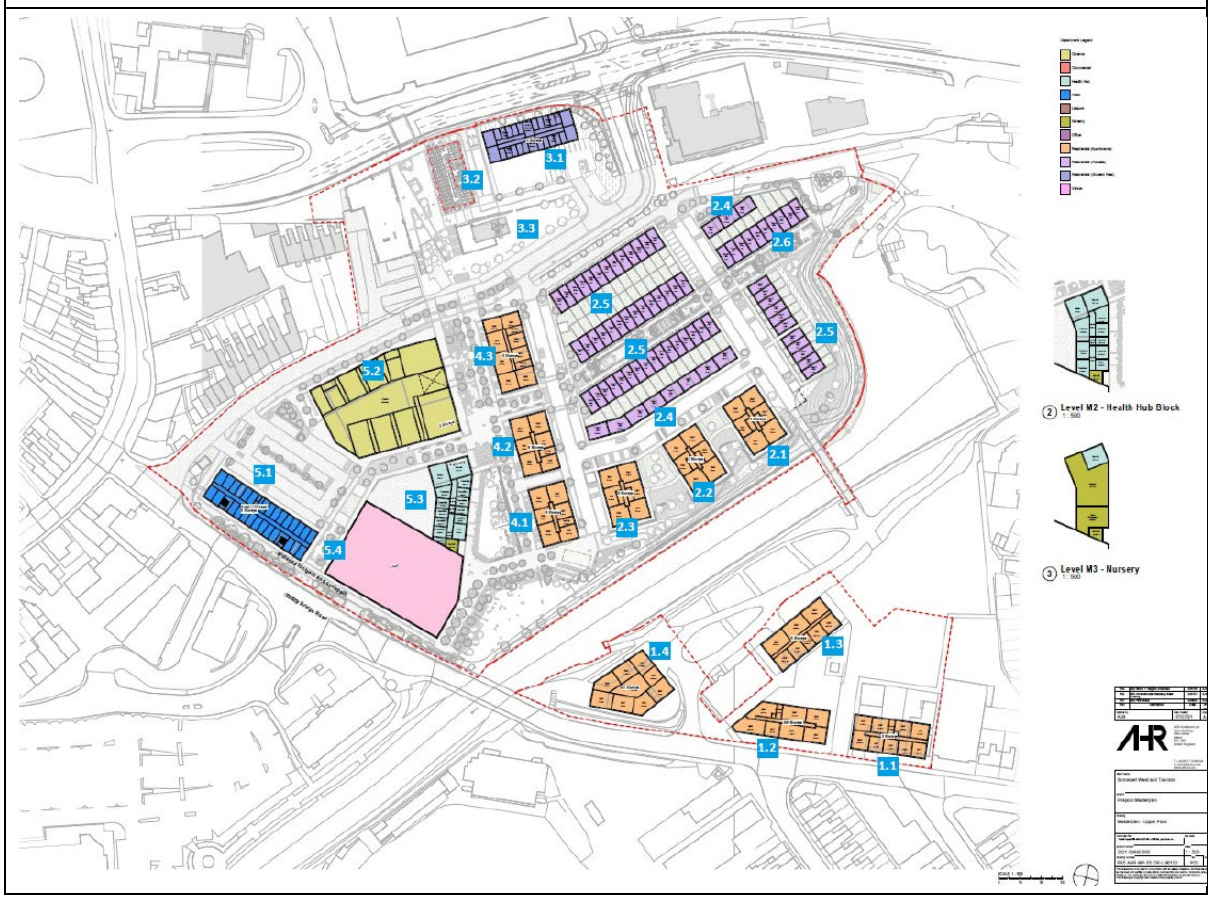
Firepool Masterplan

Scope

1.1 The purpose of this brief note is to undertake a viability assessment to support the development of the Firepool Masterplan, which, in turn is a key part of the Firepool SPD.

Figure 1.1 Firepool Masterplan Area



Source: SW Propco Ltd (September 2022)

1.2 The output will have several components:

a. A schedule of the costs – broken down by area/building.

b. A schedule of the value assumption.

c. A note of the modelling.

d. Element by element by element appraisals.

e. A combined appraisal being the bringing together the cashflows from 4 above.

f. A set of tables of Affordable Housing v Developer Contributions.

g. Testing of the impact of improvements in value (perhaps due to the wider regeneration of the area).

1.3 This report is an extension to the *Taunton Garden Town IDP, Stewardship Advice and Engagement Platform – Viability Annex* (HDH – May 2022). The methodology and assumptions are carried forward from that as appropriate.

1.4 It is important to note that this is a viability assessment for planning purposes, the aim of which is to assess the deliverability of the site, in the context of the National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG). Whilst the value and cost assumptions draw from the same evidence base as a development appraisal for commercial purposes, the requirements of the NPPF and PPG are specific and are different to the approach taken in a conventional development appraisal of the type undertaken by a commercial entity before undertaking a project.

1.5 This assessment is undertaken at September 2022 values and costs.

Compliance

1.6 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principal pieces of relevant guidance being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)* and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021).

1.7 This note is not a plan wide viability assessment as required by the NPPF or PPG to assess the deliverability of a local plan. This study is a separate piece of viability work to inform the Firepool masterplan. *Financial viability in planning: conduct and reporting. 1st edition, May 2019,* applies where the viability assessment is one of the following:

> *an assessment originated on behalf of an applicant*
>
> *an assessment produced by a reviewer (either on behalf of an LPA or by themselves)*
>
> *an area-wide viability assessment (and representations made in respect of an areawide viability evidence base before and during an examination in public) and*
>
> *an assessment that is part of a proof of evidence/ expert's report before and during an appeal or High Court case.*

1.8 Whilst this study does not fall within these definitions, HDH confirms that the May 2019 Guidance has been followed as far as is practical and proportionate.

Viability Testing

2.1 Viability testing is an important part of the planning process. The requirement to assess viability forms part of the National Planning Policy Framework (NPPF).

2.2 Over several years in the run up to this note, various national consultations have been carried out with regard to different aspects of the plan-making process. These have included

references to, and sections on, viability. The NPPF and Planning Practice Guidance (PPG) were updated in July 2018 replacing the earlier documents. The NPPF was further updated in February 2019 and again in July 2021, although the changes in these more recent iterations do not directly impact on the requirements to consider viability.

National Planning Policy Framework

2.3 Paragraph 34 of the 2021 NPPF says that Plans should set out what development is expected to provide, and that the requirement should not be so high as to undermine the delivery of the Plan.

> *Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.*

2.4 As in the 2012 NPPF (and 2018 NPPF), viability remains an important part of the plan-making process. The 2021 NPPF does not include detail on the viability process, rather stresses the importance of viability. The changes made in July 2021, do touch on matters where viability will be factor:

> *Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure. Where larger scale developments such as new settlements or significant extensions to existing villages and towns form part of the strategy for the area, policies should be set within a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery.*
>
> *2021 NPPF, Paragraph 22*
>
> *To ensure faster delivery of other public service infrastructure such as further education colleges, hospitals and criminal justice accommodation, local planning authorities should also work proactively and positively with promoters, delivery partners and statutory bodies to plan for required facilities and resolve key planning issues before applications are submitted.*
>
> *2021 NPPF, Paragraph 96*

2.5 The 2021 NPPF does not include detail on the viability process, rather stresses the importance of viability. The main change is a shift of viability testing from the development management stage to the plan-making stage.

> *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.*
>
> *2021 NPPF Paragraph 58*

2.6 Consideration has been made to the updated PPG (see below).

2.7 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2021 NPPF which includes an updated definition:

> ***Deliverable**: To be considered deliverable, sites for housing should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years. In particular:*
>
> *a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).*
>
> *b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.*
>
> *2021 NPPF Glossary*

2.8 The 2021 NPPF does not include technical guidance on undertaking viability work. This is included within the Planning Practice Guidance (PPG).

Planning Practice Guidance

2.9 The viability sections of the PPG (Chapter 10) were rewritten in 2018 (and subsequently updated). The changes provide clarity and confirm best practice, rather than prescribe a new approach or methodology. Having said this, the underlying emphasis of viability testing has changed. The, now superseded, requirements for viability testing were set out in paragraphs 173 and 174 of the 2012 NPPF which said:

> *173 ... To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.*
>
> *174 ... the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle...*

2.10 The test was whether or not the policy requirements were so high that development was threatened. Paragraphs 10-009-20190509 and 10-010-20180724 change this:

> *... ensure policy compliance and optimal public benefits through economic cycles...*
>
> *PPG 10-009-20190509*
>
> *... and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*
>
> *PPG 10-010-20180724*

2.11 The purpose of viability testing is now to ensure that '*maximum benefits in the public interest*' has been secured. This is a notable change in emphasis, albeit in the wider context of striking a balance between the aspirations of developers and landowners, in terms of returns against risk.

2.12 This viability study takes a proportionate approach to considering the cumulative impact of policies and planning obligations.

2.13 The PPG includes 4 main sections:

Section 1 - Viability and plan making

2.14 The overall requirement is that:

> *...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106...*
>
> *PPG 10-001-20190509*

2.15 This study takes a proportionate approach, building on the Council's existing evidence, and considers all the local and national policies that will apply to new development.

> *Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan. ... Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.*
>
> *PPG 10-002-20190509*

2.16 The Council's policies are tested, together with emerging national policies, to ensure that they are set at a realistic level.

> *It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.*
>
> *PPG 10-002-20190509*

2.17 Consultation has not formed part of this study. It is beyond the scope of our instructions to carry out a detailed viability consultation, having said this we have engaged with the Council in its capacity as landowner. This annex is not a plan-wide viability assessment as required by the NPPF or PPG to assess the deliverability of a Local Plan. It is a separate piece of viability work to inform the Firepool Masterplan.

> *Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.*
>
> *PPG 10-002-20190509*

2.18 The modelling in this assessment is based on the current iteration of the Firepool Masterplan. This may be subject to further change so, in due course, it may be necessary to revisit this should the scheme alter substantially.

> *Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Plan makers may wish to consider different potential policy requirements and assess the viability impacts of these. Plan makers can then come to a view on what might be an appropriate benchmark land value and policy requirement for each typology.*
>
> *PPG 10-004-20190509*

2.19 This study draws on a wide range of data sources.

Section 2 - Viability and decision taking

2.20 It is beyond the scope of this study to consider viability in decision making.

Section 3 - Standardised inputs to viability assessment

2.21 The general principles of viability testing are set out under paragraph 10-010-20180724 of the PPG.

> *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. ...*
>
> *... 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.*
>
> *PPG 10-010-20180724*

2.22 This report sets out the approach, methodology and assumptions used. These have been subject to consultation and have drawn on a range of data sources. Ultimately, the Council will use this report to consider strategies for delivering this site.

> *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.*
>
> *PPG 10-011-20180724*

2.23 The residential values have been established using data from the Land Registry and other sources. These have been averaged as suggested. The initial assumptions do not take into

account any enhanced values that may derive from the regeneration of the area, although sensitivity testing is carried out in this regard.

2.24 PPG paragraph 10-012-20180724 lists a range of costs to be taken into account.

- *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*

2.25 All these costs are taken into account.

2.26 The PPG then sets out how land values should be considered, confirming the use of the Existing Use Value Plus (EUV+) approach.

> *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. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).*
>
> *PPG 10-013-20190509*

2.27 The PPG goes on to set out:

> *Benchmark land value should:*
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*
> - *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*
>
> *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*
>
> *In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.*
>
> *PPG 10-014-20190509*

2.28 The approach adopted in this study is to start with the EUV. The 'plus' element is informed by the price paid for policy compliant schemes to ensure an appropriate landowners' premium.

> *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.*
>
> *PPG 10-015-20190509*

2.29 This report has applied this methodology to establish the EUV. Having said this it is important to note that the site is controlled by the Council, albeit through a wholly owned development company, so the Council may choose to make the site available for less than market value in order to achieve their wider priorities.

2.30 The PPG sets out an approach to the developers' return:

> *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.*
>
> *PPG 10-018-20190509*

2.31 As set out in Chapter 6 below, this approach is followed. As mentioned above, the site is controlled by the Council through a wholly owned development company, so the Council may chose to accept a lower return in order to achieve their wider priorities.

Section 4 - Accountability

2.32 This section of the PPG sets out requirements on reporting. In line with paragraph 10-020-20180724 of the PPG that says that 'practitioners should ensure that the findings of a viability assessment are presented clearly. The final section of this report is written as a standalone non-technical summary that brings the evidence together.

Community Infrastructure Levy Regulations and Guidance

2.33 The Council has adopted CIL but this would not apply to this site. In any event, the CIL Regulations are broad, so it is necessary to have regard to them and the CIL Guidance (which is contained within the PPG) when undertaking any plan-wide viability assessment and considering the deliverability of development.

2.34 The CIL Regulations came into effect in April 2010 and have been subject to subsequent amendment. From April 2015, councils were restricted in pooling S106 contributions from more than five developments[1] (where the obligation in the s106 agreement / undertaking is a reason for granting consent). The CIL Regulations were amended from September 2019 lifting these restrictions however payments requested under the s106 regime must still be (as set out in CIL Regulation 122):

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.

Methodology

3.1 This report follows the Harman Guidance. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

[1] CIL Regulations 123(3)

Gross Development Value

(The combined value of the complete development)

LESS

Cost of creating the asset, including a profit margin

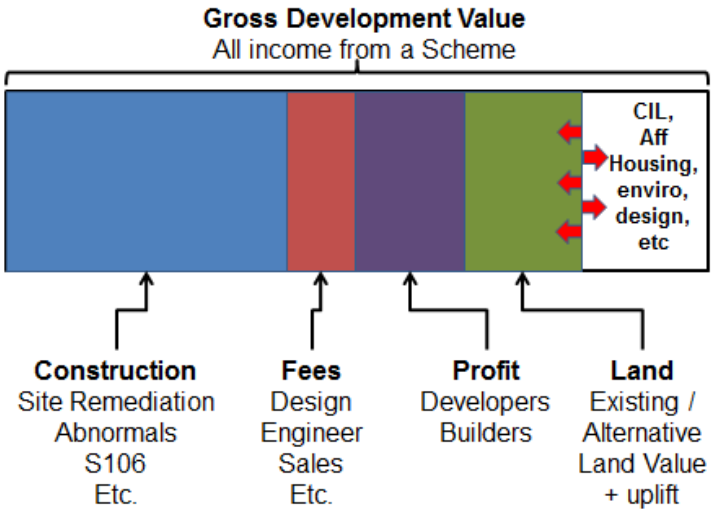
(Construction + fees + finance charges)

=

RESIDUAL VALUE

3.2 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory return (i.e. profit).

3.3 In the following graphic, the bar illustrates all the income from a scheme. This is set by the market (rather than by the developer or local authority). Beyond the economies of scale that larger developers can often enjoy, the developer has relatively little control over the costs of development, and whilst there is scope to build to different standards the costs are largely out of the developer's direct control – they are what they are.



3.4 The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions a planning authority asks for, the less the developer can afford to pay for the land. The purpose of this assessment is to quantify the costs of the Council's policies (including CIL), to assess the effect of these, and then make a judgement as to whether or not land prices are reduced to such an extent that the Plan is not deliverable.

3.5 The land value is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where

an informed assumption has to be made about the 'uplift' above the EUV which would make the landowner sell. In this assessment, it important to note that the site is controlled by the Council, albeit through a wholly owned development company, so the Council may choose to make the site available for less than market value in order to achieve their wider priorities.

3.6 This study is not trying to mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the 2021 NPPF and CIL Regulations.

The meaning of Landowner Premium

3.7 The phrase *landowner premium* is new in the updated PPG. Under the 2012 NPPF, and the superseded PPG, the phrase *competitive return* was used. The 2012 RICS Guidance included the following definition:

> ***Competitive returns** - A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.*

3.8 Whilst this is useful it does not provide guidance as to the size of that return. The updated PPG says:

> *Benchmark land value should:*
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*
> - *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*
>
> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*
>
> *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*
>
> *In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.*

PPG 10-014-20190509

3.9 The term *landowner's premium* has not been defined through the appeal, Local Plan examination or legal processes. *Competitive return* was considered at the Shinfield Appeal (January 2013)[2] and the case is sometimes held up as a firm precedent, however, as confirmed in the Oxenholme Road Appeal (October 2013)[3], the methodology set out in Shinfield is site specific and should only be given limited weight. Further clarification was provided in the Territorial Army Centre, Parkhurst Road, Islington appeal (June 2017)[4], which has subsequently been confirmed by the High Court[5]. The level of return to the landowner is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.

Existing Available Evidence

3.10 The 2021 NPPF, the PPG, the CIL Regulations and CIL Guidance are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. The evidence that is available from the Council has been reviewed. This is evidence which has been prepared earlier in the plan-making process and to inform the wider plan-making process.

a. *Viability Study – Site Allocations and Development Management Document* (Three Dragons, January 2015)

b. *Community Infrastructure Levy Viability Appraisal* (Three Dragons and Roger Tym & Partners, June 2012)

3.11 Whilst both of these are a little historic, they were subject to independent examination. On this basis, it is clear that the existing viability evidence is sound and is the appropriate starting point for this study.

3.12 This note is an extension to the *Taunton Garden Town IDP, Stewardship Advice and Engagement Platform – Viability Annex* (HDH – May 2022). The methodology and assumptions are carried forward from that as appropriate.

Viability Process

3.13 The assessment of viability as required under the 2021 NPPF and the CIL Regulations is a quantitative and qualitative process. The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of typologies, and the Strategic Sites, and using these to assess whether development, generally, is viable. The typologies were modelled based on discussions with Council officers,

[2] APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

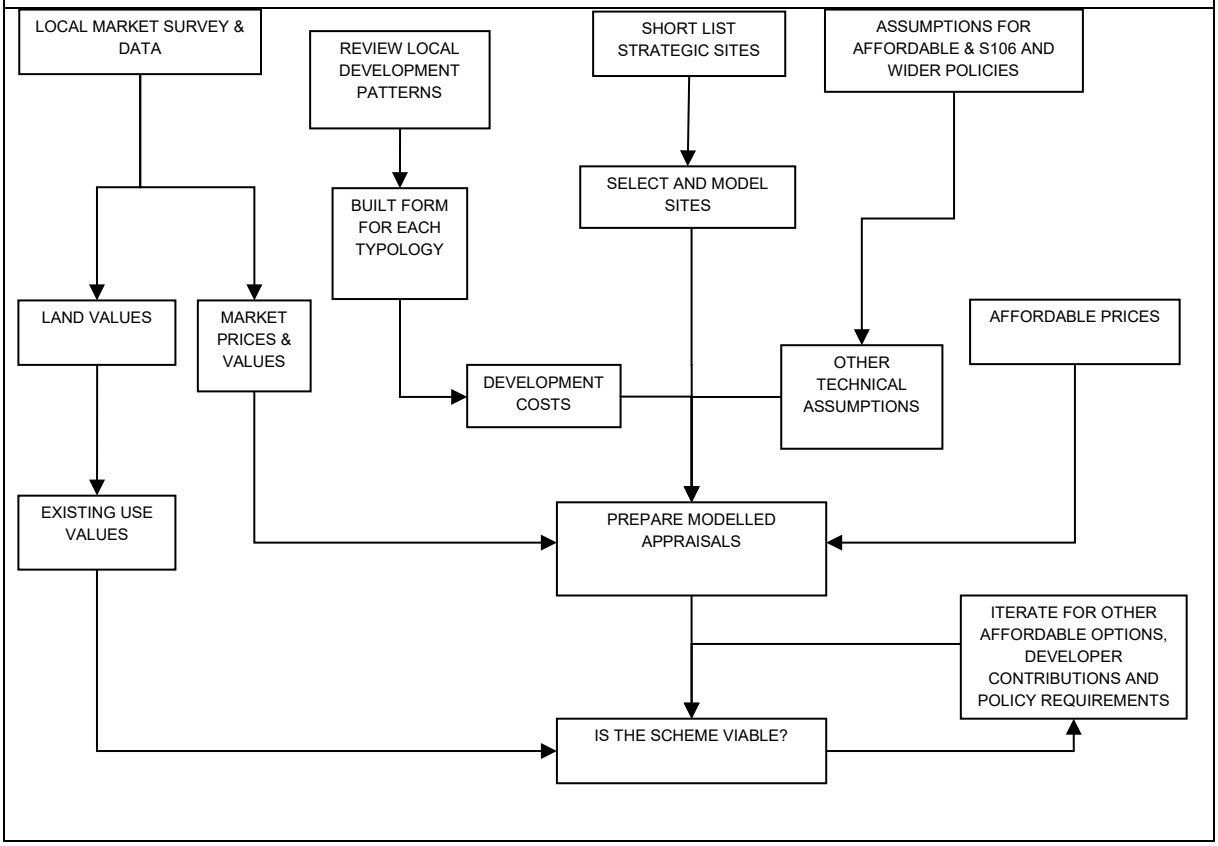
[3] APP/M0933/ A/13/ 2193338 (Land to the west of Oxenholme Road, Kendal, Cumbria)

[4] APP/V5570/W/16/3151698 (Former Territorial Army Centre, Parkhurst Road, Islington, London, N7 0LP)

[5] Parkhurst Road Limited v Secretary of State for Communities and Local Government and The Council of the London Borough of Islington [2018] EWHC 991 (Admin)

the existing available evidence supplied to us by the Council, and on our own experience of development. Details of the modelling are set out in Chapter 9 below. This process ensures that the appraisals are representative of typical development in the Council area over the plan-period.

Figure 3.1 Viability Methodology



Source: HDH 2022

3.14 The Firepool Site is modelled as set out in Section 8 below.

3.15 The local housing markets were surveyed to obtain a picture of sales values. Land values were assessed to calibrate the appraisals and to assess EUVs. Local development patterns were considered, to arrive at appropriate built form assumptions. These in turn informed the appropriate build cost figures. Several other technical assumptions were required before appraisals could be produced. The appraisal results were in the form of £/ha 'residual' land values, showing the maximum value a developer could pay for the site and still make an appropriate return. The Residual Value was compared to the EUV for each site. Only if the Residual Value exceeded the EUV, and by a satisfactory margin (the Landowners' Premium), could the scheme be judged to be viable. The amount of margin is a difficult subject, it is discussed, and the approach taken in this study is set out, in the later parts of Chapter 6 below.

3.16 The appraisals are based on existing and emerging policy options as summarised in Section 7 below. The preparation of draft policies within the Local Plan Review is still ongoing, so the policy topics used in this assessment may be subject to change. For appropriate sensitivity

testing, a range of options are tested. If the Council allocates different types of site, or develops significantly different policies to those tested in this study, it may be necessary to revisit viability and consider the impact of any further or different requirements.

3.17 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing is used, as required by the 2021 NPPF and CIL Regulations[6]. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality, and to provide high level advice to assist the Council in assessing the deliverability of the masterplan.

Residential Market

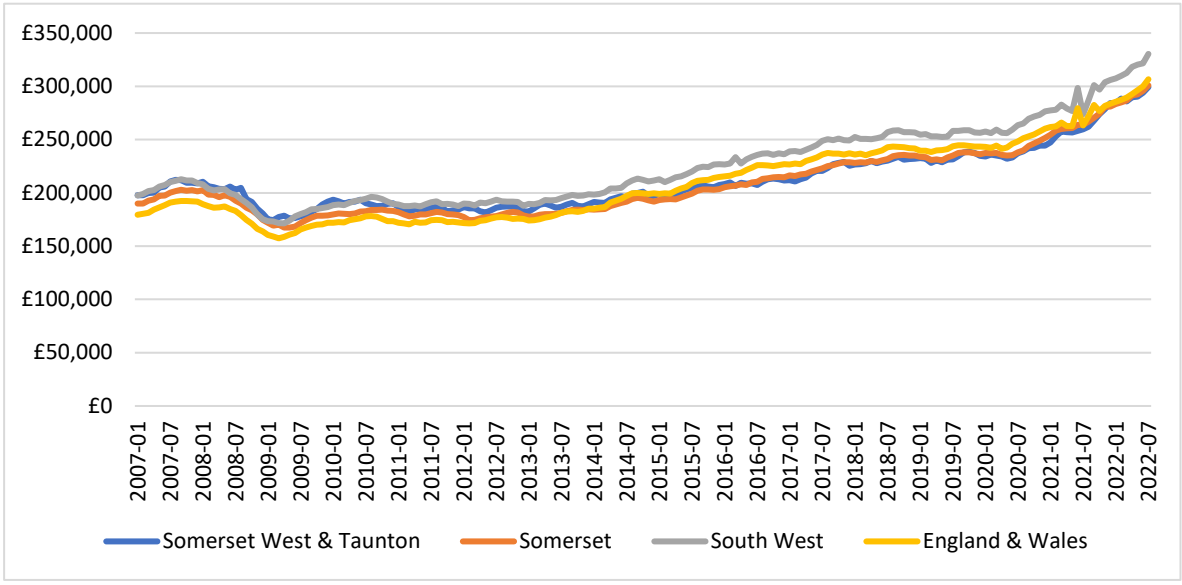
4.1 This chapter sets out an assessment of the housing market, providing the basis for the assumptions on house prices. The study is concerned not just with the prices but the differences across Taunton. Market conditions will broadly reflect a combination of national economic circumstances, and local supply and demand factors, however, even within the town there will be particular localities, and ultimately, site-specific factors, that generate different values.

4.2 The Taunton housing market reflects national trends, but there are local factors that underpin the market including:

4.3 The housing market peaked early in August 2007 and then fell considerably in the 2007/2009 recession during what became known as the 'Credit Crunch'. Locally, average house prices in the area did not recover to their pre-recession peak until September 2016 but are now about 41% above the 2007 peak. These increases are substantial but are less than those seen across England and Wales (60%) over the same period.

[6] This Viability Model is used as the basis for the Planning Advisory Service (PAS) Viability Workshops. It is made available to Local Authorities, free of charge, by PAS and has been widely used by Councils across England. The model includes a cashflow so that sales rates can be reflected.

Figure 4.1 Average House Prices (£)



Source: Land Registry (September 2022). Contains public sector information licensed under the Open Government Licence v3.0.

4.4 The average prices in the Council area are similar to the regional and national average.

4.5 The rise in house prices over the last 12 or so years has, at least in part, been enabled by the historically low mortgage rates offered to home buyers. In addition, the housing market is to be actively supported by the Government through products and initiatives such as Help-to-Buy. A Stamp Duty 'holiday' was introduced to support prices during the COVID-19 pandemic, although this was phased out between July and October 2021. Stamp duty rates were again reduced for properties at the lower end of the market and for first time buyers in the September 2022 'mini-budget.

4.6 There is a degree of uncertainty in the housing market as reported by the RICS. The September 2022 RICS UK Residential Market Survey[7] said:

> *Sales market continues to lose momentum amid deteriorating macro conditions*
>
> - *New buyer enquiries fall for a fifth month in succession*
> - *Indicators on new instructions and agreed sales also remain negative*
> - *Limited supply supporting a modest rise in prices for now, although the pace of growth has faded markedly in the latest results*
>
> *The September 2022 RICS UK Residential Survey results remain indicative of the sales market losing momentum, with the outlook for interest rates and the uncertain macro picture more broadly taking a toll on activity. Indeed, at least in terms of the initial reaction, the impact from the expected rise in mortgage rates over the coming six months is anticipated to outweigh any potential boost from the recently announced cut to Stamp Duty. For the time being, house prices are still edging higher across the country, underpinned by the lack of stock available.*

[7] https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/

Nevertheless, the pace of growth has moderated noticeably according to the latest survey feedback, while twelve-month expectations have now turned negative.

Looking at new buyer demand, an aggregate net balance of -36% of respondents cited a fall in enquiries during September (compared to a figure of -38% last time). As such, buyer enquiries have now fallen in each of the last five months, with all regions/countries of the UK now seeing a downward trend coming through.

At the same time, new instructions also remain in decline, evidenced by a net balance reading of -13% being returned over the latest survey period (little changed from a value of -15% posted last month). As a result, stock levels are still at historic lows at the UK-wide level, with estate agents (on average) holding just 34 residential properties on their books. Moreover, given the fact that the net balance for market appraisals slipped to -20% (down from -3% in the previous iteration of the survey), it suggests that the pipeline for supply has if anything deteriorated over the past month.

For agreed sales, the latest headline net balance of -27% is consistent with a continued pull-back in sales volumes over the month. Furthermore, the September figure represents the softest reading for this series since May 2020, having fallen deeper into negative territory for five months in succession. Looking ahead, near-term sales expectations remain comfortably negative, returning a net balance of -30% this month, which is slightly down on -26% posted last time. At the twelve-month time horizon, a headline net balance of -39% of survey participants envisage sales levels diminishing across the market, albeit this is marginally less downbeat than the reading of -45% seen previously.

With respect to house prices, although the latest national net balance of +32% is indicative of a continued increase in prices over the three months to September, it does represent a noteworthy easing in the pace of growth (down from a read of +51% beforehand). What's more, this measure has moderated sequentialy in each report since April 2022, softening from a net balance of +78% five months ago. When disaggregated, the feedback around prices remains in expansionary territory across all parts of the UK but, in each case, the latest results point to a significant easing in the pace of growth.

Going forward, twelve-month price expectations have now turned negative, with respondents citing the expected further substantial rises in mortgage rates as a factor putting pressure on the market over the year ahead. At the national level, a net balance of -18% of respondents now foresee a dip in prices over the coming twelve months, down from a reading of +3% last time out.

In the lettings market, tenant demand picked-up according to a net balance of +42% of contributors (part of the non-seasonally adjusted monthly lettings dataset). At the same time, a net balance of -13% of respondents reported a further fall in landlord instructions, which is identical last month's reading. As a result, near-term expectations point to further strong growth in rental prices over the coming three months, albeit the latest reading is slightly more modest in comparison to that seen a couple of months prior (net balance 44% vs +58% back in July).

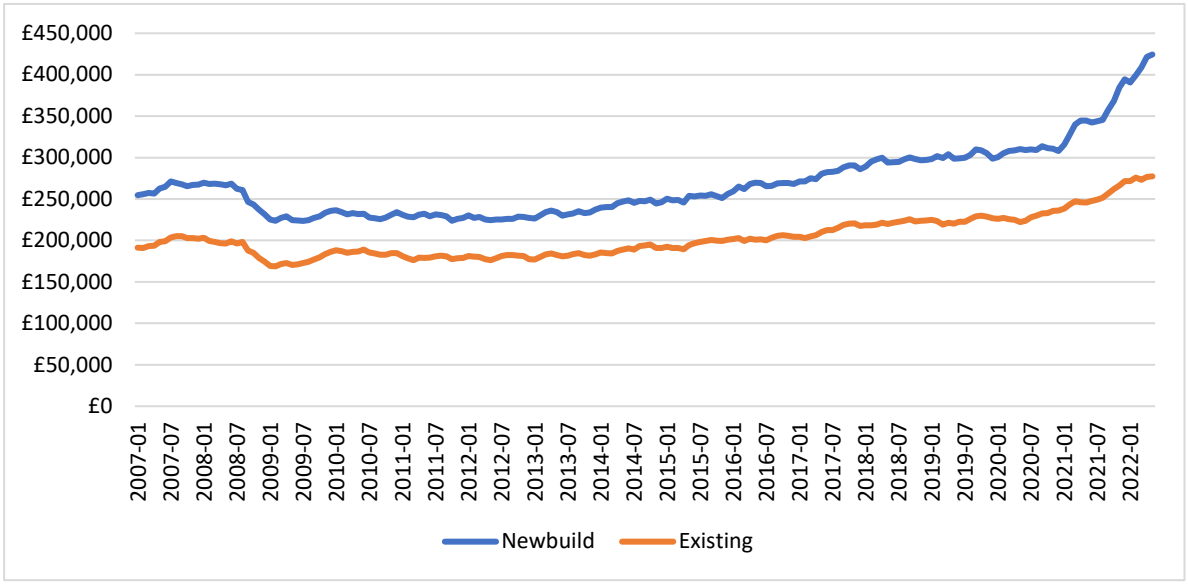
4.7 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for SW&T is 177th (out of 331) at £300,173[8]. To set this in context, the Council at the middle of the rank (164th – Stockport), has an average price of £311,485. The SW&T median price is lower than the average at £257,750[9].

[8] Mean house prices for administrative geographies: HPSSA dataset 12 (Release 14th September 2022).

[9] Median house prices for administrative geographies: HPSSA dataset 9 (Release 14th September 2022)

4.8 This study concerns new homes. The figure above shows that prices in the Council area have seen a significant recovery since the bottom of the market in 2009. Newbuild homes have increased more rapidly than existing homes.

Figure 4.2 Change in House Prices. Existing v Newbuild – Somerset West and Taunton

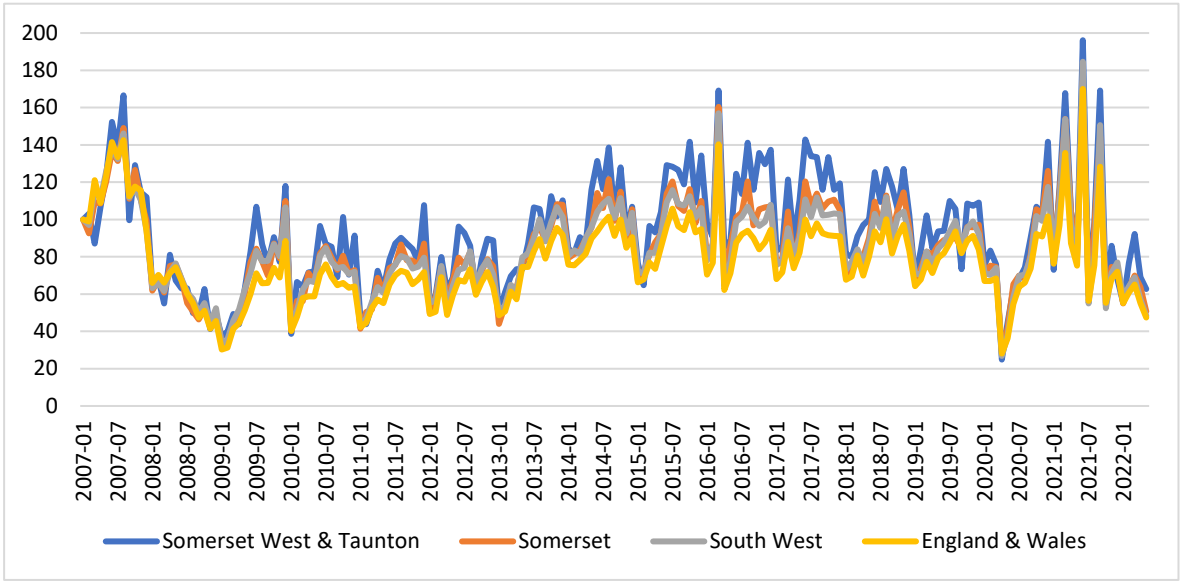


Source: Land Registry (February 2022). Contains public sector information licensed under the Open Government Licence v3.0.

4.9 The Land Registry shows that the average price paid for newbuild homes in SW&T (£425,384) is 53% more than the average price paid for existing homes (£277,350).

4.10 The rate of sales (i.e. sales per quarter) in the area is a little greater than the wider country, suggesting that the local market is an active market.

Figure 4.3 Sales per Month – Indexed to January 2007



Source: Land Registry (February 2022). Contains public sector information licensed under the Open Government Licence v3.0.

4.11 This report is being completed following the COVID-19 pandemic, after the United Kingdom has left the European Union and during following Russia's invasion of Ukraine – all of which impact on the wider economy. Additionally as this assessment was being taken the Government set out a 'mini-budget'[10]. Whilst the details of this are still emerging, the stated aim of this is to boost the economy. The mini-budget included announcement in relation to Stamp Duty Land Tax and the planning system. The commentary on the provision has been mixed, with some welcoming its provisions and others raising concerns about inflation. The mini-budget has been taken by many to be the catalyst for a fall in the value of the pound. It is not possible to predict the impact of these, however the UK economy is in a period of uncertainty.

4.12 A range of views as to the impact on house prices have been expressed that cover nearly the whole spectrum of possibilities. HM Treasury brings together some of the forecasts in its monthly *Forecasts for the UK economy: a comparison of independent forecasts* report.

[10] 23rd September 2022

Table 4.1 Consolidated House Price Forecasts

Table 2 - 2022: Growth in prices and monetary indicators (% change)

Forecasters and dates of forecasts			CPI (Q4 on Q4 year ago, %)	RPI (Q4 on Q4 year ago, %)	Average earnings	Sterling index (Jan 2005=100)	Official Bank rate (level in Q4, %)	Oil price (Brent, $/bbl)	Nominal GDP	House price inflation (Q4 on Q4 year ago, %)	
City forecasters											
Bank of America - Merrill Lynch	Oct		3.1	3.9	-	-	0.3	-	-	-	
Barclays Capital	Aug	*	8.0	10.8	-	-	2.0	111.0	-	-	
Bloomberg Economics	Feb		5.0	-	-	-	1.0	-	-	-	
Capital Economics	Jun		10.4	11.9	7.4	81.2	2.3	100.0	-	8.0	
Citigroup	Feb		5.0	5.8	4.4	-	1.0	-	-	5.6	
Credit Suisse	Jul		9.5	-	-	-	2.3	-	-	-	
Daiwa Capital Markets	Feb		4.6	-	4.0	85.0	1.3	85.0	-	5.0	
Deutsche Bank	Aug	*	12.4	15.4	-	-	2.5	-	-	-	
Goldman Sachs	Mar		8.3	-	-	-	1.8	125.7	6.9	-	
HSBC	Jun		9.3	11.5	4.5	-	1.5	-	-	-	
JP Morgan	Jul		8.6	-	-	-	2.3	-	-	-	
Morgan Stanley	Dec		2.7	3.9	-	-	0.8	-	-	-	
Natwest Markets	Aug	*	11.8	14.3	5.7	-	3.0	100.0	-	-	
Nomura	Aug	*	12.4	-	-	-	2.5	-	-	-	
Pantheon	Aug	*	12.6	15.3	5.0	-	2.3	-	-	4.2	
Schroders Investment Management	Dec		1.6	3.5	3.5	-	0.5	-	9.2	2.2	x
Societe Generale	Aug	*	10.8	13.8	6.0	-	2.5	-	-	-	
UBS	Jun		8.6	10.5	6.0	-	1.5	-	6.9	-	
Non-City forecasters											
British Chambers of Commerce	Jul		10.0	-	4.0	-	-	-	-	-	
Beacon Economic Forecasting	Aug	*	10.7	12.1	6.2	79.9	2.00	103.4	11.1	12.2	
CBI	Aug	*	8.3	8.7	5.5	83.6	1.75	100.8	9.1	9.2	
CEBR	Jul		10.7	11.0	5.2	81.0	1.92	-	-	-1.5	
Economic Perspectives	Aug	*	10.5	11.5	6.5	78.0	2.25	106.0	8.5	5.3	
Experian Economics	May		9.0	11.0	5.0	87.8	1.25	108.0	3.1	2.2	
EIU	Jul		7.8	-	-	-	2.00	-	-	-	
Heteronomics	Aug	*	9.7	12.7	7.5	79.9	2.5	108.0	-	7.7	
ICAEW	Jul		10.5	-	-	-	2.3	-	-	-	
ITEM Club	Aug	*	10.1	13.1	4.1	-	1.9	-	-	5.5	
Kern Consulting	Jun		8.2	-	5.1	-	2.3	115.0	-	-	
Liverpool Macro Research	Aug	*	8.6	-	7.3	78.6	2.0	-	-	-	
NIESR	Aug	*	10.8	17.7	6.1	-	2.4	-	-	6.2	
Oxford Economics	Aug	*	11.5	14.2	5.5	78.7	2.5	105.4	8.7	7.3	
OECD	Jun		8.8	-	-	-	-	-	-	-	-
IMF	Apr		7.4	-	-	-	-	-	-	-	-
Average of forecasts made in the last 3 months (excludes OBR forecasts)											
Independent			10.1	12.8	5.7	80.1	2.18	105.5	8.9	6.4	
New (marked *)			10.6	13.3	5.9	79.8	2.29	104.9	9.4	7.2	
City			10.4	12.9	5.8	81.2	2.23	103.7	6.9	6.1	
Range of forecasts made in the last 3 months (excludes OBR forecasts)											
Highest			12.6	17.7	7.5	83.6	3.00	115.0	11.1	12.2	
Lowest			7.8	8.7	4.0	78.0	1.50	100.0	6.9	-1.5	
Median			10.2	12.4	5.7	79.9	2.25	105.4	8.7	6.7	
OBR	Mar		8.7	11.0	5.3	82.5	1.1	94.0	6.7	4.3	

Source: Forecasts for the UK economy: a comparison of independent forecasts No 421(HM Treasury, August 2022)

4.13 Property agents Savills are forecasting the following changes in house prices.

Table 4.2 Savills Residential Price Forecasts						
	2022	2023	2024	2025	2026	5 Year
Mainstream UK	7.5%	-1.0%	3.0%	3.5%	3.5%	17.4%
South West	7.5%	-1.5%	3.0%	3.5%	3.5%	16.8%
Outer Prime London	5.0%	3.0%	1.0%	2.0%	2.0%	13.6%

Source: Savills Mainstream House Price Forecasts (July 2022)[11] and Savills Spotlight: Prime Residential Property Forecasts[12]

4.14 In this context it is relevant to note that the Nationwide Building Society reported in August 2022:

Annual house price growth slows but remains in double digits

- *Annual UK house price growth slowed to 10.0% in August, from 11.0% in July*
- *Prices up 0.8% month-on-month after taking account of seasonal effects*
- *Average house price rises by almost £50,000 in two years*

Headlines	Aug-22	Jul-22
Monthly Index*	543.3	539.1
Monthly Change*	0.8%	0.2%
Annual Change	10.0%	11.0%
Average Price (not seasonally adjusted)	£273,751	£271,209

** Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)*

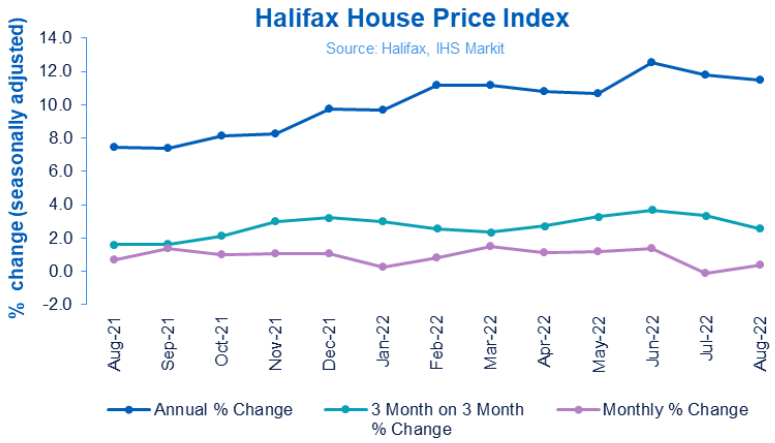
4.15 Similarly, the Halifax Building Society reported in August 2022:

Average house price edges higher – but rate of annual growth slows again

- *House prices increased by +0.4% in August (vs -0.1% in July)*
- *Annual rate of growth eased to +11.5% (from +11.8%)*
- *A typical UK property now costs a record £294,260*
- *Wales still showing the strongest annual growth in the UK • London records highest annual house price inflation in six years*

[11] UK-Mainstream-House-Price-Forecasts.pdf (savills.com)

[12] Savills UK | Spotlight: Prime Residential Property Forecasts – August 2022



4.16 There is clearly uncertainty in the market, and the very substantial growth reported over the last few years seems unlikely to continue. This report is carried out at current values. Sensitivity testing has been carried out.

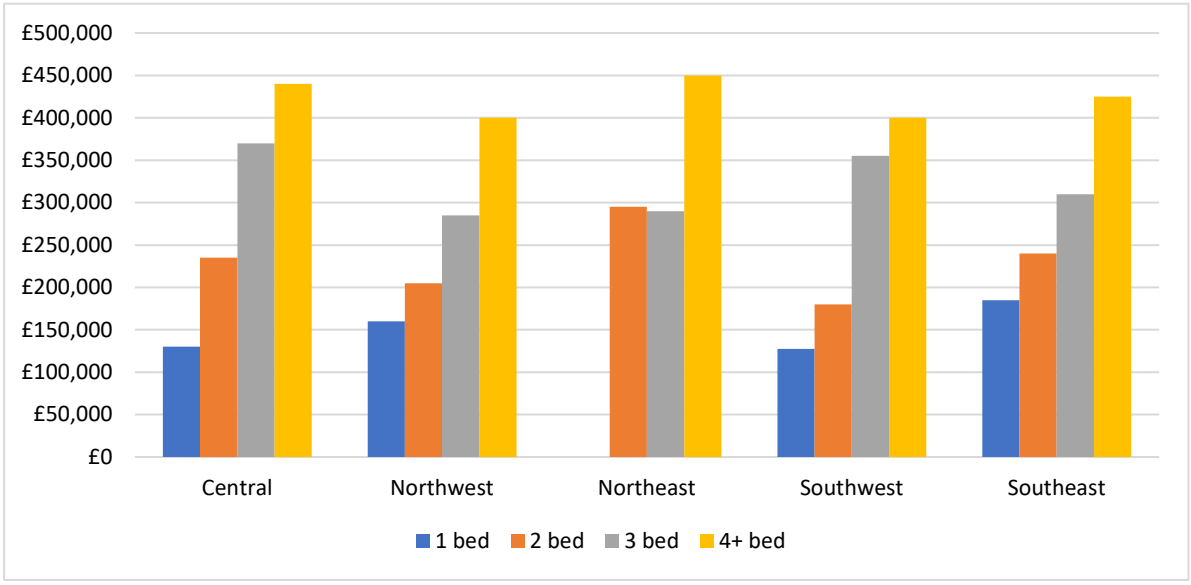
The Local Market

4.17 A survey of asking prices, across Taunton, was carried out in January 2022 and updated in September 2022 when values in the town centre were examined in more detail. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

4.18 In this survey the values are based on the following areas:

- Town centre – the area to the south of the railway, west of the A38/A358 Critchard Way, north of the A3027/A38 Fore Street / East Reach and east of Staplegrove Road. Firepool is within this area.
- Northwest The area to the north of the railway line and including Priorswood.
- Northeast The area to the north of the railway line including Monkton Heathfield.
- Southwest The area to the south of the railway line and to the west of the Honiton / Trull Road.
- Southeast The area to the south of the railway line and to the east of the Honiton / Trull Road.

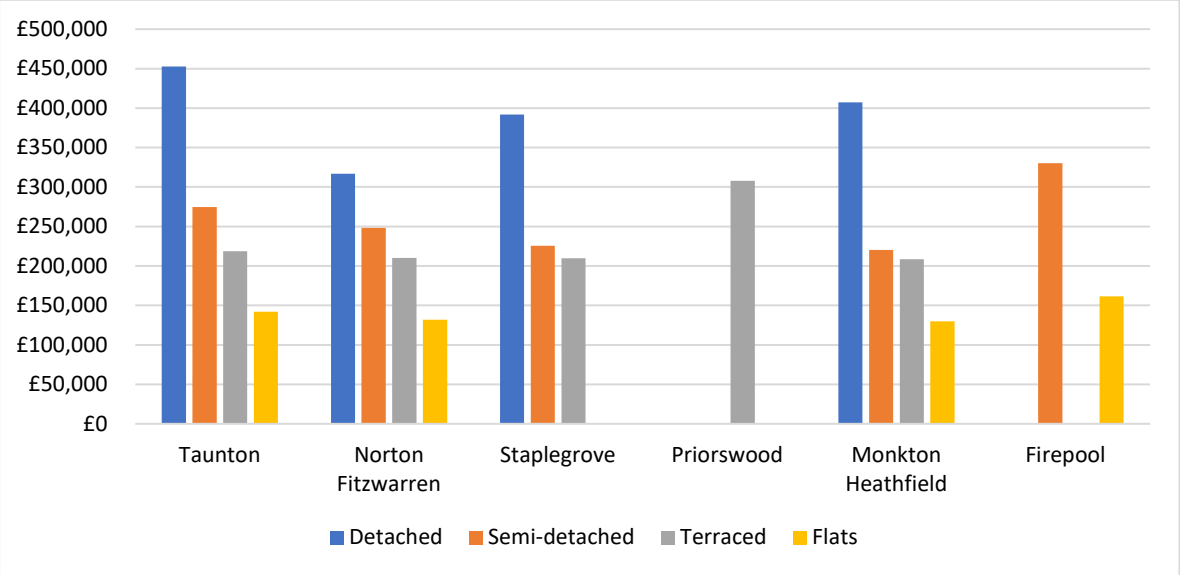
Figure 4.4 Median Asking Prices (£)



Source: Rightmove.co.uk (February 2022)

4.19 The above data are asking prices which reflect the seller's aspiration of value, rather than the actual value, they are however a useful indication of how prices vary across areas.

Table 4.3 Average Sale Values last 12 months				
	Detached	Semi-detached	Terraced	Flats
Taunton	£452,757	£274,654	£218,613	£142,150
Norton Fitzwarren	£316,812	£248,125	£210,293	£131,769
Staplegrove	£391,891	£225,500	£209,636	
Priorswood			£308,000	
Monkton Heathfield	£407,222	£220,330	£208,579	£130,000
Firepool		£330,000		£161,500



Source: Zoopla (February 2022)

4.20 As part of the research, we have used data from the Land Registry which publishes the price paid for residential properties. We have married this price paid data with the floor area from the Energy Performance Certificate database and derived the value of each new home sold on a £/m^2 basis.

4.21 The research carried out in February 2022 included the records of just over 330 newbuild sales since November 2018. Of these, floor areas are available for 316 sales.

Table 4.4 Average Price Paid from January 2020 - £					
		Detached	Flat	Semi-detached	Terraced
Northeast	**Count**	**29**	**9**	**21**	**46**
	Average £	**£382,273**	**£126,900**	**£233,973**	**£213,124**
MONKTON HEATHFIELD	Count	16	9	18	44
	Average £	£298,060	£126,900	£235,191	£214,141
NORTH CURRY	Count	13	0	3	2
	Average £	£485,919		£226,667	£190,750
Northwest	**Count**	**66**	**16**	**64**	**23**
	Average £	**£366,153**	**£119,058**	**£265,907**	**£201,602**
BISHOPS LYDEARD	Count	3	0	3	2
	Average £	£370,000		£265,667	£174,063
CHEDDON FITZPAINE	Count	28	0	28	5
	Average £	£420,437		£269,935	£269,795
COTFORD ST LUKE	Count	13	0	8	6
	Average £	£354,462		£233,125	£243,083
N Taunton	Count	0	0	0	10
	Average £				£148,125
NORTON FITZWARREN	Count	22	16	25	0
	Average £	£303,450	£119,058	£271,915	
Southeast	**Count**	**36**	**1**	**10**	**0**
	Average £	**£327,847**	**£450,000**	**£222,525**	**£0**
SE Taunton	Count	36	1	10	0
	Average £	£327,847	£450,000	£222,525	
Southwest	**Count**	**4**	**0**	**1**	**7**
	Average £	**£294,995**		**£229,995**	**£209,566**
BISHOPS HULL	Count	4	0	1	7
	Average £	£294,995		£229,995	£209,566
All	**Count**	**135**	**26**	**96**	**76**
	Average £	**£357,293**	**£134,501**	**£254,028**	**£209,310**

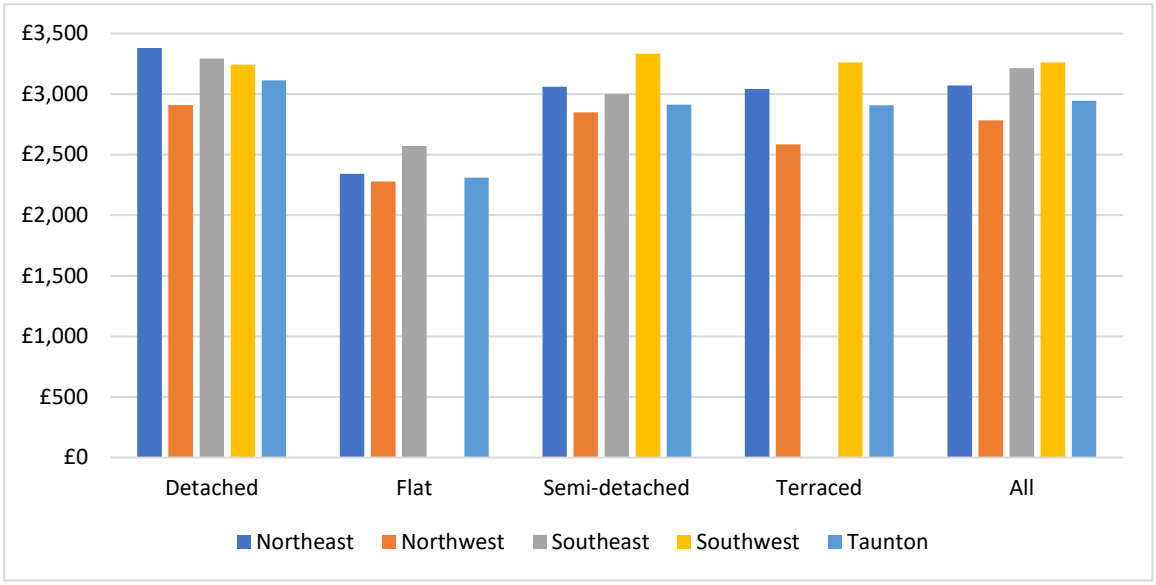
Source: Land Registry (January 2022). Contains public sector information licensed under the Open Government Licence v3.0.

Table 4.5 Average Price Paid from October 2018 - £/m²					
		Detached	Flat	Semi-detached	Terraced
Northeast	**Count**	**25**	**9**	**18**	**36**
	Average £/m²	**£3,380**	**£2,341**	**£3,062**	**£3,042**
MONKTON HEATHFIELD	Count	12	9	16	34
	Average £/m²	£3,117	£2,341	£3,158	£3,087
NORTH CURRY	Count	13	0	2	2
	Average £/m²	£3,622	£0	£2,292	£2,271
Northwest	**Count**	**66**	**16**	**64**	**23**
	Average £/m²	**£2,910**	**£2,278**	**£2,849**	**£2,586**
BISHOPS LYDEARD	Count	3	0	3	2
	Average £/m²	£3,121		£2,965	£2,418
CHEDDON FITZPAINE	Count	28	0	28	5
	Average £/m²	£2,867		£3,041	£3,137
COTFORD ST LUKE	Count	13	0	8	6
	Average £/m²	£2,719		£2,664	£2,358
N Taunton	Count	0	0	0	10
	Average £/m²				£2,482
NORTON FITZWARREN	Count	22	16	25	0
	Average £/m²	£3,048	£2,278	£2,680	
Southeast	**Count**	**36**	**1**	**10**	**0**
	Average £/m²	**£3,293**	**£2,571**	**£2,999**	
SE Taunton	Count	36	1	10	0
	Average £/m²	£3,293	£2,571	£2,999	£0
Southwest	**Count**	**4**	**0**	**1**	**7**
	Average £/m²	**£3,243**		**£3,333**	**£3,263**
BISHOPS HULL	Count	4	0	1	7
	Average £/m²	£3,243		£3,333	£3,263
All	**Count**	**131**	**26**	**93**	**66**
	Average £/m²	**£3,115**	**£2,311**	**£2,912**	**£2,907**

Source: Land Registry and EPC Register (January 2022). Contains public sector information licensed under the Open Government Licence v3.0.

4.22 Overall, the average price paid varies from £3,877/m^2 to £1,784/m^2 with an average across the town of just under £3,000/m^2. There is little price differentiation across the different parts of the town.

Figure 4.5 Average Price Paid - £/m^2



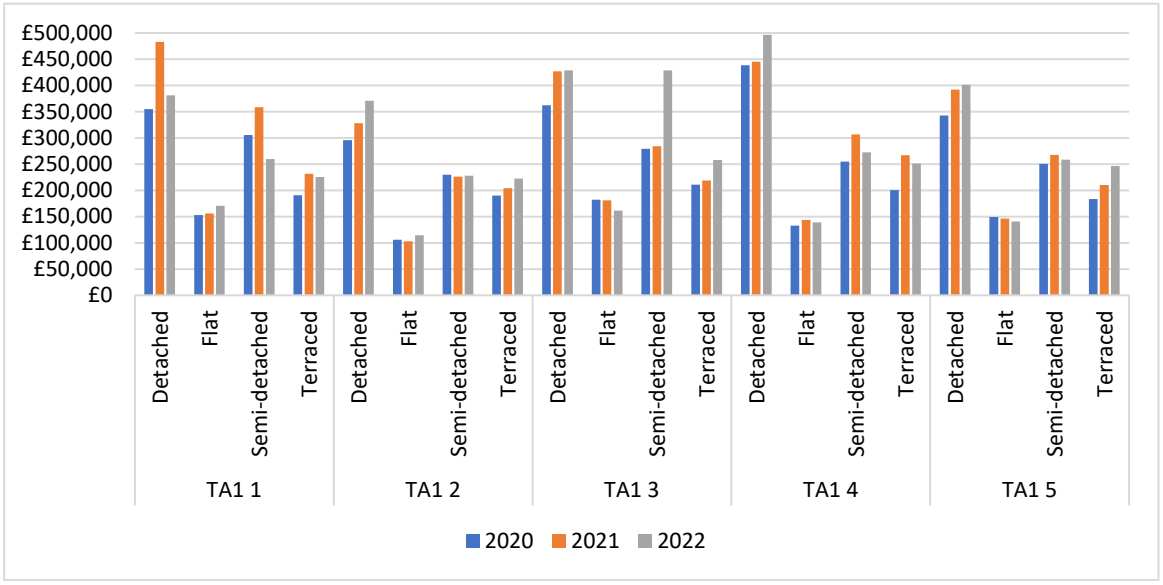
Source: Land Registry and EPC Register (January 2022). Contains public sector information licensed under the Open Government Licence v3.0.

4.23 This data has been refreshed for the TA1 postcode area, from January 2020. Only 19 newbuild homes are recorded for sale in this period. This data does not include any flatted development which is a constraint bearing in mind that much of the masterplan area will be brought forward as flatted development. Neither does it include any sales from either 2021 or 2022:

Table 4.6 Average Price Paid from January 2022 - £/m² – New and Existing				
		2020	2021	2022
TA1 1	Detached	£355,000	£483,083	£381,300
	Flat	£152,932	£156,133	£170,581
	Semi-detached	£305,500	£358,702	£260,000
	Terraced	£190,671	£231,467	£225,457
TA1 2	Detached	£295,861	£327,901	£370,875
	Flat	£105,889	£103,179	£114,375
	Semi-detached	£229,917	£226,045	£228,083
	Terraced	£190,278	£204,318	£222,235
TA1 3	Detached	£362,026	£427,130	£429,033
	Flat	£182,455	£180,762	£161,427
	Semi-detached	£279,543	£284,468	£429,000
	Terraced	£211,224	£218,979	£257,738
TA1 4	Detached	£438,360	£445,590	£496,396
	Flat	£132,926	£143,774	£138,641
	Semi-detached	£255,014	£306,692	£272,313
	Terraced	£200,697	£267,384	£251,167
TA1 5	Detached	£342,790	£392,219	£401,617
	Flat	£149,200	£146,250	£141,000
	Semi-detached	£250,652	£267,813	£258,625
	Terraced	£183,735	£210,167	£246,050

Source: Land Registry (September 2022). Contains public sector information licensed under the Open Government Licence v3.0.

Figure 4.6 Average Price Paid from January 2020 - £/m² – New and Existing



Source: Land Registry (January 2022). Contains public sector information licensed under the Open Government Licence v3.0.

Table 4.7 Price Paid, Newbuild, from 1st January 2020 - £/m²

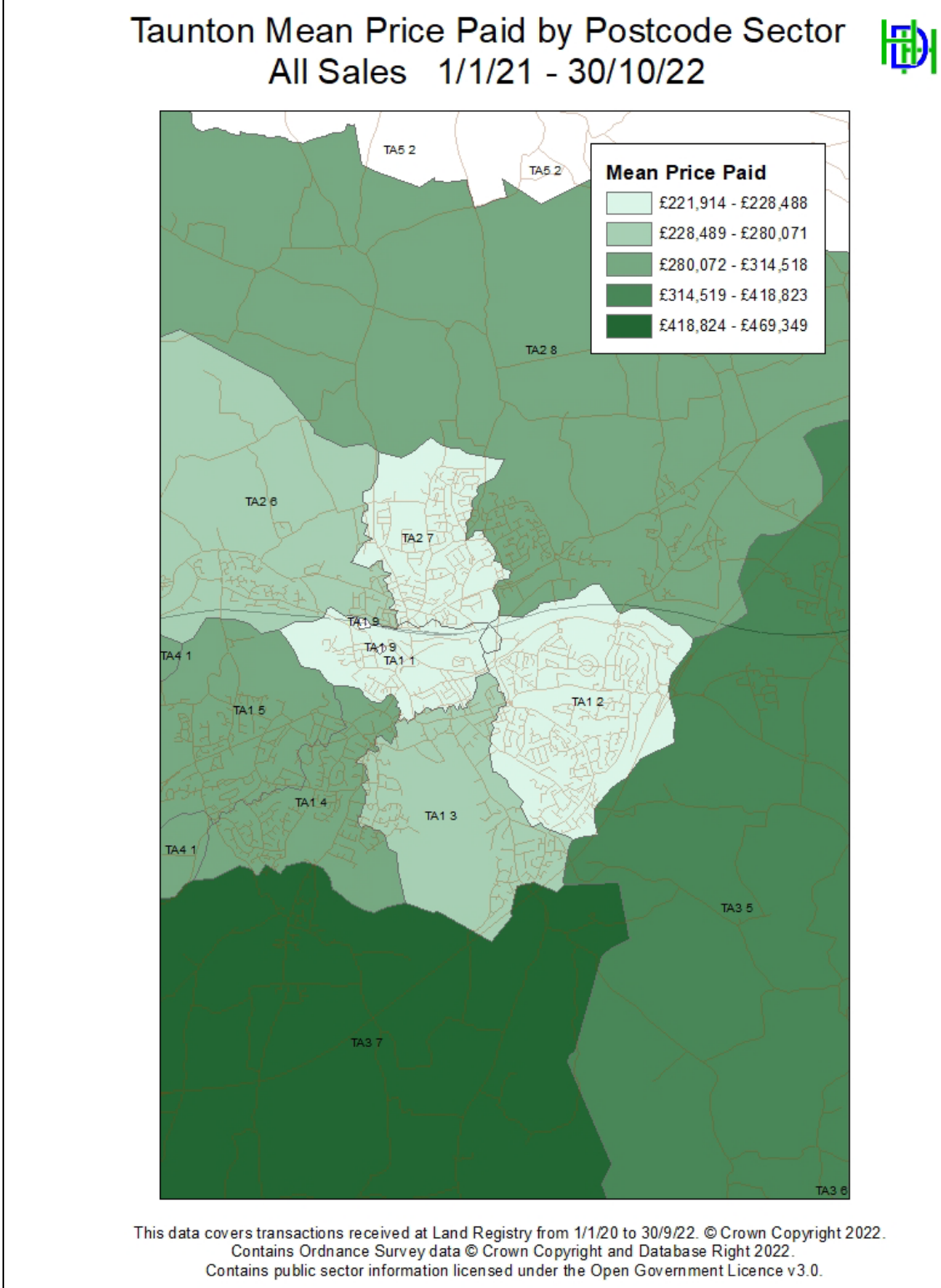
Date	Type	PAON	Street	Postcode	m2	Price Paid £	Price Paid £/m2
23/10/2020	T	1	HUISH AVENUE	TA1 3GB	80	£255,000	£3,188
16/11/2020	S	4	HUISH AVENUE	TA1 3GB	63	£215,000	£3,413
24/07/2020	T	3	SHERFORD BRIDGE CLOSE	TA1 3GF	69	£171,500	£2,486
18/09/2020	S	4	SHERFORD BRIDGE CLOSE	TA1 3GF	86	£272,500	£3,169
25/09/2020	S	5	SHERFORD BRIDGE CLOSE	TA1 3GF	83	£270,000	£3,253
28/09/2020	D	6	SHERFORD BRIDGE CLOSE	TA1 3GF	123	£385,000	£3,130
02/10/2020	D	7	SHERFORD BRIDGE CLOSE	TA1 3GF	110	£367,500	£3,341
31/07/2020	S	8	SHERFORD BRIDGE CLOSE	TA1 3GF	82	£267,500	£3,262
21/08/2020	D	10	SHERFORD BRIDGE CLOSE	TA1 3GF	99	£325,000	£3,283
28/08/2020	D	11	SHERFORD BRIDGE CLOSE	TA1 3GF	110	£380,000	£3,455
20/03/2020	D	15	STANSELL ROAD	TA1 3GG	83	£280,000	£3,373
13/03/2020	D	16	STANSELL ROAD	TA1 3GG	83	£275,000	£3,313
27/03/2020	D	17	STANSELL ROAD	TA1 3GG	110	£365,000	£3,318
17/01/2020	D	18	STANSELL ROAD	TA1 3GG	83	£285,000	£3,434
22/06/2020	D	23	STANSELL ROAD	TA1 3GG	99	£325,000	£3,283
19/06/2020	D	27	STANSELL ROAD	TA1 3GG	110	£365,000	£3,318
28/02/2020	D	28	STANSELL ROAD	TA1 3GG	80	£275,000	£3,438
15/06/2020	S	29	STANSELL ROAD	TA1 3GG	80	£255,000	£3,188
07/08/2020	S	31	STANSELL ROAD	TA1 3GG	86	£275,000	£3,198

Source: Land Registry and EPC Register (September 2022). Contains public sector information licensed under the Open Government Licence v3.0.

4.24 It is important to note that the sample size is small so care should be taken when considering a fine-grained approach.

4.25 The map below shows that the distribution of newbuild development is concentrated in relatively few wards.

Figure 4.7 Median Price Paid by Postcode – All



Source: Land Registry (September 2022). Contains public sector information licensed under the Open Government Licence v3.0.

Newbuild Asking Prices

4.26 This study is concerned with new development, so the key input for the appraisals is the price of new units. A survey of new homes for sale was carried out.

4.27 At the time of this research there were 45 new homes being advertised for sale in and around Taunton. The analysis of these shows that asking prices for newbuild homes vary very considerably, starting at £105,000 and going up to £1,600,000. The average is £362,755. These are summarised in the following table and set out in detail in **Appendix 2**.

Table 4.8 Average (Mean) Newbuild Asking Prices - January 2022

Average of Asking Price

	Detached		Flat		Semi-detached		Terraced		All	
	Count	£	Count	£	Count	£	Count	£	Count	£
Blackdown	1	£750,000	0		0		0		1	£750,000
East Reach	0		2	£127,500	0		0		2	£127,500
Hartnells Farm	1	£340,000	0		1	£295,000	0		2	£317,500
Langford Mills	1	£399,995	0		2	£291,995	0		3	£327,995
Longford House	1	£900,000	0		0		0		1	£900,000
Mendip House	0		2	£197,500	0		0		2	£197,500
Moorland Gate	4	£457,250	0		3	£291,667	0		7	£386,286
Nerrols Grange	3	£397,995	0		2	£295,000	1	£281,995	6	£344,330
Orchard Grove	2	£377,000	1	£235,000	3	£309,667	0		6	£319,667
Quantock House	0		7	£186,071	0		0		7	£186,071
The Quay	0		1	£116,250	0		0		1	£116,250
The Views	2	£1,400,000	0		0		0		2	£1,400,000
The Wharf	0		2	£205,000	0		0		2	£205,000
All	15	£597,799	15	£180,917	11	£297,545	1	£281,995	42	£362,755

Average of £/m2

	Detached		Flat		Semi-detached		Terraced		All	
	Count	£/m2	Count	£/m2	Count	£/m2	Count	£/m2	Count	£/m2
Blackdown	1	£3,472	0		0		0		1	£3,472
East Reach	0		0		0		0		0	
Hartnells Farm	1	£4,533	0		1	£4,538	0		2	£4,536
Langford Mills	1	£4,444	0		2	£3,800	0		3	£4,015
Longford House	1	£3,673	0		0		0		1	£3,673
Mendip House	0		1	£2,294	0		0		1	£2,294
Moorland Gate	4	£3,694	0		3	£3,512	0		7	£3,616
Nerrols Grange	3	£3,603	0		2	£3,105	1	£3,811	6	£3,472
Orchard Grove	2	£3,454	1	£3,423	3	£3,419	0		6	£3,431
Quantock House	0		7	£2,426	0		0		7	£2,426
The Quay	0		0		0		0		0	
The Views	2	£4,248	0		0		0		2	£4,248
The Wharf	0		0		0		0		0	
All	15	£3,807	9	£2,522	11	£3,558	1	£3,811	36	£3,410

Source: Market Survey (January 2022)

Table 4.9 Average (Mean) Newbuild Asking Prices - September 2022

Average of Asking Price

	Detached		Flat		Flat - Older People's		Semi-detached		Terraced		All	
	Count	£	Count	£	Count	£	Count	£	Count	£	Count	£
Hartnells Farm	1	£349,000	0		0		0		0		1	£349,000
Kingfisher Court	0		0		3	£299,333	0		0		3	£299,333
Langford Mills	0		1	£175,995	0		0		0		1	£175,995
Nerrols Grange	3	£445,000	0		0		0		0		3	£445,000
Orchard Grove	7	£440,426	0		0		6	£346,663	3	£311,333	16	£381,060
Quantock House	0		0		3		0		0		3	£336,667
Riverain Lodge	0		0		4	£333,450	0		0		4	£333,450
Waterside Place	0		2	£172,500	0		0		0		2	£172,500
All	11	£433,362	3	£173,665	10	£324,180	6	£346,663	3	£311,333	33	£349,811

Average of £/m2

	Detached		Flat		Flat - Older People's		Semi-detached		Terraced		All	
Row Labels	Count	£/m2	Count	£/m2	Count	£/m2	Count	£/m2	Count	£/m2	Count	£/m2
Hartnells Farm	1	£3,878	0	£0	0		0		0	£0	1	£3,878
Kingfisher Court	0		0	£0	1	£3,642	0		0	£0	1	£3,642
Langford Mills	0		1	£3,592	0		0		0	£0	1	£3,592
Nerrols Grange	3	£3,870	0		0		0		0	£0	3	£3,870
Orchard Grove	7	£3,741	0		0		6	£3,833	3	£3,440	16	£3,719
Quantock House	0		0		3	£5,006	0		0		3	£5,006
Riverain Lodge	0		0		0		0		0		0	
Waterside Place	0		0		0		0		0		0	
All	11	£3,789	1	£3,592	4	£4,665	6	£3,833	3	£3,440	25	£3,890

Source: Market Survey (September 2022)

4.28 During the course of the research, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers. In most cases the feedback was that significant discounts are not available, and were unlikely to be available. When pressed, it appeared that the discounts and limited incentives are available in some cases. Having said this we are more frequently finding that the larger national housebuilders are marketing homes at the price to be paid. It would be prudent to assume that prices achieved, net of incentives offered to buyers, are 2% less than the above asking prices.

4.29 The above data shows variance across the area, however it is necessary to consider the reason for that variance. An important driver of the differences is the situation rather than the location of a site. This is well illustrated, particularly in the central sets, where the flats on the higher floors have substantially higher values – being attributed to be better and long reaching views. Based on the existing data, the value will be more influenced by the specific site characteristics, the immediate neighbours, and the environment, as well as where the scheme is located.

Price Assumptions for Financial Appraisals

4.30 It is necessary to form a view about the appropriate prices for the schemes to be appraised in this study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (which we acknowledge is varied) values have been attributed to flats and housing.

4.31 It is important to note that this is a broad-brush, high-level study to consider the delivery of the Firepool Masterplan Area, carried out in line with the viability testing requirements of the NPPF and the PPG. The values between new developments and within new developments will vary considerably. No single source of data should be used in isolation, and it is necessary to draw on the widest possible sources of data. In establishing the assumptions, the prices (paid and asking) of existing homes are given greater emphasis when establishing the pattern of price difference across the area and the data from newbuild homes (paid and asking) is given greater emphasis in the actual assumption.

4.32 Care is taken not to simply attribute the values of second hand / existing homes to new homes. As shown by the data above, new homes do not always follow the values of existing homes, particularly in those areas where the existing housing stock is less aspirational. It also necessary to apricate that there has been a significant increase in values over the last year that is not yet reflected in the ONS data sources.

4.33 In the *Viability Study – Site Allocations and Development Management Document* (Three Dragons, January 2015) the following assumptions were used. Since January 2015 the Land Registry data shows a 54.8% increase in average newbuild house prices in the Council area. An additional line has been included in the table showing the £/m^2 values increased by this amount.

Table 4.10 Value Assumptions 2015								
	1 bed flat	2 bed flat	2 bed terrace	3 bed terrace	3 bed semi det	3 bed detached	4 bed detached	5 bed detached
Taunton								
£	£125,000	£140,000	£160,000	£180,000	£210,000	£230,000	£280,000	£310,000
m^2	45	56	65	80	95	95	105	125
£/m^2	£2,778	£2,500	£2,462	£2,250	£2,211	£2,421	£2,667	£2,480
Indexed	*£4,231*	*£3,953*	*£3,691*	*£3,773*	*£3,259*	*£4,009*	*£4,379*	*£4,186*
Rest of District								
£	£130,000	£150,000	£220,000	£250,000	£260,000	£290,000	£350,000	£380,000
m^2	45	56	65	80	95	95	105	125
£/m^2	£2,889	£2,679	£3,385	£3,125	£2,737	£3,053	£3,333	£3,040
Indexed	*£4,575*	*£4,229*	*£5,597*	*£5,147*	*£4,497*	*£5,002*	*£5,588*	*£5,065*

Source; Viability Study – Site Allocations and Development Management Document (Three Dragons, January 2015)

4.34 It is notable that the average price paid for newbuild homes in and around Taunton over the last few years is more than the assumption that was used in the 2015 Viability Study, but has not increased at the rate suggested by the Land Registry Index. Across the area the average price is now about £3,000/m^2, however the average price paid for newbuild flatted development is just over £2,300/m^2 – although none of these sales is within the central area of Taunton.

4.35 The Council, in its capacity as Landowner of this site, has undertaken some separate research into values:

- Waters Edge (49 units by Acorn Blue (with St Modwen and TDBC) – mainly 2 bed flats). Site opposite the Firepool site, to the south of the river and adjacent to existing Priory Park housing estate. It sold within 8 months ending in June 2017. This is considered a safe and reliable comparable. The mean average sales price was at the rate of £3,175/m^2 for an average size of 66m^2. Average unit price was £204,000.
- Firepool Lock (49 units by Crest Nicholson). Sales between 2013 and October 2015. Prices range from £122,000 for a 1 bed unit at 43m^2 (£2,837/m^2) to £325,000, for a 3 bed Town House overlooking the Lock at circa 102m^2 (£3,186/m^2). 14 Townhouses with water views averaging £3,278/m^2.
- Coal Orchard (40 flats being developed by the Council) to the west of the cricket ground. Being actively sold in June 2022. Highest price achieved £3,485/m^2 on an agreed sale price of £170,000. Average unit price of those under offer £204,643 at £3,017 /m^2.

4.36 Due to the small sample size of newbuild homes within the Land Registry dataset, a further dataset has been developed of all sales in the TA1 1 postcode area of Taunton of all homes. Since the start of 2021, 269 sales are recorded in this area, of which 123 are relatively close the Firepool site. This is further data is presented below. None of the data relates to newbuild homes.

Table 4.11 Price Paid, All Homes in the Proximity of Firepool from 1st January 2022

		Price Paid - £	Price Paid - £/m2
Detached			
	Count	0	0
	Minimum		
	Average		
	Maximum		
Flat			
	Count	70	68
	Minimum	£80,000	£1,469
	Average	£176,221	£2,727
	Maximum	£322,500	£5,455
Semi-detached			
	Count	12	12
	Minimum	£205,000	£2,110
	Average	£313,458	£2,893
	Maximum	£425,000	£3,761
Terraced			
	Count	41	37
	Minimum	£120,000	£1,566
	Average	£223,467	£2,393
	Maximum	£355,000	£3,415
ALL			
	Count	123	117
	Minimum	£80,000	£1,469
	Average	£205,359	£2,638
	Maximum	£425,000	£5,455

Source: Land Registry and EPC Register (September 2022). Contains public sector information licensed under the Open Government Licence v3.0.

4.37 Attributing values in a study of this type is particularly challenging. The PPG suggests the use of average values. Such values are the values that are likely to prevail in the current market. If Firepool is delivered as a high-quality scheme and in a planned and coordinated way,

including the provision of the public realm work and wider regeneration initiatives and projects, one would generally expect higher prices to be achieved.

4.38 In the current market, some schemes have notably higher values than others. These tend to be those in the better situations, closer to the river and with a better outlook, some of the areas within the Firepool project would share such characteristics. Rather than try to predict and forecast how values may increase over time and as a result of the Council's interventions, the base modelling is based on typical local values. Bringing the above evidence together the following assumptions are derived.

Table 4.12 2022 Residential Price Assumptions – £/m²

	Base Assumption
Town Houses	£3,200
Flatted Flats	£3,200

Source: HDH (September 2022)

4.39 It is important to note that these values are unlikely to be achieved if the project does not come forward in a comprehensive and timely way, with the early provision of high-quality public realm works.

Ground Rents

4.40 Over the last 20 or so years many new homes have been sold subject to a ground rent. Such ground rents have recently become a controversial and political topic. In this study, no allowance is made for residential ground rents.

Build to Rent

4.41 This is a growing development format which is a different sector to mainstream housing.

4.42 The value of housing that is restricted to being Private Rented Sector (PRS) housing is different to that of unrestricted market housing. The value of the units in the PRS (where their use is restricted to PRS and they cannot be used in other tenures) is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor would pay for the completed unit or scheme. This will depend on the amount of the rent and the cost of managing the property (letting, voids, rent collection, repairs etc.). This is well summarised in *Unlocking the Benefits and Potential of Built to Rent*, A British Property Federation report commissioned from Savills, academically reviewed by LSE, and sponsored by Barclays (February 2017):

> *A common comment from BTR players is that BTR schemes tend to put a lower value on development sites than for sale appraisals. Residential development is different to commercial in that it has two potential end users - owners and renters. Where developers can sell on a retail basis to owners (or investors paying retail prices - i.e. buy to let investors) this has been the preferred route to market as values tend to exceed institutional investment pricing, which is*

based on a multiple of the rental income. This was described as "BTR is very much a yield-based pricing model.

4.43 In estimating the likely level of rent, we have undertaken a survey of market rents across the area – it is important to note that there is a limited supply at this time.

Table 4.13 Median Asking Rents Advertised on Rightmove (£/month)				
	1 bed	2 beds	3 beds	4 beds
Taunton	£675	£900	£1,200	£1,300

Source: Rightmove.co.uk (September 2022)

4.44 Care must be taken when considering the above to recognise the outliers. The Valuation Office Agency (VOA) collects data on rent levels:

Table 4.14 Rents Reported by the VOA – SW&T 1st April 2021 to 31st March 2022					
	Count of rents	Mean	Lower quartile	Median	Upper quartile
Room	10	£449	£375	£404	£525
Studio	20	£421	£375	£425	£483
1 Bedroom	200	£543	£495	£550	£595
2 Bedroom	630	£708	£625	£695	£775
3 Bedroom	470	£836	£725	£800	£900
4+ Bedroom	130	£1,191	£900	£1,145	£1,395

Source: VOA Private rental market summary statistics in England (22nd June 2022)

4.45 In calculating the value of PRS units it is necessary to consider the yields. Several sources of information have been reviewed. Savills in its *Market in Minutes - UK Build to Rent* (Savills, August 2021) reports prime regional yields of a little above 4%, and in *Suburban Build to Rent* (Savills , September 2021) yields of 4.5% to 4.75%.

4.46 Knight Frank in its *Residential Yield Guide* (Knight Frank, Q2 2021) reported a 4.25% to 4.75% yield in Tier 2 Regional Cites, and 4.00% - 4.25% for regional Single Family Housing. In this regard it is timely to note that the CBRE *Residential Investment Figures Q3 2021* makes reference to a yield of about 4% for prime regional yields.

4.47 Having considered a range of sources, a gross yield of 5% has been assumed. In considering the rents to use in this assessment it is necessary to appreciate that much of the exiting rental stock is relatively poor, so new PRS units are likely to have rental values that are well in excess of the averages, with yields that are below the averages.

Table 4.15 Capitalisation of Private Rents			
	1 bed	2 bed	3 bed
Gross Rent (£/month)	£650	£850	£1,200
Gross Rent (£/annum)	£7,800	£10,200	£14,400
Value	£156,000	£204,000	£288,000
m^2	50	70	84

Source: HDH (September 2022)

4.48 This approach derives a value for private rent, under Build to Rent of £3,150/m^2. This is significantly more than the value typical of market housing flats in Taunton, but broadly similar to wider values that may be achieved on the wider site, based on the information set out earlier.

Affordable Housing

4.49 A core output of this study is advice as to the level of the affordable housing requirement, so it is necessary to estimate the value of such housing. In this study it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP).

Affordable Housing Values

4.50 Prior to the Summer 2015 Budget, Affordable Rents were set at up to 80% of open market rent and generally went up, annually, by inflation (CPI) plus 1%, and Social Rents were set through a formula, again with an annual inflation plus 1% increase. Under arrangements announced in 2013, these provisions were to prevail until 2023, and formed the basis of many housing associations' and other providers' business plans. Housing associations knew their rents would go up and those people and organisations who invest in such properties (directly or indirectly) knew that the rents were going up year on year. This made them attractive as each year the rent would always be a little more relative to inflation.

4.51 In the 2015 Budget, it was announced that Social Rents and Affordable Rents would be reduced by 1% per year for 4 years. This change reduced the value of Affordable Housing. In October 2017, the Government announced that Rents will rise by CPI +1% for five years from 2020. The values of Affordable Housing have been considered from first principles.

4.52 In the *Viability Study – Site Allocations and Development Management Document* (Three Dragons, January 2015) the affordable housing for rent was assumed to be Affordable Rent and the value was derived by assuming:

- Management and maintenance £900 per annum
- Void/ bad debts 3% gross rent
- Repairs reserve £450 per annum
- Capitalisation 6.00% of net rent

4.53 Intermediate housing was assumed to be Shared Ownership housing, acquired at 70% of market value.

Social Rent

4.54 The value of Social Rent property is a factor of the rent – although the condition and demand for the units also have an impact. Social Rents are set through a national formula that smooths the differences between individual properties and ensures properties of a similar type pay a similar rent:

Table 4.16 General Needs (Social Rent)

Average weekly net rent (£ per week) by unit size for Somerset West and Taunton - Large PRPs[13]

£ per week

Unit Size	Net rent	Social rent rate	Service charge	Gross rent	Unit count
Non-self-contained	£0.00	£0.00	£0.00	£0.00	0
Bedsit	£77.55	£78.55	£8.13	£85.68	9
1 Bedroom	£79.40	£78.45	£7.76	£86.66	572
2 Bedroom	£94.49	£93.39	£4.76	£98.60	1,492
3 Bedroom	£106.15	£104.98	£1.80	£107.43	1,133
4 Bedroom	£119.99	£117.39	£1.64	£121.14	101
5 Bedroom	£125.48	£123.32	£1.60	£126.59	26
6+ Bedroom	£130.70	£130.70	£0.61	£131.10	3
All self-contained	£96.86	£95.72	£4.38	£100.45	3,336
All stock sizes	**£96.86**	**£95.72**	**£4.38**	**£100.45**	**3,336**

Owned stock. Large PRPs only - unweighted. Excludes Affordable Rent and intermediate rent, but includes other units with an exception under the Rent Policy Statement. Stock outside England is excluded.

Source: Table 9, SDR 2021 – Data Tool[14]

4.55 This study concerns only the value of newly built homes. There seems to be relatively little difference in the amounts paid by Registered Providers (RPs) for such units across the area.

[13] PRPs are providers of social housing in England that are registered with RSH and are not Local Authorities. This is the definition of PRPs in the Housing and Regeneration Act 2008.

[14] Private registered provider social housing stock and rents in England 2020 to 2021 - GOV.UK (www.gov.uk)

In this study, the value of Social Rents is assessed assuming 10% management costs, 4% voids and bad debts and 6% repairs. These are capitalised at 4.5%.

Table 4.17 Capitalisation of Social Rents

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Rent (£/week)	£79.40	£94.49	£106.15	£119.99
Rent (£/annum)	£4,129	£4,913	£5,520	£6,239
Net Rent	£3,303	£3,931	£4,416	£4,992
Value	£73,401	£87,351	£98,130	£110,924
m^2	50	70	84	97
£/m^2	£1,468	£1,248	£1,168	£1,144

Source: HDH (September 2022)

4.56 On this basis, a value of £1,210/m^2 would be assumed.

Affordable Rent

4.57 Under Affordable Rent, a rent of no more than 80% of the market rent for that unit can be charged. The value of the units is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor (or another RP) would pay for the completed unit.

4.58 In estimating the likely level of Affordable Rent, a survey of market rents across the Taunton area has been undertaken and is set out under the Build to Rent heading above.

4.59 As part of the reforms to the social security system, housing benefit / local housing allowance is capped at the 3rd decile of open market rents for that property type, so in practice Affordable Rents are unlikely to be set above these levels. The cap is set by the Valuation Office Agency (VOA) by Broad Rental Market Area (BRMA). Where this is below the level of Affordable Rent at 80% of the median rent, it is assumed that the Affordable Rent is set at the LHA Cap. The whole of the area is within the Taunton & East Somerset BRMA.

Table 4.18 BRMA LHA Caps (£/week)

Shared Accommodation	£84.50
One Bedroom	£103.56
Two Bedrooms	£136.93
Three Bedrooms	£164.55
Four Bedrooms	£207.12

Source: VOA (September 2022)

4.60 These caps are generally more than the Affordable Rents being charged as reported in the most recent HCA data release (although this data covers both newbuild and existing homes).

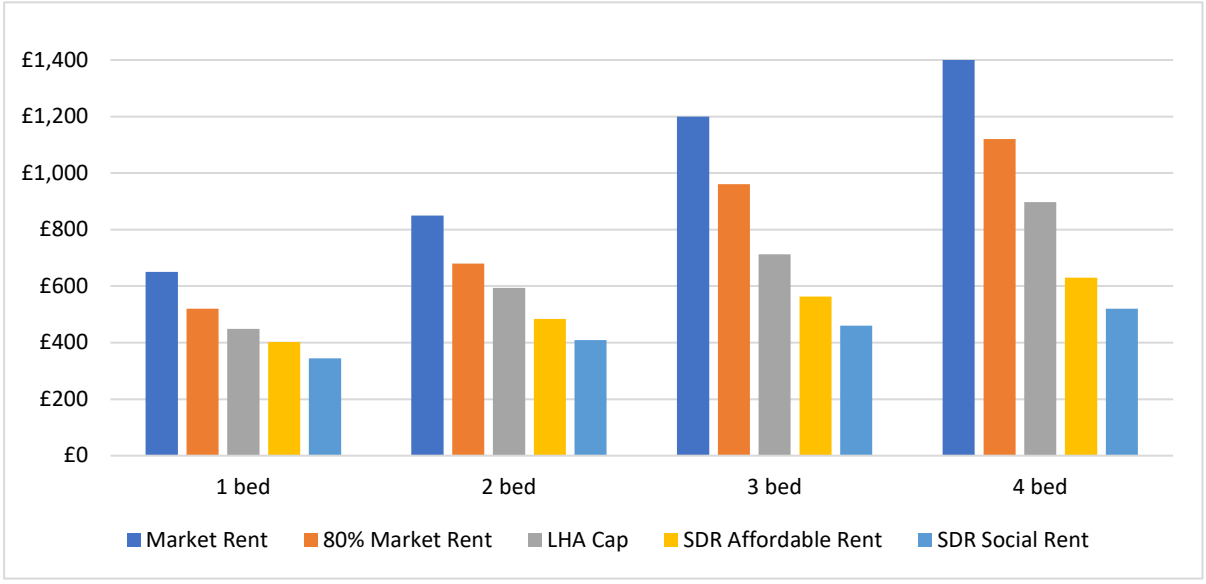
Table 4.19 Affordable Rent General Needs		
Average weekly gross rent (£ per week) and unit counts by unit size for Somerset West and Taunton	**£ per week**	
Unit Size	**Gross rent**	**Unit count**
Non-self-contained	£0.00	0
Bedsit	£0.00	0
1 Bedroom	£92.90	64
2 Bedroom	£111.74	208
3 Bedroom	£129.81	108
4 Bedroom	£145.28	12
5 Bedroom	£0.00	0
6+ Bedroom	£0.00	0
All self-contained	£114.67	392
All stock sizes	**£114.67**	**392**
Owned stock. All PRPs owning Affordable Rent units - unweighted. Stock outside England is excluded.		

Source: Table11, SDR 2021 – Data Tool[15]

4.61 The rents can be summarised as follows.

[15] Private registered provider social housing stock in England - GOV.UK (www.gov.uk)

Figure 4.9 Rents by Tenure – £/Month



Source: Market Survey, HCA Statistical Return and VOA (January 2022)

4.62 In calculating the value of Affordable Rent, we have allowed for 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income at 4.5%. It is assumed that the Affordable Rent is no more than the LHA cap. On this basis affordable rented property has the following worth.

Table 4.20 Capitalisation of Affordable Rents

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/month)	£448.76	£593.36	£713.05	£897.52
Gross Rent (£/annum)	£5,385	£7,120	£8,557	£10,770
Net Rent	£4,308	£5,696	£6,845	£8,616
Value	£95,735	£126,584	£152,117	£191,471
m^2	50	70	84	97
£/m^2	£1,915	£1,808	£1,811	£1,974

Source: HDH (February 2022)

4.63 Using this method to assess the value of affordable housing, under the Affordable Rent tenure, a value of £1,800/m^2 or so is derived.

Affordable Home Ownership

4.64 Intermediate products for sale include Shared Ownership and shared equity products[16] as well as First Homes We have assumed a value of 70% of open market value for these units. These

[16] For the purpose of this assessment, it is assumed that the 'affordable home ownership' products, as referred to in paragraph 64 of the 2021 NPPF, fall into this definition,

values were based on purchasers buying an initial 30% share of a property and a 2.5%[17] per annum rent payable on the equity retained. The rental income is capitalised at 4% having made a 2% management allowance.

4.65 In November 2020, the Government started a consultation around the standard Shared Ownership model, to reduce the initial share to 10% and to require the housing association to repair the unit for the first ten years. It is too early to know how this may impact on values.

4.66 In relation to First Homes, the £250,000 cap is assumed to apply.

Grant Funding

4.67 It is assumed that grant is not available for market housing lead schemes of the type assessed in this viability update. Funding may be available in exceptional circumstances, for example to facilitate regeneration infrastructure.

Older People's Housing

4.68 Housing for older people is generally a growing sector due to the demographic changes and the aging population. The sector brings forward two main types of product that are defined in paragraph 63-010-20190626 of the PPG:

> ***Retirement living or sheltered housing****: This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24 hour on-site assistance (alarm) and a warden or house manager.*
>
> ***Extra care housing or housing-with-care:*** *This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.*

4.69 HDH has received representations from the Retirement Housing Group (RHG) a trade group representing private sector developers and operators of retirement, care and extracare homes. They have set out a case that Sheltered Housing and Extracare Housing should be tested separately. The RHG representations assume the price of a 1 bed Sheltered unit is about 75% of the price of existing 3 bed semi-detached houses and a 2 bed Sheltered property is about equal to the price of an existing 3 bed semi-detached house. In addition, it assumes Extracare Housing is 25% more expensive than Sheltered Housing.

4.70 A typical price of a 3 bed semi-detached home has been taken as a starting point. On this basis it is assumed Sheltered and Extracare Housing has the following worth:

[17] A rent of up to 3% may be charged – although we understand that in this area 2.75% is more usual.

Table 4.21 Worth of Sheltered and Extracare			
Scarborough	Area (m^2)	£	£/m^2
3 bed semi-detached		£307,000	
1 bed Sheltered	50	£230,250	£4,605
2 bed Sheltered	75	£307,000	£4,093
1 bed Extracare	65	£287,813	£4,428
2 bed Extracare	80	£383,750	£4,797

Source: HDH (February 2022)

4.71 Based on the above, a value of £4,500/m^2 is assumed for Sheltered Housing and for Extracare Housing. Extracare is likely to have a higher value, however we have been unable to evidence this in this area. No allowance is made for ground rents.

4.72 We have undertaken a review of older people's schemes within and around Taunton.

a. The Platinum Skies Scheme at Quantock House is marketing one bed units (62m^2) and two bed units (88m^2) from £105,000 for a 50% shared ownership basis. This would equate to £3,550/m^2. The prices range for 1 bed is £210,000 to £400,000 and for a 2 bed units the range is £385,000 to £625,000. These are well over £6,000/m^2.

b. Churchill are advertising units for sale at Riverain Lodge, Tangier Way from £267,950.

c. McCarthy and Stone is advertising flats at its Kingfisher Court, Trinity Business Centre South Street. They currently have availability on a 48m^2, 1 bed flat at £199,950 (£4,165/m^2) and a 65m^2, one bed flat at £280,000 (£4,310/m^2).

4.73 A value of £4,500/m^2 is appropriate.

4.74 The value of units as affordable housing has also been considered. It has not been possible to find any directly comparable schemes where housing associations have purchased social units in a market led Extracare development. Private sector developers have been consulted. They have indicated that, whilst they have never disposed of any units in this way, they would expect the value to be in line with other affordable housing – however they stressed that the buyer (be that the local authority or housing association) would need to undertake to meet the full service and care charges.

Student Housing

4.75 The proposed masterplan includes an element of student housing. This is based on the 'cluster flat' model.

4.76 We have not found any local evidence of purpose-built student housing so drawing on our wider experience from elsewhere we have assumed £50,000/ letting room.

4.77 We take this opportunity to note that a higher value would have been attributed to a scheme based on the more normal studio flats rather than the somewhat dated cluster flat model. Studio flats typically have values of £75,000/ letting room in non-prime locations.

Non-residential Values

4.78 The overall scheme includes a range on non-residential elements, including a theatre / cinema and various community uses, including a hotel, nursery, health centre and space that could be put to retail or office type uses.

4.79 No value is attributed to these uses.

Land Values

5.1 An important element of the assessment is the value of the land. Under the method set out in the updated PPG and recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted through a planning consent, is the Existing Use Value (EUV). This is used as the starting point for the assessment.

5.2 The scope of this study does not extend to a valuation of the site. In this high level study, a figure of £900,000/ha is assumed for industrial land. Having said this it is important to note that the site is controlled by the Council, albeit through a wholly owned development company, so the Council may choose to make the site available for less than market value in order to achieve their wider priorities.

Development Costs

Construction Cost

6.1 This section considers the costs and other assumptions required to produce financial appraisals. The costs of construction have been derived by AECOM and are set out in full in **Appendix 1** and summarised as follows at current costs (no allowance for inflation):

Table 6.1 Summary of Construction Costs Q3 2022 – No Inflation Allowance

Site Enabling Works	£319,880
Residential	£85,843,576
Non Residential	£26,239,146
External Works	£6,221,775
Ancillary Buildings & Structures	£400,000
Services and Drainage	£3,183,750
Total	**£122,208,127**

Source: AECOM (September 2022)

6.2 It is important to note that in putting forward these high level figures AECOM say:

> *Due to the nature of the construction market and design information available to date we would advise HDH Planning & Development of a cost range of between £139.8m and £154.5m for the design and construction of the works required at Firepool, Taunton. AECOM is aware of the difficulties within the current construction market with regards to the price increases for raw materials, delays associated with the procurement of materials and general availability concerns associated with both materials and labour. AECOM would advise HDH Planning & Development to continually review this Feasibility Estimate to take into account changes in the market conditions between now and the commencement of pricing / start on site.*

6.3 These costs are based on the following assumptions:

a. Costings are based on 3Q2022 pricings with inflation shown separately for the respective phases which have been confirmed.

b. Costings assume the works will be competitively tendered.

c. Costings include Contractor's OH&P.

d. This feasibility estimate assumes the project will be built over multiple stages

e. AECOM has not made any allowance for ecological enhancements for the scheme such as the provision of bird / bat boxes etc.

f. No Section 106 / 278 costs have been included

g. No allowance has been made for the Community Infrastructure Levy.

h. AECOM has assumed the off site highways works (reduced from outline) cost of £1,000,000.00 covers for formation of the bellmouth from site and related widening of Trenchard Way (A3078)

i. It is assumed that the allowances contained within the appendix G - Site Infrastructure document are suitable for their respective allocations.

j. It is assumed the new residential units will be designed to be partially contemporary in aesthetics to be in keeping with recent accommodation constructed in the vicinity

k. It is assumed the buildings will be constructed to meet the current building regulations and not be required to meet passivhaus certification or other similar high efficient certification similar high efficient certification

l. Landscaping and external works have been measured and assumed from the information listed under section 3.1, however these maybe subject to change upon further development of the scheme and as detailing of the specific surfacing become available.

m. It is assumed that all rear gardens to the dwellings will be top soiled and turfed. With all other landscaping areas grass seeded

n. This feasibility estimate is based on works inside the red line boundary only and no allowance has been made for works to adjacent land or upgrading of highways

infrastructure other than those advised within the appendix G document of the viability report.

o. It is assumed that the hotel will be of a budget type with Landlord Fixtures & Fittings undertaken by the occupant so excluded from this estimate

p. It is assumed that the Cinema is small multi screen with commercial fitout undertaken by the occupant

q. It is assumed the Commercial units are to be shell only and will be fitted out by tenant

r. No allowance has been made for noise pollution mitigation measures to the development, such as acoustic fencing etc.

s. While no details exist an allowance has been included for the potential external works within the site boundary for Blocks 1.1,1.2,1.3 & 1.4.

t. An allowance has been included for Car Charge Point at a rate of £1,000 per parking space within Block 2 (104 Spaces in total). It is assumed this project will not be required to reinforce the existing infrastructure offsite (PowerGrid etc).

Wider Costs

6.4 As well as the construction costs it is necessary to consider a wider range of costs. These are carried forward from the *Taunton Garden Town IDP, Stewardship Advice and Engagement Platform – Viability Annex* (HDH – May 2022) and summarised as follows.

Table 6.2 Cost Assumptions	
Construction costs: baseline costs	Included in high -level cost plan.
Other normal development costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs)	Included in high -level cost plan.
Abnormal development costs and brownfield sites	The site is largely cleared. An additional 5% allowance is made for further site clearance of dealing with ground contamination. In order to cost this accurately, it would be necessary to undertake a full site survey.
Fees	8% Separate allowances are made for planning fees, acquisition, sales and fees.
Contingencies	5%
VAT	It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full[18]
Interest rates	7.5%. The appraisals assume 7.5% p.a. for total debit balances (to include interest and associated fees), we have made no allowance for any equity provided by the developer.
Developers' return	17.5% of market housing and First Homes and a contractor's return of 6% is applied to other forms of affordable housing. A 15% return is assumed for non-residential development, and Build to Rent.
Acquisition costs	A simplistic approach is taken, it is assumed an allowance 1% for acquisition agents' and 0.5% legal fees. Stamp duty is calculated at the prevailing rates.
Disposal costs	3.5% of receipts

Source: HDH (September 2022)

Phasing and timetable

6.5 The phasing is based on the information provided by the Council.

6.6 In this regard it is important to note that the appraisals are costed at current (Q3 2022) costs. Appendix 1 includes a cost estimate that makes an allowance for build cost inflation over the life of the project. Over the life of the project the cost is likely to be about 20% than the cost used.

[18] VAT is a complex area. Sales of new residential buildings are usually zero-rated supplies for VAT purposes (subject to various conditions). VAT incurred as part of the development can normally be recovered. Where an Appropriate 'election' is made, VAT can also be recovered in relation to commercial development – although VAT must then be charged on the income from the development.

Planning Policy Requirements

7.1 The specific purpose of this study is to consider the delivery of development in the Firepool Masterplan Area. The base cost plan set out in section 6 above is a policy-off scenario, based in building to current Building Regulations and the housing mix as set out in the plans supporting information provided by the Council.

7.2 In this section the additional policy costs and policy aspirations are considered. In this report we have reviewed the adopted plans and the emerging Local Plan. We have grouped these by theme, having reference to the *Adopted Core Strategy 2011-2028* and *The Taunton Deane Adopted Site Allocations and Development Management Plan* (December 2016) (the 2016 SADMP). We have also had regard to the *Local Plan 2040 Issues and Options Document* (January 2020) (2020 Issues and Options). Whilst this simply sets out options, it does suggest a direction of policy development.

Housing Mix

7.3 Policy CP4 of the Adopted Core Strategy sets out the general approach to delivery. Specifically it seeks 25% affordable housing. In this regard it seeks that the '*prescribed mix of affordable housing to be provided should reflect locally evidenced need in respect of type, size and tenure*'. The most recent data in this regard is set out in the *South Somerset and Somerset West & Taunton Local Housing Needs Assessment 2020* (ORS, August 2021)

Table 7.1 Preferred Housing Mix

	Affordable Dwellings			Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford market rents	Unable to afford market ownership				
		Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	8.3%	1.4%	0.9%	10.6%	-0.8%	9.8%
2 bedrooms	10.6%	1.0%	2.6%	14.2%	6.9%	21.1%
3 bedrooms	5.8%	0.8%	2.3%	9.0%	34.9%	43.8%
4+ bedrooms	2.2%	0.1%	0.5%	2.7%	15.6%	18.3%
DWELLINGS	**26.9%**	**3.3%**	**6.3%**	**36.5%**	**56.6%**	**93.1%**
C2 Dwellings	-	-	-	-	6.9%	6.9%
LHN	**26.9%**	**3.3%**	**6.3%**	**36.5%**	**63.5%**	**100.0%**

Source: Figure 75: South Somerset and Somerset West & Taunton Local Housing Needs Assessment 2020 (ORS, August 2021). Overall need for Market and Affordable Dwellings as percentages of the LHN (including affordable home ownership products) by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

7.4 The Council's *First Homes: Technical Advice Note* sets out the following tenure mix.

> *This will amend the current policy position tenure split of 60% social rent and 40% Intermediate Housing to 25% First Homes, 60% social rent, 15% Intermediate Housing.*

7.5 The modelling is based on the information provided within the plans by the Council, however the affordable housing tenure mix is based on the above.

Accessible and Adaptable Standards

7.6 In this regard the Council seeks:

a. Affordable homes: There is an affordable obligation which requires 10% on all schemes of 25 affordable homes or more to include fully adapted wheelchair accessible dwellings. This is Part M4 (3). The 10% is applicable only to the 25% proportion of the affordable housing not the whole number of dwellings (2.5%).

b. All homes: Policy D10 requires a minimum of 3% of new dwellings on developments of 30 dwellings or more to be built to full wheelchair standards.

7.7 In July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes[19] saying:

> *73. Government proposes that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes – option 2 in the consultation. M4(1) will apply by exception only, where M4(2) is impractical and unachievable (as detailed below). Subject to a further consultation on the draft technical details, we will implement this change in due course with a change to building regulations.*

7.8 The Government will now consult further on the technical changes to the Building Regulations to mandate the higher M4(2) accessibility standard. No timescale has been announced.

7.9 The additional costs of these standards (as set out in the draft Approved Document M amendments included at Appendix B4[20]) are set out below. The key features of the 3 level standard (as summarised in the DCLG publication *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)[21], reflect accessibility as follows:

- Category 1 – Dwellings which provide reasonable accessibility
- Category 2 – Dwellings which provide enhanced accessibility and adaptability (Part M4(2)).
- Category 3 – Dwellings which are accessible and adaptable for occupants who use a wheelchair (Part M4(3)).

[19] Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK (www.gov.uk)

[20] https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m

[21] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/418414/150327_-_HSR_IA_Final_Web_Version.pdf

7.10 The cost of a wheelchair adaptable dwelling, based on the Wheelchair Housing Design Guide for a 3-bed house, is taken to be £10,111 per dwelling[22], the full wheelchair user standard is taken to be £25,136 per dwelling. The cost of Category 2 is taken to be £521[23] (this compares with the £1,097 cost for the Lifetime Homes Standard). These costs have been indexed[24] by 40% to £14,155/dwelling, £35,190/dwelling, and £730/dwelling respectively.

7.11 A base assumption that 97% of homes are built to M4(2) standards, and 3% built to M4(3) standards is assumed.

Water Standard

7.12 In the base assumptions, it is assumed that measures to reduce the use of water, in line with the enhanced building regulations, will be introduced. The costs are modest, likely to be less than £5/dwelling[25]. This cost was based in 2014 so has been indexed[26] to £7/dwelling.

The Environment

7.13 Policy CP6 of the Adopted Core Strategy is a general policy that sets out the approach to conserving and protecting the natural and historic environment. Of particular importance to this study is the impact of phosphates on the nationally protected sites.

7.14 The policy goes on to mention a range of ways that the environment may be protected and enhanced.

7.15 The Council is still developing specific policy in relation to Phosphate Neutrality, and it is beyond the scope of this assessment to investigate this specifically. We understand, from information submitted through the development management process, that on a general housing scheme neutrality can be achieved by fallowing 0.187ha of arable land for each dwelling built. Based on a value of agricultural land of £25,000/ha, this equates to about £4,675/dwelling. A £5,000 per dwelling allowance has been allowed for within the developer contributions (see below).

7.16 In March 2019, the Government announced that new developments must deliver an overall increase in biodiversity. Following a consultation, the Chancellor confirmed in the 2019 Spring Statement that the Government will use the forthcoming Environment Bill to mandate '*biodiversity net gain'*. The Environment Act requires that all consented developments (with a

[22] Paragraph 153 Housing Standards Review – Final Implementation Impact Assessment (DCLG, March 2015).

[23] Paragraph 157 Housing Standards Review – Final Implementation Impact Assessment (DCLG, March 2015).

[24] BCIS Index September 2022 – 443.7, March 2014 – 316.3 = 40%.

[25] Paragraph 285 Housing Standards Review, Final Implementation Impact Assessment, March 2015. Department for Communities and Local Government.

BCIS Index September 2022 – 443.7, March 2014 – 316.3 = 40%.

few exceptions), will be mandated to deliver a Biodiversity Net Gain of 10% as against the measured baseline position using the evolving Defra metric.

7.17 The Council will align the new Local Plan with this requirement, but is also considering an option to seek 20% Biodiversity Net Gain. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

7.18 Green improvements on-site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.

7.19 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line 'pre-development' situation as a survey will need to be carried out.

7.20 The Government's impact assessment[27] suggests an average cost of scenarios including where all the provision is on-site and where all is off-site.

[27] Table 14 and 15 Biodiversity net gain and local nature recovery strategies: impact Assessment. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf

Table 7.2 Cost of Biodiversity Net Gain – South West 2017 based costs		
	Scenario A 100% on-site	**Scenario C** 100% off-site
Cost per ha of residential development	£3,424/ha	£63,610/ha
Cost per ha of non-residential development	£3,150/ha	£47,885/ha
Cost per greenfield housing unit	£107/unit	£3,481/unit
Cost per brownfield housing unit	£70/unit	£869/unit
Residential greenfield delivery costs as proportion of build costs	0.1%	2.9%
Residential brownfield delivery costs as proportion of build costs	<0.1%	0.7%
% of industrial land values	0.4%	6.8%
% of commercial land values (office edge of city centre)	0.2%	3.8%
% of commercial land values (office out of town - business park)	0.4%	6.1%

Source: Tables 14 to 23 : Biodiversity net gain and local nature recovery strategies – Impact Assessment

7.21 It is assumed provision will be on-site. The percentage uplift costs are used as the costs per ha/unit are a little historic.

7.22 Much of the cost of implementing Biodiversity Net Gain is in the survey work and of the design, rather than the costs of the actual works. Biodiversity Net Gain of 10% is assumed.

Climate Change

7.23 Policy CP1 of the Adopted Core Strategy does not introduce standards over and above national standards in relation to climate change, rather sets out a general approach. Policy DM5 of the Adopted Core Strategy relates to sustainable design, referring to the Code for Sustainable Homes. To a large extent this area of policy has been superseded at a national level. Chapter 5 of the 2020 Issues and Options also considers seeking Carbon Neutrality in the shorter term.

7.24 There are a wide range of ways of lowering the greenhouse gas emissions on a scheme, although these do alter depending on the nature of the specific project. These can include simple measures around the orientation of the building, and measures to enable natural ventilation, through to altering the fundamental design and construction.

7.25 The Department of Levelling up, Communities and Housing, published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a

'stepping stone' on the pathway to Zero Carbon homes. It sets the target of an interim 31% reduction in CO_2 emissions over 2013 standards for dwellings. The changes will apply to new homes that submit plans after June 2022 or have not begun construction before June 2023. It is assumed to apply to all new homes in this assessment.

7.26 The costs will depend on the specific changes made and are considered in Chapter 3 of the 2019 Government Consultation[28]. These costs have been indexed and would add about 3%[29] to the base cost of construction and are assumed to apply in the base appraisals.

7.27 The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are yet to be published, the 2019 Government Consultation anticipated that it would achieve a 75% to 80% improvement reduction in CO_2 emissions over 2013 standards for dwellings. There are a wide range of ways of lowering the greenhouse gas emissions on a scheme, although these do alter depending on the nature of the specific project. These can include simple measures around the orientation of the building, and measures to enable natural ventilation, through to altering the fundamental design and construction.

7.28 *A report for the Committee on Climate Change The costs and benefits of tighter standards for new buildings, Final report 2019* (Currie & Brown, February 2019) did set out the costs of a range of standards, but these are not comparable on a like for like basis. Additionally, the Government consultation was informed by the *Centre for Sustainable Energy Cost of carbon reduction in new buildings* (Currie & Brown, December 2018). This report suggested:

a. The costs of reducing emissions by 10% on-site with no requirement for energy efficiency beyond the Part L 2013 (assuming gas heating), to be less than 1% of the build costs with a 20% reduction to add about 2% to the costs of construction[30].

b. The cumulative costs over Part L 2013 for certified Passivhaus is about:

   i. £12,000 per detached house (based on 117m^2, £103/m^2 or an additional 7.6% in costs).

   ii. £7,100 per terraced house (based on 84m^2, £85/m^2 or an additional 5.8% in costs).

   iii. £2,750 per low rise flat (based on 70m^2, £39/m^2 or an additional 2.9% in costs).

[28] The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings (MHCLG, October 2019).

[29] BCIS March 2022 409.0 from BCIS Oct 2018 354.2 = 15.5%. £3,134x15.5%+£3,620. £3,620/85m^2 = £42.60/m^2. £42.60/m^2 / BCIS Estate Housing £1,324 = 3.2%

[30] Figure 4.10.

c. The cost of Zero Regulated Carbon[31] and Zero Regulated and Un-Regulated Carbon[32] is set out as follows:

Table 7.3 Cost of On-Site Carbon Reduction

	Carbon Saving	Zero Regulated Carbon			Zero Regulated and Un-Regulated Carbon		
		% Uplift	£/m²	£/home	% Uplift	£/m²	£/home
Gas Heated							
Detached	79%	6.2%	£84	£9,900	9.2%	£124	£14,500
Semi Detached	56%	5.6%	£84	£6,800	8.7%	£126	£10,600
Terraced	59%	6.0%	£82	£6,900	9.4%	£126	£10,600
Low Rise Flat	34%	6.7%	£91	£6,400	10.2%	£137	£9,600
Medium Rise Flat	24%	3.5%	£87	£4,400	5.4%	£136	£6,800
Air Sourced Heat Pump Heated							
Detached	95%	6.4%	£86	£10,100	9.3%	£126	£14,700
Semi Detached	69%	6.8%	£99	£8,300	9.9%	£144	£12,100
Terraced	72%	7.4%	£100	£8,400	10.7%	£144	£12,100
Low Rise Flat	48%	6.9%	£93	£6,500	10.3%	£139	£9,800
Medium Rise Flat	32%	3.8%	£96	£4,800	5.8%	£144	£7,200

Source: Table 4.1 Centre for Sustainable Energy Cost of carbon reduction in new buildings (Currie & Brown, December 2018)

7.29 A report[33] commissioned by Lancaster City Council includes a more recent assessment of costs. These are summarised as follows:

[31] Regulated energy use is regulated by Part L of Building Regulations. This includes energy used for space heating, hot water and lighting together with directly associated pumps (for circulating water) and fans (eg for ventilation).

[32] Unregulated energy use is not controlled by Part L of Building Regulations. In homes this includes energy use for cooking, white goods and small power (eg, TVs, kettles, toasters, IT, etc). The quantity of unregulated energy in a home is estimated in SAP2012 using information on the building area. In non-domestic buildings unregulated energy also includes that used for vertical transportation (lifts and escalators) and process loads such as industrial activities or server rooms.

[33] Lancaster City Council, Climate Change Local Plan review. Policy Response – Decarbonising standards and technology summary report (Three Dragons, Enhabit, February 2021)

Table 7.4 Building standard costs £per sqm and percentage uplift on dwelling build cost

		Unit cost £ / unit				£/sqm cost				BCIS	Uplift			
Type	Size	Part L 2021	Future homes	PH classic	PH plus*	Part L 2021	Future homes	PH classic	PH plus*	£/sqm	Part L 2021	Future homes	PH classic	PH plus
Terrace	75	£3,300	£9,200	£3,300	£5,925	£44	£123	£44	£79	£1,085	4%	11%	4%	7%
Bungalow	85	£3,700	£10,300	£3,600	£6,575	£44	£121	£42	£77	£1,171	4%	10%	4%	7%
Semi	93	£4,100	£11,500	£4,000	£7,255	£44	£124	£43	£78	£1,085	4%	11%	4%	7%
Detached	106	£4,700	£13,000	£4,600	£8,310	£44	£123	£43	£78	£1,085	4%	11%	4%	7%
Detached	120	£5,300	£14,750	£5,250	£9,450	£44	£123	£44	£79	£1,085	4%	11%	4%	7%
Flats	65	£2,813	£7,938	£2,850	£5,125	£43	£122	£44	£79	£1,264	3%	10%	3%	6%
										Average	**4%**	**11%**	**4%**	**7%**

* The Passivhaus plus figure is Passivhaus classic plus solar - the solar is calculated using the WWA figures of £4,000 for 3KW system for a semi detached of 114sqm - this works out at £35/sqm

Source: Appendix 3, Lancaster City Council, Climate Change Local Plan review. Policy Response – Decarbonising standards and technology summary report (Three Dragons, Enhabit, February 2021)

7.30 The 2025 Future Homes Standard would add 7% to the cost of development and is assumed in the base appraisals. It is timely to note that building to higher standards that result in lower running costs does result in higher values[34].

7.31 The performance of non-residential development is normally assessed using the BREEAM system[35]. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research[36] by BRE. The additional costs of BREEAM Excellent standard ranges from just under 1% and 5.5%, depending on the nature of the scheme, with offices being a little under 2%. It is assumed that new non-residential development will be to BREEAM Excellent, and this increases the construction costs by 2% or so. This is tested in the base appraisals.

7.32 The option that all commercial buildings are built to a Net Zero Carbon standard is somewhat more costly that BREEAM Excellent. In this instance we have assumed that this would be implemented in a similar way to the development under the London Plan. In London, the GLA seeks a 15% reduction in carbon emissions from energy efficiency measures, with a total on-site reduction of 35% and the achievement of Net Zero regulated carbon emissions using

[34] See *EPCs & Mortgages, Demonstrating the link between fuel affordability and mortgage lending* as prepared for Constructing Excellence in Wales and Grwp Carbon Isel / Digarbon Cymru (funded by the Welsh Government) and completed by BRE and *An investigation of the effect of EPC ratings on house prices* for Department of Energy & Climate Change (June 2013.)

[35] Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990 as a method of assessing, rating, and certifying the sustainability of buildings.

[36] *Delivering sustainable buildings: Savings and payback*. Yetunde Abdul, BRE and Richard Quartermaine, Sweett Group. Published by IHS BRE Press, 7 August 2014.

allowable solutions, all in comparison to the emissions from a Part L 2013 compliance building with gas heating. In this regard it was estimated that the following costs were identified:

Table 7.5 Indicative cost uplifts of the potential standards to reduce carbon emissions

Standards	Target	Percentage of construction cost
Energy Efficiency	Minimum carbon reduction of 15%	2%
On site saving	Total carbon reduction of 35%	1%
Allowable solutions	Offset 65% of regulated CO_2 emissions	2-4%
BREEAM	BREEAM Excellent rating	1-2%

Source: Table 9.1 Centre for Sustainable Energy Cost of carbon reduction in new buildings (Currie & Brown, December 2018)

7.33 A paper, *UK Green Building Council, Building the Case for Net Zero (UK GBC, Advanced Net Zero, September 2020)* for Hoare Lea and JLL, considered the cost of Net Zero in two scenarios on a 16 storey city office building. This estimated the additional cost for an 'intermediate' scenario to be 6.2% and a 'stretch' scenario to be between 8% and 17%.

7.34 A paper, *Towards Net Zero Carbon Achieving greater carbon reductions on site - The role of carbon pricing (May 2020)* considered the costs associated with a hotel, a school, and an office building in the context of carbon pricing and a 35% CO_2 saving as per the London Plan. This estimated the additional costs for hotels to be 1.2% to 2.7%, for schools to be 1.1% to 1.7% and for newbuild offices to be 0.8% to 2.1% - although these were only additional construction costs (not whole life costs).

7.35 It is clear from a range of data sources that the additional costs will vary tremendously depending on the specifics of the building under consideration.

Electric Vehicle Charging

7.36 EV charging points are a national requirement. A cost of £800/house has been modelled. In addition an allowance of £5,000/block[37] is made in the flatted schemes for a shared charger.

Developer Contributions

7.37 Policy CP6 of the Adopted Core Strategy seeks that development *'should contribute to reducing the need to travel, improve accessibility to jobs, services and community facilities, and mitigate and adapt to climate change*.' It is assumed that these aims will be met through developer contributions.

[37] Our normal approach is to allow £5,000 per 50 flats.

7.38 Policy CP7 of the Adopted Core Strategy goes on to require developer contributions towards strategic infrastructure and mitigation measures. This policy is developed through the site specific policies.

7.39 Several policies within the 2016 SADMP provide further detail, particularly in respect of C6 Accessible Facilities, A2 Travel Planning, A3 Cycle Network and others.

7.40 Policy D13 seeks that all schemes of 15 or more residential units (2,500m^2 of commercial uses) contributes to Public Art, although the amount of the contribution is not quantified. This is assumed to be within the developer contribution allowance.

7.41 The 2020 Issues and Options reinforces the requirements for development to provide appropriate infrastructure and mitigation measures, although the document is not specific.

7.42 A base assumption of £2,500 per dwelling has been allowed for, with an additional £5,000 per dwelling allowance in relation to Phosphate Neutrality.

Community Infrastructure Levy (CIL)

7.43 The Council has adopted CIL at the following rates. These have been indexed as per the CIL regulations.

Table 7.6 Rates of CIL

Development Uses	Adopted Levy (per sq m)	Indexed Levy (per sq m)
Residential Development in Taunton, including urban extensions	£70	£98.89
Residential Development in Taunton town centre	£0	£0.00
Residential Development within the settlement limit of Wellington	£0	£0.00
Residential Development outside the settlement limits of Taunton and Wellington	£125	£176.60
Retail development (classes A1 – A5) outside Taunton and Wellington town centres	£140	£197.79
All other development	£0	£0.00

Source: SW&T

7.44 The Firepool site is within the zero rated area.

Modelling

8.1 The modelling is based on the information provided by the Council. This has not been checked or challenged. The site is modelled as a whole and then by the individual elements. The individual elements are modelled separately, with the site costs being subdivided pro-rata by the numbers of residential units.

8.2 The residential modelling is summarised as follows:

Table 8.1 Residential Modelling

			Current Use	Units	Area Ha				Density Units/ha		Density
					Total	Gross	Net	%	Gross	Net	m2/ha
1	Whole Scheme	Brown	PDL	429	6.140	6.129	6.129	99.8%	70.00	70.00	7,113
2	Block 1.1	Brown	PDL	25	0.385	0.385	0.385	100.0%	65.00	65.00	5,714
3	Block 1.2	Brown	PDL	35	0.538	0.538	0.538	100.0%	65.00	65.00	5,825
4	Block 1.3	Brown	PDL	35	0.538	0.538	0.538	100.0%	65.00	65.00	6,392
5	Block 1.4	Brown	PDL	45	0.692	0.692	0.692	100.0%	65.00	65.00	5,827
6	Block 2.1	Brown	PDL	35	0.538	0.538	0.538	100.0%	65.00	65.00	5,326
7	Block 2.2	Brown	PDL	35	0.538	0.538	0.538	100.0%	65.00	65.00	5,326
8	Block 2.3	Brown	PDL	41	0.631	0.631	0.631	100.0%	65.00	65.00	5,307
9	Block 2.4	Brown	PDL	8	0.200	0.200	0.200	100.0%	40.00	40.00	5,969
10	Block 2.5	Brown	PDL	55	1.375	1.375	1.375	100.0%	40.00	40.00	5,305
11	Block 2.6	Brown	PDL	11	0.275	0.275	0.275	100.0%	40.00	40.00	5,364
12	Block 2.7	Brown	PDL	3	0.075	0.075	0.075	100.0%	40.00	40.00	5,542
13	Block 3.1	Brown	PDL	18	0.360	0.360	0.360	100.0%	50.00	50.00	9,486
14	Block 4.1	Brown	PDL	30	0.462	0.462	0.462	100.0%	65.00	65.00	6,330
15	Block 4.2	Brown	PDL	25	0.385	0.385	0.385	100.0%	65.00	65.00	6,396
16	Block 4.3	Brown	PDL	28	0.431	0.431	0.431	100.0%	65.00	65.00	5,861
17	Block 1.4 - BtR	Brown	PDL	45	0.692	0.692	0.692	100.0%	65.00	65.00	5,827
18	Sheltered	Brown	PDL	60	0.500	0.500	0.500	100.0%	120.00	120.00	9,300
19	Extracare	Brown	PDL	60	0.500	0.500	0.500	100.0%	120.00	120.00	11,076

Source: HDH (September 2022)

8.3 The analysis presented earlier in this report suggest that values for older peoples housing is substantially above that of general market housing. Two additional typologies have been included, being a private sheltered/retirement and an extracare scheme, each on a 0.5ha site as follows.

a. A private sheltered/retirement scheme of 30 x 1 bed units of 50m^2 and 30 x 2 bed units of 75m^2 to give a net saleable area (GIA) of 3,750m^2. We have assumed a further 20% non-saleable service and common areas to give a scheme GIA of 4,500m^2.

b. An extracare scheme of 36 x 1 bed units of 65m^2 and 24 x 2 bed units of 80m^2 to give a net saleable area (GIA) of 4,260m^2. We have assumed a further 30% non-saleable service and common areas to give a scheme GIA of 5,538m^2.

8.4 The non-residential elements are not modelled at this stage. Whilst the costs are set out in the cost plan these are not incorporated into the appraisals. Further no value is attributed to the non-residential elements. Having said this, in the modelling it has been assumed that all the site infrastructure costs are borne by the residential elements. This approach as been taken as if part of the site was left in its current state, there would be a detrimental impact on the values of the residential development.

Appraisal Results

9.1 Based on the above a set of appraisals have been run, for the scheme as a whole and for each residential element based on the costs set out in the preceding sections of this assessment.

25% Affordable

9.2 The initial appraisals, for the residential elements of the project, include 25% affordable housing and £7,500unit of developer contributions.

Table 9.1 Firepool Masterplan – Residual Values

25% Affordable Housing, £7,500/unit Developer Contributions

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Whole Scheme	Firepool	Brown	PDL	6.13	6.13	429	-6,123,525	-6,135,344	-37,600,895
Site 2	Block 1.1	Firepool	Brown	PDL	0.38	0.38	25	-6,524,017	-6,524,017	-2,509,237
Site 3	Block 1.2	Firepool	Brown	PDL	0.54	0.54	35	-6,347,919	-6,347,919	-3,418,110
Site 4	Block 1.3	Firepool	Brown	PDL	0.54	0.54	35	-6,418,213	-6,418,213	-3,455,961
Site 5	Block 1.4	Firepool	Brown	PDL	0.69	0.69	45	-6,638,959	-6,638,959	-4,596,202
Site 6	Block 2.1	Firepool	Brown	PDL	0.54	0.54	35	-5,480,843	-5,480,843	-2,951,223
Site 7	Block 2.2	Firepool	Brown	PDL	0.54	0.54	35	-5,591,266	-5,591,266	-3,010,682
Site 8	Block 2.3	Firepool	Brown	PDL	0.63	0.63	41	-5,547,787	-5,547,787	-3,499,373
Site 9	Block 2.4	Firepool	Brown	PDL	0.20	0.20	8	-2,704,765	-2,704,765	-540,953
Site 10	Block 2.5	Firepool	Brown	PDL	1.38	1.38	55	-2,438,423	-2,438,423	-3,352,831
Site 11	Block 2.6	Firepool	Brown	PDL	0.28	0.28	11	-2,366,845	-2,366,845	-650,882
Site 12	Block 2.7	Firepool	Brown	PDL	0.08	0.08	3	-2,468,193	-2,468,193	-185,114
Site 13	Block 3.1	Firepool	Brown	PDL	0.36	0.36	18	-11,780,064	-11,780,064	-4,240,823
Site 14	Block 4.1	Firepool	Brown	PDL	0.46	0.46	30	-7,611,282	-7,611,282	-3,512,899
Site 15	Block 4.2	Firepool	Brown	PDL	0.38	0.38	25	-7,946,326	-7,946,326	-3,056,279
Site 16	Block 4.3	Firepool	Brown	PDL	0.43	0.43	28	-7,269,966	-7,269,966	-3,131,678
Site 17	Block 1.4 - BtR	Firepool	Brown	PDL	0.69	0.69	45	-7,061,921	-7,061,921	-4,889,022
Site 18	Sheltered	Firepool	Brown	PDL	0.50	0.50	60	-7,631,515	-7,631,515	-3,815,757
Site 19	Extracare	Firepool	Brown	PDL	0.50	0.50	60	-12,924,137	-12,924,137	-6,462,068

Source: HDH (October 2022)

Table 9.2 Residual Value v Benchmark Land Value

25% Affordable Housing, £7,500/unit Developer Contributions

		EUV	BLV	Residual Value
Site 1	Whole Scheme	900,000	1,080,000	-6,123,525
Site 2	Block 1.1	900,000	1,080,000	-6,524,017
Site 3	Block 1.2	900,000	1,080,000	-6,347,919
Site 4	Block 1.3	900,000	1,080,000	-6,418,213
Site 5	Block 1.4	900,000	1,080,000	-6,638,959
Site 6	Block 2.1	900,000	1,080,000	-5,480,843
Site 7	Block 2.2	900,000	1,080,000	-5,591,266
Site 8	Block 2.3	900,000	1,080,000	-5,547,787
Site 9	Block 2.4	900,000	1,080,000	-2,704,765
Site 10	Block 2.5	900,000	1,080,000	-2,438,423
Site 11	Block 2.6	900,000	1,080,000	-2,366,845
Site 12	Block 2.7	900,000	1,080,000	-2,468,193
Site 13	Block 3.1	900,000	1,080,000	-11,780,064
Site 14	Block 4.1	900,000	1,080,000	-7,611,282
Site 15	Block 4.2	900,000	1,080,000	-7,946,326
Site 16	Block 4.3	900,000	1,080,000	-7,269,966
Site 17	Block 1.4 - BtR	900,000	1,080,000	-7,061,921
Site 18	Sheltered	900,000	1,080,000	-7,631,515
Site 19	Extracare	900,000	1,080,000	-12,924,137

Source: HDH (October 2022)

9.3 When modelled as per the masterplan, and on the assumption that the project is undertaken to the highest standards (so to generate the values assumed), it is unlikely that a policy compliant scheme would be forthcoming as the Residual Value is substantially less than the Benchmark Land Value in all cases.

9.4 These results are to be expected and are consistent with the local experience on the ground where few schemes have delivered policy compliant affordable housing. Further, we are advised that £10,700,000 of public sector funding as been secured to deliver this site. Whilst we are not privy to the details of this funding, we understand that it can be used to facilitate the delivery of the residential elements of the project.

Sensitivity Testing

9.5 Further appraisals have been run without affordable housing, without developer contributions, without developer's return and with the benefit of grant.

Table 9.2 Firepool Masterplan – Residual Values

No Affordable Housing, £7,500/unit Developer Contributions

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Whole Scheme	Firepoo	Brown	PDL	6.13	6.13	429	-5,005,439	-5,015,100	-30,735,399
Site 2	Block 1.1	Firepoo	Brown	PDL	0.38	0.38	25	-5,629,800	-5,629,800	-2,165,308
Site 3	Block 1.2	Firepoo	Brown	PDL	0.54	0.54	35	-5,411,841	-5,411,841	-2,914,068
Site 4	Block 1.3	Firepoo	Brown	PDL	0.54	0.54	35	-5,380,837	-5,380,837	-2,897,374
Site 5	Block 1.4	Firepoo	Brown	PDL	0.69	0.69	45	-5,814,266	-5,814,266	-4,025,261
Site 6	Block 2.1	Firepoo	Brown	PDL	0.54	0.54	35	-4,612,503	-4,612,503	-2,483,656
Site 7	Block 2.2	Firepoo	Brown	PDL	0.54	0.54	35	-4,722,698	-4,722,698	-2,542,991
Site 8	Block 2.3	Firepoo	Brown	PDL	0.63	0.63	41	-4,647,134	-4,647,134	-2,931,269
Site 9	Block 2.4	Firepoo	Brown	PDL	0.20	0.20	8	-1,612,612	-1,612,612	-322,522
Site 10	Block 2.5	Firepoo	Brown	PDL	1.38	1.38	55	-1,466,929	-1,466,929	-2,017,028
Site 11	Block 2.6	Firepoo	Brown	PDL	0.28	0.28	11	-1,386,641	-1,386,641	-381,326
Site 12	Block 2.7	Firepoo	Brown	PDL	0.08	0.08	3	-1,449,154	-1,449,154	-108,687
Site 13	Block 3.1	Firepoo	Brown	PDL	0.36	0.36	18	-10,044,734	-10,044,734	-3,616,104
Site 14	Block 4.1	Firepoo	Brown	PDL	0.46	0.46	30	-6,600,625	-6,600,625	-3,046,442
Site 15	Block 4.2	Firepoo	Brown	PDL	0.38	0.38	25	-6,963,339	-6,963,339	-2,678,207
Site 16	Block 4.3	Firepoo	Brown	PDL	0.43	0.43	28	-6,417,059	-6,417,059	-2,764,272
Site 17	Block 1.4 - BtR	Firepoo	Brown	PDL	0.69	0.69	45	-5,892,466	-5,892,466	-4,079,400
Site 18	Sheltered	Firepoo	Brown	PDL	0.50	0.50	60	-4,329,301	-4,329,301	-2,164,651
Site 19	Extracare	Firepoo	Brown	PDL	0.50	0.50	60	-9,090,444	-9,090,444	-4,545,222
Site 20	Commercial 4.2	Firepoo	Brown	PDL	3.17	2.86	100	-65,813	-73,125	-208,929
Site 21	Commercial 4.3	Firepoo	Brown	PDL	1.90	1.71	60	-48,805	-54,228	-92,963

		EUV	BLV	Residual Value
Site 1	Whole Scheme	900,000	1,080,000	-5,005,439
Site 2	Block 1.1	900,000	1,080,000	-5,629,800
Site 3	Block 1.2	900,000	1,080,000	-5,411,841
Site 4	Block 1.3	900,000	1,080,000	-5,380,837
Site 5	Block 1.4	900,000	1,080,000	-5,814,266
Site 6	Block 2.1	900,000	1,080,000	-4,612,503
Site 7	Block 2.2	900,000	1,080,000	-4,722,698
Site 8	Block 2.3	900,000	1,080,000	-4,647,134
Site 9	Block 2.4	900,000	1,080,000	-1,612,612
Site 10	Block 2.5	900,000	1,080,000	-1,466,929
Site 11	Block 2.6	900,000	1,080,000	-1,386,641
Site 12	Block 2.7	900,000	1,080,000	-1,449,154
Site 13	Block 3.1	900,000	1,080,000	-10,044,734
Site 14	Block 4.1	900,000	1,080,000	-6,600,625
Site 15	Block 4.2	900,000	1,080,000	-6,963,339
Site 16	Block 4.3	900,000	1,080,000	-6,417,059
Site 17	Block 1.4 - BtR	900,000	1,080,000	-5,892,466
Site 18	Sheltered	900,000	1,080,000	-4,329,301
Site 19	Extracare	900,000	1,080,000	-9,090,444

Source: HDH (October 2022)

Table 9.3 Firepool Masterplan – Residual Values

No Affordable Housing, £0/unit Developer Contributions

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Whole Scheme	Firepoo	Brown	PDL	6.13	6.13	429	-4,447,895	-4,456,479	-27,311,852
Site 2	Block 1.1	Firepoo	Brown	PDL	0.38	0.38	25	-5,117,064	-5,117,064	-1,968,101
Site 3	Block 1.2	Firepoo	Brown	PDL	0.54	0.54	35	-4,899,071	-4,899,071	-2,637,961
Site 4	Block 1.3	Firepoo	Brown	PDL	0.54	0.54	35	-4,868,067	-4,868,067	-2,621,267
Site 5	Block 1.4	Firepoo	Brown	PDL	0.69	0.69	45	-5,301,478	-5,301,478	-3,670,254
Site 6	Block 2.1	Firepoo	Brown	PDL	0.54	0.54	35	-4,099,734	-4,099,734	-2,207,549
Site 7	Block 2.2	Firepoo	Brown	PDL	0.54	0.54	35	-4,209,928	-4,209,928	-2,266,884
Site 8	Block 2.3	Firepoo	Brown	PDL	0.63	0.63	41	-4,134,352	-4,134,352	-2,607,822
Site 9	Block 2.4	Firepoo	Brown	PDL	0.20	0.20	8	-1,301,477	-1,301,477	-260,295
Site 10	Block 2.5	Firepoo	Brown	PDL	1.38	1.38	55	-1,157,871	-1,157,871	-1,592,073
Site 11	Block 2.6	Firepoo	Brown	PDL	0.28	0.28	11	-1,075,749	-1,075,749	-295,831
Site 12	Block 2.7	Firepoo	Brown	PDL	0.08	0.08	3	-1,135,349	-1,135,349	-85,151
Site 13	Block 3.1	Firepoo	Brown	PDL	0.36	0.36	18	-9,650,231	-9,650,231	-3,474,083
Site 14	Block 4.1	Firepoo	Brown	PDL	0.46	0.46	30	-6,087,771	-6,087,771	-2,809,741
Site 15	Block 4.2	Firepoo	Brown	PDL	0.38	0.38	25	-6,450,602	-6,450,602	-2,481,001
Site 16	Block 4.3	Firepoo	Brown	PDL	0.43	0.43	28	-5,904,206	-5,904,206	-2,543,350
Site 17	Block 1.4 - BtR	Firepoo	Brown	PDL	0.69	0.69	45	-5,379,678	-5,379,678	-3,724,392
Site 18	Sheltered	Firepoo	Brown	PDL	0.50	0.50	60	-3,411,624	-3,411,624	-1,705,812
Site 19	Extracare	Firepoo	Brown	PDL	0.50	0.50	60	-8,158,275	-8,158,275	-4,079,138

		EUV	BLV	Residual Value
Site 1	Whole Scheme	900,000	1,080,000	-4,447,895
Site 2	Block 1.1	900,000	1,080,000	-5,117,064
Site 3	Block 1.2	900,000	1,080,000	-4,899,071
Site 4	Block 1.3	900,000	1,080,000	-4,868,067
Site 5	Block 1.4	900,000	1,080,000	-5,301,478
Site 6	Block 2.1	900,000	1,080,000	-4,099,734
Site 7	Block 2.2	900,000	1,080,000	-4,209,928
Site 8	Block 2.3	900,000	1,080,000	-4,134,352
Site 9	Block 2.4	900,000	1,080,000	-1,301,477
Site 10	Block 2.5	900,000	1,080,000	-1,157,871
Site 11	Block 2.6	900,000	1,080,000	-1,075,749
Site 12	Block 2.7	900,000	1,080,000	-1,135,349
Site 13	Block 3.1	900,000	1,080,000	-9,650,231
Site 14	Block 4.1	900,000	1,080,000	-6,087,771
Site 15	Block 4.2	900,000	1,080,000	-6,450,602
Site 16	Block 4.3	900,000	1,080,000	-5,904,206
Site 17	Block 1.4 - BtR	900,000	1,080,000	-5,379,678
Site 18	Sheltered	900,000	1,080,000	-3,411,624
Site 19	Extracare	900,000	1,080,000	-8,158,275

Source: HDH (October 2022)

Table 9.4 Firepool Masterplan – Residual Values

No Affordable Housing, £7,500/unit Developer Contributions, No Developers Return

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Whole Scheme	Firepoo	Brown	PDL	6.13	6.13	429	-1,569,914	-1,572,945	-9,639,903
Site 2	Block 1.1	Firepoo	Brown	PDL	0.38	0.38	25	-3,280,539	-3,280,539	-1,261,746
Site 3	Block 1.2	Firepoo	Brown	PDL	0.54	0.54	35	-2,947,104	-2,947,104	-1,586,902
Site 4	Block 1.3	Firepoo	Brown	PDL	0.54	0.54	35	-2,559,805	-2,559,805	-1,378,357
Site 5	Block 1.4	Firepoo	Brown	PDL	0.69	0.69	45	-3,384,912	-3,384,912	-2,343,401
Site 6	Block 2.1	Firepoo	Brown	PDL	0.54	0.54	35	-2,271,397	-2,271,397	-1,223,060
Site 7	Block 2.2	Firepoo	Brown	PDL	0.54	0.54	35	-2,380,024	-2,380,024	-1,281,551
Site 8	Block 2.3	Firepoo	Brown	PDL	0.63	0.63	41	-2,312,904	-2,312,904	-1,458,909
Site 9	Block 2.4	Firepoo	Brown	PDL	0.20	0.20	8	1,303,437	1,303,437	260,687
Site 10	Block 2.5	Firepoo	Brown	PDL	1.38	1.38	55	1,063,916	1,063,916	1,462,884
Site 11	Block 2.6	Firepoo	Brown	PDL	0.28	0.28	11	1,220,212	1,220,212	335,558
Site 12	Block 2.7	Firepoo	Brown	PDL	0.08	0.08	3	1,318,620	1,318,620	98,897
Site 13	Block 3.1	Firepoo	Brown	PDL	0.36	0.36	18	-5,746,297	-5,746,297	-2,068,667
Site 14	Block 4.1	Firepoo	Brown	PDL	0.46	0.46	30	-4,064,940	-4,064,940	-1,876,126
Site 15	Block 4.2	Firepoo	Brown	PDL	0.38	0.38	25	-4,420,165	-4,420,165	-1,700,063
Site 16	Block 4.3	Firepoo	Brown	PDL	0.43	0.43	28	-4,057,044	-4,057,044	-1,747,650
Site 17	Block 1.4 - BtR	Firepoo	Brown	PDL	0.69	0.69	45	-3,845,078	-3,845,078	-2,661,977
Site 18	Sheltered	Firepoo	Brown	PDL	0.50	0.50	60	696,612	696,612	348,306
Site 19	Extracare	Firepoo	Brown	PDL	0.50	0.50	60	-3,224,553	-3,224,553	-1,612,276

		EUV	BLV	Residual Value
Site 1	Whole Scheme	900,000	1,080,000	-1,569,914
Site 2	Block 1.1	900,000	1,080,000	-3,280,539
Site 3	Block 1.2	900,000	1,080,000	-2,947,104
Site 4	Block 1.3	900,000	1,080,000	-2,559,805
Site 5	Block 1.4	900,000	1,080,000	-3,384,912
Site 6	Block 2.1	900,000	1,080,000	-2,271,397
Site 7	Block 2.2	900,000	1,080,000	-2,380,024
Site 8	Block 2.3	900,000	1,080,000	-2,312,904
Site 9	Block 2.4	900,000	1,080,000	1,303,437
Site 10	Block 2.5	900,000	1,080,000	1,063,916
Site 11	Block 2.6	900,000	1,080,000	1,220,212
Site 12	Block 2.7	900,000	1,080,000	1,318,620
Site 13	Block 3.1	900,000	1,080,000	-5,746,297
Site 14	Block 4.1	900,000	1,080,000	-4,064,940
Site 15	Block 4.2	900,000	1,080,000	-4,420,165
Site 16	Block 4.3	900,000	1,080,000	-4,057,044
Site 17	Block 1.4 - BtR	900,000	1,080,000	-3,845,078
Site 18	Sheltered	900,000	1,080,000	696,612
Site 19	Extracare	900,000	1,080,000	-3,224,553

Source: HDH (October 2022)

Table 9.5 Firepool Masterplan – Residual Values

No% Affordable Housing, £7,500/unit Developer Contributions, With £10,700,000 Subsidy

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Whole Scheme	Firepoo	Brown	PDL	6.13	6.13	429	-3,151,289	-3,157,372	-19,350,177
Site 2	Block 1.1	Firepoo	Brown	PDL	0.38	0.38	25	-3,924,663	-3,924,663	-1,509,486
Site 3	Block 1.2	Firepoo	Brown	PDL	0.54	0.54	35	-3,706,592	-3,706,592	-1,995,857
Site 4	Block 1.3	Firepoo	Brown	PDL	0.54	0.54	35	-3,677,971	-3,677,971	-1,980,446
Site 5	Block 1.4	Firepoo	Brown	PDL	0.69	0.69	45	-4,108,956	-4,108,956	-2,844,662
Site 6	Block 2.1	Firepoo	Brown	PDL	0.54	0.54	35	-2,911,299	-2,911,299	-1,567,623
Site 7	Block 2.2	Firepoo	Brown	PDL	0.54	0.54	35	-3,019,925	-3,019,925	-1,626,114
Site 8	Block 2.3	Firepoo	Brown	PDL	0.63	0.63	41	-2,945,420	-2,945,420	-1,857,880
Site 9	Block 2.4	Firepoo	Brown	PDL	0.20	0.20	8	-577,912	-577,912	-115,582
Site 10	Block 2.5	Firepoo	Brown	PDL	1.38	1.38	55	-441,215	-441,215	-606,671
Site 11	Block 2.6	Firepoo	Brown	PDL	0.28	0.28	11	-358,072	-358,072	-98,470
Site 12	Block 2.7	Firepoo	Brown	PDL	0.08	0.08	3	-409,587	-409,587	-30,719
Site 13	Block 3.1	Firepoo	Brown	PDL	0.36	0.36	18	-8,732,791	-8,732,791	-3,143,805
Site 14	Block 4.1	Firepoo	Brown	PDL	0.46	0.46	30	-4,895,099	-4,895,099	-2,259,276
Site 15	Block 4.2	Firepoo	Brown	PDL	0.38	0.38	25	-5,258,201	-5,258,201	-2,022,385
Site 16	Block 4.3	Firepoo	Brown	PDL	0.43	0.43	28	-4,711,533	-4,711,533	-2,029,584
Site 17	Block 1.4 - BtR	Firepoo	Brown	PDL	0.69	0.69	45	-4,187,156	-4,187,156	-2,898,801
Site 18	Sheltered	Firepoo	Brown	PDL	0.50	0.50	60	-1,277,506	-1,277,506	-638,753
Site 19	Extracare	Firepoo	Brown	PDL	0.50	0.50	60	-5,990,458	-5,990,458	-2,995,229

		EUV	BLV	Residual Value
Site 1	Whole Scheme	900,000	1,080,000	-3,151,289
Site 2	Block 1.1	900,000	1,080,000	-3,151,289
Site 3	Block 1.2	900,000	1,080,000	-3,924,663
Site 4	Block 1.3	900,000	1,080,000	-3,706,592
Site 5	Block 1.4	900,000	1,080,000	-3,677,971
Site 6	Block 2.1	900,000	1,080,000	-4,108,956
Site 7	Block 2.2	900,000	1,080,000	-2,911,299
Site 8	Block 2.3	900,000	1,080,000	-3,019,925
Site 9	Block 2.4	900,000	1,080,000	-2,945,420
Site 10	Block 2.5	900,000	1,080,000	-577,912
Site 11	Block 2.6	900,000	1,080,000	-441,215
Site 12	Block 2.7	900,000	1,080,000	-358,072
Site 13	Block 3.1	900,000	1,080,000	-409,587
Site 14	Block 4.1	900,000	1,080,000	-8,732,791
Site 15	Block 4.2	900,000	1,080,000	-4,895,099
Site 16	Block 4.3	900,000	1,080,000	-5,258,201
Site 17	Block 1.4 - BtR	900,000	1,080,000	-4,711,533
Site 18	Sheltered	900,000	1,080,000	-4,187,156
Site 19	Extracare	900,000	1,080,000	-1,277,506

Source: HDH (October 2022)

9.6 This analysis suggests that flexing the amount of affordable housing and / or the amount of developer contributions results in an increase in the Residual Value. This is to be expected, however, in considering these results it is necessary to note that some developer contributions will be required so make the development acceptable in planning terms. The details of what they may be for specifically are not yet known but, at the very least are likely to require measures to deliver nutrient neutrality (which are currently unavoidable) as well as some highway work to ensure a safe and appropriate access to the site.

9.7 This analysis does highlight the findings in the work carried out earlier in the year, that economics of housing rather than flats is better. The Residual Value is significantly higher on the housing schemes. The values attributed to housing and flats is similar, however the costs of building flats is somewhat higher, both on a unit basis (£/m^2) and as flatted development includes significant levels of circulation space to which no value is attributed. Typically, we expect circulation space and common areas, in contemporary flatted schemes to be between 10% and 15% of the saleable areas. Within the masterplan the circulation space and common areas is very much greater than this being in the range from about 15% to nearly 30%. We therefore recommend that the consideration is given to the precise mix of housing and flats within the site and to the efficient use of space withing the flatted development as both of these will impact on the overall value.

9.8 The scenario with no developers return generates a higher Residual Value to the scenario with £10,700,000 public subsidy. It is beyond the scope of this assessment to consider how the developer may actually go about delivering this site, but this does illustrate that it will be important to consider a range of options to facilitate the delivery of the site.

Increased values

9.9 A further set of appraisals have been run to consider how much house prices would need to rise to allow a viable scheme to come forward, without affordable housing, but also without the benefit of public subsidy. In considering this analysis it is important to note that there is considerable uncertainty in the residential market, with early evidence that the market has 'turned'. Prices are certainly no longer rising and may now be falling. It is also important to appreciate that values are only part of the equation, and that we are in a period of build cost inflation. All the assumptions in this report are based on current costs, however it is estimated that build costs will increase by about £25,000,000 over the life of the project.

Table 9.1 Firepool Masterplan – Residual Values

No% Affordable Housing, £7,500/unit Developer Contributions

		EUV	BLV	Residual Value														
				0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%				
Site 1	Whole Scheme	900,000	1,080,000	-6,123,525	-4,229,992	-3,454,545	-2,679,098	-1,903,651	-1,156,291	-434,945	246,866	899,767	1,541,101	2,170,600				
Site 2	Block 1.1	900,000	1,080,000	-6,524,017	-5,091,883	-4,553,966	-4,016,049	-3,482,349	-2,954,332	-2,426,315	-1,898,299	-1,370,282	-842,265	-326,221				
Site 3	Block 1.2	900,000	1,080,000	-6,347,919	-4,845,611	-4,279,382	-3,715,029	-3,159,221	-2,603,413	-2,047,605	-1,491,797	-935,989	-390,223	145,314				
Site 4	Block 1.3	900,000	1,080,000	-6,418,213	-4,730,025	-4,081,277	-3,442,442	-2,803,608	-2,164,773	-1,525,939	-887,104	-265,393	348,760	938,651				
Site 5	Block 1.4	900,000	1,080,000	-6,638,959	-5,257,671	-4,701,075	-4,144,480	-3,593,247	-3,046,896	-2,500,545	-1,954,194	-1,407,843	-861,491	-327,841				
Site 6	Block 2.1	900,000	1,080,000	-5,480,843	-4,072,889	-3,533,275	-3,003,226	-2,473,543	-1,943,861	-1,414,178	-884,496	-363,961	146,404	644,244				
Site 7	Block 2.2	900,000	1,080,000	-5,591,266	-4,183,084	-3,643,470	-3,111,852	-2,582,170	-2,052,487	-1,522,804	-993,122	-468,776	41,589	544,350				
Site 8	Block 2.3	900,000	1,080,000	-5,547,787	-4,109,197	-3,571,261	-3,042,348	-2,514,312	-1,986,276	-1,458,240	-930,205	-409,591	99,187	595,052				
Site 9	Block 2.4	900,000	1,080,000	-2,704,765	-927,479	-255,370	404,776	1,058,836	1,693,374	2,322,527	2,951,680	3,580,833	4,209,986	4,839,139				
Site 10	Block 2.5	900,000	1,080,000	-2,438,423	-861,827	-266,891	308,471	864,132	1,419,792	1,975,453	2,531,114	3,086,775	3,642,436	4,198,097				
Site 11	Block 2.6	900,000	1,080,000	-2,366,845	-771,610	-170,490	422,110	1,002,923	1,567,702	2,132,481	2,697,260	3,262,039	3,826,817	4,391,596				
Site 12	Block 2.7	900,000	1,080,000	-2,468,193	-808,421	-181,811	435,554	1,052,919	1,670,284	2,282,090	2,887,525	3,488,463	4,076,844	4,665,224				
Site 13	Block 3.1	900,000	1,080,000	-11,780,064	-9,058,490	-8,072,245	-7,086,001	-6,114,384	-5,146,292	-4,178,199	-3,210,107	-2,242,014	-1,273,922	-336,146				
Site 14	Block 4.1	900,000	1,080,000	-7,611,282	-6,021,044	-5,441,463	-4,861,882	-4,282,301	-3,712,338	-3,143,424	-2,574,510	-2,005,596	-1,436,683	-867,769				
Site 15	Block 4.2	900,000	1,080,000	-7,946,326	-6,382,997	-5,802,656	-5,222,314	-4,641,973	-4,064,138	-3,494,477	-2,924,817	-2,355,157	-1,785,496	-1,215,836				
Site 16	Block 4.3	900,000	1,080,000	-7,269,966	-5,878,270	-5,339,480	-4,800,691	-4,261,901	-3,728,106	-3,199,233	-2,670,360	-2,141,486	-1,612,613	-1,083,740				
Site 17	Block 1.4 - BtR	900,000	1,080,000	-7,061,921	-5,329,813	-4,767,159	-4,204,506	-3,647,056	-3,094,758	-2,542,460	-1,990,162	-1,437,864	-885,567	-345,580				
Site 18	Sheltered	900,000	1,080,000	-7,631,515	-3,135,912	-1,942,522	-763,248	384,943	1,484,066	2,579,947	3,675,828	4,771,710	5,867,591	6,963,472				
Site 19	Extracare	900,000	1,080,000	-12,924,137	-7,709,334	-6,328,224	-4,961,792	-3,606,102	-2,250,411	-914,727	389,752	1,637,779	2,882,700	4,127,621				

		EUV	BLV	Residual Value										
				55%	60%	65%	70%	75%	80%	85%	90%	95%	100%	
		EUV	BLV											
Site 1	Whole Scheme	900,000	1,080,000	2,792,426	3,404,410	4,016,395	4,628,379	5,233,835	5,833,924	6,434,013	7,034,103	7,634,192	8,234,282	
Site 2	Block 1.1	900,000	1,080,000	182,538	684,476	1,169,350	1,654,224	2,139,098	2,623,972	3,108,846	3,593,720	4,078,594	4,563,468	
Site 3	Block 1.2	900,000	1,080,000	667,196	1,177,591	1,687,985	2,198,380	2,708,774	3,219,169	3,729,563	4,239,958	4,750,352	5,260,747	
Site 4	Block 1.3	900,000	1,080,000	1,525,288	2,111,925	2,698,562	3,285,199	3,871,836	4,458,473	5,045,110	5,631,747	6,218,384	6,805,022	
Site 5	Block 1.4	900,000	1,080,000	198,585	705,213	1,206,923	1,708,633	2,210,344	2,712,054	3,213,765	3,715,475	4,217,185	4,718,896	
Site 6	Block 2.1	900,000	1,080,000	1,130,647	1,617,051	2,103,455	2,589,859	3,076,263	3,562,666	4,049,070	4,535,474	5,021,878	5,508,281	
Site 7	Block 2.2	900,000	1,080,000	1,030,753	1,517,157	2,003,561	2,489,965	2,976,368	3,462,772	3,949,176	4,435,580	4,921,983	5,408,387	
Site 8	Block 2.3	900,000	1,080,000	1,079,943	1,564,835	2,049,726	2,534,618	3,019,509	3,504,400	3,989,292	4,474,183	4,959,075	5,443,966	
Site 9	Block 2.4	900,000	1,080,000	5,468,292	6,097,446	6,726,599	7,355,752	7,984,905	8,614,058	9,243,211	9,872,364	10,501,517	11,130,670	
Site 10	Block 2.5	900,000	1,080,000	4,753,758	5,309,419	5,865,080	6,420,741	6,976,402	7,532,063	8,087,724	8,643,385	9,199,045	9,754,706	
Site 11	Block 2.6	900,000	1,080,000	4,956,375	5,521,154	6,085,933	6,650,712	7,215,490	7,780,269	8,345,048	8,909,827	9,474,606	10,039,385	
Site 12	Block 2.7	900,000	1,080,000	5,253,605	5,841,985	6,430,366	7,018,746	7,607,127	8,195,507	8,783,888	9,372,268	9,960,649	10,549,029	
Site 13	Block 3.1	900,000	1,080,000	593,161	1,485,007	2,373,999	3,262,991	4,151,984	5,040,976	5,929,969	6,818,961	7,707,953	8,596,946	
Site 14	Block 4.1	900,000	1,080,000	-313,849	234,316	767,106	1,289,536	1,811,965	2,334,395	2,856,824	3,379,254	3,901,683	4,424,112	
Site 15	Block 4.2	900,000	1,080,000	-649,024	-100,140	447,609	976,425	1,499,540	2,022,655	2,545,770	3,068,885	3,592,000	4,115,115	
Site 16	Block 4.3	900,000	1,080,000	-559,159	-49,574	457,850	946,961	1,432,621	1,918,282	2,403,942	2,889,602	3,375,262	3,860,923	
Site 17	Block 1.4 - BtR	900,000	1,080,000	186,575	699,228	1,206,399	1,713,570	2,220,742	2,727,913	3,235,084	3,742,255	4,249,427	4,756,598	
Site 18	Sheltered	900,000	1,080,000	8,059,353	9,155,235	10,251,116	11,346,997	12,442,878	13,538,760	14,634,641	15,730,522	16,826,403	17,922,285	
Site 19	Extracare	900,000	1,080,000	5,372,542	6,617,463	7,862,384	9,107,305	10,352,227	11,597,148	12,842,069	14,086,990	15,331,911	16,576,832	

Source: HDH (October 2022)

9.10 This analysis further illustrates the challenges in delivering this project. The values of flatted development would need to increase by about 45% (relative to costs) to generate positive

Residual Values and the Value of housing would need to increase by about 15% (relative to costs) to generate positive Residual Value.

Summary and Conclusions

9.11 The above analysis suggests that the delivery of development on the Firepool site will be challenging. This is to be expected. The Council has been actively intervening in the delivery of this site, and others nearby, for many years. It is recognised by the Council that the market it unlikely to deliver this site. We understand that much of the site clearance was facilitated by the Council and that £10,700,000 of public subsidy has been secured to further assist in the delivery of this site.

9.12 Just considering the residential elements in isolation, it is unlikely that a policy compliant scheme is going to be deliverable from this site, so it is likely that a full viability assessment (as per paragraphs 10-007-20190509 and 10-008-20190509 of the PPG) will need to be carried on the designed scheme, as and when that has been refined and a planning application is submitted. Earlier in this assessment the uncertainties around the development market and inflation were highlighted. Bearing in mind the Council's wish to bring this site forward, and the requirements to fund infrastructure, it is recommended that the Council keeps viability under review through the life of the project; should the economics of development change significantly it should consider undertaking a limited review of the scheme. In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

> *How should viability be reviewed during the lifetime of a project?*
>
> *Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles.*
>
> *Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.*
>
> *PPG 10-009-20180724*

9.13 If the Council agree to flex their policy requirements, be they to alter the overall requirement or to alter the timing of delivery of requirements, through the development management process it is recommended that consideration is given to including a review mechanism.

9.14 The student housing that has been included in the scheme is based on a somewhat dated 'cluster flat' model. We would suggest that this is revisited and a scheme based on studio flats considered. This may generate higher values.

9.15 The Residual Value is significantly higher on the housing schemes. The values attributed to housing and flats is similar, however the costs of building flats are somewhat higher, both on a unit basis (£/m^2) and as flatted development includes significant levels of circulation space to which no value is attributed. Typically, we expect circulation space and common areas, in contemporary flatted schemes to be between 10% and 15% of the saleable areas. Within the masterplan the circulation space and common areas is very much greater than this being in the range from about 15% to nearly 30%. We therefore recommend that the consideration is given to the precise mix of housing and flats within the site and to the efficient use of space withing the flatted development as both of these will impact on the overall value.

9.16 The best values in the area are for specialist older peoples housing. No such housing is included in the scheme. It is recommended that the Council remains flexible on the details of the separate elements of the scheme. Having said this, it is necessary to note that such development normally includes higher levels of the normal levels of circulation space found in mainstream flatted schemes.

9.17 The non-residential elements are not modelled at this stage. Whilst the costs are set out in the cost plan these are not incorporated into the appraisals. Further, no value is attributed to the non-residential elements. Having said this, in the modelling it has been assumed that all the site infrastructure costs are borne by the residential elements. This approach has been taken as if part of the site was left in its current state, there would be a detrimental impact on the values of the residential development. Based on our wider experience we would expect some elements to be delivered by the market, such as the hotel, but the community uses, and health centre are likely to require additional funding

9.18 We recommend that the Council does not tie the delivery of the non residential elements to the delivery of the wider scheme.

9.19 Much of this report highlights the current challenges in the development sector at the moment. This is due to the current uncertainty about values and concerns around inflation. It is important to note that the property market has historically been cyclical, with up and downs. The delivery of this site will be challenging and will require further intervention from the public sector, however the delivery of any brownfield site in a mid to low market areas of England face similar challenges. The Council will need to be cautious about assuming this site will come forward in the short term, however it is clear that other, albeit smaller, sites in the immediate vicinity of Firepool have come forward and have delivered modern housing. Our final recommendation is that whilst we believe it is essential that the scheme is delivered in a logical and phased way with the public realm work being an important part of the facilitating work, it will also be necessary for the Council to be flexible around the detail of any element of the scheme that is proposed.

Appendix 1 – Detail of Costs

Firepool, Taunton

For HDH Planning & Development Ltd

Feasibility Estimate Nr 1 FINAL REV 1

29th September 2022

Delivering a better world

Project: Firepool, Taunton
Feasibility Estimate Nr 1
Date: 29th September 2022

Document Issue Sheet

Issue Nr.	Document	File Path	Issue Date	Parties Sent To	Prepared By	Checked By	Reviewed By
1	Feasibility Estimate Nr 1 DRAFT	\\Ukexe1fp002\UKEXE1FP002-V1PCC\PROJECTS\EXETER\Firepool\info received	23/09/2022	Simon Drummond-Hay MRICS (HDH Planning & Development)	Luke Vereb MRICS	Phil Woods MRICS	Lloyd Husband MRICS
2	Feasibility Estimate Nr 1 FINAL	\\Ukexe1fp002\UKEXE1FP002-V1PCC\PROJECTS\EXETER\Firepool\Cost Estimate	29/09/2022	Simon Drummond-Hay MRICS (HDH Planning & Development)	Luke Vereb MRICS	Phil Woods MRICS	Lloyd Husband MRICS
2	Feasibility Estimate Nr 1 FINAL REV 1	\\Ukexe1fp002\UKEXE1FP002-V1PCC\PROJECTS\EXETER\Firepool\Cost Estimate	29/09/2022	Simon Drummond-Hay MRICS (HDH Planning & Development)	Luke Vereb MRICS	Phil Woods MRICS	Lloyd Husband MRICS

Authorised by	Lloyd Husband
Dated	29-Sep-22

Project: Firepool, Taunton
Feasibility Estimate Nr 1
Date: 29th September 2022

1.0 Executive Summary

1.1 This estimate provides indicative costs for the design and construction of the Firepool Master plan project, Taunton, Somerset.
It has been based upon the information listed in Section 3.0 and reflects present day prices (September 2022) with inflation forecast to the midpoint of construction for the respective blocks as per current forecasts (see section 2.1). This estimate excludes inflation / deflation over and above the allowances noted, pre-contract professional fees, VAT and all other items listed in Section 4.0. The total of our estimate as detailed within Section 2.0 is as follows: -

Site Enabling Works	£	319,880
Residential	£	85,843,576
Non Residential	£	26,239,146
External Works	£	6,221,775
Ancillary Buildings & Structures	£	400,000
Services and Drainage	£	3,183,750
Sub Total	£	122,208,127
Inflation	£	24,944,657
Total	**£**	**147,152,784** **(excluding VAT)**

1.2 Due to the nature of the construction market and design information available to date we would advise HDH Planning & Development of a cost range of between **£139.8m** and **£154.5m** for the design and construction of the works required at Firepool, Taunton. AECOM is aware of the difficulties within the current construction market with regards to the price increases for raw materials, delays associated with the procurement of materials and general availability concerns associated with both materials and labour. AECOM would advise HDH Planning & Development to continually review this Feasibility Estimate to take into account changes in the market conditions between now and the commencement of pricing / start on site.

1.3 In formulating this estimate, AECOM has referred to both recognised indices, BCIS, and AECOM's own market intelligence and cost data.

1.4 Residential areas have been taken from the accommodation schedule shown on drawing 'Appendix A - FB5-AHR-MP-XX-DR-L-90101_P08 - Masterplan - Ground Floor' and a 6% uplift has been made to the noted residential areas to determine the Gross Internal Area (GIA) as per the note contained within the drawing.

1.5 Landscaping and external works have been measured and assumed from the information listed under section 3.1.

1.6 The feasibility estimate has been prepared solely for the use of HDH Planning & Development and should not be relied upon by any third party.

1.7 Any measurements contained within this document should not be relied upon for any purpose other than the formulation of the feasibility estimate itself.

1.8 No costs for ground contamination have been allowed for the purpose of this estimate. We recommend further investigations are carried out to mitigate this risk and inform any contingency allowances required.

1.9 With regards to the provision of services, AECOM has included the allowances noted within appendix G of the viability report. AECOM are unable to advise if these figures are suitable or what they contain due to the limited details provided in support of the referenced document.

2.0 Feasibility Estimate Summary

	Nr	Unit Size m2	Quantity	Unit	Rate £	Sub-Total £	Total £
Firepool, Taunton							
Site Enabling Works							
Allowance for demolition of existing property - superstructure only			2,400	m3	10	24,000	
Breaking out of existing foundations			600	m2	45	27,000	
General allowance for site enabling works and site clearance (removal of Shrubs/Foliage, fencing, signage boards, partial hardstandings and the like)			53,296	m2	5	266,480	
Disconnection and removal of street lighting along pathway which intersects main site			1	item	2,400	2,400	
					Site Enabling Works Sub-Total		**319,880**
Residential							
Block 1							
Block 1.1							
Residential Apartments - 1B 2P	6	53.95	323.67	m²	2,000	647,342	
Residential Apartments - 2B 4P	19	76.82	1,459.49	m²	2,000	2,918,986	
Residential Apartments - Non Net		414.22	414.22	m²	2,000	828,432	
Block 1.2							
Residential Apartments - 1B 1P	6	48.48	290.91	m²	2,000	581,813	
Residential Apartments - 2B 3P	6	79.04	474.27	m²	2,000	948,530	
Residential Apartments - 2B 4P	18	76.96	1,385.21	m²	2,000	2,770,416	
Residential Apartments - 3B 5P	5	94.09	470.47	m²	2,000	940,941	
Residential Apartments - Non Net		515.67	515.67	m²	2,000	1,031,338	
Block 1.3							
Residential Apartments - 2B 4P	35	85.65	2,997.81	m²	2,000	5,995,614	
Residential Apartments - Non Net		444.10	444.10	m²	2,000	888,195	
Block 1.4							
Residential Apartments - 1B 2P	11	56.21	618.29	m²	2,000	1,236,575	
Residential Apartments - 2B 3P	12	71.19	854.26	m²	2,000	1,708,529	
Residential Apartments - 2B 4P	22	81.73	1,798.00	m²	2,000	3,596,008	
Residential Apartments - Non Net		763.80	763.80	m²	2,000	1,527,608	
Block 2							
Block 2.1							
Residential Apartments - 1B 2P	12	54.14	649.67	m²	2,000	1,299,348	
Residential Apartments - 2B 4P	23	79.95	1,838.78	m²	2,000	3,677,564	
Residential Apartments - Non Net		380.22	380.22	m²	2,000	760,444	
					Page total Carried Forward		**319,880**

Firepool, Taunton continued						**Page total Brought Forward**	**319,880**
	Nr	**Unit Size m2**	**Quantity**	**Unit**	**Rate £**	**Sub-Total £**	**Total £**
Block 2.2							
Residential Apartments - 1B 2P	12	54.14	649.67	m²	2,000	1,299,348	
Residential Apartments - 2B 4P	23	79.95	1,838.78	m²	2,000	3,677,564	
Residential Apartments - Non Net		380.22	380.22	m²	2,000	760,444	
Block 2.3							
Residential Apartments - 1B 2P	14	54.14	757.95	m²	2,000	1,515,906	
Residential Apartments - 2B 4P	27	79.93	2,158.11	m²	2,000	4,316,214	
Residential Apartments - Non Net		431.14	431.14	m²	2,000	862,289	
Block 2.4							
Residential Houses - Type C (4 Bed)	8	149.22	1,193.79	m²	1,800	2,148,828	
Block 2.5							
Residential Houses - Type B1 (4 Bed)	18	132.67	2,388.05	m²	1,800	4,298,495	
Residential Houses - Type B2 (4 Bed)	37	132.62	4,906.89	m²	1,800	8,832,399	
Block 2.6							
Residential Houses - Type A (4 Bed)	11	134.09	1,475.02	m²	1,800	2,655,039	
Block 2.7							
Residential Houses - Type D (4 Bed)	3	138.55	415.64	m²	1,800	748,146	
Block 3							
Block 3.1							
Residential (Student Resi): Cluster Flat	18	154.22	2,775.88	m²	2,200	6,106,925	
Residential (Student Resi): Non Net		639.03	639.03	m²	2,200	1,405,870	
Block 4							
Block 4.1							
Residential Apartments - 1B 2P	6	55.65	333.90	m²	2,000	667,800	
Residential Apartments - 2B 4P	24	82.31	1,975.48	m²	2,000	3,950,959	
Residential Apartments - Non Net		612.19	612.19	m²	2,000	1,224,385	
Block 4.2							
Residential Apartments - 1B 2P	5	55.65	278.25	m²	2,000	556,500	
Residential Apartments - 2B 4P	20	82.31	1,646.23	m²	2,000	3,292,466	
Residential Apartments - Non Net		535.55	535.55	m²	2,000	1,071,109	
Block 4.3							
Residential Apartments - 1B 2P	12	60.18	722.15	m²	2,000	1,444,292	
Residential Apartments - 2B 4P	16	80.36	1,285.70	m²	2,000	2,571,390	
Residential Apartments - Non Net		539.76	539.76	m²	2,000	1,079,525	
	429	**Units**	**43,618**	**m2**		**Residential Sub-Total**	**85,843,576**
						Page total Carried Forward	**86,163,456**

Firepool, Taunton
continued

						Page total Brought Forward	**86,163,456**
	Nr	**Unit Size m2**	**Quantity**	**Unit**	**Rate £**	**Sub-Total £**	**Total £**
Non Residential							
Block 1							
Block 1.2							
Commercial (Shell only)	1	86.97	86.97	m²	1,300	113,061	
Block 1.4							
Boat Club	1	59.87	59.87	m²	1,800	107,766	
Energy Centre (Shell only)	1	460.36	460.36	m²	1,300	598,468	
Block 4							
Block 4.1							
Commercial (Shell only)	1	293.10	293.10	m²	1,300	381,030	
Block 4.2							
Commercial	1	293.10	293.10	m²	1,300	381,030	
Block 4.3							
Commercial (Shell only)	1	387.15	387.15	m²	1,300	503,295	
Block 5							
Block 5.1							
Hotel (Excluding FF&E)	1		110.00	key	89,000	9,790,000	
Block 5.2							
Commercial (Shell only)	1	3048.87	3,048.87	m²	2,242	6,835,567	
Leisure (assumed shell only)	1	1292.92	1,292.92	m²	1,800	2,327,256	
Block 5.3							
Nursery	1	362.01	362.01	m²	2,300	832,623	
Health hub	1	1747.62	1,747.62	m²	2,500	4,369,050	
						Non Residential Sub-Total	**26,239,146**
						Page total Carried Forward	**112,402,602**

Firepool, Taunton
continued

			Page total Brought Forward		**112,402,602**
	Quantity	**Unit**	**Rate £**	**Sub-Total £**	**Total £**
External Works					
Phase 1 External works (details unknown)	6,934	m2	100	693,400	
Roads, Paths, Paving					
Canal Road (allowance for plain and resurfacing)	1,673	m2	80	133,840	
Off Site Highway Works* - including formation of bellmouth from site on to Trenchard Way (A3078)	1	item	1,000,000	1,000,000	
Hard Landscaping (allowance for paving, parking bays, surfacing & kerbs)	24,007	m2	130	3,120,910	
EO: Public Realm Enhancements (Works to construct raised/stepped Areas etc)	1	item	500,000	500,000	
Soft Landscaping, Planting & Irrigation Systems					
Turf (allowance for imported top soil and turf to gardens only)	1,150	m2	25	28,750	
Seeded Areas (allowance for imported top soil and seed to communal landscaping areas)	8,856	m2	15	132,840	
Hedgerows / Planting (allowance for mature hedgerows and general planting enhancements)	1	item	20,000	20,000	
New Trees (allowance for semi mature root balled trees)	353	nr	500	176,500	
Water Feature (allowance made as details are unknown)		item	200,000	200,000	
Fencing, Railings & Walls					
Boundary screening walls to Gardens (1.8m 1 brick thick)	152	m	380	57,760	
Garden Fencing (Assumed 1.8m closed board timber fencing)	437	m	75	32,775	
Bin Stores / Bike Stores to housing block 2 (details unknown assumed close boarded timber fence with secure gate).	10	nr	2,500	25,000	
Site Furniture and Equipment					
Public Realm Furniture allowance (benches, bins signage etc)		item	100,000	100,000	
			External Works Sub-Total		**6,221,775**
Ancillary Buildings & Structures					
Bridge Refurbishment*		item	250,000	250,000	
Rowing Club/Ebikes Relocation*		item	150,000	150,000	
			Ancillary Buildings & Structures Area Sub-Total		**400,000**
			Page total Carried Forward		**119,024,377**

Firepool, Taunton
continued

			Page total Brought Forward	**119,024,377**
	Unit	**Rate £**	**Sub-Total £**	**Total £**
Services and Drainage				
SUDS*	Item	650,000	650,000	
Substation - relocation & new*	Item	900,000	900,000	
Power Connection Fees*	Item	643,500	643,500	
Water & Drainage Connection Fees*	Item	536,250	536,250	
Telecoms*	Item	350,000	350,000	
Car Charge Points - to block 2 only	Item	104,000	104,000	
			Services and Drainage Sub-Total	**3,183,750**
TOTAL			**Sub-Total**	**122,208,127**
TOTAL BUILDING COST (excluding VAT and inflation) at September 2022			**say**	***£*** **122,208,127**

Inflation - see Section 3

2.1 Phasing (Inflation)

	Base Cost	Start	Finish	Inflation uplift	Sub-Total £	Total £
Firepool, Taunton						
Site Enabling Works						
Allowance for demolition of existing property - superstructure only (Inflatic	24,000.00			15%	3,607	
Breaking out of existing foundations (Inflation to 4Q25)	27,000.00			15%	4,057	
General allowance for site enabling works and site clearance (removal of Shrubs/Foliage, fencing, signage boards, partial hardstandings and the like) (Inflation to 4Q25)	266,480.00			15%	40,045	
Disconnection and removal of street lighting along pathway which intersects main site (Inflation to 4Q25)	2,400.00			15%	361	
				Site Enabling Works Sub-Total		**48,069**
Residential						
Block 1	**Base Cost**	**Start**	**Finish**	**Inflation uplift**	**Sub-Total £**	**Total £**
Block 1.1	4,394,760.00	Jul-31	Aug-32	33%	1,464,920	
Block 1.2	6,273,037.60	May-31	Jun-32	31%	1,919,618	
Block 1.3	6,883,809.60	Jan-30	Mar-31	28%	1,918,439	
Block 1.4	8,068,720.00	Dec-28	Jan-30	25%	2,050,249	
Block 2						
Block 2.1	5,737,356.00	Sep-23	Oct-24	10%	580,006	
Block 2.2	5,737,356.00	Mar-25	Apr-26	15%	862,171	
Block 2.3	6,694,408.80	Jun-25	Jul-26	17%	1,152,316	
Block 2.4	2,148,827.76	Sep-24	Sep-25	15%	317,040	
Block 2.5						
Residential Houses - Type B1 (4 Bed)	4,298,495.04	Sep-24	Sep-25	15%	634,204	
Residential Houses - Type B2 (4 Bed)	8,832,399.12	Apr-24	Apr-25	11%	989,422	
Block 2.6	2,655,039.24	Sep-23	Aug-24	8%	203,118	
Block 2.7	748,145.88	Sep-23	Aug-24	8%	57,235	
Block 3						
Block 3.1	7,512,794.52	Oct-27	Nov-28	23%	1,703,721	
Block 4						
Block 4.1	5,843,144.00	Jun-26	Jul-27	20%	1,165,436	
Block 4.2	4,920,074.80	Jun-26	Jul-27	20%	981,326	
Block 4.3	5,095,208.00	Oct-27	Nov-28	22%	1,141,549	
	85,843,576.36			**Residential Inflation Sub-Total**		**17,140,770**
				Page total Carried Forward		**17,188,840**

Firepool, Taunton
continued

				Page total Brought Forward		**17,188,840**
	Base Cost	**Start**	**Finish**	**Inflation uplift**	**Sub-Total £**	**Total £**
Non Residential						
Block 1						
Block 1.2	113,061.00	May-31	Jun-32	31%	34,598	
Block 1.4	706,234.00	Dec-28	Jan-30	25%	179,453	
Block 4						
Block 4.1	381,030.00	Jun-26	Jul-27	20%	75,998	
Block 4.2	381,030.00	Jun-26	Jul-27	20%	75,998	
Block 4.3	503,295.00	Oct-27	Nov-28	22%	112,760	
Block 5 (No Phasing date or programme provided by client so assumed)						
Block 5.1	9,790,000.00	Jan-28	Mar-29	23%	2,273,634	
Block 5.2	9,162,822.54	Jan-28	Jun-29	23%	2,127,978	
Block 5.3	5,201,673.00	Jan-28	Jan-29	23%	1,179,614	
				Non Residential Inflation Sub-Total		**6,060,033**
	Base Cost	**Start**	**Finish**	**Inflation uplift**	**Sub-Total £**	
External Works						
Phase 1 External works (details unknown)	693,400.00	Dec-28	Aug-32	28%	193,243	
Roads, Paths, Paving (Inflation to 4Q25)	4,754,750.00			15%	714,512	
Soft Landscaping, Planting & Irrigation Systems (Inflation to 4Q25)	558,090.00			15%	83,866	
Fencing, Railings & Walls (Inflation to 4Q25)	115,535.00			15%	17,362	
Public Realm Furniture allowance (benches, bins signage etc)	100,000.00			15%	15,027	
				External Works Inflation Sub-Total		**1,024,009**
Ancillary Buildings & Structures (No Phasing date or programme provided by client so assumed)						
Bridge Refurbishment*	250,000.00	Sep-23	Aug-24	10%	25,273	
Rowing Club/Ebikes Relocation*	150,000.00	Sep-23	Aug-24	10%	15,164	
				Ancillary Buildings & Structures Inflation Area Sub-Total		**40,437**
				Page total Carried Forward		**24,313,319**

Firepool, Taunton
continued

Page total Brought Forward **24,313,319**

	Base Cost	Start	Finish	Inflation uplift	Sub-Total £	Total £
Services and Drainage						
SUDS*	650,000.00					
Block 1		Dec-28	Aug-32	28%	55,997	
Block 2		Sep-23	Jul-26	11%	34,532	
Block 3		Oct-27	Nov-28	23%	20,238	
Block 4		Jun-26	Nov-28	21%	10,708	
Substation - relocation & new*	900,000.00					
Block 1		Dec-28	Aug-32	28%	77,534	
Block 2		Sep-23	Jul-26	11%	47,813	
Block 3		Oct-27	Nov-28	23%	28,022	
Block 4		Jun-26	Nov-28	21%	14,827	
Power Connection Fees*	643,500.00					
Block 1		Dec-28	Aug-32	28%	55,437	
Block 2		Sep-23	Jul-26	11%	34,186	
Block 3		Oct-27	Nov-28	23%	45,111	
Block 4		Jun-26	Nov-28	21%	41,306	
Water & Drainage Connection Fees*	536,250.00					
Block 1		Dec-28	Aug-32	28%	46,198	
Block 2		Sep-23	Jul-26	11%	28,489	
Block 3		Oct-27	Nov-28	23%	16,696	
Block 4		Jun-26	Nov-28	21%	8,834	
Telecoms*	350,000.00					
Block 1		Dec-28	Aug-32	28%	30,152	
Block 2		Sep-23	Jul-26	11%	18,594	
Block 3		Oct-27	Nov-28	23%	10,897	
Block 4		Jun-26	Nov-28	21%	5,766	
Car Charge Points	104,000.00					
Block 2		Sep-23	Jul-26	11%	5,525	
				Services and Drainage Sub-Total		**631,338**
TOTAL					**Sub-Total**	**24,944,657**

TOTAL Inflation COST (excluding VAT) at September 2022 Base Date **say** **£** **24,944,657**

3.0 Basis and Assumptions

3.1 Information Used

This Feasibility Estimate has been prepared from the following design information and will need to be verified based upon further design development, market testing etc:-

Viability Report - 30th August 2022
Appendix A - FB5-AHR-MP-XX-DR-L-90101_P08 - Masterplan - Ground Floor
Appendix A - FB5-AHR-MP-XX-DR-L-90102_P07 - Masterplan - Upper Floor
Appendix B - Summary
Appendix G - Site Infrastructure
FB5-AHR-MP-XX-DR-L-90100_P06 - Masterplan - Proposed
Phasing Sep 22 document: Document showing proposed residential phasing - received 7th September via email

3.2 Assumptions

The following assumptions have been made in preparing this Feasibility Estimate:-

1) Costings are based on 3Q2022 pricings with inflation shown separately for the respective phases which have been confirmed
2) Costings assume the works will be competitively tendered
3) Costings include Contractor's OH&P.
4) This feasibility estimate assumes the project will be built over multiple stages
5) AECOM has not made any allowance for ecological enhancements for the scheme such as the provision of bird / bat boxes etc.
6) No Sectional 106, 278 agreement costs have been included
7) Community Infrastructure is assumed to not apply
8) AECOM has assumed the off site highways works (reduced from outline) cost of £1,000,000.00 (taken from appendix G of the viability report) covers for formation of the bellmouth from site and related widening of Trenchard Way (A3078)
9) It is assumed that the allowances contained within the appendix G - Site Infrastructure document are suitable for their respective allocations and where these have been used within this feasibility estimate they are suffixed with the symbol '*'
10) It is assumed the new residential units will be designed to be partially contemporary in aesthetics to be in keeping with recent accommodation constructed in the vicinity.

3.3 Assumptions Continued

11) It is assumed the buildings will be constructed to meet the current building regulations and not be required to meet passivhaus certification or other similar high efficient certification similar high efficient certification

12) Landscaping and external works have been measured and assumed from the information listed under section 3.1, however these maybe subject to change upon further development of the scheme and as detailing of the specific surfacing become available.

13) It is assumed that all rear gardens to the dwellings will be top soiled and turfed. With all other landscaping areas grass seeded.

14) This feasibility estimate is based on works inside the red line boundary only and no allowance has been made for works to adjacent land or upgrading of highways infrastructure other than those advised within the appendix G document of the viability report.

15) It is assumed that the hotel will be of a budget type with Landlord Fixtures & Fittings undertaken by the occupant so excluded from this estimate

16) It is assumed that the Cinema is small multi screen with commercial fitout undertaken by the occupant

17) It is assumed the Commercial units are to be shell only and will be fitted out by tenant

18) AECOM has not made any allowance for noise pollution mitigation measures to the development, such as acoustic fencing etc.

19) While no details exist an allowance has been included for the potential external works within the site boundary for Blocks 1.1,1.2,1.3 & 1.4

20) An allowance has been included for Car Charge Point at a rate of £1,000.00 per parking space within Block 2 (104 Spaces in total)

21) It is assumed this project will not be required to reinforce the existing infrastructure offsite (PowerGrid etc)

4.0 Exclusions

4.1 The following are **excluded**, but **are known** to have a cost impact and therefore need to be covered by other budgets within the overall Project Cost Estimate. The list is intended only as a guide and **cannot** be relied upon to be exhaustive:

1) Professional/legal fees; planning/building control fees; statutory fees; site surveys; monitoring costs; environmental audits; wind studies; third party fees/costs; other fees;
2) Site acquisition fees/costs, air rights, rights to light, party wall awards (or any other third party compensation settlements), sale or letting fees/costs and other developer's costs;
3) dealing with any phosphate rectification - (nutrient neutrality)
4) Costs arising from a Section 104, 106, 38 or 278 agreement;
5) Developer's risk allowance/overall project contingency; we would recommend that an allowance of at least 5% be considered
7) Design Team Fees
8) Client finance costs;
9) Archaeological survey or excavation costs;
10) Diversions of services, within or outside the site unless covered within the figures noted within Appendix G of the viability report;
11) VAT;
12) FF&E;
13) Inflation for non residential works as phasing of this element has not been confirmed and so assumptions have been made for these elements
14) Any ground remediation, treatment and disposal other than the phosphate allowance obtained from the appendix G of the viability report

4.2 The following are **excluded**, but **may** result in additional costs and should therefore be covered by a Project Contingency/Risk Allowance held by the Client.

1) Feature hoarding;
2) Out of hours working;
3) Cost of project collaboration tool;
4) Flexibility of design for alternative letting strategies;
5) Effects of working condition restrictions, such as Section 61 or Environmental Management Plans;
6) Show floors, room mock-ups; any other marketing costs (including brochures, etc.);
7) Artwork, furniture, white goods, internal planting and the like;
8) CIL Charges;
9) Ground obstructions such as historic foundations
10) Abnormal ground conditions including remediation.
11) Any works outside of the red line boundary shown on the site plan are excluded from this estimate with the exception of any works contained within the site infrastructure figures which were obtained from appendix G of the viability report..
12) This estimate is currently based on the information listed in Section 3.1, and does not allow for any changes to the design of the development.
13) Sustainability aspirations for the buildings above those required by current Building regulations - Passivhaus standard, Zero-Carbon etc.

5.0 AECOM Residential Benchmarking

The tables below indicate AECOM residential specialist sector high level benchmarking of houses and low to medium rise apartments

Base date 3Q 2022

Rebased for South West location

The costs exclude VAT and Professional Fees and site specific abnormal

5.0 AECOM Residential Benchmarking

AECOM Non - Residential Benchmarking

The table below indicates AECOM benchmark data from recent relevant projects.

Base date 3Q 2022

Rebased for South West location

The costs exclude VAT, Enabling works, Professional Fees, site specific abnormal and risk

Multi Screen Cinema & Retail Units
Location: South West
GIA: 2,051
£/m2: £2,242

Budget Hotel
Location: South West
GIA 2,953
£/m2: £2,037
£88,459/key

Budget Hotel
Location: South West
GIA 2,606
£/m2: £2,477
£89,653/key

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