2	42	55.8	600.6	☐	
2	43	80.5	866.5		☐

1 Bed	47	2654.2
2 Bed	28	2286.5
		4940.7

3	44	54.8	589.9	☐	
3	45	52.5	565.1	☐	
3	46	75.8	815.9		☐
3	47	64.4	693.2	☐	
3	48	55.8	600.6	☐	
3	49	91.4	983.8		☐
3	50	75.8	815.9		☐
3	51	55.5	597.4	☐	
3	52	60.1	646.9	☐	
3	53	61.2	658.8	☐	
3	54	52.3	563.0	☐	
3	55	90.0	968.8		☐
3	56	52.0	559.7	☐	
3	57	77.6	835.3		☐
3	58	55.8	600.6	☐	
3	59	80.5	866.5		☐
4	60	54.8	589.9	☐	
4	61	52.5	565.1	☐	
4	62	83.4	897.7		☐
4	63	64.4	693.2	☐	
4	64	55.8	600.6	☐	
4	65	91.4	983.8		☐
4	66	75.8	815.9		☐
4	67	55.5	597.4	☐	
4	68	60.1	646.9	☐	
4	69	61.2	658.8	☐	
4	70	52.3	563.0	☐	
4	71	90.0	968.8		☐
4	72	55.9	601.7	☐	
4	73	77.6	835.3		☐
4	74	55.8	600.6	☐	
4	75	80.5	866.5		☐

Total	4940.7	53181.3	47	28
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56.47234

81.66071

Gravesham Borough Council

Appendix 3 – ARGUS Developer Appraisal

Gravesend Borough Council

APPRAISAL SUMMARY**ALDER KING LLP**

GRAVESEND - CRL 75x RL Apartments
100% Market Scheme
May 2022

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	m ²	Sales Rate m ²	Unit Price	Gross Sales
1 bed RL	47	2,654.20	4,958.18	280,000	13,160,000
2 bed RL	<u>28</u>	<u>2,286.50</u>	4,653.40	380,000	<u>10,640,000</u>
Totals	75	4,940.70			23,800,000

NET REALISATION**23,800,000****OUTLAY****ACQUISITION COSTS**

Residualised Price			1,265,250		1,265,250
Stamp Duty			52,762		
Effective Stamp Duty Rate		4.17%			
Agent Fee		1.00%	12,652		
Legal Fee		0.80%	10,122		
					75,537

CONSTRUCTION COSTS

Construction	m ²	Build Rate m ²	Cost	
1 bed RL	3,456.89	1,755.00	6,066,842	
2 bed RL	<u>2,977.99</u>	1,755.00	<u>5,226,371</u>	
Totals	6,434.88 m²		11,293,212	
Contingency		5.00%	631,916	
				11,925,129
Other Construction				
External works		5.00%	564,661	
Part L Uplift	75.00 un	3,000.00 /un	225,000	
Site Clearance			162,000	
Raise Levels to former Basement			94,080	
Level and Grading			116,535	
Contamination			10,000	
Piling			130,340	
S278 Works			42,500	
				1,345,116

PROFESSIONAL FEES

Other Professionals		8.00%	966,630		966,630
---------------------	--	-------	---------	--	---------

MARKETING & LETTING

Marketing		3.00%	714,000		714,000
-----------	--	-------	---------	--	---------

DISPOSAL FEES

Sales Agent Fee		2.00%	476,000		
Sales Legal Fee	75.00 un	650.00 /un	48,750		
					524,750

Additional Costs

Additional Costs - EPC			388,147		388,147
------------------------	--	--	---------	--	---------

FINANCE

GRAVESEND - CRL 75x RL Apartments

100% Market Scheme

May 2022

Timescale	Duration	Commences
Purchase	1	May 2022
Pre-Construction	6	Jun 2022
Construction	18	Dec 2022
Sale	48	Jun 2024
Total Duration	73	

Debit Rate 6.500%, Credit Rate 1.000% (Nominal)

Land	184,633	
Construction	634,046	
Other	1,016,763	
Total Finance Cost		1,835,442

TOTAL COSTS

19,040,000

PROFIT

4,760,000

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR% (without Interest)	17.14%
Profit Erosion (finance rate 6.500)	3 yrs 6 mths

GRAVESEND - CRL 75x RL Apartments
100% Market Scheme
May 2022

Detailed Cash flow Phase 1

Page A 1

Monthly B/F	001:May 2022	002:Jun 2022	003:Jul 2022	004:Aug 2022	005:Sep 2022
	0	(1,340,787)	(1,348,049)	(1,355,312)	(1,362,653)
Revenue					
Sale - 1 bed RL	0	0	0	0	0
Sale - 2 bed RL	0	0	0	0	0
Disposal Costs					
Sales Agent Fee	0	0	0	0	0
Sales Legal Fee	0	0	0	0	0
Unit Information					
1 bed RL					
2 bed RL					
Acquisition Costs					
Residualised Price	(1,265,250)	0	0	0	0
Stamp Duty	(52,762)	0	0	0	0
Agent Fee	(12,652)	0	0	0	0
Legal Fee	(10,122)	0	0	0	0
Construction Costs					
Con. - 1 bed RL	0	0	0	0	0
Con. - 2 bed RL	0	0	0	0	0
External works	0	0	0	0	0
Part L Uplift	0	0	0	0	0
Site Clearance	0	0	0	0	0
Raise Levels to former Basement	0	0	0	0	0
Level and Grading	0	0	0	0	0
Contamination	0	0	0	0	0
Piling	0	0	0	0	0
S278 Works	0	0	0	0	0
Contingency	0	0	0	0	0
Professional Fees					
Other Professionals	0	0	0	0	0
Miscellaneous Costs					
Additional Costs - EPC	0	0	0	0	0
Marketing/Letting					
Marketing	0	0	0	0	0
Net Cash Flow Before Finance	(1,340,787)	0	0	0	0
Debit Rate 6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
Credit Rate 1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
Finance Costs (All Sets)	0	(7,263)	(7,263)	(7,341)	(7,341)
Net Cash Flow After Finance	(1,340,787)	(7,263)	(7,263)	(7,341)	(7,341)
Cumulative Net Cash Flow Monthly	(1,340,787)	(1,348,049)	(1,355,312)	(1,362,653)	(1,369,994)

GRAVESEND - CRL 75x RL Apartments
100% Market Scheme
May 2022

Detailed Cash flow Phase 1

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014:Jun 2023 (4,900,938)	015:Jul 2023 (5,924,328)	016:Aug 2023 (7,012,553)	017:Sep 2023 (8,143,242)	018:Oct 2023 (9,293,031)	019:Nov 2023 (10,438,867)	020:Dec 2023 (11,558,281)	021:Jan 2024 (12,627,254)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(424,840)	(450,168)	(465,640)	(471,258)	(467,020)	(452,927)	(428,979)	(395,176)
(365,985)	(387,804)	(401,133)	(405,972)	(402,321)	(390,181)	(369,550)	(340,430)
(39,541)	(41,899)	(43,339)	(43,861)	(43,467)	(42,155)	(39,926)	(36,780)
(15,756)	(16,695)	(17,269)	(17,477)	(17,320)	(16,798)	(15,909)	(14,656)
(11,344)	(12,021)	(12,434)	(12,584)	(12,471)	(12,094)	(11,455)	(10,552)
(6,588)	(6,981)	(7,221)	(7,308)	(7,242)	(7,024)	(6,652)	(6,128)
(8,161)	(8,647)	(8,944)	(9,052)	(8,971)	(8,700)	(8,240)	(7,591)
(700)	(742)	(768)	(777)	(770)	(747)	(707)	(651)
(9,127)	(9,671)	(10,004)	(10,124)	(10,033)	(9,731)	(9,216)	(8,490)
(2,976)	(3,154)	(3,262)	(3,301)	(3,272)	(3,173)	(3,005)	(2,768)
(44,251)	(46,889)	(48,501)	(49,086)	(48,644)	(47,176)	(44,682)	(41,161)
(67,690)	(71,725)	(74,190)	(75,085)	(74,410)	(72,165)	(68,349)	(62,963)
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(996,959)	(1,056,395)	(1,092,704)	(1,105,886)	(1,095,942)	(1,062,870)	(1,006,672)	(927,347)
6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
(26,430)	(31,831)	(37,985)	(43,903)	(49,894)	(56,544)	(62,301)	(67,754)
(1,023,389)	(1,088,225)	(1,130,689)	(1,149,790)	(1,145,835)	(1,119,414)	(1,068,973)	(995,101)
(5,924,328)	(7,012,553)	(8,143,242)	(9,293,031)	(10,438,867)	(11,558,281)	(12,627,254)	(13,622,356)

GRAVESEND - CRL 75x RL Apartments
100% Market Scheme
May 2022

Detailed Cash flow Phase 1

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022:Feb 2024 (13,622,356)	023:Mar 2024 (14,521,039)	024:Apr 2024 (15,298,611)	025:May 2024 (15,931,266)	026:Jun 2024 (16,396,340)	027:Jul 2024 (14,269,099)	028:Aug 2024 (13,736,684)	029:Sep 2024 (13,210,181)
0	0	0	0	1,317,704	359,338	359,338	359,338
0	0	0	0	1,065,378	290,528	290,528	290,528
0	0	0	0	(47,662)	(12,997)	(12,997)	(12,997)
0	0	0	0	(48,750)	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(351,517)	(298,004)	(234,635)	(161,411)	0	0	0	0
(302,820)	(256,720)	(202,130)	(139,050)	0	0	0	0
(32,717)	(27,736)	(21,838)	(15,023)	0	0	0	0
(13,037)	(11,052)	(8,702)	(5,986)	0	0	0	0
(9,386)	(7,957)	(6,265)	(4,310)	0	0	0	0
(5,451)	(4,621)	(3,639)	(2,503)	0	0	0	0
(6,752)	(5,724)	(4,507)	(3,100)	0	0	0	0
(579)	(491)	(387)	(266)	0	0	0	0
(7,552)	(6,402)	(5,041)	(3,468)	0	0	0	0
(2,462)	(2,088)	(1,644)	(1,131)	0	0	0	0
(36,614)	(31,040)	(24,439)	(16,812)	0	0	0	0
(56,007)	(47,481)	(37,384)	(25,718)	0	0	0	0
0	0	0	0	(12,499)	(12,063)	(19,983)	(19,235)
0	0	0	0	(71,492)	(19,496)	(19,496)	(19,496)
(824,895)	(699,317)	(550,611)	(378,779)	2,202,678	605,310	597,390	598,138
6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
(73,788)	(78,256)	(82,044)	(86,294)	(75,438)	(72,895)	(70,887)	(67,651)
(898,683)	(777,573)	(632,655)	(465,073)	2,127,241	532,415	526,503	530,487
(14,521,039)	(15,298,611)	(15,931,266)	(16,396,340)	(14,269,099)	(13,736,684)	(13,210,181)	(12,679,694)

GRAVESEND - CRL 75x RL Apartments
100% Market Scheme
May 2022

Detailed Cash flow Phase 1

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030:Oct 2024 (12,679,694)	031:Nov 2024 (12,145,218)	032:Dec 2024 (11,607,849)	033:Jan 2025 (11,066,483)	034:Feb 2025 (10,521,117)	035:Mar 2025 (9,972,705)	036:Apr 2025 (9,421,718)	037:May 2025 (8,865,293)
359,338	359,338	359,338	359,338	359,338	358,508	359,338	359,338
290,528	290,528	290,528	290,528	290,528	289,857	290,528	290,528
(12,997) 0	(12,997) 0	(12,997) 0	(12,997) 0	(12,997) 0	(12,967) 0	(12,997) 0	(12,997) 0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
(18,486)	(17,737)	(16,989)	(16,240)	(15,492)	(14,743)	(13,995)	(13,246)
(19,496)	(19,496)	(19,496)	(19,496)	(19,496)	(19,451)	(19,496)	(19,496)
598,887	599,636	600,384	601,133	601,881	601,204	603,378	604,127
6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
(64,411)	(62,266)	(59,018)	(55,766)	(53,469)	(50,217)	(46,953)	(44,500)
534,476	537,369	541,366	545,367	548,412	550,986	556,425	559,627
(12,145,218)	(11,607,849)	(11,066,483)	(10,521,117)	(9,972,705)	(9,421,718)	(8,865,293)	(8,305,666)

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Report Date: 10/05/2022

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070:Feb 2028 3,998,666	071:Mar 2028 4,189,442	072:Apr 2028 4,380,583	073:May 2028 4,572,094
109,369 88,426	109,369 88,426	109,369 88,426	109,369 88,426
(3,956) 0	(3,956) 0	(3,956) 0	(3,956) 0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
(627)	(418)	(204)	0
(5,934)	(5,934)	(5,934)	(5,934)
187,279	187,488	187,702	187,906
6.500%	6.500%	6.500%	6.500%
1.000%	1.000%	1.000%	1.000%
3,497	3,653	3,809	0
190,776	191,141	191,511	187,906
4,189,442	4,380,583	4,572,094	4,760,000

Appendix 4 – Empty Property Costs

Gravesend Borough Council

GRAVESEND

Empty Property Costs

Retirement Living Block

Council Tax Calculation (Gravesham Council)

	Per Year	Per Month	Saleable No.	Total/month
1 bed apartment - Band C	£ 1,716.23	£143.02	47	£6,721.90
2 bed apartment - Band D	£ 1,930.76	£160.90	28	£4,505.11
			75	£11,227.01
			average per unit per month =	£149.69

Service Charge

	Per Month	Saleable No.	Total/month
1 Bed apt @ £1,950 per annum	£162.50	47	£7,637.50
2 Bed apt @ £2860 per annum	£238.33	28	£6,673.24
		75	£14,310.74
		average per unit per month =	£190.81

Monthly Budget

Month	Sales Rate %	No. of Sales	Unsold Units	Costs			Total pcm
				Service Charge	Council Tax	Electricity	
Assumed Cost per month				£191	£150	£17.50	
0			75				
1	20% at PC	15	60.0	£11,449	£0	£1,050	£12,499
2			57.9	£11,050	£0	£1,013	£12,063
3			55.8	£10,651	£8,356	£977	£19,983
4			53.7	£10,252	£8,043	£940	£19,235
5			51.6	£9,853	£7,730	£904	£18,486
6			49.5	£9,454	£7,417	£867	£17,737
7	30%	23	47.5	£9,055	£7,104	£830	£16,989
8			45.4	£8,656	£6,791	£794	£16,240
9			43.3	£8,257	£6,478	£757	£15,492
10			41.2	£7,858	£6,165	£721	£14,743
11			39.1	£7,459	£5,852	£684	£13,995
12			37.0	£7,060	£5,539	£648	£13,246
13			35.8	£6,821	£5,352	£626	£12,799
14			34.5	£6,583	£5,164	£604	£12,351
15			33.3	£6,344	£4,977	£582	£11,904
16			32.0	£6,106	£4,790	£560	£11,456
17			30.8	£5,867	£4,603	£538	£11,009
18	20%	15	29.5	£5,629	£4,416	£516	£10,561
19			28.3	£5,390	£4,229	£494	£10,114
20			27.0	£5,152	£4,042	£472	£9,666
21			25.8	£4,913	£3,855	£451	£9,219
22			24.5	£4,675	£3,667	£429	£8,771
23			23.3	£4,436	£3,480	£407	£8,324
24			22.0	£4,198	£3,293	£385	£7,876
25			20.8	£3,959	£3,106	£363	£7,429
26			19.5	£3,721	£2,919	£341	£6,981
27			18.3	£3,482	£2,732	£319	£6,534
28			17.0	£3,244	£2,545	£297	£6,086
29			15.8	£3,005	£2,358	£276	£5,639
30	20%	15	14.5	£2,767	£2,171	£254	£5,191
31			13.3	£2,528	£1,983	£232	£4,744
32			12.0	£2,290	£1,796	£210	£4,296
33			10.8	£2,051	£1,609	£188	£3,849
34			9.5	£1,813	£1,422	£166	£3,401
35			8.2	£1,574	£1,235	£144	£2,954
36			7.0	£1,336	£1,048	£123	£2,506
37			6.4	£1,224	£961	£112	£2,297
38			5.8	£1,113	£873	£102	£2,088
39			5.2	£1,002	£786	£92	£1,880
40			4.7	£890	£699	£82	£1,671
41			4.1	£779	£611	£71	£1,462
42	10%	7	3.5	£668	£524	£61	£1,253
43			2.9	£557	£437	£51	£1,044
44			2.3	£445	£349	£41	£835
45			1.7	£334	£262	£31	£627
46			1.2	£223	£175	£20	£418
47			0.6	£111	£87	£10	£209
48			0.0	-£0	-£0	-£0	-£0
		75		£216,283	£152,027	£19,836	£388,147
Av Rate of Sale		1.6	per month				

Appendix 5 – Recent Profit Levels

Gravesend Borough Council

RETIREMENT LIVING DEVELOPMENTS - LIST OF RECENT PLANNING APPLICATION WHERE VIABILITY WAS AN ISSUE

	SITE LOCATION	DEVELOPER	LOCAL AUTHORITY	PROFIT % AGREED	Planning Approval Date	COUNCIL'S CONSULTANT	No. of Apartments		Comments
1	Market Harborough	Churchill	Harborough	20.00%	Mar-18	Aspinall Verdi	38	Planning granted Total contributions agreed at £160,300	AV Report: The applicant's appraisal shows that the scheme achieves 20% profit on GDV which equates to £1,997,600. Residential developers normally expect to secure a profit on GDV between 15% and 20% depending on the nature of the proposed scheme. We consider the proposed target of 20% of GDV to be acceptable and for the purpose of our own appraisal have also applied this target profit on GDV.
2	Cockermouth	McCarthy & Stone	Allerdale	20.00%	Mar-18	Keppie Massie	40	Nil contribution for affordable housing agreed.	Keppie Massie report: In undertaking residential developments developers historically sought profit returns (inclusive of overheads) in the region of 15 to 20% of GDV. In this particular instance the Viability appraisal contains a profit (inclusive of overheads) at 20% of GDV. This is considered a reasonable level of return in this case given the characteristics of the development proposals, and in particular the fact that it is not possible to phase development to match sales rates.
3	Ashbourne	Churchill	Derbyshire Dales	20.00%	Apr-18	DVS	38	Planning granted total contributions of £144,955	DVS report: For moderate to large sized residential developments it is not uncommon for developers to state a profit figure as a certain percentage based on scheme costs or value. ... Churchill Retirement Living shows a profit on costs of 24.85% on profit on GDV of 20% (sic). ... I have chosen this profit level of 20% on GDV which equates too (sic) £1,489,599 developers profit. To demonstate viability therefore I am looking for the resdual figure for profit of a planning compliant scheme to show a profit level in excess of the rates detailed above.
4	Hythe	McCarthy & Stone	New Forest	20.00%	Apr-18	DVS	35	Agreed contribution of £46,283 for Affordable housing and s106 to be paid plus a 'top up' of £220,067 if ground rents can be charged on completion	DVS report: For private flatted schemes we would normally adopt a profit level of between 17.5% and 20%. We believe that a profit level of 20% on GDV for this scheme is reasonable taking into account the risk of this retirement living flatted scheme, which needs to be built before units can be sold with an extensive sales period, and has been adopted on other retirement schemes in the region. AK have also adopted 20%.
5	Hitchin	Churchill	North Herts	20.00%	May-18	Dixon Searle	53	Planning granted with contribution of £462,079	Profit level of 20% accepted by DSP
6	Reigate	Churchill	Reigate and Banstead	20.00%	May-18	In-house Council	31	Planning granted with AH contribution of £240,000	Profit level of 20% accepted by Reigate and Banstaed
7	Yate	Churchill	South Gloucestershire	20.00%	May-18	DVS	62	Planning granted with AH contribution of £322,671	DVS report: In modelling the development viability appraisal, I have however also included a developers return of 20% against GDV on market housing in the particualr circumstances of this case, including the additional perception of risks arising from the brownfield nature of the site and the indicated abnormal site costs. ... I am of the view that in the light of evidence available, and our own experience of development appraisals this level of developer's return represents a 'competiitive return' in this case, as described in paragraph 173 of the NPPF.
8	Bridgnorth	Churchill	Shropshire	20.00%	May-18	DVS	52	Agreed following refused planning application. Nil contribution for affordable housing.	DVS report : An allowance for developer's profit based on 20% of the gross development value has been adopted by the planning applicant's agent. In my opinion, this is not unreasonable, but does sit at the upper end of an acceptable range for a devlopment scheme of this nature.
9	Staines	Churchill	Runnymede	20.00%	Jun-18	Dixon Searle	29	Planning granted with affordable housing of £439,686	Profit level of 20% accepted by DSP.
10	Great Tattenhams	Churchill	Reigate and Banstead	20.00%	Jun-18	In-house Council	34	Planning granted with affordable housing contribution of £470,000	Reigate and Banstead accepted profit level of 20% of GDV
11	Royston	Churchill	North Herts	20.00%	Jun-18	Dixon Searle	41	Viability agreed at £315,000 for affordable housing	Profit level of 20% accepted by DSP.

12	Abergavenny	McCarthy & Stone	Monmouthshire	20.00%	Jul-18	DVS	47	Viability agreed at £231,000 for affordable housing	<i>Profit level of 20% accepted by DVS.</i>
13	Stalham	McCarthy & Stone	North Norfolk	20.00%	Jul-18	Stuart Bizley	30 (Plus 12 Bungalows)	Viability agreed at £Nil for affordable housing	<i>No specifc commentary provided on profit, but 20% not disputed by Stuart Bizley</i>
14	Bingley	McCarthy & Stone	Bradford	20.00%	Aug-18	Cushman & Wakefield	45	Affordable Housing contribution of £245,091 agreed	<i>C&W undertakes a significant number of bank funding valuations for developments to be undertaken by housebuilders and can confirm that a development which generates a profit of GDV of less than 20% is highly unlikely to be able to secure development funding. In the absence of bank funding, some housebuilders have sought funding through alternative sources, notably high net worth individuals and property investment companies. In our experience, such individuals are also unwilling to support developments which generate a profit of less than 20% of GDV. The Applicant has identified an appropriate profit level as being 20% of GDV, which we consider appropriate. We have therefore assumed a profit of 20% of GDV is required to make the scheme viable."</i>
15	Barnsley	McCarthy & Stone	Barnsley	20.00%	Aug-18	DVS	54	Nil contribution for affordable housing agreed.	
16	Cambourne	McCarthy & Stone	South Cambridgeshire	20.00%	Aug 2018 and June 2019	Bespoke	49 revised to 54	Affordable Housing contribution of £160,264 agreed	<i>The Applicant has identified an appropriate profit level as being 20% of GDV, which we consider appropriate. We have therefore assumed a profit of 20% of GDV is required to make the scheme viable."</i>
17	Knowle	Churchill	Solihull	20.00%	Sep-18	Cushman & Wakefield	30	Planning granted AH contribution of £184,870	<i>CW report: PI have allowed for a 20% return on GDV for the open market dwellings, which Cushman and Wakefield views as consistent with lender expectations concerning profit margins.</i>
18	Filey	McCarthy & Stone	Scarborough	20.00%	Sep-18	In-house Council	39 (Plus 20 Bungalows)	Total S106 contribution of £300,000 agreed.	<i>Profit level of 20% accepted.</i>
19	Waltham Abbey	McCarthy & Stone	Epping Forest	20.00%	Sep-18	Kift Consulting	52	Viability Agreed off-site contribution £437,749.	<i>Profit level of 20% accepted. Kift Consulting report stated: Current profit levels for private residential / commercial components of a scheme are likely to fall within a range of 15-20% on Gross Development Value (GDV) or 20-25% on Cost, depending on the circumstances of the proposal. Further, it is widely acknowledged following a number of Appeal decisions, which have highlighted the perception of higher risk due, in part, to the longer sales periods experienced in the retirement market to that of the general needs market that a profit margin of 20% is appropriate for this type of product</i>
20	Abingdon	Churchill	Vale of White Horse	20.00%	Oct-18	BNP Paribas	36	Planning granted with affordable housing contribution of £442,309.	<i>BNP report: We have adopted a profit rate of 20% on GDV for the market housing units to reflect the level of risk that we consider to be present in the current market.</i>
21	Shipston on Stour	Churchill	Stratford on Avon	20.00%	Oct-18	Lambert Smith Hampton	33	Total S106 contribution of £265,000 agreed.	<i>LSH Report: The overall target return has been fixed at 20% on Gross Development Value. Due to the nature of retirement housing the schemes are delivered in flatted, usually single phase projects, with inefficient net to gross floor space ratios. Usually, the entire development has to be completed and ready for occupation prior to the first sale. In addition, there is also a restricted buyers market given than age of the purchasers. The adopted developer's profit is considered reasonable.</i>
22	Burnham	Churchill	South Bucks	20.00%	Nov-18	DVS	48	Viability agreed prior to appeal (allowed) with affordable housing at £325,997	<i>20% Profit on GDV accepted by DVS</i>
23	Nuneaton	McCarthy & Stone	Nuneaton & Bedworth	20.00%	Nov-18	In-house Council	50	Nil contribution for affordable housing agreed.	<i>Viability inputs accepted including 20% profit on GDV.</i>
24	Chippenham	Churchill	Wiltshire	20.00%	Jan-19	Cushman Wakefield	46	Planning granted with affordable housing at £107,000	<i>Alder King (on behalf of Churchill Retirement Living); The profit amount is fixed at £2,324,000 representing in performace measures, 20% profit on GDV. This level of profit is the current accepted norm of the marketplace for flatted Sheltered Housing (Developers would typically seek a minimum profit level of 20% on open market GDV for a large flatted development of this nature).</i>

25	Middlewich	McC&S & Private Housing Developer	Cheshire East	20.00%	Jan-19	GeraldEve	50	Viability agreed.	<i>The Advisor has applied a profit rate of 20% profit on Gross Development Value ("GDV") for the retirement living and 18.5% for the market housing. This equates to a blended rate of 19.7% Profit on GDV. We consider this is a reasonable target profit level for a development of this nature.</i>
26	Purley (Woodcote Road)	McCarthy & Stone	Croydon	20.00%	Mar-19	BNP Paribas	26	Viability agreed prior to appeal (allowed) at £39,515.	<i>BNP: The Applicant has adopted a profit on value of 20%. We have adopted a profit rate of 20% on GDV for the market housing units to reflect the level of risk that we consider to be present in the current market. We recently experienced a range of 17% to 20% on GDV when considering developments in the London area. However, due to the uncertainty that is now apparent after the EU Referendum in the United Kingdom and potential risks associated with leaving the European Union, we consider a profit allowance of 20% on GDV to be reflective of the current market.</i>
27	Rainham	Churchill	Medway	20.00%	Apr-19	Pathfinder	54	Planning granted with affordable housing contribution of £225,000.	<i>Pathfinder: It is currently deemed likely that any private residential development proposals predicting an overhead and profit return of less than between 15% and 20% of gross development value would not be considered viable. We note the contents of the recently revised NPPF in this regard, and separately the minimum of most funders. We have therefore adopted an overhead and profit rate of 20% of gross development value for the scheme ... taking into account the levels of working capital employed before sales occur (sic) and the lengthy sales periods for such projects.</i>
28	Orpington	Churchill	Bromley	20.00%	Apr-19	Adams Integra	27	Viability agreed prior to appeal (allowed) with affordable housing of £87,615	<i>Profit level of 20% accepted by Adams Integra.</i>
29	Taunton	Churchill	Taunton Deane	20.00%	May-19	In-house Council	72	Planning granted with agreed contribution of £167,430	<i>Viability inputs accepted including 20% profit on GDV. (see notes to Oxted (32) below.</i>
30	Bitterne	Churchill	Southampton	20.00%	May-19	DVS	34	Viability agreed prior to appeal (allowed) at £104,741	<i>DVS report: In the current market a range of 15% to 20% of GDV for private residential, 6% of GDV for affordable is considered reasonable. The applicant has used a profit rate of 20% on GDV for this scheme which, whilst at the high end of the range we would expect to see, is deemed acceptable for this flatted development of retirement flats taking account of the inherent associated risks involved with this type of scheme.</i>
31	Tadley	McCarthy & Stone	Basingstoke & Deane	20.00%	May-19	Adams Integra	42	Planning awaiting determination but AH contribution of £202,326 agreed	<i>Adams Integra Report: Our experience over the last 5 years is that a typical allowance would currently be between 15% and 20% on GDV.</i> <i>The Alder King report says the following: "As such, it is the current accepted norm of the marketplace that the appropriate developer profit level for specialist retirement housing represents a minimum of 20% Profit on GDV. Recent Appeal Decisions concerning retirement housing including at Cheam and Redditch have confirmed this position.</i> <i>In respect of the separate retail/open market apartment block, we have applied a lower profit level of 18.5% on GDV to reflect the lower risk associated with a non-retirement development."</i> <i>In this case, it is our opinion this is a fair and reasonable assumption.</i>
32	Oxted	Churchill	Tandridge	20.00%	Jun-19	Adams Integra	34	Negotiations continuing but 20% profit target agreed with Adams Integra.	<i>Adams Integra: We are satisfied that a profit level of 20% of GDV for the open market units is a fair and reasonable assumption.</i>
33	Melton Mowbray	McCarthy & Stone	Melton	20.00%	Jun-19	DVS	46 (Plus 10 Bungalows)	Planning awaiting determination but AH contribution of £210,000 agreed	<i>DVS report: This is regarded to be a popular location and DVS view that the scheme will be well received, however I have examined appeal decisions on retirement schemes and agreements on this issue and recognise 20% is frequently adopted.</i> <i>An allowance for developer's profit based on 20% of the gross development value has been accepted.</i>

34	Hinckley	McCarthy & Stone	Hinckley and Bosworth	20.00%	Jun-19	Lambert Smith Hampton	57 Extra Care (Plus 16 Retirement Living Bungalows)	Total S106 contribution of £219,000 agreed.	<i>Profit level of 20% accepted by LSH.</i>
35	Hexham	McCarthy & Stone	Northumberland County Council	20.00%	Jan-20	In-house Council	43	Affordable Housing contribution of £290,250 agreed	<i>The applicants appraisal adopts a profit rate of 20% of total revenue. I consider this to be an acceptable profit level.</i>
36	Market Drayton	McCarthy & Stone	Shropshire Council	20.00%	Sep-20	RCA	53	Nil contribution for affordable housing agreed.	<i>Profit is a fixed input at 20% in the AK appraisal to take account of the higher risks associated with a Retirement Housing apartment scheme. We understand that the market for the Retirement Living apartments is a restricted one so have therefore also applied a 20% profit on GDV within our appraisal</i>
37	Maghull	McCarthy & Stone	Sefton Council	20.00%	Oct-20	CPV	44	£150,000 AH contribution agreed with GR and £38,000 without GR	<i>In our experience profit margins fluctuate depending on the nature of the scheme and the type of developer implementing the project. However, and only as a broad guide, we tend to see profit margins in the region of 15% to 20% of revenue. This range is also referred to in the Planning Practice Guidance on viability. However, it is accepted that there are a number of appeal cases where a 20% on revenue profit margin has been accepted for retirement apartment schemes (albeit we still support the principle that each site should be taken on its merits). We conclude that for this particular scheme it is reasonable to apply a 20% on revenue profit.</i>
38	Great Dunmow	McCarthy & Stone	Uttlesford District Council (UDC)	20.00%	Oct-20	Kift Consulting	29	Sec106: £404,240	<i>The latest viability guidance issued in 24/07/2018 suggests 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability. Alternative figures may be applied where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types. AK have assumed a developer's profit of 20% of GDV and this is in line with other similar retirement schemes KCL has recently validated. It is also in line with a number of Planning Inspector decisions who have recognised that the return on risk is higher and have allowed 20% profit on retirement living schemes.</i>
39	Woodhall Spa	McCarthy & Stone	East Lindsey District Council	20.00%	Dec-20	CPV	49 retirement bungalows	9 onsite AH units	<i>AK apply a 20% profit to the market value units... On balance, and having considered the nature of the scheme, particularly this being a restricted purchaser product, we have accepted AK's allowance in our appraisal.</i>
40	Studley	McCarthy & Stone	Stratford-on-Avon District Council	20.00%	Jan-21	RCA	45	Planning granted with affordable housing amounting to £18,370.	<i>Profit is a fixed input at 20% of the GDV to take account of the higher risks associated with a retirement housing apartment scheme. We understand that the market for the retirement living apartments is a restricted one so have therefore also applied a 20% profit on GDV within our appraisal.</i>
41	Oundle	McCarthy & Stone	East Northamptonshire Council	20.00%	Awaiting Determination	Ashby House Land and Development	31	Negotiations continuing but 20% profit target agreed.	<i>Alder King has proposed a developer's profit of 20% of GDV for private sale dwellings which is acceptable. Normally in viability appraisals the acceptable levels of profit for developers are 17.5% to 20% for private salehousing and 6% for affordable housing. On a scheme of this nature and size I would advocate 20% for private sale and 6% for affordable housing.</i>
42	Warminster	McCarthy & Stone	Wiltshire Council	20.00%	Awaiting Determination	DVS	45	Negotiations continuing but 20% profit target agreed.	<i>In their report AK have suggested a developer return of 20% on GDV as appropriate. In modelling the development viability appraisal, I have also included a developer's return of 20% against GDV on market housing. I have adopted a figure at the higher end of a normally expected range as the proposed development is a 'brownfield' site, and the sales will occur only when the scheme is complete. I am of the view that in the light of evidence available, and our own experience of development appraisals this level of profit represents a 'competitive return' to the developer.</i>

Appendix 6 – Sensitivity

Gravesend Borough Council

GRAVESEND - CRL 75x RL Apartments
100% Market Scheme
May 2022

Table of Profit Amount and Land Cost

Construction: Rate /m ²					
Sales: Sales / Unit	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
-5.000%	£4,522,000 (£1,149,677)	£4,522,000 (£861,706)	£4,522,000 (£573,735)	£4,522,000 (£285,765)	£4,522,000 £13,271
-2.500%	£4,641,000 (£1,495,434)	£4,641,000 (£1,207,463)	£4,641,000 (£919,493)	£4,641,000 (£631,522)	£4,641,000 (£343,551)
0.000%	£4,759,998 (£1,841,193)	£4,760,000 (£1,553,220)	£4,760,000 (£1,265,250)	£4,760,000 (£977,279)	£4,760,000 (£689,308)
+2.500%	£4,878,997 (£2,186,950)	£4,878,997 (£1,898,980)	£4,879,000 (£1,611,007)	£4,879,000 (£1,323,036)	£4,879,000 (£1,035,065)
+5.000%	£4,998,000 (£2,532,705)	£4,997,997 (£2,244,737)	£4,997,997 (£1,956,766)	£4,998,000 (£1,668,793)	£4,998,000 (£1,380,823)

Sensitivity Analysis : Assumptions for Calculation
Construction: Rate /m²

Original Values are varied by Steps of 2.500%.

Heading	Phase	Rate	No. of Steps
1 bed RL	1	£1,755.00	2.00 Up & Down
2 bed RL	1	£1,755.00	2.00 Up & Down

Sales: Sales / Unit

Original Values are varied by Steps of 2.500%.

Heading	Phase	Amount	No. of Steps
1 bed RL	1	£280,000	2.00 Up & Down
2 bed RL	1	£380,000	2.00 Up & Down