



Local Plan and Community Infrastructure Levy Evidence Base Questionnaire

Prepared on behalf of
Kirklees Council

June 2015

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1. Introduction

Kirklees Council has commissioned DTZ to provide evidence regarding the impact on development viability of Kirklees Local Plan policies over a 15 year plan period. DTZ's work also involves undertaking a viability assessment into the potential introduction of a Community Infrastructure Levy.

Community Infrastructure Levy (CIL) is a discretionary tariff introduced by the 2008 Planning Act which local authorities can charge on each net additional sq m of development (above a minimum scheme of 100 sq m). CIL is the mechanism for securing funding for local infrastructure projects. DTZ will undertake comprehensive analysis of development viability across the Metropolitan Borough of Kirklees to ensure that any rates of CIL that are set for the Borough would not make development unviable.

This paper outlines the approach to testing development viability in Kirklees and the assumptions that are being used in DTZ's viability analysis.

This document outlines the details of DTZ's approach and the development appraisal assumptions that will be used in the viability testing of the Local Plan and CIL.

Your comments / feedback are very important and we would be grateful if you would review this paper, provide your responses in the boxes provided and return the questionnaire **no later than Friday 3rd July 2015**, via post or email to:

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2. Approach to Local Plan and CIL viability

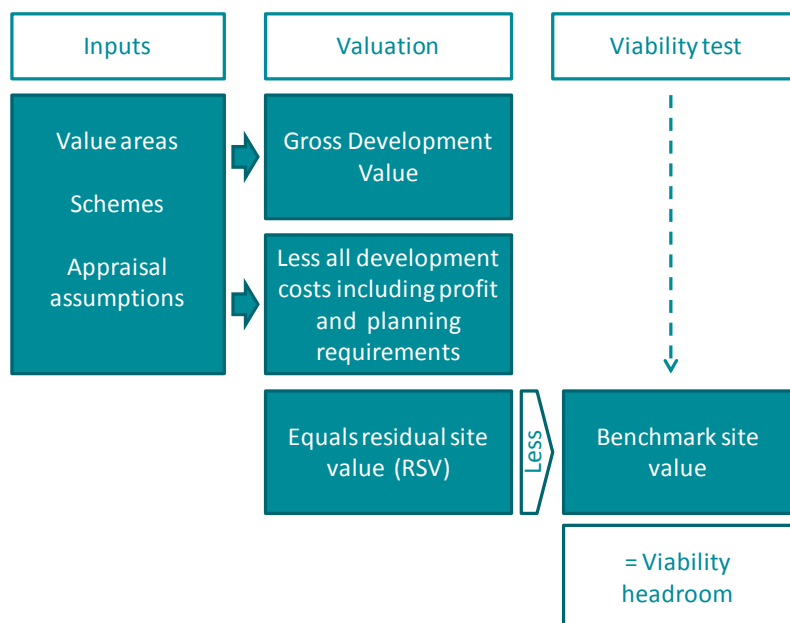
The approach set out in the RICS guidance document Financial Viability in Planning (2012) provides the basis for the viability assessment:

“An objective financial viability test of the ability of a development project to meet its costs including the costs of planning obligations, while ensuring an appropriate site value for the land owner and market risk adjusted return to the developer in delivering the project” (para 2.1).

DTZ has developed a viability model which involves the analysis of a selection of hypothetical development schemes which reflect the wide range of circumstances in which development is anticipated to come forward across the Kirklees Borough. The spreadsheet based economic viability model allows a large number of development sites to be tested, including sensitivity testing of key variables.

The model operates as follows:

- Determination of value areas, scheme and viability assumptions.
- A residual appraisal is then carried out subtracting all anticipated development costs from the scheme's Net Development Value to arrive at a residual site value.
- The residual site value is then benchmarked against a site value threshold to determine the 'headroom' available for planning requirements and CIL.



Question 2.1 Do you agree with the viability testing methodology described above?

YES

NO

If you have answered no to the above please detail your comments below:

The methodology is consistent with the RICS and Local Housing Delivery Group Guidance.

In determining the hypothetical examples it is important that these are truly representative of the full range of site sizes and characteristics likely to be experienced within Kirklees. This is particularly important due to the diverse nature of Kirklees both in terms of its socio-economic profile and topography. The study should also consider the range of sizes which may be brought forward over the plan period, from small village infill sites to inner urban brownfield and greenfield urban extensions.

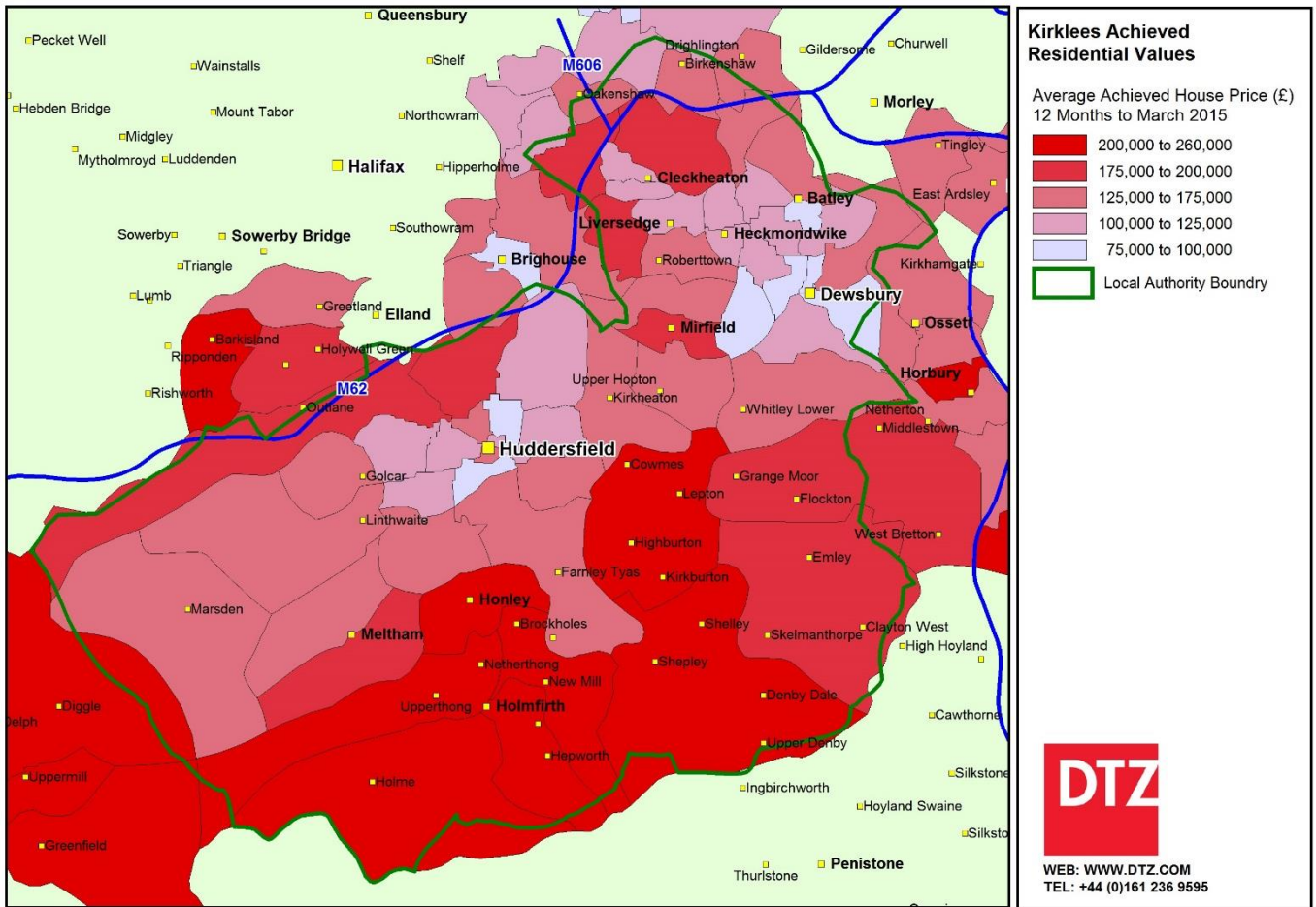
3. Residential Development Assumptions

Value areas

Five value areas have been selected as geographical zones for the viability testing of housing development:

- Value Area 1 - £200,000 to £260,000 average house price
- Value Area 2 - £175,000 to £200,000 average house price
- Value Area 3 - £125,000 to £175,000 average house price
- Value Area 4 - £100,000 to £175,000 average house price
- Value Area 5 - £75,000 to £100,000 average house price

These zones are based on the average achieved house prices for all postcode sectors in Kirklees as recorded by HM Land Registry over the 12 month period to March 2015.



Question 3.1 Do you agree with the geographical definition of the value areas illustrated above?

YES

NO

Residential development archetypes

Eight residential schemes will be tested on the range of site sizes, mix and densities set out below, which are based on DTZ’s analysis of site sizes/typologies in the preferred sites of the SHLAA. Each of these eight sites will be tested across the five value areas illustrated above (thus, effectively 40 notional schemes will be assessed).

| | Developable area | | Development density (DPH) | No of units | Housing mix % | | | | | |
|----------|---------------------------|---------|---------------------------|-------------|---------------|------------|-------------|-------------|-------------|-------------|
| | Net developable area (Ha) | (acres) | | | 1 bed flat | 2 bed flat | 2 bed house | 3 bed house | 4 bed house | 5 bed house |
| Scheme 1 | 0.7 | 1.73 | 35 | 25 | 0% | 0% | 10% | 40% | 40% | 10% |
| Scheme 2 | 1.50 | 3.71 | 35 | 53 | 0% | 0% | 10% | 40% | 40% | 10% |
| Scheme 3 | 2.50 | 6.18 | 35 | 88 | 0% | 0% | 10% | 40% | 40% | 10% |
| Scheme 4 | 3.50 | 8.65 | 35 | 123 | 0% | 0% | 10% | 40% | 40% | 10% |
| Scheme 5 | 4.50 | 11.12 | 35 | 158 | 0% | 0% | 20% | 35% | 35% | 10% |
| Scheme 6 | 6.50 | 16.06 | 35 | 228 | 0% | 0% | 20% | 35% | 35% | 10% |
| Scheme 7 | 8.00 | 19.77 | 35 | 280 | 5% | 5% | 10% | 35% | 35% | 10% |
| Scheme 8 | 10.00 | 24.71 | 35 | 350 | 5% | 5% | 10% | 30% | 35% | 10% |

Question 3.2 Do the selection of site sizes, dwelling mixes and densities reflect an appropriate range for the Borough?

YES

NO

If you have answered no to either 3.1 or 3.2 above or have any general comments, please respond below. If you consider there are other market areas not considered which you feel should be incorporated in this study, please state them.

Question 3.1 – the HBF has not undertaken any detailed analysis of the geographical definitions, and as such we do not provide specific comments. The report should, however, provide detailed information upon how the bands were derived including access to the raw data. In terms of the price bands the upper band is considered quite large, compared to the others (£60k compared to 25k) and would benefit from further sub-division. The size of the price band may artificially skew the data.

The current presentation also makes differentiation between the different bands difficult.

Question 3.2 – Schemes of 10 units or less should also be considered to ensure that the viability study takes full account of the range of sites likely to be brought forward over the plan period.

The development density also appears high for many areas of Kirklees, particularly the more rural parts of the district. Within such areas HBF members are often developing at net densities of less than 30dph, due to the character of the area. The topography of some sites / locations will also have a direct bearing upon achievable densities. Ideally densities should be based upon direct evidence across the different areas of Kirklees. The HBF understands that the SHLAA identifies 30dph density assumptions. The density needs to clarify whether this is a net or gross figure.

The housing mix should also take full account of emerging policies and findings from the SHMA.

Unit sizes

The following unit sizes are proposed which are based on DTZ's knowledge of typical sizes at the regional level:

| House type | Size (sq m) | Size (sq ft) |
|-------------|-------------|--------------|
| 1 bed flat | 46 | 495 |
| 2 bed flat | 59 | 635 |
| 2 bed house | 70 | 753 |
| 3 bed house | 90 | 969 |
| 4 bed house | 117 | 1259 |
| 5 bed house | 140 | 1507 |

Question 3.3 Do you agree with our size assumptions in the above table?

YES

NO

If you have answered no to Question 3.3, please could you provide your views on what dwelling sizes should be assumed for the assessment?

| House type | Size (sq m) | Size (Sq ft) |
|-------------|-------------|--------------|
| 1 bed flat | | |
| 2 bed flat | | |
| 2 bed house | | |
| 3 bed house | | |
| 4 bed house | | |
| 5 bed house | | |

Sales values

Capital revenues (net of incentives) are used in the model on the basis of £ per sq m. 'Current sales values' will form the base viability testing for CIL testing purposes. The sales revenue assumptions are as follows:

| | Current net sales values assumptions | |
|--------------|--------------------------------------|-------|
| | £ psm | £ psf |
| Value Area 1 | 2,583 | 240 |
| Value Area 2 | 2,368 | 220 |
| Value Area 3 | 2,153 | 200 |
| Value Area 4 | 1,830 | 170 |
| Value Area 5 | 1,615 | 150 |



Question 3.4 Do you agree with the sales value assumptions?

YES

NO

If you have answered no to Question 3.4, please provide your views on current sales values.

| | Current net sales values assumptions | |
|--------------|--------------------------------------|-------|
| | £ psm | £ psf |
| Value Area 1 | | |
| Value Area 2 | | |
| Value Area 3 | | |
| Value Area 4 | | |
| Value Area 5 | | |

Build costs

Build costs for flats and houses are based on BCIS (rebased for Yorkshire and Humber) with an added 15% for external works.

| | Build cost (£) | | Plus 15% uplift for external works (£) | |
|--------|----------------|-------|--|-------|
| | £ psm | £ psf | £ psm | £ psf |
| Houses | 876 | 81 | 1,007 | 94 |
| Flats | 1,033 | 96 | 1,188 | 110 |

Question 3.5 Do you agree with our cost assumptions?

YES

NO

If you have answered no to Question 3.5 or have any general comments, please expand below and overleaf.

| | Build cost (£) | | Plus 15% uplift for external works (£) | |
|--------|----------------|-------|--|-------|
| | £ psm | £ psf | £ psm | £ psf |
| Houses | | | | |
| Flats | | | | |

Unit sizes - this should be based upon saleable area only. Defining average sizes across Kirklees is difficult due to the variation between developers and sites. The utilisation of data at a regional level may be misleading. The HBF would be keen for the study to provide evidence based upon Kirklees specific examples. It does, however appear that the 3 bed house, in particular, may over-estimate the average sizes across the district. It is understood individual HBF member companies will provide further evidence on this issue.

Sales Value – It is unclear whether the sales value assumptions take account of incentives provided by the developer, if not these should be factored in. The sales value assumptions also appear high, particularly within value areas 1 and 2. It is understood that individual member companies will provide greater detail on these issues, however a reduction by at least £20/psf would appear more realistic in these zones. It is also noted that value area 1 is a large area and as such there are significant variations across the area. Further subdivisions may therefore be beneficial.

Dwellings which are 3 or more storeys often have lower sales values psf than equivalent 2 storey dwellings. Given the topography of Kirklees this is likely to be a significant factor in a number of areas.

Build Costs - The HBF has discussed build costs with a number of its members and the figures are considered low. It is understood that individual member companies are intending to make detailed submissions upon this issue.

Other costs / appraisal assumptions

| Other development costs | |
|---------------------------------------|---|
| Sensitivity for abnormals | 10% uplift on build costs |
| Professional fees (inc planning) | 6% on construction costs |
| Contingencies | 5% on construction costs |
| Marketing, sales agent and legal fees | 3.5% of sales revenue |
| Purchaser's costs | 5.8% on purchase price |
| Finance | 6.75% on negative balance |
| Developer's profit | Blended rate (20% of GDV on market units & 6% of GDV on affordable units) |

Phasing assumptions

| Phasing assumptions | |
|----------------------------|---|
| Lead in | 3 months |
| Construction / sales | Sales staggered six months after construction start |
| Sales rates | 30 units per annum per outlet. All sites assume a single house builder except site of 10 ha where two house builders are assumed delivering at a combined rate of 60 units per annum. |

Question 3.6 Please detail below whether you agree or disagree with the assumptions proposed in terms of other development costs and phasing. Please detail whether any other consideration should be taken.

Professional Fees – these appear low, the Local Housing Delivery Group recommended 8-10% for straightforward sites and up to 20% for more complex sites. A figure of 10% is therefore recommended, given the topographical issues within much of Kirklees.

Sales & marketing – again these appear low, the Local Housing Delivery Group recommended 3-5%. This is dependent upon the strength of the local market, given that Kirklees is not the strongest market area (but also not the weakest) within Yorkshire 4% or higher would appear more appropriate.

Developers Profit – This section is unclear. The study suggests it is a blended profit but then separates market at 20% GDV and affordable at 6% GDV. Whilst profit is variable between different companies and sites, dependent upon the risks involved, a number of appeal decisions have settled upon a blended profit of 20% GDV across all tenures. The need to factor in a higher profit for affordable housing is particularly relevant at present due to the difficulties in ensuring an RSL is signed up to a scheme. Without an RSL on board this creates far greater risk for the developer.

Phasing assumptions - It is unclear what the lead-in time is referring to, be this from granting or submitting planning permission (including any section 106) or commencement upon site. In both instances these appear low, particularly for larger sites. The SHLAA assumes 1.5years to gain planning permission and commence on site. Whilst this may be appropriate for smaller sites, larger developments are likely to take considerably longer.

Sales rate – Whilst not always exactly the same these are often allied to build rates. Nationally build rates are approximately 0.5 units per outlet per week. There are, however, significant variations locally and as such we usually recommend these are based upon local analysis and discussions with local house builders. It is also worthwhile considering that build rates will also vary across site sizes, with smaller sites tending to have lower build rates than larger sites. Whilst it is reasonable to assume that two developers on a site would increase the build rate this does not necessarily lead to a doubling of the overall rate. This is because demand will limit build rates, a more conservative uplift is therefore recommended. The HBF understand that the Kirklees SHLAA applies assumed build rates of 30dpa (single developer) and 50dpa (two developers).

Policy standards

The following assumptions have been applied relating to the proposed draft policy standards in development for the Kirklees Local Plan:

| Affordable housing | % of all units | Threshold | % of Open Market Value |
|--|----------------|-----------|----------------------------|
| To include a mix of 80% social rented and 20% intermediate tenure. | 0% | 10 units | Social Rented |
| | 15% | | Value Area 1 24.18% |
| | 20% | | Value Area 2 29.48% |
| | 25% | | Value Area 3 32.42% |
| | 30% | | Value Area 4 43.23% |
| | 40% | | Value Area 5 49.88% |
| | | | Intermediate tenure |
| | | | Value Area 1 40.89% |
| | | | Value Area 2 49.45% |
| | | | Value Area 3 54.39% |
| | | | Value Area 4 72.53% |
| | | | Value Area 5 83.68% |

| | | | |
|----------------------------------|--|--|--|
| | | | <i>Source: Kirklees Council SPD2, 2008</i> |
| Section 106 Contributions | £1000 per unit | | |
| Zero Carbon Homes | 5% uplift in build costs to be applied | | |

Question 3.7 Please detail below where you agree and disagree with the assumptions proposed and whether any other consideration should be taken.

Affordable Housing
The data for the % open market value is particularly old and should be updated to reflect current market issues. In addition affordable rent should also be considered.

The current Kirklees affordable housing policy works on floorspace. This often complicates the negotiations and in many cases requires higher percentages of affordable housing. In general the industry would prefer such requirements to be based upon % of units. It is, however, imperative that the viability study considers the implications of the relevant policy stance being taken forward.

Section 106 contributions
The £1000 per unit contribution needs to be justified by evidence. The HBF is aware that a number of our members are currently being asked to contribute S106 contributions significantly greater than this amount. It is understood that member companies will be providing further detail with regards to this issue.

Zero Carbon Homes
The most recent cost estimates relating to the additional costs of zero carbon homes are provided by the zero carbon hub. It is, however, important that the study reflects the most recent work in this developing field.

Residential Land Values - proposed benchmarks

Preliminary research indicates the following proposed land value benchmarks:

- Value Area 1 – £1,235,550 per ha (£500,000 per acre)
- Value Area 2 – £ 988,400 per ha (£400,000 per acre)
- Value Area 3 – £ 741,300 per ha (£300,000 per acre)
- Value Area 4 – £ 494,220 per ha (£200,000 per acre)
- Value Area 5 – £ 247,100 per ha (£100,000 per acre)

Question 3.8 Please comment on your experience of residential land values across the five geographical areas in Kirklees:

| | £ per hectare | £ per acre |
|--------------|----------------------|-------------------|
| Value Area 1 | | |
| Value Area 2 | | |



| | | |
|--------------|--|--|
| Value Area 3 | | |
| Value Area 4 | | |
| Value Area 5 | | |

This is a sensitive area for consideration. The HBF advise DTZ to speak directly with developers in the area together with land agents on a strictly confidential basis. The work could also be further augmented by considering Council land sales, although this must take into account any specific requirements which may impact upon value.

4. Retail Development

Scheme selection

Five hypothetical schemes ('archetypes') have been selected for retail viability testing. Overleaf are the details of the archetypes, floor area and site coverage.

These archetypes will be tested in the following locations:

- Town Centre
- Local Centres
- Out of Centre locations and specifically Birstall Retail Park

Variations to the appraisal assumptions have been applied based on market research of each location.

In considering the floor area, the following definitions are applied:

Gross Floorspace is defined as "*The area of a building measured to the internal face of the perimeter walls at each floor level¹*".

Net Floorspace is defined as "*The internal floor area of the shop unit used for selling and displaying goods and services. It comprises the floor area to which customers have access, counter space, checkout space, window and other display space, fitting rooms and space immediately behind counters.*

Lobbies, staircases, cloakrooms and other amenity rooms are excluded. It is measured from the internal faces of walls and partition².

¹ Royal Institute of Chartered Surveyors, Code of Measuring Practice.

² The Unit for Retail Planning Information Ltd Information Brief 85/7. Note, this is different from net sales floorspace

| Retail archetypes | | Gross Internal Areas | | Net Internal Areas | | Site area | |
|---|--------------------|----------------------|--------|--------------------|--------|-----------|-------|
| | | Sq m | Sq ft | Sq m | Sq ft | Ha | Acres |
| 1. Town centre eg Huddersfield | | | | | | | |
| Scheme 1 | Shopping Centre | 5,000 | 53,820 | 3,500 | 37,674 | 1.25 | 3.09 |
| Scheme 2 | Retail warehousing | 3,000 | 32,292 | n/a | n/a | 0.75 | 1.85 |
| Scheme 3 | Superstore | 5,000 | 53,820 | n/a | n/a | 2.00 | 4.94 |
| Scheme 4 | Supermarket | 1,500 | 16,146 | n/a | n/a | 0.60 | 1.48 |
| Scheme 5 | Convenience store | 400 | 4,306 | n/a | n/a | 0.16 | 0.40 |
| 2. Local centre e.g. Mirfield, Slaithwaite, Marsden, Holmfirth | | | | | | | |
| Scheme 5 | Convenience store | 400 | 4,306 | n/a | n/a | 0.16 | 0.40 |
| 3. Out of Centre, Birstall | | | | | | | |
| Scheme | Retail warehousing | 3,000 | 32,292 | n/a | n/a | 0.75 | 1.85 |
| 4. Out of centre, generally | | | | | | | |
| Scheme 2 | Retail warehousing | 3,000 | 32,292 | n/a | n/a | 0.75 | 1.85 |
| Scheme 3 | Superstore | 3,995 | 43,000 | n/a | n/a | 2.00 | 4.94 |
| Scheme 4 | Supermarket | 1,500 | 16,146 | n/a | n/a | 0.60 | 1.48 |
| Scheme 5 | Convenience store | 400 | 4,306 | n/a | n/a | 0.16 | 0.40 |

Question 4.1 Do the above hypothetical schemes adequately cover the necessary range of retail development likely to come forward in Kirklees? Please detail below.

YES

NO

Additional comments

Sales values

The following table details the base values which will be used in our development appraisals:

| Retail archetypes | | Rental value (£) | | | |
|------------------------------------|--------------------|------------------|-------|-------|--------------------|
| | | Sq m | Sq ft | Yield | Rent free (months) |
| 1. Town centre | | | | | |
| Scheme 1 | Shopping Centre | 269 | 25.00 | 8.0 | 18 |
| Scheme 2 | Retail warehousing | 161 | 15.00 | 7.5 | 18 |
| Scheme 3 | Superstore | 172 | 16.00 | 5.5 | 6 |
| Scheme 4 | Supermarket | 156 | 14.50 | 5.5 | 6 |
| Scheme 5 | Convenience store | 188 | 17.50 | 5.5 | 6 |
| 2. Local centre | | | | | |
| Scheme 5 | Convenience store | 161 | 15.00 | 5.5 | 6 |
| 3. Out of centre, Birstall | | | | | |
| Scheme 2 | Retail warehousing | 323 | 30.00 | 6.0 | 18 |
| 4. Out of centre, generally | | | | | |
| Scheme 2 | Retail warehousing | 161 | 15.00 | 7.5 | 18 |
| Scheme 3 | Superstore | 172 | 16.00 | 5.5 | 6 |
| Scheme 4 | Supermarket | 156 | 14.50 | 5.5 | 6 |
| Scheme 5 | Convenience store | 188 | 17.50 | 5.5 | 6 |

Question 4.2. Do you agree with these value assumptions?

YES

NO

If not, please state alternative figures:

| Retail archetypes | | Rental value (£) | | | |
|------------------------------------|--------------------|------------------|-------|-------|--------------------|
| | | Sq m | Sq ft | Yield | Rent free (months) |
| 1. Town centre | | | | | |
| Scheme 1 | Shopping Centre | | | | |
| Scheme 2 | Retail warehousing | | | | |
| Scheme 3 | Superstore | | | | |
| Scheme 4 | Supermarket | | | | |
| Scheme 5 | Convenience store | | | | |
| 2. Local centre | | | | | |
| Scheme 5 | Convenience store | | | | |
| 3. Out of centre, Birstall | | | | | |
| Scheme 2 | Retail warehousing | | | | |
| 4. Out of centre, generally | | | | | |
| Scheme 2 | Retail warehousing | | | | |
| Scheme 3 | Superstore | | | | |
| Scheme 4 | Supermarket | | | | |
| Scheme 5 | Convenience store | | | | |

Build Costs

We have used the following build costs which are based on BCIS rebased for Yorkshire and Humber. We have included a 15% uplift for external works.

| | | Build cost (£) | | Build cost inc. 15% uplift for external works | |
|----------|--------------------|----------------|-------|---|-------|
| | | Sq m | Sq ft | Sq m | Sq ft |
| Scheme 1 | Shopping centre | 937 | 87 | 1078 | 100 |
| Scheme 2 | Retail warehousing | 571 | 53 | 657 | 61 |
| Scheme 3 | Superstore | 1306 | 121 | 1502 | 140 |
| Scheme 4 | Supermarket | 1306 | 121 | 1502 | 140 |
| Scheme 5 | Convenience store | 1029 | 96 | 1183 | 110 |

Question 4.3 Do you agree with our cost assumptions?

YES

NO

If you have answered no to Question 4.3 or have any general comments, please expand below.

| | | Build cost (£) | | Build cost inc. 15% uplift for external works | |
|----------|--------------------|----------------|-------|---|-------|
| | | Sq m | Sq ft | Sq m | Sq ft |
| Scheme 1 | Shopping centre | | | | |
| Scheme 2 | Retail warehousing | | | | |
| Scheme 3 | Superstore | | | | |
| Scheme 4 | Supermarket | | | | |
| Scheme 5 | Convenience store | | | | |



Development cost and phasing assumptions

The following development cost and phasing assumptions will be used:

| Other development costs | |
|---|--------------|
| Sensitivity for abnormals (% uplift in build costs) | 10% |
| Site specific S106 costs | £50 per sq m |
| Professional fees as % of construction costs | 12.5% |
| Contingencies on construction costs | 5% |
| Letting costs (% of rental value) | 10% |
| Letting legal costs (% of rental value) | 5% |
| Investment sale (% of Net Development Value) | 1% |
| Investment sale legal costs (% of NDV) | 0.25% |
| Purchaser's costs (% on purchase price) | 5.80% |
| Finance on negative balance | 6.75% |
| Developer profit (% on cost) | 20% |

| Phasing assumptions | |
|--|-------------------------|
| Lead in | 6 months |
| Construction period (retail warehousing and supermarket) | 12 months |
| Construction period (others) | 18 months |
| Sale | On practical completion |



Question 4.4 Do you agree with our development cost and phasing assumptions?

YES

NO

If you do not agree with our assumptions, please expand below:

5. Office Development Assumptions

Two hypothetical schemes ('archetypes') have been selected for viability testing of CIL. Below are the details of the archetypes, floor area and site coverage.

Scheme selection

| | | Floor area (GIA) | | Floor area (NIA) | | Site area | |
|----------|------------------------------|------------------|--------|------------------|--------|-----------|-------|
| | | Sq m | Sq ft | Sq m | Sq ft | Ha | Acres |
| Scheme 1 | Town centre, over two floors | 3,000 | 32,292 | 2,550 | 27,448 | 0.38 | 0.93 |
| Scheme 2 | Out of town, over two floors | 3,000 | 32,292 | 2,550 | 27,448 | 0.38 | 0.93 |

Question 5.1 Do the above hypothetical schemes adequately cover the necessary range of office development likely to come forward in Kirklees? If not, please detail below.

YES

NO

Sales values

The following table details the base values and incentives which will be used in our development appraisals:

| | | Rental value (£) | | Yield | Rent free |
|----------|------------------------------|------------------|-------|-------|-----------|
| | | Sq m | Sq ft | % | (months) |
| Scheme 1 | Town centre, over two floors | 106.79 | 10.00 | 8.5% | 30 |
| Scheme 2 | Out of town, over two floors | 106.79 | 10.00 | 8.5% | 30 |

Question 5.2. Do you agree with these value assumptions?

YES

NO

If not, please state alternative figures:

| | | Rental value (£) | | Yield | Rent free |
|----------|------------------------------|------------------|-------|-------|-----------|
| | | Sq m | Sq ft | % | (months) |
| Scheme 1 | Town centre, over two floors | | | | |
| Scheme 2 | Out of town, over two floors | | | | |

Build Costs

We have used the following build costs which are based on BCIS rebased for Kirklees. We have included a 15% uplift for external works.

| | | Build cost (£) | | Build cost inc. 15% uplift for external works | | Build Cost – 10% uplift for abnormals | |
|----------|------------------------------|----------------|-------|---|-------|---------------------------------------|-------|
| | | Sq m | Sq ft | Sq m | Sq ft | Sq m | Sq ft |
| Scheme 1 | Town centre, over two floors | 1,318 | 122 | 1516 | 141 | 1667 | 155 |
| Scheme 2 | Out of town, over two floors | 1318 | 122 | 1516 | 141 | 1667 | 155 |

Question 5.3 Do you agree with our cost assumptions?

YES

NO

If you have answered no to Question 5.3 or have any general comments, please expand below.

| | | Build cost (£) | | Build cost inc. 15% uplift for external works | |
|----------|------------------------------|----------------|-------|---|-------|
| | | Sq m | Sq ft | Sq m | Sq ft |
| Scheme 1 | Town centre, over two floors | | | | |
| Scheme 2 | Out of town, over two floors | | | | |

Development cost and phasing assumptions

The following development cost and phasing assumptions will be used:

| Other development costs | |
|---|-------|
| Sensitivity for abnormals (% uplift on build costs) | 10% |
| Site specific S106 costs | £0 |
| Professional fees as % of construction costs | 12.5% |
| Contingencies on construction costs | 3% |
| Letting costs (% of rental value) | 10% |
| Letting legal costs (% of rental value) | 5% |
| Investment sale (% of Net Development Value) | 1% |
| Investment sale legal costs (% of NDV) | 0.25% |
| Purchaser's costs (% on purchase price) | 5.80% |
| Finance on negative balance | 6.75% |
| Developer profit (% on cost) | 20% |

| Phasing assumptions | |
|----------------------------|-------------------------|
| Lead in | 6 months |
| Construction period | 12 months |
| Sale | On practical completion |

Question 5.4 Do you agree with our development cost and phasing assumptions?

YES

NO

If you do not agree with our assumptions, please expand below:

6. Industrial Development Assumptions

Three hypothetical schemes have been selected for viability testing of CIL. Illustrated below are the names of the archetypes, the approximate size and site coverage.

| | | Floor area (GIA) | | Floor area (NIA) | | Site area | |
|----------|-------------------------------|------------------|---------|------------------|---------|-----------|-------|
| | | Sq m | Sq ft | Sq m | Sq ft | Ha | Acres |
| Scheme 1 | Small industrial /warehouse | 2,500 | 26,910 | 2,500 | 26,910 | 0.71 | 1.77 |
| Scheme 2 | Medium industrial / warehouse | 5,000 | 53,820 | 5,000 | 53,820 | 1.43 | 3.53 |
| Scheme 3 | Large Industrial / warehouse | 10,000 | 107,639 | 10,000 | 107,639 | 2.86 | 7.06 |

Question 6.1 Do the above hypothetical schemes adequately cover the necessary range of industrial development likely to come forward in Kirklees? If not, please detail below.

YES

NO

Sales values

The following table details the base values and incentives which will be used in our development appraisals:

| | | Rental value (£) | | Yield | Rent free |
|----------|-------------------------------|------------------|-------|-------|-----------|
| | | Sq m | Sq ft | % | (months) |
| Scheme 1 | Small industrial / warehouse | 48.76 | 4.53 | 6.75% | 6 |
| Scheme 2 | Medium industrial / warehouse | 45.64 | 4.24 | 6.75% | 6 |
| Scheme 3 | Large industrial/ warehouse | 43.06 | 4.00 | 6.75% | 9 |

Question 6.2. Do you agree with these value assumptions?

YES

NO

If not, please state alternative figures:

| | | Rental value (£) | | Yield | Rent free |
|----------|-------------------------------|------------------|-------|-------|-----------|
| | | Sq m | Sq ft | % | (months) |
| Scheme 1 | Small industrial / warehouse | | | | |
| Scheme 2 | Medium industrial / warehouse | | | | |
| Scheme 3 | Large industrial/ warehouse | | | | |

Build Costs

We have used the following build costs which are based on BCIS rebased for Yorkshire and Humber. We have included a 15% uplift for external works.

| | | Build cost (£) | | Build cost inc. 15% uplift for external works | |
|----------|-------------------------------|----------------|-------|---|-------|
| | | Sq m | Sq ft | Sq m | Sq ft |
| Scheme 1 | Small industrial /warehouse | 509 | 47.29 | 585.35 | 54.38 |
| Scheme 2 | Medium industrial / warehouse | 417 | 38.74 | 479.55 | 44.55 |
| Scheme 3 | Large industrial / warehouse | 417 | 38.74 | 479.55 | 44.55 |

Question 6.3 Do you agree with our cost assumptions?

YES

NO

If you have answered no to Question 6.3 or have any general comments, please expand below.

| | | Build cost (£) | | Build cost inc. 15% uplift for external works | |
|----------|-------------------------------|----------------|-------|---|-------|
| | | Sq m | Sq ft | Sq m | Sq ft |
| Scheme 1 | Small industrial /warehouse | | | | |
| Scheme 2 | Medium industrial / warehouse | | | | |
| Scheme 3 | Large industrial / warehouse | | | | |

Development cost and phasing assumptions

The following development cost and phasing assumptions will be used:

| Other development costs | |
|---|-------|
| Sensitivity for abnormals (% uplift on build costs) | 10% |
| Site specific S106 costs | £0 |
| Professional fees as % of construction costs | 10% |
| Contingencies on construction costs | 3% |
| Letting costs (% of rental value) | 10% |
| Letting legal costs (% of rental value) | 5% |
| Investment sale (% of Net Development Value) | 1% |
| Investment sale legal costs (% of NDV) | 0.25% |
| Purchaser's costs (% on purchase price) | 5.80% |
| Finance on negative balance | 6.75% |
| Developer profit (% on cost) | 20% |

| Phasing assumptions | |
|----------------------------|-------------------------|
| Lead in | 6 months |
| Construction period | 12 months |
| Sale | On practical completion |

Question 6.4 Do you agree with our development cost and phasing assumptions?

YES

NO

If you do not agree with our assumptions, please expand below:

7. Other Commercial Development Assumptions

The following other commercial sectors will be tested in order to determine whether they are able to support any level of CIL.

| | | Sq m | Sq ft | Sq m | Sq ft | Ha | Acres |
|----------|---------------------|-------|--------|-------|--------|------|-------|
| Scheme 1 | Hotel | 1800 | 19,375 | 1350 | 14,531 | 0.45 | 1.11 |
| Scheme 2 | Restaurant | 400 | 4,306 | 400 | 4,306 | 0.16 | 0.40 |
| Scheme 3 | Restaurant Birstall | 400 | 4,306 | 400 | 4,306 | 0.16 | 0.40 |
| Scheme 4 | Care home (60 bed) | 2,586 | 27,835 | 840 | 9,042 | 0.65 | 1.60 |
| Scheme 5 | Cinema | 6,000 | 64,583 | 6,000 | 64,583 | 1.50 | 3.71 |

Question 7.1 Do the above hypothetical schemes adequately cover the necessary range of development likely to come forward in Kirklees? If not, please detail below.

YES

NO



Sales Values

The following table details the base values and incentives which will be used in our development appraisals:

| | | Rental values (£) | | Yield | Incentives |
|----------|---------------------|-------------------|--------|-------|------------|
| | | Sq m | Sq ft | % | Months |
| Scheme 1 | Hotel | £161.46 | £15.00 | 6.5 | 6 |
| Scheme 2 | Restaurant | £161.46 | £15.00 | 6.5 | 12 |
| Scheme 3 | Restaurant Birstall | £303.43 | £28.19 | 6.0 | 12 |
| Scheme 4 | Care home (60 bed) | £429.05 | £39.86 | 6.5 | 6 |
| Scheme 5 | Cinema | £129.17 | £12.00 | 7.0 | 6 |

Question 7.2. Do you agree with these value assumptions?

YES

NO

If not, please state alternative figures:

| | | Rental values (£) | | Yield | Incentives |
|----------|----------------------|-------------------|-------|-------|------------|
| | | Sq m | Sq ft | % | Months |
| Scheme 1 | Hotel | | | | |
| Scheme 2 | Restaurant | | | | |
| Scheme 3 | Restaurant, Birstall | | | | |
| Scheme 4 | Care home (60 bed) | | | | |
| Scheme 5 | Cinema | | | | |

Build Costs

We have used the following build costs which are based on BCIS rebased for Yorkshire and the Humber. We have included a 15% uplift for external works.

| | | Build cost (£) | | Build cost inc. 15% uplift for external works | |
|----------|----------------------|----------------|--------|---|--------|
| | | Sq m | Sq ft | Sq m | Sq ft |
| Scheme 1 | Hotel | 1,373 | 127.56 | 1,578.95 | 146.69 |
| Scheme 2 | Restaurant | 1,869 | 173.64 | 2,149.35 | 199.68 |
| Scheme 3 | Restaurant, Birstall | 1,869 | 173.64 | 2,149.35 | 199.68 |
| Scheme 4 | Care home (60 bed) | 1,153 | 107.12 | 1,325.95 | 123.18 |
| Scheme 5 | Cinema | 1,022 | 94.95 | 1,175.30 | 109.19 |

Question 7.3. Do you agree with these cost assumptions?

YES

NO

If not, please state alternative figures:

| | | Build cost (£) | | Build cost inc. 15% uplift for external works | |
|----------|----------------------|----------------|-------|---|-------|
| | | Sq m | Sq ft | Sq m | Sq ft |
| Scheme 1 | Hotel | | | | |
| Scheme 2 | Restaurant | | | | |
| Scheme 3 | Restaurant, Birstall | | | | |
| Scheme 4 | Care home (60 bed) | | | | |
| Scheme 5 | Cinema | | | | |

Development cost and phasing assumptions

The following development cost and phasing assumptions will be used:

| Other development costs | |
|---|-------|
| Sensitivity for abnormals (% uplift on build costs) | 10% |
| Site specific S106 costs | £0 |
| Professional fees as % of construction costs | 10% |
| Contingencies on construction costs | 3% |
| Letting costs (% of rental value) | 10% |
| Letting legal costs (% of rental value) | 5% |
| Investment sale (% of Net Development Value) | 1% |
| Investment sale legal costs (% of NDV) | 0.25% |
| Purchaser's costs (% on purchase price) | 5.80% |
| Finance on negative balance | 6.75% |
| Developer profit (% on cost) | 20% |

| Phasing assumptions | | |
|----------------------------|--------------------|---|
| Scheme 1 | Cinema | 6 months lead in, 12 months build, sell on practical completion |
| Scheme 2 | Hotel | 6 months lead in, 12 months build, sell on practical completion |
| Scheme 3 | Restaurants | 6 months lead in, 12 months build, sell on practical completion |
| Scheme 4 | Care home (60 bed) | 6 months lead in, 18 months build, sell on practical completion |

Question 7.4 Do you agree with our development cost and phasing assumptions?

YES

NO

Question 7.5 If you do not agree with our assumptions, please expand below:

8. Commercial Land Values

Preliminary research indicates the following proposed land value benchmarks:

| Development typology | £ per acre | £ per hectare |
|-----------------------------|-------------------|----------------------|
| Industrial | 200,000 | 494,220 |
| Office | 200,000 | 494,220 |
| Retail | 500,000 | 1,235,550 |
| Other commercial | 500,000 | 1,235,550 |
| <u>Care home:</u> | | |
| Value Area 1 | 500,000 | 1,235,550 |
| Value Area 2 | 400,000 | 988,440 |
| Value Area 3 | 300,000 | 741,330 |
| Value Area 4 | 200,000 | 494,220 |
| Value Area 5 | 100,000 | 247,110 |

Question 8.1 Please comment on your experience of commercial land values in Kirklees

| Development typology | £ per acre | £ per hectare |
|-----------------------------|-------------------|----------------------|
| Industrial | | |
| Office | | |
| Retail | | |
| Other commercial | | |
| <u>Care home:</u> | | |
| Value Area 1 | | |
| Value Area 2 | | |
| Value Area 3 | | |
| Value Area 4 | | |
| Value Area 5 | | |

9. Sensitivity analysis for policy and market changes

We will undertake the following sensitivity analysis to account for Local Plan policies and changes in property market conditions:

- Affordable Housing levels (0%, 15%, 20%, 25%, 30% and 40%)
- Zero Carbon building standard a 5% additional cost uplift will be applied
- +/- 10% on sale values to reflect changing market conditions through the Local Plan period

Please comment as to whether or not you agree with the proposed approach.

10. Summary

Through this consultation DTZ is seeking to confirm the parameters and principles that are to be used in the viability modelling, and allow the opportunity for feedback and amendment to our proposed development assumptions prior to the commencement of viability modelling. The aim is to ensure that we follow a process which is as robust and transparent process and which has been consulted on with developers and landowners.

In order to keep an accurate record of respondents, please complete the details below. We will not attribute your name, the name of your organisation or the details of any responses above without your express permission.

Many thanks for your comments which are greatly appreciated.

Name:

Position:

Company:

Address:

Postcode:

Contact Telephone:

Email Address:

May we contact you further? YES

NO

Please return this questionnaire by Friday 3 July 2015 to:

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