South Cambridgeshire District Council

John Falkner school viability assessment

1. **Documents reviewed**

    1.1. S106 BA application 30/4/2016

    1.2. Viability appraisal summary 11/12/2012

    1.3. Viability appraisal summary 30/4/2016

    1.4. S106A application April 2017

2. **2012 Appraisal**

    2.1. The information provided by the applicant for the 2012 appraisal is less complete than the 2016 appraisal, however the following issues are noted:

    2.2. Land Purchase price – a value of £603,605 has been used.

    2.3. The residual value for this scheme when modelled using the V4.04 appraisal is -£522,990

    2.4. The total build costs were estimated to be £2.5M, some £490,000 less than the out turn costs.

    2.5. The developer's profit in the 2012 appraisal is £703,001

3. **2016 appraisal**

    3.1. The appraisal using the HCA DAT V4.04 model and data supplied by the applicant

    3.2. The out turn total build costs including fees are £3M, some £490,000 greater than anticipated in the 2012 appraisal.

    3.3. The finance and acquisition costs are £275k, some £138K greater than anticipated at the outset, which may be consistent with the increase in build costs.

    3.4. The appraisal using the V4.04 model gives a residual value of £2,362 and a developer's profit of £1,006,000.

4. **Viability test**

    4.1. The test for viability is that the evidence indicates that the current cost of building out the entire site (at today's prices) is at a level that would enable the developer to sell all the market units on the site (in todays market) at a rate of build out evidenced by the developer, and make a competitive return to a willing developer and a willing landowner.

4.2. The agreed land value in the original appraisal should be used, unless the site has been acquired since and evidence is provided of the purchase price. If there was no original appraisal the market value at the date of the original permission should be used.

4.3. In this case it is understood that the landowner is also the developer and has undertaken the project themselves whilst employing contractors to carry out the building work.

4.4. It is understood the scheme has been built out with 4 plots remaining to be sold as of the date of the DVS valuation (14 March 2016).

4.5. The GDV as stated in the DVS report is agreed by both parties to be £5,030,000

5. S106A application April 2017

5.1. The applicant's agent sets in a letter dated 9 February 2017 out a chronology, which includes this Officer's review of the above viability reports and valuation dated December 2016.

5.2. The letter concludes with an offer to make an affordable housing contribution of £181,518, equivalent to 60% of the increase in GDV less the increase in costs

6. Conclusion

6.1. Despite the scheme viability issues raised by the 2012 appraisal, which returned a residual value of -£522K, the scheme has been willingly developed out and is at or nearing practical completion of all units

6.2. The maximum Affordable Housing capital contribution limit has been met and the GDV has exceeded the expectations of the original appraisal

6.3. Build costs have also exceeded expectations, which has resulted in a residual value that falls below the site acquisition costs

6.4. In terms of viability, the residual value in the 2016 appraisal has improved to £2K, and the applicant has returned a greater profit from the scheme, although the scheme is still technically unviable in accordance with Para 173 of the NPPF.

6.5. Notwithstanding the commitments made in the S106 agreement, if the case were to be brought to an appeal, the applicant could have a strong argument on viability grounds for making an affordable housing contribution of no more than £181,518.

David Ousby | Housing Development Officer (Growth) 02 May 2017