Community Infrastructure Levy

Economic Viability Assessment

On behalf of North York Moors National Park Authority
Document Control Sheet

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Executive Summary

The authority’s Core Strategy sets out the vision and strategy for development across the National Park over the period to 2026. A clear theme that runs throughout the vision and objectives set out in the core strategy is the aspiration of protection the character and environment of the National Park. For this reason the levels of development anticipated is not at a significant level.

There are a limited number of development types that are likely to come forward in the National Park. However, in order to ensure key development types are tested and evaluated we have sought to include a range of uses. The core development types that have been tested in this study are:

- Residential
- Office and industrial development at Whitby Business Park; and
- Small scale town centre retail development.

Whilst a range of other uses and forms of development are considered, given the nature of the national park, these other uses are somewhat less likely to come forward.

To meet legal requirements and satisfy the independent examiner, a CIL charging schedule should:

‘Aim to strike what appears to the charging authority to be an appropriate balance between the need to fund infrastructure and the impact of CIL’; and ‘Not put at serious risk the overall development of the area’.

As explained in official guidance, CIL may reduce development by making certain schemes unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that, in the judgment of the authority, the net outcome of these two impacts should be positive. This judgment is at the core of the charge-setting process.

Regulation, legislation and guidance also advise that:

- Charging Authorities (CAs) should avoid setting charges up to the margin of viability for the bulk of sites;
- CIL charging rates may vary across geographical zones and land uses. But there are restrictions on this differential charging. It must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by ‘appropriate available evidence’, which need not be ‘fully comprehensive or exhaustive’;
- While charging rates should be consistent with the evidence, they are not required to ‘mirror’ the evidence1. In this and other ways, CAs have significant discretion in setting charging rates.

In our analysis and recommendations below, we aim both to meet these legal requirements and to maximise achievement of the council’s own priorities, using the discretion that the legislation and guidance allows.

Our approach to assessing the viability of development can be summarised as follows:

---

1 Planning Act 2008 (Section 212 (4) (b))
Separate assessments of the viability of residential and non-residential development in the National Park have been undertaken, using different models that take account of the key characteristics of each.

Assessments of residential development have been done for development on sites within the following sub areas:

- Moderate value; and
- High Value.

Our assessments sought initially to establish the maximum potential charge rates (consistent with maintaining viability) in each case. As mentioned above, it is then a decision for the CA as to how far from this theoretical ceiling it wishes to set the charge. The maximum potential charge rates for residential development types are considered to be:

- Market housing (Helmsley infrastructure not delivered through S106): £101 per sq.m

In respect of non-residential development, a number of development types were assessed using a simple high-level model to reveal the surplus/residual profit or deficit after all development costs (including the developer’s margin) have been taken into account. The following types of development were assessed:

- Town centre office
- Business park office
- Industrial and warehousing
- Town centre comparison retail
- Out of centre comparison retail
- Convenience retail
- Education, health and community facilities

Again, where development types were found to be viable, we sought to establish the maximum potential charge rates, consistent with development remaining viable. Where the assessment showed a deficit, no maximum charge rate is identified. Our findings are as follows:

- Town centre offices – N/A
- Business park offices – N/A
- Industrial/warehouse – N/A
- High Street Comparison Retail – N/A
- Retail Warehouse - £72 per sq.m
- Convenience retail - £152 per sq.m.

The viability of other, less common uses and forms of development has also been considered in order to inform the proposed charging schedule set out below.

As discussed above, it is at the discretion of the CA to determine how far below this theoretical maximum any charges should be set.

The charges set out below reflect the viability evidence and comply with the CIL regulations in every respect, as we understand them. We believe that it is exactly this kind of clarity and simplicity that is being and will be sought by inspectors.

**Proposed Charging Schedule**

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<thead>
<tr>
<th>Use</th>
<th>Proposed CIL charge (per sq.m)</th>
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<tr>
<td>Private market houses:</td>
<td>£70*</td>
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<tr>
<td>Supermarkets</td>
<td>£135</td>
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<tr>
<td>Retail Warehouses</td>
<td>£70</td>
</tr>
<tr>
<td>Public/Institutional Facilities as follows: education,</td>
<td>£0</td>
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<tr>
<td>health, community and emergency services</td>
<td></td>
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<tr>
<td>All other chargeable development</td>
<td>£0</td>
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*Assumes Helmsley infrastructure is delivered through CIL. £45 per sq. m is recommended if infrastructure is to be delivered through S106.
1 Introduction

1.1 Introduction

1.1.1 Peter Brett Associates (PBA), formerly Roger Tym & Partners, was commissioned by the North York Moors National Park Authority (hereafter referred to as ‘the authority’) to provide specialist services for the development and preparation of a Community Infrastructure Levy (CIL) Viability Assessment.

1.1.2 This study is structured in the following way.

- In Section 2 we set out the legal requirements that a CIL Charging Schedule must comply with. This work informs the rest of the report.
- Section 3 examines the planning and development context in order to ensure that CIL supports development. This work has important implications for the structure of the Charging Schedule.
- Section 4 sets out the approach taken in the assessment of infrastructure requirements that will be used to determine the CIL infrastructure funding target.
- Sections 5 to 9 look at the viability of different kinds of development in different parts of the National Park.
- Section 10 sets out analysis of the charge rate options.
- Section 11 then takes this analysis, summarises it, and translates these assessments into recommendations for a Preliminary Draft CIL Charging Schedule (PDCS) and makes some very broad projections of revenue arising from the CIL charge.
- Section 12 details how the CIL Charging Schedule, if adopted by the Authority can be implemented taking into account exceptional circumstances, discretionary relief, instalment policy, administration charges, monitoring and review.
2 Legal Requirements

2.1 Introduction

2.1.1 The Community Infrastructure Levy (CIL) is a new planning charge that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from developers to help pay for infrastructure that is needed as a result of development. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the authority, the draft schedule has to be approved by an independent examiner.

2.1.2 The requirements which a CIL charging schedule has to meet are set out in:

- The Planning Act 2008 as amended by the Localism Act 2011
- The CIL Guidance issued under S221 of the Planning Act 2008, which is statutory guidance, i.e. it has the force of law and the authority must have regard to the guidance.

2.1.3 To help charging authorities meet these requirements, the government has also produced non-statutory information documents, comprising:

- CIL overview documents; and
- Documents on CIL relief and on collection and enforcement.

2.1.4 Below, we summarise the key points from these various documents.

2.2 Finding the balance

2.2.1 Regulation 14 requires that a charging authority ‘aim to strike what appears to the charging authority to be an appropriate balance’ between

a. The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area... and

b. The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.2.2 By itself, this statement is not easy to interpret. The statutory guidance explains its meaning. This explanation is important and worth quoting at length:

By providing additional infrastructure to support development of an area, the levy is expected to have a positive economic effect on development across an area. In deciding the rate(s) of the levy for inclusion in its draft charging schedule, a key consideration is the balance between securing additional investment for infrastructure to support development and the potential economic effect of imposing the levy upon development across their area. The Community Infrastructure Levy regulations place this balance of considerations at the centre of the charge-setting process. In meeting the requirements of regulation 14(1), charging authorities should show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant Plan and support the development of their area. As set out in the National Planning Policy Framework in England, the ability to develop viably the sites and the scale of development identified in the Local Plan should not be threatened.9

2.2.3 In other words, the ‘appropriate balance’ is the level of CIL which maximises the quantum of development in the area. If the CIL charging rate is above this appropriate level, there will be less development than there could be, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be less than it could be, because it will be constrained by insufficient infrastructure.

2.2.4 The above quote from the statutory Guidance sets the development of the area firmly in the context of delivering the Core Strategy. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the Guidance. For example, in guiding examiners, the Guidance makes it clear that the independent examiner should establish that:

‘…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole.’ 10

2.2.5 Common sense suggests that an appropriate balance is not easy to find, and must be a matter of judgment as much as rigorous calculation. It is not surprising, therefore, that charging authorities are allowed discretion in this matter. This is set out in the legislation and guidance. For example, Regulation 14 requires that in setting levy rates, the Charging Authority:

‘must aim to strike what appears to the charging authority to be an appropriate balance…’

and the statutory guidance says

‘The legislation… requires a charging authority to use appropriate available evidence to ‘inform the draft charging schedule’. A charging authority’s proposed levy rate (or rates) should be reasonable given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence… there is room for some pragmatism.’ 11

2.2.6 Regulation 14 effectively recognises that the introduction of CIL may put some potential development sites at risk. The focus is on seeking to ensure development envisaged by the Core Strategy can be delivered. Accordingly, when considering evidence the guidance requires that charging authorities should ‘use an area based approach, which involves a broad test of viability across their area’, supplemented by sampling ‘…an appropriate range of sites across its area…’ with the focus ‘...in particular on strategic sites on which the relevant Plan relies…..’ 12

2.2.7 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable. The levy may put some schemes at risk in this way,

9 DCLG (April 2013) Community Infrastructure Levy Guidance (para 8)
10 DCLG (April 2013) Community Infrastructure Levy Guidance (para 9)
11 DCLG (April 2013) Community Infrastructure Levy Guidance (para 28)
12 DCLG (April 2013) Community Infrastructure Levy Guidance (Paras 23 and 27)
so long as, in aiming to strike an appropriate balance overall it avoids threatening the ability to develop viably the sites and scale of development identified in the Core Strategy.

2.3 Keeping clear of the ceiling

2.3.1 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

‘Charging authorities should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area. Charging authorities should show, using appropriate available evidence, including existing published data, that their proposed charging rates will contribute positively towards and not threaten delivery of the relevant Plan as a whole at the time of charge setting and throughout the economic cycle.’

2.3.2 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

i. Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base.

ii. A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

2.4 Varying the charge

2.4.1 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, or both. (It is worth noting that the phrase ‘use of buildings’ indicates something distinct from ‘land use’). As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot be based on policy considerations. Nor should differential rates be set by reference to the costs of infrastructure.

2.4.2 The guidance also points out that there are benefits in keeping a single rate, because that is simpler, and charging authorities should avoid ‘undue complexity’.

2.4.3 Moreover, generally speaking, ‘it would not be appropriate to seek to differentiate in ways that impact disproportionately on particular sectors, or specialist forms of development’, otherwise the CIL may fall foul of State Aid rules.

2.4.4 It is worth noting, however, that the guidance is clear that ‘In some cases, charging authorities could treat a major strategic site as a separate geographical zone where it is supported by robust evidence on economic viability’.

2.5 Supporting evidence

2.5.1 The legislation requires a charging authority to use ‘appropriate available evidence’ to inform their charging schedules. The statutory guidance enlarges on this, explaining that the available data ‘is unlikely to be fully comprehensive or exhaustive’.

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13 DCLG (April 2013) Community Infrastructure Levy Guidance (Para 30)
14 The Regulations allow differentiation by “uses of development”. “Development” is specially defined for CIL to include only ‘buildings’, it does not have the wider ‘land use’ meaning from TCPA 1990, except where the reference is to development of the area, in which case it does have the wider definition. See S 209(1) of PA 2008, Reg 2(2), and Reg 6.
15 DCLG (April 2013) Community Infrastructure Levy Guidance (Para 37)
16 DCLG (April 2013) Community Infrastructure Levy Guidance (Para 37)
17 DCLG (April 2013) Community Infrastructure Levy Guidance (Para 34)
2.5.2 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and effort analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Core Strategy. This suggests that the viability calculations may leave aside geographical areas and types of development which are expected to see little or no development over the plan period.

2.6 Chargeable floorspace

2.6.1 CIL will be payable on ‘most buildings that people normally use’. It will be levied on the net additional floorspace created by any given development scheme. Any new build that replaces existing floorspace that has been in recent use on the same site will be exempt from CIL, even if the new floorspace belongs to a higher-value use than the old. Provided that previous building(s) on a particular site have been ‘in use’ for 6 months in the last 3 years, then replacement development of the same floorspace would not liable for CIL.

2.7 What the examiner will be looking for

2.7.1 According to statutory guidance, ‘the independent examiner should check that:

- The charging authority has complied with the requirements set out in legislation
- The charging authority’s draft charging schedule is supported by background documents containing appropriate available evidence
- The proposed rate or rates are informed by and consistent with, the evidence on economic viability across the charging authority’s area; and
- Evidence has been provided that shows the proposed rate would not threaten delivery of the relevant Plan as a whole.’

2.8 Policy requirements

2.8.1 Above, we have dealt with legal and statutory guidance requirements which are specific to CIL. More broadly, the CIL Guidance says that charging authorities ‘should consider relevant national planning policy (including the NPPF in England) when drawing up their charging schedules’. In addition, where consideration of development viability is concerned, the CIL Guidance draws specific attention to paragraphs 173 to 177 of the NPPF.

2.8.2 The only policy requirements which relate directly to CIL are set out at paragraph 175 of the NPPF, covering, firstly, working up CIL alongside the plan making where practical; and secondly placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place. Whilst important policy considerations, these two points are outside our immediate remit in this study.

2.9 Summary

2.9.1 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule should:

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18 Section 211 (7A) of the Planning Act 2008
19 DCLG (April 2013) Community Infrastructure Levy Guidance (Para25)
20 DCLG (Nov 2010) Community Infrastructure Levy – An Overview (paragraph 37)
21 DCLG (Nov 2010) Community Infrastructure Levy – An Overview (paragraph 38)
22 DCLG (April 2013) Community Infrastructure Levy Guidance (Para 9)
‘Aim to strike what appears to the charging authority to be an appropriate balance’ between the need to fund infrastructure and the impact of CIL on the economic viability of development in the area; and

‘Not threaten delivery of the relevant plan as a whole’.

2.9.2 As explained in statutory guidance, this means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that, in the judgment of the local authority, the net outcome of these two impacts should be positive. This judgment is at the core of the charge-setting process.

2.9.3 Legislation and guidance also set out that:

- Authorities should avoid setting charges up to the margin of viability for the bulk of sites;
- CIL charging rates may vary across geographical zones and building uses (and only across these two factors). But there are restrictions on this differential charging. It must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by ‘appropriate available evidence’, which need not be ‘fully comprehensive or exhaustive’;
- While charging rates should be consistent with the evidence, they are not required to ‘mirror’ the evidence\(^{23}\). In this and other ways, charging authorities have discretion in setting charging rates.

2.9.4 In our analysis and recommendations below, we aim both to meet these legal and statutory guidance requirements and to maximise achievement of the Authority’s own priorities, using the discretion that the legislation and guidance allow.

\(^{23}\) DCLG (April 2013) *Community Infrastructure Levy Guidance* (Para28)
3 Planning and Development Context

3.1 Introduction

3.1.1 To help ensure that the CIL supports the development of the National Park in general and delivery of the authority’s priorities in particular, we need to understand the nature of this development and their objectives. In this section we therefore first review recent patterns of development – which provide a broad indication of what may happen in the future – and then review the objectives and proposals in the examination adopted Core Strategy.

3.1.2 At the end of this section, we look at the implications of this analysis for the charging schedule.

3.2 History

3.2.1 Patterns of past development provide one guide to the likely patterns of future development. Table 3.1 below analyses the amount of net residential completions over the period 2004/5 to 2011/12. The table shows a fluctuating pattern of housing delivery with some years seeing significant levels of delivery whilst others are low. The pattern shown broadly reflects the impact of the economic downturn.

Figure 3.1 North York Moors Housing Completions

Source: North York Moors Residential Land Survey 2012

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Source: North York Moors Residential Land Survey 2012
3.2.2 Over the period 2004/5 to 2011/12 a total of 192 net additional dwellings were completed. Assuming an average dwelling size of 125 sq. m (informed by analysis later in the report), equates to a total residential floorspace delivered of 24,000 sq. m.

3.2.3 For the period covering up to the end of the proposed plan timeframe, the total number of units suggested to be delivered is c.340 (26 per annum), this could potentially lead to an additional 42,500 sq. m of residential floorspace. A significant proportion of this development will take place in Helmsley.

3.3 Future Development and the Local Plan

3.3.1 The authority's Core Strategy sets out the vision and strategy for development across the National Park over the period to 2026. Essential to the delivery of an effective policy document is a clear vision which is supported by concise objectives. A clear theme that runs throughout the vision and objectives set out in the core strategy is the aspiration of protection the character and environment of the National Park. For this reason the levels of development anticipated is not at a significant level.

3.3.2 New housing and commercial development is to be focussed on the local service centre of Helmsley, followed by the service villages. Outside of these areas, only affordable and local need housing will be permitted. As previously stated the plan anticipates 26 net additional dwellings per annum with the majority comprising affordable or local need housing. The rural economy will be supported by the development of employment uses in Helmsley, Whitby Business Park, service villages and the local service villages.

3.4 Development Central to the Delivery of the Local Plan

3.4.1 A review of the core strategy suggests that whilst anticipated development is limited, there are core development types that will be critical to the delivery of the overall aims of the plan. These types of development will deliver the overwhelming majority of growth across the district over the plan period. These uses are discussed further below.

3.4.2 In this review it is important to not focus on the floorspace alone. Some developments sought in the plan might not represent a significant proportion of floorspace delivery, but might be important for the local aspirations for the communities and the local economy.

Residential development

3.4.3 Core strategy Policy J: ‘Housing’ and the explanatory text highlights the level of housing anticipated and the locations to develop. The anticipated level of 26 net additional dwellings is reiterated in the explanatory text of the policy, but greater clarification is given for locations where development should be focussed.

3.4.4 The majority of housing will be focussed in the local service village of Helmsley with less proportion attributed to the smaller service villages. Only affordable and local need housing will be accepted in other settlements.

Office and industrial development

3.4.5 Development policy 10: ‘New employment and training development’ makes provision for limited development where existing accommodation does not meet requirements. The policy goes on to suggest the areas where the Authority believes this provision should be distributed. The primary focus will be in Helmsley and the Service Villages followed by the ‘other villages’ as defined in the settlement hierarchy.
Community Infrastructure Levy  
Economic Viability Study

Retail development

3.4.6 Development policy 18: ‘Retail development’ highlights how proposals for retail development will be dealt with in the National Park. It is apparent that retail may not be the major driving force behind the delivery of the overall strategy.

3.4.7 Retail provision will be supported within the defined commercial areas of Helmsley, Hutton le Hole and Thornton le Dale. The plan highlights the need to maintain the balance between service provisions for local communities whilst maintaining the character of the area. To this end, significant levels of retail development are not anticipated.

Uses less likely to come forward

3.4.8 Some uses are currently considered unlikely to come forward over the plan period. These do not currently merit special treatment but will be kept under review. They are as follows:

- Hostels
- Scrapyards
- Petrol filling stations
- Selling and/or displaying motor vehicles
- Nightclubs
- Launderettes
- Taxi businesses
- Amusement centres
- Casinos

3.5 Implications

3.5.1 We have shown above that the great majority of core strategy development is expected to fall within a limited number of development types. These development types will create the greatest amount of new floorspace in the National Park over the plan period, or be strategically important to the broader objectives.

3.5.2 There are a limited number of development types that are likely to come forward in the National Park. However, in order to ensure key development types are tested and evaluated we have sought to include a range of uses. The core development types that have been tested in this study are:

- Residential
- Rural employment sites and office and industrial development at Whitby Business Park; and
- Small scale town centre retail development.

3.5.3 Whilst a range of other uses and forms of development are considered, given the nature of the national park, these other uses are somewhat less likely to come forward.

3.5.4 The above analysis suggests that we should focus the CIL evidence base on these types of developments, aiming to ensure that they remain broadly viable after the CIL charge is levied. As long as our viability evidence shows that these main components are deliverable, then we will pass
this (central) element of the examination. However, we do not need to prove that each and every development in these categories will be deliverable: instead, we need to show that the main elements of these types of development are viable, when seen at a National Park level.
4 Infrastructure

4.1 Introduction

4.1.1 The core purpose of CIL is about supporting the delivery of growth by ensuring infrastructure can be provided, funded (wholly or partly) by owners or developers of land in a way that does not make development of that area economically unviable.

4.1.2 The statutory CIL guidance (2013 para 8) expands this by stating that ‘by providing additional infrastructure to support development of an area, the levy is expected to have a positive economic effect on development across an area’ and benefit the local community. It is recognised from the outset that CIL cannot be expected to pay for all the infrastructure required, but is expected to make a significant contribution.

4.1.3 The justification for a Community Infrastructure Levy (CIL) is based on having an infrastructure funding gap after all other known sources of funding have been taken account of. The following extract from paragraph 17 of the statutory CIL Charge Setting and Charging Procedures Guidance (April 2013) highlights this point:

‘…the CIL examiner will only need to test that the (infrastructure) evidence is sufficient in order to confirm the aggregate infrastructure funding gap and total target amount that the authority proposes to raise through CIL’.

4.2 CIL guidance on infrastructure evidence

4.2.1 The CIL Guidance (April 2013) sets out what infrastructure evidence is needed. It states that a charging authority needs to identify the total cost of infrastructure that it desires to fund in whole or in part from the levy. In order to do this, the charging authority must use the ‘appropriate available evidence’ to consider:

- What additional infrastructure is needed in its area to support the development and growth needs set out in the Local Plan;

- What other funding sources are available (for example, core Government funding for infrastructure, which will continue following the introduction of a levy; anticipated section 106 agreements; and anticipated necessary highway improvement schemes funded by anyone other than the charging authority).

4.3 The National Park CIL funding gap assessment

4.3.1 We have worked with the National Park team to identify the infrastructure likely to be required to support the delivery of the National Park Management Plan. The National Park is designated for the purposes of conserving and enhancing its natural beauty and promoting opportunities for the understanding and enjoyment of the National Park. Hence, the major infrastructure requirement for the Park is related to the enhancement of the National Park in the form of a variety of green infrastructure projects. The Core Strategy and Development Policies document does not include housing or employment allocations and rates of development in the Park are very low (around 30 housing completions per annum), consequently the Core Strategy was not accompanied by any infrastructure plan or assessment. Whitby Business Park falls partly inside the National Park boundary and a Joint Area Action Plan is being prepared with Scarborough Borough Council. This will allocate approximately 14 hectares of land for development of which 12 hectares is located within the National Park. There are known infrastructure requirements associated with this development amounting to some £4 million. However, the funding for these improvements is being met through loans from the Regional Growth and Coastal Communities funds.
4.3.2 Apart from this, the bulk of the planned development and hence the associated infrastructure requirements is related to the 120 dwellings in Helmsley which will be allocated in the Helmsley Plan being prepared with Ryedale District Council with very limited new development anticipated elsewhere in the park. Given that the infrastructure relates to the specific allocations at Helmsley, there is potential for these infrastructure need to be funded using either CIL or S106 (providing the pooling of contributions does not exceed five and the requirements are directly related to the proposed growth).

4.3.3 Much of the infrastructure related to the specific allocation at Helmsley could be funded using either CIL or S106 (providing the pooling of contributions does not exceed five and the requirements are directly related to the proposed growth). So for this assessment we have not included the Helmsley infrastructure requirements in the CIL assessment and will be factored into the S106 assessment.

4.3.4 Table 4.1 below is a summary of the current known infrastructure requirements and costs assessed by the North York Moors National Park authority to inform the CIL funding gap assessment. Detailed cost and funding information for other sub regional infrastructure requirements such as broadband and transport are yet to be determined. Note the infrastructure assessment is a ‘live’ document and further items will be updated as they arise.

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Cost</th>
<th>Anticipated Funding</th>
<th>CIL Funding Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic – National Park Wide</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Green Infrastructure</td>
<td>£2,542,500</td>
<td>£295,000</td>
<td>£2,247,500</td>
</tr>
<tr>
<td>Transport</td>
<td>tbd</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Broadband</td>
<td>tbd</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Area Specific – Helmsley</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indoor recreation facilities</td>
<td>£100,000</td>
<td>S106</td>
<td>tbd</td>
</tr>
<tr>
<td>Outdoor play equipment</td>
<td>£18,000</td>
<td>S106</td>
<td>tbd</td>
</tr>
<tr>
<td>Improvements to public realm in the Market Place</td>
<td>tbd</td>
<td></td>
<td>tbd</td>
</tr>
<tr>
<td>Allotments</td>
<td>tbd</td>
<td>S106</td>
<td>tbd</td>
</tr>
<tr>
<td>Education</td>
<td>£250,000</td>
<td>S106</td>
<td>tbd</td>
</tr>
<tr>
<td>Green corridors</td>
<td>tbd</td>
<td>S106</td>
<td>tbd</td>
</tr>
<tr>
<td>Whitby Business Park</td>
<td></td>
<td></td>
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</tbody>
</table>

Note this is the amount suggested to be allocated within the National Park side of Helmsley.

An estimated 15 – 20 dwelling per annum are forecast to take place outside of Helmsley.
Community Infrastructure Levy
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<table>
<thead>
<tr>
<th>Highway improvements, connections and landscaping</th>
<th>£4,000,000</th>
<th>Loan funding secured via Growing Places Fund and Coastal Communities Fund and loan will be paid back via developers of the Whitby Business Park.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total CIL Funding GAP</strong></td>
<td>(including Whitby Business Park)</td>
<td>£6,247,500</td>
</tr>
</tbody>
</table>

4.3.5 Table 4.1 includes cost estimation relating to specific green infrastructure for National Park as this is of a strategic nature and part of the overall delivery of the National Park Management Plan. To meet these costs, irrespective of the decision about implementing CIL within the National Park, there is scope for neighbouring local authorities to include sub-regional infrastructure requirements within their Regulation 123 list. This sub-regional ‘pot’ could then be used to deliver green infrastructure improvements (amongst other projects) in the National Park that are primarily to serve users from a wide geographic area.

4.3.6 The National Park Authority and partners have secured various loans to fund the provision of highway improvements for the Whitby Business Park which is estimated to cost £4m. If CIL was introduced, some of this loan funding could in part be funded using CIL funding (this is in consistent with CIL Regulations which state that a charging authority may apply CIL to reimburse expenditure already incurred on infrastructure). At present, the indication is that this loan funding will be clawed back from those developers who develop the business park.

4.3.7 If we include the Whitby Business Park infrastructure requirements, the estimated CIL funding gap is £6.25m, without this, the CIL funding gap is estimated at £2.45m.

4.3.8 Given the limited scale of planned new growth and infrastructure requirements, and cost involved in the collection and administration of CIL within the National Park, there is a need for some careful consideration as to whether the implementation of CIL is appropriate for the North York Moors National Park. However, if the National Park authority sought to share the CIL administration with an adjoining charging authority for instance Ryedale Council and secured higher levels of CIL contributions (based on viability evidence) for the limited development permitted in the park, this CIL funding could then help to support the strategic infrastructure requirements for maintaining the special National Park environment. This could also help to ‘future proof’ any unknown development that may take place in the National Park.

4.3.9 Alternatively, the National Park could request neighbouring districts that cover the National Park if they are willing to incorporate an element of CIL funding in their Regulation 123 lists to support the delivery of green infrastructure to support the National Park. However, this will be mean drawing from a limited CIL funding base, and not utilising the potential that could be generated by the National Park itself.
5 Residential Viability Assessment

5.1 Introduction

5.1.1 This section sets out the findings of the viability assessment for residential developments and considers the implications of this on the variable CIL charge options. In the case of both residential and non-residential development, we have classified the likely viability using a traffic light system. Green represents viable development, amber represents development at the margins of viability and red represents development that is unlikely to be viable.\

5.2 Market Context

5.2.1 We have gathered and analysed a range of readily available data on residential property market conditions (including in relation to sales values, land costs and build costs, amongst other factors) that provide the evidence base for the assumptions that underpin our assessments. Desk based research has only highlighted a limited number of new build properties coming to the market in recent years. In order to create a more solid dataset, information has been included from settlements immediately adjacent to the National Park boundary.

5.2.2 Our analysis of houses currently being marketed across the National Park suggests that larger properties of three and four bedrooms are being constructed. These are typically detached and semi-detached dwellings.

5.2.3 The limited levels of housing that are to be brought forward is to be focussed towards the main built up area of Helmsley and the Service Villages.

5.3 Heat Maps

5.3.1 The heat mapping shown below gives a visual representation of the average achieved sales prices of properties across the district at ward level. The data covers a two year period from September 2010 to September 2012. This data gives an indication to and provides evidence of the current characteristics being seen in the area.

Figure 4.1 Average Sales Prices – Detached, semi-detached, terrace and flats

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26 This traffic light assessment must be treated with caution, as explained in the previous section; the appraisals are based on a strategic approach and in no way prejudice any site specific valuations.
5.3.2 Larger versions of the mapping with keys are provided at Appendix A of this report. The mapping for the average flat prices is sparse because of the lack of data available across the timeframe chosen and the lack of flat developments coming forward. Dark red shows areas of high value whilst the lighter yellow areas show lower values.

**Potential for Charge Variation by Zone**

5.3.3 As discussed in Section 2, CIL Regulations (Regulation 13) allow the CA to introduce charge variations by geographical zone within its area, by land use, or both. There is no requirement on CAs to set differential rates, but statutory guidance notes that ‘some charging authorities may prefer to set uniform rates, because they are simpler’. This latter point on simplicity is an important one. All differences in rates need to be justified by reference to the economic viability of development. Setting up a CIL which levies different amounts on development in different places increases the complexity of evidence required at examination, and could be a point of contention.

5.3.4 We have examined the merits of setting up differential charging zones in the National Park by looking at sales values across the area. Analysis of the mapping shows that, whilst there is a vague pattern of higher values in the south and west of the area and lower values in the north and east, it is not adequately distinct and consistent across dwelling types that would justify charge variation by value zone in this case. As such, a single rate that is appropriate to the large majority of new residential development in the area.

5.4 **Trends & Trajectory**

5.4.1 Figure 4.2 below shows the average price data across North Yorkshire since January 2007. It shows that house prices in the region have tracked those at the national level. The region is also shown to be outperforming the national average, however in recent months this gap is closing as the national average is showing a stronger recovery than north Yorkshire.

5.4.2 As a result of the recent recession, there has been significant turbulence in the housing market, however this is not exclusive to North Yorkshire. Land Registry data for North Yorkshire shows that the market peaked in December 2007 at £197,375 before falling some 17% to its lowest in April 2009. The data does not go to District/National Park level, therefore North Yorkshire data has been used.

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27 DCLG (December 2012) *Community Infrastructure Levy Guidance* (11)
28 Data from the Land Registry. The data does not go to District/National Park level, therefore North Yorkshire data has been used.
2009 at £164,932. The market showed signs of recovery for a short while, reaching a peak in August 2010 at £176,383 before slipping again to where it currently stands at £166,982.

5.4.3 To provide additional foresight into likely future residential development market conditions, we also undertook a review of published research and market commentaries of agents focusing on residential development markets. Most notably, Savills (considered to be amongst the market leaders in residential development market research and projections) ‘Residential Property Focus’ of Q2 2013 is shown below. Its summary projections, Figure 4.3, show that residential values in Yorkshire and The Humber are forecast to hold reasonably steady in the period up to 2015 before seeing growth in 2016 and 2017.
5.5 **Approach to Assessing Viability**

5.5.1 Viability assessment is at the core of the charge-setting process. The purpose of the assessment is to identify charging rates at which the bulk of the development proposed in the Development Plan is financially viable, in order to ensure that the CIL does not put at risk the overall development planned for the area.

5.5.2 PBA has a bespoke excel-based model for assessing the viability of residential development as part of CIL studies. The model takes as its basis a hypothetical hectare of land and allows us to assess the value of a development by reference to the density of development, the proportion and type of affordable housing, the size of houses and typical sales values being achieved.

5.5.3 The model also enables us to input the cost of acquiring the land and to calculate all the other principal costs associated with development, including construction costs, fees, contingency and finance costs, amongst others.

5.5.4 The output of the model is a residual developer’s margin, expressed as a percentage of the total development costs – a measure commonly used by developers in considering the viability of development. Typically, developers and their funders would seek a minimum return of 20% of cost in current market conditions. Where our model output shows a margin in excess of 20%, we believe there is scope for a CIL charge to be introduced. Our approach to assessing the viability of residential development can therefore be summarised as follows:

\[
\text{Net development value} \quad \text{Minus} \\
\text{Reasonable land acquisition costs} \quad \text{Minus} \\
\text{Total development costs} \quad \text{Equals} \\
\text{Residual developer’s margin} \quad \text{(Determines ability to pay for a CIL)}
\]

5.5.5 No standard assumptions are made by the model, so that each appraisal is entirely bespoke. Assumptions are inputted with respect to:

- The proportion of the site that is developable for housing (i.e. not required, for example, for open space, infrastructure or other non-housing requirements);
- The density of development and the mix between houses and apartments;
- The level of affordable housing and the mix of shared ownership, affordable rented and social rented;
- The average size of houses and apartments;
- Build cost per sq. m;
- Sales value per sq. m;
- Sales rates;
- Land price per gross hectare (including associated purchase costs);
- Typical s.106 costs;
- Costs for secondary infrastructure;
- Professional fees;
- Costs of sales and marketing; and
- Finances costs.

5.5.6 At this stage, any potential CIL charge has been excluded from our assessment; however we do make an allowance for residual s.106 which will still apply after the adoption of the CIL charging schedule. The potential level of contributions is discussed separately below.

5.5.7 As mentioned above, the model allows each variable to be changed to assess different development and market scenarios. In total, eight separate scenarios that applied different combinations of assumptions with respect to land price; sales values per sq. m; and the proportion of affordable housing were appraised.

5.6 **Key Assumptions**

5.6.1 Common to both residential and non-residential assessments is the need to gather robust market data – any assessment of viability can only be as good as the assumptions (and the information they are based on) that go into it. This section of the report also, therefore, sets out the sources of information that have informed the assumptions that underpin the viability assessments, along with the assumptions themselves.

5.6.2 Our calculations use ‘readily available evidence’, which has been informed and adjusted by an assessment of local transactions and market demand. This kind of strategic viability assessment involves a high degree of generalisation. Therefore the assumptions adopted in this assessment are intentionally cautious and in most circumstances the approach will return a more conservative estimate of what is viable and what is not, than might be expected on the basis of anecdotal information on the price paid for development sites in the past and Land Registry reports. This is an important point to bear in mind later when it comes to debating what is considered an ‘appropriate balance’.

**Information sources**

5.6.3 Information on the per sq. m values of new residential development was gathered through an analysis of new properties that are currently for sale. Information on the price and size of new houses and apartments was gathered and used to determine a value per sq. m for each dwelling. These per sq. m values could then be averaged and used as the basis for analysis of differences between areas and development types. The sources of this information included the website of developers themselves and other websites that focus on selling newly built residential property such as Rightmove, smartnewhomes.com and newhomesforsale.co.uk.

5.6.4 Information on construction costs for residential development was gathered from the Building Cost Information Service (BCIS). Our build costs assumptions are considered to cover realistic costs for Code Level 4, although costs may alter in future.

5.6.5 Based on the findings from these sources, we arrived at initial conclusions with respect to each of the assumptions. These were then tested through informal consultations with a number of local house-builders and agents and revisions/additional scenarios were made to reflect comments received, where it was justified by evidence to do so.
Land acquisition cost

5.6.6 In respect of residential development land prices/values, we took account of recent Valuation Office Agency (VOA) reports covering this issue, as well as the findings of consultations with local agents and residential developers.

5.6.7 Clearly, the value of a piece of land to a developer will vary significantly from one site to the next as a result of its specific characteristics, including:

- Size and shape;
- Topography and ground conditions;
- Location and potential sales values;
- Capacity of and ease of connection with surrounding infrastructure e.g. local utility networks;
- Whether the site is allocated and/or benefits from a suitable planning permission; and
- The nature of the planning permission and Developer Contributions that can reasonably be expected.

5.6.8 Until 2009, the VOA’s reports were more detailed however do not provide coverage of National Parks. More recent data from the VOA is only available for the larger conurbations in Yorkshire which may not represent the data for the locality. It is important to note that this data does not take account of the impact on land values of policy requirements such as affordable housing.

5.6.9 In arriving at initial assumptions on land prices, we took account of both the 2009 data and factored in changes in market conditions since then, as well as the 2011 data, factoring in the perceived strength/weakness of the National Park to the surrounding areas.

5.6.10 In addition to this, we have also discussed land values with developers and agents active in the local market. Clearly, however, land for development within the National Park is not readily available or bought and sold on a regular basis, so hard information is somewhat difficult to come by. In this context, it is relevant to consider land values close to, as well as within the National Park.

5.6.11 It is also worth of note that those sites that do come to the market tend to be very small, relative to those developed elsewhere. A summary of the feedback from the residential land agents and developers is that:

- Typical gross residential land values (i.e. before account is taken of policy requirements and site-specific development constraints) can be upwards of £1,000,000 per ha;
- Net land values are considerably more difficult to draw generalised conclusions from and there have been few recent transactions to provide the basis for analysis, however a range of £650,000 - £800,000 per ha could be considered typical; and
- The minimum land value that many owners of residential land in the National Park would be willing to accept is approximately £600,000 per ha. A reduction beyond this level may constrain the supply on land on to the market and therefore the ability to meet housing requirements.

5.6.12 As a further layer of analysis, we have considered existing and alternative use values and the uplift factors/multipliers that can be applied to them to inform conclusions on residential land values. Of course, it is difficult to generalise about existing or alternative use values across a whole local authority, but we have sought to consider the principal uses that may be relevant.
5.6.13 Some of the land on which new residential development will take place is likely to be agricultural. The VOA’s 2011 Property Market Report indicates that the highest average value agricultural land in North Yorkshire is worth approximately £21,000 per hectare. In order to inform residential land values, a multiplier of between 15 and 25 times is often applied. This would give residential land values in the region of £315,000 per ha and £525,000 per ha.

5.6.14 An alternative use for some sites being considered for residential development is for employment development. The 2009 VOA Property Market Report states that employment land typically has a value of £410,000 per ha, with the top of the market identified as £475,000 per ha. Allowing for value growth since that time (in line with locations still covered in the latest version of the report) of 11%, this suggests current employment land values of £450,000 - £530,000 per ha. An uplift of c30% over industrial land values is often used as a proxy for considering residential land values. This suggests residential land values of £585,000 - £690,000 per ha.

5.6.15 LPAs cannot dictate or predict land sales costs, so reasonable assumptions must be made. However, there is a general expectation across the market that land values will ultimately have to go through a period of rebalancing to reflect current market pressures. Some sites, particularly those purchased without planning permission and where there is a risk it will not be achieved could be acquired relatively cheaply. Where this is the case, higher contributions could be achieved than if a more typical land cost is applied. Conversely, other sites may well command a higher land price, in which case Developer Contributions based on more typical land costs could potentially cause some hardship and delay in delivery, in respect of sites where the land deal is already concluded.

5.6.16 Our assessments set out in this section seek to test the range of likely market conditions evident across the National Park, but also seek to ensure that as far as is possible in all other respects, we are comparing like with like. Therefore, our assumption in terms of land is that all sites will be cleared and remediated (if they are brownfield) and fully serviced parcels (if they are greenfield) so that in either scenario they are readily developable. For sites that are not in this condition, these costs would be subtracted from the gross land value in the offer that any rational developer would make to a landowner in any case.

5.6.17 Reflecting the findings of the analysis set out above, we have apply two land value scenarios that provide the basis for our viability assessments, reflecting the typical market conditions in the National Park. The land values assumed, based on readily developable parcels, are:

- Moderate value - £750,000 per ha
- High value - £900,000 per ha

**Sales values**

5.6.18 The assessment of new build houses currently on the market, as previously mentioned has not produced a significant dataset, with only four brand new properties being found on the market. Because of this it is not possible to create a relevant overall picture. To create a more solid dataset, information has been included from settlements immediately adjacent to the National Park boundary.

5.6.19 Inclusion of this additional data reveals a more consistent picture of asking prices with values within a broad range between £1,656 per sq.m and £2,942 per sq.m, although more commonly between £2,100-£2,700 per sq.m. The average asking price for 2-storey houses is £2,506 per sq.m. However, if 3-storey townhouses are also included in the analysis, then this figure falls to £2,361, reflecting their unpopularity with buyers. Typically, these townhouses range in value from £1,657 - £1,923 per sq.m. No data was found for new build apartments.

5.6.20 It is important to note that the data above reflects asking prices, rather than achieved prices. It is understood that discounts from asking prices are typically between 5% and 10%. This suggests achieved sales values on the basis of the above averages of between £1,995 per sq. m and 2,565 per sq.
5.6.21 Analysis of Land Registry data on achieved (rather than asking) new house sales prices within and close to the National Park and applying average unit sizes broadly corroborates this analysis. On the basis of these analyses, we propose to model two sales values as part of this study, given that there appears to be relative consistency in values across the National Park area. Our reference case scenarios will adopt a sales value of £2,150 per sq. m, with a higher value scenarios at £2,300 per sq. metre.

5.6.22 The proportion of affordable housing has a significant impact on development viability. Typically, developers will realise between 40% and 70% of the full market value for the affordable units they build, which is usually less than they cost to build. This means that they have a negative impact on the viability of development, coming off the ‘bottom line’ in the same way that contributions through either S106 or CIL would. In addition, any land that is used to provide affordable housing is land that has been paid for but cannot be used for market housing to generate value. In the National Park, the Authority has not set transfer value for affordable housing. Therefore the following assumptions have been used:

- Shared Ownership – 70% of Open Market Value
- Social Rented – 40% of Open Market Value

5.6.23 There will therefore be a range of values used for the affordable housing elements of the study. They are as follows:

- Moderate value areas
  - Shared Ownership - £1,505 per sq. m
  - Social Rented - £860 per sq. m
- High value areas
  - Shared Ownership - £1,610 per sq. m
  - Social Rented - £920 per sq. m

5.6.24 The interim policy requirement for affordable housing set out in the Core Strategy (Policy J(1)) stated a requirement of 50% affordable housing. This interim policy has now expired. A Housing SPD was published on April 2010 stating that each development will be assessed on its own merits with regard to affordable housing. Discussions with the National Park Authority led to the following approach to be taken for our assessments: sites over 0.1 ha or more than 2 dwellings 40% on-site affordable housing will be sought.

5.6.25 Any potential CIL charge is excluded from the initial appraisals for ease of analysis, although an allowance is made for residual s.106 contributions for measures that are required to make the scheme acceptable and are related in scale and nature to the proposed development. This allowance is £1,000 per unit, and is based on current developer contributions with costs for items expected to be delivered through CIL stripped out.

Development Characteristics

5.6.26 It is likely that the majority of new residential developments in the National Park will be on small sites of less than 10 units. In addition to such developments, two larger sites are identified for residential development in the draft Helmsley Plan, both of which extend to 2ha and are likely to provide between 50 – 70 units. Based on this, and in order to best reflect the nature of the future land supply, the viability testing assumes site size scenarios of 0.25ha and 2ha.

5.6.27 Our analysis of recent schemes in the National Park and areas immediately around it, suggests that the density of development is typically rather low, with larger than average unit sizes being preferred. We therefore make the following density and average unit size assumptions:

- Moderate value scenarios – 32 dwellings per hectare and 110 sq. m average unit size; and
Higher value scenarios – 30 dwellings per ha and 120sq.m average unit size.

**Build costs**

5.6.28 We have assumed the following build costs for houses on small sites based on BCIS mean average build cost for 2 storey estate housing, indexed to Ryedale (in the absence of specific data for the National Park). On top of this base figure of £739 per sq. m we have made allowances for external works of 10% of cost, and contingency of a further 5%. Our assessments therefore apply a build cost of £860 per sq. m for affordable housing and houses in moderate value scenarios, and £870 per sq. m in higher value scenarios to reflect the additional costs of higher specifications.

**Other assumptions**

5.6.29 In addition to the above build cost, a range of other costs of development are taken into account in our viability assessments. We make an allowance for on-site secondary infrastructure (e.g. utilities extensions, spine roads, strategic landscaping and drainage systems and the like, which are part of ordinary development costs and would not be part of any s.106 contribution) of £150,000 per ha in respect of 0.25 ha sites, increasing to £200,000 per ha for 2 ha sites.

5.6.30 Other costs, such as professional fees (10% of cost), the cost of sales and marketing (3% of value) are inputted at industry standard rates and provision is made for Stamp Duty Land Tax at prevailing rates.

5.6.31 Finance costs are calculated using a cashflow assessment that forms part of the model and takes account of prevailing interest rates (7%) and likely sales rates of 9 sales per quarter on 1ha sites (6 per quarter in lower value scenarios) and 12 per quarter on the larger sites where a wider range of development products is likely to be available.

**Appraisal Findings**

5.6.32 The findings of these viability appraisals are set out in Table 5.1 which show the assessed levels of developers return, expressed as a percentage of development costs.

5.6.33 Our appraisals have tested the viability of housing development on sites of 0.25ha and 2ha parcels. These scenarios broadly reflect the type of sites likely to come forward in the National Park over the plan period.

5.6.34 In Table 5.1 below we set out a summary of our appraisal findings. The 0.25ha site typologies have been tested against the two value zones identified above. There are very limited opportunities for sites above these site sizes, the only suggested examples being those proposed in the draft Helmsley Plan. Sites of such scale are highly unlikely to come forward for development elsewhere in the National Park. Our analysis suggests the reference case scenarios best reflect market conditions in Helmsley and as such the 2ha assessment is only undertaken applying the reference case values.

<table>
<thead>
<tr>
<th>Table 5.1 Appraisal Summary Findings</th>
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<tbody>
<tr>
<td><strong>0.25 Ha</strong></td>
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<tr>
<td><strong>Moderate value</strong></td>
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<td><strong>High value</strong></td>
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| **Moderate value** | £750,000 | £2,150 | £860 | £1,000 | 32 | 110 | 40% | 28.9% |
| **Moderate value, higher S106** | £750,000 | £2,150 | £860 | £4,000 | 32 | 110 | 40% | 25.9% |

5.6.35 Typically, developers have sought returns/profit margins of a minimum of 20% of development costs although, as a result of the recent recession and its impacts on the risks of development, higher
benchmark returns are now being sought. Some developers prefer to consider the performance of projects as a proportion of Gross Development Value (GDV). Therefore, in coming to conclusions in respect of potential charge rates in Section 9, we consider developer’s margin as both a percentage of development costs and as a percentage of GDV. In respect of the latter, we consider the benchmark minimum return to be 20% of GDV on private dwellings and 6% of GDV on affordable dwellings (reflecting the minimal risk of developing affordable housing).

5.6.36 Table 5.1 shows that, on the basis of the assumptions made, that each of the scenarios modelled generates a margin of comfortably greater than 20% of development costs. On the basis of these assessments, there is therefore scope for some level of CIL charges to be introduced in the National Park. This finding will, however, be affected by how the infrastructure requirements at Helmsley are to be delivered. Currently, it is assumed that this infrastructure will be funded through CIL. As such, the ‘residual’ S106 assumptions is low and in line with that which might be expected elsewhere in the National Park.

5.6.37 If S106 is the preferred mechanism for delivering the infrastructure required for Helmsley and its level of planned growth, then this would need to be reflected in the residual S106 assumption, which would increase to take account of the identified infrastructure costs. An increase in the level of S106 costs would commensurately reduce the scope in viability terms for CIL. In addition, given the future constrains on the use and pooling of Section 106 in line with Regulation 122, it may not be possible to fund all of the infrastructure aspirations for Helmsley through this means. Furthermore, it may lead to complexity in bringing forward development in Helmsley if different approaches are adopted in the National Park and Ryedale, whom are understood to be proceeding with the introduction of CIL.
6 Office and Industrial Viability Assessments

6.1 Introduction

6.1.1 In this section, we provide an overview of recent market developments, perform a viability analysis of office and industrial development, and use this analysis to make recommendations about a sensible level of CIL charge for this use.

6.1.2 Office development in town centres can be substantially different in viability terms to that in business park locations, particularly as a result of differences in land assembly costs on development and design standards. As such they are assessed separately as part of this study.

6.1.3 The viability assessment model for non-residential development assesses a single square metre of development, in order to directly demonstrate any potential charge rate on a per sq. m basis. In identifying appropriate assumptions in terms of rental values, yields and so on, some consideration has to be given to the likely nature of development to come forward. Typically, for town centre office development this is likely to be four storey developments at say 80% site coverage. At business park locations, office development is more likely to be 2 or 3 storeys and site coverage more like 40%. Typical industrial development is, of course, single storey and with site coverage also in the region of 40%. These figures do not feed directly into the model, but rather inform the assumptions made in other respects.

6.2 Market context

Offices

6.2.1 There is very little office stock generally across the National Park and as such we also consider evidence from locations close to the park in drawing conclusions on assumptions. Office accommodation within the town centres is extremely limited and generally confined to small ‘above the shop’ type units. Whilst there are relatively few transactions, it appears that rental values in the town centres surrounding the parks are close to £6-£10 per sq. ft/£65-£108 per sq.m.

6.2.2 Outside of the National Park centres, there is some office provision in rural business parks, such as Welburn Business Park, Wath Court and Swinton Grange. Whilst they are located outside of the town centres, the rental values remain within the range of £6-£10 per sq. ft/£65-£108 per sq.m.

6.2.3 Of course, these rental values relate to existing stock which is often older and less attractive to tenants than new build office space would be. Therefore, any new development of office floorspace may well command slightly higher rental values of up to, say, £12 per sq.ft/£130 per sq.m.

6.2.4 Whilst it is difficult to determine yields from the limited transactional data available, and further evidence will be required through consultations with local agents, based on our understanding of the area and other similar locations, we would expect office yields in the town centre to be in the region of 8-9%, and slightly lower for business park development.

Industrial and warehouse

6.2.5 As with the office sector, the supply of industrial floorspace is relatively limited across the National Park, given its rural character. We have therefore assessed the provision surrounding it to ascertain comparable market conditions. There is some provision in many of the surrounding settlements including Sawmill Lane Industrial Estate in Helmsley, Kirby Mills Industrial Estate in Kirbymoorside and Norton Grove and Showfield Lane Industrial Estates in Malton. The majority of the stock is in relatively small units and the majority of recent lettings are on short lease terms of three years or less, which will have a negative (upward) impact on yields. There are examples of newly constructed industrial units at Norton Grove Industrial Estate which may lead to slightly increased rents.
6.2.6 In addition to the above there are proposals to significantly expand Whitby Business Park by some 14 ha. The Vision proposed in the Draft AAP for the site is: *To provide a well planned, extended and improved Business Park to meet the needs of the local economy and community into the future and reinforce Whitby’s role as a Principal Town by expanding and enhancing the range of employment opportunities that the Business Park presents to Whitby’s economy.* Successful bids have been made through the Growing Places and Coastal Communities Funds for loans to cover the cost of the infrastructure works on the site. The draft AAP cites demand for nearly 6,000sq. m of employment development over the period to 2020.

6.2.7 The highest rental values in the district are achieved at Norton Grove Industrial Estate, where significant lettings have taken place at £7.38 per sq.ft/£79.40 per sq.m, albeit on relatively short on three-year leases. However, as a comparative range, in the most part rental values range between £5.50-£6.00 per sq.ft/£60-£65 per sq.m.

6.2.8 Industrial yields have been badly affected by the long-term decline in the manufacturing sector and by the recent recession which has forced yields upwards as investors factor in the risk of business failures. Therefore, we would expect yields for new speculative industrial development to be in the region of 8.5%-9.5%.

6.3 Assumptions

6.3.1 As previously stated, central to the assessments is the need to gather robust market data. This section of the report also, therefore, sets out the sources of information that have informed the assumptions that underpin the viability assessments in relation to office and industrial uses, along with the assumptions themselves.

Information Sources

6.3.2 The approach taken to establishing the likely values of new development was to review recent rental and investment transactions within the National Park. The transactional data was derived from the Focus/CoStar database, which provides details of the vast majority of transactions, broken down by use. The information includes some or all of the following:

- The address of the property;
- Names of the lessor and lessee and their respective agents;
- The size of the property;
- The length of the lease and other key terms;
- Quoting and/or the achieved rental value on leases;
- The price paid/capital value and yield on investment purchases.

6.3.3 The analysis of transactional data from Focus/CoStar focussed specifically on more modern accommodation in similar locations to where future growth is envisaged, wherever possible, so that the information gleaned from the transactions was most relevant and comparable to the types and locations of development likely to occur. Where adequate volumes of transactional data for directly comparable property was not readily available, assumptions were based on informed judgement as to the likely values that new development (of the type envisaged and in the locations proposed) would attract, combined with findings of consultations with agents and developers.

6.3.4 Cost data for office and industrial development types have principally been sourced from the BCIS index of construction prices. This provides build costs for a wide range of different forms of development indexed for the National Park.
6.3.5 In addition to transactional data that provided intelligence on prevailing yields for different property types in the National Park, we also took account of recently published market commentaries by major commercial property agents. Most notable amongst these was CBRE’s ‘Prime Rent and Yield Monitor Q1 2012’. As necessary, adjustments were made to the figures quoted by CBRE to take account of the relative attractiveness of the National Park environment.

6.3.6 Once we had drawn initial conclusions as to the likely rental values and yields of each development type, a series of consultations with local agents and developers who are active in the National Park market were undertaken in order to test the assumptions, with revisions made to reflect comments received where it was justified by evidence to do so.

6.3.7 The assumptions on land and purchase costs have been derived from the Valuation Office Agency’s Property Market Reports, specifically the July 2009 version (the most recent to include figures for locations contained within the National Park boundary) and the January 2011 version (the latest report, but which only provides figures for Leeds and Sheffield in Yorkshire and The Humber). These reports provide information on the value of a cleared development site situated in an established industrial location with a site area of 0.5 to 1.0 hectare. In addition, it has been assumed that development will be restricted to industry or warehousing and other provisions based on market expectations for the locality. This information was supplemented by consultations with local agents and developers.

6.3.8 Circumstantial evidence on the appetite for development was also taken into account. An absence of existing buildings or proposals for certain types of development which might be expected to be acceptable in suitable locations is taken as prima facie evidence that achieving viability is a challenge.

**Value assumptions**

6.3.9 In the calculations we have used ‘readily available evidence’, which has been informed and adjusted by an assessment of local transactions and market demand. This kind of strategic viability assessment involves a high degree of generalisation. Therefore the assumptions adopted in this assessment are intentionally cautious and in most circumstances the approach will return a more conservative estimate of what is viable and what is not.

<table>
<thead>
<tr>
<th>Table 6.1 Office and Industrial Assumptions</th>
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<tbody>
<tr>
<td><strong>Town Centre Office</strong></td>
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<tr>
<td>Rent per sq. m</td>
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<td>Yield</td>
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<tr>
<td>Build cost per sq. m</td>
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<tr>
<td><strong>Business Park Office</strong></td>
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<tr>
<td>Rent per sq. m</td>
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<tr>
<td>Yield</td>
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<td>Build cost per sq. m</td>
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<tr>
<td><strong>Industrial</strong></td>
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<tr>
<td>Rent per sq. m</td>
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<tr>
<td>Yield</td>
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<tr>
<td>Build cost per sq. m</td>
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</table>

6.3.10 Further assumptions are as follows:
- External works at 10% of build cost
- Professional fees at 10-12% of build costs, depending on use;
- Likely residual s.106/278 contributions based on experience of developments elsewhere and the type of development expected to come forward in the North York Moors National Park
- Marketing and cost of sales at 5% of development value;
- Contingency at 5% of costs;
- Interest at 10% on all costs (excluding developer’s margin) broadly equating to an annual rate of 7% on an 18 month build period; and
- Developer’s margin at 20% of cost.

### 6.4 Appraisal Findings

#### 6.4.1

The findings of the non-residential viability appraisals are set out in Table 6.2. It shows the high-level viability assessment for each use based on a comparison of the costs and values of development. The value is a function of prevailing rental levels, capitalised using an assumed yield relevant to the use and the location, less the value of any likely inducements such as rent free periods. Development costs take account of land acquisition costs. No CIL charge is shown at this stage, although an estimate of likely s.106 costs is included, based on our experience of developments across the District.

<table>
<thead>
<tr>
<th>Table 6.2: Office and Industrial Viability Assessments</th>
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<tbody>
<tr>
<td><strong>Town Centre Office</strong></td>
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<tr>
<td><strong>Rent</strong></td>
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<td><strong>Yield %</strong></td>
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<tr>
<td><strong>Minus inducements</strong></td>
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<td><strong>VALUES</strong></td>
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<td><strong>COSTS</strong></td>
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<td><strong>Land + Purchase Costs</strong></td>
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<td><strong>Basic Build Cost</strong></td>
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<td><strong>External Works</strong></td>
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<td><strong>Fees</strong></td>
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<td><strong>CIL</strong></td>
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<td><strong>Section 106/m²</strong></td>
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<tr>
<td><strong>Marketing &amp; Sales</strong></td>
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<td><strong>Contingencies</strong></td>
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<td><strong>Interest</strong></td>
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<td><strong>Margin</strong></td>
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<td><strong>Total Cost Benchmark</strong></td>
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<tr>
<td><strong>Values - Costs</strong></td>
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<td><strong>% on Cost</strong></td>
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</table>
As can be seen in Table 6.2, ‘pure’ office development is not currently viable on the basis of the assumptions made. That is not to say that no office development will take place. The development economics for owner occupiers are quite different to that for speculative development. The driver for new development of office premises by owner occupiers is often to achieve business efficiencies, rather than to generate development profit; as such development by owner occupiers remains a distinct possibility. Furthermore, office floorspace could be delivered as part of a mixed use development which could be cross-subsidised by more viable uses.

Industrial and warehouse

We have concluded that, based on our research and the assumptions made, speculative industrial and warehouse development across the National Park is not currently viable. However, as we note with regards to offices, development by owner occupiers remains a possibility even in current market conditions. The public investment in infrastructure at Whitby Business Park will certainly aid development viability in this location and may well serve to attract tenants and development to this location.
7 Retail Viability Assessments

7.1 Introduction

7.1.1 In this section, we provide an overview of recent market developments, perform a viability analysis of retail development, and use this analysis to make recommendations about a sensible level of CIL charge for this use. Our assessment takes as its basis the different types of retail development that could take place in National Park, each of which has materially different key viability assessment assumptions, in particular rental values, yields, build cost and land acquisition costs. The types of development assessed are:

- High Street Comparison Retail – Defined as development for comparison retail use within the National Park’s centres. Development within the centre will have to overcome high land acquisition costs, compared to other locations. Typically development will be 1 or 2 storeys within or as an extension to the core shopping area, that often set new headline rental levels in the market. Site coverage is usually high, with only 10-20% of site area undeveloped for public realm and service access.

- Retail Warehouses – Development of retail warehouses may not be particularly likely in the national park and is not envisaged in the Plan, such development usually comprises large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods. They can be stand-alone units, but are also often developed as part of retail parks. In either case, they are usually located outside of existing town centres and cater mainly for car-borne customers. As such, they usually have large adjacent, dedicated surface parking.

- Supermarkets – As above, supermarket development is somewhat unlikely within the national park but is assessed for completeness. Supermarkets provide a very wide range of convenience goods, often along with some element of comparison goods also. Most customers use supermarkets for their main weekly shop, using a trolley to buy a large number of different products. The vast majority of custom at supermarkets arrives by car, using the large adjacent car parks provided.

- Neighbourhood retail - Neighbourhood convenience stores tend only to provide a limited range of convenience goods. They largely cater for ‘top-up shopping’ for a small number of items that can be carried by hand or in a small basket. The vast majority of custom will access the store on foot and as such there are no large adjacent car parks.

7.2 Market context

High Street Comparison Retail

7.2.1 Town centre comparison retailing nationwide is in a period of transition. The majority of comparison retail-led regeneration schemes have stalled due to a combination of weak consumer demand, constraints on investment capital and poor retail occupier performance. Developers in the sector have therefore been going through a process of redesigning existing schemes in order to make them deliverable in the current economic climate and more appropriate to future consumer demand. This has often involved reducing the scale of potential developments and targeting better quality, financially stable retail operators.

Retail Warehousing/Retail Parks

7.2.2 We have also considered retail warehouse development. This is commonly located out of centre, often on or close to major transport interchanges. It has been less prevalent in recent years as planning policy has adopted a town centre first approach which still applies. Retail warehousing traditionally offered bulky comparison goods. They are large stores specialising in the sale of...
household goods (such as DIY items and other ranges of goods catering mainly for car-borne customers). As a property class it has continued to perform relatively well with new operators entering the sector which has had a beneficial impact on values and viability.

**Supermarkets & Neighbourhood Convenience Stores**

7.2.3 Convenience retailing is the provision of everyday essential items including food, drinks, newspapers/magazines and confectionary. The sector is dominated by superstores and supermarkets which offer a wide range of these types of goods with supporting car parking.

7.2.4 The convenience retail sector is one of the best performing investment assets in the UK, with the main operators seeking to expand and seek a greater degree of market share by the development of new store formats and the securing of prime locations both in town and out of town.

7.2.5 Development is likely to primarily comprise small scale convenience retail. As such, these are the basis of the viability assessments in terms of key assumptions. Smaller stores will attract lower rental values and will have high yields, and will therefore be less valuable. Small convenience stores are a more likely development product that may come forward in the National Park and therefore these scenarios are ones which have been tested.

7.3 Assumptions

7.3.1 This section of the report sets out the sources of information that have informed the assumptions that underpin the viability assessments in relation to retail uses, along with the assumptions themselves.

**Information Sources**

7.3.2 The approach taken to establishing the likely values of new development was to review recent rental and investment transactions in the National Park. This reflected the process used for office and industrial development as described in Section 5.

7.3.3 Cost data for retail development types have principally been sourced from the BCIS index of construction prices. This provides build costs for a wide range of different forms of development indexed for North York Moors National Park.

7.3.4 In addition to transactional data that provided intelligence on prevailing yields, we also took account of recently published market commentaries by major commercial property agents. Most notable amongst these was CBRE’s ‘Prime Rent and Yield Monitor Q2 2013’. As necessary, adjustments were made to the figures quoted by CBRE to take account of the relative attractiveness of the National Park and its prime locations.

7.3.5 Once we had drawn initial conclusions as to the likely rental values and yields of each development type, a series of consultations with local agents and developers who are active in the National Park market were undertaken in order to test the assumptions, with revisions made to reflect comments received where it was justified by evidence to do so.

7.3.6 The assumptions on land and purchase costs have been derived from the Valuation Office Agency’s Property Market Reports, specifically the July 2009 version and the January 2011 version (the latest report, but which only provides figures for Leeds and Sheffield in Yorkshire and The Humber). This information was supplemented by consultations with local agents and developers.

7.3.7 Circumstantial evidence on the appetite for development was also taken into account. An absence of existing buildings or proposals for certain types of development which might be expected to be acceptable in suitable locations is taken as prima facie evidence that achieving viability is a challenge.
Value assumptions

7.3.8 In the calculations we have used ‘readily available evidence’, which has been informed and adjusted by an assessment of local transactions and market demand. This kind of strategic viability assessment involves a high degree of generalisation. Therefore the assumptions adopted in this assessment are intentionally cautious and in most circumstances the approach will return a more conservative estimate of what is viable and what is not.

Table 7.1 Key Assumptions

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<thead>
<tr>
<th>Town Centre Comparison Retail</th>
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<tbody>
<tr>
<td>Rent per sq. m</td>
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<td>Yield</td>
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<td>Build cost per sq. m</td>
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<tr>
<th>Retail Warehouse</th>
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<tr>
<td>Rent per sq. m</td>
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<td>Yield</td>
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<td>Build cost per sq. m</td>
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<tr>
<th>Convenience Retail</th>
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<td>Rent per sq. m</td>
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<td>Yield</td>
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<td>Build cost per sq. m</td>
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7.3.9 Further assumptions are as follows:

- External works at 10% of build cost;
- Professional fees at 10-12% of build costs, depending on use;
- Likely residual s.106/278 contributions based on experience of developments elsewhere and the type of development expected to come forward in Harrogate;
- Marketing and cost of sales at 5% of development value;
- Contingency at 5% of costs;
- Interest at 10% on all costs (excluding developer’s margin) broadly equating to an annual rate of 7% on an 18 month build period; and
- Developer’s margin at 20% of cost.

7.4 Appraisal Findings

7.4.1 The findings of the retail viability appraisals are set out in Table 6.2. It shows the high-level viability assessment for each use based on a comparison of the costs and values of development. The value is a function of prevailing rental levels, capitalised using an assumed yield relevant to the use and the location, less the value of any likely inducements such as rent free periods. Development costs take account of land acquisition costs. No CIL charge is shown at this stage, although an allowance for S016 costs is made based on our experience of such scheme in the wider region.
7.4.2 The National Park’s centres are experiencing the same pressures as other retail destinations following the economic downturn and the difficulties facing a number of national retailers. Viability for new build comparison retailing is therefore potentially marginal across many town and city centres.  

7.4.3 It is difficult to model the viability of town centre retail development as values are usually more sensitive to location and size of unit than office or residential development. Operators are very sensitive to footfall patterns which can lead to large variations in values – even on the same street. Our response is therefore to adopt ‘overall’ rental values to understand the broad potential range of
comparison retail viability in the National Park’s centres and also an examination of development outside of the main shopping area using a broad average.

7.4.4 With levels of town centre retail development not expected to reach any significant levels it is also very difficult to accurately estimate likely land acquisition costs, which are a major factor in redevelopment projects. A number of titles may make up a development site making for complex assembly of sites.

7.4.5 Our analysis suggests that town centre comparison retail development within the North York Moors National Park is currently considered unviable.

Retail warehousing

7.4.6 Our assessment of out of centre comparison retail is based on retail warehouse type developments. It assumes a typical scheme away from the defined town centres. Construction costs and rental values for retail warehousing are generally lower than for superstores, whilst yields are higher, reflecting the fact that some operators in the out of town retailing sector have struggled and failed during the recent recession. That said, other operators continue to perform strongly and are continuing to invest in additional retail warehouse space.

7.4.7 The assessment shows that retail warehouses generate a surplus that could support a potential CIL charge.

Convenience Retail

7.4.8 Convenience retail continues to be one of the best performing sectors in the UK. Leases to the main supermarket operators (often with fixed uplifts) command premiums with investment institutions. Although there are some small regional variations on yields, they remain strong across the board with investors focussing primarily on the strength of the operator covenant and security of income. We would therefore suggest the evidence base for convenience retail can be approached on a wider regional or even national basis when justifying CIL charging.

7.4.9 Our testing of convenience retailing has focussed on grocery stores of the major supermarket operators. Whilst development costs are relatively high, the strength of covenant provided by their operators and the rents that they achieve outweighs these costs. We have concluded that convenience retailing of this nature would be viable in the National Park and generates a significant level of surplus.

7.4.10 In reality, the more likely form of convenience retail development that will come forward in the National Park will be neighbourhood convenience type retail. These smaller stores do not generate the same value as that of larger supermarkets. This is a result of the reduced levels of achievable rent and the strength of covenant of an occupier. Our analysis of neighbourhood convenience retail suggests that such development is viable, but only marginally so, and the surplus from which CIL charge could be drawn is relatively small.

7.4.11 In separately defining convenience and comparison retailing, there is an issue as to how to treat developments where both are proposed. We recommend that CIL is levied at the rate of the principal use of the building. Therefore, where a supermarket development is proposed that is wholly or largely to be used for convenience retailing then it would attract the supermarket CIL charge, even if there is some element of comparison floorspace. It would be a matter for the planning authority to determine the principal use of the building proposed, but is likely to take account of the proportion of floorspace proposed by type.

7.4.12 In the small number of instances where an open A1-class permission is granted (as stated, usually on smaller schemes), we suggest that CIL be levied at the rate applied to comparison retail. The principal reason for this is that the evidence has shown comparison retail development to be less viable than convenience retail and therefore the application of a lower rate, based on then
comparison retail charge would mean that development for which open A1 consent is granted is less likely to be rendered unviable. Conversely, applying the CIL charge, based on the convenience retail rate, may hinder the viability of some schemes. It is therefore prudent to charge the comparison CIL charge on an open A1 consent and, if convenience uses are brought forward, then any CIL underpaid should be recouped subsequently. This approach will need to be made clear in the conditions to any open A1 planning permissions. It may also be necessary to define the range of goods that would constitute a convenience retail store. This should be by the predominant type of goods sold.
8 Hotel Viability Assessments

8.1 Introduction

8.1.1 This section of the report considers the viability and potential for a CIL charge on hotel development. We have looked at this markets in the context of development in and around the National Park, summarising firstly our overview of market conditions and secondly our assumptions and viability assessment findings.

8.2 Market overview

8.2.1 With the exception of Central London (which has shown remarkable resilience to the recession), hotel development is being strongly driven by the budget operators delivering new projects through traditional leasehold arrangements with institutional investors. Room demand for budget operators is also driven by business occupiers as opposed to tourists. Therefore high occupancy in this sector is more of a characteristic of major regional centres rather than smaller towns and cities.

8.2.2 That said, National Parks draw a significant level of tourism to their areas, thus increasing demand for bed numbers to supply the requirement. It is likely that any hotel development that would be brought forward would be smaller scale than those found in more urban areas, with a push for higher quality developments compared to budget operators. However the market for higher standard hotels remains difficult outside of the capital with the lack of access to finance curtailing development opportunities.

8.2.3 Whilst some hotel development may take place in the National Park over the plan period the level of floorspace is likely to be limited.

8.3 Appraisal findings

8.3.1 The rapid expansion in the hotel sector at the end of the last decade was in part fuelled by a preference for management contracts or franchise operations over traditional lease contracts. The recession has curtailed the appetite from investors in management contract operations who prefer the security of lease-related income even if this reduces the potential additional income from a performance-related counterpart.

8.3.2 Our viability model is based on a three/four-star hotel scheme of 20 rooms with a value per room of c£67,500 and an average room size of 22.5 sq.m. We have also assumed a build cost of £1,250 per sq.m. Given the nature of how hotel developments are brought forward – an occupier is usually on board before construction commences – the level of profit margin is reduced as a factor of the investment security. For the purposes of this appraisal the profit margin is set at 10% on cost.
Table 8.1 Viability Assessment, Hotel

<table>
<thead>
<tr>
<th>Rent</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield %</td>
<td></td>
</tr>
<tr>
<td>Minus inducements</td>
<td>1</td>
</tr>
<tr>
<td>VALUES</td>
<td>2</td>
</tr>
<tr>
<td>COSTS</td>
<td>2</td>
</tr>
<tr>
<td>Land + Purchase Costs</td>
<td>3</td>
</tr>
<tr>
<td>Basic Build Cost</td>
<td>1,250</td>
</tr>
<tr>
<td>External Works</td>
<td>4</td>
</tr>
<tr>
<td>Fees</td>
<td>5</td>
</tr>
<tr>
<td>CIL</td>
<td>0</td>
</tr>
<tr>
<td>Section 106/m²</td>
<td>6</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>150</td>
</tr>
<tr>
<td>Contingencies</td>
<td>79</td>
</tr>
<tr>
<td>Interest</td>
<td>7</td>
</tr>
<tr>
<td>Margin</td>
<td>8</td>
</tr>
<tr>
<td>Total Cost Benchmark</td>
<td>2,758</td>
</tr>
<tr>
<td>Values - Costs</td>
<td>242</td>
</tr>
<tr>
<td>% on Cost</td>
<td>8.77%</td>
</tr>
</tbody>
</table>

A reduction of 5-10% of development value is made to reflect current market norms for rent free periods and other tenant inducements.

2 All values and costs per m² unless stated.

3 The total cost of purchasing land, including related costs. It is assumed.

4 Works outside built structure. High for business parks where extensive servicing and landscaping is required. Usually negligible in town centres.

5 Fees are higher for smaller and/or more complex structures.

6 This covers site-specific infrastructure being mainly social infrastructure on site and access and other works outside the site boundary.

7 Contingencies at 5% of costs.

8 Interest costs vary with the nature and length of a typical project.

9 Profit normally allowed at 10% on all costs and effectively assumed development is non-speculative.

8.3.3 On the basis of the assessment above, we believe the viability of hotel development in the National Park under current market conditions to be marginal and unlikely to be able to support a significant CIL charge.
9 Agricultural Development

9.1.1 We have sought to determine whether there is any scope for CIL with respect to agricultural development. Agricultural developments can cover a vast range of development product, from low-value open sided hay barns to higher-value (and income generating) products such as chicken sheds. These higher value developments, it could be argued, will have greater impacts on the local infrastructure by the nature of their use, and would also have a greater scope to accommodate the base charge.

9.1.2 However, there is very limited availability of data on which to base viability assessments of agricultural developments in all of its diverse guises. Set out below is the information on build costs for all of the forms of agricultural development for which BCIS carries data. It is clear from the final column that the number of schemes on which the data is based is very low. It is also clear that, with the exception of stud farms, the build costs for agricultural development are relatively low – between £275 per sq. m and £469 per sq. m. For comparison, the cheapest form of commercial development (industrial) has a typical build cost of c £570 per sq. m, whilst retail and office development will often cost between £800 and £1,200 per sq. m.

Table 6.1 Agricultural Development Build Cost Data

<table>
<thead>
<tr>
<th>Building function (maximum age of projects)</th>
<th>£/m² gross internal floor area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
</tr>
<tr>
<td>New build</td>
<td></td>
</tr>
<tr>
<td>Livestock buildings - farms (pig pens, milking parlours, etc) (30)</td>
<td>275</td>
</tr>
<tr>
<td>Stud farmer, stables and the like (25)</td>
<td>972</td>
</tr>
<tr>
<td>Agricultural storage buildings (35)</td>
<td>476</td>
</tr>
<tr>
<td>Agricultural storage with non thrust resistant walls (35)</td>
<td>389</td>
</tr>
</tbody>
</table>

9.1.3 As a result of this relatively low build cost, it is clear that even a small charge of say £10 per sq. m would represent a significantly higher proportion of overall development costs than in respect of commercial development. As such, the potential for a charge at that level to materially impact on the viability of development is significantly greater for agricultural development than for development of commercial floorspace.

9.1.4 Very little information is available on the value of agricultural buildings. Where such buildings are transacted, it is as part of the sale of a wider agricultural holdings and it is not possible to identify the value of the buildings in isolation from the transactional data available. In any case, such buildings tend to have a value only to the owner/operator of the farm on which they are located and would have very limited value to anyone else.

9.1.5 In the absence of evidence to show the agricultural development is viable, and in view of the potential scale of impact of a base charge on some forms of agricultural development, it has been decided to remove agricultural development from the base charge category and will have a separate nil rate in future versions of the charging schedule.
10 Sui Generis Uses

10.1 Introduction

10.1.1 By their very nature, sui generis uses cover a very wide range of development types. Our approach to this issue has been to consider the types of premises and locations that may be used for sui generis uses and assess whether the costs and value implications have any similarities with other uses.

10.2 Types of Development and Likely Viability

10.2.1 The other types of development we have considered are:

- Hostels (providing no significant element of care) – these are likely to be either charitable or public sector uses such as probation hostels, half-way houses, refuges etc., or low cost visitor accommodation such as youth hostels. Our view is that the charitable uses are dependent upon public subsidy for development and operation, and therefore not viable in any commercial sense. Youth Hostels are operated on a social enterprise basis with small financial returns. Neither of these scenarios offers significant commercial viability.

- Scrapyards – it is unlikely that there would be new scrapyard/recycling uses in the National park in the future, even given the potential for the price of metals and other materials to rise. They are unlikely because of the comparatively low value compared to existing uses in the National Park. A further consideration is that these uses are likely to occupy the same sorts of premises as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.

- Petrol filling stations – we are aware that recent new filling stations have generally come forward as part of larger supermarket developments, with independent filling stations closing. It seems unlikely that there will be significant new stand-alone filling station development in the National Park.

- Selling and/or displaying motor vehicles – sales of vehicles are likely to occupy the same sorts of premises and locations as many B2 uses and therefore the viability will be covered by the assessment of the viability of B2 uses.

- Nightclubs – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- Launderettes – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- Taxi businesses – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- Amusement centres – these uses are likely to be in the same type of premises as A1 town centre retail uses and covering the same purchase or rental costs. Therefore they are covered by this viability assessment.

- Casinos – under the current law casinos can only be built in 53 permitted areas or one of the 16 local authorities allocated one of eight large and eight small casinos under the provisions of the Gambling Act 2005. For a casino to be built in the National Park the authority would have to
apply for a special licence and undertake a public consultation. We are not aware of any specific proposals for a casino in the National Park at the present time.

10.3 Scope for a CIL Charge

10.3.1 Given the minimal scale of development likely to occur for these uses, the likelihood that they will be changes of use rather than new development and their relatively marginal viability, we propose either a nominal base charge or a zero charge.
11 Charge Rate Options

11.1 Introduction

11.1.1 This section of the report sets out how we approach identifying potential CIL charging rates, based on the viability evidence presented above. This is achieved by first establishing the maximum potential rates that are consistent with maintaining the viability of the bulk of development planned in the Core Strategy, and then drawing away from that theoretical maximum to determine an appropriate level of charge.

11.1.2 We present this exercise separately for residential and non-residential uses and bring the conclusions together into a summary table that can form the basis for the preliminary draft charging schedule.

11.2 Residential Development

Maximum Potential Charge Rates

11.2.1 As mentioned previously, a reasonable benchmark in terms of the profitability/developer’s margin is considered to be 20% of total development costs. Any profits over and above this benchmark level can be considered to represent the total amount from which a CIL charge could be drawn, whilst maintaining development viability in the majority of cases.

11.2.2 As a result of the recent recession and its impacts on the risks of development, higher benchmark returns are now being sought. Some developers prefer to consider the performance of projects as a proportion of Gross Development Value (GDV). Therefore, in coming to conclusions in respect of potential charge rates, we consider developer’s margin as both a percentage of development costs and as a percentage of GDV. In respect of the latter, we consider the benchmark minimum return to be 20% of GDV on private dwellings and 6% of GDV on affordable dwellings (reflecting the minimal risk of developing affordable housing).

11.2.3 In reality, individual schemes may perform better (or worse) than these scenarios, although we have sought to make conservative assumptions throughout. The details of any individual development are almost certain to vary in a number of ways to any generic assessment, depending on the detailed design and density, land price agreed, the build costs a developer can achieve, the level of affordable housing provision negotiated and the capacity of existing infrastructure amongst many other factors.

11.2.4 In order to establish the maximum potential CIL charge rates that are consistent with maintaining the viability of development, a sensitivity test of the CIL rate has been undertaken to identify that point at which CIL reduces viability to the benchmark minimum level of return. The findings of this exercise are set out in Table 10.1 below.
11.2.5 As mentioned previously, it is necessary to draw away from these theoretical maxima in setting a charge rate, in order to take account of potential market changes and sites where costs may be slightly higher than typical and/or values somewhat lower. The need to balance generating adequate revenues to fund infrastructure delivery with maintaining the viability of development is the key test in this respect.

11.2.6 To achieve this balance, our approach is that charge rates should be between 50% and 75% of the identified theoretical maximum. This range is applied to show that the charge rate is based on an equitable proportion of the ‘surplus’ development value and is contributing to the CA's CIL revenues, whilst also demonstrably drawing down from the ceiling of viability. Where within this range the charge is set, can be considered a matter of discretion for the Charging Authority, taking account of their attitude to risk in respect of the scale and rate of development likely to come forward in future.

11.2.7 As discussed in Section 5, the heat mapping indicates that there is no clear justification for charge variation as a result of sales values variations that are consistent across the dwelling types. As a result of this, a single residential rate is proposed across the National Park.

11.2.8 Simplicity in the charging schedule is also extremely desirable. As such, when seeking to set a charge rate it is sensible and appropriate to take the ‘lowest common denominator’ of the scenarios assessed for each. In this case the lowest common denominator depends on the approach to delivering the necessary infrastructure in Helmsley, as set out at paras 5.6.36 – 5.6.37. If this infrastructure is to be delivered through S106, then a higher allowance for there is made and the scope for CIL charges should be based on the maximum rate of £64 per sq. m. If, however, this infrastructure is delivered through CIL then a lower S106 costs can be assumed and the scope for CIL should be based on the maximum rate of £101 per sq. m. Drawing down from these maxima as suggested above suggests residential charge rates between:

- £32 - £48 per sq. m if Helmsley infrastructure is delivered through S106; or
- £50 - £76 per sq. m if Helmsley infrastructure is delivered through CIL.

11.2.9 In considering potential charge rates, another relevant consideration is the rates proposed in neighbouring authorities. This is particularly relevant in the case of the National Park, given that much of the new development proposed in the area is in Helmsley – a town which falls partly within the National Park and partly outside of it. The proposed CIL rate for that part of Ryedale District that includes Helmsley is £70 per sq. m. If the National Park Authority wishes to align CIL rates so that development on both sides of the National Park boundary pays the same rate, then such an approach is supported by these findings, given that a £70 rate is within the range set out above (assuming that Helmsley infrastructure is delivered through CIL).
11.3 **Non-Residential Development Viability**

11.3.1 The findings of the non-residential viability appraisals are set out in Table 10.2. It shows the high-level viability assessment for each use based on a comparison of the costs and values of development. The value is a function of prevailing rental levels, capitalised using an assumed yield relevant to the use and the location, less the value of any likely inducements such as rent free periods. Development costs take account of land acquisition costs. No CIL charge is shown at this stage, although an estimate of likely s.106/278 costs is included, based on our experience of developments across the District.

11.3.2 The shaded row at the bottom of each table shows the viability of development based on the following traffic light assessment:

- Red shaded cells show those uses for which there is a negative residual value after all costs (including developer’s margin) are taken into account (i.e. development costs are higher than development value by greater than 10%);

- Amber cells show those uses which are viable, but where values exceed costs (including developer’s margin), by less than 10% and could be considered marginal;

- Green cells show those use types where the residual value is greater than 10% of cost and can be considered viable.

11.3.3 The 10% ‘buffer’ over and above normal developers margin is to take account of the greater inherent uncertainty in assessing the viability of commercial development in a generic and high level manner, as well as the additional risk involved in undertaking speculative commercial development.

11.3.4 As can be seen from Table 10.2 below, on viability evidence alone, only supermarket and retail warehouse development are comfortably viable as speculative developments on the basis of the assumptions made. We consider charge rate options for these uses further below. For uses that the assessment shows to be typically unviable or marginal on a speculative basis, that does not mean that no development will take place. Development either by owner occupiers for whom the development economics are different or on sites where the land was acquired for a low value remains plausible.

---

30 This traffic light assessment must be treated with caution, as explained earlier; the appraisals are based on a strategic approach and in no way represent site specific valuations.
### Table 10.2 Non-Residential Viability Assessments

<table>
<thead>
<tr>
<th></th>
<th>Town Centre Office</th>
<th>Business Park Office</th>
<th>Industrial/Warehousing</th>
<th>Supermarkets</th>
<th>Retail warehouse</th>
<th>Town Centre Retail</th>
<th>N’hood Conv. Retail</th>
<th>Hotel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rent</strong></td>
<td>130</td>
<td>120</td>
<td>55</td>
<td>180</td>
<td>140</td>
<td>160</td>
<td>160</td>
<td></td>
</tr>
<tr>
<td><strong>Yield %</strong></td>
<td>9.0</td>
<td>8.5</td>
<td>8.5</td>
<td>5.50</td>
<td>8.00</td>
<td>7.50</td>
<td>7.00</td>
<td></td>
</tr>
<tr>
<td><strong>Minus inducements</strong></td>
<td>1</td>
<td>144</td>
<td>141</td>
<td>65</td>
<td>327</td>
<td>175</td>
<td>213</td>
<td>229</td>
</tr>
<tr>
<td><strong>VALUES</strong></td>
<td><strong>2</strong></td>
<td><strong>1,300</strong></td>
<td><strong>1,271</strong></td>
<td><strong>582</strong></td>
<td><strong>2,945</strong></td>
<td><strong>1,575</strong></td>
<td><strong>1,920</strong></td>
<td><strong>2,057</strong></td>
</tr>
<tr>
<td><strong>COSTS</strong></td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land + Purchase Costs</td>
<td>3</td>
<td>100</td>
<td>50</td>
<td>50</td>
<td>500</td>
<td>200</td>
<td>750</td>
<td>300</td>
</tr>
<tr>
<td>Basic Build Cost</td>
<td>1,100</td>
<td>1,000</td>
<td>500</td>
<td>910</td>
<td>510</td>
<td>615</td>
<td>800</td>
<td>1,250</td>
</tr>
<tr>
<td>External Works</td>
<td>4</td>
<td>110</td>
<td>100</td>
<td>50</td>
<td>51</td>
<td>62</td>
<td>80</td>
<td>125</td>
</tr>
<tr>
<td>Fees</td>
<td>5</td>
<td>182</td>
<td>132</td>
<td>55</td>
<td>100</td>
<td>56</td>
<td>101</td>
<td>132</td>
</tr>
<tr>
<td>CIL</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Section 106/m²</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>50</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>7</td>
<td>65</td>
<td>64</td>
<td>29</td>
<td>147</td>
<td>79</td>
<td>96</td>
<td>103</td>
</tr>
<tr>
<td>Contingencies</td>
<td>8</td>
<td>70</td>
<td>62</td>
<td>30</td>
<td>55</td>
<td>31</td>
<td>39</td>
<td>51</td>
</tr>
<tr>
<td>Interest</td>
<td>7</td>
<td>149</td>
<td>128</td>
<td>66</td>
<td>160</td>
<td>82</td>
<td>153</td>
<td>131</td>
</tr>
<tr>
<td>Margin</td>
<td>8</td>
<td>355</td>
<td>307</td>
<td>156</td>
<td>413</td>
<td>212</td>
<td>365</td>
<td>321</td>
</tr>
<tr>
<td><strong>Total Cost Benchmark</strong></td>
<td><strong>2,130</strong></td>
<td><strong>1,842</strong></td>
<td><strong>936</strong></td>
<td><strong>2,476</strong></td>
<td><strong>1,270</strong></td>
<td><strong>2,191</strong></td>
<td><strong>1,928</strong></td>
<td><strong>2,758</strong></td>
</tr>
<tr>
<td><strong>Values - Costs</strong></td>
<td><strong>-830</strong></td>
<td><strong>-572</strong></td>
<td><strong>-353</strong></td>
<td><strong>469</strong></td>
<td><strong>305</strong></td>
<td><strong>-271</strong></td>
<td><strong>129</strong></td>
<td><strong>242</strong></td>
</tr>
<tr>
<td>% on Cost</td>
<td><strong>-38.97%</strong></td>
<td><strong>-31.04%</strong></td>
<td><strong>-37.77%</strong></td>
<td><strong>18.95%</strong></td>
<td><strong>24.01%</strong></td>
<td><strong>-12.36%</strong></td>
<td><strong>6.70%</strong></td>
<td><strong>8.77%</strong></td>
</tr>
</tbody>
</table>
Maximum Potential Charge Rates

11.3.5 Table 9.3 below, shows what the maximum possible charge rates, consistent with the bulk of development remaining viable, would be in the National Park. For those uses where the surplus is greater than 10% of costs (after developer’s margin at 20%, which is built in to the assessment), we have tested the maximum extent of CIL charge that could be accommodated whilst still retaining a surplus of 10% of costs to act as a ‘buffer’ from the ceiling of viability.

Table 10.3 Maximum Charge Rate Assessment

<table>
<thead>
<tr>
<th></th>
<th>Supermarkets</th>
<th>Retail warehouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>180</td>
<td>140</td>
</tr>
<tr>
<td>Yield %</td>
<td>5.50</td>
<td>8.00</td>
</tr>
<tr>
<td>Minus inducements</td>
<td>1</td>
<td>327</td>
</tr>
<tr>
<td><strong>VALUES</strong></td>
<td><strong>2</strong></td>
<td><strong>1,575</strong></td>
</tr>
<tr>
<td><strong>COSTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land + Purchase Costs</td>
<td>3</td>
<td>500</td>
</tr>
<tr>
<td>Basic Build Cost</td>
<td>910</td>
<td>510</td>
</tr>
<tr>
<td>External Works</td>
<td>4</td>
<td>91</td>
</tr>
<tr>
<td>Fees</td>
<td>5</td>
<td>100</td>
</tr>
<tr>
<td><strong>CIL</strong></td>
<td><strong>152</strong></td>
<td><strong>72</strong></td>
</tr>
<tr>
<td>Section 106/m²</td>
<td>6</td>
<td>100</td>
</tr>
<tr>
<td>Marketing &amp; Sales</td>
<td>147</td>
<td>79</td>
</tr>
<tr>
<td>Contingencies</td>
<td>55</td>
<td>31</td>
</tr>
<tr>
<td>Interest</td>
<td>7</td>
<td>175</td>
</tr>
<tr>
<td>Margin</td>
<td>8</td>
<td>446</td>
</tr>
<tr>
<td><strong>Total Cost Benchmark</strong></td>
<td><strong>2,677</strong></td>
<td><strong>1,431</strong></td>
</tr>
<tr>
<td><strong>Values - Costs</strong></td>
<td><strong>269</strong></td>
<td><strong>144</strong></td>
</tr>
<tr>
<td><strong>% on Cost</strong></td>
<td><strong>10.03%</strong></td>
<td><strong>10.05%</strong></td>
</tr>
</tbody>
</table>

11.3.6 The assessment in Table 10.3 shows that the maximum possible charge for convenience retail development, that is consistent with keeping the residual margin at over 10% of cost is £152 per sq. m. The equivalent figure for retail warehouse development is £72 per sq. m.

Base Charge

11.3.7 The CIL regulations state that Charging Authorities must balance the viability of development with the need to fund infrastructure investment. Therefore, it is within the discretion of the Charging Authority to decide whether a base charge should be applied to all development, recognising that some development may take place and if it does, it will have infrastructure implications.

11.3.8 Obviously, such a charge would have to be at a level where it is unlikely to be the determining factor as to whether a development takes place or not. Such a ‘de minimis’ base charge could be pegged at a ceiling of 1% of the cost of development of the lowest cost development – industrial – which equates to approximately £10 per sq. m. It should be pointed out that such charges have not always been supported by examiners, so there is some risk that such an approach would not succeed.

Recommended Non-Residential CIL Charge Options

11.3.9 We set out below our recommended range for potential CIL charges on these core commercial forms of non-residential development. In the case of each use, we propose a range for any CIL charge that takes account of the need to withdraw from the ceiling of viability. The extent to which the charge draws away from this theoretical maximum is informed by the authority’s attitude to development risk, confirmed by discussions with the project steering group and feedback from
Authority members. The Authority will need to consider how the quantum and pace of development would be affected by the level at which CIL is set. If imposing a higher CIL charge could result in less development coming forward and at a slower rate than anticipated, the council will need to assess whether this is acceptable given its Core Strategy aspirations. If it is felt that delivery would be put at significant risk, the Authority should give careful consideration to setting a CIL charge which is further lowered from the theoretical maximum charge.

11.3.10 These findings are summarised in the Tables 10.4 below.

<table>
<thead>
<tr>
<th>Use</th>
<th>Maximum CIL charge (per sq.m)</th>
<th>Recommended range (per sq.m)</th>
<th>Proposed Charge (per sq.m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience retail</td>
<td>£152</td>
<td>£76-£114</td>
<td>£100</td>
</tr>
<tr>
<td>Retail warehousing</td>
<td>£72</td>
<td>£36-£54</td>
<td>£50</td>
</tr>
<tr>
<td>Town centre office</td>
<td>n/a</td>
<td>£0-10</td>
<td>£0</td>
</tr>
<tr>
<td>Business park office</td>
<td>n/a</td>
<td>£0-10</td>
<td>£0</td>
</tr>
<tr>
<td>Industrial and warehousing</td>
<td>n/a</td>
<td>£0-10</td>
<td>£0</td>
</tr>
<tr>
<td>Town centre retail</td>
<td>n/a</td>
<td>£0-10</td>
<td>£0</td>
</tr>
<tr>
<td>Education, health &amp; community facilities</td>
<td>n/a</td>
<td>£0</td>
<td>£0</td>
</tr>
</tbody>
</table>
12 Preliminary Charging Schedule & Revenue Projections

12.1 Introduction

12.1.1 In this Section, we make recommendations on the content of a Preliminary Draft Charging Schedule, bringing together the conclusions of the preceding sections. We then use these proposed charge levels to calculate the likely level of CIL income over the plan period assuming the envisaged scale of development takes place.

12.2 Proposed Preliminary Draft Charging Schedule

12.2.1 Table 10.1 below summarises the findings and recommendations of the previous sections of this report into a clear and simple proposed charging schedule. The charges set out below reflect the viability evidence and comply with the CIL regulations in every respect, as we understand them. We believe that it is exactly this kind of clarity and simplicity that is being and will be sought by inspectors.

| **Table 11.1 Proposed Charging Schedule** |  |
| **Use** | **Proposed CIL charge (per sq. m)** |
| Private market houses | £70* |
| Supermarkets** | £135 |
| Retail Warehouses** | £70 |
| Public/Institutional Facilities as follows: education, health, community and emergency services | £0 |
| All other chargeable development | £0 |

*Assumes Helmsley infrastructure is delivered through CIL. £45 per sq. m is recommended if infrastructure is to be delivered through S106.
**As defined in para 6.1 of this report

12.2.2 As identified in Section 2, in the words of the statutory guidance:

‘There is no requirement for a proposed rate to exactly mirror the evidence… there is room for some pragmatism’ ³¹.

12.2.3 As such, there remains scope for the Charging Schedule to be amended at the discretion of the Authority.

12.3 Revenue Projections

12.3.1 In order to give the Authority a broad indication of the likely potential income from CIL, we set out below in Table 10.2 an assessment of the scale of development of each type likely to be forthcoming over the plan period, and the CIL revenues it would generate at the proposed charging rates. It also provides an annualised figure in the final column.

³¹ DCLG (April 2013) Community Infrastructure Levy Guidance (Para 28)
### Table 11.2 Revenue Projection

<table>
<thead>
<tr>
<th></th>
<th>CIL Charge per sq.m</th>
<th>No. units in plan period (note 1a)</th>
<th>Market units (note 1b)</th>
<th>Unit floorspace (sq. m) (note 2)</th>
<th>Gross floorspace (sq. m) (note 3)</th>
<th>Estimated net additional proportion</th>
<th>Estimated net additional floorspace (sq. m)</th>
<th>Estimated CIL revenue in plan period</th>
<th>Estimated annual CIL revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Residential</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Houses</td>
<td></td>
<td>70</td>
<td>338</td>
<td>203</td>
<td>120</td>
<td>24,336</td>
<td>95%</td>
<td>23,119</td>
<td>£1,618,344</td>
</tr>
<tr>
<td><strong>Non-residential</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail warehouses</td>
<td>70</td>
<td></td>
<td>1,000</td>
<td>95%</td>
<td>950</td>
<td>£66,500</td>
<td>£5,115</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supermarkets</td>
<td>135</td>
<td></td>
<td>500</td>
<td>50%</td>
<td>250</td>
<td>£33,750</td>
<td>£2,596</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offices &amp; Industrial</td>
<td>-</td>
<td></td>
<td>48,000</td>
<td>95%</td>
<td>45,600</td>
<td>£0</td>
<td>£0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>£1,718,594</td>
</tr>
</tbody>
</table>

Note 1a: It has been assumed that 26 dwellings per annum could be delivered over the life of the plan.
Note 1b: Affordable housing is not liable for CIL. We assume that an average of 40% affordable housing is achieved.
Note 2: The average unit size is based on our analysis of new build properties.
Note 3: Non-residential floorspaces are broad estimates based on Core Strategy aspirations and recent development patterns.
Note 4: CIL is levied on net additional floorspace, so an allowance is made for existing buildings demolished to make way for new development.
Note 5: Revenue projections are based on allocated figures and therefore these projections do not take windfall sites into consideration.
13 Implementation

13.1 Introduction

13.1.1 This final section of our report sets out some of the issues involved in adopting and implementing the CIL.

13.2 Exceptional Circumstances & Discretionary Relief

13.2.1 Affordable housing is automatically exempt from paying CIL. In addition, the authority has the option to offer discretionary relief from CIL charges where the landowner is a charitable body and if the development is in line with its charitable purpose. This is a decision taken locally, although there are detailed rules governing entitlement to such relief and its amount. The CA must publish its policy for giving relief in such circumstances.

13.2.2 A CA can also give relief from the levy in exceptional circumstances, for example where a specific scheme would not be viable if it were required to pay the levy and a signed s.106 agreement that was greater than the value of the CIL charge applicable. Where a CA wishes to offer exceptional circumstances relief it must first give notice publicly of its intention to do so. Claims for relief on chargeable developments from landowners should then be considered on a case by case basis. In each case, an independent person with suitable qualifications and experience must be appointed by the claimant with the agreement of the CA to assess whether:

- the cost of complying with the signed s.106 agreement is greater than the levy's charge on the development; and
- paying the full CIL charge would have an unacceptable impact on the development's economic viability.

13.3 Instalment Policy

13.3.1 Regulation 69B sets out the simplified criteria for enabling a charging authority to instigate an instalments policy for CIL payments. The policy should only contain the following information:

- the effective date of the policy, and number of instalment payments;
- the amount or proportion of CIL payable in any instalment;
- when the instalments are to be paid based on time from commencement; and
- any minimum amount of CIL below which CIL may not be paid in instalments.

13.3.2 It will be useful to assess the general timeframes for the delivery of development schemes and then consider the phasing of the payments. A possible starting point could be a phased schedule of payments spread over two to three years with two or three payments over this timeframe. This will reduce the financial burden on developers who need to invest up front in infrastructure and construction before they can recoup any development costs through disposals. The council may wish to consider a minimum amount below which CIL may not be paid in instalments. Any such decision will need to be informed by an assessment of the level of ‘smaller’ developments that are anticipated.

13.3.3 Developments which are likely to have a more significant cashflow implication are likely to be those which have a construction period which extends beyond a year or where the scale of the charge exceeds approximately £250,000 (very broadly equal to likely charge from 30 houses).
13.4 Administration charges

13.4.1 There is provision within the CIL Regulations (Regulation 61) to use up to 5 per cent of the CIL receipts towards the administration and set up expenses related to the operation and management of the levy. This will provide the Charging Authority with a useful source of funding to take a proactive approach towards infrastructure delivery and explore opportunities for generating revenue as well as charging.

13.4.2 The viability assessments undertaken as part of this study have not taken account of any additional administration charges that may be levied on developers; rather, they have assumed that the administration charge will be drawn from the levy as proposed.

13.5 Use of CIL Receipts for Revenue Purposes

13.5.1 The CIL Regulations do allow for CIL receipts to be used for revenue purposes, (maintenance, management etc). However, the clear primary intent of the CIL is to deliver a pot of funding for capital investment in essential infrastructure, rather than to plug shortfalls in revenue budgets. In order to maximise the social and economic benefits of CIL, it is important that capital infrastructure spending is prioritised over revenue spending on maintenance and the like.

13.5.2 Therefore, it is recommended the CIL receipts in the National Park will only be used for revenue spending in highly exceptional circumstances. It is important that other approaches to resolving any revenue budget problems, particularly approaches to negotiating and securing Commuted Sums, is fully exhausted before any calls on CIL receipts are made for revenue purposes.

13.6 Monitoring and Review

13.6.1 There are no prescribed review periods for a CIL charging schedule; it is a decision for the CA. We would expect this period to be between three to five years, although much will depend on market conditions and their impacts on development viability, as well as additional lessons learnt from the implementation of the CIL.

13.6.2 Clearly, the viability of most forms of development has been negatively affected by the recent recession and could be considered to be at or close to the trough in the market cycle at this time. We suggested that the council implements a programme of monitoring market conditions in relation to a series of trigger points for a review. We suggest this monitoring takes place on a 6-monthly basis.

13.6.3 It is known that development viability is most sensitive to changes in development value. Typically a 10% change in the value of development can increase or decrease viability by c30%. Similarly, a 10% change in build costs can affect development viability by c20%. Other factors which have a significant impact on viability include the density of development and policy requirements, both of which are likely to stay broadly the same over the time period being considered.

13.6.4 We therefore propose the following guidelines: If three or more of the following criteria are met, then a full review of the Charging Schedule should be considered:

- a 5% change in residential sales values since the date of adoption;
- a 10% change in residential build cost since the date of adoption;
- a 10% change in office rental values since the date of adoption;
- a 10% change in office yields since the date of adoption;
a 10% change in office build costs since the date of adoption;

a 10% change in industrial rental values since the date of adoption;

a 10% change in industrial yields since the date of adoption;

a 10% change in industrial build costs since the date of adoption;

a 10% change in town centre comparison retail rental values since the date of adoption;

a 10% change in town centre comparison retail yields since the date of adoption;

a 10% change in town centre comparison retail build costs since the date of adoption;

a 10% change in supermarket rental values since the date of adoption;

a 10% change in supermarket yields since the date of adoption;

a 10% change in supermarket build costs since the date of adoption;

a 10% change in retail warehouse rental values since the date of adoption;

a 10% change in retail warehouse yields since the date of adoption;

a 10% change in retail warehouse build costs since the date of adoption;

13.6.5 A review of the Charging Schedule should automatically occur if:

- The rate of residential development falls below 50% of the long term average for two consecutive years; or
- There is a significant revision to or departure from the Development Plan or a major windfall development is permitted.

13.6.6 It should be noted that there is a requirement for the Charging Authority to publish a report on its website at the end of each year showing the level of CIL receipts collected and how these have been utilised.
Appendix A  Heat Maps
Average Detached Sales Price

Average Semi-Detached Sales Price
Average Terraced Sales Price
Average Apartment Sales Price