For:
London Borough of Bromley

CIL Viability Assessment – Update Review

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Assessment and review completed
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Dixon Searle Partnership
Elm House, Tanshire Park
Shackleford Road, Elstead, GU8 6LB
www.dixonsearle.co.uk

DixonSearle Partnership

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Context and assessment approach

1. This summary aims to provide a brief overview of the full report that follows – it is not a substitute for the full detail set out within that.

2. London Borough of Bromley (LBB) adopted its new local plan development document, the Bromley Local Plan, in January 2019.

3. The Council intends to support the infrastructure requirements associated with the Plan by putting in place a Community Infrastructure Levy (CIL). Local Authorities have the option to set up a CIL as well as continuing to use section 106 (s.106) planning obligations agreements for site-specific contributions or works that are needed to make a development acceptable in planning terms. Where they become charging authorities, their CIL Charging Schedule lists and describes the level or levels at which the CIL will be charged within their area - i.e. the charging rates.

4. The CIL Regulations have been amended since their inception in 2010, most recently with effect from 1st September 2019. The Regulations set out in standard terms the basis for the levy and how it is to be charged, collected, administered and spent (as well as the details of various Exemptions and Reliefs). The charge is made on a £/sq. m (£ per square metre) basis, essentially with all new dwellings (except for self-build homes and affordable housing) and most other developments of 100sq. m or more being chargeable.

5. The Government's guidance on the CIL is contained within a specific section of the on-line Planning Practice Guidance (PPG) resource; again, last updated on CIL on 1st September 2019.

6. Following these further changes, charging authorities have had considerably more flexibility over the use of s.106 planning agreements alongside CIL. Generally, however, with a CIL in place the use of s.106 will be significantly scaled-back.

7. This defined approach leaves the charging authority to consider and set only the charging rate or rates (including for any development types that will be nil rated i.e.

charged at £0/sq. m) at which the levy will be raised locally. These rates are set by reference to evidence on viability, which looks at the varying strength of relationship between the values and costs involved in a range of types of development and particularly those that are relevant to the delivery of the Local Plan. So 'viability' in this sense means the financial "health" of development.

8. Through preparing a required 'Infrastructure Funding Statement' the authority also decides which types of infrastructure the CIL receipts will be spent on, and how this will work alongside the use of planning obligations.

9. The charging proposals need to be consulted on using a Draft Charging Schedule, the consideration and publication of which is LBB's next step. In this case, as there were previously two consultation stages, the Council consulted on a Preliminary Draft Charging Schedule version in March 2018. That was informed by viability evidence completed in November 2016[1] and also carried out by Dixon Searle Partnership (DSP) to support the Local Plan and begin informing the development of a CIL.

10. This update review builds on and refreshes that work. This has also been conducted in a way that is consistent with both the national policy and guidance (as mainly contained within the CIL section of the PPG as above) as well as with good practice involved in CIL (and Local Plan) i.e. 'plan making' viability assessment, together with DSP's depth and breadth of experience of these processes.

11. The assessment is based on residual valuation principles. These offer the most established and suitable, robust approach used in conducting strategic level viability assessments such as this.

12. As described in detail in the following full report, the method involves deducting development costs from the end sale values using estimates (assumptions) to reflect those and how they may vary across various development types and / or by location. The resulting surplus hence 'residual' (or in some cases deficit) from the development value minus cost calculation is known as the residual land value (RLV) and indicates the sum that could be available to buy land (i.e. as a supportable land cost) in the case of an example development type (typology). Applied across different types of

[1] Viability Assessment – Local Plan, AH and CIL (DSP14288) - (November 2016)

development in this way (both residential and non-residential/commercial) we can also see the key influence of the strength of the values that may be available to support viability (known as gross development value or 'GDV'). Therefore, we also assess viability as the GDVs vary (using a range of test value levels (VLs)) whether by scheme type or location, to explore this.

13. This approach links with the scope under the CIL Regulations to set varying rates, often referred to as differential rates, according to the type and scale of development, and potentially also by reference to different localities (or 'zones') which reflect varying viability and need to be mapped if they are to form the basis for any differential charging rates.

14. This is considered in the context of the development plan backdrop (allowing for the development cost impacts of Local Plan policy set – for example on key matters such as affordable housing (AH)) and the relevant characteristics of the local area, including the typical and expected development activity in the borough. The local policy costs are considered alongside the usual costs of development - including the build and other works costs, build cost contingencies and fees, finance, costs of sale and development profit. Viewed together, this enables the full collective ('cumulative') costs of development to be considered, and the scope for CIL to be viewed in this context. In Bromley's case, the policy themes of the draft new London Plan are also relevant, as have been picked up through the course of the assessment.

15. Using suitable assumptions reflecting these costs, and making judgments from the appraisal results (again as set out in the report and appendices) enables us to test and consider at a proportionate and appropriate high-level how this relationship and scope, i.e. available headroom for CIL, varies. This shows through the varying strength of the RLV appraisal results and then informs the review of both suitable parameters for LBB CIL charging rates across various types of and locations for development.

16. The varying levels of the appraisal output RLVs are considered against a view taken on reasonable levels of land value, as a comparator, also known as benchmark land values (BLVs) for various potentially relevant site types in the area. We refer to these as 'viability tests'.

17. By testing including varying levels of CIL cost, using a series of trial CIL rates that gradually load-in CIL cost in small steps, the assessment builds up a picture of how much scope there is considered to be, in viability terms, to bear the costs of a LBB CIL in the various relevant local development circumstances.

18. A "buffered" approach to considering CIL setting is required. This means that CIL rates are not to be set too close to the margins of viability, because the CIL is a fixed, non-negotiable cost and in practice other costs and influences on viability may well move around to some extent. This element involves a judgement and may vary.

19. The buffering or buffer factor is not a fixed margin or allowance but means allowing for some level of cushioning i.e. some leeway to help ensure that all the potentially available viability headroom is not taken for the CIL charging. In Bromley's case as a London Borough, the London Mayoral CIL 2 ('MCIL2') that is in place is also a significant influence in considering the local charging rates scope. MCIL2 operates as a top slice from the development proceeds (charged at £60/sq. m), and this has been allowed for as a development cost in considering the local CIL scope.

20. The key test applied as charging authorities move forward to the independent examination of their draft charging schedules before adoption, is the need to consider and be able to show how their CIL proposals will strike an appropriate balance between the desirability of funding infrastructure and the viability of development. In doing this, the guidance recognises that while they are expected to show how the available information has informed the approach, the viability evidence does not have to be exactly followed. The PPG notes that there is 'some room for pragmatism', as it refers to nature of these considerations.

Findings Overview

21. Following this further review, and continuing to reflect the earlier assessment findings, there is sufficient viability scope in the borough to support a Bromley CIL that will provide funding towards the infrastructure requirements associated with new development.
22. This is the case without unduly impacting on development viability, such that in our view an appropriate overall balance between this and the funding of infrastructure can be struck.

23. While, as is often the case, there are also possibilities around a more complex charging approach for a Bromley CIL, in our view this would be unnecessary and a relatively simple charging approach would be able to serve well.

24. Nevertheless, differential charging rates are considered necessary in relation to varying development type here. This is a typical finding, as below.

25. The background to and parameters considered suitable for the Council to look at as part of its overall balance are as briefly summarised below. First an outline relevant to residential development is provided, followed by the findings as relate to commercial/non-residential development uses.

26. While reference to the Use Classes Order can help clarity in some cases, it is worth noting that it is not essential to set out the charging rates formally by reference to development Use Class. Rather, the authority needs to ensure the ease of operation of the charging schedule by using clear descriptions, and particularly when applying differential rates. In DSP's experience to date, we have not yet found it appropriate to recommend a single CIL charging rate that could be suitably applied across all chargeable developments. Consistent with wider assessment experience, we have found some level of differentiation to be needed here in order to reflect viability within an appropriate balance.

Residential development

27. We suggest that a suitable borough-wide charging rate for residential development would be £100/sq. m. This is as was consulted on in 2018.

28. In our view, overall this would be appropriate and would serve as well as an alternative approach that could also include a higher rate or rates for some circumstances (e.g. any greenfield or other lower values sites, straightforward housing developments in higher value areas, and potentially beneath the affordable housing policy threshold in some cases).

29. At £100/sq. m, rather than a potentially higher level, the rate is also considered suitable for application to town centre developments, particularly Bromley Town Centre, as well as for the more specialist housing developments such as for sheltered/retirement housing and extra care use.

30. Overall, the results analysis indicates that a range of potential CIL rates are supportable. As is usually the case in our experience, a level of judgement is required in selecting an appropriate approach overall, without introducing unnecessary complexity. The report therefore also notes a potential alternative approach that for example could include differentiation for Bromley Town or other centres, and as above potentially for other circumstances – potentially using a range of rates going either side of the suggested suitable borough-wide £100/sq. m level.

31. In practice, all sites and schemes will be different. Only a specifically set rate per individual development would respond fully to the potential range of issues and outcomes. Clearly such an approach is not realistic or necessary in CIL terms.

32. Overall, it cannot be certain that compared with a rate set at a level of c. £100/sq. m borough-wide, an apparently more targeted approach would actually be significantly more responsive or beneficial. While that might be more relevant were a suitable general rate being put forward at a much higher level, compared with the suggested flat-rate approach any differential would be relatively small in both in monetary terms and in the context of CIL as a modest proportion of development value of cost.

33. At c. £100/sq. m a CIL charge would represent a maximum of about 2.5% GDV in this borough context; more likely 1.5 to 2% GDV.

34. The added testing of purpose-built student housing and co-living accommodation typologies shows positive viability scope for CIL charging, with those typologies indicated as strongly viable prospects should they come forward in the borough. a suitable CIL rate for these developments being within the parameters £100 – 200/sq. m. A mid-range rate within this scope has been suggested. However, we have noted again that the local relevance and likely delivery of these and other forms of development may also be relevant considerations within the overall balance.

Commercial and other (non-residential) development

35. As is generally the case (not only a Bromley Borough factor) the scope of plan policies relating to residential developments is the key area where an individual planning authority's policy selections tend to have a significant influence on viability. Beyond more general policy enabling and development standards, the same does not apply to

such a significant extent in respect of all other forms of development, including for employment and commercial uses. For example, on such schemes there is currently no relevant policy area with any impact approaching the significance of affordable housing and other matters on a housing scheme.

36. In our experience, it is not unusual for most non-residential forms of development to show poor viability or at best mixed results within strategic viability testing or indeed at decision making stage. Generally, the same themes as were seen through the 2016 study assessment have come through again at this further review stage.

37. However, the report notes that poor viability outcomes as seen through the nature of this assessment do not necessarily mean that development will not happen. The particular drivers and interests of involved parties will ensure this in some cases, when this may be supported through flexibility in development appraisal inputs and negotiations. These are factors that we cannot assume in assessing viability suitably for informing CIL setting, however.

38. In this context, consistent with our view on residential, again we consider that the previous themes and rates identified in 2016 remain broadly appropriate, alongside information on suitable CIL charging parameters for other development uses that have now been looked at additionally.

39. As relates to CIL rates setting more widely it has been noted there is some room for pragmatism and for the selected approach to be informed by the evidence rather than needing to exactly mirror it, while remaining consistent with the guidance (PPG).

40. Overviewing the findings, this report puts forward the following guides for LBB's review on CIL charging rates as could be applied to other development uses – borough-wide basis:

- **Larger format retail – i.e. foodstore/supermarket and retail warehousing developments** – The updated assessment indicates that the previous consultation CIL rate of £100/sq. m would remain appropriate for any developments that progress. An alternative might be to set a lower rate applicable to all retail, but with such an approach considered less responsive to other retail development types, as below.

- **All other retail developments** – Although a lower positive charging rate appears supportable in some other circumstances, overall our suggestion for retail other than that within the scope of A above is for LBB to again consider a nil-rate approach (charging at £0/sq. m). This approach would be relevant to the development of small convenience stores, comparison shops, restaurants, small shops generally and also covering any town centre retail – should such schemes come forward.

- **All other development uses** – in terms of other non-residential development uses, including offices, industrial/warehousing, car showrooms, hotels, care homes and similar (all tested) we consider that a nil rate (charging at £0/sq. m) continues to be appropriate at this stage. This approach would also be appropriate for use with the much broader range of potential developments – i.e. for all other development uses. Again, this continues to reflect our previous findings in 2016 and is consistent with our recent and current experience of CIL viability work elsewhere.

41. Although the report also acknowledges the potential approach of a nominal/low CIL rate for all other development uses not charged specifically as above, with MCIL2 already I n place in LBB's case, overall we would advise caution in considering that as an alternative to nil-rating here.

42. DSP will be happy to assist LBB with any enquiries or further information required on any of these or other aspects as further progress is made with the Council's CIL proposals.

Executive Summary Ends - Main report follows

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1. Introduction and purpose

1.1 Introduction

1.1.1 Dixon Searle Partnership (DSP) is a highly experienced consultancy in the field of local authority development viability, its key consultants having been at the forefront of viability in planning for over 17 years and worked on viability matters with the Council since 2012. We have completed many assessments for a wide range of authorities having very varied local characteristics, with experience typically running through from study inception to examination of the policies or charging schedules.

1.1.2 Our day to day work enables a close familiarity with CIL, crucially including how it influences viability and interacts with affordable housing and other policies as a contributor to the collective costs of development.

1.1.3 The London Borough of Bromley (LBB) recently adopted its Local Plan (January 2019) and is now in the process of preparing a Community Infrastructure Levy (CIL) Draft Charging Schedule (DCS). The Council consulted on a Preliminary Draft Charging Schedule (PDCS) in March 2018 which was supported by viability evidence carried out by DSP and completed in November 2016[2] to support the Local Plan and begin informing the development of a CIL (based on available information and assumptions set in the preceding period).

1.1.4 The Council has now had the opportunity to review and consider responses received as part of the PDCS consultation. Following the progression of the Local Plan, the Council has commissioned DSP to carry out a CIL viability update review to consider the matters raised during consultation in the current context and using latest available information - to inform and support the proposed DCS.

1.1.5 The PDCS set out proposed CIL rates applicable to development in the borough as follows:

[2] Viability Assessment – Local Plan, AH and CIL (DSP14288) - (November 2016)

Use*	Charge £ per sqm
Residential C3	**£100 per sq m**
Retail Warehousing** over 1000m²	**£100 per sq m**
Supermarkets/foodstore*** over 280m² (3,000 sq ft)	**£100 per sq m**
Other forms of development****	**£0 per sq m**
These rates apply in addition to the rates set out in the Mayor of London's Community Infrastructure Levy Charging Schedule (currently £35 psq m for Bromley) plus the relevant BCIS rate.	

1.1.6 The PDCS proposals reflected the earlier DSP viability assessment work, as above. In relation to CIL specifically, the 2016 viability assessment identified residential charging scope of £100 potentially up to £125/sq. m. combined with the now adopted policy set, including 35% affordable housing (AH). Although we considered there to be potential options for differential rates to be set for certain localities (e.g. Bromley and potentially other town centres) this was not pursued at the time as it was determined that overall the added complexity would be not be sufficiently outweighed by the potential advantages or beneficial for the CIL yield. The delivery of a CIL is a strategic level tool which supports the plan and is able to provide a greater level of certainty both as to infrastructure funding availability and to the consideration of schemes by planning applicants/landowners. However, the nature of a CIL is such that there are often options and variations available to charging authorities. The authority is able to take a pragmatic approach, and the key driver is that a suitable balance should be struck between the desirability of funding infrastructure and the viability of development, viewed overall. The prospective charging authority does not have to follow the viability evidence exactly, but should be able to show how this has informed its selected approach.

1.1.7 The representations received as part of the PDCS consultation combined with further discussion with LBB, as well as the updated context, informed the following key themes for review as part of this update; and in turn led to considering any adjustments to the proposed charging set up:-

- Inclusion of the MCIL2 at £60/sq. m (increased from MCIL at £35/sq. m following our previous assessment work);
- Further consideration of site types and potential further differentiation;

- Reflecting this, an expanded range of development typologies including higher density development, build to rent housing, together with looking further at other matters such as the influence of varying development type and parking provision;
- Updating of other relevant assumptions.

1.1.8 This report sets out the review process outlined above and is accompanied by a number of Appendices that inform our recommendations / findings, including assumptions use in the updated appraisal modelling, the full results set (including for non-residential / commercial development typology tests) and the background market reporting on property values within the Borough.

1.1.9 This report relates only to CIL viability and should be read in conjunction with the original 2016 Local Plan, CIL and AH viability assessment. The detailed methodological explanations and their context will not be repeated here but given the passing of time this update report will cover key points and set out all the assumptions adopted within the further appraisal modelling.

1.2 CIL / Policy Backdrop

1.2.1 Local Authorities in England and Wales may put a CIL in place to raise funds from developers undertaking new development in their area (in this case LBB is and will continue to be the charging authority). This acts as an important tool for local authorities to deliver the infrastructure needed to support that development.[3]

1.2.2 The CIL regulations came into force in April 2010 and have been revised on a number of occasions since, with the most recent revisions (and revisions to the associated guidance) - The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019 – having come into force on 1st September 2019.

1.2.3 In terms of headline areas (an outline only), the September 2019 changes brought in the following:

1. A requirement for councils to publish 'infrastructure funding statements'. These statements will replace existing Regulation 123 lists and should include

[3] https://www.gov.uk/guidance/community-infrastructure-levy Paragraph: 001 Reference ID: 25-001-20190901

details of how much money has been raised through developer contributions and how it has been spent. Statements must be published on local authority websites at least once a year. Councils will be required to publish their first statements by 31 December 2020.

3. A removal of the restrictions on the 'pooling' of section 106 planning obligations to fund infrastructure. Local authorities were previously allowed to pool no more than 5 developer contributions to fund a single infrastructure project. There is no longer an upper limit on the number of developer contributions (i.e. sourced from different developments) that can be pooled.

4. Local authorities may now charge a fee through section 106 to contribute toward the cost of monitoring and reporting on developer contributions. The regulations state that this fee should be "fair" and "reasonable" and reflect the authority's estimate of the cost of monitoring.

5. The requirements for local authorities to consult on CIL charging schedules before adoption have been reduced. Charging authorities will now be required to conduct a single round of consultation, rather than the 2 rounds previously required, with any further consultation now at the prospective charging authority's discretion. However, councils will also be required to conduct a consultation if they are considering stopping charging CIL, setting out the expected impacts and how any lost funding will be replaced.

6. Penalties charged on CIL-exempt projects, in cases where the developer fails to submit a commencement notice before the start of works, have been reduced. Certain developments are exempt or entitled to relief from CIL. In most cases, developers must submit a commencement notice to the charging authority before work starts or the exemption/relief is lost, and the full CIL amount has to be paid. The revised regulations instead stipulate that a surcharge equal to 20 per cent of the notional chargeable amount, or £2,500, whichever is the lower, will be charged if a commencement notice is not submitted.

7. In looking 'to keep the levy responsive to market conditions', the regulations state the indexing approach to be applied to CIL charging rates. From 1st

January 2020, the approach is now prescribed using the Building Index for CIL as will be published by the Royal Institution of Chartered Surveyors (RICS) annually in November, (in place of the All-in Tender Price Index (TPI) that was used prior to 2020).

8. In cases where planning permissions are amended, the regulations state that CIL should be charged on any additional floorspace at the latest indexed rate. The remainder of the floorspace will be charged at the rate that was in place when that element of the development was first permitted. Any decreases in the chargeable amount will be calculated on the basis of the rate charged when permission was first granted.

1.2.4 The scope of the latest CIL Regulations amendments and the nature of the most recent guidance update also effective 1st September 2019 (within the national Planning Practice Guidance (PPG)) is such that this assessment, as updated here and building on the earlier viability work, continues to appropriately reflect this latest context too. Prior awareness of the direction of changes had been in place, through the Government's consultation processes, and we consider that the study as now presented continues to be consistent with the approach envisaged by the guidance now in place. This assessment appropriately reflects this context.

1.2.5 The funds raised through a CIL are allocated towards infrastructure needed to support new development and specifically linked to infrastructure required to support development due to come forward under the now adopted Local Plan. Local authorities are required to allocate a 'meaningful proportion' of the levy revenue raised in each neighborhood back to those local areas.

1.2.6 Referred to as the neighborhood portion, specifically, 15% of the CIL receipts collected are to be spent in the area where development is taking place, in agreement with the local community. Where there is a Neighbourhood Plan in place, the locally allocated proportion of the CIL receipts rises to 25%. These principles are part of the nationally prescribed basis for operating a CIL, and do not influence the viability appraisals or conclusions.

1.2.7 An adopted CIL is payable on '*development which creates new or additional floor space where the gross internal area is 100sq. m or more'*[4]. The majority of development providing an addition of less than 100sq. m will not pay. For example, a small extension to a house or to a commercial / non-residential property; or a non-residential new-build of less than 100sq. m will also not be subject to the charge. Additionally, the Community Infrastructure (Amendment) Regulations 2014 provide for a mandatory exemption for residential annexes and extensions regardless of size. However, unless coming forward as a householder scheme (self-build) which is exempt from CIL subject to prescribed criteria, development that involves the creation of a new residential unit (such as a house or a flat) will pay the charge, even if the new dwelling has a gross internal floor of less than 100sq. m[5]. The latest 2019 amendments have not altered these points of principle, which are not aspects that any individual charging authority has an influence over.

1.2.8 Existing space that is in use is removed from the calculation of the chargeable amount under the CIL regulations. In many instances this will reduce the CIL liable floorspace and hence the scale of the levy liability. In practice this is a highly scheme-specific factor and so no allowance has been made for any such reductions in our appraisals process, although this effect will most likely reduce the viability impact of the levy.

1.2.9 Under the regulations, affordable housing (AH) and development by charities is not liable for CIL charging. This means that within mixed tenure housing schemes, it is the market dwellings that are liable to pay CIL at the rate(s) set by the charging authority. The CIL guidance within the PPG notes the areas in which the Regulations make a number of provisions for charging authorities to give relief or grant exemptions from the levy. Some types of relief are compulsory; others are offered at the charging authority's discretion. Depending on the circumstances, the following forms of relief may be available:

- minor development exemption
- exemption for residential annexes or extensions (an owner of a material interest in the main dwelling who occupies that dwelling as their sole or main residence may apply for the exemption).

[4] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph 004 Reference ID: 25-004-20190901 Revision date: 01 09 2019

[5] Subject to the changes introduced in The Community Infrastructure Levy (Amendment) Regulations 2014 that provides a mandatory exemption for self-build housing, including communal housing.

- charitable relief, (an owner of a material interest in the relevant land which is a charitable institution can claim relief).
- social housing relief, which may be mandatory or discretionary (any owner of the relevant land who has assumed liability to pay CIL for the development may apply for the relief
- self-build exemption (for a whole dwelling - any person who intends to occupy the new dwelling and has assumed liability to pay CIL for the development may apply for the exemption)
- exceptional circumstances relief

1.2.10 The CIL Guidance contained within the national Planning Practice Guidance (PPG) states that when determining CIL rates: '*an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments…this balance is at the centre of the charge-setting process*' and '*in meeting the regulatory requirements, charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area*'.[6]

1.2.11 To achieve this: '*a charging authority should use an area-based approach, involving a broad test of viability across their area, as the evidence base to underpin their charge. The authority will need to be able to show why they consider that the proposed levy rate or rates set an appropriate balance between the need to fund infrastructure and the potential implications for the economic viability of development across their area*.'[7].

1.2.12 The PPG Guidance on 'Viability' provides comprehensive information on what to consider on viability in Plan Making, with CIL viability assessment following the same principles. We confirm again that this study has been carried out in accordance with the relevant guidance.

1.2.13 Although we have not set out fully here the relevant sections of the guidance that are fundamental in the preparation of a CIL viability assessment, and that may be referred to separately for the detail (https://www.gov.uk/guidance/community-infrastructure-

[6] https://www.gov.uk/guidance/community-infrastructure-levy (Paragraph 010 Reference ID: 25-010-20190901 Revision date: 01 09 2019

[7] https://www.gov.uk/guidance/community-infrastructure-levy#evidence-and-setting-rates (Paragraph 020 Reference ID: 25-020-20190901 Revision date: 01 09 2019

levy) some of the key points relating to the 'appropriate available evidence' used to inform the charging rate(s) are summarised below:

- An appropriate range of site types (or 'typologies') should be tested based on the range of site types likely to come forward for development over the relevant plan period (in this case the 2019 Bromley Local Plan);
- Costs within the viability assessment should be based on evidence reflective of local market conditions (see paragraph 012 of the 'Viability' Guidance);
- Land value should be based on the Existing Use Value of the site, plus a premium (known as the 'EUV plus' approach;
- A 'viability buffer' should be included so that the charges are able to support development through economic cycles;
- Differential rates can be applied if appropriate in relation to geographical zones (including for strategic sites) and/or by varying type and scale of development, although undue complexity should be avoided;
- There is no requirement for the charging authority to directly mirror the rate(s) proposed within the viability study. There is some room for pragmatism.

1.2.14 This study makes allowances for the cost to developers of policy compliance as per the Local Plan 2019, including providing affordable housing (AH) and other measures. These allowances are made in addition to testing the impact of a range of trial CIL charging rates from £0 to £300/sq. m (at increments of £25/sq. m) for the residential development testing. The commercial/non-residential testing has been reported at £15/sq. m CIL rate increments. It is important to note that the influence of the collective planning obligations cannot be separated and need to be viewed altogether in considering the cumulative costs of development within this type of assessment. The level of these cost factors influences the potential amount of CIL that development can viably bear. The extent to which s.106 will have an ongoing role also needs to be considered by the Council in determining suitable CIL charging rates, bearing in mind that CIL is non-negotiable.

1.2.15 Following the September 2019 changes, with the removal of the pooling restrictions on the use of s.106 agreements, it will also be important for the Council to keep in mind the greater flexibility in the potential use of those balanced with CIL as may be appropriate. This approach will help to ensure that the Council maximises the level of funding for essential infrastructure across the borough. Notwithstanding that

significant elements of infrastructure costs historically or currently sought through s.106 will be subsumed into the scope of the CIL, potential s.106 costs have also been factored in to the modelling alongside the CIL tests at a contingency level of £3,000/dwelling (all dwellings) – as is noted within the assumptions detail (see following section 2 and Appendix I).

1.2.16 In addition, national planning policy and guidance has been evolving recently in other ways that are relevant to consider for this project. The requirement to consider viability stems from the NPPF (National Planning Policy Framework, as further updated 2019) which says on 'Preparing and reviewing plans' at para 31: *'The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals'.*

1.2.17 NPPF para 34 on 'Development Contributions' states: *'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'*

1.2.18 The currently relevant PPG section on 'Viability' (as refreshed with new content in July 2018 alongside the renewed NPPF and also most recently updated 1st September 2019 in some respects) provides more comprehensive information on considering viability in Plan Making. CIL viability assessment follows the same principles (as they are still set out through the 'Community Infrastructure Levy' section of the PPG, as noted above). On Viability the PPG states:

'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost

implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development…Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan'

1.2.19 As part of the updated review context, in addition to the national policy backdrop, the current adopted London Plan (dated March 2016) has been under review, with the new plan having undergone Examination in Public (EIP) recently. The Panel of Inspectors' report was released in October 2019, at the time of finalising the assessment work for this study. As at April 2020 in responding to the Secretary of State's concerns, the Mayor noted an aim to publish an amended version Plan as soon as possible (at the time aiming for Summer 2020), reflecting adjustments for some but not all of the matters raised in that dialogue.

1.2.20 The emerging London Plan policies have been taken into account as part of this viability assessment. Subsequent to the above noted latest on the London Plan, however, any subsequent modifications, understood as still not fully settled, have not been considered therefore.

1.2.21 As above, the Mayor of London has adopted a new CIL charging schedule ("MCIL2") in February 2019 and the relevant charges have been included as a fixed cost assumption within our assessment. At the time of the 2016 viability assessment, the MCIL1 was applied at the then applicable LBB rate of £35/sq. m. That previous input has now been updated to the MCIL2 rate of £60/sq. m for all development in Bromley Borough[8]. This updating also reflects an element that was noted in the representations made to the Council's PDCS (details as per 1.1.5 above).

[8] Since this assessment was carried out, the Secretary of State written to the Mayor directing required changes to the London Plan and we understand the Plan is being further considered before resubmission for approval. https://www.london.gov.uk/sites/default/files/letter_to_the_mayor_of_london_13_march_2020.pdf

1.3 Project Purpose & Scope

1.3.1 'Viability' as addressed by this assessment update in the context of the LBB proposed CIL means the financial "health" of development, so that the assessment is all about the strength of the relationship that is available between the completed development (sale) value and the development costs; and how the strength of this relationship varies across a range of development types, site types and locations as the CIL trial testing is applied. This is reviewed with reference to the local characteristics and types of sites expected to come forward in the LBB CIL context of supporting planned development (based on the adopted Local Plan 2019). Responses from the PDCS consultation have also been considered in the updating undertaken for this assessment.

1.3.2 The assessment is carried out using a well-established methodology and principles as set out in detail within the 2016 DSP report, the full extent of which is not repeated here. In summary, however, the strength of the value:cost relationship, and how this varies through a range of influences, is tested through modelling using many development appraisals (in total usually thousands in number) that are run using residual valuation techniques. This involves assessing how much money may remain (hence 'residual') for land purchase after all the development costs (including reasonable developer's profit) have been deducted from the development sale proceeds. The following report sections, under 1.4 below, set out how this update has been conducted in terms of the elements that have been added or revised – the approach taken, and updated assumptions used.

1.3.3 Judgements are then made about whether the appraisal residual land value (RLV) outcomes are likely to be sufficient to secure the release of a variety of site types (sale by landowners) for development. This is done by using benchmark land values (BLVs) or similarly termed 'viability tests' against which the appraisal RLVs are then compared. The PPG now clearly emphasises the use of "EUV+" (Existing use value plus an appropriate uplift) as the basis for the BLVs, consistent with DSP's settled approach to these assessments.

1.3.4 It is important to note that this approach does not require a detailed viability appraisal of every site anticipated to come forward over the remaining plan period but rather

the testing of a range of appropriate site typologies reflecting the potential mix of sites likely to come forward.

1.3.5 Accordingly, the appraisals are based on a range of test scenarios using assumed developments that are considered suitably representative of development types coming forward in the borough ('typologies'). This involves making a wide range of carefully considered assumptions, used as the appraisal inputs; supported by other evidence and available information, research and experience. These assumptions and typologies were shared with the Council prior to the appraisal modelling phase, to agree an appropriate basis from which the potential charging scope should be tested alongside other variables (e.g. property and land values) and, as above, also reflecting all other relevant development and policy related costs.

1.3.6 The adopted typologies for this update have been based on the previous 2016 study, to which we have also added a number of new typologies following comments arising from the PDCS consultation (around larger, higher density schemes as noted above) and overall aimed to reflect a cross-section of sites delivery in the coming years. The typologies (scheme types) appraised reflect our consideration with the Council of the experience of previous and current developments, as well as a review of the nature of schemes expected. Again, section 1.4 below provides more information. The typologies are set out in section 2.1 below however for ease of reference, are as follows:

Scheme Size Appraised	Type	Site type	Density
1	House	PDL (suburban)	35
5	Houses	PDL/GF (suburban)	35
5	Flats	PDL (suburban)	75
10	Houses	PDL/GF (suburban)	40
10	Flats	PDL (suburban)	75
15	Houses	PDL (suburban)	40
15	Flats	PDL (urban)	75
30	Houses	PDL (suburban)	40
30	Flats	PDL (urban)	75
30	Flats (Sheltered)	PDL (urban)	125
50	Flats	PDL (urban)	200
60	Flats (Extra Care)	PDL (urban)	125
50	Mixed	PDL (urban)	55
80	Flats	PDL (urban)	200
100	Mixed	Potential Greenfield / PDL (suburban)	55
120	Flats	PDL (urban)	250
200	Flats	PDL (urban)	300
500	Flats	PDL (urban)	300
800	Flats	PDL (urban)	300

1.3.7 The range of tests then help us to consider the influence on the RLVs (and therefore on viability) of changes to the main likely variables i.e. key factors such as sales value, build costs by scheme type and land value (varying EUV (existing use value) based benchmarks - BLVs). Reviewing viability across different potential circumstances (effectively as a series of "what-if" type tests) provides a range of results that allows us to consider and inform discussions with the Council on any revised or additional findings, leading to any changes that may need to be considered relative to our previous CIL findings scope and recommendations - such as any further need for differential charging rates, for example.

1.3.8 CIL rates are a key component contributing to the collective costs of development, and as part of this high-level study, we have tested the potential impact of a range of CIL charging rates (including the existing indexed rates). However, as this involves adding cost to the appraisals iteratively, this cost could also be viewed in other terms, for example by showing the tested CIL rate assumptions in £/dwelling terms or similar, if relevant.

1.3.9 Consideration should be given to avoiding setting the CIL charging rates to the margins of viability, especially given that, once implemented, the charging will be fixed (non-

negotiable) and will impact at indexed rates alongside all other development costs and requirements - including the first top-slice from the MCIL2 here. This involves appropriate assumptions setting, for the purpose, within the viability assessment; including the recommended use of a "buffer" factor[9] to pull-back the rates, usually significantly, from the potential maximum theoretical levels that may on first sight look achievable. The recommended parameters for considering in LBB setting its charging rate(s) are based on CIL at approximately 50% of the maximum amount theoretically viable. In other words, we test viability on the assumption that double the amount of CIL could in theory be supported whilst reaching the relevant benchmark. This means that the recommendations are at approximately half the level of the potential maximums (hence we refer also to 'halving-back) which approach is as per 2.2.2 below and carried through the review of results in the subsequent reporting.

1.3.10 Accordingly, a prudent approach is taken, consistent with the PPG CIL guidance with at para. 020 (as revised 01 09 2019) states: '*A charging Authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust.*

1.3.11 Continuing the now well-established principles, according to the PPG (May 2019 and subsequent September 2019 revision), differential CIL rates may be appropriate in relation to geographical zones, types and scale of development. It goes on to state that: *'A charging authority that plans to set differential rates should seek to avoid undue complexity. Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development. Charging authorities may wish to consider how any differential rates appropriately reflect the viability of the size, type and tenure of housing needed for different groups in the community, including accessible and adaptable housing, as set out in the National Planning Policy Framework'*[10]. With this in mind, we will consider the

[9] As a guiding general starting point, we consider CIL rates at approximately 50% of the maximum amount theoretically viable. In other words, we review viability on the assumption that about double the amount of CIL could in theory be supported. The exact amount of buffering between the potential scope and the recommended parameters for charging rate(s) will of course vary and be specific to a particular test or scheme.
[10] https://www.gov.uk/guidance/community-infrastructure-levy#evidence-and-setting-rates (Paragraph 021 Reference ID: 25-021-20190315 Revision date: 15 03 2019)

appropriateness or otherwise of setting differential CIL rates by location and / or site type.

1.3.12 Ideally, however, a CIL should be set out and be capable of being operated as simply as possible, as discussed and recommended within our previous viability assessment and which approach is considered consistent with the guidance – as above. So, the suitability of a single charging rate approach (for residential development at least) should be the starting position in our view. Then from that point it is case of bringing in the consideration of differential rates and alternatives if necessary - i.e. considering whether the range of characteristics and values found available to support viability overall be shown by the evidence to be too great to be workable with a single suitably set charging rate. In the LBB context, as noted earlier, a number of responses from the PDCS consultation were around the theme of consideration of differential CIL rates. We have reviewed this further as part of this update assessment.

1.3.13 An extensive review of available information, and current LP policies together with an updated values and cost research analysis phase has led to the setting of updated assumptions for base level testing using main appraisal sets; as well as some additional sensitivity tests e.g. looking at the influence on viability of including basement car parking. This included a review of the LBB policies as set out in the recently adopted Local Plan alongside the Draft London Plan, identifying those that are considered to directly influence development costs and which therefore have an impact on the viability of development.

1.3.14 In addition to the policies that influence development costs (with reference also to the London Plan[11]), there is also the relevance of the adopted Local Plan spatially, with respect to the site and scheme types that will be most relevant overall (i.e. locations and development types most relevant to consider in setting the CIL rates). This effectively involves an overlay of our findings with the expected development supply pattern – so that in coming to an appropriate balance overall, the CIL charging authority is not just considering the viability information in isolation. On this, the Local Plan sets out the vision and objectives for the borough over the plan period. In summary, the key focus for the spatial development strategy remains as described within the 2016 work, but for completeness includes the following:

[11] We note that since this assessment work was carried out, a new London Plan target has been proposed – however this is not likely to require wholesale change in the spatial approach and therefore the site typologies used in this study are likely to remain relevant.

- Requires at least 641 dwellings per year (2015-2025) and provision of floorspace and land to accommodate employment growth;
- Designates Bromley Town Centre as an Opportunity Area and Metropolitan Town Centre alongside Orpington (Major Town Centre), with five District Centres alongside Biggin Hill and Crystal palace as potential Strategic Outer London Development Centres. Cray Valley has also been identified as a Strategic Industrial Location.

1.3.15 An overview of the assumptions setting (for appraisal inputs) is provided in Appendix I to this report. Building on earlier reporting stages and following discussion with the Council, we continued to modify and refine aspects of this and indeed all the other information in finalising this report. While, appropriately, this is all undertaken at a high-level, the continued review of information and details used aims to keep the work and the presentation of it as topical as is practically possible, ensuring an appropriate and robust process for the study purpose.

1.3.16 Appendix IIa (residential), Appendix IIb (Build to Rent) and IIc (commercial/non-residential) in each case shows the appraised scenario RLV results set out in tabled form according to the main variables reviewed and allowing the trends within these to be seen quickly. This will be considered further below. Appendix III contains the wider economic / market and local property market and values context.

1.4 Appraisals Scope

Residual valuation principles / Methodology

1.4.1 This assessment has been carried out in the context of the NPPF (July 2018, as updated 19 February 2019) as well as the PPG (updated in May 2019 and subsequently with effect from September 2019). The NPPF as now updated remains very high level in regard to viability directly but retains the well-established principle on 'development contributions' that: '*Such policies should not undermine the deliverability of the plan*.' The PPG provides useful guidance on plan preparation in regard to viability and contributions. Although this guidance is still relatively new at the point of preparing this assessment, DSP considers that its approach to and experience of LP and CIL strategic viability assessments remains appropriate – this project has been approached

in a manner consistent with the updated guidance, aided by checking and continually considering the detail and new developments / any other guidance or emerging decisions etc. as work has progressed.

1.4.2 Undertaken as it has been, this assessment now responds to not only the former NPPF and need to consider viability but is also consistent with the latest NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a willing land owner and willing developer.

1.4.3 In running this study, we have had regard to policy costs based on those contained within the adopted Local Plan and, for assumptions building, having regard as necessary to those set out in the revised emerging London Plan. By doing so we are able to investigate and consider how these obligations interact and estimate the collective impact on viability in connection with potential CIL rates. This is in accordance with established practice on reviewing development viability at this strategic level, and consistent with the requirements of the NPPF and PPG.

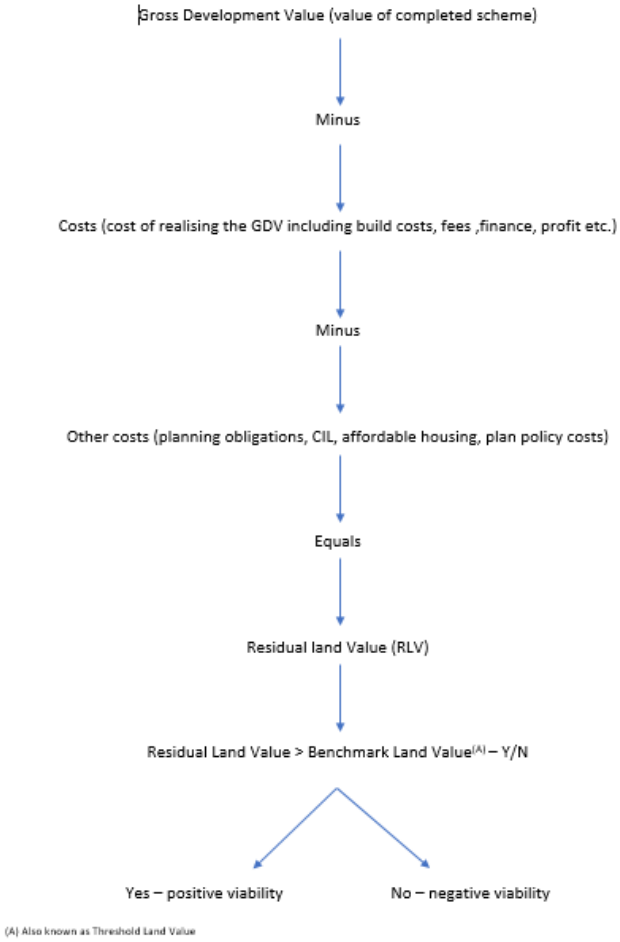
1.4.4 Prior to fixing assumptions, necessarily at a point in time, and running appraisals (as outlined in the following paragraphs) we undertook an extensive information review, property market research and a development industry stakeholders' survey. As a part of this, a review of the adopted policy basis enabled us to assess which are considered likely to have a particular development cost impact, or additional cost implications over and above usual costs of development (for example utilising costs information from established sources such as the Building Cost Information Service of the RICS (BCIS)). In addition to a summary of the assumptions used, Appendix I to this document also includes a policy review schedule indicating the view taken with respect to the policy impacts as applicable for reviewing CIL at the time of this assessment.

1.4.5 Residual Valuation supports the most established and accepted route for assessing development viability at a strategic level, including for CIL viability, as in this case. The approach and principles used are consistent with those typically relied on for whole plan and CIL viability assessment, as have been supported through examination on many occasions (including assessment work by DSP over a period of years through to a range of recent cases, with positive outcomes). This is also consistent with the "Harman Report[12]" on viability testing local plans and other relevant guidance that we

[12] Local Housing Delivery Group – Viability Testing Local Plans (June 2012)

have also taken account of in conducting similar assessments over the last several years. As a reminder from the earlier work, Figure 1 below (see following page) sets out the residual valuation principles in simplified form:

Figure 1: Simplified Residual Land Valuation Principles



(DSP: 2019)

1.4.6 Having allowed for the costs of acquisition, development, finance, profit and sale, the resulting figure indicates the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).

1.4.7 In order to guide on a range of likely viability outcomes the assessment process also requires a benchmark against which to compare the resulting residual value. Our assessment work (both on strategic projects and for a wide range of DM stage viability reviews) has for some time reflected the move towards a clearer "EUV plus" based approach to the all-important consideration of land values – for the assessment of 'benchmark land values'. This is consistent with the PPG.

1.4.8 The level of land value sufficient to encourage the release of a site for development is, in practice, a site specific and highly subjective matter. This is not unusual and certainly not a London Borough of Bromley specific factor. We have reviewed a range of reporting to inform our assumptions and judgements in this regard, building on those considered as part of the original 2016 study. The above-mentioned element of 'buffering', to ensure there is some other scope to support viability given the range of costs that could alter over time or with scheme specifics, is an important consideration that is also considered in reviewing the likely workable CIL levels.

1.4.9 Further commentary on the range of assumptions (as updated) that have been used within the RLV appraisals process is provided in this chapter – see below. The emphasis on this, however, is on what has changed since the earlier work and not a full run-through of all assumptions (again, further information on the wider set is also available at Appendices I and III). They reflect the local markets through extensive further research on local values, costs and types of provision, etc.

1.4.10 During the course of the 2016 study, we consulted with the Council's officers and sought soundings as far as were available from a range of local development industry stakeholders. This information remained useful combined with an up to date review of the market including latest market soundings from local agents. This process is informed as far as practically possible by the review of available information and making an overview from that ensuring an appropriate basis for appraisal modelling. The response received following the PDCS consultation has also acted as a useful further stage input by a range of stakeholders, also informing our study assumptions. This combined approach over the wider project cycle reflects the expectations of the planning policy guidance.

Updated assessment context

1.4.11 The following sections provide updated assessment context, revised assumptions as well as the general overall approach, building on and updating those from the original study in 2016. This all relates to the specific study purpose of reviewing the previous CIL rates consulted on at PDCS stage rather than any other wider purpose.

1.4.12 At the point of carrying out the 2016 study, there was a continued positive market sentiment in the Bromley borough whilst the UK economy as a whole had continued

to gradually pick up following a significant period of recession. This trend looked set to continue with forecasts indicating the prospects for house price inflation of up to around 15-20% by the end of 2021 in London and the South East.[13]

1.4.13 Despite the ongoing political and economic uncertainty surrounding the UK's decision to leave the European Union, Savills[14] continued to report significant increase in buyer confidence in the first quarter of 2019, following a relatively static UK-wide house price picture with some positive upward movement in the South East region. Although this positive sentiment is yet to confidently translate into transactions across wider the areas of the UK, our own extensive market research indicates an increase in house prices in the Bromley context of approximately 18% as a broad overall picture since the period during which the information was collected and analysed for the 2016 study assumptions. Of course, it is acknowledged that this is a moving picture in reality – an appropriate range of assumptions needs to be made at a certain stage.

1.4.14 Continuing to looking at this on putting together and writing-up the assessment, the level of ongoing confidence in the market and strength and stability of house prices moving forward will most likely remain relatively uncertain, however, given the as yet unknown implications of the UK leaving the European Union, amongst other matters. However, at the point of setting assumptions this time, the values forecasting by Savills[15] for example continued to indicate increases in house prices over the next 5-years at 4.5% in London and 9.3% in the wider South East region, and our background research to this study appeared at the assumptions review stage to support this indication of the potential moving ahead. Indeed, the forecasts remain over continued house price growth overall, looking ahead. Whilst over the assessment (appraisals) period, we were seeing a slowing of the market getting underway generally, induced primarily by the Brexit related uncertainty, of course subsequently the onset of the Coronavirus (COVID-19) pandemic has become a dominant factor. Nevertheless, it is not appropriate to project only negatively – a balanced view needs to be taken and the very latest signs in the late Spring-Summer of 2020 on final report issue are of mixed market reporting overall, with residential values holding-up better than expected in many cases and at least an element of surprisingly positive market sentiment amongst

[13] Savills – Residential Property Focus (2015 Issue 3)
[14] Savills – Market in Minutes: New Homes and Buyer Sentiment (June 2019)
[15] Savills – Residential Market Forecast Report (Autumn 2018)

this complicated, emerging picture. At the time of final writing, only time will tell how this pans out.

1.4.15 The information used to inform the relevant section below, has been obtained from well-recognised sources, which are also freely or readily available in the main and therefore open for further review or the application of indexing or similar. In our experience this provides a suitable and robust approach for the purpose here, and importantly it means that the Council could further update / review elements of the assumptions over time, or consider the wider results range presented – for example as the market moves or as development patterns / policy emphasis or similar influences change.

Updated Scenario/typology tests

1.4.16 A large number of appraisals have been carried out using the principles outlined above to review the viability of different types of residential and commercial/non-residential use types in the borough area. The scenarios and assumptions used build on those originally tested as part of the 2016 study. This follows a review of up to date information on the nature of local developments from both evidence and monitoring sources (e.g. monitoring reports, 5-year housing supply, SHMA, s106 monitoring etc.) and the anticipated site supply. It also reflects further discussions with the Council around the recent local delivery experiences and in response to the CIL PDCS consultation stage as well as the progression of the Plan to adoption. For the purposes of CIL, it may also be useful for charging authorities to keep in mind the potential to review an adopted charging schedule when considering evolving circumstances, which may include the relevance of development coming forward across the borough over the anticipated lifetime of a charging schedule compared with that of the Plan overall.

1.4.17 This high-level approach is appropriate and as expected by the available guidance. In any event, it is important to note that this is not site-specific level work that necessarily reflects outcomes that will be seen on individual schemes as those come through at planning application stages under a variety of circumstances. However, we have had reference to the experience of delivery, specific sites and the Plan proposals as part of the development of the typologies. We are making a strategic overview here, which may be kept under review as the Council's planned delivery progresses.

1.4.18 The appraisal results (as set out at Appendix IIa to this report) represent development scenarios from 1 to 800 new dwellings on a typology basis (expanded from the 2016 study range covering 5 to 100 dwellings), comprising a mixture of houses based developments, flatted schemes as well as 'mixed' development types (comprising a mix of houses and flats). There is now a greater emphasis on flatted development at the upper end of the scheme size typologies range here – overall a range of testing scope agreed with LBB to inform a review of whether the previously recommended (published PDCS) rates remain appropriate, and any updating or alternatives that might be considered. The expanded approach to the updated review here was also considered reflective of representations received by LBB at the PDCS stage consultation.

1.4.19 Allied to the above, we have also reviewed relevant information from appropriately available evidence relating to those sites identified in the Local Plan and within the Bromley Town Area Action Plan (AAP) as a key area for future housing supply. We understand that the Council will be providing further guidance on Bromley Town centre, and the existing Bromley Town AAP is currently under review; however we have aligned some of our typologies to reflect the different characteristics expected to be seen from development in this key location e.g. including larger scale and higher density flatted development.

1.4.20 Within this context, this update considers the potential sensitivity of outcomes to for example added development costs through a potential need to provide basement car parking in some instances, as a potential element of more complex and costly development characteristics. At the time of considering the approach and assumptions, this has been considered appropriate. We note, however, that the latest London Plan policy developments, including on other policies relating to car usage and other factors, could see car-free or reduced parking considered in the case of some developments with such additional development costs perhaps not needing to be accommodated.

1.4.21 The review of the commercial scheme scenarios was approached in the same way as above – building on the scenarios tested as part of the 2016 study. Similarly, this was also informed by updated review of information supplied by and consultation with the Council. The same methodology applies to the commercial appraisals, in terms of the

approach and principles used both in appraising those and considering the RLV outcomes. Again, Appendix I sets out the typologies used, together with the assumed development values and costs. Clearly there is a wide range of commercial schemes and great variety within those that could be developed over the lifetime of a CIL charging schedule. However, variety in scheme detail is a characteristic shared by the wide range of residential development forms. It is also a feature of a CIL that the levy cannot realistically respond fully to such variety, and so needs to be set at a level or levels that will largely be workable across the sites and schemes most relevant the Plan delivery overall. To reinforce this point made above, it follows that alongside viability, it is also relevant for the Council to consider the likely frequency and distribution of various forms of development, and their role in the delivery of the plan overall.

1.4.22 Appendix IIa sets out the residential appraisal results to date by increasing development size (number of dwellings within each assumed scenario). For each scheme typology the results relate to the tests carried out in accordance with the LBB adopted policy basis with 0% AH on sites of 1-10 dwellings and 35% on sites of 11+. However, in line with the revised NPPF based national policy threshold on affordable housing we have tested 35% AH from 10 dwellings, this being the lowest point at which the policy would impact in combination with CIL and other factors and consistent not only with the NPPF but also with the 'major development' (i.e. 10+ dwellings) based policy threshold in the Draft London Plan.

1.4.23 Each table set provides RLV results by residential typology in both absolute RLV form (£s) and then expressed in £ per hectare terms (RLV £/ha) – these are calculated based on the indicative density and approximate land-take assumptions used. Each absolute RLV outcome (£RLV) within the Appendix IIa tables has an appraisal sitting behind it. This allows us to consider comparisons with both land value benchmarks in £/ha and potential site purchase figures/plot values (in £ sums) that the RLVs support in each case. The green shading overlaying the £/ha RLVs within Appendix IIa results tables are linked to the adopted Benchmark Land Values (BLVs) i.e. 'viability tests' – the bolder the green colour shading, the stronger the results are as they meet the higher benchmarks. Further information is provided later on in this report. The strength of the results improve when reading left to right across the table with increased assumed property value levels driving those – VLs (i.e. Gross Development Value (GDV) of the scheme) and decreasing when reading down as the trialed level of LBB CIL increases (tested in small steps from £0 to £300/m^2).

Gross Development Value - Residential Value Levels (VLs) & Site Supply

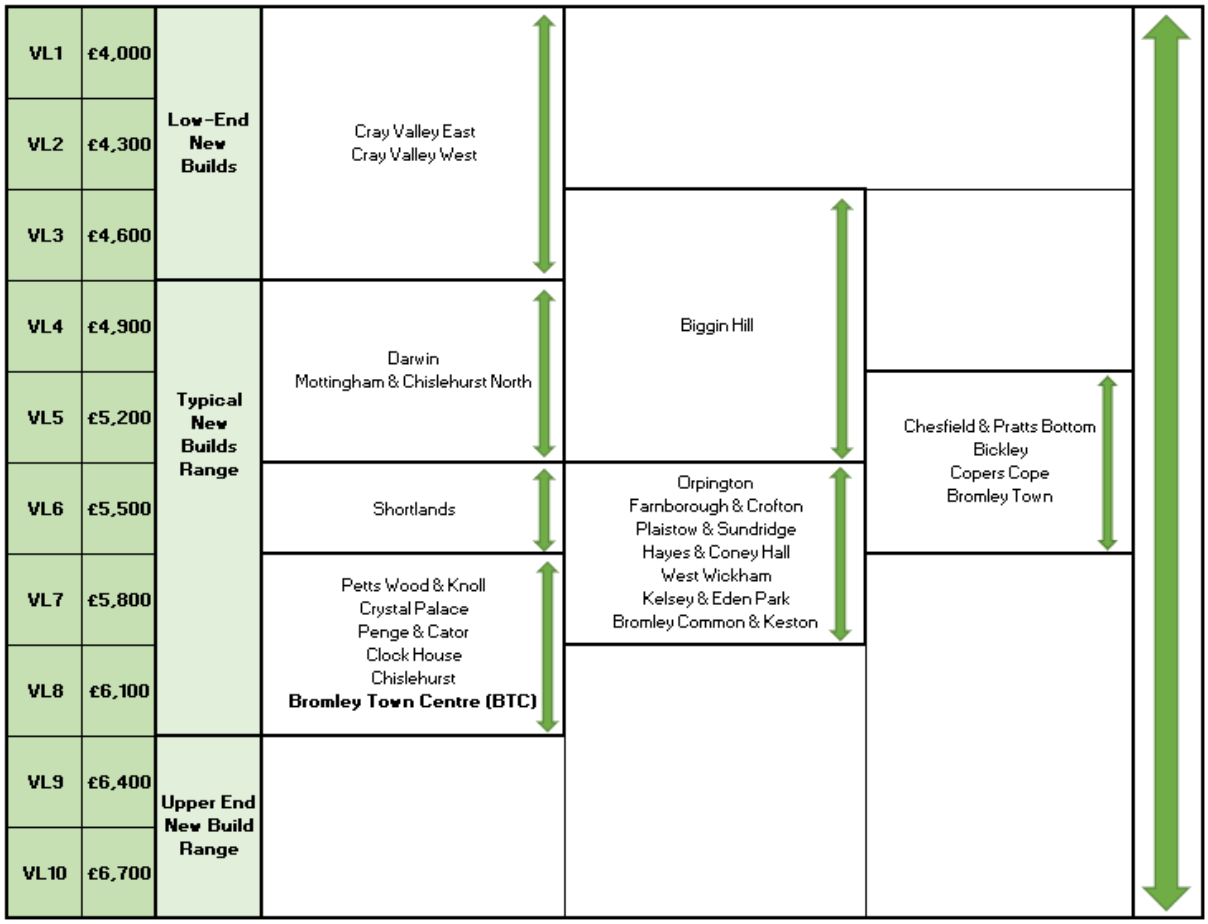
1.4.24 The assumed property Value Level (VL) scale used in the updated testing has been applied to each scenario and increases from VL1 (lowest) to VL10 (highest) reflecting an overall range of £4,000 to £6,700/m^2, representative of varying new-build sale prices likely to be seen by varying location in the borough. Overall, we consider the key new build property values – i.e. the most relevant range to housing delivery overall here – to be £4,900/m^2 to £6,100/m^2, which are represented by VL4 to VL8.

1.4.25 Given the passing of time since the research undertaken to inform the earlier study, these VLs have been informed by an updated extensive property market research exercise across the borough. Building on the 2016 research basis, this used resources such as Land Registry Sold Prices and index trends together with the use of on-line property search engines such as Rightmove and Zoopla. This data collection phase considered both re-sale and new build property, collected by ward areas within the borough, which we considered to be the most appropriate and reflective framework for this extensive data collection and subsequent analysis to inform assumptions. This review method enabled us to view how the value patterns and levels observed at this update stage overlay with the areas in which the most significant new housing provision is expected to come forward.

1.4.26 Overall, this research indicated some significant variations in values when considering the whole picture – a common finding within many local authority areas, in our extensive experience of such studies, whereby different values are often seen even at opposing sides or ends of roads, within neighborhoods and even within individual developments dependent on design, orientation etc. Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any particular variations between localities (e.g. wards or other geographical areas) in a broader overview sense, including where significant development may be occurring and particularly over the likely lifetime of this first proposed LB Bromley CIL charging schedule (again, regarding relevance to the related Plan delivery viewed overall).

1.4.27 The table below provides an indicative guide to the relevance of the range of the VLs to locations within the (based on ward areas).

Figure 2: Indicative relevance of VLs to locations by ward area



(DSP: 2019)

1.4.28 On review of the Council's adopted Local Plan and accompanying information base, we understand the majority of housing delivery, in terms of quantum of new dwellings planned, is expected to take place in Bromley Town ward; including a significant quantum set to be within Bromley Town Centre. This is followed in significance for the planned growth overall by Crystal Palace, Cray Valley West and Orpington wards and then subsequently Copers Cope, Kelsey and Eden Park and Farnborough and Crofton wards. As described at 1.3.12, the adopted plan designates these as key areas for growth over the plan period with particular emphasis on Bromley town centre and Crystal Palace. Analysis from our research indicates that within most of these key ward areas, the likely relevant sales values available to support viability range from VL6 £5,500/m^2 to VL8 £6,100/m^2 i.e. the mid to upper end of our suggested typical new build property values range, with the exception of Cray Valley and Biggin Hill which indicate typically lower values beneath the above range – more likely at or around VL3/4. Our VLS range and appraisals are set up and reviewed accordingly, so that we

can see how the outcomes for the typical / most relevant areas of the VLs range look within the overall results sets, and how variation either way affects outcomes (sensitivity to changing gross development value - GDV (as represented by the VLS range)).

1.4.29 Although Bromley Town ward broadly supports values consistent with this range, we can see there are also indications of some higher values in Bromley Town Centre - at the upper end of or above this range (indicated by values up to VL7/8+) but with the whole of this range being relevant overall in terms of supply and delivery. As a general overview, we consider higher values (represented by VL6-8) to be achievable across most of the western and central parts of the borough, including most of the less developed (non-urban) areas. Typically, lower values for this expensive borough (i.e. on a relative basis) are generally clearly seen in parts of the far north, north-east (Cray Valley and Orpington areas) and in the south west (Biggin Hill). This broadly corresponds with the value patterns observed and discussed as part of the 2016 completed study, indicating that although house prices have moved on from the previously assumed levels, the overall patterns and relativities found then remain relevant now across most of the picture.

1.4.30 As outlined above, we understand the majority of housing coming forward over the adopted plan period is predominantly on PDL and occurring in Bromley Town ward, Crystal Palace, Cray Valley West and Orpington. The nature and type of housing development planned for in Bromley town centre (i.e. predominantly high density flats) in particular may need closer consideration around whether potential CIL differentiation is necessary or appropriate, and this may also extend to LBB's review of whether similar should also be considered for other borough centre locations. This relates to the typically higher existing use values that are likely to be reflected in the viability of some of the sites, as well as development costs that can be reasonably expected to be relatively high. However, in our view, the need or otherwise for any differential within the overall CIL set up will be significantly influenced by the level at which a headline rate or rates are placed. We consider that if a single rate approach is not set too high and allows for varying viability by being set comfortably within the potential scope, then this may be equally responsive and no less appropriate to a differential rate(s) approach – with high sales values available to support development across the borough. This may be viewed alternatively as not differentiating upwards for some circumstances, rather than needing to differentiate downwards for some. As

noted above in the London Plan context too for example (on car parking or other matters), not all potential influences playing into the Council's judgments around the balance to be struck for the local circumstances will necessarily be negative either.

1.4.31 The following sections outline the key areas of the testing approach and assumptions, carried out across the range of value levels (VLs) and trial CIL rates tests as noted above.

Gross Development Value – Commercial / Non-residential

1.4.32 The value (GDV) generated by a commercial or other non-residential scheme can vary greatly by specific type of development and location. As with the residential scenarios tested, a range of assumptions need to be made with regard to the rental values and yields driving the level of completed scheme values that are used with the various development costs applied within each commercial scheme appraisal – applying the same methodology described previously.

1.4.33 Broadly, the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs – again building on those described as part of the 2016 study assumptions. Data on yields and rental values (as far as possible) was from a range of sources including the VOA, Co-Star and a range of development industry publications, features and websites. Again, Appendix III sets out more detailed information.

1.4.34 The assumptions also within Appendix I (set out after the residential assumptions) include the assumed rental values for each development typology, re-tested at three levels representative of low (L), medium / mid (M) and high (H) new build values in the borough, enabling us to also assess the sensitivity of the viability findings to varying levels of value again. In addition to the assumed rental values, Appendix I also sets out associated yield % (tested across a range again) and development costs assumptions.

1.4.35 Consideration of the representations received by the Council following the PDCS consultation resulted in the inclusion of additional scenarios reviewed alongside the commercial / non-residential development typologies as follows:

- Student Accommodation - 100% cluster and studio product typologies;

- Co-Living, following a similar model to student accommodation – including enhanced communal space and additional facilities

1.4.36 As with other study elements, the particular assumptions used will not necessarily match scheme specifics and therefore we need to look instead at whether / how frequently local scenarios are likely to fall within the potentially viable areas of the results.

Affordable Housing (AH)

1.4.37 To recap, we have applied the current affordable housing policy as set out in Policy 2 of Bromley's adopted Local Plan – i.e. at 0% AH on sites of 1-10 and 35% on sites of 11+ dwellings, or where the residential floor space is more than 1000 sq. m. As above, the effect of the AH policy is expected to be at 10+ dwellings, given the NPPF and London Plan positions.

1.4.38 The assumptions have been set and appraisals carried out based on the adopted policy set informed by the latest SHMA – the same evidence base considered as part of the wider 2016 completed Local Plan & CIL viability study. On this basis, our appraisals assume a tenure mix of 60:40 in favour of affordable rent over intermediate tenure (assumed in the form of shared ownership). In addition, the new NPPF (as updated 2018 - para. 64) requires at least 10% of new homes to be provided as 'affordable home ownership' (AHO) products as part of the overall affordable housing contribution from the site on all major developments (i.e. 10+) and by virtue of the AH tenure mix approach taken, this has been included within the overall dwelling mix proportions as part of the appraisal testing, although necessarily on a "best fit" type basis along with the other ingredients of the assumed dwelling mixes. At the time of writing the Government has proposed a 'First Homes' (first time buyers) initiative/targeted tenure form, the details of which are unknown. Assuming this relates to a discounted market sale route or similar, then we consider that can reasonably expect this not to have a negative impact on viability relative to the existing understanding of 'affordable housing' secured through s.106 planning agreements.

1.4.39 As above, we have therefore tested the adopted AH requirements of 0% and 35% dependent on relationship with the 10 dwellings threshold and bearing in mind that the CIL will take effect on all new dwellings from 1+ (except in the case of exemption

self-builds). It is important to note that outside the operation of the market itself, affordable housing is amongst the largest influences on development viability and its inclusion has a significantly greater impact than a CIL. This is because affordable homes cost broadly the same as market homes to build but provide development revenue at around half of the market sales values overall, when the mix of tenure including affordable rented is taken into account.

1.4.40 At this update point, we have also considered at a high-level the likely viability of build to rent (BTR) schemes in the borough, an emerging sector, and now include our findings on those (for the purposes of the Council considering the potential CIL charging scope only).

Development Costs – s.106 alongside CIL trials

1.4.41 A range of CIL trial charging rates has been tested incrementally from £0 to £300/m^2, i.e. extending the range of testing carried out for the 2016 assessment. These results are displayed at £25/m^2 intervals within Appendix IIa, although the full appraisal testing has been carried out using finer-grained CIL trial intervals of £5/m^2. While the information can be made available to the Council as required, the inclusion of full results sets at all of these £5/m^2 step levels would prove too unwieldly for display. From experience, with tests to £300/m^2 this range goes beyond the scope we expect to find suitable for workable charging rates in LBB's case, but this will provide full context for considering results in more depth in due course and it means that we can take a "buffered" view as noted above because the testing goes well beyond (indicatively by 2 to 3 times) the likely charge setting range once the MCIL2 is also considered (at an assumed fixed cost of £60/m^2 within all appraisals). This approach leads to rates well within the margins of viability. The overall effective CIL charge in the borough would become the sum of these – MCIL2 plus LBB tested rate and therefore the LBB CIL needs to be set within this wider context.

1.4.42 As per the 2016 study, even with a local CIL in place, there would usually remain a requirement for developments to provide some site-specific mitigation measures (for example relating to open space, specific highways work and potentially other requirements). However, care needs to be taken not to add costs assumptions to the degree that those might overlap between the s.106 contingency and what is to be provided for via CIL. The testing of CIL viability is a broad exercise and there is no

requirement to gauge site-specific costs that will be at a level particular to each planning proposal.

1.4.43 Allied to the above, as of September 2019, with the removal of pooling restrictions on s106 agreements, it will also be important to keep in mind the greater flexibility of s.106 (as appropriate) balanced with CIL. This will help to ensure that the Council maximises the level of funding for essential infrastructure across the Borough.

1.4.44 As set out in Appendix I (not repeated in detail here), within all appraisals, and so allowed for alongside the LBB CIL trial rates testing and MCIL2, a site-specific s.106 contingency at £3,000/dwelling (all dwellings) has been included. Following discussion with the Council and review of relevant monitoring information, we consider this level of s.106 contingency (assumed originally) remains appropriate as part of a prudent approach.

1.4.45 As this study relates to CIL viability (building on previous work completed in 2016) rather than any wider policy testing, we have considered our findings discussed below in this context, although also with reference to the representations made through the PDCS consultation responses and following discussions with the Council.

Indicative land value comparisons and related discussion

1.4.46 Land value in any given situation should primarily reflect the specifics on existing use, with any alternative use, wider planning potential and status / risk, development potential (usually subject to planning) potentially being further considerations subject to careful treatment re their applicability. Any constraints, site conditions and necessary works, costs and obligations relating to the ability to progress development may also be relevant. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value, as has been recognised by Local Plan and CIL Examiners as well as Planning Inspectors. The actual comparability of any other examples used will be important to consider – ensuring a like-for-like comparison basis.

1.4.47 As set out in the methodology section, in order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against a competitive level of land value. This enables

reviewing the strength of results as those change across the range Value Levels, AH policy targets (%s) and trial CIL rates.

1.4.48 This comparison process is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, values associated with land will, in practice, vary from scheme to scheme.

1.4.49 The levels of land values selected for this context are known as 'benchmark land values' (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results enabling efficient review. BLVs help to highlight the changing strength of relationship between the values (GDVs) and development costs as the appraisal inputs (assumptions) change.

1.4.50 Our practice is to compare the wide scope of appraisal RLV results with a range of potential BLVs used as 'Viability Tests' based on the principles of 'existing use value plus' (EUV+). This allows us to consider a wide range of potential scenarios and outcomes, and the viability trends across those. The coloured shading within the Appendix II results tables provides a graded effect intended only to show the general tone of results through the range clearly viable (most positive – green coloured) to likely non-viability (least positive, RLVs showing a deficit against the BLVs).

1.4.51 The land value comparison levels are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.

1.4.52 As noted above, the recently updated PPG on viability is now very clear that BLVs should be based on the principle of existing use value (EUV) plus a premium to incentivise the release of a site for development (i.e. EUV+). In adjusting EUVs to inform suitable BLVs representing previously developed land (PDL i.e. brownfield land) assumed as in commercial uses (e.g. redundant office uses) we have applied a 20% uplift (plus factor) which is suitable from experience and does not usually need to be exceeded – is most often agreed as suitable in our experience in site-specific viability discussions. This is considered a reasonable view with in the general overall range 10-

30%, although we would also note that some circumstances may warrant little or no premium – for example where there is no ready market for an existing use.

1.4.53 Whilst the 2016 study BLV assumptions remain key in informing the BLVs for use here, (particularly as they have been accepted in connection with the Local Plan EIP) we have also reviewed other appropriately available evidence, including other previous viability studies (as well as those conducted for neighboring/nearby Authorities), considered site-specific viability assessments in the background to this and have had regard to the published Government sources on land values for policy appraisals [16]. The Government's data provides industrial, office, residential and agricultural land value estimates for many regions including for the borough of Bromley as well as the Greater London area.

1.4.54 The MHCLG residential land value estimates in particular require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used for the residential land value estimate. This (and other) viability assessments, assume all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher, "serviced" i.e. "ready to develop" level of land value. The MHCLG truncated valuation model provides a much higher level of land value as it assumes all land and planning related costs are discharged, assumes that there is a nil affordable housing requirement (whereas in practice the Affordable Housing requirement can impact land value by around 50% on a 0.5 ha site with 35% AH) with no CIL or other planning obligations allowance. That level of land value would also assume that full planning consent is in place, whereas the risk associated with obtaining planning consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point. Lower quartile build costs and a 17% developer's profit (compared to the assumed median build costs and 20% developer's profit used in this study) are additional assumptions that lead to a view of land value well above that used for comparison (benchmark purposes) in viability assessments such as this. So, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of those factors.

[16] MHCLG: Land value estimates for policy appraisal 2017 (May 2018 report issue)

1.4.55 As set out in Appendix IIa, IIb and IIc (residential and commercial results), we have made indicative comparisons at land value levels in a range between £750,000/ha and £10,000,000/ha so that we can view where the RLVs fall in relation to these levels and the overall range between them. The 2016 viability study assumed £5m/ha as the upper BLV test level, however as above, for this updated study we have assumed a higher BLV to further reflect the previously possibility that higher EUVs could well be relevant based on a range of existing uses including existing secondary office space which we consider to be particularly relevant to the Bromley Town Centre (BTC) area. Typically, at the lower end of the BLVs used as viability tests we would expect to apply an EUV+ based on a land value benchmark at approximately £250,000/ha for greenfield land release, based on a ten times (10x) uplift factor (the 'plus' element) from the EUV of agricultural land. However, taking into account the likely limited relevance of this to the LBB context at this stage, we have continued to use for the review purpose a lower end viability test at £750,000/ha for current purposes, as above.

1.4.56 Although the adopted range of BLVs noted here broadly maintains the approach taken as part of the 2016 study, we consider that our review of available information as noted above, continues to support this approach. The BLVs assumed as part of the 2016 study have been examined and the Plan subsequently found sound. This provides an endorsement of the previous assessment approach, as part of the appropriate available evidence for this finalising stage.

1.4.57 It has been noted that BLVs above the upper end of the previous range are also likely to be relevant in the case of some central urban area sites (principally Bromley town centre) with significant existing use values and subject to high density development proposals and, as can be seen from the results (to be discussed in following report section 2), some scenarios will indeed underpin any higher land value expectations at a site-specific level; and particularly with higher property sales values towards our upper VLs likely to be available. The attributing of site values based on EUV+ is likely to be a specific part of any planning application stage viability assessments that are considered necessary and are robustly justified for such scenarios – particularly perhaps as larger, more complex schemes in such locations come forward.

1.4.58 Within the overall range (noted above), we consider it likely that with an emphasis on PDL development in the borough covering a range of existing / former commercial uses, most scenarios are likely to need to reach around £1.5m+/ha and we suggest that they would be associated with more confidence in delivery at above rather than below that approximate level. Beyond approximately £3.5m/ha, we consider that sites with existing / former residential use as well as in higher value commercial uses will be more likely to come forward. Nevertheless, as we note here, some higher and significantly higher still site values are likely to be encountered.

1.4.59 Following review of the Council's planned site supply over the lifetime of this prospective CIL charging schedule, we understand the majority of the sites coming forward are PDL (previously developed land i.e. brownfield). For wider information therefore, in the event of amenity/greenfield/community or other land in lower value uses being considered (for instance any instances urban fringe or "urban greenfield" sites e.g. under-used playing fields, allotments, amenity land, low-grade commercial or business sites in non-urban areas or similar), for the review purpose we have continued to use a lower benchmark of £750,000/ha. This in our view is a minimum land value likely to incentivise release for development under most circumstances in the local context, but where RLVs meet or beat such levels then clearly, they are going to indicate stronger viability if based on land in lower value uses e.g. paddock or other amenity land, low value former commercial land, community land uses or similar.

1.4.60 Once again, it is important to note that all RLV results indicate the receipts available to landowners after allowing, within the appraisal modelling, for all development costs. This is to ensure no potential overlapping / double counting of development costs that might flow from assuming land values at levels associated with serviced / ready for development land with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a "raw material" view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

1.4.61 Matters such as realistic site selection for the particular proposals, allied to realistic landowner expectations on site value, will continue to be vitally important. Site value needs to be proportionate to realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

1.4.62 The PPG[17] states the following:

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

Benchmark land value should:

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

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the

[17] https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment Paragraph: 014 Reference ID: 10-014-20190509 Revision date: 09 05 2019

relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'

2. Results and Findings - Overview

2.1 Introduction to results tables – Appendix IIa (Residential)

2.1.1 The tables (1a to 1s) at Appendix IIa set out the further results by increasing development size (number of dwellings within an assumed scenario) from 1 to 800 for this assessment, with an expanded emphasis on higher density flatted development (including consideration of Built to Rent).

2.1.2 For each scenario, the results based on the CIL trial rate tests from £0 to £300/m^2 are set out at 0% and 35% AH (assuming the 35% affordable homes with 60% AR / 40% SO at 10+ dwellings) - all reflecting LBB requirements.

2.1.3 Having selected the typologies with reference to the nature and range of development considered relevant in the borough, as above, this testing approach also enables us to consider development consisting of houses only, apartments (flats) only (including specialist developments for older persons at typical development sizes) and mixed types (apartments and houses).

2.1.4 Run in this way, this enables the review to consider scheme type (influencing matters such as costs, values and densities), scale of development, likely most relevant site type or range of potential site types, reflection of the affordable housing policy threshold and other characteristics. For ease of reference again, the site typologies appraised (with respective results referred to in the Appendix IIa tables) are as follows:

Scheme Typology Size Appraised (& Appendix II a table ref.)	Type	Site type
1 (Table 1 a)	House	PDL (suburban)
5 (Table 1b)	Houses	PDL/GF (suburban)
5 (Table 1c)	Flats	PDL (suburban)
10 (Table 1d)	Houses	PDL/GF (suburban)
10 (Table 1e)	Flats	PDL (suburban)
15 (Table 1f)	Houses	PDL (suburban)
15 (Table 1g)	Flats	PDL (urban)
30 (Table 1h)	Houses	PDL (suburban)
30 (Table 1i)	Flats	PDL (urban)
30 (Table 1j)	Flats (Retirement/Sheltered)	PDL (urban)
50 (Table 1k)	Flats	PDL (urban)
50 (Table 1l)	Mixed	PDL (urban)
60 (Table 1m	Flats (Extra Care)	PDL (urban)
80 (Table 1n)	Flats	PDL (urban)
100 (Table 1o)	Mixed	Potential Greenfield / PDL (suburban)
120 (Table 1p)	Flats	PDL (urban)
200 (Table 1q)	Flats	PDL (urban)
500 (Table 1r)	Flats	PDL (urban)
800 (Table 1s)	Flats	PDL (urban)

2.1.5 To recap, within each test set we have also appraised the sensitivities of the results to the assumed sales values varying by value level (VL), meaning the assumed range of new-build sales values across which all tests have been run. The series of VLs covers the range of new-build housing sales values expected to be seen overall across the borough, including in the event of those moving upwards or downwards from typical current levels in the various localities. Indications of how these VLs align to localities are discussed above. The key is to consider the VLs representative of values that are considered most likely to support the main supply of new-build housing, in terms of site types and locations, which overall within the LBB context covers VL6 to VL8 at £5,500/m^2 to £6,100/m^2. Consistent with the previous findings, potentially some CIL differentiation could be considered – as noted above re Bromley town and possibly other borough centres (more on this below).

2.1.6 Matters such as realistic site selection for the particular proposals, allied to realistic landowner expectations on site value, will continue to be vitally important. Moving away from a more open-ended and potentially “hope value” influenced ‘market value’ led approach, as is appropriate, site value needs to be proportionate to the realistic

development scope and reflect site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved bearing in mind the land value uplift that will generally be created.

2.1.7 In reviewing the outcomes, we also keep an eye on the £sum RLVs and not just the RLVs expressed in £/ha terms. This can be especially relevant to smaller PDL and town centre / higher density sites, where meeting the same or similar £/ha rates might not provide a realistic picture and, for example, the prospect of being able to buy an existing or former commercial use, or perhaps in some cases existing residential property, also needs to be kept in mind.

2.2 Results Analysis / Findings Overview

2.2.1 We will provide an overview of the potential CIL charging scope as updated from this review, and importantly consider whether in our view the Council's PDCS positions remain appropriate in relation to the current context of the now adopted Local Plan, national policy backdrop and updated local market circumstances. Although this review is a revisit / update, it was considered informative to include relatively comprehensive commentary around example scenarios and outcomes/sensitivities, following the analysis of the full set of new results and leading to these being able to be compared with previous.

2.2.2 In considering the results we have assumed a "buffer" factor on the basis of charging rates being brought back to about 50% (i.e. half) of their theoretical potential level. This is adopted from experience. There is no prescribed level or guidance as to the approach on this. Accordingly, it is not a fixed rule and does not operate as a cut-off, but as our selected guide only to further help ensure that the LBB CIL charging is not set at a rate or rates potentially relying on the margins of viability. Inevitably on settling the proposals some elements of the selected CIL approach will be within this guide, and others may rely on a slightly reduced but nevertheless still significant buffering factor.

Residential results (Appendix IIa)

Scenarios <10 units (1 House, 5 Houses and 5 Flats) @ 0% AH

(Tables 1a-1c)

2.2.3 Generally, the results as presented on scenarios below the national minimum AH threshold indicate a relatively positive viability picture when viewed alongside the key range of value levels (5-7) applicable to new build development coming forward in the borough. A key point to note here is that these smaller development types tend to involve higher overall build costs than larger development that will attract AH requirements under LP policy (@11+) and the assumptions set out in Appendix I reflect this.

2.2.4 We expect a scheme of **1 house** is likely to come forward very often as a self-build (CIL exempt) in some form and could be on greenfield land (e.g. garden / amenity land or similar) or perhaps on a PDL site which in Bromley's context we assume could range from a commercial existing use (e.g. car parking, yard/storage, workshop/business, retail etc.) to existing residential land; plus a premium. With this context in mind, the appraisal results indicate the scheme RLV reaches the key BLV range discussed above of £3,500,000/ha to £5,000,000/ha at approximately VL5 (£5,500/m^2) to VL7 (£5,800/m^2) when combined with a £75-£100/m^2 CIL (in addition to MCIL2) after a 50% allowance (approximate halving-back) for buffering.

2.2.5 The results for **5 houses** and **5 flats** produce broadly comparable viability prospects to the above with the resultant RLV reaching the two higher BLVs at VL5+ (£5,500/m^2) when combined with the same buffered £100/m^2 CIL rate.

2.2.6 Overall, as above, the updated results on schemes below the adopted AH threshold indicate comparable viability scope with our original 2016 report findings. On this basis, we consider that a CIL rate of £100/m^2 remains appropriately supported in viability terms by these updated appraisal results, in the relevant overview terms.

2.2.7 As a general point on sub-AH threshold scenarios, during the course of reviewing these results, we also considered whether there could be scope to recommend a differential (i.e. higher) CIL rate beneath the AH threshold (i.e. on schemes of 1-10 in the LBB context). However, the likely nature of these sites, typically coming forward with often

higher £/m^2 build costs (as appraised) and a perhaps higher level of land cost (reflected more often by the upper BLV assumptions discussed above) has the effect of pulling down the overall theoretically achievable CIL scope unless a lower BLV (than say £3.5m/ha) is relied upon (considered not consistently supportable).

2.2.8 However, for background information, with a lower land value (i.e. below £3.5m/ha) and / or higher sales values assumed, the results show theoretical scope for a higher or potentially significantly higher CIL charging rate. This suggests that amongst the options available to LBB (discussed further below), there could be an upward differential in the CIL charging rate (from a £100/sq. m base) in other circumstances – e.g. for smaller developments below the AH threshold and outside the key urban areas. This may potentially be relevant to relatively large geographical areas in the borough, although which we understand are not considered key to the LP delivery overall.

2.2.9 On balance, at this stage and given the added complexity that would be involved, we suggest that there may not be a sufficient advantage to differentiating in such a way (i.e. upwards from say £100/sq. m in some circumstances). Nevertheless, the Council will be able to consider these findings, given the nature of a CIL and in weighing up the appropriate overall balance to be struck.

Scenarios 10-100 units @ 35% AH *(Tables 1d-1o)*

2.2.10 Although the Council's adopted policy requires AH provision from 11+ units, the new London Plan will embed an approach consistent with that of the NPPF which sets the national minimum threshold based on 'major sites' i.e. at 10+ units (unless in designated rural areas). On this basis, we have tested 35% AH from 10+ dwellings.

2.2.11 When viewing the results for those scenarios based on housing only (i.e. **10 Houses, 15 Houses** and **30 Houses**), it is important to keep in mind the relevance to LP delivery overall and where the identified site supply is occurring within the borough over the lifetime of the CIL charging schedule.

2.2.12 We would typically expect these types of scenarios to come forward on PDL within the lower overall adopted BLV range of £1.5m/ha to £3.5m/ha representative of potential PDL existing use values including a level of premium to incentivise release of the land for development.

2.2.13 Overall, the results indicate RLVs exceeding the above range of PDL BLVs from VL2+ when combined with £100/m^2 CIL (buffered). As part of the consistent, wide approach to testing, scope for a higher level of CIL has also been trialed at >£100/m^2 and that appears viable in a range of circumstances for 15 and 30 houses (certainly for any greenfield development). However, in viewing the results we also need to be mindful of the wider borough characteristics including those (relatively) lower value areas which may not be able to consistently support a CIL rate above our previously recommended £100/m^2 in the event of the simple overall charging proposals not being continued. In essence the Council will again need to consider the simplicity of approach versus potential differentiation and any advantage that may bring. Ultimately, this again comes back to the Council being able to show that its proposals strike an appropriate balance between the desirability of funding infrastructure and viability. In balancing funding infrastructure and viability, the latter includes consideration of housing supply coming forward, and viability taken to the margins would be more likely to negatively impact on the supply.

2.2.14 In connection with the smaller flatted scenarios (**10 - 50 flats**), we often observe reduced viability scope on these types of development, unless relatively high sales values are available to support the typically higher development costs. This is a common theme in the assessment of development viability in our experience, i.e. found within a wide range of projects, and is seen here in the LBB context – essentially across all tested flats-based scenarios.

2.2.15 We would generally expect flatted schemes to come forward on PDL sites (unless forming part of a much larger mixed housing scheme in a less urban context- a form of development unlikely to come forward in the borough in the near future). In order to meet the lower PDL BLV range at £1.5m/ha, values need to achieve VL6 to consistently support £100/m^2 CIL after allowing for buffering. The results indicate more challenging viability prospects assuming VL1-3, even when nil CIL is applied, indicating it is not the effect of CIL causing the likely challenging viability picture here, but the overall combination of higher development costs when considered with the policy requirements as well as potentially higher existing use values.

2.2.16 Given the planning location of development coming forward over the likely lifetime of the first charging schedule, we consider values from VL6 – VL8 to be appropriately representative. As illustrated in Figure 2 above, VL6 sits in the middle of our assumed

typical new build values range and again noting the likely location of future development, we consider the strength of these results to be viable with £100/m^2 CIL.

2.2.17 However, with a town centre context in mind and therefore potentially higher existing use values, we consider a wider range of BLV of between £5-10m/ha forms an appropriate benchmark for considering viability. On this basis, the **50 Flats (3-5 storey)** scenario (as a representative scheme of development in the Bromley town centre area), is able to viably support a CIL rate of £25/m^2 at VL9 (£6,400/m^2), increasing to £100/m^2 at VL10 (£6,700/m^2).

2.2.18 Our extensive values research indicates that Bromley Town Centre can support values at the upper end of our range from VL8 to VL10 (£6,100/m^2 to £6,700/m^2). On this basis, we consider a lower CIL rate of £25 to £75/m^2 is supportable, whilst £100/m^2 CIL remains broadly supportable overall (borough-wide, on typically lower value sites).

2.2.19 With the possibility that basement parking would be the only practical option to accommodate parking on some existing PDL sites with smaller footprints, this has also been considered on an additional/sensitivity test basis. To provide surface parking on such sites would affect optimisation and the quantum of dwellings achievable, possibly to an unworkable extent. However, as noted above the draft London Plan car-free policy for higher PTAL areas potentially indicates that basement parking may not be required locally as envisaged in this test, or not regularly. This potential additional viability constraint may therefore not be considered a significant factor for the Council to weigh into its rate(s) setting judgments overall.

2.2.20 Reflecting the above, as an additional flatted scenario, we have also modelled an **80 Flats (3-5 storey)** scheme both with and without basement car parking to consider the sensitivity of outcomes to this test. A cost of £25,000 per space has been applied to all units (assuming one space per unit) but we have also applied a £15,000 per unit increase to revenue added to the market sale and shared ownership units only. We assume this type of scheme to be on a PDL site type, based on a potentially modest 100dph and likely to be coming forward in Bromley Town Centre but also the wider west ward urban areas of the borough, for example, Crystal Palace, Penge and Cator, Kelsey and Eden Park etc. – within other centres and urban areas. In these areas our extensive market research indicates sales values ranging from VL5 to VL8 at £5,200 to £6,100/m^2 are likely to be achievable, with Bromley Town Centre potentially above those levels, reaching VL8-10.

2.2.21 On this basis, the results indicate £100/m^2 CIL to be supportable (after buffering) from VL5+ before basement car parking is included and when compared with the lower to mid area of the above BLV range (£1.5m to £3.5m/ha). However, once the costs of providing basement car parking (at an indicative £25,000 per space) are factored into the appraisal test, we clearly see a more challenging viability position regardless of the level of CIL assumed (and this is before allowing for CIL applied to the basement area). To support the level of CIL noted above, values of approximately £5,500/m^2+ (VL6/7+) would need to be achieved generally in combination with the above assumed BLVs. It is clear therefore that although such a scheme can support a CIL rate of up to £100/m^2 in the wider west ward areas, once basement parking is included using the assumptions applied the same CIL level is not supportable – there is a development costs trade-off and that provision has a notable effect of pulling down the results. Conversely, if we apply the upper BLVs of £5m/ha+ potentially representative of some Bromley Town Centre sites, the scope for CIL continues to reduce.

2.2.22 This suggests that on these calculations, as an option and alternative to a single-rate approach, LBB could consider setting a differential rate for the town centre areas, particularly in Bromley Town. However, reflecting on the circumstances and unknowns, including as outlined at 2.2.19, on that route there may also be an unintended consequence of pulling-down the CIL charging scope based on potential negative factors that are uncertain or not likely to be regularly seen. There is also a good possibility that when such viability constraints do come together, they will be supported by sufficiently high sales values to overcome them, meaning that schemes will be considered sufficiently viable to proceed, with CIL then only a very small proportion of the development values or costs. A CIL charging rate of £100/sq. m would represent less than 2% GDV.

2.2.23 Therefore, in looking at this overall without over-complicating matters and also potentially under-cutting on the infrastructure side of the balance the Council could also prefer to make a judgement based on the simplicity and the resultant clarity associated with a single headline type charging rate, not set too high (and so also with no differentiated upwards for other potentially more viable circumstances).

2.2.24 In order to provide additional information for the Council in considering matters, as part of carrying out this update we therefore also reviewed the potential impact of basement parking on an 80-unit scheme as an example on overall viability. However,

we understand from the Council that the frequency of schemes relying on basement car parking occurring over the lifetime of the first charging schedule is probably going to be low. Therefore, when considered alongside the above, adopting an overall adjusted rate (a more typical differential approach to take account of a wide range of characteristics of such schemes) may be considered the most appropriate approach overall – for the Council's information.

2.2.25 We have tested two larger mixed schemes (**50 and 100 Mixed**) comprising both houses and flats. Given the fairly typical findings relating to flatted development, as may be expected for this type of development, the assumed mixture of houses and flats indicates viability at a lower level when compared with the development of houses alone, generally owing to the use of higher build cost assumptions. There is, however, some off-setting of this effect through higher density assumptions that could reasonably be expected.

2.2.26 We consider both of these schemes could come forward on either PDL or lower value sites within or adjoining the suburban areas of the borough, for example in the east and south ward areas. On this basis, we consider a typically representative BLV range to be from £750,000/ha to a maximum of £3.5m/ha. For any greenfield site types, we would expect a significantly lower level of land value (based on the existing use plus a premium) than the £750,000/ha at which the results show support strong viability outcomes - with £100/m^2 CIL being supportable from VL2+ (buffered). When viewing the results in combination with the above PDL BLV, the same level of CIL remains viable from VL5/6+, after allowing for buffering.

2.2.27 Viability scope generally continues to improve as the VL increases and therefore there is scope for the support of a greater or significantly increased level of CIL than discussed above, particularly in connection with a greenfield site type, if/where applicable. However, we need to consider the overall plan relevance and aim for a straightforward approach, as well as the varying strength of values within the LBB context, particularly in the southern and eastern borough areas of Biggin Hill, Darwin and Cray Valley wards where this type of development is more likely to come forward. With this in mind, we consider £100/m^2 CIL to be a suitably cautious and robust rate that can be confidently supported across the wider LBB context.

30 Flats – Housing for the elderly (Retirement / Sheltered) @ 35% AH *(Table 1j)*

2.2.28 The premium values usually achieved for such schemes as new-builds, together with the densities and typically somewhat reduced scope of external works, are in our experience positive viability influences in balance with the higher build costs associated with the nature of the construction e.g. enlarged communal (non-saleable) areas in comparison with general market apartments developments (usually 25%+ in comparison with the typical 15% or so communal areas allowance that we would generally expect to make for efficiently designed new builds). In our experience higher sales values than those assumed for the general assessment purpose (i.e. at the upper end of our VLs range) are likely to be more relevant for this development type than the lower to mid-range VL tests.

2.2.29 Following appropriate market values research of comparable retirement / sheltered schemes within the borough, we have assumed values from VL8 (£6,100/m^2) to VL11 (£7,000/m^2) i.e. beyond the highest VL10 test used for the general market scenarios testing. Even at the lower end of the VLs tested for this scenario (VL8), the results show likely positive viability prospects which are considered able to support £100/m^2 CIL on a range of PDL sites.

2.2.30 Therefore, consistent with our wide experience of viability, CIL rates setting and site specific viability review workload to date, we consider there would be no reason at this stage to include differentiation for this particular form of development for CIL purposes (assuming the C3 planning use class and therefore market housing development).

2.2.31 With the changing backdrop to the nature of housing needs and supply, it is now becoming increasingly relevant that other forms of specialist housing are also considered as part of the study update. We have therefore also tested an Extra Care housing scenario, using further adapted assumptions to those relevant for retirement/sheltered housing, set from experience of scheme specific reviews, which will be considered further below (a scenario of 60 extra care apartments has been appraised).

60 Flats (Extra Care) @ 35% AH *(Table 1m)*

2.2.32 Appraised over the same high values range as assumed for the retirement/sheltered housing tests, for this typology the results show lower RLVs than the former. This reflects the higher development costs, principally related to a further enlarged typical extent of communal areas construction.

2.2.33 These relativities are fairly typical in our experience, and in practice there is a spectrum of schemes types with viability generally reducing on going from a C3 residential use to a care provision led use (care home or similar development) falling clearly under use Class C2. Comparing the retirement/sheltered housing results (at Table 1j) with those at Table 1m and then those at Appendix IIc (commercial typology results) shows this trend; with the C2 development type not showing sufficient viability to support CIL.

2.2.34 However, there is clearly a significant positive viability difference between the care home typology and market sale based extra care apartments typology. Given that in practice there is very often a “grey area” in terms of how to classify extra care housing is and how it should be defined, because its characteristics can lean more towards C3 as well as towards C2, the Council may wish to consider how prevalent or central to the overall Plan delivery this type is.

2.2.35 The values achievable for developments of this type in the borough are likely to be consistently very high, and to support viable development. Within the weighing-up of the balance, therefore, the Council could consider whether the likely positive viability of schemes means that a lower effective buffer factor could be accepted to support the same charging rate as the residential headline level of approximately £100/sq. m; or whether the typically lower viability, relatively, should be reflected in a CIL rate between that and the recommended nil-rate (£0/sq. m) – see below – for care homes and similar developments.

Scenarios >100 units (120, 200, 500 and 800 Flats) @ 35% AH *(Tables 1p-1s)*

2.2.36 We have tested higher density flatted scenarios as a key typology ranging from 120 to 800 flats which we understand are planned to come forward in Bromley Town Centre but also potentially the wider west ward urban areas of the borough.

2.2.37 As described above, in these areas our extensive market research typically indicates new build sales values ranging from VL5 to VL8 at £5,200 to £6,100/m^2 are available with values in the town centre at the upper end and above that range from VL8-10. Again, the same range of BLVs are relevant.

2.2.38 For schemes of this type e.g. higher density flatted development, with the VLs and corresponding BLVs described above kept in mind, it is clear that at VL6+ a CIL rate of £75 to £100/m^2 is supportable at the lower to mid-range of BLV. Although at VL8+, representative of Bromley Town Centre (and therefore more likely incidence of higher BLVs at £5-10m/ha), the results indicate the potential that some schemes may be able to support a greater level of CIL, however there may be other elements that impact on overall scheme cost and ultimately viability scope e.g. basement car parking, enhanced communal areas, other increased development costs.

2.2.39 As in other cases, the wide-ranging results overall also indicate challenging viability prospects generally with VL3/4 even when nil or a nominal local CIL is tested indicating again that it is not the effect of CIL causing the likely challenging viability prospects here, but rather the overall challenging nature of the cost:value relationship, unless higher values are available to support viability.

Build to Rent (Appendix IIb)

2.2.40 Although understood to be a model that is not particularly prevalent in the borough, the Council requested additional information on the potential viability of built to rent (BTR) developments. Our current stage overview findings (with related assumptions) based on our experience of this model to date are included at Appendix IIb.

2.2.41 The tables there provide the results of our BTR appraisals viewed as a £/per hectare surplus/deficit once varying BLV levels have been deducted. Clearly the need to meet

a higher BLV would reduce the view of viability. The cells shaded green exceed the noted BLV while those with pink to red shading and showing negative outcomes indicate deficits.

2.2.42 These appraisals were carried out based on the affordable element of the schemes being assumed as affordable private rent (APR) set at 75% of market rent – i.e. rents within the maximum 80% market rent criteria noted within the PPG.

2.2.43 LBB's affordable housing policy basis has been applied, with the testing assuming 35% on site affordable housing (as affordable private rent (APR) tenure). This is consistent also with the Draft London Plan's approach and its 'Fast Track Route' to affordable housing provision, including on schemes that fit the definition of BTR developments. Policy H13 of the Draft London Plan (currently the July consolidated changes version – page 183 of 517 there) sets out that Plan's approach to considering BTR – see: https://www.london.gov.uk/sites/default/files/draft_london_plan_-_consolidated_changes_version_july_2019.pdf. Furthermore, the PPG content on 'Planning for build to rent' (at para 002) states: *'20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion, they should justify this using the evidence emerging from their local housing need assessment and set the policy out in their local plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.'*

2.2.44 Looking at the difference between the PDCS CIL rate (based on the 2016 viability assessment) and a test nil (£0/sq. m) CIL scenario, we can see that whilst the CIL charge has an effect, it is not amongst the most significant influences on viability in the case of BTR (as in other cases), and particularly with LBB's adopted policies applied (notably including 35% affordable housing).

2.2.45 Looking at the results generally, on the basis currently appraised i.e. applying the LBB 35% AH, overall there is unlikely to be scope to charge a similar CIL rate on BTR schemes as is proposed for charging on market-sale-led schemes having considered those on review, as above (i.e. at a headline of circa £100/sq. m). It is important to note though that this is the finding with all other LBB policies allowed for, consistent with the appraisals approach required for CIL viability. With for example a significantly

lower proportion of APR assumed (in line with the PPG, which at a 20% APR content is much closer to where the viability tends to lie for this element of a BTR scheme in our experience to date).

2.2.46 Therefore in looking at the frequency of such schemes and the level of APR that might ultimately be appropriate, potentially as part of its balance and a pragmatic approach the Council could look at a different balance between that and the supportable level of CIL (lower APR % as per PPG; more CIL that apparent at 35% APR) in any CIL the Council. The LBB applied 35% AH policy is pulling down the results included and therefore the CIL funding scope viewed here.

Commercial / non-residential results (Appendix IIc)

2.2.47 The 2016 viability assessment indicated potential CIL charging scope for the following non-residential forms of development in the Bromley context:

- Supermarket / Foodstore – up to £50-£100/m^2 CIL
- Retail Warehousing – up to £100/m^2 CIL
- Town Centre Shopping – up to £120/m^2 CIL
- Convenience Stores – up to £50/m^2 CIL

2.2.48 At PDCS consultation, the Council consulted on the following proposed CIL rates:-

- Retail Warehousing - £100/m^2 CIL
- Supermarket / Foodstore - £100/m^2 CIL
- All other forms of development - £nil CIL

2.2.49 As noted above, the same methodology and residual valuation principles apply as per the residential element of this study. Appendix IIc sets out the results accordingly by development type, varied by increasing rental value test (low, medium and high), assumed yield percentage from 5-7% (applied in capatalising the annual rental assumptions) and potential (trial) CIL rate. Alongside this, again as per earlier reporting, we are of the opinion that the key BLV range to compare the resultant RLVs is £1.5m to £3.5m/ha, representative of existing / former commercial uses of the site types likely most often to host such developments.

2.2.50 Again, Appendix III sets out the background research conducted to inform the adopted values.

2.2.51 Although the representations received following the PDCS consultation had not specifically raised concerns relating to the proposed commercial development use CIL charging rates, as part of this update study we have reviewed and updated the 2016 typologies and assumptions as follows:

- Updated all value and cost assumptions to current levels;
- Added further test typologies:
    - purpose built Student (housing) Accommodation in relation to both 'cluster' and 'studio' unit types;
    - Co-Living (housing) Accommodation, which shares many similarities with purpose-built student-accommodation (as above), including enhanced communal space and facilities;
    - Car Showrooms

2.2.52 Overall, our updated range of typologies continues to assume high quality, well-located new-build development as relevant to the adopted plan and the proposed associated CIL. Within that range of typologies, it should be noted that the yield tests shown are considered to be at the positive end of the potential range in some cases and are used so that we can see to what extent realistic assumptions support positive scheme viability and therefore any CIL scope.

Retail development

2.2.53 The results for **supermarket / foodstore** development indicate a range of RLV results from £1.2 to £4.6m/ha. After allowing for buffering, broadly we consider CIL rates of between £50 to £100/m^2 to be supportable with the upper end of that range taking a more positive outlook, assuming the 'high' rental values combined with a 5% yield. With the passing of time since the 2016 study, the increase in build costs combined with the relatively flat rental values has placed some increased pressure on viability and therefore available CIL scope.

2.2.54 It is clear that the results are highly sensitive to reducing value (i.e. capital / investment sale value) with an increasing yield % assumption as represents reduced certainty of income flow/strength of lease covenant; greater investment risk. For example, although a 6% yield assumption continues to support up to £100/m^2 CIL at the 'high'

rental value, this is reduced to nil CIL when the rental value drops to 'medium'. However, for context in considering the outcomes, the latest available edition of Knight Frank Yield Guide (May 2020) at the time of this final write-up shows foodstores to be related to the only 'stable' to 'positive' market sentiment amongst the many property investment types covered in that data. It notes yields at 4.25% to 4.75% for foodstores, so that our most positive assumption of 5% is not considered overly positive.

2.2.55 With the context of likely relatively high land values, it appears that the viability of this form of development or its ability to compete for sites, may not be quite as strong as we observed previously or have seen in some other locations. This is a relative factor however, as in lower value/less urban suitable locations site values will be lower and other uses will often be less competitive for sites. Taking this into account alongside the likely relevance of this type of development in the Bromley context, we consider our previous finding of £50-100/m^2 CIL scope remains broadly supportable overall. On this basis, our review suggests that the Council could consider progressing with the proposal as per the earlier (PDCS) consultation rate i.e. £100/sq. m – this is not considered to exceed the likely suitable parameters for this development use. However, should the Council progress to consider a differential (lower) charging rate for Bromley (or potentially other) town centres, then a similar approach could be considered for this development use too.

2.2.56 The updated **retail warehousing** results indicates a similar viability picture to that presented within the 2016 study and presents amongst the strongest viability prospects observed – assuming demand being in place to progress development. Although this may not support yields at such a positive level compared to foodstore developments, even when viewing the results with a higher yield of 6.5%, the RLVs at the medium value assumptions achieve around £5m/ha when combined with a £100/m^2 CIL rate. The above noted yield guide suggests latest figures over a range c. 6 – 8%, with these having moved out in the last year (become less positive – increasing yield %s) and the market sentiment now noted as 'negative'.

2.2.57 Overall, the results here indicate positive viability prospects for any schemes that are progressed, again with the ability to continue supporting a CIL rate of £100/m^2 (buffered). Although potentially a higher CIL rate could be supportable, it is important to keep in mind the above noted market sentiment as well as the where potential land

value expectations may lie for potentially relevant sites and locations for this type of development within the LBB context (e.g. the central to west ward areas rather than the more rural east and south wards), together with the not going to the margins of viability as per relevant principles throughout the consideration of suitable charging rates.

2.2.58 The tests representing the development of other/smaller comparison or other retail units, including potentially in a **town or local centre shopping context** (indicate apparently mixed results including again some strong RLVs but which tend to be reliant on the more positive yield tests. However, again these should be viewed in the context of variety of sites combined with potentially higher development costs. Also, for reviewing context, the above noted yield guide information shows clearly 'negative' market sentiment with yields for 'good secondary' property having moved out from around 6.5% to 8.25% + over the year to May 2020. For secondary/tertiary High Street retail, the data shows that yields have been running at around 10%, which will support significantly lower development values than our more positive tests suggest. Again, the market sentiment is shown as clearly 'negative.' Overall, for the Council's information, we consider that as per the PDCS consultation stage proposals, a suitable charging approach for any such retail development would continue to be nil-rating (@ £0/sq. m).

2.2.59 For any **town centre retail in the form of restaurant use** our assessment of the viability picture for this purpose again points to a potential range of outcomes but overall our review suggests that a similar view and treatment to that suitable for the above noted retail units in similar locations is likely to be appropriate. Again, a suitable charging approach for any such development would be nil-rating (@ £0/sq. m) in our view.

2.2.60 As above, the development of smaller **convenience store** retail units also typically shows lower viability prospects than may be associated with the larger format retail developments for foodstores and retail warehousing type use. This also is not an unusual finding in our experience and echoes our previous findings, with outcomes highly sensitivity to changes in value assumptions. It is only at the lowest yield combined with the highest rental value assumption, that there is sufficient scope for CIL at approximately £45/m^2 (buffered) when assuming a BLV of £1.5m/ha. Overall, we recommend the Council considers that this use type continues to be subject to nil CIL rating – again, as per the PDCS stage proposals.

2.2.61 Following the PDCS consultation, we have also tested a new typology, **car showrooms** development, with information provided at LBB's request and this having been considered a potentially relevant form of development in the borough context**.** Similar to the results as presented for convenience stores, based on the assumptions considered suitable this form of development indicates lower viability prospects generally with insufficient viability scope to support CIL. Although, as in the case of other development use types, there may well be circumstances where this type of development can viably come forward, we would expect the frequency of this to be limited (particularly in the near future perhaps) and to need the support of more positive assumptions – i.e. values potentially above those supported by our current market research.

B-Uses – employment - office / industrial

2.2.62 Consistent with our 2016 study, the results for both the office and industrial typologies tested indicate no clear CIL charging potential. At this time, we continue to consider that a nil-rate charge should be progressed for these uses. Although the above noted yield guide information suggests that for South East towns and business parks yields could be a positive as 5 - 6% (May 2020) since the early Spring of this year the yields are indicated to have started to move out (increase) gradually, with again the market sentiment clearly 'negative'. However, the results at Appendix IIc clearly present likely challenging viability prospects even with a lower yield of 5% (our most positive test assumption) and the higher rental value test assumptions. Although higher rents could well be seen and at the time of first setting the office rent assumptions those may have been conservative, we can see that a lot of positive movement beyond our assumptions is needed before clear consistent viability prospects would be indicated. This essentially does not move us on from our findings as presented in 2016 and is not an unusual finding in our experience, with the picture likely now to be not improving in the near future either. This means again that overall, we recommend the Council considers that this use type continues to be subject to nil CIL rating – as per the PDCS stage proposals.

Student Accommodation, Co-Living, Hotels and Residential Care (care homes)

2.2.63 The **hotel** typology (budget type) indicates likely challenging viability prospects at the lower and medium rental value assumptions, regardless of the yield applied. However, assuming the most positive combination of assumptions (e.g. high rental values, 5% yield etc.) more positive viability prospects are indicated, with some theoretical CIL scope achievable. Overall, however, in our view, with those viable indications relying on the more positive values assumptions and seen to be highly sensitive to those falling away, this development type is unlikely to support positive LBB CIL charging scope which again echoes the earlier findings and proposals – i.e. pointing towards a nil-rate charging approach as before.

2.2.64 In respect of **care / nursing homes (C2 - residential institution)** typology, assuming full care provision is on-site, our results broadly reiterate the above commentary. Essentially, to see positive viability prospects, the results would need to rely on more positive value assumptions (even above those assumed in this case) and those results are also highly sensitive to values falling away. On this basis, we consider it also unlikely that a scheme of this type will have the ability regularly to support positive CIL charging scope – findings also as previous (and as per PDCS stage nil CIL rate approach).

2.2.65 As part of this update study, we were asked to consider **purpose built students' housing accommodation** and we are aware that particularly in areas with strong demand, this type of development offers very strong investment prospects – represented by a low, positive yield assumption that mean a high capitlisation of the adopted rental assumptions. Recent evidence indicates yields ranging from 3.75% to 5.25% in prime regional areas.[18] A check back at the yield guide indicates the same as at May 2020, and reflecting this notes the market sentiment to be 'stable'; consistent with the above, one of the few categories supporting anything other than 'negative' market sentiment presently.

2.2.66 There are different forms of student housing and we have tested both a larger **'cluster' type** development and **studios-based student accommodation**. The 'cluster' type provides traditional 'Halls of Residence' style accommodation with individual study

[18] Knight Frank Yield Guide (August 2019) at the point of main study research

bedrooms arranged around a communal kitchen/lounge area. 'Studio' type accommodation provides typical studio units that could be expected to include their "own" kitchen as well as bathroom facilities.

2.2.67 The results for both types of student accommodation described above indicate a range of likely clear positive viability scenarios even at the lower rental value assumptions combined with a higher assumed yield. For example, assuming a 5.5% yield assumption at the medium rental value, the results indicate RLVs above our £5-10m/ha upper BLVs range across the range of trial CIL tests.

2.2.68 Therefore, although there is scope for potentially a greater level of CIL to be supportable, for student housing developments we consider the scope for a realistic and appropriately set rate to be higher than for other forms of development (as considered above) at this time, indicatively within the range £100 – 200/sq. m with the actual placing of that essentially a judgement (with that range it would not be incorrect or unsuitable in our view) linked to the clearly relatively high levels of viability.

2.2.69 A relatively new form of development, **co-living**, shares a range of characteristics with student accommodation as we have understood and appraised it, with added benefits often including enhanced communal areas such as workspaces, living areas, gyms and with the provided services often including concierge, cleaning, inclusive utilities costs, etc.

2.2.70 We understand that co-living could come forward as high-rise, high density development, with such characteristics similar to or even more likely than in the case of our assumed student accommodation typologies. The London Plan requires '*developments are expected to provide a contribution that is equivalent to 35 per cent of the residential units to be provided at a discount of 50 per cent of the market rent*'[19] which has been factored into our appraisal modelling.

2.2.71 Overall, the results show likely clear, positive viability scenarios, broadly similar to the potential seen in connection with student accommodation. For example, although we might expect to see some more positive yields than tested, assuming a yield of 5.5% the resultant RLVs continue to exceed the £5m/ha BLV when combined with the medium rental value assumption.

[19] New London Plan (Consultation Draft) (August 2018) – Policy H18

2.2.72 On this basis and as described above, for any co-living developments we suggest that the same overview as for purpose-built student housing accommodation is likely to be relevant for LBB to consider. So, similarly, there appears to be scope for a realistic and appropriately set rate to be higher than for other forms of development at this time, indicatively within the same range £100 – 200/sq. m subject again to reviewing this within the overall balance.

2.2.73 Only the results relating to key commercial / non-residential development tests are contained within Appendix IIc and have been discussed here. Other development uses have also been considered at a high-level based on the likely typical strength of the relationship between the involved development values and build costs. The results from this analysis provide poor viability prospects with wide-ranging insufficient viability scope to support positive CIL charging across a wider range of potential development uses.

2.2.74 Overall, it is important to note generally the wider context here in terms of the fixed requirement for the Mayoral CIL which is already having a viability impact also on those wider uses that would continue to be subject to suggested nil rating. The top-slice for MCIL2 adds to the viability pressure that may already be in place in a range of scenarios, and therefore unavoidably has the effect of reducing any available headroom available for a local CIL and as above in many cases, leads to our continued recommendations to consider a nil (£0/sq. m) LBB CIL approach as being appropriate to a range of other development types at this stage – outside the identified charging scope for residential and larger format retail (any foodstore and retail warehousing development that comes forward) together with any purpose built student housing and co-living developments.

2.2.75 DSP has some experience of working with LA clients to consider or support a nominal (low rate) CIL charging approach across some or all 'other development uses' as a departure from the direct viability evidence in this type of reporting (using for example the guidance scope for their being 'some room for pragmatism'). However, in the London Borough context with MCIL2 in place (at £60/sq. m), in our view such an approach is less likely to be appropriate here, or would need closer consideration. We have not provided further context on this, therefore, and simply raise the general point for the Council's information and further consideration if thought to be potentially

relevant within the approach to striking an appropriate balance for the local circumstances.

3. Summary of Findings

3.1 Findings – generally

3.1.1 We consider that the further review of viability provided in this assessment continues to support an approach to a suitable set LB Bromley CIL charging rates that is consistent in most respects with that informed by the previous findings as set out in our 2016 study; and as consulted on at PDCS stage. As a brief overview of the detail and the commentary above, the following are the main findings for LBB's consideration.

3.2 Summary - Residential

3.2.1 With CIL a strategic level tool and means of collecting infrastructure contributions to support new development across Bromley Borough, in support of the Local Plan, in our view on balance a straightforward approach adopted borough-wide as far as possible would be likely to serve at least as well as a more complex charging schedule with more differentials than are considered strictly necessary. The proviso to this is that a borough-wide prevailing rate type approach needs to be set at a level which will we workable across a great majority of circumstances – i.e. is not set too high. Under the CIL principles it is inevitable that some schemes may not support the charging without an adjustment in other measures, and this is acceptable. Likewise, in many cases of tight or non-viability, this is inherent in the nature of the particular scheme details and not necessarily going to be materially assisted by a reduced CIL charging rate.

3.2.2 There will always be certain site-specific circumstances with inherent viability pressure regardless of the specifics of CIL or other policy requirements. In these circumstances, a viability case could be considered at planning application stage, reflecting a continuation of current practice when considered to be absolutely necessary.

3.2.3 Drawing the above together, we consider the key rates consideration for an updated CIL charging schedule appear as follows below:

A. **Key theme - Borough-wide rate -** Bearing in mind that a higher rate or rates could also be set in some circumstances (e.g. any greenfield or other lower values sites, straightforward housing developments in higher value areas,

potentially beneath the AH policy threshold in some cases) in our view a headline borough-wide CIL charging rate for residential development would continue to be approximately £100/sq. m. This could be applied to retirement/sheltered and extra care housing schemes, which are considered will generally fall within Use Class C3 and form part of the wide spectrum of the housing market offer.

B. Potential alternative approach – e.g. Bromley Town Centre or other rate(s) differentiation – Overall, the results analysis indicates that actually a range of potential CIL rates are supportable. In reality, there is no single "right answer" or indeed a wrong approach within that range as sites and schemes will vary and only a specifically set rate per individual development would actually respond fully to the potential range of issues and outcomes. Clearly such an approach is not realistic or necessary in CIL terms, but in considering the overall balance the Council could as an alternative to key finding A above also progress a differential rates approach, potentially looking both above and (with a town centre focus) beneath the above suggested borough-wide suitable approach.

It cannot be certain, however, that compared with a rate set at a level of c. £100/sq. m, an apparently more targeted approach would actually be significantly more responsive. That might be more relevant were a suitable general rate being put forward at a much higher level, but based on the suggested approach any differential would be relatively small in monetary terms and in the context of CIL as a modest proportion of development value of cost. While any expected regular incidence of additional costs involved in basement car parking might be a factor in looking at a differential approach, the future of on-site parking requirements for all developments appears in doubt when looking at the London Plan principles, as noted above, however.

At c. £100/sq. m a CIL charge would represent a maximum of about 2.5% GDV in this borough context; more likely 1.5 to 2% GDV.

3.3 Summary - commercial and other developments

3.3.1 As is generally the case (i.e. not specific to LBB) the scope of policies relating to residential development are the key areas where an individual planning authority can

have a significant influence over matters affecting viability – directly through policy selection. Beyond more general policy enabling and development standards, the same does not apply to a significant extent in respect of all other forms of development, including for employment and commercial uses. For example, there is no relevant policy area with any impact approaching the significance of affordable housing and other matters.

3.3.2 In our experience, it is not unusual for most non-residential forms of development to generally see poor viability or at best mixed results, other than those representing certain forms of retail development – this was certainly the case in the 2016 study assessment and the same themes have come through again here, while information has been added too. Poor viability outcomes as seen through the nature of this assessment do not necessarily mean that development will not be delivered as a result of particular parties' drivers and interests, and through flexibility in development appraisal inputs and negotiations – factors that we cannot assume in prudently assessing viability for informing CIL setting.

3.3.3 With this context in mind, we are of the opinion that as per the residential findings overview, the previous themes and rates identified in 2016 remain broadly appropriate, alongside information of suitable CIL charging parameters for other development uses that have now been looked at additionally. Although the additional testing for car showrooms indicated generally poor viability prospects using the assessed assumptions, the testing for student and co-living accommodation provides positive viability scope for CIL charging, with those typologies indicated as amongst the most or the most viable prospects should they come forward in the borough. However, the relevance and likely delivery of these and other forms of development may also be relevant considerations.

3.3.4 As relates to CIL rates setting more widely it has been noted there is some room for pragmatism and for the selected approach to be informed by the evidence rather than needing to exactly mirror it, while remaining consistent with the guidance (PPG). Overviewing the above viability findings, we offer the following guides for LBB's review, which in our view set out the parameters for considering suitable charging rates for the range of commercial, non-residential and other development uses that could come forward.

3.3.5 These are considered relevant borough-wide (i.e. with differentiation based on type, through clear description in the draft charging schedule, rather than by location i.e. zone or similar):

- **Larger format retail – i.e. foodstore/supermarket and retail warehousing developments** – The updated assessment indicates that a CIL rate of £100/sq. m would remain appropriate for any developments that progress i.e. as per the earlier PDCS consultation. An alternative might be to set a lower rate applicable to all retail, but with such an approach considered less responsive to other retail development types, as below.

- **All other retail developments –** while as per the earlier viability assessment work a lower charging rate (than above) appears supportable in some other circumstances, overall our suggestion for retail other than that within the scope of A above is for LBB to consider it again for a nil-rate approach (charging at £0/sq. m). This would be relevant to the development of small convenience stores of the type that fall beneath the Sunday Trading Act threshold, comparison shops, restaurants, small shops generally and also covering town centre retail – should such schemes come forward.

- **Purpose-built student housing accommodation** (e.g. in the form of both 'cluster' and 'studio' development)**, and Co-Living developments** – the extended testing indicates strong viability and resultant scope for a suitable CIL rate for these developments being within the parameters £100 – 200/sq. m, with even the upper-end of this unlikely to go to the margins of viability so that a rate mid-range of around £150/sq. m would be well within this.

- **All other development uses** – in terms of other non-residential development uses, including offices, industrial/warehousing, car showrooms, hotels, care homes and similar (all tested) we also consider a nil rate to be appropriate at this stage.

This approach would be appropriate also to the much broader range of potential developments – for all other uses. Again, this continues to reflect our

previous findings in 2016 and is consistent with our recent and current experience of CIL viability work elsewhere. We note again that it does not mean that a range of schemes will not happen, as the consideration of viability is wider than relates to CIL and highly variable by scheme in practice, however for purposes of the appropriate available evidence on this it is not prudent and especially at this time to adopt the type of assumptions combinations that it appears would be needed to show sufficiently positive viability outcomes to support a meaningful level of CIL across the wide range of other development uses.

In looking also at wider matters to inform the necessary striking of an appropriate local balance between the desirability of funding infrastructure and the potential effects on the viability of development, LBB could consider alternatives such as a setting a low/nominal rate for other development uses rather a nil-rate, noting however that MCIL2 is already in place.

3.3.6 DSP will be pleased to assist the Council further if required – for example with any supplementary information that may be considered appropriate as the CIL proposals progress.

Notes and Limitations

1. The purpose of the assessment reported in this document is to inform and support the Council's work on further considering and progressing through further consultation the intended introduction of a Community Infrastructure Levy (CIL) Charging Schedule for the borough.

2. This report sets out options to inform the Council's consideration of potential CIL charging rates from a viability perspective whilst taking into account adopted local and national policies that may impact on development viability.

3. It provides additional and updated information building on the earlier viability assessment work completed in November 2016 by Dixon Searle partnership (DSP) - *Viability Assessment – Local Plan, AH and CIL - DSP ref. 14288* - to inform and support the Local Plan (subsequently adopted January 2019) and also inform an initial consultation stage on the Council's CIL proposals – Preliminary Draft Charging Schedule (March 2018). This has been a desk-top exercise based on information provided by London Borough of Bromley Council (LBB) supplemented with information gathered by and assumptions made by DSP appropriate to the current stage of review and to inform the Council's preparation of a CIL Charging Schedule for the borough (through a draft stage consultation).

4. This review has been carried out using well recognised residual valuation techniques by consultants highly experienced in the preparation of strategic viability assessments for local authority policy development including whole plan viability, affordable housing and CIL economic viability as well as providing site-specific viability reviews and advice. In order to carry out this type of assessment many assumptions are required alongside the consideration of a range and large quantity of information which rarely fits all eventualities.

5. It should be noted that every scheme is different, and no review of this nature can reflect the variances seen in site specific cases. Accordingly, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions. Specific assumptions and values applied for our test scenarios are unlikely to be appropriate for all developments. A degree of professional judgment is required. We are confident, however,

that our assumptions are reasonable in terms of making this viability overview and further informing and supporting the Council's approach to and proposals for a CIL.

6. Small changes in assumptions can have a significant individual or cumulative effect on the residual land value (RLV) or other surplus/deficit output generated – the indicative surpluses (or other outcomes) generated by the development appraisals for this review will not necessarily reflect site specific circumstances. Therefore, this assessment (as with similar studies of its type) is not intended to prescribe land values or other assumptions or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments with varying characteristics come forward. Nevertheless, the assumptions used within this study reflect the policy requirements and strategy of the Council as known at the time of carrying out this review and therefore take into account the cumulative cost effects of policies where those are relevant in developing a CIL Charging Schedule.

7. The research, review work and reporting for this further assessment has been assembled at a time when there remain economic uncertainties associated with Brexit. In terms of the latest context potentially having a bearing on all of this, the Global COVID-19 (Coronavirus) pandemic situation is now dominating all aspects of the news and economy.

8. This may run through into many potential areas of influence on matters affecting viability or deliverability, short term in particular. However, there could be a range of influences and effects, not necessarily all negative in their impact on viability or other matters. At the point of this assessment while there are unknowns, and potentially significantly so, it is possible to work only with the known – i.e. available information at this point in time and as continues to be reflected in the usual way through the stated established information sources. At this stage it appears that it will then be for Local Authorities and others to consider how this picture may change – monitor it as best possible and consider any necessary updating of the evidence and local response in due course.

9. This is consistent with the approach that typically is taken already when either a significant amount of time passes, or other circumstances change during the period of Plan or CIL preparation/review. In the meantime, this work contains information on the impact of varied assumptions. Additionally, in considering the assessment we have also sought to provide wide sensitivity testing to inform the Council's consideration of development viability in the wider plan delivery context.

10. This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership Ltd (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

11. To the extent that the document is based on information supplied by others, DSP accepts no liability for any loss or damage suffered by the client or others who choose to rely on it.

12. In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies will be applied at decision making stages.

13. DSP conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We are not involved in any other work within the London Brough of Bromley area at the current time, nor have we been during the course of this assessment.

14. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of incentive/performance related payment. Our project costs are simply built-up in advance, based on hourly/day rates and estimates of involved time. This is consistent with our standard approach.

Final report ends – DSP v2.4

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