Local Plan Viability Assessment

May 2022

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1. Introduction

Scope

1.1 Scarborough Borough Council (SBC, the Council) is in the process of reviewing the Local Plan to cover the period up to 2040. The new Local Plan will set out new and revised planning policies for the Borough and site allocations for a range of land uses.

1.2 HDH Planning & Development Ltd has been appointed to update the Council's viability evidence and produce this Local Plan Viability Assessment as required by the National Planning Policy Framework (NPPF) and relevant guidance. The Council is not intending to adopt a Community Infrastructure Levy (CIL) as this was investigated a number of years ago and was found to be unviable in much of the Borough.

1.3 As part of its preparation, the new Local Plan needs to be tested to ensure it remains viable and deliverable in line with tests set out in the NPPF and National Planning Practice Guidance (PPG). This includes:

- assessing the cumulative impact of the emerging policies, including affordable housing and open space requirements.
- testing the deliverability of the key development site allocations that are earmarked to come forward over the course of the Local Plan period.
- considering the ability of development to accommodate developer contributions alongside other policy requirements.

1.4 This document sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the emerging local policies, and the emerging national policies, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

1.5 A consultation process was held during November 2021. Representatives of the main developers, development site landowners, their agents, planning agents and consultants working in the area and housing associations were invited to comment on an early draft of this report.

1.6 The Ministry of Housing Communities and Local Government (MHCLG) updated the National Planning Policy Framework, (2018 NPPF), and published new Planning Practice Guidance (PPG) in July 2018. In February 2019, and then July 2021, the NPPF was further updated (2021 NPPF), although these further changes did not impact directly on viability. In May 2019, the viability sections of the PPG were updated again. The methodology used in this report is consistent with the 2021 NPPF, the CIL Regulations (as amended) and the updated PPG.

1.7 In the autumn of 2020, the Government published *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. The implications in relation to viability are set out in Chapter 2 below, but are not material to this report.

1.8 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements. It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be threatened.

Report Structure

1.9 This report follows the following format:

Chapter 2 The reasons for, and approach to viability testing, including a review of the requirements of the NPPF, the CIL Regulations, and updated PPG.

Chapter 3 The methodology used.

Chapter 4 An assessment of the housing market, including market and affordable housing, with the purpose of establishing the worth of different types of housing in different areas.

Chapter 5 An assessment of the non-residential market.

Chapter 6 An assessment of the costs of land to be used when assessing viability.

Chapter 7 The cost and general development assumptions to be used in the development appraisals.

Chapter 8 A summary of the various policy requirements and constraints that influence the type of development that come forward.

Chapter 9 A summary of the range of modelled sites used for the financial development appraisals.

Chapter 10 The results of the appraisals and consideration of residential development.

Chapter 11 The results of the appraisals and consideration of non-residential development.

Chapter 12 Conclusions in relation to the deliverability of development.

HDH Planning & Development Ltd (HDH)

1.10 HDH is a specialist planning consultancy providing evidence to support planning and housing authorities. The firm's main areas of expertise are:

a. Area wide and site-specific viability analysis.

b. Community Infrastructure Levy.

c. Housing Market Assessments.

1.11 The findings contained in this report are based upon information from various sources including that provided by the Council, upon the assumption that all relevant information has been provided. This information has not been independently verified by HDH. The conclusions and recommendations contained in this report are concerned with policy requirements, guidance and regulations which may be subject to change. They reflect a Chartered Surveyor's perspective and do not reflect or constitute legal advice.

Caveat and Material Uncertainty (COVID-19)

1.12 No part of this report constitutes a valuation, and the report should not be relied on in that regard.

1.13 The outbreak of COVID-19 was declared by the World Health Organisation as a 'Global Pandemic' in March 2020, and continues to impact several aspects of daily life and the global economy. Travel, movement, and operational restrictions have been implemented by many countries. In some cases, 'lockdowns' have been applied to varying degrees and to reflect further 'waves' of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact. The uncertainty in the wider economy as a result of COVID-19 was reinforced, with the emergence of the Omicron variant in late November 2021, which resulted in the reintroduction of some restrictions.

1.14 The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the time of this report (May 2022) property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value (although there does remain a significant delay in the publication of some transactional data[1]).

1.15 Having said this, in respect of the development sectors, we continue to be faced with an unprecedented set of circumstances caused by COVID-19. Consequently, in respect of this report, the assessment of viability is less certain so a higher degree of caution should be attached to our findings than would normally be the case.

1.16 For the avoidance of doubt this does not mean that the report cannot be relied upon. Rather, this note has been included to ensure transparency and to provide further insight as to the market context under which the report was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of keeping the findings under review as the plan-making process continues. We recommend that the Council keeps the assessment under frequent review.

Compliance

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

[1] In particular the price paid data from the Land Registry.

Planning Policy Framework 2019 for England, GUIDANCE NOTE (RICS, 1st edition, March 2021).

1.18 *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published in May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms. HDH confirms that the May 2019 Guidance is being followed.

a. HDH confirms that in preparing this report the firm has acted with objectivity, impartially and without interference and with reference to all appropriate available sources of information.

b. HDH is appointed by the Scarborough Borough Council and is following a collaborative approach involving the LPA, developers, landowners and other interested parties. A limited response was received to the consultation, however 65 people and organisations were invited, and 17 attended the presentation. HDH confirms that adequate time has been taken to allow engagement with stakeholders through this project.

c. The tender specification under which this project is undertaken is included as **Appendix 1** of this report.

d. HDH confirms it has no conflicts of interest in undertaking this project. HDH confirms that, in preparing this report, no performance-related or contingent fees have been agreed.

e. The presumption is that a viability study should be published in full. HDH has prepared this report on the assumption that it will be published in full. HDH confirms that a non-technical summary has been provided (in the form of Chapter 12 that is written to be read on a stand-alone basis). Viability in the plan-making process is a technical exercise that is undertaken specifically to demonstrate compliance (or otherwise) with the NPPF and PPG. It is recommended that this report only be published and read in full.

f. This assessment incudes appropriate sensitivity testing in Chapter 10. This includes the effect of different tenures, different affordable housing requirements against different levels of developer contributions, and the impact of price and cost change.

g. The Guidance includes a requirement that, '*all contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, must comply with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm*'. Much of the information that informed this Viability Assessment was provided by the Council. This information was not provided in a subcontractor role and, in accordance with HDH's instructions, this information has not been challenged nor independently verified.

Metric or Imperial

1.19 The property industry uses both imperial and metric data – often working out costings in metric (£/m^2) and values in imperial (£/acre and £/sqft). This is confusing so metric measurements are used throughout this report. The following conversion rates may assist readers.

1m	=	3.28ft (3' and 3.37")	1ft	=	0.30m
1m^2	=	10.76 sqft	1sqft	=	0.0929m^2
1ha	=	2.471acres	1acre	=	0.405ha

1.20 A useful broad rule of thumb to convert m^2 to sqft is simply to add a final zero.

2. Viability Testing

2.1 Viability testing is an important part of the planning process. The requirement to assess viability forms part of the National Planning Policy Framework (NPPF) and is a requirement of the Community Infrastructure Levy (CIL) Regulations. In each case the requirement is slightly different, but they have much in common.

2.2 Over several years in the run up to this report, various changes have been made to the plan-making process. These have included references to, and sections on, viability. The NPPF and Planning Practice Guidance (PPG) were updated in July 2018 replacing the earlier documents. The NPPF was further updated in February 2019 and again in July 2021, although the changes in these more recent iterations do not directly impact on the requirements to consider viability.

National Planning Policy Framework

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

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

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

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

2.5 The Council will need to continue to engage with the promoters of the potential strategic sites and service and infrastructure providers.

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

Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

2021 NPPF Paragraph 58

2.7 Consideration has been made to the updated PPG (see below). This Viability Assessment will become the reference point for viability assessments submitted through the development management process in the future.

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

***Deliverable**: To be considered deliverable, sites for housing should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years. In particular:*

a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).

b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.

2021 NPPF Glossary

2.9 Under the heading *Identifying land for homes*, the importance of viability is highlighted:

Strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability. Planning policies should identify a supply of:

a) specific, deliverable sites for years one to five of the plan period[32]; and

b) specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.

2021 NPPF Paragraph 68

2.10 Under the heading *Making effective use of land*, viability forms part of ensuring land is suitable for development:

Local planning authorities, and other plan-making bodies, should take a proactive role in identifying and helping to bring forward land that may be suitable for meeting development needs, including suitable sites on brownfield registers or held in public ownership, using the full range of powers available to them. This should include identifying opportunities to facilitate land assembly, supported where necessary by compulsory purchase powers, where this can help

> *to bring more land forward for meeting development needs and/or secure better development outcomes.*
>
> *2021 NPPF Paragraph 121*

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

Planning Practice Guidance

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

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

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

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

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

2.15 The core requirement to consider viability links to paragraph 58 of the 2021 NPPF:

> *Plans 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 planning obligations. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and the total cumulative cost of all relevant policies will not undermine deliverability of the plan.*
>
> *PPG 23b-005-20190315*

2.16 This Viability Assessment takes a proportionate approach to considering the cumulative impact of policies and planning obligations.

2.17 The updated PPG includes 4 main sections:

Section 1 - Viability and plan making

2.18 The overall requirement is that:

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

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

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

2.20 The policies in the emerging Plan are tested individually and cumulatively, to ensure that they are set at a realistic level.

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

2.21 Consultation has formed part of this assessment.

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

2.22 A range of levels of policy requirements have been tested against a range of levels of developer contributions.

> *It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies.*
>
> *PPG 10-002-20190509*

2.23 Consultation has formed part of this assessment. The Council is considering several strategic sites which are tested. In due course, the Council will further engage with the promoters of the selected strategic sites, however it is important to note that these are not new sites, rather they are existing allocations carried forward from the adopted Plan, further, both are currently being considered within the development management process at the time of this report.

2.24 The modelling in this assessment is based on the sites that are being considered for allocation or are likely to come forward over the plan-period. This may be subject to further change so, in due course, it may be necessary to revisit this when the actual preferred allocations have been selected. The purpose of this Viability Assessment is to ensure the deliverability of the overall Plan.

> *Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.*
>
> *PPG 10-003-20180724*

2.25 This assessment is based on typologies[2] that have been developed by having regard to the potential development sites that are most likely to be identified through the emerging Plan. In addition, the strategic sites are modelled individually, so as to inform a decision as to whether or not they are to be retained in the Plan. In due course it may be necessary to work further with site promoters in relation to these.

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

2.26 This assessment draws on a wide range of data sources, including those collected through the development management process.

> *It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.*
>
> *PPG 10-005-20180724*

[2] The PPG provides further detail at 10-004-20190509:

> *A typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.*
>
> *In following this process plan makers can first group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan.*

2.27 The strategic sites to be retained are tested in this assessment. For the purpose of this Viability Assessment, strategic sites are those which are considered key sites on which the delivery of the Plan relies or may rely.

> *Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.*
>
> *It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.*
>
> *PPG 10-006-20190509*

2.28 Consultation has formed part of the preparation of this assessment. This assessment specifically considers the total cumulative cost of all relevant policies (local and national).

Section 2 - Viability and decision taking

2.29 It is beyond the scope of this assessment to consider viability in decision making. This assessment will form the starting point for future development management consideration of viability.

Section 3 - Standardised inputs to viability assessment

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

> *Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return. ...*
>
> *... Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.*
>
> *In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*
>
> *PPG 10-010-20180724*

2.31 This report sets out the approach, methodology and assumptions used. These have been subject to consultation and have drawn on a range of data sources. Ultimately, the Council will use this report to judge the appropriateness of the new policies in the emerging Local Plan and the deliverability of the allocations.

> *Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.*
>
> *For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.*
>
> *PPG 10-011-20180724*

2.32 The residential values have been established using data from the Land Registry and other sources. These have been averaged as suggested. Non-residential values have been derived though consideration of capitalised rents as well as sales.

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

- *build costs based on appropriate data, for example that of the Building Cost Information Service*
- *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*
- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
- *general finance costs including those incurred through loans*
- *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*
- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return*

2.34 All these costs are taken into account.

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

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

requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

PPG 10-013-20190509

2.36 The PPG goes on to set out:

Benchmark land value should:

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

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

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

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

PPG 10-014-20190509

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

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

PPG 10-015-20190509

2.38 This report has applied this methodology to establish the EUV.

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

> *Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.*
>
> *For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.*
>
> *PPG 10-018-20190509*

2.40 As set out in Chapter 7 below, this approach is followed.

Section 4 - Accountability

2.41 This section of the PPG sets out requirements on reporting. These are covered, by the Council, outside this report.

2.42 In line with paragraph 10-020-20180724 of the PPG that says that '*practitioners should ensure that the findings of a viability assessment are presented clearly. An executive summary should be used to set out key findings of a viability assessment in a clear way*'. Chapter 12 of this report is written as a standalone non-technical summary that brings the evidence together.

Community Infrastructure Levy Regulations and Guidance

2.43 The Council has not adopted CIL, and this assessment does not include consideration as to whether or not there is scope to introduce CIL. In any event, the CIL Regulations are broad, so it is necessary to have regard to them and the CIL Guidance (which is contained within the PPG) when undertaking any plan-wide viability assessment and considering the deliverability of development.

2.44 The CIL Regulations came into effect in April 2010 and have been subject to subsequent amendment[3]. From April 2015, councils were restricted in pooling S106 contributions from

[3] **SI 2010 No. 948**. The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010.* **SI 2011 No. 987**. The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2011.* **SI 2011 No. 2918**. The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011.* **SI 2012 No. 2975**. The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012.* **SI 2013 No. 982**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013.* **SI 2014 No. 385**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th February 2014, Coming into force 24th February 2014.* **S1 2015 No. 836**. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2015. *Made 20th March 2015*. **SI 2018 No. 172** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES. The Community Infrastructure Levy (Amendment) Regulations 2018. Made 8th February 2018. Coming into force in accordance with regulation 1. **SI 2019 No. 966** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND The Community Infrastructure Levy (Amendment) (England) Regulations 2019. Made - 22nd May 2019. **SI 2019 No. 1103** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) (No. 2) Regulations 2019 *Made 9th July 2019. Coming into Force 1st September 2019*. **SI 2020 No. 781** The Community

more than five developments[4] (where the obligation in the s106 agreement / undertaking is a reason for granting consent). The CIL Regulations were amended from September 2019 lifting these restrictions however payments requested under the s106 regime must still be (as set out in CIL Regulation 122):

a. necessary to make the development acceptable in planning terms;

b. directly related to the development; and

c. fairly and reasonably related in scale and kind to the development.

Wider Changes Impacting on Viability

2.45 There have been a number of changes at a national level since the Council's existing viability work. Paragraph 64 of the 2021 NPPF now sets out national thresholds for the provision of Affordable Housing:

> *Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.*

2.46 In this context, major development is as set out in the Glossary to the 2021 NPPF:

> ***Major development:** For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m2 or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.*

2.47 There are parts of the SBC area, outside the NYM National Park, that are within a Designated Rural Area (the parishes of Brompton-by-Sawdon, Cloughton, Folkton, Gristhorpe, Lebberston, Muston, Reighton and Snainton), however the Council has no current plans to introduce a lower threshold in these areas. A threshold of 10 units is assumed to apply across the Borough.

Affordable Home Ownership

2.48 The 2021 NPPF (paragraph 65) sets out a policy for a minimum of 10% affordable home ownership units on larger sites.

> *Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home*

Infrastructure Levy (Coronavirus) (Amendment) (England) Regulations 2020. *Made 21st July 2020, Coming into force 22nd July 2020*. **SI 2020 No. 1226** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND, The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2020. Made *5th November 2020. Coming into force 16th November 2020*.

[4] CIL Regulations 123(3)

> *ownership[5], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*
>
> *a) provides solely for Build to Rent homes;*
>
> *b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
>
> *c) is proposed to be developed by people who wish to build or commission their own homes; or*
>
> *d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.*
>
> *Paragraph 65, 2021 NPPF*

2.49 The flexibility around tenure split has been reduced with the Government's consultation[6] in January 2021. Amongst other things this clarified that the 10% relates to all the homes on a site.

2.50 SBC proposes not to accept the 10% affordable home ownership in all areas. The affordable housing target in Scarborough area is only 10% and the Council's position is that the delivery of 10% affordable home ownership would not meet the local need for affordable homes for rent. Similarly, in the southern villages where the current affordable housing requirement is 15%, only 33% of affordable housing would have been as affordable housing for rent. We are advised that the updated SHMA shows a significant need for affordable housing for rent (at least 52% of identified affordable need). The Council proposes to retain the tenure split as set out in the Local Plan whilst factoring in First Homes. To do so would result in affordable delivery of:

- Scarborough: 5% affordable home ownership and 5% affordable for rent
- Filey and South: 7% affordable home ownership and 8% affordable for rent
- Whitby: 15% affordable home ownership and 15% affordable for rent.

First Homes

2.51 In February 2020, the Government launched a consultation on First Homes. The outcome of this was announced in May 2021.

> *<u>What is a First Home?</u>*
>
> *First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:*
>
> *a. must be discounted by a minimum of 30% against the market value;*
>
> *b. are sold to a person or persons meeting the First Homes eligibility criteria (see below);*

[5] Footnote 29 of the 2018 NPPF clarifies as '*As part of the overall affordable housing contribution from the site*'.

[6] 29th January 2021. NPPF draft for consultation (publishing.service.gov.uk)

> c. *on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
>
> d. *after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*
>
> *First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*
>
> *PPG: 70-001-21210524*

2.52 This is assumed to apply within the mixes set out above.

Environmental Standards

2.53 Early in October 2019, the Government launched a consultation on 'The Future Homes Standard'[7]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The outcome of the consultation was announced during January 2021[8]. It is assumed that new development will be to the Future Homes Standard Option 2 (31% CO_2 saving) and is considered in Chapter 8 below.

2.54 In November 2021 the Government announced that, from 2023, all new homes would be required to include an Electric Vehicle Charging Point.

Biodiversity

2.55 The Environment Act received Royal Assent in November 2021 and mandates that new developments must deliver an overall increase in biodiversity. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

2.56 Green improvements on-site are preferred (and expected), but in the circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere. This requirement is considered in Chapter 8 below.

White Paper: Planning for the Future (MHCLG, August 2020)

2.57 The Government has consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. In terms of viability, the two key paragraphs are:

> ***Assessments of housing need, viability and environmental impacts are too complex and opaque****: Land supply decisions are based on projections of household and business 'need'*

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[7] https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

[8] The Future Buildings Standard - GOV.UK (www.gov.uk)

> *typically over 15- or 20-year periods. These figures are highly contested and do not provide a clear basis for the scale of development to be planned for. Assessments of environmental impacts and viability add complexity and bureaucracy but do not necessarily lead to environ improvements nor ensure sites are brought forward and delivered;*
>
> ***Local Plans should be subject to a single statutory "sustainable development" test**, and unnecessary assessments and requirements that cause delay and challenge in the current system should be abolished. This would mean replacing the existing tests of soundness, updating requirements for assessments (including on the environment and viability) and abolishing the Duty to Cooperate.*

2.58 Pillar Three of the White Paper then goes on to set out options around the requirements for infrastructure and how these may be funded. The key proposals are:

> *Proposal 19: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.*
>
> *Proposal 21: The reformed Infrastructure Levy should deliver affordable housing provision*

2.59 The above suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted so, at the time of this report (May 2022) a viability assessment is a requirement.

NPPF and National Model Design Code: consultation proposals

2.60 The Government announced a further consultation on the 31st January 2021, under the title *National Planning Policy Framework and National Model Design Code: consultation proposals*[9]. The 2021 NPPF took this forward, saying:

> *128. To provide maximum clarity about design expectations at an early stage, all local planning authorities should prepare design guides or codes consistent with the principles set out in the National Design Guide and National Model Design Code, and which reflect local character and design preferences. Design guides and codes provide a local framework for creating beautiful and distinctive places with a consistent and high quality standard of design. Their geographic coverage, level of detail and degree of prescription should be tailored to the circumstances and scale of change in each place, and should allow a suitable degree of variety.*
>
> *129. Design guides and codes can be prepared at an area-wide, neighbourhood or site-specific scale, and to carry weight in decision-making should be produced either as part of a plan or as supplementary planning documents. Landowners and developers may contribute to these exercises, but may also choose to prepare design codes in support of a planning application for sites they wish to develop. Whoever prepares them, all guides and codes should be based on effective community engagement and reflect local aspirations for the development of their area, taking into account the guidance contained in the National Design Guide and the National Model Design Code. These national documents should be used to guide decisions on applications in the absence of locally produced design guides or design codes.*

2.61 The National Design Code does not add to the cost of development. Rather it sets out good practice in a consistent format, providing a checklist of design principles to consider for new

[9] National Planning Policy Framework and National Model Design Code: consultation proposals - GOV.UK (www.gov.uk)

schemes, including street character, building type and requirements addressing wellbeing and environmental impact. Local authorities can use the code to form their own local design codes.

Queen's Speech 2021 and 2022

2.62 A range of planning reforms were outlined in the papers supporting the 2021 Queen's Speech. For the purpose of this assessment, the key points are as follows:

> *Planning Bill "Laws to modernise the planning system, so that more homes can be built, will be brought forward…"*
>
> *The purpose of the Bill is to:*
>
> - *Create a simpler, faster and more modern planning system to replace the current one ...*
> - *Help deliver vital infrastructure whilst helping to protect and enhance the environment by introducing quicker, simpler frameworks for funding infrastructure and assessing environmental impacts and opportunities.*
>
> *The main benefits of the Bill would be:*
>
> - *Simpler, faster procedures for producing local development plans, approving major schemes, assessing environmental impacts and negotiating affordable housing and infrastructure contributions from development. ...*
>
> *The main elements of the Bill are: ... Replacing the existing systems for funding affordable housing and infrastructure from development with a new more predictable and more transparent levy.*

2.63 In the late summer of 2021, as part of the Government reshuffle, The Ministry of Housing Communities and Local Government has been renamed as the Department for Levelling Up, Housing and Communities (DLUHC). Various ministers have commented about revisiting some of the subjects that had been consulted on, however, beyond statements that Housebuilding remains a priority, no further detail have been released. The Council will need to keep this under review.

2.64 The Government's further thinking was set out in the 2022 Queen's Speech which included the following:

> *"A bill will be brought forward to drive local growth, empowering local leaders to regenerate their areas, and ensuring everyone can share in the United Kingdom's success. The planning system will be reformed to give residents more involvement in local development."*
>
> *The main benefits of the Bill would be:*
>
> - *Laying the foundations for all of England to have the opportunity to benefit from a devolution deal by 2030 – giving local leaders the powers they need to drive real improvement in their communities.*
> - *Improving outcomes for our natural environment by introducing a new approach to environmental assessment in our planning system. This benefit of Brexit will mean the environment is further prioritised in planning decisions.*
> - *Capturing more of the financial value created by development with a locally set, non-negotiable levy to deliver the infrastructure that communities need, such as housing, schools, GPs and new roads.*
> - *Simplifying and standardising the process for local plans so that they are produced more quickly and are easier for communities to influence.*

Levelling-up and Regeneration Bill

2.65 As this report was being completed, the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* have yet to be published.

2.66 It will be necessary for the Council to monitor the progress of the Bill and in due course review this report, as and when the Regulations are published.

Viability Guidance

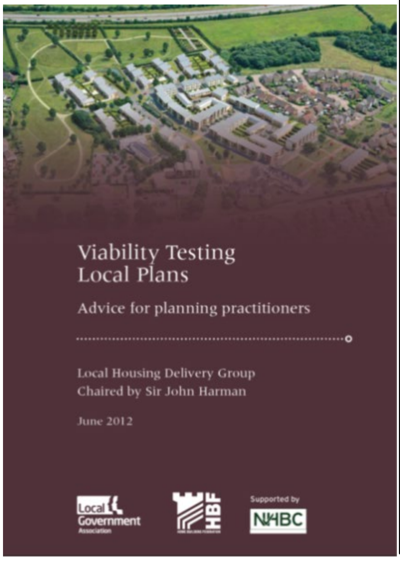
2.67 There is no specific technical guidance on how to test viability in the 2021 NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions[10] that support the methodology HDH has developed. This assessment follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012[11] (known as the **Harman Guidance**).

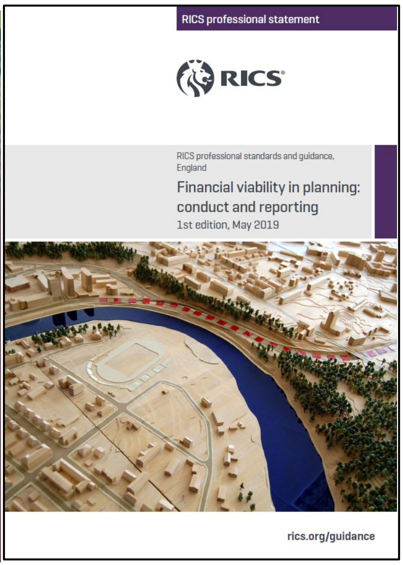
2.68 The planning appeal decisions and the HCA good practice publication[12] suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with an inducement to sell. This approach is now specified in the PPG. Additionally, the Planning Advisory Service (PAS) provides viability guidance and manuals for local authorities that supports this approach.

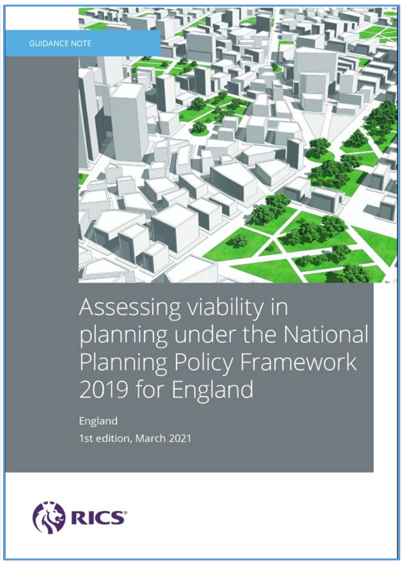
[10] Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, Bishops Cleeve; APP/G1630/A/11/2146206 Burgess Farm: APP/U4230/A/11/2157433, CLAY FARM: APP/Q0505/A/09/2103599/NWF, Woodstock: APP/D3125/ A/09/2104658, Shinfield APP/X0360/ A/12/2179141, Oxenholme Road, APP/M0933/A/13/2193338, Former Territorial Army Centre, Parkhurst Road, Islington APP/V5570/W/16/3151698, Vannes: Court of Appeal 22 April 2010, [2010] EWHC 1092 (Admin) 2010 WL 1608437.

[11] Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

[12] *Good Practice Guide*. Homes and Communities Agency (July 2009).







2.69 As set out at the start of this report, there are two principal pieces of relevant RICS guidance being *Financial viability in planning: conduct and reporting RICS professional statement, England* (1st Edition, May 2019) and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021).

2.70 Neither of these specify a step-by-step approach, rather they make reference to the NPPF and provide interpretation on implementation.

2.71 In line with the updated PPG, this assessment follows the EUV Plus (EUV+) methodology. The methodology is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the value of the land both with and without the benefit of planning consent. This approach is in line with that recommended in the Harman Guidance.

2.72 In September 2019, the House Builders Federation (HBF) produced further guidance in the form of *HBF Local Plan Viability Guide* (Version 1.2: Sept 2019). This guidance draws on the Harman Guidance and the 2012 RICS Guidance, (which the RICS is updating as it is out of date), but not the more recent May 2019 RICS Guidance. This HBF guidance stresses the importance of following the guidance in the PPG and of consultation, both of which this report has done. We do have some concerns around this guidance as it does not reflect '*the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission*' as set out in paragraph 10-009-20190509 of the PPG. The HBF Guidance raises several 'common concerns'. Regard has been had to these under the appropriate headings through this report.

3. Methodology

Viability Testing – Outline Methodology

3.1 This report follows the Harman Guidance and was put to public consultation in November 2021. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

Gross Development Value
(The combined value of the complete development)

LESS

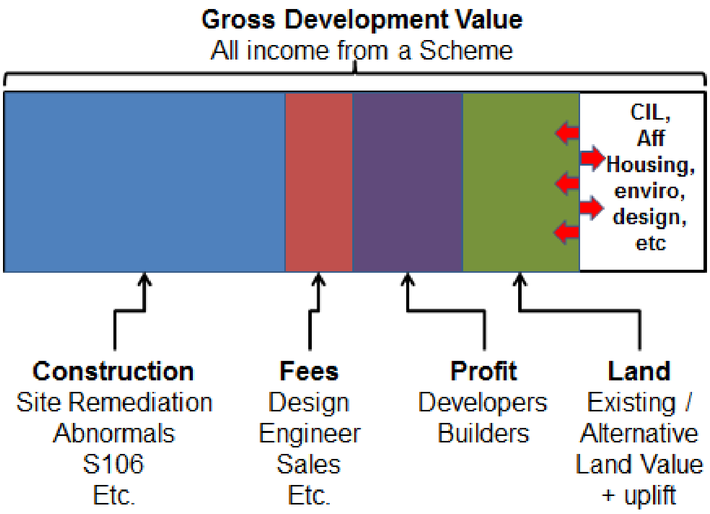
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)

=

RESIDUAL VALUE

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

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



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

3.5 The land value is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an assumption has to be made about the 'uplift' above the EUV which would make the landowner sell.

3.6 This assessment is not trying to mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the 2021 NPPF. The approach taken in this report is different from the approach taken by developers when making an assessment to inform commercial decision making, particularly on the largest sites to be delivered over many years. At this stage of the planning process, it is necessary to work within the PPG and other relevant guidance. As set out in Chapter 2 above, it will be necessary for the promoters of the strategic sites to engage in more detail, as the plan-making process continues.

Limitations of viability testing in the context of the NPPF

3.7 High level viability testing does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer's mind, and they will proceed even if a 'loss' is shown in a conventional appraisal. By way of example, an individual may want to fulfil a dream of building a house and may spend more than the finished home is worth, a community may extend a village hall even though the value of the facility, in financial terms, is not significantly enhanced, or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.

3.8 This is a challenge when considering policy proposals. It is necessary to determine whether or not the impact of a policy requirement on a development type that may appear only to be marginally viable, will have any material impact on the rates of development, or whether the developments will proceed anyway. Some development comes forward for operational reasons rather than for property development purposes.

The meaning of Landowner Premium

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

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

which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.

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

Benchmark land value should:

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

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

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

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

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3.11 The term *landowner's premium* has not been defined through the appeal, Local Plan examination or legal processes. *Competitive return* was considered at the Shinfield Appeal (January 2013)[13] and the case is sometimes held up as a firm precedent, however, as confirmed in the Oxenholme Road Appeal (October 2013)[14], the methodology set out in Shinfield is site specific and should only be given limited weight. Further clarification was provided in the Territorial Army Centre, Parkhurst Road, Islington appeal (June 2017)[15], which has subsequently been confirmed by the High Court[16]. The level of return to the landowner is discussed and the approach taken in this assessment is set out in the later parts of Chapter 6 below.

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

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

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

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

3.12 This report is about the economics of development however, viability brings in a wider range than just financial factors. The following graphic is taken from the Harman Guidance and illustrates some of the non-financial as well as financial factors that contribute to the assessment process. Viability is an important factor in the plan-making process, but it is one of many factors.

Existing Available Evidence

3.13 The 2021 NPPF, the PPG, the CIL Regulations and CIL Guidance are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. The evidence that is available from the Council has been reviewed.

3.14 This is evidence which has been prepared earlier in the plan-making process and to inform the wider plan-making process.

a. *SBC Local Development Framework Affordable Housing Economic Viability Assessment - Final Report* (Dixon Searle, November 2011).

b. *Local Plan Viability Report* (SBC, May 2016).

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

3.16 The Council also holds development appraisals that have been submitted by developers in connection with specific developments to support negotiations around the provision of affordable housing or s106 contributions. The approach taken is to draw on this existing evidence and to consolidate it. In some cases, the appraisals are based on detailed cost plans that are not directly comparable with the BCIS. Only the figures that are comparable on a like for like basis are presented

Table 3.1 Review of Development Management Viability Appraisals.

Year		2017	2017	2018	2019	2020	2021	2021	2021
Location		Whitby	Filey		East Ayton	Whitby	Eastfield	Burniston	Hunmanby
Area (ha)		2.505	1.510		3.387	2.100		1.900	1.776
			Greenfield					Greenfield	Greenfield
Units		72	59		96	62		50	58
			Retirement						
GIA (m2)	Houses	5,905			9,643			4,623	4,305
	Flats		2,897						
			Flats Net saleabale 73.3%, 2,124m2						
Value	Houses	£2,454	£3,402		£2,282	£2,725	£1,740	£2,799	£2,272
	Flats								
Affordable Value			Social Rent £885/m2		Rent £913/m2			Rent (40% OMV) £1,120	50% OMV
					AHO £1,027/m2			AHO (45% OMV) £1,260	
Construction		£1,074	BCIS		£1,148	£1,182	£1,119	£659 plus prelims	BCIS Lower Q +£5k Part L
Site costs		21% - inc abnormals	15% houses, 10% flats		2.40%	11.55%		10%	12.50%
Contingency		5%	3%		3%	5%	3%	3%	3%
Abnormals					12%	£710,954		£1,133,000	£632,768
Fees			10%		6%	4.97%	6%	6%	8%
Sales fees		3% + 1%	2% + £600 houses, 3.5% + 2% flats		3%	3.15%	1.5% +1% + £500	3%	2% +1% + £600
Empty Property			£103,000						
Finance			6.50%		6.50%	7.5% + 1%	6%	6%	6%
Acquisition		2%				0.63%		0.5%	1.50%
Developers		20% GDV	20% GDV			20% GDV	20%	20% GDV	20% / 8%
Aquisition Cost					£1,167,653	£1,167,000			
Existing Use Value		£18,533						£37,065/ha	£24,710/ net ha
Benchmark Land Value			£885,000	£716,000				EUV x10	£420,070/ net ha
			£586,093		£344,745	£555,714			
			Based on valuation (as allocation)						

Source: Review of appraisals submitted through Development Management.

3.17 It is important to note that these figures are the figures submitted by developers for discussion at the start of the viability process, rather than the figures agreed between the parties.

3.18 The Council also holds evidence of what is being collected from developers under the s106 regime. This is being collected by the Council outside this assessment[17].

Stakeholder Engagement

3.19 The PPG and the CIL Guidance require stakeholder engagement. The preparation of this Viability Assessment includes specific consultation and engagement with the industry. A consultation process was conducted during November 2021 when a presentation was given, and an early draft of this report and a questionnaire were circulated. This pre-consultation draft report set out the approach and assumptions, but not the development appraisals. The appraisals were not presented as it is important to ensure that the assumptions are well grounded, and it is inevitable that some assumptions will change as a result of the consultation process so any results would be heavily caveated. Further, experience elsewhere suggests that where results are presented, the comments then relate to policy development and interpretation, rather than the assumptions being used.

3.20 Residential and non-residential developers (including housing associations), landowners and planning professionals were invited to comment, **Appendix 2** includes a list of the consultees. **Appendix 3** includes the consultation presentation and **Appendix 4** the questionnaire circulated with the draft report. Few comments were made during the presentation, with just one written representation[18] made. This observed as follows:

> *I noted that the majority of the twenty or so attendees were either from housing associations or housebuilders, with a few independent consultants who tend to act for those housing associations or housebuilders. Other than me and one individual landowner there was no representation from the land owning community.*

3.21 65 people and organisations (in addition to Council officers) were invited, including those who have promoted land through the plan-making process. 17 attended the November event (in addition to 5 SBC officers). In addition, an email was circulated to all to remind them of the importance of the process and the timescale for making submissions.

3.22 The comments made were in relation to the Benchmark Land Value assumptions and are considered towards the end of Chapter 6 below.

3.23 In spite of the poor response, the consultation process has been carried out in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance.

---

[17] Paragraphs 10-020-20180724 to 10-028-20180724 of the PPG introduce reporting requirements in this regard. In particular 10-027-20180724 says:

> *How should monitoring and reporting inform plan reviews?*
>
> *The information in the infrastructure funding statement should feed back into reviews of plans to ensure that policy requirements for developer contributions remain realistic and do not undermine deliverability of the plan.*
>
> *Paragraph: 027 Reference ID: 10-027-20180724*

[18] Iain Simpson, Simpson & Company.

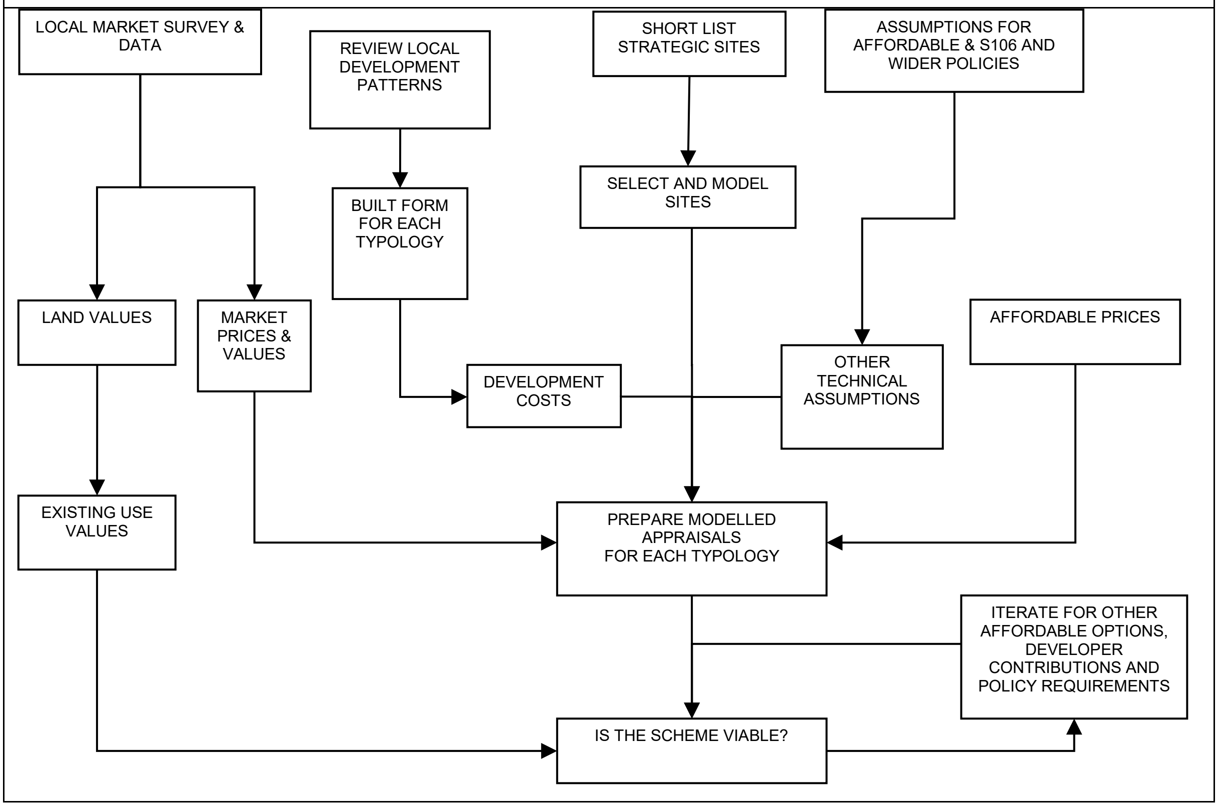
There will be further opportunities to comment as the Plan makes to way through the more formal consultation stages.

Viability Process

3.24 The assessment of viability as required under the 2021 NPPF and the CIL Regulations is a quantitative and qualitative process. The updated PPG requires that (at PPG 10-001-20190509) '*...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*'.

3.25 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of typologies, and the strategic sites, and using these to assess whether development, generally, is viable. The typologies were modelled based on discussions with Council officers, the existing available evidence supplied to us by the Council, and on our own experience of development. Details of the modelling are set out in Chapter 9 below. This process ensures that the appraisals are representative of typical development in the Council area over the plan-period.

Figure 3.1 Viability Methodology



Source: HDH 2022

3.26 Two strategic sites are modelled:

- **South Cayton Strategic Growth Area.** The whole allocation is 131.16ha and for about 2,500 new homes.
- **Land to East of Lancaster Park, Scalby.** This is a 35.42 ha site for about 900 homes.

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

3.28 The appraisals are based on existing and emerging policy options as summarised in Chapter 8 below. The preparation of draft policies within the Local Plan Review is still ongoing, so the policy topics used in this assessment may be subject to change. For appropriate sensitivity testing, a range of options are tested. If the Council allocates different types of site, or develops significantly different policies to those tested in this assessment, it may be necessary to revisit viability and consider the impact of any further or different requirements.

3.29 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing is used, as required by the 2021 NPPF and CIL Regulations[19]. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality, and to provide high level advice to assist the Borough Council in assessing the deliverability of the Local Plan.

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

4. Residential Market

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

The Residential Market

4.2 The housing market across the Scarborough Borough Council area reflects national trends, but there are local factors that underpin the market including:

a. The Borough is essentially a coastal area that stretches from Filey Bay in the south, to Staithes, to the north of Whitby, with the town of Scarborough in between. The area extends inland well into the North York Moors, however, for the purposes of planning-policy, this is within the North York Moors National Park so beyond the scope of this assessment, as are Staithes and the other coastal resorts north of Whitby and between Whitby and Cloughton.

b. The Borough is focussed on Scarborough. Whilst the town is a major holiday centre, it dates back to before the Domesday survey and was a significant place by Medieval times. The town really developed as a result of the Scarborough Fair which ran from mid-August to the end of September from the 13th to the 18th century, attracting traders and merchants from across Europe.

c. The town still has a fishing fleet which is a centre for the food industry (e.g. McCain), and has a range of manufacturing and engineering (Plaxton Coaches / Dennis Buses).

d. The Scarborough Spa was founded in 1626 and became the seed for the development of the tourist industry. This ranged from traditional beach holidays to more exotic deep sea fishing (the record British Tuna was 851 pounds (386kg) and was caught off Whitby in 1933). The completion of the railway from York in 1845 resulted in a large increase in visitors and the development of much of the current town. The last 50 years has seen a period of decline as a result of the increase in foreign holidays.

e. Like many seaside areas, it has relatively poor transport links. The A64 connects Scarborough with York, but it can be a slow road. The north-south links, including to Whitby (via the A165 / A 171) are major roads, but can be congested in the holiday season. Having said this, Whitby has regular trains to Middlesbrough (taking about 1.5 hours) and Scarborough has direct trains to York (50 minutes) and is also on the coastal service that passes through Filey, before going on the Bridlington to the south of the Borough and connecting with Hull (about 1 hour).

f. Anecdotal evidence suggests a 'boom' in house prices in the attractive rural settlements and the more historic parts of the seaside towns (Filey and Whitby in particular), possibly driven by second-home owners and the COVID-19 pandemic.

g. There are three significant Business Parks in the Borough. The largest is Scarborough Business Park, being several miles to the south of the town, adjacent to the Seamer train station at Eastfield. In addition, Whitby Business Park and Hunmanby Industrial Estate are significant employment centres.

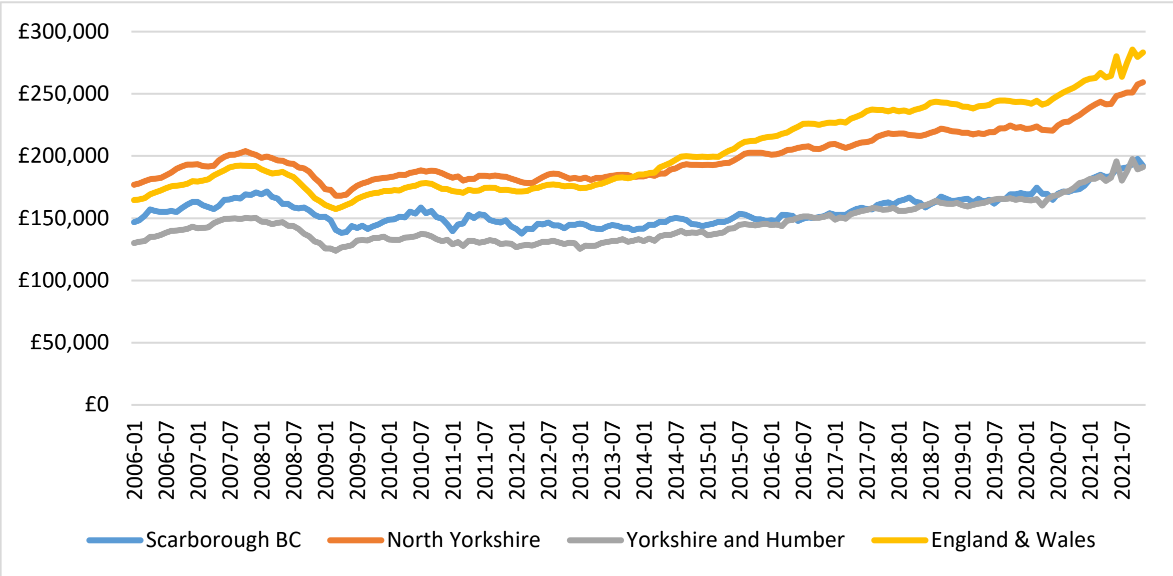
h. The wider Borough has many attractive settlements in a range of sizes containing buildings of character and heritage.

4.3 Overall, the market is perceived to be active, with a strong market for the right scheme in the right place. Having said this, some areas remain challenging, the relatively low house prices in some areas do make the delivery of new housing less easy. The uncertainties in the market due to Brexit and COVID-19 are material and are covered below.

National Trends and the relationship with the wider area

4.4 The housing market peaked early in November 2007 and then fell considerably in the 2007/2009 recession during what became known as the 'Credit Crunch'. Locally, average house prices in the area did not recover to their pre-recession peak until March 2018 but are now about 18% above the 2007 peak. These increases are substantial but are less than those seen across England and Wales (58%) over the same period.

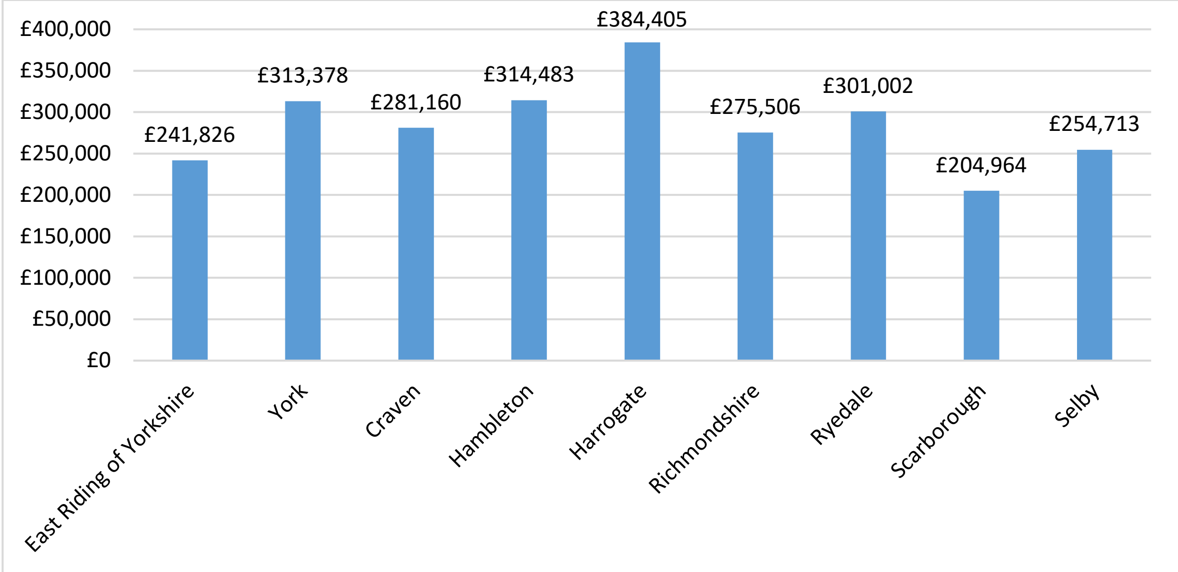
Figure 4.1 Average House Prices (£)



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

4.5 The average prices in Scarborough are similar to the regional average, but substantially less than the average for North Yorkshire and Yorkshire and Humber areas. The figure below shows clearly that average house prices in Scarborough are lower than other Council areas in Yorkshire.

Figure 4.2 Average House Prices by LPA (£)



Source: Mean house prices for administrative geographies: HPSSA dataset 12 (Release 1st February 2022). Contains public sector information licensed under the Open Government Licence v3.0

4.6 Up to the pre-recession peak of the market, the long-term rise in house prices had, at least in part, been enabled by the ready availability of credit to home buyers. Prior to the increase in prices, mortgages were largely funded by the banks and building societies through deposits taken from savers. During a process that became common in the 1990s but took off in the early part of the 21st Century, many financial institutions changed their business model whereby, rather than lending money to mortgagees that they had collected through deposits, they entered into complex financial instruments and engineering through which, amongst other things, they borrowed money in the international money markets, to then lend on at a margin or profit. They also 'sold' portfolios of mortgages that they had granted. These portfolios also became the basis of complex financial instruments (mortgage-backed securities and derivatives etc.).

4.7 During 2007 and 2008, it became clear that some financial institutions were unsustainable, as the flow of money for them to borrow was not certain. As a result, several failed and had to be rescued. This was an international problem that affected countries across the world – but most particularly in North America and Europe. In the UK, the high-profile institutions that were rescued included Royal Bank of Scotland, HBoS, Northern Rock and Bradford and Bingley. The ramifications of the recession were an immediate and significant fall in house prices, and a complete reassessment of mortgage lending with financial organisations becoming averse to taking risks, lending only to borrowers who had the least risk of default and those with large deposits.

4.8 It is important to note that, at the time of this report, the housing market is actively supported by the Government through products and initiatives such as Help-to-Buy (the Stamp Duty 'holiday' was phased out between July and October 2021). In addition, the historically low Bank of England's base rates have contributed to the wider economic recovery, including a rise in house prices.

4.9 There is a degree of uncertainty in the housing market as reported by the RICS. The December 2021 RICS UK Residential Market Survey[20] said:

- *New buyer enquiries rise modestly, but lack of new listings remains a challenge*
- *Shortage of stock continues to underpin price growth*
- *Sales expectations remain modestly positive in the near term and for the year ahead*

The December 2021 RICS UK Residential Survey results show the pattern of the market reported over recent months remains firmly entrenched. Although new buyer enquiries continue to rise at a modest rate, the lack of new listings becoming available is still preventing this from translating into a rise in sales volumes.

Meanwhile, reinforced by the shortage of inventory available at present, house price inflation has shown little sign of easing as yet.

At the national level, a net balance of +9% of respondents cited an increase in new buyer demand during December. This marks the fourth successive positive monthly reading for the buyer enquiries indicator, albeit feedback points to only marginal growth throughout this stretch which is not altogether surprising in the wake of the ending of the stamp duty break.

Nevertheless, even this modest pick-up in demand is enough to outstrip the flow of new instructions coming onto the sales market. Indeed, during December, a headline net balance of -14% of contributors noted a decline in new listings, thereby extending a sequence of negative readings for this metric into a ninth consecutive month. Moreover, new instructions either fell or remained stagnant across all parts of the UK according to the latest data points.

The lack of stock continues to be highlighted by contributors as a factor holding back sales at this moment in time. Despite the slightly positive demand trends seen over the past four months, agreed sales dipped once again, with the latest net balance standing at -13% (compared with a reading of -9% returned previously). Going forward however, a net balance of +14% of respondents foresee sales volumes returning to growth over the next three months. At the twelve month time horizon, a net balance of +16% of survey participants expect sales to increase, up slightly on a figure of +12% posted last month.

With respect to house prices, a headline net balance of +69% of survey participants saw a further increase during December. This is virtually unchanged from last month's reading of +71% and remains consistent with a strong pace of house price inflation across the country as a whole. When disaggregated, all areas continue to see a strong uplift in prices, with momentum showing no indication of softening in the latest feedback.

Looking ahead, price expectations for the coming twelve months remain elevated at the national level, with the December net balance registering a value of +67% (more or less identical to November's reading of +66%). Again, all parts of the UK are anticipated to see a continued rise in house prices over the year ahead, with expectations particularity elevated in Scotland and the South West of England (displaying net balance readings of +88% and +84% respectively).

4.10 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for SBC is 270th (out of 331) at £193,516[21]. This is a 6% increase since the pre-consultation report. To set this in context, the Council at the middle of the rank (164th – South Lakeland), has an average price of £308,632 (which has

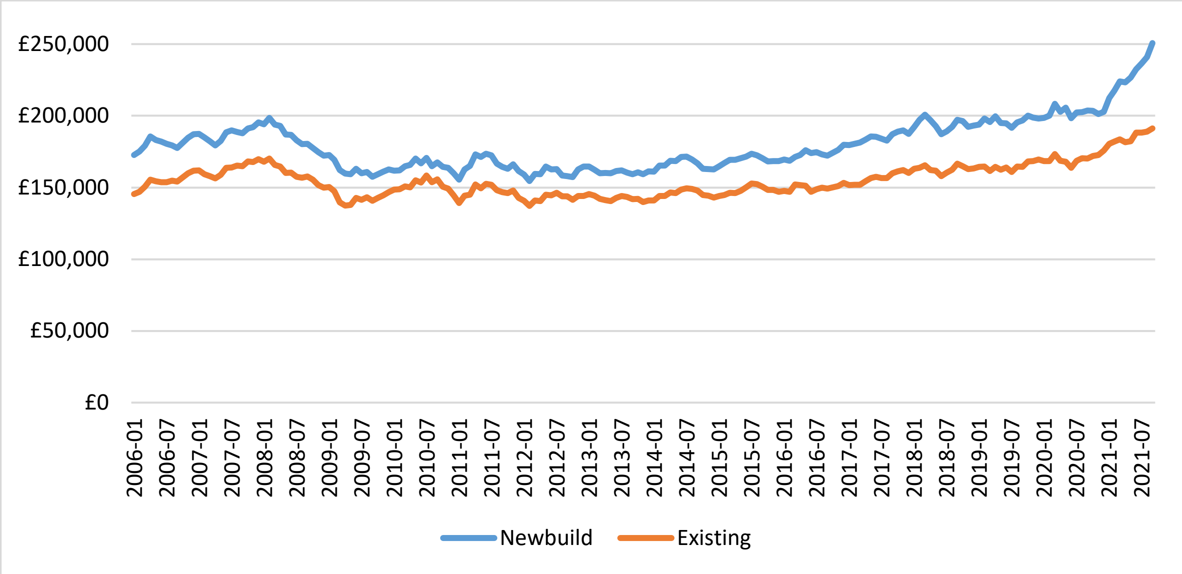
[20] https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/

[21] Mean house prices for administrative geographies: HPSSA dataset 12 (Release 1st February 2022).

increased by 8% over the same period). The SBC median price is lower than the average at £180,000[22].

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

Figure 4.3 Change in House Prices in SBC - Existing v Newbuild



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

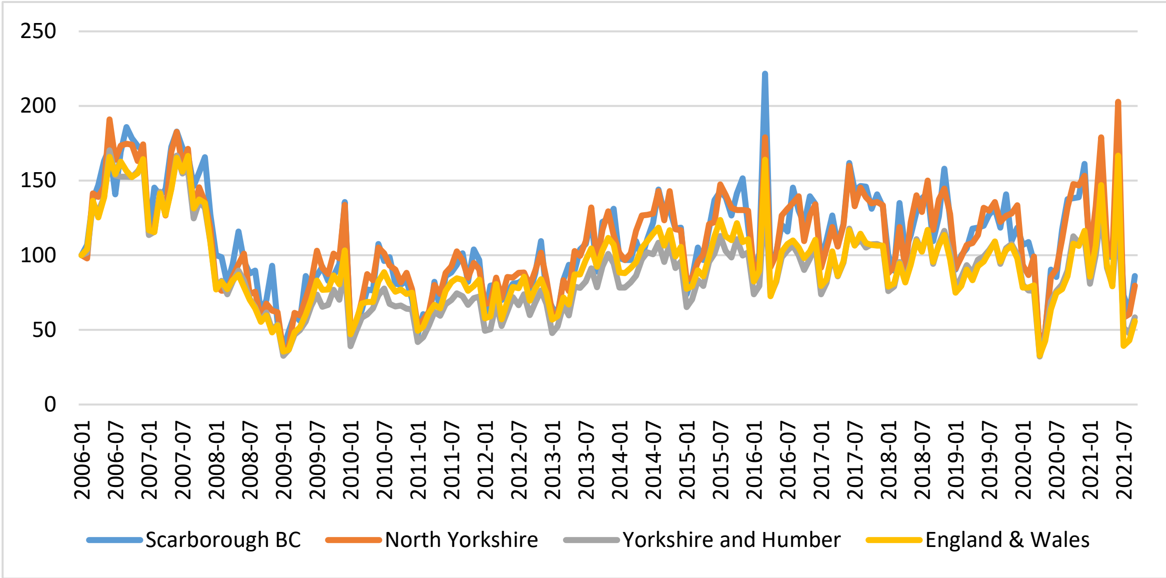
4.12 The Land Registry shows that the average price paid for newbuild homes in SBC (£250,706) is £59,493 (or 31.1%) more than the average price paid for existing homes (£191,213)[23]. This situation is typical as we expect newbuild homes to be between 20% and 40% more expensive than average existing homes.

4.13 The rate of sales (i.e. sales per quarter) in the area is a little greater than the wider country, suggesting that the local market is an active market. At the time of this report, the most recent data published by the Land Registry is that for September 2021.

[22] Median house prices for administrative geographies: HPSSA dataset 9 (Release 1st February 2022)

[23] At the time of the pre-consultation report (November 2021) the equivalent figures got newbuild homes were £237,595 being £52,669 (or 28.5%) more than the average price paid for existing homes (£184,926)

Figure 4.4 Sales per Quarter – Indexed to January 2006



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

4.14 This report is being completed after the United Kingdom has left the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK and the UK economy is in a period of uncertainty.

4.15 A further uncertainty is around the ongoing coronavirus pandemic. There are uncertainties around the values of property that are a result of the COVID-19 pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect may last. There is anecdotal evidence of an increased demand for larger units (with space for working from home) and with private outdoor space. Conversely, employees in some sectors that have been particularly affected by the coronavirus have found their ability to secure a loan restricted.

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

Table 4.1 Consolidated House Price Forecasts

Table M9: Medium-term forecasts for house price inflation and the output gap

House price inflation (annual average, %)										Output gap (% of GDP)				
2021	2022	2023	2024	2025						2021	2022	2023	2024	2025
							City forecasters							
-	-	-	-	-	Nov	*	Bloomberg Economics	*	Nov	-	-	-	-	-
-	-	-	-	-	Nov		Capital Economics	*	Nov	-	-	-	-	-
17.1	4.7	4.1	3.8	2.6	Aug		Citigroup		Aug	-	-	-	-	-
-	-	-	-	-	Aug		Deutsche Bank		Aug	-	-	0.0	0.0	0.0
-	-	-	-	-	Aug		Goldman Sachs		Aug	-	-	-	-	-
-	-	-	-	-	Nov	*	NatWest	*	Nov	-	-	-	-	-
-	-	-	-	-	Nov	*	Nomura	*	Nov	-	-	-	-	-
-	-	-	-	-	May		Societe Generale		May	-0.7	-0.4	-0.2	0.1	0.2
							Non-City forecasters							
-	-	-	-	-	Nov	*	Beacon Economic Forecasting	*	Nov	-	-	-	-	-
-	-	-	-	-	Aug		EIU		Aug	-	-	-	-	-
7.4	1.6	0.3	0.1	0.8	Aug		Experian		Aug	-	-	-	-	-
8.4z	1.0	1.0	1.3	2.5	Nov	*	EY ITEM Club	*	Nov	-	-	-	-	-
-3.9	2.0	-	-	-	May		Heteronomics		May	-2.0	-1.3	-	-	-
-	-	-	-	-	Nov	*	Kern Consulting	*	Nov	-	-	-	-	-
-	-	-	-	-	Nov	*	Liverpool Macro Research	*	Nov	-	-	-	-	-
8.3	2.1	1.3	0.3	0.4	Nov	*	NIESR	*	Nov	-	-	-	-	-
8.4	-0.2	-1.1	0.8	2.4	Nov	*	Oxford Economics	*	Nov	-3.0	-1.1	-0.6	-0.4	-0.2
-	-	-	-	-	Oct		IMF		Oct	-2.1	-0.1	0.0	0.0	0.0
10.3	1.9	1.1	1.2	1.8			Independent average			-3.0	-1.1	-0.3	-0.2	-0.1
8.4	1.0	0.4	0.8	1.8			New forecasts			-3.0	-1.1	-0.6	-0.4	-0.2
17.1	4.7	4.1	3.8	2.6			Highest			-3.0	-1.1	0.0	0.0	0.0
7.4	-0.2	-1.1	0.1	0.4			Lowest			-3.0	-1.1	-0.6	-0.4	-0.2
7.2	1.3	1.1	2.4	3.2	Oct		OBR		Oct	0.9	0.6	0.5	0.1	0.0

Source: *Forecasts for the UK economy: a comparison of independent forecasts* No 412 (HM Treasury, November 2021.

4.17 Property agents Savills are forecasting the following changes in house prices:

Table 4.2 Savills Winter 2021 Property Price Forecasts						
	2022	2023	2024	2025	2026	5 Year
Mainstream UK	3.5%	3.0%	2.5%	2.0%	2.5%	13.1%
Yorkshire & the Humber	4.5%	4.0%	3.5%	3.0%	2.5%	18.8%

Source: Savills UK Residential – Mainstream residential market forecasts (Winter 2021)

4.18 In this context is relevant to note that the Nationwide Building Society reported as follows in January 2022:

House price growth makes a strong start to 2022

- *Annual house price growth increased to 11.2% in January, from 10.4% in December*
- *Prices up 0.8% month-on-month*
- *Strongest start to the year since 2005*

4.19 Similarly, the Halifax Building Society reported (December 2021):

£270,091	*+1.1%*	*+3.5%*	*+9.8%*
Average price	*Monthly change*	*Quarterly change*	*Annual change*

House prices up 9.8% in 202

- *Average UK property price hits a new record high of £276,091*
- *House prices have increased by over £24,500 in 2021, the largest annual cash rise since March 2003*

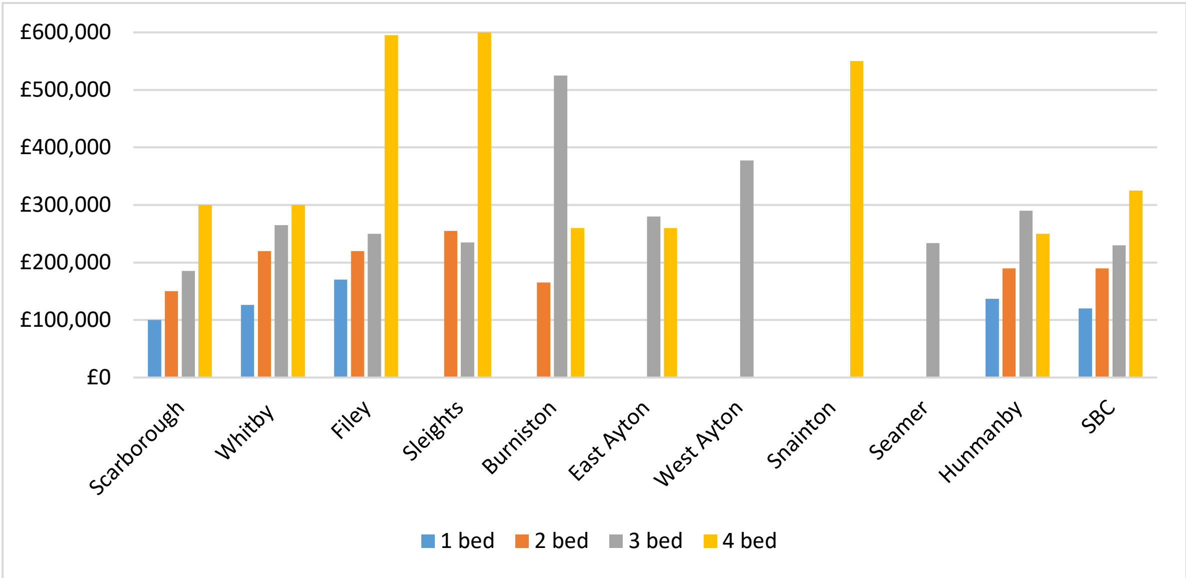
House price growth in 2022 expected to slow

4.20 There is clearly uncertainty in the market, and the very substantial growth reported over the last 18 months seems unlikely to continue. This report is carried out at current costs and values. Sensitivity testing has been carried out.

The Local Market

4.21 A survey of asking prices, across the Council area, was carried out in October 2021. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

Figure 4.5 Median Asking Prices (£)

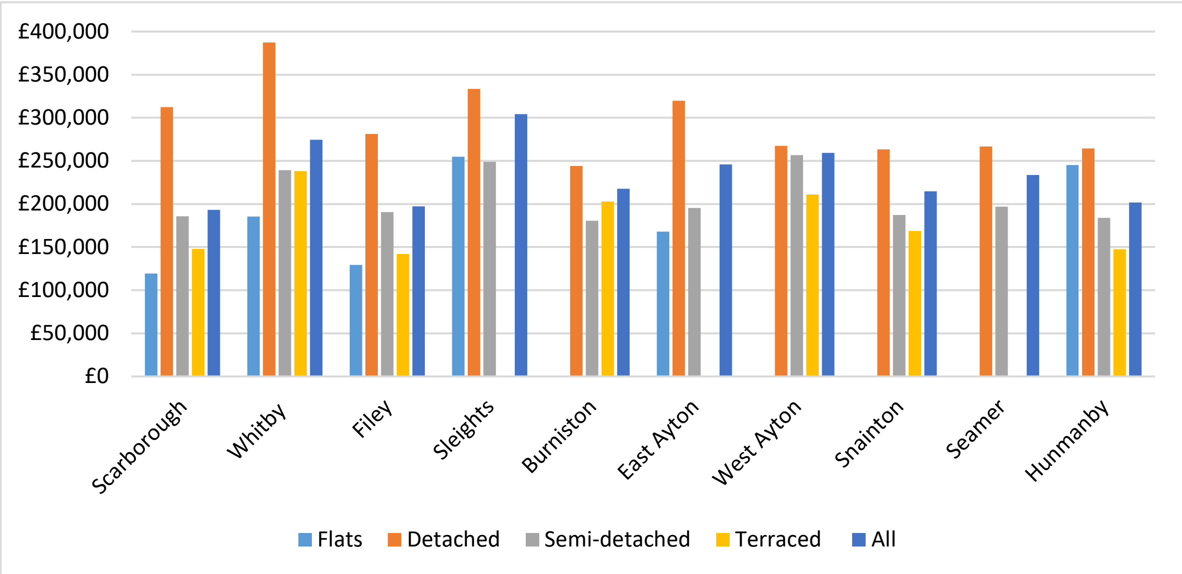


Source: Rightmove.co.uk (October 2021)

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

Table 4.3 Average Sale Values last 12 months

	Flats	Detached	Semi-detached	Terraced	All
Scarborough	£119,343	£312,300	£185,857	£147,914	£193,243
Whitby	£185,327	£387,535	£239,264	£238,089	£274,384
Filey	£129,234	£281,115	£190,533	£141,892	£197,374
Sleights	£255,000	£333,403	£248,857		£304,263
Burniston		£244,000	£180,583	£203,000	£217,656
East Ayton	£168,000	£319,817	£195,388		£245,931
West Ayton		£267,389	£256,722	£211,000	£259,368
Snainton		£263,417	£187,250	£168,737	£214,603
Seamer		£266,633	£196,750		£233,747
Hunmanby	£245,000	£264,389	£183,789	£147,400	£201,574



Source: Zoopla (October 2021)

4.23 As part of the research, we have used data from Landmark. This brings together data from the following sources and allows the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms using the following data sources:

Table 4.4 Landmark Data Sources	
Attribute	**Source**
Newbuild	HMLR Price Paid
Property Type	HMLR Price Paid
Sale Date	HMLR Price Paid
Sale Value	HMLR Price Paid
Floor Area Size(m)	Metropix
	EPC
Bedroom Count	Metropix
	LMA Listings (Property Heads)
Price per square meter (Sale Value / Floor Area)	HMLR Price Paid
	Metropix
	EPC

Source: Landmark

4.24 This data includes the records of 8,480 sales since the start of 2017. Of these, floor areas are available for about 7,497 sales and the number of bedrooms is available for about 5,121 sales. The data is available for newbuild and existing homes and by ward, and summarised as follows:

Table 4.5 Landmark Data – Sample Sizes			
	Count of Sale Value	**Count of Floor Area Size(m)**	**Count of Bedroom Count**
New Build	**685**	**679**	**23**
2017	213	211	13
2018	191	189	8
2019	176	175	1
2020	102	101	1
2021	3	3	
Non New Build	**7,795**	**6,818**	**5,098**
2017	1,902	1,630	1,391
2018	1,813	1,560	1,318
2019	1,753	1,514	1,216
2020	1,595	1,448	826
2021	732	666	347
ALL	**8,480**	**7,497**	**5,121**

Source: Landmark (November 2021)

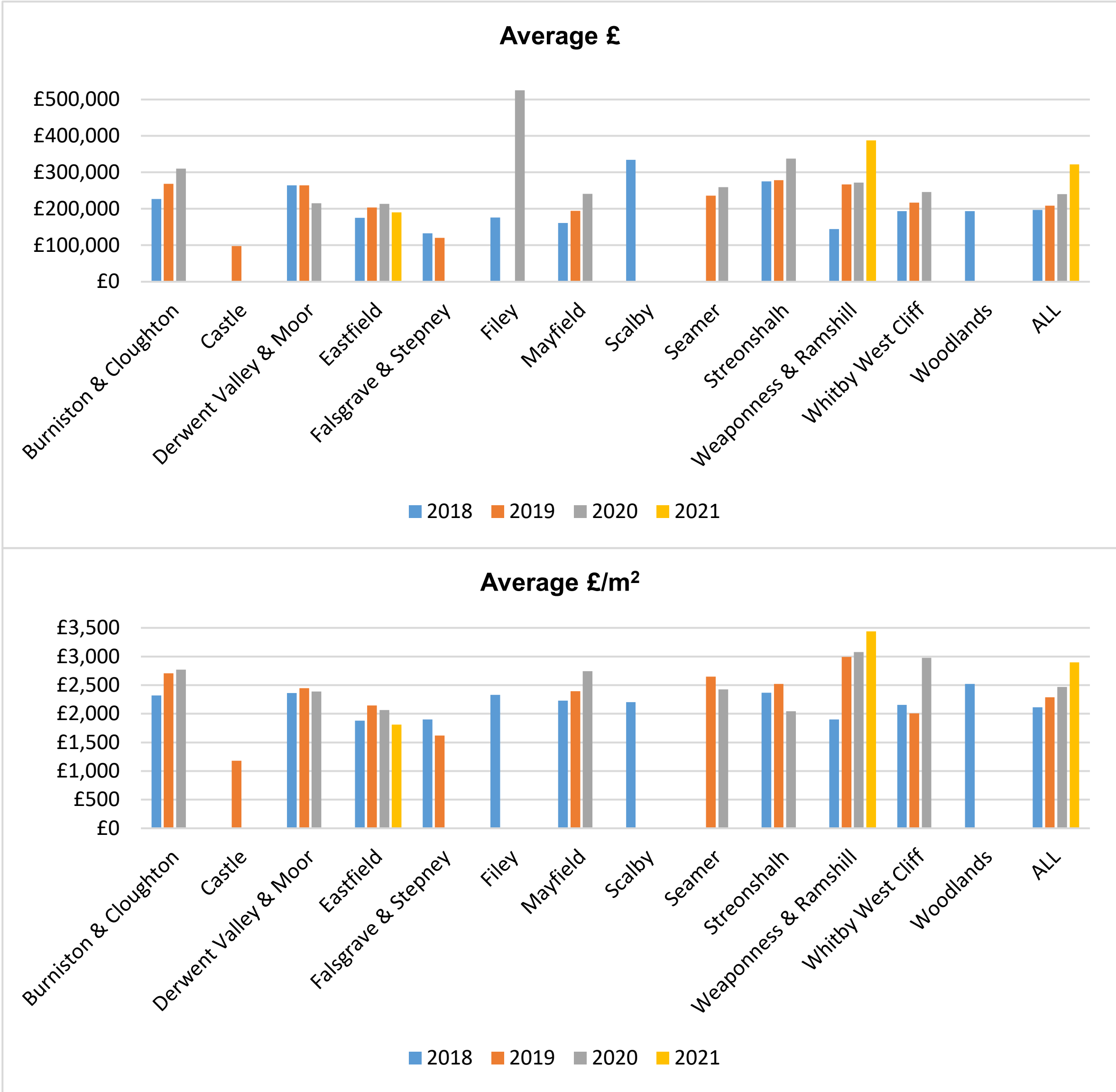
Table 4.6 Residential Prices Paid – From January 2017

	Average of Sale Value			Average of Price per sq/m			Average of Price per bedroom		
	Flat	House	All	Flat	House	All	Flat	House	All
New Build	**£197,216**	**£207,671**	**£206,191**	**£2,739**	**£2,180**	**£2,258**	**£94,795**	**£65,026**	**£71,497**
2017	£170,508	£199,566	£193,973	£2,832	£2,116	£2,255		£64,702	£64,702
2018	£137,338	£203,115	£197,261	£1,996	£2,121	£2,111	£52,869	£64,364	£58,616
2019	£245,802	£204,864	£209,051	£2,857	£2,222	£2,288		£71,875	£71,875
2020	£242,367	£239,578	£240,097	£2,993	£2,357	£2,470	£262,500		£262,500
2021	£387,475	£189,995	£321,648	£3,439	£1,809	£2,896			
Non New Build	**£127,147**	**£194,486**	**£182,737**	**£1,820**	**£1,970**	**£1,944**	**£68,234**	**£64,545**	**£65,126**
2017	£117,334	£185,853	£173,857	£1,696	£1,831	£1,807	£65,233	£61,124	£61,741
2018	£124,874	£187,145	£175,433	£1,798	£1,940	£1,913	£67,825	£64,149	£64,732
2019	£129,444	£188,626	£178,633	£1,904	£1,944	£1,937	£69,486	£63,352	£64,305
2020	£129,996	£206,505	£193,554	£1,834	£2,058	£2,020	£68,668	£68,649	£68,652
2021	£148,760	£222,204	£210,164	£1,960	£2,245	£2,198	£74,780	£74,652	£74,676
ALL	**£131,812**	**£195,590**	**£184,632**	**£1,888**	**£1,990**	**£1,972**	**£68,398**	**£64,547**	**£65,155**

Source: Landmark (November 2021)

4.25 The analysis below is based on the sales from 1st January 2018. The full data tables are set out in **Appendix 5** below. This data can be disaggregated by year and between newbuild and existing homes. It is important to note that this data is different to that presented in Figures 4.1, 4.2 and 4.3 above, so shows a different result. The data in Figures 4.1, 4.2 and 4.3 is Land Registry secondary data, whereas the data in Figure 4.8 and discussed here is based on actual price paid primary data.

Figure 4.6 Price Paid By Ward and Year - Newbuild



Source: Landmark (November 2021)

4.26 On average, newbuild homes are 14% more expensive than existing homes, when considered on a £/m² basis, the difference is similar.

4.27 Newbuild houses are 7% are more expensive than existing houses, but newbuild flats are 63% more expensive than existing flats. When considered on a £/m² basis, newbuild houses are 9.5% more expensive than existing houses, and flats are 44% more expensive than existing flats.

Table 4.7 Average Price by Area - Newbuild

	Flat			House		
	Count	Average £	Average £/m²	Count	Average £	Average £/m²
N & W of Scarborough	**0**			**45**	**£278,828**	**£2,503**
2018	0			11	£324,721	£2,214
2019	0			19	£262,000	£2,693
2020	0			15	£266,490	£2,474
2021	0			0		
NYMNPA	**0**			**38**	**£251,521**	**£2,387**
2018	0			20	£264,305	£2,362
2019	0			8	£264,650	£2,447
2020	0			10	£215,450	£2,389
2021	0			0		
Scarborough	**39**	**£210,260**	**£2,555**	**183**	**£182,373**	**£1,985**
2018	16	£134,609	£1,966	72	£161,316	£1,900
2019	16	£244,340	£2,833	77	£188,446	£2,031
2020	5	£272,400	£3,077	33	£213,917	£2,065
2021	2	£387,475	£3,439	1	£189,995	£1,809
South	**2**	**£353,000**	**£2,446**	**4**	**£175,000**	**£2,303**
2018	1	£181,000	£2,446	4	£175,000	£2,303
2019	0			0		
2020	1	£525,000		0		
2021	0			0		
Whitby	**15**	**£215,531**	**£2,972**	**146**	**£216,480**	**£2,342**
2018	0			67	£211,481	£2,258
2019	2	£257,500	£3,049	54	£199,314	£2,298
2020	13	£209,075	£2,960	25	£266,952	£2,659
2021	0					
SBC (including NYMNP)	**56**	**£216,770**	**£2,669**	**416**	**£211,023**	**£2,206**
2018	17	£137,338	£1,996	174	£203,115	£2,121
2019	18	£245,802	£2,857	158	£204,864	£2,222
2020	19	£242,367	£2,993	83	£239,578	£2,357
2021	2	£387,475	£3,439	1	£189,995	£1,809

Source: Landmark (November 2021)

Table 4.8 Average Price by Area - Existing						
	Flat			House		
	Count	Average £	Average £/m²	Count	Average £	Average £/m²
N & W of Scarborough	**25**	**£192,540**	**£2,694**	**525**	**£237,283**	**£2,305**
2018	13	£216,538	£3,156	156	£223,408	£2,186
2019	5	£154,800	£2,534	165	£233,580	£2,281
2020	5	£159,900	£1,994	131	£235,310	£2,312
2021	2	£212,500	£1,762	73	£278,845	£2,545
NYMNPA	**20**	**£190,275**	**£2,491**	**775**	**£266,996**	**£2,521**
2018	8	£158,125	£1,711	228	£260,342	£2,498
2019	2	£157,500	£2,675	213	£246,327	£2,421
2020	5	£199,000	£2,626	231	£289,795	£2,548
2021	5	£246,100	£3,376	103	£273,334	£2,703
Scarborough	**658**	**£116,890**	**£1,626**	**2,086**	**£163,844**	**£1,638**
2018	221	£112,052	£1,576	635	£153,844	£1,569
2019	181	£124,061	£1,748	627	£157,974	£1,564
2020	176	£112,417	£1,537	575	£170,869	£1,684
2021	80	£123,872	£1,687	249	£187,906	£1,881
South	**116**	**£131,074**	**£1,943**	**953**	**£181,068**	**£2,145**
2018	31	£121,050	£1,736	298	£173,825	£2,073
2019	42	£124,837	£1,952	293	£176,506	£2,106
2020	32	£139,731	£2,109	239	£183,802	£2,193
2021	11	£157,955	£2,015	123	£204,170	£2,300
Whitby	**208**	**£159,185**	**£2,459**	**527**	**£216,476**	**£2,264**
2018	68	£146,856	£2,390	155	£205,017	£2,187
2019	66	£144,368	£2,263	159	£207,888	£2,187
2020	52	£173,993	£2,685	149	£225,989	£2,325
2021	22	£206,745	£2,679	64	£243,416	£2,493
SBC (including NYMNP)	**1,027**	**£130,329**	**£1,858**	**4,866**	**£197,270**	**£2,014**
2018	341	£124,874	£1,798	1,472	£187,145	£1,940
2019	296	£129,444	£1,904	1,457	£188,626	£1,944
2020	270	£129,996	£1,834	1,325	£206,505	£2,058
2021	120	£148,760	£1,960	612	£222,204	£2,245

Source: Landmark (November 2021)

4.28 It is important to note that some of the sample sizes are small (in particular for 2021) so care should be taken when considering a fine-grained approach. Overall, the ward with the highest average price of newbuild, is over 87% more than the area with the lowest average price.

4.29 Following the consultation this data was refreshed as it was felt that the values were perhaps not representative of the actual market. In April 2022 further research was undertaken. The most recent Price Paid Data published by the Land Registry has been married with the floor areas (as Gross Internal Area (GIA)) taken from the Energy Performance Certificate (EPC) register. There are 457 sales recorded, for which there are floor areas of 446, however there were a number of anomalies within the dataset. On checking, 44 of the units were affordable homes or homes that were completed and sold prior to 2019, 7 were refurbishment / conversions and 43 were retirement homes. These have been removed from the dataset as they are not market homes completed within the timescale. It was also noticed that 9 newbuild homes were omitted. These have been added in.

4.30 There are no sales yet recorded in 2022.

Table 4.9 Count of Land Registry Sales and EPC Floor Areas – Newbuild Sales

	Detached	Flat	Semi-detached	Terraced	**All**
Sales					
2019	60	11	75	53	**199**
2020	49	32	28	20	**129**
2021	16	6	16	4	**42**
All	**125**	**49**	**119**	**77**	**370**
GIA					
2019	59	11	75	53	**198**
2020	49	31	28	20	**128**
2021	16	4	16	4	**40**
All	**124**	**46**	**119**	**77**	**366**

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

4.31 This data has also been analysed and is summarised below. The data, disaggregated by year, is included in **Appendix 6** below:

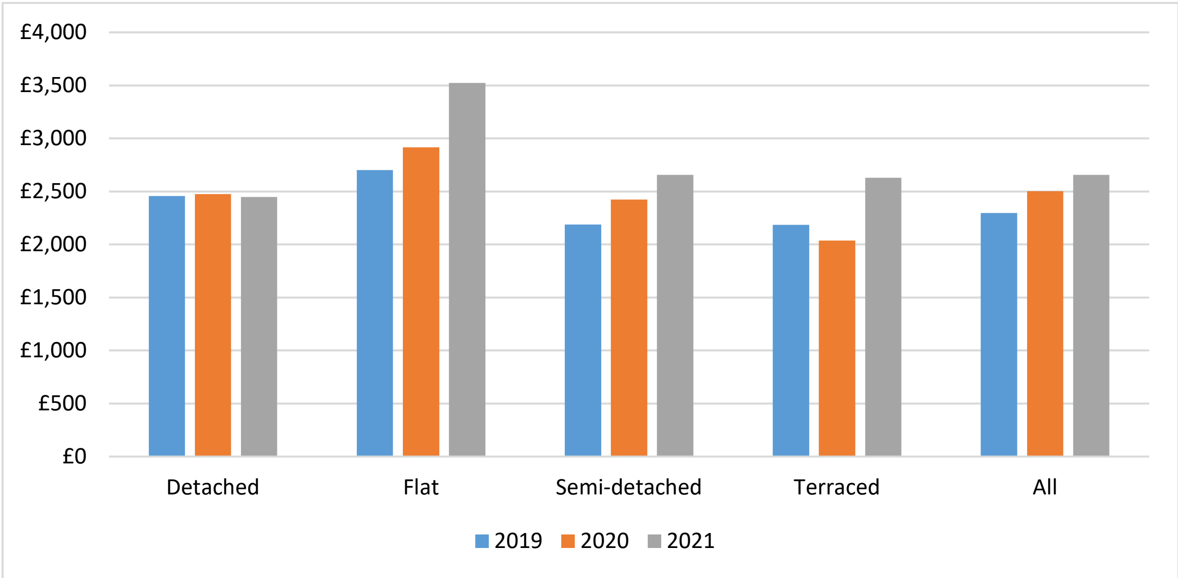
Table 4.10 Land Registry Sales and EPC Floor Areas – Newbuild Sales					
	Detached	Flat	Semi-detached	Terraced	Grand Total
CAYTON					
Count of £	1	0	0	0	1
Average £	£228,000				£228,000
Average £/m²	£2,054				£2,054
CLOUGHTON					
Count of £	4	0	8	11	23
Average £	£301,688		£272,056	£246,727	£265,096
Average £/m²	£2,849		£2,692	£2,517	£2,635
EAST AYTON					
Count of £	4	0	7	0	11
Average £	£269,200		£194,950		£221,950
Average £/m²	£2,462		£2,393		£2,418
EASTFIELD					
Count of £	60	0	70	18	148
Average £	£258,980		£179,463	£171,291	£210,706
Average £/m²	£2,292		£2,108	£1,893	£2,156
FILEY					
Count of £	0	0	3	1	4
Average £			£275,832	£264,999	£273,124
Average £/m²			£3,886	£3,681	£3,835
SCARBOROUGH SOUTH					
Count of £	0	12	0	0	12
Average £		£368,996			£368,996
Average £/m2		£3,497			£3,497
SCARBOROUGH TOWN					
Count of £	0	6	0	0	6
Average £		£181,333			£181,333
Average £/m²		£1,556			£1,556
SEAMER					
Count of £	16	0	3	0	19
Average £	£266,703		£178,230		£252,734
Average £/m²	£2,492		£2,417		£2,480
SLEIGHTS					
Count of £	0	0	0	1	1
Average £				£207,800	£207,800
Average £/m²				£1,942	£1,942
SW SCARBOROUGH					
Count of £	1	2	2	6	11
Average £	£130,000	£83,975	£152,475	£155,383	£139,564
Average £/m²	£0	£1,732	£2,197	£1,703	£1,808
WEST AYTON					
Count of £	7	0	0	0	7
Average £	£261,464				£261,464
Average £/m²	£2,410				£2,410

WHITBY					
Count of £	32	29	26	40	127
Average £	£284,744	£207,032	£211,851	£195,856	£224,080
Average £/m²	£2,744	£2,902	£2,514	£2,237	£2,573
Grand Total					
Count of £	125	49	119	77	370
Average £	£267,117	£238,527	£195,620	£195,280	£225,386
Average £/m²	£2,463	£2,918	£2,307	£2,170	£2,408

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

4.32 When considered on an annual basis the increase year on year can be clearly seen:

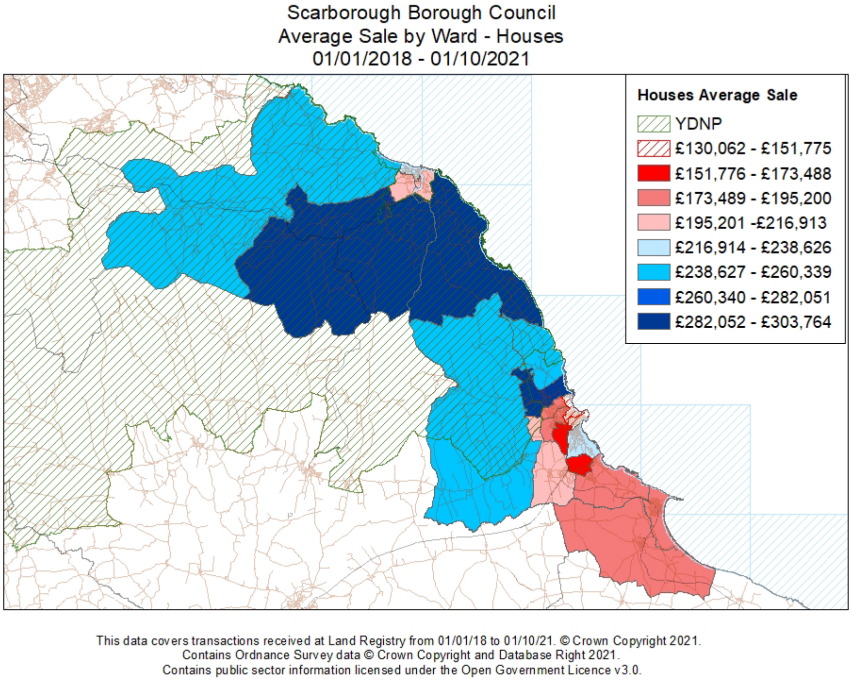
Figure 4.7 Land Registry Sales and EPC Floor Areas – Average Newbuild Price by Year

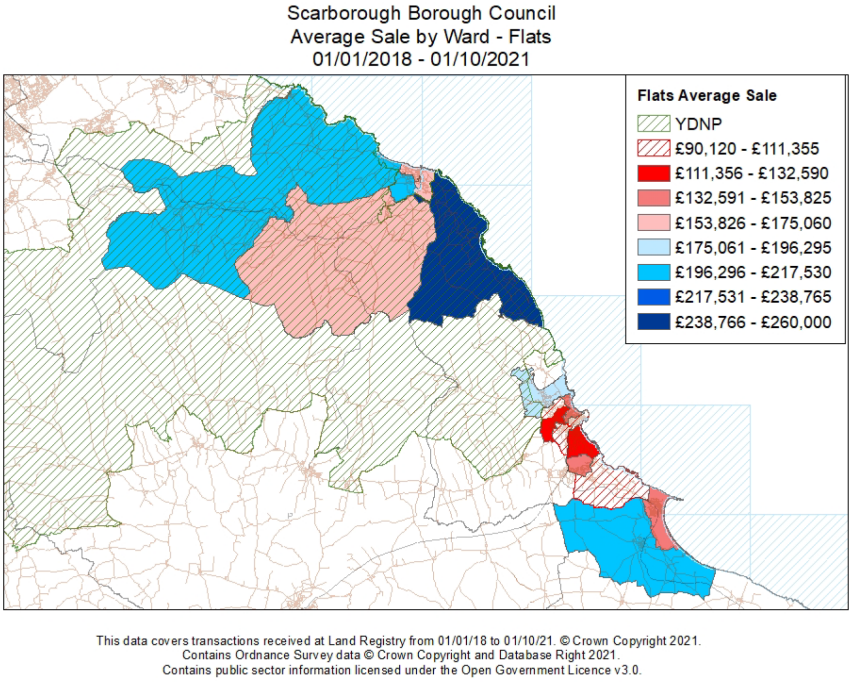


Source: Land Registry and EPC Register (April 2022). Contains public sector information licensed under the Open Government Licence v3.0.

4.33 The average price paid varies across the area. The second map below shows that the distribution of newbuild development is concentrated in relatively few wards.

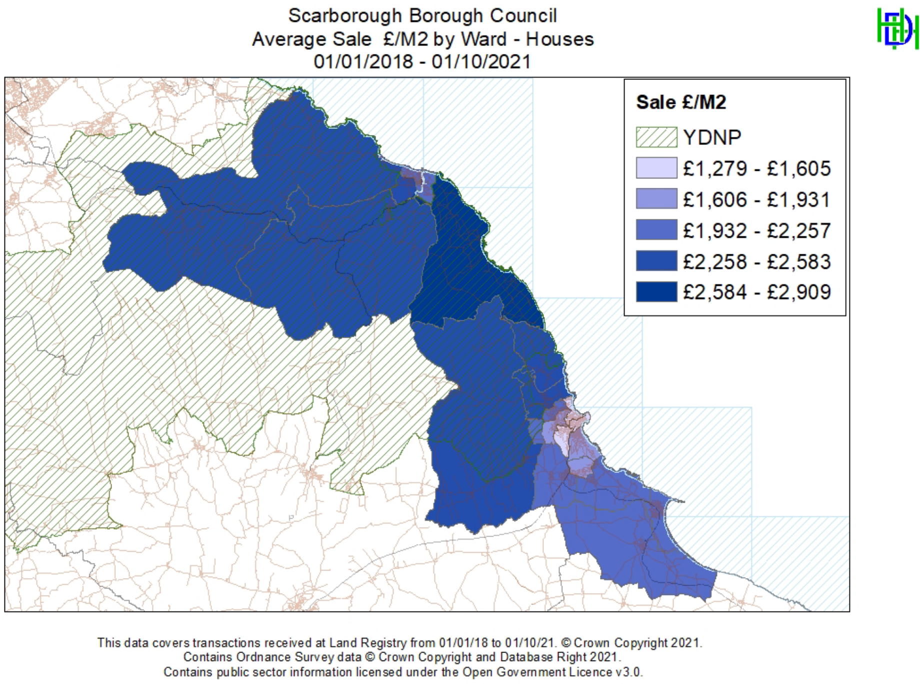
Figure 4.8 Average Price Paid – Newbuild £

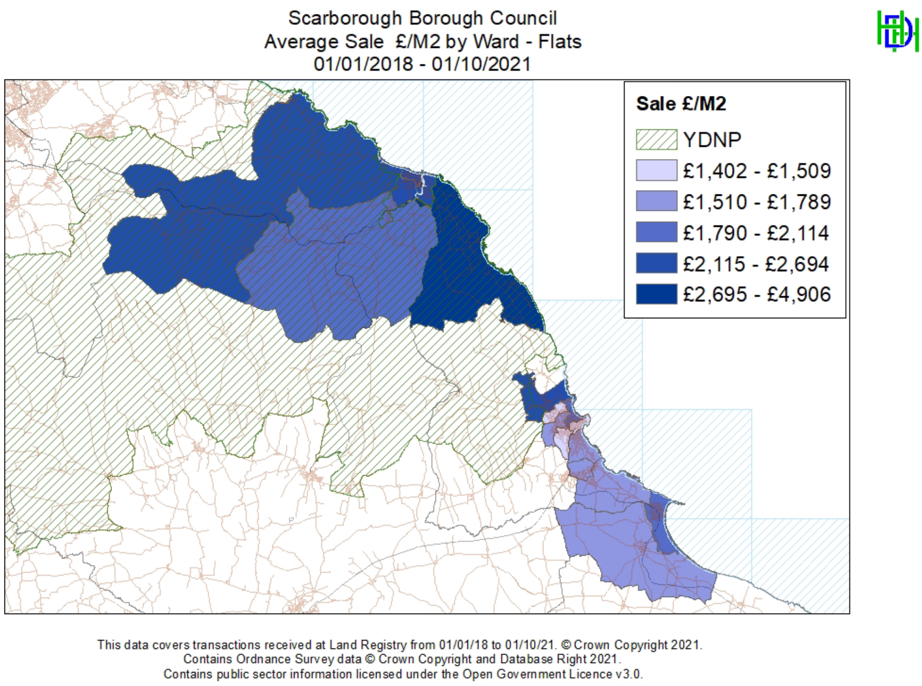




Source: Land Registry (November 2021). Contains public sector information licensed under the Open Government Licence v3.0.

Figure 4.9 Average Price Paid – Newbuild £/m²





Source: Land Registry (November 2021). Contains public sector information licensed under the Open Government Licence v3.0.

4.34 The ONS provides data at ward level for median house prices as set out in the following table. The lack of data is a result of the limited distribution of newbuild development.

Table 4.11 Median Price Paid (Newly Built Dwellings) by Ward Year Ending December 2020 (£)					
	All	Detached	Semi-detached	Terraced	Flats
Burniston & Cloughton					
Castle					
Cayton					
Danby & Mulgrave					
Derwent Valley & Moor					
Eastfield	£181,995		£181,995	£181,995	
Esk Valley					
Falsgrave & Stepney					
Filey	£565,000				£565,000
Fylingdales & Ravenscar					
Hunmanby					
Mayfield	£240,000	£293,495			
Newby					
Northstead					
Scalby					
Seamer	£269,950	£269,950			
Streonshalh					
Weaponness & Ramshill	£271,225	£271,225			
Whitby West Cliff	£250,000				£250,000
Woodlands					

Source: HPSSA Dataset 37 (Data Release 21st June 2021)

Newbuild Asking Prices

4.35 This assessment is concerned with new development, so the key input for the appraisals is the price of new units. A survey of new homes for sale was carried out. At the time of this research there were 26 new homes being advertised for sale in the Council area. The analysis of these shows that asking prices for newbuild homes vary very considerably, starting at £178,000 and going up to £400,000. The average is £273,345. These are summarised in the following table and set out in detail in **Appendix 7**. The survey was refreshed in February 2022.

Table 4.12 Average (mean) Newbuild Asking Prices – October 2021					
Average of Asking Price					
	Detached	Flat	Semi-detached	Terrace	All
East Ayton	£289,950				£289,950
Eastfield	£283,950				£283,950
Middle Deepdale			£178,950		£178,950
Scalby	£322,995		£260,995	£196,000	£275,746
Scarborough		£325,000	£237,000		£303,000
Seamer	£233,950		£206,475		£220,213
Sleights			£384,500		£384,500
Whitby	£350,000				£350,000
All	**£290,164**	**£325,000**	**£261,987**	**£196,000**	**£285,741**
Average of £/m²					
	Detached	Flat	Semi-detached	Terrace	All
East Ayton	£2,394				£2,394
Eastfield	£2,393				£2,393
Middle Deepdale			£2,237		£2,237
Scalby	£2,999		£2,534	£2,481	£2,753
Scarborough		£5,685			£5,685
Seamer	£2,899		£2,607		£2,753
Sleights			£2,246		£2,246
Whitby					£0
All	**£2,640**	**£5,685**	**£2,413**	**£2,481**	**£2,894**

Source: Market Survey (October 2021)

Table 4.13 Average (mean) Newbuild Asking Prices – February 2022					
Average of Asking Price					
	Detached	Flat	Semi-detached	Terrace	All
East Ayton	£319,379		£189,950		£303,200
Sansend	£350,000				£350,000
Scalby			£242,245		£242,245
Scarborough		£387,500	£197,995		£324,332
Seamer	£265,450		£197,950		£255,807
Whitby	£361,667		£295,000		£345,000
All	**£309,609**	**£387,500**	**£231,234**		**£292,156**
Average of £/m^2					
	Detached	Flat	Semi-detached	Terrace	All
East Ayton	£2,485		£2,374		£2,469
Sansend					
Scalby			£2,743		£2,743
Scarborough		£4,087	£2,605		£3,593
Seamer	£2,886		£2,675		£2,856
Whitby	£2,890		£2,458		£2,782
All	**£2,726**	**£4,087**	**£2,636**		**£2,806**

Source: Market Survey (February 2022)

4.36 A further exercise was carried out looking at how average asking prices have changed over time.

Table 4.14 Average (mean) Newbuild Asking Prices – October 2021 and April 2022				
	Average of October 2021 £	Average of April 2022 £	Average of October 2021 £/m²	Average of April 2022 £/m²
Abbey View				
Admiral's View	£276,250		£2,828	
Capella		£250,995		£2,292
Castle Fields		£358,333		£3,114
Cayton Meadows				
Cayton Reach	£178,950		£2,237	
Cornelian Fields Phase 4	£282,950		£2,721	
Cornelian Fields Phase 5	£284,950		£2,065	
Cornelian Fields Phase 6		£220,000		
Dale Meadows		£205,817		£2,480
Filey Fields Court				
Garbutts Yard	£384,500		£2,246	
Lady Ediths	£237,000			
Mill Meadows		£229,996		£2,416
Millfields Park	£275,746	£277,281	£2,788	£3,039
Northfield Meadows	£220,213	£261,283	£2,753	£2,743
Olivers View	£120,000			
Raithwaite Village	£350,000	£350,000		
St Johns View				
Tara Fields	£289,950	£313,150	£2,394	£2,480
All	**£267,439**	**£276,277**	**£2,608**	**£2,717**

Source: Market Survey (April 2022)

4.37 As a final piece of research, consideration has been given to the change in price of newbuild homes that have been sold as a new home and then resold since the start of 2018. This data shows that the average annual increase per dwelling over this period was about 16%.

4.38 As part of the research, sales offices were contacted in relation to buyers incentivise (ie the discounts available). In most cases the feedback was that significant discounts were not available, and were unlikely to be available. When pressed, it appeared that the discounts and limited incentives are available in some cases. Having said this, we are more frequently now finding that the larger national housebuilders are marketing homes at the price to be paid. It would be prudent to assume that prices achieved, net of incentives offered to buyers, are 2% less than the above asking prices.

4.39 The above data shows variance across the area, however it is necessary to consider the reason for that variance. An important driver of the differences is the situation rather than the location of a site. Based on the existing data, the value will be more influenced by the specific site characteristics, the immediate neighbours, and the environment, as well as where the scheme is located.

Price Assumptions for Financial Appraisals

4.40 It is necessary to form a view about the appropriate prices for the schemes to be appraised in this assessment. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (which we acknowledge is varied) the following approach is taken.

a) Brownfield Sites. Development is likely to be of a higher density than greenfield sites and be based around schemes of flats, semi-detached housing and terraces.

b) Flatted Schemes. This is considered to be a separate development type that is only likely to take place in central Scarborough, Whitby and Filey. These are modelled as conventional development and as Build-to-Rent.

c) Greenfield Sites. These include the potential strategic sites. These are likely to be developed as a broad mix including family housing. They are only likely to include a low proportion of flats.

4.41 It is important to note that this is a broad-brush, high-level assessment to test SBC's emerging Plan as required by the NPPF. The values between new developments and within new developments will vary considerably. No single source of data should be used in isolation, and it is necessary to draw on the widest possible sources of data. In establishing the assumptions, the prices (paid and asking) of existing homes are given greater emphasis when establishing the pattern of price difference across the area and the data from newbuild homes (paid and asking) is given greater emphasis in the actual assumption.

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

4.43 In the *Local Plan Viability Report* (SBC, May 2016) the following price areas and assumptions were used, being carried out forward from the *SBC Local Development Framework Affordable Housing Economic Viability Assessment - Final Report* (Dixon Searle, November 2011):

- Weaker – Scarborough Urban Area (Excluding Newby and Scalby) - likely to be dominated by terraced properties, flats or social housing. **£1,800/m^2**.
- Medium – Southern Wards and Filey - in less financially attractive market areas. **£2,150/m^2**.
- Stronger – attractive market areas - rural areas particularly the northern and western areas of the Borough, also including Newby and Scalby Wards and Whitby. **£2,400/m^2**.

4.44 These led to the adoption of three affordable housing policy areas:

a. Scarborough

b. Filey, Hunmanby and Southern

c. Whitby, Northern and Western Parishes

4.45 Based on prices paid, the asking prices from active developments, and informed by the general pattern of all house prices across the assessment area, and the wider data presented, the prices put to the consultation were as in the table below.

a. The three wards in the south of the Borough, Cayton, Filey and Hunmanby are treated as a single area, having broadly similar values.

b. The town of Whitby is treated as a single area. Whilst there are differences within the town, these tend to be due to very local factors, so it is not appropriate to differentiate more finely.

c. The town of Scarborough, being the tightly drawn boundaries around the built-up area (unparished area).

d. The remaining areas of the Borough, including those adjacent to Scarborough and Whitby are treated as a single area, with slightly higher values.

Table 4.15 Initial Residential Price Assumptions – £/m^2

	South	Whitby	Scarborough	Remaining
Greenfield	£2,700			£2,750
Previously Developed Land	£2,300	£2,400	£2,000	£2,400
Flatted Development	£2,400	£3,000	£3,000	

Source: HDH (November 2021)

4.46 The values and value areas were revisited following the consultation and informed by the further research presented above. The value areas have been refined:

a. **South**. This area is unchanged and includes the three wards in the south of the Borough, Cayton, Filey and Hunmanby.

b. **Scarborough Urban Area**. This area includes the tightly drawn boundaries around the built-up area of Scarborough town, as well as Eastfield and Osgodby. This area includes the greenfield area to the east of the A64 (Seamer Road).

c. **The remaining areas of the Borough**, including those adjacent to the west and north of Scarborough and the greenfield sites in and around Whitby are treated as a single area, with higher values in line with the more recent evidence, particularly from Scalby and Whitby. The majority of brownfield development within this area is likely to be within Whitby.

Table 4.16 2022 Residential Price Assumptions – £/m^2			
	South (Cayton, Filey & Hunmanby)	Scarborough (including Eastfield, Osgodby and area east of the A64)	Remaining (including Whitby)
Greenfield	£2,750	£2,700	£3,100
Previously Developed Land	£2,300	£2,000	£2,400
Flatted Development	£2,400	£3,000	£3,000

Source: HDH (April 2022)

Ground Rents

4.47 Over the last 20 or so years many new homes have been sold subject to a ground rent. Such ground rents have recently become a controversial and political topic. In this assessment, no allowance is made for residential ground rents[24].

Build to Rent

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

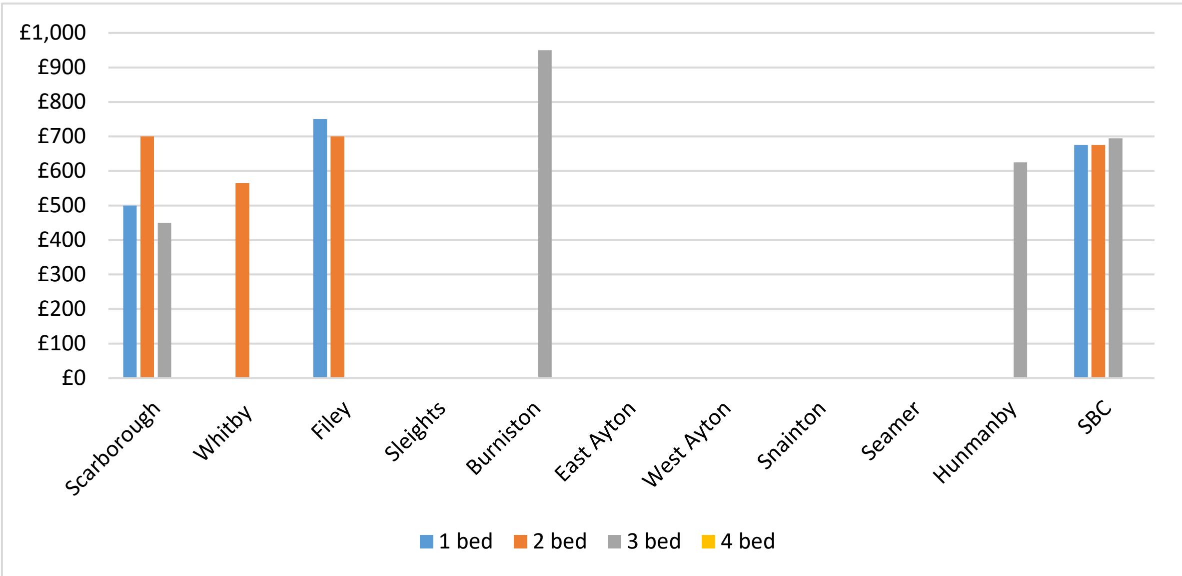
4.49 The value of housing that is restricted to being Private Rented Sector (PRS) housing is different to that of unrestricted market housing. The value of the units in the PRS (where their use is restricted to PRS and they cannot be used in other tenures) is, in large part, the worth of the income that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

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

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

[24] In October 2018 the Communities Secretary announced that majority of newbuild houses should be sold as freehold and new leases to be capped at £10. https://www.gov.uk/government/news/communities-secretary-signals-end-to-unfair-leasehold-practices

Table 4.17 Median Asking Rents advertised on Rightmove (£/month)				
	1 bed	2 beds	3 beds	4 beds
Scarborough	£500	£700	£450	
Whitby		£565		
Filey	£750	£700		
Sleights				
Burniston			£950	
East Ayton				
West Ayton				
Snainton				
Seamer				
Hunmanby			£625	
SBC	£675	£675	£695	



Source: Rightmove.co.uk (October 2021) (The blanks in the table are where this source does not include data.)

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

Table 4.18 Rents reported by the VOA - SBC					
	Count of rents	Mean	Lower quartile	Median	Upper quartile
Room	30	£380	£347	£374	£400
Studio	10	£335	£285	£350	£375
1 Bedroom	180	£430	£390	£425	£475
2 Bedroom	310	£557	£500	£550	£600
3 Bedroom	180	£662	£585	£650	£735
4+ Bedroom	50	£870	£650	£738	£950

Source: VOA Private rental market summary statistics in England (16th June 2021)

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

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

4.54 Having considered a range of sources, a gross yield of 4.75% has been assumed. In considering the rents to use in this assessment it is necessary to appreciate that much of the exiting rental stock is relatively poor, so new PRS units are likely to have rental values that are well in excess of the averages, with yields that are below the averages.

Table 4.19 Capitalisation of Private Rents			
	1 bed	2 bed	3 bed
Gross Rent (£/month)	£500	£675	£740
Gross Rent (£/annum)	£6,000	£8,100	£8,880
Net Rent (£/annum)	£4,800	£6,480	£7,104
Value	£101,053	£136,421	£149,558
m^2	50	70	84
£/m^2	£2,021	£1,949	£1,780

Source: HDH (July 2021)

4.55 This approach derives a value for private rent, under Build to Rent, of £1,920/m^2 or so.

Affordable Housing

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

Affordable Housing Values

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

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

4.59 In the *Local Plan Viability Report* (SBC, May 2016) Social Rent was assumed to have a value of £840/m^2 and Affordable Rent a value of £885/m^2. Intermediate housing was assumed to have a value of 50% to 60% of market value.

Social Rent

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

Table 4.20 General Needs (Social Rent) – SBC					
Average weekly net rent (£ per week) by unit size for Scarborough - Large PRPs[25]				**£ per week**	
Unit Size	**Net rent**	**Social rent rate**	**Service charge**	**Gross rent**	**Unit count**
Non-self-contained	£0.00	£0.00	£0.00	£0.00	0
Bedsit	£67.56	£67.47	£2.90	£69.67	143
1 Bedroom	£73.29	£72.93	£3.68	£76.53	1,240
2 Bedroom	£85.32	£84.30	£4.33	£87.15	1,829
3 Bedroom	£91.71	£91.16	£2.48	£92.05	99
4 Bedroom	£99.48	£99.08	£0.93	£99.55	99
5 Bedroom	£104.76	£105.03	£0.00	£104.76	2
6+ Bedroom	£107.12	£107.12	£0.00	£107.12	1
All self-contained	£84.84	£84.19	£3.70	£86.39	5,409
All stock sizes	**£84.84**	**£84.19**	**£3.70**	**£86.39**	**5,409**
Owned stock. Large PRPs only - unweighted. Excludes Affordable Rent and intermediate rent, but includes other units with an exception under the Rent Policy Statement. Stock outside England is excluded.					

Source: Table 9, SDR 2021 – Data Tool[26]

4.61 This assessment concerns only the value of newly built homes. There seems to be relatively little difference in the amounts paid by Registered Providers (RPs) for such units across the area. In this assessment, the value of Social Rents is assessed assuming 10% management costs, 4% voids and bad debts and 6% repairs. These are capitalised at 4%.

Table 4.21 Capitalisation of Social Rents				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Rent (£/week)	£318	£370	£397	£431
Rent (£/annum)	£3,811	£4,437	£4,769	£5,173
Net Rent	£3,049	£3,549	£3,815	£4,138
Value	£76,222	£88,733	£95,378	£103,459
m^2	50	70	84	97
£/m^2	£1,524	£1,268	£1,135	£1,067

Source: HDH (November 2021)

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

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

4.62 On this basis, a value of £1,250/m^2 across the assessment area would be assumed.

Affordable Rent

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

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

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

Table 4.22 BRMA LHA Caps (£/week)	
Shared Accommodation	£65.50
One Bedroom	£86.30
Two Bedrooms	£111.62
Three Bedrooms	£128.88
Four Bedrooms	£149.59

Source: VOA (November 2021)

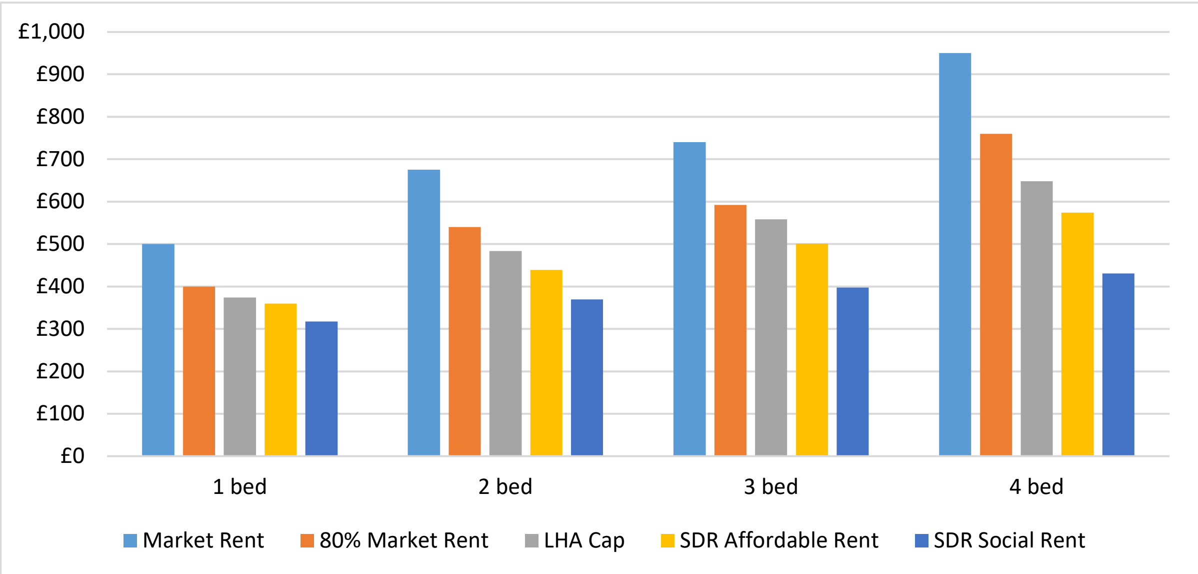
4.66 These caps are generally more than the Affordable Rents being charged as reported in the most recent HCA data release (although this data covers both newbuild and existing homes).

Table 4.23 Affordable Rent General Needs - SBC		
Average weekly gross rent (£ per week) and unit counts by unit size for Scarborough	**£ per week**	
Unit Size	**Gross rent**	**Unit count**
Non-self-contained	£0.00	0
Bedsit	£0.00	0
1 Bedroom	£83.06	79
2 Bedroom	£101.27	425
3 Bedroom	£115.65	285
4 Bedroom	£132.45	12
5 Bedroom	£102.35	1
6+ Bedroom	£0.00	0
All self-contained	£105.06	802
All stock sizes	**£105.06**	**802**
Owned stock. All PRPs owning Affordable Rent units - unweighted. Stock outside England is excluded.		

Source: Table11, SDR 2021 – Data Tool[27]

4.67 The rents can be summarised as follows.

Figure 4.10 Rents by Tenure – £/Month



Source: Market Survey, HCA Statistical Return and VOA (November 2021)

4.68 Initially, in calculating the value of Affordable Rent, we have allowed for 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income at 4.5%. It is

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

assumed that the Affordable Rent is no more than the LHA cap. On this basis affordable rented property has the following worth.

Table 4.24 Capitalisation of Affordable Rents

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/month)	£400	£540	£592	£760
Gross Rent (£/annum)	£4,800	£6,480	£7,104	£9,120
Net Rent	£3,840	£5,184	£5,683	£7,296
Value	£96,000	£129,600	£142,080	£182,400
m^2	50	70	84	97
£/m^2	£1,920	£1,851	£1,691	£1,880

Source: HDH (November 2021)

4.69 Using this method to assess the value of affordable housing, under the Affordable Rent tenure, a value of £1,835/m^2 or so is derived.

4.70 Following the consultation process, through which it was suggested that the above values may be a little high, we have reviewed the assumptions used by neighbouring authorities:

Table 4.25 Neighbouring Authorities – Affordable Housing Value Assumptions

Redcar & Cleveland	Dec-16	Aspinall Verdi	47.7% across tenures
Hambleton	Jun-19	Keppie Massie	Based on transfer prices: 1 bed £50,000 2 bed £65,200 3 bed £79,200 4 bed £84,200
Ryedale	Aug-13	RTP	Shared Ownership 70% OMV, Social Rented 40% OMV
East Riding	Nov-21	AECOM / HDH	Social Rent £1,152/m^2 Affordable Rent £1,400/m^2 AHO 70% OMV
NYMNPA	Oct-18	Aspinall Verdi	Affordable Rent 80% OMV LCHO 65% OMV

Source: Local Plan websites (February 2021)

4.71 Following the consultation this assumption has been adjusted to £1,400/m^2, being about 50% of market value.

Affordable Home Ownership

4.72 Intermediate products for sale include Shared Ownership and shared equity products[28] as well as First Homes. We have assumed a value of 70% of open market value for these units. These values were based on purchasers buying an initial 30% share of a property and a 2.5%[29] per annum rent payable on the equity retained. The rental income is capitalised at 4% having made a 2% management allowance.

4.73 The following table shows 'typical' values for Shared Ownership housing at a range of proportions sold:

Table 4.26 Value of Shared Ownership Housing at 30% to 80% of Proportion Sold

Market Value			% Sold		Rent			Value		
m2	£/m2	£	%	£	%	£/year	£	£	£/m2	**% OMV**
95	2,600	247,000	10%	24,700	2.50%	5,558	136,159	160,859	1,693	**65.13%**
95	2,600	247,000	20%	49,400	2.50%	4,940	121,030	170,430	1,794	**69.00%**
95	2,600	247,000	30%	74,100	2.50%	4,323	105,901	180,001	1,895	**72.88%**
95	2,600	247,000	40%	98,800	2.50%	3,705	90,773	189,573	1,996	**76.75%**
95	2,600	247,000	50%	123,500	2.50%	3,088	75,644	199,144	2,096	**80.63%**
95	2,600	247,000	60%	148,200	2.50%	2,470	60,515	208,715	2,197	**84.50%**
95	2,500	237,500	10%	23,750	2.50%	5,344	130,922	154,672	1,628	**65.13%**
95	2,500	237,500	20%	47,500	2.50%	4,750	116,375	163,875	1,725	**69.00%**
95	2,500	237,500	30%	71,250	2.50%	4,156	101,828	173,078	1,822	**72.88%**
95	2,500	237,500	40%	95,000	2.50%	3,563	87,281	182,281	1,919	**76.75%**
95	2,500	237,500	50%	118,750	2.50%	2,969	72,734	191,484	2,016	**80.63%**
95	2,500	237,500	60%	142,500	2.50%	2,375	58,188	200,688	2,113	**84.50%**

Source: HDH 2021

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

4.75 It is important to note that there is an income cap that applies to Shared Ownership properties of £80,000/year[30]. Generally, the Council considers households should not spend more than 40% of their net household income on direct housing costs (mortgage or rent). This means the maximum monthly charge is in effect £1,166 a month, which caps the mortgage at about £233,000 (assuming a 25-year repayment at 3.5%). Assuming a 10% deposit, this means the maximum price under such products is about £256,000.

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

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

[30] Affordable home ownership schemes: Buying through shared ownership - GOV.UK (www.gov.uk)

Grant Funding

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

Older People's Housing

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

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

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

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

Table 4.27 Worth of Sheltered and Extracare			
Scarborough	Area (m^2)	£	£/m^2
3 bed semi-detached		200,000	
1 bed Sheltered	50	150,000	3,000
2 bed Sheltered	75	200,000	2,667
1 bed Extracare	65	187,500	2,885
2 bed Extracare	80	250,000	3,125
Whitby	Area (m^2)	£	£/m^2
3 bed semi-detached		325,000	
1 bed Sheltered	50	243,750	4,875
2 bed Sheltered	75	325,000	4,333
1 bed Extracare	65	304,688	4,688
2 bed Extracare	80	406,250	5,078

Source: HDH (November 2021)

4.80 We have undertaken a review of older people's schemes within the Borough and there are none currently being marketed.

4.81 Based on the above, for Sheltered Housing and for Extracare Housing a value of £3,000/m^2 is assumed in Scarborough and £4,600/m^2 in Whitby and Filey. Extracare is likely to have a higher value, however we have been unable to evidence this in the SBC area. No allowance is made for ground rents.

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

5. Non-Residential Market

5.1 This chapter sets out an assessment of the markets for non-residential property, providing a basis for the assumptions of prices to be used in financial appraisals for the sites tested in the assessment. There is no need to consider all types of development in all situations – and certainly no point in testing the types of schemes that are unlikely to come forward as planned development. In this assessment we have considered the larger format office and industrial use.

5.2 Market conditions broadly reflect a combination of national economic circumstances and local supply and demand factors. However, even within the Scarborough Borough Council Area, there will be particular localities, and ultimately, site-specific factors, that generate different values and costs.

National Overview

5.3 The various non-residential markets in the SBC area reflect national trends:

> *Twelve-month expectations hit fresh highs for the industrial sector*
>
> - *Outlook for values remains upbeat for industrials, data centres, multifamily and aged care facilities*
> - *Covid developments stifle the recovery in tenant demand across the office sector during Q4*
> - *But 66% of survey participants still feel office space is essential for a company to operate successfully*
>
> *The Q4 2021 RICS UK Commercial Property Survey suggest conditions remain polarised across different portions of the real estate market. While already strong twelve-month projections were further upgraded in the industrial sector, offices and retail continue to struggle, with the situation not helped by the surge in Covid cases seen during the latest survey period.*
>
> *During Q4, the headline net balance for occupier demand came in at +16%, similar to the reading of +18% returned previously. That said, across the three traditional sectors, only industrials posted a positive reading for tenant demand, with the net balance standing at +61%.*
>
> *Meanwhile, the comparable readings were -3% for offices and -21% for retail. With respect to offices, this latest figure marks a slight setback from a modestly positive trend cited in Q3 (+7%), with respondents pointing to the rapid spread of the omicron variant as a negative influence this quarter.*
>
> *Looking at the longer term, some additional questions were included to further examine structural changes sweeping the office sector as a result of the pandemic. Importantly, when asked if office space is still essential for a company to operate successfully, 66% of respondents replied 'yes', while 29% felt otherwise (the remaining 5% did not have an opinion). Alongside this, 76% of contributors report that they are seeing a relative increase in demand for flexible and more local workspaces compared to only 13% who replied negatively. When asked if space allocation per desk had increased in the wake of the pandemic, 69% reported that more space has been allotted to individual desks. Notwithstanding the general perception that offices are still essential for businesses, 87% of respondents also report seeing re-purposing of office space for other uses, with 15 highlighting that this is occurring in significant volumes.*
>
> *Q4 2021 RICS UK Commercial Property Survey*

Non-Residential Market

5.4 The *SBC Employment Land Review* (SBC, November 2015) included a detailed assessment of the local employment markets so that will not be repeated here. Historically, the Borough has been considered to divide into five areas:

a. Scarborough Urban Area (including the settlements of Scarborough, Scalby, Newby, Osgodby, Eastfield, Cayton and Crossgates)

b. Whitby

c. Filey

d. the Service Villages

e. the Rural Villages

5.5 For the purpose of this assessment there are three significant business parks in the Borough. The largest is Scarborough Business Park, being several miles to the south of the town, adjacent to the Seamer train station at Eastfield. In addition, Whitby Business Park and Hunmanby Industrial Estate are significant employment centres.

5.6 At the time of this update there is little speculative non-residential development being undertaken. This assessment is concerned with new property that is likely to be purpose built. There is little evidence of a significant variance in price for newer premises more suited to modern business, although very local factors (such as the access to transport network) are important.

5.7 Various sources of market information have been analysed, the principal sources being the local agents, research published by national agents, and through the Estates Gazette's Property Link website (a commercial equivalent to Rightmove.co.uk). In addition, information from CoStar (a property industry intelligence subscription service) has been used. Much of this commercial space is 'second hand' and not of the configuration, type and condition of new space that may come forward in the future, so is likely to command a lower rent than new property in a convenient well accessed location with car parking and that is well suited to the modern business environment. This chapter considers the value of newly developed office and industrial sites.

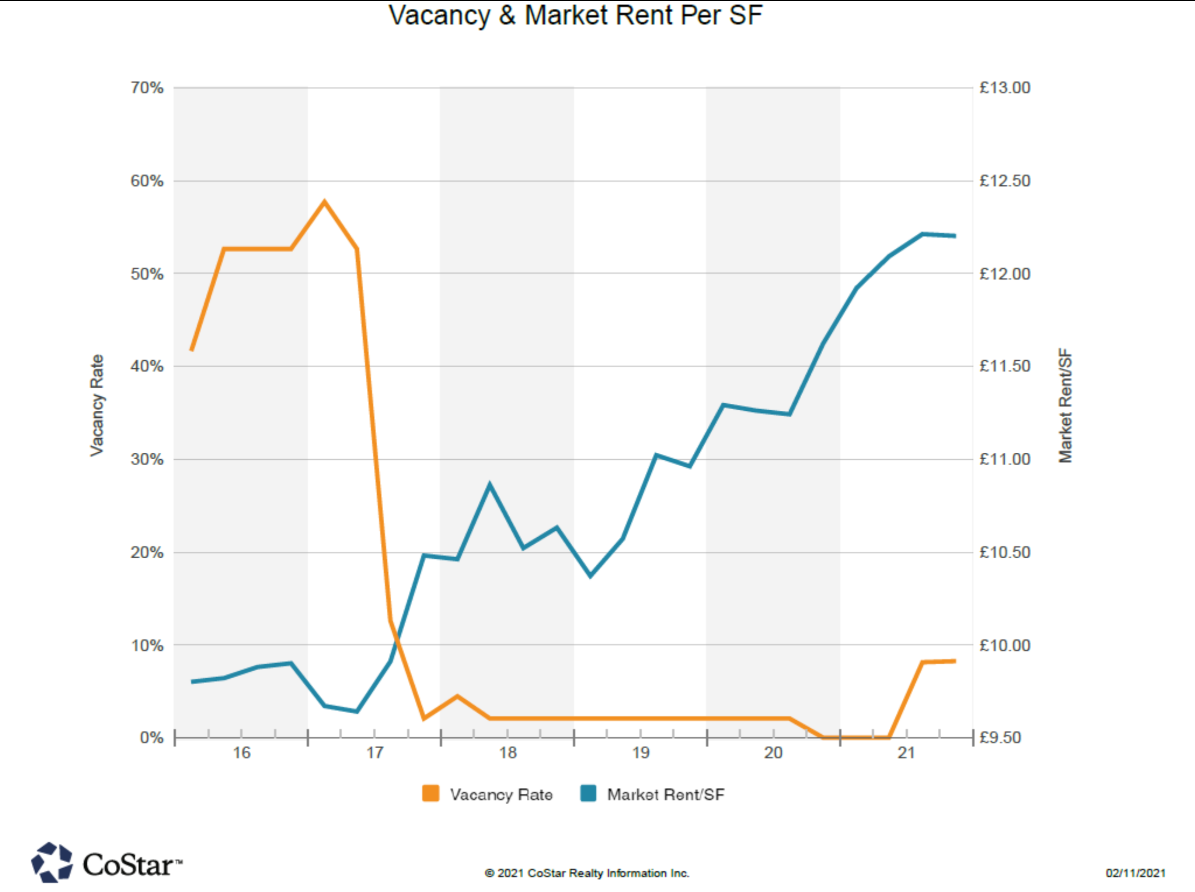
5.8 **Appendix 8** includes market data from CoStar.

Offices

5.9 The office market is to service local businesses, rather than to serve larger scale businesses. On the whole, offices tend to be mixed in with other uses, either in the town centres, or within the older industrial areas. Limited purpose-built space has come forward on the business parks.

5.10 CoStar data shows a notable increase in rents over the last five years and low levels of vacancies. These low levels of vacancies are reflective of the fact that there has been little development.

Figure 5.1 Offices - Vacancy Rates v Rent (£/sqft)



Source: CoStar (November 2021)

5.11 Relatively few offices are being advertised for rent. A modern 113m^2 unit is being advertised at about £145/year/m^2 at the Manor Garth Office Park. CoStar is currently reporting rents (for all types of office), of about £108/m^2/year (£10sqft/year). On the whole, these buildings are not modern offices that are best suited to current work practices. Newer offices with good transport access and with a flexible layout, are most likely to be around £215/m^2/year (£20sqft/year).

5.12 The yield for office uses reported by CoStar is based on a very small sample. We would expect is new larger, purpose-built offices, with ample parking, let to a sound tenant, to derive a yield of 7% or so in a market such as the SBC area. Smaller offices would attract a higher yield as these are likely to be less attractive to investors.

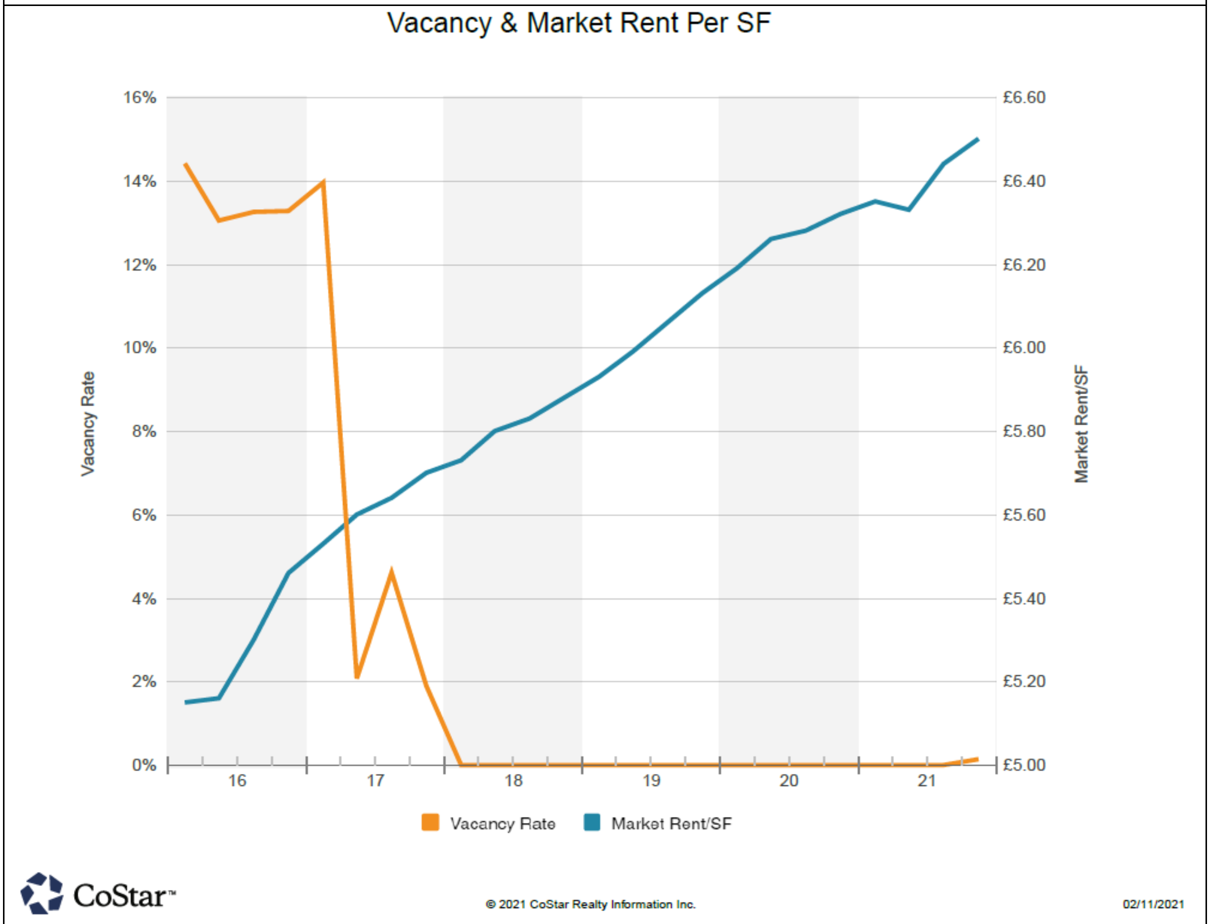
5.13 On this basis, new office development would have a value of £2,870/m^2 (£267/sqft) on larger schemes, and about £2,490/m^2 (£231/sqft) on smaller schemes (having allowed for a rent free / void period of 12 months).

Industrial and Distribution

5.14 The industrial market in the Borough is focused on serving the needs of local businesses within the area. The market does not have strong ties with the industrial markets of other Yorkshire local authorities, and is relatively self-contained within the Borough boundary.

5.15 CoStar data also shows a steady increase in rents over the last five years in the industrial sector, and very low levels of vacancies. This situation is not recognised by local agents who report that reasonable industrial space remains in strong demand.

Figure 5.2 Industrial - Vacancy Rates v Rent (£/sqft)



Source: CoStar (November 2021)

5.16 There are several design and build opportunities available at Scarborough Business Park. CoStar is currently reporting average rents in SBC (for all types of industrial space) of about £52/m^2/year (£4.80/sqft/year). More modern buildings that are well located and with adequate parking are securing rents that are higher at about of about £86/m^2/year (£8/sqft/year).

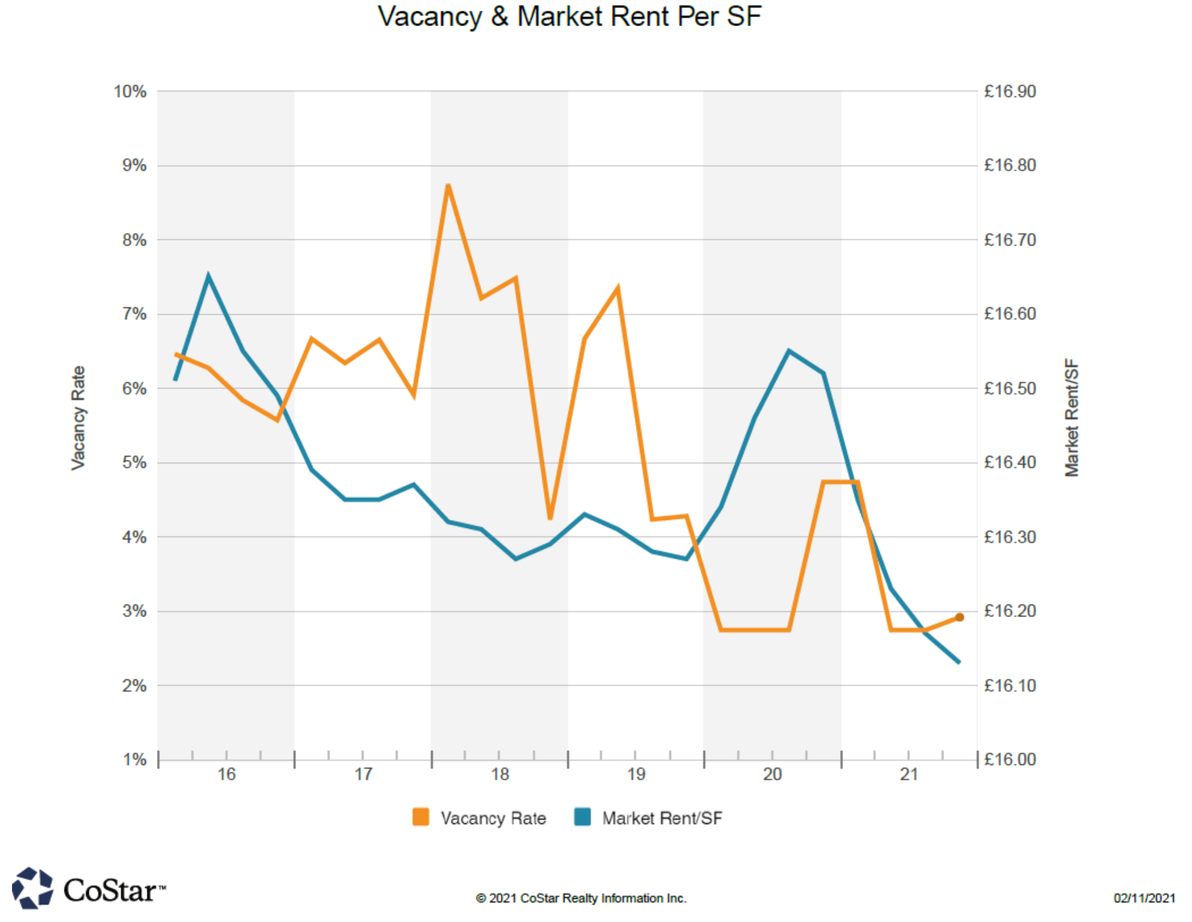
5.17 There is little differentiation of rents relative to the size of the units. CoStar does not report a local yield. We would expect larger units (or groups of units) to achieve a yield of 6.5% or so, with smaller units achieving a yield of 8% or so.

5.18 On this basis, new industrial development would have a value of £1,230/m^2 (£115/sqft) on larger schemes, and about 1,000/m^2 (£93/sqft) on smaller schemes (having allowed for a rent free / void period of 12 months).

Retail

5.19 The CoStar data shows a recent fall in rents. This is accompanied by a fall in vacancies, however this fall in vacancies is not recognised by local agents.

Figure 5.3 Retail - Vacancy Rates v Rent (£/sqft)



Source: CoStar (June 2021)

5.20 The market is segmented with the core of Scarborough, Whitby and Filey thriving, but with secondary locations being challenging. There is currently little out-of-town retail activity in the Borough. The rents vary hugely:

Table 5.1 Retail Rents £/year/m² (£/year/sqft)					
		Count	Minimum	Average	Maximum
Filey	£/year/m²	6	£103.31	£282.87	£1,063.10
	£/year/sqft		£9.60	£26.28	£98.77
Scarborough	£/year/m²	45	£0.62	£171.22	£762.05
	£/year/sqft		£0.06	£15.91	£70.80
Whitby	£/year/m²	5	£73.60	£246.09	£430.56
	£/year/sqft		£6.84	£22.86	£40.00
All	**£/year/m²**	56	£0.62	£189.87	£1,063.10
	£/year/sqft		£0.06	£17.64	£98.77

Source: CoStar (November 2021)

5.21 Rents for small units in the best central locations are currently around £350/m²/year (£32.50/sqft/year)[31] although generally they are about half this in all but the best locations.

5.22 CoStar reports an average local yield of about 7%. We would expect larger, out of town, units (or groups of units) to achieve a yield that is less than this, but in the secondary locations the yield is likely to be somewhat higher.

5.23 A value (based on a 7% yield) of 4675/m² (£435/sqft) is used for prime, town centre shop-based retail. A value (based on a 8% yield) of £1740/m² (£160/sqft) is used for other shop based retail in other locations.

5.24 We have given consideration to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the SBC area, however drawing on our wider experience we have assumed supermarket rents of £250/m²/year (£23/sqft/year) with a yield of 4.5% to give a value of £5,550/m² (£515/sqft). This yield is somewhat lower than we would have used several years ago. This reflects the increased confidence in this sector after a difficult period faced by the traditional supermarket operators.

5.25 In the case of retail warehouses, we have assumed a rent of £200/m²/year (£18.60/sqft/year) and a yield of 5.5% giving a value of £3,000/m² (£300/sqft) (allowing for a 2 year rent free / void period).

Hotels

5.26 For the hotel sector, a rental of £4,500/room/year for newbuild hotels is assumed to apply across the area. Assuming a yield of 6%, this equates to a value of about £3,035/m² (£280/sqft). It is important to note that this assessment is only concerned with newbuild hotels[32].

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[31] These rents are calculated over the whole building area rather than just the sales area.

[32] 60 rooms x £4,500 = £270,000. 6% yield = £4,500,000. 60 rooms @19m² + 30% circulation space = £3,035/m²

Appraisal Assumptions

5.27 The following assumptions have been used:

Table 5.2 Commercial Values £/m² 2021					
	Rent £/m²	Yield	Rent free period	Derived Value	Assumption
Offices - Large	£215	7.00%	1.0	£2,870	£2,870
Offices - Small	£215	8.00%	1.0	£2,488	£2,490
Industrial - Large	£85	6.50%	1.0	£1,228	£1,230
Industrial - Small	£85	8.00%	1.0	£984	£1,000
Logistics	£120	4.00%	2.0	£2,774	£2,800
Retail - Central	£350	7.00%	1.0	£4,673	£4,675
Retail (elsewhere)	£150	8.00%	1.0	£1,736	£1,740
Supermarket	£250	4.50%	0.0	£5,556	£5,550
Retail warehouse	£200	5.50%	2.0	£3,267	£3,250
Hotel (per room)	£4,500	6.00%	0.0	£3,036	£3,035

Source: HDH (November 2021)

6. Land Values

6.1 Chapters 2 and 3 set out the background to, and the methodology used, in this assessment. An important element of the assessment is the value of the land. Under the method set out in the PPG and recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted through a planning consent, is the Existing Use Value (EUV). This is used as the starting point for the assessment.

6.2 In this chapter, the values of different types of land are considered. The value of land relates closely to its use, and will range considerably from site to site. As this is a high-level assessment, the three main uses, being agricultural, residential and industrial, have been researched. The amount of uplift that may be required to ensure that land will come forward and be released for development has then been considered.

6.3 In this context it is important to note that the PPG says (at 10-016-20180724) that the '*Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments*'. It is therefore necessary to consider the EUV as a starting point.

6.4 In the *Local Plan Viability Report* (SBC, May 2016) the following BLV assumptions were used.

> ***7.31*** *The land values set out in this study ranges from £300,000 to £600,000 per hectare and these figures have been applied to the different market areas within the model. Consequently the assumption for a weaker market area is £300,000, £400,000 for a medium and £600,000 for a stronger market area. These are based on recent evidence on land values as shown in Appendix 2.It is important to note that in weaker market areas e.g. regeneration areas, schemes may come forward for a lower land value than that assumed in this report. As noted in the disclaimer at the beginning of this document, it is not intended that the assumptions used within this study should be used to benchmark land values within the borough.*

6.5 The *Local Plan Viability Report* (SBC, May 2016) makes mention of the EUV Plus approach, but is not explicit in this regard.

Existing Use Values

6.6 To assess development viability, it is necessary to analyse Existing and Alternative Use Values. EUV refers to the value of the land in its current use <u>before planning consent is granted</u>, for example, as agricultural land. AUV refers to any other potential use for the site, for example, a brownfield site may have an alternative use as industrial land.

6.7 The updated PPG includes a definition of land value as follows:

How should land value be defined for the purpose of viability assessment?

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+).

In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.

PPG: 10-013-20190509

What is meant by existing use value in viability assessment?

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

PPG: 10-015-20190509

6.8 The land value should reflect emerging policy requirements and planning obligations. The value of the land for a particular typology (or site) needs to be compared with the EUV. If the Residual Value does not exceed the EUV, plus the Landowner's Premium, then the development is not viable; if there is a surplus (i.e. profit) over and above the 'normal' developer's profit/return having paid for the land, then there is scope to make developer contributions. For the purpose of the present assessment, it is necessary to take a comparatively simplistic approach to determining the EUV. In practice, a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis, the outcome might still be contentious.

6.9 The 'model' approach is outlined below:

i. For sites in agricultural use, then agricultural land represents the EUV. It is assumed that greenfield sites of 0.5ha or more fall into this category.

ii. For paddock and garden land on the urban fringe, a 'paddock' value is adopted. This is assumed for greenfield sites of less than 0.5ha.

iii. Where the development is on brownfield land or previously developed land (PDL), we have assumed an industrial value.

Residential Land

6.10 In August 2020, MHCLG published *Land value estimates for policy appraisal 2019*[33]. This was prepared by the Valuation Office Agency (VOA) and set out land values as at April 2019. The SBC figure is £1,570,000/ha. This figure assumes nil affordable housing. As stressed in the paper, this is a hypothetical situation and '*the figures on this basis, therefore, may be significantly higher than could be reasonably obtained in the actual market*'.

6.11 The VOA assumed as follows:

- *Any liability for the Community Infrastructure Levy (CIL), even where it was planning policy as at 1 April 2019, has been excluded.*
- *It has been assumed that full planning consent is already in place; that no grants are available and that no major allowances need to be made for other s106/s278 costs.*
- *The figures provided are appropriate to a single, hypothetical site and should not be taken as appropriate for all sites in the locality.*
- *In a small number of cases schemes do not produce a positive land value in the Model. A 'floor value' of £370,000 (outside London) has been adopted to represent a figure at less than which it is unlikely (although possible in some cases) that 1 hectare of land would be released for residential development.*
- *This has been taken on a national basis and clearly there will be instances where the figure in a particular locality will differ based on supply and demand, values in the area, potential alternative uses etc. and other factors in that area.*
- *Each site is 1 hectare in area, of regular shape, with services provided up to the boundary, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available.*
- *The site will have a net developable area equal to 80% of the gross area (excluding London).*
- *For those local authorities outside London, the hypothetical scheme is for a development of 35, two storey, 2/3/4 bed dwellings with a total floor area of 3,150 square metres.*
- *For those local authorities in London, the hypothetical scheme varies by local authority area and reflects the type/scale of development expected in that locality. The attached schedules provide details of gross/net floor areas together with number of units and habitable rooms.*

These densities are taken as reasonable in the context of this exercise and with a view to a consistent national assumption. However, individual schemes in many localities are likely to differ from this and different densities will impact on values achievable.

6.12 There are few larger development sites being marketed in the area however, there are a number of small development sites being marketed in the area (within 10 miles of Scarborough) at the time of this assessment:

[33] https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019

Table 6.1 Development Land Asking Prices							
		ha	Units	Asking Price	£/ha	£/unit	
High Street	Burniston	1.93	60	£1,000,000	£518,135	£16,667	Local Plan allocation. Subject to planning.
Former Yorkshire Coast College	Scarborough	6.01	139		£0	£0	Outline planning for 139.
Off Brigg Road	Filey	1.57	42	£1,500,000	£955,414	£35,714	
Outgaits Lane	Hunmanby	0.029	10	£650,000	£22,413,793	£65,000	STP
Throxenby Lane	Newby/ Throxenby	0.21		£300,000	£1,428,571		STP
Rear of Roxby Hall Farm	Thornton le Dale	0.055	1	£165,000	£3,000,000	£165,000	Single plot
Stonegate	Hunmanby	1.06	29	£625,000	£589,623	£21,552	Local Plan allocation. Subject to planning.

Source: Market Survey (November 2021)

6.13 These prices are asking prices – so reflect the landowner's aspiration. In setting the BLV the important point is the minimum amount a landowner will accept, rather than their aspiration.

6.14 Recent transactions based on planning consents over the last few years and price paid information from the Land Registry have been researched and are set out in **Appendix 9.** The data is summarised in the following table, the amount of affordable housing in the scheme is shown, being the key indicator of policy compliance (as required by the PPG). Only the sites for which the data is available are presented here, all sites are included in **Appendix 9**.

Table 6.2 Price Paid for Consented Development Land						
Site	Date approved	ha	All Units	Aff %	£/ha	£/unit
Land to the North of Jackson Close, Cayton	24-Dec-19	2.09	64	16%	£513,565	£16,771
Land to north of Beacon Road, Seamer	07-Dec-17	8.54	241	15%	£465,956	£16,511
Middle Deepdale, Eastfield	15-Mar-13	70.12	1,350		£88,705	£4,607
[EXAMPLE] HA2 Phase 4 Middle Deepdale, Eastfield	10-Oct-19	4.06	106	0%	£603,448	£23,113
84 Filey Road, Scarborough	16-Jan-20	0.19	16	0%	£1,684,211	£20,000
Manor Road Nurseries (but was employment in end)	22-Jan-20	0.82	40	0%	£968,026	£19,845
North of Racecourse Road, East Ayton	29-Apr-19	3.23	96	26%	£5,650,155	£190,104
Farside Rd, West Ayton site	22-Jan-16	1.95	71	30%	No PPD	
454 Scalby Road, Newby	08-Oct-18	0.08	10	0%	No PPD	
Land at Lady Ediths Drive, Newby	12-Jun-19	1.4	49	100%	£1,571,429	£44,898
Land off Mill Way, High Mill, Scalby	03/09/2020	4.31	151	30%	£620,650	£17,715
Land off Mill Way, High Mill, Scalby (Phase 3)	03/09/2020	8.48	220	30%	£315,448	£12,159
Town Farm, Cloughton	03/10/2017	0.79	24	0%	£411,392	£13,542
Sneaton Castle, Whitby	21/04/2016	8.63	241	39%	£463,499	£16,598
Shackleton Close, Whitby	16/03/2018	2.49	72	25%	£682,731	£23,611
Land at Broomfield Farm, Stainsacre Lane, Whitby	25/03/2021	13.21	290	30%	No PPD	
Church Cliff Drive, Filey	03/04/2019	1.41	59	0%	£886,525	£21,186
Filey Fields Farm, Scarborough Road, Filey	07/10/2019	1.19	70	100%	£780,252	£13,264
Electricity Building, Gristhorpe	23/01/2018	2.14	45	0%	£392,991	£18,689
Braeburn House, Eastfield	06/03/2018	0.39	29	100%	No PPD	
Seraphis Court, Holbeck Hill	26/09/2016	0.38	22	0%	£1,907,895	£32,955
East of The Nurseries, Whitby	16/02/2018	0.31	10	0%	No PPD	

Source: SBC and Land Registry (October 2021) The blanks in the table are where this source does not include data.

6.15 These values are on a whole site basis (gross area) and range considerably. The average is about £420,000/ha (£17,600/unit). If the outlier (North of Racecourse Road, East Ayton) is disregarded, the average is about £267,000/ha (£11,200/unit). The average of those that provided some affordable housing is about £466,000/ha.

6.16 In considering the above, the PPG 10-014-20190509 says:

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

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

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

6.17 The price paid is the maximum the landowner could achieve. The landowner is unlikely to suggest a buyer may be paying an unrealistic amount. The BLV is not the price paid (nor the average of prices paid).

6.18 In relation to larger sites, and, in particular, larger greenfield sites, these have their own characteristics and are often subject to significant infrastructure costs and open space requirements which result in lower values. In the case of non-residential uses we have taken a similar approach to that taken with residential land except in cases where there is no change of use. Where industrial land is being developed for industrial purposes, we have assumed a BLV of the value of industrial land.

Previously Developed Land

6.19 *Land value estimates for policy appraisal* provides the following values:

Table 6.3 Employment Land Values		
Industrial Land	£/ha	£370,000
	£/acre	£150,000
Commercial Land: Office Edge of City Centre	£/ha	£865,000
	£/acre	£350,000
Commercial Land: Office Out of Town – Business Park	£/ha	£370,000
	£/acre	£150,000

Source: *Land value estimates for policy appraisal* (MHCLG, August 2020)

6.20 CoStar (a property market data service) includes details of industrial land. These are summarised in **Appendix 10**. Whilst the sample is small, the transactions are broadly consistent with the above.

6.21 A figure of £370,000/ha is assumed for industrial land.

Agricultural and Paddocks

6.22 *Land value estimates for policy appraisal* (MHCLG, August 2020) provides a value figure for agricultural land in the area of £20,000/ha. We have checked this assumption:

a. Savills *GB Farmland*[34] reports that at '*a national level the picture is similar at both country and regional levels. The average value of prime arable and grade 3 grassland across GB is around £8,700 (£21,500/ha) and £5,500 per acre £13,600/ha) respectively*'.

b. Strutt and Parker's *English Estates & Farmland Market Review Winter 2019/2020*[35] states '*that average arable values remain unchanged from 12 months ago at £9,200/acre*'.

c. Carter Jonas' *Farmland Market Update*[36] reports *'average arable land values shifted down slightly to end the year on £8,539 per acre (£21,100/ha)'.*

6.23 For agricultural land, a value of £25,000/ha is assumed to apply here.

6.24 Sites on the edge of a town or village may be used for an agricultural or grazing use but have a value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. A higher value of £50,000/ha is used for sites of up to 0.5ha on the edge of the built-up area.

Existing Use Value Assumptions

6.25 In this assessment the following Existing Use Value (EUV) assumptions are used. These are applied to the gross site area.

Table 6.4 Existing Use Value Land Prices - 2021	
PDL	£370,000/ha
Agricultural	£25,000/ha
Paddock	£50,000/ha

Source: HDH (November 2021)

Benchmark Land Values

6.26 The setting of the Benchmark Land Values (BLV) is one of the more challenging parts of a plan-wide viability assessment. The updated PPG makes specific reference to BLV, so it is necessary to address this. As set out in Chapter 2 above, the updated PPG says:

[34] savills-mim-ukfarmland2019.pdf

[35] S&P%20EEFM-Review-Q4-2019-WEB.pdf

[36] https://www.carterjonas.co.uk/property-publications/

Benchmark land value should:

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

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

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

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

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 agreement).

PPG 10-014-20190509

6.27 With regard to the landowner’s premium, the PPG says:

How should the premium to the landowner be defined for viability assessment?

The premium (or the ‘plus’ in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

PPG 10-016-20190509

6.28 In the pre-consultation iteration of this Viability Update, the following Benchmark Land Value assumptions are used (these are applied on a gross site area):

Brownfield/Urban Sites: EUV Plus 20%.

Greenfield Sites: EUV Plus £250,000/ha.

6.29 Through the November 2021 consultation it was suggested[37] that this assumption was not high enough. Whilst no supporting evidence was provided to support this assertion, the following was noted:

> *As HDH identify, the existing use value of agricultural land in the Scarborough area is circa £25,000 per hectare so working on this basis the BLV should perhaps be between £525,000 and £775,000 per hectare.*

4.83 Following the consultation process, we have reviewed the assumptions used by neighbouring authorities:

Table 6.5 Neighbouring Authorities – BLV Assumptions

			Greenfield	Brownfield
Redcar & Cleveland	Dec-16	Aspinall Verdi	10 to 20 x Agricultural EUV	EUV +30%
Hambleton	Jun-19	Keppie Massie	£370,000 to £494,000/ net ha.	£741,000 to £864,000/ net ha
Ryedale	Aug-13	RTP	£600,000 to £900,000/ ha (oven ready)	£600,000 to £900,000/ ha (oven ready)
East Riding	Nov-21	AECOM / HDH	EUV + £400,000/ha	EUV +30%
NYMNPA	Oct-18	Aspinall Verdi	£10,000/plot	

Source: Local Plan websites (February 2021)

6.30 Earlier in this chapter, the values of the price paid for consented land were researched and set out. The overall average is about £420,000/ha (£17,600/unit). If the outlier is disregarded, the average is about £267,000/ha (£11,200/unit). The average of those that provided some affordable housing, is about £466,000/ha (£16,280/unit).

6.31 In this iteration of this report we have increased the 'plus' to £400,000/ha. This represents a premium of 16 times the EUV.

[37] Iain Simpson, Simpson & Company.

7. Development Costs

7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the development typologies.

Development Costs

Construction costs: baseline costs

7.2 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for the SBC area. The cost figure for 'Estate Housing – Generally' is £1,326/m^2 (and the costs for Flats - Generally is £1,542/m^2), at the time of this assessment (**Appendix 11**). This is an increase of 39%[38] since the *Local Plan Viability Report* (SBC, May 2016) was undertaken. The use of the BCIS data is suggested in the PPG (paragraph 10-012-20180724), however, it is necessary to appreciate that the volume housebuilders are likely to be able to achieve significant saving due to their economies of scale.

7.3 As set out in Chapter 2 above, the Government recently announced the outcome of its consultation on 'The Future Homes Standard'[39]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. This is considered in Chapter 8 below.

7.4 The appropriate build cost is applied to each house type, with the cost of estate housing detached being applied to detached housing, the costs of flats being applied to flats and so on. Appropriate costs for non-residential uses are also applied. The lower quartile cost is used for schemes of over 100 units (where economies of scale can be achieved), and the median for smaller schemes.

Other normal development costs

7.5 In addition to the BCIS £/m^2 build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within this broad-brush assessment and the approach taken is in line with the PPG and the Harman Guidance.

7.6 Nevertheless, it is possible to generalise. Drawing on experience, it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for lower density schemes since there is a smaller area of external works, and services can be

[38] BCIS Estate Housing Generally 2016 £958/m^2.

[39] https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

used more efficiently – larger greenfield sites tend to have lower net developable areas, so more land requires work.

7.7 A scale of allowances for site costs has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes within the urban area, to 15% for the larger greenfield schemes.

Abnormal development costs and brownfield sites

7.8 With regard to abnormals, paragraph 10-012-20180724 of the PPG says:

> *... abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value ...*

7.9 This needs to be read with paragraph 10-014-20180724 of the PPG that says that:

> *Benchmark land value should: ... reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and ...*

7.10 The consequence of this, when considering viability in the planning, is that abnormal costs should be added to the cost side of the viability assessment, but also reflected in (i.e. deducted from) the BLV. This has the result of balancing the abnormal costs on both elements of the appraisal.

7.11 This approach is consistent with the treatment of abnormals that was considered in some detail at Gedling Council's Examination in Public. As set out in Gedling, it may not be appropriate for abnormals to be built into appraisals in a high-level assessment of this type. Councils should not plan for the worst-case option – rather for the norm. For example, if two similar sites were offered to the market and one was previously in industrial use with significant contamination, and one was 'clean' then the landowner of the contaminated site would have to take a lower land receipt for the same form of development due to the condition of the land. The Inspector said:

> *… demolition, abnormal costs and off site works are excluded from the VA, as the threshold land values assume sites are ready to develop, with no significant off site secondary infrastructure required. While there may be some sites where there are significant abnormal construction costs, these are unlikely to be typical and this would, in any case, be reflected in a lower threshold land value for a specific site. In addition such costs could, at least to some degree, be covered by the sum allowed for contingencies.*

7.12 In some cases, where the site involves redevelopment of land which was previously developed, there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels; and so on. An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs.

7.13 In summary, abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

Fees

7.14 For residential and non-residential development, we have assumed professional fees amount to 8% of build costs. Separate allowances are made for planning fees, acquisition, sales and fees.

Contingencies

7.15 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, previously developed land. So, the 5% figure was used on the brownfield sites, and the 2.5% figure on the remainder.

S106 Contributions and the costs of strategic infrastructure

7.16 SBC has not adopted CIL, the Council seeks Developer Contributions under the s106 regime, in line with restrictions set out on CIL Regulation 122. Additional costs, as set out in Chapter 8 below, are allowed for.

Financial and Other Appraisal Assumptions

VAT

7.17 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full[40].

Interest rates

7.18 The appraisals assume 6% p.a. for total debit balances (to include interest and associated fees), we have made no allowance for any equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites.

7.19 The 6% assumption may seem high given the very low base rate figure (0.5% February 2022). Developers that have a strong balance sheet, and good track record, can undoubtedly borrow

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

less expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals, a simple cashflow is used to calculate interest.

7.20 The assumption of the 6%, is an 'all-in cost' to cover interest rate and associated finance fees, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest, particularly on the larger schemes, as most developers are required to put some equity into most projects. In this assessment a cautious approach is being taken.

7.21 6% was in line with Treasury assumptions (5% to 7%). In this context the major housebuilders report the following in their 2019 Annual Reports:

a. Persimmon - Base plus 1% to 3.25% and LIBOR plus 0.9%[41].

b. Barratt - Weighted Average (excluding fees) of 2.8%[42].

c. Vistry (Bovis, Galliford Try and Linden Homes) - LIBOR plus 165-255bsp. USPP Loan 4.03%[43].

d. Redrow - 2.3%[44]

Developers' return

7.22 An allowance needs to be made for developers' return and to reflect the risk of development. As set out in Chapter 2 above, this is an area of significant change since the Council's earlier viability work that was used to support CIL. Paragraph 10-018-20190509 of the updated PPG now sets out the approach to be taken and says:

> *How should a return to developers be defined for the purpose of viability assessment?*
>
> *Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.*
>
> *For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.*

7.23 The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending

[41] Page 150.

[42] Page 172.

[43] Page 139.

[44] Page 120.

the costs of construction before selling the property. The use of developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.

7.24 Broadly there are four different approaches that could be taken:

a. To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield sites.

b. To set a rate for the different types of unit produced – say 20% for market housing and 6% for affordable housing, as suggested by the HCA.

c. To set the rate relative to costs – and thus reflect the risks of development.

d. To set the rate relative to the gross development value.

7.25 In deciding which option to adopt, it is important to note that the intention is not to recreate any particular developer's business model. Different developers will always adopt different models and have different approaches to risk.

7.26 The argument is sometimes made that financial institutions require a 20% return on development value and if that is not shown they will not provide development funding. In the pre-Credit Crunch era there were some lenders who did take a relatively simplistic view to risk analysis but that is no longer the case. Most financial institutions now base their decisions behind providing development finance on sophisticated financial modelling that it is not possible to replicate in an assessment of this type. They require a developer to demonstrate a sufficient margin, to protect the lender in the case of changes in prices or development costs. They will also consider a wide range of other factors, including the amount of equity the developer is contributing (both on a loan-to-value and loan-to-cost basis), the nature of development and the development risks that may arise due to demolition works or similar, the warranties offered by the professional team, whether or not the directors will provide personal guarantees, and the number of pre-sold units.

7.27 This is a high-level assessment where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions and, as set out above, the updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies ... A lower figure may be more appropriate in consideration of delivery of affordable housing'*.

7.28 In this assessment, the developers' return is assessed as 17.5% of market housing and First Homes and a contractor's return of 6% is applied to other forms of affordable housing. A 15% return is assumed for non-residential development, student housing and Build to Rent.

Voids

7.29 On a scheme comprising mainly individual houses, one would normally assume only a nominal void period as the housing would not be progressed if there was no demand. In the case of apartments in blocks, this flexibility is reduced. Whilst these may provide scope for early marketing, the ability to tailor construction pace to market demand is more limited.

7.30 For the purpose of the present assessment, a three-month void period is assumed for residential developments.

Phasing and timetable

7.31 A pre-construction period of six months (from site acquisition, following the grant of planning consent) is assumed for all of the sites. Each dwelling is assumed to be built over a nine-month period. The phasing programme for an individual site will reflect market take-up and would, in practice, be carefully estimated taking into account the site characteristics and, in particular, the size and the expected level of market demand. The rate of delivery will be an important factor when considering the allocation of sites so as to manage the delivery of housing and infrastructure. Two aspects are relevant, firstly the number of outlets that a development site may have, and secondly the number of units that an outlet may deliver.

7.32 A delivery rate of 50 units per outlet per year is assumed for large sites. On a site with 30% affordable housing, this equates to 35 market units per year. On the smaller sites, we have assumed slower rates to reflect the nature of the developer that is likely to be bringing smaller sites forward. The higher density flatted schemes are assumed to come forward more quickly. These assumptions are conservative and do, properly, reflect current practice. This is the appropriate assumption to make to be in line with the PPG and the Harman Guidance.

Site Acquisition and Disposal Costs

Site holding costs and receipts

7.33 Each site is assumed to proceed immediately (following a 6-month mobilisation period) and so, other than interest on the site cost during construction, there is no allowance for holding costs, or indeed income, arising from ownership of the site.

Acquisition costs

7.34 A simplistic approach is taken, it is assumed an allowance 1% for acquisition agents' and 0.5% legal fees.

7.35 Stamp duty is calculated at the prevailing rates.

Disposal costs

7.36 For market and for affordable housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts. For disposals of affordable housing, these figures can be reduced significantly depending on the category, so in fact the marketing and disposal of the affordable element is probably less expensive than this.

8. Planning Policy Requirements

8.1 The specific purpose of this assessment is to consider and inform the development of the emerging Local Plan and then, in due course, to assess the cumulative impact of the policies on the planned development. The new Local Plan will replace the *Scarborough Borough Local Plan* (July 2017). At the time of this report (February 2022) the Council has not developed a full set of policies as that will, in part, be informed by the wider evidence base, including this report. The Council has also published the *Scarborough Borough Local Plan Review, Issues & Options Consultation* (August 2020).

8.2 In this report we have reviewed the options set out in *Issues & Options Consultation* (August 2020)*,* and updated these in line with national policy and the Council's emerging preferences. These will be updated as the Plan continues to evolve.

8.3 We have structured the review using the same headings as in the *Issues & Options Consultation* (August 2020). The policy areas that add to the costs of development, over and above the normal costs of development, are set out below. In addition, recent changes that may be introduced at a national level are also considered, although at this stage, these are simply options that may or may not be progressed into the new Local Plan.

Housing

8.4 The housing section is subdivided into several parts.

8.5 The initial sections cover the scale of housing to be delivered so is not a matter for this assessment. Having said this, a range of potential development sites are modelled (see Chapter 9 below) to reflect the likely types of development site.

Affordable Housing and Housing Mix

8.6 The following affordable housing requirements are identified in the Issues & Options:

No of Dwellings		Housing Market Areas	
	Scarborough	**Filey, Hunmanby and Southern**	**Whitby, Northern and Western Parishes**
	Town area (Wards of North Bay, Northstead, Woodlands, Stepney, Falsgrave Park, Central, Castle, Ramshill and Weaponess) and the Parish of Eastfield.	Filey, Hunmanby, Cayton, Seamer, Irton, Muston, Gristhorpe, Lebberston, Reighton, Speeton and Osgodby	Whitby, Eskdaleside, Sandsend, Ruswarp, Newby, Scalby, Burniston, Cloughton, East Ayton, West Ayton, Brompton, Sawdon, Wykeham, Ruston and Snainton.
10 or more	10%	15%	30%

8.7 These have been updated as follows in the *Scarborough Borough Strategic Housing Market Assessment - Report of Findings* (ORS, January 2021), with percentages added by HDH:

	Affordable Housing			Total Affordable Housing	Total Market Housing	Total
	Social Rent	Affordable Rent	Aspiring to Home Ownership			
1 bedroom	160 11.5%	27 5.5%	448 27.1%	635 18.0%	-220 -12.1%	415 7.8%
2 bedrooms	519 37.3%	175 35.9%	750 45.4%	1,444 40.9%	204 11.2%	1,648 30.8%
3 bedrooms	542 39.0%	215 44.1%	374 22.6%	1,131 32.0%	1,724 94.9%	2,855 53.4%
4+ bedrooms	170 12.2%	70 14.4%	81 4.9%	321 9.1%	108 5.9%	429 8.0%
DWELLINGS	**1,391 100%**	**487 100%**	**1,653 100%**	**3,530 100%**	**1,816 100%**	**5,347 100%**
C2 Dwellings	-	-	-	-	317	317
LHN	**1,391**	**487**	**1,653**	**3,530**	**2,134**	**5,664**

Source: *Scarborough Borough Strategic Housing Market Assessment - Report of Findings* (ORS, January 2021) Figure 47 Overall need for Affordable Housing (including households aspiring to home ownership) and Market Housing by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

8.8 In this context it is relevant to note that the extant Affordable Housing SPD is likely be superseded by the new Local Plan. Initially the Council proposed to amend the tenure split to 60/40 (rental/intermediate) from a current 70/30 split, however, in the context of First Homes, the plan now is for the 70/30 split to be maintained. This, with 25% of affordable homes as First Homes, forms the basis of the modelling, however a range of requirements are tested.

8.9 The Council currently has a 'Discount for Sale' product.

> *This is housing that is sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households. The current discounts within the Borough are as follows:*
>
> *i. Whitby, North and Western Parishes 45%;*
>
> *ii. Scarborough Urban 30%; and*
>
> *iii. Filey and Southern Parishes 40%.*

8.10 The housing mix set out above has informed the modelling, however regard has also been had to the nature of the site. The higher density locations, closer to the town centres have more smaller units, with the larger greenfield sites having a more typical estate housing mix.

8.11 In addition to the above, consideration is being given to introducing a Primary Residence Condition under which new homes may only be occupied by people as their sole or primary home . Similar clauses for Local Occupancy Restrictions have been used in the Lake District National Park for 20 years or so. In the Lake District the requirement is that the occupier has been living or working locally for at least 3 years. The Yorkshire Dales National Park Authority have a similar scheme, although the time frame is more flexible. The North York Moors National Park Authority (YDNPA) also have a scheme whereby new homes outside the main settlements are subject to a Local Occupancy Clause.

8.12 The YDNPA estimates that the LOC reduces the value of a home by 15% to 20%[45] and the NYMNPA estimates that the LOC reduces the value of a home by 20% to 25%[46]. It is however important to note that SBC are considering a Primary Residence Condition rather than a LOC, the impact of which is likely to be less. It is beyond the scope of this report to advise as to the appropriateness of introducing a Primary Residence Condition in terms of planning law and the wider national policy, we do however highlight that this is a complex area of planning, and that the Council should take specialist advice[47].

8.13 Introducing a policy that restricts the range of buyers that may purchase a house will reduce demand and that in turn will reduce values which will have an adverse impact on viability. It is difficult to predict what the impact will be, this will depend on the conditions that may be applied. In this assessment a scenario is tested where the market homes are subject to a Primary Residence Condition that reduces the value by up to 30%, however we would expect a Primary Residence Condition to be less than a Local Occupancy Clause.

Increased Energy Efficiency Measures

8.14 The Council has asked that the impact of seeking Zero Carbon housing be tested.

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

8.16 The Department of Levelling up, Communities and Housing, published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a 'stepping stone' on the pathway to Zero Carbon homes. It sets the target of an interim 31% reduction in CO_2 emissions over 2013 standards for dwellings. The changes will apply to new homes that submit plans after June 2022 or have not begun construction before June 2023. It is assumed to apply to all new homes in this assessment.

[45] Occupancy-restriction-statement-March-2018.doc (live.com)

[46] Housing policies (northyorkmoors.org.uk)

[47] This opportunity is taken to draw the Council's attention to paragraph 70-008-20210524 of the First Homes chapter of the PPG. This does allow (subject to conditions) for local authorities to develop their own eligibility criteria, which an '*include (but are not limited to) current residency, employment requirements, family connections or special circumstances, such as caring responsibilities*'.

8.17 The costs will depend on the specific changes made and are considered in Chapter 3 of the 2019 Government Consultation[48]. These costs have been indexed and would add about 3%[49] to the base cost of construction and are assumed to apply in the base appraisals.

8.18 The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. SBC declared a Climate Emergency in January 2019. In this regard the Council is considering seeking that new residential development be to Zero Carbon standard. There are no specific costs of higher standards that are published by the Government. There are however a number of other published sources. *A report for the Committee on Climate Change The costs and benefits of tighter standards for new buildings, Final report 2019* (Currie & Brown, February 2019) did set out the costs of a range of standards, but these are not comparable on a like for like basis.

8.19 The Government consultation is informed by the *Centre for Sustainable Energy Cost of carbon reduction in new buildings* (Currie & Brown, December 2018). This report suggests:

a. The costs of reducing emissions by 10% on-site with no requirement for energy efficiency beyond the Part L 2013 (assuming gas heating), to be less than 1% of the build costs with a 20% reduction to add about 2% to the costs of construction[50].

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

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

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

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

c. The cost of Zero Regulated Carbon[51] and Zero Regulated and Un-Regulated Carbon[52] is approximately as follows[53]:

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

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

[50] Figure 4.10.

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

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

[53] Figure 7.1.

Table 8.1 Cost of On-Site Carbon Reduction							
	Carbon Saving	Zero Regulated Carbon			Zero Regulated and Un-Regulated Carbon		
		% Uplift	£/m2	£/home	% Uplift	£/m2	£/home
Gas Heated							
Detached	79%	6.2%	£84	£9,900	9.2%	£124	£14,500
Semi Detached	56%	5.6%	£84	£6,800	8.7%	£126	£10,600
Terraced	59%	6.0%	£82	£6,900	9.4%	£126	£10,600
Low Rise Flat	34%	6.7%	£91	£6,400	10.2%	£137	£9,600
Medium Rise Flat	24%	3.5%	£87	£4,400	5.4%	£136	£6,800
Air Sourced Heat Pump Heated							
Detached	95%	6.4%	£86	£10,100	9.3%	£126	£14,700
Semi Detached	69%	6.8%	£99	£8,300	9.9%	£144	£12,100
Terraced	72%	7.4%	£100	£8,400	10.7%	£144	£12,100
Low Rise Flat	48%	6.9%	£93	£6,500	10.3%	£139	£9,800
Medium Rise Flat	32%	3.8%	£96	£4,800	5.8%	£144	£7,200

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

8.20 These additional costs are tested.

8.21 It is timely to note that building to higher standards that result in lower running costs, does result in higher values[54].

Optional Technical Standards

8.22 The preferred option is to introduce Nationally Described Space Standards (NDSS). In March 2015, the Government published *Nationally Described Space Standard – technical requirements*. This says:

> *This standard deals with internal space within new dwellings and is suitable for application across all tenures. It sets out requirements for the Gross Internal (floor) Area of new dwellings at a defined level of occupancy as well as floor areas and dimensions for key parts of the home, notably bedrooms, storage and floor to ceiling height.*

8.23 The following unit sizes are set out[55]:

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

[55] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524531/160519_Nationally_Described_Space_Standard____Final_Web_version.pdf

Table 8.2 National Space Standards. Minimum gross internal floor areas and storage (m^2)

number of bedrooms	number of bed spaces	1 storey dwellings	2 storey dwellings	3 storey dwellings	built-in storage
1b	1p	39 (37)*			1
	2p	50	58		1.5
2b	3p	61	70		2
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4
	8p	125	132	138	

Source: Table 1, Technical housing standards – nationally described space standard (March 2015)

8.24 In this assessment the units are assumed to be in line with the NDSS or larger.

8.25 The Council is developing a policy around additional standards. The SHMA suggests the Council should look towards 80% to 100% to M4(2) and 8% to M4(3), although much of the need for M4(3) may be within the specialist (e.g. Extracare) housing sector. The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4[56]) are set out below. The key features of the 3 level standard, as summarised in the DCLG publication *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)[57], reflect accessibility as follows:

- Category 1 – Dwellings which provide reasonable accessibility
- Category 2 – Dwellings which provide enhanced accessibility and adaptability (Part M4(2)).

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

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

- Category 3 – Dwellings which are accessible and adaptable for occupants who use a wheelchair (Part M4(3)).

8.26 The cost of a wheelchair adaptable dwelling, based on the Wheelchair Housing Design Guide for a 3-bed house, is taken to be £10,111 per dwelling[58]. The cost of Category 2 is taken to be £521[59] (this compares with the £1,097 cost for the Lifetime Homes Standard). These costs have been indexed[60] by 27% to £12,841/dwelling and £662/dwelling respectively.

8.27 These requirements have been tested, with a base assumption that 92% of homes are built to M4(2) standards, and 8% built to M4(3) standards will be tested (8% being the lower of the options discussed with the Council).

8.28 In the base assumptions, it is assumed that measures to reduce the use of water, in line with the enhanced building regulations, will be introduced. The costs are modest, likely to be less than £5/dwelling[61]. This cost was based in 2014 so has been indexed[62] to £6.35/dwelling.

Self-Build and Custom Housing

8.29 The Council is considering a policy to require housing developers bringing forward large sites to set aside a percentage of plots for self-build projects. At this stage the size of site and the percentage requirement has not been established.

8.30 We have considered a 5% requirement on sites of 20 units and larger.

The Natural Environment

8.31 In March 2019, the Government announced that new developments must deliver an overall increase in biodiversity. Following a consultation, the Chancellor confirmed in the 2019 Spring Statement that the Government will use the forthcoming Environment Bill to mandate '*biodiversity net gain'*. The Environment Act requires that all consented developments (with a few exceptions), will be mandated to deliver a Biodiversity Net Gain of 10% as against the measured baseline position using the evolving Defra metric.

8.32 The Council will align the new Local Plan with this requirement, but is also considering an option to seek 20% Biodiversity Net Gain.

8.33 The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are

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

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

[60] BCIS Index March 2014 314.9, November 2021 401.0.

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

[62] BCIS Index March 2014 314.9, November 2021 401.0.

improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

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

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

8.36 The Government's impact assessment[63] suggests an average cost of scenarios including where all the provision is on-site and where all is off-site.

Table 8.3 Cost of Biodiversity Net Gain – Yorkshire & Humber

2017 based costs

	Scenario A 100% on-site	**Scenario C** 100% off-site
Cost per ha of residential development	£3,519/ha	£66,570/ha
Cost per ha of non-residential development	£3,150/ha	£47,885/ha
Cost per greenfield housing unit	£203/unit	£4,242/unit
Cost per brownfield housing unit	£60/unit	£744/unit
Residential greenfield delivery costs as proportion of build costs	0.2%	3.9%
Residential brownfield delivery costs as proportion of build costs	<0.1%	0.7%
% of industrial land values	0.7%	11.2%
% of commercial land values (office edge of city centre)	0.3%	4.7%
% of commercial land values (office out of town - business park)	0.7%	10.6%

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

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

8.37 It is assumed provision will be on-site on greenfield sites and off-site on brownfield sites (this approach is different to that taken in the pre-consultation report). The percentage uplift costs are used as the costs per ha/unit are a little historic.

8.38 Much of the cost of implementing Biodiversity Net Gain is in the survey work and of the design, rather than the costs of the actual works. 20% biodiversity net gain is assumed to be 50% more expensive than 10% biodiversity net gain.

Design

8.39 It is necessary to consider this heading with the *National Model Design Code* (see Chapter 2 above). The National Design Code does not add to the cost of development. Rather it sets out good practice in a consistent format. It will provide a checklist of design principles to consider for new schemes, including street character, building type and requirements addressing wellbeing and environmental impact. Local authorities can use the code to form their own local design codes.

8.40 The Council is not seeking standards over and above this, rather it will continue its approach of seeking high quality and locally distinctive design. Such requirements are not new and do not add to the costs over and above those reflected in the BCIS costs used in this report.

Economic Needs

8.41 The initial sections cover the scale of employment land to be delivered so is not a matter for this assessment. Having said this, a range of potential development sites are modelled (see Chapter 9 below) to reflect the likely types of development site.

8.42 The Council is considering a policy to require a percentage of the construction workforce to be sourced locally for schemes of 100 dwellings or more. In terms of viability there is no suggestion that a locally based construction worker would cost any more or less. At the time of this report, there are supply chain constraints that have unsettled parts of the economy. These have been attributed to various causes, including a post COVID-19 surge in demand, complications around imports as a result of Brexit and changes in international migration due to both COVID-19 and Brexit. With these in mind it will be important that there is some flexibility within any policy, to ensure that delivery is not unduly delayed.

Other Matters

Electric Vehicle Charging

8.43 EV charging points are to be mandated through building regulations. EV charging points can be costly. A cost of £976/unit[64] has been modelled.

[64] Paragraph 9 Electric Vehicle Charging in Residential and Non-Residential Buildings (DfT, July 2019).

BREEAM

8.44 The Council is considering higher environmental standards for non-residential buildings.

8.45 The performance of non-residential development is normally assessed using the BREEAM system[65]. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research[66] by BRE. The additional costs of BREEAM Excellent standard ranges from just under 1% and 5.5%, depending on the nature of the scheme with offices being a little under 2%. It is assumed that new non-residential development will be to BREEAM Excellent, and this increases the construction costs by 2% or so. This is tested in the base appraisals.

8.46 The Council's preferred option is that all commercial buildings are built to the Zero Carbon standard, which is somewhat more costly that BREEAM Excellent. In this instance we have assumed that this would be implemented in a similar way to the development under the London Plan. In London the GLA seeks a 15% reduction in carbon emissions from energy efficiency measures, a total on-site reduction of 35% and the achievement of zero regulated carbon emissions using allowable solutions, all in comparison to the emissions from a Part L 2013 compliance building with gas heating. In this regard it was estimated that the following costs were identified:

Table 8.4 Indicative Cost Uplifts of the Potential Standards to Reduce Carbon Emissions

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

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

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

8.48 A paper *Towards Net Zero Carbon Achieving greater carbon reductions on site - The role of carbon pricing (May 2020)* considered the costs associated with a hotel, a school and an office building in the context of carbon pricing and a 35% CO_2 saving as per the London Plan. This estimated the additional costs for hotels to be 1.2% to 2.7%, for schools to be 1.1% to 1.7%

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

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

and for newbuild offices to be 0.8% to 2.1% - although these were only additional construction costs (not whole life costs).

8.49 It is clear from a range of data sources that the additional costs will vary tremendously depending on the specifics of the building under consideration. In this assessment, non-residential buildings are tested with 5%, 10%, 15% and 20% additional costs.

Water Management

8.50 Sustainable Urban Drainage Systems (SUDS) are often a requirement. SUDS aim to limit the waste of water, reduce water pollution and flood risk relative to conventional drainage systems. In this assessment, it is anticipated that new development will be required to incorporate Sustainable Urban Drainage Schemes (SUDS). SUDS and the like can add to the costs of a scheme – although in larger projects these can be incorporated into public open space. It is assumed that the costs of SUDS are included within the additional costs on brownfield sites, however on the larger greenfield sites it is assumed that SUDS will be incorporated into the green spaces (subject to local ground conditions), and be delivered through soft landscaping within the wider site costs.

Open Space

8.51 The Council is planning to carry forward the requirements as set out in the *Green Space SPD* (November 2014). This applies to major development and sets out the following requirements:

Table 8.5 Open Space Requirements
Ha per 1,000 Population

	Urban	Rural
Parks and Gardens on sites of 500+	1.2	1.2
Sports Facilities	1.7	1.85
Children's Play	0.2	0.2
Amenity Open Space	0.55	0.55

Source: Table 5.2 *Green Space SPD* (November 2014)

8.52 Sites on the urban fringe, so being closely related to the existing settlements, are generally subject to the ‘Urban’ open space requirements in the above table.

8.53 The open space is calculated based on the following residents per household:

Table 8.6 Occupancy Rates for Open Space Calculation	
Size	Average Household Size
1 Bedroom or less	1
2 Bedrooms	2
3 Bedrooms	3
4 Bedrooms	4
5+ Bedrooms	5

Source: Table 6.1 *Green Space SPD* (November 2014)

8.54 Where the open space cannot be accommodated on-site, the equivalent off-site contribution is £662.27 per resident in the rural areas and £660.27 per resident in the urban areas.

8.55 These requirements are reflected in the modelling.

Developer Contributions

8.56 The Council has sought developer contributions to provide strategic infrastructure and to mitigate the impact of development for many years through the s106 / s278 regimes (SBC has not adopted CIL).

8.57 *Education Payments Supplementary Planning Document* (May 2008, updated April 2012) sets out requirements in relation to education. The costs in this are based on the DfE 'Cost Multiplier', being £13,596 per primary place and £20,293 per secondary place. The Cost Multiplier is no longer published, rather the Government now publishes *Local authority school places scorecards*[67], the most recent of which is for 2019. The scorecard displays a snapshot of the progress local authorities are making in delivering good quality school places. This includes the following costs for North Yorkshire:

Table 8.7 Cost of School Places		
	Expansion	New School
Primary	£22,362	£25,239
Secondary	£23,775	£24,929

Source: Local authority school places scorecards

8.58 The SPD seeks contributions for primary education from schemes of 25 units and more and for primary and secondary education from sites 150 units and more. It is assumed that each dwelling gives rise to 0.25 primary places and 0.125 secondary places. In this basis the cost per new unit is £6,250 for primary education and £3,100 for secondary education.

[67] Official statistics overview: Local authority school places scorecards 2019 - GOV.UK (www.gov.uk)

8.59 Education contributions are currently being discussed by the SBC and North Yorkshire County Council (NYCC). NYCC have proposed the following rates, although it is important to note that these are not agreed:

Table 8.8 NYCC Proposed Education Contributions

	Size Threshold	Multiplier (x units)	Cost per place (2 bed and more)
Primary	10	0.25	£15,766 (increased to £18,630 if new school required)
Secondary	25	0.125	£21,601 (increased to £22,764 if new school required)
Special Needs	100	0.01	£63,064 (2 bed or greater for homes)
Early Years	100	0.05	£15,766 (2 bed or greater for homes)

Source: SBC (November 2021)

8.60 This proposed formula generates a payment of about £8,000/unit for 3 bed homes on schemes of over 100 units.

8.61 Policy concerning contributions towards health (surgeries) is under consideration based on recent consultation with the local Clinical Commissioning Group (CCG). The CCG have adopted a formula of working out the number of new residents and applying a 1m^2 requirement for the local surgery per 9 new residents. Each 1m^2 is costed at £1,563. This is based on the following occupancy rates:

Table 8.9 Occupancy Rates for Health Contribution

Size	Average Household Size
1 Bedroom	1
2 Bedrooms	2
3 Bedrooms	2.5
4 Bedrooms	3.5
5 Bedrooms	4

Source: SBC (November 2021)

8.62 A typical payment is likely to be in the region of £425/ unit.

8.63 It is important to note that the above payments are only sought where there is a local shortfall in provision and the conditions of CIL Regulation 122 are met.

8.64 **Appendix 9** includes information on developer contributions from a range of recent sites. Overall, these average less than £2,000/unit. On a site-by-site basis, of the sites that made a financial contribution, the average is about £2,500/unit, with the highest being about £5,600/unit and the lowest about £110/unit, although not all schemes made any contribution.

8.65 At the time of this report the Council does not have up-to-date and detailed information in relation to the strategic sites. An assumption of £10,000 per unit has been assumed, based on the current planning applications and the available information. This will be updated in due course.

8.66 In this assessment an assumption of £2,500/unit is used in the base assumptions to cover all developer contributions. Sensitivity testing is carried out up to £20,000/unit.

9. Modelling

9.1 In the previous chapters, the general assumptions to be inputted into the development appraisals are set out. In this chapter, the modelling is set out. It is stressed that this is a high-level assessment that is seeking to capture the generality rather than the specific. The purpose is to establish the cumulative impact of the policies, set out in the draft Local Plan Review document, on development viability.

9.2 The approach is to model a set of development sites that are broadly representative of the type of development that is likely to come forward under the new Local Plan.

Residential Development

9.3 As set out in Chapter 8 above, the new Local Plan will replace the adopted *Scarborough Borough Local Plan* (July 2017). The capacity of sites has been estimated by the Council using the method set out in the *Strategic Housing and Employment Land Availability Assessment (SHELAA)* (SBC, January 2021) which sets out the following approach:

> *2.31 Where existing information or early masterplans were not available, guidance from the SHELAA Forum and Sub-Group assisted in making realistic estimates of site capacity and density. It was also noted when meeting the SHELAA Sub-Group that a straightforward site area multiplied by density approach was over-simplistic as potentially the entire site is not developable owing to infrastructure and other facility requirements for example. For this reason and where appropriate, developable site areas were calculated at 70% of the entire site submitted. This was generally on larger sites (over 2ha) where a greater level of infrastructure would be required alongside development. On sites smaller than 2ha, the density would be calculated over the full site area. This added a further possible discount on housing availability.*
>
> *2.32 As a standard density calculation, 30 dwellings per hectare is generally used. Using a discounting method for developable site area as previously mentioned adds flexibility to this. A bespoke yield can be used where it may not be appropriate to use a standard density due to site constraints or the surrounding environment for instance. There may also be occasions, in town centres for example, where a higher yield may be appropriate. Similarly, where sites have been identified for conversion purposes a bespoke density or yield has been proposed depending on the scale and shape of the building.*
>
> *2.33 Finally, where sites have major constraints that cannot be overcome on part of the site or where it is clear that only part of the site could be developed, the yield will take this into account and provide the number of dwellings possible only on the developable area.*

9.4 Generally, we would expect brownfield sites to come forward at greater densities, with less detached housing, than greenfield sites, at least in part due to their more urban locations. This is reflected in the modelling.

9.5 We have been provided with a working draft of the Council's SHELAA, being the long list from which the allocations in the new Local Plan are likely to be drawn. This is a working document and subject to change, but is useful to inform the modelling. The SHELAA contains about 150 sites.

9.6 The two strategic sites are modelled separately.

9.7 In considering the SHLAA sites, where there is a range, we have taken the midpoint. The sites with an expected capacity of 10 or more are analysed as follows:

Table 9.1 SHELAA Sites – Distribution

	Greenfield		Brownfield		All	
	Count		Count		Count	
Briggswath	1	0.88%	0		1	0.70%
Brompton-by-Sawdon	1	0.88%	0		1	0.70%
Burniston	13	11.50%	0		13	9.15%
Cayton	6	5.31%	0		6	4.23%
Cloughton	8	7.08%	0		8	5.63%
East Ayton	6	5.31%	0		6	4.23%
Eastfield	9	7.96%	0		9	6.34%
Filey	7	6.19%	3	10.34%	10	7.04%
Folkton	1	0.88%	0		1	0.70%
Gristhorpe	2	1.77%	1	3.45%	3	2.11%
Hunmanby	8	7.08%	0		8	5.63%
Newby	3	2.65%	1	3.45%	4	2.82%
Osgodby	2	1.77%	0		2	1.41%
Queen Margaret's Industrial Estate	0		1	3.45%	1	0.70%
Reighton	5	4.42%	0		5	3.52%
Ruston	0		1	3.45%	1	0.70%
Ruswarp	3	2.65%	0		3	2.11%
Sandsend	3	2.65%	1	3.45%	4	2.82%
Scalby	6	5.31%	0		6	4.23%
Scarborough	5	4.42%	17	58.62%	22	15.49%
Scarborough Business Park	1	0.88%	0		1	0.70%
Seamer	3	2.65%	0		3	2.11%
Snainton	3	2.65%	0		3	2.11%
Whitby	16	14.16%	4	13.79%	20	14.08%
Wykeham	1	0.88%	0		1	0.70%
ALL	**113**		**29**		**142**	

Source: SHELAA (SBC November 2021)

Table 9.2 SHELAA Sites – Average Size

	Greenfield						Brownfield					
	Area (ha)		Average	Capacity (units)		Average	Area (ha)		Average	Capacity (units)		Average
Briggswath	0.96	0.16%	0.96	10	0.08%	10.00						
Brompton-by-Sawdon	0.16	0.03%	0.16	5	0.04%	5.00						
Burniston	15.23	2.53%	1.17	422	3.42%	32.46						
Cayton	157.92	26.21%	26.32	3,104	25.13%	517.33						
Cloughton	10.91	1.81%	1.36	260	2.11%	32.50						
East Ayton	22.28	3.70%	3.71	396	3.21%	66.00						
Eastfield	130.92	21.73%	14.55	2,125	17.21%	212.50						
Filey	28.62	4.75%	4.09	701	5.68%	100.14	0.68	2.73%	0.23	62	5.40%	20.67
Folkton	0.30	0.05%	0.30	10	0.08%	10.00						
Gristhorpe	0.49	0.08%	0.25	15	0.12%	7.50	2.14	8.59%	2.14	84	7.32%	42.00
Hunmanby	21.40	3.55%	2.68	485	3.93%	53.89						
Newby	1.69	0.28%	0.56	69	0.56%	23.00	1.49	5.98%	1.49	60	5.23%	60.00
Osgodby	4.95	0.82%	2.48	110	0.89%	55.00						
Queen Margaret's Industrial Estate							1.47	5.90%	1.47	45	3.92%	45.00
Reighton	10.63	1.76%	2.13	240	1.94%	48.00						
Ruston							0.47	1.89%	0.47	15	1.31%	15.00
Ruswarp	2.24	0.37%	0.75	65	0.53%	21.67						
Sandsend	1.38	0.23%	0.46	40	0.32%	13.33	0.48	1.93%	0.48	15	1.31%	15.00
Scalby	60.68	10.07%	10.11	1,546	12.52%	257.67						
Scarborough	33.84	5.62%	6.77	715	5.79%	143.00	15.30	61.45%	0.90	740	64.46%	43.53
Scarborough Business Park	5.90	0.98%	5.90	125	1.01%	125.00						
Seamer	8.41	1.40%	2.80	275	2.23%	91.67						
Snainton	3.17	0.53%	1.06	95	0.77%	31.67						
Whitby	79.80	13.25%	4.99	1,522	12.32%	95.13	2.87	11.53%	0.72	127	11.06%	31.75
Wykeham	0.53	0.09%	0.53	15	0.12%	15.00						
ALL	**602.41**	**100.00%**	**5.33**	**12,350**	**100.00%**	**107.39**	**24.90**	**100.00%**	**0.86**	**1,148**	**100.00%**	**38.27**

Source: SHELAA (SBC November 2021)

9.8 SBC does not specify the density of development in policy. The densities used in the SHELAA range from less than 5 units/ha to 400 units/ha, with an overall average of 44units/ha. Generally, we would assume that densities of up to 150units/ha will generally be in buildings of five storeys and less and that densities over 150units/ha will be in buildings of 6 storeys and higher. All the schemes are assumed to be 5 storeys or less.

9.9 In line with the policy requirements, all units are assumed to meet the NDSS.

9.10 The modelling is summarised in the following tables:

Table 9.3 Modelled Sites

Large Green 500 1	Units	500	Large greenfield site. Mix as per SHMA. POS requirement of 5.79 ha provided on-site.
	Gross	23.810	
	Net	16.667	
	Density	30.0	
Large 200 2	Units	200	Large greenfield site. Mix as per SHMA. POS requirement of 1.59 ha provided on-site.
	Gross	9.524	
	Net	6.667	
	Density	30.0	
Green 125 3	Units	125	Greenfield site. Mix as per SHMA. POS requirement of 0.99 ha provided on-site.
	Gross	5.952	
	Net	4.167	
	Density	30.0	
Green 75 4	Units	75	Greenfield site. Mix as per SHMA. POS requirement of 0.60 ha provided on-site.
	Gross	3.571	
	Net	2.500	
	Density	30.0	
Green 50 5	Units	50	Greenfield site. Mix as per SHMA. POS requirement of 0.40ha added to net area, 81% net developable.
	Gross	2.067	
	Net	1.667	
	Density	30.0	
Green 30 6	Units	30	Greenfield site. Mix as per SHMA. POS requirement of 0.27ha added to net area, 81% net developable.
	Gross	1.237	
	Net	1.000	
	Density	30.0	
Green 20 7	Units	20	Greenfield site. Mix as per SHMA. POS requirement of 0.16ha added to net area, 81% net developable.
	Gross	0.828	
	Net	0.667	
	Density	30.0	

Green 15	Units	15	Greenfield site. Mix as per SHMA. POS requirement of 0.12ha added to net area, 81% net developable.
	Gross	0.620	
	Net	0.500	
8	Density	30.0	
Green 10	Units	10	Greenfield site. Mix as per SHMA. POS requirement of 0.08ha added to net area, 80% net developable.
	Gross	0.417	
	Net	0.333	
9	Density	30.0	
Green 8	Units	8	Greenfield site. Below affordable threshold. 100% net developable.
	Gross	0.267	
	Net	0.267	
10	Density	30.0	
Green 6	Units	6	Greenfield site. Below affordable threshold. 100% net developable.
	Gross	0.200	
	Net	0.200	
11	Density	30.0	
Green 4	Units	4	Greenfield site. Below affordable threshold. 100% net developable.
	Gross	0.133	
	Net	0.133	
12	Density	30.0	
Brown 100	Units	100	Large brownfield site. Mix as per SHMA. POS requirement of 0.74ha provided on-site. 70% net developable.
	Gross	4.762	
	Net	3.333	
13	Density	30.0	
Brown 50	Units	50	Brownfield site. Mix as per SHMA. POS requirement of 0.38ha provided on-site. 81% net developable.
	Gross	2.046	
	Net	1.667	
14	Density	30.0	
Brown 30	Units	30	Brownfield site. Mix as per SHMA. POS requirement of 0.23ha provided on-site. 82% net developable.
	Gross	1.225	
	Net	1.000	
15	Density	30.0	
Brown 20	Units	20	Brownfield site. Mix as per SHMA. POS requirement of 0.15ha provided on-site. 82% net developable.
	Gross	0.816	
	Net	0.667	
16	Density	30.0	

Brown 15	Units	15	Brownfield site. POS requirement of 0.09ha provided on-site. 85% net developable.
	Gross	0.591	
	Net	0.500	
17	Density	30.0	
Brown 9	Units	9	Brownfield site. Below affordable and POS threshold.
	Gross	0.300	
	Net	0.300	
18	Density	30.0	
Brown 6	Units	6	Brownfield site. Below affordable and POS threshold.
	Gross	0.200	
	Net	0.200	
19	Density	30.0	
Brown 60HD	Units	60	Flatted scheme. 0.35ha POS on-site. 74% net developable.
	Gross	1.350	
	Net	1.000	
20	Density	60.0	
Brown 30HD	Units	30	Flatted scheme. 0.19ha POS on-site. 73% net developable.
	Gross	0.685	
	Net	0.500	
21	Density	60.0	
BTR Housing 60	Units	60	Build to rent, housing. POS on-site.
	Gross	2.857	
	Net	2.000	
22	Density	30.0	
BTR Flats 60	Units	60	Build to rent, flats. 0.356ha POS on-site. 74% net developable.
	Gross	1.356	
	Net	1.000	
23	Density	60.0	
South Cayton	Units	2,500	Strategic Site, modelled on available information.
	Gross	131.160	
	Net	83.333	
24	Density	30.0	
East of Lancaster Pk	Units	900	Strategic Site, modelled on available information.
	Gross	35.420	
	Net	30.000	
25	Density	30.0	

Source: HDH (November 2021)

Table 9.4 Summary of Modelled Sites

			Current Use	Units	Area Ha			Density Units/ha		Density
					Total	Gross	Net	Gross	Net	m2/ha
1	Large Green 500	Green	Agricultural	500	23.810	23.810	16.667	21.00	30.00	2,888
2	Large 200	Green	Agricultural	200	9.524	9.524	6.667	21.00	30.00	2,895
3	Green 125	Green	Agricultural	125	5.952	5.952	4.167	21.00	30.00	2,903
4	Green 75	Green	Agricultural	75	3.571	3.571	2.500	21.00	30.00	2,919
5	Green 50	Green	Agricultural	50	2.252	1.667	1.667	30.00	30.00	2,914
6	Green 30	Green	Agricultural	30	1.346	1.000	1.000	30.00	30.00	2,869
7	Green 20	Green	Agricultural	20	0.902	0.667	0.667	30.00	30.00	2,919
8	Green 15	Green	Paddock	15	0.675	0.500	0.500	30.00	30.00	2,918
9	Green 10	Green	Paddock	10	0.455	0.333	0.333	30.00	30.00	2,952
10	Green 8	Green	Paddock	8	0.267	0.267	0.267	30.00	30.00	3,128
11	Green 6	Green	Paddock	6	0.200	0.200	0.200	30.00	30.00	3,150
12	Green 4	Green	Paddock	4	0.133	0.133	0.133	30.00	30.00	3,375
13	Brown 100	Brown	PDL	100	4.762	4.762	3.333	21.00	30.00	2,869
14	Brown 50	Brown	PDL	50	2.232	1.667	1.667	30.00	30.00	2,929
15	Brown 30	Brown	PDL	30	1.336	1.000	1.000	30.00	30.00	2,882
16	Brown 20	Brown	PDL	20	0.889	0.667	0.667	30.00	30.00	2,862
17	Brown 15	Brown	PDL	15	0.635	0.500	0.500	30.00	30.00	2,430
18	Brown 9	Brown	PDL	9	0.300	0.300	0.300	30.00	30.00	2,533
19	Brown 6	Brown	PDL	6	0.200	0.200	0.200	30.00	30.00	3,000
20	Brown 60HD	Brown	PDL	60	1.522	1.000	1.000	60.00	60.00	4,539
21	Brown 30HD	Brown	PDL	30	0.770	0.500	0.500	60.00	60.00	4,485
22	BTR Housing 60	Green	Agricultural	60	2.857	2.857	2.000	21.00	30.00	2,577
23	BTR Flats 60	Brown	PDL	60	1.521	1.000	1.000	60.00	60.00	4,506
24	South Cayton	Green	Agricultural	2,500	131.160	119.048	83.333	21.00	30.00	2,884
25	East of Lancaster Pk	Green	Agricultural	900	35.420	42.857	30.000	21.00	30.00	2,882

Source: HDH (November 2021)

9.11 It is important to note that CIL is only applicable to net new development, and conversions and development may qualify for Vacant Building Credit[68]. The rules in this area of planning are complex.

[68] Vacant building credit is defined in paragraph 23b-026-20190315 of the PPG as follows:

Older People's Housing

9.12 A private Sheltered/retirement and an Extracare scheme have been modelled, each on a 0.5ha site as follows.

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

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

Employment Uses

9.15 The Council is planning to retain the allocated strategic employment sites and mixed-use strategic sites. These sites will not be modelled individually, rather the type of development that they are most likely to deliver is modelled.

9.16 In line with the CIL Regulations, we have only assessed developments of over 100m^2. There are other types of development (such as petrol filling stations and garden centres etc). We have not included these in this high-level assessment due to the great diversity of project that may arise.

9.17 For this assessment, we have assessed a number of development types. We have based our modelling on the following development types:

a. **Offices**. These are more than 250m^2, will be of steel frame construction, be over several floors. Typical larger units are around 2,000m^2.

   We have made assumptions about the site coverage and density of development on the sites. We have assumed 70% coverage on the office sites in the central urban situation and 25% elsewhere (i.e. business park). We assumed three storey construction in the business park situation, and five-storey construction in the urban situation.

b. **Large Industrial.** Modern industrial units of over 4,000m^2. There is little new space being constructed. This is used as the basis of the modelling. We have assumed 40% coverage which is based on the single storey construction.

c. **Small Industrial.** Modern industrial units of 400m^2. We have assumed 40% coverage which is based on the single storey construction.

National policy provides an incentive for brownfield development on sites containing vacant buildings. Where a vacant building is brought back into any lawful use, or is demolished to be replaced by a new building, the developer should be offered a financial credit equivalent to the existing gross floorspace of relevant vacant buildings when the local planning authority calculates any affordable housing contribution which will be sought. Affordable housing contributions may be required for any increase in floorspace.

d. **Large Industrial.** Modern units of over 4,000m^2 is used as the basis of the modelling. We have assumed 35% coverage which is based on the single storey construction.

9.18 We have not looked at the plethora of other types of commercial and employment development beyond office and industrial/storage uses in this assessment.

Retail

9.19 The following types of space are assessed. It is important to remember that this assessment is looking at the ability of new projects to bear an element of CIL – it is only therefore necessary to look at the main types of development likely to come forward in the future.

a. **Supermarkets** Two typologies have been modelled.

A single storey retail unit development with a gross (i.e. GIA) area of 1,200m^2. It is assumed to occupy a total site area of 0.3ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

b. **Retail Warehouse** is a single storey retail unit development with a gross (i.e. GIA) area of 4,000m^2. It is assumed to occupy a total site area of 0.8ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

c. **Shop** is a brick-built development of 200m^2. No car parking or loading space is allowed for, and the total site area (effectively the building footprint) is 0.025ha.

Hotels and Leisure

9.20 The leisure industry is very diverse and ranges from conventional hotels and roadside budget hotels, to cinemas, theatres, historic attractions, equestrian centres, stables and ménages. There is very little activity in this sector at the moment, either at the planning stage or the construction stage. This is an indication that development in this sector is at the margins of viability at the moment. Having considered this further, a modern hotel on a town edge site is assessed.

9.21 A 60 bedroom product (60 x 19m^2 + 30% circulation space = 1,482m^2) with ample car parking on a 0.4 ha (1 acre) site is assumed.

10. Residential Appraisals

10.1 At the start of this chapter, it is important to stress that the results of the appraisals do not, in themselves, determine policy. The results of this assessment are one of a number of factors that Scarborough Borough Council will consider, including the track record in delivering affordable housing and collecting developer contributions.

10.2 The appraisals use the residual valuation approach, they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the Existing Use Value (EUV) by a satisfactory margin, being the Benchmark Land Value (BLV).

10.3 Several sets of appraisals have been run based on the assumptions provided in the previous chapters of this report, including the affordable housing requirement and developer contributions. Development appraisals are sensitive to changes in price, so appraisals have been run with various changes in the cost of construction and in prices.

10.4 As set out above, for each development type the Residual Value is calculated. The results are set out and presented for each site and per gross hectare to allow comparison between sites. In the tables in this chapter, the results are colour coded using a traffic light system:

a. **Green** **Viable** – where the Residual Value per hectare exceeds the BLV per hectare (being the EUV plus the appropriate uplift to provide a landowners' premium).

b. **Amber** **Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.

c. **Red** **Non-viable** – where the Residual Value does not exceed the EUV.

10.5 A report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a typology is shown as viable does not necessarily mean that, that type of development will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this assessment to what is actually happening on the ground in terms of development.

Base Appraisals

10.6 The initial appraisals are based on the full policy-on scenario with the policy options, unless stated, being the following assumptions.

a. Affordable Housing 30% as 25% First Homes and the balance as 30% Affordable Home Ownership / 70% Affordable Rent – in line

		with the requirements for 10% AHO and 25% of affordable homes to be First Homes.
b.	Design	NDSS, 92% Part M4(2), 8% Part M4(3), Water efficiency, 10% Biodiversity Net Gain, 31% CO_2 Saving in line with Part L Uplift.
c.	Developer Contributions	s106 as £2,500/unit on typologies and £10,000 on strategic sites.

10.7 As set out in Chapter 4 above, based on prices paid, the asking prices from active developments, and informed by the general pattern of all house prices across the assessment area, and the wider data presented, the area is sub-divided as follows.

a. **South**. This area includes the three wards in the south of the Borough, Cayton, Filey and Hunmanby.

b. **Scarborough Urban Area**. This area includes the tightly drawn boundaries around the built-up area of Scarborough town as well as Eastfield and Osgodby. This area also includes the greenfield area to the east of the A64 (Seamer Road).

c. **The remaining areas of the Borough**, including those adjacent to the west and north of Scarborough and the greenfield sites in and around Whitby, as well at Whitby itself.

10.8 The base appraisals are included in **Appendix 12**. The following tables present the typologies relevant to each sub area.

Table 10.1a Residential Typologies – Residual Values

South

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	South Cayton	Cayton	Green	Agricultural	119.05	83.33	2,500	188,613	296,861	24,738,434
Site 3	Large Green 500	South	Green	Agricultural	23.81	16.67	500	288,260	411,800	6,863,334
Site 4	Large 200	South	Green	Agricultural	9.52	6.67	200	229,864	328,378	2,189,184
Site 5	Green 125	South	Green	Agricultural	5.95	4.17	125	224,313	320,447	1,335,194
Site 6	Green 75	South	Green	Agricultural	3.57	2.50	75	-191,236	-273,194	-682,984
Site 7	Green 50	South	Green	Agricultural	2.38	1.67	50	-236,619	-293,464	-489,107
Site 8	Green 30	South	Green	Agricultural	1.43	1.00	30	-229,453	-283,742	-283,742
Site 9	Green 20	South	Green	Agricultural	0.95	0.67	20	-41,524	-51,241	-34,160
Site 10	Green 15	South	Green	Agricultural	0.71	0.50	15	-246,471	-304,145	-152,072
Site 11	Green 10	South	Green	Agricultural	0.48	0.33	10	-468,722	-578,403	-192,801
Site 12	Green 8	South	Green	Paddock	0.27	0.27	8	335,690	335,690	89,517
Site 13	Green 6	South	Green	Paddock	0.20	0.20	6	508,362	508,362	101,672
Site 14	Green 4	South	Green	Paddock	0.19	0.13	4	259,677	370,968	49,462
Site 15	Brown 100	South	Brown	PDL	4.08	2.86	100	-629,203	-898,861	-2,568,174
Site 16	Brown 50	South	Brown	PDL	2.04	1.43	50	-1,396,874	-1,788,390	-2,554,842
Site 17	Brown 30	South	Brown	PDL	1.22	0.86	30	-1,150,696	-1,468,327	-1,258,566
Site 18	Brown 20	South	Brown	PDL	0.71	0.50	20	-1,242,253	-1,629,837	-814,918
Site 19	Brown 15	South	Brown	PDL	0.54	0.38	15	-1,230,880	-1,555,175	-583,191
Site 20	Brown 9	South	Brown	PDL	0.23	0.23	9	-634,314	-839,550	-188,899
Site 21	Brown 6	South	Brown	PDL	0.17	0.17	6	-737,197	-737,197	-126,377

Source: HDH (May 2022)

Table 10.1b Residential Typologies – Residual Values

Remaining Areas

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 2	East of Lancaster Pk	Scalby	Green	Agricultural	42.86	30.00	900	785,401	927,297	27,818,898
Site 3	Large Green 500	Remaining	Green	Agricultural	23.81	16.67	500	634,071	905,816	15,096,928
Site 4	Large 200	Remaining	Green	Agricultural	9.52	6.67	200	601,651	859,502	5,730,013
Site 5	Green 125	Remaining	Green	Agricultural	5.95	4.17	125	611,369	873,384	3,639,100
Site 6	Green 75	Remaining	Green	Agricultural	3.57	2.50	75	220,351	314,787	786,967
Site 7	Green 50	Remaining	Green	Agricultural	2.38	1.67	50	249,760	309,762	516,271
Site 8	Green 30	Remaining	Green	Agricultural	1.43	1.00	30	248,217	306,945	306,945
Site 9	Green 20	Remaining	Green	Agricultural	0.95	0.67	20	431,820	532,865	355,244
Site 10	Green 15	Remaining	Green	Agricultural	0.71	0.50	15	231,402	285,551	142,775
Site 11	Green 10	Remaining	Green	Agricultural	0.48	0.33	10	-16,899	-20,853	-6,951
Site 12	Green 8	Remaining	Green	Paddock	0.27	0.27	8	1,125,269	1,125,269	300,072
Site 13	Green 6	Remaining	Green	Paddock	0.20	0.20	6	1,329,476	1,329,476	265,895
Site 14	Green 4	Remaining	Green	Paddock	0.19	0.13	4	851,414	1,216,305	162,174
Site 15	Brown 100	Remaining	Brown	PDL	4.08	2.86	100	-486,900	-695,571	-1,987,347
Site 16	Brown 50	Remaining	Brown	PDL	2.04	1.43	50	-1,231,206	-1,576,288	-2,251,840
Site 17	Brown 30	Remaining	Brown	PDL	1.22	0.86	30	-986,607	-1,258,944	-1,079,095
Site 18	Brown 20	Remaining	Brown	PDL	0.71	0.50	20	-1,061,647	-1,392,881	-696,440
Site 19	Brown 15	Remaining	Brown	PDL	0.54	0.38	15	-1,091,643	-1,379,254	-517,220
Site 20	Brown 9	Remaining	Brown	PDL	0.23	0.23	9	-428,864	-567,625	-127,716
Site 21	Brown 6	Remaining	Brown	PDL	0.17	0.17	6	-497,430	-497,430	-85,274

Source: HDH (May 2022)

Table 10.1c Residential Typologies – Residual Values

Scarborough Town

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 3	Large Green 500	Scarborough	Green	Agricultural	23.81	16.67	500	238,132	340,189	5,669,819
Site 4	Large 200	Scarborough	Green	Agricultural	9.52	6.67	200	176,752	252,503	1,683,351
Site 5	Green 125	Scarborough	Green	Agricultural	5.95	4.17	125	169,019	241,456	1,006,065
Site 6	Green 75	Scarborough	Green	Agricultural	3.57	2.50	75	-252,838	-361,197	-902,991
Site 7	Green 50	Scarborough	Green	Agricultural	2.38	1.67	50	-309,059	-383,308	-638,846
Site 8	Green 30	Scarborough	Green	Agricultural	1.43	1.00	30	-300,121	-371,130	-371,130
Site 9	Green 20	Scarborough	Green	Agricultural	0.95	0.67	20	-110,387	-136,218	-90,812
Site 10	Green 15	Scarborough	Green	Agricultural	0.71	0.50	15	-316,517	-390,582	-195,291
Site 11	Green 10	Scarborough	Green	Agricultural	0.48	0.33	10	-533,974	-658,923	-219,641
Site 12	Green 8	Scarborough	Green	Paddock	0.27	0.27	8	220,516	220,516	58,804
Site 13	Green 6	Scarborough	Green	Paddock	0.20	0.20	6	389,093	389,093	77,819
Site 14	Green 4	Scarborough	Green	Paddock	0.19	0.13	4	174,964	249,948	33,326
Site 15	Brown 100	Scarborough	Brown	PDL	4.08	2.86	100	-1,059,956	-1,514,223	-4,326,352
Site 16	Brown 50	Scarborough	Brown	PDL	2.04	1.43	50	-1,896,180	-2,427,642	-3,468,060
Site 17	Brown 30	Scarborough	Brown	PDL	1.22	0.86	30	-1,642,963	-2,096,476	-1,796,979
Site 18	Brown 20	Scarborough	Brown	PDL	0.71	0.50	20	-1,784,074	-2,340,705	-1,170,352
Site 19	Brown 15	Scarborough	Brown	PDL	0.54	0.38	15	-1,648,590	-2,082,939	-781,102
Site 20	Brown 9	Scarborough	Brown	PDL	0.23	0.23	9	-1,254,635	-1,660,579	-373,630
Site 21	Brown 6	Scarborough	Brown	PDL	0.17	0.17	6	-1,461,094	-1,461,094	-250,473
Site 22	Brown 60HD	Scarborough	Brown	PDL	1.43	1.00	60	-888,158	-1,211,447	-1,211,447
Site 23	Brown 30HD	Scarborough	Brown	PDL	0.86	0.60	30	-721,336	-1,045,697	-627,418
Site 24	BTR Housing 60	Scarborough	Green	Agricultural	2.86	2.00	60	-1,101,812	-1,309,504	-2,619,007
Site 25	BTR Flats 60	Scarborough	Brown	PDL	1.33	1.33	60	-2,508,147	-3,178,199	-4,237,598

Source: HDH (May 2022)

10.9 The results vary across the typologies, although this is largely due to the different assumptions around the nature of each typology. The higher density sites generally have higher Residual Values, and additional costs associated with brownfield sites reduces the Residual Value.

10.10 The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development as set out in Chapter 6 above.

Table 10.2a Residual Value v BLV

South

			EUV	BLV	Residual Value
Site 1	South Cayton	Cayton	25,000	425,000	188,613
Site 3	Large Green 500	South	25,000	425,000	288,260
Site 4	Large 200	South	25,000	425,000	229,864
Site 5	Green 125	South	25,000	425,000	224,313
Site 6	Green 75	South	25,000	425,000	-191,236
Site 7	Green 50	South	25,000	425,000	-236,619
Site 8	Green 30	South	25,000	425,000	-229,453
Site 9	Green 20	South	25,000	425,000	-41,524
Site 10	Green 15	South	25,000	425,000	-246,471
Site 11	Green 10	South	50,000	450,000	-468,722
Site 12	Green 8	South	50,000	450,000	335,690
Site 13	Green 6	South	50,000	450,000	508,362
Site 14	Green 4	South	50,000	450,000	259,677
Site 15	Brown 100	South	370,000	444,000	-629,203
Site 16	Brown 50	South	370,000	444,000	-1,396,874
Site 17	Brown 30	South	370,000	444,000	-1,150,696
Site 18	Brown 20	South	370,000	444,000	-1,242,253
Site 19	Brown 15	South	370,000	444,000	-1,230,880
Site 20	Brown 9	South	370,000	444,000	-634,314
Site 21	Brown 6	South	370,000	444,000	-737,197

Source: HDH (May 2022)

Table 10.2b Residual Value v BLV Whitby, Remaining Areas					
			EUV	BLV	Residual Value
Site 2	East of Lancaster Pk	Scalby	25,000	425,000	785,401
Site 3	Large Green 500	Remaining	25,000	425,000	634,071
Site 4	Large 200	Remaining	25,000	425,000	601,651
Site 5	Green 125	Remaining	25,000	425,000	611,369
Site 6	Green 75	Remaining	25,000	425,000	220,351
Site 7	Green 50	Remaining	25,000	425,000	249,760
Site 8	Green 30	Remaining	25,000	425,000	248,217
Site 9	Green 20	Remaining	25,000	425,000	431,820
Site 10	Green 15	Remaining	25,000	425,000	231,402
Site 11	Green 10	Remaining	50,000	450,000	-16,899
Site 12	Green 8	Remaining	50,000	450,000	1,125,269
Site 13	Green 6	Remaining	50,000	450,000	1,329,476
Site 14	Green 4	Remaining	50,000	450,000	851,414
Site 15	Brown 100	Remaining	370,000	444,000	-486,900
Site 16	Brown 50	Remaining	370,000	444,000	-1,231,206
Site 17	Brown 30	Remaining	370,000	444,000	-986,607
Site 18	Brown 20	Remaining	370,000	444,000	-1,061,647
Site 19	Brown 15	Remaining	370,000	444,000	-1,091,643
Site 20	Brown 9	Remaining	370,000	444,000	-428,864
Site 21	Brown 6	Remaining	370,000	444,000	-497,430

Source: HDH (May 2022)

Table 10.2c Residual Value v BLV Scarborough Town					
			EUV	BLV	Residual Value
Site 3	Large Green 500	Scarborough	25,000	425,000	238,132
Site 4	Large 200	Scarborough	25,000	425,000	176,752
Site 5	Green 125	Scarborough	25,000	425,000	169,019
Site 6	Green 75	Scarborough	25,000	425,000	-252,838
Site 7	Green 50	Scarborough	25,000	425,000	-309,059
Site 8	Green 30	Scarborough	25,000	425,000	-300,121
Site 9	Green 20	Scarborough	25,000	425,000	-110,387
Site 10	Green 15	Scarborough	25,000	425,000	-316,517
Site 11	Green 10	Scarborough	50,000	450,000	-533,974
Site 12	Green 8	Scarborough	50,000	450,000	220,516
Site 13	Green 6	Scarborough	50,000	450,000	389,093
Site 14	Green 4	Scarborough	50,000	450,000	174,964
Site 15	Brown 100	Scarborough	370,000	444,000	-1,059,956
Site 16	Brown 50	Scarborough	370,000	444,000	-1,896,180
Site 17	Brown 30	Scarborough	370,000	444,000	-1,642,963
Site 18	Brown 20	Scarborough	370,000	444,000	-1,784,074
Site 19	Brown 15	Scarborough	370,000	444,000	-1,648,590
Site 20	Brown 9	Scarborough	370,000	444,000	-1,254,635
Site 21	Brown 6	Scarborough	370,000	444,000	-1,461,094
Site 22	Brown 60HD	Scarborough	370,000	444,000	-888,158
Site 23	Brown 30HD	Scarborough	370,000	444,000	-721,336
Site 24	BTR Housing 60	Scarborough	25,000	425,000	-1,101,812
Site 25	BTR Flats 60	Scarborough	370,000	444,000	-2,508,147

Source: HDH (May 2022)

10.11 Across the typologies, the results vary, although this is largely due to the different assumptions around the nature of each typology.

a. The brownfield typologies that are representative of development within the urban areas, including Scarborough, Whitby and Filey, all generate a Residual Value that is below the EUV, so should be considered as unviable.

b. The greenfield sites do generate greater residual values, but whilst these are generally above the EUV, they are not above the BLV on the larger sites, other than in the Remaining areas (i.e. excluding the south and Scarborough), where the larger sites are shown as viable, as are the smaller ones that are below the affordable housing threshold. The smaller sites that are subject to affordable housing have lower values.

The Residual Value is higher on the larger greenfield sites than the smaller greenfield sites as the larger greenfield sites are modelled assuming the construction cost is at the BCIS lower quartile cost, and smaller greenfield sites are modelled assuming the construction cost is the BCIS median cost.

c. The Build to Rent typologies are also shown as being unviable.

10.12 These results are consistent with the Council's experience through the development management process. The 30% affordable housing requirement does not apply across the Borough. It is important to note that some sites in this area (for example cleared sites) are coming forward and delivering housing. The results in the rural areas, and in particular the higher value areas, are consistent with the Council's experience through the development management process where affordable housing is routinely delivered on market housing led development sites.

Varied Benchmark Land Values

10.13 The base appraisals assume the BLV on brownfield sites as EUV plus 20% and on brownfield sites (where the EUV is taken to be £370,000/ha), and EUV plus £400,000 on greenfield sites (where the EUV is taken to be £25,000/ha for agricultural use and £50,000/ha or paddock use). Through the consultation the level of the BLV was challenged by one agent, with a range of between £525,000 and £775,000 per hectare being suggested. These variables have been sensitivity tested.

Table 10.3a Effect of Varied Benchmark Land Value

South

			EUV	BLV	Residual Value											
					Base	£250,000	£300,000	£350,000	£400,000	£450,000	£500,000	£600,000	£700,000	£800,000	£900,000	£1,000,000
Site 1	South Cayton	Cayton	25,000	425,000	188,613	188,613	188,613	188,613	188,613	188,613	188,613	188,613	188,613	188,613	188,613	188,613
Site 3	Large Green 500	South	25,000	425,000	288,260	288,260	288,260	288,260	288,260	288,260	288,260	288,260	288,260	288,260	288,260	288,260
Site 4	Large 200	South	25,000	425,000	229,864	229,864	229,864	229,864	229,864	229,864	229,864	229,864	229,864	229,864	229,864	229,864
Site 5	Green 125	South	25,000	425,000	224,313	224,313	224,313	224,313	224,313	224,313	224,313	224,313	224,313	224,313	224,313	224,313
Site 6	Green 75	South	25,000	425,000	-191,236	-191,236	-191,236	-191,236	-191,236	-191,236	-191,236	-191,236	-191,236	-191,236	-191,236	-191,236
Site 7	Green 50	South	25,000	425,000	-236,619	-236,619	-236,619	-236,619	-236,619	-236,619	-236,619	-236,619	-236,619	-236,619	-236,619	-236,619
Site 8	Green 30	South	25,000	425,000	-229,453	-229,453	-229,453	-229,453	-229,453	-229,453	-229,453	-229,453	-229,453	-229,453	-229,453	-229,453
Site 9	Green 20	South	25,000	425,000	-41,524	-41,524	-41,524	-41,524	-41,524	-41,524	-41,524	-41,524	-41,524	-41,524	-41,524	-41,524
Site 10	Green 15	South	25,000	425,000	-246,471	-246,471	-246,471	-246,471	-246,471	-246,471	-246,471	-246,471	-246,471	-246,471	-246,471	-246,471
Site 11	Green 10	South	50,000	450,000	-468,722	-468,722	-468,722	-468,722	-468,722	-468,722	-468,722	-468,722	-468,722	-468,722	-468,722	-468,722
Site 12	Green 8	South	50,000	450,000	335,690	335,690	335,690	335,690	335,690	335,690	335,690	335,690	335,690	335,690	335,690	335,690
Site 13	Green 6	South	50,000	450,000	508,362	508,362	508,362	508,362	508,362	508,362	508,362	508,362	508,362	508,362	508,362	508,362
Site 14	Green 4	South	50,000	450,000	259,677	259,677	259,677	259,677	259,677	259,677	259,677	259,677	259,677	259,677	259,677	259,677
Site 15	Brown 100	South	370,000	444,000	-629,203	-629,203	-629,203	-629,203	-629,203	-629,203	-629,203	-629,203	-629,203	-629,203	-629,203	-629,203
Site 16	Brown 50	South	370,000	444,000	-1,396,874	-1,396,874	-1,396,874	-1,396,874	-1,396,874	-1,396,874	-1,396,874	-1,396,874	-1,396,874	-1,396,874	-1,396,874	-1,396,874
Site 17	Brown 30	South	370,000	444,000	-1,150,696	-1,150,696	-1,150,696	-1,150,696	-1,150,696	-1,150,696	-1,150,696	-1,150,696	-1,150,696	-1,150,696	-1,150,696	-1,150,696
Site 18	Brown 20	South	370,000	444,000	-1,242,253	-1,242,253	-1,242,253	-1,242,253	-1,242,253	-1,242,253	-1,242,253	-1,242,253	-1,242,253	-1,242,253	-1,242,253	-1,242,253
Site 19	Brown 15	South	370,000	444,000	-1,230,880	-1,230,880	-1,230,880	-1,230,880	-1,230,880	-1,230,880	-1,230,880	-1,230,880	-1,230,880	-1,230,880	-1,230,880	-1,230,880
Site 20	Brown 9	South	370,000	444,000	-634,314	-634,314	-634,314	-634,314	-634,314	-634,314	-634,314	-634,314	-634,314	-634,314	-634,314	-634,314
Site 21	Brown 6	South	370,000	444,000	-737,197	-737,197	-737,197	-737,197	-737,197	-737,197	-737,197	-737,197	-737,197	-737,197	-737,197	-737,197

Source: HDH (May 2022)

Table 10.3b Effect of Varied Benchmark Land Value

Whitby, Remaining Areas

			EUV	BLV	Residual Value												
					Base		£250,000	£300,000	£350,000	£400,000	£450,000	£500,000	£600,000	£700,000	£800,000	£900,000	£1,000,000
Site 2	East of Lancaster Pk	Scalby	25,000	425,000	785,401		785,401	785,401	785,401	785,401	785,401	785,401	785,401	785,401	785,401	785,401	785,401
Site 3	Large Green 500	Remaining	25,000	425,000	634,071		634,071	634,071	634,071	634,071	634,071	634,071	634,071	634,071	634,071	634,071	634,071
Site 4	Large 200	Remaining	25,000	425,000	601,651		601,651	601,651	601,651	601,651	601,651	601,651	601,651	601,651	601,651	601,651	601,651
Site 5	Green 125	Remaining	25,000	425,000	611,369		611,369	611,369	611,369	611,369	611,369	611,369	611,369	611,369	611,369	611,369	611,369
Site 6	Green 75	Remaining	25,000	425,000	220,351		220,351	220,351	220,351	220,351	220,351	220,351	220,351	220,351	220,351	220,351	220,351
Site 7	Green 50	Remaining	25,000	425,000	249,760		249,760	249,760	249,760	249,760	249,760	249,760	249,760	249,760	249,760	249,760	249,760
Site 8	Green 30	Remaining	25,000	425,000	248,217		248,217	248,217	248,217	248,217	248,217	248,217	248,217	248,217	248,217	248,217	248,217
Site 9	Green 20	Remaining	25,000	425,000	431,820		431,820	431,820	431,820	431,820	431,820	431,820	431,820	431,820	431,820	431,820	431,820
Site 10	Green 15	Remaining	25,000	425,000	231,402		231,402	231,402	231,402	231,402	231,402	231,402	231,402	231,402	231,402	231,402	231,402
Site 11	Green 10	Remaining	50,000	450,000	-16,899		-16,899	-16,899	-16,899	-16,899	-16,899	-16,899	-16,899	-16,899	-16,899	-16,899	-16,899
Site 12	Green 8	Remaining	50,000	450,000	1,125,269		1,125,269	1,125,269	1,125,269	1,125,269	1,125,269	1,125,269	1,125,269	1,125,269	1,125,269	1,125,269	1,125,269
Site 13	Green 6	Remaining	50,000	450,000	1,329,476		1,329,476	1,329,476	1,329,476	1,329,476	1,329,476	1,329,476	1,329,476	1,329,476	1,329,476	1,329,476	1,329,476
Site 14	Green 4	Remaining	50,000	450,000	851,414		851,414	851,414	851,414	851,414	851,414	851,414	851,414	851,414	851,414	851,414	851,414
Site 15	Brown 100	Remaining	370,000	444,000	-486,900		-486,900	-486,900	-486,900	-486,900	-486,900	-486,900	-486,900	-486,900	-486,900	-486,900	-486,900
Site 16	Brown 50	Remaining	370,000	444,000	-1,231,206		-1,231,206	-1,231,206	-1,231,206	-1,231,206	-1,231,206	-1,231,206	-1,231,206	-1,231,206	-1,231,206	-1,231,206	-1,231,206
Site 17	Brown 30	Remaining	370,000	444,000	-986,607		-986,607	-986,607	-986,607	-986,607	-986,607	-986,607	-986,607	-986,607	-986,607	-986,607	-986,607
Site 18	Brown 20	Remaining	370,000	444,000	-1,061,647		-1,061,647	-1,061,647	-1,061,647	-1,061,647	-1,061,647	-1,061,647	-1,061,647	-1,061,647	-1,061,647	-1,061,647	-1,061,647
Site 19	Brown 15	Remaining	370,000	444,000	-1,091,643		-1,091,643	-1,091,643	-1,091,643	-1,091,643	-1,091,643	-1,091,643	-1,091,643	-1,091,643	-1,091,643	-1,091,643	-1,091,643
Site 20	Brown 9	Remaining	370,000	444,000	-428,864		-428,864	-428,864	-428,864	-428,864	-428,864	-428,864	-428,864	-428,864	-428,864	-428,864	-428,864
Site 21	Brown 6	Remaining	370,000	444,000	-497,430		-497,430	-497,430	-497,430	-497,430	-497,430	-497,430	-497,430	-497,430	-497,430	-497,430	-497,430

Source: HDH (May 2022)

Table 10.3c Effect of Varied Benchmark Land Value

Scarborough Town

			EUV	BLV	Residual Value											
					Base	£250,000	£300,000	£350,000	£400,000	£450,000	£500,000	£600,000	£700,000	£800,000	£900,000	£1,000,000
Site 3	Large Green 500	Scarborough	25,000	425,000	238,132	238,132	238,132	238,132	238,132	238,132	238,132	238,132	238,132	238,132	238,132	238,132
Site 4	Large 200	Scarborough	25,000	425,000	176,752	176,752	176,752	176,752	176,752	176,752	176,752	176,752	176,752	176,752	176,752	176,752
Site 5	Green 125	Scarborough	25,000	425,000	169,019	169,019	169,019	169,019	169,019	169,019	169,019	169,019	169,019	169,019	169,019	169,019
Site 6	Green 75	Scarborough	25,000	425,000	-252,838	-252,838	-252,838	-252,838	-252,838	-252,838	-252,838	-252,838	-252,838	-252,838	-252,838	-252,838
Site 7	Green 50	Scarborough	25,000	425,000	-309,059	-309,059	-309,059	-309,059	-309,059	-309,059	-309,059	-309,059	-309,059	-309,059	-309,059	-309,059
Site 8	Green 30	Scarborough	25,000	425,000	-300,121	-300,121	-300,121	-300,121	-300,121	-300,121	-300,121	-300,121	-300,121	-300,121	-300,121	-300,121
Site 9	Green 20	Scarborough	25,000	425,000	-110,387	-110,387	-110,387	-110,387	-110,387	-110,387	-110,387	-110,387	-110,387	-110,387	-110,387	-110,387
Site 10	Green 15	Scarborough	25,000	425,000	-316,517	-316,517	-316,517	-316,517	-316,517	-316,517	-316,517	-316,517	-316,517	-316,517	-316,517	-316,517
Site 11	Green 10	Scarborough	50,000	450,000	-533,974	-533,974	-533,974	-533,974	-533,974	-533,974	-533,974	-533,974	-533,974	-533,974	-533,974	-533,974
Site 12	Green 8	Scarborough	50,000	450,000	220,516	220,516	220,516	220,516	220,516	220,516	220,516	220,516	220,516	220,516	220,516	220,516
Site 13	Green 6	Scarborough	50,000	450,000	389,093	389,093	389,093	389,093	389,093	389,093	389,093	389,093	389,093	389,093	389,093	389,093
Site 14	Green 4	Scarborough	50,000	450,000	174,964	174,964	174,964	174,964	174,964	174,964	174,964	174,964	174,964	174,964	174,964	174,964
Site 15	Brown 100	Scarborough	370,000	444,000	-1,059,956	-1,059,956	-1,059,956	-1,059,956	-1,059,956	-1,059,956	-1,059,956	-1,059,956	-1,059,956	-1,059,956	-1,059,956	-1,059,956
Site 16	Brown 50	Scarborough	370,000	444,000	-1,896,180	-1,896,180	-1,896,180	-1,896,180	-1,896,180	-1,896,180	-1,896,180	-1,896,180	-1,896,180	-1,896,180	-1,896,180	-1,896,180
Site 17	Brown 30	Scarborough	370,000	444,000	-1,642,963	-1,642,963	-1,642,963	-1,642,963	-1,642,963	-1,642,963	-1,642,963	-1,642,963	-1,642,963	-1,642,963	-1,642,963	-1,642,963
Site 18	Brown 20	Scarborough	370,000	444,000	-1,784,074	-1,784,074	-1,784,074	-1,784,074	-1,784,074	-1,784,074	-1,784,074	-1,784,074	-1,784,074	-1,784,074	-1,784,074	-1,784,074
Site 19	Brown 15	Scarborough	370,000	444,000	-1,648,590	-1,648,590	-1,648,590	-1,648,590	-1,648,590	-1,648,590	-1,648,590	-1,648,590	-1,648,590	-1,648,590	-1,648,590	-1,648,590
Site 20	Brown 9	Scarborough	370,000	444,000	-1,254,635	-1,254,635	-1,254,635	-1,254,635	-1,254,635	-1,254,635	-1,254,635	-1,254,635	-1,254,635	-1,254,635	-1,254,635	-1,254,635
Site 21	Brown 6	Scarborough	370,000	444,000	-1,461,094	-1,461,094	-1,461,094	-1,461,094	-1,461,094	-1,461,094	-1,461,094	-1,461,094	-1,461,094	-1,461,094	-1,461,094	-1,461,094
Site 22	Brown 60HD	Scarborough	370,000	444,000	-888,158	-888,158	-888,158	-888,158	-888,158	-888,158	-888,158	-888,158	-888,158	-888,158	-888,158	-888,158
Site 23	Brown 30HD	Scarborough	370,000	444,000	-721,336	-721,336	-721,336	-721,336	-721,336	-721,336	-721,336	-721,336	-721,336	-721,336	-721,336	-721,336
Site 24	BTR Housing 60	Scarborough	25,000	425,000	-1,101,812	-1,101,812	-1,101,812	-1,101,812	-1,101,812	-1,101,812	-1,101,812	-1,101,812	-1,101,812	-1,101,812	-1,101,812	-1,101,812
Site 25	BTR Flats 60	Scarborough	370,000	444,000	-2,508,147	-2,508,147	-2,508,147	-2,508,147	-2,508,147	-2,508,147	-2,508,147	-2,508,147	-2,508,147	-2,508,147	-2,508,147	-2,508,147

Source: HDH (May 2022)

10.14 This analysis shows that the number of typologies shown as being viable falls relatively quickly as the BLV assumption increases.

10.15 It is necessary to consider the costs of each policy. To assist the Council, a range of other appraisals have been run.

Cumulative Cost of Policies

10.16 Each policy requirement that adds to the cost of development leads to a reduction of the Residual Value. This results in the developer being able to pay the landowner less for the land. A set of appraisals has been run adding individual policy requirements. The results show the fall in land values, per hectare.

10.17 Initially the national requirements of 10% Biodiversity Net Gain, increased Building Regulations (Part L) and EV Charging are tested. These are in the line marked National Requirements.

Table 10.4 Cumulative Cost of Additional Individual Policies, over and above base requirements (10% BNG, NDSS, 31% CO_2, EV Charging), in £/ha			
	Greenfield	**Brownfield**	**All**
South			
National Requirements	144,234	206,902	167,322
+ 20% BNG	3,517	15,934	8,100
+ 50% M4(2)	12,312	16,072	13,685
+ 100% M4(2)	22,529	29,411	25,042
+ 92% M4(2) +8% M4(3)	54,606	71,287	60,698
+ 0 Regulated CO_2	115,629	148,734	127,973
+ 0 Unregulated CO_2	232,206	298,059	256,711
+ 0 Regulated CO_2 ASHP	146,678	188,554	162,281
+ 0 Unregulated CO_2 ASHP	271,170	347,834	299,685
Whitby, Remaining Areas			
National Requirements	143,072	204,367	163,222
+ 20% BNG	3,502	15,659	7,719
+ 50% M4(2)	12,196	15,784	13,390
+ 100% M4(2)	22,318	28,883	24,502
+ 92% M4(2) +8% M4(3)	54,094	70,087	59,416
+ 0 Regulated CO_2	114,568	146,415	124,600
+ 0 Unregulated CO_2	229,136	294,780	249,913
+ 0 Regulated CO_2 ASHP	145,119	185,856	157,965
+ 0 Unregulated CO_2 ASHP	267,325	344,380	291,753
Scarborough Town			
National Requirements	144,359	201,734	171,799
+ 20% BNG	3,549	15,451	9,241
+ 50% M4(2)	12,353	15,613	13,912
+ 100% M4(2)	22,627	28,591	25,479
+ 92% M4(2) +8% M4(3)	54,949	69,425	61,872
+ 0 Regulated CO_2	116,565	149,983	132,548
+ 0 Unregulated CO_2	233,668	300,653	265,704
+ 0 Regulated CO_2 ASHP	147,731	190,162	168,024
+ 0 Unregulated CO_2 ASHP	272,938	350,876	310,213

Source: HDH (May 2022)

10.18 The costs of seeking the national requirements of 10% Biodiversity Net Gain, increased Building Regulations (Part L) and EV Charging are about £150,000/ha on greenfield sites and £200,000/ha on the brownfield sites. It is higher on the brownfield sites as the densities are higher. The significance of this is that if the national standards are met, then that developer can afford to pay the landowner about £150,000/ha less on greenfield sites, and £200,000/ha on brownfield sites.

10.19 The costs of seeking all the policy requirements, over and above the national standards tested is very substantial, at about £270,000/ha on greenfield sites, and £350,000/ha on brownfield sites.

Affordable Housing

10.20 The above analysis does not consider affordable housing. Further sets of appraisals have been run to establish the cost of providing affordable housing in addition to the base national policy requirements, but in the absence of other policy requirements.

10.21 This analysis has been carried out in two scenarios:

a. The first as per a strict reading of the NPPF and PPG where 25% of the affordable housing is provided as First Homes, and the 10% of all housing is as Affordable Home Ownership.

b. The second is where 50% of the affordable housing is provided as Affordable Rent and the remaining 50% is split equally between First Homes and Affordable Home Ownership, as Shared Ownership.

10.22 In this analysis no allowance is made for developer contributions. The appraisal results are set out in **Appendix 13**, and summarised in the tables below.

Table 10.5 Cost of Affordable Housing Provision in £/ha (10% Affordable Home Ownership, 25% First Homes, Balance as Shared Ownership)			
Affordable %	**Greenfield**	**Brownfield**	**All**
South			
5%	60,504	43,629	54,477
10%	121,496	87,276	109,275
15%	202,168	152,693	184,498
20%	282,945	218,329	259,868
25%	364,170	283,963	335,525
30%	446,389	349,731	411,868
Whitby and Remaining Area			
5%	74,190	47,113	64,314
10%	148,381	94,752	128,802
15%	256,090	170,474	226,241
20%	363,814	246,203	323,691
25%	471,897	321,998	421,384
30%	579,970	398,188	519,259
Scarborough Town			
5%	58,806	40,242	49,524
10%	117,981	80,843	99,412
15%	194,726	135,657	165,191
20%	271,867	190,492	231,180
25%	349,835	245,500	297,667
30%	428,367	301,148	364,757

Source: HDH (May 2022)

10.23 The cost of providing 10% affordable housing is about £100,000/ha or so. The figure is less in the lower value area of Scarborough town, and the market values are less and so are closer to the affordable values. The significance of this is that for each 10% affordable housing, the developer can afford to pay the landowner about £100,000/ha less.

10.24 In the second scenario, where 50% of the affordable housing is Affordable Rent, consideration has also been given to the impact of reducing the costs of the Affordable Home Ownership element.

Table 10.6 Cost of Affordable Housing Provision in £/ha (50% Affordable Rent, 25% First Homes, Balance as Shared Ownership)			
Affordable %	**Greenfield**	**Brownfield**	**All**
South			
10%	140,951	108,849	129,486
20%	282,945	218,329	259,868
30%	426,184	327,942	391,097
Whitby and Remaining Area			
10%	181,903	122,497	161,641
20%	363,814	246,203	323,691
30%	547,048	370,220	486,644
Scarborough Town			
10%	135,422	94,914	115,168
20%	271,867	190,492	231,180
30%	410,264	286,651	348,458

Source: HDH (May 2022)

10.25 Under this scenario the cost of providing 10% affordable housing is about £145,000/ha or so, being a little less than under the first scenario. As above, the figure is less in the lower value area of Scarborough town and the market values are less and so are closer to the affordable values. The significance of this is that for each 10% affordable housing, the developer can afford to pay the landowner about £140,000/ha less.

10.26 The maximum price that a First Home may be sold at is 70% of market value (Capped at £250,000). Paragraph 70-004-20210524 provides scope for a council to reduce that discount to 60% or 50%, subject to that being justified. In addition, as set out in Chapter 8 above, the Council currently has a 'Discount for Sale' product.

> *This is housing that is sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households. The current discounts within the Borough are as follows:*
>
> *i. Whitby, North and Western Parishes 45%;*
>
> *ii. Scarborough Urban 30%; and*
>
> *iii. Filey and Southern Parishes 40%.*

10.27 The cost of seeking a lower maximum price than 70% (or a greater level of discount than 30%) has been assessed.

Table 10.7 Cost of Affordable Home Ownership Discount in £/ha (50% Affordable Rent, 25% First Homes, Balance as Shared Ownership)			
% Market Value	**Greenfield**	**Brownfield**	**All**
South			
60%	28,781	34,158	30,701
50%	57,614	68,317	61,437
40%	86,662	102,491	92,315
Whitby and Remaining Area			
60%	32,095	35,359	33,530
50%	64,191	70,779	67,103
40%	96,286	106,293	100,725
Scarborough Town			
60%	28,521	32,253	30,387
50%	57,204	64,586	60,895
40%	86,014	97,202	91,608

Source: HDH (May 2022)

10.28 This analysis shows the cost of seeking a discount over and above the 70% minimum has a significant impact in reducing the Residual Value.

Developer Contributions

10.29 The above analysis does not consider developer contributions. A further set of appraisals has been run to establish the cost of developer contributions (in the absence of other policy requirements).

Table 10.8 Cost of £5,000/unit Developer Contributions in £/ha		
Greenfield	**Brownfield**	**All**
South		
113,786	152,172	127,928
Whitby and Remaining Area		
111,190	145,808	126,128
Scarborough Town		
114,449	163,010	137,674

Source: HDH (May 2022)

10.30 The results show that a £5,000 increase in amount of developer contributions sought, on average, across the typologies, leads to a fall in the Residual Value of about £130,000/ha. The significance of this is that for each £5,000/ha increase in amount of affordable housing, the developer can afford to pay the landowner about £130,000/ha less. This is broadly similar to the cost of providing 10% affordable housing.

10.31 Bearing in mind that the greenfield BLV assumption is £450,000/ha, it is clear that this would be a substantial cost to a landowner.

10.32 As set out in Chapter 8 above, education contributions are currently being discussed by the SBC and North Yorkshire County Council (NYCC). NYCC have proposed a formula generates a payment of about £8,000/unit for 3 bed homes on schemes of over 100 units. This analysis shows that such an approach would significantly harm viability.

Primary Residence Condition (PRC)

10.33 As set out in Chapter 8 above, the Council is exploring the option of introducing a primary residence clause, whereby new homes may only be purchased by a household that will use the home as their primary residence (rather than as a holiday home).

10.34 Such a policy restricts the range of buyers that may purchase a house. It is inevitable that this will reduce demand and reduce values to some extent. This may well be desirable in terms of restricting the purchase of homes for the purposes of holiday lets or second home ownership, but this may have an adverse impact on viability. It is difficult to predict what the impact will be, this will depend on the conditions that may be applied. In this assessment a scenario is tested where the market homes are subject to a PRC that reduces the value by 5% to 30%. The appraisal results are set out in **Appendix 14** below. These are based on the base appraisal assumptions set out at the start of this chapter.

10.35 This analysis shows that a policy that results in a 5% fall in values would result in a fall in land values of £200,000 or so, and that a policy that results in a 10% fall in values would result in a fall in land values of £400,000. To set this in context the Benchmark Land Value is taken to be £425,000/ha on greenfield sites.

10.36 The implications of a PRC are considered further below. The Council should be cautious in introducing such a policy as it is likely to render most development unviable.

Affordable Housing v Developer Contributions

10.37 The critical balance in the plan-making process is the balance between affordable housing and developer contributions. A set of appraisals has been run with varied levels of developer contribution at different levels of affordable housing. As set out in Chapter 8 above, based on discussions with the Council, the base assumption is for a 30% affordable housing requirement and range of costs of up to £20,000/unit are tested. **Appendix 15** includes the appraisal results for the two affordable housing scenarios with varied levels of affordable housing and varied levels of developer contributions.

10.38 To a large extent the results are as would be expected in an area that has relatively low values. There is limited scope to seek developer contributions in addition to affordable housing, and where developer contributions are required to provide strategic infrastructure and mitigation, it is likely to impact on the delivery of affordable housing.

Suggested Residential Policy Requirements

10.39 The consideration of viability in the plan-making process is an iterative process, with the results of the viability testing informing the development of policy. In the sections above, the ability of development to bear a range of costs has been considered. How this information is brought together will be a matter for the Council – bearing in mind its own priorities and requirements.

10.40 It is clear that development is coming forward across the Scarborough Borough Council area, and much of that development is generally policy compliant (i.e. achieving the full affordable housing requirement) and making some (albeit modest) financial developer contributions. It is important to note that whilst both values and costs have increased since the Council's previous viability assessment in 2016, it is also necessary to note that there are additional costs that impact on viability that have been, or are being, introduced at a national level. These include requirements for Biodiversity Net Gain, the uplift in Building Regulations in relation to the move towards Zero Carbon (Part L), the requirement for 25% of affordable homes to be First Homes, and the mandating of Electric Vehicle Charging Points.

10.41 As part of the iterative process of preparing this report, the requirement for 8% of homes to meet the Part M4(3) (wheelchair accessible) has been reduced to 2%.

10.42 Having considered the results of the various appraisals reporting the impact of the range of policy aspirations and requirements set out above, the Council recognises that not all the policy areas tested will be deliverable. Bearing in mind the wider evidence base and local priorities, the following requirements are considered desirable:

a.	Affordable Housing	Where 25% of the affordable homes are First Homes and the balance as 30% Affordable Home Ownership / 70% Affordable Rent.
b.	Design	All units as Part M4(2) and 2% Part M4(3) on larger schemes of 100 units and larger. Water efficiency, 10% Biodiversity Net Gain 31% CO_2 Saving in line with Part L Uplift. in line with national standards, EV Charging (except high density flats without parking)
c.	Developer Contributions	s106 as £/unit at the following rates: Strategic Sites £10,000/unit All other £2,500/unit

10.43 A further set of appraisals has been run with these requirements and varied levels of affordable housing.

Table 10.9a Desirable Policy Requirements and Varied Affordable Housing

South

			EUV	BLV	Residual Value						
					0%	5%	10%	15%	20%	25%	30%
Site 1	South Cayton	Cayton	25,000	425,000	450,238	408,809	367,380	325,950	284,521	243,092	201,160
Site 3	Large Green 500	South	25,000	425,000	641,383	585,268	529,154	473,039	416,925	360,811	304,696
Site 4	Large 200	South	25,000	425,000	601,281	542,398	483,516	424,634	365,752	306,869	247,987
Site 5	Green 125	South	25,000	425,000	613,123	551,484	489,845	428,207	366,568	304,929	243,290
Site 6	Green 75	South	25,000	425,000	182,784	125,880	68,947	9,770	-49,947	-109,806	-170,049
Site 7	Green 50	South	25,000	425,000	194,222	129,118	62,164	-6,147	-74,457	-142,768	-211,850
Site 8	Green 30	South	25,000	425,000	209,074	141,379	72,543	3,310	-65,922	-135,155	-205,067
Site 9	Green 20	South	25,000	425,000	403,273	335,084	265,823	195,658	124,372	52,824	-18,724
Site 10	Green 15	South	25,000	425,000	190,802	122,199	53,596	-15,007	-83,610	-152,213	-222,060
Site 11	Green 10	South	50,000	450,000	403,027	263,648	123,514	-16,621	-156,755	-300,380	-444,814
Site 12	Green 8	South	50,000	450,000	367,724	367,724	367,724	367,724	367,724	367,724	367,724
Site 13	Green 6	South	50,000	450,000	541,569	541,569	541,569	541,569	541,569	541,569	541,569
Site 14	Green 4	South	50,000	450,000	283,289	283,289	283,289	283,289	283,289	283,289	283,289
Site 15	Brown 100	South	370,000	444,000	-351,315	-392,996	-434,678	-476,359	-518,102	-560,522	-602,941
Site 16	Brown 50	South	370,000	444,000	-1,141,122	-1,178,651	-1,216,181	-1,253,711	-1,291,241	-1,328,771	-1,366,301
Site 17	Brown 30	South	370,000	444,000	-849,233	-894,222	-939,211	-984,200	-1,029,842	-1,075,681	-1,121,520
Site 18	Brown 20	South	370,000	444,000	-898,959	-950,081	-1,001,980	-1,054,018	-1,106,056	-1,158,094	-1,210,133
Site 19	Brown 15	South	370,000	444,000	-603,063	-702,294	-801,526	-901,023	-1,001,723	-1,102,423	-1,203,123
Site 20	Brown 9	South	370,000	444,000	-603,516	-603,516	-603,516	-603,516	-603,516	-603,516	-603,516
Site 21	Brown 6	South	370,000	444,000	-701,255	-701,255	-701,255	-701,255	-701,255	-701,255	-701,255

Source: HDH (May 2022)

Table 10.9b Desirable Policy Requirements and Varied Affordable Housing

Whitby, Remaining Areas

			EUV	BLV	Residual Value						
					0%	5%	10%	15%	20%	25%	30%
Site 2	East of Lancaster Pk	Scalby	25,000	425,000	1,339,245	1,250,287	1,161,330	1,072,372	983,414	894,456	805,499
Site 3	Large Green 500	Remaining	25,000	425,000	1,082,723	1,010,628	938,534	866,440	794,345	722,251	650,156
Site 4	Large 200	Remaining	25,000	425,000	1,078,414	1,001,974	925,534	849,094	772,654	696,214	619,774
Site 5	Green 125	Remaining	25,000	425,000	1,115,939	1,035,007	954,075	873,143	792,211	711,279	630,347
Site 6	Green 75	Remaining	25,000	425,000	698,309	621,966	545,623	469,280	392,937	316,470	239,974
Site 7	Green 50	Remaining	25,000	425,000	805,498	716,699	627,899	539,099	450,300	361,500	272,701
Site 8	Green 30	Remaining	25,000	425,000	796,377	708,781	621,186	533,590	445,994	358,398	270,803
Site 9	Green 20	Remaining	25,000	425,000	989,262	899,977	810,691	721,406	632,120	542,835	453,550
Site 10	Green 15	Remaining	25,000	425,000	785,044	697,391	609,738	522,085	434,432	345,086	254,892
Site 11	Green 10	Remaining	50,000	450,000	1,011,572	847,978	684,384	518,268	349,641	177,988	6,335
Site 12	Green 8	Remaining	50,000	450,000	1,155,798	1,155,798	1,155,798	1,155,798	1,155,798	1,155,798	1,155,798
Site 13	Green 6	Remaining	50,000	450,000	1,361,125	1,361,125	1,361,125	1,361,125	1,361,125	1,361,125	1,361,125
Site 14	Green 4	Remaining	50,000	450,000	874,569	874,569	874,569	874,569	874,569	874,569	874,569
Site 15	Brown 100	Remaining	370,000	444,000	-169,288	-217,479	-266,179	-314,880	-363,580	-412,281	-460,981
Site 16	Brown 50	Remaining	370,000	444,000	-925,568	-971,300	-1,017,166	-1,063,033	-1,108,899	-1,154,766	-1,200,632
Site 17	Brown 30	Remaining	370,000	444,000	-641,780	-694,401	-747,021	-799,642	-852,262	-904,883	-957,503
Site 18	Brown 20	Remaining	370,000	444,000	-671,995	-731,288	-790,581	-849,873	-909,166	-969,194	-1,029,526
Site 19	Brown 15	Remaining	370,000	444,000	-421,965	-528,517	-635,068	-741,619	-848,170	-955,757	-1,063,886
Site 20	Brown 9	Remaining	370,000	444,000	-398,066	-398,066	-398,066	-398,066	-398,066	-398,066	-398,066
Site 21	Brown 6	Remaining	370,000	444,000	-461,488	-461,488	-461,488	-461,488	-461,488	-461,488	-461,488

Source: HDH (May 2022)

Table 10.9c Desirable Policy Requirements and Varied Affordable Housing

Scarborough Town

			EUV	BLV	Residual Value						
					0%	5%	10%	15%	20%	25%	30%
Site 3	Large Green 500	Scarborough	25,000	425,000	577,509	523,787	470,065	416,343	362,620	308,898	255,023
Site 4	Large 200	Scarborough	25,000	425,000	533,119	476,745	420,371	363,997	307,623	251,249	194,875
Site 5	Green 125	Scarborough	25,000	425,000	541,292	482,409	423,527	364,644	305,762	246,879	187,997
Site 6	Green 75	Scarborough	25,000	425,000	109,138	54,576	-1,969	-58,762	-115,572	-172,923	-231,651
Site 7	Green 50	Scarborough	25,000	425,000	106,489	42,399	-22,359	-87,118	-151,877	-217,488	-284,290
Site 8	Green 30	Scarborough	25,000	425,000	122,942	56,981	-9,011	-75,004	-140,997	-207,685	-275,736
Site 9	Green 20	Scarborough	25,000	425,000	319,561	252,951	185,886	117,571	49,185	-19,201	-87,587
Site 10	Green 15	Scarborough	25,000	425,000	102,781	37,516	-27,749	-93,013	-158,278	-224,803	-292,106
Site 11	Green 10	Scarborough	50,000	450,000	313,430	177,798	42,166	-93,466	-230,476	-370,270	-510,065
Site 12	Green 8	Scarborough	50,000	450,000	252,550	252,550	252,550	252,550	252,550	252,550	252,550
Site 13	Green 6	Scarborough	50,000	450,000	422,300	422,300	422,300	422,300	422,300	422,300	422,300
Site 14	Green 4	Scarborough	50,000	450,000	198,575	198,575	198,575	198,575	198,575	198,575	198,575
Site 15	Brown 100	Scarborough	370,000	444,000	-904,250	-925,615	-947,168	-968,721	-990,273	-1,011,826	-1,033,379
Site 16	Brown 50	Scarborough	370,000	444,000	-1,788,186	-1,800,706	-1,813,226	-1,825,937	-1,839,054	-1,852,172	-1,865,290
Site 17	Brown 30	Scarborough	370,000	444,000	-1,478,177	-1,500,779	-1,523,380	-1,545,982	-1,568,584	-1,591,185	-1,613,787
Site 18	Brown 20	Scarborough	370,000	444,000	-1,589,008	-1,616,166	-1,643,323	-1,670,481	-1,697,638	-1,724,795	-1,751,953
Site 19	Brown 15	Scarborough	370,000	444,000	-1,150,366	-1,228,777	-1,307,189	-1,385,600	-1,464,011	-1,542,423	-1,620,834
Site 20	Brown 9	Scarborough	370,000	444,000	-1,223,459	-1,223,459	-1,223,459	-1,223,459	-1,223,459	-1,223,459	-1,223,459
Site 21	Brown 6	Scarborough	370,000	444,000	-1,424,711	-1,424,711	-1,424,711	-1,424,711	-1,424,711	-1,424,711	-1,424,711
Site 22	Brown 60HD	Scarborough	370,000	444,000	-234,316	-336,197	-439,767	-543,337	-646,907	-750,477	-854,046
Site 23	Brown 30HD	Scarborough	370,000	444,000	-198,323	-280,138	-362,921	-445,705	-528,488	-611,272	-694,055
Site 24	BTR Housing 60	Scarborough	25,000	425,000	-831,911	-873,278	-914,645	-956,013	-997,380	-1,038,748	-1,080,115
Site 25	BTR Flats 60	Scarborough	370,000	444,000	-2,204,482	-2,250,412	-2,296,343	-2,342,273	-2,388,203	-2,434,134	-2,480,064

Source: HDH (May 2022)

10.44 Through the iterative process of preparing this report, two further sets of appraisals have been run. These are the same, in all regards, to those above, however the first tests the effect of zero carbon standards (with Air Source Heat Pump) on affordable housing, and the second tests the effect of a Primary Residence Condition that reduces house prices by 5%. The results are summarised in **Appendix 16** and **Appendix 17** below.

10.45 Across the typologies, the results vary across the modelled sites, although this is largely due to the different assumptions around the nature of each typology.

a. The two strategic sites are important to the delivery of the emerging Plan, and both are well progressed in the planning process. The results on the East of Lancaster Park site are substantially better than for the South Cayton site. This is due to the higher value used and assumptions around the net developable area. Both sites assume 30 units per hectare, however East of Lancaster Park is based on a net area of 84.7% and South Cayton is based on an area of 63.4%.

   There is no doubt that the delivery of any large site is challenging so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

   Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.

   In this context we particularly highlight paragraph 10-006 of the PPG:

   ... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....

   PPG 10-006-20180724

b. The greenfield sites do generate greater residual values. These are generally above the BLV on the larger sites (which are modelled using the lower quartile BCIS costs, rather than the median cost used on the smaller sites). These sites have capacity to bear affordable housing. This analysis suggests that the following levels of affordable housing would be appropriate:

   i. **South**[69]. 10% affordable housing. Whilst this may be challenging on some of the smaller sites (where costs are higher), 10% or 15% should be achievable on most larger sites.

      If the Council were to pursue the option of requiring new homes to be restricted to being a primary residence, little development would be viable and a zero affordable housing target would be appropriate. Similarly, a policy requiring zero carbon would render most development unviable and a zero affordable housing target would be appropriate. Whilst further appraisals have not been run to test the combined impact of a primary

[69] **South**. The three wards in the south of the Borough, Cayton, Filey and Humanby.

residence restriction and zero carbon together, it follows that the viability situation would be worse.

ii. **Scarborough Urban Area**[70]. 10% affordable housing. Little housing is planned on the greenfield area between Scarborough and Eastfield and Osgodby.

If the Council were to pursue the option of requiring new homes to be restricted to being a primary residence none of the typologies would be viable. Similarly a policy requiring zero carbon would render development unviable. Further appraisals have not been run to test the combined impact of a primary residence restriction and zero carbon together, it follows that the viability situation would be worse.

iii. **The remaining areas of the Borough**[71]. 25% affordable housing. Whilst the larger sites are likely to be able to bear 30% affordable housing, we suggest a cautious approach due to the uncertainty around developer contributions. Whilst 30% affordable housing is frequently achieved, this is not always the case.

If the Council were to pursue the option of requiring new homes to be restricted to being a primary residence the larger greenfield sites remain viable at 30% affordable housing, however a lower affordable housing target of 5% would be appropriate due to the impact on smaller sites. A policy requiring zero carbon would have a similar impact. Appraisals have not been run to test the combined impact of a primary residence restriction and zero carbon together, it follows that the viability situation would be worse.

The results in the lower value areas do not sit comfortably with the Council's experience on the ground. Across SBC, sites are coming forward and are delivering up to 30% affordable housing (see **Appendix 9** below). Having said this, it is important to acknowledge that these sites did not include the requirements for the move towards Zero Carbon as per the 31% CO_2 Saving in line with Part L Uplift, EV Charging Points or Biodiversity Net Gain. We recommend that the Council prioritises the larger greenfield sites in the early years of the Plan as the results are better on these.

c. The brownfield typologies that are representative of development within the urban areas, including Scarborough, Whitby and Filey, all generate a Residual Value that is below the EUV, even without affordable housing, so should be considered as unviable.

Across the urban areas of SBC (including Whitby and Filey), brownfield sites are coming forward and are delivering affordable housing, albeit at low levels, so it is

[70] **Scarborough Urban Area**. Within the tightly drawn boundaries around the built-up area of Scarborough town as well as Eastfield and Osgodby. This area includes the greenfield area to the east of the A64 (Seamer Road).

[71] **The remaining areas of the Borough**. Including those adjacent to the west and north of Scarborough and the greenfield sites in and around Whitby and brownfield sites within Whitby.

recommended that the affordable housing requirement on such sites is reduced to 10%.

The Council should be cautious in relying on such development, for example, in calculating its 5 year land supply, and to only count such sites when the guidance set out in paragraph 68-007-20190722 of the PPG[72] is followed.

d. The Build to Rent typologies are also shown as being unviable. As for other brownfield development, the Council should be cautious in relying on such development, for example, in calculating its 5 year land supply.

10.46 Due to the marked impact on the delivery of affordable housing, it is assumed that the Council will not pursue a Primary Residence Condition policy or seek environmental standards that over and above Building Regulations.

Impact of Change in Values and Costs

10.47 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produces various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 8.2% over the next 3 years[73]. We have tested a range of scenarios with varied increases in build costs.

10.48 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have tested several price change scenarios. In this analysis, we have assumed all other matters in the base appraisals remain unchanged. It is important to note that, in the tables (that are set out in **Appendix 18**), only the costs of construction and the value of the market housing are altered.

10.49 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan. Conversely a modest increase in value could have a significant impact in improving viability.

[72] Such evidence, to demonstrate deliverability, may include:

- current planning status – for example, on larger scale sites with outline or hybrid permission how much progress has been made towards approving reserved matters, or whether these link to a planning performance agreement that sets out the timescale for approval of reserved matters applications and discharge of conditions;
- firm progress being made towards the submission of an application – for example, a written agreement between the local planning authority and the site developer(s) which confirms the developers' delivery intentions and anticipated start and build-out rates;
- firm progress with site assessment work; or
- clear relevant information about site viability, ownership constraints or infrastructure provision, such as successful participation in bids for large-scale infrastructure funding or other similar projects.

[73] BCIS General Building Cost Index February 2022 – 406.6, February 2025 440.0.

Review

10.50 The direction of the market, as set out in Chapter 4 above, is improving, and there is an improved sentiment that the economy and property markets are improving. There is however some level of uncertainty. Bearing in mind Scarborough Borough Council's wish to develop housing, and the requirements to fund infrastructure, it is recommended that the Council keeps viability under review; should the economics of development change significantly it should consider undertaking a limited review of the Plan to adjust the affordable housing requirements or levels of developer contribution.

10.51 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

> *How should viability be reviewed during the lifetime of a project?*
>
> *Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies.*
>
> *Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.*
>
> *Paragraph: 009 Reference ID: 10-009-20190509*

10.52 It is recommended that, on sites where the policy requirements are flexed, the Council includes review mechanisms.

Older People's Housing

10.53 As well as mainstream housing, the Sheltered and Extracare sectors are considered separately. Appraisals were run for a range of affordable housing requirements. The results of these are summarised as follows. In each case allowance has been made for a s106 developer contribution of £500/unit. The full appraisals are set out in **Appendix 19** below:

Table 10.10 Older People's Housing, Appraisal Results (£/ha)						
		Affordable %	EUV	BLV	Residual Value	
					Scarborough	Whitby & Filey
Site 1	Sheltered Green	0%	25,000	425,000	-1,225,079	6,698,565
Site 2	Sheltered Green	5%	25,000	425,000	-1,629,333	5,959,934
Site 3	Sheltered Green	10%	25,000	425,000	-1,969,102	5,228,870
Site 4	Sheltered Green	15%	25,000	425,000	-2,374,193	4,490,239
Site 5	Sheltered Green	20%	25,000	425,000	-2,719,728	3,759,176
Site 6	Sheltered Green	25%	25,000	425,000	-3,130,702	3,020,544
Site 7	Sheltered Green	30%	25,000	425,000	-3,477,171	2,289,481
Site 8	Sheltered Brown	0%	370,000	444,000	-2,551,406	5,474,070
Site 9	Sheltered Brown	5%	370,000	444,000	-2,930,485	4,847,892
Site 10	Sheltered Brown	10%	370,000	444,000	-3,307,520	4,004,375
Site 11	Sheltered Brown	15%	370,000	444,000	-3,727,058	3,257,580
Site 12	Sheltered Brown	20%	370,000	444,000	-4,063,633	2,534,681
Site 13	Sheltered Brown	25%	370,000	444,000	-4,483,567	1,787,886
Site 14	Sheltered Brown	30%	370,000	444,000	-4,826,670	1,064,986
Site 15	Extracare Green	0%	25,000	425,000	-4,150,935	5,074,892
Site 16	Extracare Green	5%	25,000	425,000	-4,574,359	4,251,863
Site 17	Extracare Green	10%	25,000	425,000	-4,997,782	3,428,833
Site 18	Extracare Green	15%	25,000	425,000	-5,452,648	2,547,017
Site 19	Extracare Green	20%	25,000	425,000	-5,882,952	1,723,988
Site 20	Extracare Green	25%	25,000	425,000	-6,313,672	900,958
Site 21	Extracare Green	30%	25,000	425,000	-6,745,080	61,079
Site 22	Extracare Brown	0%	370,000	444,000	-5,896,760	3,485,724
Site 23	Extracare Brown	5%	370,000	444,000	-6,327,064	2,662,695
Site 24	Extracare Brown	10%	370,000	444,000	-6,757,368	1,839,666
Site 25	Extracare Brown	15%	370,000	444,000	-7,218,408	957,849
Site 26	Extracare Brown	20%	370,000	444,000	-7,648,713	120,772
Site 27	Extracare Brown	25%	370,000	444,000	-8,079,433	-742,801
Site 28	Extracare Brown	30%	370,000	444,000	-8,510,841	-1,626,910

Source: HDH (February 2022)

10.54 Based on this analysis, this type of housing is unlikely to be viable in the current market in Scarborough, but is likely to be viable in the higher value areas of Whitby and Filey.

10.55 When considering the above, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage. It is therefore not necessary to differentiate within policy for this sector.

11. Non-Residential Appraisals

11.1 Based on the assumptions set out previously, we have run a set of financial appraisals for the non-residential development types. The detailed appraisal results are set out in **Appendix 20** and summarised in the table below.

11.2 As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, we have used the same methodology with regard to the Benchmark Land Value (EUV Plus).

11.3 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward, and vice versa. An important part of any final consideration of viability will be relating the results of this assessment to what is actually happening on the ground in terms of development, and what planning applications are being determined – and on what basis.

11.4 In the appraisal the costs are based on the BCIS costs, adjusted for BREEAM, and green roofs. The appraisals include the adopted rates of CIL.

Employment uses

11.5 Firstly, the main employment uses are considered.

Table 11.1 Employment Appraisal Results

GREENFIELD							
		Offices - Central	Offices - Park	Offices - Park (Small)	Industrial	Industrial - Small	Distribution
CIL	£/m2		**0**	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**		**-1,122,216**	**-409,831**	**-58,202**	**-276,104**	**4,663,198**
Existing Use Value	£/ha		25,000	25,000	25,000	25,000	25,000
Viability Threshold	£/ha		425,000	425,000	425,000	425,000	430,000
Residual Value	£/ha		-4,208,309	-4,098,313	-58,202	-2,761,043	4,080,298
Brownfield							
		Offices - Central	Offices - Park	Offices - Park (Small)	Industrial	Industrial - Small	Distribution
CIL	£/m2	**0**	**0**	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**-1,502,369**	**-1,507,652**	**-504,485**	**-335,659**	**-318,443**	**4,662,289**
Existing Use Value	£/ha	370,000	370,000	370,000	370,000	370,000	370,000
Viability Threshold	£/ha	444,000	444,000	444,000	444,000	444,000	444,000
Residual Value	£/ha	-26,291,463	-5,653,696	-5,044,845	-335,659	-3,184,431	4,079,503

Source: HDH (February 2022)

11.6 To some extent the above results are reflective of the current market in the east of Yorkshire and more widely. Office and industrial development are shown as being unviable, however this is not just an issue within SBC. Having said this, employment space is being delivered in the Borough. There have been some completions recently, for example at Manor Court (to the south of Scarborough).

11.7 Employment development is only being brought forward to a limited extent on a speculative basis by the development industry. Much of the development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located town edge properties.

11.8 It is important to note that the analysis in this report is carried out in line with the Harman Guidance, and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. As set out in Chapters 2 and 3 above, the Guidance does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in the Scarborough area is 'user led' being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.

11.9 The exception to the above are distribution uses which are shown as being viable.

11.10 It is clear that the speculative development of employment uses is challenging in the current market, but such development is coming forward. The Council should be cautious in relation to setting policy requirements for employment uses that would unduly impact on viability.

Retail and Hotel

11.11 Appraisals have also been run for retail and hotel uses.

Table 11.2 Retail and Hotel Appraisal Results

GREENFIELD						
		Central Retail	Secondary Retail	Supermarket	Retail Warehouse	Hotel
CIL	£/m2			**0**	**0**	**0**
RESIDUAL VALUE	**Site**			**2,905,786**	**5,747,847**	**103,088**
Existing Use Value	£/ha			25,000	25,000	25,000
Viability Threshold	£/ha			425,000	425,000	425,000
Residual Value	£/ha			9,685,953	7,184,809	229,549
Brownfield						
		Central Retail	Secondary Retail	Supermarket	Retail Warehouse	Hotel
CIL	£/m2	**0**	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**340,803**	**-142,533**	**2,730,577**	**5,409,059**	**-152,101**
Existing Use Value	£/ha	1,000,000	370,000	370,000	370,000	370,000
Viability Threshold	£/ha	1,200,000	444,000	444,000	444,000	444,000
Residual Value	£/ha	13,632,104	-5,701,316	9,101,925	6,761,324	-338,686

Source: HDH (February 2022)

11.12 Larger format retail developments are shown as viable, with the Residual Value exceeding the Benchmark Land Value by a substantial margin. The Plan supports the development of retail uses in the town centres but there are limited remaining opportunities within the town centres beyond those being currently pursued. The Council wishes to see a broad range of retailing in the towns, and the Plan directs this towards the town centres.

11.13 The analysis included hotel use. This is shown to be marginally viable on greenfield sites.

12. Findings and Recommendations

12.1 This chapter brings together the findings of this report and provides a non-technical summary of the overall assessment that can be read on a standalone basis. Having said this, a viability assessment of this type is, by its very nature, a technical document that is prepared to address the very specific requirements of the National Planning Policy Framework so it is recommended the report is read in full. As this is a summary chapter, some of the content of earlier chapters is repeated.

12.2 HDH Planning & Development Ltd has been appointed to update the Council's viability evidence and produce this Local Plan Viability Assessment as required by the National Planning Policy Framework (NPPF) and relevant guidance. The Council is not intending to adopt a Community Infrastructure Levy (CIL) as this was investigated a number of years ago and was found to be unviable in much of the Borough.

12.3 As part of its preparation, the new Local Plan needs to be tested to ensure it remains viable and deliverable in line with tests set out in the NPPF and National Planning Practice Guidance (PPG). This includes:

- assessing the cumulative impact of the emerging policies, including affordable housing and open space requirements.
- testing the deliverability of the key development site allocations that are earmarked to come forward over the course of the Local Plan period.
- considering the ability of development to accommodate developer contributions alongside other policy requirements.

12.4 This document sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the emerging local policies, and the emerging national policies, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

Compliance

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

COVID-19

12.6 This update is being carried out during the coronavirus pandemic. There are uncertainties around the values of property and the costs of construction that are a direct result of the

COVID-19 pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect will be. We recommend that the Council keeps the assessment under frequent review.

Viability Testing under the 2021 NPPF and Updated PPG

12.7 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2021 NPPF. The overall requirement is that *'policy requirements should be informed by evidence of infrastructure and Affordable Housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.*'

12.8 This study is based on typologies that are representative of the type of development expected to come forward under the adopted Local Plan.

12.9 The updated PPG sets out that viability should be tested using the Existing Use Value Plus (EUV Plus) approach:

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

12.10 The Benchmark Land Value (BLV) is the amount the Residual Value must exceed for the development to be considered viable.

Viability Guidance

12.11 There is no specific technical guidance on how to test viability in the 2021 NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions that support the methodology HDH has developed. This study follows the Harman Guidance. In line with the updated PPG, this study follows the EUV Plus (EUV+) methodology, that is to compare the Residual Value generated by the viability appraisals, with the EUV + an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the market value of the land both with and without the benefit of planning permission for development.

12.12 The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

Gross Development Value
(The combined value of the complete development)
LESS
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)
=
RESIDUAL VALUE

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

12.14 The 2021 NPPF and the PPG are clear that the assessment of viability should be based on existing available evidence, rather than new evidence. The evidence that is available from the Council has been reviewed. This includes that which has been prepared earlier in the plan-making process, and that which the Council holds, in the form of development appraisals that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of affordable housing or s106 contributions.

12.15 Consultation formed part of the preparation of this study. An event was held in November 2021. Residential and non-residential developers (including housing associations), landowners and planning professionals were invited to take part.

Residential Market

12.16 An assessment of the housing market was undertaken.

12.17 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for SBC is 270th (out of 331) at £193,516[74]. This is a 6% increase since the pre-consultation report. To set this in context, the Council at the middle of the rank (164th – South Lakeland), has an average price of £308,632 (which has increased by 8% over the same period). The SBC median price is lower than the average at £180,000.

12.18 The housing market peaked early in November 2007 and then fell considerably in the 2007/2009 recession during what became known as the 'Credit Crunch'. Locally, average house prices in the area did not recover to their pre-recession peak until March 2018 but are now about 18% above the 2007 peak. These increases are substantial but are less than those seen across England and Wales (58%) over the same period.

12.19 This report is being completed after the United Kingdom has left the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK and the UK economy is in a period of uncertainty.

[74] Mean house prices for administrative geographies: HPSSA dataset 12 (Release 1st February 2022).

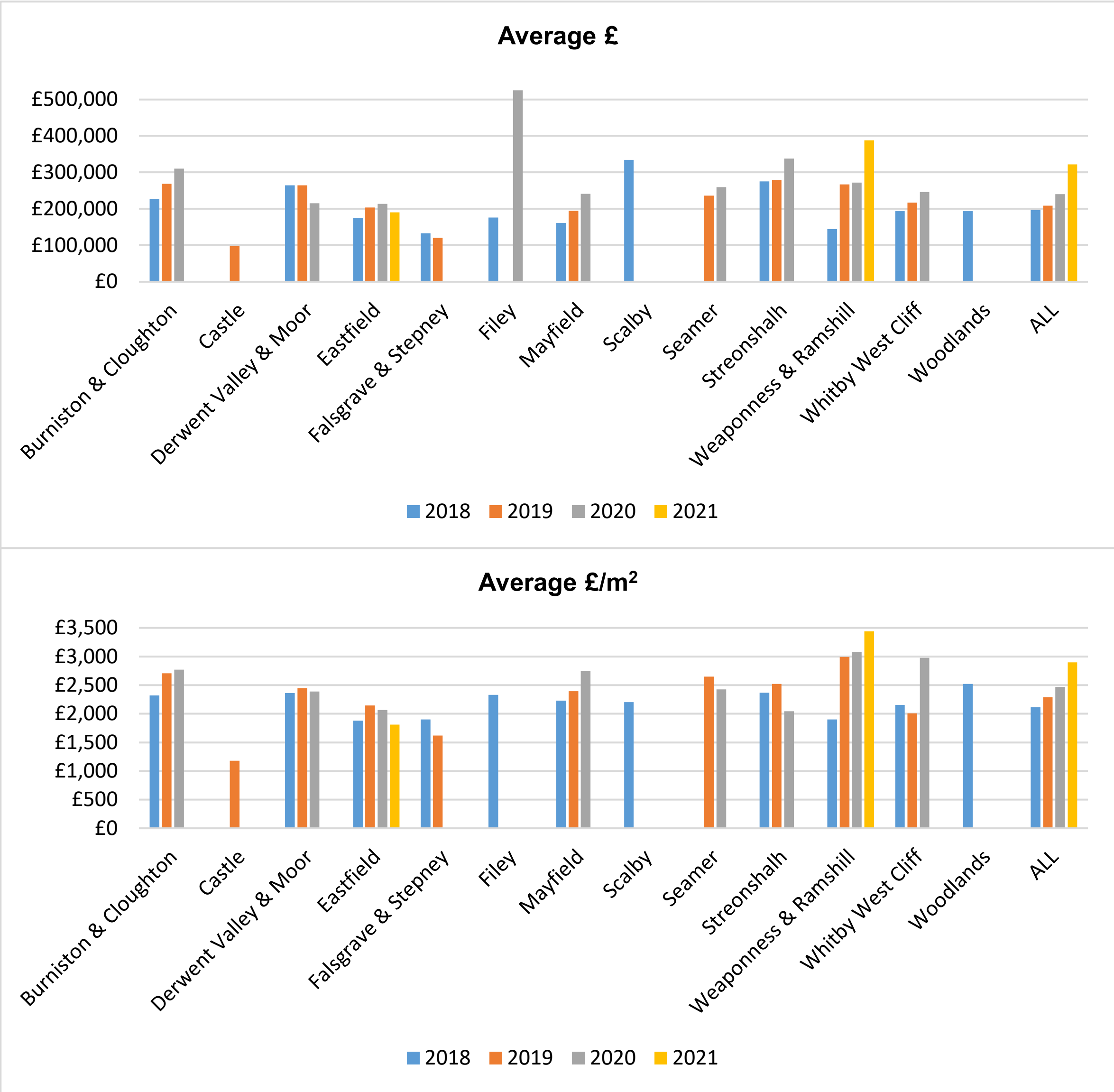
12.20 A further uncertainty is around the ongoing coronavirus pandemic. There are uncertainties around the values of property that are a result of the COVID-19 pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect may last. There is anecdotal evidence of an increased demand for larger units (with space for working from home) and with private outdoor space. Conversely, employees in some sectors that have been particularly affected by the coronavirus have found their ability to secure a loan restricted.

The Local Market

12.21 A survey of asking prices, across the Council area, was carried out. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.

12.22 As part of the research we have used data from Landmark. This brings together data from the following sources and allows the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms. This data includes the records of 8,480 sales since the start of 2017. Of these, floor areas are available for about 7,497 sales and the number of bedrooms is available for about 5,121 sales.

Figure 12.1 Price Paid By Ward and Year - Newbuild



Source: Landmark (November 2021)

12.23 On average, newbuild homes are 14% more expensive than existing homes, when considered on a £/m^2 basis, the difference is similar. Newbuild houses are 7% are more expensive than existing houses, but newbuild flats are 63% more expensive than existing flats. When considered on a £/m^2 basis, newbuild houses are 9.5% more expensive than existing houses, and flats are 44% more expensive than existing flats.

12.24 Based on prices paid, the asking prices from active developments, and informed by the general pattern of all house prices across the assessment area, and the wider data presented, the following price assumptions are adopted:

Table 12.1 2022 Residential Price Assumptions – £/m^2			
	South (Cayton, Filey & Hunmanby)	Scarborough (including Eastfield, Osgodby and area east of the A64)	Remaining (including Whitby)
Greenfield	£2,750	£2,700	£3,100
Previously Developed Land	£2,300	£2,000	£2,400
Flatted Development	£2,400	£3,000	£3,000

Source: HDH (April 2022)

12.25 The areas are as follows:

a. **South**. This area is unchanged and includes the three wards in the south of the Borough, Cayton, Filey and Hunmanby.

b. **Scarborough Urban Area**. This area includes the tightly drawn boundaries around the built-up area of Scarborough town, as well as Eastfield and Osgodby. This area includes the greenfield area to the east of the A64 (Seamer Road).

c. **The remaining areas of the Borough**, including those adjacent to the west and north of Scarborough and the greenfield sites in and around Whitby are treated as a single area, with higher values in line with the more recent evidence, particularly from Scalby and Whitby. The majority of brownfield development within this area is likely to be within Whitby.

Affordable Housing

12.26 In this study, it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP). The following values are used across the area:

a. Social Rent £1,250/m^2.

b. Affordable Rent £1,400/m^2.

c. First Homes 70% of Market Value.

d. Affordable Home Ownership 70% of Market Value.

Non-Residential Market

12.27 The following value assumptions have been used:

Table 12.2 Commercial Values £/m² 2021					
	Rent £/m²	Yield	Rent free period	Derived Value	Assumption
Offices - Large	£215	7.00%	1.0	£2,870	£2,870
Offices - Small	£215	8.00%	1.0	£2,488	£2,490
Industrial - Large	£85	6.50%	1.0	£1,228	£1,230
Industrial - Small	£85	8.00%	1.0	£984	£1,000
Logistics	£120	4.00%	2.0	£2,774	£2,800
Retail - Central	£350	7.00%	1.0	£4,673	£4,675
Retail (elsewhere)	£150	8.00%	1.0	£1,736	£1,740
Supermarket	£250	4.50%	0.0	£5,556	£5,550
Retail warehouse	£200	5.50%	2.0	£3,267	£3,250
Hotel (per room)	£4,500	6.00%	0.0	£3,036	£3,035

Source: HDH (November 2021)

Land Values

12.28 In this assessment the following Existing Use Value (EUV) assumptions are used.

Table 12.3 Existing Use Value Land Prices - 2021	
PDL	£370,000/ha
Agricultural	£25,000/ha
Paddock	£50,000/ha

Source: HDH (November 2021)

12.29 The updated PPG makes specific reference to Benchmark Land Values (BLV) so it is necessary to address this. The following Benchmark Land Value assumptions are used:

a. Brownfield/Urban Sites: EUV Plus 20%.

b. Greenfield Sites: EUV Plus £400,000/ha.

Development Costs

12.30 These are the costs and other assumptions required to produce the financial appraisals.

12.31 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for the SBC area. The cost figure for 'Estate Housing – Generally' is £1,326/m², at the time of this assessment. The appropriate build cost is applied to each house type, with the cost of estate housing detached being applied to detached housing, the costs of flats being applied to flats and so on. Appropriate costs for non-residential uses are also applied. The lower quartile cost is used for schemes of over 100 units (where economies of scale can be achieved), and the median for smaller schemes.

12.32 In addition to the BCIS £/m^2 build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for flatted schemes, to 15% for the larger greenfield schemes.

12.33 An additional allowance is made for abnormal costs associated with greenfield sites of 2.5% of the BCIS costs and for abnormal costs associated with brownfield sites of 5% of the BCIS costs. Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

Fees

12.34 For both residential and non-residential development we have assumed professional fees amount to 8% of build costs.

12.35 An allowance of 1.5% is assumed for acquisition agents' and legal fees. Stamp duty is calculated at the prevailing rates. For market and for affordable housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts.

Contingencies

12.36 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, previously developed land. So, the 5% figure was used on the brownfield sites, and the 2.5% figure on the remainder.

S106 Contributions and the costs of strategic infrastructure

12.37 SBC has not adopted CIL, the Council seeks Developer Contributions under the s106 regime, in line with restrictions set out on CIL Regulation 122.

12.38 An assumption of £10,000/unit has been assumed for the strategic sites and £2,000/unit is allowed for within the typologies.

Financial and Other Appraisal Assumptions

12.39 The appraisals assume interest of 6% p.a. for total debit balances. No allowance is made for equity provided by the developer.

Developers' return

12.40 The updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies*'. The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.

12.41 An assumption of 17.5% is used across market housing and First Homes, and 6% for affordable housing.

Local Plan Policy Requirements

12.42 The specific purpose of this assessment is to consider and inform the development of the emerging Local Plan and then, in due course, to assess the cumulative impact of the policies on the planned development. The new Local Plan will replace the *Scarborough Borough Local Plan* (July 2017). At the time of this report (February 2022) the Council has not developed a full set of policies as that will, in part, be informed by the wider evidence base, including this report. The Council has also published the *Scarborough Borough Local Plan Review, Issues & Options Consultation* (August 2020).

12.43 The policy areas that add to the costs of development, over and above the normal costs of development, are assessed. In addition, recent changes that may be introduced at a national level are also considered.

Modelling

12.44 The approach is to model a set of development sites (typologies) that are broadly representative of the type of residential and non-residential development that is likely to come forward under the new Local Plan.

Residential Appraisals

12.45 The appraisals use the residual valuation approach – they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the Existing Use Value (EUV) by a satisfactory margin, being the Benchmark Land Value (BLV).

12.46 Sets of appraisals have been run based on the assumptions provided in this report, including the affordable housing requirement and developer contributions and other policy requirements. The base appraisals are based on the following assumptions.

Base Appraisals

12.47 The initial appraisals are based on the full policy-on scenario with the policy options, unless stated, being the following assumptions.

a. Affordable Housing — 30% as 25% First Homes and the balance as 30% Affordable Home Ownership / 70% Affordable Rent – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes.

b. Design — NDSS, 92% Part M4(2), 8% Part M4(3), Water efficiency, 10% Biodiversity Net Gain, 31% CO_2 Saving in line with Part L Uplift.

c. Developer Contributions — s106 as £2,500/unit on typologies and £10,000 on strategic sites.

Table 12.4a Residential Typologies – Residual Values

South

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	South Cayton	Cayton	Green	Agricultural	119.05	83.33	2,500	188,613	296,861	24,738,434
Site 3	Large Green 500	South	Green	Agricultural	23.81	16.67	500	288,260	411,800	6,863,334
Site 4	Large 200	South	Green	Agricultural	9.52	6.67	200	229,864	328,378	2,189,184
Site 5	Green 125	South	Green	Agricultural	5.95	4.17	125	224,313	320,447	1,335,194
Site 6	Green 75	South	Green	Agricultural	3.57	2.50	75	-191,236	-273,194	-682,984
Site 7	Green 50	South	Green	Agricultural	2.38	1.67	50	-236,619	-293,464	-489,107
Site 8	Green 30	South	Green	Agricultural	1.43	1.00	30	-229,453	-283,742	-283,742
Site 9	Green 20	South	Green	Agricultural	0.95	0.67	20	-41,524	-51,241	-34,160
Site 10	Green 15	South	Green	Agricultural	0.71	0.50	15	-246,471	-304,145	-152,072
Site 11	Green 10	South	Green	Agricultural	0.48	0.33	10	-468,722	-578,403	-192,801
Site 12	Green 8	South	Green	Paddock	0.27	0.27	8	335,690	335,690	89,517
Site 13	Green 6	South	Green	Paddock	0.20	0.20	6	508,362	508,362	101,672
Site 14	Green 4	South	Green	Paddock	0.19	0.13	4	259,677	370,968	49,462
Site 15	Brown 100	South	Brown	PDL	4.08	2.86	100	-629,203	-898,861	-2,568,174
Site 16	Brown 50	South	Brown	PDL	2.04	1.43	50	-1,396,874	-1,788,390	-2,554,842
Site 17	Brown 30	South	Brown	PDL	1.22	0.86	30	-1,150,696	-1,468,327	-1,258,566
Site 18	Brown 20	South	Brown	PDL	0.71	0.50	20	-1,242,253	-1,629,837	-814,918
Site 19	Brown 15	South	Brown	PDL	0.54	0.38	15	-1,230,880	-1,555,175	-583,191
Site 20	Brown 9	South	Brown	PDL	0.23	0.23	9	-634,314	-839,550	-188,899
Site 21	Brown 6	South	Brown	PDL	0.17	0.17	6	-737,197	-737,197	-126,377

Source: HDH (May 2022)

Table 12.4b Residential Typologies – Residual Values

Remaining Areas

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 2	East of Lancaster Pk	Scalby	Green	Agricultural	42.86	30.00	900	785,401	927,297	27,818,898
Site 3	Large Green 500	Remaining	Green	Agricultural	23.81	16.67	500	634,071	905,816	15,096,928
Site 4	Large 200	Remaining	Green	Agricultural	9.52	6.67	200	601,651	859,502	5,730,013
Site 5	Green 125	Remaining	Green	Agricultural	5.95	4.17	125	611,369	873,384	3,639,100
Site 6	Green 75	Remaining	Green	Agricultural	3.57	2.50	75	220,351	314,787	786,967
Site 7	Green 50	Remaining	Green	Agricultural	2.38	1.67	50	249,760	309,762	516,271
Site 8	Green 30	Remaining	Green	Agricultural	1.43	1.00	30	248,217	306,945	306,945
Site 9	Green 20	Remaining	Green	Agricultural	0.95	0.67	20	431,820	532,865	355,244
Site 10	Green 15	Remaining	Green	Agricultural	0.71	0.50	15	231,402	285,551	142,775
Site 11	Green 10	Remaining	Green	Agricultural	0.48	0.33	10	-16,899	-20,853	-6,951
Site 12	Green 8	Remaining	Green	Paddock	0.27	0.27	8	1,125,269	1,125,269	300,072
Site 13	Green 6	Remaining	Green	Paddock	0.20	0.20	6	1,329,476	1,329,476	265,895
Site 14	Green 4	Remaining	Green	Paddock	0.19	0.13	4	851,414	1,216,305	162,174
Site 15	Brown 100	Remaining	Brown	PDL	4.08	2.86	100	-486,900	-695,571	-1,987,347
Site 16	Brown 50	Remaining	Brown	PDL	2.04	1.43	50	-1,231,206	-1,576,288	-2,251,840
Site 17	Brown 30	Remaining	Brown	PDL	1.22	0.86	30	-986,607	-1,258,944	-1,079,095
Site 18	Brown 20	Remaining	Brown	PDL	0.71	0.50	20	-1,061,647	-1,392,881	-696,440
Site 19	Brown 15	Remaining	Brown	PDL	0.54	0.38	15	-1,091,643	-1,379,254	-517,220
Site 20	Brown 9	Remaining	Brown	PDL	0.23	0.23	9	-428,864	-567,625	-127,716
Site 21	Brown 6	Remaining	Brown	PDL	0.17	0.17	6	-497,430	-497,430	-85,274

Source: HDH (May 2022)

Table 12.4c Residential Typologies – Residual Values

Scarborough Town

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 3	Large Green 500	Scarborough	Green	Agricultural	23.81	16.67	500	238,132	340,189	5,669,819
Site 4	Large 200	Scarborough	Green	Agricultural	9.52	6.67	200	176,752	252,503	1,683,351
Site 5	Green 125	Scarborough	Green	Agricultural	5.95	4.17	125	169,019	241,456	1,006,065
Site 6	Green 75	Scarborough	Green	Agricultural	3.57	2.50	75	-252,838	-361,197	-902,991
Site 7	Green 50	Scarborough	Green	Agricultural	2.38	1.67	50	-309,059	-383,308	-638,846
Site 8	Green 30	Scarborough	Green	Agricultural	1.43	1.00	30	-300,121	-371,130	-371,130
Site 9	Green 20	Scarborough	Green	Agricultural	0.95	0.67	20	-110,387	-136,218	-90,812
Site 10	Green 15	Scarborough	Green	Agricultural	0.71	0.50	15	-316,517	-390,582	-195,291
Site 11	Green 10	Scarborough	Green	Agricultural	0.48	0.33	10	-533,974	-658,923	-219,641
Site 12	Green 8	Scarborough	Green	Paddock	0.27	0.27	8	220,516	220,516	58,804
Site 13	Green 6	Scarborough	Green	Paddock	0.20	0.20	6	389,093	389,093	77,819
Site 14	Green 4	Scarborough	Green	Paddock	0.19	0.13	4	174,964	249,948	33,326
Site 15	Brown 100	Scarborough	Brown	PDL	4.08	2.86	100	-1,059,956	-1,514,223	-4,326,352
Site 16	Brown 50	Scarborough	Brown	PDL	2.04	1.43	50	-1,896,180	-2,427,642	-3,468,060
Site 17	Brown 30	Scarborough	Brown	PDL	1.22	0.86	30	-1,642,963	-2,096,476	-1,796,979
Site 18	Brown 20	Scarborough	Brown	PDL	0.71	0.50	20	-1,784,074	-2,340,705	-1,170,352
Site 19	Brown 15	Scarborough	Brown	PDL	0.54	0.38	15	-1,648,590	-2,082,939	-781,102
Site 20	Brown 9	Scarborough	Brown	PDL	0.23	0.23	9	-1,254,635	-1,660,579	-373,630
Site 21	Brown 6	Scarborough	Brown	PDL	0.17	0.17	6	-1,461,094	-1,461,094	-250,473
Site 22	Brown 60HD	Scarborough	Brown	PDL	1.43	1.00	60	-888,158	-1,211,447	-1,211,447
Site 23	Brown 30HD	Scarborough	Brown	PDL	0.86	0.60	30	-721,336	-1,045,697	-627,418
Site 24	BTR Housing 60	Scarborough	Green	Agricultural	2.86	2.00	60	-1,101,812	-1,309,504	-2,619,007
Site 25	BTR Flats 60	Scarborough	Brown	PDL	1.33	1.33	60	-2,508,147	-3,178,199	-4,237,598

Source: HDH (May 2022)

12.48 The results vary across the typologies, although this is largely due to the different assumptions around the nature of each typology. The higher density sites generally have higher Residual Values, and additional costs associated with brownfield sites reduces the Residual Value.

12.49 The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development as set out in Chapter 6 above.

Table 12.5a Residual Value v BLV South					
			EUV	BLV	Residual Value
Site 1	South Cayton	Cayton	25,000	425,000	188,613
Site 3	Large Green 500	South	25,000	425,000	288,260
Site 4	Large 200	South	25,000	425,000	229,864
Site 5	Green 125	South	25,000	425,000	224,313
Site 6	Green 75	South	25,000	425,000	-191,236
Site 7	Green 50	South	25,000	425,000	-236,619
Site 8	Green 30	South	25,000	425,000	-229,453
Site 9	Green 20	South	25,000	425,000	-41,524
Site 10	Green 15	South	25,000	425,000	-246,471
Site 11	Green 10	South	50,000	450,000	-468,722
Site 12	Green 8	South	50,000	450,000	335,690
Site 13	Green 6	South	50,000	450,000	508,362
Site 14	Green 4	South	50,000	450,000	259,677
Site 15	Brown 100	South	370,000	444,000	-629,203
Site 16	Brown 50	South	370,000	444,000	-1,396,874
Site 17	Brown 30	South	370,000	444,000	-1,150,696
Site 18	Brown 20	South	370,000	444,000	-1,242,253
Site 19	Brown 15	South	370,000	444,000	-1,230,880
Site 20	Brown 9	South	370,000	444,000	-634,314
Site 21	Brown 6	South	370,000	444,000	-737,197

Source: HDH (May 2022)

Table 12.5b Residual Value v BLV Whitby, Remaining Areas					
			EUV	BLV	Residual Value
Site 2	East of Lancaster Pk	Scalby	25,000	425,000	785,401
Site 3	Large Green 500	Remaining	25,000	425,000	634,071
Site 4	Large 200	Remaining	25,000	425,000	601,651
Site 5	Green 125	Remaining	25,000	425,000	611,369
Site 6	Green 75	Remaining	25,000	425,000	220,351
Site 7	Green 50	Remaining	25,000	425,000	249,760
Site 8	Green 30	Remaining	25,000	425,000	248,217
Site 9	Green 20	Remaining	25,000	425,000	431,820
Site 10	Green 15	Remaining	25,000	425,000	231,402
Site 11	Green 10	Remaining	50,000	450,000	-16,899
Site 12	Green 8	Remaining	50,000	450,000	1,125,269
Site 13	Green 6	Remaining	50,000	450,000	1,329,476
Site 14	Green 4	Remaining	50,000	450,000	851,414
Site 15	Brown 100	Remaining	370,000	444,000	-486,900
Site 16	Brown 50	Remaining	370,000	444,000	-1,231,206
Site 17	Brown 30	Remaining	370,000	444,000	-986,607
Site 18	Brown 20	Remaining	370,000	444,000	-1,061,647
Site 19	Brown 15	Remaining	370,000	444,000	-1,091,643
Site 20	Brown 9	Remaining	370,000	444,000	-428,864
Site 21	Brown 6	Remaining	370,000	444,000	-497,430

Source: HDH (May 2022)

Table 12.5c Residual Value v BLV Scarborough Town					
			EUV	BLV	Residual Value
Site 3	Large Green 500	Scarborough	25,000	425,000	238,132
Site 4	Large 200	Scarborough	25,000	425,000	176,752
Site 5	Green 125	Scarborough	25,000	425,000	169,019
Site 6	Green 75	Scarborough	25,000	425,000	-252,838
Site 7	Green 50	Scarborough	25,000	425,000	-309,059
Site 8	Green 30	Scarborough	25,000	425,000	-300,121
Site 9	Green 20	Scarborough	25,000	425,000	-110,387
Site 10	Green 15	Scarborough	25,000	425,000	-316,517
Site 11	Green 10	Scarborough	50,000	450,000	-533,974
Site 12	Green 8	Scarborough	50,000	450,000	220,516
Site 13	Green 6	Scarborough	50,000	450,000	389,093
Site 14	Green 4	Scarborough	50,000	450,000	174,964
Site 15	Brown 100	Scarborough	370,000	444,000	-1,059,956
Site 16	Brown 50	Scarborough	370,000	444,000	-1,896,180
Site 17	Brown 30	Scarborough	370,000	444,000	-1,642,963
Site 18	Brown 20	Scarborough	370,000	444,000	-1,784,074
Site 19	Brown 15	Scarborough	370,000	444,000	-1,648,590
Site 20	Brown 9	Scarborough	370,000	444,000	-1,254,635
Site 21	Brown 6	Scarborough	370,000	444,000	-1,461,094
Site 22	Brown 60HD	Scarborough	370,000	444,000	-888,158
Site 23	Brown 30HD	Scarborough	370,000	444,000	-721,336
Site 24	BTR Housing 60	Scarborough	25,000	425,000	-1,101,812
Site 25	BTR Flats 60	Scarborough	370,000	444,000	-2,508,147

Source: HDH (May 2022)

12.50 Across the typologies, the results vary, although this is largely due to the different assumptions around the nature of each typology.

a. The brownfield typologies that are representative of development within the urban areas, including Scarborough, Whitby and Filey, all generate a Residual Value that is below the EUV, so should be considered as unviable.

b. The greenfield sites do generate greater residual values, but whilst these are generally above the EUV, they are not above the BLV on the larger sites, other than in the Remaining areas (i.e. excluding the south and Scarborough), where the larger sites are shown as viable, as are the smaller ones that are below the affordable housing threshold. The smaller sites that are subject to affordable housing have lower values.

The Residual Value is higher on the larger greenfield sites than the smaller greenfield sites as the larger greenfield sites are modelled assuming the construction cost is at the BCIS lower quartile cost, and smaller greenfield sites are modelled assuming the construction cost is the BCIS median cost.

c. The Build to Rent typologies are also shown as being unviable.

12.51 These results are consistent with the Council's experience through the development management process. The 30% affordable housing requirement does not apply across the Borough. It is important to note that some sites in this area (for example cleared sites) are coming forward and delivering housing. The results in the rural areas, and in particular the higher value areas, are consistent with the Council's experience through the development management process where affordable housing is routinely delivered on market housing led development sites.

Varied Benchmark Land Values

12.52 The base appraisals assume the BLV on brownfield sites as EUV plus 20% and on brownfield sites (where the EUV is taken to be £370,000/ha), and EUV plus £400,000 on greenfield sites (where the EUV is taken to be £25,000/ha for agricultural use and £50,000/ha or paddock use). Through the consultation the level of the BLV was challenged by one agent, with a range of between £525,000 and £775,000 per hectare being suggested. These variables have been sensitivity tested.

12.53 This analysis shows that the number of typologies shown as being viable falls relatively quickly as the BLV assumption increases.

Cumulative Cost of Policies

12.54 Each policy requirement that adds to the cost of development leads to a reduction of the Residual Value. This results in the developer being able to pay the landowner less for the land. A set of appraisals has been run adding individual policy requirements.

12.55 Initially the national requirements of 10% Biodiversity Net Gain, increased Building Regulations (Part L) and EV Charging are tested.

12.56 The costs of seeking the national requirements of 10% Biodiversity Net Gain, increased Building Regulations (Part L) and EV Charging are about £150,000/ha on greenfield sites and £200,000/ha on the brownfield sites. It is higher on the brownfield sites as the densities are higher. The significance of this is that if the national standards are met, then that developer can afford to pay the landowner about £150,000/ha less on greenfield sites, and £200,000/ha on brownfield sites.

12.57 The costs of seeking all the policy requirements, over and above the national standards tested is very substantial, at about £270,000/ha on greenfield sites, and £350,000/ha on brownfield sites.

Affordable Housing

12.58 Further sets of appraisals have been run to establish the cost of providing affordable housing in addition to the base national policy requirements, but in the absence of other policy requirements. This analysis has been carried out in two scenarios:

a. The first as per a strict reading of the NPPF and PPG where 25% of the affordable housing is provided as First Homes, and the 10% of all housing is as Affordable Home Ownership.

b. The second is where 50% of the affordable housing is provided as Affordable Rent and the remaining 50% is split equally between First Homes and Affordable Home Ownership, as Shared Ownership.

12.59 The cost of providing 10% affordable housing is about £100,000/ha or so. The figure is less in the lower value area of Scarborough town, and the market values are less and so are closer to the affordable values. The significance of this is that for each 10% affordable housing, the developer can afford to pay the landowner about £100,000/ha less.

12.60 Where 50% of the affordable housing is Affordable Rent, consideration has also been given to the impact of reducing the costs of the Affordable Home Ownership element. The cost of providing 10% affordable housing is about £145,000/ha or so, being a little less than under the first scenario. As above, the figure is less in the lower value area of Scarborough town and the market values are less and so are closer to the affordable values. The significance of this is that for each 10% affordable housing, the developer can afford to pay the landowner about £140,000/ha less.

12.61 The maximum price that a First Home may be sold at is 70% of market value (Capped at £250,000). Paragraph 70-004-20210524 provides scope for a council to reduce that discount to 60% or 50%, subject to that being justified. In addition, the Council currently has a 'Discount for Sale' product where the sale price is restricted to 45% in Whitby, North and Western Parishes, 30% in Scarborough Urban area and 40% in Filey and Southern Parishes. The cost of seeking a lower maximum price than 70% (or a greater level of discount than 30%) has been assessed. This analysis shows the cost of seeking a discount over and above the 70% minimum has a significant impact in reducing the Residual Value.

Developer Contributions

12.62 The above analysis does not consider developer contributions. A further set of appraisals has been run to establish the cost of developer contributions (in the absence of other policy requirements).

12.63 The results show that a £5,000 increase in amount of developer contributions sought, on average, across the typologies, leads to a fall in the Residual Value of about £130,000/ha. The significance of this is that for each £5,000/ha increase in amount of affordable housing, the developer can afford to pay the landowner about £130,000/ha less. This is broadly similar to the cost of providing 10% affordable housing.

12.64 Bearing in mind that the greenfield BLV assumption is £450,000/ha, it is clear that this would be a substantial cost to a landowner.

12.65 Education contributions are currently being discussed by the SBC and North Yorkshire County Council (NYCC). NYCC have proposed a formula generates a payment of about £8,000/unit for 3 bed homes on schemes of over 100 units. This analysis shows that such an approach would significantly harm viability.

Primary Residence Condition

12.66 The Council is exploring the option of introducing a primary residence clause, whereby new homes may only be purchased by a household that will use the home as their primary residence (rather than as a holiday home).

12.67 Such a policy restricts the range of buyers that may purchase a house. It is inevitable that this will reduce demand and reduce values to some extent. It is difficult to predict what the impact will be, this will depend on the conditions that may be applied. In this assessment a scenario is tested where the market homes are subject to a PRC that reduces the value by 5% to 30%.

12.68 This analysis shows that a policy that results in a 5% fall in values would result in a fall in land values of £200,000 or so, and that a policy that results in a 10% fall in values would result in a fall in land values of £400,000. To set this in context the Benchmark Land Value is taken to be £425,000/ha on greenfield sites. The Council should be cautious in introducing such a policy as it is likely to render most development unviable.

12.69 The impact that a PRC would have on affordable housing is also considered..

Affordable Housing v Developer Contributions

12.70 The critical balance in the plan-making process is the balance between affordable housing and developer contributions. A set of appraisals has been run with varied levels of developer contribution at different levels of affordable housing. As set out in Chapter 8 above, based on discussions with the Council, the base assumption is for a 30% affordable housing requirement and range of costs of up to £20,000/unit are tested.

12.71 To a large extent the results are as would be expected in an area that has relatively low values. There is limited scope to seek developer contributions in addition to affordable housing, and where developer contributions are required to provide strategic infrastructure and mitigation, it is likely to impact on the delivery of affordable housing.

Suggested Housing Policy Requirements

12.72 The consideration of viability in the plan-making process is an iterative process, with the results of the viability testing informing the development of policy. In the sections above, the ability of development to bear a range of costs has been considered. How this information is brought together will be a matter for the Council – bearing in mind its own priorities and requirements.

12.73 It is clear that development is coming forward across the Scarborough Borough Council area, and much of that development is generally policy compliant (i.e. achieving the full affordable housing requirement) and making some (albeit modest) financial developer contributions. It is important to note that whilst both values and costs have increased since the Council's previous viability assessment in 2016, it is also necessary to note that there are additional costs that impact on viability that have been, or are being, introduced at a national level. These include requirements for Biodiversity Net Gain, the uplift in Building Regulations in relation to the move towards Zero Carbon, the requirement for 25% of affordable homes to be First Homes, and the mandating of Electric Vehicle Charging Points. As part of the iterative process of preparing this report, the requirement for 8% of homes to meet the Part M4(3) (wheelchair accessible) has been reduced to 2%.

12.74 Having considered the results of the various appraisals reporting the impact of the range of policy aspirations and requirements set out above, the Council recognises that not all the policy areas tested will be deliverable. Bearing in mind the wider evidence base and local priorities, the following requirements are considered desirable:

a.	Affordable Housing	Where 25% of the affordable homes are First Homes and the balance as 30% Affordable Home Ownership / 70% Affordable Rent.
b.	Design	All units as Part M4(2) and 2% Part M4(3) on larger schemes of 100 units and larger. Water efficiency, 10% Biodiversity Net Gain. 31% CO_2 Saving in line with Part L Uplift. in line with national standards, EV Charging (except high density flats without parking).
c.	Developer Contributions	s106 as £/unit at the following rates: Strategic Sites £10,000/unit All other £2,500/unit

12.75 A further set of appraisals has been run with these requirements and varied levels of affordable housing. In addition, two sets of appraisals have been run that are the same to those above, however the first tests the effect of zero carbon standards (with Air Source Heat Pump) on affordable housing, and the second to tests the effect of a Primary Residence Condition that reduces house prices by 5% on affordable housing.

12.76 Across the typologies, the results vary across the modelled sites, although this is largely due to the different assumptions around the nature of each typology.

a. The two strategic sites are important to the delivery of the emerging Plan, and both are well progressed in the planning process. The results on the East of Lancaster Park site are substantially better than for the South Cayton site. This is due to the higher value used and assumptions around the net developable area. Both sites assume 30 units per hectare, however East of Lancaster Park is based on a net area of 84.7% and South Cayton is based on an area of 63.4%.

There is no doubt that the delivery of any large site is challenging so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.

In this context we particularly highlight paragraph 10-006 of the PPG:

... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....

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b. The greenfield sites do generate greater residual values. These are generally above the BLV on the larger sites (which are modelled using the lower quartile BCIS costs, rather than the median cost used on the smaller sites). These sites have capacity to bear affordable housing. This analysis suggests that the following levels of affordable housing would be appropriate:

i. **South**. 10% affordable housing. Whilst this may be challenging on some of the smaller sites (where costs are higher), 10% or 15% should be achievable on most larger sites.

If the Council were to pursue the option of requiring new homes to be restricted to being a primary residence little development would be viable and a zero affordable housing target would be appropriate. Similarly a policy requiring zero carbon would render most development unviable and a zero affordable housing target would be appropriate.

Whilst further appraisals have not been run to test the combined impact of a primary residence restriction and zero carbon together, it follows that the viability situation would be worse.

ii. **Scarborough Urban Area**. 10% affordable housing. Little housing is planned on the greenfield area between Scarborough and Eastfield and Osgodby.

If the Council were to pursue the option of requiring new homes to be restricted to being a primary residence none of the typologies would be viable. Similarly a policy requiring zero carbon would render development unviable. Further appraisals have not been run to test the combined impact of a primary residence restriction and zero carbon together, it follows that the viability situation would be worse.

iii. **The remaining areas of the Borough**. 25% affordable housing. Whilst the larger sites are likely to be able to bear 30% affordable housing, we suggest a cautious approach due to the uncertainty around developer contributions.

Whilst 30% affordable housing is frequently achieved, this is not always the case.

If the Council were to pursue the option of requiring new homes to be restricted to being a primary residence the larger greenfield sites remain viable at 30% affordable housing, however a lower affordable housing target of 5% would be appropriate due to the impact on smaller sites. A policy requiring zero carbon would have a similar impact. Further appraisals have not been run to test the combined impact of a primary residence restriction and zero carbon together, it follows that the viability situation would be worse.

The results in the lower value areas do not sit comfortably with the Council's experience on the ground. Across SBC, sites are coming forward and are delivering up to 30% affordable housing (see Appendix 8 below). Having said this, it is important to acknowledge that these sites did not include the requirements for the move towards Zero Carbon as per the 31% CO_2 Saving in line with Part L Uplift, EV Charging Points or Biodiversity Net Gain. We recommend that the Council prioritises the larger greenfield sites in the early years of the Plan as the results are better on these.

c. The brownfield typologies that are representative of development within the urban areas, including Scarborough, Whitby and Filey, all generate a Residual Value that is below the EUV, even without affordable housing, so should be considered as unviable.

Across the urban areas of SBC (including Whitby and Filey), brownfield sites are coming forward and are delivering affordable housing, albeit at low levels, so it is recommended that the affordable housing requirement on such sites is reduced to 10%.

The Council should be cautious in relying on such development, for example, in calculating its 5 year land supply, and to only count such sites when the guidance set out in paragraph 68-007-20190722 of the PPG is followed.

d. The Build to Rent typologies are also shown as being unviable. As for other brownfield development, the Council should be cautious in relying on such development, for example, in calculating its 5 year land supply.

12.77 Due to the marked impact on the delivery of affordable housing, it is assumed that the Council will not pursue a Primary Residence Condition policy or seek environmental standards that over and above Building Regulations.

Impact of Change in Values and Costs

12.78 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produces various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 8.2% over the next 3 years. We have tested a range of scenarios with varied increases in build costs. Further, we are in a current period of uncertainty in the property market. We have tested several price change scenarios. In this analysis, we have assumed all other matters in the base appraisals remain unchanged.

12.79 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan. Conversely a modest increase in value could have a significant impact in improving viability.

Older People's Housing

12.80 As well as mainstream housing, the Sheltered and Extracare sectors are considered separately. Appraisals were run for a range of affordable housing requirements.

12.81 Based on this analysis, this type of housing is unlikely to be viable in the current market in Scarborough, but is likely to be viable in the higher value areas of Whitby and Filey.

12.82 When considering the above, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage. It is therefore not necessary to differentiate within policy for this sector.

Non-Residential Appraisals

12.83 We have run a set of financial appraisals for the non-residential development types.

Employment uses

12.84 To some extent the above results are reflective of the current market in the east of Yorkshire and more widely. Office and industrial development are shown as being unviable, however this is not just an issue within SBC. Having said this, employment space is being delivered in the Borough. There have been some completions recently, for example at Manor Court (to the south of Scarborough).

12.85 Employment development is only being brought forward to a limited extent on a speculative basis by the development industry. Much of the development tends to be from existing businesses and / or for operational reasons, for example, existing businesses moving to more appropriate and better located town edge properties.

12.86 It is important to note that the analysis in this report is carried out in line with the Harman Guidance, and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. As set out in Chapters 2 and 3 above, the Guidance does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in the Scarborough area is 'user led' being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes. The exception to the above are distribution uses which are shown as being viable.

12.87 It is clear that the speculative development of employment uses is challenging in the current market, but such development is coming forward. The Council should be cautious in relation to setting policy requirements for employment uses that would unduly impact on viability.

Retail and Hotel

12.88 Larger format retail developments are shown as viable, with the Residual Value exceeding the Benchmark Land Value by a substantial margin. The Plan supports the development of retail uses in the town centres but there are limited remaining opportunities within the town centres beyond those being currently pursued. The Council wishes to see a broad range of retailing in the towns, and the Plan directs this towards the town centres.

12.89 The analysis included hotel use. This is shown to be marginally viable on greenfield sites.

Conclusions

12.90 This Local Plan Viability Assessment has been carried out in line with the requirements of the National Planning Policy Framework and the Planning Practice Guidance (as at May 2022), including incorporating a period of consultation.

12.91 In terms of property development, the part of Scarborough Borough Council area to which the new Local Plan will apply (i.e. the area outside of the North York Moors National Park) is mixed. Overall, the market is perceived to be active, with a strong market for the right scheme in the right place. Having said this, some areas remain challenging, the low house prices in some areas do make the delivery of new housing less easy. The uncertainties in the market are material. All types of residential and non-residential development are coming forward.

12.92 The results in the built-up area show that development is not generally viable, which is consistent with the Council's experience through the development management process where few sites deliver the current affordable housing target – although it is important to note that some sites in this area are coming forward and delivering housing. In the rural area, and in particular the higher value areas, the Council's experience through the development management process is that affordable housing is routinely delivered on market housing led development sites.

12.93 Development is coming forward across the Scarborough Borough Council area, and much of that development is generally policy compliant (i.e. achieving the full affordable housing requirement) and making some financial developer contributions. Having considered the results of the various appraisals reporting the impact of the range of policy aspirations and requirements set out above, the Council recognises that not all the policy areas tested will be deliverable. Bearing in mind the wider evidence base and local priorities, the following requirements are considered desirable:

a.	Affordable Housing	Where 25% of the affordable homes are First Homes and the balance as 30% Affordable Home Ownership / 70% Affordable Rent.
b.	Design	All units as Part M4(2) and 2% Part M4(3) on larger schemes of 100 units and larger. Water efficiency, 10% Biodiversity Net Gain. 31% CO_2 Saving in line with Part L Uplift. in line with national standards, EV Charging (except high density flats without parking).
c.	Developer Contributions	s106 as £/unit at the following rates: Strategic Sites £10,000/unit All other £2,500/unit

12.94 Based on the analysis, should the Council purse a set of policies that align with the above, the following affordable housing requirements would be appropriate.

- **South**. 10% affordable housing. Whilst this may be challenging on some of the smaller sites (where costs are higher), 10% or 15% should be achievable on most larger sites.
- **Scarborough Urban Area**. 10% affordable housing. Little housing is planned on the greenfield area between Scarborough and Eastfield and Osgodby.
- **The remaining areas of the Borough**. 25% affordable housing. Whilst the larger sites are likely to be able to bear 30% affordable housing, we suggest a cautious approach due to the uncertainty around developer contributions. Whilst 30% affordable housing is frequently achieved, this is not always the case.

12.95 It is clear that the speculative development of employment uses is challenging in the current market, but such development is coming forward. The Council should be cautious in relation to setting policy requirements for employment uses that would unduly impact on viability.

12.96 Larger format retail developments are shown as viable, with the Residual Value exceeding the Benchmark Land Value by a substantial margin. The Plan supports the development of retail uses in the town centres but there are limited remaining opportunities within the town centres beyond those being currently pursued.

Levelling-up and Regeneration Bill

As this report was being completed, the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* have yet to be published.

It will be necessary for the Council to monitor the progress of the Bill and in due course review this report, as and when the Regulations are published.

HDH Planning and Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers. The firm is regulated by the RICS.
The main areas of expertise are:

- Community Infrastructure Levy (CIL)
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- Local and Strategic Housing Market Assessments and Housing Needs Assessments

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