Report

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CIL Development Viability Study: Residential Urban Extension Birmingham City Council

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Foreword

1. INTRODUCTION

1.1 This report forms an update to initial viability testing conducted in October 2012. GVA has been instructed by Birmingham City Council (the Council) to test the CIL viability levels in regard to a Sustainable Urban Extension (SUE) in the Birmingham area. This report will also present Land Registry data regarding residential sales in the Birmingham area, and examine the figures recommended in 2012, applying 40% discount to the maxim3(d4(srep)eam)6(n)-3]

almost all cases, including for SUEs, and therefore that the residual S106 items will be minor in nature and cost.

3.1

- 2.11 In discussion with Officers we have agreed that for the purpose of the testing we will illustrate the maximum CIL that would arise if the Councils seek to continue charge for S106 obligations equivalent to:
 - (a) £10,000 per dwelling (private and affordable); or,
 - (b) £20,000 per dwelling (private and affordable)
- 2.12 In practice, the viability assessment undertaken for a planning application will factor in first the CIL payable and then the necessary S106 obligations. The residual sum will then show how much is available for affordable housing. For the purpose of this testing we have reversed this sequence and sought to illustrate how much is available to pay for CIL once one takes into account an assumed affordable housing requirement together with the adopted S106 payment.
- 2.13 For ease of reference we have focused only on the housing within the SUE. There will also be other buildings that are potentially liable for CIL; however, for the benefit of this residential testing they have not been considered.

3. ASSUMPTIONS

Private Sales Values

3.1 The site identified as most suitable for development for an SUE is located immediately to the east of the Sutton Coldfield urban area. We have therefore adopted the same private sales values as those used in the initial viability testing of October 2012 for Market Value

- (a) the Harman Report recommends the use of current costs and values for setting CIL, echoing the guidance of DCLG; and
- (b) Large schemes are naturally subject to phasing so the CIL payable for later phases will be by reference to the CIL rates that then apply. If it is shown that values have indeed increased by more than build costs, then there is a likelihood that a higher CIL rate will apply.

Other Assumptions

- 3.4 The assumptions we have adopted are detailed in Table 3 and 4. These assumptions reflect the fact that the sites will be built by national and large regional developers who benefit from economies of scale.
- 3.5 For ease of reference we have shown the results for a blended average of the affordable housing, since we have not varied the split of affordable rent and intermediate tenures.
- 3.6 On instruction we have assumed S106 payments of £10,000 (or £20,000) per unit. We have adopted the following timings and proportions of payments:

Item	Assumption	
Net residential a rea	175 ha (435 acres)	
Affordable Housing Split	20%, and 35%	
Tenure Split	70:30 Affordable rent: Intermediate	
Grant Assumption	No grant	

Table 5: CIL assuming 20% Affordable

Enabling Costs	IRR @ 20%	

Appendices

BIRMINGHAM CIL Sustainable Residential Development of 5,000 dwellings Enabling Costs @ £20,000 per dwelling Assume 20% Affordable Housing & S106 Contribution @ £10,000 per dwelling Nil CIL

BIRMINGHAM CIL Sustainable Residential Development of 5,000 dwellings Enabling Costs @ £20,000 per dwelling Assume 35% Affordable Housing & S106 Contribution @ £10,000 per dwelling Nil CIL

REVENUE			
Private Housing 3,250 Dwellings	3,252,000 sq-ft at £230 psf		747,960,000
Affordable Housing 1,750 Dwellings	1,751,000 sq-ft at £151 psf		264,395,000
		REVENUE	1,012,355,000

COSTS